

# JOINT ECONOMIC FORECAST 2/2023 PRESS RELEASE

Berlin, 28 September 2023

## Purchasing power returns – political uncertainty high

**According to the Joint Economic Forecast, Germany's gross domestic product declines by 0.6% in 2023. This is a strong downward revision of 0.9 percentage points from the forecast made in spring 2023. "The most important reason for this revision is that industry and private consumption are recovering more slowly than we expected in spring," says Oliver Holtemöller, Vice President and Head of the Macroeconomics Department at the Halle Institute for Economic Research (IWH).**

Germany has been in a downturn for more than a year. The sharp rise in energy prices in 2022 put an abrupt end to the recovery from the pandemic. Consumer price inflation, which was already on the rise, has risen to over 8%. This is taking purchasing power away from private households. Key interest rates have risen by over four percentage points, hitting the construction industry in particular.

**Table**

Key Forecast Figures for Germany

	2020	2021	2022	2023	2024	2025
Gross domestic product <sup>1</sup>	-3.8	3.2	1.8	-0.6	1.3	1.5
Employed persons <sup>2</sup> (1,000 persons)	44 915	44 984	45 596	45 910	46 038	46 008
Unemployment (1,000 persons)	2 695	2 613	2 418	2 592	2 582	2 462
Unemployment rate <sup>3</sup> (in %)	5.9	5.7	5.3	5.6	5.6	5.3
Consumer prices <sup>4</sup>	0.5	3.1	6.9	6.1	2.6	1.9
Unit labour costs <sup>4,5</sup>	3.0	0.0	3.5	6.6	4.2	2.1
General government financial balance <sup>4</sup>						
Euro billion	-147.7	-129.7	-96.9	-89.5	-68.4	-47.9
in % of gross domestic product	-4.3	-3.6	-2.5	-2.2	-1.6	-1.1
Current account balance						
Euro billion	240.2	278.7	162.0	268.6	300.3	307.7
in % of gross domestic product	7.1	7.7	4.2	6.5	7.0	7.0

<sup>1</sup> Price adjusted, % change over previous year. <sup>2</sup> Domestic concept. <sup>3</sup> Federal Employment Agency concept.

<sup>4</sup> % change over previous year. <sup>5</sup> Per hour. <sup>6</sup> On national accounts definition (ESA 2010).

Sources: Federal Statistical Office; Federal Employment Agency; Deutsche Bundesbank; 2023 to 2025: forecast by the institutes.

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Business sentiment has recently deteriorated again, not least because of heightened political uncertainty. Overall, the indicators suggest that production fell again noticeably in the third quarter of 2023. However, wage increases have meanwhile followed the price hike, energy prices have fallen, and exporters have partially passed on their higher costs, so that purchasing power is returning.



### PRESS EMBARGO

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### PRESS CONTACT

Stefanie Müller-Dreißigacker  
Halle Institute for Economic  
Research (IWH) – Member of the  
Leibniz Association  
Tel +49 345 7753 720  
[presse@iwh-halle.de](mailto:presse@iwh-halle.de)

### SCIENTIFIC CONTACT

Professor Dr Oliver Holtemöller  
Halle Institute for Economic  
Research (IWH) – Member of the  
Leibniz Association  
Tel +49 345 7753 800  
[oliver.holtemoeller@iwh-halle.de](mailto:oliver.holtemoeller@iwh-halle.de)

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

Therefore, the downturn is expected to subside by the end of the year, and the degree of capacity utilisation will rise again going forward.

The institutes' forecast of 1.3% for 2024 is only 0.2 percentage points below their spring forecast. In the following years, a decreasing potential growth rate due to the shrinking labour force will become more and more apparent.

The downturn has meanwhile reached the labour market. However, the institutes expect only a moderate increase in unemployment to 2.6 million people in 2023. In the coming year, the number of unemployed will probably decrease somewhat.

On the price front, the situation is gradually easing. The inflation rate is expected to be 6.1% in 2023 and to decline to 2.6% in 2024. The institutes see core inflation (inflation excluding energy prices) at 6.1% in the current year and 3.1% in 2024.

## Appendix

### Full-length version of the report (in German):

*Joint Economic Forecast Project Group:* Purchasing power returns – political uncertainty high. Autumn 2023. Halle (Saale) 2023.

**The full-length version of the report will be available on 28 September 2023 as 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 Federal Ministry for Economic Affairs and Climate Action. The following institutes participated in the autumn report 2023:

- German Institute for Economic Research (DIW Berlin)
- ifo Institute – Leibniz Institute for Economic Research at the University of Munich in cooperation with the Austrian Institute of Economic Research (WIFO) Vienna
- 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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## Scientific contacts

Professor Dr Oliver Holtemöller  
Halle Institute for Economic Research (IWH) – Member of the Leibniz Association  
Tel +49 345 7753 800  
[Oliver.Holtemoeller@iwh-halle.de](mailto:Oliver.Holtemoeller@iwh-halle.de)

Dr Geraldine Dany-Knedlik  
German Institute for Economic Research (DIW Berlin)  
Tel +49 30 89789 486  
[gdanyknedlik@diw.de](mailto:gdanyknedlik@diw.de)

Professor Dr Timo Wollmershäuser  
ifo Institute – Leibniz Institute for Economic Research at the University of Munich  
Tel +49 89 9224 1406  
[Wollmershaeuser@ifo.de](mailto:Wollmershaeuser@ifo.de)

Professor Dr Stefan Kooths  
Kiel Institute for the World Economy (IfW Kiel)  
Tel +49 431 8814 579 oder +49 30 2067 9664  
[Stefan.Kooths@ifw-kiel.de](mailto:Stefan.Kooths@ifw-kiel.de)

Professor Dr Torsten Schmidt  
RWI – Leibniz Institute for Economic Research  
Tel +49 201 8149 287  
[Torsten.Schmidt@rwi-essen.de](mailto:Torsten.Schmidt@rwi-essen.de)