

# JOINT ECONOMIC FORECAST 2/2018 PRESS RELEASE

Berlin, 27 September 2018

## Upturn Loses Momentum

**Berlin, 27 September – Germany’s leading economics research institutes have downwardly revised their forecasts for 2018 and 2019. They now expect economic output to increase by 1.7 percent in 2018, and not 2.2 percent as forecast in spring. They also scaled back their 2019 forecast slightly from 2.0 to 1.9 percent. These are the results of the Joint Economic Forecast for autumn 2018 that will be presented in Berlin on Thursday.**

**“The upturn in the German economy is losing momentum. Demand from abroad has weakened, and companies are apparently suffering from labour shortages in production too,” explains Roland Döhrn, Head of Economic Forecasting at RWI – Leibniz Institute for Economic Research, which coordinated this autumn’s report. Commenting on the German government’s economic policy, he added: “Short-term initiatives like the family home-owner allowance tend to lead to windfall effects and rising costs because capacity utilisation in the construction industry is already high. In the current economic climate we need a housing policy that is geared more towards continuity.”**

Key Forecast Figures for Germany

	2015	2016	2017	2018	2019	2020
Real gross domestic product <sup>1</sup>	1.7	2.2	2.2	1.7	1.9	1.8
Employment <sup>2</sup> (1 000 persons)	43 071	43 642	44 269	44 860	45 280	45 590
Unemployment (1 000 persons)	2 795	2 691	2 533	2 340	2 200	2 085
Unemployment rate BA <sup>3</sup> (in %)	6.4	6.1	5.7	5.2	4.8	4.5
Consumer prices <sup>1,4</sup>	0.3	0.5	1.8	1.8	2.0	1.9
Unit labour costs <sup>1,5</sup>	1.7	1.2	1.5	2.3	2.2	1.8
General government financial balance <sup>6</sup>						
EUR billion	23.9	28.7	34.0	54	42	41
in % of GDP	0.8	0.9	1.0	1.6	1.2	1.1
Balance on current account						
EUR billion	271.4	268.8	257.7	251	245	261
in % of GDP	8.9	8.5	7.9	7.4	7.0	7.1

<sup>1</sup> Percent change over previous year.

<sup>2</sup> Domestic concept.

<sup>3</sup> Unemployed persons in percent of civilian labour force (Federal Employment Agency concept).

<sup>4</sup> Consumer price index (2010=100).

<sup>5</sup> Compensation of employees per hour worked by employees in relation to labour productivity.

<sup>6</sup> On national accounts definition (ESA 2010).

Source: Federal Statistical Office; Federal Employment Agency; Deutsche Bundesbank; 2018 to 2020: forecast by the Institutes.

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The number of persons in employment will rise from 44.9 million this year to 45.3 million next year and 45.6 million in 2020. At the same time, the number of registered unemployed persons will decline from 2.3 million this year to 2.2 million



### EMBARGO

27 September 2018, 10:00 a.m. CEST

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in 2019 and 2.1 million in 2020. This will bring the unemployment rate down from 5.2 percent this year to 4.8 percent in 2019 and 4.5 percent in 2020. Inflation in consumer prices will rise from an average of 1.8 percent this year to 2 percent in 2019, before dipping back down to 1.9 percent in 2020. Pressure from domestic prices will increase.

The institutes expect significant fiscal surpluses over the entire forecasting horizon. The surplus will hit a new record high of 54 billion euros this year. By 2020 the fiscal balance will melt down to 41 billion euros due to the government's expansionary fiscal policy stance.

The risks for the German and international economic have grown since spring. At a global level this is mainly due to the rising number of trade conflicts, while the main risks at a European level are the possibility of Britain's disorderly exit from the EU and the potential outbreak of a debt crisis in Italy.

The Joint Economic Forecast was prepared by RWI (Essen), DIW (Berlin), the ifo Institute (Munich), IfW (Kiel) and IWH (Halle).

## Appendix

### Full-length version of the report

*Joint Economic Forecast Project Group: Upturn Loses Momentum – World Economic Climate Grows Harsher, Autumn 2018.* Essen 2018.

**The full-length version of the report will be available on 27 September 2018 at of 10:00 a.m. at**

[www.gemeinschaftsdiagnose.de/category/gutachten/](http://www.gemeinschaftsdiagnose.de/category/gutachten/)

## About the Joint Economic Forecast

The Joint Economic Forecast is published twice a year on behalf of the German Federal Ministry for Economic Affairs and Energy. The following institutes participated in the autumn report 2018:

- German Institute for Economic Research (DIW Berlin)
- ifo Institute - Leibniz Institute for Economic Research at the University of Munich in cooperation with the Swiss Institute for Business Cycle Research (KOF) at ETH Zurich
- Kiel Institute for the World Economy (IfW Kiel)
- Halle Institute for Economic Research (IWH) – Member of the Leibniz Association
- RWI – Leibniz Institute for Economic Research in cooperation with the Institute for Advanced Studies Vienna

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