Deutsches Institut für Wirtschaftsforschung

DIW BERLIN

International Consultancy Program

Economic Outlook Germany 2007-2008

Berlin, 10 September 2007

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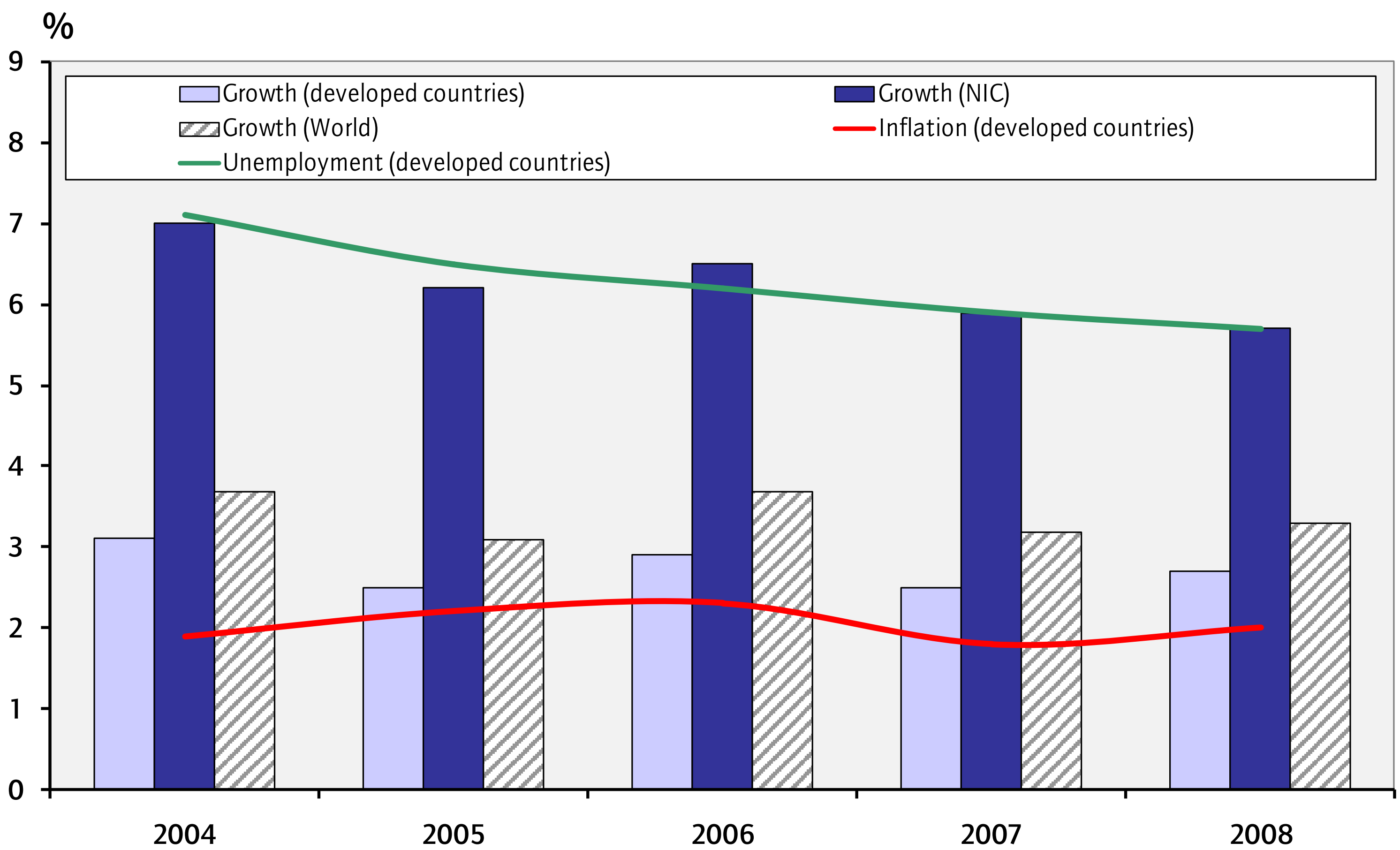
DIW Berlin - Macro Analysis and Forecasting

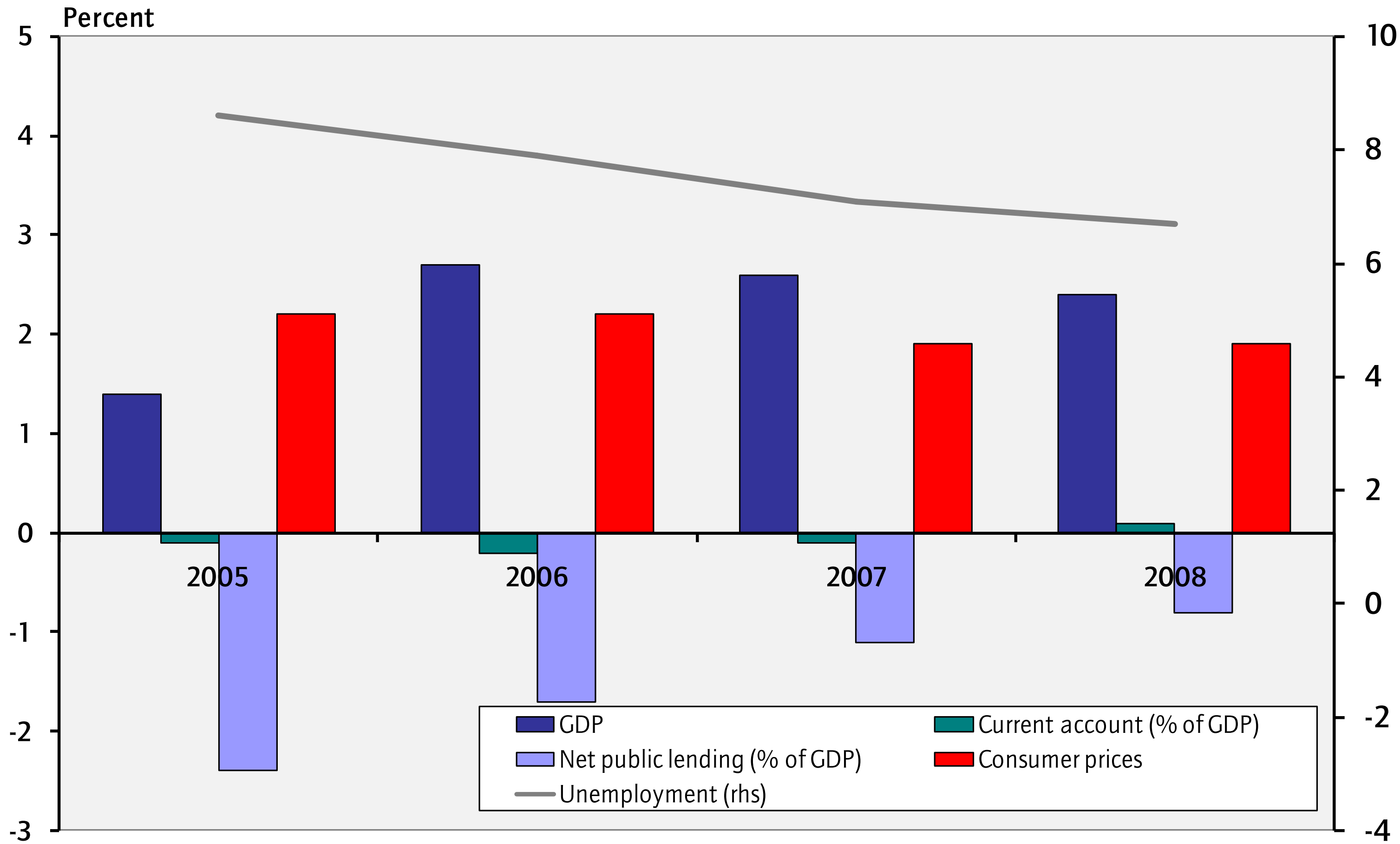
Key assumptions

	2007	2008
▪ Oil price	75 USD	75 USD
▪ Exchange rate	1,40 USD/Euro	
▪ World trade	+7,5 %	+7,5 %
▪ ECB reference rate	4,5 % (by end 2007)	
▪ Standard wage rate	+1,5 %	+2,8 %
▪ Shift effects (prod.)	3 Bill. Euro	

