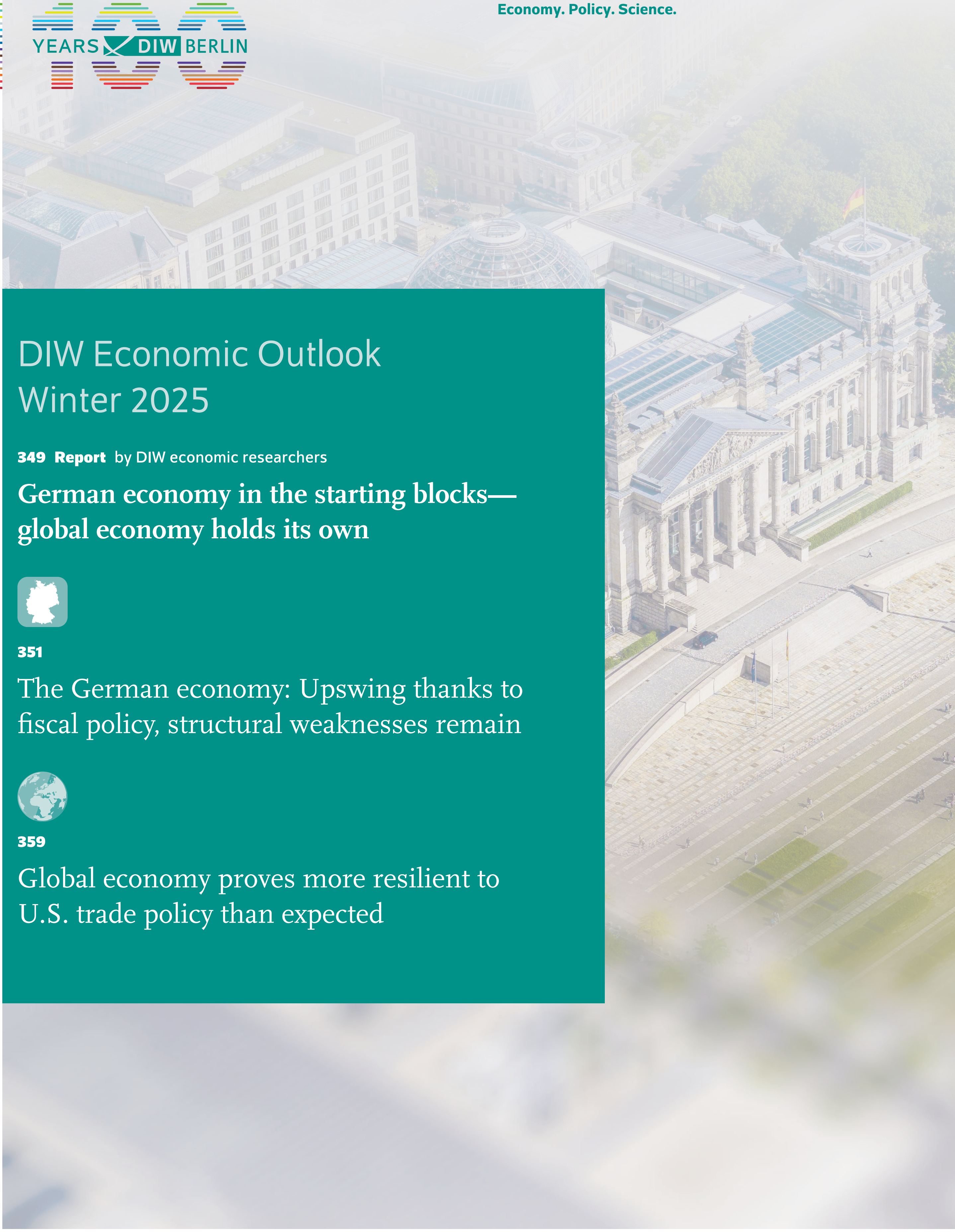
DIW Weekly Report

A policy bulletin from the German Institute for Economic Research

50 2025

Economy. Policy. Science.

100 YEARS DIW BERLIN



DIW Economic Outlook Winter 2025

349 Report by DIW economic researchers

German economy in the starting blocks—global economy holds its own

351

The German economy: Upswing thanks to fiscal policy, structural weaknesses remain

359

Global economy proves more resilient to U.S. trade policy than expected

LEGAL AND EDITORIAL DETAILS

DIW BERLIN

DIW Berlin — Deutsches Institut für Wirtschaftsforschung e. V.
Anton-Wilhelm-Amo-Straße 58, 10117 Berlin
www.diw.de
Phone: +49 30 897 89–0 Fax: –200
Volume 15 December 17, 2025

Publishers
Prof. Anna Bindler, Ph.D.; Prof. Dr. Tomaso Duso; Sabine Fiedler; Prof. Marcel Fratzscher, Ph.D.; Prof. Dr. Peter Haan; Prof. Dr. Claudia Kemfert; Prof. Dr. Alexander S. Kritikos; Prof. Dr. Alexander Kriwoluzky; Prof. Karsten Neuhoff, Ph.D.; Prof. Dr. Sabine Zinn

Editors-in-chief
Prof. Dr. Pio Baake; Claudia Cohnen-Beck; Sebastian Kollmann; Kristina van Deuverden

Reviewer
Dr. Alexander Schiersch

Editorial staff
Dr. Hella Engerer; Petra Jasper; Adam Mark Lederer; Frederik Schulz-Greve; Sandra Tubik

Layout
Roman Wilhelm; Stefanie Reeg; Eva Kretschmer, DIW Berlin

Cover design
© imageBROKER / Steffen Diemer

Composition
Satz-Rechen-Zentrum Hartmann + Heenemann GmbH & Co. KG, Berlin

Subscribe to our DIW and/or Weekly Report Newsletter at
www.diw.de/newsletter_en

ISSN 2568-7697

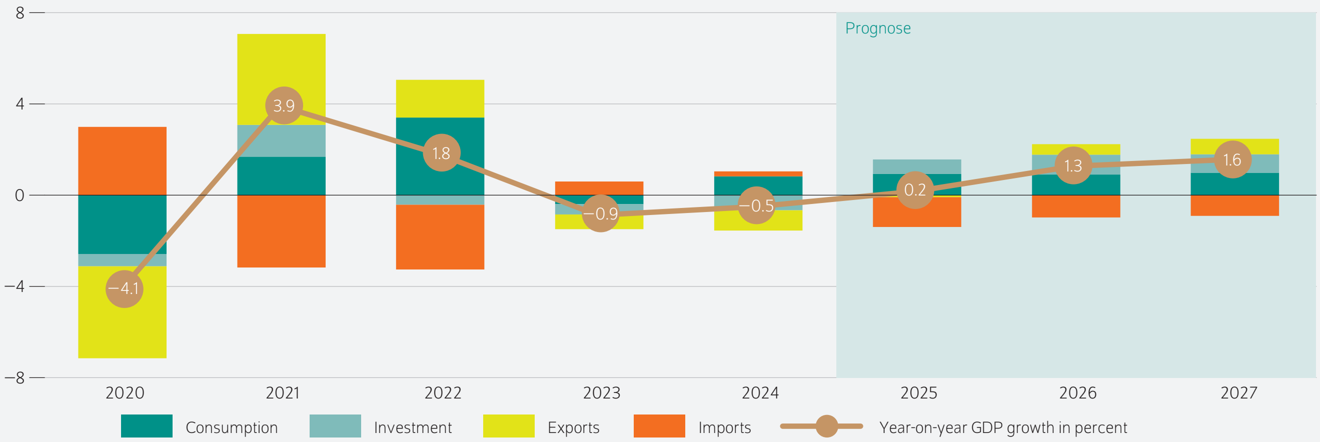
AT A GLANCE

German economy in the starting blocks—global economy holds its own

By DIW economic researchers

- The German economy has stabilized in the current year and is looking ahead to a fiscal policy-supported upturn starting next year
- High public investment and strong government consumption are key factors—structural problems of the German economy likely to remain unresolved for the time being
- After an increase of 0.2 percent this year, DIW Berlin expects growth of 1.3 percent in 2026 and 1.6 percent in 2027
- Despite tougher US trade policy, the global economy is proving more robust than expected—higher tariffs are slowing growth, but global trade remains dynamic
- Forecast predicts global economic output to grow by 3.3 percent this year, 3.0 percent next year, and 3.2 percent in 2027

After two years of recession, the upturn is coming—mainly thanks to government consumption and investment
Individual components' contribution to overall GDP growth in percentage points



Source: DIW Economic Forecast Winter 2025.

