

KIEL INSTITUTE **ECONOMIC OUTLOOK**

German Economy Autumn 2025

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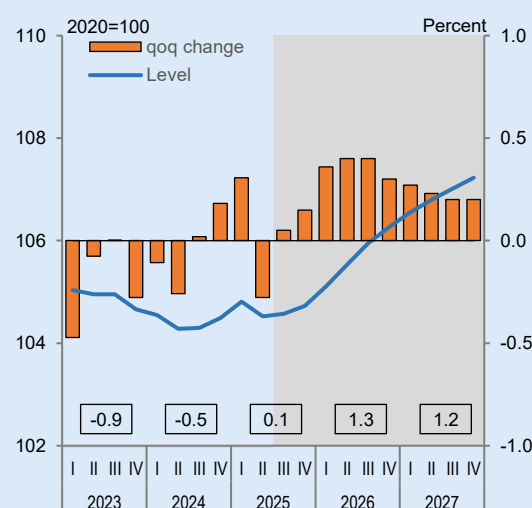
GERMAN ECONOMY IN AUTUMN 2025: ECONOMY YET TO GAIN MOMENTUM

Jens Boysen-Hogrefe, Dominik Groll, Timo Hoffmann, Nils Jannsen, Stefan Kooths, Johanna Krohn, Jan Reents, Christian Schröder

The German economy is still awaiting stronger momentum. Leading indicators have stabilized in recent months, and business expectations have seen marked improvement in anticipation of higher public spending. Nonetheless, economic activity is likely to remain broadly flat through the end of the year as U.S. tariff policy continues to weigh on growth. After two years of contraction, however, we expect GDP to increase by a modest 0.1 percent in 2025. From 2026, the federal government is set to make greater use of its newly available fiscal space. We project that expansionary fiscal policy will contribute about 0.6 percentage points to GDP growth in 2026, and approximately half that amount in 2027, and expect GDP to expand by 1.3 percent in 2026 and 1.2 percent in 2027. After accounting for the additional boost from calendar effects in 2026 (around 0.3 percentage points), the underlying pace of expansion remains subdued. While cyclical slack leaves some room for recovery, much of the recent stagnation—output in 2025 is still no higher than in 2019—reflects structural weaknesses. These are evident in Germany's comparatively weak international performance and the continued loss of export market share. As growth gradually picks up, labor market conditions should improve, with the unemployment rate projected to fall from 6.3 percent in 2025 to 5.8 percent in 2027. Business investment is expected to increase again as sentiment improves, albeit from a low base. Exports are likely to rise moderately from 2026 onwards, though losses in competitiveness will likely continue to erode market shares. The general government deficit is set to widen from 2 percent of GDP in 2025 to 3.5 percent by 2027.

GDP is set to increase only modestly in the second half of the year. After expanding in previous quarters, GDP declined by 0.3 percent in the second quarter (Figure 1). In our summer forecast, leading indicators had pointed to a slight increase. A key driver of the decline was the reversal of exports to the United States, which had risen sharply in the first quarter due to tariff-related frontloading. Statistically, much of the contraction in the second quarter can be attributed to the fall in U.S. exports: assuming an import content of roughly 40 percent of exports, the decline accounted for around 0.25 percent of GDP. That said, the underlying cyclical momentum remained weak even when disregarding tariff effects, as reflected in declining investment in fixed assets. With the release of the national accounts for the second quarter, the Federal Statistical Office also carried out routine revisions of previous quarters. These revisions improved the statistical carryover for 2025 so that despite the weaker-than-expected second quarter, the adjustment to our summer forecast amounts to only –0.1 percentage points for the annual growth rate in this year. In recent months, leading indicators have stabilized at a low level. Order intake has shown a slight upward trend, albeit with significant monthly volatility. Overall business sentiment has improved for six consecutive months, despite persistently high policy uncertainty. However, no strong cyclical momentum is yet apparent: in August, sentiment declined across all sectors, implying that the rise in the aggregate index does not

Figure 1:
Gross domestic product



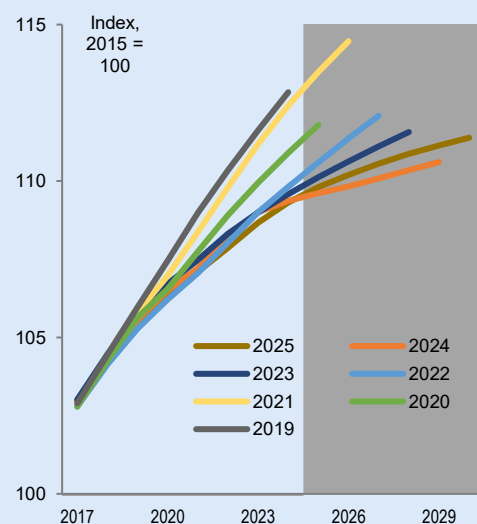
Quarterly data: Volumes, seasonally and calendar adjusted.
Annual data (boxes): Volumes, change in percent.

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

signal an expansion.¹ Moreover, the recent improvement in sentiment has been driven mainly by expectations of a more expansionary fiscal stance next year, rather than by imminent increases in production. Current business conditions—which are more relevant for the near-term outlook—have improved only modestly. Purchasing managers also reported somewhat better conditions, though these surveys also point to little more than a mild expansion. Against this backdrop, we expect GDP to rise by 0.1 percent in the third quarter. In the final quarter, the pace of expansion is likely to strengthen somewhat, partly due to catch-up effects in public consumption, which had previously been constrained by the federal government's provisional budget. Overall, we project GDP to increase by 0.1 percent in 2025. The impact of U.S. trade policy remains a major source of uncertainty. Based on results from trade model simulations (Kiel Institute for the World Economy 2025), our forecast assumes that the new U.S. trade policy regime will dampen economic output by around 0.3 percent, with the effect on GDP growth distributed across 2025 and 2026.

Expansionary fiscal policy will provide a stimulus over the next years. With the constitutional reform of fiscal rules, the new federal government has gained significantly greater budgetary leeway. Assuming that defense spending rises to 3 percent of GDP and that resources from the special fund for infrastructure are disbursed evenly, the additional fiscal space amounts to about 3¼ percent of GDP. However, the new framework not only creates space for additional stimuli but also avoids the restrictive impulses that the old rules would have required. Moreover, due to planning and implementation delays, the new leeway is likely to materialize only gradually. Against this backdrop, we expect additional fiscal impulses of just under 1 percent of GDP in 2026 and 0.5 percent in 2027. Empirical estimates point to a wide range of possible real effects (Ramey 2019; Gechert and Rannenberg 2018). The actual impact further depends on the design of fiscal measures as well as cyclical and monetary policy conditions (Jannsen 2025). For this forecast, we assume that expansionary fiscal policy will raise GDP growth by around 0.6 percentage points in 2026 and by about 0.3 percentage points in 2027. Additional working days will also support growth, contributing an estimated 0.3 percentage points in 2026 and 0.1 percentage points in 2027. Taken together, we project GDP growth of 1.3 percent in 2026. The downward revision of 0.3 percentage points vis-à-vis our summer forecast primarily reflects our assumption of a somewhat smaller fiscal impulse. In 2027, GDP is expected to expand by 1.2 percent. Excluding the effects of fiscal stimulus and additional working days, the underlying pace of expansion remains subdued—particularly given that GDP has recently been no higher than in 2019. Although low capacity utilization — as indicated by business surveys and potential output estimates — suggests some room for cyclical recovery once temporary headwinds abate, much of the recent weakness appears structural in nature. This is evident in the stronger momentum observed in many other countries, the loss of competitiveness combined with a sharp decline in global market shares, and Germany's industrial output, which is relatively weak by international standards. These structural headwinds are also reflected

Figure 2:
Production potential



Annual data; potential: calendar-adjusted, price-adjusted (chained volume values, reference year 2015). Projections from Autumn.

Source: Federal Statistical Office, Fachserie 18, Series 1.2; calculations and projections by IfW Kiel.

¹ The discrepancy between the development of the aggregate index and the sectoral indices is due to seasonal adjustment, which is carried out separately for each index.

in potential output projections, which have been revised downward significantly in recent years (Figure 2).

Structural challenges persist in foreign trade. German exports weakened in the second quarter after a strong increase at the start of the year as tariff-related front-loading effects faded. Exports to the U.S. in the second quarter fell sharply, while shipments to China and the EU rose slightly, though the longer-term downward trend in exports to China persisted. Overall, exports edged down by 0.1 percent in the second quarter. A sustained recovery is not in sight. Exports have been declining since mid-2022 despite expanding global trade. Business surveys show weak export expectations, reflecting supply-side burdens, declining competitiveness, and rising competition from China. Geopolitical risks, restrictive U.S. trade policy, and the euro's appreciation add pressure. Although some stabilization is visible, we expect exports to stagnate in the second half of 2025 and grow only modestly thereafter, continuing to lag behind world trade. Imports are expanding faster than exports, supported by investment activity. The terms of trade will remain near historic highs due to lower import prices but are likely to ease gradually. Germany's trade surplus has been shrinking since 2016, driven by weak price-adjusted exports and strong imports, only partly offset by favorable terms of trade. The current account surplus has also declined from 8.9 percent of GDP in 2016 to 5.6 percent in 2024 and is projected to fall further to around 4 percent by 2027.

Private consumption will continue to rise on an annual basis. Revisions to Germany's national accounts raised the level of private consumption in the first quarter by around 1 percent, making the recovery from the energy crisis more evident. Consumption had been rising for several quarters until early 2025 but stagnated in the second quarter, reflecting weaker growth in real disposable income after strong gains in 2024. The temporary boost from delayed wage adjustments and inflation compensation payments have faded, leading to slower income growth. The strong increase in the first quarter was accompanied by a sharp fall in the savings rate, which has since stabilized slightly below its pre-pandemic level. Looking ahead, real disposable income is expected to remain broadly flat in 2025 but rise again by 1.5 percent in 2026 and 1.0 percent in 2027, supported by higher growth in net wages and lower increases in social contributions. Given weak consumer confidence and the lack of further stimuli from real income this year, private consumption will scarcely stagnate until the end of the year. Against this backdrop, private consumption is projected to increase by 1 percent in 2025, followed by 1 percent in 2026 and 0.8 percent in 2027.

