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OUTLOOK

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Research Center
Business Cycles and Growth

GERMAN ECONOMY IN SUMMER 2025: SIGNS OF RECOVERY AS ECONOMY BOTTOMS OUT

Jens Boysen-Hogrefe, Dominik Groll, Timo Hoffmann, Nils Jannsen, Stefan Kooths und Christian Schröder

The German economy is showing signs of recovery. GDP increased considerably at the start of the year, and businesses are feeling more optimistic about the future. However, economic momentum is likely to remain subdued for the time being, partly due to the negative impact of U.S. trade policy. In addition to the negative effects of higher tariffs, the impact of front-running exports to the United States—which contributed to the strong start to the year—will also be felt over the next few quarters. The pace of expansion will pick up noticeably in the coming year, as the greater fiscal leeway of the new German government comes into play. We assume that the expansionary fiscal policy will increase the GDP growth rate by 0.8 percentage points in 2026, while higher U.S. tariffs are expected to dampen growth in sum by 0.3 percentage points this and next year. Against this backdrop, we expect GDP growth rates of 0.3 percent this year (spring forecast: 0.0 percent) and 1.6 percent in 2026 (spring forecast: 1.5 percent), which is slightly higher than our previous forecast. In addition to U.S. trade policy, German exporters are suffering from a significant loss in competitiveness. Inflation is expected to decline to 1.6 percent in 2026, primarily due to lower energy prices, down from 2.2 percent this year. Given rising incomes, private consumption is expected to increase notably this year and next year. Investment is set to bottom out after declining for the past three years. More favorable financing conditions and, in 2026, expansionary fiscal policy will contribute to the recovery of investment. As the economy recovers, the labor market is expected to overcome its current weakness, and unemployment will decline again next year. The government's budget deficit is expected to rise to 3.5 percent of GDP in 2026. A decrease to 2.1 percent is expected for the current year (2024: 2.7 percent).

Gradual economic recovery gaining traction. The German economy is gradually entering a moderate expansion phase. In the first quarter, GDP grew more strongly than expected, supported in part by frontloaded exports to the United States ahead of anticipated tariff hikes. However, these shipments explain only part of the export surge, which likely reflects also a rebound from sharp declines in the second half of the previous year. In addition, gross fixed capital formation and private consumption increased noticeably. Leading indicators suggest that the period of alternating quarterly gains and losses may be coming to an end. The business climate has been improving for five consecutive months. Nonetheless, the strong growth seen at the beginning of the year is unlikely to persist. Purchasing managers report a more subdued outlook for the second quarter, and the boost from frontloaded exports will reverse. U.S. tariffs, which rose sharply in April, are expected to weigh increasingly on exports. As a result, GDP is expected to grow by 0.1 percent in the second quarter and to stagnate in the third quarter (Figure 1). Toward year-end, economic activity is expected to strengthen as industrial production shows signs of bottoming out and real income gains support consumer-related industries. However, a sustained upswing is constrained by structural challenges. Declining competitiveness and Germany's weak

Figure 1:
Gross domestic product
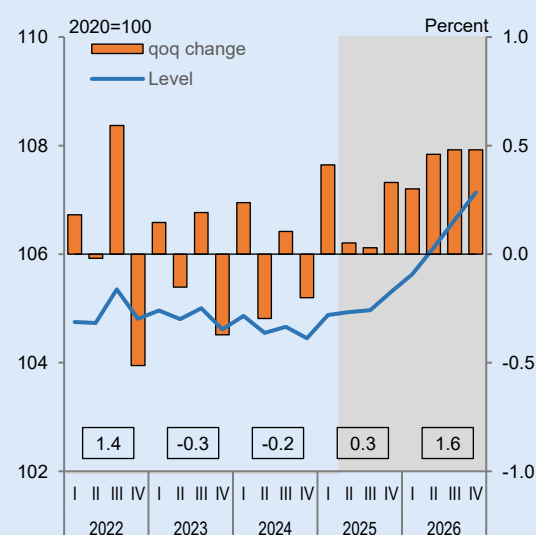
Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

growth relative to international peers underscore the underlying issues. Business expectations remain low despite recent stabilization, reflecting continued uncertainty. An additional risk stems from the volatile U.S. trade policy. This forecast assumes that higher U.S. tariffs will dampen GDP by around 0.3 percentage points, with effects visible through the fourth quarter. The ongoing provisional federal budget is expected to limit public consumption until late in the year, when a significant rebound in government spending is anticipated.

Fiscal policy will boost GDP in 2026. With the adjusted debt brake and the new special infrastructure fund, federal and state governments will have significantly greater fiscal space. Assuming defense spending rises to around 3 percent of GDP and funds from the special infrastructure fund are used steadily, annual fiscal space will increase by roughly 3¼ percent of GDP. However, due to planning and implementation delays, it will take time before these additional funds are fully utilized. This forecast anticipates a fiscal impulse of about 1¼ percent of GDP in 2026. Numerous studies on the real economic effects of increased public spending reveal a wide range of potential effects on GDP. A key factor influencing these effects is capacity utilization. It is plausible that fiscal measures have a greater impact when overall economic capacity is low, as there is less crowding out of other activities. Currently, low aggregate capacity suggests relatively strong effects. However, capacity utilization—as well as the order situation—is significantly higher in civil engineering, which mainly covers public construction projects, than in other construction segments. It seems also likely that capacity utilization in the defense industry is currently high, even if concrete information on this is rather scarce. Furthermore, evidence suggests that the real economic impact of expansionary (Barchinon et al. 2023) and larger fiscal impulses (German and Karamysheva 2022) tends to be smaller. Against this backdrop, we expect the additional fiscal measures to raise GDP by approximately 0.8 percent in 2026. This estimate falls within the central range of fiscal multipliers identified in the academic literature (Ramey 2019). The fiscal stimulus will accelerate the economic recovery, with the output gap expected to be largely closed by the end of 2026.

Despite recent gains, German exports remain subdued. Germany's foreign trade recorded a strong performance in the first quarter. Exports and imports of goods rose by 3.9 percent and 1.6 percent, respectively. Part of the export growth stemmed from by frontloaded exports related to the escalating U.S. trade conflict, which also impacted trade with third countries. However, these one-off effects and the increase in U.S. tariffs in April imply weaker export momentum going forward. Although nominal exports to the U.S. rose by 5 percent in the first quarter, this explains the overall increase only partly and may reflect also a rebound from sharp declines in late 2024. Despite recent gains, German exports remain subdued relative to global trade, reflecting the deteriorating competitiveness of the manufacturing sector, as confirmed by survey data. Leading indicators for exports send mixed signals. However, over the remainder of the year, restrictive U.S. trade policy will increasingly weigh on German exports. Higher tariffs—for this forecast we assume that U.S. tariffs on imports from the European Union will remain 10 percentage points higher until the end of the forecast period—and uncertainty around future measures are expected to significantly reduce exports to the U.S. In line with estimates based on trade models (Kiel Institute 2025), we assume that higher U.S. tariffs will reduce German exports by roughly 0.8 percent, gradually impacting growth in both 2025 and 2026. Additionally, rising competition from China will likely continue to dampen exports. The relatively robust global economy will provide some support, though reduced competitiveness remains a drag. We expect exports to decline by 0.4 percent in 2025 and rise by 1.2 percent in 2026.

Private consumption is on an upward trajectory again. Private consumption increased markedly in the first quarter, continuing its upward trajectory for the fourth consecutive quarter. This development reflects the delayed transmission of last year's significant real income gains, which were primarily driven by lagged wage adjustments to prior inflation and government support measures aimed at preserving purchasing power. The 0.5 percent rise in consumption was stronger than anticipated and accompanied by a notable decline in the savings rate, likely due in part to the gradual spending of prior income gains—some of which were one-off payments. However, the extent of the decline in the savings rate was unexpected, especially given the renewed deterioration in consumer sentiment during the same period.

Looking ahead, private consumption is expected to lose momentum over the course of the year. Weak retail sales in April, subdued consumer confidence, and only moderate growth in real disposable income suggest a slower pace. Nominal wage growth is set to decelerate following previous inflation-driven increases, while the expiration of tax-free inflation compensation bonuses and rising social security contributions will dampen disposable incomes. A more pronounced recovery in real disposable income is not expected until next year, supported by easing consumer price inflation. Consequently, private consumption is projected to gain strength gradually over the course of 2026. Owing to the robust start into this year, private consumption is expected to increase by about 1 percent in both 2025 and 2026.

Government incentives and tax measures are supporting investment in machinery and equipment, but structural barriers remain. Investment in machinery and equipment rose by 0.7 percent in the first quarter, driven primarily by a substantial increase in public investment (+9.8 percent), likely linked to the special fund for military expenditures. In contrast, private investment edged down slightly (-0.5 percent). Weak overall capacity utilization and heightened policy uncertainty continue to weigh on investment activity. For the second quarter, we expect a decline of 0.7 percent in machinery and equipment investment based on the leading indicators. However, moderate growth is projected for the remainder of the year. Domestic orders, excluding major contracts, have remained stable since early 2024, with stronger momentum anticipated toward the end of the year. Private investment in machinery and equipment will pick up, supported by the economic recovery and expansionary fiscal policy. New tax depreciation rules ("investment booster") are also expected to stimulate investment—particularly benefiting small businesses with high capital demand. Nonetheless, structural investment barriers and persistent political uncertainty are unlikely to be fully offset by improved tax incentives. Overall, investment in machinery and equipment is expected to decline by 1 percent in 2025 and increase by 4.7 percent in 2026.

Construction investment is picking up after last year's low. In the first quarter, construction investment rose by 0.5 percent, supported by increases in residential (+0.9 percent) and public investment (+1.3 percent), while corporate investment declined (-0.9 percent). Leading indicators point to a further increase in construction investment in the second quarter, as capacity utilization and business climate among construction firms improved. Overall, construction investment is expected to grow by 0.6 percent in the second quarter. There are increasing signs that construction investment has bottomed out and will continue to rise over the course of the year. Civil engineering continues to benefit from a strong order backlog, and easing financing conditions have led to increases in both new loans and housing construction orders. Recent building permit data also indicate that the positive trend is likely to continue into next year. Public construction activity is expected to expand significantly in 2026 due to the fiscal expansion. However, capacity constraints—particularly in civil engineering—could limit the pace of further growth. Overall, construction investment is projected to rise by 1 percent in 2025 and 3 percent in 2026.

