Kiel Institute
for the World Economy

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Germany after the Crisis: Back on track, but major scars remain

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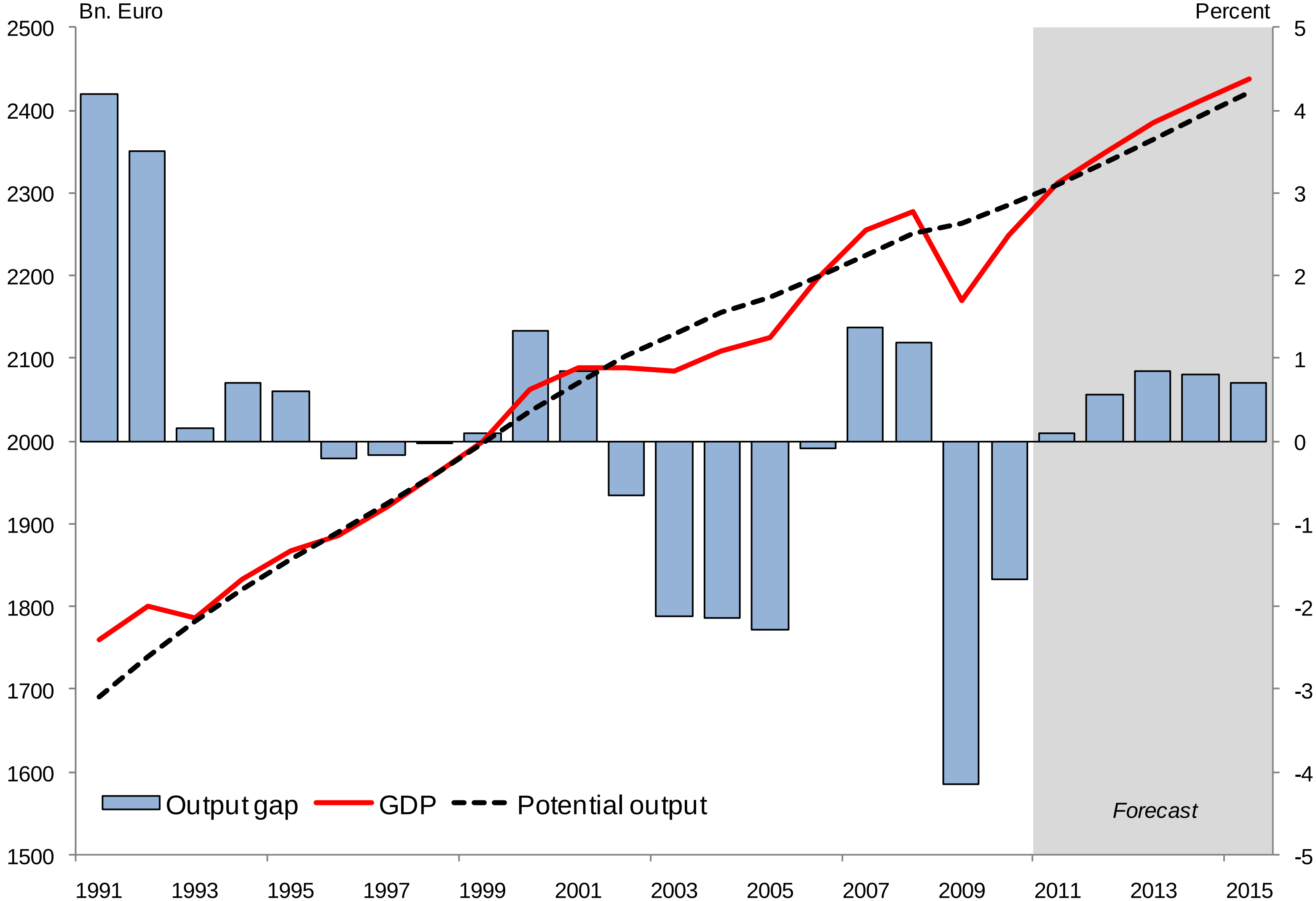
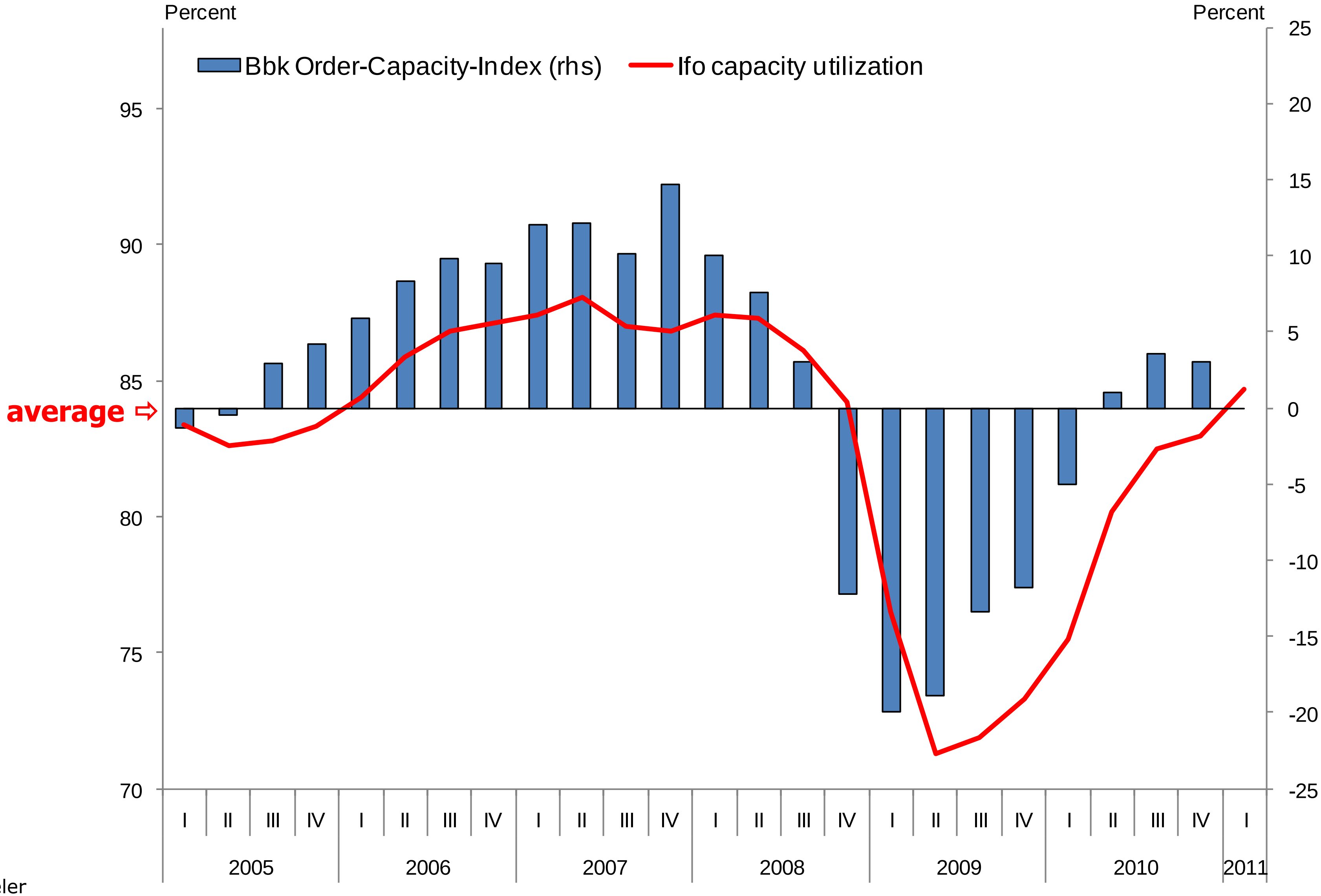
Forecasting Center

The (modest) boom starts … now!



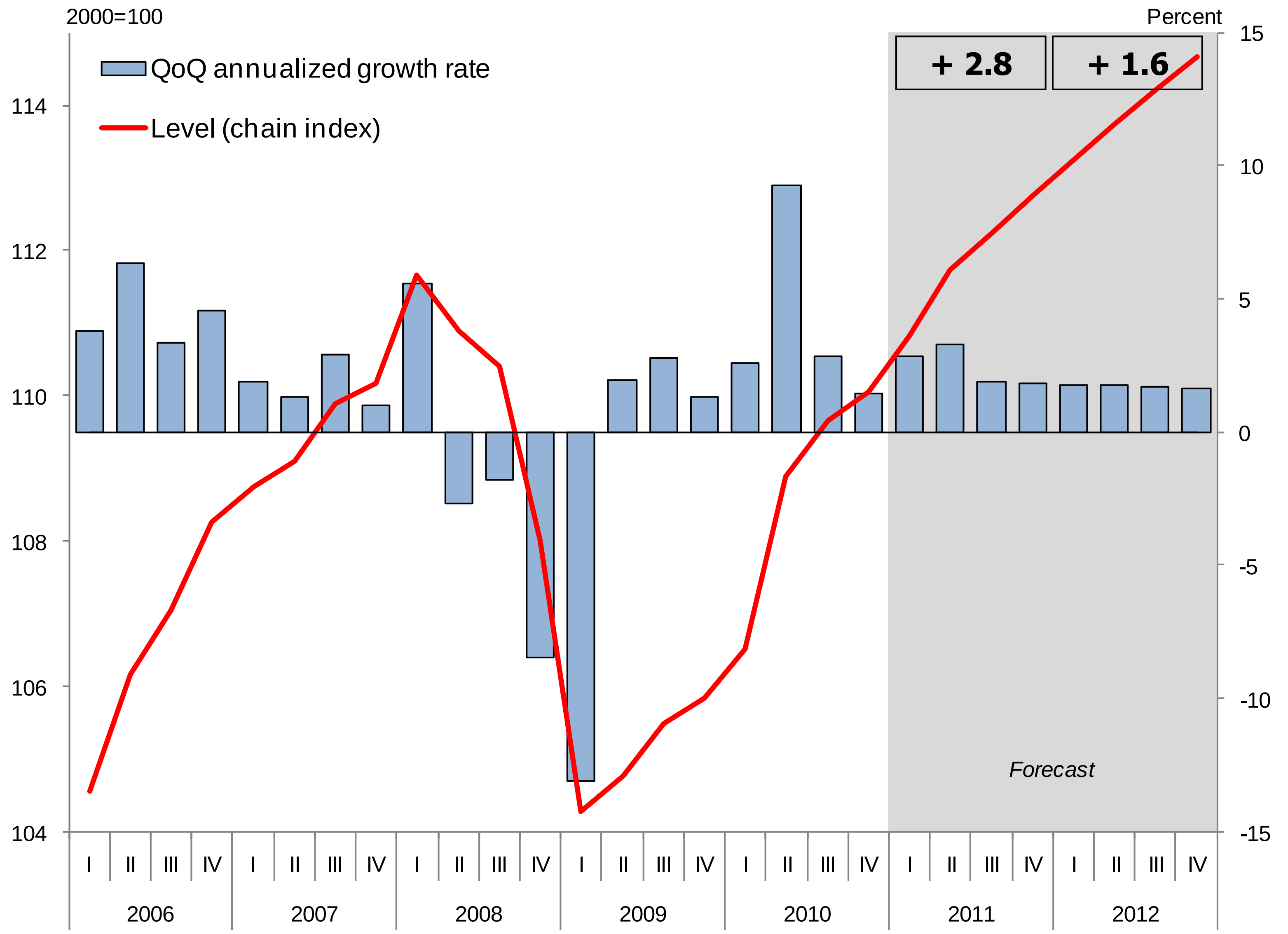
Annual data, volumes; output gap in percent of potential output

