

# KIEL INSTITUTE **ECONOMIC OUTLOOK**

**World Economy**  
Spring 2025

Finalized March 12, 2025

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**No. 121 (2025|Q1)**

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# WORLD ECONOMY IN SPRING 2025: MORE FRICTIONS, HIGHER RISKS

*Klaus-Jürgen Gern, Stefan Kooths, Johanna Krohn, Jan Reents and Wan-Hsin Liu*

*The global economy is already experiencing a period of moderate economic momentum. Now, it is also exposed to additional challenges, in particular a substantial increase in economic policy uncertainty. This is mainly due to the actions and announcements of the new U.S. administration. On the one hand, they threaten to severely dampen global trade and disrupt established value chains; on the other hand, they have the potential to destabilize the U.S. economy. This forecast is based on the assumption that additional tariffs on imports into the United States will be imposed at a substantial level. Monetary policy will be eased less than previously anticipated. At the same time, however, fiscal policy is providing stronger impulses, not least because defense spending in many countries is being significantly expanded in light of the changing geopolitical landscape. All in all, we expect an even more modest expansion of the global economy. While momentum in the United States is slowing noticeably and China's economy is struggling to gain traction, economic activity in Europe is likely improve slightly. Overall, as in our December forecast, we expect global output—measured on a purchasing power parity basis—to increase by 3.1 percent this year. For 2026, we anticipate an expansion of 3.0 percent (December: 3.1 percent). The recent decline in inflation has come to a halt, mainly because energy prices no longer declined in year-on-year comparison and price pressures in the service sector remained persistent. The expected further decline toward the 2 percent target is likely to occur only gradually, and there remains a risk that monetary policy will remain restrictive for longer than currently anticipated.*

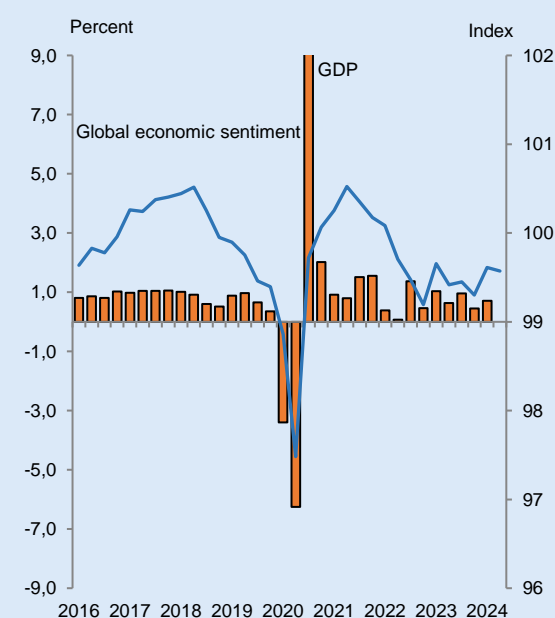
## **The global economy continued to expand at the end of 2024, albeit with little momentum.**

In the fourth quarter, global economic output increased at an almost unchanged pace (Figure 1). While aggregate production growth in advanced economies slowed somewhat, economic activity in emerging economies picked up, particularly due to an acceleration of growth in China and India. Recently, the purchasing managers' indices for the global economy have deteriorated slightly. This was primarily due to a significant decline in the service sector, whereas sentiment in the manufacturing sector increased, albeit from a low level. Overall, only moderate production expansion is expected for the first quarter of 2025.

## **Economic policy uncertainty has risen sharply following the US presidential election.**

The new U.S. administration's trade policy was a major cause for concern. The corresponding Policy Uncertainty Index (Baker et al., 2025) reached record highs (Figure 2). In the United States, fears of the negative economic impact of higher tariffs are significant; long-term interest rates have risen again, and stock market gains have partially reversed. Globally, changes in American foreign and security policy are also intensifying uncertainties regarding economic impacts. In particular,

**Figure 1:**  
**World Economic Activity**



Quarterly data, seasonally adjusted. Global economic sentiment is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

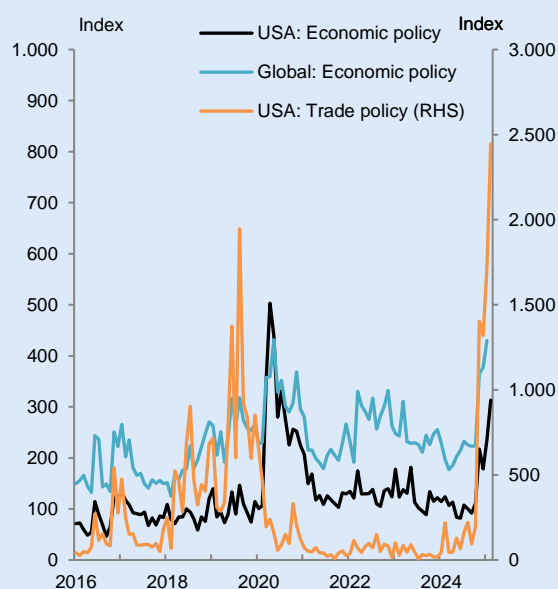
Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

rearmament programs are now being pushed forward in Europe, which may provide economic stimulus through additional government demand but could also restrict fiscal flexibility elsewhere. This is particularly critical in countries where fiscal sustainability is already under scrutiny. A significantly increased net borrowing could raise investors' hesitation, resulting in substantial increases in risk premiums.

**Additional tariffs have been announced but only partially applied.** The Trump administration views tariffs as a multipurpose tool intended to create fair competition for a supposedly disadvantaged U.S. industry, generate significant government revenue, and serve as leverage for achieving other objectives, such as combating illegal migration and drug smuggling. However, the U.S. government has acted erratically, particularly when tariffs are used to pursue non-trade-related goals. One of the first measures was the announcement of punitive tariffs of 25 percent on imports from Canada and Mexico. Initially, these were suspended for one month (in early February). When they were reinstated in early March, they were quickly scaled back, likely because the government realized that fully implementing the tariffs would severely disrupt the U.S. economy due to the deeply integrated production networks not just in Canada and Mexico but also within the United States itself. Meanwhile, additional tariffs on goods from China remain in place. These tariffs, imposed at 10 percent in both February and March, prompted a response from the Chinese government, which introduced retaliatory tariffs on selected U.S. imports. Furthermore, the U.S. tariffs on steel and aluminum—set at 25 percent—have been reinstated, and previous exemptions have been removed.

**Further trade barriers expected.** In recent weeks, several plans have been announced that suggest additional trade restrictions. One such initiative involves the creation of a reciprocal tariff system, in which the U.S. would set tariffs equal to those imposed by its trading partners. Many emerging economies maintain significantly higher tariffs compared to the U.S. Additionally, there is a possibility that value-added tax (VAT) could be classified as a tariff, which would be particularly relevant for European countries. So far, the European Union has not been subjected to special U.S. tariffs, but a 25 percent tariff on cars, pharmaceutical products, and microchips from the EU is under discussion. Given the strong inclination of the U.S. administration toward tariffs, it is likely that additional duties will be imposed on countries that have not yet been targeted, particularly the EU. We assume that most countries will face an additional

**Figure 2:**  
Economic Policy Uncertainty

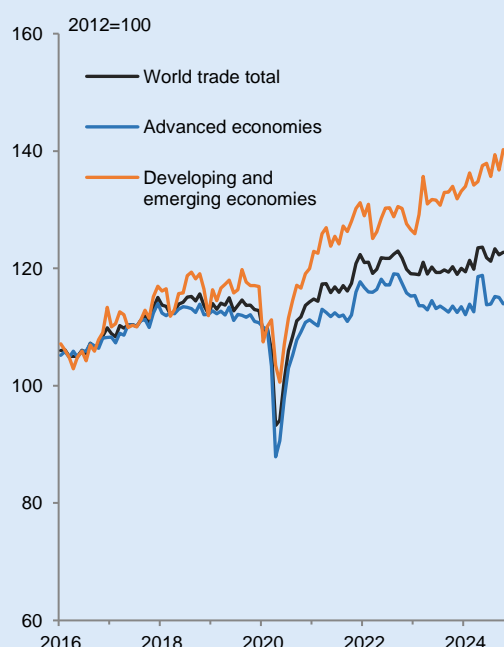


Monthly data.