Tax breaks and government stimulus measures support investment in machinery and equipment, but structural headwinds remain. In the second quarter, investment in machinery and equipment declined by 1.9 percent. Private investment in machinery and equipment was constrained by weak capacity utilization and exceptionally high economic uncertainty. Leading indicators show only tentative signs of an upturn in the third quarter, with a moderate increase of 0.2 percent expected. Over the forecast horizon, private investment in machinery and equipment is likely to rise modestly, driven by strengthening economic momentum and domestic demand. However, economic uncertainty and structural challenges are expected to continue dampening companies' willingness to invest, consistent with the stagnation in orders received by capital goods manufacturers. From 2026 onwards, investment is set to benefit from revised tax depreciation rules on machinery and equipment. These provisions are expected to both stimulate investment in durable goods and bring forward planned projects (Zwick and Mahon, 2017, Ohrn, 2019, MacPhail et al., 2017, Hulse and Livingstone, 2010). For Germany, model simulations also indicate a stimulating effect from higher depreciation allowances (Menkhoff and Peichl, 2025, Dorn et al., 2021). Against this backdrop, investment in machinery and equipment is expected to be around 2 percent higher in 2026 and 3 percent higher in 2027 than it would have been absent the changes to tax depreciation rules. Business expectations among capital goods manufacturers have already risen sharply in recent months, and expansionary fiscal policy is likely to provide further support. Government investment, which accounts for roughly 10 percent of total investment in machinery and equipment, is expected to expand strongly over the next two years. Despite its small share, government investment will contribute about one-third of the overall increase. All in all, we expect investment in

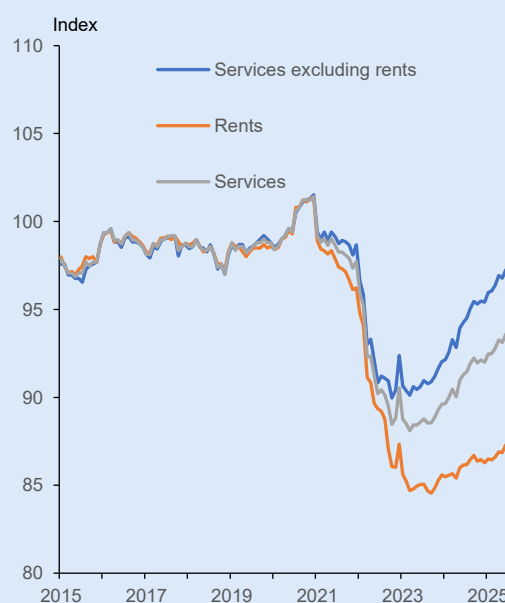
machinery and equipment to decline by 2.3 percent in the current year before expanding by 4.6 percent in 2026 and 5.5 percent in 2027.

Investment in construction is recovering at a low level. In the second quarter, investment in construction fell by 2.1 percent overall. Moreover, the Federal Statistical Office has made substantial downward revisions to the data for previous quarters, further worsening the assessment of the construction sector. For the third quarter, leading indicators point to a further decline of 0.9 percent. Over the forecast horizon, investment in construction is expected to bottom out and pick up again slightly, with a two-pronged dynamic emerging: In building construction, including residential construction — which is particularly sensitive to interest rates —, a modest recovery at low level is expected after the steep declines of the past four years. Financing conditions for residential properties have continued to improve, albeit at a slower pace. Civil engineering, which is largely driven by public contracts, is likely to expand strongly throughout the forecast period. While order intake in building construction slumped after the interest rate turnaround in 2021, civil engineering orders have increased by about 10 percent since then and remained on an upward trend until recently. However, capacity bottlenecks could limit further expansion. Overall, investment in construction is likely to decline by 2.3 percent in 2025. For 2026 and 2027, we expect investment in construction to increase by 1.4 and 3.4 percent, respectively. Even so, investment in construction would remain only at its level of 2011, around 13 percent below the peak prior to the interest rate hike in 2021.

Investment in other products is rising robustly. Since 2021, investment in machinery and equipment and investment in construction have declined, respectively, by about 3 percent and roughly 14 percent, whereas investment in other products (mainly expenditure on software and R&D) has expanded by around 20 percent over the same period. The upward trend is expected to persist over the forecast horizon, supported by additional public investment and expanded research funding. Investment in other products is projected to grow by 3.6 percent in the current year, followed by 4.1 percent in 2026 and 4.9 percent in 2027.

Inflation has stabilized at around 2 percent. In recent months, consumer prices have risen by roughly 2 percent year-on-year. After inflation fell substantially from its peak until mid-2024, inflation dynamics have remained broadly unchanged for about a year. Energy prices continued to decline year-on-year, though this mainly reflects their sharp drop in the second half of 2024; since May, energy prices have remained broadly stable. Future markets do not indicate strong changes in energy prices in the forecasting period. Planned reductions in electricity taxes and charges have (compared to the assumptions in our summer forecast) been scaled back, while further increases in CO₂ prices—amid uncertainty due to the start of the EU Emissions Trading System (ETS) 2 in 2027—will exert upward pressure. Overall, energy prices are projected to fall by around 2.5 percent in this and the next year before stagnating in 2027. Consumer price inflation excluding energy (core inflation) has remained above 2.5 percent year-on-year up to the most recent data, well above the long-term average of 1.2 percent between 1999 and 2019. Persistent price pressures in services have been the main driver of high core inflation for more than a year. In 2024, service prices

Figure 3:
Relative prices of services



Monthly data: seasonal adjusted; Relative price compared to consumer prices excluding services.

Source: Deutsche Bundesbank; Kiel Institute calculations.

excluding rents rose by 4.6 percent, resulting in a core rate of 2.9 percent. One reason is that service prices tend to adjust more slowly than those of other goods, as price changes are less frequent (Bodnár et al. 2025). In the case of rents, adjustments are even more sluggish, as existing rents are rarely adjusted and institutional constraints impede larger price increases. As a result, the relative price of services compared to goods fell sharply during the high-inflation years of 2022 and 2023. With recent strong increases, service prices excluding rents have largely returned to their earlier relative position, suggesting that price pressures from this side will ease further, as has already been observed in recent months (Figure 3). Service prices are nevertheless likely to continue rising with above-average rates, as productivity gains in services are typically lower than in goods. Over the course of next year, however, stronger economic activity and expansionary fiscal policy are expected to push inflation up again somewhat. All in all, inflation is projected to ease to 1.8 percent in 2026 and to pick up again to 2.2 percent in 2027, after 2.1 percent this year (Table 1).

Table 1:
Key indicators 2024–2027

	2024	2025	2026	2027
Gross domestic product (GDP), price-adjusted	-0.5	0.1	1.3	1.2
Gross domestic product, deflator	3.1	2.9	2.5	2.5
Consumer prices	2.2	2.1	1.8	2.2
Labor productivity (per hour worked)	-0.3	0.0	0.6	0.7
Employment (1000 persons)	45,987	46,012	46,110	46,203
Unemployment rate (percent)	6.0	6.3	6.1	5.8
<i>in relation to nominal GDP</i>				
Public sector net lending	-2.7	-2.0	-3.2	-3.5
Gross public debt	62.1	62.3	63.2	64.4
Current account balance	5.6	4.9	4.4	3.9

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.

Real wages catch up to labor productivity. Following last year's record increase, negotiated wages and salaries will rise at a significantly slower pace in the current year. This is mainly due to the discontinuation of large one-off payments whose tax exemption expired at the end of last year. By contrast, basic pay rates excluding one-off payments continue to accelerate. Agreements have been finalized in all major collective bargaining sectors for the current year, and in some cases also for the coming year. We therefore anticipate increases in negotiated wages and salaries of 2.8 percent and 3.3 percent for 2025 and 2026, respectively. Effective earnings (gross wages and salaries per employee) also slowed at the start of the year, but far less markedly than negotiated wages and salaries. Given the strong start into the year, we now expect effective earnings to rise by 3.8 percent in 2025, although wage growth is likely to continue to slow in the second half of the year. With the expected upturn in economic activity and the resulting increasing labor shortages, wage dynamics are likely to pick up over the rest of the forecast period. The foreseeable minimum wage increases for 2026 and 2027 will also have an effect on average earnings. According to the Federal Statistical Office, the increase at the beginning of 2026 will mean that 17 percent of all jobs will be subject to the minimum wage, with their wages increasing by an average of 6 percent; the increase at the beginning of 2027 will extend to 21 percent of all jobs and lead to a wage increase of 4 percent. We estimate that these minimum wage increases will increase effective earnings by 0.4 percent in 2026 and 0.2 percent in 2027. All in all, effective earnings are projected to rise by 3.6 percent (2026) and 3.7 percent (2027). Strong labor cost increases and weak labor productivity led to a very sharp rise in real unit labor costs last year and this year. However, in light of the preceding sharp declines due to the delayed response of wages to the previous sharp rise in inflation, this merely represents a normalization of the relationship of labor costs on one hand and prices and labor productivity on the other. For the coming two years, we expect labor costs to rise broadly in line with prices and labor productivity.

