1

EXPORTS SUPPORT ECONOMIC RECOVERY

I. Summary

II. Global economy

1. Global economy stable despite Iran war
2. Energy prices drive inflation
3. Opportunities and risks

III. Germany

1. Real economy: economic activity surprisingly robust
2. Inflation remains elevated
3. No recovery on the labour market
4. Fiscal impulse dampened by GKV and SPV reforms
5. Opportunities and risks
6. Potential output: immigration barely cushions demographic decline

Appendix

References

This is a translated version of the original German-language chapter “Exporte stützen konjunkturelle Erholung”, which is the sole authoritative text. Please cite the original German-language chapter if any reference is made to this text. This translation was generated using AI.

KEY MESSAGES

↘ The German economy is currently performing better than expected. In 2026, exports and government consumption expenditure are the major drivers of real GDP growth. In 2027, final consumption expenditure and public investment in particular are likely to support real GDP growth.

↘ Demand from the EU is the main pillar of German exports. Protectionist US trade policy and stronger competition from Chinese industrial firms continue to weigh on German foreign trade.

↘ The GCEE expects real GDP to increase by 1.3 % in 2026 and by 1.0 % in 2027. It forecasts consumer price inflation of 2.8 % and 3.3 %, respectively.

EXECUTIVE SUMMARY

The global economy has so far proved robust despite the current energy supply shock. Although inflation has risen in many countries, aggregate economic activity in the world's major economic regions has continued to expand. One contributing factor was that the price of crude oil rose less strongly in summer than expected in the GCEE Spring Report 2026. Currently, however, prices for crude oil and natural gas are well above the level expected in spring 2026. The global economy is supported by high investment in the field of artificial intelligence. However, persistent price pressure and higher central bank policy rates are weighing on the outlook for the global economy. The GCEE expects global real GDP to increase by 2.7 % in 2026 and by 2.6 % in 2027.

In the euro area, consumer confidence has partially recovered after a significant decline in the spring. Other sentiment indicators suggest that economic activity in the euro area is withstanding higher energy prices. In response to increased inflationary pressure, however, the European Central Bank has raised interest rates several times. Further increases are expected in the forecast period. Worsened financing conditions are dampening aggregate economic activity. Real GDP growth of 1.1 % is forecast for the euro area in each of the years 2026 and 2027.

The economic recovery of the German economy continues despite higher energy prices. Real GDP growth is likely to accelerate strongly this year compared to the previous year. This is driven in particular by exports and government consumption expenditure. However, domestic demand as a whole is likely to be weaker this year than in 2025 and to rise more strongly in 2027. Public investment in infrastructure and defence is likely to play a key role for GDP growth in 2027. In addition, government consumption spending is likely to increase again in 2027. By contrast, higher consumer prices are likely to dampen private household consumption expenditure throughout the forecast period. Export growth is likely to continue next year, but to be weaker than this year. The GCEE expects real GDP to increase by 1.3 % in 2026 and by 1.0 % in 2027. Consumer prices are expected to rise by 2.8 % in 2026 and 3.3 % in 2027. However, because the prices of imported goods are rising more strongly than those of domestic production, domestic purchasing power is increasing less strongly than real GDP.

I. SUMMARY

1. The German Council of Economic Experts (GCEE) expects an **increase in German real gross domestic product (GDP)** of **1.3 % in 2026**, followed by **1.0 %** in **2027**. ↘ CHART 1 ↘ ITEMS 31 FF. **Consumer price inflation** is likely to rise to an average of **2.8 %** in **2026** and to an average of **3.3 %** in **2027**. Core inflation is expected to be 2.4 % in 2026 and 2.8 % in 2027. However, because the prices of imported goods are rising more strongly than those of domestic production, domestic purchasing power is increasing less strongly than real GDP. ↘ BOX 6 ↘ ITEM 65

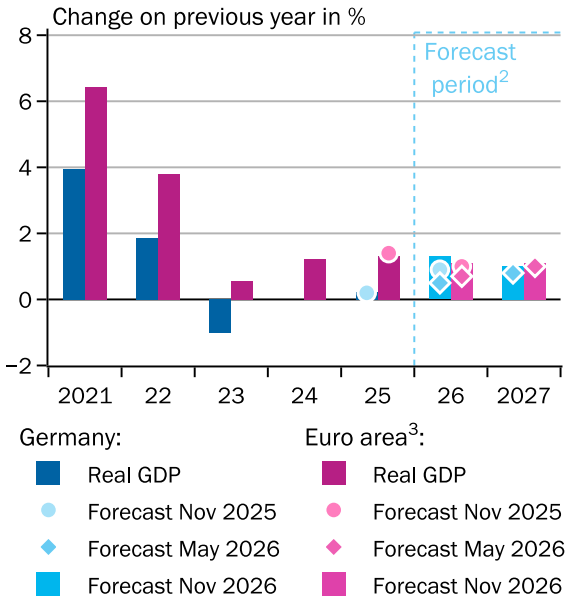
   Compared to the GCEE Spring Report 2026, the forecast for **GDP growth** in **2026** is thus 0.8 percentage points **higher**. This upward revision is due to the fact that exports rose more strongly than expected in the first and second quarters of 2026. In addition, in July 2026 the Federal Statistical Office revised the previous year's GDP slightly upwards. This improves the starting position for GDP in 2026. ↘ BOX 4

2. The **economic recovery** of the German economy continues **despite higher energy prices**. In **2026**, **real GDP** is likely to **rise significantly** for the first time since 2022. However, the economic picture remains mixed. Exports grew strongly in the first half of 2026. This was driven in particular by high demand

↘ CHART 1

Economic outlook for Germany, the euro area and the global economy

GDP[1] in Germany and the euro area



Key economic indicators (in %)

	2025	2026[2]	2027[2]
Germany			
GDP growth[1]	0.2	1.3	1.0
Inflation rate	2.2	2.8	3.3
Unemployment rate[4]	6.3	6.4	6.3
Wage growth[5]	4.9	3.6	3.6
Budget balance[6]	– 2.9	– 4.1	– 4.3
Euro area			
GDP growth[1,3]	1.3	1.1	1.1
Inflation rate[7]	2.1	3.0	2.9
Global economy[8]			
GDP growth[1,3]	2.8	2.7	2.6
Inflation rate	3.0	3.5	3.0

1 – Constant prices. 2 – Forecast by the GCEE. 3 – Values are based on seasonal and calendar-adjusted quarterly figures. November 2025 forecast without Bulgaria. 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. 8 – Aggregation according to the weights in Table 1.

Sources: Eurostat, Federal Statistical Office, national statistical offices, own calculations
© Sachverständigenrat | 26-100-02

Data (CSV)

from European Union (EU) countries. By product group, exports of electronic and chemical products as well as consumer goods increased particularly strongly. ↘ ITEM 59 As exports increased more strongly than imports, which also rose, net exports are likely to make the second-largest contribution to GDP growth in 2026, after government consumption expenditure. ↘ ITEM 44 Domestic demand, by contrast, remained weak in the first half of 2026. Although government consumption spending expanded in the first half of 2026 compared to the second half of 2025, the decline in gross fixed capital formation weighed on domestic economic activity. Private residential construction investment in the first half of 2026 was also below the level of the second half of 2025, while private household consumption expenditure stagnated. **Real GDP growth** in **2027** is likely to be driven primarily by final consumption expenditure and by public investment in infrastructure and defence. Accordingly, **public gross fixed capital formation in machinery and equipment and in construction** is likely to rise sharply in the forecast period, alongside government consumption spending. Export growth is likely to continue in 2027, but to be weaker than in 2026. ↘ ITEM 44

3. So far, the **higher energy prices have affected** the global economy only **to a limited extent**. ↘ ITEM 8 Global real GDP grew by just under 0.8 % in the second quarter compared to the previous quarter. Output growth was thus somewhat higher than in the first quarter. Global industrial production declined in the second quarter, but already recovered in July and August. In Germany, the business situation in the manufacturing sector has continued to improve despite the effects of the Iran war. This reflects the growing export business in the first half of 2026. Business expectations deteriorated in April and May. However, they have now been recovering for five consecutive months since June 2026. ↘ ITEM 39 Consumer price inflation has risen significantly since March 2026. ↘ CHART 2 This is weighing on the purchasing power of private households. Consumer confidence remains below the level prior to the energy supply shock in March 2026. ↘ ITEM 48

4. **Export growth** is likely to **continue** in the forecast period, albeit at a **slightly slower pace**. ↘ CHART 2 Since the second half of 2025, the **order situation** in the manufacturing sector has **improved within the EU** in particular. ↘ ITEM 39 Nevertheless, the **prospects** for the German export industry outside the EU remain weak. In addition to higher US import tariffs and the Iran war, growing competition from Chinese industrial firms is weighing on the export business of the manufacturing sector. For example, exports of goods to China have been declining sharply since 2024. ↘ ITEM 61

5. **Private gross fixed capital formation and private consumption expenditure** are likely to rise **moderately** in the forecast period. While private gross fixed capital formation in machinery and equipment and in commercial buildings is expected to increase slightly throughout the forecast period, ↘ ITEM 56 private investment in residential buildings is likely to rise only marginally, and not until 2027. In residential construction, a recovery is hampered in particular by persistently high construction costs and rising interest rates. New orders in residential construction have thus been trending sideways since 2025. ↘ ITEM 40 Persistently below-average capacity utilisation is weighing on the investment activity of industrial firms. Nevertheless, the recent rise in external demand is

↘ CHART 2
Determining factors for the forecast

	Current situation	Forecast period	Opportunities / risks
Energy prices	Energy supply shock has raised consumer price inflation since March 2026	Elevated inflation expected throughout the period; price pressure likely to ease slightly in 2027	**Risk:** Further energy supply shock due to escalation in the Middle East
Foreign trade	Exports have risen strongly since the start of the year	Exports continue to rise, but slightly less strongly	**Opportunity:** External demand stronger than expected
Domestic demand	Gross fixed capital formation declining since the start of the year; consumption expenditure subdued	Higher government investment and consumption expenditure expected	**Risk:** Prices for infrastructure investment rise even more strongly than expected

Source: own representation
© Sachverständigenrat | 26-125-02

likely to increase capacity utilisation in the manufacturing sector slightly in the forecast period, thereby also raising the investment needs of domestic industrial firms. Private household consumption expenditure remains subdued. Persistently elevated inflation is dampening the increase in real disposable income and thus the expenditure of private households throughout the forecast period.

6. **Public investment in infrastructure and defence** is expected to **strongly support GDP growth** in the forecast period. Rising defence spending is likely to be reflected in particular in a strong expansion of public gross fixed capital formation in machinery and equipment, which mainly comprises military weapon systems. By the end of 2025, €43 billion had been disbursed from the Bundeswehr special fund. Between January and September 2026, the credit volume drawn already increased by €14.2 billion to €57.2 billion. For 2026, the Federal Government is planning expenditure totalling €25.5 billion. A further €30 billion is to be spent in 2027, thereby exhausting the special fund's borrowing limit. Accordingly, government intermediate consumption is also expected to expand. In addition, social transfers in kind will rise sharply in the forecast period, so that government consumption is likely to continue growing strongly. At the same time, additional funds for infrastructure spending from the Special Fund for Infrastructure and Climate Neutrality (SVIK) will increasingly support public gross fixed capital formation in construction. Since 2025, new orders in civil engineering have been at a higher level than in the years 2022 to 2024. ↘ ITEM 58 The high government expenditure will widen the government deficit and the debt ratio in the forecast period. After 4.1 % of GDP in 2026, the government deficit is expected to amount to 4.3 % of GDP in 2027. The debt ratio is likely to rise to 64.5 % of GDP in 2026 and 66.3 % of GDP in 2027.

II. GLOBAL ECONOMY

7. **The global economy has so far proved robust despite the Iran war.** The resulting energy supply shock has noticeably increased inflation in many places. However, aggregate economic activity in the world's major economic regions continued to expand. ↘ ITEM 8 Among other things, this is likely due to the fact that the price of crude oil fell significantly but temporarily in June and July 2026, contrary to expectations on the futures markets and the assumption in the GCEE's spring forecast. ↘ ITEM 18 Currently, however, oil prices are well above the level expected in spring 2026. Sentiment indicators currently do not point to a noticeable slowdown in the momentum, let alone a collapse in global economic activity in the second half of 2026. ↘ ITEM 9 The global economy is supported by the increasing use of artificial intelligence (AI). The investment – primarily in the USA ↘ BOX 1 – required for this is increasing demand for high-tech products and thereby boosting international trade in goods. ↘ ITEM 13

   However, the **outlook for the global economy remains subdued**. Price pressures due to higher energy costs are likely to persist for the time being. This raises production costs for goods and services and reduces consumers' real disposable income. Tighter monetary policy is worsening financing conditions and placing an additional burden on private consumption and gross fixed capital formation. ↘ ITEM 23 The burdens resulting from the Iran war are probably not going to ease until next year, so that price increases should slow down only gradually. The GCEE expects real global GDP to grow by 2.7 % in 2026 and by 2.6 % in 2027. Global consumer price inflation is likely to be 3.5 % in 2026 and 3.0 % in 2027. ↘ ITEM 16

1. Global economy stable despite Iran war

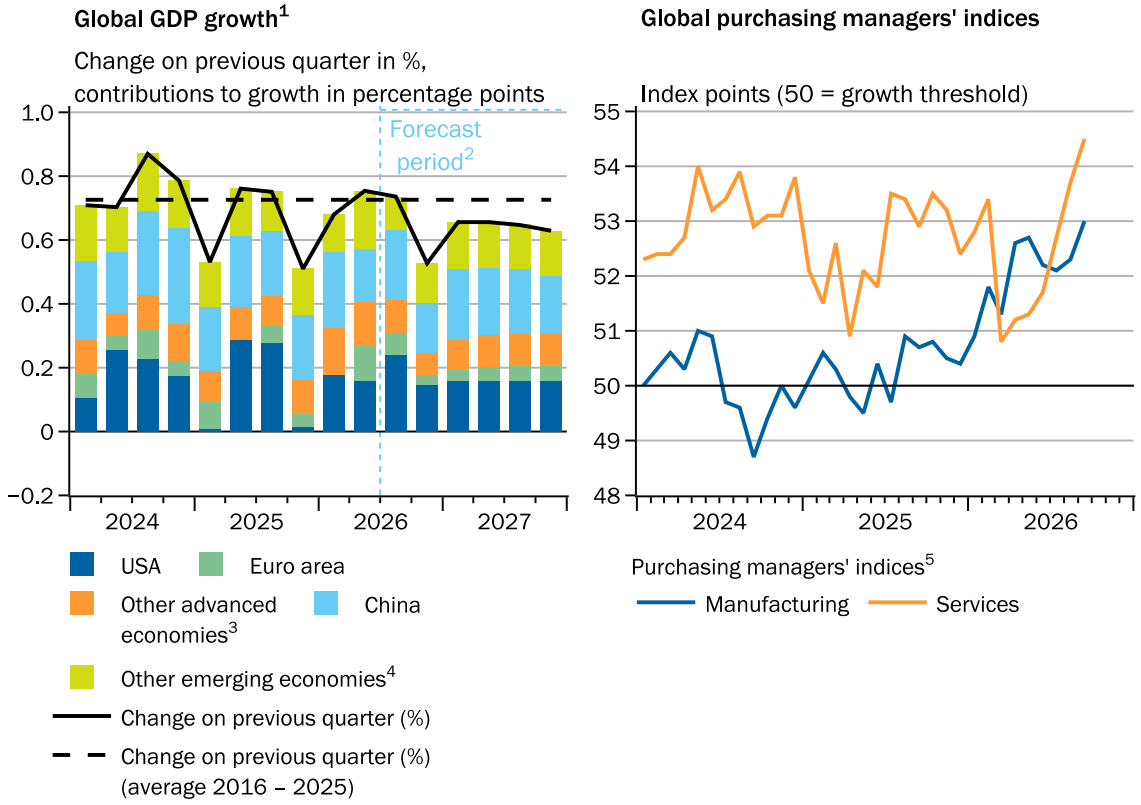
8. **Real global GDP rose by just under 0.8 % in the second quarter of 2026 compared to the previous quarter and thus somewhat more strongly than at the beginning of the year.** ↘ CHART 3 LEFT Output growth slowed in the USA and China. ↘ BOX 1 The euro area, on the other hand, supported real global GDP growth after aggregate output there had stagnated in the first quarter of 2026. ↘ ITEM 14

9. **Sentiment indicators point to a robust development of the global economy despite the Iran war.** The global purchasing managers' index for the services sectors did fall significantly immediately after the outbreak of the war. In the meantime, however, sentiment in these sectors has recovered. In September, the indicator was even higher than before the start of the war. ↘ CHART 3 RIGHT In the manufacturing sector, the cyclical recovery that began in the middle of last year continued.

10. **After a temporary reopening** in summer 2026 (GCEE Spring Report 2026 background info 1), **the Strait of Hormuz is currently closed to shipping again** – as measured by ship radio data. ↘ CHART 4 LEFT However, other sources, which also capture ships whose radio systems are switched off while passing

↘ CHART 3

Global GDP growth and purchasing managers' indices



1 – Averages of seasonally adjusted quarterly values. Global GDP is approximated by the sum of the countries. 2 – Forecast by the GCEE. 3 – Australia, Canada, EU less euro area, Hong Kong, Japan, Norway, Republic of Korea, Switzerland, Singapore, Taiwan and United Kingdom. 4 – Argentina, Brazil, Chile, Colombia, India, Indonesia, Malaysia, Mexico, Philippines, Russia, Thailand and Turkey. 5 – Global purchasing managers' indices based on a monthly survey of purchasing managers and managing directors.

Sources: Eurostat, IMF, national statistical offices, OECD, S&P Global, own calculations
© Sachverständigenrat | 26-181-01

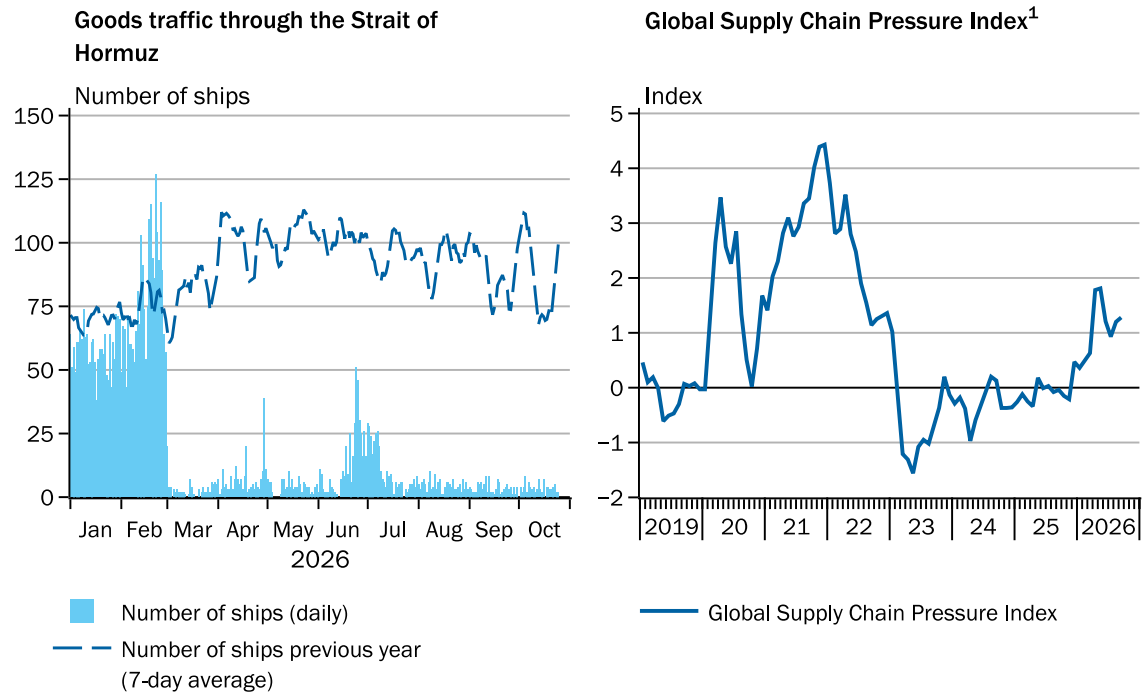
through the strait, point to significantly higher traffic (Wright, 2026). In addition, there are signs that international supply chains have been impaired as a result of the Iran war. Freight rates, for example, have risen sharply, and the Global Supply Chain Pressure Index of the Federal Reserve Bank of New York remains at an elevated level. ↘ CHART 4 RIGHT Compared to the supply bottlenecks and strains on international supply chains as a result of the COVID-19 pandemic, however, the indicator is at a significantly lower level.

The forecast assumes that **uncertainty about the further course of the Iran war** remains **high**. However, it is assumed that the burdens on the global economy resulting from the war will gradually decrease over the forecast period and that shipping through the Strait of Hormuz will normalise somewhat. This assumption is consistent with futures markets, which point to a gradual decline in the price of crude oil. ↘ ITEM 20 ↘ BOX 3

11. **After the US Supreme Court had declared a large part of the tariffs imposed by President Trump unlawful, the US administration imposed temporary bilateral tariffs on many trading partners.** These expired at the end of July 2026 and were replaced by new tariffs based on Section 301 of the Trade Act of 1974 (The White House, 2026). According to calculations

↘ CHART 4

Strait of Hormuz and global uncertainty



1 – The Global Supply Chain Pressure Index combines various indicators of transport costs and supply bottlenecks into one index. The mean of the index is normalised to zero. Shown is the deviation from the mean, measured in standard deviations.

Sources: Federal Reserve Bank of New York, Benigno et al. (2022), PortWatch, UN Global Platform
© Sachverständigenrat | 26-188-01

Data (CSV)

by the Budget Lab, the effective tariff rate of the USA has hardly changed as a result (The Budget Lab at Yale, 2026). With regard to US import tariffs, this forecast assumes that there will be neither a renewed tightening of US trade policy nor countermeasures by the trading partners of the USA.

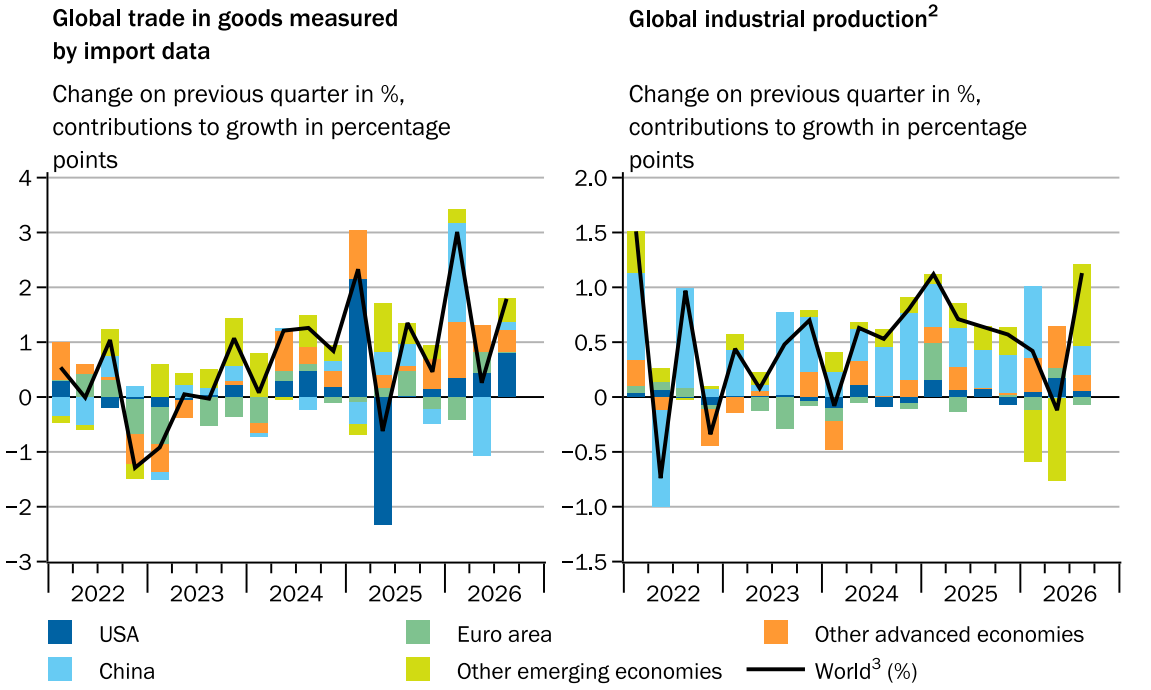
12. **Global trade is expanding strongly again**. After a strong start to the year, international trade in goods almost stagnated in the second quarter of 2026. ↘ CHART 5 LEFT This was mainly due to developments in emerging markets. ↘ BOX 1 In China, imports fell significantly in the second quarter, which is partly attributable to a drastically reduced demand for crude oil (Troderman, 2026). In July and August, however, a significant recovery in global trade was already under way.

    Global industrial production declined significantly in the second quarter. ↘ CHART 5 RIGHT In addition to weaker developments in China, this is mainly due to the direct consequences of the war, which severely impaired economic activity in the region concerned. Industrial production in Africa and the Middle East, which the Centraal Planbureau reports as an aggregate, collapsed in March. It has since recovered somewhat, but in August it was still 17 % below its pre-war level.

13. **The increasing use of AI and the infrastructure it requires have led to a rise in investment in software and data centres.** ↘ CHART 6 LEFT In the USA, this investment activity has made a significant contribution to aggregate expansion in recent quarters (Rubinton and Patro, 2026). ↘ BOX 1 The AI boom

↘ CHART 5

Global trade in goods and world industrial production[1]



1 – Data and country definitions of the Dutch Centraal Planbureau (CPB). Country weights based on 2021 values. Change on previous quarter, real and seasonally adjusted. Based on quarterly averages of monthly values. For the third quarter of 2026: average of July and August. 2 – Excluding construction. Production-weighted. 3 – Includes the volume of goods trade in 81 countries and just under 96 % of global goods trade, and industrial production in 85 countries and around 96 % of global industrial production.

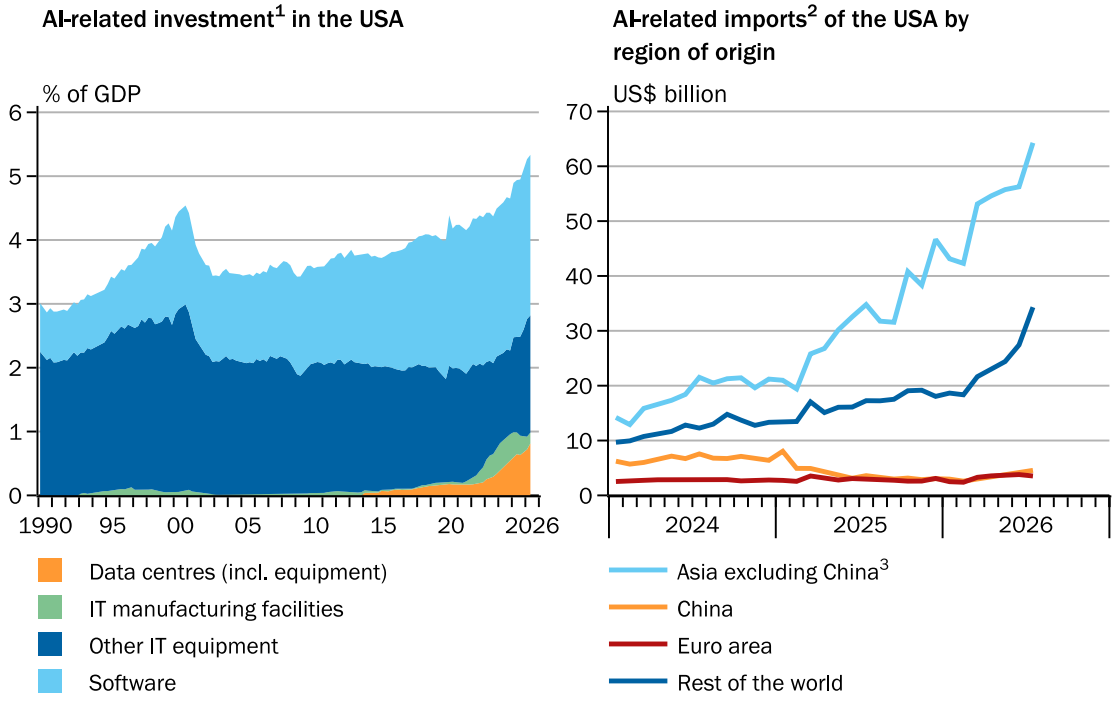
Sources: CPB, own calculations
© Sachverständigenrat | 26-024-02

Data (CSV)

has increased demand for products from abroad, particularly from Asia. US imports of AI-related products from economies such as the Republic of Korea, Taiwan or Malaysia have more than doubled since the beginning of 2025. ↘ CHART 6 RIGHT This has led to a revival of production in the manufacturing sector and of exports in the region (ADB, 2026). As a result, GDP growth there has picked up, in some cases significantly, in recent quarters. In Taiwan, for example, GDP grew at double-digit rates year on year in the first two quarters of 2026. In the course of the boom, the stock market valuations of many AI firms have risen sharply. At the same time, investment in this area is increasingly debt-financed, in particular by shadow banks ↘ GLOSSARY (Aldasoro et al., 2026). ↘ ITEM 29

↘ CHART 6

AI investment and imports of the USA



1 – For the definition of the components, see Aldasoro et al. (2026). 2 – Comprises 104 product groups at the 6-digit level of the Harmonised System, as defined in WTO (2025, Annex A.1). 3 – Cambodia, Indonesia, Japan, Malaysia, Republic of Korea, Singapore, Taiwan, Thailand, Vietnam.