Source: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis at [www.PolicyUncertainty.com](http://www.PolicyUncertainty.com).

Global index calculated on GDP weights based on current prices and market exchange rates.

**Figure 3:**  
World Trade



Monthly Data.

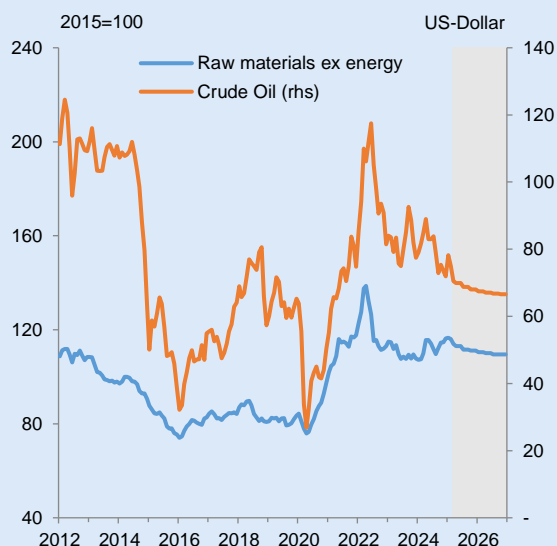
Source: CPB, World Trade Monitor; Kiel Institute calculations.

tariff of approximately 10 percent, while for China the current additional burden of 20 percent will be maintained. Simulations using the KITE world trade model provide insights into the potential effects on trade flows and prices ([Kiel Institute, 2025: KITE scenario analyses](#)). Our assumption is that retaliatory tariffs against U.S. measures will remain limited.

**Industrial production and global trade have recently rebounded, partly due to a sharp increase in U.S. imports ahead of expected tariff hikes.** After losing momentum in the summer, global industrial production gained traction toward the end of the year. The global Purchasing Managers' Index (PMI) for manufacturing has recently risen significantly, surpassing the expansion threshold of 50 in February. Similarly, global trade accelerated toward the end of the year, following a weak upward trend during the summer months (Figure 3). On the import side, growth was particularly strong in the United States in December, while U.S. exports declined. This trend likely continued after the turn of the year, as indicated by the sharp deterioration in the U.S. trade balance in January. Besides the appreciation of the U.S. dollar since September, inventory purchases abroad likely played a role. These purchases are being made in anticipation of expected tariff hikes. However, this factor will give global trade only a temporary boost; a slowdown is expected over the course of the year, which will be more pronounced, the greater the trade barriers imposed by the U.S. government.

**Oil Prices are under pressure due to a weakened outlook for demand growth.** Since spring 2024, the general trend in oil prices has been downward. That said, geopolitical events have occasionally led to concerns over supply security and temporary price spikes, most recently signs that Russian production is struggling due to tightened U.S. sanctions has temporarily pushed the price of Brent crude oil up to a peak of \$82 per barrel. However, since late February, oil prices have declined significantly, currently trading at under \$70 per barrel against the backdrop of reduced forecasts for demand growth in the wake of tariffs imposed by the U.S. At the same time, the supply outlook has improved as OPEC has signaled its commitment to moving forward in April with previously delayed production quota increases and production from non-OPEC+ oil-producing countries is continuing to grow swiftly. We expect, in line with financial market pricing, that oil prices will continue to decline gradually over the forecast period (Figure 4). The price of liquefied natural gas (LNG) has risen significantly in recent months and remains substantially higher in Europe and Asia than a year ago, despite a recent decline.

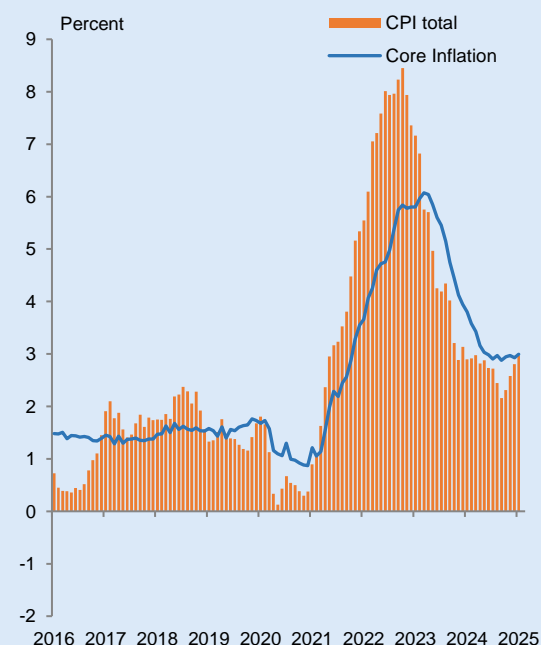
**Figure 4:**  
Raw material prices



Monthly data, data edge: shaded: forecast.  
Raw materials ex energy: HWWI-Index, USD-based; Crude Oil: Spot market, Brent.

Source: International Petroleum Exchange; HWWI, Rohstoffpreisindex, Kiel Institute forecast.

**Figure 5:**  
CPI Inflation in Industrial Countries



Monthly Data; yoy change.

Source: OECD, Main Economic Indicators; Kiel Institute calculations.



**Inflation is persistent.** In recent months, price pressures in advanced economies have risen again. In the G7 countries, inflation increased from 2.2 percent in September 2024 to 3.0 percent in January 2025 (Figure 5). This was primarily driven by the energy component, which had previously been a dampening factor. The core inflation rate (excluding energy and food prices) has remained stable at around 3 percent since spring 2024. The most pronounced and persistent price increases have been observed in the service sector, whereas prices for industrial goods have recently risen only slightly in most countries. While preliminary data indicates a slight decline in the inflation rate for February, the additional tariffs imposed by the U.S. government are expected to put renewed upward pressure on inflation in the coming months, particularly in the United States.

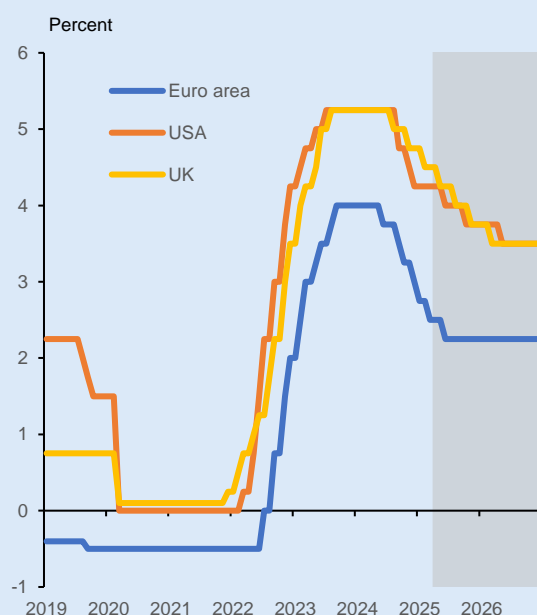
**Monetary easing in advanced economies slows.**

The interest rate cuts initiated in major advanced economies in summer 2024 have continued into the winter. The Federal Reserve has reduced its target interest rate range twice since its initial unexpectedly large cut in September, with the most recent reduction in December bringing it down to 4.25 to 4.5 percent (Figure 6). Given the upside risks to inflation, we expect that U.S. interest rate cuts will proceed at a slower pace and be less pronounced than previously anticipated. While the European Central Bank (ECB) has continued its expected trajectory and reduced its deposit rate again in early March to 2.5 percent, it has also signaled that it may set the neutral interest rate higher than previously assumed. As a result, financial markets now anticipate only one more rate cut, which we have also factored into our forecast. Meanwhile, in Japan, where the central bank only began moving away from its zero-interest-rate policy in spring 2024, the cautious tightening of monetary policy has continued, and further small increases are expected.

