

## Press Release 24/2024

Halle (Saale), September 5, 2024

### Moderate economic growth in the world – German economy continues to stagnate

Production in Germany has been stagnating for two years and is roughly the same level as shortly before the outbreak of the pandemic. Investment of firms is particularly weak. An important reason for fewer investments is the sluggish export business. Private households are also holding back on consumption, mainly due to concerns about the longer-term economic outlook. According to the autumn forecast of the Halle Institute for Economic Research (IWH), gross domestic product in Germany is likely to stagnate in 2024 and to increase by 1.0% in 2025 as capacity utilisation normalises. In June, the IWH forecast had still assumed a growth of 0.3% in 2024 and of 1.5% in 2025. In East Germany, gross domestic product will increase by 0.3% this year and by 0.9% in 2025.

Press embargo:  
September 5, 2024,  
12:00 p.m. CEST

Press contact  
Stefanie Müller-Dreißigacker  
Tel +49 345 7753 765 and -720  
presse@iwh-halle.de

Scientific contact  
Oliver Holtemöller  
Tel +49 345 7753 800  
oliver.holtemoeller@iwh-halle.de

### The IWH Forecasting Dashboard (ForDas)



The IWH-ForDas is an interactive platform for comparing macroeconomic forecasts from various institutes on the German economy.

#### Keywords

business cycle, consumption, economic development in Germany, economic growth, East Germany, export, forecast, Germany, global economy, gross domestic product, inflation, investments, production, wages

Halle Institute for Economic Research (IWH) – Member of the Leibniz Association  
Tel +49 345 7753 60  
Fax +49 345 7753 820

Kleine Maerkerstrasse 8  
D-06108 Halle (Saale)  
Germany

P.O. Box 11 03 61  
D-06017 Halle (Saale)  
Germany

[www.iwh-halle.de/en/](http://www.iwh-halle.de/en/)

#### Table

Forecast for Germany: Key Economic Indicators<sup>a</sup> for Germany, 2023–2026

	2023	2024	2025	2026
percentage change over previous year (price adjusted)				
Germany	-0.3	0.0	1.0	1.4
East Germany <sup>a</sup>	0.7	0.3	0.9	1.3
percentage change over previous year in %				
hours worked	0.4	0.2	-0.1	0.1
hourly union wages	3.6	4.7	2.7	2.9
hourly actual wages	6.6	4.8	3.3	2.9
unit labour costs <sup>b</sup>	6.7	4.9	2.5	1.6
consumer price index	5.9	2.3	2.4	2.2
1,000 persons				
employment (domestic)	46 011	46 178	46 238	46 284
unemployment <sup>c</sup>	2 609	2 773	2 845	2 851
in %				
unemployment rate <sup>d</sup>	5,7	6,0	6,1	6,1
East Germany <sup>a</sup>	7,2	7,5	7,6	7,6
in % of nominal GDP				
general government overall balance	-2.6	-2.0	-1.7	-1.6
current account balance	6.2	7.0	6.9	6.9

<sup>a</sup> East Germany including Berlin. – <sup>b</sup> Per hour (IWH calculations). – <sup>c</sup> Federal Employment Agency (BA) concept. –

<sup>d</sup> Unemployment in % of civilian labour force (Federal Employment Agency (BA) concept).

Sources: Federal Statistical Office; 2024–2026: IWH forecast (as of September 4, 2024).

At the end of summer 2024, the recent moderate pace of the global economy appears to continue. Although concerns about the US economy led to severe turbulence on the financial markets at the beginning of August, positive news calmed the markets again shortly afterwards. The US Federal Reserve and the European Central Bank are likely to

cut their key interest rates in September. Although fiscal policy in the advanced economies is slightly restrictive, the degree of restriction is likely to decrease. Global trade in goods, which has been stagnating for some time, has picked up again slightly since the spring. However, domestic demand in China is likely to remain weak, and the pace of expansion in the US is likely to slow, although the risk of a recession is not too high. The European economy is likely to pick up slightly in the winter half-year 2024/2025 as real wages rise.