Sources: BEA, U.S. Census Bureau, UN Comtrade, own calculations
© Sachverständigenrat | 26-160-02

Data (CSV)

↘ BOX 1

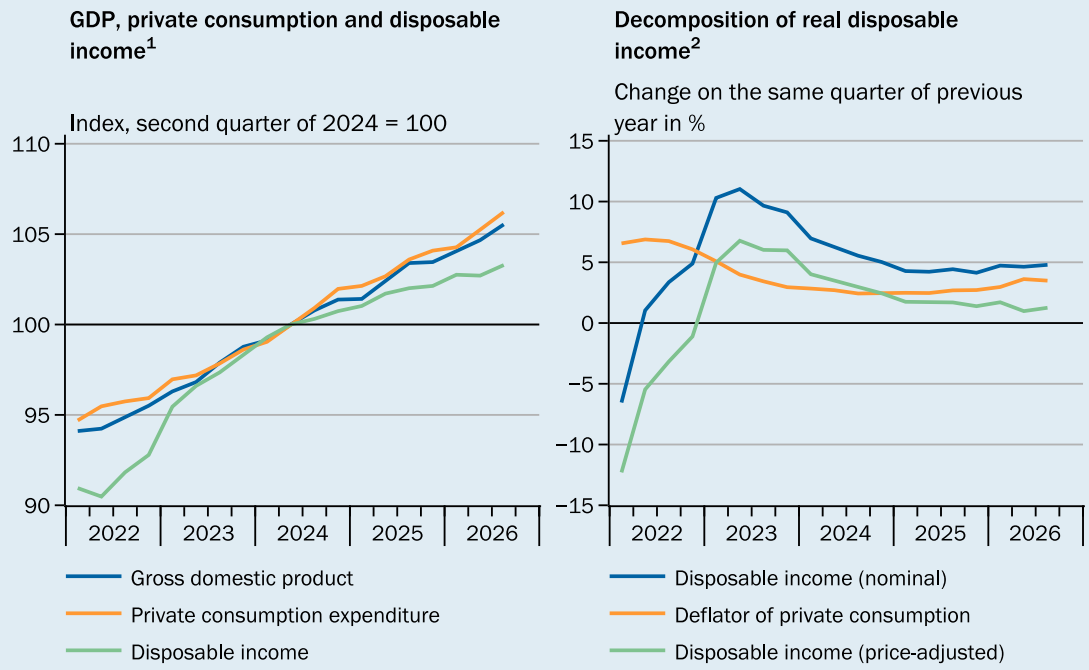
Focus: The large economies of the USA and China

In real and seasonally adjusted terms, the US economy grew by 0.6 % in the first quarter and by 0.5 % in the second quarter of 2026 compared to the previous quarter. Despite the disruptions caused by the Iran war, US growth rates are thus close to their average of recent years. In September 2026, the inflation rate as measured by the consumer price index was 3.7 % compared to the same month of the previous year, and the core inflation rate was 2.6 %. The war-related rise in energy prices thus clearly passed through to consumer prices, but second-round effects on the core inflation rate have so far remained moderate. In view of persistently elevated inflation, the Federal Reserve, the US central bank (Fed) raised the target range for the federal funds rate, which had been unchanged since December 2025, by 25 basis points to 3.75 % to 4.00 % in September 2026. ↘ CHART 14 TOP LEFT ↘ ITEM 23 real GDP growth in the second quarter was supported in particular by gross fixed capital formation, which increased by 1.9 % compared to the previous quarter. In connection with the expansion of data centres and AI technologies, investment in equipment and intellectual property products expanded particularly strongly. ↘ CHART 6 LEFT At the same time, real and seasonally adjusted imports rose by 3.0 % compared to the previous quarter in the second quarter of 2026, significantly more strongly than exports at 1.2 %, so that net exports dampened real GDP growth. High demand for imported semiconductors and capital goods is also likely to have contributed to this. Private household consumption expenditure rose by 0.9 % compared to the previous quarter and supported aggregate expansion. ↘ CHART 7 LEFT The continued low unemployment rate is likely to have contributed to this. In real terms, by contrast, disposable income has increased only

weakly since the second quarter of 2025, as supply-driven inflation absorbed a large part of nominal income gains. ↘ CHART 7 RIGHT As a consequence, the household savings rate fell to 4.4 %, significantly below its 2015 to 2019 average of 6.1 %.

↘ CHART 7

Development of private consumption and disposable income in the USA



1 – Price- and seasonally adjusted. 2 – Seasonally adjusted.

Sources: BEA, own calculations
© Sachverständigenrat | 26-209-01

Data (CSV)

According to the flash estimate, US GDP rose by 0.8 % compared to the previous quarter in the third quarter of 2026 in price and seasonally adjusted terms. Over the remainder of the forecast period, economic momentum is likely to stabilise on a robust expansion path. With the flare-up of the Iran war, the previously expected easing on the energy markets has not materialised. Elevated oil prices will continue to weigh on the purchasing power of private households and the production costs of firms. Private household consumption expenditure is likely to increase less strongly in the forecast period, as real disposable income is likely to rise only weakly given the persistently high consumer price inflation that is expected. In view of the low savings rate, there is also only limited scope to support private household consumption expenditure in the forecast period by further reducing the savings rate. By contrast, gross fixed capital formation in data centres and software in connection with the AI boom is likely to remain at a high level and support economic activity in the USA. In the forecast period, US firms are likely to further intensify the use of AI applications and realise efficiency gains (Gutkowski et al., 2026; Ozkan et al., 2026). As AI use in many firms is still at an early stage, the productivity contribution to real GDP growth is likely to increase steadily in the forecast period. Overall, the GCEE expects real GDP growth of 2.4 % and 2.3 % for the USA in 2026 and 2027, respectively. Consumer price inflation is likely to amount to 3.5 % and 2.6 % in 2026 and 2027, respectively.

In China, real and seasonally adjusted GDP rose by 1.3 % in the first quarter of 2026 compared to the previous quarter and by 0.9 % in the second quarter. In September 2026, the inflation rate as measured by the consumer price index was 0.9 % compared to the same month of the previous year. By contrast, producer prices rose by 5.0 % compared to the same month

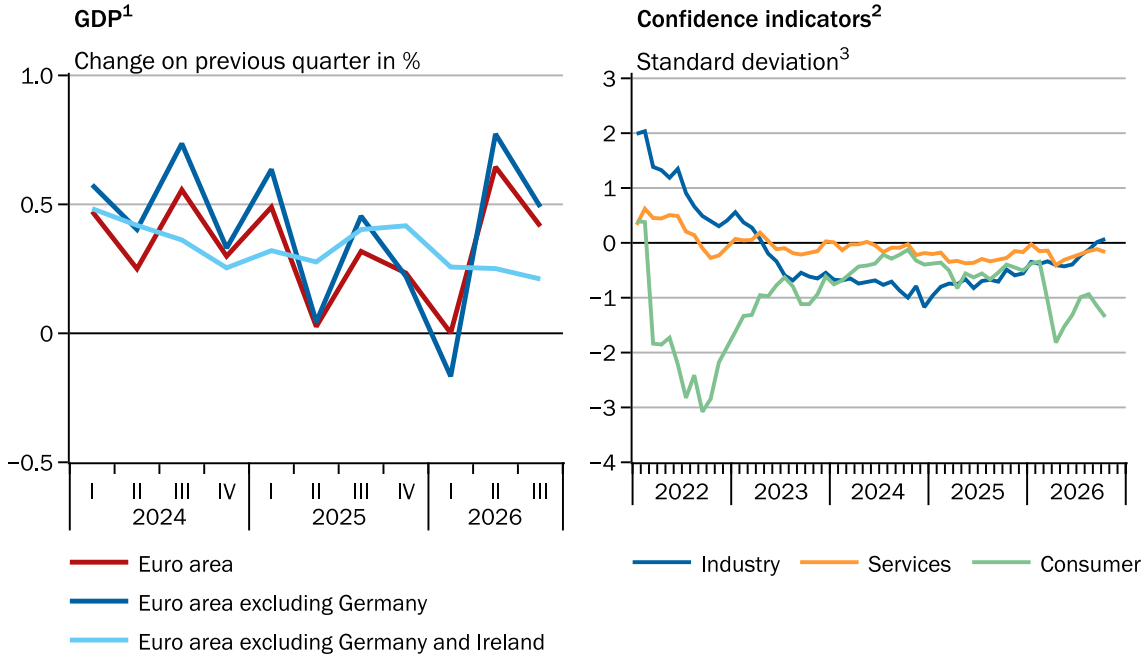
of the previous year as a result of higher energy prices. The decline in producer prices that had persisted for years has thus reversed since April 2026, without so far passing through to consumer prices. Real final consumption expenditure of private households rose by 2.7 % in the first half of the year, significantly less strongly than their real disposable income, which increased by 4.2 %. This and retail turnover, which stagnated in the first half of 2026, point to continued subdued consumer demand. Industrial production temporarily stagnated in the wake of the Iran war, after having risen by 2.3 % compared to the previous quarter in the first quarter. ↘ CHART 5 In the first three quarters, industrial production was 5.3 % higher than in the same period of the previous year, with the production of high-tech goods and capital goods growing particularly strongly at 14.3 % and 10.2 %, respectively. Crude oil imports, which had previously been high, slumped in the second quarter. As imports fell more sharply than crude oil processing, inventories were at the same time drawn down according to the U.S. Energy Information Administration (EIA) (Troderman, 2026). Chinese exports of goods increased by 21.3 % in the first nine months of 2026 compared to the same period of the previous year. The regional redirection is continuing. While exports to the USA rose by 9.8 % and those to the EU by 16.4 %, exports to Southeast Asia grew by 28.7 %. Fixed asset investment fell by 7.2 % in the first nine months of 2026 compared to the same period of the previous year. In the third quarter of 2026, GDP rose by 1.2 % compared to the previous quarter in price and seaonally adjusted terms.

In the forecast period, exports and gross fixed capital formation, particularly in high technology, are likely to continue to support output growth. In particular, the still extensive crude oil inventories (EIA, 2026) and the comparatively diversified energy supply are likely to limit the short-term effects of future oil price shocks. ↘ ITEM 27 By contrast, subdued domestic demand is likely to dampen the expansion. Overall, real Chinese GDP is likely to grow by 4.5 % in 2026 and 4.4 % in 2027. Consumer price inflation is likely to amount to 0.8 % in 2026 and 0.6 % in 2027.

14. **In the euro area, the effects of the energy supply shock on real GDP have so far been limited.** In the second quarter, it increased by 0.3 % in the euro area excluding Germany and Ireland, thus rising at a similar pace as at the beginning of the year (first quarter: 0.3 %). In the euro area as a whole, the GDP increase in the second quarter was significantly higher at 0.6 %, after economic output had stagnated in the first quarter due to a sharp decline in real GDP in Ireland. ↘ BACKGROUND INFO 1 ↘ CHART 8 LEFT Against the backdrop of the Iran war and the rise in energy prices, consumer confidence in the euro area had deteriorated sharply in March 2026, but subsequently improved again. ↘ CHART 8 RIGHT With regard to other macroeconomic indicators as well, current developments are significantly more favourable than during the energy supply shock following the Russian invasion of Ukraine. ↘ BOX 2

↘ CHART 8

GDP and confidence indicators in the euro area



1 – Price-, seasonally and calendar-adjusted. 2 – Sectoral confidence indicators from the European Commission's Business and Consumer Survey. 3 – Standard deviation from the average for the period January 1999 to October 2026.

Sources: European Commission, Eurostat, own calculations
© Sachverständigenrat | 26-150-02

Data (CSV)

↘ BACKGROUND INFO 1

On the volatility of Irish national accounts data

Irish GDP is many times more volatile than that of the other euro area member states and is revised much more strongly. According to a first estimate, for example, real GDP in Ireland fell by 2.0 % in the first quarter of 2026 compared to the previous quarter. In a second estimate, however, the decline was revised to around 12 % (CSO, 2026a); in the second quarter, by contrast, according to the latest data, real GDP increased by 10.2 % (CSO, 2026b). This volatility and susceptibility to revisions also affect other indicators of the Irish national accounts, in particular foreign trade, gross fixed capital formation and gross value added in the manufacturing sector. This is due to the large presence of multinational firms in Ireland and their business practices, such as “contract manufacturing”, i.e. the production of goods abroad without a change of ownership, or “transfer pricing”, whereby value added is shifted across national borders within a multinational firm by means of intra-group transfer prices (Deutsche Bundesbank, 2018; FitzGerald, 2018). Despite Ireland’s small economic size, this volatility and susceptibility to revisions also pass through to euro area aggregates such as GDP or the balance of payments and make business cycle analysis more difficult. To assess the economic situation in the monetary union as a whole, national accounts series for the euro area excluding Ireland are therefore often more meaningful (Deutsche Bundesbank, 2026a).

↘ BOX 2

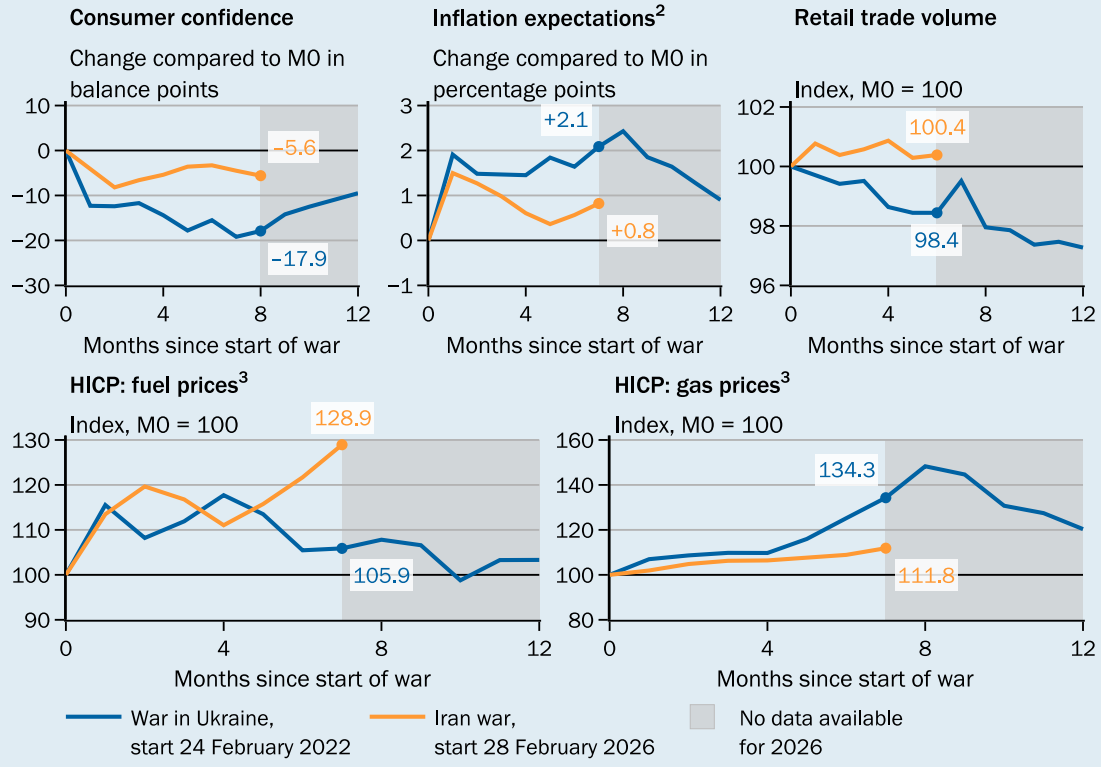
GCEE analysis: Effects of the energy supply shock in the euro area

For the euro area, there are considerable differences between the current energy supply shock and the one in 2022 following Russia's war of aggression in Ukraine, both in terms of the cause and the macroeconomic consequences. While in 2022 it was mainly the loss of Russian gas supplies that drove prices up, the current energy supply shock has so far been concentrated more on crude oil, fuels and transport routes in the Middle East.

By September 2026, fuel prices in the euro area had risen by 29 % compared to February, significantly more strongly than in 2022, when prices peaked four months after the start of the war and then fell again. ↘ CHART 9 Gas prices, by contrast, rose by only just over 12 % by September and thus far less strongly than in 2022. Consumer confidence and inflation expectations also reacted significantly less strongly than in 2022. Consumer confidence in the euro area already recovered after its low in April and in October was still around 6 points below its February level. In September, inflation expectations in the countries considered were on average 0.8 percentage points higher than in February, compared to 2.1 percentage points in 2022. Real retail turnover in the euro area as a whole even rose slightly up to August, whereas it fell significantly in 2022.

↘ CHART 9

Development of various indicators in the euro area[1] in 2022 and 2026



1 – Country composition as of January 2026. 2 – GDP-weighted mean of the national weighted medians based on the ECB's Consumer Expectations Survey. For the member states Belgium, France, Germany, Italy, Netherlands and Spain. 3 – Harmonised Index of Consumer Prices. Fuel prices: fuels and lubricants for personal transport equipment; gas prices: natural gas and town gas as well as liquefied gas. According to the Classification of Individual Consumption According to Purpose (COICOP 2018).

Sources: ECB, Eurostat, own calculations
© Sachverständigenrat | 26-229-01

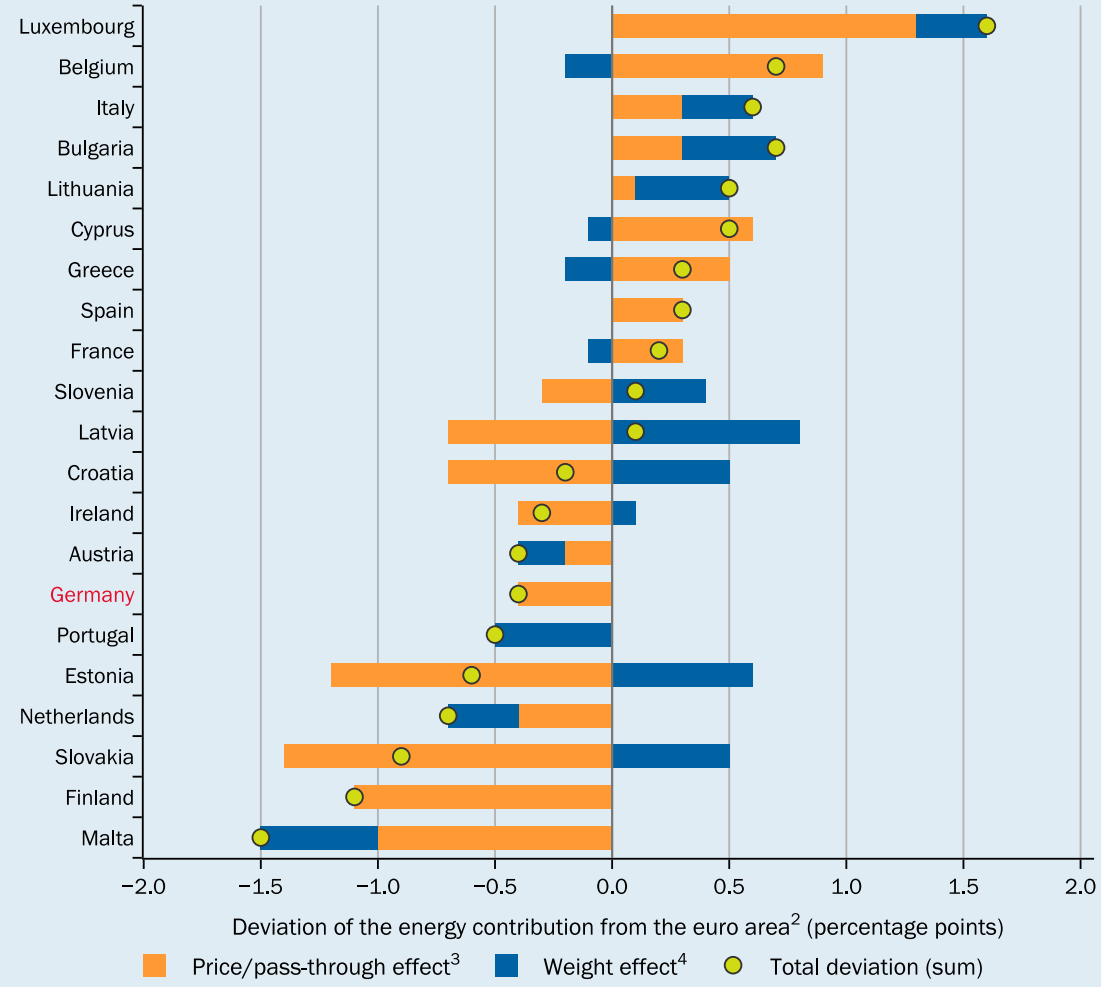
Data (CSV)

Via the cost channel, the price increase is passed on above all in those member states in which the increase in wholesale prices is largely passed on to end customers. The price effect

reflects the differing national energy price developments. Via the income channel, purchasing power is reduced more strongly the higher the share of energy in the household basket of goods and the stronger the measured price increase. The weight effect captures differences in the weighting of energy in household baskets of goods. The price effect tends to be higher where specific excise duties are low, as a given increase in the net price then causes a larger percentage change in the end-customer price. In addition, refining and distribution margins, government price measures and the national energy mix influence the price effect.

↘ CHART 10

Price decomposition of the HICP[1] energy contribution in the euro area
February to September 2026



1 – Harmonised Index of Consumer Prices. 2 – Reference: price change 17.3 %, energy contribution 1.6 percentage points. 3 – The price/pass-through effect shows the additional difference due to national price developments, holding the respective national energy weight constant. 4 – The weight effect shows the difference that arises solely from the national energy weight, using the euro area price change for all member states.

Sources: Eurostat, own calculations
© Sachverständigenrat | 26-230-01

Data (CSV)

In 17 of the 21 euro area member states, the price effect is larger in absolute terms than the weight effect. ↘ CHART 10 At around 1.6 percentage points, Luxembourg shows the largest upward deviation from the euro area average, as energy prices there have risen more strongly than in the euro area as a whole (price effect). In Belgium, Greece and France, too, above-average energy price increases raise the contribution, even though their weights of the energy component are below the euro area average. Conversely, in Estonia and Slovakia, below-aver-

age price developments dampen the contribution so strongly that they more than offset a relatively high energy weight (weight effect). In Germany and Finland, the negative deviations are almost entirely due to weaker national energy price increases. The heterogeneity of the energy contribution can thus be explained above all by national price developments and less by differing basket weights.

15. **Economic activity in the euro area is likely to continue its recovery in the forecast period.** Economic activity in the euro area is proving robust against the backdrop of the Iran war. According to the flash estimate, real GDP expanded by 0.4 % in the third quarter (excluding Ireland and Germany: 0.2 %). However, the war-related rise in energy prices is reducing the disposable income of private households and slowing their consumption. Uncertainty about the further course of the Iran war and worsened financing conditions are also likely to dampen economic activity. ↘ ITEMS 24 F. Both reduce the investment activity of firms. Real GDP in the euro area is likely to rise by 1.1 % in each of the years 2026 and 2027, somewhat less strongly than in 2025. Similar increases are expected for the euro area excluding Ireland (1.1 % and 1.0 %, respectively).

16. **The global economy is likely to expand somewhat more slowly in the forecast period than last year.** The energy supply shock caused by the Iran war is raising production costs for firms, reducing the purchasing power of private households and dampening private consumption. ↘ ITEM 17 The closure of the Strait of Hormuz is putting pressure on supply chains and dampening international trade in goods. ↘ ITEM 10 In addition, financing conditions are worsening as a result of tighter monetary policy and a rise in long-term interest rates, and higher interest payments are restricting fiscal policy room for manoeuvre. ↘ ITEMS 23 F. AND 28 The GCEE expects real global GDP to increase by 2.7 % in 2026 and 2.6 % in 2027, which means lower output growth than in 2025 (2.8 %). ↘ TABLE 1 Global trade in goods is likely to grow by 5.6 % in 2026. In 2027, it is likely to expand by 3.4 %.

↘ TABLE 1

Gross domestic product and consumer prices of selected countries

Country/country group	Weight in %[1]	Gross domestic product[2]			Consumer prices		
		Change on previous year in %					
		2025	2026[3]	2027[3]	2025	2026[3]	2027[3]
Europe	**29.2**	**1.5**	**1.4**	**1.4**	**4.6**	**4.7**	**4.4**
Euro area[4]	16.9	1.3	1.1	1.1	2.1	3.0	2.9
including: Germany	4.8	0.3	1.0	0.8	2.3	2.8	3.2
France	3.2	0.9	0.3	0.6	0.9	2.5	2.5
Italy	2.4	0.7	0.8	0.6	1.6	3.0	2.9
Spain	1.8	2.6	2.5	1.8	2.7	3.8	3.0
Netherlands	1.2	1.6	1.7	1.5	3.0	2.8	2.8
United Kingdom	3.8	1.2	1.3	1.1	3.4	3.1	2.8
Russia	2.4	1.1	0.9	0.9	8.7	6.2	5.8
Central and Eastern Europe[5]	2.0	2.8	2.1	2.5	4.0	3.8	3.4
Türkiye	1.5	3.8	2.6	3.5	34.9	31.5	28.6
Other countries[6]	2.6	1.9	2.6	1.5	1.6	1.4	1.9
America	**36.4**	**2.3**	**2.2**	**2.2**	**3.5**	**4.1**	**3.1**
United States	29.0	2.3	2.4	2.3	2.7	3.5	2.6
Latin America[7]	3.1	2.0	1.7	2.1	11.8	9.9	8.0
Canada	2.2	1.9	0.9	1.7	2.1	2.8	2.3
Brazil	2.1	2.6	2.1	1.7	5.0	4.5	4.2
Asia and Oceania	**34.4**	**4.5**	**4.4**	**4.1**	**1.1**	**1.9**	**1.7**
China	18.4	5.1	4.5	4.4	0.0	0.8	0.6
Japan	4.2	1.2	0.9	0.8	3.2	1.8	2.2
India	3.7	7.4	7.5	7.0	2.2	4.5	4.7
Asian advanced economies[8]	3.6	3.9	6.1	4.2	1.7	2.4	2.1
Southeast Asian emerging economies[9]	2.8	4.5	4.3	4.4	1.4	3.2	2.7
Australia	1.7	2.0	2.0	1.8	2.9	4.1	3.4
Total	**100**	**2.8**	**2.7**	**2.6**	**3.0**	**3.5**	**3.0**
Advanced economies[10]	65.9	2.0	2.0	1.9	2.5	3.1	2.6
Emerging economies[11]	34.1	4.5	4.1	4.0	3.9	4.2	3.7
memorandum:							
weighted by exports[12]	100	2.2	2.1	1.9	.	.	.
following IMF concept[13]	100	3.5	3.3	3.2	.	.	.
World trade[14]		4.4	5.6	3.4	.	.	.

1 – GDP (US dollar) of the named countries or country groups in 2025 as a percentage of total GDP of the named countries or country groups, corresponding to 90 % of the IMF country group weighted by US dollars and 85 % of the IMF country group weighted by purchasing power parities. 2 – Price-adjusted. Values are based on seasonal and calendar-adjusted quarterly figures. 3 – Forecast by the German Council of Economic Experts. 4 – Consumer price inflation is based on the HICP. 5 – Czechia, Hungary, Poland, Romania. 6 – Denmark, Norway, Sweden, Switzerland. 7 – Argentina, Chile, Colombia, Mexico. 8 – Hong Kong, Republic of Korea, Singapore, Taiwan. 9 – Indonesia, Malaysia, Philippines, Thailand. 10 – Asian advanced economies, euro area, Central and Eastern Europe, Australia, Canada, Denmark, Japan, Norway, Sweden, Switzerland, United Kingdom, United States. 11 – Latin America, Southeast Asian emerging economies, Brazil, China, India, Russia, Türkiye. 12 – Total of all listed countries. Weighted by the respective shares of German exports in 2024. 13 – Weights according to purchasing power parities and extrapolated to the countries covered by the IMF. 14 – As measured by the Dutch Centraal Planbureau (CPB).

Sources: CPB, Eurostat, IMF, national statistical offices, OECD, own calculations

© Sachverständigenrat | 26-068-02

Data (XLSX)

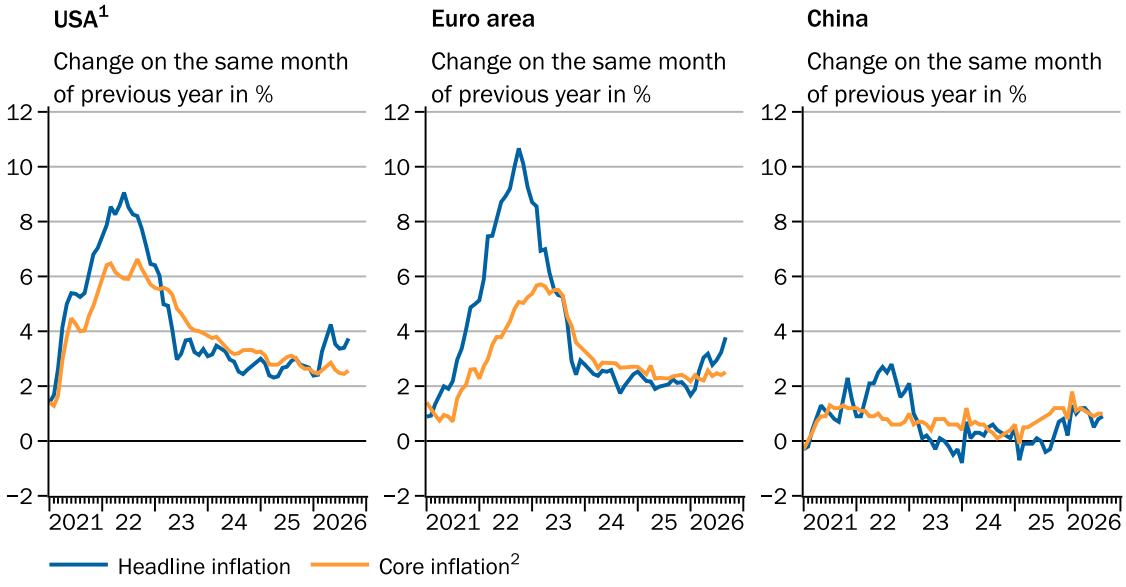
2. Energy prices drive inflation

17. **Globally, inflation has increased due to higher energy prices.** Compared to the same quarter of the previous year, it stood at 3.6 % in the second quarter and 3.5 % in the third quarter, significantly higher than in the first quarter (3.0 %). The increase is primarily due to higher energy prices, while the core inflation rate, i.e. the rate of price increase excluding energy and food, has so far risen only slightly in the USA and the euro area. ↘ CHART 11 In both economic areas, however, it has already been elevated for several years, which is mainly due to price increases for services. In China, lower food prices are dampening the energy-price-driven rise in the inflation rate. Nevertheless, consumer prices there are currently rising after a period of several years of stagnating and in some cases falling prices. ↘ ITEM 22 Against the backdrop of higher energy prices, the European Central Bank (ECB) and the Federal Reserve have already raised their key policy rates. ↘ ITEM 23

18. **In the course of the Iran war, the price of crude oil has risen sharply.** The closure of the Strait of Hormuz has led to a significant decline in the global supply of crude oil, which was offset partly by alternative transport routes or other producers, but largely by a drawdown of inventories (Gern, 2026). The course of the Iran war continues to determine developments on the crude oil market. As a result of diplomatic negotiations, the Strait of Hormuz was partially and temporarily reopened in the summer of 2026. ↘ ITEM 10 As a consequence, the price of crude oil fell significantly and was below US$80 per barrel in mid-June. ↘ CHART 12 Since then, however, it has risen significantly again amid high volatility. This is likely to be due to the capture of the Bab al-Mandab Strait by the Houthi militia and renewed fighting in the region. ↘ ITEM 27

↘ CHART 11

Consumer price inflation in selected regions



1 – October 2025: missing values linearly interpolated due to the government shutdown. 2 – For the USA and China: overall index excluding energy and food; for the euro area: overall index excluding energy, food, alcohol and tobacco.

