



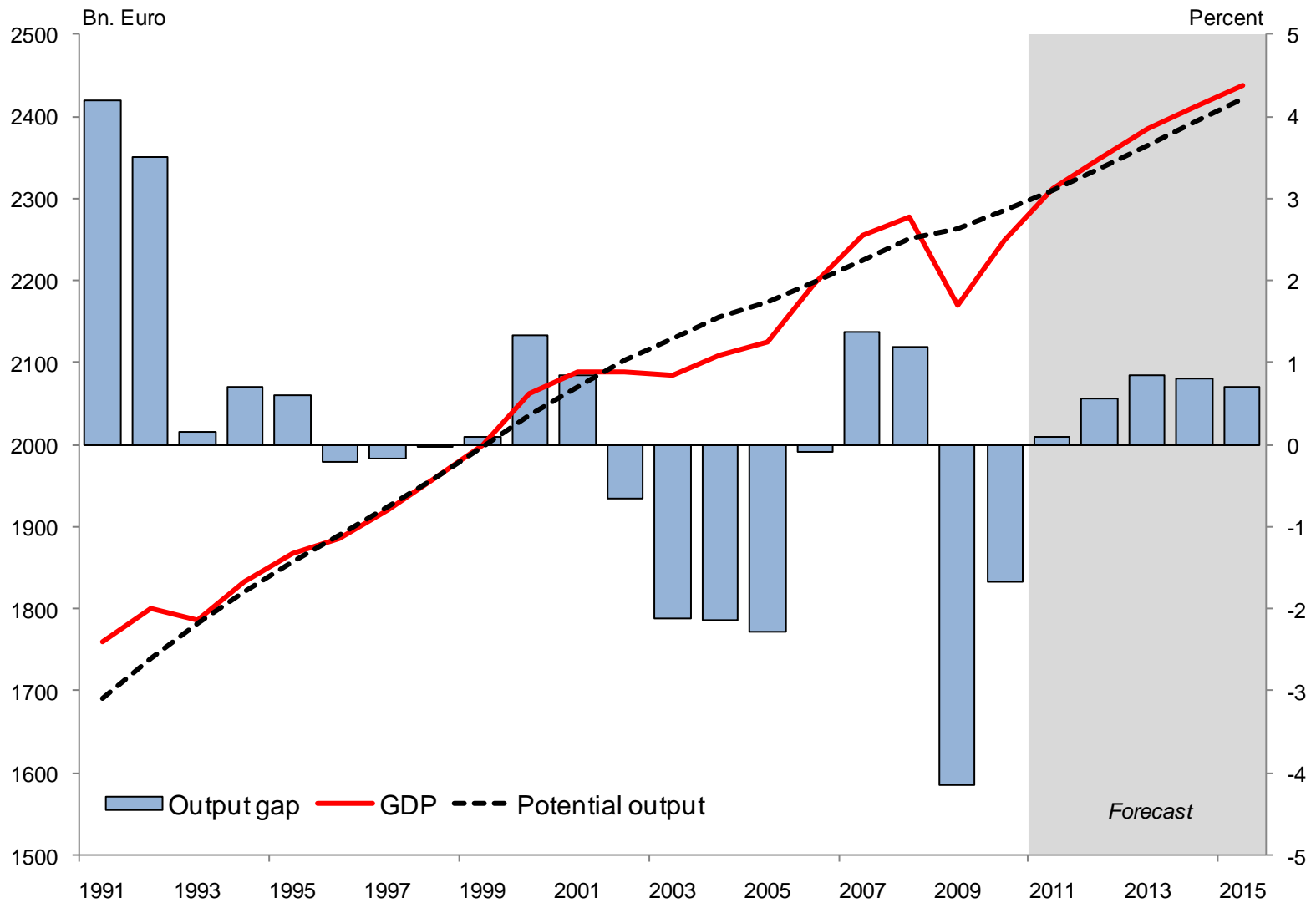
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Working Group on Long-term Issues and Structural Change