World perspectives

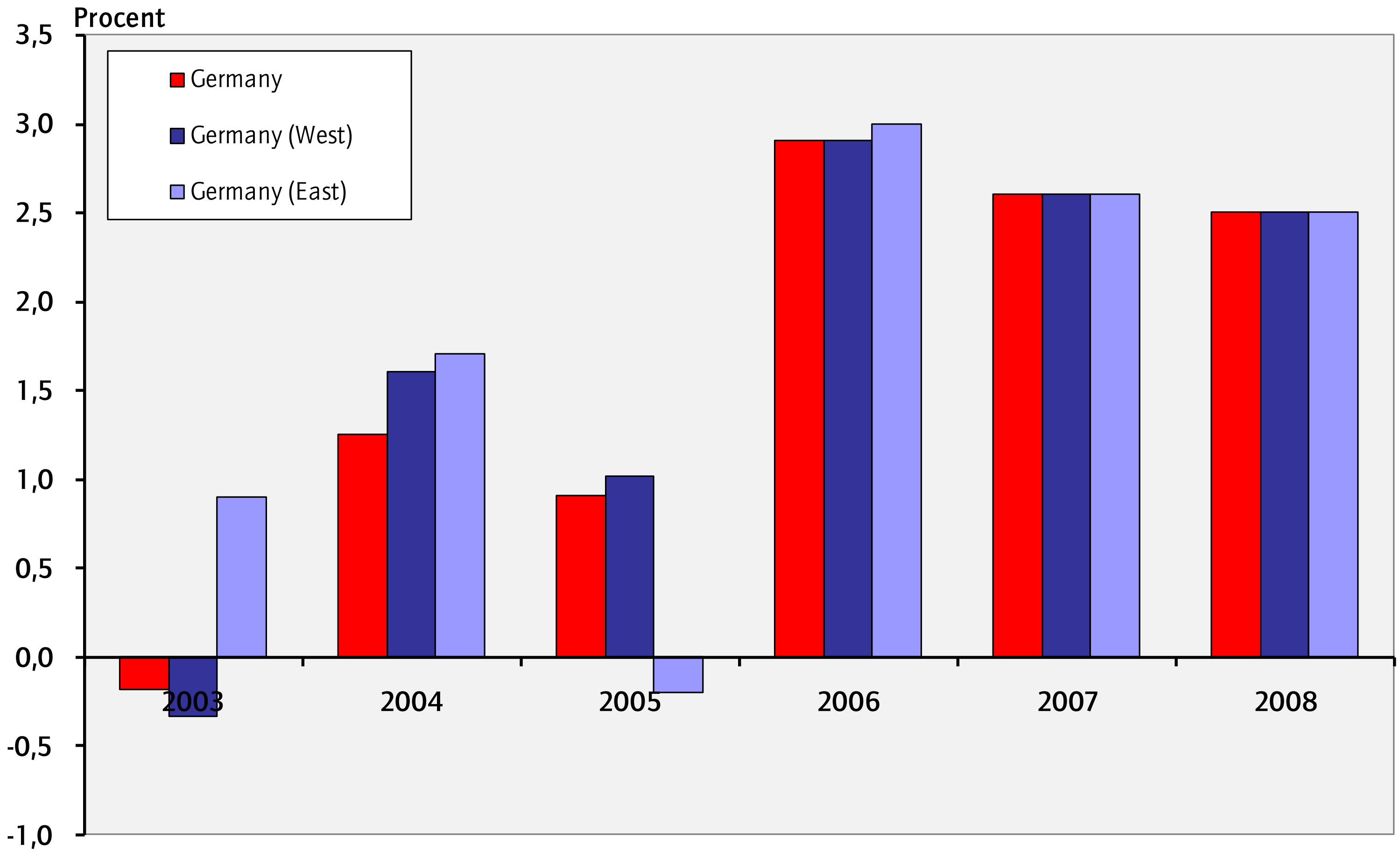


Eurozone perspectives

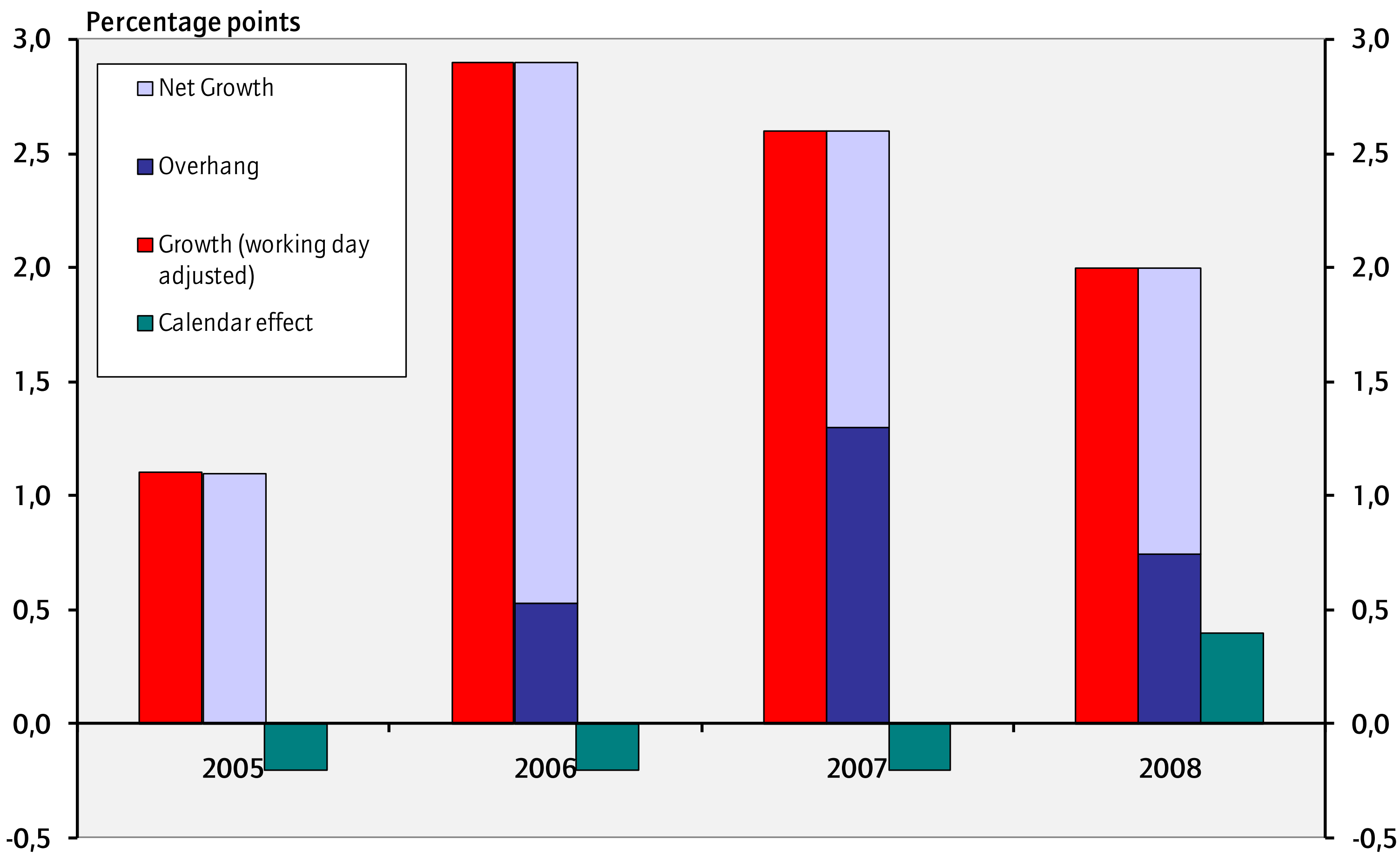


German growth perspectives: West and East