Starting next year, there are signs of improvement in the labor market. With the publication of the employment figures for May, the Federal Statistical Office substantially revised the figures previously

reported. Although there is little difference in the current level, the revised number of people in employment in 2023 and 2024 is in some cases considerably lower than previously reported, with the greatest difference of around 130,000 people observed at the beginning of 2024. A large part of the revision concerned self-employment, while employment subject to social security contributions was hardly changed at all. This reflects the different data quality of the two forms of employment (sample vs. full census). The slight increase in employment reported previously until mid-2024 and the subsequent slight decline are no longer reflected in the data; instead, employment has basically stagnated for two years. The revision has not changed the picture when viewed by economic sector. Job cuts continued unabated in the manufacturing and construction industries, while jobs continued to be created in the service sector, particularly in public services, education, and health care. In August, 2.96 million people (unemployment rate: 6.3 percent) were registered as unemployed on a seasonally adjusted basis, 9,000 people fewer than in July. This is the first time that seasonally adjusted unemployment has fallen since December 2022. Over the past three years, unemployment has risen by a total of 465,000 people. Leading indicators for the labor market have brightened somewhat at a low level. According to the ifo Employment Barometer, the willingness to hire in the private sector was somewhat higher recently than at the beginning of the year. According to the IAB Labour Market Barometer, local employment agencies have also become more optimistic for the coming months regarding both employment and unemployment. Given the expected upturn in economic activity and the associated increase in the demand for labor by firms, we anticipate that unemployment will decline over the course of the coming year and that employment will rise. However, the increase in employment will be lower than we previously predicted. This is due to both the somewhat weaker expansion in economic activity we foresee and the fact that we now anticipate slightly lower immigration to Germany in the coming years due to weaker-than-expected migration figures in the recent past. Among other things, net migration vis-à-vis other EU countries was negative last year for the first time since 2008. In addition, the foreseeable minimum wage increases in 2026 and 2027 are likely to have a dampening effect on employment. The recommendation of the Minimum Wage Commission at the end of June provides for minimum wage increases considerably exceeding general wage increases; we have assumed proportional increases so far. Little over half of the scientific studies on the impact of the minimum wage on overall employment in Germany find evidence of negative employment effects. Against this backdrop, we expect moderate negative employment effects in 2026 and 2027. Towards the end of the forecast period, the aging-related shortage of labor is also likely to increasingly weigh on employment. According to our current estimate, the potential labor force will peak in the next two years and then decline. However, the estimate is subject to a high degree of uncertainty, as age-specific participation rates and immigration are difficult to forecast. All in all, we expect the unemployment rate to decline from 6.3 percent (2025) to 6.1 percent (2026) and 5.8 percent.

Fiscal policy is moving toward an expansionary stance. In spring, Germany amended its constitution to allow for additional borrowing, mainly to finance defense and infrastructure projects, while also creating greater fiscal flexibility. Over the medium term, this shift is expected to support a structural deficit of above 3.5 percent of GDP, strengthening both public consumption and gross fixed capital formation. In the short run, however, the effects will be more muted. The public deficit is projected to narrow in 2025 as the amendment's impact will be limited: investment and defense budgets are planned well in advance, and the constitutional change came unexpectedly, so its implications were not factored into the 2025 budget. At the same time, higher social security contributions will add a restrictive element, further weighing on the deficit. A marked increase in the deficit is only anticipated for 2026, when the new fiscal space is expected to be used for tax reductions and expanded subsidies, alongside faster growth in defense and infrastructure spending. Nevertheless, the pace of these additional outlays is likely to be much slower than suggested in current budget plans. It will take time to reach full capacity so that 2027 will see another—albeit more moderate—rise in spending, which will again push up the public deficit.

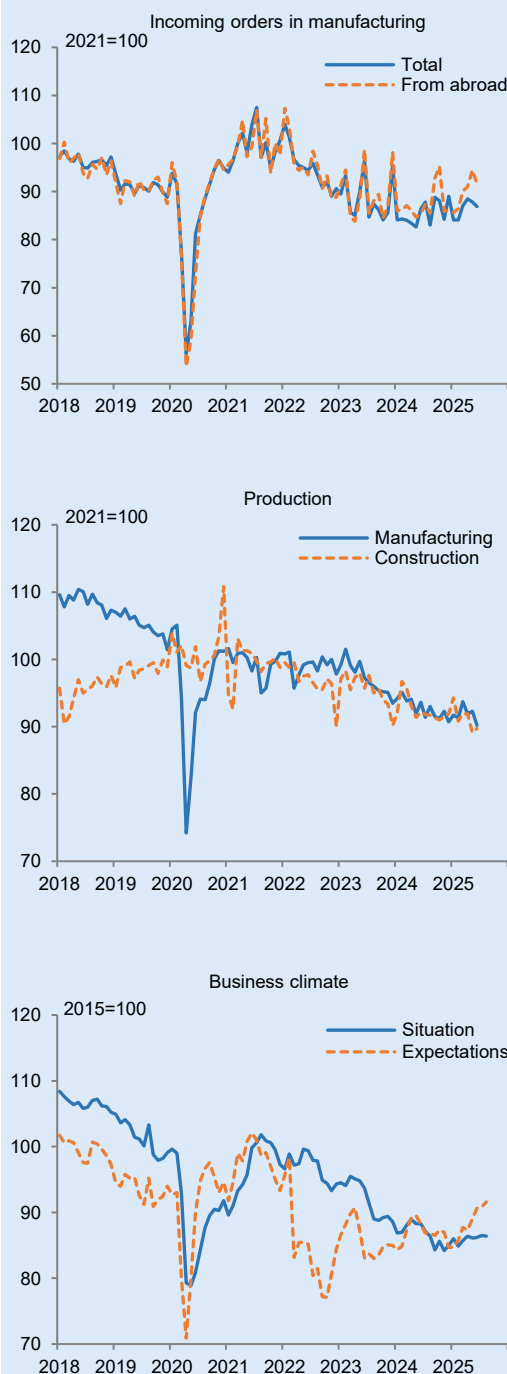
Data annex

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1. Leading indicators

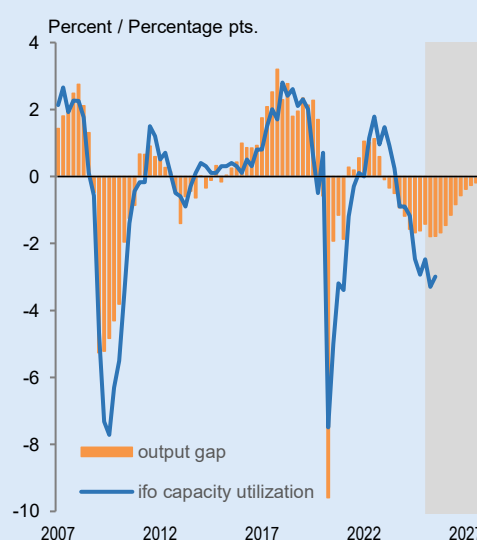
Figure 1.1:
Leading indicators



Monthly data, seasonally adjusted.

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

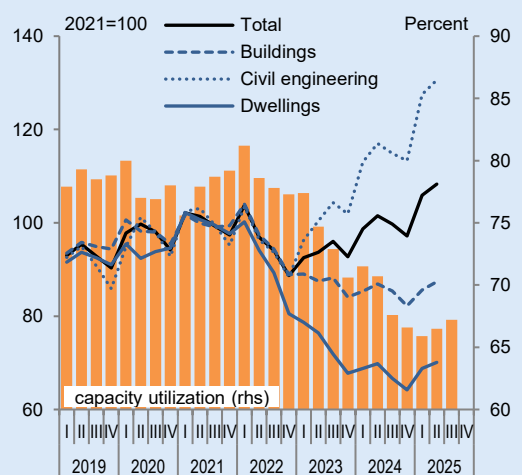
Figure 1.2:
Capacity utilization



Quarterly data: GDP deviation from potential output, deviation of ifo capacity utilization indicator from the mean (2005 bis 2019).

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

Figure 1.3:
Order stocks and capacity utilization in construction industry

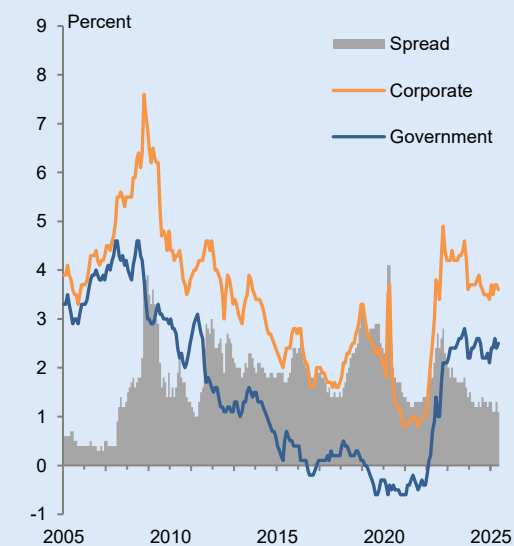


Quarterly data. Capacity utilization (deviation from normal level): seasonally adjusted; order stocks: price, seasonally and working-day adjusted.

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

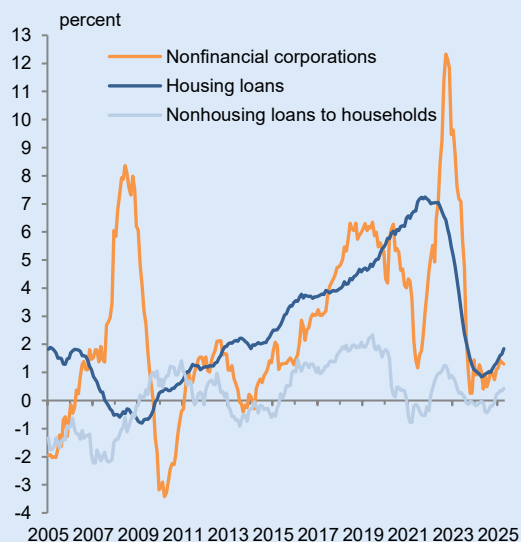
2. Monetary conditions and prices

Figure 2.1:
Bond yields



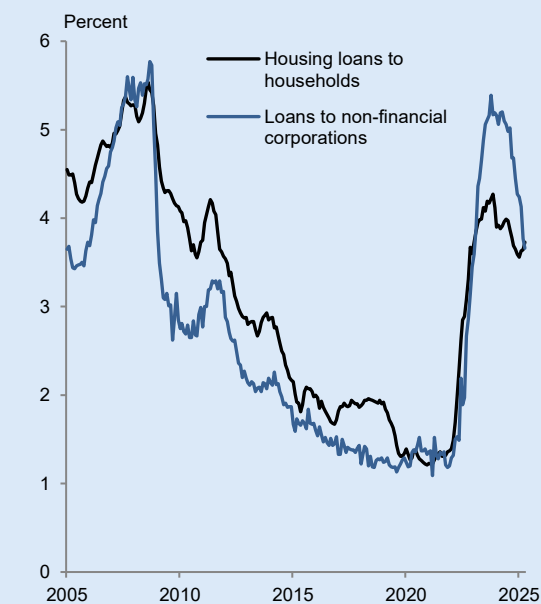
Source: Deutsche Bundesbank, *Monthly Reports*; Kiel Institute calculations.