FROM THE AUTHORS

"The German economy is facing a rather atypical upturn, as upturns in this country are usually driven by high exports, a strong manufacturing sector, and corresponding investments in equipment. This time, however, it is primarily the sharp increase in public demand that is boosting the economy."
— Geraldine Dany-Knedlik —

MEDIA

Audio Interview with Geraldine Dany-Knedlik (in German)
www.diw.de/mediathek

German economy in the starting blocks—global economy holds its own

By Geraldine Dany-Knedlik, Guido Baldi, Nina Maria Brehl, Hella Engerer, Angelina Hackmann, Konstantin A. Kholodilin, Frederik Kurcz, Laura Pagenhardt, Jan-Christopher Scherer, Teresa Schildmann, Hannah Magdalena Seidl, Ruben Staffa, Kristin Trautmann, and Jana Wittich

EXECUTIVE SUMMARY

The German economy has stabilized in the current year and is looking ahead to a fiscal policy-supported upturn starting next year. Since the fall, an expansion in public demand has been providing important economic impetus. The private sector, on the other hand, has so far been more subdued. Trade policy uncertainties, high production costs, and structural weaknesses are causing particular concern for the German export industry. Overall, the mood is not very cheerful at the moment, especially as the initial hope that the new federal government would quickly improve the long-term growth outlook gave way to increasing disillusionment in recent months.

Domestic economic output stagnated in the third quarter. While private households and companies acted cautiously, a sharp rise in government spending prevented a further decline in total economic activity. Private consumption fell despite higher disposable incomes, and the savings rate rose to 10.7 percent. The tense labor market situation has likely been another factor. At the end of the year, it will again be the state that supports the economy, while private demand and investment activity remain subdued. No stimulus is expected from foreign trade in the short term. All in all, economic output is likely to increase by 0.2 percent in the fourth quarter.

A dynamic upturn is on the horizon for next year, although many structural problems will likely remain unresolved for the time being. The expansionary stance of fiscal policy is a key factor. The available fiscal leeway allows for rising public investment and strong government consumption. Increasing domestic demand is expected to stimulate investment in equipment and construction activity, while production, employment, and private consumption will recover gradually. After a projected growth rate of 0.2 percent in the current year, the DIW Berlin expects economic growth of 1.3 and 1.6 percent respectively for the next two years. It is crucial for the upturn that the additional public funds are actually used.

Despite the tightening of US trade policy, the global economy is proving more robust than expected. Higher tariffs are slowing growth, but global trade remains dynamic, especially in Asia. New US agreements with numerous countries are reducing uncertainty and improving business sentiment in many places, while fiscal stimuli are supporting domestic markets. The US economy is losing momentum at the end of the year, the eurozone is growing moderately, and China is just missing its target. Global economic growth is projected to be 3.3 percent this year, 3.0 percent in 2026, and 3.2 percent in 2027.

DOI: https://doi.org/10.18723/diw_dwr:2025-50-1

The German economy: Upswing thanks to fiscal policy, structural weaknesses remain

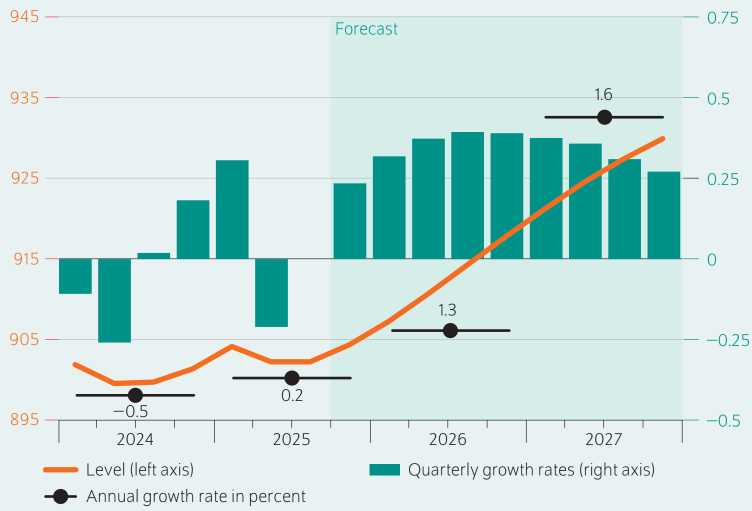
The German economy has stabilized in the current year and is looking forward to a dynamic upturn in the coming year, likely driven primarily by expansionary fiscal policy. Since the fall, economic activity has been largely supported by an expansion in public demand. By contrast, the private sector has fallen short of expectations. This slowdown was caused not only by increasing global protectionism, but also by structural weaknesses in the German economy, in particular the declining competitiveness of products “Made in Germany.” The initial hope that the new federal government would be able to quickly improve the long-term growth outlook gave way to increasing disillusionment during the fall months.

Overall, German gross domestic product stagnated in the third quarter (Figure 1). While private households and companies acted rather cautiously, only a robust expansion in government spending prevented a decline in economic output. This picture is reflected in almost all domestic economic components (Table 1). Despite rising disposable incomes, private household consumption fell surprisingly sharply and the savings rate rose noticeably from 10.2 to 10.7 percent. Not least, the persistently tense labor market situation is likely to have played a role (Table 2): employment declined significantly, probably reinforcing consumers' precautionary motive. A strong increase in government consumption—driven by higher wages for employees in public administration and education—ensured that overall consumption stagnated. Construction investment in the residential and commercial sectors also declined in view of the continuing uncertainty about economic developments and difficult financing conditions, while an expansion in public construction prevented a sharper overall decline. Only private equipment investment—like its public counterpart—was up (Figure 2).

Figure 1

Growth of real GDP in Germany

In billions of euros (left axis) and quarter-on-quarter in percent (right axis)



Note: Forecast from the fourth quarter of 2025 onward; adjusted for price, seasonal, and calendar effects.

Sources: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2025.

The German economy is looking ahead to a dynamic upturn in 2026.

Foreign trade again did not provide any positive growth momentum in the third quarter. Export volumes declined significantly quarter-on-quarter, mainly due to weak trade with third countries, particularly the US. Although imports of goods expanded strongly, particularly in the area of intermediate and capital goods, total imports also remained weak. In contrast to trade in goods, trade in services, which includes travel and IT services, slumped, affecting both exports and imports.

The ongoing economic weakness in the third quarter was also reflected on the production side: gross value added in the manufacturing sector fell significantly again (by 0.9 percent). This means that the brief respite at the beginning of the year, when the manufacturing sector recorded growth, has already evaporated. Between July and September, construction output was also lower than in the previous quarter (–0.6 percent). The fact that gross value added rose slightly overall in the third quarter (by 0.1 percent) was once again thanks to the service sectors. Growth was particularly strong in the public sector, where gross value added expanded for the seventh consecutive quarter (by 0.4 percent), as well as in trade, transport, and hospitality (+0.7 percent). While positive rates in trade and transport provided support, value added in the hospitality sector declined slightly, probably due to weak consumer spending.

Public consumption continues to support growth in the fourth quarter

The mood in Germany remains subdued at the end of the year. Declining competitiveness, high production costs by international standards, and demographic change continue to weigh on economic activity. Adding to this are rising trade barriers and the associated increase in uncertainty. As a result, the ifo Business Climate Index, which summarizes German companies' assessment of the current situation and their business expectations, has halted its upward trend from the first half of the year. In particular, the expectations component rose almost continuously from January through the summer, but has since stagnated in negative

Table 1

Quarterly data on the development of use and value-added components of real GDP in Germany

In percent (quarter-on-quarter, seasonally and calendar adjusted)