GDP growth rate in %

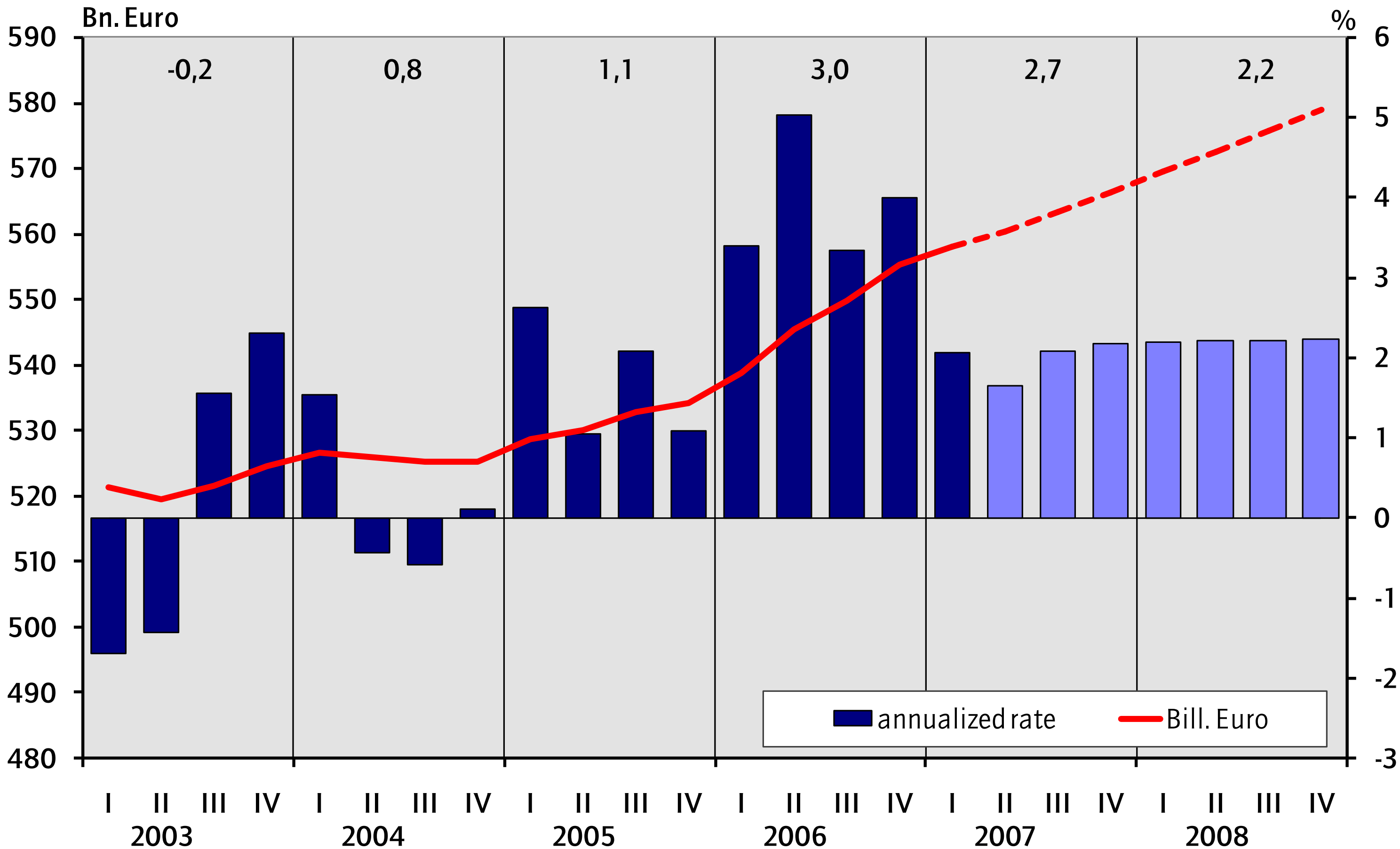


Technical growth components



German growth dynamics

GDP, working-day adjusted