Figure 2.3:
Credit growth



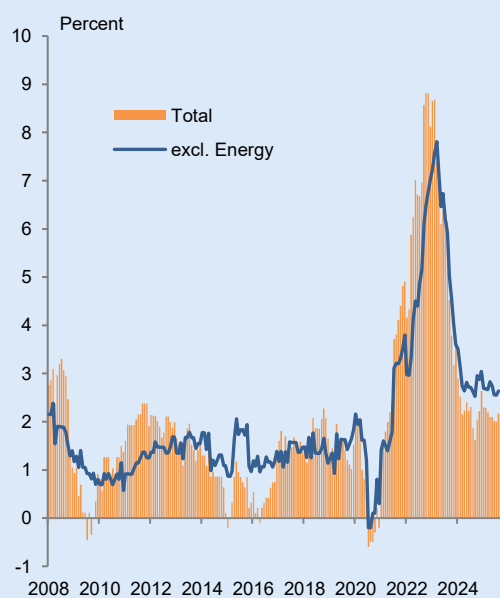
Source: Deutsche Bundesbank, *Seasonally Adjusted Business Statistics*; Kiel Institute calculations.

Figure 2.2:
Loan interest



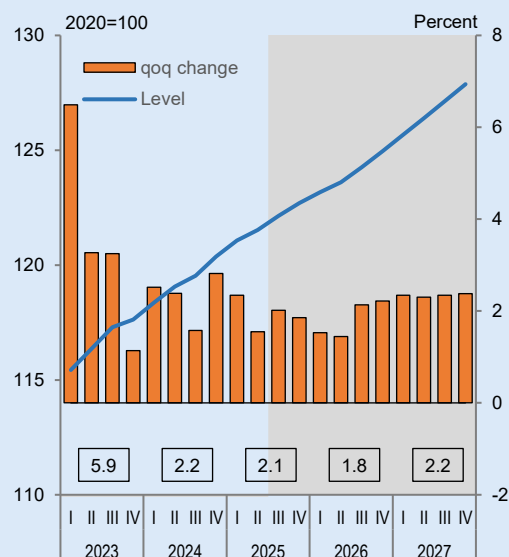
Source: Deutsche Bundesbank, *MFI interest rate statistics*.

Figure 2.4:
Consumer prices



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 2025–2027

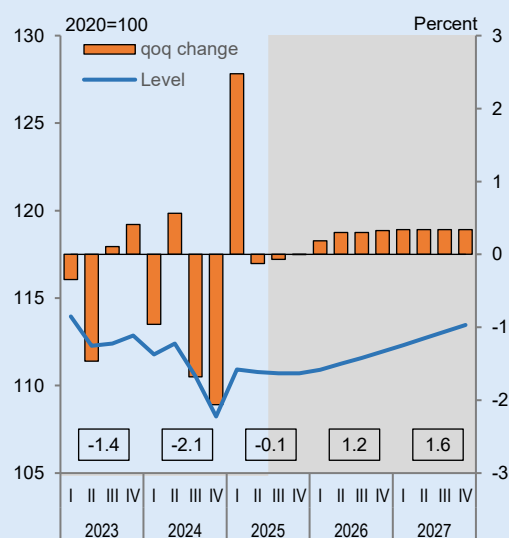
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
ECB key interest rate	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Long-term interest rate	2.5	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
US-dollar/euro exchange rate	1.05	1.13	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17
Price competitiveness	91.0	93.0	93.8	93.6	93.3	93.1	92.9	92.8	92.8	92.7	92.7	92.6
Export markets	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Oil price	74.8	66.9	67.7	66.0	65.5	65.3	65.1	65.1	65.0	65.2	65.2	65.4
Gas price	46.8	35.6	31.8	34.1	34.7	32.2	32.1	32.8	33.0	28.7	28.3	29.1
Electricity price	116.1	73.4	71.7	86.0	80.8	80.8	80.8	80.8	73.6	73.6	73.6	73.6

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

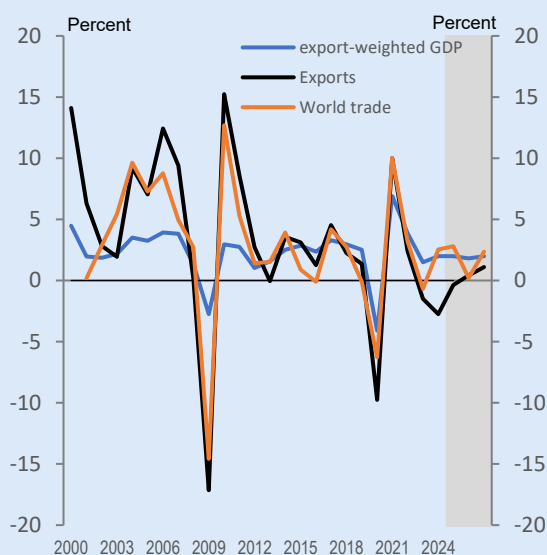
Figure 3.1:
Exports



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.

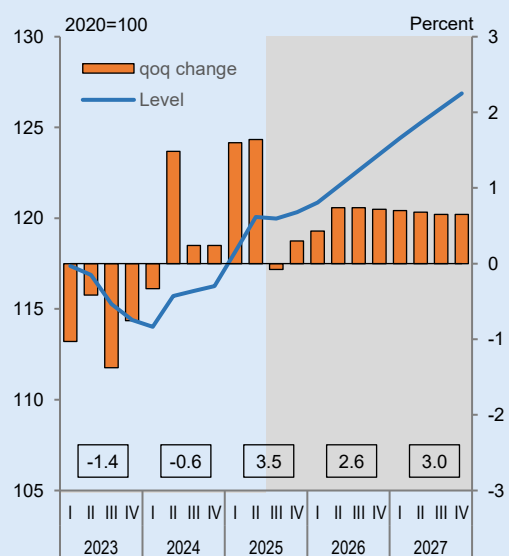
Figure 3.3:
Export-weighted GDP, world trade, and exports



Annual data; price-adjusted; growth rate; trade in goods.

Source: CPB; Federal Statistical Office; international statistical offices; shaded gray: Kiel Institute forecast.

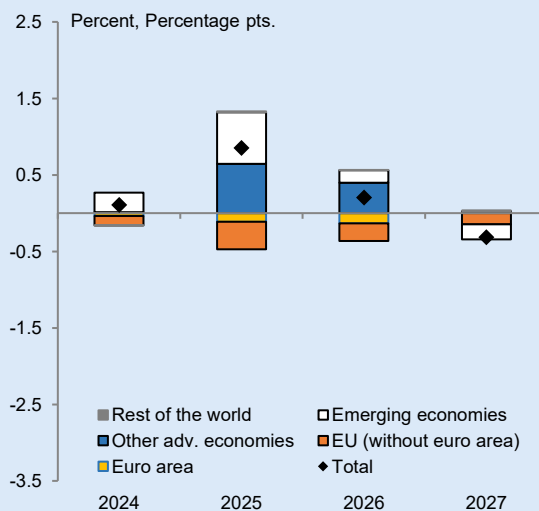
Figure 3.2:
Imports



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.

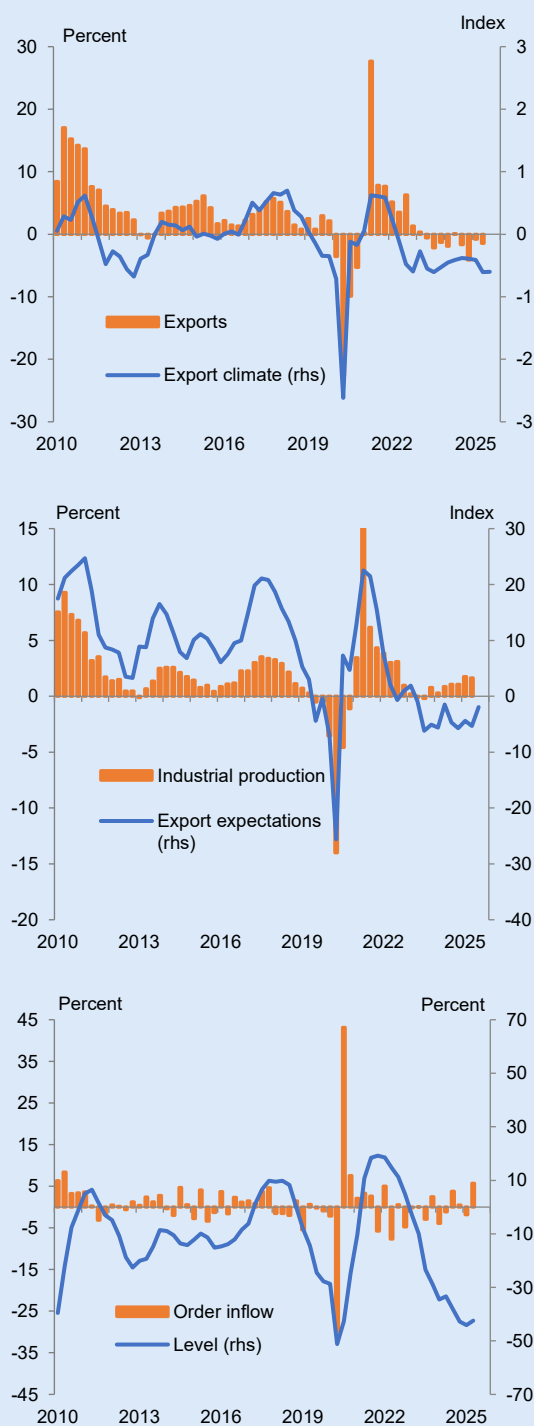
Figure 3.4:
Germany's price competitiveness



