

JOINT ECONOMIC FORECAST 2/2021 PRESS RELEASE

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Crisis is gradually being overcome – align actions to lower growth

The Corona pandemic still shapes the economic situation in Germany. A complete normalisation of contact-intensive activities is not to be expected in the short term. In addition, supply bottlenecks are hampering manufacturing for the time being. The German economy will reach normal capacity utilisation in the course of 2022. In their autumn report, the leading economic research institutes forecast that Gross Domestic Product (GDP) will rise by 2.4% in 2021 and by 4.8% in 2022.



PRESS EMBARGO

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Table

Key Forecast Figures for Germany

	2018	2019	2020	2021	2022	2023
Real gross domestic product ¹	1.1	1.1	-4.6	2.4	4.8	1.9
Employment ² (1,000 persons)	44,858	45,268	44,898	44,918	45,368	45,764
Unemployment (1,000 persons)	2,340	2,267	2,695	2,636	2,448	2,356
Unemployment rate BA ³ (in %)	5.2	5.0	5.9	5.7	5.3	5.1
Consumer prices ^{1,4}	1.8	1.4	0.5	3.0	2.5	1.7
Unit labour costs ^{1,5}	3.0	3.1	3.4	0.8	0.0	1.8
General government financial balance ⁶						
Euro billion	64.4	51.1	-145.2	-173.7	-80.5	-35.1
in % of GDP	1.9	1.5	-4.3	-4.9	-2.1	-0.9
Current account balance						
Euro billion	264.2	258.6	233.9	224.8	237.1	254.0
in % GDP	7.8	7.4	6.9	6.4	6.3	6.5

¹ Percent change over previous year. ² Domestic concept. ³ Unemployed person in % of civilian labour force (Federal Employment Agency concept). ⁴ Consumer price index (2015=100). ⁵ Compensation of employees per hour worked by employees in relation to labour productivity. ⁶ On national accounts definition (ESA 2010).

Sources: Federal Statistical Office; Federal Employment Agency; Deutsche Bundesbank; 2021 to 2023: forecast by the institutes.

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After new waves of infections had delayed the recovery during 2020/2021, Gross Domestic Product rose significantly since the infections subsided in spring. However, supply bottlenecks for intermediate products are hampering production in the manufacturing sector. As a result, only the consumer-related service industries are growing. The recovery will still be slowed down in winter 2021/2022, since activity in the service sector will remain below the usual level during the cold season, even with low levels of infection. In addition, supply bottlenecks will continue to weigh on manufacturing production for the time being. For the coming year, the institutes assume that the adverse effects of

the pandemic and of supply bottlenecks will gradually be overcome. Accordingly, normal capacity utilisation will be regained. "Overall, GDP is expected to grow by 2.4% in 2021 and by 4.8% in 2022," says Oliver Holtemöller, vice president at the Halle Institute for Economic Research (IWH). The institutes expect consumer prices to rise by 3% in the current year and by 2.5% in 2022. The public budget deficit is likely to decline from 4.9% in relation to GDP in the current year to 2.1% in the following year. Given the strong increase in nominal GDP, the government debt-to-GDP ratio is expected to decline from 71% in 2021 to 67% in 2022. The economic consequences of the Corona crisis will be gradually overcome with the return to normal capacity utilisation. "However, the challenges of climate change and the foreseeable lower economic growth due to a shrinking labour force will reduce consumption opportunities," says Holtemöller.

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

Appendix

Complete report (in German)

Joint Economic Forecast Project Group: Crisis is gradually being overcome – align actions to lower growth. Autumn 2021. Halle (Saale) 2021.

The complete report will be available on October 14, 2021 at 10:00 a.m. 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 2021:

- German Institute for Economic Research (DIW Berlin)
- ifo Institute – Leibniz Institute for Economic Research at the University of Munich in cooperation with the KOF Swiss Economic Institute 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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