Sources: BLS, Eurostat, NBS, own calculations
© Sachverständigenrat | 26-149-02

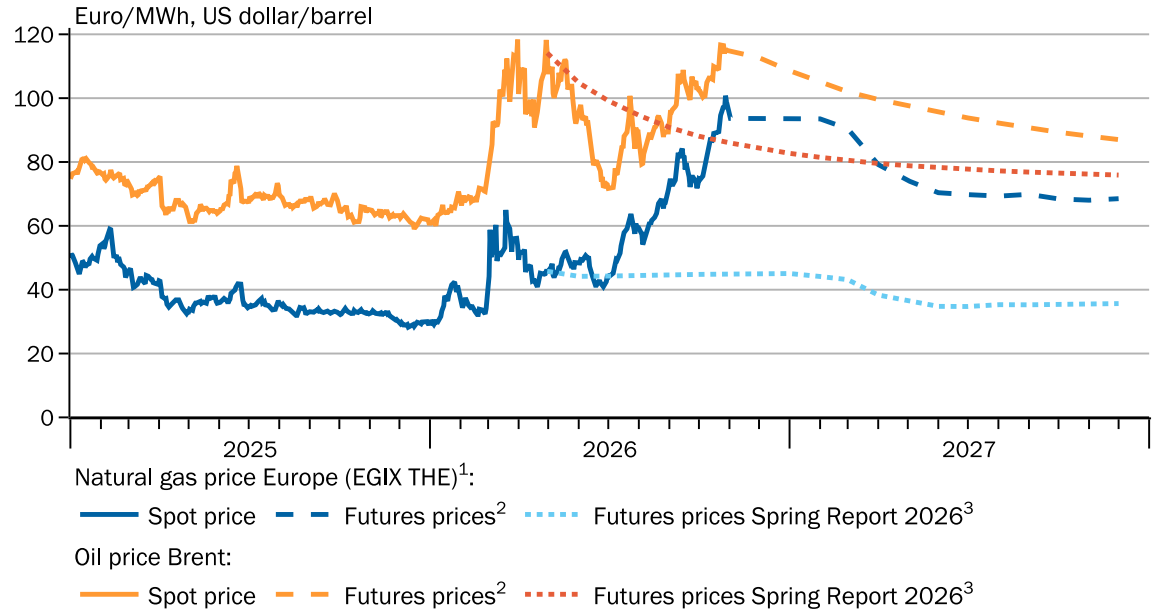
Data (CSV)

19. **Developments on the natural gas markets in different regions of the world remain uneven.** While wholesale prices in the USA have hardly risen as a result of the Iran war and stood at around €9 per megawatt hour (MWh) at the end of October, natural gas in Asia and Europe costs many times that at around €100 per MWh. In Europe, prices are thus currently significantly higher than was expected on the futures markets in spring. ↘ CHART 12 In addition to the war-related supply losses of liquefied natural gas, one possible reason for this development could be the increased energy demand for operating air conditioning due to the summer heatwaves in Europe (Millard, 2026). On the other hand, demand is rising in order to quickly refill the currently very low gas storage facilities in the EU before winter (IEA, 2026a). According to the European Commission, supply in the EU is secure despite gas storage levels that are low by historical standards ↘ CHART 13 LEFT, because gas demand has decreased compared to previous years, while at the same time larger import capacities exist due to new or expanded LNG terminals (European Commission, 2026). On the spot market, however, gas is now significantly more expensive. A particularly cold winter and a correspondingly greater demand for natural gas thus pose a risk to consumer prices. ↘ ITEM 27

20. **According to futures markets, crude oil prices are likely to fall slightly in the forecast period**, but to remain consistently higher than assumed in the spring forecast. For the end of 2026, the futures markets expect a barrel of oil to still cost more than US$100. Over the remainder of the forecast period, prices are then likely to recede further. ↘ CHART 12 For natural gas, the futures markets suggest that prices in Europe will initially remain at their elevated

↘ CHART 12

Development of energy futures prices compared to the Spring Report 2026

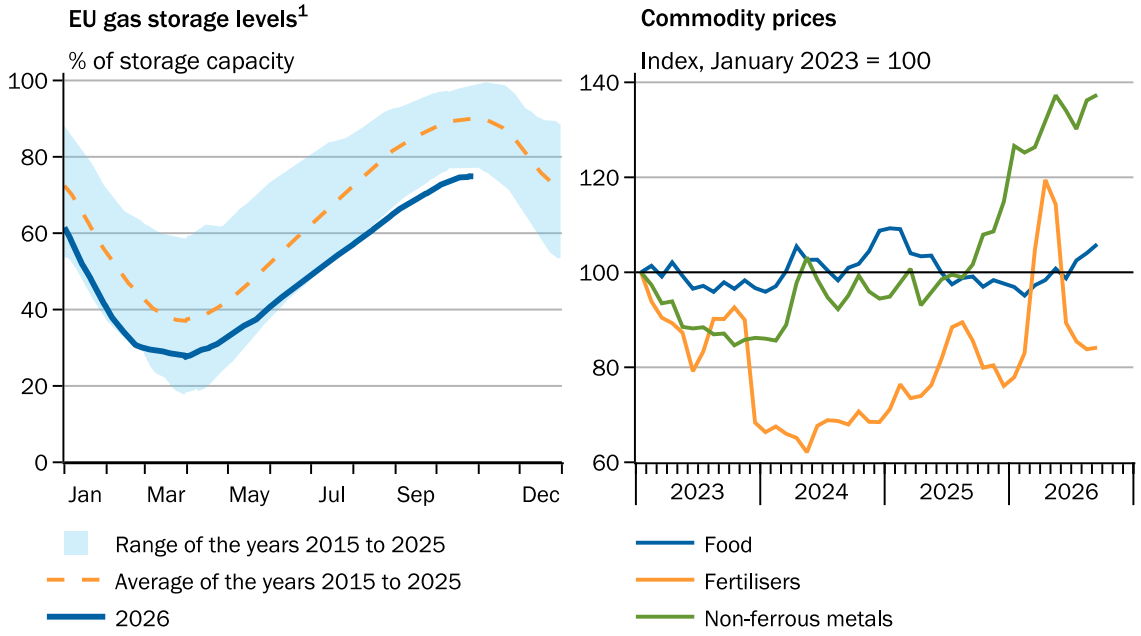


1 – The European Gas Index (EGIX) is based on exchange trades with the respective current front month contracts of the Trading Hub Europe (THE). A front month contract is defined as a contract maturing in the next month that is traded on the futures exchanges. 2 – Average futures prices of the last 10 trading days for November 2026 and the following months, as of 30 October 2026. 3 – Average futures prices of the last 10 trading days for June 2026 and the following months, as of 1 May 2026.

Sources: EEX, ICE, LSEG Datastream, own calculations
© Sachverständigenrat | 26-152-01

↘ CHART 13

EU gas storage levels and commodity prices



1 – Range and average per calendar day; 29 February is not taken into account.

Sources: Gas Infrastructure Europe (Aggregated Gas Storage Inventory, AGSI+), World Bank, own calculations
© Sachverständigenrat | 26-217-01

Data (CSV)

level and will fall to just over €65 per MWh next year. Both crude oil and natural gas are thus likely to remain significantly more expensive in the forecast period than assumed in the spring forecast. ↘ ITEM 27

21. Prices for other commodities developed differently. **Prices for non-ferrous metals** have risen sharply since autumn 2025. ↘ CHART 13 RIGHT This is mainly due to the price of copper and is likely to be driven by the expansion of electricity grids, electromobility and the construction of data centres, coupled with temporary supply restrictions, partly due to trade barriers in the USA (IEA, 2026b). **Fertiliser prices** rose sharply in the course of the Iran war, as the Gulf states accounted for almost a quarter of global nitrogen fertiliser exports before the outbreak of the war (Brotto et al., 2026). More recently, however, fertiliser prices have fallen back significantly. **Prices for food, beverages and tobacco** have also risen since the beginning of the year, with wheat in particular becoming significantly more expensive. The drought and heatwave that has persisted in Europe since the end of May 2026 is likely to contribute to food prices rising significantly more strongly, especially in the later part of the forecast period, than in the first half of 2026 (Commodity Board Europe, 2026).

22. In the **USA**, inflationary pressure has recently increased somewhat. In September, consumer prices rose by 3.7 %, after an increase of 3.4 % in August. In **China**, higher energy prices were offset by cheaper food prices, in particular for pork (–10.0 % year on year), so that inflation there has so far hardly risen and, at 0.9 % year on year, is significantly lower than in the USA. According to a flash estimate by Eurostat, the annual inflation rate in the **euro area** as measured by the Harmonised Index of Consumer Prices (HICP) rose to 3.8 % in September 2026, after 3.2 % in August. The main drivers of this development continued to be energy prices, which are 18.9 % above the previous year's level. Model calcu-

lations suggest that the energy price increase resulting from the Iran war raised the inflation rate by a total of around 1.1 percentage points in summer 2026 (Hegemann and Wieland, 2026).

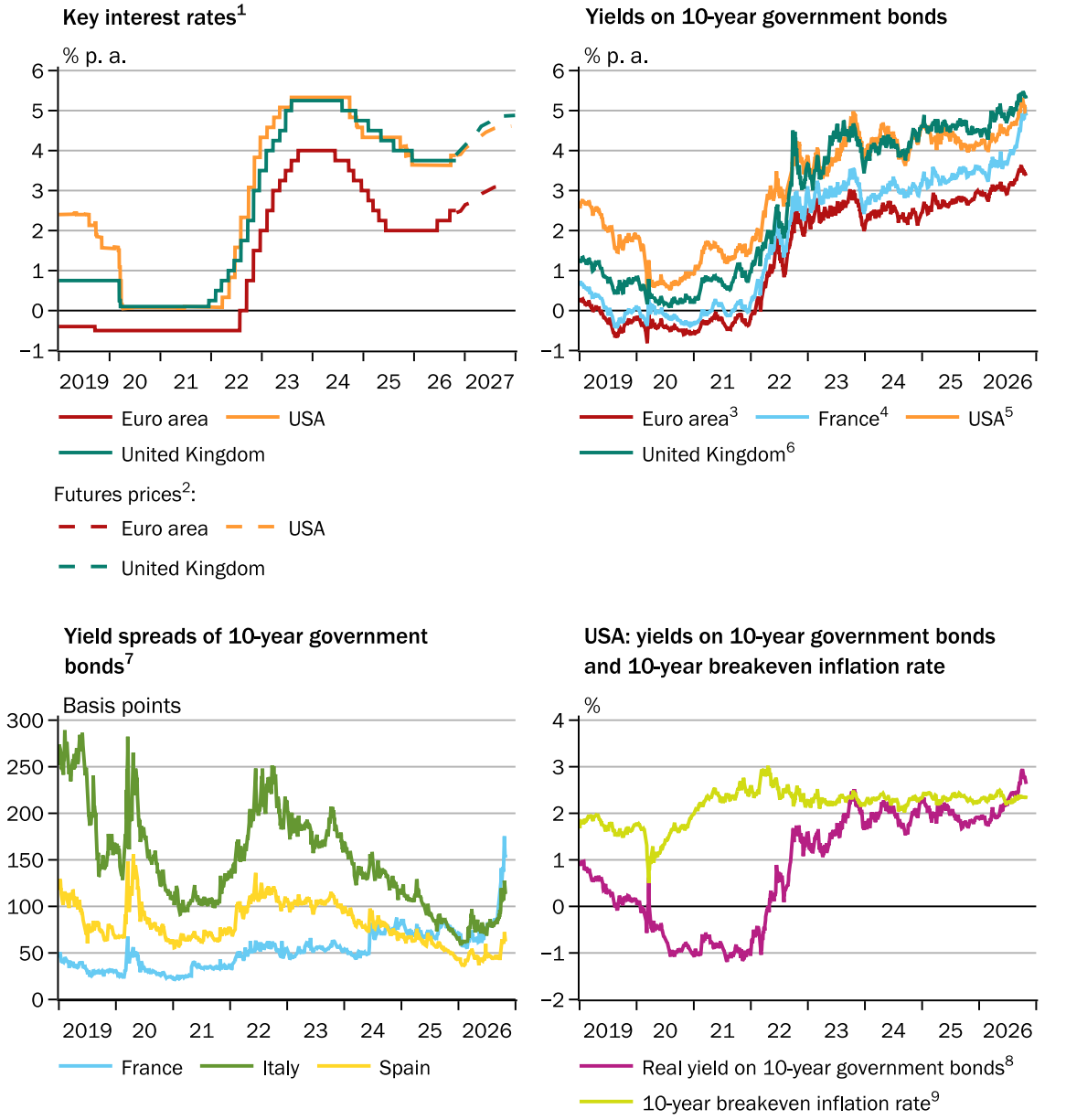
23. **The energy supply shock has led to first interest rate increases in the USA and the euro area and has also significantly shifted the monetary policy outlook.** Before the outbreak of the war, financial markets had expected several interest rate cuts for the US economy in the course of 2026. Initially, the Fed kept its key policy rate unchanged despite rising inflation; in September, however, it raised the target range by 25 basis points to 3.75 % to 4 %. The ECB also tightened its monetary policy and raised the deposit facility rate by 25 basis points each in June and September to 2.50 %. In addition, futures markets point to further interest rate increases. ↘ CHART 14 TOP LEFT The energy supply shock has thus shifted the previously expected monetary policy path significantly upwards at both central banks. Against this backdrop, the euro has depreciated by around 4 % against the US dollar since September. ↘ BOX 3

24. **Yields on long-term government bonds have risen sharply in the advanced economies**. ↘ CHART 14 TOP RIGHT Since the beginning of the year, for example, the yield on 10-year US government bonds has risen to around 5 %, its highest level in almost 20 years. On the one hand, the rise in yields is due to the expectation of higher policy rates. ↘ ITEM 23 On the other hand, it is in line with a trend towards higher term premia ↘ BACKGROUND INFO 2 in the advanced economies since 2022, which is likely explained by high new issuance of government bonds, lower demand for long-term securities and concerns about the future development of public finances (OECD, 2026). Model-based analyses indicate that the most recent rise in term premia is mainly due to higher expected real interest rates (BIZ, 2026). This is also supported by the development of yields on inflation-indexed bonds: the rise in the nominal yield can be explained almost entirely by higher real yields, whereas long-term inflation expectations did not change. ↘ CHART 14 BOTTOM RIGHT In addition, the higher demand for capital in the course of the AI boom, with capital supply constant in the short term, is likely to have contributed to the rise in real yields. ↘ ITEM 13 In the euro area, the larger supply of long-term government bonds and lower demand, including from Eurosystem central banks, are likely to have contributed to higher interest rates (Frieda, 2026). In addition, there is a change in risk perception: the yield spread of ten-year French government bonds over German Bunds had risen to over 150 basis points by the end of October. ↘ CHART 14 BOTTOM LEFT This is likely to reflect doubts about the political ability to limit budget deficits sustainably (de Montpellier and Schroeder, 2026). ↘ ITEM 28

25. Financing conditions in the euro area deteriorated further in the third quarter of 2026, with significant differences between individual credit categories. According to the latest Bank Lending Survey of the European Central Bank (ECB, 2026), banks tightened their internal guidelines and loan approval criteria for corporate credit. This tightening was somewhat stronger than in the previous quarter and slightly above the long-term average since 2014. It affected small and medium-sized firms somewhat more than large ones. Banks in France in particular tightened their credit standards, and to a greater extent than at any time since the first half of 2023. In Germany, the tightening was moderate and

↘ CHART 14

Key interest rates and government bond yields



1 – The considered key interest rates are the ECB deposit facility rate for the euro area, the federal funds rate for the USA and the bank rate for the United Kingdom. 2 – Market participants' expectations of central bank interest rates derived from the 30-day Federal Funds Futures for the USA, Euro Short Term Rate (€STR) Overnight Index Swaps implied forward interest rates for the 1-month Euro STR for the euro area and the overnight index swap forwards for the United Kingdom. Average futures prices of the last ten trading days, retrieved on 30 October 2026. 3 – For the euro area, only AAA-rated government bonds are considered. This currently includes Germany, the Netherlands and Luxembourg. 4 – France is currently rated A+ by Standard & Poor's. 5 – The USA is currently rated AA+ by Standard & Poor's. 6 – The United Kingdom is currently rated AA by Standard & Poor's. 7 – Difference between the yield on 10-year government bonds of the respective country and German government bonds of the same maturity. 8 – Market yield on US government securities at a constant maturity of 10 years, quoted on an investment basis, inflation-indexed. 9 – The breakeven inflation rate is a measure of expected inflation derived from 10-year constant-maturity US government bonds and 10-year inflation-indexed constant-maturity US government bonds. The current value indicates the average inflation rate that market participants expect over the next 10 years.

Sources: BoE, ECB, Fed, LSEG Workspace, own calculations
© Sachverständigenrat | 26-018-02

weaker than recently. In Spain and Italy, standards remained unchanged or were even eased. The banks surveyed continued to cite increased risk perception, in

particular with regard to sector- and firm-specific risks, and a lower own risk tolerance as the main drivers. Some referred to geopolitical uncertainties and volatility on the energy markets. In the case of loans to private households, by contrast, the picture is mixed. Credit standards for home construction loans remained unchanged, while banks tightened those for consumer loans.

↘ BACKGROUND INFO 2

Definition and components of the term premium

The term premium refers to the difference between the yield on a long-term bond and the short-term interest rates expected over its maturity. It compensates investors for holding a long-term bond instead of continuously reinvesting in short-term debt instruments (Cohen et al., 2018). The term premium can be divided into two components: a real risk premium, which reflects uncertainty about future real interest rates, and an inflation risk premium, which investors demand because future inflation developments are also uncertain.

26. Globally, **inflation is expected to remain high in the coming quarters**. Against the backdrop of higher energy prices and the ongoing Iran war, goods and services are likely to become increasingly more expensive due to higher production costs. Only from next spring onwards should the year-on-year increase in consumer prices slow significantly in view of falling energy prices. On an annual average, inflation will rise to 3.5 % this year, after 3.0 % in 2025. In 2027, global inflation is then likely to amount to 3.0 %.

3. Opportunities and risks

27. A **renewed escalation of the war between the USA and Iran** could **restrict the supply of fossil fuels more severely** and lead to significantly **higher energy prices** than currently expected on the futures markets. For example, an extension of the fighting to the Bab al-Mandab Strait would restrict shipping between the Red Sea and the Gulf of Aden. A further decline in the supply of fossil fuels or an exceptionally cold winter in Europe could drive energy prices up even further, especially as gas storage levels have so far been low. This would further raise inflation and dampen aggregate economic activity via falling real incomes and lower energy demand.

28. A further **abrupt rise in government bond yields** could **dampen the global economy**, for example if serious doubts arise about the sustainability of US public finances or if concerns about France's debt sustainability are confirmed. On the one hand, higher debt service would place an additional burden on already highly indebted general government budgets and considerably restrict the fiscal room for manoeuvre of the countries concerned and, in extreme cases, forcing them to procyclical consolidation. On the other hand, government bonds are among the most important low-risk assets: banks hold them on a large scale and use them as collateral in refinancing operations. If their market value falls as a result of rising yields, banks' balance sheets and collateral base deteriorate, their refinancing becomes more expensive, and they restrict their lending

(Iacoviello and Navarro, 2019; Miranda-Agrippino and Rey, 2020). In the case of US government bonds, this would have global consequences given their role in the global financial system.

29. The **sharp rise in investment in AI** is accompanied by **increasing debt financing** (Aldasoro et al., 2026). In addition to corporate bonds, private credit funds and off-balance-sheet financing vehicles are gaining in importance, particularly in the financing of data centres (Eren et al., 2026). A dampening of expectations about the economic use of AI could therefore not only trigger a correction in the stock market valuations of technology firms, but also put into question the sustainability of these financing structures. Any resulting disruptions could be amplified by the increasing interconnections between technology firms, private credit funds, insurers and banks, which finance such vehicles, among other things, via credit lines (Eren et al., 2026). Refinancing problems at private credit vehicles and strains on the banks interconnected with them could lead to a broader restriction of lending and, in extreme cases, jeopardise financial stability (Rungcharoenkitkul, 2026).

30. Economic output in the euro area excluding Ireland ↘ BACKGROUND INFO 1 is likely to grow at a similarly moderate pace in the forecast period as in the past two years. **However, GDP growth in the forecast period could turn out higher than expected** if firms in the euro area **benefit more strongly** than before **from demand for AI applications**. In addition, the **fiscal multipliers of defence expenditure** could turn out larger than expected (Checherita-Westphal and Særkjær, 2025; ESM, 2026).

↘ BOX 3

Forecast assumptions

As a result of the Iran war, prices for fossil fuels have risen significantly. In the third quarter of 2026, the price of crude oil averaged US$91 per barrel. ↘ ITEM 18 According to the futures markets, the price will initially rise further, but will then slowly recede and stand at around US$88 per barrel at the end of the forecast period, so that the pre-war level will not yet be reached again. ↘ ITEM 20 ↘ TABLE 2

Wholesale gas prices have also increased sharply since the beginning of the Iran war. From their pre-war level of around €35 per MWh, they rose to around €64 per MWh in the third quarter of 2026. ↘ ITEM 19 After a further increase up to the first quarter of 2027, prices are not likely to ease somewhat until the second quarter of 2027 and to stand at around €68 per MWh at the end of the forecast period. ↘ ITEM 20 Electricity prices are likely to average €152 per MWh next year, with strong fluctuations within the year, and will thus be around 21 % higher than in the current year.

In response to higher inflation, the ECB's deposit facility rate was raised by 25 basis points each in June and September 2026 to 2.5 %. According to expectations on the futures markets, further interest rate increases are likely to follow and the deposit facility rate is likely to rise to 3.2 % by the end of the forecast period. ↘ ITEM 23 The exchange rate recently fell from the level of US$1.16 per euro maintained since the second half of 2025 to around US$1.12 per euro. It is assumed to remain at this level in the forecast period.

↘ TABLE 2

Forecast assumptions[1]

	2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Oil price (Brent)[2] US dollar/barrel	75.1	66.9	68.2	63.1	78.1	96.9	91.3	108.0	105.2	97.6	92.2	88.1
Gas price (EGIX THE)[2] €/MWh	47.7	36.7	34.0	31.4	41.5	46.5	64.4	87.3	92.5	74.5	69.7	68.3
Electricity price (EEX Phelix)[2] €/MWh	118	77.4	89.6	95.1	104.6	100.9	130.4	167.5	197.5	125.6	134.7	151.6
Overnight rate (ECB)[2,3] % p. a.	2.8	2.3	2.0	2.0	2.0	2.0	2.3	2.5	2.8	3.0	3.1	3.2
Exchange rate (ECB)[4] US dollar/€	1.05	1.13	1.17	1.16	1.17	1.16	1.15	1.12	1.12	1.12	1.12	1.12

1 – Values observed until the third quarter of 2026; assumptions from the fourth quarter of 2026 onwards. 2 – The assumptions are based on the average future prices/rates for the past ten trading days, as of 30 October 2026. 3 – Deposit facility rate. 4 – The exchange rate will be projected from the fourth quarter of 2026 onwards using the average of daily values in October 2026.

Sources: ECB, EEX, ICE, LSEG Workspace, NYMEX, own calculations
© Sachverständigenrat | 26-167-01

III. GERMANY

31. The **cyclical recovery** of the German economy continues **despite higher energy prices**. In addition to government consumption spending, exports in particular supported real GDP growth in the first half of 2026. The increase in external demand from the EU played a key role in this. Private household consumption expenditure, by contrast, developed weakly. The decisive factor is consumer price inflation, which has been elevated since March 2026 and therefore reduces the purchasing power of private households. In addition, gross fixed capital formation continued its downward trend. Overall, in real, seasonally and calendar-adjusted terms, **German real GDP** grew strongly by **0.4 %** in the **first** and **0.3 %** in the **second quarter of 2026** compared to the previous quarter. ↘ ITEM 33

32. Real GDP growth is likely to weaken in the second half of 2026. Nevertheless, the **German economy** will **grow significantly again on an annual average in 2026 for the first time since 2022**. The GCEE expects real GDP growth of 1.3 % compared to the previous year. ↘ TABLE 4 Consumer price inflation is expected to amount to 2.8 % due to the sharp rise in energy prices. Real **GDP growth in 2027** is likely to be driven primarily by final consumption expenditure and by public investment in infrastructure and defence. Export growth is likely to continue in 2027, but to be weaker than in 2026. For 2027, the GCEE

expects GDP growth of 1.0 %. Consumer price inflation is expected to amount to 3.3 % in 2027.

Compared to the GCEE Spring Report 2026, the forecast for real GDP growth in 2026 is 0.8 percentage points higher. ↘ TABLE 3 The main reason for this upward revision is that exports have developed significantly more strongly than expected in spring 2026. In addition, in July 2026 the Federal Statistical Office revised the previous year's GDP slightly upwards. This improves the starting position for GDP in 2026 (Federal Statistical Office, 2026a). ↘ BOX 4

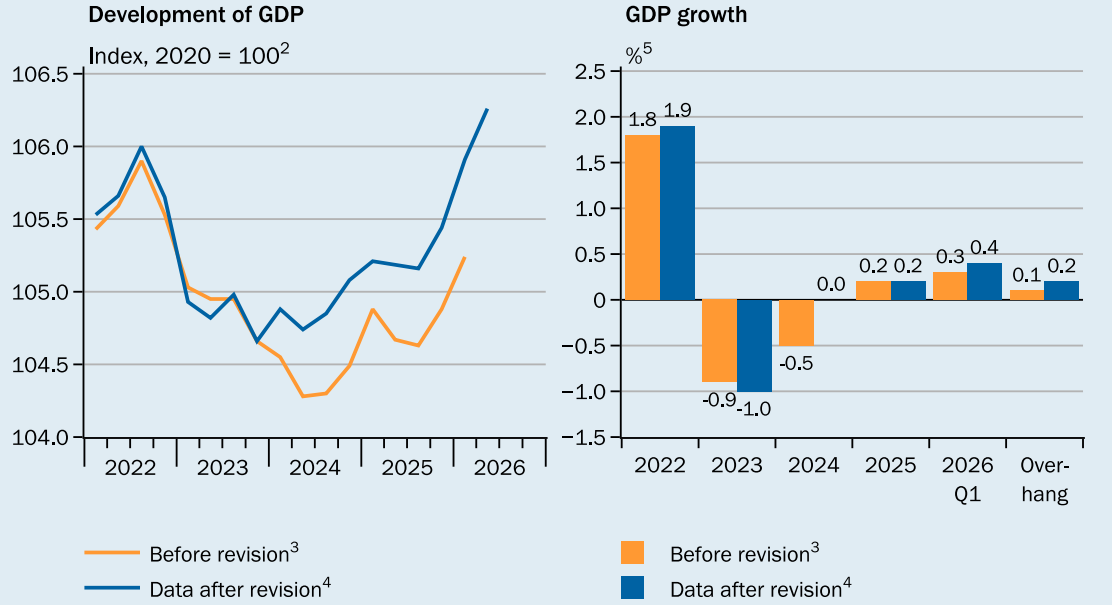
↘ BOX 4

Background: Revision of the real GDP forecast for 2026

At the end of July 2026, the Federal Statistical Office carried out a regular revision of the national accounts data up to and including the first quarter of 2026. The revision changes the picture of Germany's aggregate economic development, especially since 2024. The recession of the German economy in 2023 and 2024 is now less pronounced than previously reported. For 2023, real GDP was revised slightly downwards, so that the decline in real GDP now amounts to 1.0 % instead of 0.9 %. However, the upward revision of GDP in 2024 is considerable: instead of a GDP decline of 0.5 %, stagnation is now reported. ↘ CHART 15 This was due to strong upward revisions of private and government consumption expenditure, gross fixed capital formation and exports. In addition, the quarterly figures now display an evolution of real GDP with only three consecutive negative growth rates from the fourth quarter of 2022 to the second quarter of 2023. Before the revision, GDP had declined until the second quarter of 2024. Following the revision, the level of real GDP since 2024 is thus significantly higher than before. Real GDP growth in 2025 remained unchanged at 0.2 %.

↘ CHART 15

Revision of GDP[1] data by the Federal Statistical Office



1 – Price-adjusted. 2 – Seasonally and calendar-adjusted values. 3 – As of May 2026. 4 – As of August 2026. 5 – Annual values: change from previous year, original values; quarterly values: change from previous quarter, seasonally and calendar-adjusted; Statistical overhang: Percentage difference between the absolute level of GDP in the last quarter of 2025 and the average level of the quarters of the same year, seasonally and calendar-adjusted.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-184-01

Data (CSV)

The revised GDP data show that the starting position for 2026 is significantly more favourable than previously assumed. In addition, real GDP growth in the first quarter of 2026 compared to the previous quarter was revised upwards from 0.3 % to 0.4 %. At the same time, the statistical overhang for 2026 increases from 0.1 % to 0.2 %. Both revisions increase the annual average growth rate of GDP in 2026 and are partly responsible for the GDP forecast for 2026 being more favourable than forecast in spring. Overall, the GCEE is raising its forecast for GDP growth in 2026 by 0.8 percentage points compared to the GCEE Spring Report 2026. ↘ TABLE 3

↘ TABLE 3

Comparison of the spring and the autumn forecasts for the year 2026

	Forecast by the German Council of Economic Experts					
	May 2026		Annual Report 2026		Difference	
	Change on previous year[1]	Contribution to growth[2]	Change on previous year[1]	Contribution to growth[2]	Change on previous year[3]	Contribution to growth[2]
Gross domestic product	**0.5**	**0.5**	**1.3**	**1.3**	**0.8**	**0.8**
Domestic demand	0.9	0.9	0.8	0.7	– 0.1	– 0.2
Final consumption expenditure	0.8	0.6	1.0	0.8	0.2	0.2
Private consumption[4]	0.3	0.2	0.3	0.1	0.0	– 0.1
Government consumption	1.8	0.4	2.7	0.6	0.9	0.2
Gross fixed capital formation	1.3	0.3	0.1	0.0	– 1.2	– 0.3
Investment in machinery & equipment[5]	0.2	0.0	0.5	0.0	0.3	0.0
Construction investment	1.1	0.1	– 1.0	– 0.1	– 2.1	– 0.2
Other products	3.5	0.1	2.3	0.1	– 1.2	0.0
Changes in inventories[6]	x	0.0	x	0.0	x	0.0
Net exports[6]	x	– 0.3	x	0.5	x	0.8
Exports of goods and services	0.0	0.0	3.5	1.4	3.5	1.4
Imports of goods and services	0.8	– 0.3	2.4	– 0.9	1.6	– 0.6

1 – Price-adjusted. In %. 2 – Contributions to growth of price-adjusted GDP. In percentage points; Deviations in the differences due to rounding. 3 – In percentage points. 4 – Including non-profit institutions serving households. 5 – Including military weapon systems. 6 – x = not meaningful.

Source: own calculations

© Sachverständigenrat | 26-251-01

Data (XLSX)

1. Real economy: economic activity surprisingly robust

33. **The evolution of the German economy** proved **surprisingly robust in the first half of 2026**. The decisive factor was the strong increase in exports, which supported aggregate economic activity despite the still challenging external environment. In addition, government consumption spending made positive contributions to growth of real GDP. By contrast, private household consumption expenditure stagnated in the first half of 2026, while investment activity declined. In the first quarter of 2026, both private household consumption spending and gross fixed capital formation in machinery and equipment and in construction dampened GDP growth. In the second quarter, gross fixed capital formation in machinery and equipment again fell significantly and counteracted the slight increase in gross fixed capital formation in construction. In addition, private household consumption expenditure developed weakly. Domestic economic developments thus remained subdued. The cyclical recovery has therefore so far been mainly due to external impulses and government consumption spending.

On the production side of GDP, gross value added rose by 0.3 % in the first quarter and 0.4 % in the second quarter of 2026. In both quarters, gross value added in the manufacturing sector, in trade, transport and accommodation and food services, and in public services had a supporting effect.