**Interest rate cuts continue to dominate in emerging economies.** The easing of monetary policy—which, like previous tightening measures, started earlier in some emerging economies than in the advanced economies—has persisted. Since the beginning of the year, benchmark interest rates have been lowered in Indonesia, Turkey (twice), South Africa, Argentina, Mexico, India, and Thailand. Brazil is the exception, where interest rates were raised for the fourth consecutive time. However, results are now visible, as inflation has begun to decline, albeit alongside weaker economic activity. Consequently, further rate hikes in Brazil are unlikely for the time being.

**Fiscal policy is becoming increasingly expansionary.** During the crisis years, fiscal policy was massively stimulative to mitigate the economic effects of the pandemic and rising energy prices. However, no meaningful fiscal consolidation followed. Although budget deficits have narrowed as crisis-related spending programs expired, they generally remain well above pre-crisis levels and even increased again last year in some countries, including in the United States and France. However, strong efforts to reduce the still-high structural deficits are not evident. On the contrary, Japan reintroduced stimulus programs last autumn to support demand, and the United Kingdom implemented expansionary measures aimed at strengthening public infrastructure. In the United States, the new president's tax cut plans point to a persistently high budget deficit, as it will likely be difficult to offset revenue losses through additional tariff revenues and spending cuts. In Europe, the U.S. administration's policies will lead to a significant increase in defense expenditures. To accommodate this political shift, the European Commission has proposed relaxing European debt rules and providing low-cost loans.

**Figure 6:**  
Policy rates in major advanced economies



Monthly data. Euro area: Deposit Facility Rate, USA: Federal Funds Rate, UK: BoE base rate.

Source: LSEG Datastream. shaded area: forecast of IfW Kiel.

## Outlook: Global economic growth remains sluggish

**Economic policy uncertainty and structural issues continue to prevent a stronger global economic expansion.** There are some upward forces for the economy. Monetary policy is becoming less restrictive and is expected to shift toward a neutral stance over the course of this year. The outlook for private consumption has improved, as real wages declines have been reversed. However, rising real wages often come at the expense of corporate profit margins, which dampens investment and could lead to lower employment. Another major concern is the high level of economic policy uncertainty in the United States. The imposition of high import tariffs in the U.S. poses a significant threat to global economic momentum. China is likely to be among the most affected. To make matters worse, the country is currently struggling with structural challenges. Trade barriers make it more difficult for China to drive growth through exports, making a sustained recovery unlikely in the near term. The European economy also faces structural challenges, particularly in the form of exceptionally weak productivity growth.

**The global economy is poised to lose momentum over the forecast horizon.** For the current year, we expect global production to increase by 3.1 percent, following 3.2 percent growth last year (Table 1). In 2026, global growth on a purchasing power parity basis is projected to slow further to 3.0 percent. While we have left our forecast for this year unchanged from our December report, we have lowered our 2026 projection by 0.1 percentage points ([Gern et al., 2024](#)). Based on market exchange rates, global output growth rates are expected to be 2.6 percent this year and 2.5 percent next year, down from 2.8 percent in 2024. Global trade, which grew by 1.9 percent in 2024, is projected to increase by 2.2 percent this year, partly due to frontloading of imports in the early months of the year. For 2026, our forecast has been lowered to just 0.8 percent, reflecting the anticipated impact of additional trade restrictions.

**Table 1::**  
**Real GDP and consumer prices in the global economy**

	Weight	Gross domestic product				Consumer prices			
		2023	2024	2025	2026	2023	2024	2025	2026
World economy total	100	3.3	3.2	3.1	3.0	7.9	7.0	4.8	3.8
including									
Advanced economies	57.7	1.8	1.8	1.6	1.5	4.7	2.7	2.6	2.3
China	18.8	5.4	5.0	4.5	4.2	0.2	0.2	0.3	0.2
Latin America	5.8	2.2	1.9	2.0	2.0	23.9	28.3	10.9	6.7
India	7.5	8.6	6.5	6.7	6.6	5.3	5.1	4.9	4.5
East Asian emerging economies	4.7	3.4	4.0	3.8	4.1	3.5	2.3	2.2	2.4
Russia	2.9	3.6	3.9	1.5	0.8	5.9	7.9	9.2	7.5
Africa	2.2	3.1	3.2	3.6	3.8	18.9	18.8	13.5	10.1
<i>Memorandum item:</i>									
World trade volume (goods)		-1.3	1.9	2.2	0.8				
World economy (GDP weights using current US-dollar exchange rates)		2.9	2.8	2.6	2.5	6.2	5.2	3.7	3.0

Percent. Weights according to GDP in 2023 based on purchasing power parities. GDP, consumer prices: change over previous year. East Asian emergin economies: Thailand, Malaysia Indonesia and Philippines. Africa: Egypt, Nigeria, South Africa, Algeria, Ethiopia.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; Kiel Institute calculations; shaded area: Kiel Institute forecast.

**An economic slowdown in the U.S. is a drag on aggregate growth in advanced economies.** In the past two years, the U.S. economy has performed significantly better than those in Europe and Japan. However, this pattern is expected to change during the forecast period. Due to the new trade policies with high tariffs and persistently high interest rates, U.S. economic momentum is expected to slow considerably, likely slipping below the growth rate of potential output, at least temporarily. Meanwhile, the economic expansion in Europe is expected to strengthen as monetary easing and fiscal stimulus take effect. Japan's economy is also likely to grow slightly above its potential rate. Overall, however, growth in advanced economies will remain modest, with GDP expected to increase by 1.5 percent in both this year and next (Table 2). Consumer inflation is projected to decline only slightly this year and is likely to remain above central banks' 2 percent target even in 2026. Throughout the forecast period, unemployment in advanced economies is expected to remain broadly stable.

**Aggregate growth in the emerging economies is set to weaken.** The primary factor behind this slowdown is the weakening growth prospect in China, driven by the worsening trade conflicts and ongoing structural challenges. In contrast, India's economy is expected to continue expanding at a strong pace, while production in Southeast Asia is even set to accelerate slightly. The outlook for Latin America is mixed, with significant slowdowns in Mexico and Brazil on the one hand and swift recovery in Argentina on the other hand. On aggregate, growth in the region should remain largely unchanged. The economic outlook for Russia remains highly uncertain, especially as the prospect of an imminent end to the war with Ukraine has increased. However, given that the country is already operating at full capacity, significant production gains are unlikely.

**There are significant downside risks to the outlook.** The risks to global economic growth remain substantial. The high level of uncertainty surrounding U.S. economic policy could have a more significant negative impact on economic activity than currently anticipated. Additionally, the extent to which domestic industries will be affected by the unpredictable use of trade policy—whether through disrupted production networks or reduced demand for U.S. products in foreign markets—is difficult to assess. Consumer spending and business investment could also take a bigger hit than expected if further financial market losses materialize. A key global economic risk is that other countries may also impose their own tariffs in response to U.S. trade policy to protect domestic industries from Chinese products that are now forced onto other markets and exerting price pressure there. The European Union has already implemented countervailing tariffs on Chinese electric vehicles. Additionally, security concerns are increasingly shaping global trade policy. Should protectionist tendencies continue to spread, the long-standing system of international division of labor—which has underpinned global prosperity gains over recent decades—could be at risk altogether. On a geopolitical level, the likelihood of a ceasefire between Russia and Ukraine appears to have increased recently. The global economic impact of such a development would primarily be felt through oil prices, which could decline if sanctions on Russian oil transport were lifted. The gas market, however, is unlikely to see significant changes, as European countries are not expected to return to large-scale imports of pipeline-bound Russian gas in the near future.