Capacity utilization passing normal levels



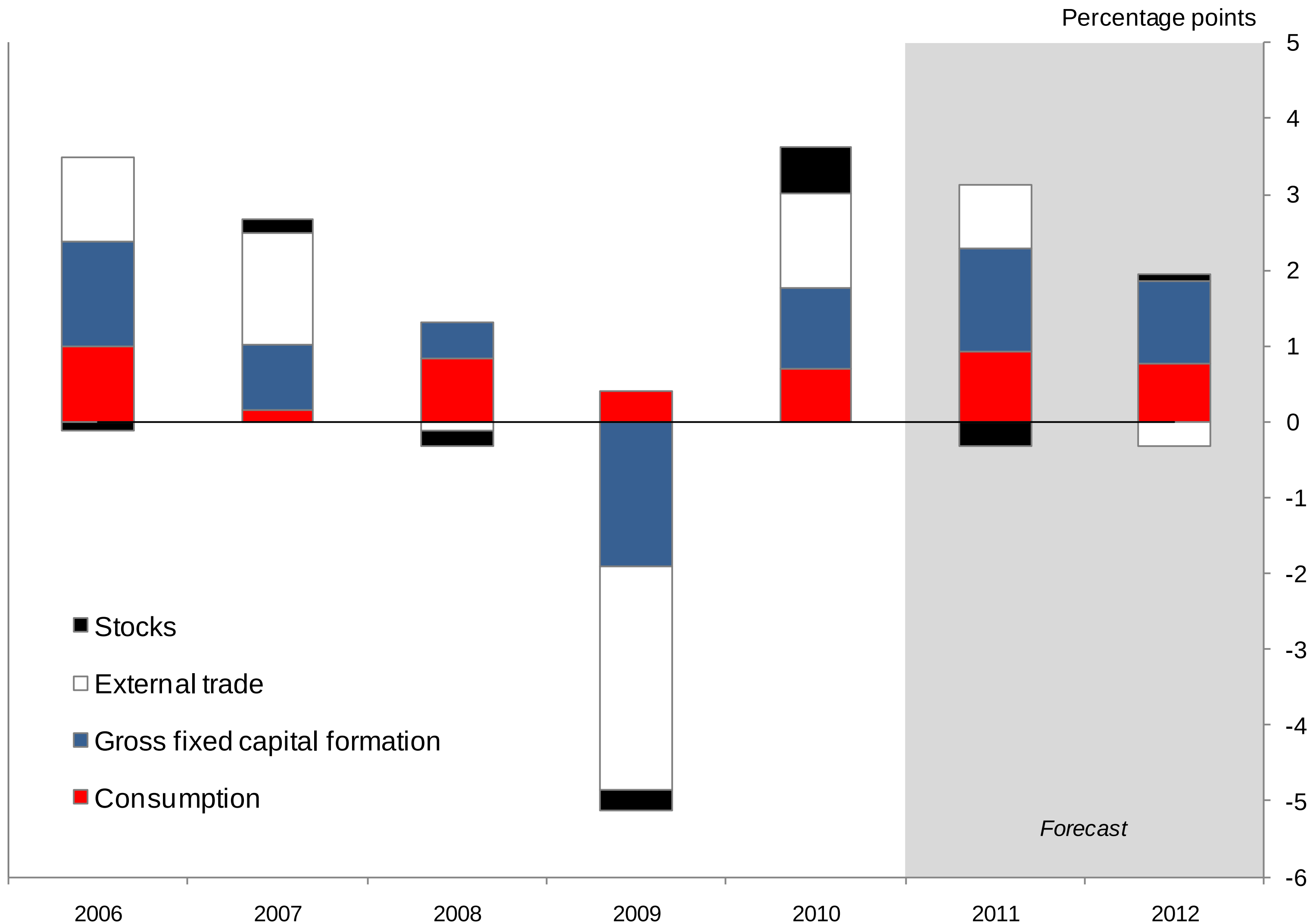
Quarterly data, seasonally adjusted

GDP: Weakening upward trend ...



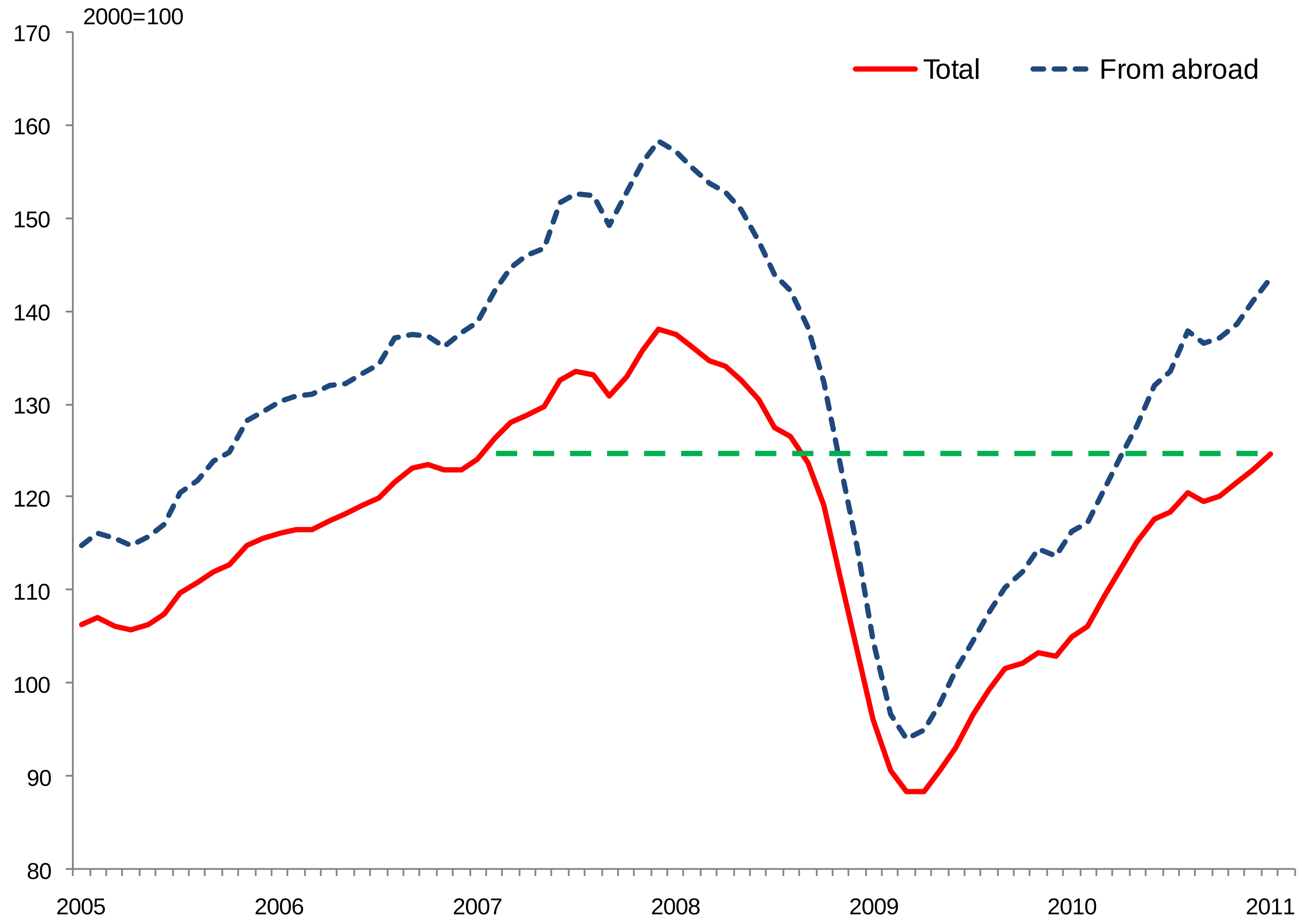
Quarterly data, volumes, seasonally and working-day adjusted

… driven by domestic demand (GDP, cont.)



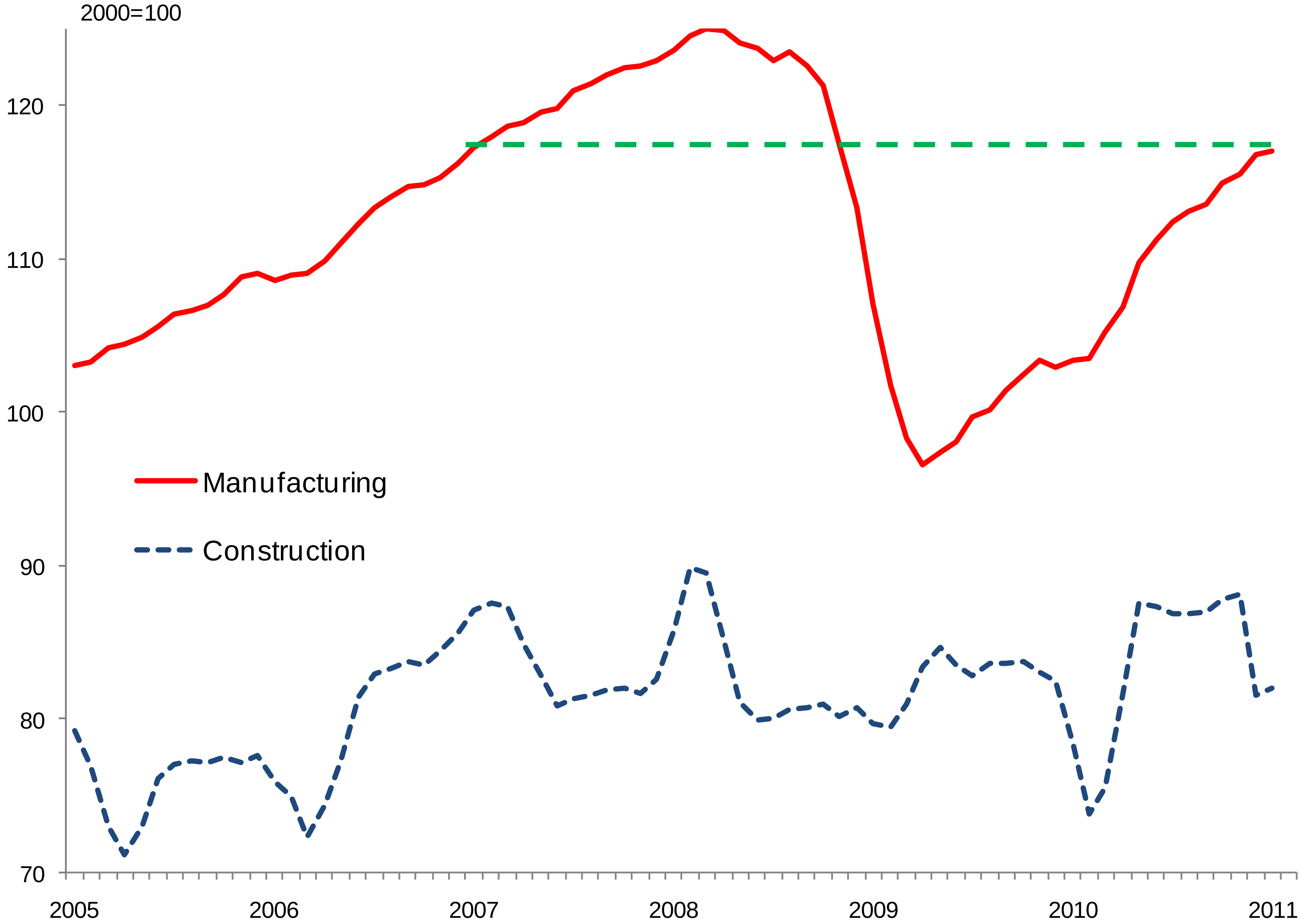
Annual data, volumes, growth contributions