	2024				2025				2026				2027			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Private consumption	0.4	0.1	0.2	0.4	0.6	0.1	−0.3	0.0	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.1
Government consumption expenditure	0.0	1.8	1.0	0.5	0.2	0.2	0.8	0.7	0.6	0.5	0.5	0.6	0.5	0.6	0.4	0.4
Gross fixed capital formation	−0.6	−1.6	−0.5	0.6	0.3	−1.1	0.3	0.6	0.8	1.0	1.1	1.0	0.9	0.9	0.9	0.9
Construction	0.5	−1.7	−0.7	0.7	0.2	−1.1	−0.5	0.4	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.0
Equipment	−0.9	−3.1	−1.0	0.0	0.3	−2.6	1.1	0.5	1.2	1.5	1.9	1.5	1.2	1.0	0.8	0.6
Other fixed assets	−3.1	1.2	0.9	1.1	0.6	1.2	0.9	1.4	1.2	1.2	1.2	1.0	1.0	1.0	1.0	0.9
Inventory changes[1]	0.1	−0.1	0.8	0.6	−0.5	0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic demand	0.2	0.0	1.0	1.1	−0.1	0.3	0.3	0.3	0.4	0.5	0.5	0.5	0.4	0.4	0.4	0.3
Net exports	−0.3	−0.3	−1.0	−0.9	0.4	−0.5	−0.3	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1	−0.1
Exports	−1.0	0.6	−1.7	−2.1	2.4	0.3	−0.7	0.1	0.2	0.3	0.4	0.4	0.3	0.3	0.3	0.3
Imports	−0.4	1.3	0.7	0.1	1.5	1.7	0.0	0.2	0.5	0.6	0.6	0.6	0.5	0.5	0.5	0.5
GDP	−0.1	−0.3	0.0	0.2	0.3	−0.2	0.0	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Gross value added	−0.8	−0.1	−0.4	−0.3	0.5	−0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Manufacturing	−1.5	−0.8	−1.4	−0.9	1.7	−0.3	−0.9	0.0	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Construction	1.0	−2.0	−2.1	−1.3	1.2	−2.3	−0.6	0.3	0.4	0.6	0.6	0.7	0.8	0.8	0.9	1.0
Trade, hospitality, transport	−0.7	−0.4	0.1	0.3	0.5	−0.6	0.7	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Business services	0.1	0.5	−0.6	−0.6	−0.3	0.4	−0.1	0.2	0.3	0.4	0.4	0.4	0.4	0.3	0.2	0.2
Public services, education, health	0.6	0.8	0.4	0.4	0.3	0.7	0.4	0.4	0.5	0.6	0.6	0.6	0.5	0.5	0.4	0.3

1 Contribution to growth in percentage points.

Note: Forecast from the fourth quarter of 2025 onward; adjusted for price, seasonal, and calendar effects.

Sources: National Statistical Offices; DIW Berlin Economic Outlook Winter 2025.

Table 2

Key economic indicators for the German economy

	2024	2025	2026	2027
GDP[1]	−0.5	0.2	1.3	1.6
Employment[2] (1,000 persons)	45,987	45,978	46,002	46,145
Unemployed (1,000 persons)	2,787	2,948	2,898	2,703
Unemployment rate[3] (BA concept, in percent)	6.0	6.3	6.2	5.8
Consumer prices[4]	2.3	2.2	2.1	2.2
Unit labor costs[4,5]	5.6	4.6	2.0	2.1
Government budget balance[6]				
in billions of euros	−115.3	−114.2	−155.8	−171.8
in percent of nominal GDP	−2.7	−2.6	−3.4	−3.6
Current account balance				
in billions of euros	249.7	206.5	187.2	179.3
in percent of nominal GDP	5.8	4.6	4.0	3.7

1 Price adjusted. Year-on-year change in percent.
2 Domestic concept.
3 Unemployed as a percentage of the civilian labor force (definition according to the Federal Employment Agency).
4 Year-on-year change.
5 Compensation of employees per hour worked in Germany as a percentage of real GDP per hour worked.
6 As defined in the national accounts (*Volkswirtschaftliche Gesamtrechnungen*).

Note: Forecast from 2025 onward.

Sources: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2025.

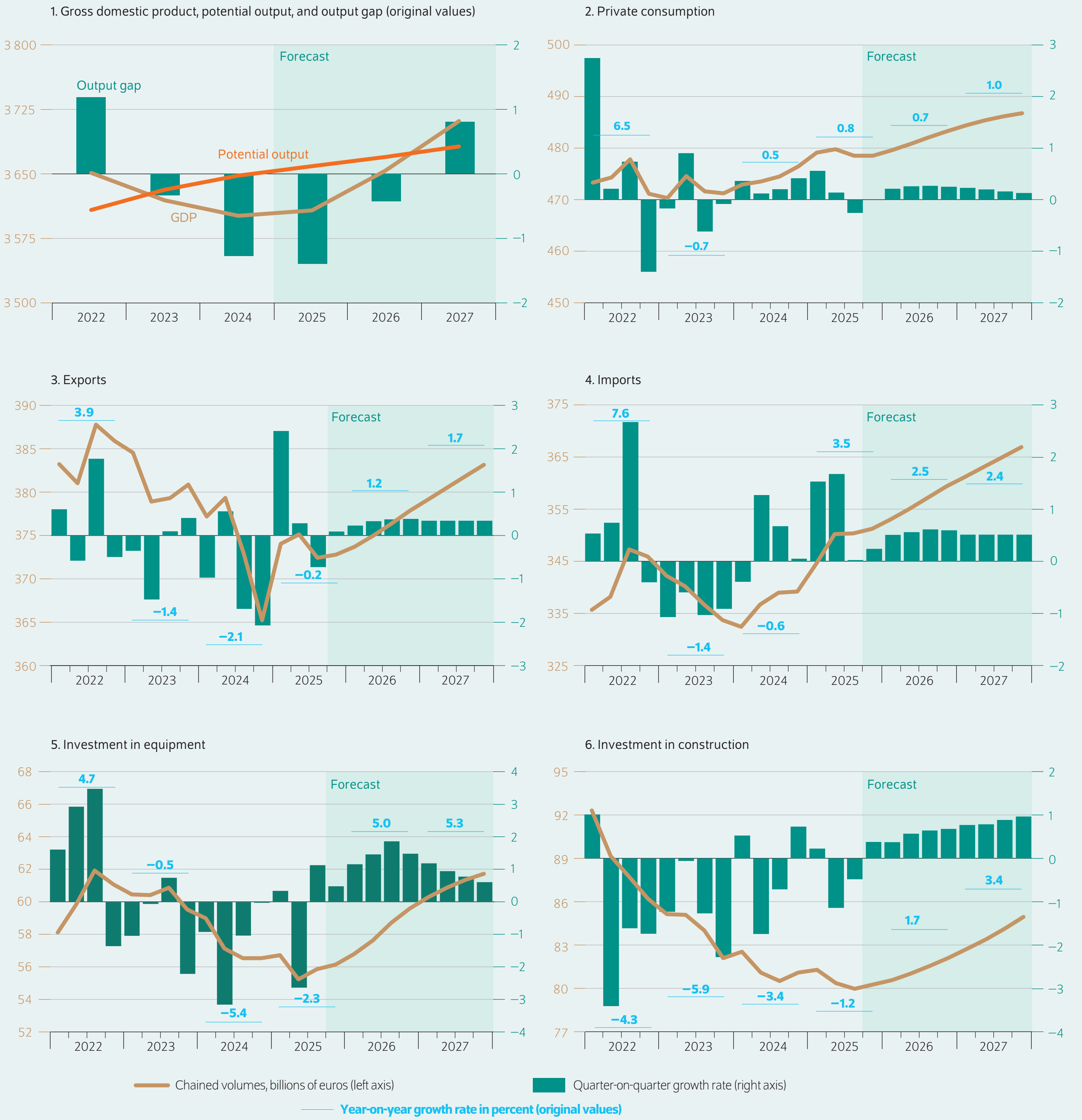
territory. The Purchasing Managers Index for the economy as a whole, which had climbed well above the expansion threshold of 50 points in the summer months, has also deteriorated somewhat recently. While the services component remained above 50 points despite a decline in November, the index for the manufacturing sector has again moved away from this threshold since August. Although the production index picked up again in October, overall gross value added in the producing industries—especially in manufacturing—is likely to remain weak in the current quarter. The service sectors, on the other hand, are expected to continue to provide support. Overall, the German economy is projected to grow by 0.2 percent in the final quarter.

The pattern of recent months is likely to continue: in the fourth quarter, public spending, especially public consumption, is expected to increase significantly again, supporting overall economic performance. The main factor here will probably be the making-up of postponed purchases of intermediate goods due to the end of provisional budget management at the federal level. Public investment in equipment and construction is also expected to increase again, albeit not quite as strongly as in the previous quarter. By contrast, the private sector will likely develop much less dynamically. Private households and companies are still plagued by uncertainties, making them reluctant to consume and invest. Consumers are also likely to remain concerned about job security, as the usual “autumn upturn” in the labor market

Figure 2

GDP and important components

Seasonally, calendar, and price-adjusted development



Note: Forecast from the fourth quarter of 2025 onward; adjusted for price, seasonal, and calendar effects (quarterly series) and price effects (annual series), respectively.

Sources: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2025.

Box 1

Assumptions and framework conditions

This forecast is based on assumptions regarding the development of key interest rates, exchange rates, and commodity prices (Table). The assumptions are based on past developments, prices on futures markets, and closing prices as of the forecast reference date, November 12, 2025.

Inflation in the euro area is currently around two percent, in line with the European Central Bank's (ECB) price stability target. Against this backdrop, the ECB recently left key interest rates unchanged. With a deposit rate of 2.0 percent, monetary policy thus remains neutral. This forecast assumes that the ECB will keep interest rates constant over the entire forecast horizon.