Core inflation remains elevated. Headline inflation has remained close to 2 percent for about a year, with short-term fluctuations largely driven by energy prices. Core inflation (excluding energy) has remained steady between 2.5 percent and 3 percent, primarily due to persistent increases in service prices (excluding rents), which are gradually catching up for earlier relative-price losses during the high-inflation period. This adjustment reflects the sluggish price response of services compared to goods. Energy prices, on a downward trajectory for the past 18 months, have recently fallen more sharply, mainly due to declining oil prices and an appreciation of the euro. Futures markets now indicate significantly lower commodity prices over the forecast horizon. For crude oil, average prices are projected at 66.4 US-dollars per barrel in 2025 and 63.4 US-dollars in 2026—roughly 10 percent below our spring forecast. As a result, energy prices are expected to decline by 1.9 percent this year and 5.9 percent in 2026. Despite these declines, energy will remain about 35 percent more expensive in 2026 than in 2020. The forecast assumes a reduction of electricity prices due to lower state-imposed price components by 5 cents per kWh starting in early 2026, which would ceteris paribus lower the inflation rate by around 0.3 percentage points that year. While price pressures in services have recently eased somewhat,

further moderation is likely only temporary. As the economy gains momentum, core inflation is expected to remain elevated—at 2.6 percent in 2025 and 2.3 percent in 2026. A temporary VAT cut for restaurants in early 2026 is projected to have a minor price-dampening effect of 0.1 percentage points. Newly imposed U.S. tariffs—unless matched by EU countermeasures—are expected to dampen global prices somewhat, as goods previously destined for the U.S. are redirected to other markets. This effect may become more pronounced, the higher tariffs on Chinese imports will be ([Hinz et al. 2025](#)). Given our assumption about U.S. tariffs, this forecast does not incorporate major price-dampening effects from trade policy. Overall, consumer prices are forecast to increase by 2.2 percent in 2025 and 1.6 percent in 2026 (Table 1).

Table 1:
Key indicators

	2023	2024	2025	2026
Gross domestic product (GDP), price-adjusted	-0.3	-0.2	0.3	1.6
Gross domestic product, deflator	6.1	3.1	2.5	2.3
Consumer prices	5.9	2.2	2.2	1.6
Labor productivity (per hour worked)	-0.6	-0.1	0.3	0.8
Employment (1000 persons)	46,011	46,081	46,055	46,195
Unemployment rate (percent)	5.7	6.0	6.3	6.1
in relation to nominal GDP				
Public sector net lending	-2.5	-2.7	-2.1	-3.5
Gross public debt	62.9	62.5	62.7	63.9
Current account balance	5.6	5.7	5.4	4.9

GDP, consumer prices, labor productivity: percentage change on previous year; unemployment rate: as defined by the Federal Employment Agency.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Federal Employment Agency, *Monthly Bulletin;* Federal Employment Agency, *Employment Statistics*; shaded: Kiel Institute forecast.

Wage growth is significantly lower than in recent years. After negotiated wages and salaries increased by an average of 6.1 percent in 2024, the year-on-year growth rate dropped to 0.9 percent in the first quarter of the current year. This was mainly due to the discontinuation of large one-off payments, as their tax exemption expired at the end of last year. By contrast, basic pay rates excluding one-off payments continued to rise strongly by an average of 6.6 percent in the first quarter. In all major collective bargaining sectors, bargaining agreements for the current year are fixed and, in some cases, already for the coming year. Against this backdrop, we expect an overall increase in negotiated wages and salaries of 3.1 percent for 2025 and 3.2 percent for 2026. The discontinuation of inflation compensation bonuses will only affect the growth rate in the current year; in the coming year, the overall increase in earnings will largely correspond to the increase in basic pay rates. Effective earnings (gross wages and salaries per employee) also slowed at the start of the year (+3.9 percent), but to a much lesser extent than negotiated wages and salaries. This suggests that inflation compensation bonuses played a more important role for employees covered by collective bargaining agreements than for employees not covered by these agreements. For 2025, we expect effective earnings to increase by 3.2 percent. In the coming year, wage growth is expected to be of a similar magnitude. The upturn in economic activity that we expect is likely to lead to higher wage dynamics only with a time lag. However, due to the prevailing and likely worsening shortages of labor, wage growth will remain above average in a long-term comparison.

Following a further deterioration over the course of this year, there are signs of a recovery on the labor market in the coming year. After total employment fell by 81,000 people between May and September last year (seasonally adjusted), it has since stagnated up to and including April (most recent figure). Meanwhile, the rise in unemployment continued unabatedly. In May, a seasonally adjusted 2.96 million people (rate: 6.3 percent) were registered as unemployed. This means that unemployment has increased by around 470,000 people since summer 2022. The number of unemployed with Ukrainian citizenship has remained largely constant over the same period. The leading indicators for the labor market have brightened to some extent, albeit at a low level. According to the ifo Employment Barometer, the willingness to hire in the private sector increased quite significantly in April and May. However,

according to the IAB Labour Market Barometer, local employment agencies expect unemployment to continue to rise in the coming months. Against this backdrop, we expect the rise in unemployment to continue for the rest of this year, with employment stagnating. As economic activity picks up, unemployment should decline over the course of the coming year and employment should increase. All in all, we expect the unemployment rate to rise from 6 percent (2024) to 6.3 percent (2025) before decreasing to 6.1 percent (2026).

Fiscal policy is shifting back toward expansion. In March, Germany amended its constitution to permit additional borrowing, primarily to fund defense and infrastructure investments, while also creating additional fiscal flexibility. Over the medium term, this change is expected to support a structural deficit of around 3.5 percent relative to GDP, thereby bolstering both gross fixed capital formation and public consumption. In 2025, however, the public deficit is projected to decline. The constitutional amendment will have only a limited near-term impact on spending, as investment and defense budgets are set well in advance. Because the amendment was unexpected, its effects were not incorporated into the 2025 budget, meaning its influence will largely be deferred. Meanwhile, higher social security contributions will exert a restrictive effect. As a result, the public deficit will decline in 2025. A notable increase in public deficits is expected in 2026. The newly available fiscal leeway will be used to implement tax cuts and expand subsidies. In addition, defense and infrastructure spending are set to accelerate. Since a substantial share of defense expenditure is classified as government consumption, this category is also expected to rise significantly. Nevertheless, the full macroeconomic effects of the additional outlays for defense and infrastructure will likely not be realized until after 2026.

Data annex

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1. Leading indicators

Figure 1.1:
Leading indicators

Incoming orders in manufacturing

Production

Business climate
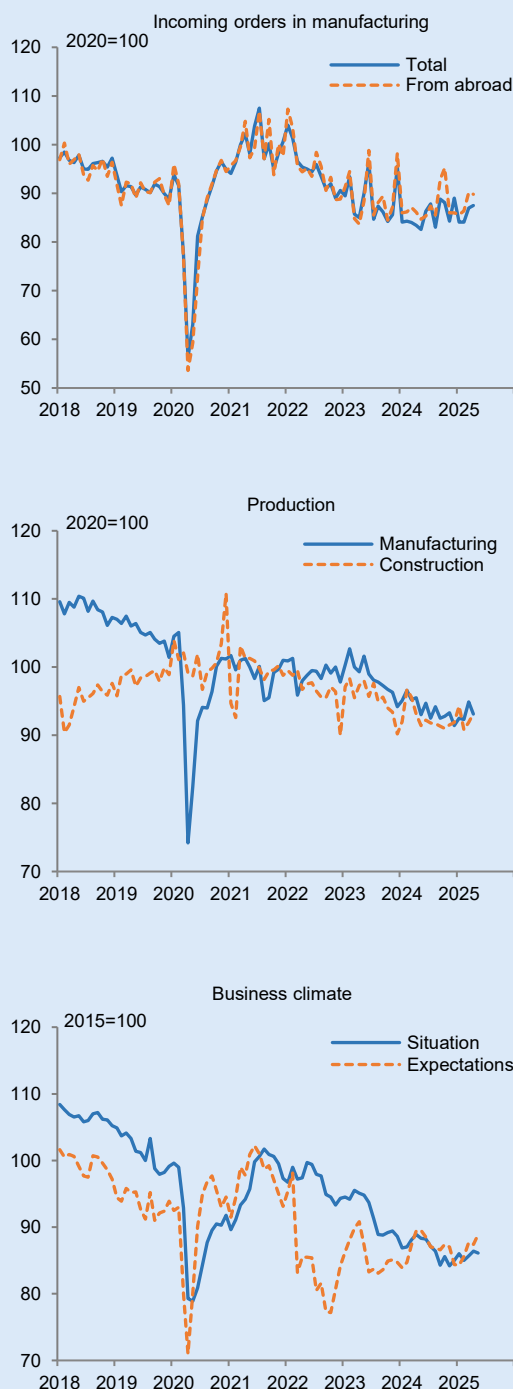
Monthly data, seasonally adjusted.

Source: Deutsche Bundesbank, *Seasonally Adjusted Business Statistics,* ifo, *Konjunkturperspektiven*; Kiel Institute calculations.

Figure 1.2:
Capacity utilization
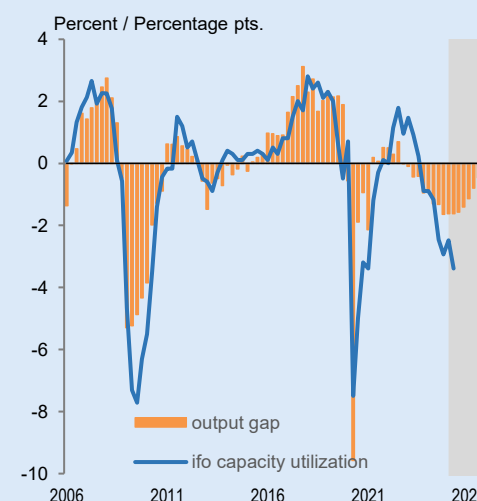
Quarterly data: GDP deviation from potential output, estimation of potential output from the medium-term projection Spring 2025 (Boysen-Hogrefe et al. 2025), deviation of ifo capacity utilization indicator from the mean (2005 bis 2019).