**Table 2:**  
**Real gross domestic product, consumer prices and unemployment rate in advanced economies**

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
European Union	40.2	0.5	1.0	1.2	1.5	5.8	2.6	2.6	2.3	6.1	6.0	5.7	5.5
Euro area	34.0	0.5	0.8	1.0	1.4	5.4	2.4	2.3	2.2	6.6	6.4	6.2	5.9
Sweden	0.9	0.1	0.9	1.9	1.7	5.9	2.0	1.8	2.0	7.7	8.4	8.1	7.5
Poland	2.2	0.0	2.8	3.2	3.0	10.9	3.7	4.4	3.0	2.8	2.9	2.8	2.6
United Kingdom	5.1	0.4	0.9	1.2	1.1	7.3	2.5	2.6	2.2	3.7	4.1	4.0	3.9
Switzerland	1.0	0.7	1.3	1.2	1.2	2.1	1.4	0.8	1.0	4.3	4.0	4.1	4.0
Norway	0.6	0.2	2.1	0.9	1.8	5.5	3.4	3.1	2.5	3.4	4.0	4.1	4.0
United States	35.3	2.9	2.8	2.0	1.7	4.1	2.9	2.8	2.5	3.6	4.0	4.2	4.3
Canada	3.1	1.3	1.6	0.3	1.1	3.9	2.4	2.2	1.9	5.4	6.3	6.8	6.8
Japan	8.5	1.5	0.1	0.9	0.6	3.3	2.5	2.6	2.0	2.6	2.5	2.4	2.4
South Korea	3.8	1.4	2.1	1.4	2.0	3.6	2.3	1.9	2.1	2.8	2.7	2.9	2.8
Australia	2.3	2.1	1.0	2.1	1.9	5.6	3.2	2.4	2.5	3.7	4.1	4.1	4.0
Total	100.0	1.5	1.6	1.5	1.5	4.9	2.7	2.6	2.3	4.6	4.7	4.7	4.6

Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023.

Source: Eurostat, VGR; OECD, Main Economic Indicators; IMF World Economic Outlook Database; Statistics Canada, Canadian Economic Account; shaded: Kiel Institute forecast.

**Data annex**

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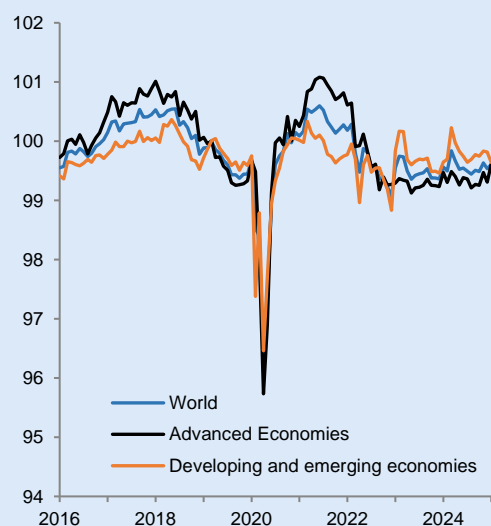
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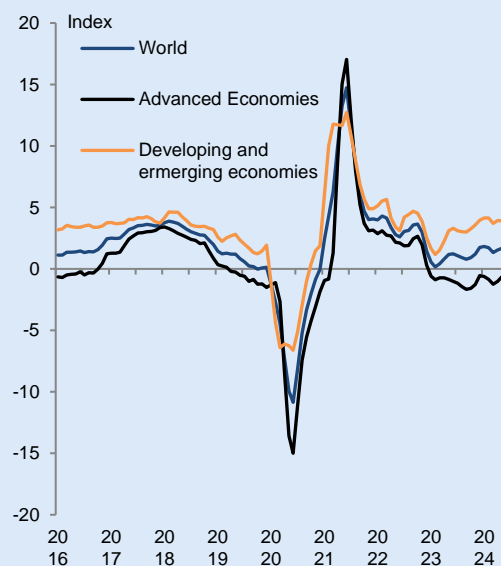
## 1. World Economy

**Figure 1.1:**  
Business expectations by groups of countries



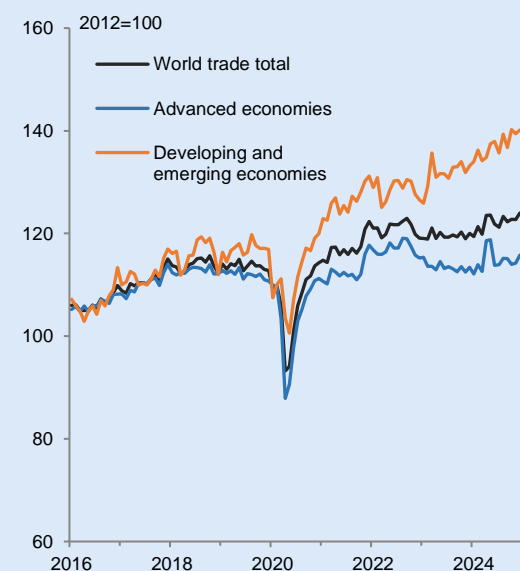
Source: OECD, *Main Economic Indicators*; national sources; Kiel Institute calculations.

**Figure 1.2:**  
Industrial production by groups of countries and regions



Source: CPB, Kiel Institute calculations.

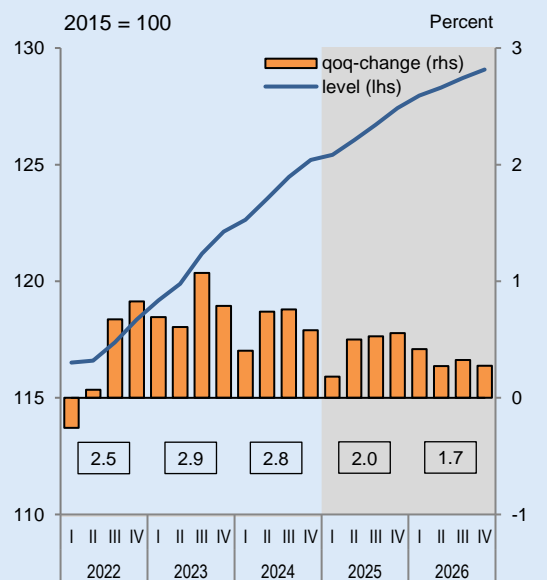
**Figure 1.3:**  
World Trade



Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

## 2. United States

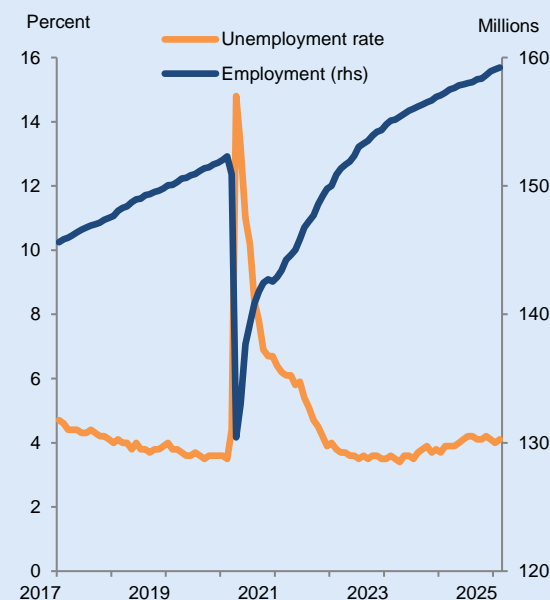
**Figure 2.1:**  
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

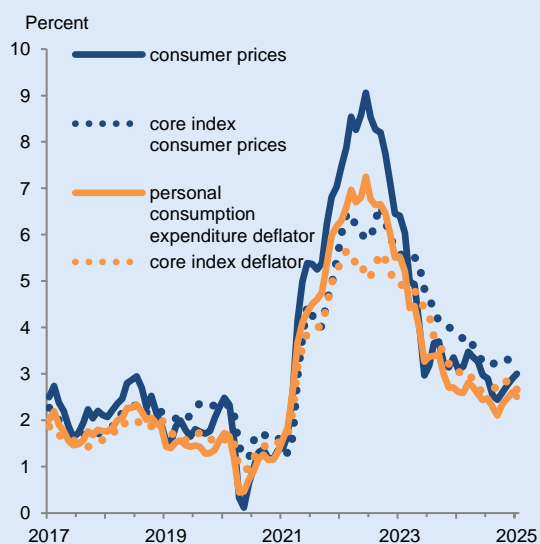
**Figure 2.2:**  
Labor market



Monthly data, seasonally adjusted.