In line with key interest rates, money market rates have also stabilized at just under two percent and are likely to remain at this level. In the wake of the key interest rate cuts, refinancing costs for companies and borrowing costs for households also declined. This forecast assumes that lending rates will further decline only slightly. It is also assumed that capital market interest rates will remain largely unchanged over the forecast horizon at 2.7 percent for Germany and 3.1 percent for the euro area. This means that, compared with the fall forecast, capital market interest rates have not changed.

The euro has recently depreciated slightly against the dollar. Although a little lower than assumed in the fall, the exchange rate remains at a high level of 1.16 US dollar per euro. It is assumed that the exchange rate will stay at this level. The price of Brent crude oil has recently fallen slightly. Based on futures prices, this forecast assumes that the price of crude oil will only decline marginally, averaging around 68 US dollar per barrel for the current year and around 64 US dollar per barrel in both 2026 and 2027. Compared with the fall forecast, the crude oil prices assumed are thus 0.8 percent lower for the current year and 1.5 percent lower for each of the next two years. Wholesale gas prices (TTF) have also eased somewhat in recent weeks. This year, they are expected to average 37 euros per megawatt hour before falling to around 31 euros per megawatt hour in 2026 and 28 euros per megawatt hour in 2027. This means that gas price assumptions have been lowered by around three percent (for 2025), seven percent (for 2026), and six percent (for 2027) compared to the fall forecast.

This forecast also considers trade policy assumptions. It is assumed that the tariffs levied up to the forecast date will remain in place beyond the forecast horizon. For Germany, this means a tariff rate of 15 percent.[1]

Table

Forecast assumptions

		2024	2025	2026	2027
ECB deposit facility[1] (year-end)	Percent	3.0	2.0	2.0	2.0
ECB key interest rate (year-end)	Percent	3.15	2.15	2.15	2.15
Money market interest rate	Three-month EURIBOR in percent	3.6	2.2	2.0	2.1
Capital market interest	Yield on euro-area government bonds with a remaining term of ten years	3.0	3.1	3.1	3.1
Capital market interest	Yield on German government bonds with a remaining term of ten years	2.4	2.6	2.7	2.7
Exchange rate	USD/EUR	1.08	1.15	1.16	1.16
Crude oil price	USD per barrel	79.7	68.4	63.5	63.8
Gas price	EUR per megawatt hour	34.5	37.0	30.8	28.1

1 The ECB is currently steering the economy via the deposit facility, not the main refinancing rate.

Note: Annual averages; year-end ECB deposit facility values.

Sources: European Central Bank; European Money Markets Institute (EMMI); Eurex Exchange; Deutsche Bundesbank; Federal Reserve; Energy Information Administration (EIA); Intercontinental Exchange (ICE); CME Group; DIW Berlin Economic Forecast Winter 2025.

1 For customs duties, see also Figure 4 in this weekly report.

did not materialize this year. As a result, consumer sentiment is noticeably subdued at the end of the year. At the same time, the governing coalition's visible disagreements are undermining companies' confidence, which is necessary to stimulate investment. As a result, private consumption and investment activity are likely to increase only slightly in the current quarter.

Foreign trade is projected to dampen economic performance once again with a negative foreign trade balance. Demand from other European countries for goods manufactured in Germany has been robust recently and is likely to stabilize exports overall. However, unfavorable trading conditions and the loss of competitiveness continue to weigh heavily on the German export industry, meaning that exports will probably increase only slightly overall. Imports are also expected to grow only modestly at best.

Fiscal package provides stimulus on credit

The German economy is undergoing a period of structural problems and upheaval. While a broad agreement appears to have been reached in the customs dispute with the US, which will increase planning security but continue to weigh on German exports, the German economy is also becoming increasingly decoupled from global trade: Although exporting companies in Germany have always benefited from global upturns in the past, demand now seems to be increasingly met elsewhere. According to surveys, competitiveness continues to decline, particularly in relation to non-EU countries.[1] China's increasingly assertive stance in trade—for

1 See ifo Institute (2025): German industry sees its own competitiveness at a record low. ifo economic survey of November 11, 2025 (available online; accessed on December 9, 2025. This also applies to all other online sources in this report, unless otherwise noted).

example, through its recent export restrictions on rare earth metals—is also causing growing uncertainty in the German economy. Furthermore, it is unlikely that the production costs of companies based here will decrease significantly in the coming years. The government is currently attempting to reduce energy costs, particularly for electricity-intensive producers, by extending the reduction in electricity tax, lowering grid fees, and introducing an industrial electricity price. However, energy prices are likely to remain high by international standards.[2] In addition, labor costs are also likely to weaken the competitive position of German companies, not least due to demographic change and the resulting shortage of skilled workers, as well as rising social security contributions. There are already signs that structural weaknesses will have an even greater impact than previously assumed.

The decisive factor for stronger expansion in the forecast period (Table 3) is the expected expansionary stance of the government, assuming a neutral monetary policy (Box 1). The extensive scope for debt, from which potentially far-reaching funds for infrastructure and defense spending can be drawn, has the potential to drive public consumption and public investment, thereby significantly boosting economic growth. Although this forecast assumes that the outflows will be lower than envisaged in the federal budgets for 2025 and 2026, fiscal stimulus is still likely to be strong in the next two years, at 41.5 billion euros and 39.3 billion euros (Box 2).

A dynamic upturn is therefore expected in 2026 and 2027. However, there are no signs of a sustained recovery in the private sector. Although calm has returned somewhat after the turmoil caused by the tariff conflict, exports are likely to remain weak in view of the continuing subdued foreign demand, especially from third countries. Nevertheless, with rising domestic demand and investment stimulus from the public sector, equipment investment is expected to pick up somewhat and imports are projected to expand more significantly than exports. Indicators for the construction sector have also recently pointed to a cautious recovery. In view of rising demand, manufacturing and construction output are also likely to increase again, while the service sectors will continue on their solid growth path. The accompanying easing of the labor market and robust growth of disposable income are expected to boost private consumption.

All in all, price-adjusted gross domestic product in Germany is projected to grow by 0.2 percent this year. In the next two years, it is expected to expand by 1.3 and 1.6 percent, respectively.[3] The forecast growth rates for 2026 and 2027 therefore remain strong, but DIW Berlin has nevertheless lowered its forecast quite significantly by 0.4 and 0.2 percentage points respectively. The reason is a weaker expected fiscal stimulus to the private sectors due to a shift away from government investment toward consumption expenditure. In addition, structural factors are likely to weigh more heavily on the German economy, which means that private investment activity is likely to be somewhat less dynamic.[4]

Table 3

Contributions to GDP growth in Germany

In percentage points (price-adjusted)

	Contributions to growth[1]			
	2024	2025	2026	2027
Consumption expenditures	0.8	0.9	0.9	1.0
Private households	0.3	0.4	0.4	0.5
Government	0.6	0.5	0.6	0.5
Gross fixed capital formation	−0.7	−0.1	0.7	0.9
Construction	−0.4	−0.1	0.2	0.4
Equipment	−0.4	−0.1	0.3	0.3
Other fixed assets	0.0	0.2	0.2	0.2
Inventory changes	0.1	0.7	0.2	0.0
Domestic demand	0.2	1.6	1.8	1.8
Net exports	−0.7	−1.4	−0.5	−0.2
Exports	−0.9	−0.1	0.5	0.7
Imports	0.2	−1.3	−1.0	−0.9
Gross domestic product[2]	−0.5	0.2	1.3	1.6

1 Year-on-year change in percent; any deviation in the totals is due to the rounding of the figures.
2 Change from the previous year in percent; differences in totals due to rounding of figures.

Note: Forecast from 2025 onward.

Sources: Federal Statistical Office; DIW Berlin Economic Outlook Winter 2025.

Potential growth in gross domestic product will average 0.3 percent through 2030. Demographic aging will continue to have a negative impact on the volume of work. The output gap will widen again in the current year due to weak economic development, averaging –1.2 percent. Strong growth rates in the next two years are likely to close the output gap over the forecast period, turning it positive in 2027.

Consumer price inflation is expected to be 2.2 percent in the current year. In 2026, the rate is likely to fall to 2.1 percent before rising again to 2.2 percent in the following year. DIW Berlin has therefore revised its inflation forecast for this year and next year slightly upward by 0.1 percentage points, while the rate for 2027 remains unchanged. The service component is decisive here, as it is likely to decline less significantly than had been assumed in the fall projection.

Significant risks for the German economy continue to arise from the trade conflict between the US and the EU, as well as China's position of power with regard to important raw materials. This forecast is based on the current state of agreement on US tariffs. If not all EU commitments can be met, particularly in the area of planned investments, there is a

2 According to Eurostat (data code nrg_pc_204), the price of electricity per kilowatt hour (kWh) for non-domestic customers in the first half of 2025 was 12.1 percent above the EU-27 average. In a comparison outside Europe, the surcharge is even more significant. See Klaus Stratmann (2025): Wie Strompreise die deutsche Industrie belasten. Handelsblatt on November 24, 2025.