Gross domestic product (GDP) in Germany fell slightly in the second quarter of 2024, with gross fixed capital formation down by 2.2% and private investment in equipment plummeting by 6.2%. Investment in equipment relative to GDP is significantly lower than before the pandemic. "One important reason for this is the long-term deterioration in export prospects, as Germany's share of global goods exports has fallen significantly," says Oliver Holtemöller, head of the Macroeconomics Department and Vice President at the IWH. "It is a considerable blow to the German economy if growth impulses no longer come from successes in the export sector." The savings rate of private households has risen again slightly. This is probably due to concerns about the economic future. However, real wage incomes are rising due to relatively high wage dynamics and a slowdown of inflation. "A renewed upward trend in private consumption in the winter half-year should therefore contribute to a slight economic recovery in Germany," says Oliver Holtemöller. The number of people in employment will remain roughly constant in the second half of 2024 and increase slightly in 2025. Consumer price inflation will average 2.3% in 2024 and 2.4% in 2025 because there will probably be no more dampening effects from a fall in energy prices. The general government deficit in relation to GDP will decrease from 2.6% in 2023 to 2.0% in the current year and 1.7% in 2025.

A considerable risk for the German economy lies in the widespread pessimism among firms regarding their earnings prospects. If the flow of negative surprises regarding the economic situation continues in the near future, sentiment is likely to deteriorate further according to the IWH researchers. "This would affect private investment activity in particular and prevent the gradual stabilisation in the coming quarters assumed in this forecast", economist Oliver Holtemöller says. In addition, German export industries would be affected by a deterioration in the global economy, which could be triggered by a slowdown in the US or bad news from the various geopolitical trouble spots.

The extended version of this forecast contains two boxes (both in German):

[Box 1: On the latest revision of the national accounts](#)

[Box 2: On the estimation of potential output](#)

#### **Publication:**

*Drygalla, Andrej; Exß, Franziska; Heinisch, Katja; Holtemöller, Oliver; Kämpfe, Martina; Kozyrev, Boris; Lindner, Axel; Mukherjee, Sukanya; Sardone, Alessandro; Schultz, Birgit; Zeddies, Götz: Konjunktur aktuell: Moderate Expansion in der Welt – Deutschland weiter in der Stagnation. IWH, Konjunktur aktuell, Jg. 12 (3), 2024. Halle (Saale) 2024.*

---

#### **Scientific contact**

Professor Dr Oliver Holtemöller  
Tel +49 345 7753 800  
oliver.holtemoeller@iwh-halle.de

#### Press contact

Stefanie Müller-Dreißigacker  
Tel +49 345 7753 765 and -720  
presse@iwh-halle.de

 IWH on X (Twitter)

 IWH on LinkedIn

 IWH on Facebook

The IWH [list of experts](#) provides an overview of IWH research topics and the researchers and scientists in these areas. The relevant experts for the topics listed there can be reached for questions as usual through the IWH [Press Office](#).

The Halle Institute for Economic Research (IWH) – Member of the Leibniz Association was founded in 1992. With its four research departments – Financial Markets; Laws, Regulations and Factor Markets; Macroeconomics; Structural Change and Productivity –, IWH conducts economic research and provides economic policy recommendations, which are founded on evidence-based research. With the IWH's guiding theme "From Transition to European Integration", the institute's research concentrates on the determinants of economic growth processes with a focus on efficient capital allocation in a national and European context. Particular areas of interest for the institute are macroeconomic dynamics and stability, microeconomic innovation processes, productivity and labour markets, the dynamics of structural adjustment processes, financial stability and growth and the role of financial markets for the real economy.

The Leibniz Association connects 97 independent research institutions that range from the natural, engineering and environmental sciences via economics, spatial and social sciences to the humanities. Leibniz institutes address issues of social, economic and ecological relevance. They conduct knowledge-driven and applied basic research, maintain scientific infrastructure and provide research-based services. For further information, see <https://www.leibniz-gemeinschaft.de/en/>.