Orders received by industry: Robust, slightly flattening upward trend



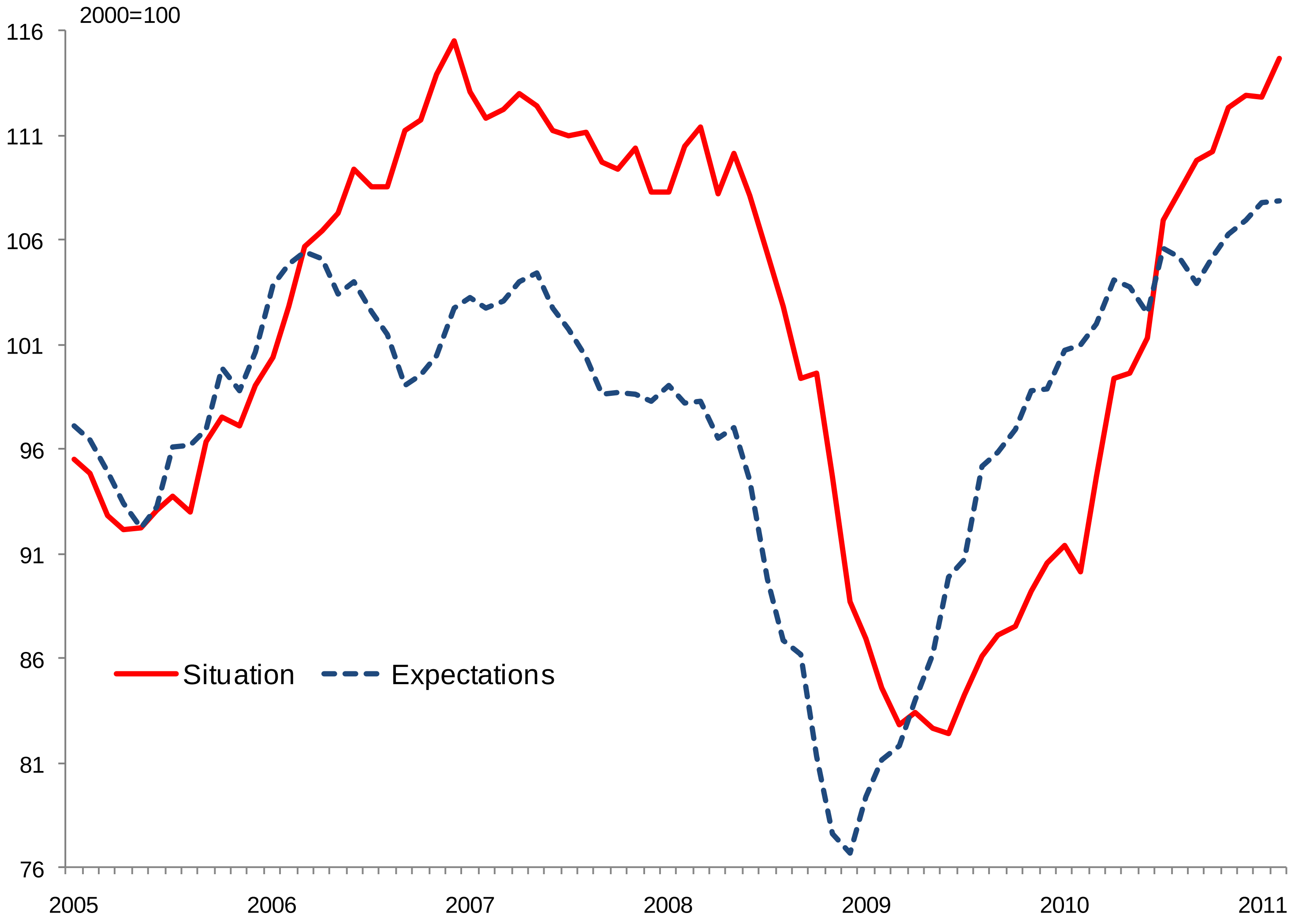
Monthly data, volumes, seasonally and working-day adjusted, 3-month moving average

Production: Robust catching-up process



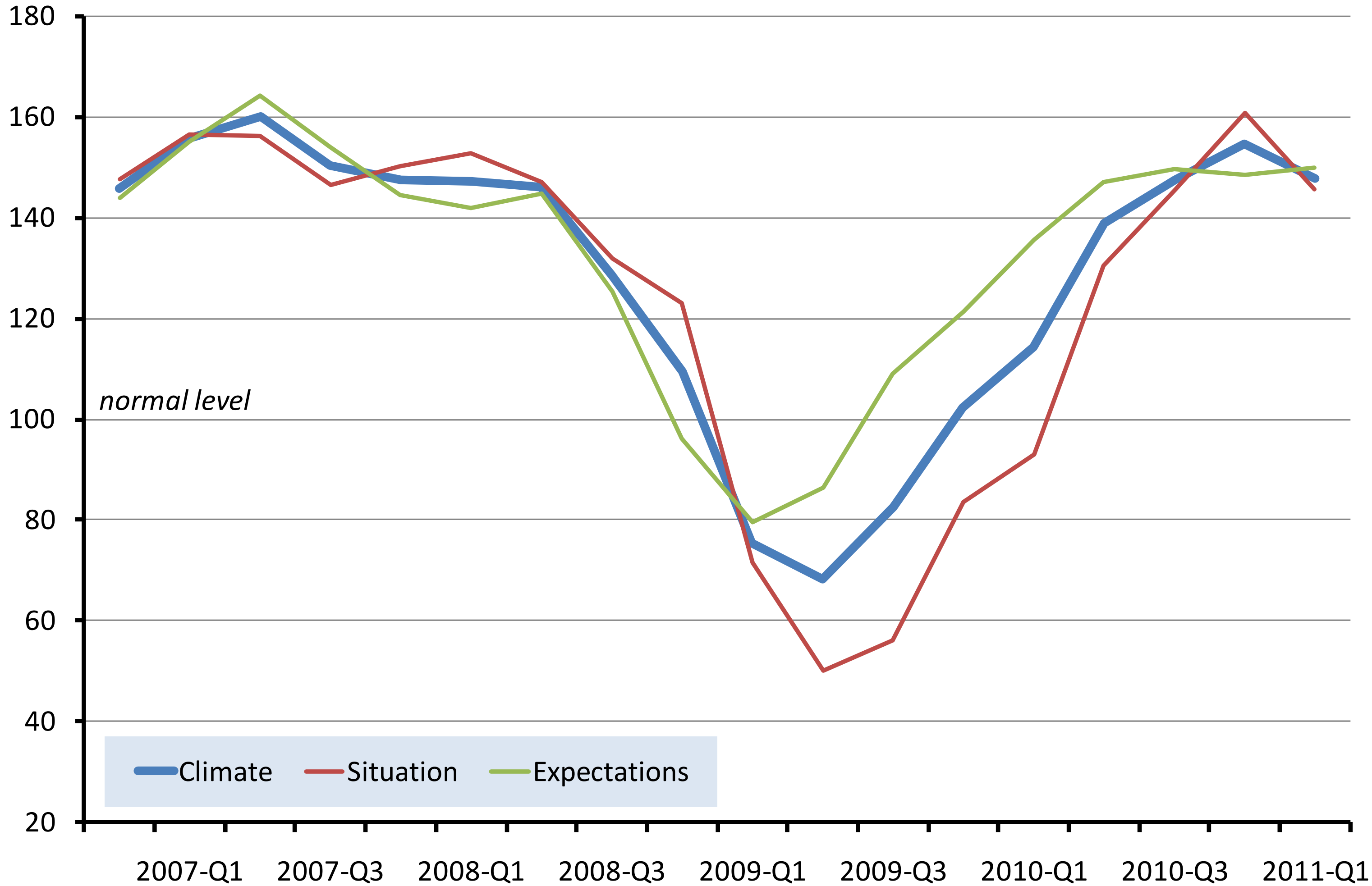
Monthly data, volumes, seasonally and working-day adjusted, 3-month moving average