Source: Federal Statistical Office, ifo institue - Leibniz Institute for Economic Research, Kiel Institute forecast.

Figure 1.3:
Order stocks and capacity utilization in construction industry
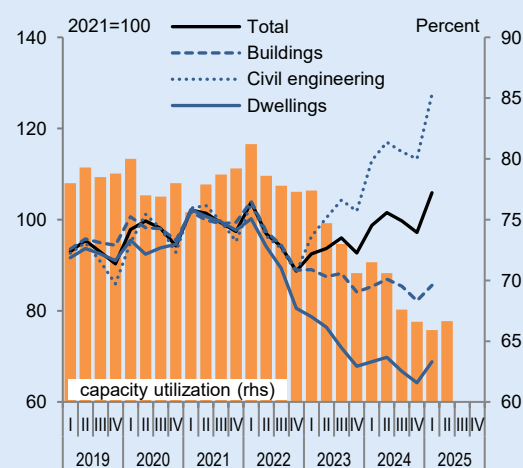
Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

Source: Federal Statistical Office, *GENESIS database*; ifo, *Konjunkturperspektiven.*

2.   Monetary conditions and prices

Figure 2.1:
Bond yields
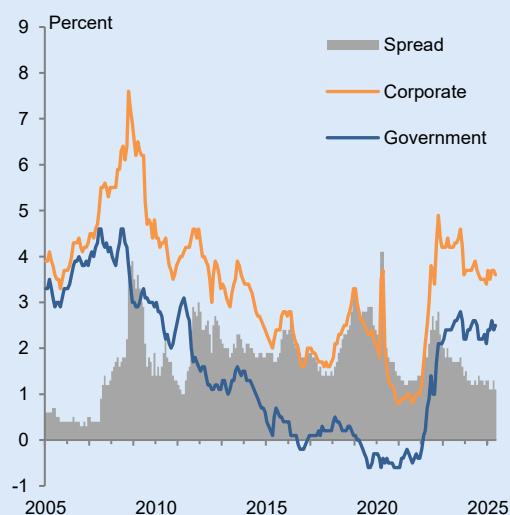
Monthly data.

Source: Deutsche Bundesbank, *Monthly Reports;* Kiel Institute calculations.

Figure 2.3:
Credit growth
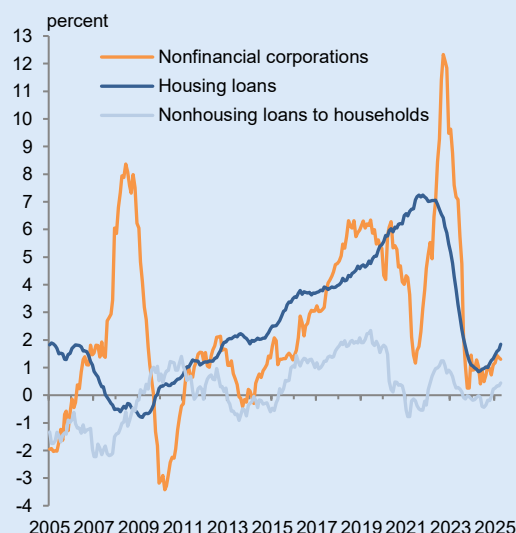
Change compared to one year ago; Monthly data.

Source: Deutsche Bundesbank, *Seasonally Adjusted Business Statistics*; Kiel Institute calculations.

Figure 2.2:
Loan interest rates
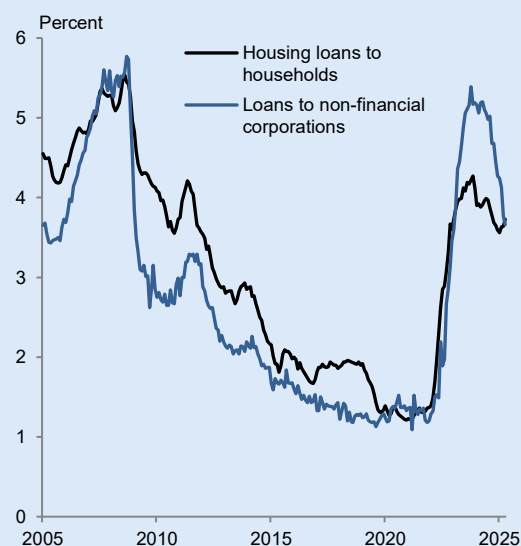
Monthly data; Effective interest rates, new business, total loans.

Source: Deutsche Bundesbank, *MFI interest rate statistics*.

Figure 2.4:
Consumer prices
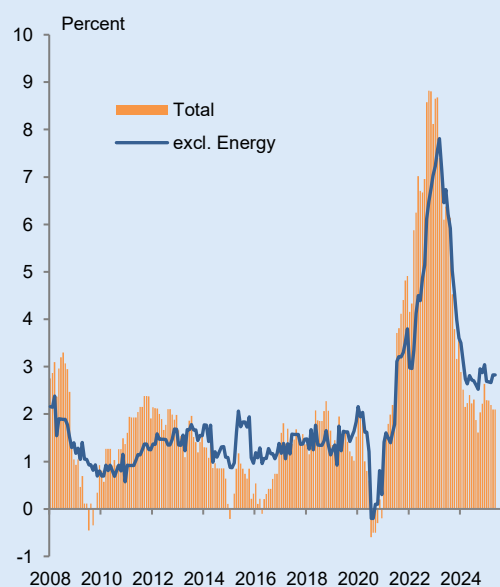
Monthly data; year-on-year change.
Source: Deutsche Bundesbank, *Time series databases*; Kiel Institute calculations.

Figure 2.5:
Consumer price index
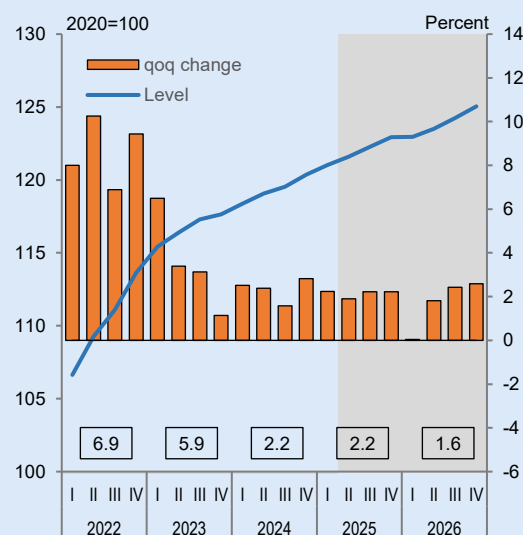
Quarterly data: seasonally adjusted; qoq change: annualized.
Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 17, Series 7*; shaded: Kiel Institute forecast.

Tabelle 2.1:
Projections and assumptions on the international environment

	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	4.00	3.75	3.50	3.00	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75
Long-term interest rate	2.3	2.5	2.3	2.2	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6
US-dollar/euro exchange rate	1.09	1.08	1.10	1.07	1.05	1.12	1.13	1.13	1.13	1.13	1.13	1.13
Price competitiveness	91.9	92.1	92.2	91.5	91.0	92.6	92.6	92.5	92.4	92.2	92.0	91.8
Export markets	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Oil price	81.9	85.0	78.7	73.9	74.8	65.0	63.1	62.7	62.9	63.2	63.5	63.9
Gas price	27.4	31.7	35.4	43.2	46.8	35.5	35.4	36.4	36.5	32.8	32.5	33.4
Electricity price	69.2	72.9	78.3	109.4	116.1	71.7	87.4	87.4	78.5	78.5	78.5	78.5

ECB key interest rate: deposit facility rate (end of quarter); long-term interest rate on 9−10 year bonds (quarter average); price competitiveness: against 60 trading partners, based on consumer price inflation; index: 1991:I = 100, increasing values indicate deterioration of price competitiveness; export markets: GDP growth in 41 countries, weighted with shares in German exports, change over previous quarter. Oil price: US-Dollar per barrel North Sea Brent. Gas price: Euro per MWh (TTF). Electricity price (Phelix, Baseload).

Source: ECB, *Monthly Bulletin;* Deutsche Bundesbank, *Monthly Bulletin;* IMF, *International Financial Statistics, LSEG Datastream, EEX, ENDEX;* Kiel Institute calculations; shaded: Kiel Institute forecast or assumption.

3.　External trade

Figure 3.1:
Exports

Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.
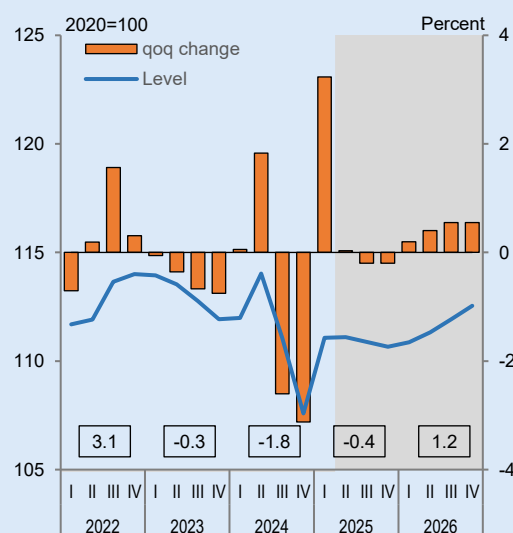
Figure 3.3:
German export markets

Annual data, volumes; GDP growth in 64 countries, weighted with shares in German exports.

Source: Federal Statistical Office, *Fachserie 7 Series 1*; national sources; Kiel Institute calculations and forecast.