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

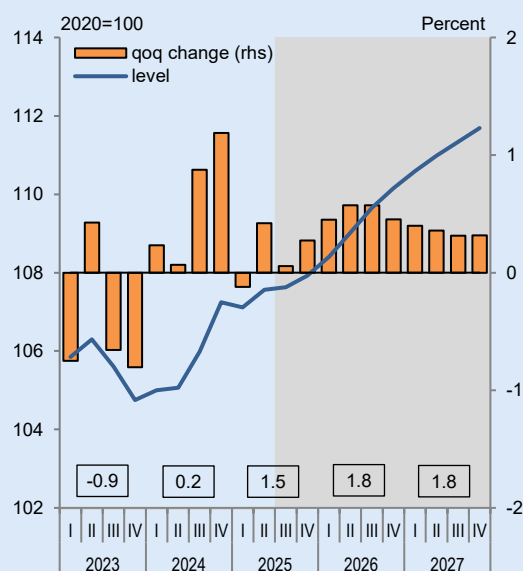


Quarterly data; exports, industrial production, volumes, change on previous year; order inflow: volumes, change on previous quarter; export expectations, foreign orders on hand: volumes; business expectations, industrial production: based on 42 countries weighted by shares of German exports.

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

4. Domestic expenditure

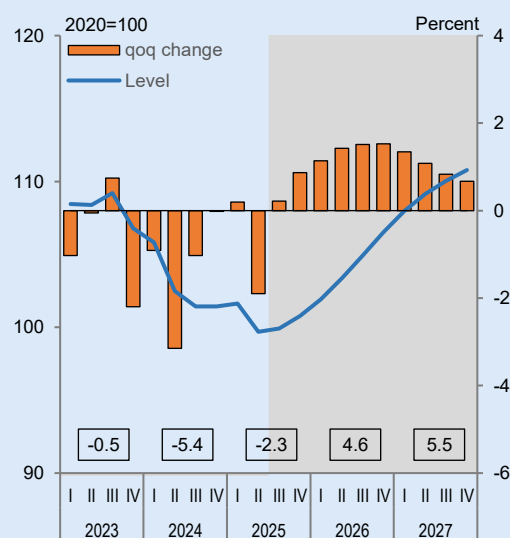
Figure 4.1:
Final domestic expenditure



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

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

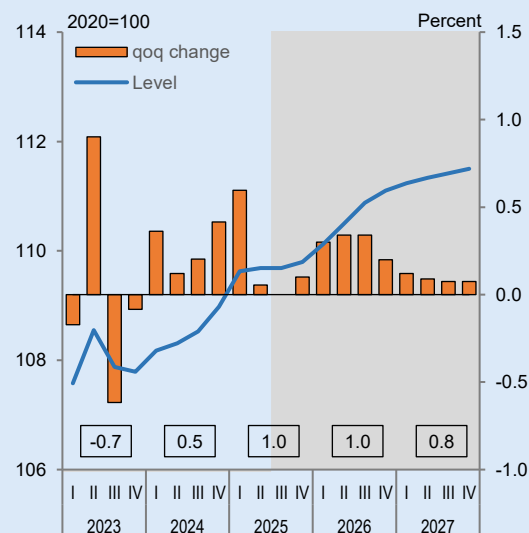
Figure 4.3:
M&E investments



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.

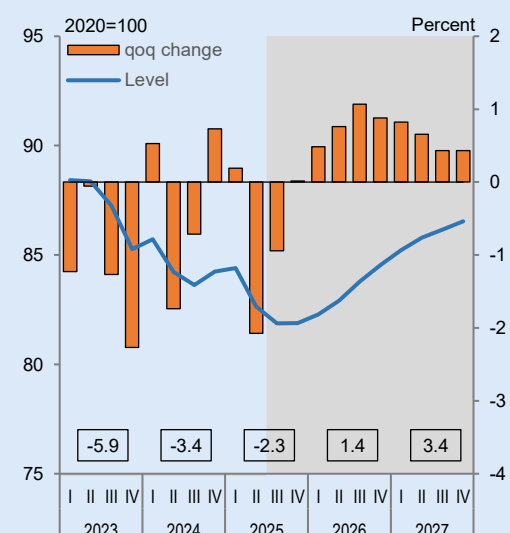
Figure 4.2:
Private consumption



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.

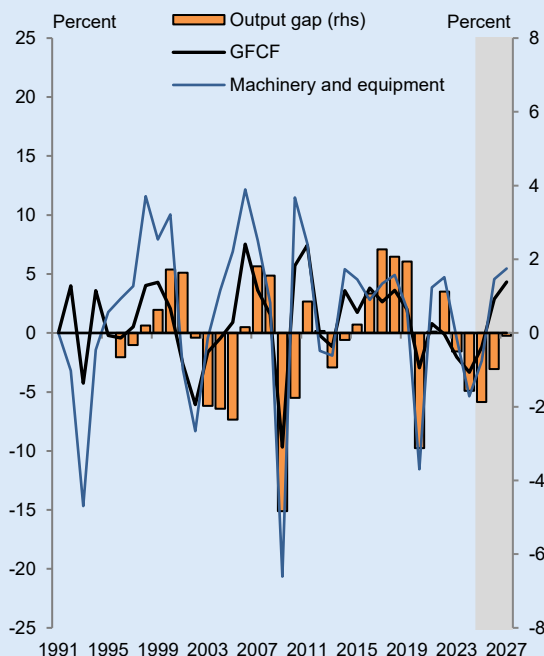
Figure 4.4:
Construction



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.

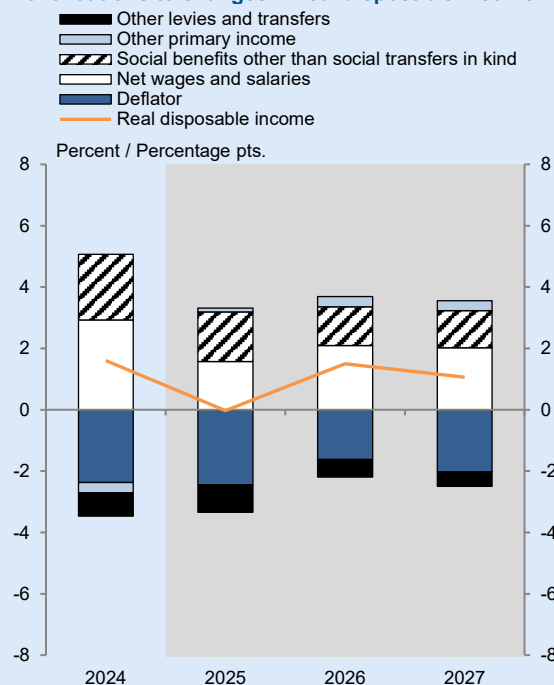
Figure 4.5:
Investment cycles



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.

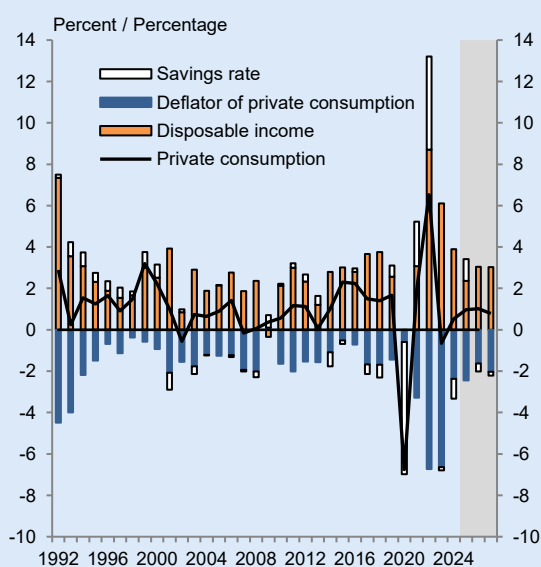
Figure 4.7:
Contributions to changes in real disposable income



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

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

Figure 4.6:
Contributions to change 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.

Table 4.1:
Gross fixed capital formation

	2024	2025	2026	2027
Total	-3.3	-1.2	2.9	4.3
Corporate investment	-4.2	-0.2	3.1	4.0
Machinery and equipment	-5.4	-2.3	4.6	5.5
Construction (non-dwellings)	-5.0	0.1	0.7	3.0
Other	0.2	3.5	4.1	4.9
Dwellings	-5.4	-3.9	1.4	3.6
Public (non-dwellings)	7.4	0.3	2.6	3.5
<i>Memorandum item:</i>				
Construction	-3.4	-2.3	1.4	3.4

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

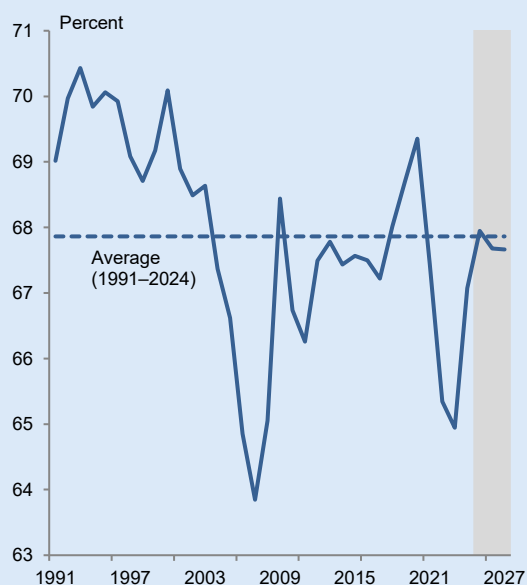
	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
	Seasonally and calendar-adjusted, q-o-q change in percent											
Gross domestic product	0.3	-0.3	0.1	0.1	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Gross value added	0.6	-0.2	0.1	0.1	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Industry excl. construction	1.3	-0.1	0.0	0.0	0.3	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Manufacturing	1.6	-0.3	-0.1	0.0	0.3	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Energy, Water etc.	-0.1	1.6	0.0	0.2	0.3	0.4	0.5	0.5	0.4	0.3	0.2	0.2
Construction	1.3	-3.7	-0.5	-0.3	0.0	0.2	0.4	0.5	0.5	0.3	0.2	0.2
Trade, transport, accommodation, food services	0.7	-0.6	0.2	0.3	0.4	0.5	0.4	0.4	0.3	0.2	0.2	0.2
Information and communication	0.0	0.5	0.5	0.8	1.0	1.3	1.3	1.2	1.2	1.2	1.2	1.2
Financial and insurance services	-0.2	-1.2	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Real estate activities	0.7	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Business services	-0.3	0.5	0.0	0.2	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.3
Public services, education, health	0.4	0.1	0.1	0.2	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1
Other services	-0.7	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1

Quarterly data, volumes.