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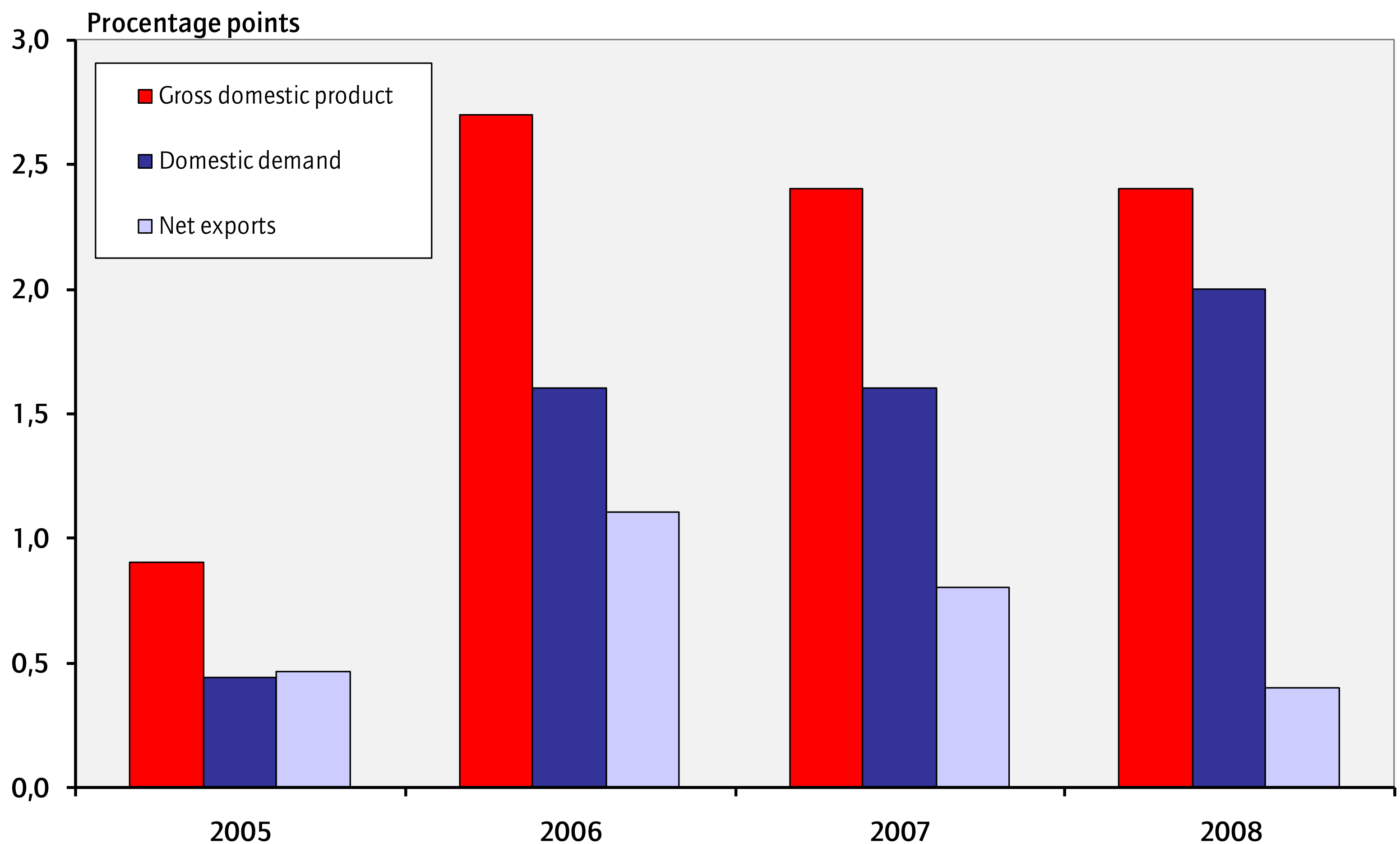
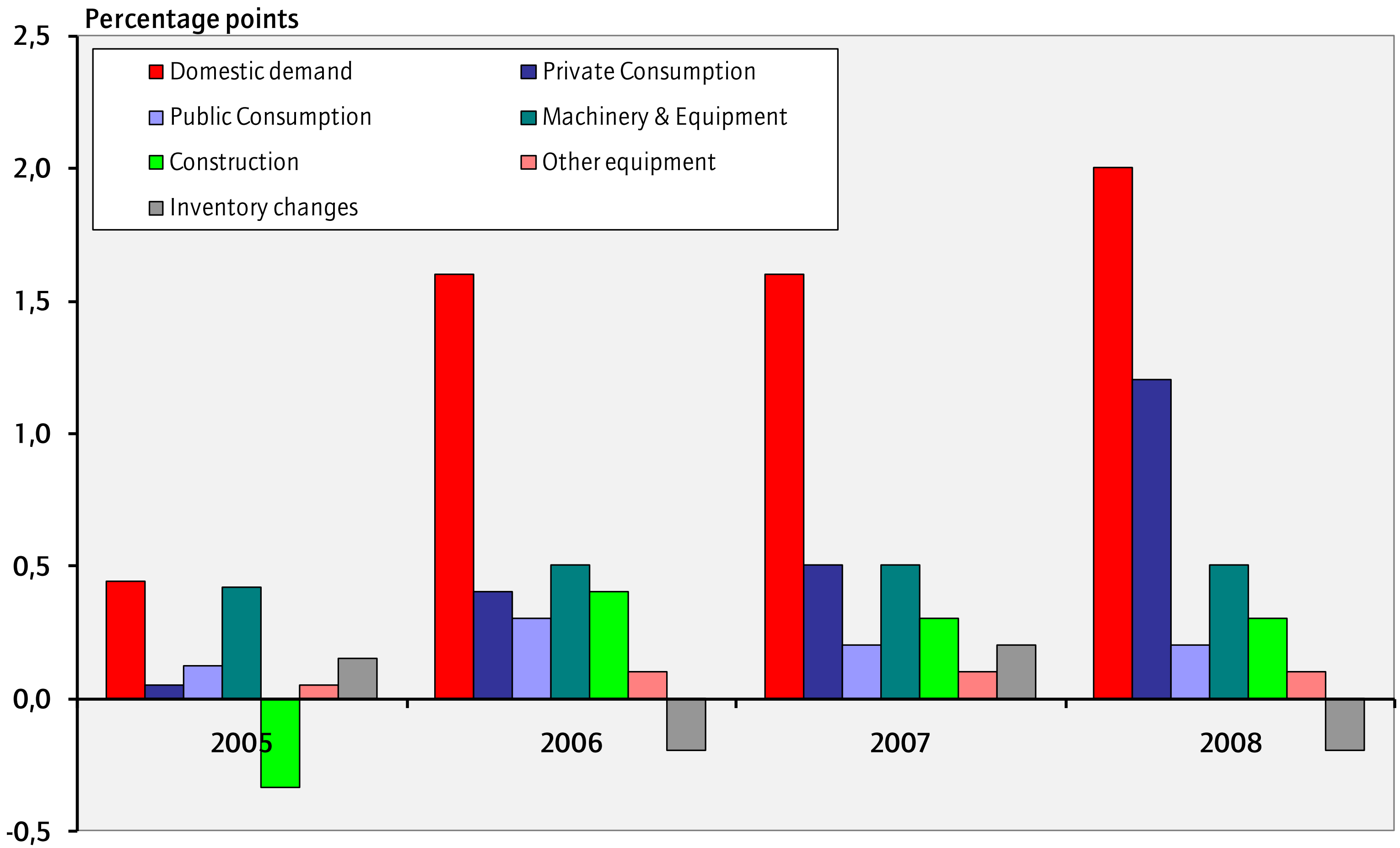
Domestic demand robust in 2007
Export surplus less important