Figure 3.2:
Imports

Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

Figure 3.4:
Price competitiveness

Annual data; vis-à-vis 57 countries based on consumer prices and exchange rates; weights according to Germany's price competitiveness indicator vis-à-vis 60 trading partners based on consumer price indices from the Deutsche Bundesbank. Increase reflects worsening of price competitiveness.

Source: Bundesbank, *Monthly Report* 11.2023; national sources; Kiel institute calculations and forecast.

Figure 3.5:
Export indicators
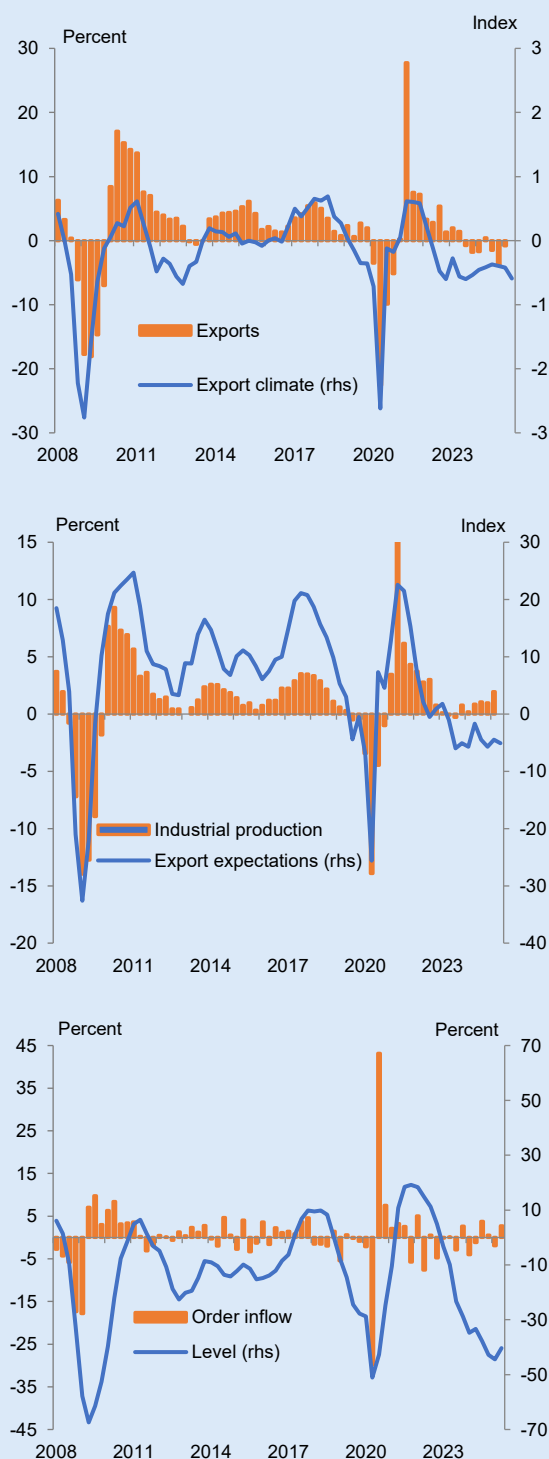
Quarterly data; exports, industrial production, volumes, change on previous year; order inflow: volumes, change on previous quarter; export expectations, foreign orders on hand: volumes; business expectations, industrial production: based on 42 countries weighted by shares of German exports.

Source: Deutsche Bundesbank; CPB, *World Trade Monitor*; Thomson Reuters Datastream; ifo, *Konjunkturperspektiven*; Kiel Institute calculations.

4. Domestic expenditure

Figure 4.1:
Domestic expenditure
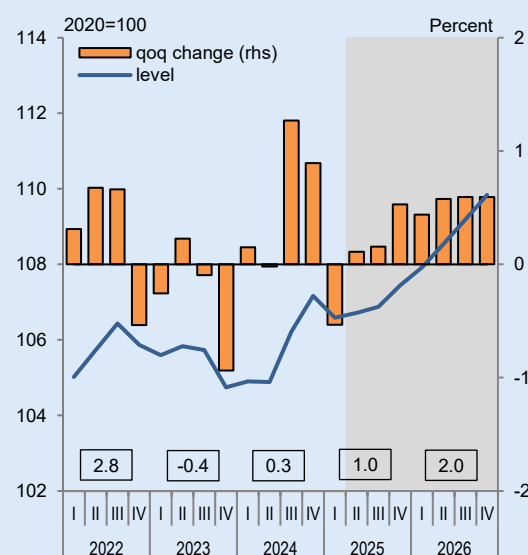
Quarterly data, price, seasonally and calendar adjusted, qoqchange. Annual data: price adjusted, annual rate (boxes).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

Figure 4.3:
M&E investments
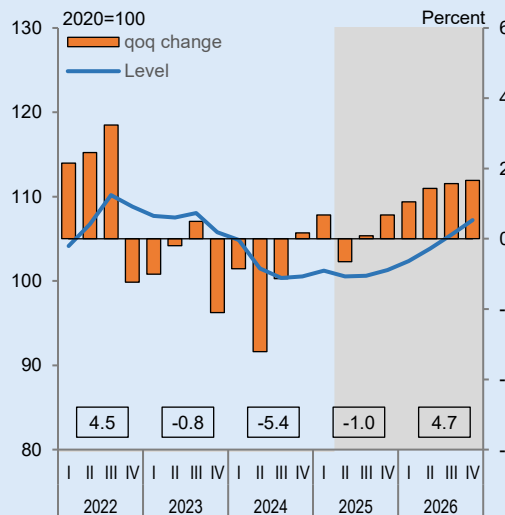
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

Figure 4.2:
Private consumption
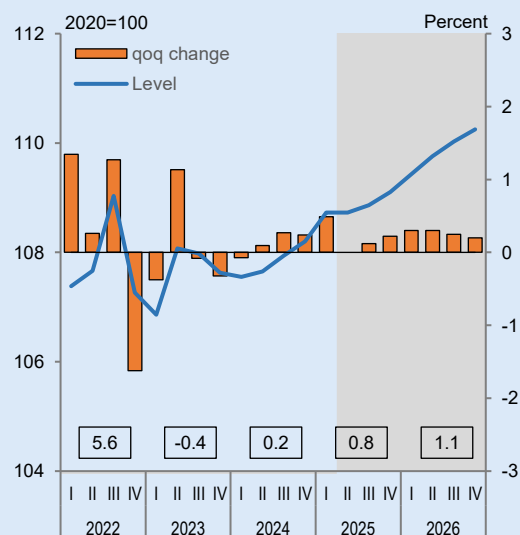
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

Figure 4.4:
Construction
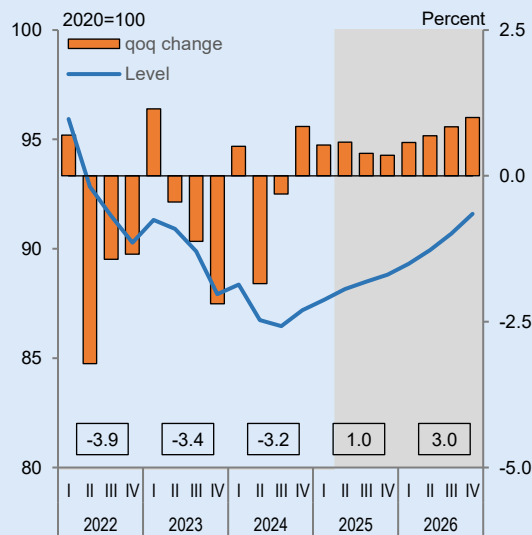
Quarterly data: Volumes, seasonally and calendar adjusted. Annual data (boxes): Volumes, change in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2 and 1.3*; shaded: Kiel Institute forecast.

Figure 4.5:
Investment cycles
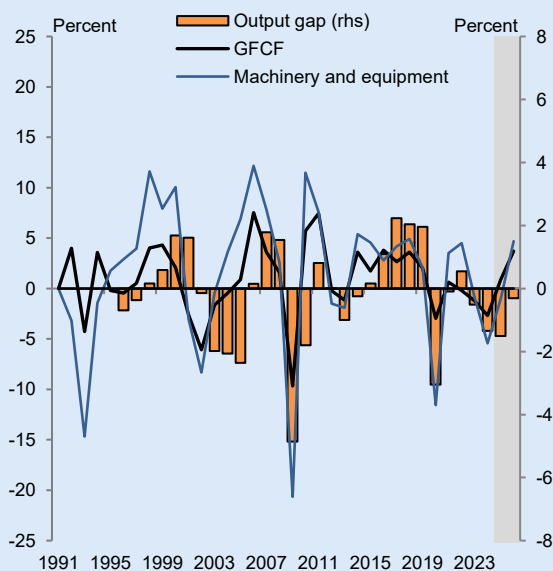
Annual data; GFCF, machinery and equipment: volumes, change on previous year; output gap: in percent of potential output, estimation taken from medium-run projection.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations; shaded: Kiel Institute forecast.

Figure 4.6:
Decomposition of growth in private consumption
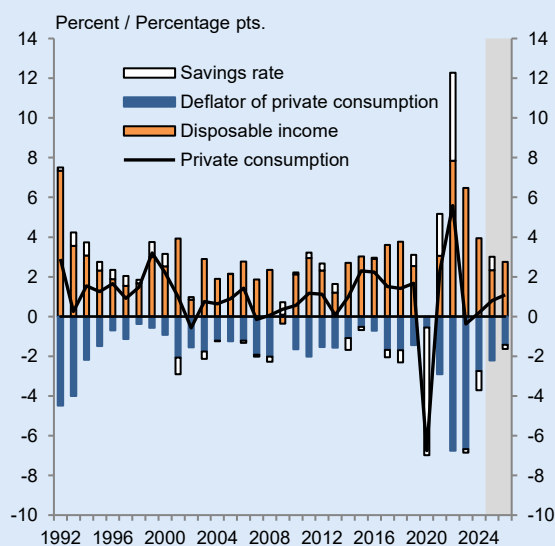
Annual data; disposable income including adjustment for the change in pension entitlements.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations, shaded: Kiel Institute forecast.