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

6. 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 6.2:
Wages and productivity

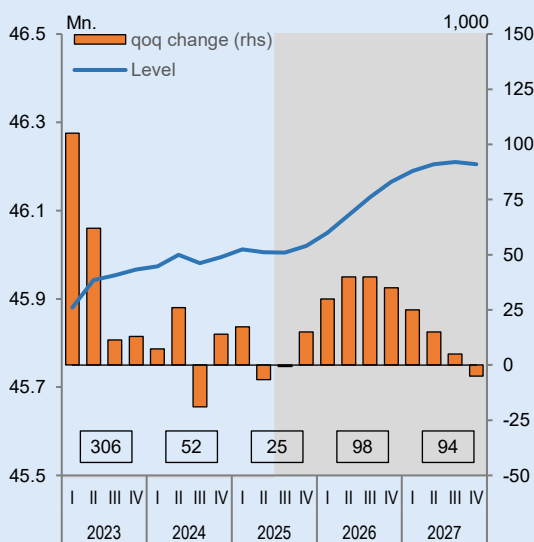
	2024	2025	2026	2027
<i>Per hour</i>				
Negotiated wages	6.1	2.9	3.3	3.5
Gross wages and salaries	5.3	3.6	3.0	3.2
Wage drift	-0.9	0.8	-0.3	-0.3
Compensation of employees	5.2	4.0	3.0	3.2
Labor productivity	-0.3	0.0	0.6	0.7
Unit labor costs	5.6	4.1	2.3	2.5
Unit labor costs (real)	2.4	1.2	-0.1	0.0
<i>Per capita</i>				
Negotiated wages	6.1	2.8	3.3	3.5
Gross wages and salaries	5.2	3.8	3.6	3.7
Wage drift	-0.9	1.0	0.3	0.2
Compensation of employees	5.1	4.4	3.5	3.7
Labor productivity	-0.6	0.1	1.0	1.0
Unit labor costs	5.8	4.3	2.4	2.6
Unit labor costs (real)	2.6	1.3	0.0	0.1

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

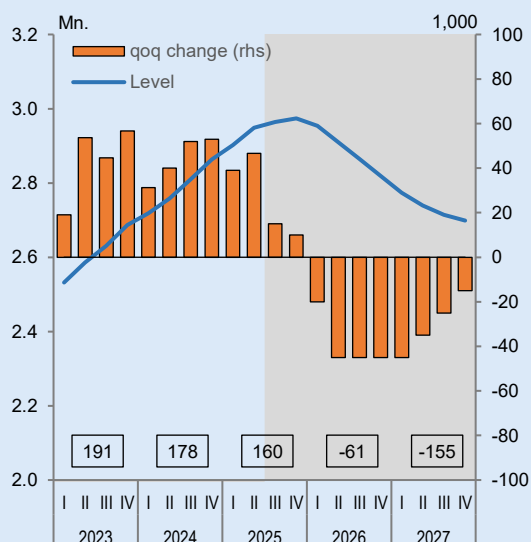
Figure 7.1:
Employment



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)

	2023	2024	2025	2026	2027
Hours worked (domestic concept, mn. hours)	61,496	61,364	61,432	61,810	62,143
Persons in employment (domestic concept)	45,935	45,987	46,012	46,110	46,203
Self-employed	3,787	3,704	3,664	3,644	3,624
Employees (domestic concept)	42,148	42,283	42,347	42,465	42,579
Employees subject to social security contributions	34,799	34,939	34,993	35,144	35,278
Minijobs	4,199	4,178	4,137	4,105	4,085
Net commuting	153	157	150	150	150
Persons in employment (national concept)	45,782	45,830	45,862	45,960	46,053
Employees (national concept)	41,995	42,126	42,197	42,315	42,429
Unemployed persons (registered)	2,609	2,787	2,947	2,886	2,731
Unemployment rate (registered; percent)	5.7	6.0	6.3	6.1	5.8
Unemployment rate (ILO; percent)	2.8	3.2	3.4	3.4	3.2

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:

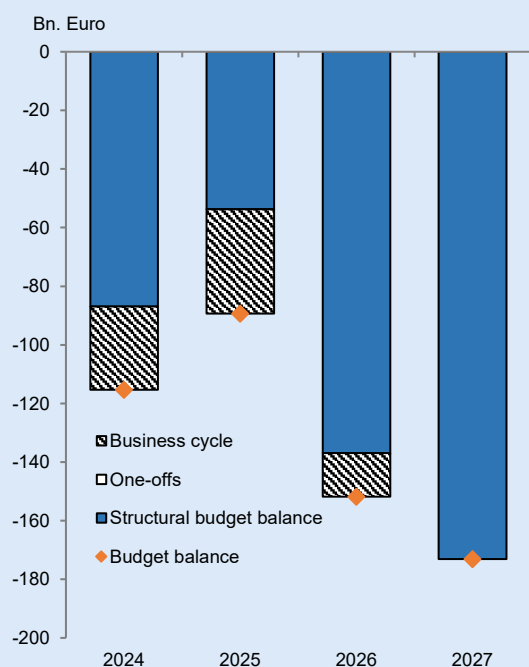
Revenues and expenditures of the general government (bn. Euro)

	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.

Figure 8.1:
Structural budget balance



Source: Europäische Kommission, AMECO; Kiel Institute calculations and forecast.

9. GDP and its components

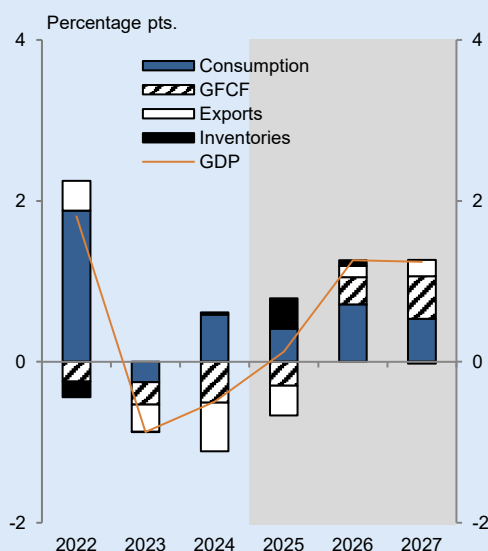
Table 9.1:
Quarterly data

	2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	0.3	-0.3	0.1	0.1	0.4	0.4	0.4	0.3	0.3	0.2	0.2	0.2
Private consumption	0.6	0.1	0.0	0.1	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1
Government consumption	-0.3	0.8	0.3	0.8	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.5
Machinery and equipment	0.2	-1.9	0.2	0.9	1.1	1.4	1.5	1.5	1.3	1.1	0.8	0.7
Constructions	0.2	-2.1	-0.9	0.0	0.5	0.8	1.1	0.9	0.8	0.7	0.4	0.4
Other investment	0.6	1.2	0.5	0.7	1.0	1.3	1.3	1.3	1.1	1.1	1.1	1.1
Change in inventories	-0.4	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic expenditure	-0.1	0.4	0.1	0.3	0.4	0.6	0.6	0.5	0.4	0.4	0.3	0.3
Exports	2.5	-0.1	-0.1	0.0	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Imports	1.6	1.6	-0.1	0.3	0.4	0.7	0.7	0.7	0.7	0.7	0.6	0.6
Net exports	0.4	-0.7	0.0	-0.1	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Employment (domestic)	46,012	46,006	46,005	46,020	46,050	46,090	46,130	46,165	46,190	46,205	46,210	46,205
Unemployment (registered)	2,902	2,949	2,964	2,974	2,954	2,909	2,864	2,819	2,774	2,739	2,714	2,699

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*; Federal Employment Agency, *Monthly Bulletin*; shaded: Kiel Institute forecast.

