

## Press release

Wiesbaden, 23 March 2016

# ECONOMIC OUTLOOK FOR 2016 AND 2017

The German Council of Economic Experts has slightly lowered its forecast for 2016 due to somewhat weaker external demand. The Council now expects German gross domestic product (GDP) to grow 1.5 %, 0.1 percentage points less than forecasted in the Annual Economic Report 2015/16. For 2017, the Council expects GDP growth to pick up slightly to reach 1.6 %.

Germany's economic expansion continues. It is supported by rising consumer spending on the back of a strong labour market, expansionary fiscal policy, and extremely loose monetary policy. In the Council's view, financial market turbulences at the start of the year do not point to global economic slowdown. However, they are a sign that investors now expect a longer period of low interest rates, which will undermine banks' business models. Oil price declines partly reflect demand factors, which means their potential to spur global economic growth is limited.

Refugee migration remains a major challenge for economic policy. Bottlenecks in asylum procedures delay labour market integration significantly. As a result, refugee migration will have only a moderate effect on employment this year. The Council estimates that about 360,000 recognised refugees will enter the labor force by the end of 2017. However, a large part of them will initially be unemployed. The Council assesses additional public expenditure in 2016 and 2017 can be financed without taking on new debt or increasing taxes.

The outlook for the world economy is subject to a number of risks. These include the potential for a more pronounced economic slowdown in China and other emerging markets, turmoil on global financial markets, increased geopolitical conflict, and the resurgence of the euro crisis. Another risk is the outcome of the United Kingdom referendum on EU membership. Stronger-than-expected growth in Anglo-Saxon countries, for example, bears upside potential for growth.

### Key economic indicators for Germany

	Unit	2014	2015	Forecast		
				2016		2017
				Update	Difference to AER 2015/16	
Gross domestic product <sup>1</sup>	%	1.6	1.7	1.5	(- 0.1)	1.6
Gross domestic product per capita <sup>2</sup>	%	1.1	1.2	0.9	(- 0.2)	0.9
Current account balance <sup>3</sup>	%	7.3	8.5	8.7	(0.4)	8.3
Persons employed (domestic)	thousand	42,703	43,032	43,519	(186)	43,918
Persons employed, covered by social security	thousand	30,197	30,829	31,485	(228)	31,895
Registered unemployment, stocks	thousand	2,898	2,795	2,808	(- 83)	2,958
Unemployment rate <sup>4</sup>	%	6.7	6.4	6.4	(- 0.2)	6.7
Consumer prices <sup>5</sup>	%	0.9	0.3	0.3	(- 0.9)	1.4
General government balance <sup>6</sup>	%	0.3	0.6	0.3	(0.1)	0.3

1 - Inflation-adjusted year-on-year change; for difference percentage points. 2 - Own calculations; year-on-year change; for difference percentage points. 3 - In relation to nominal GDP. 4 - Registered unemployed in relation to civil labour force; for difference percentage points. 5 - Year-on-year change; for difference percentage points. 6 - Regional authorities and social security according to national accounts; in relation to nominal GDP.

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

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