

PRESS RELEASE

Severe Economic Slump Followed by Gradual Recovery

- The German Council of Economic Experts expects the economy in Germany and the euro area to decline significantly due to the coronavirus pandemic by 6.5 % and 8.5 % in 2020, respectively.
- The economic development in 2020 will be divided: After a severe slump in the first half of the year, a slow recovery is likely to set in from summer onwards, such that the German economy will grow by 4.9 % again in 2021.
- The global economy is more severely affected and the containment measures in Germany last longer than the German Council of Economic Experts had anticipated in its scenario calculations in March.

Wiesbaden, 23.06.2020 – "The coronavirus pandemic is forecast to cause the worst economic downturn since the Federal Republic of Germany was founded. However, we expect a recovery to set in from summer onwards," explains Lars P. Feld, chairman of the German Council of Economic Experts.

The German Council of Economic Experts (GCEE) already published a special report on the coronavirus pandemic in March, in which the GCEE presented scenarios for the further economic development. Today, the GCEE is presenting its updated economic outlook, as the available economic data now allows a better assessment of the economic situation in 2020.

The development of the German economy is likely to be relatively close to the risk scenario described in the Special Report as a "pronounced V". However, the trough will likely be lower than expected therein. The GCEE forecasts the real gross domestic product (GDP) to decline by 6.5 % in 2020 (6.9 % calendar-adjusted). For 2021, it expects positive growth rates of 4.9 % (also 4.9 % calendar-adjusted). Consequently, GDP is unlikely to return to its pre-pandemic level before 2022. The unemployment rate will continue to rise in the coming months and will only start to decline in the course of 2021.

The weak external environment will put a significant burden on German exports this year. The global spread of the coronavirus has led to a deep recession of the world economy. For the euro area, the GCEE expects real GDP to decline by 8.5 % in 2020 and grow again by 6.2 % in 2021.

Worldwide, the pandemic has spread more strongly than initially expected and more extensive containment measures have been taken, some of which are still in place. However, the reduction in the number of new infections and the gradual easing of health policy interventions in Germany and of important trading partners will create the basis for a recovery later this year. In addition, the adopted stabilisation measures and economic policy stimuli are expected to have a positive effect.

The outlook for the further economic development remains subject to considerable uncertainty. In particular, the course of the pandemic is of major importance. A significantly longer phase of weak economic development is expected, if the number of new infections cannot be kept at low levels, for example by smart distancing, if the easing of public health interventions does not continue and if uncertainty of companies and households is not reduced.

Key economic indicators for Germany

	Unit	2018	2019	2020 ¹	2021 ¹
Gross domestic product ^{2,3}	Growth in %	1.5	0.6	- 6.5	4.9
Gross domestic product, calendar-adjusted ^{2,3}	Growth in %	1.5	0.6	- 6.9	4.9
Gross domestic product per capita ^{2,3,4}	Growth in %	1.2	0.3	- 6.7	4.7
Current account balance ⁵	%	7.4	7.1	4.7	5.2
Persons employed (domestic)	Thousand	44,854	45,236	44,762	44,585
Persons employed, covered by social security	Thousand	32,964	33,518	33,491	33,722
Registered unemployment	Thousand	2,340	2,267	2,719	2,700
Unemployment rate ⁶	%	5.2	5.0	6.1	6.1
Consumer prices ³	Growth in %	1.8	1.4	0.6	1.6
General government budget balance ⁷	%	1.9	1.5	- 6.0	- 3.9

1 - Forecast by the GCEE. 2 - Constant prices. 3 - Change on previous year. 4 - Population development according to the GCEE's medium-term projection. 5 - In relation to nominal GDP. 6 - Registered unemployed in relation to civil labour force. 7 - In relation to nominal GDP; Regional authorities and social security according to national accounts.

Sources: Federal Employment Agency, Federal Statistical Office, own calculations

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The German Council of Economic Experts is an independent academic body advising German policymakers on questions of economic policy. It was founded in 1963, and consists of five members: Prof. Dr. Dr. h.c. Lars P. Feld (chairman), Prof. Dr. Veronika Grimm, Prof. Dr. Monika Schnitzer, Prof. Dr. Achim Truger und Prof. Volker Wieland, Ph.D. The aim of its reports is to help form the opinions of all authorities responsible for economic policy as well as the general public.

Further information on the German Council of Economic Experts and its publications are available at: <http://www.sachverstaendigenrat-wirtschaft.de/en> or follow us on Twitter [@GCEE_en](https://twitter.com/GCEE_en).

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