

## Press release

Wiesbaden, 19 March 2019

# ECONOMIC OUTLOOK FOR 2019 AND 2020

The pace of expansion of the German economy has declined noticeably. This was partly caused by temporary production problems in the automotive and chemical industries. At the same time, the underlying dynamics of the German economy have slowed. On the demand side, this is primarily due to a significantly weaker export demand from key markets. On the supply side, capacity constraints and existing labour shortages in many sectors play a role.

Against this backdrop, the German Council of Economic Experts is revising its growth forecast for 2019 downwards and now expects average annual growth rates of 0.8 % and 1.7 % of real gross domestic product (GDP) for 2019 and 2020, respectively. The low forecast for 2019 is strongly influenced by the weak last quarter of 2018 and the associated low statistical overhang. Adjusted for the positive calendar effect due to the exceptionally high number of working days, the growth rate in 2020 is only 1.3 %.

**„The boom in the German economy has faded. However, given the robust domestic economy, a recession is currently not to be expected.“**

Christoph M. Schmidt, Chairman

Over the forecast horizon, the growth rates of German GDP are expected to remain slightly below potential growth. Thus, the overutilisation of the German economy is declining and production is approaching its potential level from above. However, the number of persons employed is likely to continue rising and wage dynamics are expected to remain strong. In particular, private consumption, investment in construction and the public sector are expected to contribute positively to economic growth in 2019. In view of the robust domestic economy, a recession is not expected.

For the other euro area member states, signs of weaker economic activity are emerging as well. The German Council of Economic Experts is lowering its forecast for real GDP growth in the euro area to 1.2 % in 2019. For 2020, it forecasts a growth rate of 1.4 %.

Currently, the risks to future economic development are very high. In addition to the uncertain outcome of the Brexit negotiations, the unresolved trade conflict between the United States, Europe and China, as well as the danger of a stronger-than-expected slowdown of the Chinese economy particularly contribute to the high level of risk. In light of the already slowing global economic momentum, a spiral of protectionist measures would have the potential to slide the German economy into recession.

### Key economic indicators for Germany

	Unit	2017	2018	Forecast <sup>1</sup>		
				2019		2020
				Update	Difference to AR 2018 /19 <sup>2</sup>	
Gross domestic product <sup>3,4</sup>	%	2.2	1.4	0.8	(- 0.7)	1.7
Annual rate of change of GDP, calendar-adjusted <sup>3,4</sup>	%	2.5	1.5	0.8	(- 0.8)	1.3
Gross domestic product per capita <sup>3,4,5</sup>	%	1.8	1.1	0.5	(- 0.7)	1.5
Current account balance <sup>6</sup>	%	8.0	7.4	6.8	(0.1)	6.5
Persons employed (domestic)	1,000	44,269	44,838	45,303	(41)	45,666
Persons employed, covered by social security	1,000	32,234	32,967	33,493	(8)	33,941
Registered unemployment	1,000	2,533	2,340	2,181	(- 3)	2,055
Unemployment rate <sup>7</sup>	%	5.7	5.2	4.8	(- 0.0)	4.6
Consumer prices <sup>4</sup>	%	1.5	1.8	1.5	(- 0.6)	1.6
General government balance <sup>8</sup>	%	1.0	1.7	1.2	(0.0)	1.0

1 – Forecast by the GCEE. 2 – Difference in percentage points except for unit 1,000. 3 – Constant prices. 4 – Change on previous year. 5 – Population development according to medium-term projection of the GCEE. 6 – In relation to nominal GDP. 7 – Registered unemployed in relation to civil labour force. 8 – In relation to nominal GDP; regional authorities and social security according to national accounts.

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

© Sachverständigenrat | 19-026

\* \* \*

German Council of Economic Experts

E-Mail: [presse@svr-wirtschaft.de](mailto:presse@svr-wirtschaft.de)

Homepage: [www.sachverstaendigenrat-wirtschaft.de](http://www.sachverstaendigenrat-wirtschaft.de)

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