Figure 4.7:
Contributions to changes in real disposable income

Annual data. Other levies and transfers: Levies on social benefits, taxes on consumption and other transfers received (net); Deflator: Deflator of private consumption.

Quelle: Federal Statistical Office, *Fachserie 18, Series 1.2*; Kiel Institute calculations; shaded: Kiel Institute forecast.

Table 4.1:
Gross fixed capital formation

	2023	2024	2025	2026
Total	-1.2	-2.7	0.9	3.7
Corporate investment	0.3	-2.7	0.3	3.6
Machinery and equipment	-0.8	-5.4	-1.0	4.7
Construction (non-dwellings)	-4.1	-2.9	1.5	2.7
Other	4.7	3.9	3.4	4.1
Dwellings	-4.1	-5.0	1.0	3.0
Public (non-dwellings)	0.8	3.9	0.4	3.6
Memorandum item:				
Construction	-3.4	-3.2	1.0	3.0

Volumes; change over previous year in percent.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; shaded: Kiel Institute forecast.

5. Industries

Table 5.1: Gross value added for industries	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	Seasonally and calendar-adjusted, q-o-q change in percent											
Gross domestic product	0.2	-0.3	0.1	-0.2	0.4	0.1	0.0	0.3	0.3	0.5	0.5	0.5
Gross value added	-0.5	-0.3	-0.4	-0.3	0.6	0.1	0.0	0.3	0.3	0.5	0.5	0.5
Industry excl. construction	-3.8	-0.4	-1.7	-0.8	1.5	-0.1	-0.3	0.0	0.2	0.5	0.5	0.5
Manufacturing	-0.7	-0.6	-1.3	-0.3	1.0	0.1	-0.3	0.0	0.2	0.5	0.5	0.5
Energy, Water etc.	-20.7	0.4	-3.7	-3.2	4.7	-2.0	0.0	0.2	0.3	0.4	0.5	0.5
Construction	0.6	-2.8	-1.0	-0.1	0.9	0.6	0.2	0.2	0.4	0.5	0.6	0.8
Trade, transport, accommodation, food services	0.4	-0.7	-0.1	0.6	1.1	0.1	0.1	0.2	0.4	0.5	0.4	0.4
Information and communication	2.1	-0.2	-0.6	-0.3	1.7	0.2	0.5	0.8	1.0	1.2	1.2	1.2
Financial and insurance services	1.1	-0.5	-1.0	-1.6	-0.8	-0.4	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2
Real estate activities	0.6	0.1	-0.5	-0.4	0.2	0.2	0.2	0.3	0.4	0.4	0.4	0.4
Business services	-0.2	0.2	-0.7	-0.3	0.0	0.1	0.2	0.3	0.4	0.5	0.5	0.5
Public services, education, health	0.7	0.3	1.5	0.0	-0.2	0.1	0.1	0.5	0.3	0.4	0.4	0.4
Other services	0.8	0.0	0.5	-0.3	-0.3	-0.2	0.0	0.1	0.2	0.3	0.3	0.3

Quarterly data, volumes.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

6. Wrap Wages

Figure 6.1:
Real unit labor costs
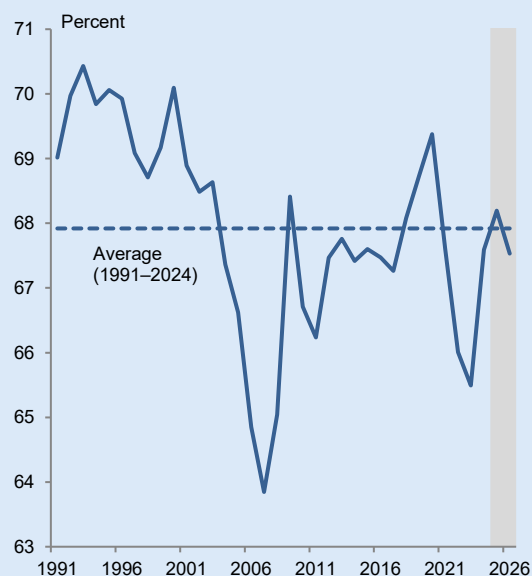
Yearly data; compensation of employees per hour (nominal) in relation to gross value added per hour (nominal).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; shaded: Kiel Institute forecast.

Table 6.1:
Wages and productivity

	2023	2024	2025	2026
Per hour				
Negotiated wages	4.1	6.1	3.1	3.2
Gross wages and salaries	6.6	5.5	3.1	2.5
Wage drift	2.6	-0.6	0.0	-0.7
Compensation of employees	6.0	5.4	3.6	2.5
Labor productivity	-0.6	-0.1	0.3	0.8
Unit labor costs	6.7	5.6	3.4	1.6
Unit labor costs (real)	0.5	2.4	0.8	-0.7
Per capita				
Negotiated wages	4.0	6.1	3.1	3.2
Gross wages and salaries	6.4	5.4	3.2	3.0
Wage drift	2.4	-0.6	0.2	-0.1
Compensation of employees	5.9	5.3	3.9	3.0
Labor productivity	-1.0	-0.4	0.3	1.2
Unit labor costs	6.9	5.7	3.5	1.8
Unit labor costs (real)	0.7	2.6	1.0	-0.5

Change over previous year in percent; wage drift: difference between change of negotiated wages and change of gross wages and salaries in percentage points; labor productivity: real GDP per hour or per capita; unit labor costs: compensation of employees (per hour or per capita) in relation to labor productivity; unit labor costs (real): unit labor costs deflated by GDP deflator.

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Deutsche Bundesbank, *Negotiated Pay Rate Statistics;* shaded: Kiel Institute forecast.

7. Employment

Figure 7.1:
Employment
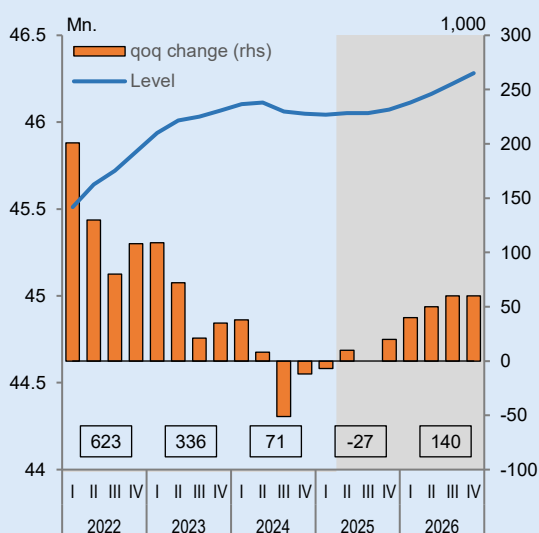
Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

Figure 7.2:
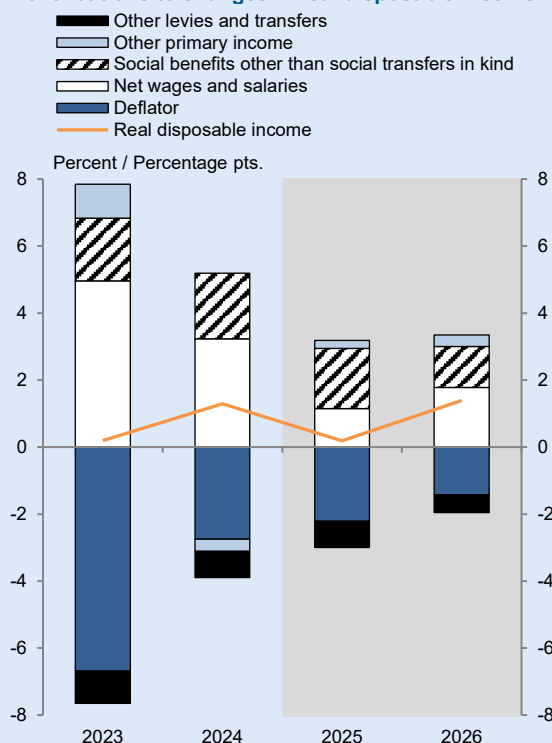**Unemployment**
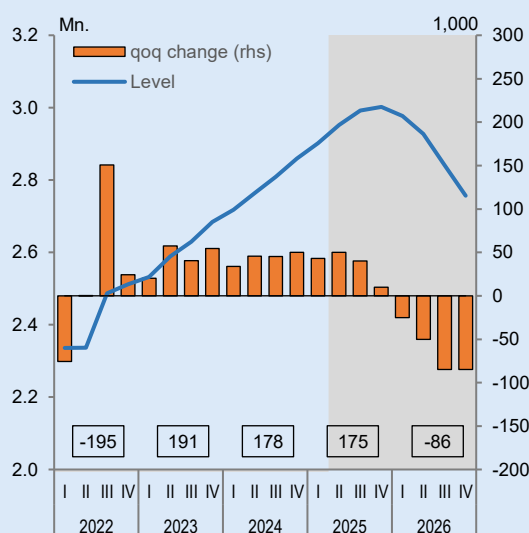
Quarterly data: seasonally adjusted.
Annual data (boxes): yoy change in 1,000.

Source: Deutsche Bundesbank, *Macroeconomic time series*; shaded: Kiel Institute forecast.

Table 7.1:
Employment (1,000 persons)

	2022	2023	2024	2025	2026
Hours worked (domestic concept, mn. hours)	61,211	61,437	61,355	61,360	61,794
Persons in employment (domestic concept)	45,675	46,011	46,081	46,055	46,195
Self-employed	3,895	3,847	3,774	3,699	3,661
Employees (domestic concept)	41,781	42,163	42,307	42,356	42,534
Employees subject to social security contributions	34,507	34,790	34,934	35,018	35,232
Minijobs	4,125	4,198	4,180	4,139	4,103
Net commuting	211	210	204	200	200
Persons in employment (national concept)	45,464	45,801	45,877	45,854	45,994
Employees (national concept)	41,570	41,954	42,103	42,156	42,334
Unemployed persons (registered)	2,418	2,609	2,787	2,962	2,876
Unemployment rate (registered; percent)	5.3	5.7	6.0	6.3	6.1
Unemployment rate (ILO; percent)	2.9	2.8	3.2	3.4	3.4

Self-employed: including family workers; unemployed persons (registered): definition of the Federal Employment Agency (BA).