Figure 9.1:
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

	2025	2024	2025	2026	2027
	Bn. Euro	Change over previous year in percent			
Use of gross domestic product, price-adjusted					
GDP		-0.5	0.1	1.3	1.2
Private consumption expenditure		0.5	1.0	1.0	0.8
Public consumption expenditure		2.6	2.0	2.4	2.0
Total fixed investment		-3.3	-1.2	2.9	4.3
Machinery and equipment		-5.4	-2.3	4.6	5.5
Construction		-3.4	-2.3	1.4	3.4
Other equipment		0.2	3.5	4.1	4.9
Changes in stocks		0.1	0.8	0.1	0.0
Domestic Demand		0.2	1.5	1.8	1.8
Exports		-2.1	-0.1	1.2	1.6
Imports		-0.6	3.5	2.6	3.0
Net exports		-0.7	-1.3	-0.5	-0.5
Use of gross domestic product at current prices					
GDP	4,460.2	2.6	3.0	3.8	3.8
Private consumption expenditure	2,361.4	2.9	3.4	2.7	2.8
Public consumption expenditure	999.8	5.1	5.0	5.0	4.7
Total fixed investment	900.8	-0.9	1.7	6.6	8.5
Machinery and equipment	266.8	-3.7	-0.1	7.6	8.7
Construction	455.4	-0.5	1.0	5.9	8.6
Other equipment	178.6	2.6	6.3	7.0	7.8
Changes in stocks (€ bn.)		45.0	77.4	86.2	86.1
Domestic Demand	4,339.4	2.8	4.2	4.2	4.4
Exports	1,808.8	-1.1	0.8	0.9	2.6
Imports	1,688.0	-0.9	3.5	1.8	4.2
Net exports (€ bn.)		163.5	120.8	107.5	83.4
Gross national income	4,627.5	2.8	3.3	3.7	3.8
Deflators					
GDP		3.1	2.9	2.5	2.5
Private consumption expenditure		2.4	2.4	1.6	2.0
Public consumption expenditure		2.5	3.0	2.5	2.6
Investment in machinery and equipment		1.7	2.3	2.9	3.0
Investment in construction		3.0	3.4	4.4	5.0
Investment in other equipment		2.4	2.7	2.7	2.8
Exports		1.0	1.0	-0.2	1.0
Imports		-0.4	0.1	-0.8	1.2
Addendum: Consumer prices		2.2	2.1	1.8	2.2
Income distribution					
Net national income (factor costs)	3,294.0	1.5	2.9	3.7	3.2
Compensation of employees	2,463.8	5.5	4.5	3.8	3.9
in percent of national income		73.7	74.8	74.9	75.4
Property and entrepreneurial income	830.2	-8.1	-1.4	3.5	1.1
Disposable income	2,572.0	4.0	2.4	3.1	3.1
Saving rate		11.2	10.3	10.7	10.8
Wages and salaries	2,025.1	5.5	4.0	3.9	4.0
Wage per hour		5.3	3.6	3.0	3.2
Unit labor costs		5.6	4.1	2.3	2.5
Productivity per hour		-0.3	0.0	0.6	0.7
Unemployment (1,000)	2,787.1	2,947.1	2,886.3	2,731.3	
Rate of unemployment (percent)	6.0	6.3	6.1	5.8	
Total employment (1,000)	45,986.7	46,011.5	46,109.5	46,203.3	
Public sector budget balance					
Public sector budget balance (€ bn.)		-115.3	-89.6	-150.1	-169.9
Public sector budget balance (in percent of GDP)		-2.7	-2.0	-3.2	-3.5
Public debts (in percent)		62.1	62.3	63.2	64.4

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 2027

	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
1. Production									
Change over the same period of the preceding year in %									
Persons in employment	0.1	0.2	0.2	0.1	0.1	0.1	0.3	0.3	0.1
Hours worked	0.1	0.6	0.5	-0.1	0.3	0.2	1.0	0.6	0.4
Hours worked by person in employment	0.1	0.4	0.3	-0.1	0.2	0.0	0.7	0.4	0.3
Labor productivity ¹	0.0	0.6	0.7	0.0	0.0	0.5	0.8	0.9	0.5
Gross domestic product, price-adjusted	0.1	1.3	1.2	-0.1	0.3	0.7	1.8	1.5	1.0
2. Use of gross domestic product at current prices									
a) EUR bn.									
Consumption expenditure	3 361.2	3 473.6	3 591.7	1 640.4	1 720.9	1 691.8	1 781.8	1 750.8	1 841.0
Private households ²	2 361.4	2 424.3	2 492.8	1 154.3	1 207.1	1 181.5	1 242.8	1 216.8	1 276.0
Government	999.8	1 049.3	1 098.9	486.0	513.8	510.3	539.0	534.0	564.9
Gross fixed capital formation	900.8	960.4	1 041.7	436.4	464.4	455.0	505.4	497.5	544.2
Machinery and equipment	266.8	287.1	312.0	126.6	140.2	133.0	154.1	146.1	165.9
Construction	455.4	482.3	523.8	224.1	231.2	231.1	251.2	253.2	270.6
Other products	178.6	191.0	206.0	85.6	93.0	91.0	100.1	98.2	107.7
Changes in inventories ³	77.4	86.2	86.1	44.4	33.0	51.7	34.4	52.3	33.8
Domestic expenditure	4 339.4	4 520.1	4 719.6	2 121.1	2 218.3	2 198.5	2 321.6	2 300.6	2 419.0
Net exports	120.8	107.5	83.4	69.2	51.5	67.0	40.5	55.9	27.4
Exports	1 808.8	1 825.6	1 873.8	904.0	904.7	899.5	926.0	924.7	949.1
Imports	1 688.0	1 718.1	1 790.4	834.8	853.2	832.5	885.6	868.7	921.7
Gross domestic product	4 460.2	4 627.6	4 803.0	2 190.4	2 269.8	2 265.5	2 362.0	2 356.6	2 446.4
b) Change over the same period of the preceding year in %									
Consumption expenditure	3.9	3.3	3.4	4.2	3.7	3.1	3.5	3.5	3.3
Private households ²	3.4	2.7	2.8	3.5	3.3	2.4	3.0	3.0	2.7
Government	5.0	5.0	4.7	5.7	4.5	5.0	4.9	4.6	4.8
Gross fixed capital formation	1.7	6.6	8.5	1.0	2.4	4.3	8.8	9.3	7.7
Machinery and equipment	-0.1	7.6	8.7	-2.1	1.8	5.0	9.9	9.8	7.7
Construction	1.0	5.9	8.6	0.7	1.3	3.1	8.6	9.6	7.7
Other products	6.3	7.0	7.8	6.6	6.0	6.3	7.6	8.0	7.7
Domestic expenditure	4.2	4.2	4.4	4.6	3.8	3.6	4.7	4.6	4.2
Exports	0.8	0.9	2.6	0.1	1.6	-0.5	2.4	2.8	2.5
Imports	3.5	1.8	4.2	4.8	2.4	-0.3	3.8	4.4	4.1
Gross domestic product	3.0	3.8	3.8	2.6	3.5	3.4	4.1	4.0	3.6
3. Use of gross domestic product, price-adjusted (chain-linked, 2020=100)									
a) EUR bn.									
Consumption expenditure	2 748.3	2 787.2	2 819.7	1 354.0	1 394.3	1 369.7	1 417.5	1 387.7	1 432.0
Private households ²	1 915.5	1 935.0	1 950.2	942.0	973.5	948.3	986.8	957.9	992.3
Government	833.3	852.9	870.3	412.3	421.0	421.8	431.0	430.2	440.2
Gross fixed capital formation	693.6	713.6	744.5	337.6	356.0	340.3	373.3	357.9	386.6
Machinery and equipment	223.1	233.3	246.1	106.2	116.9	108.5	124.8	115.6	130.4
Construction	317.3	321.8	332.9	157.4	159.9	155.8	166.0	162.6	170.2
Other products	157.8	164.3	172.3	75.7	82.1	78.3	86.0	82.3	90.0
Domestic expenditure	3 509.5	3 574.0	3 637.1	1 728.1	1 781.4	1 750.4	1 823.6	1 786.4	1 850.7
Exports	1 490.2	1 507.5	1 531.5	742.0	748.2	744.8	762.7	758.1	773.4
Imports	1 391.9	1 428.5	1 471.2	681.9	710.0	694.8	733.7	716.6	754.6
Gross domestic product	3 605.3	3 650.8	3 696.2	1 787.0	1 818.3	1 799.1	1 851.7	1 826.7	1 869.4
b) Change over the same period of the preceding year in %									
Consumption expenditure	1.3	1.4	1.2	1.5	1.1	1.2	1.7	1.3	1.0
Private households ²	1.0	1.0	0.8	1.0	0.9	0.7	1.4	1.0	0.6
Government	2.0	2.4	2.0	2.5	1.6	2.3	2.4	2.0	2.1
Gross fixed capital formation	-1.2	2.9	4.3	-1.7	-0.7	0.8	4.9	5.2	3.6
Machinery and equipment	-2.3	4.6	5.5	-4.1	-0.7	2.2	6.7	6.6	4.5
Construction	-2.3	1.4	3.4	-2.4	-2.2	-1.0	3.8	4.4	2.5
Other products	3.5	4.1	4.9	3.9	3.3	3.5	4.7	5.0	4.7
Domestic expenditure	1.5	1.8	1.8	1.9	1.1	1.3	2.4	2.1	1.5
Exports	-0.1	1.2	1.6	-1.7	1.5	0.4	1.9	1.8	1.4
Imports	3.5	2.6	3.0	3.2	3.7	1.9	3.3	3.1	2.9
Gross domestic product	0.1	1.3	1.2	-0.1	0.3	0.7	1.8	1.5	1.0