According to the Federal Statistical Office's flash estimate, real GDP is likely to have risen slightly in the third quarter of 2026. Final consumption expenditure is likely to have contributed to this. However, the low water level of the Rhine impaired aggregate economic activity, especially the development of output in the production industries. ↘ BOX 5 The dampening effect is likely to have been concentrated mainly in the third quarter of 2026, but to persist into the fourth quarter of 2026. In the third quarter, however, substitution towards other modes of transport such as rail and road is likely to have mitigated the dampening effect. For example, the truck toll mileage index rose steadily between July and September 2026 (Federal Statistical Office, 2026b).

↘ BOX 5

GCEE analysis: Macroeconomic effects of low Rhine water levels on the German economy

A low water level on the Rhine can noticeably weigh on German economic activity in the short term, despite the small share of inland waterway transport in total freight transport. Measured in terms of freight transport performance, inland waterway transport accounted for only 6.4 % of freight transport in Germany in 2024 (UBA, 2026). However, around 80 % of German freight transport on inland waterways is handled via the Rhine (Ademmer et al., 2023). A disproportionately large share of this consists of bulk goods such as mineral oil products, coal, ores and chemical products, which are at the beginning of industrial value chains. A disruption of inland waterway transport can therefore spill over to downstream sectors via production networks. The gauge at the town of Kaub on the Rhine, between Koblenz and Mainz, is regarded as the key reference value for Rhine shipping. At low water, this point becomes a bottleneck for freight transport. If the water level falls below the critical threshold of 78 cm, ships can only operate with reduced loads, which reduces transport capacities and increases costs. Since 23 July 2026, the water level at Kaub has been continuously below 78 cm and at times even below 10 cm, so that shipping was no longer possible.

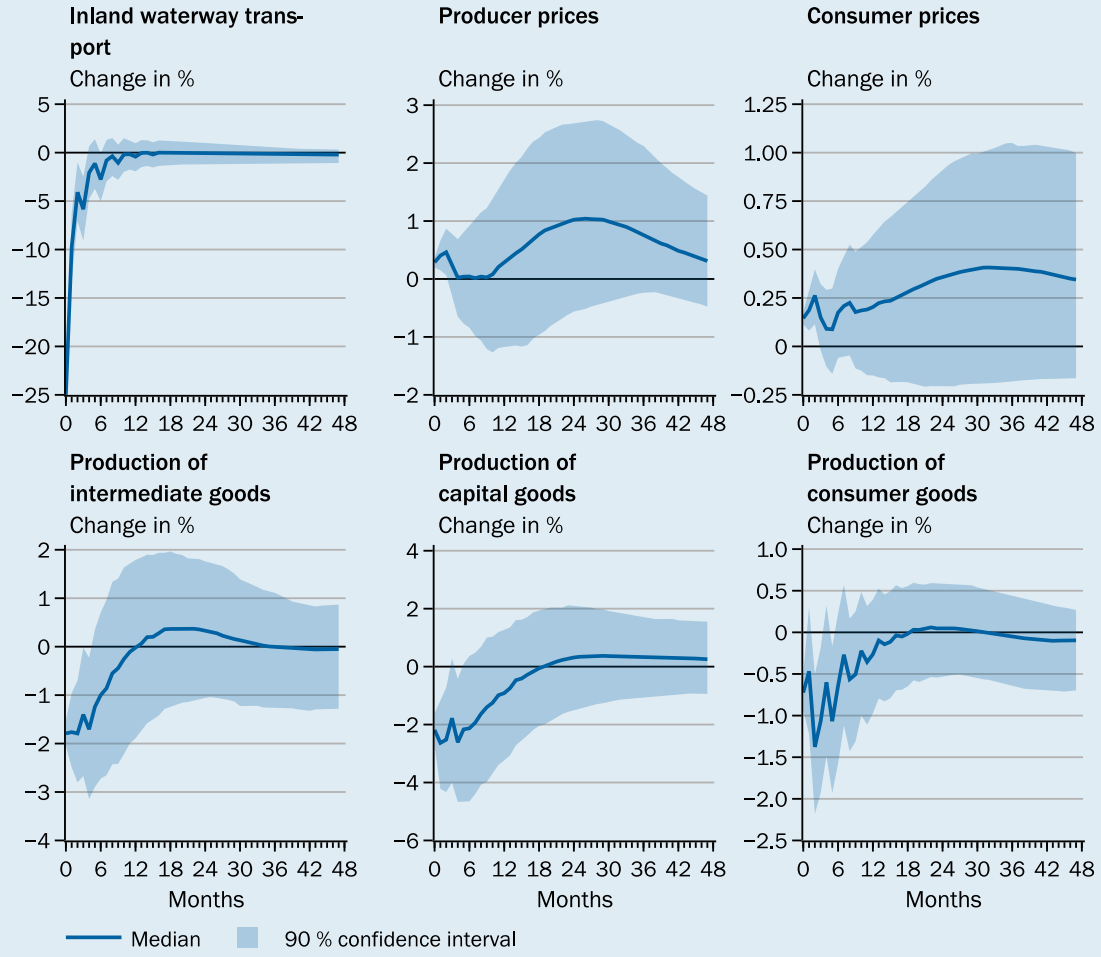
Ademmer et al. (2023) show that one month with a low water level at Kaub reduces transport volumes in inland waterway transport by 25 % and total industrial production by 1 %. According to their analysis, industrial production even fell by 1.5 % in the second half of 2018.

The GCEE examines the macroeconomic effects of an unexpected disruption of inland waterway transport using a (structural) vector autoregression. The vector autoregressive model comprises inland waterway transport, the production of three main industrial groupings (intermediate, capital and consumer goods) as well as the producer and the consumer price index. The structural shock associated with an unexpected disruption of inland waterway transport is identified using a Cholesky decomposition of the variance-covariance matrix of the residuals. As inland waterway transport is ordered as the first variable in the model, the identification allows such a shock to affect all variables in the system within the same month. However, it assumes that inland waterway transport does not respond within a month to the other structural shocks in the system, such as production or price shocks. Furthermore, the identified structural shock is to be interpreted in such a way that unexpected disruptions of inland waterway transport are essentially weather-related, for example due to low water. Conceptually, however, other unexpected impairments can also be attributed to the identified structural shock, such as strike-related outages at individual inland ports.

The impulse response functions show that an unexpected disruption of inland waterway transport, which is accompanied by a reduction in the volumes of goods transported, dampens production significantly and in a statistically significant manner within the same month, while producer and consumer prices rise. ↘ CHART 16 Following an unexpected 25 % decline in inland waterway transport, the production of intermediate and capital goods immediately falls by around 1.8 % and 2.2 %, respectively, in the median. The estimated decline in the production of consumer goods of 0.7 % (in the median) is weaker. The immediate decline in the production of the three main industrial groupings shows that unexpected interruptions of freight transport on Germany's inland waterways weigh on industry quickly and broadly. However, the median of the impulse response functions shows that the response of production is short-lived and that the three variables quickly return to their initial level.

↘ CHART 16

Macroeconomic effects of an unexpected disruption of inland waterway transport[1]



1 – Vector autoregression with six lags based on monthly data, estimated by ordinary least squares for the period January 1993 to July 2026. All variables enter the model as log levels. Inland waterway transport was seasonally adjusted using JDemetra+; all other time series are already officially calendar and seasonally adjusted. The structural shock is identified via a Cholesky decomposition of the variance-covariance matrix; inland waterway transport is ordered as the first variable in the system, so that the first shock has a contemporaneous effect on all other variables. The impulse response functions are normalised to a 25 % decline in inland waterway transport in response to an unexpected disruption of inland waterway transport. Shown are the median and the 90 % confidence intervals.

Sources: Deutsche Bundesbank, Federal Statistical Office, own calculations
© Sachverständigenrat | 26-246-01

Data (CSV)

The confidence intervals of the impulse response functions show that the decline in the production of intermediate, capital and consumer goods is statistically significant in the first 6

months. Producer and consumer prices already respond in a statistically significant manner in the month of the disruption and rise by around 0.3 % and 0.1 %, respectively. The confidence intervals for producer and consumer prices show that the response of the two variables is statistically significant only in the very short term. However, the median of the impulse responses shows a slower return of producer and consumer prices to their initial level than in the case of production. The simultaneous decline in production and rise in prices are typical of a negative supply shock. This is therefore a temporary supply-side disruption of industry. Overall, the results support the finding that restrictions on inland waterway transport dampen production in the short term and cause higher price pressure at producer and consumer level.

34. **Positive impulses** are to be expected from **foreign trade** in the forecast period. Leading indicators, such as foreign new orders in the manufacturing sector, have been trending upwards since the second half of 2025. ↘ CHART 17 BOTTOM LEFT Exports of goods to other EU member states in particular are making a significant contribution to German exports. ↘ ITEM 59 By contrast, exports of goods to China are likely to continue to trend downwards. Rising new orders in industry are likely to slightly increase the below-average capacity utilisation of the manufacturing sector and thus give some boost to private gross fixed capital formation in machinery and equipment.

35. The **problems of the German export industry** related to its reduced competitiveness persist. In addition to higher production costs, higher US import tariffs are weighing on the price competitiveness of domestic firms. ↘ ITEM 59 The German export industry has lost market shares in recent years. Deutsche Bundesbank (2025) shows that the decline in the export market share between 2021 and 2023 can be attributed to a **deterioration in the price and non-price competitive position**. Supply-side problems of the German economy are likely to be decisive in this respect. In a further analysis, the Deutsche Bundesbank (2026b) shows that a **deterioration in price competitiveness** generally dampens export growth. However, price competitiveness indicators explain only a limited part of the weakness in exports. Competition from Chinese industrial firms on international sales markets is likely to play a particular role. This development applies in particular to German exports of vehicles and machinery. In addition, despite the depreciation of the nominal effective exchange rate since the beginning of the year, Germany's export prices remain significantly higher than China's export prices.

36. **Private consumption expenditure** is likely to increase only moderately throughout the forecast period. After the sharp rise between July and September 2026, energy prices are currently still at an elevated level and are driving up overall price developments via the energy components contained in the consumer price index basket. ↘ ITEM 65 As a result, inflation is expected to remain elevated in the forecast period, which is likely to continue to dampen the increase in real disposable income and thus the purchasing power of private households. The lower purchasing power will in turn limit the expenditure of private households and weaken real private consumption. With the decline in energy prices in the later part of the forecast period, the dampening effect on private consumption spending is likely to ease only gradually from mid-2027 onwards. ↘ ITEM 49

37. **Public investment in infrastructure and military** is likely to provide decisive support for German economic activity in the forecast period. After public gross fixed capital formation in construction had declined at the beginning of 2026 due to the weather, it rose sharply again in the second quarter. The increase in civil engineering output in July and August points to a renewed expansion of gross fixed capital formation in public buildings and structures in the third quarter of 2026. In the forecast period, government infrastructure expenditure will probably lead to further noticeable increases in public gross fixed capital formation in construction. ↘ ITEM 58 Real gross fixed capital formation in military weapon systems declined in the first half of 2026, after having risen sharply in the fourth quarter of 2025. ↘ ITEM 52 From the second half of 2026 onwards, government defence expenditure is likely to boost public gross fixed capital formation in machinery and equipment strongly and thus also support domestic demand in the forecast period. ↘ ITEM 53

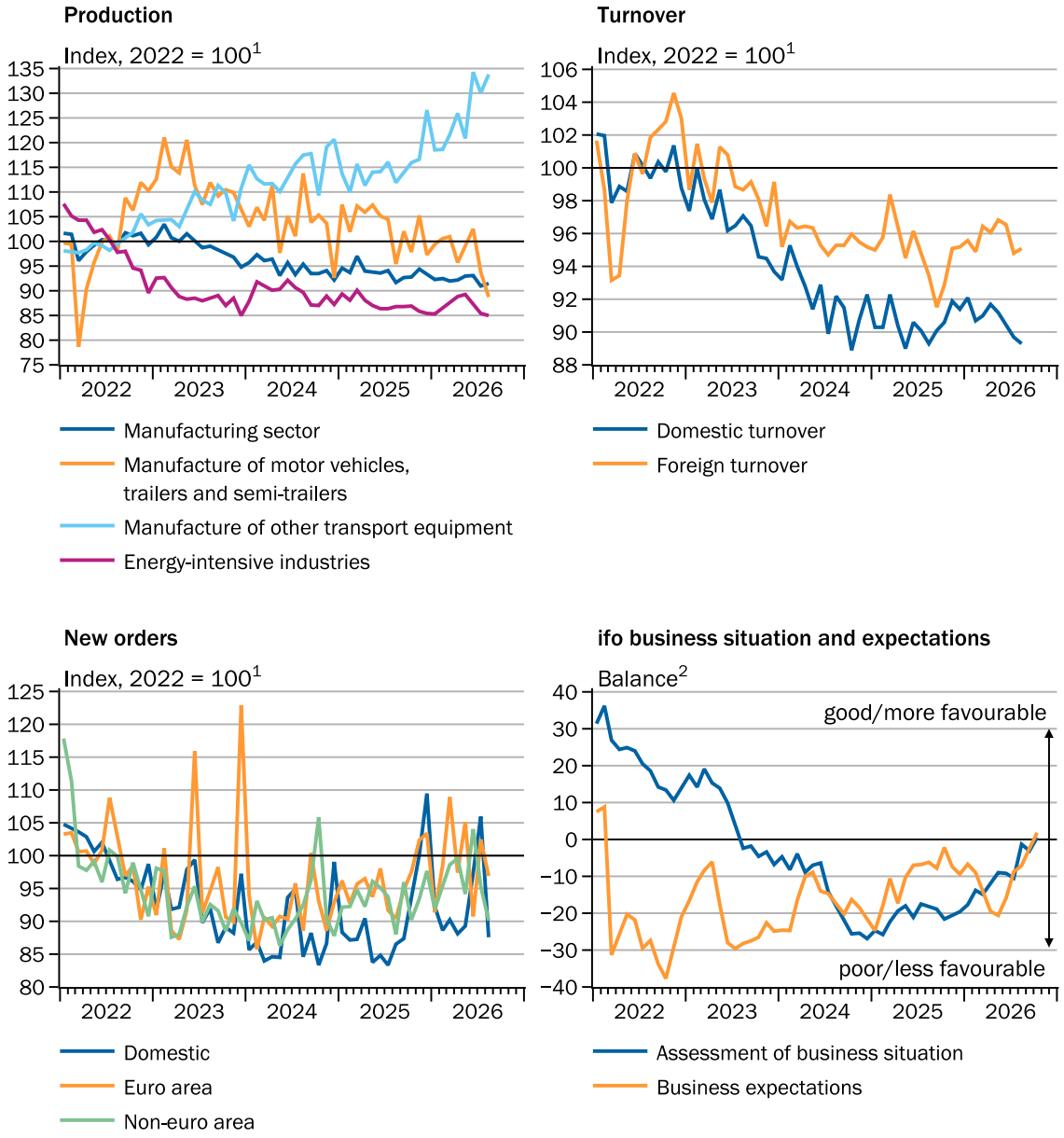
38. The **higher prices for crude oil and natural gas** since March 2026 have so far affected **production in the manufacturing sector only to a limited extent**. ↘ CHART 17 TOP LEFT Although industrial production declined overall in March 2026 compared to the previous month, it subsequently rose three times in a row. In July and August, industrial production was weak overall. This was mainly due to the decline in production in vehicle manufacturing caused by plant holidays. The temporary increase in production in the energy-intensive industries in the first half of 2026 is likely to be due to front-loading effects in the demand for chemical products as a result of the Iran war. In addition, production in the manufacture of other transport equipment has continued its upward trend since the second half of 2025. The strong increase in 2026 is likely to be due in particular to the rising production of military combat vehicles. However, the production of railway vehicles, aircraft and spacecraft as well as ships is also showing a stronger upward trend in 2026 than in previous years. Production in the manufacture of other transport equipment is thus not only supported by the defence industry (Helaba Research, 2026).

    Overall, the **energy supply shock** has so far had **only a temporary dampening effect** on German industry. While industrial production remained weak overall, turnover in the manufacturing sector increased strongly in the first half of 2026. This was driven in particular by industry's foreign turnover. ↘ CHART 17 TOP RIGHT This development is consistent with the increase in exports of goods ↘ ITEM 59 and with the improved business situation in the manufacturing sector. ↘ CHART 17 BOTTOM RIGHT In addition, the rising industrial turnover with stagnating industrial production in the first half of 2026 is consistent with the slight reduction in finished goods inventories in the manufacturing sector observed in the ifo survey. In the third quarter of 2026, manufacturing firms reported a further improvement in their business situation according to the ifo survey. By contrast, the domestic and foreign turnover of capital goods producers declined on average in July and August compared to the previous quarter's average. This points to declining private gross fixed capital formation in machinery and equipment and declining exports of goods, respectively, in the third quarter of 2026.

39. **Leading indicators** point to a **slight recovery** in the **manufacturing sector**. The **increase in European external demand** plays a decisive role in

↘ CHART 17

Economic indicators for manufacturing



1 – Volume index; seasonally and calendar-adjusted values. 2 – Seasonally adjusted values. Business expectations in the next six months. Difference in the percentages of firms expecting/reporting an improvement and firms expecting/reporting a deterioration.

Sources: Federal Statistical Office, ifo Institute, own calculations
© Sachverständigenrat | 26-193-01

Data (CSV) ⬇

this. New orders from the euro area in particular rose strongly in the first half of 2026. The order situation from the non-euro area and from Germany also improved significantly in June. ↘ CHART 17 BOTTOM LEFT However, the sharp increase in domestic new orders in the manufacturing sector between October 2025 and February 2026 was mainly due to large-scale orders for capital goods. ↘ ITEM 55 Adjusted for these special effects, domestic new orders nevertheless show a slightly upward trend. The better order situation in the manufacturing sector is also reflected in better business prospects. After a sharp decline between March and May 2026, business expectations recovered and increased in October for the fifth month in a row. ↘ CHART 17 BOTTOM RIGHT

40. The situation in the **construction sector** remains **divided**. While output in **civil engineering is expanding**, it is **weak** in **building construction** and in particular in **residential construction**. Output in the finishing trades, which is an indicator of developments in residential construction, has been moving sideways since the second half of 2024. The particularly strong increase in output in the finishing trades in August is likely to be due to the completion of a large energy infrastructure project (BMWE, 2026a). ↘ ITEM 58 New orders in the main construction trade, which can be interpreted as a leading indicator of output in the construction sector, signal that developments in building construction and civil engineering will remain divided. New orders in civil engineering and in civil engineering excluding road construction have risen to a higher level since 2025 compared to 2023 and 2024. By contrast, new orders in building construction and residential construction have been moving sideways since 2025. ↘ ITEM 58

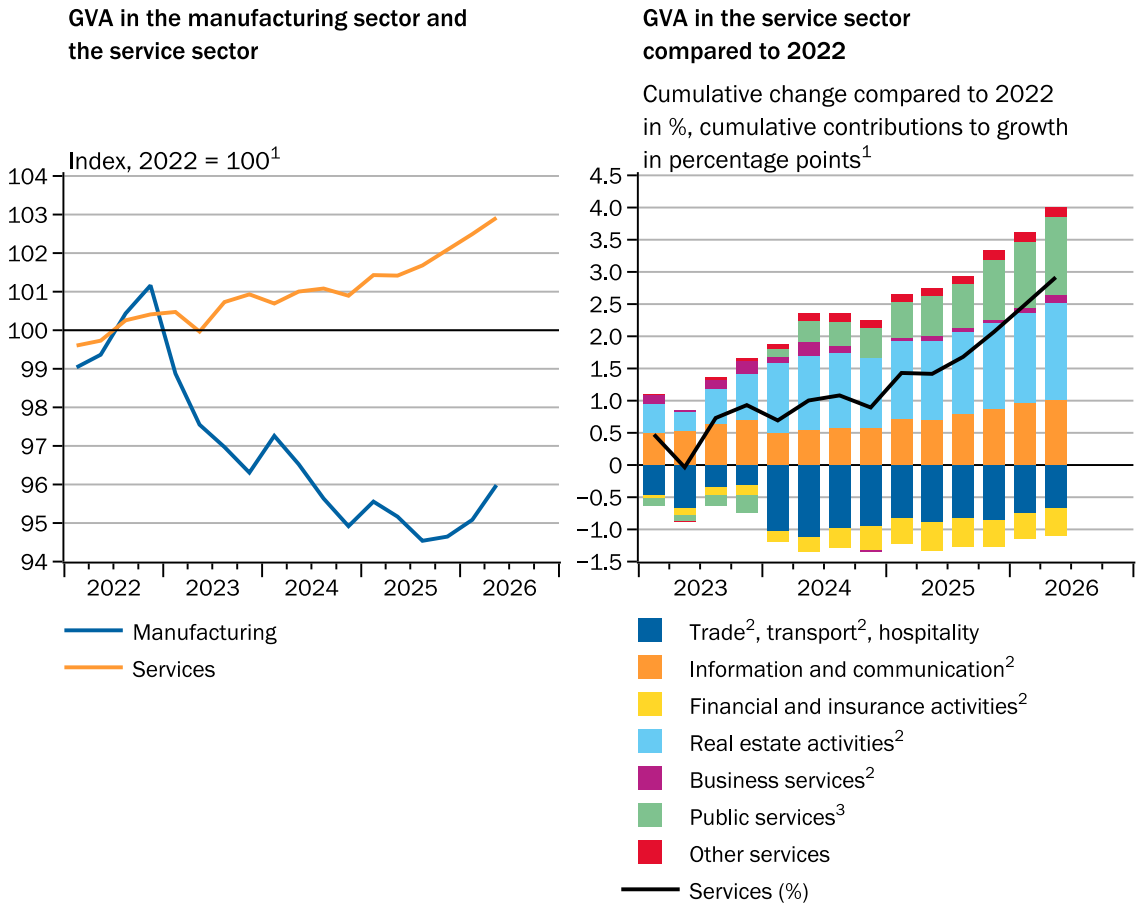
41. **The services sectors have developed more favourably than the manufacturing sector since 2022.** While weak industrial activity severely affected real gross value added in the manufacturing sector in 2023 and 2024, gross value added in the services sectors has continued to rise without interruption. ↘ CHART 18 LEFT Real gross value added in real estate activities has been growing particularly strongly since 2022. ↘ CHART 18 RIGHT The renting of residential space plays a particularly important role in this. In addition, the information and communication sector is supporting gross value added. Although this sector accounted for only 7.1 % of total gross value added in the services sectors in 2022, it has since accounted for a large part of output growth in the services sector. Since 2024, the public services sector has made larger contributions to growth. This is likely to be mainly due to the expansion of services in public administration and in health and long-term care.

    The services sectors are closely interlinked with the manufacturing sector. In 2022, 10.6 % of total business-related services output was demanded by the manufacturing sector as intermediate inputs. As much as around 19.2 % of the output value of the trade, transport and accommodation and food services sector is used as intermediate input in the manufacturing sector. The slight recovery in gross value added in the manufacturing sector is thus likely to explain, among other things, the slight decline in the cumulative negative contributions to growth in trade, transport and accommodation and food services. ↘ CHART 18 RIGHT The negative contributions to growth of financial and insurance services to services output increased in 2024 and 2025. One possible explanation is the policy rate cuts since 2024 and the resulting decline in banks' interest margins. These enter the gross value added of financial service providers as imputed bank services (financial intermediation services indirectly measured, FISIM).

42. **Turnover in the services sectors** trended only slightly upwards in the first half of 2026 compared to the second half of 2025. While turnover in business-related services rose strongly in some cases, consumer-related services recorded slightly declining turnover. This decline was mainly driven by the weakness of consumer-related services in March 2026 and is related to the stagnation of private household consumption expenditure in the first half of 2026. Business expectations among service providers recovered after the dip in March and April

↘ CHART 18

Gross value added (GVA) in the manufacturing sector and the service sector



1 – Seasonally and calendar-adjusted values. 2 – Business-related services. 3 – Including education and health.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-187-01

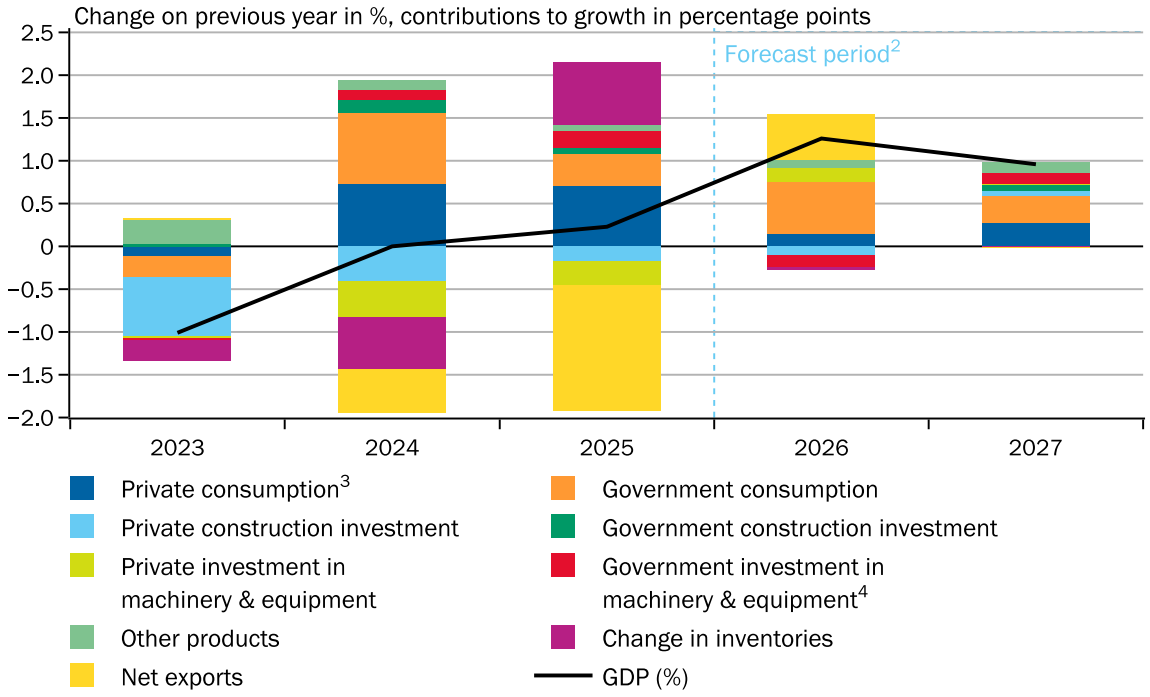
Data (CSV)

2026 and in October 2026 were roughly at the level of the beginning of the year (ifo Institute, 2026a). However, they remain at a low level. The services sectors are likely to support domestic demand in the winter half 2026/2027. However, the impulse is likely to be very subdued.

43. Despite the economic recovery, developments on the **labour market remain weak**. The number of persons in employment and of employees subject to social insurance contributions continues to decline, and the unemployment rate is at an elevated level. ↘ ITEMS 66 FF. Demographic change and continuing job cuts in the manufacturing sector are increasing the pressure to adjust on the labour market. An obvious response would therefore be a greater reallocation of labour. So far, however, this expected adjustment has not been reflected in an increase in actual changes of sector. The low hiring rate suggests that subdued labour demand is making such changes more difficult. Key labour market indicators such as the IAB labour market barometer and the ifo employment barometer do not point to a turnaround on the labour market in the coming months. Accordingly, the number of persons in employment is likely to decline in 2026, as it did in the previous year, and to decrease slightly in 2027 for demographic reasons. The unemployment rate is likely to be 6.4 % in 2026 and to fall slightly to 6.3 % in 2027. ↘ ITEM 69

↘ CHART 19

Contributions to growth of the German GDP[1]



1 – Contributions to growth of price-adjusted GDP. 2 – Forecast of the GCEE. 3 – Including non-profit institutions serving households. 4 – Including military weapon systems.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-071-02

Data (CSV)

44. The GCEE forecasts real GDP growth on the basis of the expenditure components. For **2026**, it expects a real GDP growth of **1.3 %**. ↘ CHART 22 LEFT For 2027, a real GDP growth of 1.0 % is forecast. The decomposition of real GDP growth into the underlying expenditure aggregates in the forecast period shows that, in 2026, public final consumption expenditure and net exports are likely to make the largest contributions to growth, at 0.6 and 0.5 percentage points, respectively. ↘ CHART 19 In 2027, final consumption expenditure and public gross fixed capital formation in machinery and equipment and in construction are expected to provide the greatest support to the forecast of real GDP growth. Net exports are not likely to contribute to GDP growth in 2027.

45. The **terms of trade**, which describe the ratio of export to import prices, **are likely to deteriorate** in the forecast period. This is because prices for energy imports are likely to rise sharply. ↘ ITEMS 18 F. As a result, the purchasing power of income generated domestically decreases. Command-basis real GDP, which takes into account the goods and services consumed domestically, ↘ BOX 6 is therefore likely to grow by 0.8 % in each of the years 2026 and 2027. In both years, output growth as measured by command-basis real GDP is thus weaker than that measured by real GDP.

↘ BOX 6

Focus: The development of command-basis real GDP

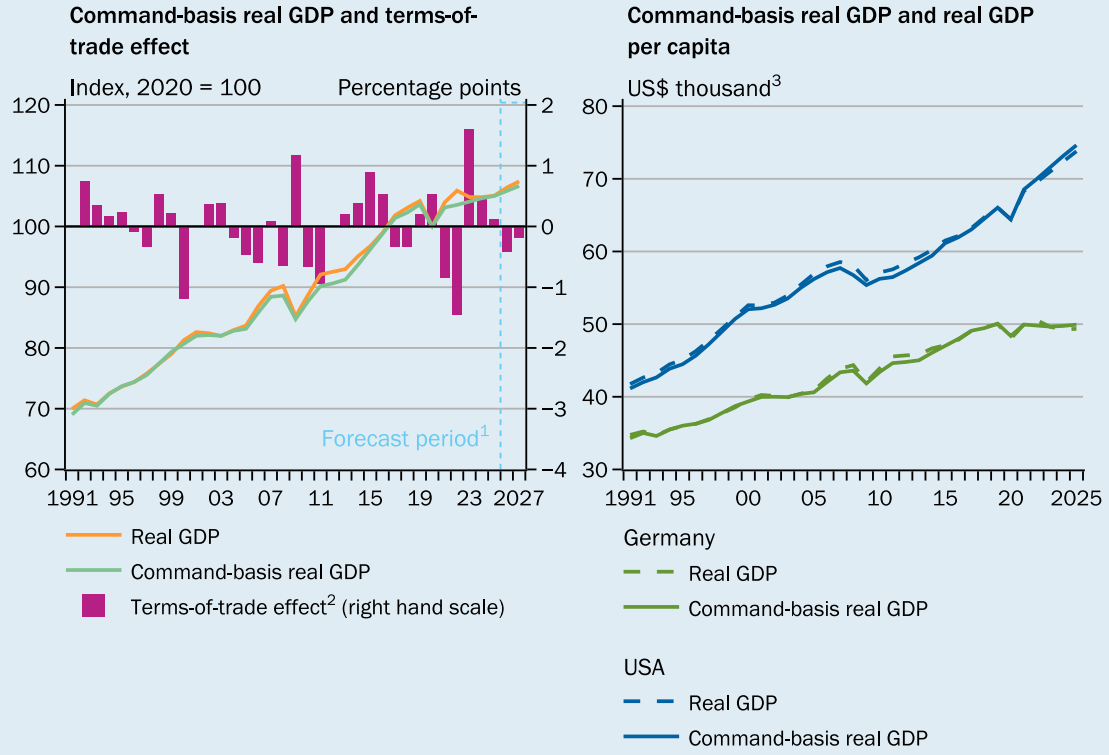
Gross domestic product (GDP) measures the value of goods and services **produced** domestically within a period less the intermediate consumption used. Real GDP measures the development of this production volume, based on the prices of the goods and services produced within this period. However, it does not reflect changes in the terms of trade, i.e. the ratio of export to import prices. If import prices rise more strongly than export prices, fewer imports can be purchased with a given volume of exports. Such a deterioration in the terms of trade therefore reduces the purchasing power of domestic output and leads to a loss of real income. **Command-basis real GDP** takes this loss of purchasing power into account. It corresponds to nominal GDP deflated by the price index of domestic expenditure. The development of the production volume is thus captured on the basis of the prices of the goods and services **consumed**. The difference between the percentage rates of change of command-basis real GDP and real GDP is referred to as the terms-of-trade effect. If the terms of trade improve, command-basis real GDP grows more strongly than real GDP; if they deteriorate, it grows less strongly (Kohli, 2004).