Source: Federal Statistical Office, *Fachserie 18, Series 1.2*; Deutsche Bundesbank, *Macroeconomic time series;* shaded: Kiel Institute forecast.

8. Public finances

Table 8.1

Revenues and expenditures of the general government (bn. Euro)

	2022	2023	2024	2025	2026
Revenues	**1,852.6**	**1,921.2**	**2,022.2**	**2,134.3**	**2,197.2**
→*relative to GDP*	*46.9*	*45.9*	*47.0*	*48.1*	*47.7*
Taxes	960.8	961.3	994.9	1,030.9	1,051.3
→*relative to GDP*	*24.3*	*23.0*	*23.1*	*23.3*	*22.8*
Social contributions	667.1	709.9	755.7	820.1	856.0
→*relative to GDP*	*16.9*	*17.0*	*17.6*	*18.5*	*18.6*
Other revenues	224.7	250.0	271.6	283.3	289.9
→*relative to GDP*	*5.7*	*6.0*	*6.3*	*6.4*	*6.3*
Expenditures	**1,937.5**	**2,025.0**	**2,137.8**	**2,227.4**	**2,358.2**
→*relative to GDP*	*49.0*	*48.4*	*49.7*	*50.2*	*51.2*
Compensation of employees	320.7	337.6	358.3	371.9	383.6
Intermediate consumption	252.2	264.0	284.2	286.8	314.8
Social transfers in kind	354.6	362.1	392.0	417.6	435.3
Gross capital formation	112.2	117.1	125.7	136.0	150.9
Capital transfers	27.9	36.6	46.1	50.2	53.0
Social benefits	613.9	657.0	702.3	743.1	773.0
Subsidies	67.5	84.5	54.4	54.6	61.4
Other current transfers	111.3	91.9	90.4	91.7	100.8
Other capital transfers and investment grants	77.9	74.4	84.4	75.4	85.3
Other expenditures	-1.0	-0.5	-0.2	-0.3	-0.3
Net lending/ net borrowing	**-84.9**	**-103.8**	**-115.6**	**-93.1**	**-161.0**
→*relative to GDP*	*-2.1*	*-2.5*	*-2.7*	*-2.1*	*-3.5*
Revenues of central, state, and local governments	**1,229.5**	**1,248.6**	**1,303.9**	**1,351.5**	**1,380.2**
Net of transfers from social security funds	1,218.7	1,243.4	1,299.1	1,348.5	1,377.2
Transfers from social security funds	10.8	5.3	4.9	3.0	3.0
Expenditures of central, state, and local governments	**1,323.1**	**1,361.4**	**1,408.5**	**1,446.2**	**1,538.2**
Net of transfers to social security funds	1,144.7	1,211.9	1,266.7	1,302.6	1,392.4
Transfers to social security funds	178.4	149.5	141.8	143.6	145.8
Net lending/ net borrowing central, state, and local governments	**-93.7**	**-112.8**	**-104.6**	**-94.7**	**-158.1**
Revenues of social security funds	**812.3**	**827.3**	**864.9**	**929.5**	**966.1**
Net of transfers from central, state, and local governments	633.9	677.8	723.1	785.8	820.3
Expenditures of social security funds	**803.5**	**818.3**	**876.0**	**927.8**	**969.0**
Net of transfers to central, state, and local governments	792.8	813.1	871.1	924.8	966.0
Net lending/ net borrowing social security funds	**8.8**	**9.0**	**-11.0**	**1.7**	**-2.9**

Sums may deviate due to rounding. Relative to GDP in percent.

Source: Federal Statistical Office, *internal worksheet*; Kiel Institute calculations; shaded: Kiel Institute forecast.

9. GDP and its components

Table 9.1:
Quarterly data

	2024				2025				2026			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.2	-0.3	0.1	-0.2	0.4	0.1	0.0	0.3	0.3	0.5	0.5	0.5
Private consumption	-0.1	0.1	0.3	0.2	0.5	0.0	0.1	0.2	0.3	0.3	0.2	0.2
Government consumption	0.5	1.5	1.2	0.4	-0.3	0.1	0.3	1.1	0.5	0.8	0.8	0.7
Machinery and equipment	-0.9	-3.2	-1.1	0.2	0.7	-0.7	0.1	0.7	1.0	1.4	1.6	1.7
Constructions	0.5	-1.8	-0.3	0.8	0.5	0.6	0.4	0.4	0.6	0.7	0.8	1.0
Other investment	1.0	0.5	0.7	0.2	2.0	0.4	0.6	0.8	1.1	1.3	1.3	1.3
Change in inventories	0.0	0.0	0.9	0.5	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	0.2	0.0	1.3	0.9	-0.5	0.1	0.2	0.5	0.4	0.6	0.6	0.6
Exports	0.1	1.8	-2.6	-3.1	3.2	0.0	-0.2	-0.2	0.2	0.4	0.5	0.5
Imports	-0.3	2.8	-0.1	-0.7	1.1	0.2	0.1	0.3	0.5	0.7	0.8	0.8
Net exports	0.1	-0.3	-1.1	-1.1	0.9	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	46,104	46,112	46,061	46,049	46,042	46,052	46,052	46,072	46,112	46,162	46,222	46,282
Unemployment (registered)	2,718	2,764	2,809	2,859	2,902	2,952	2,992	3,002	2,977	2,927	2,842	2,757

Volumes, seasonally and working-day adjusted. Change on previous quarter in percent; change in inventories, net exports: Lundberg component (contribution to GDP growth); employment, unemployment: seasonally adjusted, 1,000 persons; unemployment: as defined by the Federal Employment Agency (BA).

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; Deutsche Bundesbank, *Macroeconomic time series*; shaded: Kiel Institute forecast.

Figure 9.1:
Forecast intervals for GDP growth
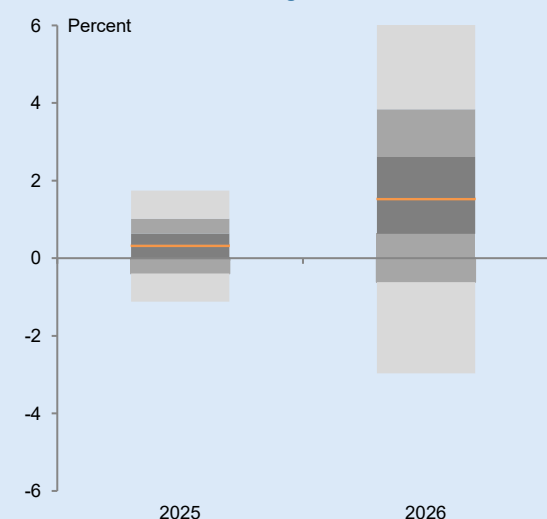
GDP: volumes, change over previous year. Point forecasts: orange lines. Forecast intervalls grey shaded areas with confidence levels of 33, 66, and 95 percent. Confidence levels calculated based on historical forecast errors of the Kiel Institute in the second quarter 1994–2024.

Source: Kiel Institute calculations.

Figure 9.2:
Import-adjusted expenditure-side contributions to GDP growth
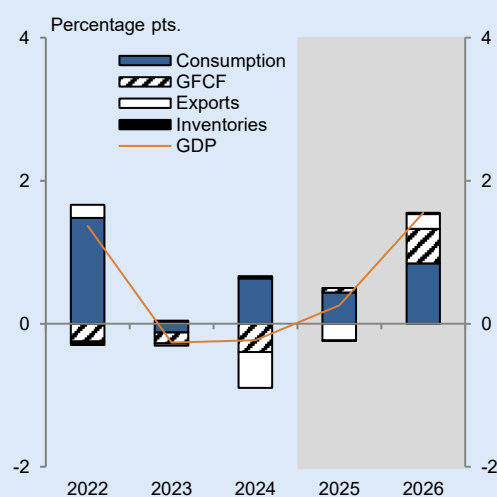
Annual data; price-adjusted, growth contribution of each expenditure component adjusted by import content; import content is estimated based on input/output tables; see Kooths and Stolzenburg (2018).

Source: OECD, Input Output Database; Federal Statistical Office, *Fachserie 18, Series 1.2*; shaded: Kiel Institute forecast.