Source: US Bureau of Labor Statistics, *Employment Situation*.

**Figure 2.3:**  
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: US Bureau of Economic Analysis, *Personal Consumption Expenditures Price Index*; US Bureau of Labor

**Table 2.1:**  
Key indicators for the United States

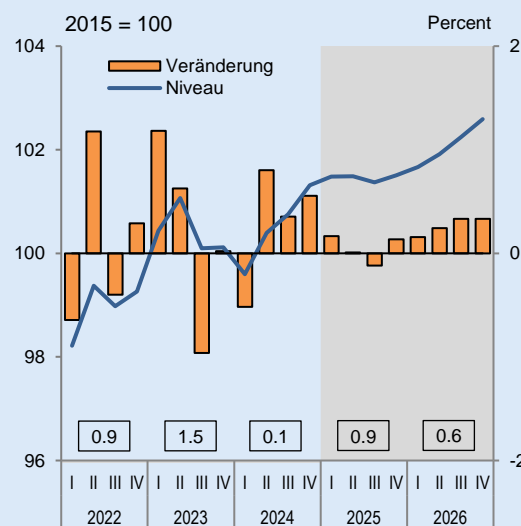
	2023	2024	2025	2026
Gross Domestic Product	2.9	2.8	2.0	1.7
Domestic expenditure	2.3	3.1	2.3	1.8
Private consumption	2.5	2.8	2.3	1.7
Government expenditure	3.9	3.4	1.8	0.8
Gross fixed capital formation	2.4	3.7	2.6	2.9
Machinery and equipment	3.5	3.3	3.7	3.7
Intellectual property rights	5.8	3.9	3.3	3.5
Structures	10.8	3.4	0.5	2.4
Residential Investment	-8.3	4.2	1.1	0.6
Change in inventories	-0.4	0.0	0.0	0.0
Net exports	0.6	-0.3	-0.3	-0.1
Exports	2.8	3.2	2.1	0.6
Imports	-1.2	5.4	3.5	1.7
Consumer prices	4.1	2.9	2.8	2.5
Unemployment rate	3.6	4.0	4.2	4.3
Current account balance	-2.9	-3.4	-3.7	-3.7
Government budget balance	-6.4	-6.4	-6.3	-6.2

Percent. GDP: volumes, change over previous year, percent. — Net exports, inventories: contribution to growth, percentage points. — Unemployment rate: unemployed in relation to labor force. — Current account balance, government budget balance: percent of nominal GDP. — Budget balance: fiscal year.

Source: US Department of Commerce, *National Economic Accounts*; US Department of Labor, *Employment Situation and Consumer Price Index*; US Department of the Treasury, *Monthly Treasury Statement*; Kiel Institute calculations; shaded: Kiel Institute forecast.

### 3. Japan

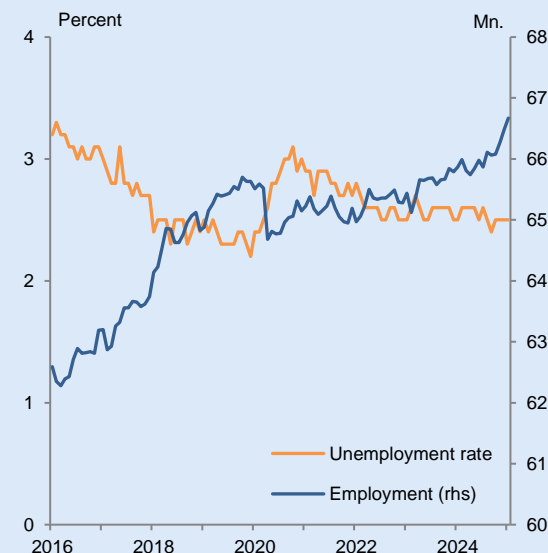
**Figure 3.1:**  
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

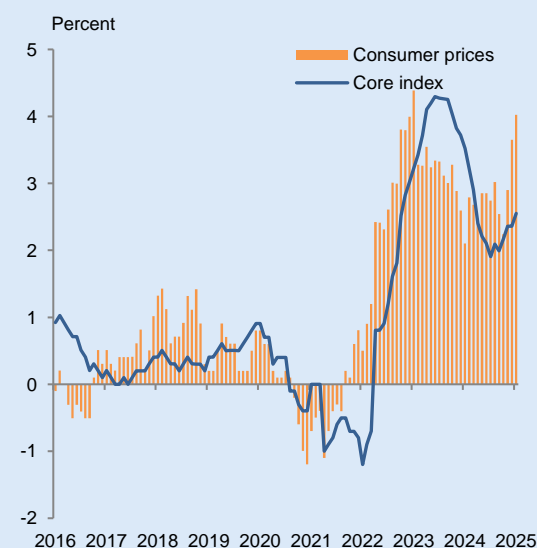
**Figure 3.2:**  
Labor market



Monthly data; seasonally adjusted.

Source: Department of Labor.

**Figure 3.3:**  
Consumer prices



Monthly data; change over previous year. Core index: consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan.

**Table 3.1:**  
Key indicators Japan

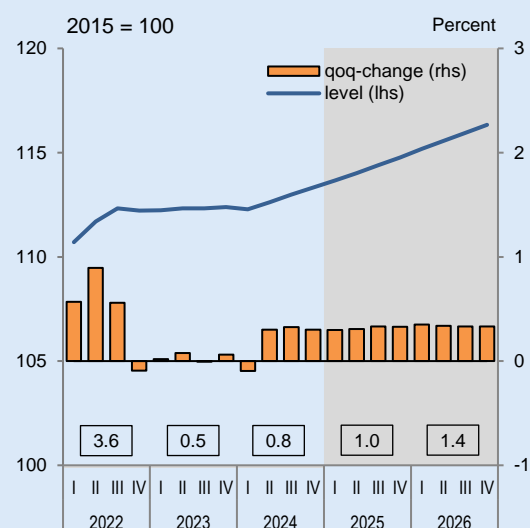
	2023	2024	2025	2026
Gross Domestic Product	1.5	0.1	0.9	0.6
Domestic expenditure	0.6	0.1	0.7	0.8
Private consumption	0.9	0.0	0.6	0.7
Government consumption	-0.3	0.9	1.4	1.2
Gross fixed capital formation	-0.3	2.0	1.0	0.5
Enterprises	1.3	1.4	1.6	1.4
Residential investment	1.5	-2.4	-0.7	0.0
Public investment	1.7	-1.0	-0.1	-2.5
Change in inventories	-0.3	0.0	0.0	0.0
Net exports	0.6	0.0	0.2	-0.1
Exports	3.0	1.0	2.3	0.4
Imports	-1.5	1.3	1.5	1.1
Consumer prices	3.3	2.5	2.6	2.0
Unemployment rate	2.6	2.5	2.4	2.4
Current account balance	3.8	4.8	4.3	4.0
Government budget balance	-3.9	-3.6	-3.4	-3.0

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; Kiel Institute calculations; shaded: Kiel Institute forecast.

## 4. Euro Area

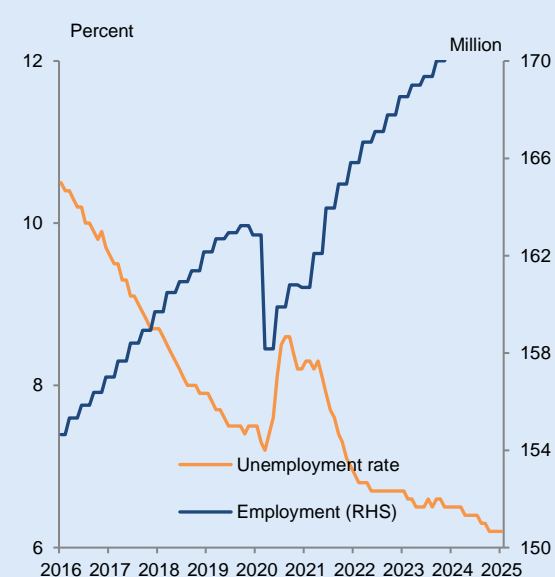
**Figure 4.1:**  
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, Fachserie 18, Series 1.3; shaded: IFW forecast.