Stronger for Longer? Medium Term Outlook for the German Economy

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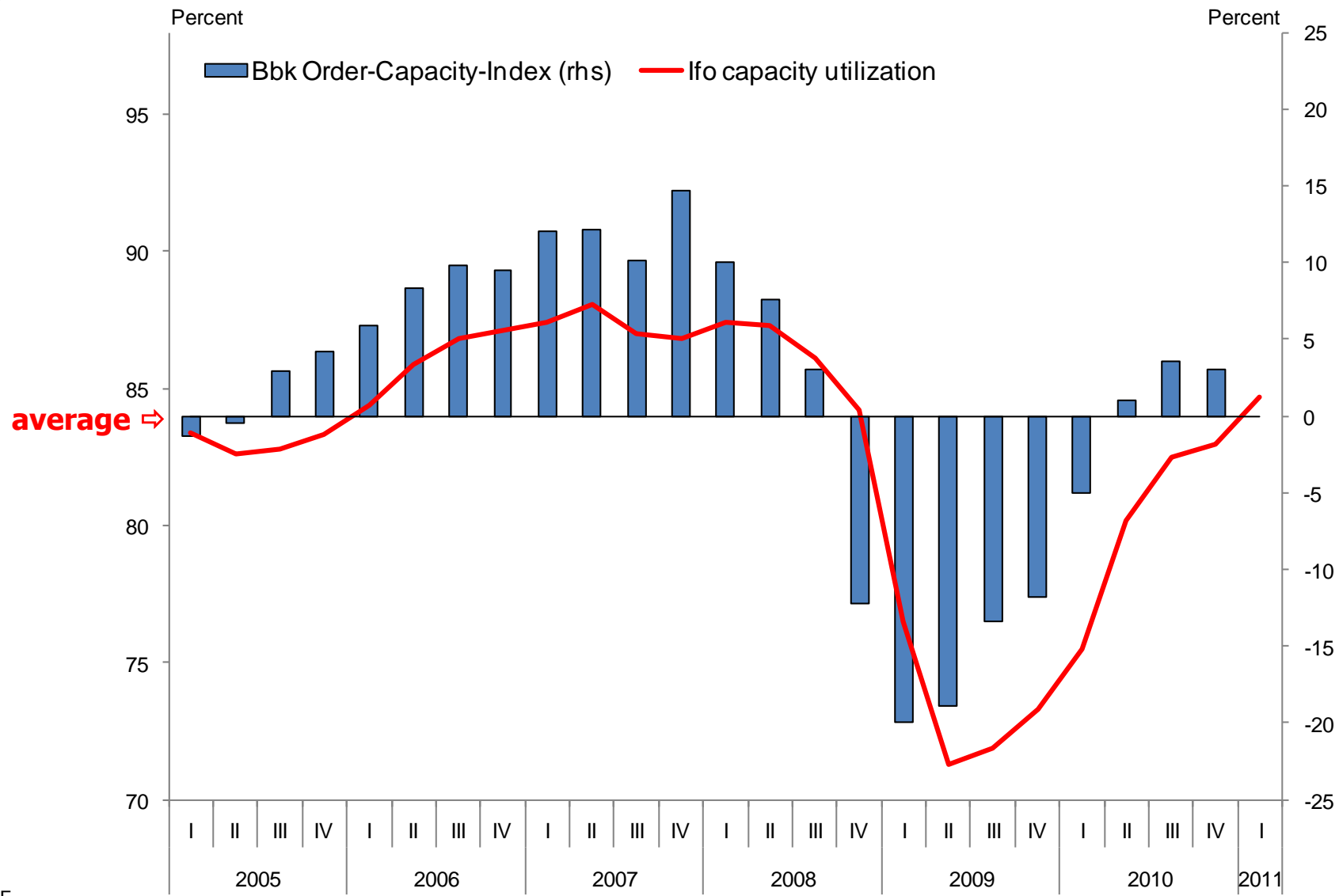


The boom starts ... now!