3 The strong growth rates are at least partly due to a higher number of working days: the calendar effect amounts to 0.3 percentage points in 2026 and 0.1 percentage points in 2027.

4 A lower statistical overhang due to the weaker second half of 2025 contributes 0.1 percentage points to the revision of the growth rate for 2026.

Box 2

Assumptions regarding fiscal policy measures

After a neutral fiscal policy in the current year, a period of significantly expansionary policy will follow (Table). This year, expansionary measures on the expenditure side and restrictive measures on the revenue side (particularly in the area of social security) are balanced. In the following years, expansionary impulses on the expenditure side will predominate, largely determined by the expanded scope for borrowing for infrastructure, climate protection, and defense. On the revenue side, the overall impulse in 2026 will be neutral, while in 2027 households and businesses will likely benefit more from relief in wage and income tax than they will be burdened by higher social security contributions.

On the revenue side, local authorities can still expect additional revenue this year due to the discontinuation of pandemic- and energy price-related measures. This applies in particular to the inflation adjustment bonus—to the extent that it is replaced by taxable wage components. The extension of the truck toll to the 3.5 to 7.5 ton weight class, which was implemented in 2024, and the gradual increase in the tobacco tax will also generate additional revenue this year. Next year, global minimum taxation and the plastic tax will have a restrictive impact. At the start of 2026, the increase in the CO_2 tax in the heating and transport sectors will also contribute to significant additional revenue. It is assumed that the CO_2 price will reach the then applicable legal upper limit of 65 euros, thus increasing by 10 euros per ton. The inclusion of emissions related to heating and transport in the European emissions trading system has been postponed from 2027 to 2028. The coalition has therefore agreed to keep the national CO_2 price in these areas constant in 2027, so that emissions trading will not have any fiscal impact.

In addition to adjustments to the income tax rate (to offset bracket creep) and increases in the basic and child allowances (to continue to exempt the minimum subsistence level from taxation), the increase in the commuter allowance in the coming year will also provide relief for private households. In addition, employees above the standard retirement age will receive a tax allowance of 2,000 euros per month from next year as part of the so-called active pension scheme.

On the corporate side, the immediate investment program is likely to have a greater impact for the first time in 2026 and send out even clearer expansionary signals in 2027. In addition, agricultural businesses can benefit from the reintroduction of the refund of agricultural diesel expenses next year and—like manufacturing companies—from the continuation of the reduced electricity tax. The catering industry will be relieved from 2026 onwards by the permanent sales tax reduction to seven percent.

On the social security side, too, the elimination of the inflation adjustment premium will result in significantly higher revenues in the current year. This effect will be exceeded by the significant increase in the additional contribution to statutory health insurance. It is assumed that this will increase by an average of another 0.3 percentage points in the coming years. This year, the contribution rate for statutory nursing care insurance was raised by 0.2 percentage points. Subsidies will stabilize it over the rest of the year, as will a further loan from the federal government to the nursing care insurance funds in 2026. For 2027, an increase in the contribution rate for statutory nursing care insurance of 0.1 percentage points is assumed. Overall, fiscal policy is clearly restrictive on the revenue side in 2025, neutral in 2026, and slightly expansionary in 2027.

Government spending is expected to be expansionary throughout the forecast period. The expiry of the electricity and gas price brakes this year will continue to have a downward effect on spending, as will, to a lesser extent, cuts in citizen's income and parental allowance. On the other hand, the Startchancenprogramm (start-up opportunity program) and the continuation of the Deutschlandticket (Germany-wide public transit ticket) will result in additional expenditure, even though the latter will become five euros per month more expensive for ticket holders starting in 2026; with a further price increase expected in 2027.

By far the largest expansionary impulse comes from the increased scope for borrowing for infrastructure, climate protection, and defense. The increased Climate and Transformation Fund (KTF) will finance, among other things, the compensation of the gas storage levy in the current year, the elimination of grid fees in the coming year, and the reduction in industrial electricity prices for selected energy-intensive industries, which is expected to be passed and approved by the EU Commission, in 2027. Apart from these subsidies, the KTF's other program expenditures are likely to remain stable over the forecast horizon. Instead, expenditures from the Special Fund for Infrastructure and Climate Neutrality (SVIK) will accelerate, not counting the KTF increase. In 2025, however, it will still fall far short of a hypothetical equal distribution of the financial leeway of 33 billion euros (400 billion euros spread over 12 years). Increasing withdrawals from the Bundeswehr special fund are also to be expected over the forecast horizon as ordered equipment is gradually delivered. In addition, this forecast assumes additional expenditure in all years within the framework of the expanded concept of defense, with the help of which (and the Bundeswehr special fund) the "NATO quota" of approximately 2.9 percent of GDP is expected to be achieved by 2027.

On the social security expenditure side, the Care Support and Relief Act in particular is providing expansive impetus in 2025. Measures such as the supplement to the reduced earning capacity pension, the Healthcare Strengthening Act, and hospital reform are also associated with additional expenditure. In the next two years, fiscal policy measures are likely to be neutral in this regard.

Table

Fiscal policy measures: burdens (−) and relief (+) by the general government budget
In billion euros (compared to the previous year)

	2025	2026	2027
Revenues of local authorities			
Annual Tax Act 2022	−0.7	−0.2	−0.2
Inflation Compensation Act (adjustment of income tax rates)	−2.1	−0.6	−0.5
Reduction of bracket creep 2027	0.0	0.0	−4.0
Adjustments to the tax exemption for the minimum subsistence level	−3.3	1.3	0.0
Increase in commuter allowance	0.0	−1.1	−0.2
Tax Law Development Act	−6.1	−5.5	−0.9
Tax exemption for inflation compensation bonus	6.7	0.0	0.0
Annual Tax Act 2024	−0.8	0.3	−0.1
Active pension (pension package)	0.0	−0.7	−0.2
Second Occupational Pension Strengthening Act (pension package)	0.0	−0.1	−0.1
Changes to agricultural diesel rebate	0.1	−0.4	0.0
Reduction in electricity tax	−1.9	0.1	0.3
Temporary reduction in sales tax on gas	1.0	0.0	0.0
Temporary reduction in sales tax on gastronomy	0.5	0.0	0.0
Permanent sales tax reduction in the restaurant industry	0.0	−3.5	−0.1
Revenues from fuel emissions trading (BEHG)	3.2	3.0	0.0
Degressive depreciation (Second and Fourth Coronavirus Tax Assistance Acts)	5.0	3.8	1.5
Immediate investment programme (degressive depreciation, tax breaks for electric cars, expansion of research allowance)	−0.6	−3.4	−5.2
Increase in truck tolls	0.9	0.2	0.0
Growth Opportunities Act	−2.3	−0.7	0.1
Increase in tobacco tax	0.9	0.8	0.0
Financing for the Future Act	−0.2	−0.1	0.0
Global minimum taxation (Pillar 2)	0.0	1.0	−0.3
Plastic tax	0.0	1.4	0.0
Other tax measures[1]	−1.8	−2.0	−1.9
Social security revenues			
Increase in average additional contribution to statutory health insurance	14.5	4.0	4.0
Increase in contribution rate for statutory nursing care insurance	2.6	0.0	1.3
Tax exemption for inflation adjustment bonus	8.1	0.0	0.0
Increase in insolvency allowance levy	1.1	0.0	0.0
Expenditure of local authorities			
Electricity and gas price brakes	1.3	0.0	0.0
Housing benefit reform	−0.4	0.4	0.0
Deutschlandticket (Germany-wide regional rail ticket)	−0.1	−0.2	−0.2
Cuts in parental allowance for top earners	0.4	0.1	0.0
Startchancen program for schools	−0.5	−0.5	−0.3
BAföG reform	−0.2	0.0	0.0
Early retirement pension (pension package)	0.0	−0.1	0.0
Benefits Law Adjustment Act	0.0	−0.1	0.0
Subsidies for network charges	0.0	−6.5	0.0
Abolition of gas storage levy	−3.4	3.4	0.0
industrial electricity price	0.0	0.0	−1.5
KTF special fund (excluding EEG/grid fees/industrial electricity price)	−3.0	−1.9	−2.3
Additional expenditure on infrastructure and climate neutrality (excluding KTF)	−5.4	−17.0	−14.2
Additional expenditure on defense (including *Bundeswehr* special fund)	−11.7	−16.7	−14.3
Social security expenditure			
Basic pension	−0.1	−0.1	−0.1
Supplementary reduced earning capacity pension	−1.3	0.0	0.2
Hospital reform	−0.4	0.0	0.2
Care Support and Relief Act	−3.0	−0.2	−0.3
Healthcare Strengthening Act	−0.4	0.0	0.0
Extension of the period of entitlement to short-time working allowance	−0.2	0.2	0.0
Total	**−3.7**	**−41.5**	**−39.3**
As a percentage of GDP	**−0.1**	**−0.9**	**−0.8**

1 Other tax measures: Annual Tax Act 2020, Second Family Relief Act, Act on the Modernization of Corporation Tax Law, Disabled Persons Lump Sum Act, Fourth Bureaucracy Relief Act, Credit Market Promotion Act, increase in air traffic tax.