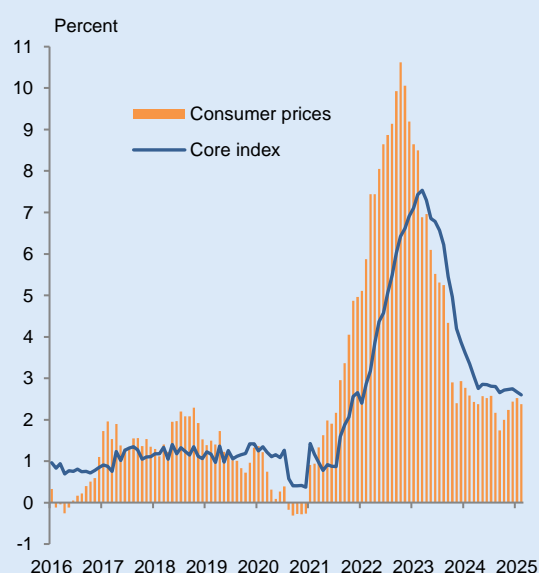
**Figure 4.2:**  
Labor market



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

**Figure 4.3:**  
Consumer prices



Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, *Price Statistics*.

**Table 4.1:**  
Key indicators Euro Area

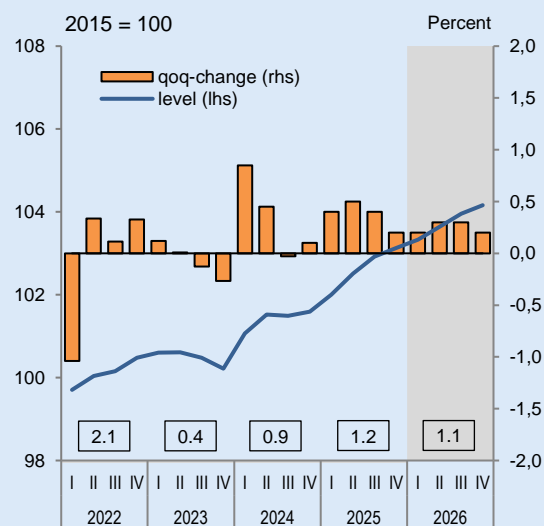
	2023	2024	2025	2026
Gross Domestic Product	0.5	0.8	1.0	1.4
Domestic expenditure	0.2	0.4	1.2	1.9
Private consumption	1.4	2.8	1.5	2.3
Government consumption	0.6	1.0	1.3	1.5
Gross fixed capital formation	2.0	-2.0	1.5	2.3
Inventories	-0.8	-0.3	-0.1	0.1
Net exports	0.3	0.4	-0.2	-0.5
Exports	-0.6	1.0	1.6	1.5
Imports	-1.3	0.2	2.1	2.6
Consumer prices	5.4	2.4	2.3	2.2
Unemployment rate	6.6	6.4	6.2	5.9
Current account balance	1.6	2.6	1.8	2.1
Government budget balance	-3.6	-3.2	-3.2	-3.5

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP.

Source: Eurostat, *National Accounts*; Kiel Institute calculations; shaded: Kiel Institute forecast.

## 5. United Kingdom

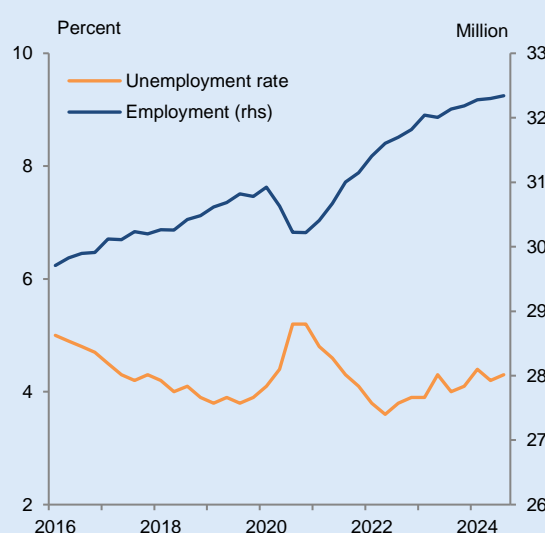
**Figure 5.1:**  
GDP



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

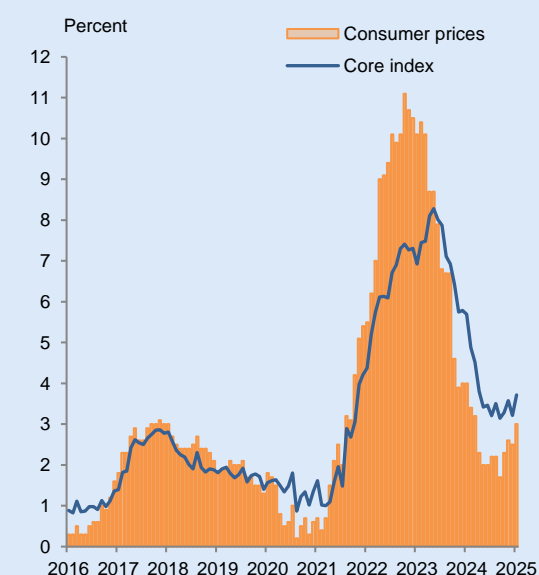
**Figure 5.2:**  
Labor market



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

**Figure 5.3:**  
Consumer prices



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy*.

**Table 5.1:**  
Key indicators United Kingdom

	2023	2024	2025	2026
Gross Domestic Product	0.4	0.9	1.2	1.1
Domestic expenditure	-0.1	2.2	1.5	1.6
Private consumption	0.7	0.7	1.2	1.6
Government consumption	0.6	2.2	2.0	2.0
Gross fixed investment	-0.1	1.5	2.2	2.5
Inventories	-0.6	1.0	0.0	0.1
Net exports	0.5	-1.4	-0.1	-0.3
Exports	-2.2	-0.8	1.4	1.2
Imports	-3.4	2.3	1.5	2.0
Consumer prices	9.1	2.5	2.6	2.2
Unemployment rate	3.7	4.1	4.0	3.9
Current account balance	-3.1	-3.0	-2.5	-2.5
Government budget balance	-5.7	-5.5	-4.8	-4.0

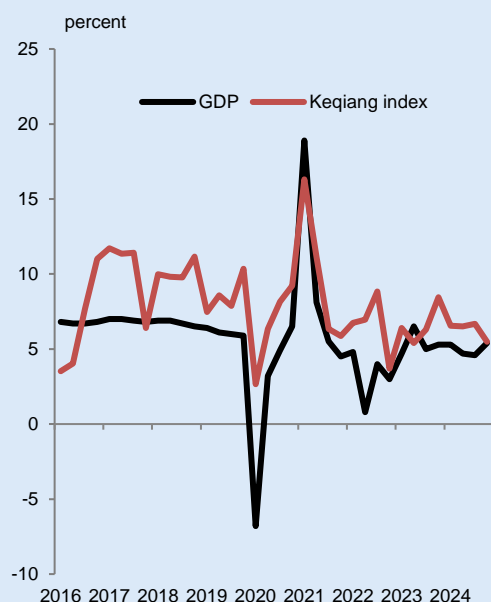
Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy*; shaded: Kiel Institute forecast.



