

Press release

Wiesbaden, 20 March 2017

ECONOMIC OUTLOOK FOR 2017 AND 2018

Germany's economic expansion continues. The German Council of Economic Experts (GCEE) has slightly revised upwards its growth forecast for the country's gross domestic product (GDP) this year and next. For 2017, the GCEE now expects real growth of 1.4 %. Adjusted for the negative effects of fewer working days, this corresponds to a calendar-adjusted growth rate of 1.7 %. For 2018, the GCEE projects a 1.6 % increase in GDP (calendar-adjusted also 1.6 %). The forecasts for both years are higher than the medium-term potential growth, which means output will continue to outstrip production capacity.

This development is driven by the ongoing good situation on the German labour market, a slightly more positive outlook for the global economy, a procyclical German fiscal policy, and the ECB's very expansive monetary policy. Given macroeconomic trends in the euro area, the ECB's monetary policy is still too expansionary, and resulting risks – for example relating to financial market stability – continue to grow. As a result, the ECB should begin winding down its assets purchases as soon as possible.

The GCEE refutes recent criticism of Germany's large current account surplus and resulting policy recommendations. Instead of driving down the current account for its own sake, economic policy should strengthen domestic investment through supply-side measures and thereby expand Germany's potential output.

"Although the German current account surplus is high, it does not signal a macroeconomic imbalance," says Christoph M. Schmidt, Chairman of the GCEE. "The German government should improve Germany's appeal as an investment location which subsequently would contribute to reducing the surplus."

Key economic indicators for Germany

| | Unit | 2015 | 2016 | Forecast ¹ | | |
|---|----------|--------|---------------------|-----------------------|--------------------------|--------|
| | | | | 2017 | | 2018 |
| | | | | Update | Difference to AR 2016/17 | |
| Gross domestic product ² | % | 1.7 | 1.9 | 1.4 | (0.1) | 1.6 |
| Annual rate of change of GDP, calendar-adjusted | % | 1.5 | 1.8 | 1.7 | (0.1) | 1.6 |
| Gross domestic product per capita ³ | % | 0.8 | 1.1 | 1.3 | (0.1) | 1.6 |
| Current account balance ⁴ | % | 8.6 | 8.3 | 7.5 | (- 0.7) | 7.1 |
| Persons employed (domestic) | thousand | 43,057 | 43,593 ^a | 44,159 | (207) | 44,642 |
| Persons employed, covered by social security | thousand | 30,822 | 31,504 ^a | 31,940 | (173) | 32,329 |
| Registered unemployment, stocks | thousand | 2,795 | 2,691 | 2,653 | (- 60) | 2,696 |
| Unemployment rate ⁵ | % | 6.4 | 6.1 | 6.0 | (- 0.1) | 6.0 |
| Consumer prices ⁶ | % | 0.3 | 0.5 | 2.2 | (0.6) | 1.6 |
| General government balance ⁷ | % | 0.7 | 0.8 | 0.4 | (0.0) | 0.2 |

1 - Forecast by the GCEE. 2 - Inflation-adjusted year-on-year change; for difference percentage points. 3 - Own calculations; year-on-year change; for difference percentage points. 4 - In relation to nominal GDP. 5 - Registered unemployed in relation to civil labour force; for difference percentage points. 6 - Year-on-year change; for difference percentage points. 7 - Regional authorities and social security according to national accounts; in relation to nominal GDP. a - Due to the correction of employment statistics by Federal Employment Agency, the number deviates from the official statistics. This figure for the employees is 43.475 million persons and 31.489 million persons for social security employees.

Sources: Federal Employment Agency, Federal Statistical Office

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The German Council of Economic Experts (GCEE) is an independent economic-policy advisory body. Its five members are Professor Christoph M. Schmidt (Chairman), Professor Peter Bofinger, Professor Lars P. Feld, Professor Isabel Schnabel und Professor Volker Wieland.

German Council of Economic Experts

E-Mail: presse@svr-wirtschaft.de

Homepage: www.sachverstaendigenrat-wirtschaft.de

Contact: Birgit Hein (office manager), +49-611-75-4288