Business climate: A mental boom

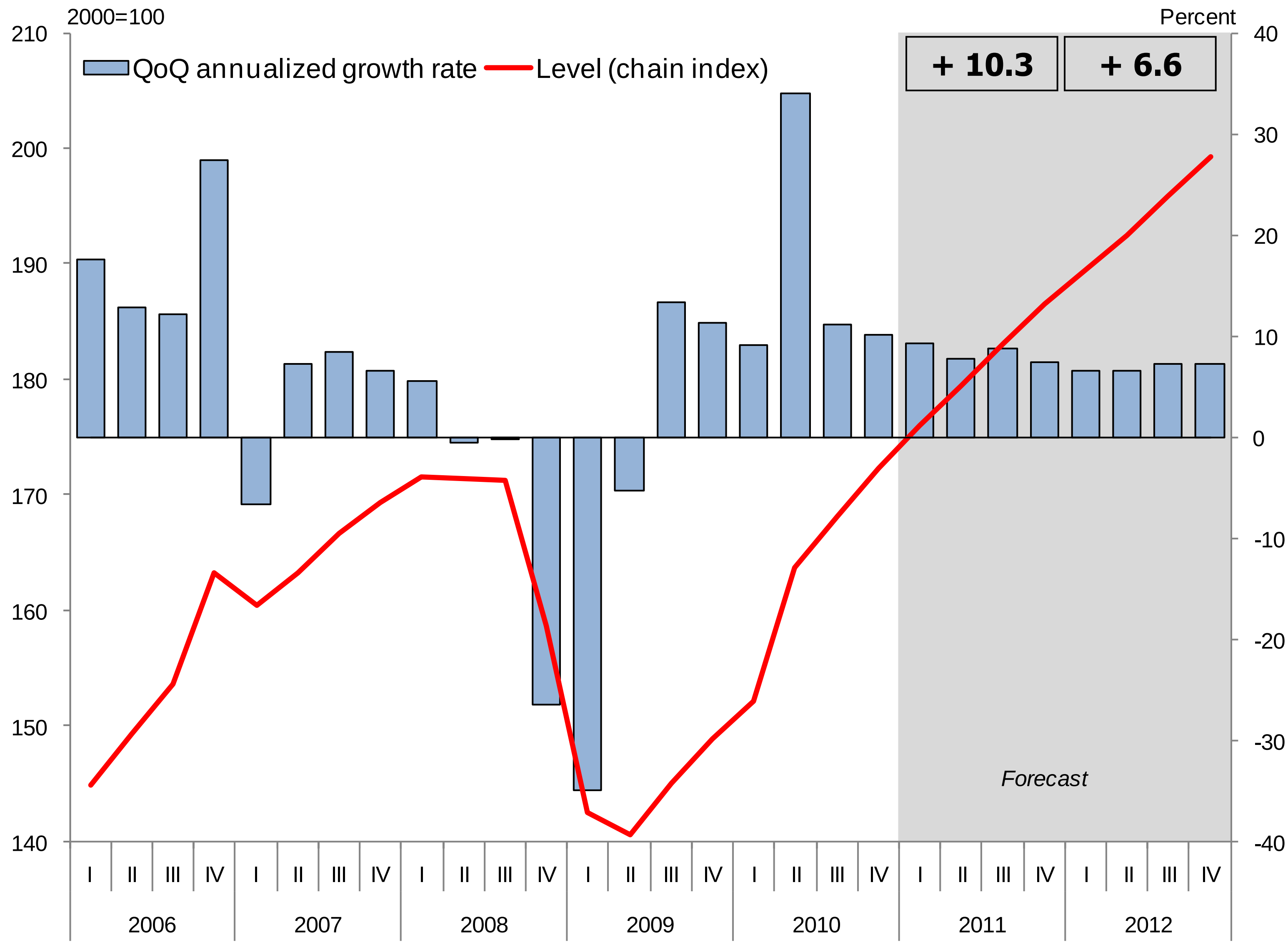


Monthly data, seasonally adjusted

Business climate: IfW logistics indicator

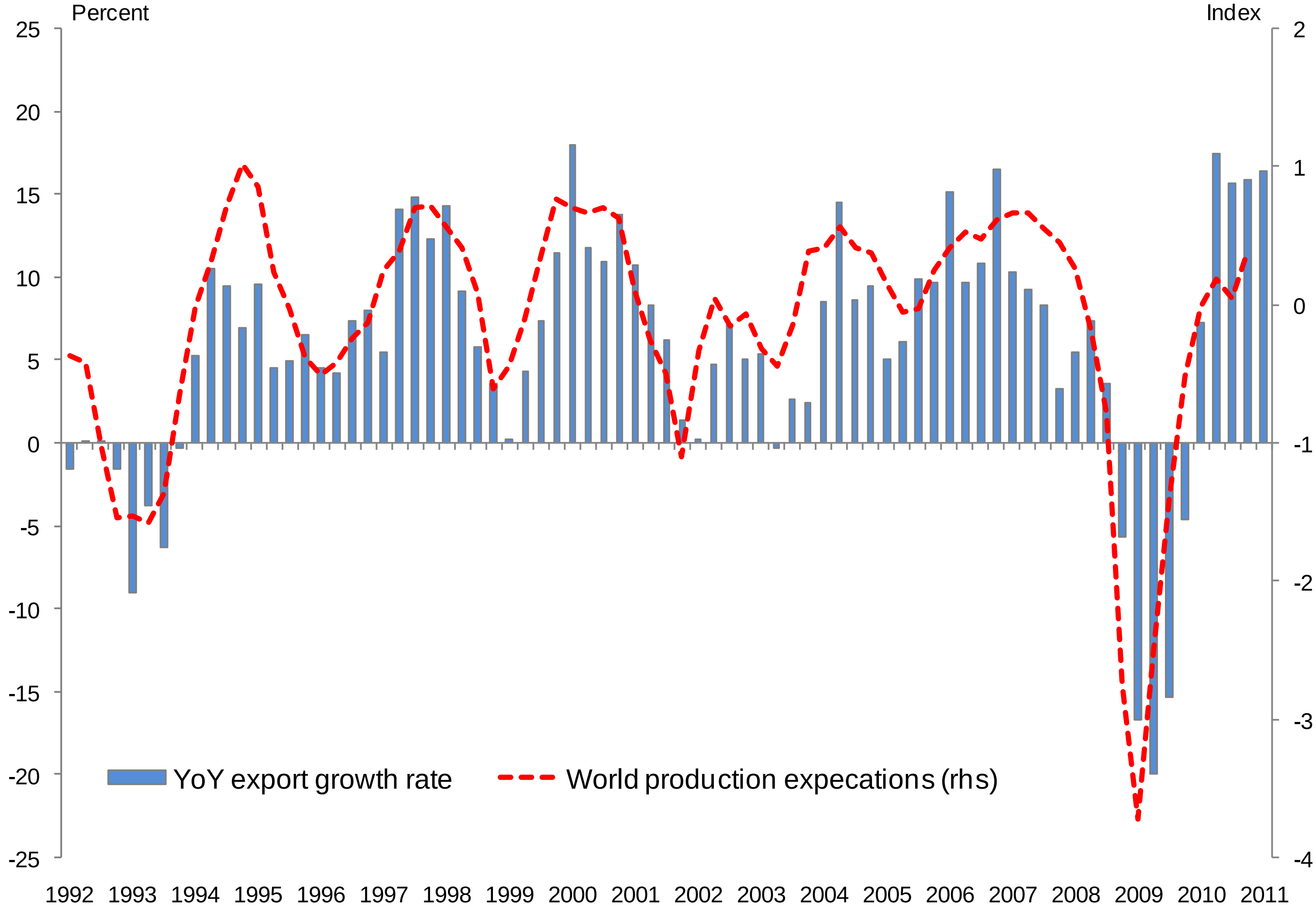


Export dynamics lose some momentum



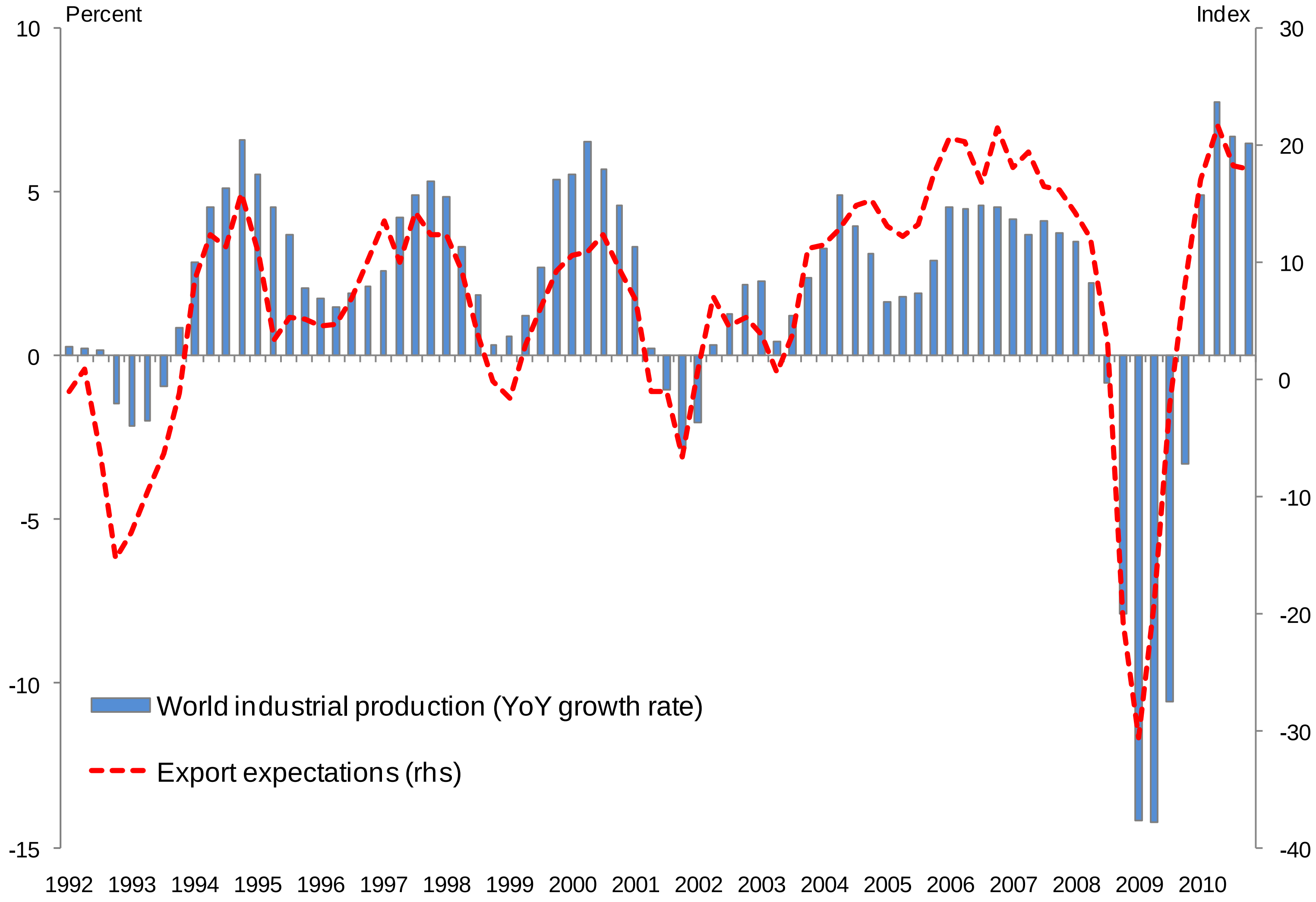
Quarterly data, volumes, seasonally and working-day adjusted

Exports and world production expectations



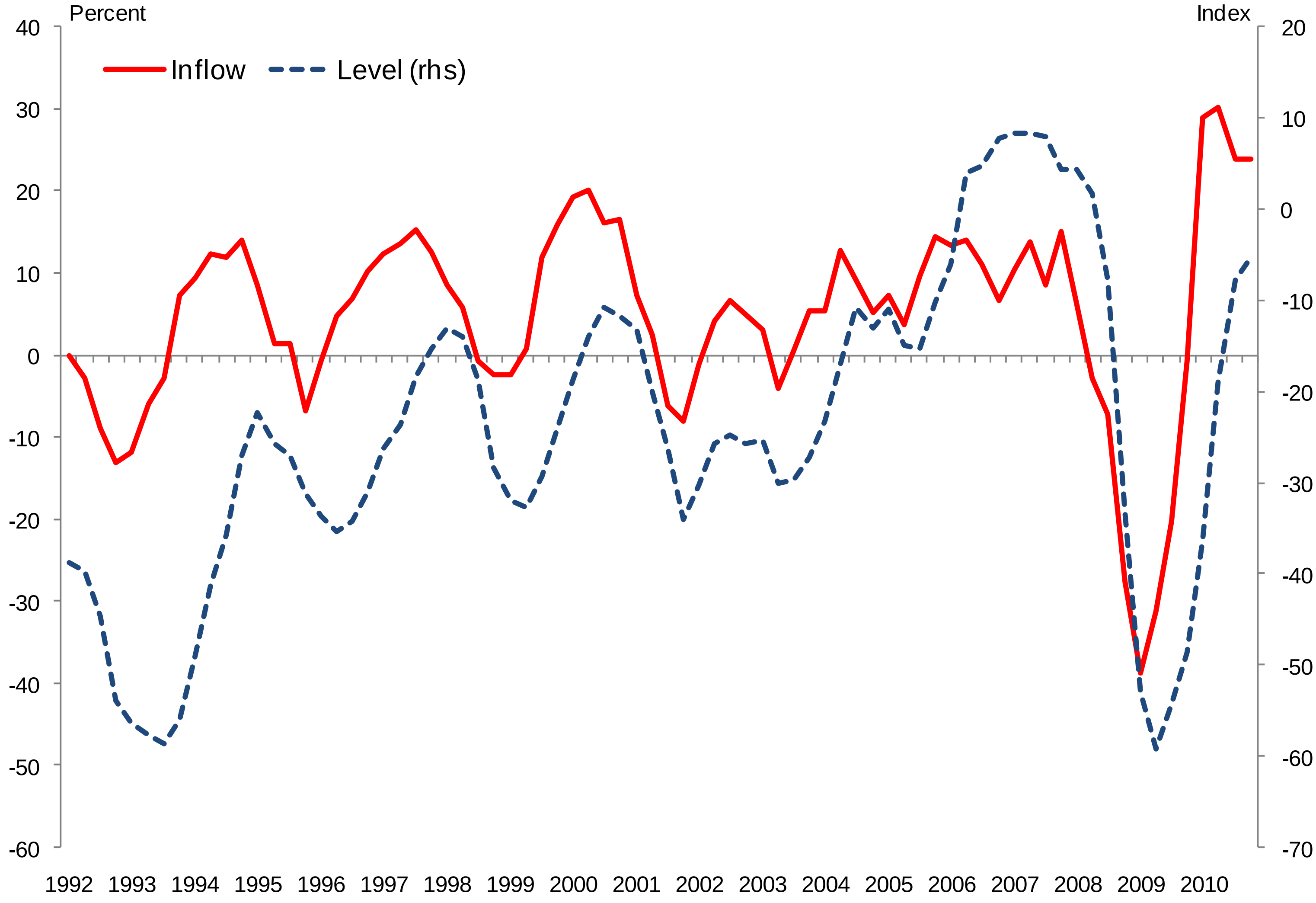
Quarterly data, volumes
expecations computed from 41 countries weighted by shares of German exports