In Germany, real GDP and command-basis real GDP follow a similar path in the long term, but their growth rates diverge significantly when foreign trade prices fluctuate strongly. ↘ CHART 20 LEFT As a result of the rise in the cost of energy imports in 2021 and 2022, for example, the terms-of-trade effect reduced the growth rate of command-basis real GDP in 2021 and 2022 by 0.8 and 1.5 percentage points, respectively, compared to real GDP. In 2026, too, import prices are likely to rise more strongly than export prices. Command-basis real GDP is therefore expected to increase by 0.8 % in 2026, while real GDP is likely to increase by 1.3 %. For an energy-importing economy such as Germany, such a deterioration in the terms of trade is equivalent to a transfer of purchasing power abroad. It weighs on real household income and private consumption (Bobasu and Dobrew, 2025).

Command-basis real GDP per capita complements the analysis of the aggregate production volume, as it additionally takes population developments into account and thus reflects the average material standard of living. In Germany, command-basis real GDP per capita rose from around US$34,300 to $49,900 in 2020 prices between 1991 and 2025. ↘ CHART 20 RIGHT Since 2019, however, it has largely stagnated. In the USA, command-basis real GDP per capita increased much more strongly over the same period, from around US$41,100 to $74,600. Unlike in Germany, the increase there continued after the decline in 2020. The gap between the two countries has thus recently widened significantly. In addition, in the USA, command-basis real GDP per capita has been above real GDP per capita since 2021. One contributing factor is that the USA has been a net exporter of energy since 2019. Rising energy prices have therefore increased export prices more strongly than import prices and improved the terms of trade.

↘ CHART 20

The development of command-basis real GDP in total and per capita



1 – Forecast by the GCEE. 2 – The terms of trade are the ratio of export to import prices. A negative terms-of-trade effect represents a deterioration in an economy's terms of trade, while a positive terms-of-trade effect reflects an improvement. 3 – In 2020 prices.

Sources: BEA, Federal Statistical Office, own calculations
© Sachverständigenrat | 26-156-02

Data (CSV)

46. While the expenditure approach to GDP captures what economic output is used for, the income approach shows how the resulting income is distributed between the factors of production labour and capital. ↘ BOX 7 The GCEE forecasts that nominal compensation of employees is likely to increase by 3.8 % in 2026 and by 4.0 % in 2027. Nominal property and entrepreneurial income is likely to grow more strongly, at 6.1 % and 5.8 %, respectively. The sum of the two variables is national income, which is likely to increase by 4.4 % and 4.5 %, respectively, in the forecast period. **Nominal gross national income (GNI)**, which in the income approach results from net national income (NNI) and depreciation, ↘ BOX 7 is likely to rise by **4.1 %** in **2026** and by **4.4 %** in **2027**.

↘ BOX 7

Focus: Income side of GDP – indicators and forecast

Conceptually, GDP can be determined using three different approaches. The production approach looks at the gross value added of the various economic sectors. The expenditure approach captures expenditure on goods and services. The income approach shows which part of the income generated in the production process accrues to employees as compensation of employees and which part accrues to firms and to the owners of capital and wealth as prop-

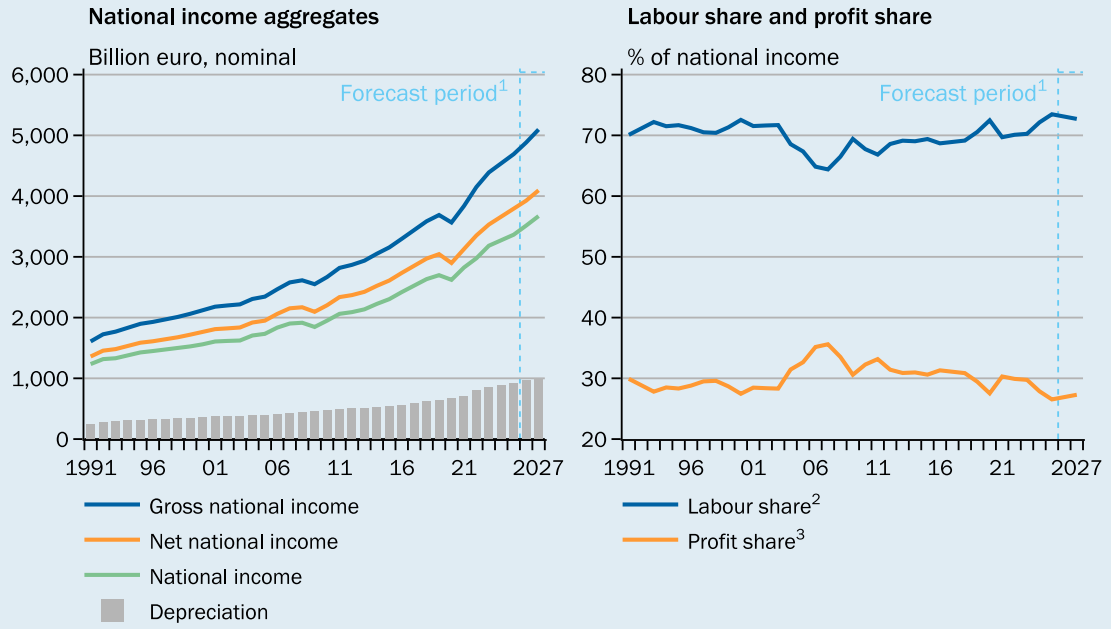
erty and entrepreneurial income. The latter includes, for example, profits, interest, dividends and rents, but also contains the labour income of the self-employed.

The GCEE forecasts German GDP via the expenditure side and via the income side. **The starting point of the income approach is national income. It consists of compensation of employees and property and entrepreneurial income**. Adding taxes on production and imports less subsidies yields net national income at market prices. It measures the income of residents after deduction of depreciation. Adding depreciation gives GNI. This follows the national concept and differs from GDP by the balance of primary income received from and paid to the rest of the world.

The difference between GNI and NNI has widened significantly in Germany, particularly since 2019. It corresponds to aggregate depreciation. In nominal terms, depreciation rose from €644 billion in 2019 to €918 billion in 2025, i.e. by 42.5 %, while GNI increased by 27.2 % over the same period. ↘ CHART 21 LEFT

↘ CHART 21

Key indicators of the income approach
Germany, 1991 to 2027



1 – Forecast by the GCEE. 2 – Share of compensation of employees in national income (unadjusted labour share). 3 – Share of property and entrepreneurial income in national income.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-237-01

Data (CSV)

In addition to the capital stock built up over a long period of time, higher replacement prices for capital goods are likely to have contributed to the increase (Weichenrieder, 2026). Furthermore, the growing importance of research and development and software as a share of gross fixed capital formation is likely to have played a role as well.

The composition of national income reflects the functional income distribution. Between 2023 and 2025, compensation of employees increased by 10.6 %, while property and entrepreneurial income declined by 5.7 %. As a result, the labour share, i.e. the share of compensation of employees in national income, rose from 70.2 % to 73.5 %. ↘ CHART 21 RIGHT The profit share, i.e. the share of property and entrepreneurial income in national income, fell from 29.8 % to 26.5 % over the same period. In the forecast period, property and entrepreneurial income is likely to increase more strongly than compensation of employees. However, these figures do not allow any conclusions to be drawn about the personal income distribution, in

particular since property and entrepreneurial income includes not only capital income but also the labour income of the self-employed.

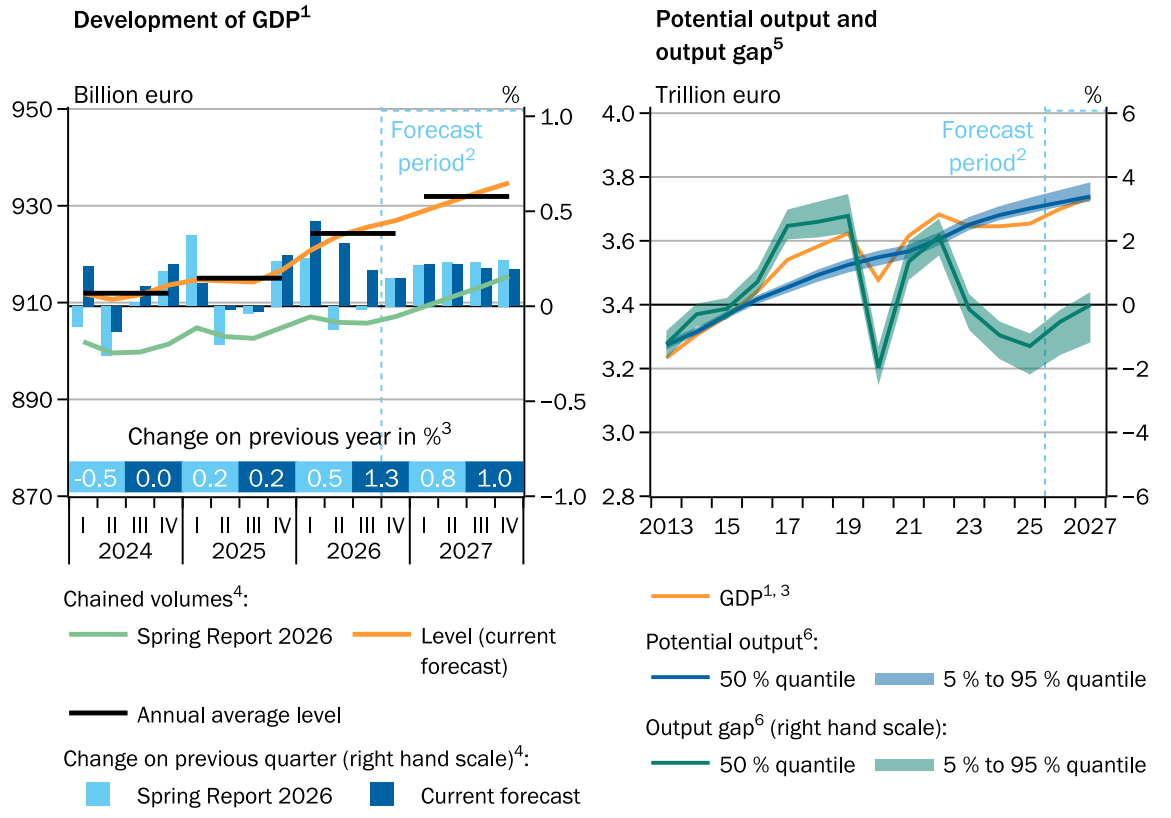
47. The **output gap** is likely to amount to –0.5 % in 2026 and thus to narrow for the first time since 2023. ↘ CHART 22 RIGHT The output gap is likely to close in 2027. However, this estimate is subject to uncertainty arising from the calculation of potential output. The direction is particularly robust, less so the exact point in time at which the gap closes. The narrowing of the output gap reflects the economic recovery. Aggregate output is growing more strongly than potential output in the forecast period, so that the underutilisation of capacities is gradually being reduced.

Final consumption expenditure

48. Private household consumption expenditure stagnated in the first half of 2026. After a sharp decline of 0.6 % in the first quarter of 2026, it rose by only 0.1 % compared to the previous quarter in the second quarter (in real, seasonally and calendar-adjusted terms). The decisive factor was above all the **weak development of disposable income**. In nominal terms, it rose by only 0.2 % and

↘ CHART 22

Expected economic development of the German economy



1 – Chained volumes, real, reference year 2020. 2 – Forecast by the GCEE. 3 – Not adjusted. 4 – Seasonally and calendar-adjusted. 5 – Estimate by the GCEE. 6 – Quantiles of the sample.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-037-02

Data (CSV)

0.7 % compared to the previous quarter in the first and second quarters, respectively. As a result of higher inflation since March 2026, it even fell by 0.5 % and 0.1 %, respectively, in real terms. ↘ CHART 23 LEFT The rise in consumer prices was accompanied by a slight deterioration in consumer confidence. At the same time, the propensity to save declined. ↘ CHART 23 RIGHT Most recently, this trend has only partially reversed. The actual savings rate, i.e. the share of disposable income that is not consumed, has remained unchanged at 10.1 % since the fourth quarter of 2025. Disposable income and private consumption grew in step in nominal terms in the first half of 2026. Overall, the savings rate remains close to its average for the years 2000 to 2019.

49. In the third quarter of 2026, private household consumption expenditure is likely to have declined slightly overall. This is indicated by retail turnover, which fell by 2.2 % on average in July and August compared to the previous quarter's average. In addition, turnover in consumer-related services decreased by 0.7 % in July 2026 compared to the previous quarter's average. By contrast, new private motor vehicle registrations rose by 10.5 % in the third quarter of 2026 compared to the previous quarter. This was due to a sharp rise in new private motor vehicle registrations in September. Turnover in accommodation and food services is also likely to have increased in the third quarter. On average in July and August, it rose by 0.4 % compared to the previous quarter's average. ↘ CHART 23 LEFT

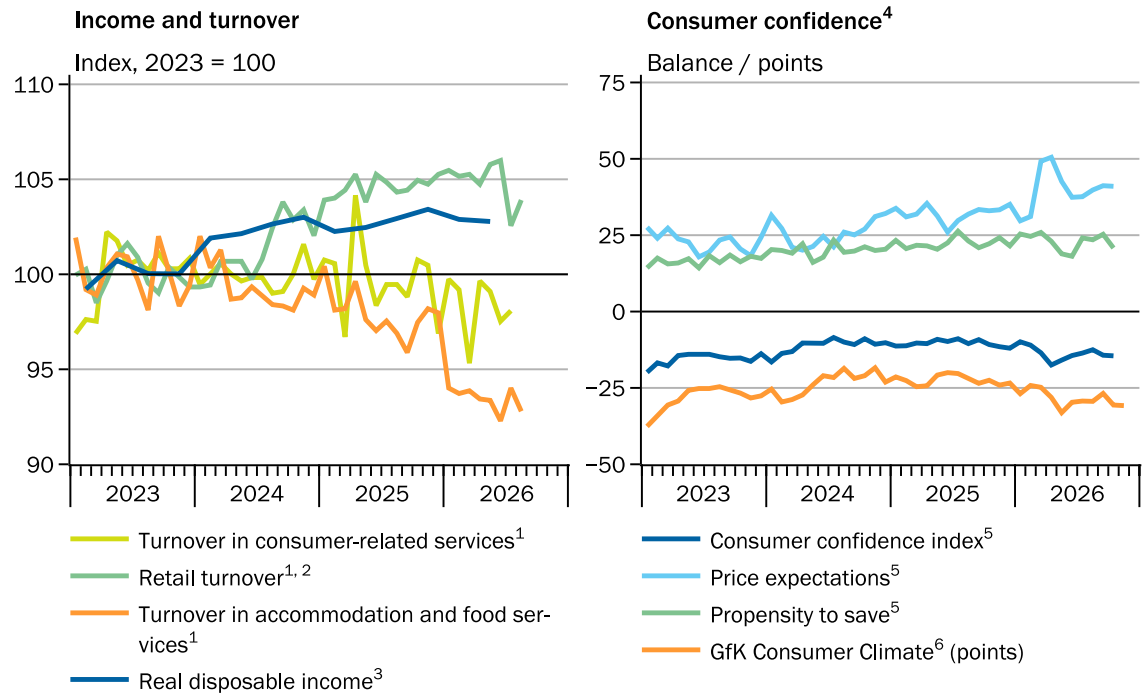
Over the remainder of the forecast period, private household consumption expenditure is likely to increase only moderately. Elevated consumer price inflation is likely to reduce the purchasing power of private households by dampening real income gains. The upward trend in households' price expectations since March 2026 is consistent with this. ↘ CHART 23 RIGHT Although disposable income is likely to increase by 3.8 % in nominal terms in 2027, the increase in real terms is likely to be significantly weaker at 0.5 %. Overall, the GCEE forecasts an increase in private household consumption expenditure of 0.3 % in 2026 compared to the previous year. In 2027, private consumption is likely to increase somewhat more strongly at 0.5 %.

50. **Government consumption expenditure rose strongly in the first half of 2026.** After an increase of 0.9 % in the first quarter of 2026 compared to the previous quarter, the pace of expansion of government consumption spending slowed to 0.1 % in the following quarter. The rise in government consumption spending in the first half of 2026 was mainly due to sharply rising social benefits in kind. In the first quarter of 2026, government intermediate consumption also rose strongly.

In the forecast period, government consumption expenditure is likely to continue to increase, albeit with waning momentum. In 2026, sharply rising social benefits in kind in particular are likely to support government consumption spending. In addition, government intermediate consumption, which is complementary to the expanded defence expenditure, continues to rise. However, the increases in purchases of intermediate goods are likely to gradually decline in 2027. In 2027, the increase in spending on social benefits in kind is likely to slow significantly as a result of the reforms in the statutory health insurance (GKV) and the social long-term care insurance (SPV) that have been adopted or are in

↘ CHART 23

Consumer indicators in Germany



1 – Seasonally and calendar-adjusted values. 2 – Excluding the trade in motor vehicles. 3 – Disposable income of private households. Seasonally adjusted, quarterly values. Deflated using the deflator of private household consumption expenditure. 4 – Seasonally adjusted values. 5 – The consumer confidence index and the indicators on price expectations and propensity to save are based on selected questions answered by consumers according to the Joint Harmonised EU Programme of Business and Consumer Surveys. They each refer to the coming 12 months. 6 – Based on about 2,000 consumer interviews per month.

Sources: European Commission, Federal Statistical Office, GfK, own calculations
© Sachverständigenrat | 26-032-02

Data (CSV)

the legislative process. Government consumption expenditure is therefore likely to increase in real terms by an annual average of 2.7 % in 2026 and 1.4 % in 2027.

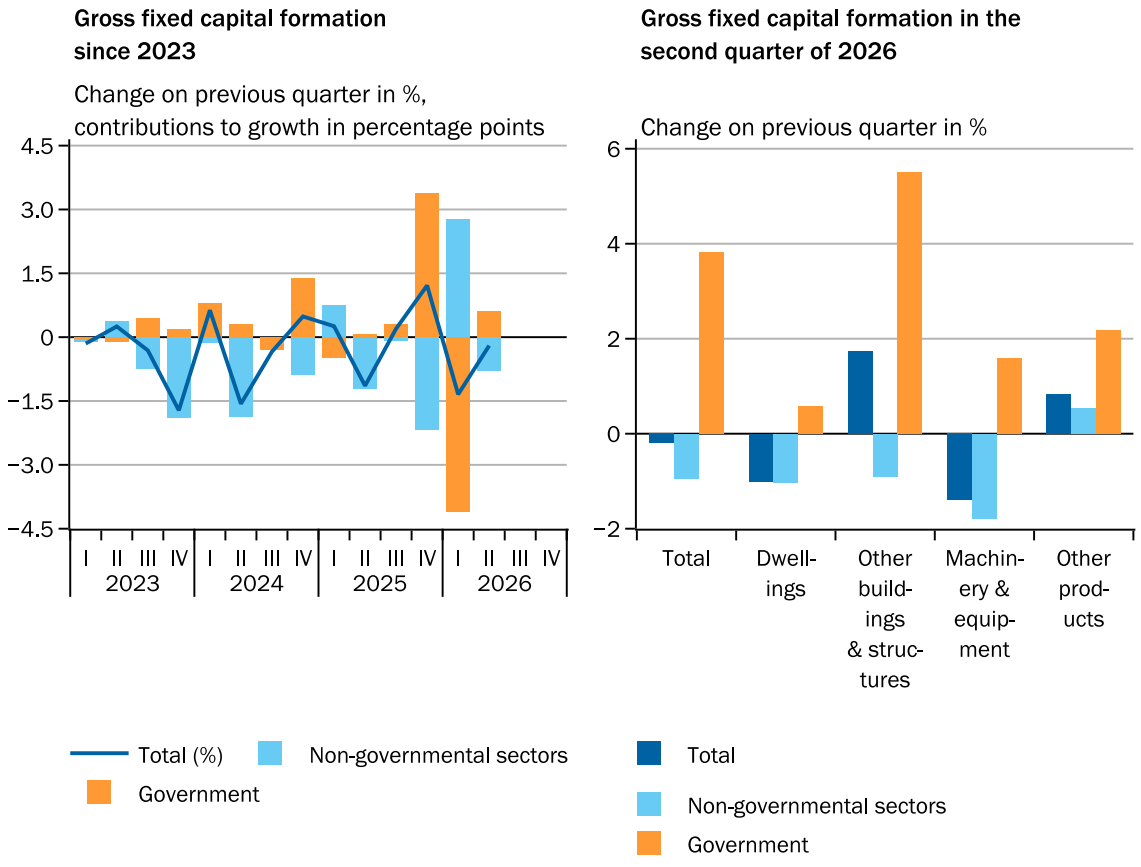
Gross fixed capital formation

51. **Gross fixed capital formation fell** by 1.3 % in the **first** and by 0.2 % in the **second quarter of 2026** compared to the previous quarter. ↘ CHART 24 LEFT In the first quarter, this was mainly due to sharply declining public gross fixed capital formation in both machinery and equipment and construction. Declining private residential construction investment in the first and second quarters of 2026 further dampened gross fixed capital formation in construction. ↘ CHART 24 RIGHT

52. **Gross fixed capital formation in machinery and equipment fell by 1.7 % in the first quarter and by 1.4 % in the second quarter of 2026 compared to the previous quarter.** In the first quarter, this was mainly due to public gross fixed capital formation in machinery and equipment. It fell by 50.2 % in the first quarter of 2026, after having risen by around 91.7 % in the fourth quarter of 2025 as a result of deliveries of military weapon systems. In each of the last three years, there were strong growth rates of public gross fixed capital formation in machinery and equipment in the fourth quarter and a corresponding countermovement in the first quarter of the following year. The background to this is defence spending from the Bundeswehr special fund. In the second quarter of 2026, public gross fixed capital formation in machinery and equipment rose slightly by 1.6 %.

↘ CHART 24

Private and public gross fixed capital formation[1]



1 – Real, seasonally and calendar-adjusted.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-010-02

Data (CSV)

53. In the third quarter of 2026, **public gross fixed capital formation in machinery and equipment** is likely to have increased. This is indicated by the **high outflow rate from the Bundeswehr special fund between July and September 2026** (BMF, 2026a). It increased by 35.5 % compared to the previous quarter. In the fourth quarter of 2026, gross fixed capital formation in military weapon systems is likely to be significantly higher than in the previous quarter. Between January and September 2026, €14.2 billion had already flowed out of the Bundeswehr special fund, and for 2026 the Federal Government is planning expenditure totalling €25.5 billion (BMF, 2026b). In 2027, the increase in public gross fixed capital formation in machinery and equipment is likely to accelerate once again, as major procurements for the Bundeswehr are again planned. The Federal Government plans to spend a further €30 billion, thereby exhausting the borrowing limit of the Bundeswehr special fund.

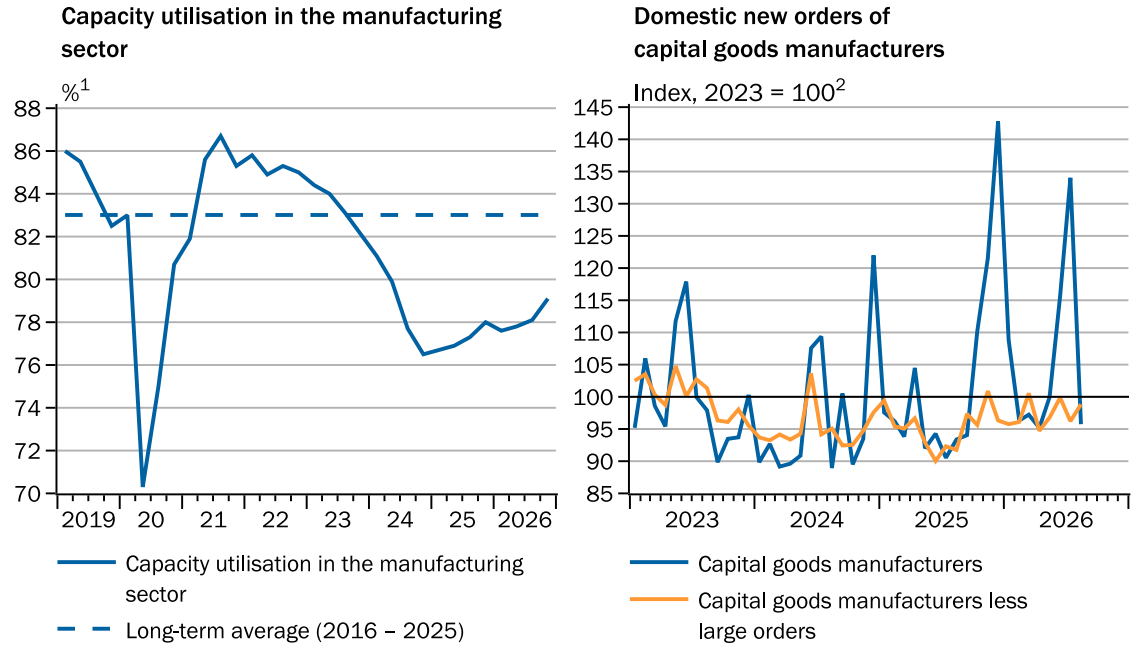
54. **Private gross fixed capital formation in machinery and equipment** increased by **12.8 %** in the **first quarter** of 2026 after a weak end to 2025. In the **second quarter** of 2026, however, private gross fixed capital formation in machinery, equipment and vehicles **fell by 1.8 %**. One reason for this is likely to have been the sharp rise in the price of crude oil in the second quarter of 2026, ↘ ITEM 18 which dampened private gross fixed capital formation in machinery and equipment.

55. **Private gross fixed capital formation in machinery and equipment** is likely to have **declined** in the **third quarter** of 2026. This is indicated by the domestic turnover of capital goods producers, which fell by 0.6 % on average in July and August compared to the previous quarter's average. Nominal imports of capital goods also fell by 0.4 % on average in July and August compared to the previous quarter's average. Over the **remainder of the forecast period**, private gross fixed capital formation in machinery and equipment is expected to **rise slightly**. Capacity utilisation in the manufacturing sector remains below average. ↘ CHART 25 LEFT In addition, according to the ifo survey, investment expectations in the manufacturing sector remain at a low level. Nevertheless, the increase in new orders from abroad since the beginning of the year ↘ CHART 17 BOTTOM LEFT is likely to raise the degree of capacity utilisation in the manufacturing sector slightly over the remainder of the forecast period and thus slightly increase demand for replacement investment. Domestic new orders received by capital goods producers also rose significantly between October and December 2025 and again since spring 2026. ↘ ITEM 39 However, the strong increases are mainly due to large-scale orders for capital goods. ↘ CHART 25 RIGHT Adjusted for large-scale orders, new orders have shown a slightly upward trend since September 2025. The large-scale orders are likely to have a supporting effect on production and domestic turnover of capital goods producers in the forecast period. Nevertheless, they are likely to give only limited impulses to private gross fixed capital formation in machinery and equipment.

56. Overall, the GCEE expects an **increase in gross fixed capital formation in machinery and equipment of 0.5 % in 2026** compared to the previous year. This increase is driven solely by private gross fixed capital formation in machinery and equipment, which is likely to rise by 3.3 %, while public gross fixed capital formation in machinery and equipment declines. **For 2027**, the

↘ CHART 25

Investment indicators for the manufacturing sector



1 – Seasonally adjusted values. 2 – Volume index; seasonally and calendar-adjusted values.

Sources: Federal Statistical Office, ifo Institute, own calculations
© Sachverständigenrat | 26-196-01

Data (CSV)

GCEE expects an **increase of 2.5 %**. The main driver of growth will then be public gross fixed capital formation in machinery and equipment, with an increase of 18.1 %. Private gross fixed capital formation in machinery and equipment is likely to increase by only 0.3 %.

57. **Gross fixed capital formation in construction contracted in the first half of 2026.** Compared to the second half of 2025, its average level fell by around 1.4 %. This was mainly due to the very low temperatures in January and February, which significantly restricted output, especially in civil engineering. ↘ CHART 26 LEFT Accordingly, gross fixed capital formation in construction fell by 1.8 % in the first quarter of 2026 compared to the previous quarter. In the second quarter, gross fixed capital formation in construction rose only marginally by 0.1 %. Nevertheless, output in the construction sector increased by 1.5 % in the second quarter. While output in building construction and civil engineering rose sharply by 2.3 % and 7.1 %, respectively, output in the finishing trades fell marginally by 0.1 %.