10. The German economy

Table 10:
The German economy

	2024	2023	2024	2025	2026
	Bn. Euro	Change over previous year in percent			
Use of gross domestic product, price-adjusted					
GDP		-0.3	-0.2	0.3	1.6
Private consumption expenditure		-0.4	0.2	0.8	1.1
Public consumption expenditure		-0.1	3.2	1.4	2.6
Total fixed investment		-1.2	-2.7	0.9	3.7
Machinery and equipment		-0.8	-5.4	-1.0	4.7
Construction		-3.4	-3.2	1.0	3.0
Other equipment		4.7	3.9	3.4	4.1
Changes in stocks		0.1	0.1	0.0	0.0
Domestic Demand		-0.4	0.3	1.0	2.0
Exports		-0.3	-1.8	-0.4	1.2
Imports		-0.6	-0.7	1.3	2.5
Net exports		0.1	-0.5	-0.7	-0.4
Use of gross domestic product at current prices					
GDP	4,305.3	5.9	2.9	2.8	3.9
Private consumption expenditure	2,270.4	6.3	2.9	3.0	2.5
Public consumption expenditure	960.2	4.1	6.1	4.1	5.4
Total fixed investment	898.5	4.9	-0.2	4.1	7.6
Machinery and equipment	265.3	4.8	-3.8	1.7	7.8
Construction	464.8	4.4	-0.3	4.6	7.7
Other equipment	168.4	6.2	6.6	6.3	7.2
Changes in stocks (€ bn.)		7.2	7.2	7.7	9.7
Domestic Demand	4,136.3	4.2	2.9	3.5	4.4
Exports	1,799.6	0.4	-0.9	0.7	1.6
Imports	1,630.6	-3.6	-1.1	2.2	2.7
Net exports (€ bn.)		167.7	169.0	145.2	130.7
Gross national income	4,462.8	5.7	3.0	3.0	3.8
Deflators					
GDP		6.1	3.1	2.5	2.3
Private consumption expenditure		6.7	2.7	2.2	1.4
Public consumption expenditure		4.2	2.8	2.6	2.7
Investment in machinery and equipment		5.7	1.7	2.7	3.0
Investment in construction		8.1	3.0	3.5	4.5
Investment in other equipment		1.4	2.6	2.8	3.0
Exports		0.7	0.9	1.1	0.4
Imports		-3.0	-0.4	0.9	0.2
Addendum: Consumer prices		5.9	2.2	2.2	1.6
Income distribution					
Net national income (factor costs)	3,188.7	6.6	1.8	2.5	4.1
Compensation of employees	2,355.9	6.8	5.7	4.0	3.5
in percent of national income		71.2	73.9	75.0	74.5
Property and entrepreneurial income	832.8	6.2	-7.8	-1.8	5.8
Disposable income	2,501.7	6.9	4.0	2.4	2.8
Saving rate		10.4	11.3	10.7	10.9
Wages and salaries	1,953.3	7.4	5.8	3.3	3.5
Wage per hour		6.6	5.5	3.1	2.5
Unit labor costs		6.7	5.6	3.4	1.6
Productivity per hour		-0.6	-0.1	0.3	0.8
Unemployment (1,000)		2,608.7	2,787.1	2,962.4	2,876.2
Rate of unemployment (percent)		5.7	6.0	6.3	6.1
Total employment (1,000)		46,010.5	46,081.0	46,054.5	46,194.5
Public sector budget balance					
Public sector budget balance (€ bn.)		-103.8	-115.6	-93.1	-161.0
Public sector budget balance (in percent of GDP)		-2.5	-2.7	-2.1	-3.5
Public debts (in percent)		62.9	62.5	62.7	63.9

Change in stocks, net exports: Lundberg-component (contribution to GDP growth); employment, unemployment: as defined by the Federal Employment Agency (BA); public debts: in relation to GDP.

Source: Federal Statistical Office, Fachserie 18, Series 1.2; shaded: Kiel Institute forecast.

11. National accounts

National Accounts
Forecast period: 2025 to 2026

	2024	2025	2026	2024		2025		2026	
				H1	H2	H1	H2	H1	H2
1. Production									
Change over the same period of the preceding year in %									
Persons in employment	0.2	- 0.1	0.3	0.3	0.0	- 0.1	0.0	0.2	0.4
Hours worked	- 0.1	0.0	0.7	- 0.7	0.4	0.0	0.0	0.2	1.2
Hours worked by person in employment	- 0.3	0.1	0.4	- 1.0	0.4	0.1	0.0	0.0	0.7
Labor productivity [1]	- 0.1	0.3	0.8	0.4	- 0.6	- 0.1	0.6	0.7	1.0
Gross domestic product, price-adjusted	- 0.2	0.3	1.6	- 0.3	- 0.1	- 0.1	0.7	1.0	2.1
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 230.6	3 338.5	3 451.5	1 574.2	1 656.4	1 629.8	1 708.8	1 677.4	1 774.1
Private households [2]	2 270.4	2 339.4	2 398.5	1 108.5	1 161.8	1 142.3	1 197.1	1 165.9	1 232.6
Government	960.2	999.2	1 053.0	465.7	494.6	487.5	511.7	511.5	541.5
Gross fixed capital formation	898.5	935.0	1 006.4	439.4	459.1	450.2	484.8	478.0	528.3
Machinery and equipment	265.3	269.7	290.7	128.6	136.7	127.6	142.1	134.5	156.2
Construction	464.8	486.2	523.6	229.9	234.9	236.6	249.6	252.0	271.5
Other products	168.4	179.1	192.1	80.9	87.5	86.0	93.1	91.5	100.6
Changes in inventories [3]	7.2	7.7	9.7	0.1	7.1	14.8	- 7.1	14.0	- 4.3
Domestic expenditure	4 136.3	4 281.3	4 467.6	2 013.6	2 122.7	2 094.9	2 186.4	2 169.4	2 298.2
Net exports	169.0	145.2	130.7	112.0	57.0	81.4	63.8	78.0	52.6
Exports	1 799.6	1 812.3	1 841.9	910.7	888.9	904.6	907.6	906.6	935.4
Imports	1 630.6	1 667.1	1 711.3	798.7	831.9	823.3	843.8	828.6	882.7
Gross domestic product	4 305.3	4 426.5	4 598.2	2 125.6	2 179.6	2 176.2	2 250.2	2 247.4	2 350.8
b) Change over the same period of the preceding year in %									
Consumption expenditure	3.9	3.3	3.4	4.1	3.7	3.5	3.2	2.9	3.8
Private households [2]	2.9	3.0	2.5	3.0	2.9	3.0	3.0	2.1	3.0
Government	6.1	4.1	5.4	6.6	5.6	4.7	3.5	4.9	5.8
Gross fixed capital formation	- 0.2	4.1	7.6	- 0.5	0.2	2.5	5.6	6.2	9.0
Machinery and equipment	- 3.8	1.7	7.8	- 3.1	- 4.4	- 0.8	3.9	5.4	9.9
Construction	- 0.3	4.6	7.7	- 1.5	0.9	2.9	6.3	6.5	8.8
Other products	6.6	6.3	7.2	7.0	6.2	6.3	6.3	6.4	8.1
Domestic expenditure	2.9	3.5	4.4	2.0	3.8	4.0	3.0	3.6	5.1
Exports	- 0.9	0.7	1.6	- 0.6	- 1.3	- 0.7	2.1	0.2	3.1
Imports	- 1.1	2.2	2.7	- 3.9	1.8	3.1	1.4	0.6	4.6
Gross domestic product	2.9	2.8	3.9	3.3	2.5	2.4	3.2	3.3	4.5
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 705.5	2 732.4	2 774.5	1 330.2	1 375.2	1 345.0	1 387.4	1 361.6	1 412.9
Private households [2]	1 885.3	1 900.6	1 921.4	926.8	958.5	933.6	967.0	941.2	980.2
Government	820.7	832.5	854.1	403.7	417.0	411.8	420.7	420.9	433.2
Gross fixed capital formation	711.4	717.7	744.2	349.1	362.3	347.9	369.8	356.4	387.8
Machinery and equipment	226.3	224.0	234.5	109.7	116.6	106.4	117.5	109.0	125.5
Construction	335.2	338.7	348.9	166.7	168.5	166.3	172.4	169.9	179.0
Other products	153.1	158.3	164.8	73.8	79.3	76.3	82.0	78.8	86.0
Domestic expenditure	3 452.7	3 485.7	3 557.1	1 693.3	1 759.4	1 716.7	1 769.1	1 742.2	1 815.0
Exports	1 499.0	1 493.5	1 512.0	761.7	737.3	744.5	749.0	745.8	766.2
Imports	1 342.3	1 360.4	1 394.2	660.5	681.8	668.7	691.6	678.1	716.1
Gross domestic product	3 607.1	3 616.5	3 672.5	1 794.0	1 813.1	1 791.3	1 825.1	1 808.7	1 863.9
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.1	1.0	1.5	0.8	1.3	1.1	0.9	1.2	1.8
Private households [2]	0.2	0.8	1.1	0.1	0.3	0.7	0.9	0.8	1.4
Government	3.2	1.4	2.6	2.5	3.9	2.0	0.9	2.2	3.0
Gross fixed capital formation	- 2.7	0.9	3.7	- 2.9	- 2.5	- 0.4	2.1	2.5	4.9
Machinery and equipment	- 5.4	- 1.0	4.7	- 4.9	- 6.0	- 3.0	0.9	2.4	6.7
Construction	- 3.2	1.0	3.0	- 4.2	- 2.2	- 0.2	2.3	2.1	3.8
Other products	3.9	3.4	4.1	4.6	3.2	3.4	3.5	3.4	4.8
Domestic expenditure	0.3	1.0	2.0	- 0.9	1.5	1.4	0.5	1.5	2.6
Exports	- 1.8	- 0.4	1.2	- 1.0	- 2.7	- 2.3	1.6	0.2	2.3
Imports	- 0.7	1.3	2.5	- 2.5	1.0	1.2	1.4	1.4	3.5
Gross domestic product	- 0.2	0.3	1.6	- 0.3	- 0.1	- 0.1	0.7	1.0	2.1