Note: Without macroeconomic repercussions.

Sources: Federal Government (budget, draft legislation, monthly reports of the Federal Ministry of Finance, financial reports for the years 2021 to 2024, tax policy data collection); DIW Berlin Economic Outlook Winter 2025.

All in all, the budgetary impact of fiscal policy measures in the current year amounts to −3.7 billion euros (0.1 percent in relation to nominal gross domestic product), in 2026 to −41.5 billion euros (−0.9 percent), and in 2027 to −39.3 billion euros (−0.8 percent). The scope of fiscal policy measures for 2027 is subject to considerable uncertainty. If the measures do not generate sufficient economic growth, as assumed in this forecast, and thus stabilize the government's structural net borrowing, consolidation measures may be necessary in 2027.

risk of escalation with significant negative effects for both economic areas. In addition, the German economy is heavily dependent on Chinese rare earths, which are indispensable for key sectors such as the automotive industry. Tighter export controls and geopolitical tensions increase the risk of supply bottlenecks and price spikes, which could significantly jeopardize production and growth.

Furthermore, there are uncertainties regarding the macroeconomic effects of higher defense spending and investments as a result of the amendments to Germany's Basic Law. The effects depend heavily on the use of funds and capacity utilization and, thus, might be weaker than assumed in this forecast.

There are also significant risks from the lack of consolidation measures. Without reforms, especially in statutory pension insurance and in the area of health and long-term care, the burden of demographic-related social spending will increase significantly. This will increase not just labor costs (unless productivity gains are achieved) but also structural budget deficits, which could weaken confidence in fiscal policy. However, if measures are taken in the coming months to increase work incentives and make the state more efficient, this could increase growth potential and reduce the pressure for consolidation.

Global economy proves more resilient to U.S. trade policy than expected

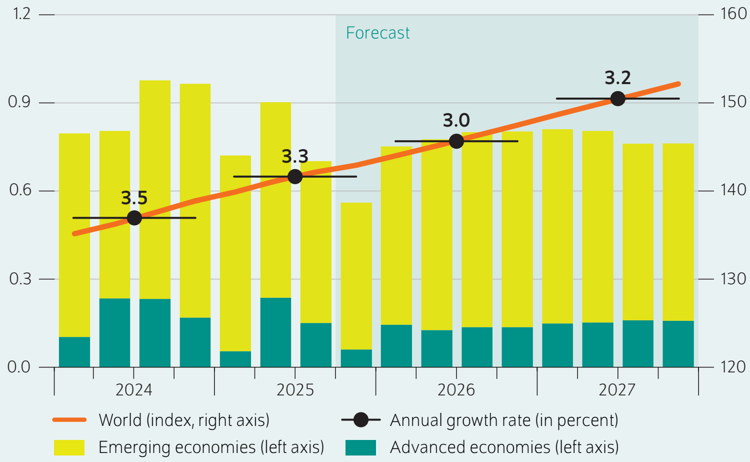
Although the U.S. trade barriers, across many regions, are creating noticeable headwinds, the global economy is demonstrating greater resilience than expected. Global trade remains robust, driven in particular by dynamic trade activity in Asia. The trade agreements concluded by the United States with the European Union, China, and other partners since the spring have also reduced the previously high level of uncertainty. At the same time, expansionary fiscal policy in many countries is supporting economic activity, while persistently high investment in artificial intelligence (AI)—especially in the U.S.—is providing additional stimulus.

Global economic activity lost some momentum in the third quarter, but continued to expand at a solid pace, with real gross domestic product (GDP) growing by 0.7 percent, following an increase of 0.9 percent in the previous quarter (Figure 3).[5] The moderation was driven primarily by a weakening of domestic demand in several major economies, while external trade proved broadly resilient. Although higher U.S. tariffs weighed on exports from some countries, global trade as a whole remained surprisingly dynamic, recording an increase of 1.1 percent, not least supported by strong intra-Asian trade.

Figure 3

Real GDP growth

Quarter-on-quarter percentage growth (left axis); index 2015 Q1 = 100 (right axis)



Sources: National Statistical Offices; DIW Berlin Economic Outlook Winter 2025.

The increased U.S. trade barriers are weighing on both emerging market economies and advanced economies.

In the U.S., no official data are available due to the government shutdown—the temporary closure of many federal agencies as a result of unresolved budget negotiations. However, available indicators point to quarterly growth of 0.6 percent, suggesting a softening, albeit still solid, economic expansion. Private consumption appears to have lost some momentum, while investment—particularly in the field of AI—has had a stabilizing effect. In the euro area, unexpectedly strong French exports as well as robust contributions from Spain supported quarterly growth of 0.2 percent. In the United Kingdom, economic activity slowed, while in Switzerland and Japan it declined, partly due to U.S. tariffs. In China, the decline in exports to the U.S. was largely offset by stronger shipments to other regions as well as supportive monetary and fiscal policy measures. Overall, the Chinese economy expanded by 1.1 percent in the third quarter, following growth of 1.0 percent in the previous quarter. On a year-on-year basis, however, growth slowed from 5.2 to 4.8 percent.

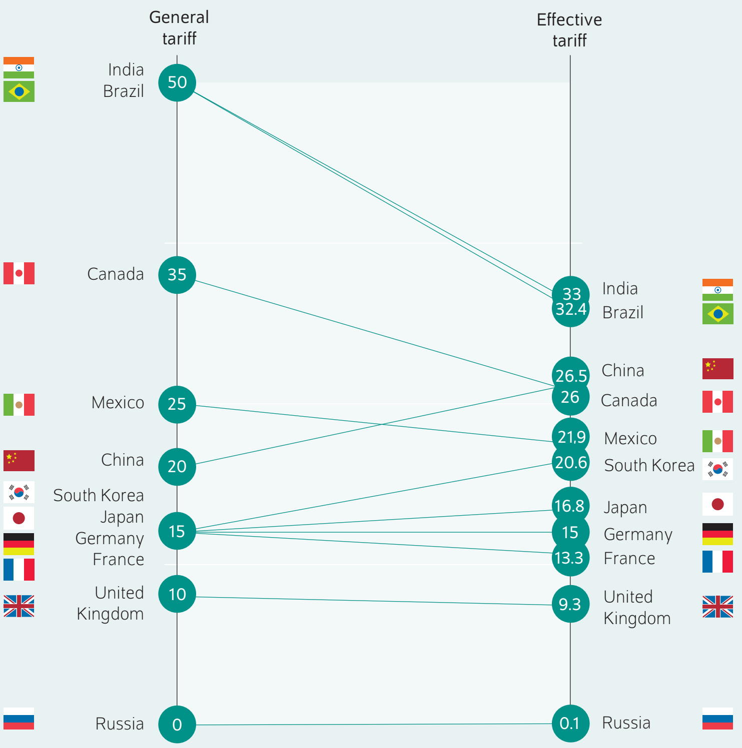
Since the spring, the U.S. has concluded a series of new tariff agreements with its most important trading partners. In October, it also extended the tariff truce with China by one year. These agreements reset the general tariff rates on U.S. imports but include numerous exemptions: steel and aluminum, for instance, are subject to a flat tariff of 50 percent, while lower or even zero tariffs apply to other goods. As a result, the trade-weighted effective tariff rate in some cases deviates significantly from the general level, depending on the composition of goods (Figure 4). The new agreements have reduced uncertainty in global trade and improved planning certainty for companies. This is also reflected in the decline of the global uncertainty index—although it remains elevated overall (Figure 5). Accordingly, business sentiment has improved somewhat: global purchasing managers' indices for both the manufacturing and services sectors are once again above the expansion threshold of 50 points.