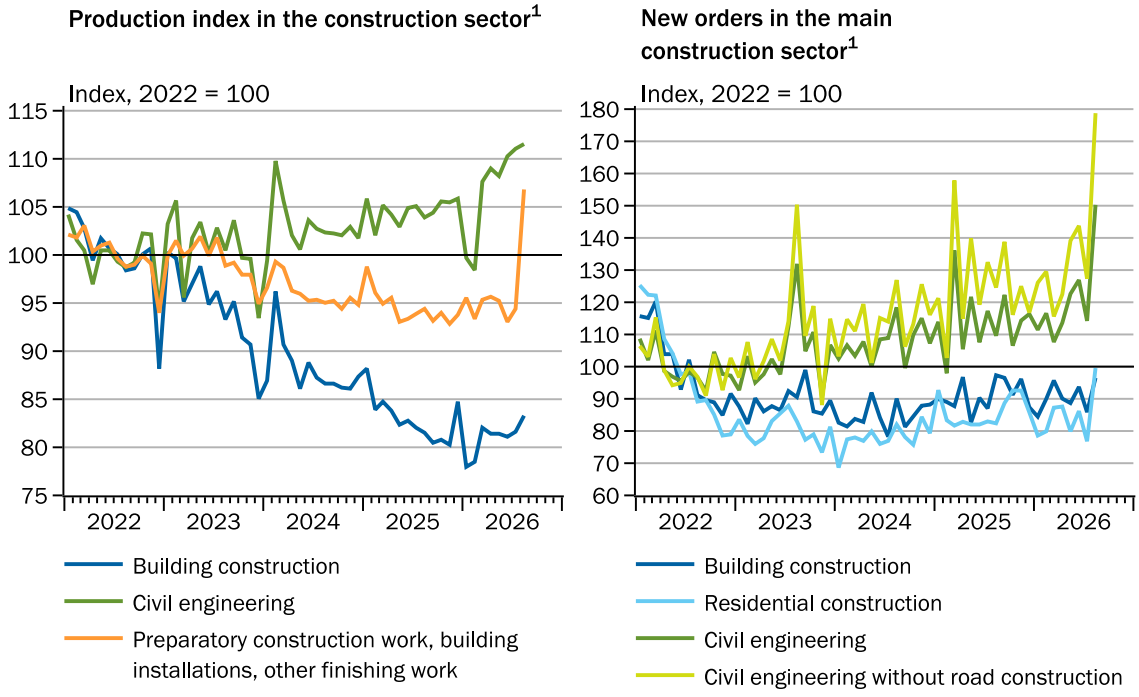
58. **Gross fixed capital formation in construction** is likely to have **risen in the third quarter of 2026**. This is indicated by output in the construction sector, which rose by 4.8 % on average in July and August 2026 compared to the previous quarter's average. Output in building construction and civil engineering, but in particular output in the finishing trades, contributed to this increase in July and August. ↘ CHART 26 LEFT The completion of a large energy infrastructure project probably played a role in this (BMWE, 2026a). Over the **remainder of the forecast period**, **rising public infrastructure expenditure** is likely to be reflected in **higher public gross fixed capital formation in construction**. This is indicated by the sharply rising new orders in civil engineering and

in civil engineering excluding road construction. ↘ CHART 26 RIGHT In August, new orders in the main construction trade rose by 23.0 % compared to the previous month. Due to several large-scale orders, the seasonally adjusted increase was the highest since the time series began in 1991 (Federal Statistical Office, 2026c). The increase was particularly strong in civil engineering at 31.6 %. In addition, civil engineering firms have been reporting a slightly better order situation since the beginning of 2026 (ifo Institute, 2026b). After the slump in March and April 2026, business expectations in civil engineering have recovered continuously and are now only slightly below their level at the beginning of the year. In residential construction, business expectations deteriorated significantly between March and July 2026. This was followed by a slight improvement in business expectations in residential construction between August and October 2026. The energy supply shock is therefore likely to weigh above all on residential construction investment in the forecast period: private households are losing purchasing power, construction prices are rising and mortgage rates are increasing.

Overall, gross fixed capital formation in construction is likely to fall by 1.0 % in the current year, the sixth year in a row. The main reason is the renewed decline in residential construction investment, which is expected to amount to 1.7 %. This, too, has thus been shrinking for six years. Gross fixed capital formation in non-residential buildings, by contrast, is likely to increase marginally. For 2027, the GCEE expects an increase in gross fixed capital formation in construction of 1.2 %. Non-residential buildings contribute more strongly to this, with an increase of 2.2 %, than residential buildings with 0.5 %. This mainly reflects rising public gross fixed capital formation in construction. Throughout the forecast period, the GCEE expects sharply rising prices for both residential and non-residential buildings. Persistently high construction and financing costs as well as higher demand from the public sector play a significant role in this. The deflator of gross fixed capital formation in construction is likely to rise significantly by 4.7 % in 2026 and 3.8 % in 2027.

↘ CHART 26

Indicators for the construction sector



1 – Volume index; seasonally and calendar-adjusted values.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-192-01

Data (CSV)

Foreign trade

59. **In real, seasonally and calendar-adjusted terms, exports rose strongly by 2.4 % in the first quarter and 2.0 % in the second quarter of 2026 compared to the previous quarter.** Exports of goods increased by 1.6 % and 2.6 %, respectively, while exports of services remained almost unchanged in the second quarter after an increase of 4.7 % in the first quarter. Based on the monthly foreign trade statistics, which allow nominal exports of goods to be broken down by sales markets, the development of exports of goods was mainly supported by demand from the EU. Exports of goods to the USA returned to their spring 2025 level in the first half of 2026. By contrast, exports of goods to China continued their downward trend. Exports of goods to the United Kingdom, like those to the rest of the world, have been trending upwards since the second half of 2025. ↘ CHART 27 TOP LEFT Within the EU, significant impulses came from the four largest economies of the euro area and from the Eastern European economies. In the group of the remaining economies, demand from Belgium and Austria provided particular support. ↘ CHART 27 TOP RIGHT

The strong demand for German goods within the EU is also reflected in business surveys. For example, the assessment by manufacturing firms of their competitive position within the EU improved in 2026. By contrast, their assessment of their competitive position vis-à-vis non-EU countries remains significantly less favourable, even though it has recovered somewhat from its low in the fourth quarter of 2025. This illustrates how the decline in price competitiveness in recent years and other supply-side burdens on industry are dampening German foreign trade outside the EU. ↘ ITEM 35 ↘ CHART 28 RIGHT

60. The breakdown of monthly exports of goods by selected product type has shown a strong **upward trend in electrical industry products** since the second half of 2025. ↘ CHART 27 BOTTOM LEFT In addition, the Iran war has shaped the dynamics of exports of goods since spring 2026. In anticipation of possible global supply bottlenecks and rising procurement prices, external demand for **chemical and pharmaceutical products** and for **consumer goods** is likely to have been partly brought forward (BMWE, 2026b; Deutsche Bundesbank, 2026c).

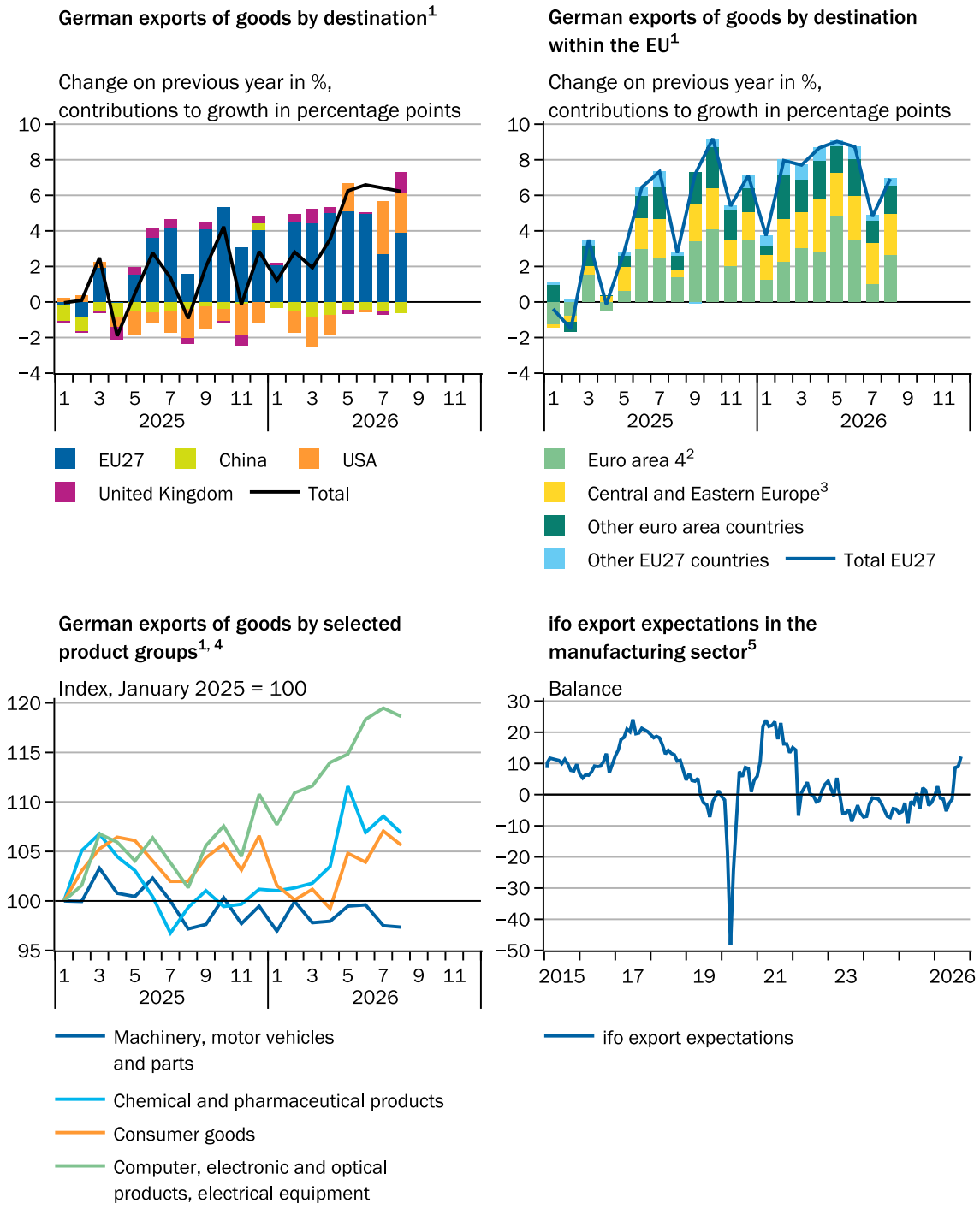
61. Exports probably declined in the third quarter of 2026. This is indicated by the real, seasonally and calendar-adjusted exports of goods published by the Deutsche Bundesbank, which fell by 0.8 % on average in July and August 2026 compared to the previous quarter's average. **Over the remainder of the forecast period, however, exports are likely to increase.** New orders from abroad continue to trend upwards and are likely to provide strong support for exports of goods at least until spring 2027. Particularly noteworthy is the strong demand for German exports of goods within the EU. ↘ CHART 17 BOTTOM LEFT Overall, according to the ifo export expectations, the business prospects of the German export industry improved significantly in October (ifo Institute, 2026c) and reflect the increase in new orders from abroad. ↘ CHART 27 BOTTOM RIGHT In the forecast period, exports will expand for the first time since 2022. In 2026, exports are expected to increase by 3.5 % and in 2027 by 1.7 % compared to the previous year. In contrast to previous years, German exports are thus once again benefiting more strongly from growing sales markets. ↘ CHART 28 LEFT

62. **In real, seasonally and calendar-adjusted terms, imports increased by 0.5 % in the first quarter and 1.5 % in the second quarter of 2026 compared to the previous quarter.** Imports of services rose particularly strongly in the first quarter of 2026, by 1.9 % compared to the previous quarter, while imports of goods remained almost unchanged. In the second quarter, imports of goods increased by 2.1 %. Imports of services rose by only 0.3 %.

63. Imports are likely to have declined in the third quarter of 2026. This is indicated by the real, seasonally and calendar-adjusted imports of goods published by the Deutsche Bundesbank, which fell by 3.9 % on average in July and August 2026 compared to the previous quarter's average. **Over the remainder of the forecast period, imports are likely to increase.** This is supported by the positive development of exports, which, owing to their high import content, supports demand for imported intermediate goods. In addition, imports are rising because the sharply rising public gross fixed capital formation in machinery and equipment is further stimulating demand for foreign defence goods. Overall, imports are expected to increase by 2.4 % in 2026 and by 1.8 % in 2027 compared to the previous year.

↘ CHART 27

Trends in German goods exports since 2025



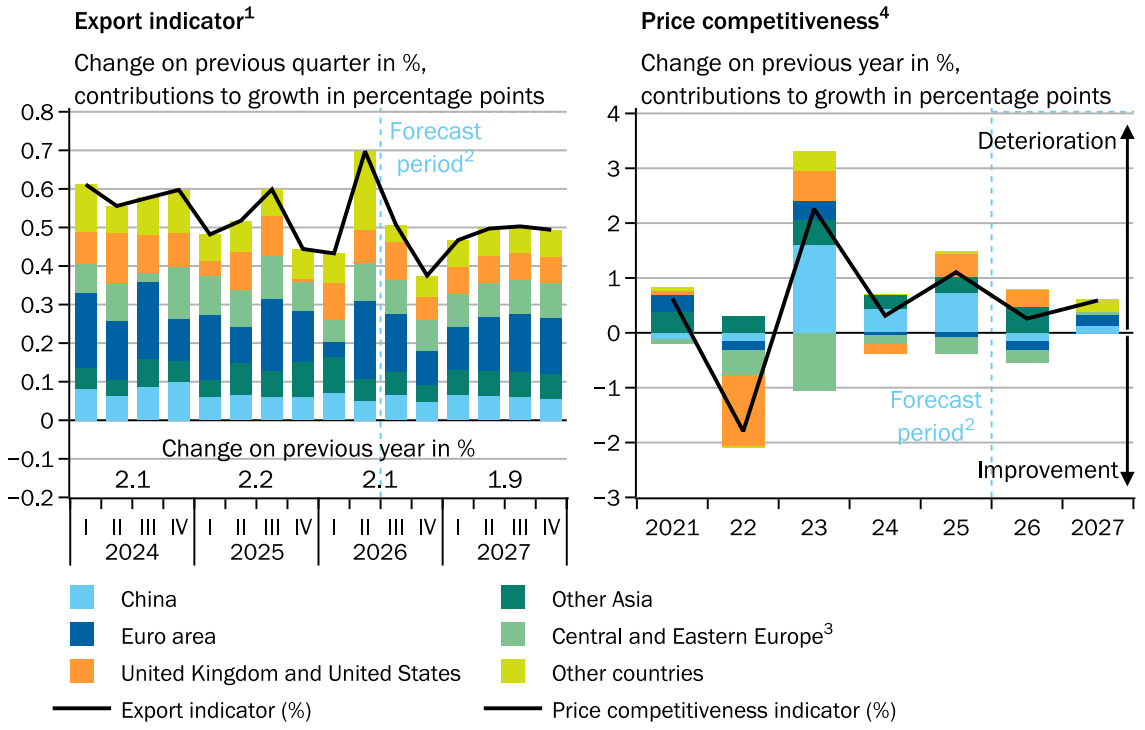
1 – Seasonally and calendar-adjusted. 2 – France, Italy, Netherlands, Spain. 3 – Bulgaria, Czechia, Hungary, Poland, Romania. 4 – According to the Classification of Products for Production Statistics, 2009 edition (GP 2009). 5 – Seasonally adjusted.

Sources: Deutsche Bundesbank, Federal Statistical Office, ifo Institute, own calculations
© Sachverständigenrat | 26-185-03

Data (CSV)

↘ CHART 28

Expected development of the external environment



1 – The indicator is based on the GDP growth of 50 trading partners and corresponds to the sum of the contributions. The weighting of each country corresponds to its share of German exports. Country definitions as in Table 1. Seasonally and calendar-adjusted. 2 – Forecast by the GCEE. 3 – Czechia, Hungary, Poland, Romania. 4 – The indicator is based on inflation rates relative to those of 37 trading partners as well as exchange rates and corresponds to the sum of contributions to growth; a positive change indicates reduced price competitiveness of German products. Calculation and country definitions based on the approach of the Deutsche Bundesbank, with forecast by the GCEE.

Sources: Deutsche Bundesbank, national statistical offices, own calculations
© Sachverständigenrat | 26-106-02

Data (CSV) ⬇

↘ TABLE 4

Key economic indicators for Germany

	Unit	2024	2025	2026[1]	2027[1]
Gross domestic product[2]	Growth in %	0.0	0.2	1.3	1.0
Final consumption expenditure	Growth in %	2.1	1.4	1.0	0.8
Private consumption[3]	Growth in %	1.4	1.3	0.3	0.5
Government consumption	Growth in %	3.9	1.7	2.7	1.4
Gross fixed capital formation	Growth in %	– 2.1	– 0.6	0.1	1.9
Investment in machinery & equipment[4]	Growth in %	– 4.7	– 1.3	0.5	2.5
Construction investment	Growth in %	– 2.4	– 1.0	– 1.0	1.2
Other products	Growth in %	2.8	1.7	2.3	2.9
Domestic demand	Growth in %	0.5	1.8	0.8	1.0
Net exports	Contribution to growth in percentage points	– 0.5	– 1.5	0.5	0.0
Exports of goods and services	Growth in %	– 1.7	– 0.9	3.5	1.7
Imports of goods and services	Growth in %	– 0.6	2.9	2.4	1.8
Current account balance[5]	%	5.8	4.4	4.8	5.1
Persons employed (domestic)	1,000	45,960	45,878	45,669	45,612
Persons employed, covered by social security	1,000	34,934	34,963	34,903	34,955
Registered unemployment, stocks	1,000	2,787	2,948	2,997	2,926
Unemployment rate[6]	%	6.0	6.3	6.4	6.3
Consumer prices[7]	Growth in %	2.2	2.2	2.8	3.3
Budget balance[8]	%	– 2.7	– 2.9	– 4.1	– 4.3
Gross domestic product per capita[9,10]	Growth in %	– 0.3	0.2	1.4	1.2
Gross domestic product, calendar-adjusted[10]	Growth in %	0.0	0.3	1.0	0.8

1 – Forecast by the GCEE. 2 – Price-adjusted. Change on previous year. Also applies to all listed components of GDP. 3 – Including non-profit institutions serving households. 4 – Including military weapon systems. 5 – In relation to GDP. 6 – Registered unemployed in relation to civil labour force. 7 – Change on previous year. 8 – Regional authorities and social security according to national accounts; in relation to GDP. 9 – Population development according to medium-term projection of the GCEE calculations. 10 – Price-adjusted. Change on previous year.

Sources: Deutsche Bundesbank, Federal Employment Agency, Federal Statistical Office, own calculations
© Sachverständigenrat | 26-075-02

Data (XLSX) ⭳

2. Inflation remains elevated

64. **As measured by the national consumer price index, inflation rose significantly over the course of 2026**, from 2.2 % in the first quarter to 2.6 % in the second quarter and 3.0 % in the third quarter, in each case compared to the same quarter of the previous year. ↘ CHART 29 LEFT Since March 2026, the drivers have been the sharp rise in energy prices as a result of the Iran war, in particular the price of crude oil. ↘ ITEM 18 This quickly passed through to the prices of petrol and diesel. ↘ CHART 29 RIGHT

The temporary reduction in the energy tax on fuels in May and June 2026 and slightly declining import prices in June temporarily dampened the contribution of energy prices. In June, consumer price inflation even fell to 2.3 %. After the

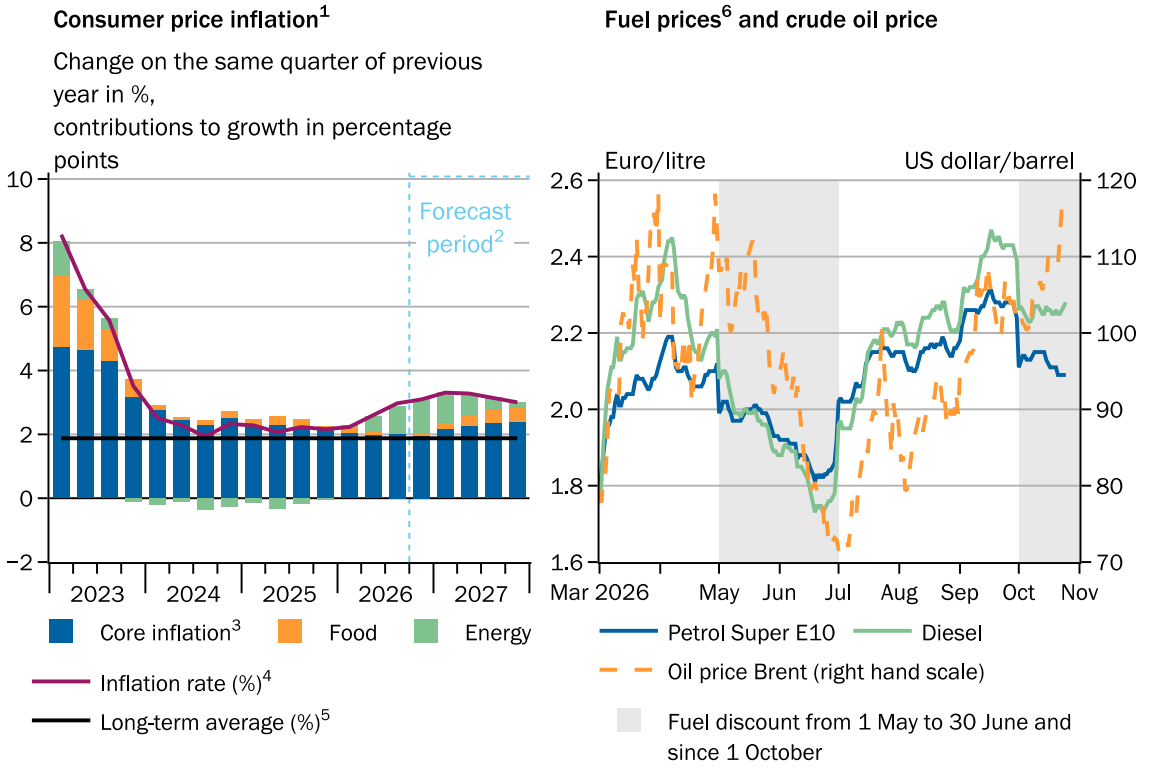
tax reduction expired at the end of June, petrol and diesel became 9.1 % and 10.4 % more expensive, respectively, in the third quarter compared to the previous quarter. This happened even though the quarterly average price of crude oil was 5.7 % below its level in the second quarter. In the course of the third quarter, however, it rose from just under US$72 to around $104 per barrel. ↘ ITEM 18

In September, the inflation rate stood at 3.3 % compared to the same month of the previous year. This was mainly due to energy prices, which were 14.9 % higher than a year earlier. By contrast, food prices have hardly risen so far this year. Services price inflation has tended to weaken slightly, but was still at 2.7 % in September. The core inflation rate remained at 2.4 % from July to September.

65. **Inflation is likely to remain elevated in the forecast period**. According to the Federal Statistical Office's provisional figures, consumer prices rose by 2.8 % in October 2026 compared to the same month of the previous year. This increase was mainly due to energy prices. The renewed temporary reduction in the energy tax on petrol and diesel from October to December 2026 is likely to slow the rise in fuel prices, but to reduce overall inflation in the fourth quarter of 2026 only to a limited extent. ↘ CHART 29 RIGHT Price pressure from the energy side is expected to persist into the first half of 2027. Spot prices for crude oil and natural gas have risen sharply since July 2026, and futures prices are also at an elevated level until February 2027. ↘ ITEMS 18 F. In addition, food prices are likely to rise significantly more strongly, especially over the course of 2027, than in the

↘ CHART 29

Inflation in Germany



1 – Based on seasonally and calendar-adjusted data. 2 – Forecast by the GCEE. 3 – Overall index excluding food and energy. 4 – Change in the consumer price index on the same quarter of the previous year. 5 – Average over the period from 1999 to 2025. 6 – Daily average prices at filling stations including all statutory levies.

Sources: Deutsche Bundesbank, Federal Statistical Office, ICE, LSEG Workspace, own calculations
© Sachverständigenrat | 26-155-03

first three quarters of 2026. The drought and heatwave that persisted in Europe from the end of May to August 2026 played a role in this. ↘ ITEM 21 Services prices, on the other hand, are likely to rise only moderately in the forecast period, as moderate wage increases and only slightly rising unit labour costs are to be expected for 2027. ↘ ITEM 70

Higher energy prices are likely to feed through to core inflation mainly via the prices of non-energy industrial goods. This is indicated by producer prices for non-energy industrial goods, which have been rising more strongly since March 2026. According to calculations by the GCEE, their changes are reflected in the corresponding sub-index of consumer prices with an average time lag of eight months. Core inflation is therefore expected to pick up more strongly in the forecast period than in the first half of 2026. The pass-through is likely to peak around mid-2027.

Overall, the GCEE expects an annual average inflation rate of 2.8 % for 2026. In 2027, it is likely to rise to 3.3 %. The core inflation rate is expected to be 2.4 % in 2026 and 2.8 % in 2027. The increase in the GDP deflator is likely to amount to 2.8 % and 3.1 %, respectively.

3. No recovery on the labour market

66. **Despite the economic recovery, the labour market is developing weakly.** In 2026, the number of persons in employment continued the downward trend that has persisted since the beginning of 2025. In seasonally adjusted terms, it fell by an average of 19,000 persons per month compared to the previous month until August 2026. The downward trend weakened in September, with the number of persons in employment almost stagnating. Employment subject to social insurance contributions has also tended to decline over the course of the year so far. In addition to persistently weak labour demand, this is also likely to reflect the demographically driven decline in labour supply. Job cuts were concentrated in the manufacturing sector. ↘ CHART 30 TOP LEFT The increase in staff in public administration observed in recent years is weakening, while employment continues to be built up in health and social work. The autumn upturn was weak. The seasonally adjusted unemployment rate remained at 6.4 % in October 2026, its highest level since July 2020.

67. **Sectoral reallocation and employment dynamics on the German labour market have slowed significantly.** This is shown by the IAB-LinkedIn sector change radar, which captures both the willingness to change sector and actual job changes on the basis of online applications and profile changes on LinkedIn. According to this, workers' willingness to change has remained largely stable since the COVID-19 pandemic. ↘ CHART 30 TOP RIGHT However, actual changes between sectors have declined sharply since 2022. The rates of terminated and newly started employment relationships have also fallen significantly since 2022 and are at their lowest level since mid-2021, an indication of weaker employment dynamics. ↘ CHART 30 BOTTOM LEFT

68. **Employment dynamics differ greatly between sectors.** They have increased in public administration, in health and social work and in financial and

insurance services. ↘ CHART 30 BOTTOM RIGHT There, both the rate of newly started and the rate of terminated employment relationships have recently risen. In the construction sector, in accommodation and food services, but also in information and communication, however, employment dynamics declined significantly. In the manufacturing sector, job cuts are reflected in both rates. Fewer employment relationships were started and more were terminated. The decline in new hires carried greater weight in this respect.

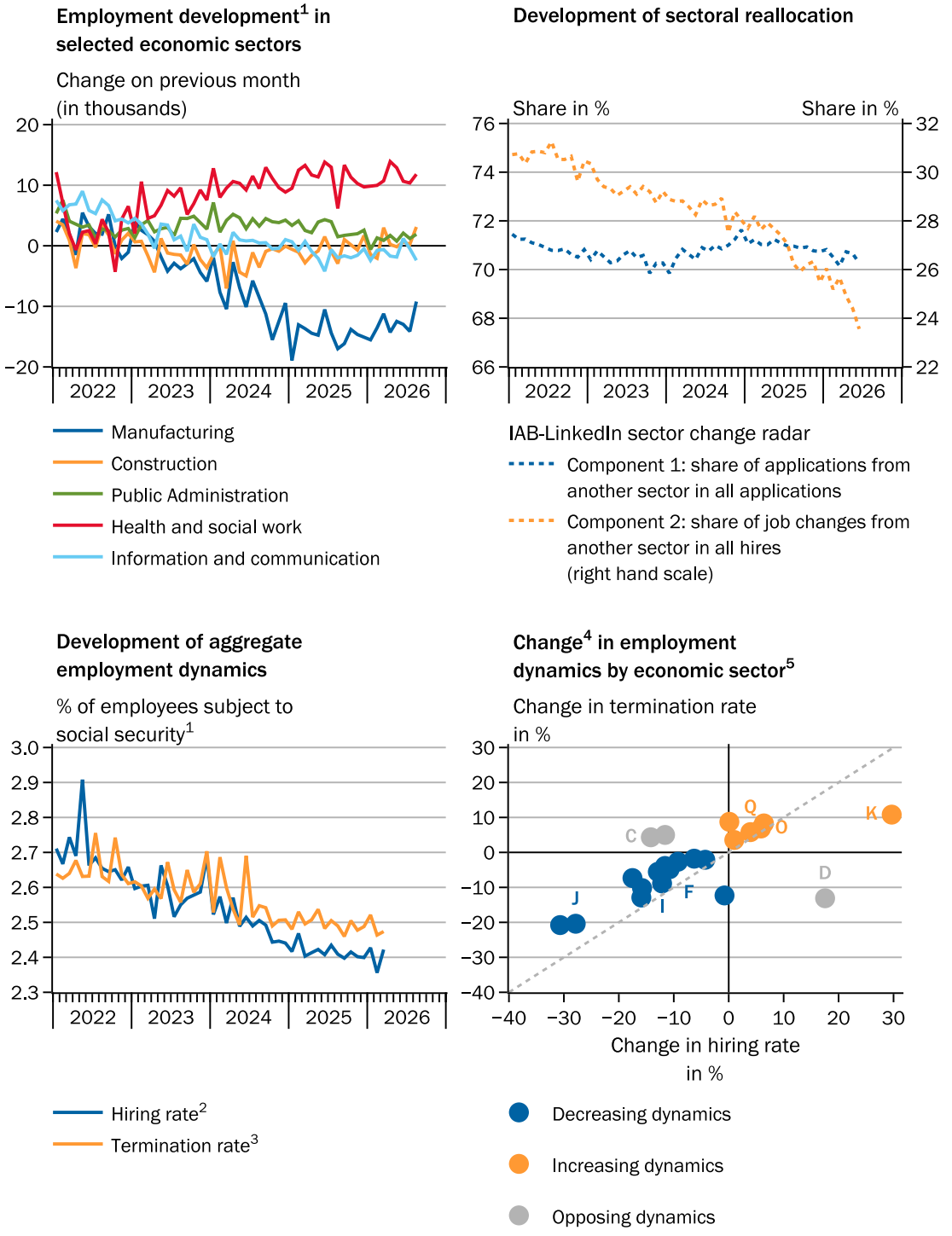
69. **Leading indicators for the labour market have recently improved slightly, but do not yet indicate a turnaround.** The IAB labour market barometer rose slightly to 100.1 points in October 2026 and is thus back in neutral territory for the first time since January 2026. The local employment agencies expect a somewhat more favourable development of unemployment over the next three months and no longer assess employment prospects negatively either. Nevertheless, expectations are barely above the neutral mark of 100 points and thus rather point to a sideways movement. The ifo employment barometer rose by 0.4 to 95.5 points in October 2026. However, firms in manufacturing and trade in particular continue to plan job cuts. The slight improvement in the leading indicator is due to positive employment expectations among service providers. The number of persons in employment is likely to decline in both 2026 and 2027 for demographic reasons. In 2026, this decline is amplified by weak labour demand. The unemployment rate is likely to rise slightly to 6.4 % in 2026 and to fall to 6.3 % in 2027.

70. **Despite rising inflation, wage increases are likely to remain moderate in the forecast period.** ↘ TABLE 5 One reason is current collective agreements, some of which run until 2027 or beyond and only allow adjustments in future bargaining rounds (Deutsche Bundesbank, 2024; Bates et al., 2025). In the energy crisis of 2022, tax-privileged one-off payments contributed significantly to the rapid catch-up of wages with inflation (Deutsche Bundesbank, 2024). As there is currently no such preferential tax treatment, the adjustment of wages to the rise in inflation could take place more slowly.

The most recent increases in actual earnings are probably mainly due to severance payments in the manufacturing sector. Wage drift, i.e. the difference between the growth of actual earnings and that of negotiated wages, is likely to amount to 1.0 percentage points in 2026. In 2027, it is likely to decrease, as negotiated earnings will again rise more strongly.