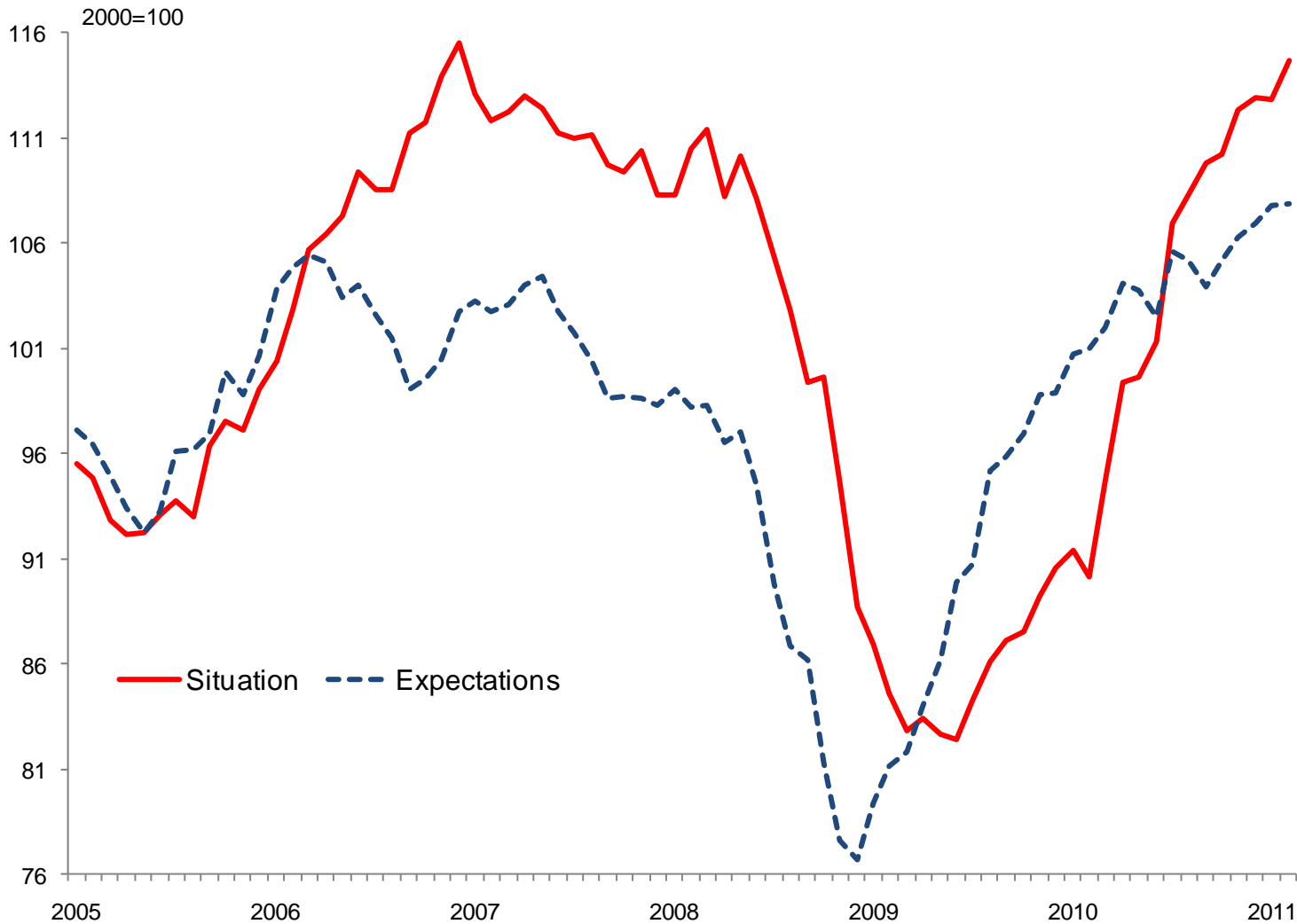


Capacity utilization passing normal levels



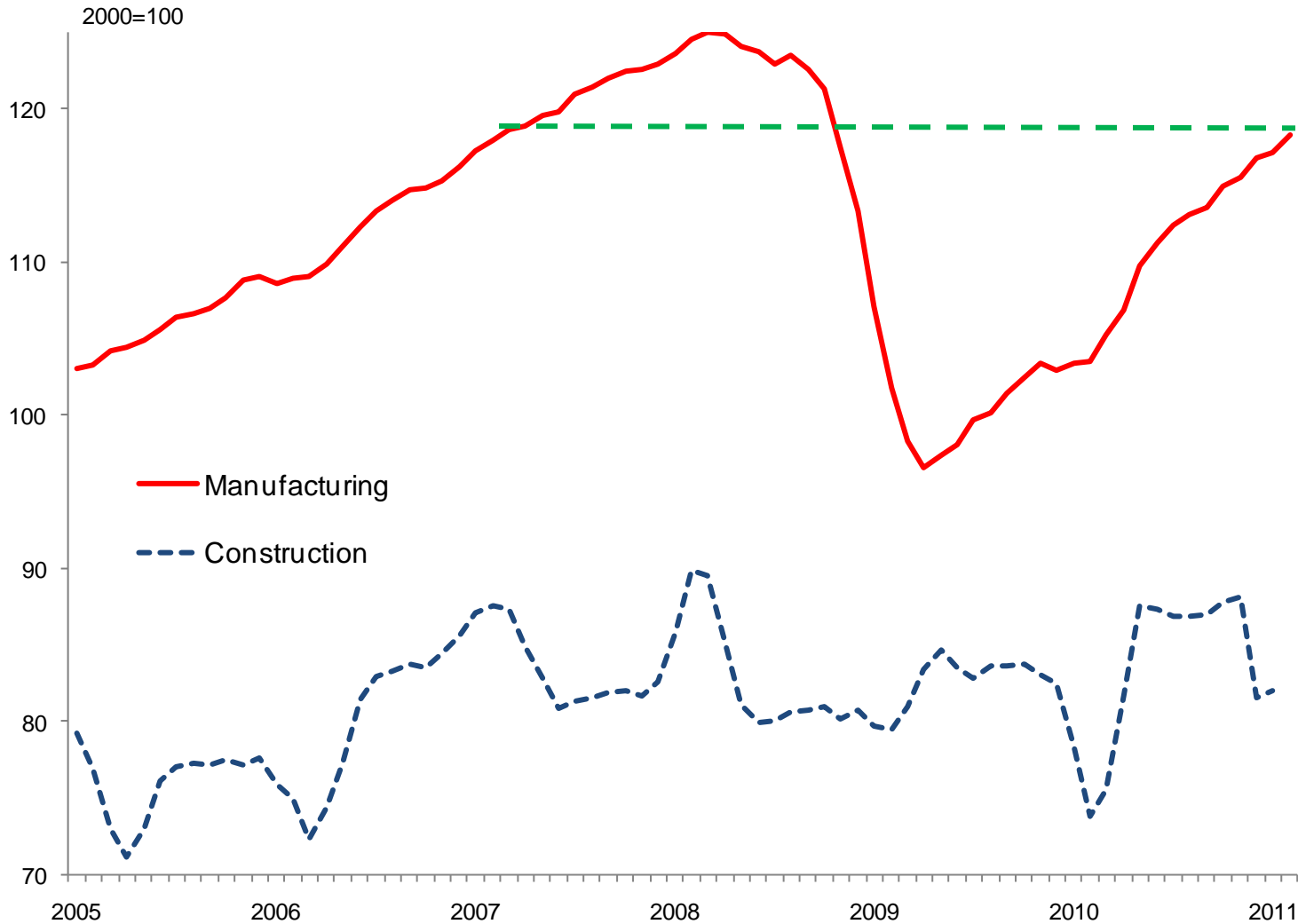