GDP growth rate and components growth shares in %



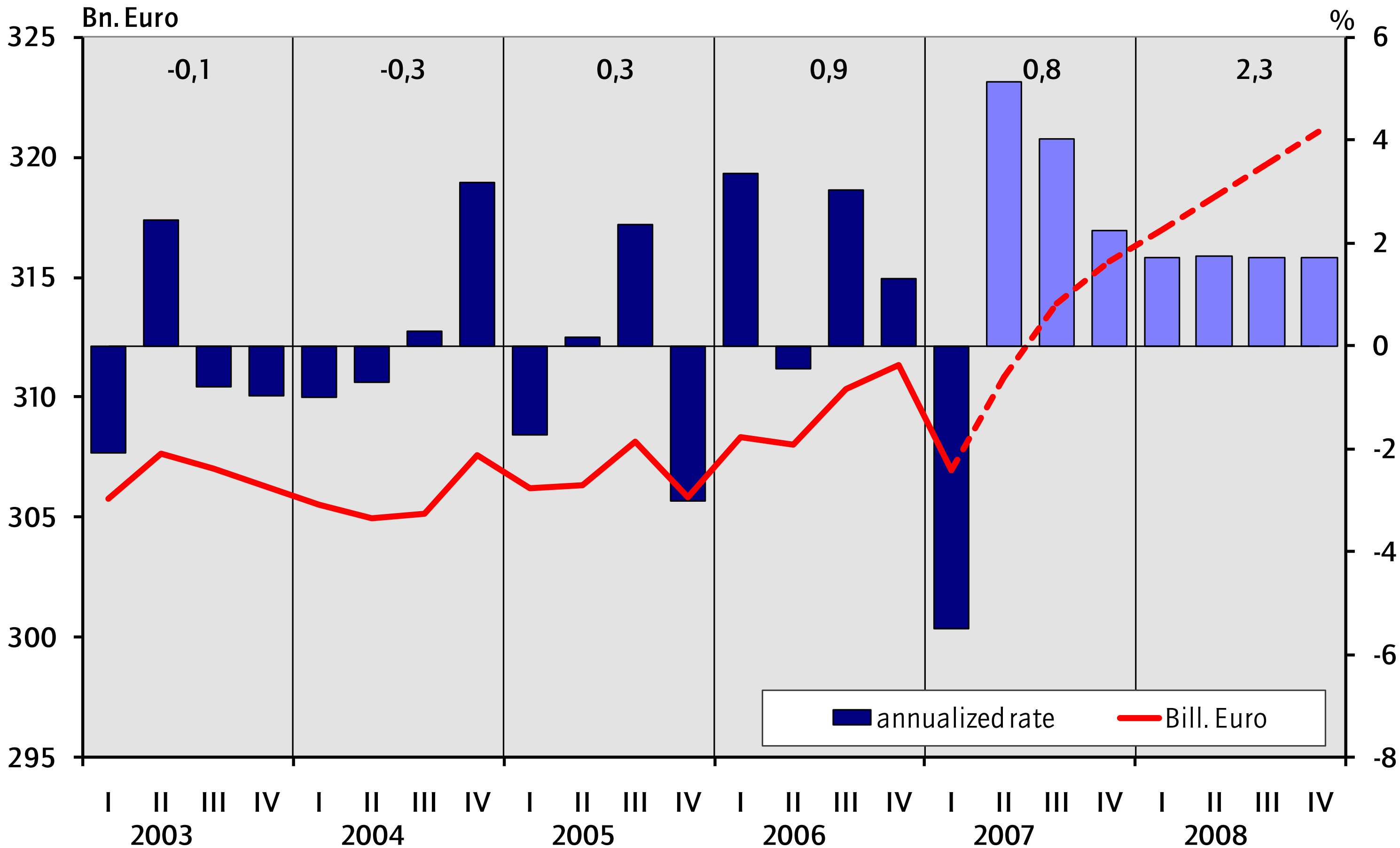
Domestic demand more balanced

Component growth contributions in %



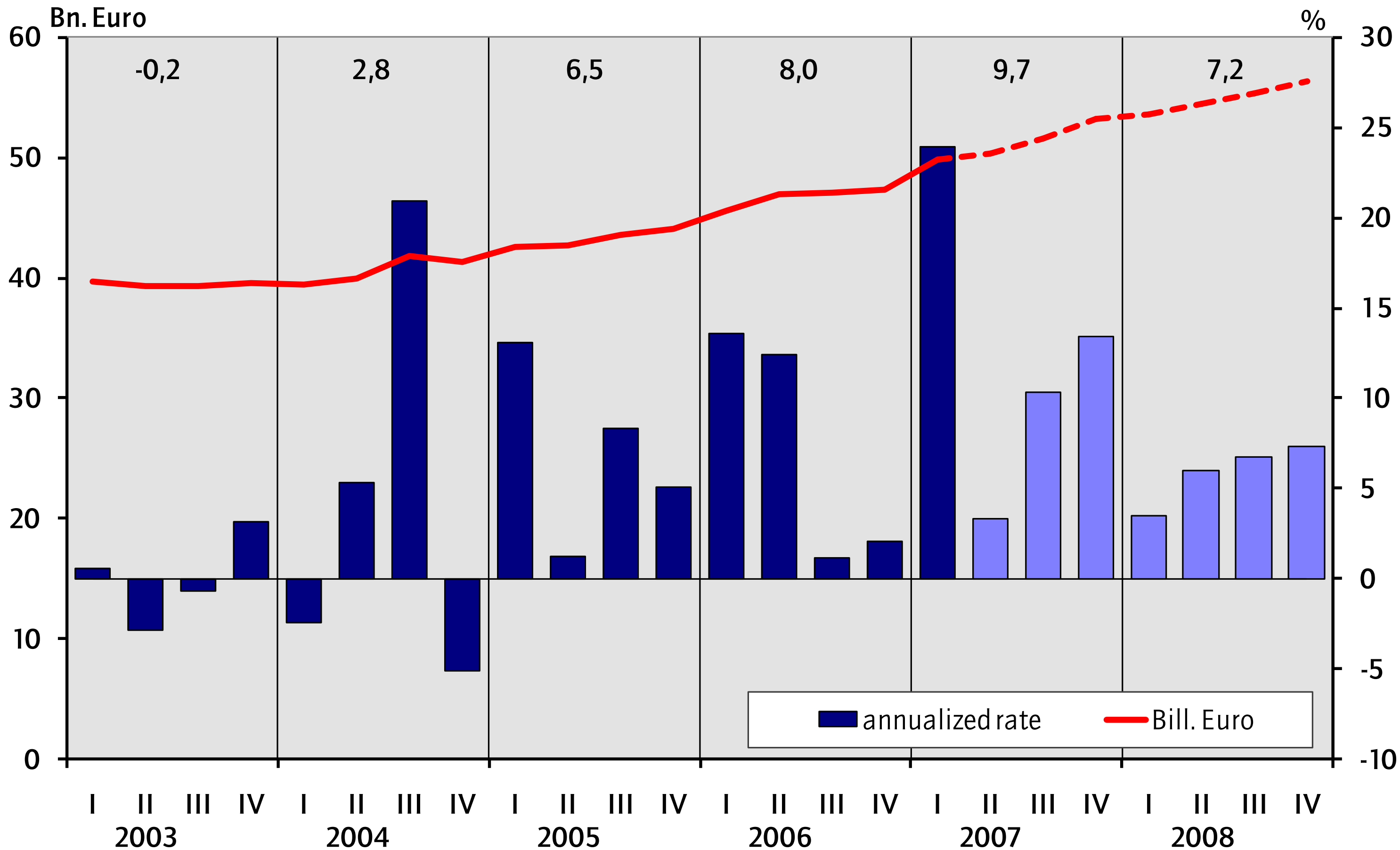
Private consumption: Recovery interrupted by VAT increase

Consumption of private households (seasonal and working-day adjusted)



