

## Press Release 32/2017

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### The German economy: Growing strongly

In the summer of 2017, the upswing in Germany continues. „For this year, we forecast gross domestic product to expand by 1.9%, as it did in 2016, and for 2018 by 2.0%” says Oliver Holtemöller, head of the Department Macroeconomics and IWH vice president.

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Forecast for Germany: Key Economic Indicators<sup>a</sup> for Germany, 2017–2019

	2016	2017	2018	2019
	percentage change over previous year (price adjusted)			
Germany	1,9	1,9	2,0	1,6
East Germany <sup>a</sup>	2,1	2,2	2,1	1,9
	percentage change over previous year in %			
hours worked	0,6	1,0	0,7	0,7
hourly union wages	2,1	2,3	2,4	2,5
hourly actual wages	3,2	3,1	2,9	2,8
unit labour costs <sup>b</sup>	1,6	2,2	1,5	1,9
consumer price index	0,5	1,7	1,7	1,8
	1 000 persons			
employment (domestic)	43 638	44 273	44 680	45 021
unemployment <sup>c</sup>	2 691	2 544	2 468	2 409
	in %			
unemployment rate <sup>d</sup>	6,1	5,7	5,5	5,4
East Germany <sup>a</sup>	8,5	7,6	7,3	7,2
	in % of nominal GDP			
general government overall balance	0,8	0,9	1,0	1,0
current account balance	8,3	7,8	7,8	7,8

<sup>a</sup> East Germany including Berlin. – <sup>b</sup> Per hour (IWH calculations). – <sup>c</sup> Federal Employment Agency (BA) concept. – <sup>d</sup> Unemployment in % of civilian labour force (Federal Employment Agency (BA) concept).  
Source: Federal Statistical Office; 2017–2019: forecast (as of September 7, 2017).

In the summer of 2017, world economic growth is quite high. Production in the US, China and Japan rose significantly faster than at the beginning of the year; in the euro area, the growth rate was a bit higher than in the previous quarters. Since prices and wages are still only moderately rising despite firm demand, monetary policy will continue to stimulate the advanced economies in this year as well as in 2018. Purchasing manager indices suggest that the global economy will remain strong in the second half of 2017, but will not gain further momentum. In addition, there are a number of geopolitical risks for the world economy.

The German economy has been booming since summer 2013. Because production capacities are already somewhat over-utilised, prices are moderately accelerating. In addition, resulting from the recently good economic performance of the euro area, the euro has appreciated significantly since the beginning of the year. In the long run, increasing prices for German products will slow down the dynamics of the upturn in Germany and counteract the over-utilisation of capacity. In the first half-year of 2017, however, the expansion of production in Germany got even stronger. Gross domestic product is expected to expand by 1.9% in 2017, and by

2.0% in 2018. Public budgets continue to generate increasing surpluses. As in the past three years, the increase in production in East Germany is likely to be somewhat higher than in West Germany.

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