Business climate: A mental boom

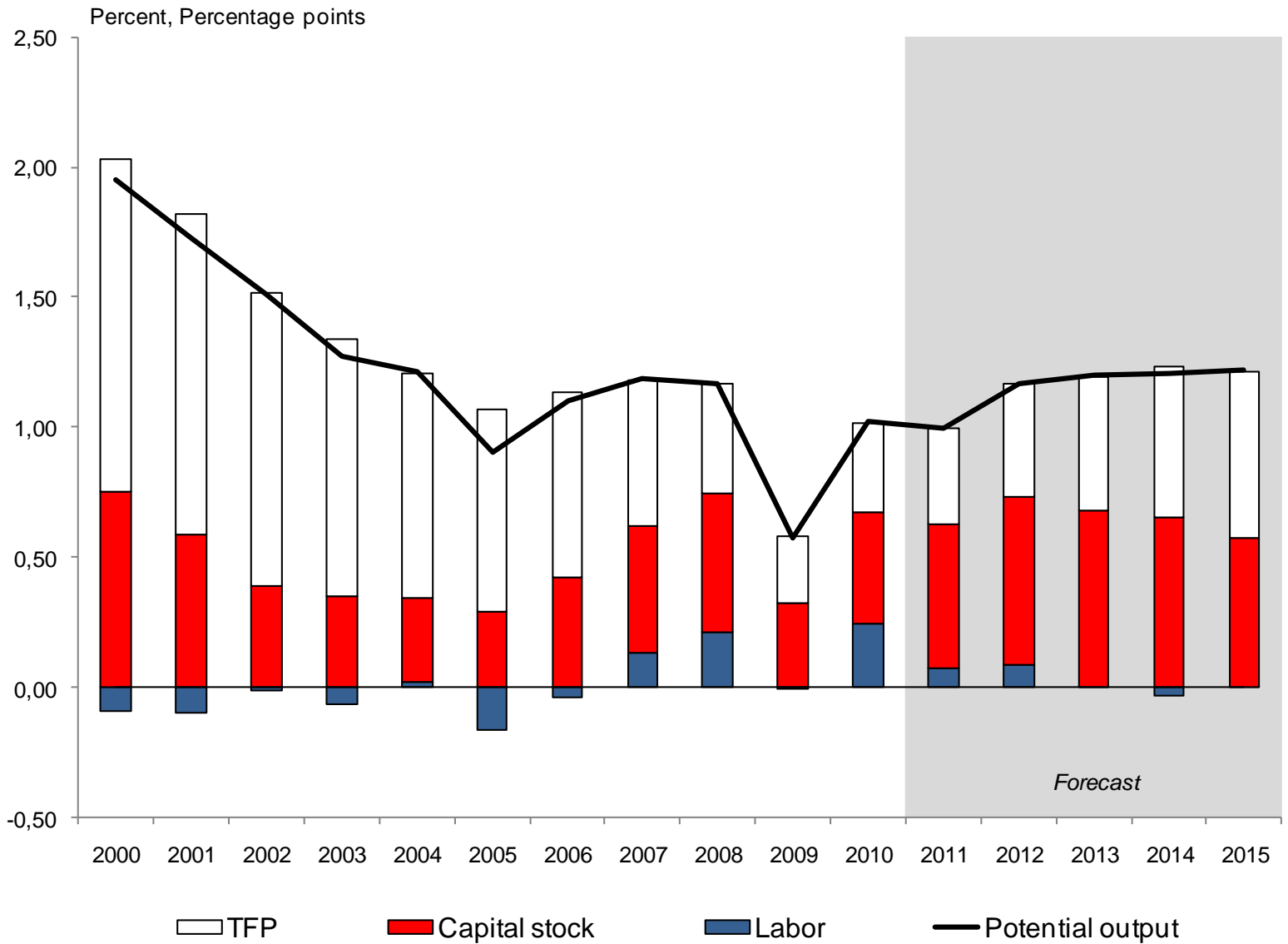




Production: Robust catching-up process