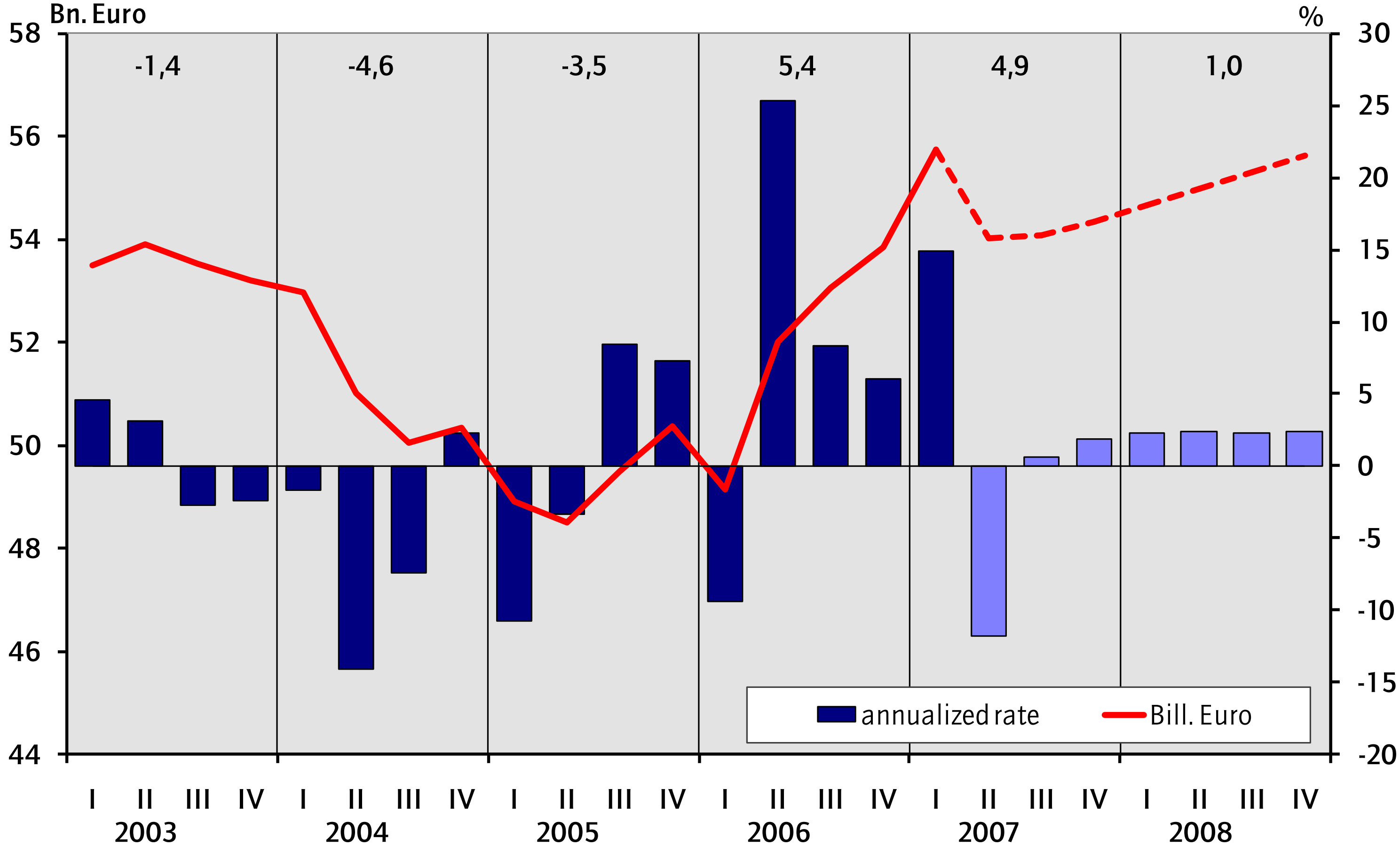
M&E: Moderate but robust growth

Investment in machinery and equipment (seasonal and working-day adjusted)



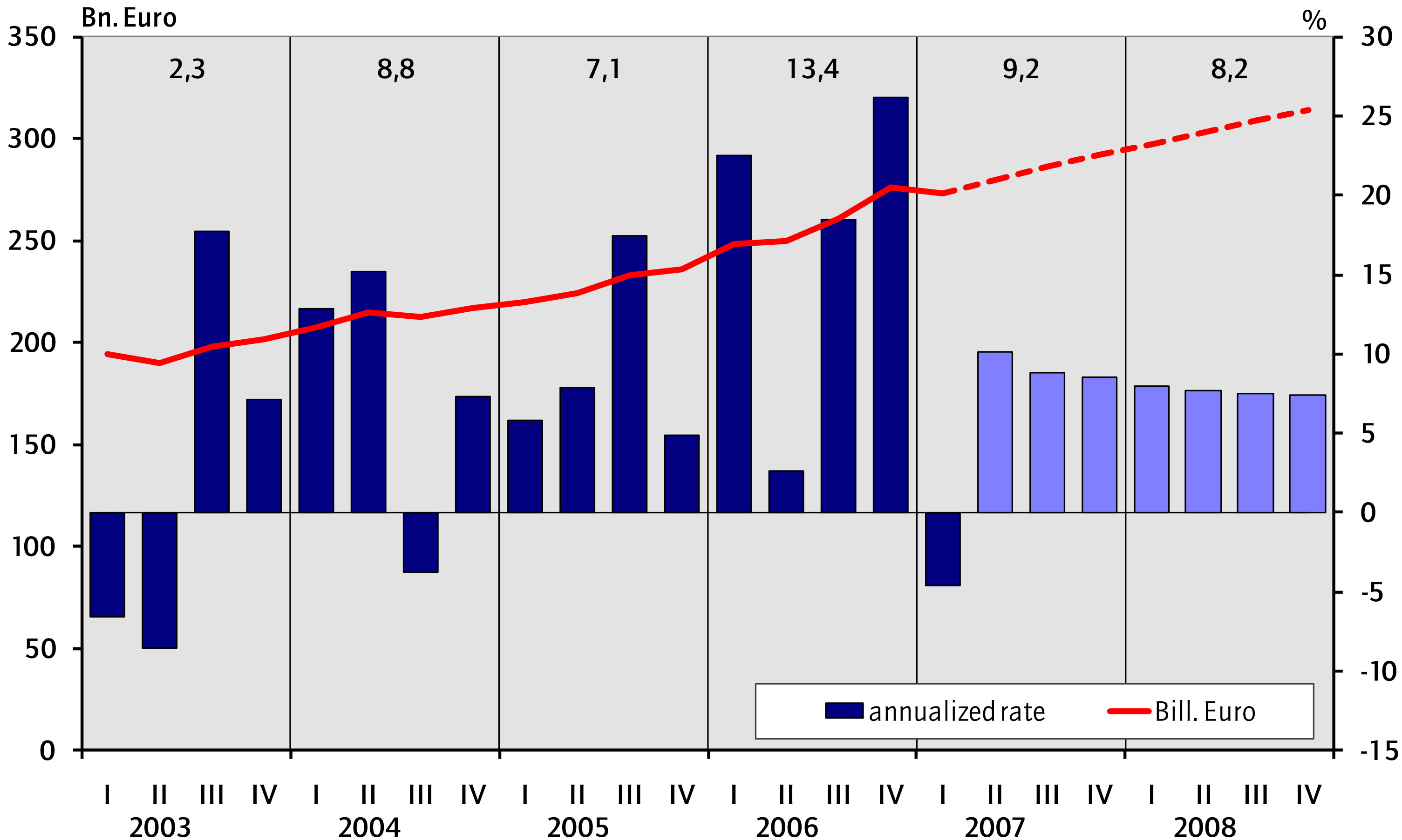
Construction: No longer a growth cruncher

Construction investment (seasonal and working-day adjusted)