World production and export expectations



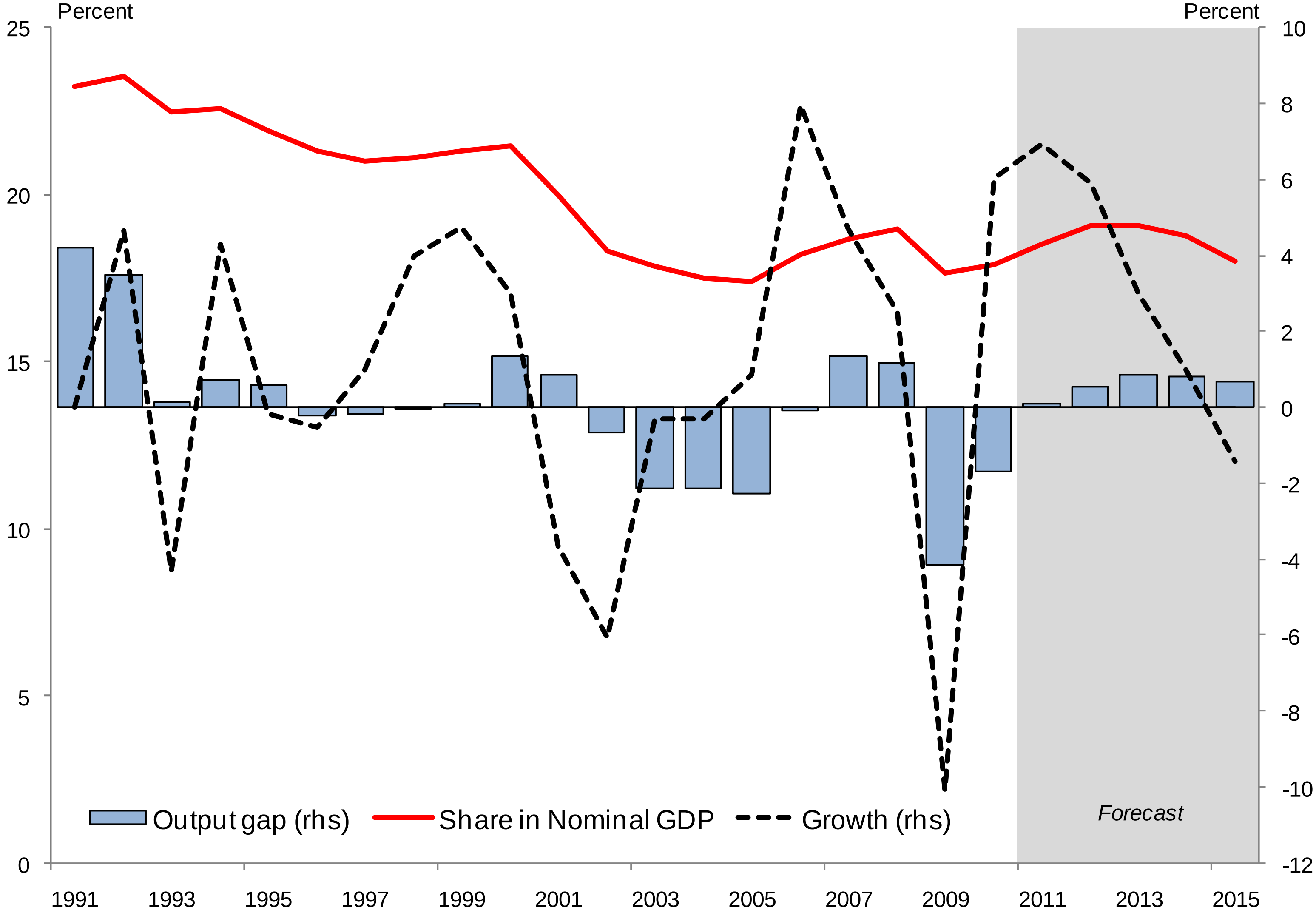
Quarterly data, volumes
computed from 41 countries weighted by shares of German exports

Orders from abroad (manufacturing)



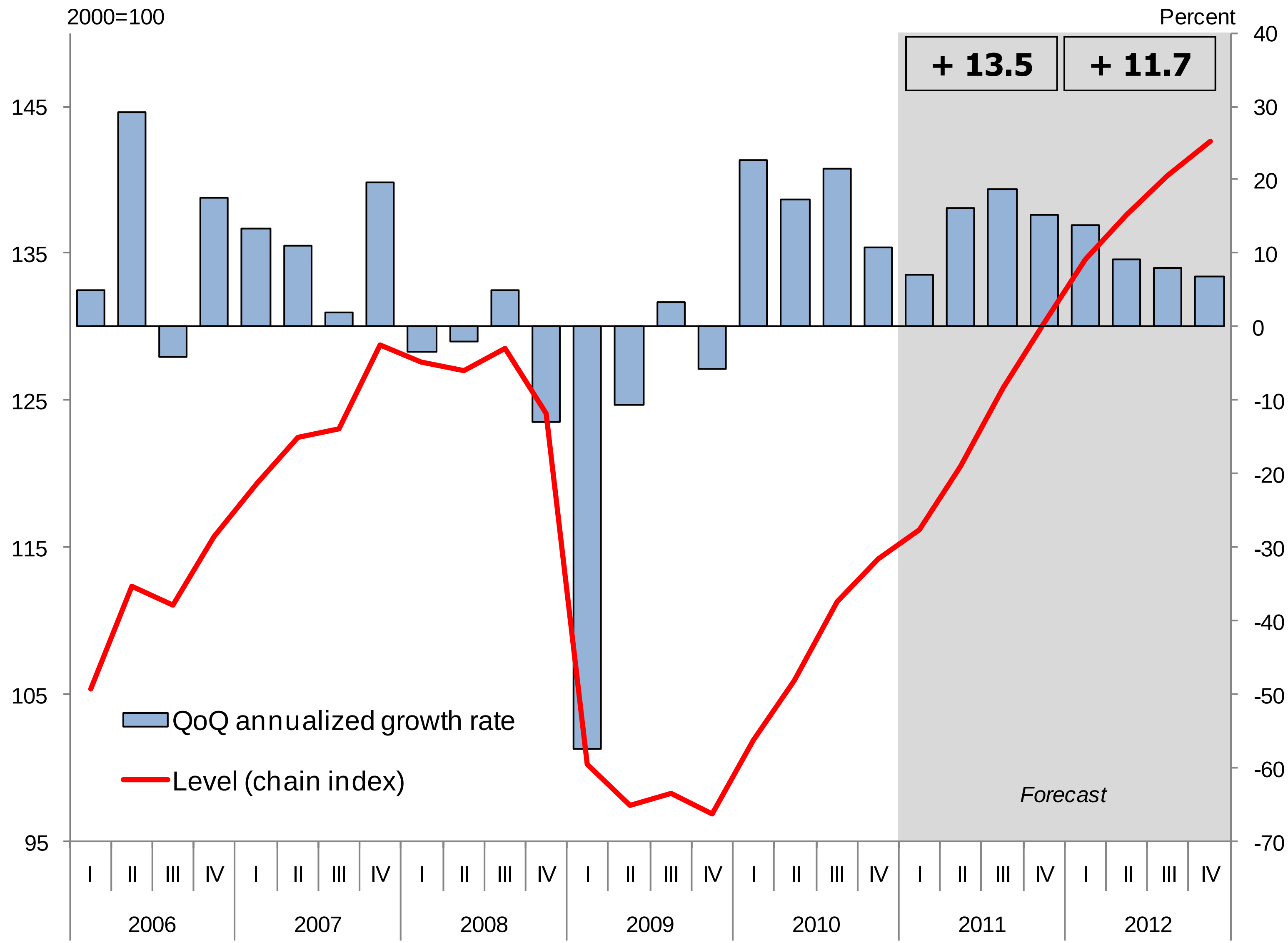
Quarterly data, volumes

Investment cycle (fixed capital formation)



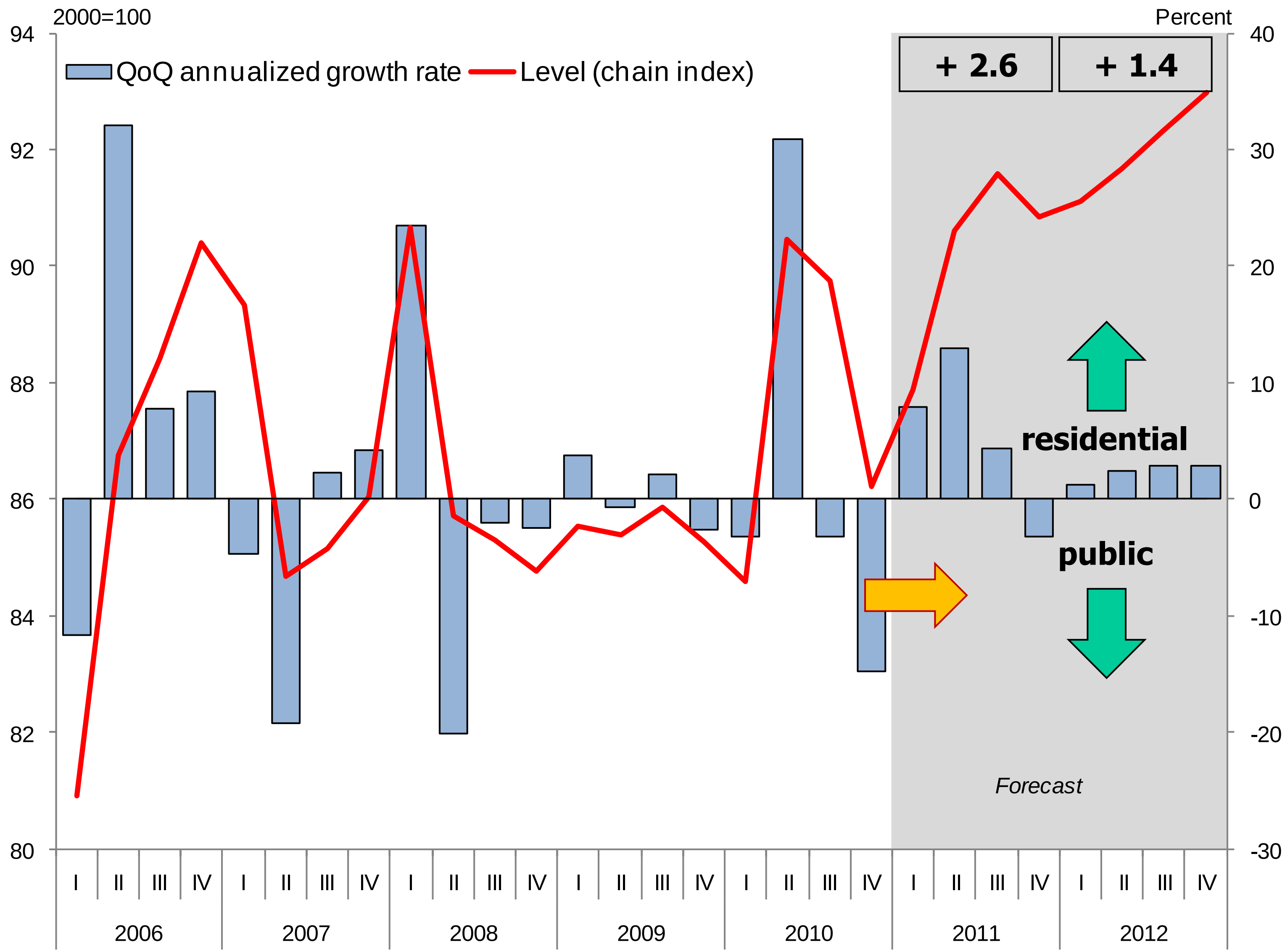
Annual data, volumes; output gap in percent of potential output