↘ CHART 30

Labour market developments



1 – Employment subject to social security contributions; seasonally adjusted figures. 2 – Ratio of newly started employment relationships subject to social security contributions to all employees subject to social security contributions in the respective month; seasonally adjusted figures. 3 – Ratio of terminated employment relationships subject to social security contributions to all employees subject to social security contributions in the respective month; seasonally adjusted figures. 4 – Change in the average rate over the last 12 months relative to the longer-term pre-crisis average (2014 to 2019). Last data point March 2026. 5 – C-Manufacturing, D-Electricity, gas, steam and air conditioning supply, F-Construction, I-Accommodation and food service activities, J-Information and communication, K-Financial and insurance activities, O-Public administration and defence; compulsory social security, Q-Human health and social work activities.

Sources: Federal Employment Agency, IAB, LinkedIn, own calculations
© Sachverständigenrat | 26-191-01

Data (CSV)

↘ TABLE 5

Labour market in Germany

	2024	2025	2026[1]	2027[1]	2026[1]	2027[1]
	Annual value				Change on previous year	
	1,000 persons				%	
Labour force[2]	47,291	47,391	47,251	47,125	– 0.3	– 0.3
Unemployed persons[3]	1,490	1,666	1,734	1,668	4.1	– 3.8
Employed persons[4]	45,960	45,878	45,669	45,612	– 0.5	– 0.1
Employees subject to social security contributions	34,934	34,963	34,903	34,955	– 0.2	0.1
Exclusively marginally employed[5]	4,180	4,121	4,041	3,938	– 2.0	– 2.5
Registered unemployed persons	2,787	2,948	2,997	2,926	1.7	– 2.4
Underemployment excluding short-time work[6]	3,577	3,627	3,649	3,566	0.6	– 2.3
Short-time work (Employment equivalence)	87	92	67	48	– 27.0	– 27.9
	Yearly averages in %				Percentage points	
Unemployment rate (FEA)[7]	6.0	6.3	6.4	6.3	0.1	– 0.1
Unemployment rate (ILO)[8]	3.4	3.8	4.0	3.8	0.2	– 0.1
	Change on previous year in %					
Collectively agreed wages (hourly concept)	4.8	2.7	2.6	2.8	.	.
Effective wages[9]	4.7	4.9	3.6	3.6	.	.

1 – Forecast by the GCEE. 2 – Unemployed and employed persons in their working age with residence in Germany (national concept); as defined by the national accounts systems. 3 – According to the measuring concept of the International Labour Organization (ILO). 4 – Employed persons in Germany independent of their residence (domestic concept). 5 – Employed workers with a monthly wage in accordance with § 8 Absatz 1 Nr. 1 SGB IV. 6 – According to the concept of underemployment by the FEA. 7 – Registered unemployed persons in relation to civilian labour force. 8 – Unemployed persons in relation to the civilian labour force, in each case persons in private households aged from 15 to 74 years. 9 – Gross wages and salaries (domestic concept) per employees' hour worked.

Sources: Federal Employment Agency (FEA), Federal Statistical Office, own calculations
© Sachverständigenrat | 26-073-02

Data (XLSX)

4. Fiscal impulse dampened by GKV and SPV reforms

71. **Fiscal policy remains expansionary in the forecast period**, but its impulse is weakening. The expansionary effect stems above all from the additional infrastructure and defence expenditure from the fiscal package, which is reflected in a growing structural deficit. The draft budget for 2027 provides for even higher defence expenditure than the 2026 budget. This increase goes beyond what was envisaged in the financial plan 2025–2029 and is likely to be reflected in higher public gross fixed capital formation in machinery and equipment. The expansion of electricity price subsidies from the Climate and Transformation Fund (KTF) also contributes to the expansionary impulse. By contrast, the reforms in the GKV and the SPV according to cabinet plans are likely to have a restrictive effect from 2027 onwards.

Overall, the fiscal impulse is likely to amount to 0.7 % of GDP in 2026. ↘ TABLE 6 In 2027, it is likely to decline to around 0.2 % of GDP.

↘ TABLE 6

Discretionary fiscal policy measures[1]

Burdens (–) and relief (+) of the general government budget compared to the previous year
in billion euros

	2026	2027
Revenue of the territorial authorities		
Personal income tax reform 2027	0.0	– 2.8
Annual Tax Acts 2024 & 2026	0.3	– 0.3
Tax Amendment Act 2025 (excluding VAT)	0.0	– 1.1
VAT reduction in the hospitality sector (Tax Amendment Act 2025)	– 3.0	– 0.7
Immediate tax-based investment programme	– 3.4	– 5.7
Growth Opportunities Act	– 0.7	– 0.3
Tax Law Development Act	– 5.5	– 1.1
Reintroduction of the agricultural diesel refund	– 0.4	0.0
Increase in the carbon tax (BEHG)	2.0	0.0
Plastic levy	0.0	1.4
Active pension and strengthening of occupational pensions	– 0.9	– 0.2
Changes to tobacco and alcohol taxes	0.0	1.1
Electricity tax reform	– 1.2	– 1.6
“Fuel discount” I and II	– 3.5	3.5
Other tax measures[2]	4.4	0.5
Revenue of the social security funds		
Increase in additional contribution rate to statutory health insurance	5.0	0.0
GKV Contribution Rate Stabilisation Act	0.0	4.3
Long-Term Care Reorganisation Act	0.0	3.8
Expenditure of the territorial authorities		
Starting Opportunity programme for schools & digital pact for schools	0.1	– 0.3
Changes to child benefit (Tax Law Development Act, personal income tax reform 2027)	– 0.8	– 1.6
Additional expenditure on defence	– 7.0	– 13.0
Subsidies of electricity grid fees (KTF)	– 6.5	1.0
Industrial electricity price & electricity price compensation (KTF)	– 1.2	– 3.4
Abolition of the gas storage neutrality charge (KTF)	3.1	0.0
Climate and Transformation Fund (other measures)	– 3.5	– 1.6
Additional expenditure from the Special Fund for Infrastructure and Climate Neutrality	– 7.0	– 6.0
Additional aid for Ukraine	– 2.8	0.0
Additional civil servant pay due to constitutionally adequate remuneration	– 0.8	– 2.5
Other measures[3]	– 0.1	0.9
Expenditure of the social security funds		
Removal of budget caps for general practitioners	– 0.4	0.0
Hospital reform	– 0.3	– 0.1
Long-Term Care Support and Relief Act	– 0.2	– 0.3
Long-Term Care Reorganisation Act	0.0	2.2
2026 savings package to relieve the statutory health insurance funds	2.0	– 2.0
GKV Contribution Rate Stabilisation Act and emergency care reform[4]	0.0	14.0
Other measures[5]	– 0.1	– 0.1
Total	**– 32.4**	**– 9.3**
In % of GDP	**– 0.7**	**– 0.2**

1 – Quantification of the burden and relief on the general government budget compared to the previous year without macroeconomic repercussions. 2 – Comprise the Inflation Compensation Act (2022), the aviation tax and the truck toll, the expiry of measures on declining balance depreciation, the Act on the Tax Exemption of the Subsistence Minimum 2024 and additional revenue from the global minimum tax (OECD, Pillar 2). 3 – Comprise the housing benefit reform, the reforms of the maintenance advance and of parental allowance, changes to BAföG and measures for social housing. 4 – Including the amendments to the GKV Contribution Rate Stabilisation Act. 5 – Comprise medium-term effects of the basic pension supplement, the introduction of the early-start retirement account and the extension of the period of entitlement to short-time working allowance.

Sources: Federal Ministry for Digital and State Modernisation, Federal Ministry for Economic Affairs and Energy, Federal Ministry of Defence, Federal Ministry of Education, Family Affairs, Senior Citizens, Women and Youth, Federal Ministry of Finance, Federal Ministry of Health, Federal Ministry of Labour and Social Affairs, Federal Ministry of Transport, Federal Government, own calculations

© Sachverständigenrat | 26-232-01

Data (XLSX)

72. **Government revenue** is likely to increase by around 3.0 % in nominal terms in 2026. Its share of nominal GDP is thus likely to fall by 0.5 percentage points. ↘ TABLE 12 Tax relief measures have a dampening effect, in particular the permanent reduction in electricity tax for the manufacturing sector and for agriculture and forestry (electricity tax reform), the German government's tax relief programme for investment and the value-added tax reduction for restaurant services. In addition, there are the two temporary reductions in the energy tax on fuels ("fuel discount"), which temporarily reduce revenue in 2026. Higher supplementary contributions in the GKV partly offset this. ↘ TABLE 6

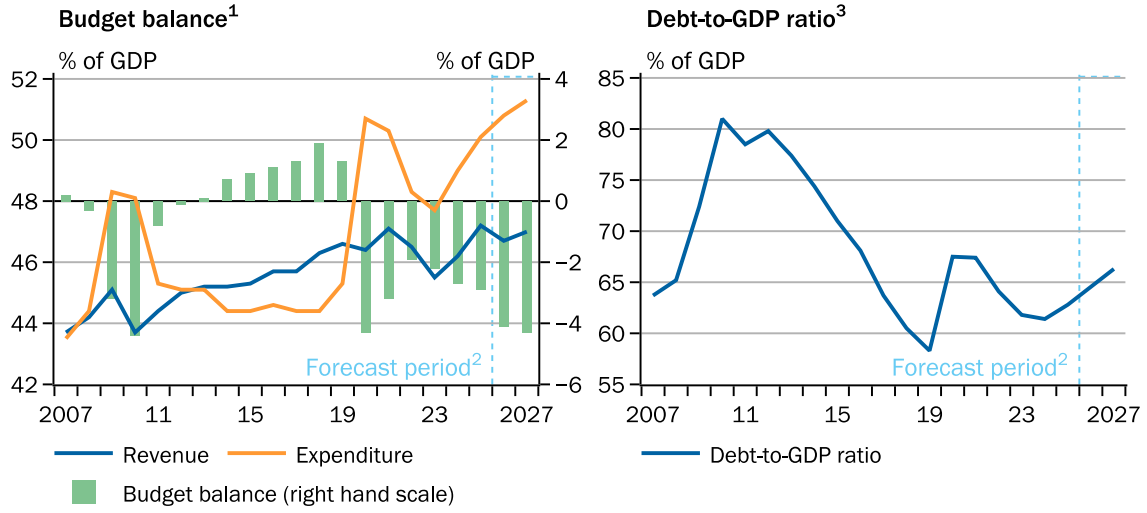
    In 2027, government revenue is likely to increase by around 4.7 % in nominal terms. Its share of nominal GDP will thus rise by 0.3 percentage points. Revenue shortfalls continue to result from the German government's tax relief programme for investment and from the personal income tax reform agreed by the coalition (Federal Government, 2026). However, the latter does not fully offset bracket creep (Beznoska and Hentze, 2026). The reforms in the GKV and SPV lead to higher contributions for some of the insured persons and thus support revenue.

73. Overall, **government expenditure** is likely to increase by 5.5 % in 2026 and 5.1 % in 2027 in nominal terms. In the years 2022 to 2025, social benefits in kind, with average growth of around 6 % per year, were one of the key drivers of the strong increase in expenditure. From 2027 onwards, the reforms in the GKV and the SPV, in particular the benefit restrictions, are likely to dampen this increase. In addition to defence expenditure, which is rising by 33 % compared to the previous year's budget, interest payments are increasingly contributing to the rise in expenditure. Starting from a level that is low compared to the years 2000 to 2010, they are likely to grow by more than 11 % per year over the forecast horizon. Excluding interest payments and the other adjustment items, net primary expenditure (NPE), which is the operational target variable of the EU fiscal rules, is likely to increase by 5.1 % in 2026 and 4.7 % in 2027. ↘ BOX 8

74. The **government deficit is likely to continue to rise in the forecast period**, from 4.1 % of GDP in 2026 to 4.3 % in 2027. ↘ CHART 31 LEFT The structural deficit is likely to widen even more significantly, from 3.8 % to 4.3 % of GDP. The debt ratio is likely to rise to 64.5 % of GDP in 2026 and 66.3 % in 2027. ↘ CHART 31 RIGHT

↘ CHART 31

Development of public finances



1 – National accounts (nominal values). 2 – Forecast by the GCEE. 3 – General government gross debt as defined in the Maastricht Treaty.

Sources: Deutsche Bundesbank, Federal Statistical Office, own calculations
© Sachverständigenrat | 26-105-02

Data (CSV)

↘ BOX 8

Background: Development of net primary expenditure (NPE)

NPE is the operational target variable of the medium-term fiscal-structural plan (MTFSP), which the Federal Government agrees with the European Commission under the European fiscal rules that have applied since 2025 (GCEE Annual Report 2024 box 11). The MTFSP sets out for several years the maximum rate at which adjusted NPE may grow. For ongoing monitoring, the decisive factor is whether the expenditure path complies with the agreed corridor on a multi-year average.

The forecast of NPE is based on total expenditure forecast by the GCEE less interest payments. Adjustments are made for EU-financed expenditure and its national co-financing, cyclical unemployment expenditure and discretionary revenue measures. The EU items are assumed to be extrapolated from the current transfers and capital transfers received. Cyclical unemployment expenditure is measured by the cyclical share of expenditure on unemployment benefit and benefits under SGB II. This share corresponds to the relative deviation of the ILO unemployment rate from the structural unemployment rate. ↘ GLOSSARY It is assumed that no one-off effects on the expenditure side will occur in the forecast period. Discretionary revenue measures reflect the balance of revenue shortfalls and additional revenue resulting from legislative changes. The decisive factor for the comparison with the agreed expenditure path is the rate of change of adjusted NPE compared to the unadjusted NPE of the previous year.

In the forecast period, adjusted NPE is likely to rise by 5.1 % in 2026 and 4.7 % in 2027. In 2027, this is mainly due to the decline in discretionary revenue measures.

↘ TABLE 7

Net primary expenditure

		2025	2026	2027
(1)	Nominal GDP in € billion	4,529.7	4,714.1	4,904.6
(2)	**Total expenditure**	**2,270.0**	**2,395.2**	**2,517.0**
(3)	Interest payments	49.0	54.7	63.2
(4)	Expenditure financed by EU transfers and co-financing	9.5	9.8	10.5
(5)	Cyclical component of unemployment expenditure	6.1	9.1	5.0
(6)	One-off effects on the expenditure side	0.0	0.0	0.0
(7)	**Net primary expenditure** (2 – 3 – 4 – 5 – 6) before discretionary revenue measures	**2,205.4**	**2,321.6**	**2,438.3**
	Change on previous year in € billion	113.9	116.2	116.7
	Change on previous year in %	5.4	5.3	5.0
(8)	Discretionary measures	28.0	3.6	8.5
(9)	**Adjusted net primary expenditure** (7 – 8)	**2,177.4**	**2,318.0**	**2,429.9**
	Change on previous year in € billion	85.9	112.6	108.2
	Change on previous year in %[1]	4.1	5.1	4.7

1 – Less discretionary revenue measures.

Sources: BMF, Federal Statistical Office, own calculations
© Sachverständigenrat | 26-250-01

Data (XLSX)

5. Opportunities and risks

75. In view of **unusually low gas storage levels**, a cold winter poses a risk to German economic activity. ↘ ITEM 27 Unexpectedly high gas demand could drive prices beyond what is currently priced into futures prices. Consumer prices would then rise more strongly than in the baseline scenario, placing an additional burden on the purchasing power of private households. In this case, private consumption is likely to be even weaker than forecast. In addition, energy-intensive industries could be forced to cut back their production.

76. Higher **capital market interest rates** represent a further risk to economic activity. As a result, financing conditions for firms on the bond market have worsened, as have the conditions for home construction loans. Should long-term interest rates rise more strongly than assumed in the baseline scenario, higher financing costs would further reduce the profitability of investment projects and thus dampen firms' willingness to invest. In particular, the interest-sensitive gross fixed capital formation in construction and in machinery and equipment could therefore be weaker than forecast.

77. Among **construction prices**, prices for road construction are currently rising more strongly than others, such as those for residential buildings or maintenance. This is likely to be related in particular to rising government infrastructure spending and has been taken into account accordingly in the baseline scenario. However, prices for infrastructure investment could rise even more strongly than expected in the forecast period. The budgeted funds would then

only allow a smaller real construction volume to be realised, and the forecast increase in public gross fixed capital formation in construction would be weaker.

78. **New orders from the EU** rose strongly in the second half of 2025 and in the first half of 2026. In its forecast, the GCEE assumes that EU demand for German goods will continue to support economic activity in the forecast period, albeit less strongly than in the first half of 2026. An opportunity for German economic activity lies in the possibility that demand from the EU will again be stronger than expected. Rising new orders would then increase capacity utilisation in the manufacturing sector and encourage firms to expand their investment activity, in particular by expanding their production capacities.

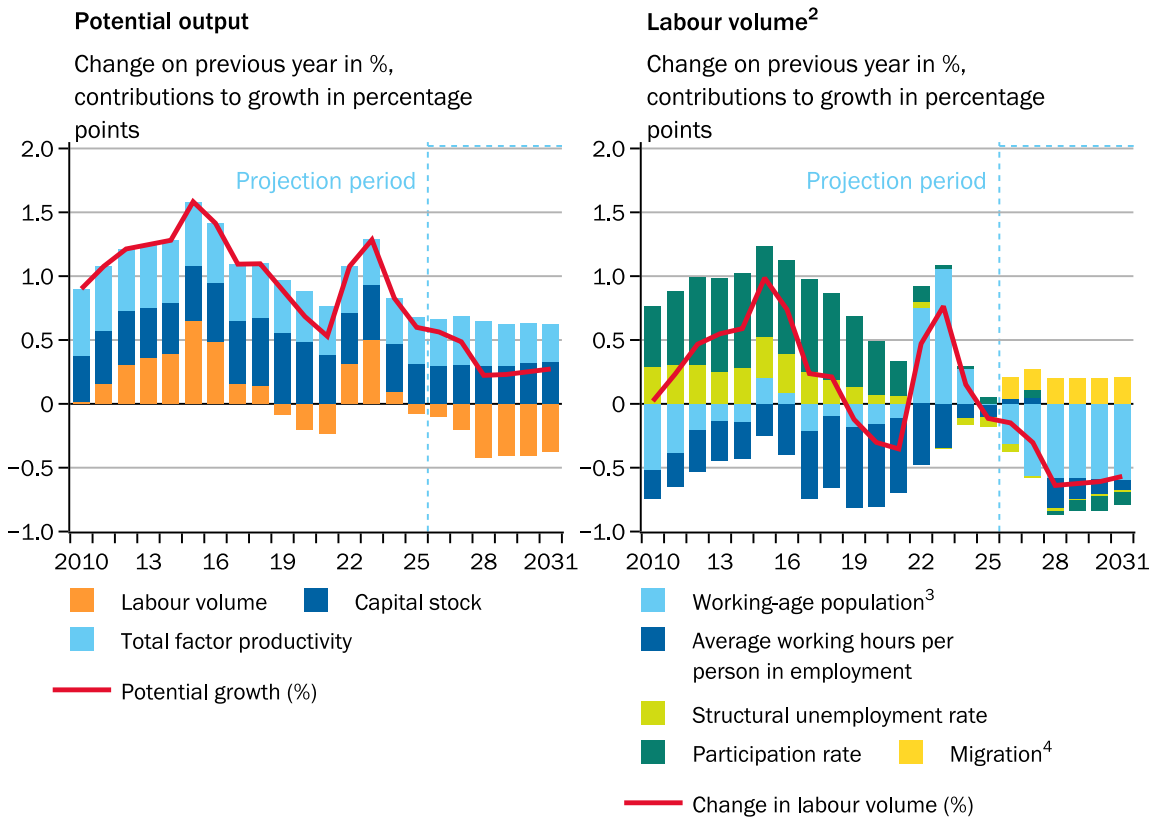
6. Potential output: immigration barely cushions demographic decline

79. The GCEE estimates **potential output growth** in **2026 and 2027 at 0.6 % and 0.5 % per year, respectively**. In the following years up to 2031, it is likely to decline to around 0.2 % to 0.3 %. ↘ CHART 32 LEFT Capital input is likely to contribute around 0.3 percentage points per year to potential growth throughout the projection period, and total factor productivity (TFP) around 0.3 to 0.4 percentage points. The labour factor, by contrast, dampens potential growth throughout. ↘ CHART 32 RIGHT The contribution of labour volume is likely to be –0.1 percentage points in 2026 and –0.2 percentage points in 2027 and to fall to –0.4 percentage points per year in the years up to 2031.

80. The GCEE bases its projection on a **net immigration assumption that has been significantly lowered** compared to spring. In the GCEE Spring Report, net migration of 200,000 persons per year in the projection period had still been assumed on the basis of the 16th coordinated population forecast (GCEE Spring Report 2026 item 77). However, the figures published by the Federal Statistical Office since then point to a considerably weaker development. After around 430,000 persons in 2024, net migration almost halved to 235,000 persons in 2025. In the months from January to August 2026, it amounted to only around 17,000 persons, compared to around 125,000 persons in the same period of the previous year. The GCEE therefore assumes net migration of 100,000 persons for 2026 and of 150,000 persons from 2027 onwards. The renewed increase takes into account the fact that part of this year's slump is due to temporary factors, in particular weak labour demand, which is dampening labour-market-related immigration from the EU. The economic recovery is likely to favour the immigration of workers again (Kotz et al., 2026). However, as immigration that has not taken place is not made up for later, even a temporary slump permanently lowers the level of the labour force and thus potential output.

↘ CHART 32

Contributions to growth of components to potential output and labour volume[1]



1 – Calculations by the GCEE. 2 – The output elasticity of labour is 0.66. 3 – Population aged 15 to 74. 4 – Explicitly modelled from 2026 onwards; included in the working-age population until 2025.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-107-02

Data (CSV)

APPENDIX

↘ TABLE 8

Gross domestic product and consumer prices in the euro area

Country/country group	Weight in %[1]	Gross domestic product[2]			Consumer prices (HICP)[3]		
		Change on previous year in %					
		2025	2026[4]	2027[4]	2025	2026[4]	2027[4]
Euro area[5]	**100**	**1.3**	**1.1**	**1.1**	**2.1**	**3.0**	**2.9**
including:							
Germany	28.4	0.3	1.0	0.8	2.3	2.8	3.2
France	18.7	0.9	0.3	0.6	0.9	2.5	2.5
Italy	14.1	0.7	0.8	0.6	1.6	3.0	2.9
Spain	10.6	2.6	2.5	1.8	2.7	3.8	3.0
Netherlands	7.3	1.6	1.7	1.5	3.0	2.8	2.8
Belgium	4.0	0.9	0.8	1.0	3.0	3.5	2.9
Ireland	3.8	8.1	– 0.8	4.1	2.1	3.3	2.8
Austria	3.2	0.8	0.8	1.2	3.6	3.1	2.7
Portugal	1.9	1.9	2.3	1.9	2.2	3.1	3.0
Finland	1.8	0.8	1.6	1.8	1.8	2.5	2.1
Greece	1.6	2.2	1.7	1.7	2.9	3.9	3.2
memorandum:							
Euro area without Germany	**71.6**	**1.7**	**1.1**	**1.3**	**2.1**	**3.1**	**2.8**

1 – GDP in the year 2024 as a percentage of the GDP of the euro area. 2 – Price-adjusted. Values are based on seasonal and calendar-adjusted quarterly figures. 3 – Harmonised Index of Consumer Prices. 4 – Forecast by the German Council of Economic Experts. 5 – Weighted average of the 21 euro area member states.

Sources: Eurostat, own calculations
© Sachverständigenrat | 26-069-02

Data (XLSX)

↘ TABLE 9

Components of the forecast for GDP growth[1] (in %)

	2021	2022	2023	2024	2025	2026[2]	2027[2]
Statistical overhang at the end of the previous year[3]	2.5	1.0	– 0.1	– 0.2	0.2	0.2	0.3
Growth rate over the course of the year[4]	2.4	0.9	– 0.9	0.4	0.3	1.1	0.8
Annual rate of change of GDP, calendar adjusted	3.9	2.0	– 0.8	0.0	0.3	1.0	0.8
Calendar effect (in % of GDP)	0.1	– 0.1	– 0.2	0.0	– 0.1	0.2	0.1
Annual rate of change of GDP[5]	4.0	1.9	– 1.0	0.0	0.2	1.3	1.0

1 – Price adjusted. 2 – Forecast by the GCEE. 3 – Percentage difference between the level of GDP in the last quarter of year t and the average level of quarterly GDP in the total year t, seasonally and calendar adjusted. 4 – Percentage change of the fourth quarter on the fourth quarter of the previous year, seasonally and calendar adjusted. 5 – Deviations in sums due to rounding.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-077-02

Data (XLSX)

↘ TABLE 10

Contributions to growth of gross domestic product by expenditure components[1]
Percentage points

	2021	2022	2023	2024	2025	2026[2]	2027[2]
Domestic demand	**3.2**	**3.2**	**– 1.0**	**0.5**	**1.7**	**0.7**	**1.0**
Final consumption expenditure	1.8	3.3	– 0.4	1.6	1.1	0.8	0.6
Private consumption[3]	1.1	3.2	– 0.1	0.7	0.7	0.1	0.3
Government consumption	0.7	0.1	– 0.3	0.8	0.4	0.6	0.3
Gross fixed capital formation	0.2	0.1	– 0.4	– 0.5	– 0.1	0.0	0.4
Investment in machinery & equipment[4]	0.3	0.3	0.0	– 0.3	– 0.1	0.0	0.1
Construction investment	– 0.4	– 0.4	– 0.7	– 0.3	– 0.1	– 0.1	0.1
Other products	0.3	0.2	0.3	0.1	0.1	0.1	0.1
Changes in inventories	1.2	– 0.2	– 0.3	– 0.6	0.7	0.0	0.0
Net exports	**0.8**	**– 1.3**	**0.0**	**– 0.5**	**– 1.5**	**0.5**	**0.0**
Exports of goods and services	4.0	1.7	– 0.4	– 0.7	– 0.4	1.4	0.7
Imports of goods and services	– 3.1	– 3.0	0.4	0.2	– 1.1	– 0.9	– 0.7
Gross domestic product (%)	**4.0**	**1.9**	**– 1.0**	**0.0**	**0.2**	**1.3**	**1.0**

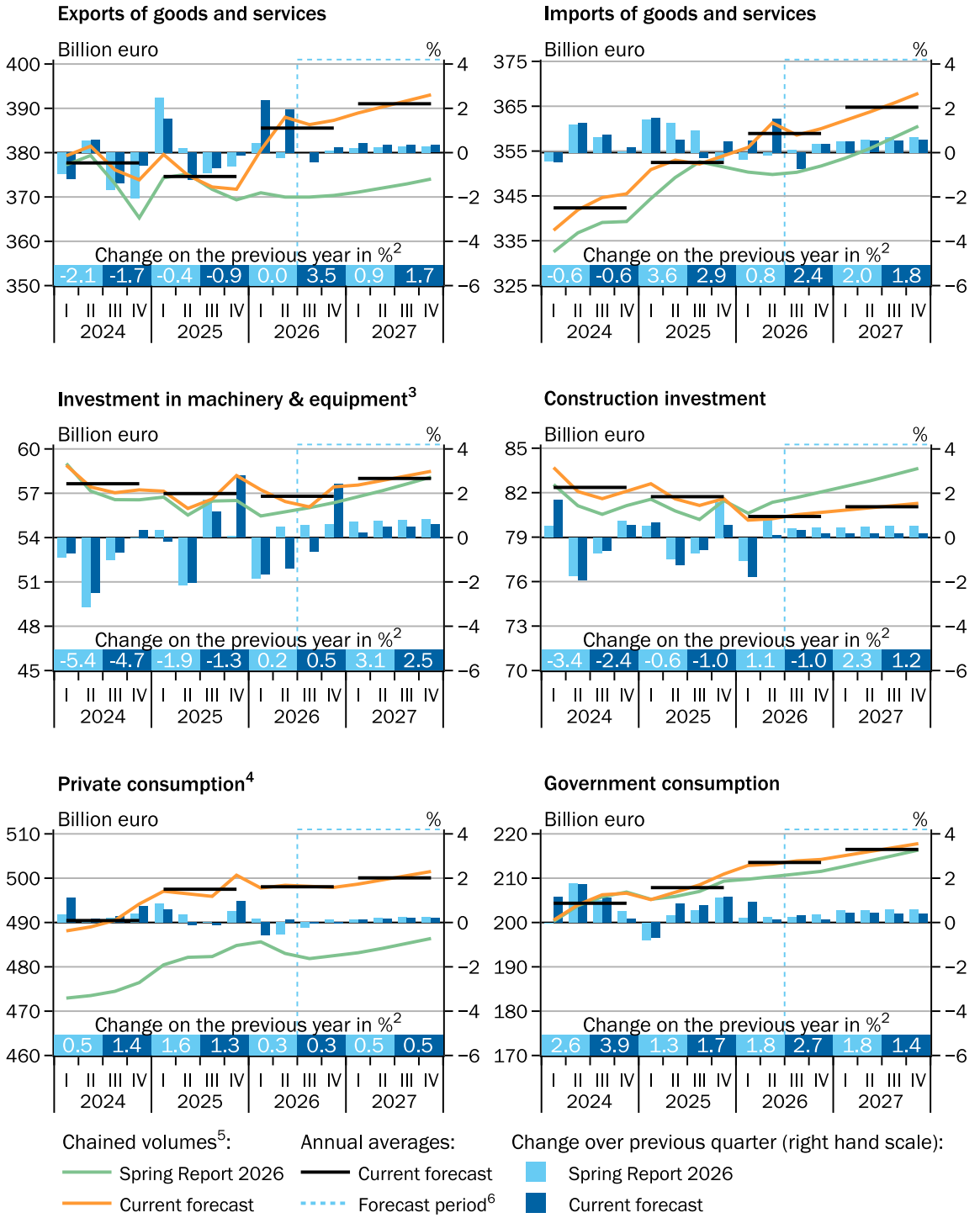
1 – Contributions to growth of price-adjusted GDP. Deviations in sums due to rounding. 2 – Forecast by the GCEE. 3 – Including non-profit institutions serving households. 4 – Including military weapon systems.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-076-02

Data (XLSX)

↘ CHART 33

Components of German GDP[1]



1 – All components of GDP reported price-adjusted. 2 – Not seasonally and calendar-adjusted. 3 – Including military weapon systems. 4 – Including non-profit institutions serving households. 5 – Reference year 2020, seasonally and calendar-adjusted. 6 – Current forecast period. Forecasts by the GCEE.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-102-02

Data (CSV)