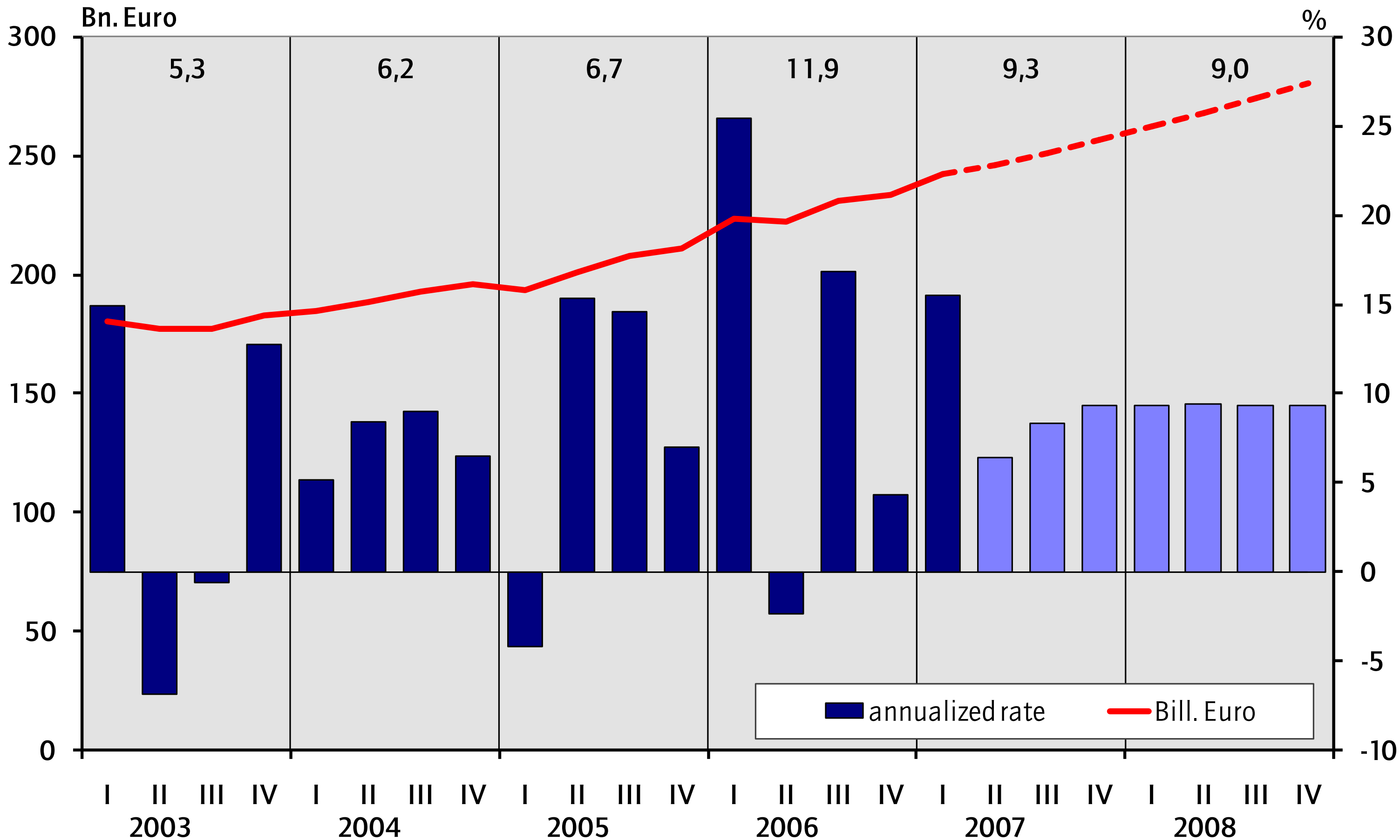
Export dynamics of a „world champion“

Exports of goods and services (seasonal and working-day adjusted)



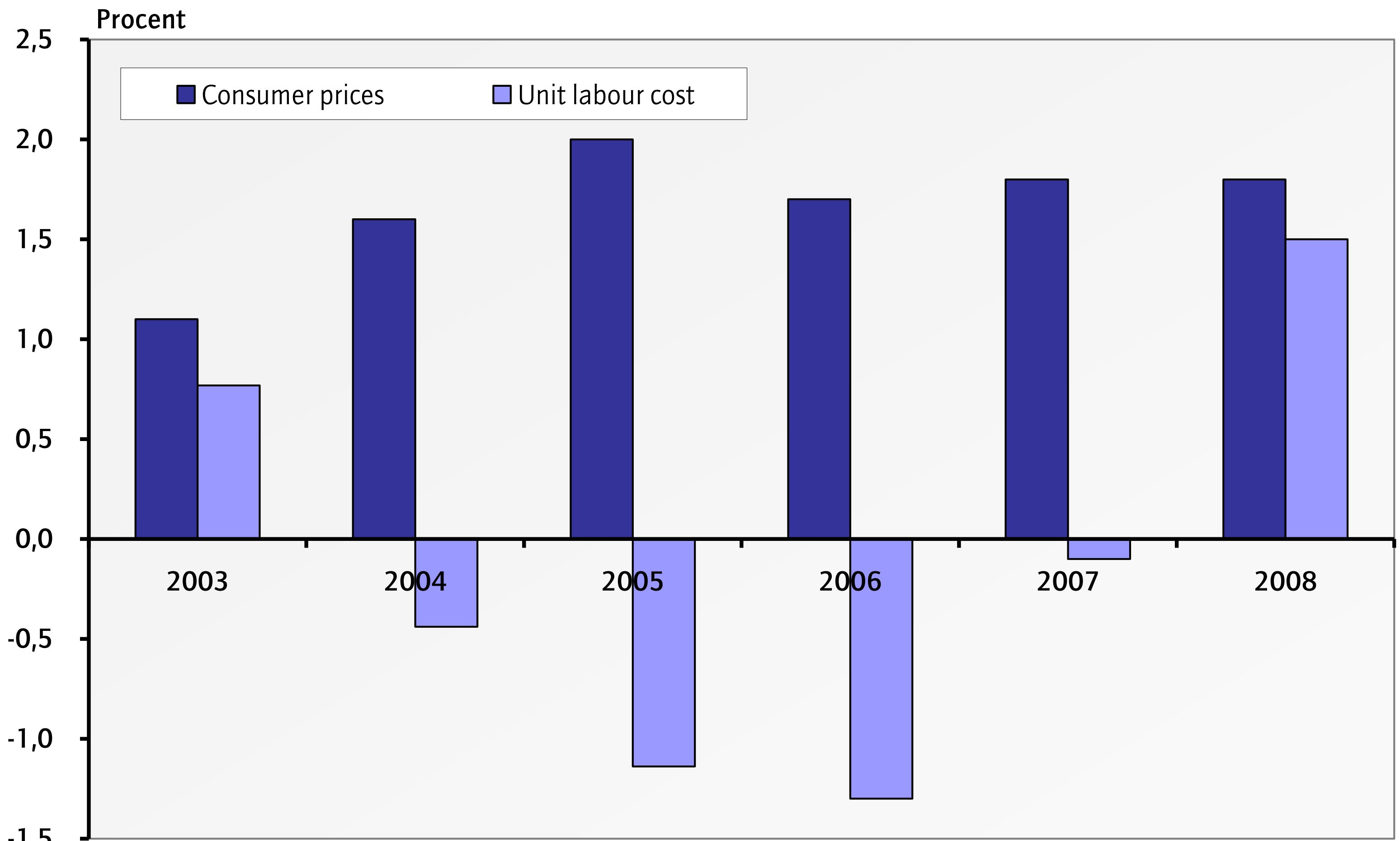
Import growth reflects domestic recovery

Imports of goods and services (seasonal and working-day adjusted)