M&E investment: Heading for the cyclic peak



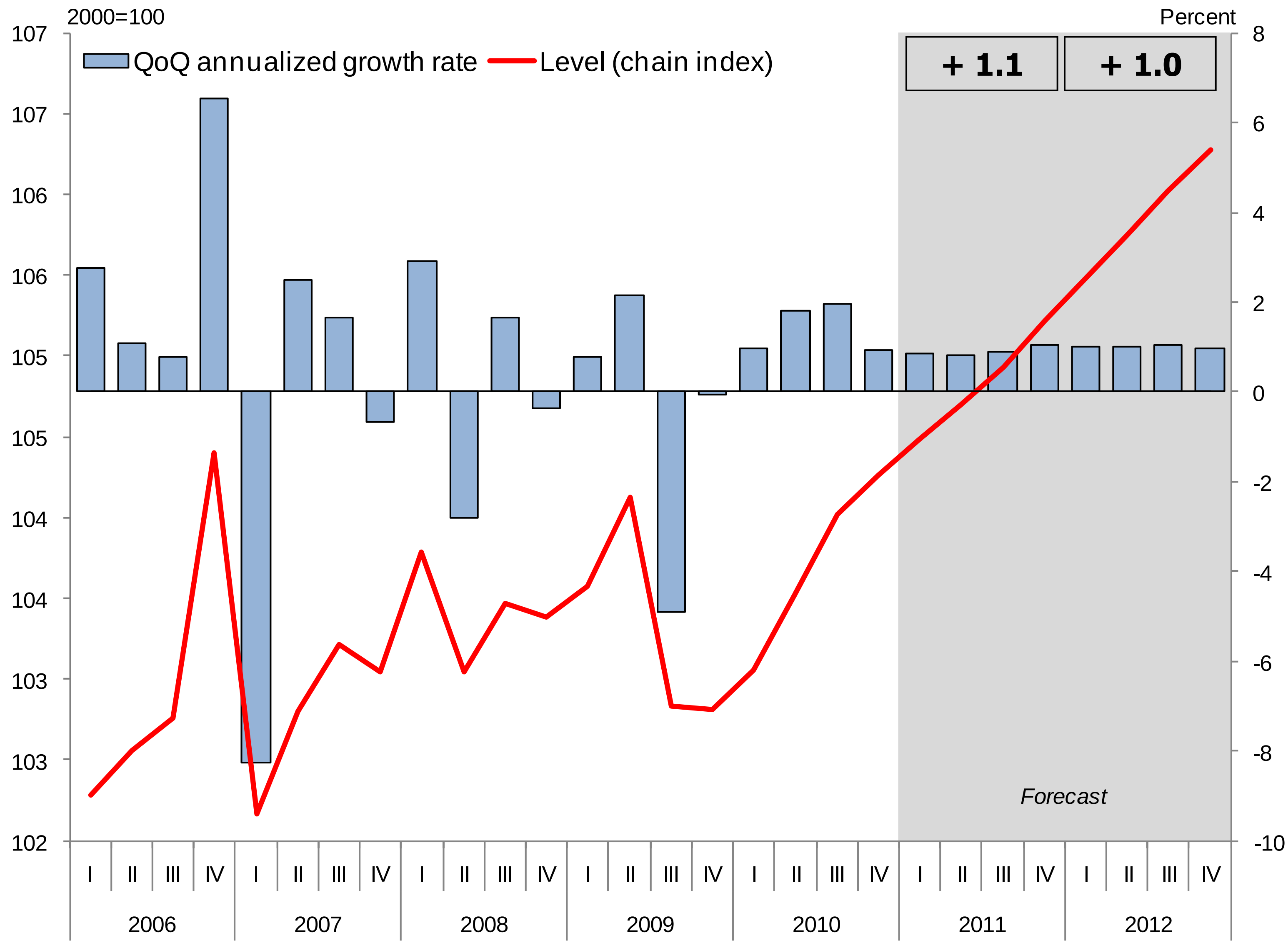
Quarterly data, volumes, seasonally and working-day adjusted

Constructions: Stimulus packages fade out



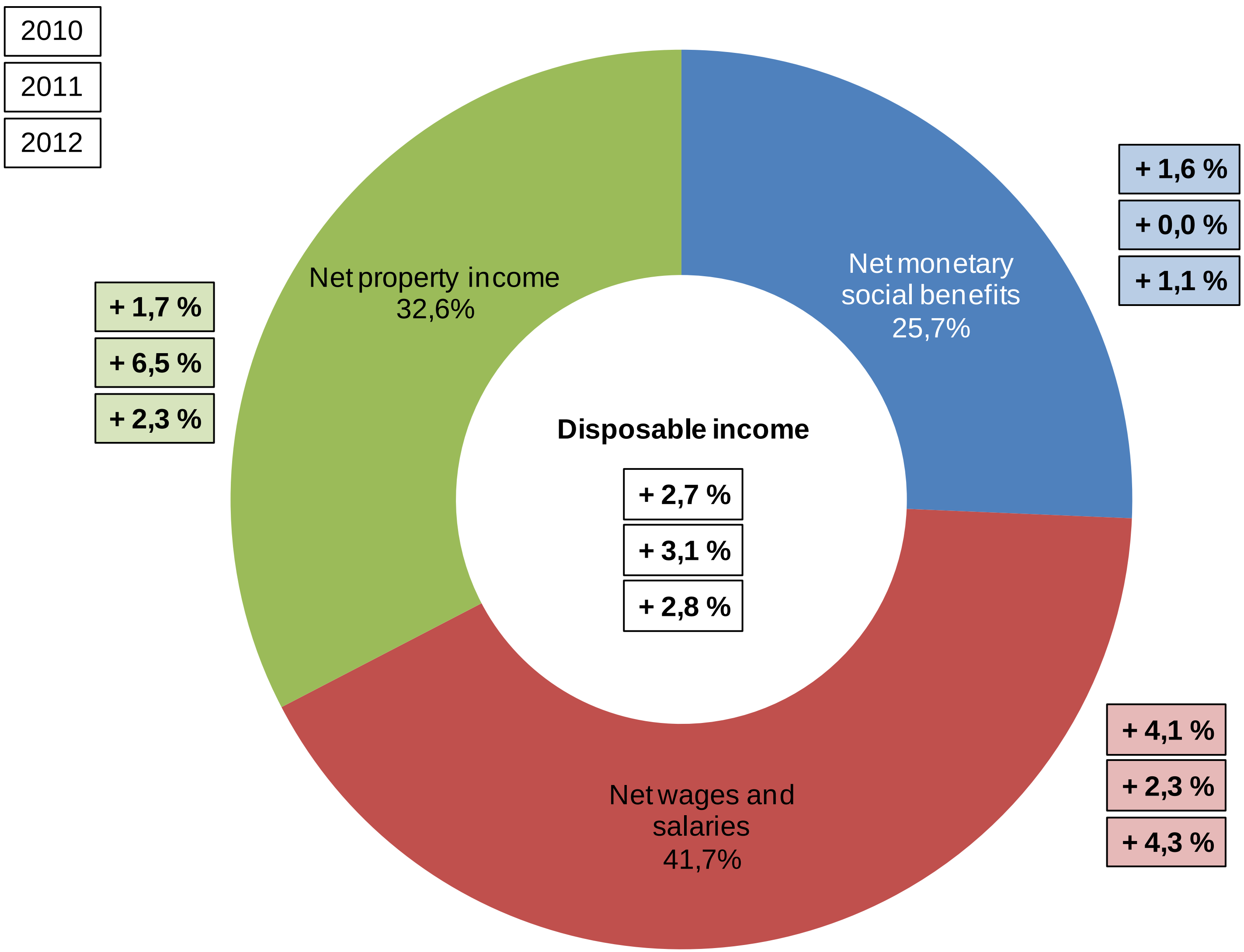
Quarterly data, volumes, seasonally and working-day adjusted

Consumer spending: Slower pace ahead



Quarterly data, volumes, seasonally and working-day adjusted

Disposable income of private households



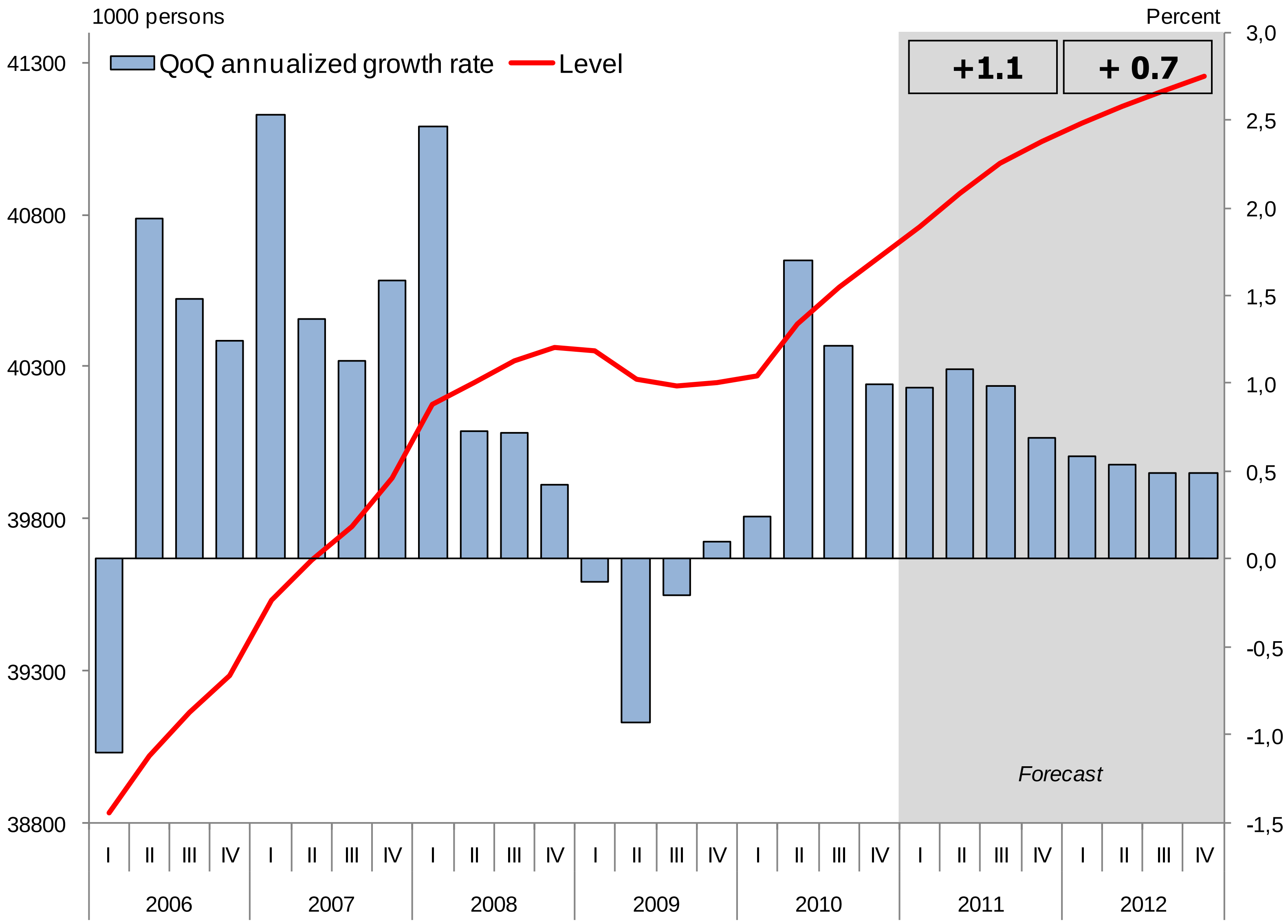
2010 shares (segments), current prices, change over previous year (boxes)