↘ TABLE 11

Key figures of the national accounts

Absolute values

	Unit	2025	2026[1]	2027[1]	2026[1]		2027[1]	
					First half-year	Second half-year	First half-year	Second half-year
Use of domestic product								
at current prices								
Final consumption expenditure	billion euro	3,461.9	3,595.1	3,742.3	1,748.6	1,846.6	1,821.5	1,920.8
Private consumption[2]	billion euro	2,449.1	2,527.1	2,623.2	1,228.7	1,298.4	1,274.7	1,348.5
Government consumption	billion euro	1,012.8	1,068.1	1,119.1	519.9	548.2	546.8	572.3
Gross fixed capital formation	billion euro	915.1	948.3	996.6	453.1	495.2	478.0	518.5
Investment in machinery & equipment[3]	billion euro	270.7	277.8	291.4	130.9	146.9	137.0	154.4
Construction investment	billion euro	466.0	483.4	508.1	233.1	250.3	247.3	260.8
Other products	billion euro	178.4	187.1	197.1	89.2	97.9	93.8	103.3
Domestic demand	billion euro	4,429.4	4,605.6	4,801.6	2,240.8	2,364.7	2,340.7	2,460.9
Exports of goods and services	billion euro	1,816.0	1,951.7	2,035.7	955.2	996.5	1,006.6	1,029.1
Imports of goods and services	billion euro	1,715.7	1,843.2	1,932.8	888.6	954.6	943.7	989.1
Gross domestic product	billion euro	**4,529.7**	**4,714.1**	**4,904.6**	**2,307.4**	**2,406.7**	**2,403.7**	**2,500.9**
Chained volumes								
Final consumption expenditure	billion euro	2,818.2	2,846.1	2,868.2	1,401.9	1,444.1	1,409.9	1,458.3
Private consumption[2]	billion euro	1,987.2	1,992.5	2,002.9	978.2	1,014.3	981.1	1,021.8
Government consumption	billion euro	831.5	854.0	865.8	424.0	430.1	429.1	436.8
Gross fixed capital formation	billion euro	710.4	711.0	724.8	341.8	369.2	349.0	375.8
Investment in machinery & equipment[3]	billion euro	226.8	227.9	233.6	107.5	120.4	109.9	123.7
Construction investment	billion euro	325.6	322.4	326.4	157.1	165.3	159.8	166.6
Other products	billion euro	162.6	166.3	171.2	79.5	86.8	81.8	89.4
Domestic demand	billion euro	3,569.4	3,596.4	3,631.8	1,770.5	1,825.9	1,786.1	1,845.7
Exports of goods and services	billion euro	1,493.6	1,546.3	1,572.6	765.3	781.0	780.2	792.4
Imports of goods and services	billion euro	1,406.2	1,439.2	1,465.3	707.2	732.1	717.6	747.6
Gross domestic product	billion euro	**3,654.0**	**3,700.1**	**3,735.6**	**1,826.7**	**1,873.3**	**1,846.9**	**1,888.7**
Price Development (deflators)								
Final consumption expenditure	2020 = 100	122.8	126.3	130.5	124.7	127.9	129.2	131.7
Private consumption[2]	2020 = 100	123.2	126.8	131.0	125.6	128.0	129.9	132.0
Government consumption	2020 = 100	121.8	125.1	129.3	122.6	127.5	127.5	131.0
Gross fixed capital formation	2020 = 100	128.8	133.4	137.5	132.6	134.1	137.0	138.0
Investment in machinery & equipment[3]	2020 = 100	119.4	121.9	124.8	121.8	122.0	124.7	124.8
Construction investment	2020 = 100	143.1	149.9	155.7	148.4	151.4	154.7	156.6
Other products	2020 = 100	109.7	112.5	115.2	112.2	112.8	114.8	115.5
Domestic demand	2020 = 100	124.1	128.1	132.2	126.6	129.5	131.1	133.3
Terms of Trade	2020 = 100	99.7	98.6	98.1	99.3	97.9	98.1	98.2
Exports of goods and services	2020 = 100	121.6	126.2	129.5	124.8	127.6	129.0	129.9
Imports of goods and services	2020 = 100	122.0	128.1	131.9	125.7	130.4	131.5	132.3
Gross domestic product	2020 = 100	**124.0**	**127.4**	**131.3**	**126.3**	**128.5**	**130.1**	**132.4**
Production of domestic product								
Employed persons (domestic)	1,000	45,878	45,669	45,612	45,607	45,730	45,475	45,749
Labour volume	million hours	61,309	61,302	61,260	30,109	31,193	30,080	31,180
Labour productivity (per hour)	2020 = 100	101.2	102.5	103.6	103.2	102.0	104.4	102.9
Distribution of net national income								
Net national income	billion euro	3,364.7	3,514.1	3,671.0	1,692.7	1,821.4	1,771.7	1,899.4
Compensation of employees	billion euro	2,472.1	2,566.6	2,669.0	1,229.8	1,336.8	1,275.8	1,393.2
Gross wages and salaries	billion euro	2,032.1	2,109.8	2,190.8	1,009.2	1,100.6	1,044.8	1,146.0
among them: net wages and salaries[4]	billion euro	1,402.9	1,450.7	1,489.2	690.8	759.8	705.7	783.5
Property and entrepreneurial income	billion euro	892.7	947.4	1,002.0	462.9	484.5	495.9	506.1
Disposable income of private households[2]	billion euro	2,662.9	2,746.8	2,851.3	1,350.2	1,396.6	1,397.7	1,453.6
Savings rate of private households[2,5]	%	10.1	10.0	10.0	11.0	9.1	10.7	9.2
For information purposes:								
Nominal unit labour costs[6]	2020 = 100	121.8	124.5	127.9	120.9	127.9	123.7	132.0
Real unit labour costs[7]	2020 = 100	98.2	97.7	97.4	95.7	99.5	95.1	99.6
Consumer prices	2020 = 100	121.9	125.3	129.3	124.2	126.4	128.5	130.3

1 – Forecast by the GCEE. 2 – Including non-profit institutions serving households. 3 – Including military weapon systems. 4 – Compensation of employees minus social contributions of employers and employees and income tax of employees. 5 – Savings relative to disposable income. 6 – Compensation of employees per working hour (employee concept) in relation to price-adjusted GDP per working hour (employed person concept). 7 – Compensation of employees per working hour (employee concept) in relation to GDP per working hour (employed person concept).

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

© Sachverständigenrat | 26-078-02

Data (XLSX)

↘ TABLE 11 (CONTINUED)

Key figures of the national accounts

Change on the previous year in %

2025	2026[1]	2027[1]	2026[1]		2027[1]		
			First half-year	Second half-year	First half-year	Second half-year	
							Use of domestic product
							at current prices
4.5	3.8	4.1	3.8	3.9	4.2	4.0	Final consumption expenditure
3.8	3.2	3.8	2.9	3.4	3.7	3.9	Private consumption[2]
6.1	5.5	4.8	6.0	5.0	5.2	4.4	Government consumption
1.9	3.6	5.1	2.7	4.5	5.5	4.7	Gross fixed capital formation
0.6	2.6	4.9	2.8	2.5	4.6	5.1	Investment in machinery & equipment[3]
2.1	3.7	5.1	1.9	5.5	6.1	4.2	Construction investment
3.2	4.9	5.3	4.5	5.3	5.2	5.5	Other products
4.7	4.0	4.3	3.7	4.2	4.5	4.1	Domestic demand
0.2	7.5	4.3	4.8	10.2	5.4	3.3	Exports of goods and services
3.6	7.4	4.9	4.8	10.0	6.2	3.6	Imports of goods and services
3.3	**4.1**	**4.0**	**3.7**	**4.4**	**4.2**	**3.9**	**Gross domestic product**
							Chained volumes
1.4	1.0	0.8	1.2	0.8	0.6	1.0	Final consumption expenditure
1.3	0.3	0.5	0.3	0.2	0.3	0.7	Private consumption[2]
1.7	2.7	1.4	3.4	2.1	1.2	1.6	Government consumption
– 0.6	0.1	1.9	– 0.5	0.6	2.1	1.8	Gross fixed capital formation
– 1.3	0.5	2.5	0.8	0.2	2.2	2.7	Investment in machinery & equipment[3]
– 1.0	– 1.0	1.2	– 2.2	0.2	1.7	0.7	Construction investment
1.7	2.3	2.9	2.0	2.5	2.9	3.0	Other products
1.8	0.8	1.0	0.9	0.7	0.9	1.1	Domestic demand
– 0.9	3.5	1.7	2.1	5.0	1.9	1.5	Exports of goods and services
2.9	2.4	1.8	2.1	2.6	1.5	2.1	Imports of goods and services
0.2	**1.3**	**1.0**	**0.9**	**1.6**	**1.1**	**0.8**	**Gross domestic product**
							Price Development (deflators)
3.0	2.8	3.3	2.6	3.1	3.6	3.0	Final consumption expenditure
2.5	2.9	3.3	2.6	3.2	3.4	3.1	Private consumption[2]
4.3	2.7	3.4	2.6	2.8	3.9	2.8	Government consumption
2.4	3.5	3.1	3.1	3.9	3.3	2.9	Gross fixed capital formation
2.0	2.1	2.3	2.0	2.3	2.4	2.3	Investment in machinery & equipment[3]
3.1	4.7	3.8	4.1	5.3	4.3	3.4	Construction investment
1.4	2.6	2.3	2.4	2.7	2.3	2.4	Other products
2.9	3.2	3.2	2.8	3.6	3.5	3.0	Domestic demand
0.4	– 1.1	– 0.4	– 0.1	– 2.0	– 1.2	0.3	Terms of Trade
1.2	3.8	2.6	2.6	5.0	3.4	1.8	Exports of goods and services
0.8	5.0	3.0	2.7	7.1	4.7	1.5	Imports of goods and services
3.0	**2.8**	**3.1**	**2.8**	**2.8**	**3.0**	**3.1**	**Gross domestic product**
							Production of domestic product
– 0.2	– 0.5	– 0.1	– 0.4	– 0.5	– 0.3	0.0	Employed persons (domestic)
– 0.8	0.0	– 0.1	– 0.3	0.3	– 0.1	0.0	Labour volume
1.1	1.3	1.0	1.2	1.3	1.2	0.9	Labour productivity (per hour)
							Distribution of net national income
3.0	4.4	4.5	4.1	4.7	4.7	4.3	Net national income
4.8	3.8	4.0	3.9	3.8	3.7	4.2	Compensation of employees
4.4	3.8	3.8	3.9	3.7	3.5	4.1	Gross wages and salaries
3.5	3.4	2.7	4.0	2.9	2.2	3.1	among them: net wages and salaries[4]
– 1.8	6.1	5.8	4.9	7.4	7.1	4.5	Property and entrepreneurial income
2.8	3.1	3.8	3.0	3.3	3.5	4.1	Disposable income of private households[2]
.	.	.	.	.	.	.	Savings rate of private households[2,5]
							For information purposes:
4.3	2.2	2.8	2.7	1.8	2.3	3.2	Nominal unit labour costs[6]
1.2	– 0.5	– 0.3	– 0.1	– 0.9	– 0.7	0.1	Real unit labour costs[7]
2.2	2.8	3.3	2.4	3.1	3.4	3.1	Consumer prices

1 – Forecast by the GCEE. 2 – Including non-profit institutions serving households. 3 – Including military weapon systems. 4 – Compensation of employees minus social contributions of employers and employees and income tax of employees. 5 – Savings relative to disposable income. 6 – Compensation of employees per working hour (employee concept) in relation to price-adjusted GDP per working hour (employed person concept). 7 – Compensation of employees per working hour (employee concept) in relation to GDP per working hour (employed person concept).

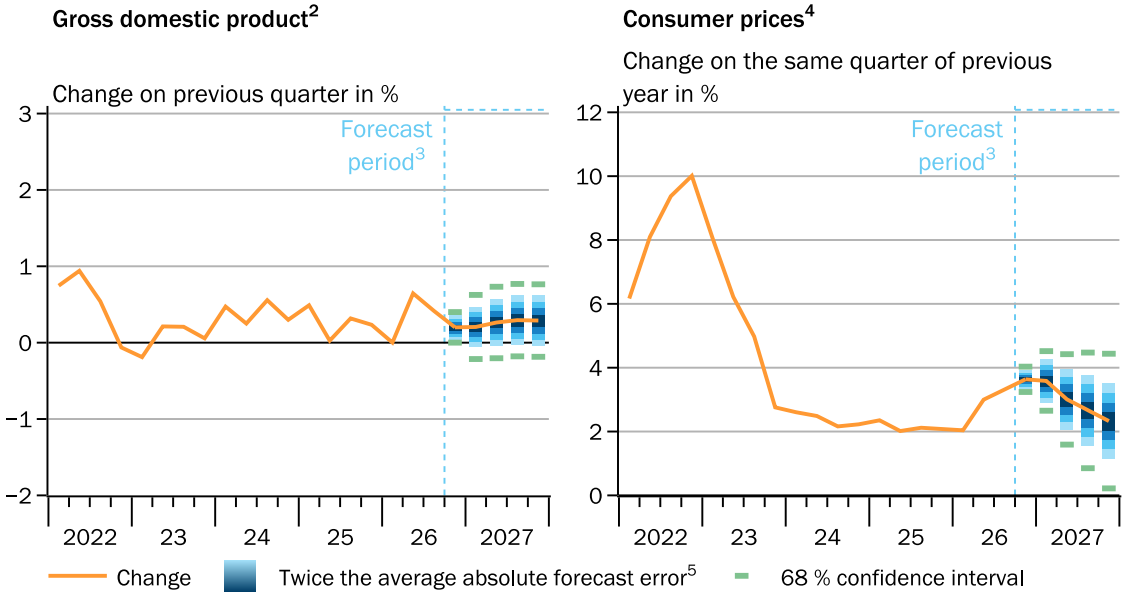
Sources: Federal Employment Agency, Federal Statistical Office, own calculations

© Sachverständigenrat | 26-078-02

Data (XLSX)

↘ CHART 34

Forecast intervals for gross domestic product and consumer price growth in the euro area[1]



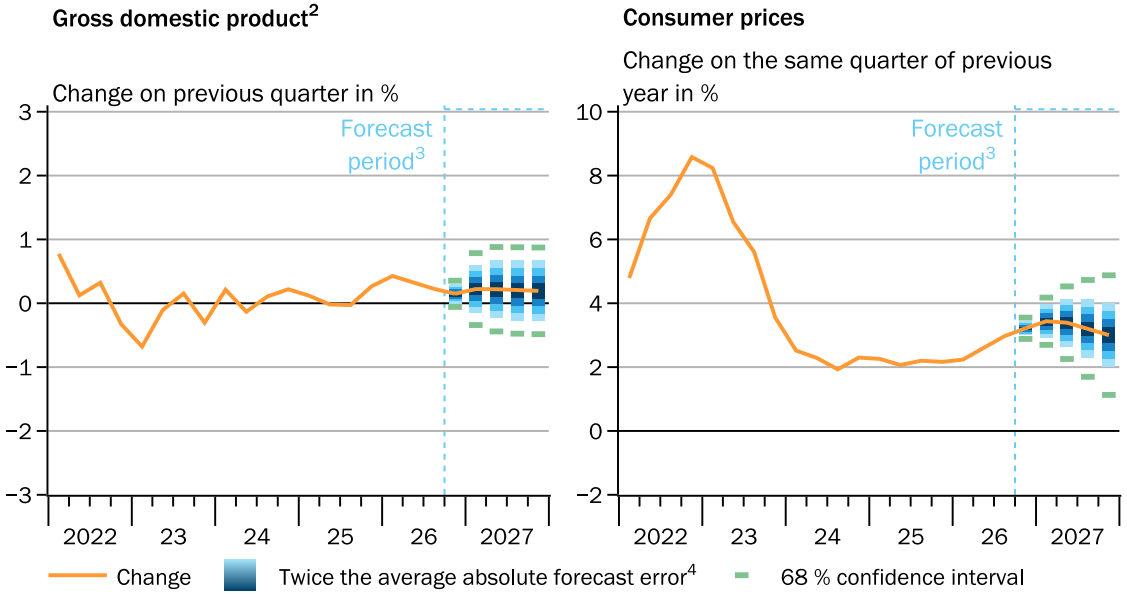
1 – Uncertainty margins calculated on base of the mean absolute forecast error in the period 1999 to 2025. For gross domestic product excluding the forecast errors for the quarters of 2020 (coronavirus pandemic). 2 – Price-, seasonally and calendar-adjusted. 3 – Forecast by the GCEE. 4 – Harmonised index of consumer prices. 5 – The width of the confidence band, which is symmetric around the most likely value, is twice the average absolute forecast error.

Sources: Eurostat, own calculations
© Sachverständigenrat | 26-227-01

Data (CSV)

↘ CHART 35

Forecast intervals for gross domestic product and consumer price growth in Germany[1]



1 – Uncertainty margins calculated on base of the mean absolute forecast error in the period 1999 to 2025. For gross domestic product excluding the forecast errors for the quarters of 2020 (coronavirus pandemic). 2 – Price-, seasonally and calendar-adjusted. 3 – Forecast by the GCEE. 4 – The width of the confidence band, which is symmetric around the most likely value, is twice the average absolute forecast error.

Sources: Federal Statistical Office, own calculations
© Sachverständigenrat | 26-228-01

Data (CSV)

↘ TABLE 12

General government revenues and expenditure and selected fiscal indicators[1]

	Billion euro			Change on previous year in %	
	2025	2026[2]	2027[2]	2026[2]	2027[2]
Total revenues	**2,137.9**	**2,201.6**	**2,304.9**	**3.0**	**4.7**
Taxes	1,031.5	1,050.1	1,100.7	1.8	4.8
Net social contributions	823.1	861.3	904.7	4.6	5.0
Sales	197.0	205.7	213.3	4.4	3.7
Other current transfers	30.9	32.4	33.7	4.6	4.2
Capital transfers	25.2	22.2	22.5	– 11.9	1.2
Property income	30.0	29.7	29.8	– 0.8	0.3
Other subsidies on production	0.2	0.2	0.2	– 17.3	0.0
Total expenditure	**2,270.0**	**2,395.2**	**2,517.0**	**5.5**	**5.1**
Social benefits other than social transf. in kind	746.9	783.7	814.6	4.9	3.9
Social benefits in kind	418.6	450.3	470.5	7.6	4.5
Compensation of employees	383.8	397.2	416.7	3.5	4.9
Intermediate consumption	288.5	301.8	314.7	4.6	4.3
Subsidies payable	52.1	58.4	63.3	12.0	8.4
Gross capital formation	156.1	156.9	172.6	0.5	10.0
Other current transfers	95.7	104.8	108.7	9.6	3.7
Capital transfers	79.6	87.9	93.0	10.5	5.8
Property income	49.0	54.7	63.2	11.5	15.5
Other taxes on production	0.4	0.4	0.4	– 2.8	1.5
Acquisitions less disposals of non-prod. assets	– 0.6	– 0.7	– 0.7	19.6	0.0
Budget balance	**– 132.1**	**– 193.6**	**– 212.1**	**x**	**x**
Fiscal indices (%)[3]					
Tax ratio[4]	23.2	22.7	22.8	x	x
Tax and contribution ratio[5]	40.3	39.8	40.2	x	x
Budget balance	– 2.9	– 4.1	– 4.3	x	x
Structural budget balance[6]	– 2.3	– 3.8	– 4.3	x	x
Structural primary balance[6]	– 1.2	– 2.7	– 3.0	x	x
Debt-to-GDP ratio[7]	62.8	64.5	66.3	x	x

1 – National accounts (nominal values). 2 – Forecast by the GCEE. 3 – In relation to GDP. 4 – Taxes including inheritance tax and taxes entitled to the EU. 5 – Taxes including inheritance tax and taxes entitled to the EU, and actual social contributions. 6 – Based on the estimate for potential output. Calculated with a budget semielasticity of 0.504. The budget semielasticity measures by how many percentage points the relationship between budget balance and GDP changes in the event of a 1 % increase in GDP. 7 – General government gross debt as defined in the Maastricht Treaty.

Sources: Deutsche Bundesbank, Federal Statistical Office, own calculations

© Sachverständigenrat | 26-074-02

Data (XLSX)

REFERENCES

ADB (2026), A fragile outlook as energy market disruptions persist, Asian Development Outlook July 2026, Asian Development Bank, Manila.

Ademmer, M., N. Jannsen and S. Meuchelböck (2023), Extreme weather events and economic activity: The case of low water levels on the Rhine river, German Economic Review 24 (2), 121–144.

Aldasoro, I., S. Doerr and D. Rees (2026), Financing the AI boom: From cash flows to debt, BIS Bulletin 120, Bank for International Settlements, Basel.

Bates, C., K. Bodnár, P. Healy and M. Roca I Llevadot (2025), Wage developments during and after the high inflation period, ECB Economic Bulletin (1), 95–115.

Benigno, G., J. di Giovanni, J.J.J. Groen and A.I. Noble (2022), The GSCPI: A new barometer of global supply chain pressures, Staff Report 1017, Federal Reserve Bank of New York, New York City, NY.

Beznoska, M. and T. Hentze (2026), Steuerreform sieht keinen Ausgleich der kalten Progression vor, IW short report 45/2026, German Economic Institute, Cologne.

BIZ (2026), Yields climb, yet risk appetite holds firm, BIS Quarterly Review September 2026, 1–16.

BMF (2026a), Kreditbestand, Bruttokreditaufnahme, Tilgungen und Zinsen (Verzinsung) des Bundes – Zeitreihen seit 1996, https://www.bundesfinanzministerium.de/Datenportal/Daten/offene-daten/haushalt-oeffentliche-finanzen/Zeitreihe-Kredit-Bruttokredit-Tilgung-Zinsen/Kreditbestand-Bruttokredit-Tilgung-Zinsen.html, accessed on 31 October 2026.

BMF (2026b), Regierungsentwurf des Bundeshaushalts 2027 und Finanzplan des Bundes 2026 bis 2030, Brief von Finanzminister Lars Klingbeil an den Chef des Bundeskanzleramtes, 3 July.

BMWE (2026a), Entwicklung der Produktion im Produzierenden Gewerbe: Berichtsmonat August 2026, Press release, Federal Ministry for Economic Affairs and Energy, Berlin, 7 October.

BMWE (2026b), Die wirtschaftliche Lage in Deutschland im Mai 2026, Press release, Federal Ministry for Economic Affairs and Energy, Berlin, 15 May.

Bobasu, A. and M. Dobrew (2025), Feeling the heat unevenly: Energy prices and household consumption, ECB Economic Bulletin (5), 50–57.

Brotto, A. et al. (2026), Fertilizer trade impacted by Strait of Hormuz conflict, https://www.wto.org/english/blogs_e/data_blog_e/blog_dta_10jul26_451_e.htm, accessed on 22 October 2026.

The Budget Lab at Yale (2026), The state of U.S. tariffs, https://budgetlab.yale.edu/research/state-us-tariffs, accessed on 20 October 2026.

Checherita-Westphal, C. and L.L. Særkjær (2025), Fiscal multipliers of defence spending: A short review of the empirical literature, ECB Economic Bulletin (6), 90–92.

Cohen, B.H., P. Hördahl and D. Xia (2018), Term premia: Models and some stylised facts, BIS Quarterly Review September 2018, 79–91.

Commodity Board Europe (2026), Hitze und Dürre setzen globale Agrarmärkte unter Druck, während Flusspegel fallen und Erträge sinken, CMB News, Hamburg, 14 August.

CSO (2026a), Quarterly National Accounts and International Accounts Q1 2026, Press release, Central Statistics Office Ireland, Cork, 4 June.

CSO (2026b), Quarterly National Accounts Quarter 2 2026, Central Statistics Office Irland, https://www.cso.ie/en/releasesandpublications/ep/p-na/quarterlynationalaccountsquarter22026/, accessed on 29 October 2026.

Deutsche Bundesbank (2026a), Zur Unbeständigkeit der irischen BIP-Wachstumsraten und deren Auswirkungen für die Euroraum-Analyse, Monatsbericht August 2026, 36–42.

Deutsche Bundesbank (2026b), Welchen Beitrag leistete die schlechtere preisliche Wettbewerbsfähigkeit zur jüngsten deutschen Exportschwäche?, Monatsbericht Juli 2026, 14–37.

Deutsche Bundesbank (2026c), Kurzbericht: Konjunkturlage, Monatsbericht Juli 2026, 4–13.

Deutsche Bundesbank (2025), Was steckt hinter dem mehrjährigen Rückgang der deutschen Exportmarktanteile?, Monatsbericht Juli 2025, 20–55.

Deutsche Bundesbank (2024), Lohnentwicklung in Deutschland: aktuelle Lage, Vergleich mit dem Euroraum und Aussichten, Monatsbericht Oktober 2024, 81–110.

Deutsche Bundesbank (2018), Aktivitäten multinationaler Unternehmensgruppen und nationale Wirtschaftsstatistiken, Monatsbericht Oktober 2018, 67–81.

ECB (2026), The euro area bank lending survey: Third quarter of 2026, European Central Bank, Frankfurt am Main.

EIA (2026), Short-Term Energy Outlook, October 2026, U.S. Energy Information Administration, Washington, DC.

Eren, E., I. Krohn and K. Todorov (2026), Financing the AI infrastructure boom: On- and off-balance sheet borrowing, BIS Quarterly Review March 2026, 3–4.

ESM (2026), Security at what cost? Defence spending, growth, and the fiscal arithmetic, in: ESM (Ed.), Euro area stability watch 2026 – Global shocks, domestic shields: Resilience under strain, European Stability Mechanism, Brussels, 53–75.

European Commission (2026), EU gas system prepared for the winter despite lower storage levels, Press release, European Commission, Directorate-General for Energy, Brussels, 8 October.

Federal Government (2026), Entwurf eines Einkommensteuerreformgesetzes 2027, Drucksache 507/26, Deutscher Bundestag mit Bundesrat, 4 September.

Federal Statistical Office (2026a), Bruttoinlandsprodukt im 2. Quartal 2026 um 0,2 % höher als im Vorquartal, Press release 269, Wiesbaden, 30 July.

Federal Statistical Office (2026b), Lkw-Maut-Fahrleistungsindex im September 2026: +0,8 % zum Vormonat, Press release 358, Wiesbaden, 8 October.

Federal Statistical Office (2026c), Auftragseingang im Bauhauptgewerbe im August 2026: +23,0 % zum Vormonat, Press release 375, Wiesbaden, 23 October.

FitzGerald, J. (2018), National Accounts for a global economy: The case of Ireland, QEC Summer 2018 Special Article, Economic and Social Research Institute, Dublin.

Frieda, G. (2026), What is driving the global rise in long-term interest rates?, Bruegel analysis 23/2026, Bruegel, Brussels.

Gern, K.-J. (2026), Globaler Ölmarkt im Zeichen der Geopolitik, Wirtschaftsdienst 106 (7), 543–544.

Gutkowski, V., C.S. Gascon and R. Silvanus (2026), New survey findings on AI adoption and its effects on employment and productivity, St. Louis Fed On the Economy, https://www.stlouisfed.org/on-the-economy/2026/jul/new-survey-findings-ai-adoption-eighth-district, accessed on 20 October 2026.

Hegemann, H. and V. Wieland (2026), Scenarios concerning the possible consequences of the Iran war for Euro area inflation: Update July 2026, IMFS Working Paper 242, Institute for Monetary and Financial Stability, Goethe University Frankfurt, Frankfurt am Main.

Helaba Research (2026), Wochenausblick 9. Oktober 2026, Landesbank Hessen-Thüringen, Frankfurt am Main.

Iacoviello, M. and G. Navarro (2019), Foreign effects of higher U.S. interest rates, Journal of International Money and Finance 95, 232–250.

IEA (2026a), Gas Market Report, Q2-2026, International Energy Agency, Paris.

IEA (2026b), Copper prices have hit record highs, but smelters face mounting strategic pressures, https://www.iea.org/commentaries/copper-prices-have-hit-record-highs-but-smelters-face-mounting-strategic-pressures, accessed on 22 October 2026.

ifo Institute (2026a), ifo Geschäftsklimaindex gestiegen (Oktober 2026), ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München, https://www.ifo.de/fakten/2026-10-26/ifo-geschaeftsklimaindex-gestiegen-oktober-2026, accessed on 29 October 2026.

ifo Institute (2026b), ifo Konjunkturperspektiven Oktober 2026, 53 (10), ifo Institute – Leibniz Institute for Economic Research at the University of Munich, Munich.

ifo Institute (2026c), ifo Exporterwartungen gesunken (September 2026), ifo Institut – Leibniz-Institut für Wirtschaftsforschung an der Universität München, https://www.ifo.de/fakten/2026-09-25/ifo-exporterwartungen-gesunken-september-2026, accessed on 22 October 2026.

Kohli, U. (2004), Real GDP, real domestic income, and terms-of-trade changes, Journal of International Economics 62 (1), 83–106.

Kotz, S., C. Krause and T. Schmidt (2026), Projektion der Wirtschaftsentwicklung bis 2030: Migrationseinbruch schadet dem mittelfristigen Wachstum, RWI Konjunkturbericht 77 (A04), RWI – Leibniz Institute for Economic Research, Essen.

Millard, R. (2026), Heatwaves push European gas prices close to Iran war highs, https://www.ft.com/content/42194267-cda2-4dcc-9487-02c5f239e034?syn-25a6b1a6=1, accessed on 22 October 2026.

Miranda-Agrippino, S. and H. Rey (2020), U.S. monetary policy and the global financial cycle, Review of Economic Studies 87 (6), 2754–2776.

de Montpellier, C. and B. Schroeder (2026), France's elusive €54bn fiscal fix, https://think.ing.com/articles/frances-elusive-54bn-fiscal-fix/, accessed on 22 October 2026.

OECD (2026), Global dept report 2026: Sustaining debt market resilience under growing pressure, OECD Publishing, Organisation for Economic Co-operation and Development, Paris.

Ozkan, S., A. Kalyani and N. Sullivan (2026), AI and productivity: What firms are saying on earnings calls, St. Louis Fed On the Economy, https://www.stlouisfed.org/on-the-economy/2026/jul/ai-productivity-what-firms-say-earnings-calls, accessed on 31 July 2026.

Rubinton, H. and B.A. Patro (2026), Tracking AI's contribution to GDP growth, St. Louis Fed On the Economy, https://www.stlouisfed.org/on-the-economy/2026/jan/tracking-ai-contribution-gdp-growth, accessed on 20 October 2026.

Rungcharoenkitkul, P. (2026), The AI investment race, BIS Working Paper 1367, Bank for International Settlements, Basel.

Troderman, J. (2026), China's crude oil imports fell in the second quarter, https://www.eia.gov/todayinenergy/detail.php?id=67905, accessed on 20 October 2026.

UBA (2026), Fahrleistungen, Verkehrsleistung und Modal Split, Umweltbundesamt, https://www.umweltbundesamt.de/daten/umweltzustand-trends/verkehr/fahrleistungen-verkehrsleistung-modal-split, accessed on 22 October 2026.

Weichenrieder, A.J. (2026), Abschreibungen und die wachsende Kluft zwischen Brutto- und Nettoinlandsprodukt, Perspektiven der Wirtschaftspolitik 27 (2), 173–183.

The White House (2026), Actions by the United States in the investigations under section 301 of the Trade Act of 1974 of the acts, policies, and practices of 60 economies related to the failure of each economy to impose and effectively enforce a prohibition on the importation of goods produced with forced labor, Presidential Memorandum, Washington, DC, 23 July.

Wright, M. (2026), Hormuz reopening no longer hinges on a US-Iran deal, https://www.kpler.com/blog/hormuz-normalisation-no-longer-needs-to-wait-for-a-deal-08156, accessed on 7 October 2026.

WTO (2025), World Trade Report 2025: Making trade and AI work together to the benefit of all, World Trade Organization, Geneva.