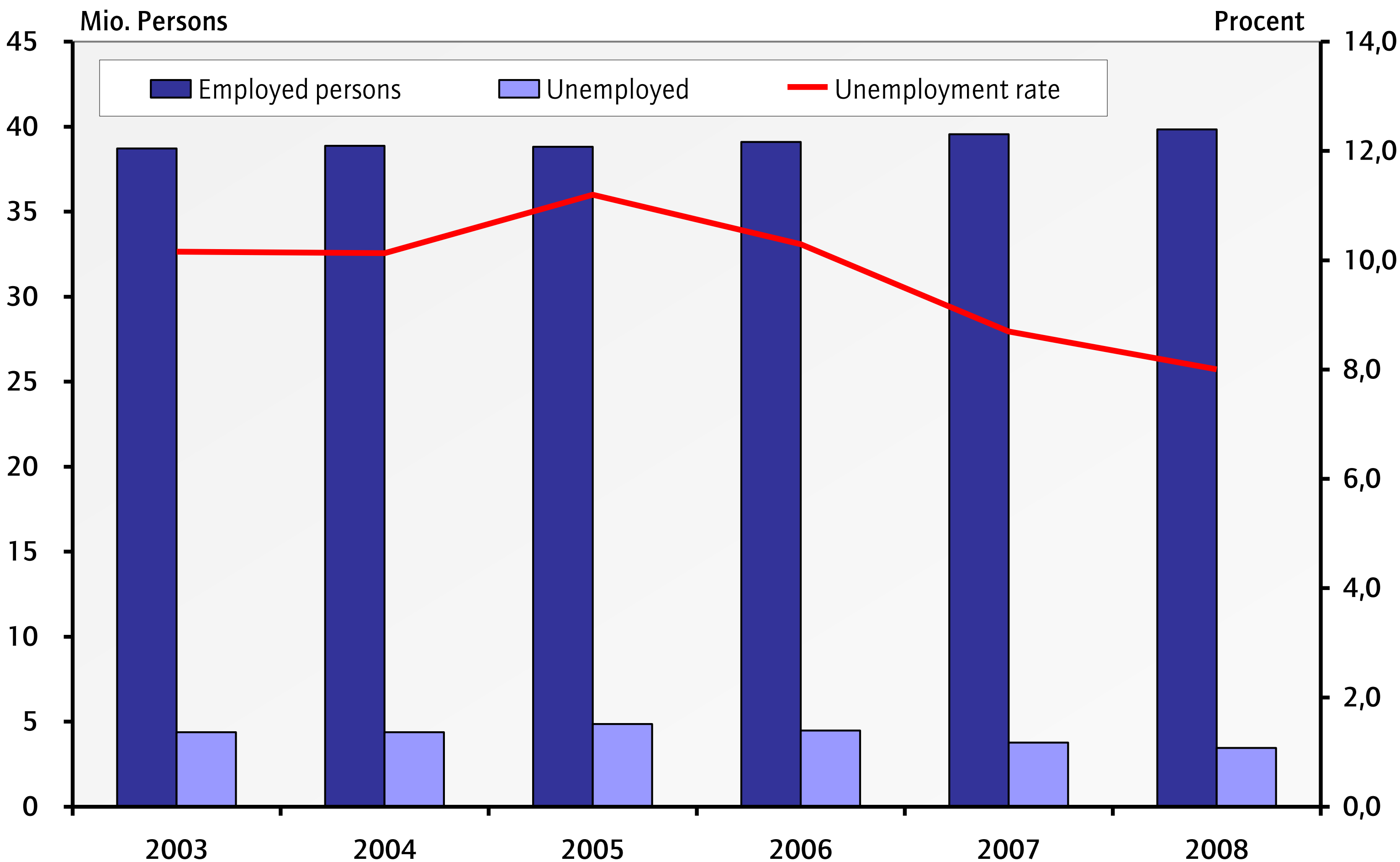


Competitiveness still raising
Inflation driven by exogenous factors

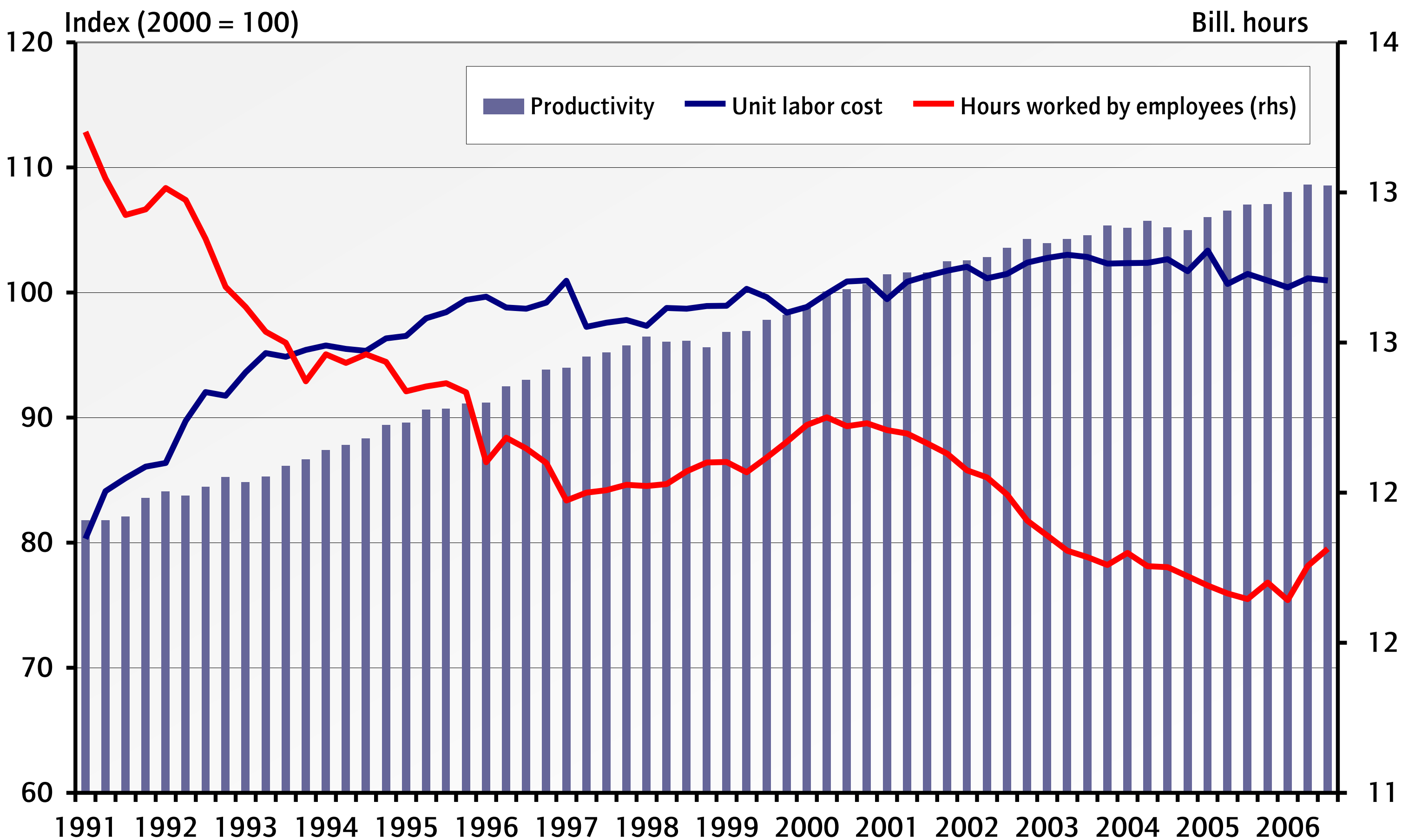
Consumer prices: HVPI



Labor market improving, but still calls for action



Productivity whip at work



Erosion of the Eastern cost disadvantage –finally, but at a productivity distance

West Germany = 100