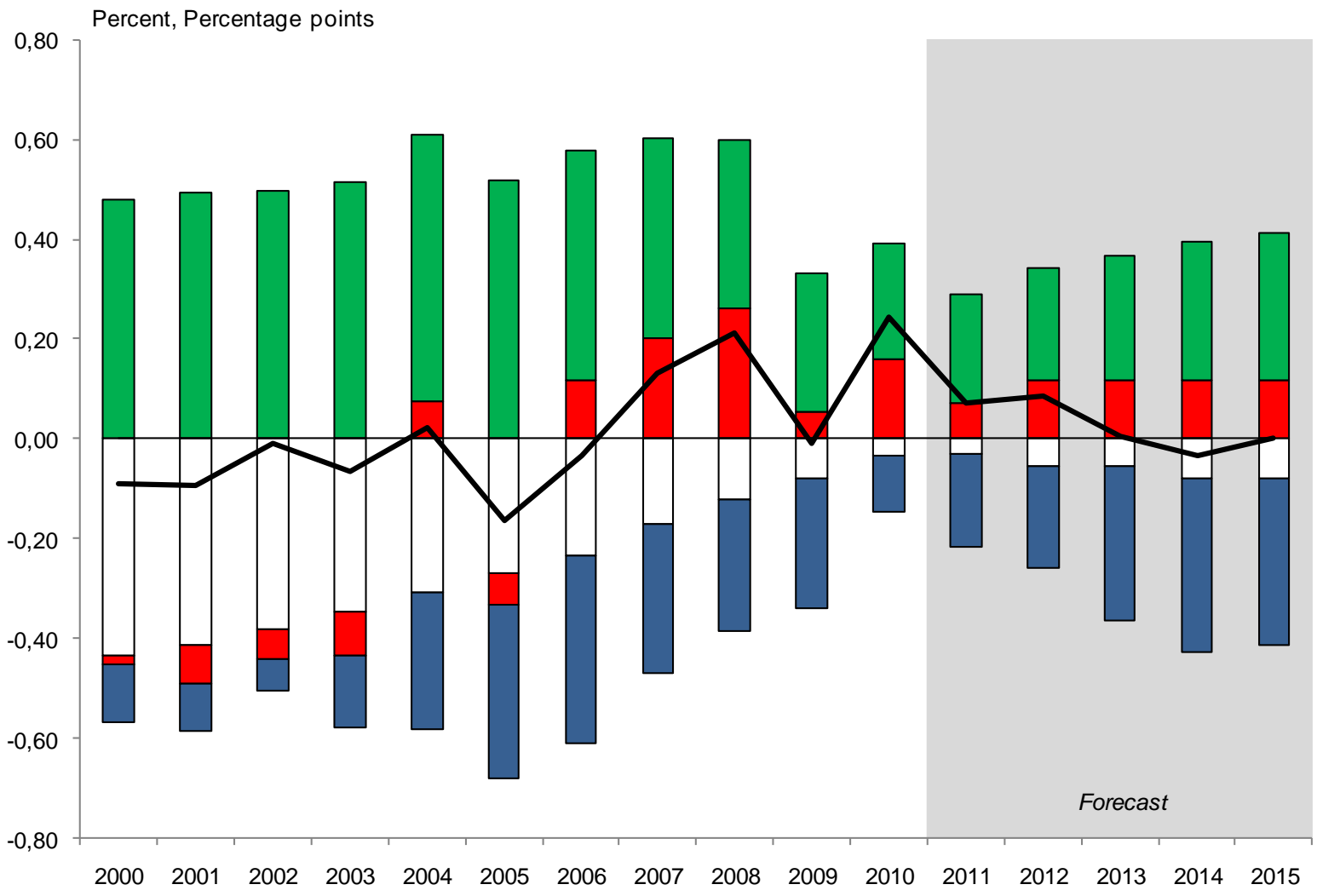


Potential output and main inputs





Stagnating potential labor force

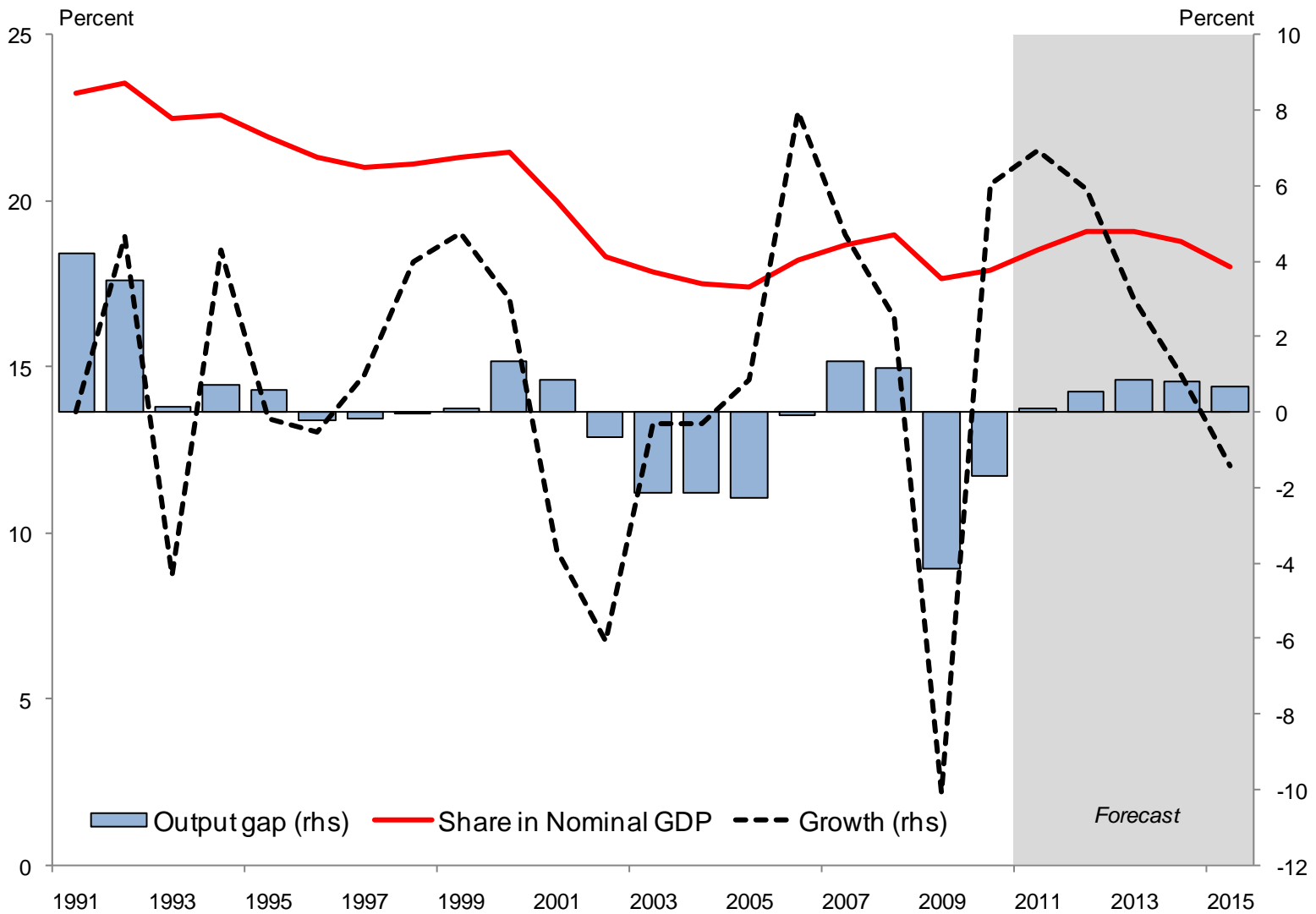