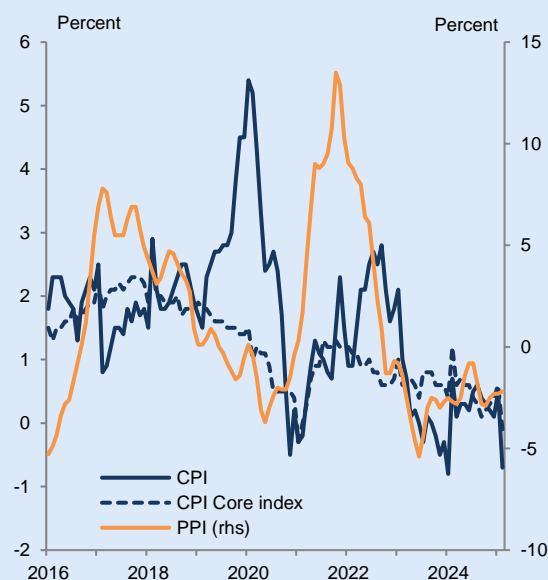
## 6. China

**Figure 6.1:**  
GDP and alternative activity indicators



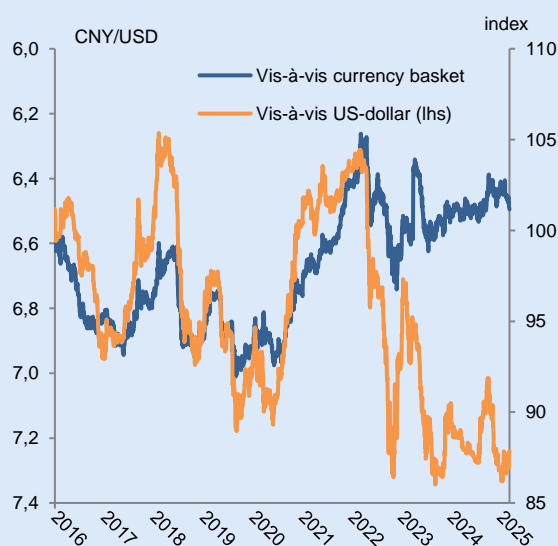
Source: National Bureau of Statistics; National Energy Agency; People's Bank of China; Kiel Institute calculations.

**Figure 6.2:**  
Inflation



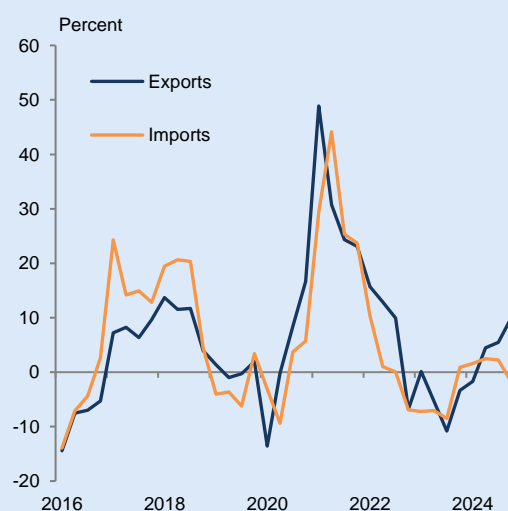
Source: National Bureau of Statistics.

**Figure 6.3:**  
Exchange rates



Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

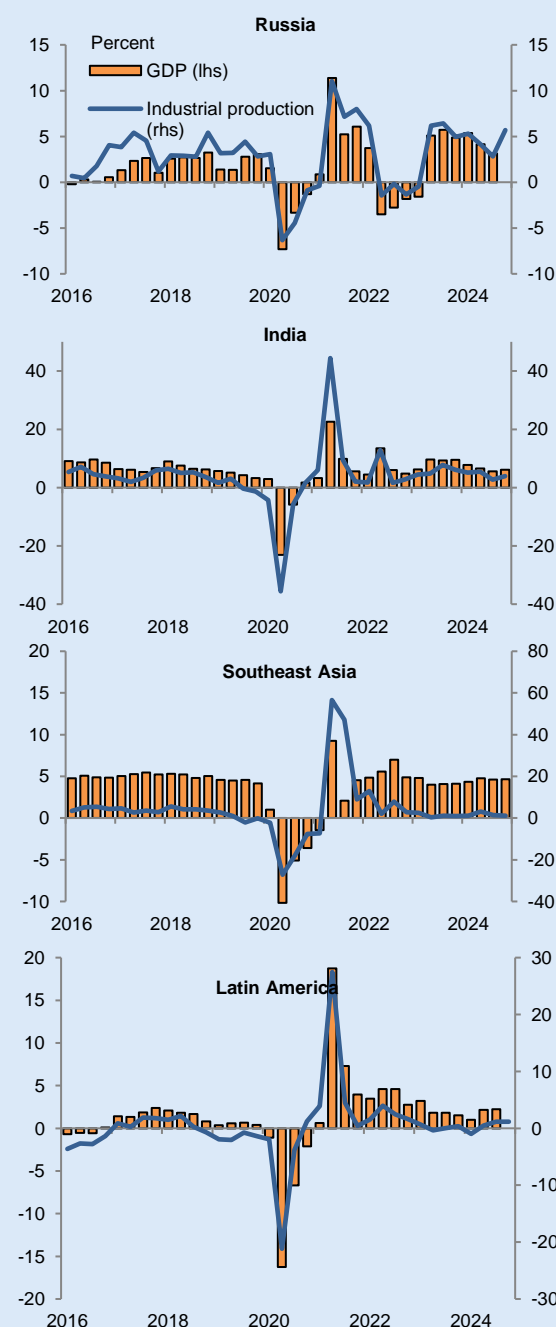
**Figure 6.4:**  
Exports and imports



Source: General Administration of Customs China

## 7. Emerging Economies

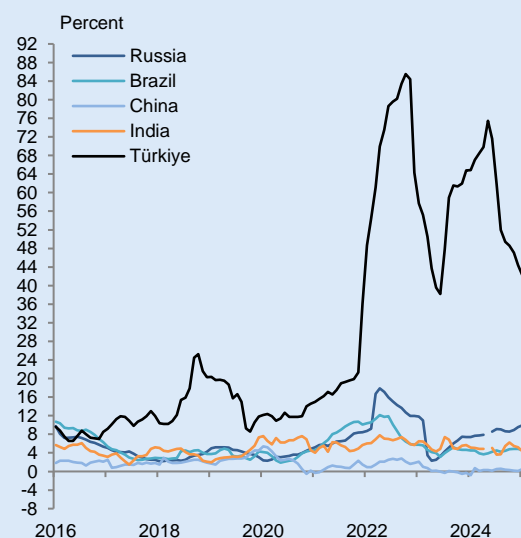
**Figure 7.1:**  
GDP and industrial production in emerging economies



Quarterly data; volumes; seasonally adjusted; change over previous year; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentina, Brasil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices; Kiel Institute calculations.

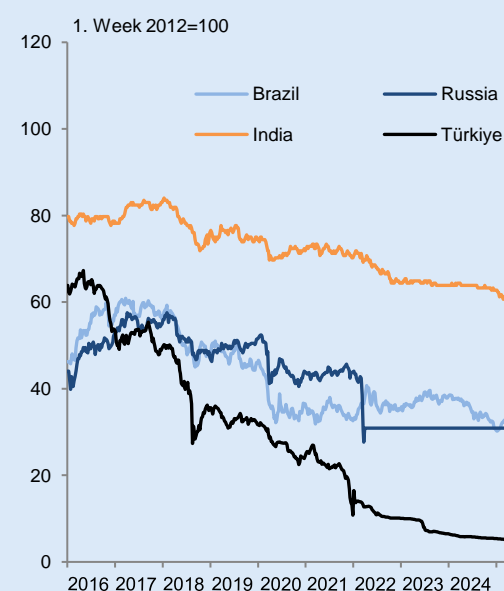
**Figure 7.2:**  
Consumer price inflation in large emerging economies



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

**Figure 7.3:**  
US-dollar exchange rates



Weekly data.

