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Joint Economic Forecast Spring 2016: Upturn Remains Moderate – Economic Policy Lacks Growth Orientation

Economic research institutes now estimate that gross domestic product will increase by 1.6 percent in 2016, instead of 1.8 percent as forecast in autumn 2015.

Table
Key Forecast Figures for Germany

	2012	2013	2014	2015	2016	2017
Price adjusted GDP (percentage change over previous year)	0,4	0,3	1,6	1,7	1,6	1,5
Persons in employment ¹ (1 000 persons)	42 060	42 328	42 703	43 032	43 535	43 921
Unemployment (1 000 persons)	2 897	2 950	2 898	2 795	2 737	2 822
Unemployment rate ² (in %)	6,8	6,9	6,7	6,4	6,2	6,4
Consumer prices ³ (percentage change over previous year)	2,0	1,5	0,9	0,3	0,5	1,5
Unit labour costs ⁴ (percentage change over previous year)	3,1	2,0	1,7	1,7	2,5	2,0
General government financial balance ⁵ EUR billion	-2,7	-3,8	8,4	21,2	11,0	9,8
in % of GDP	-0,1	-0,1	0,3	0,7	0,4	0,3
Balance on current account EUR billion	193,6	190,4	212,9	257,5	254,2	263,3
in % of GDP	7,0	6,8	7,3	8,5	8,1	8,1

¹ Domestic employment. – ² Federal Employment Agency concept, unemployed persons as % of civilian labor force. – ³ Consumer price index (2010 = 100). – ⁴ Compensation of employees per hour worked by employees in relation to labour productivity (per hour worked by persons in employment). – ⁵ On national accounts definition (ESA 2010).

Sources: Federal Statistical Office, Federal Employment Agency, Deutsche Bundesbank, 2016 and 2017: forecast by the Institutes.

“The revision was entirely due to the marked cooldown in the world economy at the end of 2015. Germany’s domestic economy is even stronger today than it was last autumn,” said Timo Wollmershäuser, Interim Director of the Ifo Center for Business Cycle Analysis and Surveys. Overall, the German economy is experiencing a moderate upturn. Germany’s working population will continue to grow from 43.0 million in 2015 to 43.5 million in 2016, according to the forecast presented by the institutes on Thursday in Berlin. Unemployment will rise slightly in 2017, despite employment growth, since integrating refugees into the labour market is a prolonged process. The unemployment rate, however, is only expected to increase minimally from 6.2 percent to 6.4 percent. Additional expenditure related to the immigration of refugees is one of the main reasons why the fiscal balance is expected to drop from 21 billion euros in 2015 to 11 billion euros in 2016. Since the German economy is producing at close to its potential, this surplus is largely structural. A certain scope for manoeuvre therefore remains in terms of fiscal

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policy. According to the institutes, this should be used to promote growth. The current orientation of monetary policy in the euro area is deemed appropriate.

The Joint Economic Forecast is produced twice a year on behalf of the German Federal Ministry for Economic Affairs and Energy. The Ifo Institute, the DIW Berlin, the IWH and the RWI participated in the spring 2016 forecast.

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IWH List of Experts

The [IWH List of Experts](#) gives an overview of the IWH research themes. The institute's [press office](#) will be pleased to establish contact to the respective experts.

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