Forecast

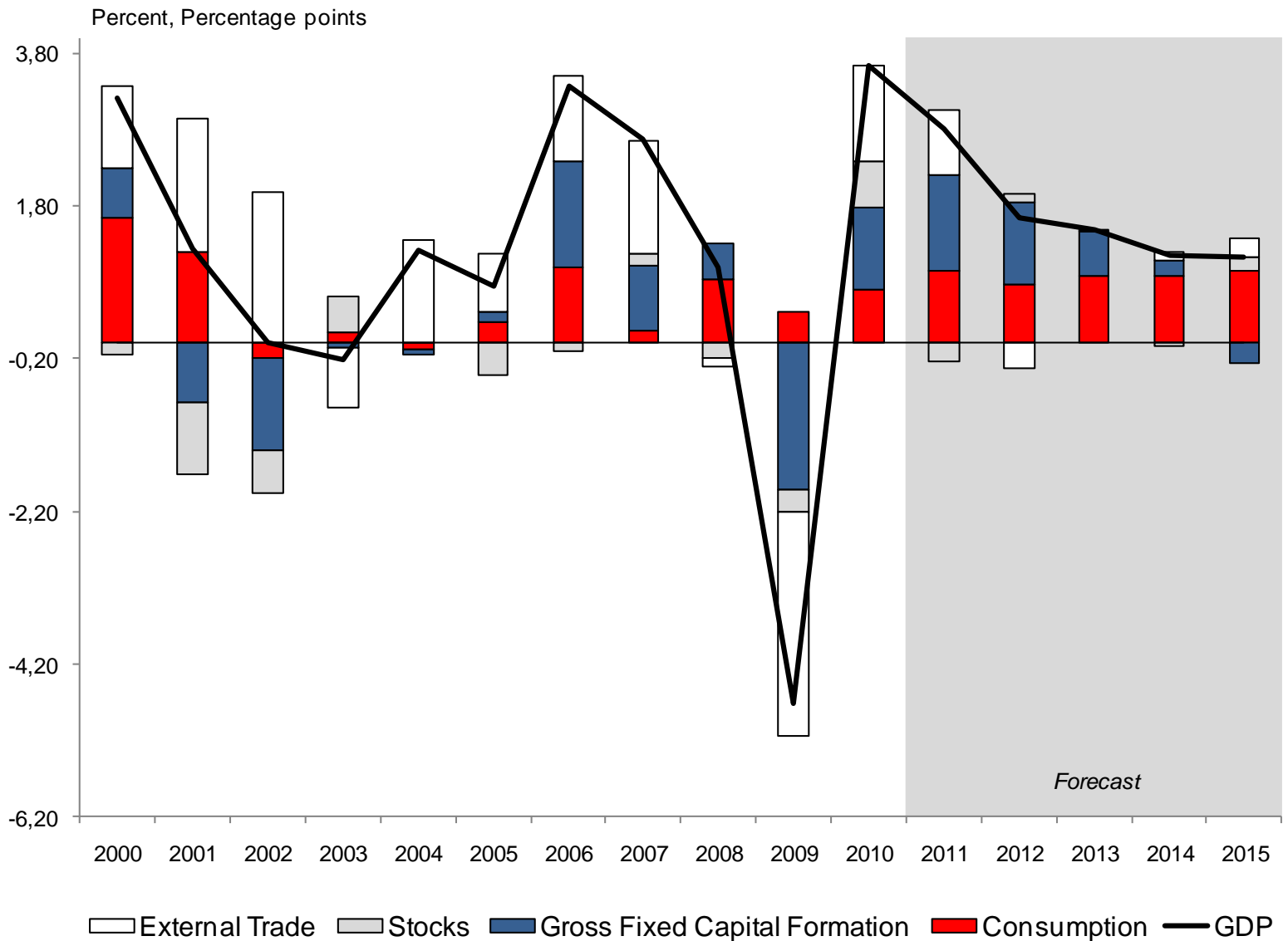
Active Population Participation NAIRU Time Hours worked