Source: LSEG

## 8. Additional Tables

**Tabelle 8.1:**

**Real gross domestic product, consumer prices and unemployment rates in the European Union**

	Weights	Real GDP				Consumer prices				Unemployment rate			
		2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Germany	24.2	-0.1	-0.2	0.1	1.2	6.0	2.5	2.5	2.4	3.0	3.4	3.6	3.6
France	16.6	1.1	1.1	0.6	1.1	5.7	2.3	1.6	2.2	7.4	7.4	7.5	7.5
Italy	12.3	0.8	0.5	0.6	0.9	5.9	1.1	1.9	2.1	7.7	6.5	6.2	6.0
Spain	8.6	2.7	3.2	2.5	2.2	3.4	2.9	2.5	2.2	12.2	11.4	10.0	9.0
Netherlands	6.1	0.1	0.9	1.5	1.1	4.1	3.2	2.8	2.2	3.5	3.7	3.6	3.5
Belgium	3.4	1.3	1.0	1.0	0.9	2.3	4.3	3.0	2.1	5.5	5.7	5.7	5.6
Austria	2.8	-0.9	-1.5	0.0	1.1	7.7	2.9	2.6	2.0	5.1	5.2	5.7	5.6
Ireland	3.0	-5.6	1.2	3.8	3.2	5.2	1.3	2.2	1.9	4.3	4.3	4.2	4.1
Finland	1.6	-0.9	-0.2	1.1	1.3	4.3	1.0	2.0	2.1	7.2	8.4	8.7	8.1
Portugal	1.6	2.6	1.9	2.8	2.4	5.3	2.7	2.4	2.1	6.6	6.5	6.0	5.8
Greece	1.3	2.3	2.3	2.6	2.0	4.2	3.0	2.6	2.1	11.1	10.1	8.7	8.0
Slovak Republic	0.7	1.4	2.0	2.8	2.8	11.0	3.2	3.1	2.1	5.9	5.4	5.0	4.8
Luxembourg	0.5	-1.1	0.5	1.6	1.9	2.9	2.3	2.3	1.9	5.2	6.2	6.1	5.7
Kroatien	0.4	3.3	3.8	3.2	2.9	8.4	4.0	3.8	2.5	6.1	5.0	4.4	4.2
Slovenia	0.4	2.4	1.3	1.9	1.8	7.2	2.0	4.3	3.0	3.7	3.7	3.7	3.7
Lithuania	0.4	0.4	2.7	2.8	2.2	8.7	0.9	2.2	1.8	6.9	7.1	6.8	6.3
Latvia	0.2	2.2	-0.4	-0.2	1.7	9.1	1.3	2.5	2.1	6.5	6.9	7.0	6.3
Estonia	0.2	-3.1	-0.2	1.4	1.9	9.1	3.7	3.7	2.4	6.4	7.6	7.8	7.2
Cyprus	0.2	2.6	3.4	1.8	1.9	3.9	2.3	2.3	2.0	5.8	4.9	4.8	4.5
Malta	0.1	6.8	5.8	2.4	3.6	5.6	2.4	2.0	1.9	3.5	3.1	2.9	2.7
Sweden	3.2	0.1	0.9	1.9	1.7	5.9	2.0	1.8	2.0	7.7	8.4	8.1	7.5
Poland	4.4	0.0	2.8	3.2	3.0	10.9	3.7	4.4	3.0	2.8	2.9	2.8	2.6
Denmark	2.2	2.5	3.6	4.1	2.1	3.4	1.3	1.9	1.8	5.1	6.2	5.8	5.3
Czech Republic	1.9	0.1	1.0	2.3	2.6	10.7	2.4	2.7	2.2	2.6	2.8	2.5	2.3
Romania	1.9	2.4	0.9	1.8	2.6	3.9	5.2	4.6	3.6	5.6	5.4	5.3	5.2
Hungary	1.2	-0.8	0.6	1.6	3.2	-1.4	3.7	4.1	3.3	4.1	4.4	4.3	4.2
Bulgaria	0.6	2.0	2.7	2.6	2.9	6.9	4.4	2.3	2.9	4.3	4.2	3.8	3.6
European Union	100.0	0.6	1.0	1.2	1.5	5.8	2.6	2.6	2.3	6.1	6.0	5.7	5.5
Addendum:													
European Union 11	87.4	0.5	0.8	1.0	1.4	5.3	2.3	2.2	2.2	6.6	6.5	6.3	6.0
Accession countries	12.6	0.8	1.9	2.5	2.8	7.9	3.7	3.9	2.9	4.1	4.1	3.9	3.7
Euro Area	84.7	0.5	0.8	1.0	1.4	5.4	2.4	2.3	2.2	6.6	6.4	6.2	5.9
Euro Area without Germany	60.5	0.8	1.2	1.3	1.4	5.2	2.3	2.2	2.2	7.8	7.4	7.0	6.7

Based on GDP at prices and exchange rates of 2023 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2023. Accession countries since 2004.

Source: Eurostat, National Accounts; shaded: IfW forecast.

**Tabelle 8.2:**

**Real gross domestic product and consumer prices in selected emerging market economies**

	Weights	Real GDP				Consumer prices			
		2023	2024	2025	2026	2023	2024	2025	2026
Indonesia	5.6	5.0	5.0	4.9	5.3	3.7	2.5	2.6	2.7
Thailand	2.0	1.9	2.5	3.9	4.2	1.2	0.6	1.2	1.5
Malaysia	1.5	3.5	5.1	4.5	4.7	2.5	1.8	2.0	2.2
Philippines	1.6	5.5	5.6	5.8	5.5	6.0	3.2	2.6	2.8
Total	10.7	4.3	4.6	4.8	5.0	3.4	2.2	2.3	2.4
China	41.6	5.4	5.0	4.5	4.2	0.2	0.2	0.3	0.2
India	16.6	8.6	6.5	6.7	6.6	5.3	5.1	4.9	4.5
Asia total	68.9	6.0	5.3	5.1	4.9	2.0	1.7	1.7	1.6
Brazil	5.2	3.2	3.4	2.3	2.0	4.6	4.4	4.3	3.5
Mexico	4.1	3.3	1.2	0.9	1.0	5.5	4.8	4.2	3.7
Argentina	1.6	-1.6	-2.5	4.7	3.2	133.0	220.0	48.0	20.0
Colombia	1.3	0.6	1.8	2.0	2.2	11.7	6.6	5.2	4.4
Chile	0.8	0.3	2.3	2.4	2.0	7.6	4.3	4.4	3.5
Peru	0.7	-0.4	3.3	3.6	2.8	6.3	2.4	2.0	2.4
Latin America total	13.6	2.1	1.8	2.2	1.9	20.6	29.4	9.3	5.5
Egypt	2.3	3.8	2.6	4.0	5.0	24.4	33.3	21.2	14.4
Nigeria	1.7	2.9	2.9	3.2	3.0	24.7	32.5	25.0	20.0
South Africa	1.3	0.6	0.5	0.8	1.2	6.9	4.5	3.9	3.5
Algeria	0.8	4.1	3.8	3.2	3.0	9.3	5.3	5.0	4.5
Ethiopia	0.5	7.2	6.1	6.5	7.0	30.2	24.0	20.0	13.3
Africa total	6.6	3.2	2.7	3.3	3.7	19.7	23.4	16.8	12.5
Russia	6.4	3.6	3.9	1.5	0.8	5.9	7.9	9.2	7.5
Tyrkiye	4.6	4.5	3.2	4.0	5.0	53.9	58.0	35.0	25.0
Total	100.0	5.1	4.5	4.3	4.1	8.3	9.9	5.7	4.3

In percent. Weights: According to 2023 GDP at purchasing power parities. — GDP: price adjusted; changes compared to the previous year. — Consumer prices: changes compared to the previous year. — Asia total, Latin America total: based on listed countries.

Source: IMF, International Financial Statistics; OECD, Main Economic Indicators; national statistics; Kiel Institute calculations; shaded: Kiel Institute forecast.