

PRESS RELEASE

## German economy: Strong recovery still not imminent

- The German economy is stabilising and should pick up slightly throughout 2024.
- The GCEE expects Germany's gross domestic product to grow by 0.2 % in 2024 and by 0.9 % in 2025.
- German inflation rates are expected to drop to 2.4 % in 2024 and 2.1 % in 2025.

**Wiesbaden, 15.05.2024** – Economic growth in Germany is still characterised by sluggish demand. “Private households remain hesitant to consume, while industry and construction report few new orders,” explains council member Martin Werding. “However, we expect the German economy to gain some momentum throughout 2024.” Rising real incomes should bolster private consumption, supporting the economy. Overall, the German Council of Economic Experts (GCEE) expects gross domestic product growth of only 0.2 % this year and 0.9 % next year.

Global trade and global industrial production are expected to increase throughout 2024. “German exports will benefit from rising global trade over the next two years. However, export-oriented companies will face strong competition, rising labour costs and elevated energy prices,” says council member Veronika Grimm.

Inflation in Germany is expected to keep declining. The GCEE expects inflation rates of 2.4 % in 2024 and 2.1 % in 2025. However, rising labour costs and weak productivity growth will slow the further decline in inflation. “We assume that the ECB will cut key policy rates this summer, improving financing conditions and stimulating private capital formation,” explains council member Ulrike Malmendier. However, the rate cuts likely won’t support overall economic demand until 2025 at the earliest.

Geopolitical uncertainty remains a significant risk to economic development and inflation. The ongoing war in the Ukraine and the conflict in the Middle East following the Hamas' terrorist attack on Israel are major sources of uncertainty. An escalation of the Middle East conflict could lead to a resurgence in energy prices.

### Declining labour market momentum

Structural conditions in the German labour market have deteriorated due to demographic changes and reduced working hours. The labour market has become less dynamic in recent years: Companies are increasingly struggling to fill vacancies. At the same time, many companies are reluctant to lay off employees despite the poor economic situation.

### Uncertainty due to budgetary and economic policy

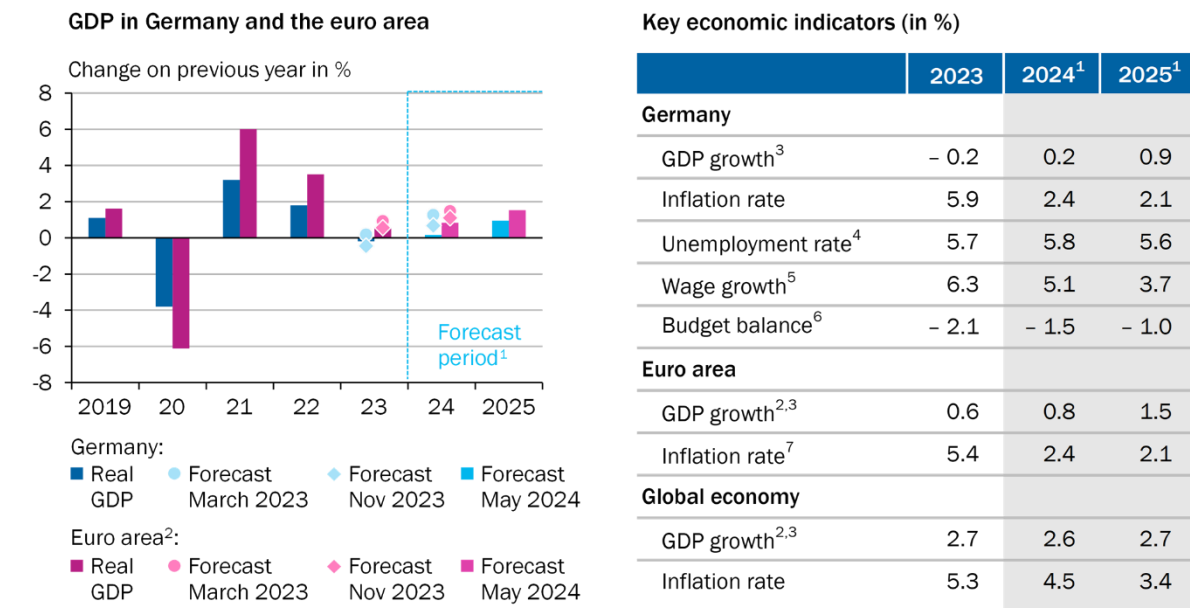
Fiscal space is tighter this and next year compared to previous years. “Fiscal policy is too tight. The future direction of budget and economic policy is uncertain because the Federal Government's consolidation strategy for 2025 remains unclear,” says council member

Achim Truger. In particular, whether additional savings efforts will be necessary to comply with the debt brake remains an open question.

## Medium-term outlook clouded by weak labour market

Growth prospects for the German economy remain weak in terms of potential output through the end of the decade. Demographic changes and the resulting decline in labour supply are particularly weighing on the medium-term outlook. The GCEE estimates potential growth at 0.5 % in 2024 and 0.4 % in 2025, likely staying at this low level until 2029.

### Economic Outlook for the years 2024 and 2025 at a glance



1 – Forecast by the GCEE. 2 – Values are based on seasonal and calendar-adjusted quarterly figures. 3 – Constant prices. 4 – Registered unemployed in relation to civil labour force. 5 – Change of gross wages and salaries (domestic concept) per employees' hour worked. 6 – In relation to nominal GDP; territorial authorities and social security according to national accounts. 7 – Change of the Harmonised Index of Consumer Prices.

Sources: Eurostat, Federal Statistical Office, national statistical offices, own calculations  
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The German Council of Economic Experts (GCEE) provides support to policymakers and the general public on questions and matters of economic policy. It was founded as an independent body in 1963 and currently consists of the council members: Professor Dr. Veronika Grimm, Prof. Dr. mult. Dr. h.c. Ulrike Malmendier, Professor Dr. Dr. h.c. Monika Schnitzer (chair), Professor Dr. Achim Truger, Professor Dr. Martin Werding. By publishing regular reports, the GCEE aims to help the general public and decision-makers in politics, business and society to form a reasoned opinion on economic policy developments in Germany.

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 X [@GCEE\\_en](https://twitter.com/GCEE_en).

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