National Accounts (cont.)
Forecast period: 2025 to 2026

	2024	2025	2026	2024 H1	2024 H2	2025 H1	2025 H2	2026 H1	2026 H2
4. Deflators (2020=100)									
Change on the same period of the preceding year in %									
Private consumption [2]	2.7	2.2	1.4	3.0	2.5	2.3	2.1	1.2	1.6
Government consumption	2.8	2.6	2.7	3.9	1.7	2.6	2.5	2.7	2.8
Gross fixed capital formation	2.6	3.2	3.8	2.4	2.7	2.9	3.4	3.6	3.9
Machinery and equipment	1.7	2.7	3.0	1.9	1.6	2.3	3.1	2.9	3.0
Construction	3.0	3.5	4.5	2.8	3.3	3.2	3.9	4.3	4.8
Exports	0.9	1.1	0.4	0.4	1.4	1.6	0.5	0.0	0.7
Imports	- 0.4	0.9	0.2	- 1.5	0.7	1.8	0.0	- 0.7	1.0
Gross domestic product	3.1	2.5	2.3	3.6	2.6	2.5	2.6	2.3	2.3
5. National income									
a) EUR bn.									
Primary income of private households [2]	3 014.3	3 114.2	3 207.7	1 473.7	1 540.6	1 523.6	1 590.6	1 562.2	1 645.5
Employers social contributions	402.6	431.0	446.0	194.6	208.1	209.2	221.8	215.8	230.2
Gross wages and salaries	1 953.3	2 018.7	2 088.3	934.0	1 019.3	969.8	1 048.9	998.5	1 089.8
Other primary income [4]	658.4	664.5	673.3	345.2	313.2	344.6	319.9	347.8	325.5
Primary income of other sectors	561.8	559.1	595.4	269.1	292.6	265.6	293.5	278.4	317.0
Net national income	3 576.1	3 673.3	3 803.1	1 742.8	1 833.3	1 789.2	1 884.1	1 840.6	1 962.5
Consumption of fixed capital	886.8	921.5	968.6	440.8	445.9	456.2	465.3	478.3	490.3
Gross national income	4 462.8	4 594.8	4 771.7	2 183.7	2 279.2	2 245.4	2 349.4	2 318.9	2 452.8
memorandum item:									
Net national income (factor costs)	3 188.7	3 267.9	3 400.2	1 552.1	1 636.6	1 588.6	1 679.3	1 641.2	1 759.1
Property and entrepreneurial income	832.8	818.2	865.9	423.6	409.2	409.5	408.6	426.8	439.1
Compensation of employees	2 355.9	2 449.7	2 534.3	1 128.5	1 227.4	1 179.0	1 270.7	1 214.3	1 320.0
b) Change over the same period of the preceding year in %									
Primary income of private households [2]	4.1	3.3	3.0	4.3	3.9	3.4	3.2	2.5	3.4
Employers social contributions	5.1	7.1	3.5	5.4	4.8	7.5	6.6	3.1	3.8
Gross wages and salaries	5.8	3.3	3.5	6.5	5.2	3.8	2.9	3.0	3.9
… per employee	5.4	3.2	3.0	5.9	5.0	3.8	2.8	2.7	3.4
Other primary income [4]	- 1.3	0.9	1.3	- 1.7	- 0.9	- 0.2	2.1	0.9	1.7
Primary income of other sectors	- 3.1	- 0.5	6.5	- 2.7	- 3.5	- 1.3	0.3	4.8	8.0
Net national income	2.9	2.7	3.5	3.1	2.6	2.7	2.8	2.9	4.2
Consumption of fixed capital	3.6	3.9	5.1	3.5	3.6	3.5	4.4	4.9	5.4
Gross national income	3.0	3.0	3.8	3.2	2.8	2.8	3.1	3.3	4.4
memorandum item:									
Net national income (factor costs)	1.8	2.5	4.1	2.2	1.4	2.3	2.6	3.3	4.7
Property and entrepreneurial income	- 7.8	- 1.8	5.8	- 7.4	- 8.3	- 3.3	- 0.1	4.2	7.5
Compensation of employees	5.7	4.0	3.5	6.3	5.2	4.5	3.5	3.0	3.9
6. Disposable income of private households [2]									
a) EUR bn.									
Mass income	1 971.8	2 033.6	2 102.9	948.1	1 023.7	982.0	1 051.6	1 013.0	1 089.8
Net wages and salaries	1 364.1	1 392.7	1 438.2	647.2	716.9	663.8	728.9	681.5	756.8
Social benefits other than social transfers in kind	777.7	822.6	854.1	384.4	393.2	408.1	414.5	425.3	428.8
less: Levies on social benefits, taxes on consumption	170.0	181.7	189.4	83.5	86.5	89.9	91.8	93.7	95.7
Other primary income [4]	658.4	664.5	673.3	345.2	313.2	344.6	319.9	347.8	325.5
Other transfers received (net) [5]	- 128.5	- 136.5	- 142.6	- 58.8	- 69.8	- 63.3	- 73.2	- 65.8	- 76.8
Disposable income	2 501.7	2 561.7	2 633.6	1 234.5	1 267.2	1 263.3	1 298.4	1 295.0	1 338.6
Change in pension entitlements	57.7	57.7	57.8	28.0	29.7	28.0	29.7	28.0	29.8
Consumption expenditure	2 270.4	2 339.4	2 398.5	1 108.5	1 161.8	1 142.3	1 197.1	1 165.9	1 232.6
Saving	289.0	280.0	292.9	154.0	135.0	149.0	131.0	157.1	135.8
Saving ratio (%) [6]	11.3	10.7	10.9	12.2	10.4	11.5	9.9	11.9	9.9
b) Change over the same period of the preceding year in %									
Mass income	6.1	3.1	3.4	6.8	5.5	3.6	2.7	3.2	3.6
Net wages and salaries	6.0	2.1	3.3	7.0	5.2	2.6	1.7	2.7	3.8
Social benefits other than social transfers in kind	6.4	5.8	3.8	6.7	6.2	6.2	5.4	4.2	3.5
less: Levies on social benefits, taxes on consumption	6.8	6.9	4.2	7.8	5.8	7.7	6.1	4.2	4.3
Other primary income [4]	- 1.3	0.9	1.3	- 1.7	- 0.9	- 0.2	2.1	0.9	1.7
Disposable income	4.0	2.4	2.8	4.3	3.8	2.3	2.5	2.5	3.1
Consumption expenditure	2.9	3.0	2.5	3.0	2.9	3.0	3.0	2.1	3.0
Saving	12.6	- 3.1	4.6	13.1	12.0	- 3.3	- 3.0	5.4	3.7

National Accounts (cont.)
Forecast period: 2025 to 2026

	2024	2025	2026	2024		2025		2026	
				H1	H2	H1	H2	H1	H2
7. Revenue and expenditure by general government [7]									
a) EUR bn.									
Revenue									
Taxes	994.8	1 030.9	1 051.3	485.1	509.7	507.4	523.5	516.7	534.6
Social contributions	755.7	820.1	856.0	365.5	390.3	398.7	421.4	415.1	440.9
Property income	34.3	35.1	36.3	17.9	16.3	18.3	16.9	19.0	17.4
Other current transfers	31.4	31.8	32.0	13.9	17.6	14.0	17.8	14.2	17.8
Capital transfers	20.6	23.1	20.3	9.3	11.3	11.9	11.2	9.1	11.3
Sales	179.5	193.1	201.0	83.9	95.6	89.0	104.1	92.8	108.2
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 016.5	2 134.3	2 197.2	975.6	1 040.9	1 039.3	1 095.0	1 067.0	1 130.3
Expenditure									
Intermediate consumption [8]	674.4	704.7	750.4	322.0	352.4	338.1	366.6	358.6	391.8
Compensation of employees	358.3	371.9	383.6	173.2	185.1	180.4	191.4	185.6	198.0
Property income (interest)	46.1	50.2	53.0	23.0	23.1	25.4	24.9	26.8	26.3
Subsidies	54.4	54.6	61.4	25.2	29.2	24.7	29.9	28.1	33.3
Social benefits	702.3	743.1	773.0	346.9	355.4	368.8	374.3	385.4	387.7
Other current transfers	90.4	91.7	100.8	43.6	46.8	44.5	47.2	49.1	51.7
Capital transfers	84.4	75.4	85.3	37.2	47.2	29.7	45.7	34.9	50.4
Gross capital formation	125.7	136.0	150.9	55.2	70.4	59.7	76.3	62.9	88.0
Net acquisitions of non-produced non-financial assets	- 0.2	- 0.3	- 0.3	- 0.1	- 0.1	- 0.2	- 0.1	- 0.2	- 0.1
Total	2 135.7	2 227.4	2 358.2	1 026.2	1 109.5	1 071.2	1 156.2	1 131.2	1 227.0
Net lending	- 119.2	- 93.1	- 161.0	- 50.6	- 68.6	- 31.8	- 61.2	- 64.2	- 96.8
b) Change over the same period of the preceding year in %									
Revenue									
Taxes	3.5	3.6	2.0	2.8	4.2	4.6	2.7	1.8	2.1
Social contributions	6.5	8.5	4.4	6.8	6.1	9.1	8.0	4.1	4.6
Property income	9.2	2.5	3.5	12.4	5.9	1.9	3.1	3.8	3.1
Other current transfers	- 5.9	1.2	0.7	- 5.4	- 6.3	0.7	1.6	1.6	- 0.1
Capital transfers	6.0	12.3	- 12.1	8.9	3.7	28.1	- 0.7	- 23.7	0.3
Sales	8.4	7.6	4.1	7.0	9.7	6.1	8.8	4.3	4.0
Other subsidies	- 13.0	3.0	0.0	- 2.5	- 20.4	6.4	0.0	0.0	0.0
Total	5.0	5.8	2.9	4.7	5.2	6.5	5.2	2.7	3.2
Expenditure									
Intermediate consumption [8]	7.7	4.5	6.5	7.1	8.2	5.0	4.0	6.1	6.9
Compensation of employees	6.1	3.8	3.1	7.7	4.7	4.2	3.4	2.8	3.4
Property income (interest)	26.0	9.1	5.6	33.5	19.3	10.3	7.8	5.5	5.6
Subsidies	- 35.6	0.3	12.4	- 40.4	- 30.8	- 1.9	2.3	13.8	11.2
Social benefits	6.9	5.8	4.0	7.2	6.6	6.3	5.3	4.5	3.6
Other current transfers	- 1.5	1.4	9.9	- 1.1	- 1.9	2.1	0.8	10.2	9.6
Capital transfers	13.3	- 10.6	13.1	25.2	5.4	- 20.1	- 3.1	17.4	10.3
Gross capital formation	7.3	8.2	11.0	9.3	5.8	8.1	8.3	5.5	15.3
Net acquisitions of non-produced non-financial assets	- 57.6	43.7	0.0	- 56.3	- 58.6	100.0	0.0	0.0	0.0
Total	5.5	4.3	5.9	5.9	5.1	4.4	4.2	5.6	6.1

[1] Price-adjusted gross domestic product per hour worked.
[2] Incl. nonprofit institutions serving households.
[3] Incl. acquisitions less disposals of valuables.
[4] Operating surplus/mixed income, net property income
[5] Received less payed other current transfers.
[6] Savings in percent of disposable income (incl. change in pension entitlements).
[7] Central, regional, local and social security funds.
[8] Incl. social transfers in kind and other production taxes.
Source: Federal Statistical Office, *Fachserie 18: National Accounts*; Kiel Institute calculations and forecasts.

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