At the same time, however, the tariff agreements lock in a significantly higher level of U.S. tariffs on imports, which is likely to dampen demand, thus slowing not just production but also global economic activity somewhat toward the end of the year. Global trade is also likely to lose momentum in the fourth quarter, as many firms will increasingly have exhausted their short-term adjustment strategies—such as front-loading shipments. In the euro area, exports are being weighed down not only by U.S. import tariffs but also by the persistently weak U.S. dollar. Since the beginning of the year, the dollar has depreciated by nearly twelve percent against the euro, raising the cost of euro area exports and further reducing the competitiveness of European products

5 The global quarterly and annual figures differ from those of the autumn forecast, as the weighting of emerging market economies relative to advanced economies has been updated.

Figure 4

General and effective U.S. tariff rates for selected countries
In percent



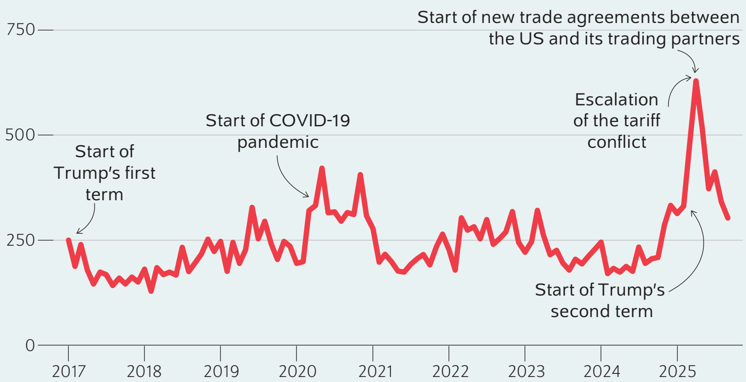
Note: As of December 1, 2025. The effective tariff rate takes into account product-specific deviations from the general tariff rate.

Source: The Economist.

The general and effective U.S. tariff rates for individual countries differ in some cases significantly.

Figure 5

Global economic uncertainty
Index (points)



Source: Global Economic Policy Uncertainty Index.

Global uncertainty has declined somewhat following the tariff agreements.

in the U.S. market. In the U.S., the shutdown is expected to noticeably restrain growth in the current quarter, such that the economy is likely to stagnate. Growth in China is also likely to remain only moderate in the current quarter due to weakening export momentum and subdued consumption.

For the first half of 2026, only modest global economic growth is expected, with a gradual strengthening from mid-year onward. In particular, U.S. trade barriers are likely to weigh on activity, while a mildly expansionary fiscal stance in many regions is supporting domestic demand. In the U.S., the fiscal deficit is expected to remain elevated, driven by the tax cuts under the "One Big Beautiful Bill Act." Lower healthcare spending and higher tariff revenues are likely to offset this only partially. For the euro area, fiscal policy is assumed to be broadly neutral: while several countries face consolidation requirements due to high public debt, the relaxed fiscal rules simultaneously create additional fiscal space, particularly for higher defense spending. In China and Japan, governments are pursuing an expansionary fiscal policy through new fiscal stimulus packages.

Monetary policy unlikely to provide significant impulses

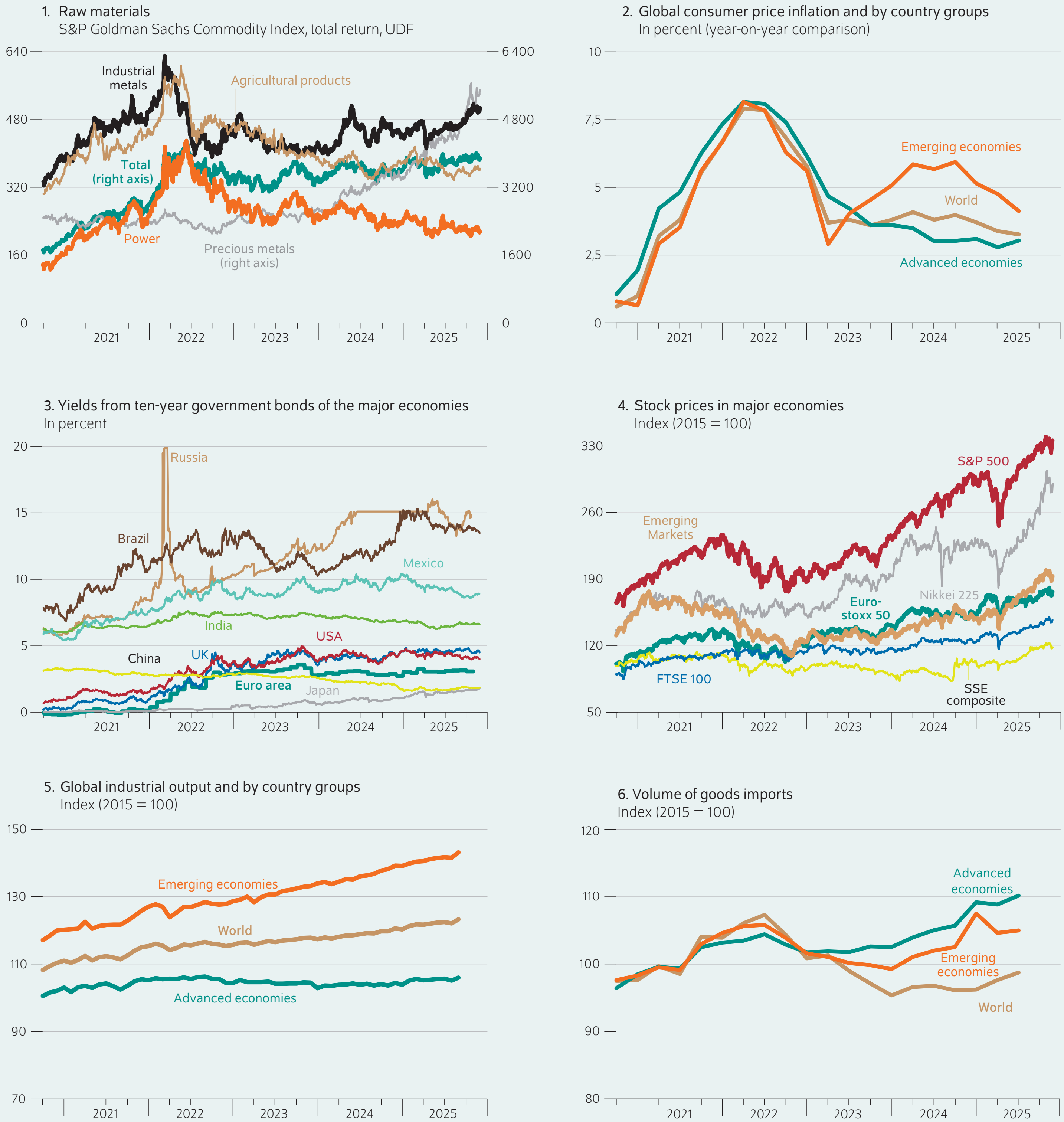
Monetary policy is expected to provide little stimulus over the forecast horizon. The European Central Bank lowered its deposit facility rate to two percent in the first half of the year and, therefore, is operating largely within neutral territory. Further interest rate steps are not anticipated for the time being. In the United Kingdom and India, policy rates remain in restrictive territory, although the respective central banks are expected to continue their easing cycle for the time being. In China, monetary policy is likely to remain expansionary in order to support weak domestic demand and counteract prevailing deflationary tendencies.

In the U.S., despite still elevated inflation—standing at three percent in September—a less restrictive monetary policy stance is emerging as labor market risks increase. For the current year, inflation in the U.S. is projected at 2.7 percent, while in the euro area it is expected to decline to an average of around 2.2 percent, supported by persistently low energy prices. Since the beginning of the year, both oil and wholesale gas prices have fallen significantly. Global food prices have also increased at a more moderate pace overall. Labor markets remain broadly stable and, together with declining energy and food prices, are supporting consumer demand (Figure 6).

However, the high level of U.S. tariffs is expected to place a noticeable burden on global trade and global economic activity. In the U.S., consumers are likely to become increasingly cautious as the tariff-related front-loading effects fade. Despite supportive impulses from AI-related investment, overall momentum in business investment is expected to remain subdued for the time being given the persistently high uncertainty. As a result, the strong economic expansion observed in recent years is unlikely to

Figure 6

Global economic environment indicators



Notes: Last observations: November 26, 2025 (part 1 of figure); September 30, 2025 (part 2 of figure); November 26, 2025 (euro area: October 31, 2025) (part 3 of figure); November 26, 2025 (part 4 of figure); September 1, 2025 (part 5 of figure); September 30, 2025 (part 6 of figure).

Sources: S&P Dow Jones Indices; Deutsche Börse; CBOE; EZB; PBoC; Federal Reserve; BoE; BOJ; Central Bank of Brazil; Bureau of Labor Statistics; IHS Markit; and CPB Word Trade Monitor.