GDP and key components

Volumes, change over previous year in percent

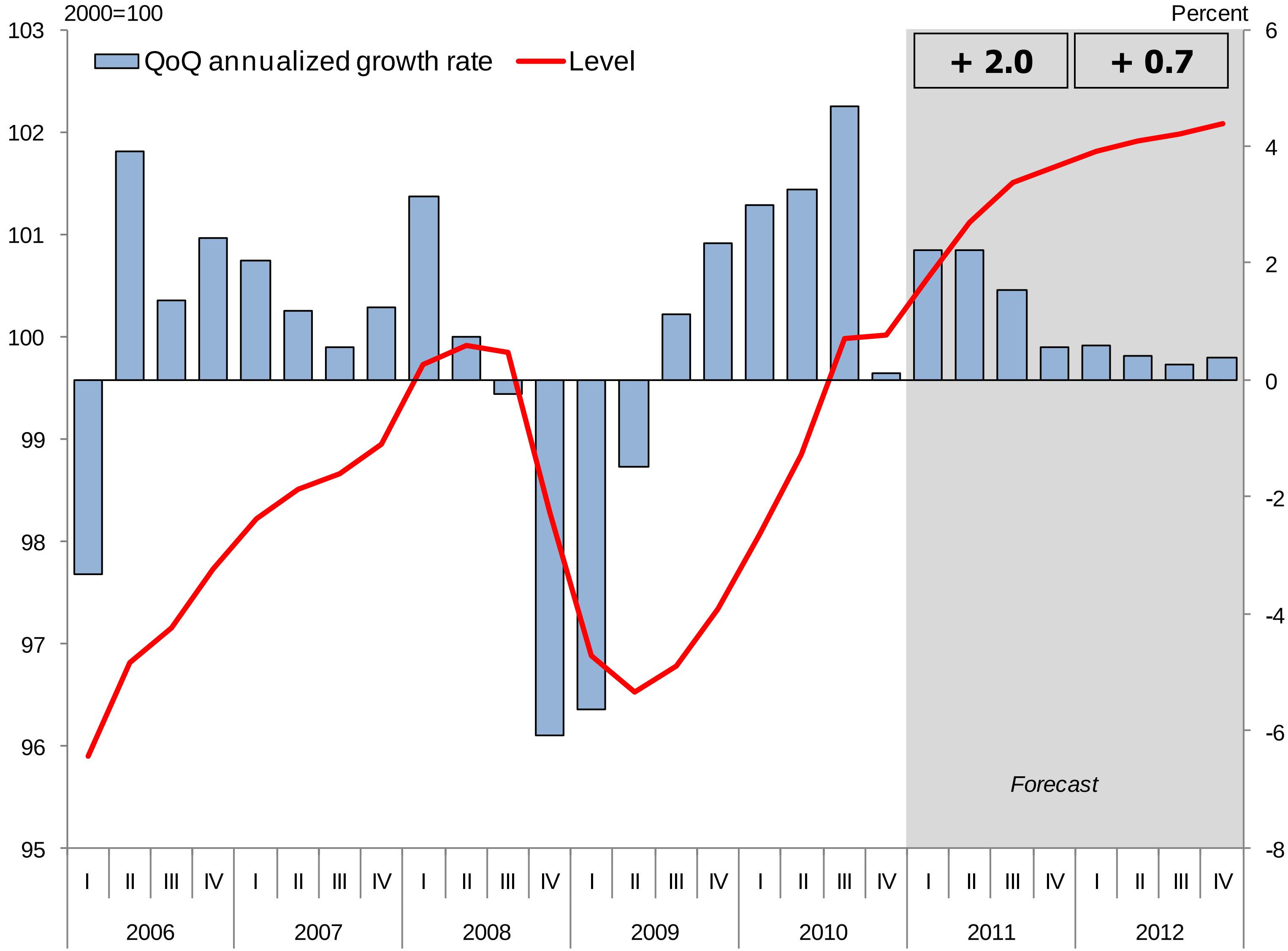
	2010	2011	2012
GDP	3.6	2.8	1.6
Private consumption	0.4	1.1	1.0
Public consumption	2.3	1.4	1.1
M&E investment	10.9	13.5	11.7
Construction	2.9	2.6	1.4
Exports	14.1	10.3	6.6
Imports	12.6	9.5	8.1

Employment at an all-time high ...



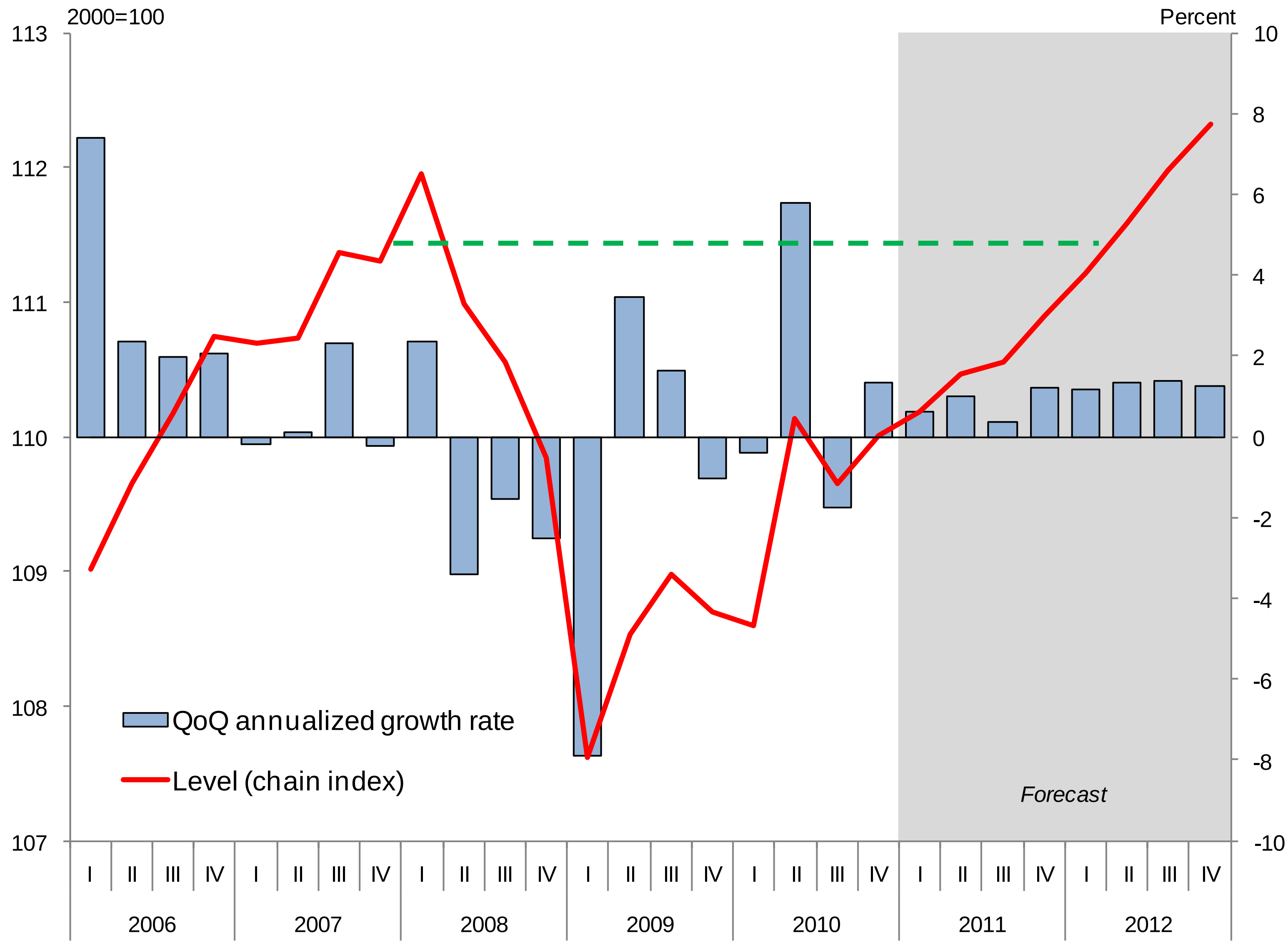
Quarterly data, seasonally adjusted

… total hours worked above pre-crisis levels …



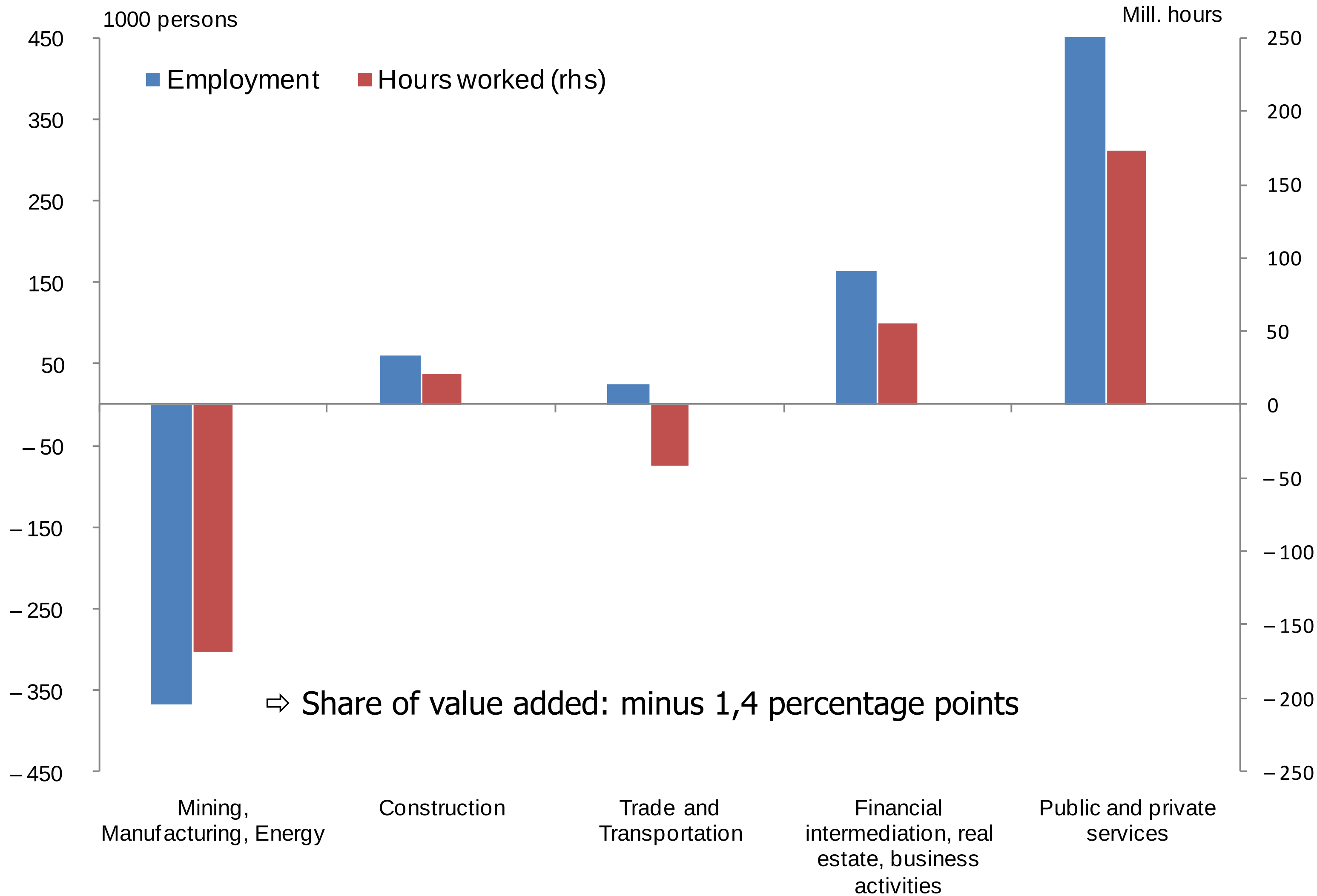
Quarterly data, seasonally and working-day adjusted