National Accounts (cont.)									
Forecast period: 2025 to 2027									
	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
4. Deflators (2020=100)									
Change on the same period of the preceding year in %									
Private consumption ²	2.4	1.6	2.0	2.5	2.4	1.7	1.6	2.0	2.1
Government consumption	3.0	2.5	2.6	3.1	2.8	2.6	2.5	2.6	2.6
Gross fixed capital formation	2.9	3.6	4.0	2.7	3.1	3.4	3.8	4.0	4.0
Machinery and equipment	2.3	2.9	3.0	2.1	2.5	2.8	2.9	3.1	3.0
Construction	3.4	4.4	5.0	3.2	3.6	4.1	4.7	5.0	5.0
Exports	1.0	-0.2	1.0	1.8	0.1	-0.9	0.4	1.0	1.1
Imports	0.1	-0.8	1.2	1.5	-1.3	-2.1	0.5	1.2	1.2
Gross domestic product	2.9	2.5	2.5	2.7	3.1	2.7	2.2	2.4	2.6
5. National income									
a) EUR bn.									
Primary income of private households ²	3 132.0	3 234.3	3 343.7	1 534.6	1 597.4	1 578.1	1 656.2	1 635.1	1 708.6
Employers social contributions	438.7	454.2	471.7	212.4	226.4	219.4	234.8	228.1	243.6
Gross wages and salaries	2 025.1	2 103.2	2 186.3	971.5	1 053.6	1 006.4	1 096.8	1 047.2	1 139.0
Other primary income ⁴	668.2	676.9	685.7	350.7	317.5	352.3	324.6	359.8	326.0
Primary income of other sectors	576.2	601.0	624.1	277.1	299.1	289.8	311.2	302.6	321.5
Net national income	3 708.2	3 835.3	3 967.8	1 811.8	1 896.5	1 867.9	1 967.3	1 937.7	2 030.1
Consumption of fixed capital	919.3	962.5	1 011.6	455.7	463.6	475.9	486.6	500.2	511.4
Gross national income	4 627.5	4 797.7	4 979.4	2 267.4	2 360.1	2 343.8	2 453.9	2 437.9	2 541.5
memorandum item:									
Net national income (factor costs)	3 294.0	3 416.4	3 526.7	1 604.8	1 689.2	1 658.2	1 758.1	1 716.2	1 810.5
Property and entrepreneurial income	830.2	859.0	868.8	420.9	409.2	432.4	426.6	441.0	427.8
Compensation of employees	2 463.8	2 557.4	2 658.0	1 183.9	1 280.0	1 225.9	1 331.5	1 275.3	1 382.7
b) Change over the same period of the preceding year in %									
Primary income of private households ²	3.6	3.3	3.4	3.9	3.4	2.8	3.7	3.6	3.2
Employers social contributions	6.9	3.5	3.9	7.0	6.7	3.3	3.7	3.9	3.8
Gross wages and salaries	4.0	3.9	4.0	4.5	3.6	3.6	4.1	4.1	3.9
... per employee	3.8	3.6	3.7	4.3	3.4	3.4	3.7	3.7	3.7
Other primary income ⁴	0.5	1.3	1.3	0.4	0.5	0.4	2.3	2.1	0.4
Primary income of other sectors	1.7	4.3	3.9	-0.7	4.0	4.6	4.0	4.4	3.3
Net national income	3.3	3.4	3.5	3.1	3.5	3.1	3.7	3.7	3.2
Consumption of fixed capital	3.5	4.7	5.1	3.1	3.8	4.5	5.0	5.1	5.1
Gross national income	3.3	3.7	3.8	3.1	3.5	3.4	4.0	4.0	3.6
memorandum item:									
Net national income (factor costs)	2.9	3.7	3.2	2.5	3.3	3.3	4.1	3.5	3.0
Property and entrepreneurial income	-1.4	3.5	1.1	-3.7	1.0	2.7	4.2	2.0	0.3
Compensation of employees	4.5	3.8	3.9	4.9	4.1	3.5	4.0	4.0	3.8
6. Disposable income of private households ²									
a) EUR bn.									
Mass income	2 044.5	2 121.8	2 198.2	986.4	1 058.1	1 021.7	1 100.0	1 059.4	1 138.8
Net wages and salaries	1 395.0	1 449.0	1 502.5	664.7	730.3	688.2	760.8	714.4	788.1
Social benefits other than social transfers in kind	832.9	865.2	897.2	413.0	419.8	429.4	435.8	445.5	451.8
less: Levies on social benefits, taxes on consumption	183.4	192.4	201.5	91.3	92.1	95.9	96.5	100.5	101.0
Other primary income ⁴	668.2	676.9	685.7	350.7	317.5	352.3	324.6	359.8	326.0
Other transfers received (net) ⁵	-140.7	-146.4	-149.7	-65.5	-75.2	-68.1	-78.3	-69.6	-80.0
Disposable income	2 572.0	2 652.2	2 734.3	1 271.6	1 300.3	1 305.9	1 346.3	1 349.6	1 384.7
Change in pension entitlements	61.0	61.1	61.3	29.7	31.4	29.7	31.4	29.8	31.5
Consumption expenditure	2 361.4	2 424.3	2 492.8	1 154.3	1 207.1	1 181.5	1 242.8	1 216.8	1 276.0
Saving	271.6	289.1	302.7	146.9	124.6	154.2	135.0	162.6	140.2
Saving ratio (%) ⁶	10.3	10.7	10.8	11.3	9.4	11.5	9.8	11.8	9.9
b) Change over the same period of the preceding year in %									
Mass income	3.4	3.8	3.6	3.9	3.0	3.6	4.0	3.7	3.5
Net wages and salaries	2.9	3.9	3.7	3.6	2.3	3.5	4.2	3.8	3.6
Social benefits other than social transfers in kind	5.1	3.9	3.7	5.5	4.7	4.0	3.8	3.7	3.7
less: Levies on social benefits, taxes on consumption	7.3	4.9	4.7	8.9	5.8	5.0	4.8	4.8	4.7
Other primary income ⁴	0.5	1.3	1.3	0.4	0.5	0.4	2.3	2.1	0.4
Disposable income	2.4	3.1	3.1	2.6	2.2	2.7	3.5	3.3	2.8
Consumption expenditure	3.4	2.7	2.8	3.5	3.3	2.4	3.0	3.0	2.7
Saving	-6.2	6.5	4.7	-4.6	-8.0	4.9	8.3	5.5	3.8

National Accounts (cont.) Forecast period: 2025 to 2027									
	2025	2026	2027	2025		2026		2027	
				H1	H2	H1	H2	H1	H2
7. Revenue and expenditure by general government ⁷									
a) EUR bn.									
Revenue									
Taxes	1 037.9	1 062.4	1 102.9	511.2	526.7	524.5	537.9	544.9	558.0
Social contributions	820.0	856.9	895.4	397.4	422.7	414.5	442.5	433.6	461.8
Property income	32.1	32.6	33.1	15.7	16.4	16.0	16.6	16.3	16.8
Other current transfers	31.6	31.8	31.1	13.9	17.8	14.1	17.7	13.7	17.4
Capital transfers	23.3	20.7	22.2	12.3	11.0	9.5	11.2	10.2	11.9
Sales	195.7	203.6	210.8	91.4	104.2	95.1	108.4	98.5	112.3
Other subsidies	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Total	2 140.9	2 208.3	2 295.7	1 042.0	1 098.9	1 073.9	1 134.4	1 117.3	1 178.4
Expenditure									
Intermediate consumption ⁸	703.4	741.7	780.0	336.6	366.8	355.2	386.5	373.0	406.9
Compensation of employees	374.7	388.9	402.5	182.3	192.4	189.3	199.6	196.0	206.4
Property income (interest)	49.0	52.3	55.3	24.3	24.7	26.0	26.3	27.5	27.8
Subsidies	51.5	57.9	58.7	22.6	28.9	25.9	32.1	26.0	32.7
Social benefits	747.7	777.9	807.7	370.4	377.3	385.7	392.2	400.7	407.1
Other current transfers	92.0	105.2	105.6	45.2	46.7	51.9	53.3	52.1	53.5
Capital transfers	75.5	82.4	86.0	30.1	45.3	33.5	48.8	35.4	50.6
Gross capital formation	136.9	152.2	170.1	59.6	77.3	64.8	87.5	72.4	97.7
Net acquisitions of non-produced non-financial assets	- 0.1	- 0.1	- 0.1	- 0.3	0.2	- 0.3	0.2	- 0.3	0.2
Total	2 230.5	2 358.4	2 465.6	1 070.9	1 159.6	1 132.0	1 226.3	1 182.8	1 282.8
Net lending	- 89.6	- 150.1	- 169.9	- 28.9	- 60.7	- 58.2	- 91.9	- 65.5	- 104.4
b) Change over the same period of the preceding year in %									
Revenue									
Taxes	4.1	2.4	3.8	5.1	3.2	2.6	2.1	3.9	3.7
Social contributions	8.4	4.5	4.5	8.6	8.2	4.3	4.7	4.6	4.4
Property income	- 5.8	1.5	1.6	- 10.0	- 1.4	1.6	1.3	1.7	1.4
Other current transfers	0.8	0.6	- 2.2	- 0.3	1.6	1.6	- 0.1	- 2.7	- 1.7
Capital transfers	14.7	- 11.1	7.2	33.2	- 0.7	- 22.6	1.7	7.7	6.8
Sales	5.6	4.0	3.6	6.9	4.5	4.1	4.0	3.5	3.6
Other subsidies	2.1	0.0	0.0	5.1	0.0	0.0	0.0	0.0	0.0
Total	5.8	3.1	4.0	6.5	5.1	3.1	3.2	4.0	3.9
Expenditure									
Intermediate consumption ⁸	5.4	5.4	5.2	5.9	5.0	5.5	5.4	5.0	5.3
Compensation of employees	4.9	3.8	3.5	6.3	3.5	3.8	3.8	3.6	3.4
Property income (interest)	6.8	6.7	5.7	5.8	7.9	7.0	6.5	5.8	5.7
Subsidies	- 5.0	12.4	1.3	- 12.9	2.3	14.5	10.8	0.4	2.0
Social benefits	5.4	4.0	3.8	5.8	5.0	4.1	3.9	3.9	3.8
Other current transfers	2.0	14.4	0.4	3.2	0.8	14.9	13.9	0.3	0.4
Capital transfers	- 10.2	9.1	4.4	- 18.9	- 3.2	11.3	7.7	5.4	3.7
Gross capital formation	4.3	11.2	11.7	3.7	4.7	8.6	13.2	11.8	11.7
Net acquisitions of non-produced non-financial assets	- 237.3	0.0	0.0	125.0	0.0	0.0	0.0	0.0	0.0
Total	4.2	5.7	4.5	4.3	4.2	5.7	5.8	4.5	4.6
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 paid 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, <i>Fachserie 18: National Accounts</i> ; Kiel Institute calculations and forecasts.									

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