Investment cycle (fixed capital formation)



Expansion driven by domestic demand

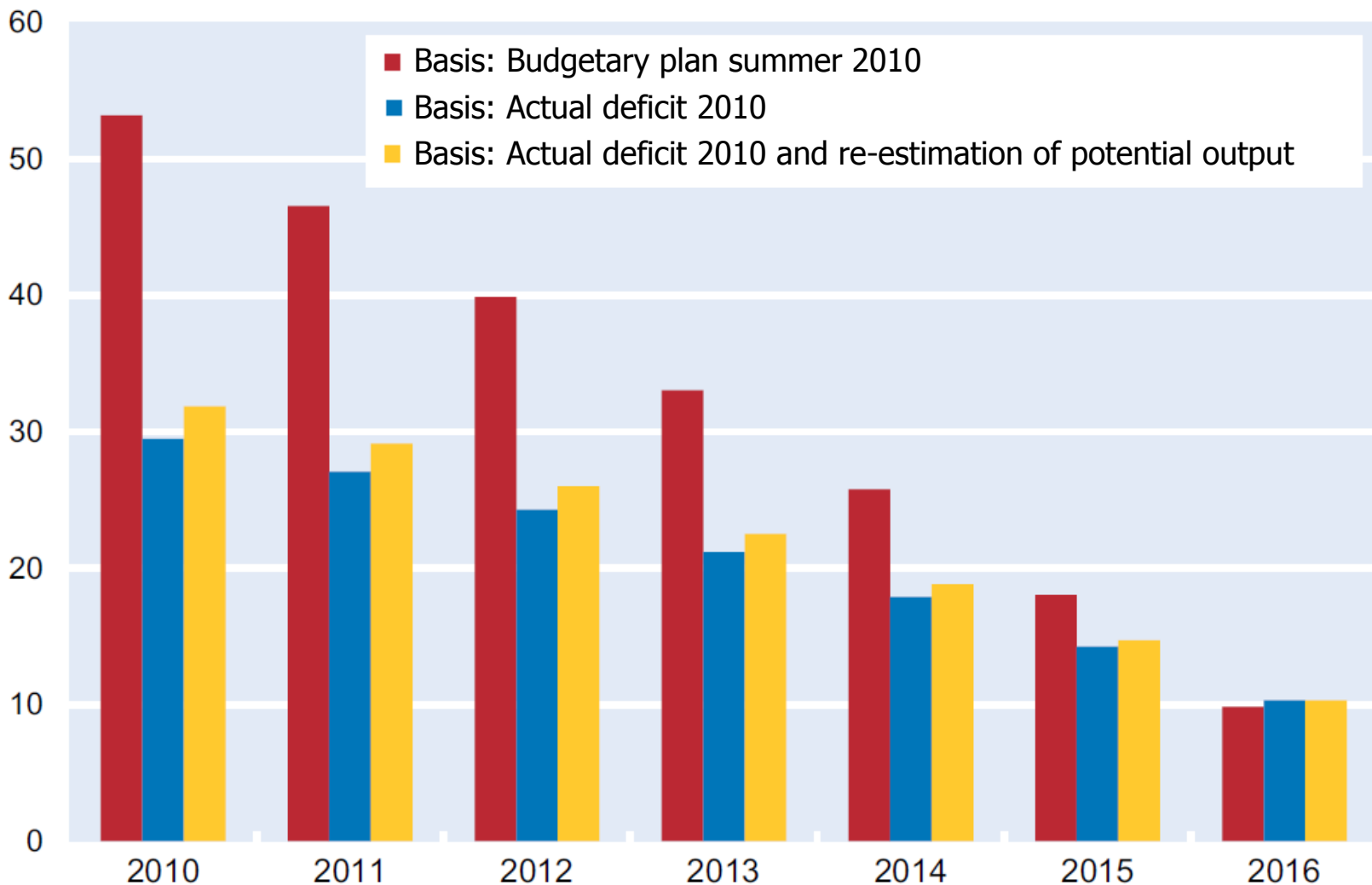


Key figures

	2001-2005	2006-2010	2011-2015*
	Average annual growth rates %		
GDP volume	0.6	1.2	1.6
Private consumption	0.3	0.4	1.2
Public consumption	0.4	2.0	1.1
Gross fixed investment, total	-1.9	2.2	3.1
Final domestic demand (incl. stocks)	-0.4	1.1	1.5
Export goods & services	6.2	4.6	6.9
Import goods & services	3.8	4.7	7.3
Consumer prices (deflator of pr. cons.)	1.4	1.3	2.1
Savings rate of households (average)	10.1	11.1	11.0
Unemployment rate % (ILO) (average)	9.1	7.9	5.5
GDP volume European Union	2.0	1.0	2.2
United States	2.4	0.9	2.8
World trade volume goods	6.1	3.5	8.0

Fiscal consolidation paths (German debt brake)

Maximum structural federal deficit (bn. Euro)





Stronger for longer: Strong at all?