… but 4 lost years of labor productivity growth



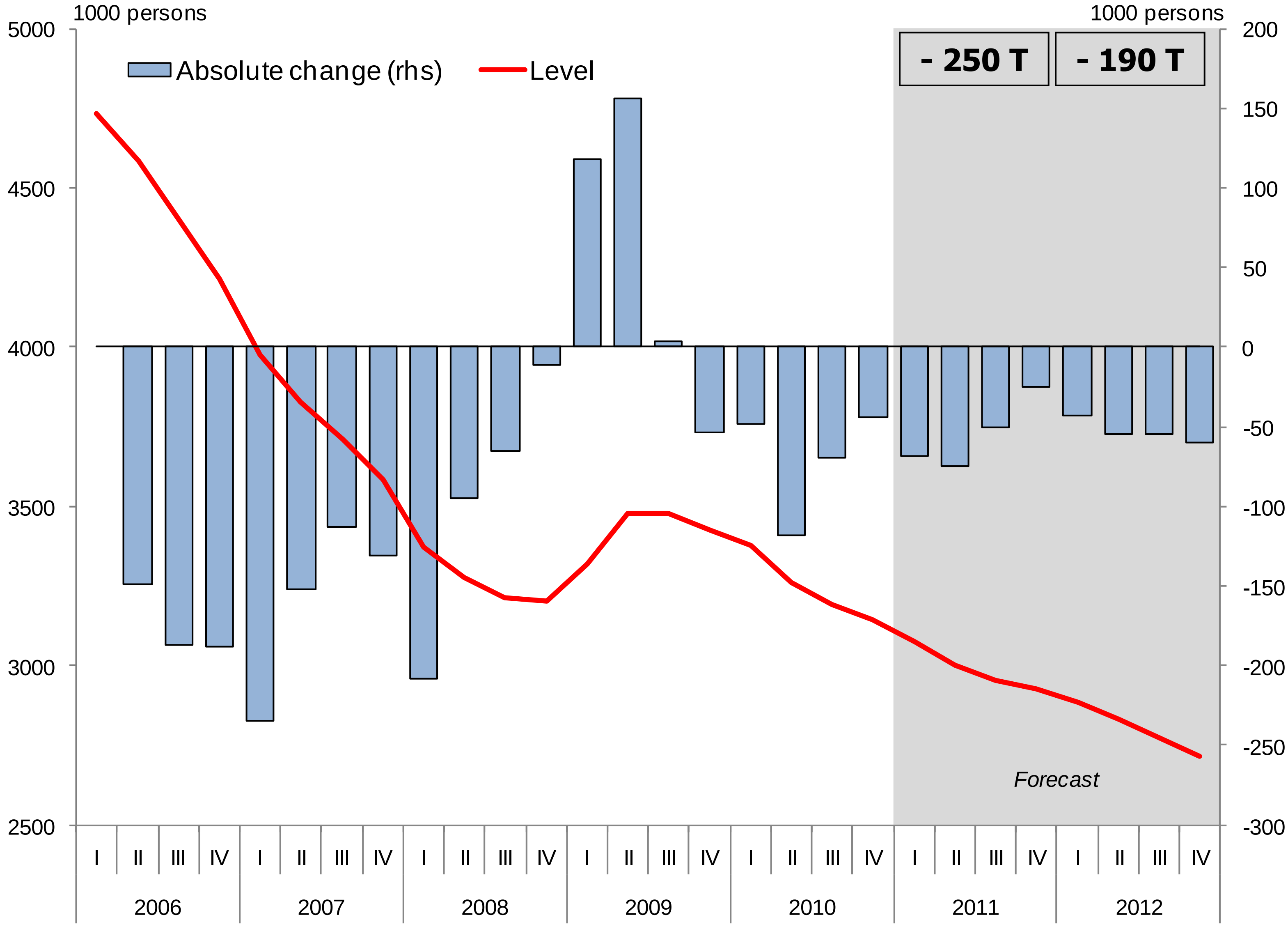
Quarterly data, volumes, seasonally and working-day adjusted

Significant shift of employment towards services



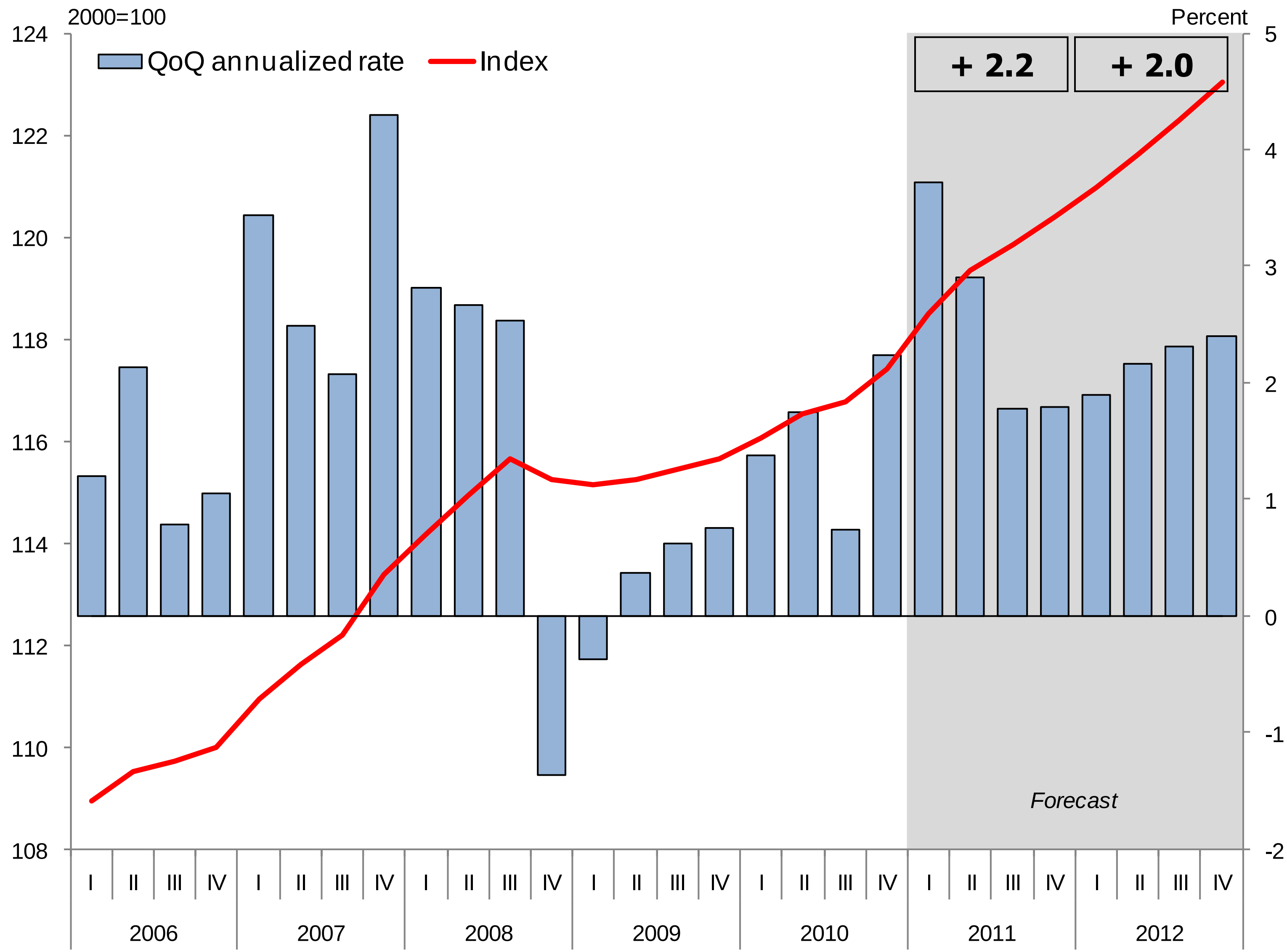
Employment, comparison of 2010 Q4 vs. 2008 Q3

Unemployment: 3 mill. (2011), 2.8 mill (2012)



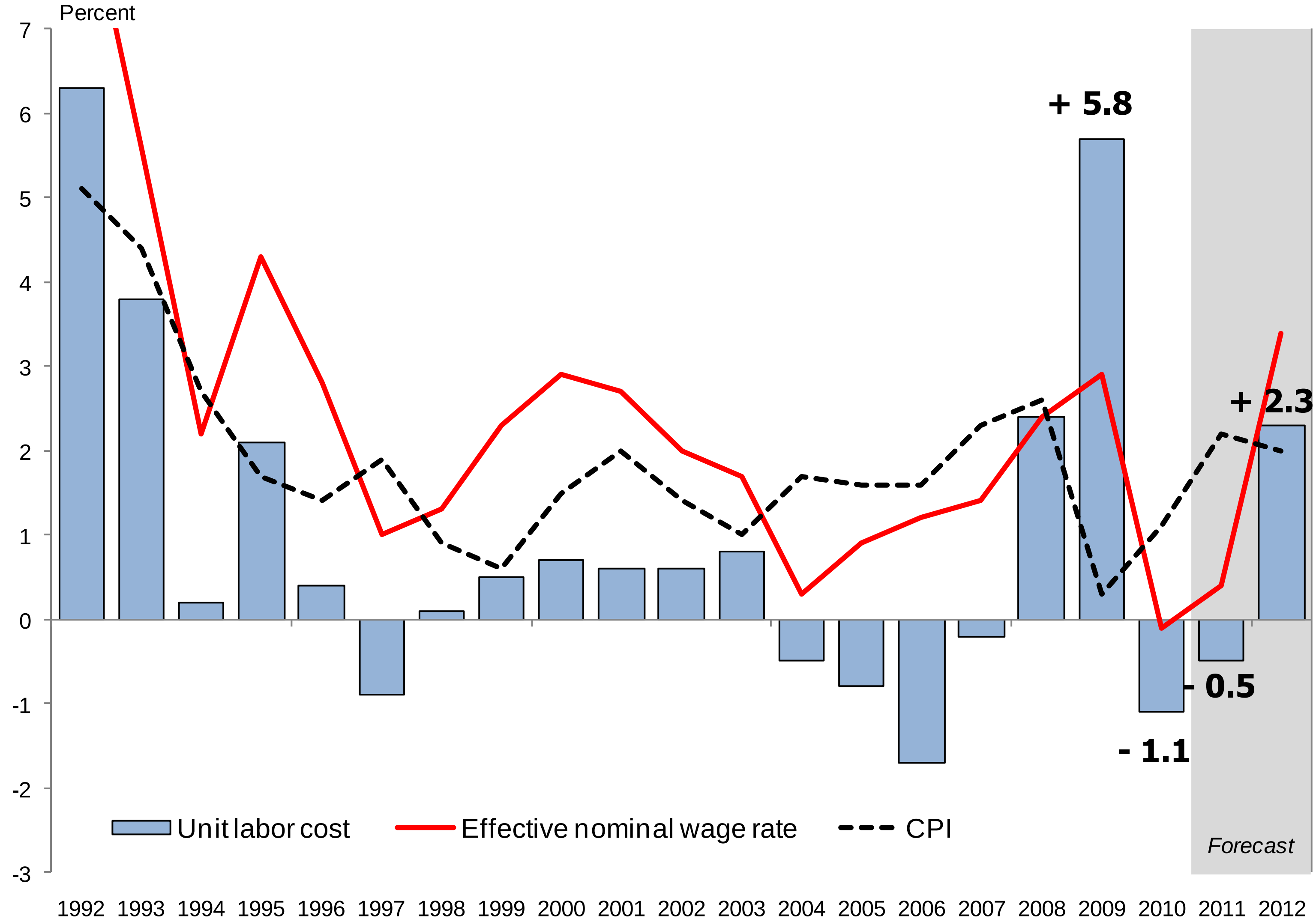
Quarterly data, volumes, seasonally adjusted

Consumer prices: Inflation is picking up



Quarterly data, seasonally adjusted

Unit labor cost: A domestic inflation driver on hold



Annual data, change over previous year

Major scars

- Fiscal stance (public debt as % of GDP)
  - 66.3 % (2008) ⇨ 83.5 % (2011), 83.1 % (2012)
- Forgone production (2008-Q2 to 2010-Q4)
  - Volume of 170 bn. Euro = 7.5 % of annual GDP (compared to no-growth-scenario)
- 4 years of lost productivity growth
- Labor market „miracle“ still to materialize