

Boysen-Hogrefe, Jens et al.

Article

Robust German economy in an uncertain international environment

Kiel Institute Economic Outlook, No. 11

Provided in Cooperation with:

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

Suggested Citation: Boysen-Hogrefe, Jens et al. (2015) : Robust German economy in an uncertain international environment, Kiel Institute Economic Outlook, No. 11, Kiel Institute for the World Economy (IfW), Kiel

This Version is available at:

<https://hdl.handle.net/10419/209479>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Robust German economy in an uncertain international environment.

Von Jens Boysen-Hogrefe, Salomon Fiedler, Dominik Groll, Nils Jannsen, Stefan Kooths, Martin Plödt, Galina Potjagailo und Maik Wolters

- German GDP to increase by 1.8 percent (2015), 2.1 percent (2016), and 2.3 percent (2017).
- Strong consumption growth is driving economic activity
- Imports will grow faster than exports
- Risks that the German economy is overheating in the upcoming years have increased

German GDP is expected to increase by 1.8 percent (2015), 2.1 percent (2016), and 2.3 percent (2017). Economic activity is driven by consumer spending that increases in the upcoming years by about 2 percent per year due to strong increases in real disposable income. However, with firms operating at increasing utilization rates and a very stimulating environment for construction activity also growth in investment is expected to gain momentum. Exports will grow at a robust pace with the euro area showing solid GDP growth numbers. However, since imports will grow even faster than exports net exports will only contribute to GDP growth in the current year but not in 2016 or 2017. Nevertheless, Germany will experience an increase of its current account surplus that is in 2015 mainly due to terms of trade gains caused by the strong decline in oil price. The Labor market is still in good shape even though job increases have lost some momentum with the introduction of the minimum wage at the beginning of the year. However, higher net migration will more and more contribute to increasing employment numbers. Due to strong increases in public revenues, we expect budget surpluses to persist in the next three years and gross public debt to decline to about 63 percent (relative to GDP) in 2017. Given that the output gap is by and large closed and that potential output is growing at about 1.4 percent per year our forecast implies that the German economy is poised to overheating in the upcoming years. This comes with increasing risks for the built up of asset price bubbles and, hence, for financial stability given that interest rates will stay extremely low for another couple of years.

Table 1:

Key indicators 2014–2017

	2014	2015	2016	2017
Gross domestic product (GDP), price-adjusted	1,6	1,8	2,1	2,3
Gross domestic product, deflator	1,7	2,0	1,9	2,1
Consumer prices	0,9	0,3	1,1	2,0
Labor productivity (per hour worked)	0,4	0,8	1,5	1,3
Employment (1000 persons)	42 703	42 903	43 220	43 675
Unemployment rate (percent)	6,7	6,4	6,2	5,6
<i>in relation to nominal GDP</i>				
Public sector net lending	0,3	1,0	0,5	0,7
Gross public debt	74,4	70,5	66,9	62,8
Current account balance	7,6	8,8	9,0	9,0

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: IfW forecast.

Prof. Dr. Stefan Kooths

Phone: +49 (0) 30-2067-9664 (Office Berlin)

Phone: +49 (0) 431-8814-579 (Office Kiel)

stefan.kooths@ifw-kiel.de

Dr. Nils Jannsen

Phone: +49 (0) 431-8814-298

nils.jannsen@ifw-kiel.de