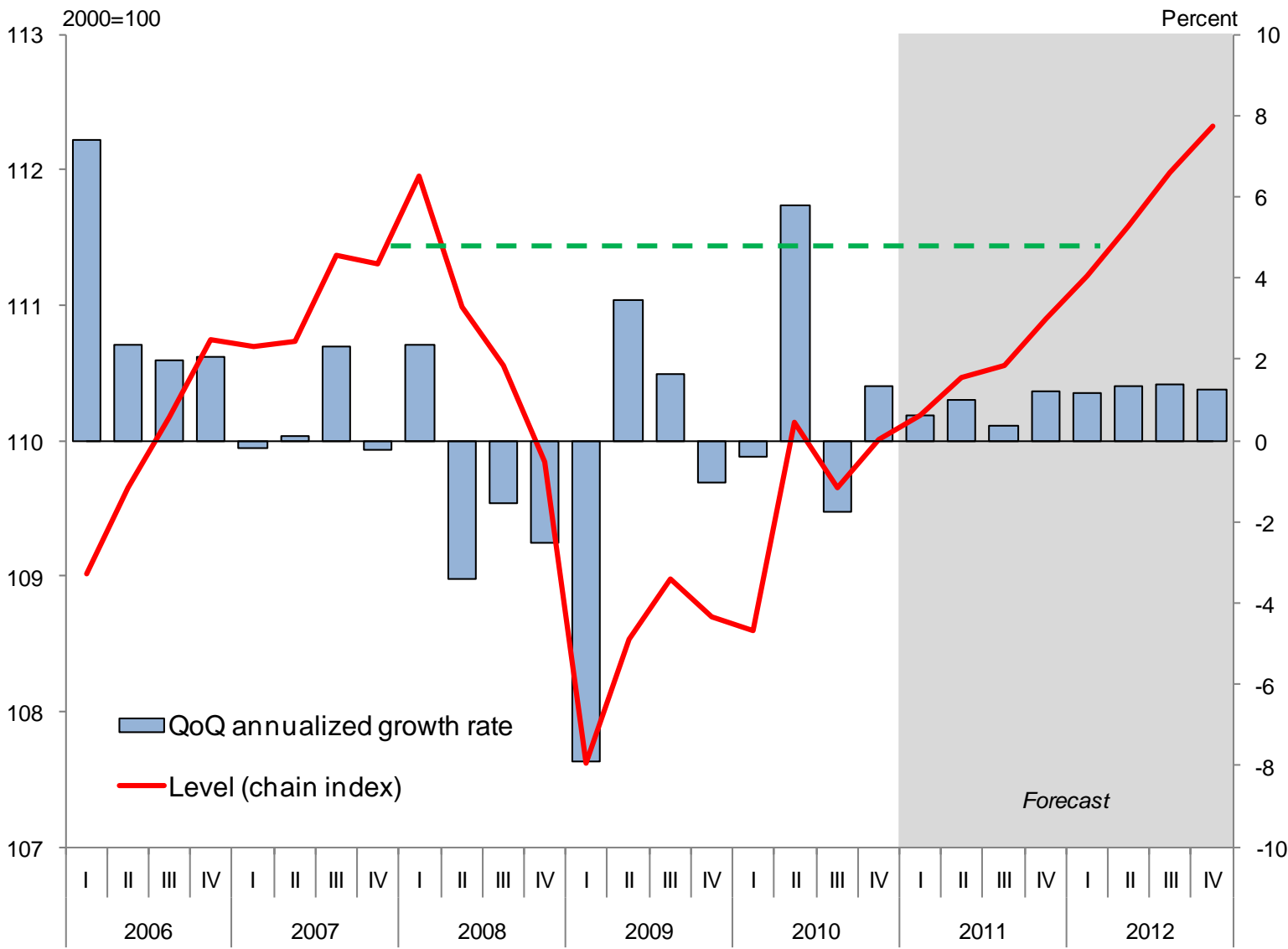
- Massive forgone production during crisis
 - Volume of 170 bn. Euro = 7.5 % of annual GDP (compared to no-growth-scenario)
 - (Impressive) Catching up ends in 2011-Q2

- Substantially worsened fiscal stance
 - Public debt/GDP: 66.3 % (2008) \Rightarrow 83.5 % (2011)
 - Public interest burden
 - (a) 10 percent of tax income
 - (b) +1pt interest rate \Rightarrow +18 bn interest payments

- \emptyset of 4 years with stagnating labor productivity



4 lost years of labor productivity growth





Stronger for longer? Key facts and perspectives 1

- Investment
 - Private investment cycle peaking in 2012/2013
 - Robust expansion of housing investment
 - Even stronger impact of very low interest rates?
 - Erosion of public capital stock continues
 - Substantial swing to user-financing not in view
 - Debt break \Rightarrow investment break?

- Consumption
 - Private consumption main demand-side driver (growth contribution 75 % in 2015)
 - Public consumption expanding along GDP growth



Stronger for longer? Key facts and perspectives 2

- No demand-pull growth engine for RoW
... but stagnating net exports at l(e)ast
 - Imports expanding faster than exports
 - ULC and inflation above EA average
- Supply-side upward risks
 - Labor productivity puzzle
 - Higher than expected labor force inflow?
- Mixed monetary/financial environment
 - Government debt crises foster expansionary monetary impact (save haven) ...
 - ... but additional risk for fiscal policy

⇒ **Strong recovery, modest growth perspectives**