Table 4

Real GDP, consumer prices, and unemployment rate in the global economy
In percent

	GDP				Consumer prices				Unemployment rate in percent			
	Year-on-year percentage change											
	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Europe												
European Union	1.0	1.6	1.6	1.9	2.6	2.5	2.3	2.3	6.0	6.0	5.9	6.1
Euro area	0.8	1.4	1.2	1.4	2.4	2.2	2.0	2.0	6.4	6.4	6.3	6.5
... excluding Germany*	1.4	2.0	1.2	1.4	2.4	2.1	2.0	1.9	8.0	7.6	7.2	7.7
France	1.1	0.8	1.0	1.0	2.3	1.0	1.2	1.4	7.4	7.5	7.4	7.4
Italy	0.5	0.5	0.5	0.6	1.1	1.8	1.9	2.0	6.6	6.2	6.3	6.3
Spain	3.5	2.9	2.2	2.1	2.9	2.5	2.1	2.0	11.4	10.5	9.7	9.4
Netherlands	1.1	1.7	1.2	1.3	3.2	2.9	2.4	2.0	3.7	3.8	3.6	3.6
United Kingdom	1.1	1.4	1.2	1.4	2.5	3.4	2.6	2.0	4.3	4.7	5.0	4.7
Switzerland	1.4	1.2	1.0	1.3	1.1	0.3	0.5	0.8	4.3	4.8	4.9	4.4
Central and Southeastern Europe	2.0	2.6	2.9	3.5	4.0	4.1	3.1	3.2	3.7	3.9	3.8	3.6
Turkey	3.5	3.5	3.2	3.4	58.5	36.1	29.6	27.0	8.7	8.5	8.5	8.5
Russia[1]	4.3	0.8	0.6	1.2	8.5	9.0	7.3	6.9	2.5	2.2	2.2	2.3
The Americas												
USA	2.8	1.9	1.7	1.9	3.0	2.7	2.5	2.2	4.0	4.3	4.6	4.7
Mexico	1.2	0.6	0.9	1.9	4.7	3.8	3.4	3.2	2.7	2.7	3.0	2.9
Brazil	3.0	2.5	1.6	2.2	4.4	5.2	4.0	3.6	6.9	6.3	6.5	6.7
Asia												
Japan	−0.2	1.3	0.7	0.7	2.7	3.1	2.0	2.0	2.5	2.5	2.4	2.3
South Korea	2.0	1.1	1.9	1.6	2.3	2.1	2.0	2.0	2.8	2.6	2.5	2.5
China	5.0	4.9	4.3	4.3	0.0	−0.4	−0.1	0.5	5.1	5.2	5.2	5.0
India	6.9	6.9	6.0	6.5	4.9	2.4	4.3	3.7	8.0	7.3	7.3	7.2
Total												
Advanced economies	1.8	1.7	1.4	1.6	3.3	3.0	2.6	2.3	4.5	4.6	4.7	4.7
Emerging economies	5.1	4.9	4.4	4.7	5.6	4.5	4.9	5.0	6.0	5.7	5.8	5.7
Global economy	3.5	3.3	3.0	3.2	3.9	3.4	3.4	3.3	5.7	5.5	5.5	5.5
For reference:												
Export weighted[2]	*2.3*	*2.1*	*1.8*	*2.1*								
GDP weighted in USD[3]	*3.0*	*2.8*	*2.5*	*2.7*								

1 The data forecast for Russia are subject to major uncertainties. Russia has only minor weight in the overall forecast.
2 World weighted with shares of German exports from 2024.
3 World weighted with the GDP in USD from 2024 to 2027.

Notes: The black figures are finalized. The values of the groups of countries are a weighted average, with the respective GDP in purchasing power parities from the IMF World Economic Outlook for 2024 to 2027 used to weight GDP and consumer prices. The 2023 labor force (15–64 years old) figures of the respective countries are used to weigh the unemployment rate in the groups of countries. Central and Eastern Europe consist of Poland, Romania, Czechia, and Hungary in this forecast.

Sources: National Statistical Offices; DIW Berlin Economic Outlook Winter 2025.

continue—despite a less restrictive monetary policy stance and a mildly expansionary fiscal policy. Overall, the U.S. economy is projected to grow by 1.9 percent this year, to slow slightly to 1.7 percent in 2026, and then to pick up again to 1.9 percent in 2027.

Owing to high U.S. tariffs and the resulting dampening of export activity, China is likely to narrowly miss its government's growth target of five percent this year. Against the backdrop of the ongoing real estate crisis, which continues to weigh noticeably on private consumption, growth over the next two years is expected to reach only around 4.3 percent in each year, despite an expansionary economic policy stance.

In the euro area, the economy is projected to expand by 1.4 percent in 2025. This year's main growth drivers are private consumption and investment, both of which have remained on a recovery path since the energy crisis. In the coming year, momentum is expected to ease to 1.2 percent amid only moderate growth in investment and an overall neutral fiscal policy stance. In 2027, economic expansion is expected to strengthen somewhat, albeit remaining moderate at around 1.4 percent, supported by a slight recovery in goods exports.

Overall, economic growth of 1.7 percent is expected this year in advanced economies and 4.9 percent in emerging market economies. The global economy is projected to grow by 3.3 percent in 2025 and by 3.0 percent in 2026. For 2027, growth of 3.2 percent is expected (Table 4). Compared with the autumn forecast, the projection for the current year is therefore 0.1 percentage points higher, while the forecasts for 2026 and 2027 are each 0.2 percentage points higher. This upward revision is due in particular to the decline in uncertainty following the tariff agreements concluded since the spring.

Major Risks to the Global Economy Persist

The outlook for the global economy remains subject to considerable risks. A key risk arises from China's tightened export controls on rare earths. As many economies are highly dependent on supplies from China, stricter licensing requirements or export restrictions could, in the short term, lead to significant production bottlenecks in key industries such as mechanical engineering, electronics, and semiconductor manufacturing. This would place additional strain on global supply chains and increase price pressures. Over the longer term, the mandatory disclosure of sensitive business and production data for export licenses also entails the risk of an accelerated transfer of know-how to China. This could weaken the technological competitiveness of European companies, further cementing the existing structural dependence.

Another risk arises from the increased vulnerability of the U.S. financial system. The rapidly expanding private credit market is increasingly financing large-scale projects with limited transparency, thereby heightening susceptibility to mispricing. The bankruptcy of the automotive supplier First Brands Group underscores that default risks in this segment are rising. Financing requirements are currently particularly pronounced in the field of AI, where many capital-intensive projects are funded through the private credit market. Should a market correction occur in this area, substantial loan defaults could emerge—with adverse consequences for investment activity and economic growth in the U.S. and globally.

Another structural risk stems from strained public finances in many countries. In several major economies—including the U.S., France, and Japan—fiscal deficits remain high, while, at the same time, the interest burden has risen markedly. As currently observed in the Japanese government bond market, investors are becoming increasingly sensitive to a lack of credible consolidation prospects: yields there have jumped sharply, as the prospect of a large-scale, debt-financed stimulus package is expected to place additional strain on already elevated public debt. As a result, rising financing costs could dampen investment and consumption, thus slowing cyclical momentum.

Geraldine Dany-Knedlik is Head of the Forecasting and Business Cycle Policy Group in the Macroeconomics Department at DIW Berlin | gdanyknedlik@diw.de

Guido Baldi is a Guest Researcher in the Macroeconomics Department at DIW Berlin | gbaldi@diw.de

Nina Maria Brehl is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in the euro area and consumer prices in Germany | nbrehl@diw.de

Hella Engerer is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in Central and Southeastern Europe | hengerer@diw.de

Angelina Hackmann is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in the German labor market | ahackmann@diw.de

Konstantin A. Kholodilin is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in estimating potential output and production | kkholodilin@diw.de

Frederik Kurcz is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in the euro area | fkurcz@diw.de

Laura Pagenhardt is a Research Associate in the Forecasting and Economic Policy Department at DIW Berlin specializing in investments | lpagenhardt@diw.de

Jan-Christopher Scherer is Head of the German economic forecast and a Research Associate in the Macroeconomics Department at DIW Berlin | jscherer@diw.de

Teresa Schildmann is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in German fiscal policy | tschildmann@diw.de

Hannah Magdalena Seidl is Head of the global economic forecast and a Research Associate in the Macroeconomics Department at DIW Berlin | hseidl@diw.de

Ruben Staffa is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in the United States and German foreign trade | rstaffa@diw.de

Kristin Trautmann is a Research Associate in the Macroeconomics Department specializing in the United Kingdom and European monetary policy | ktrautmann@diw.de

Jana Wittich is a Research Associate in the Macroeconomics Department at DIW Berlin specializing in German foreign trade | jwittich@diw.de

JEL: E32, E66, F01

Keywords: Business cycle forecast, economic outlook