

DIW Berlin

Deutsches Institut
für Wirtschaftsforschung

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International Consultancy Program
Central Bank of Japan

Economic Outlook Germany 2007-2008

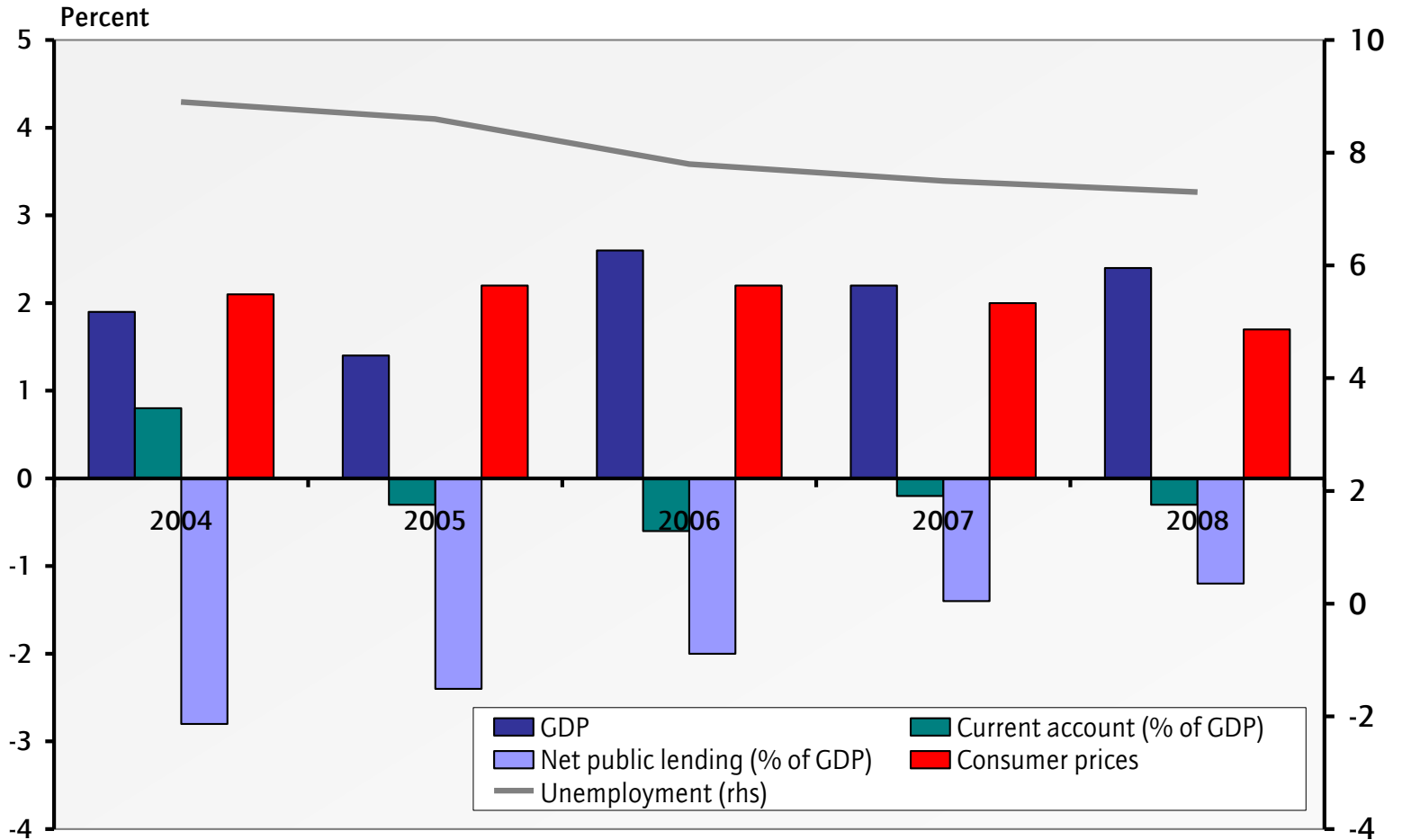
Berlin, 21 Feb 2007

Stefan Kooths, Joachim Volz
DIW Berlin - Macro Analysis and Forecasting

Key assumptions

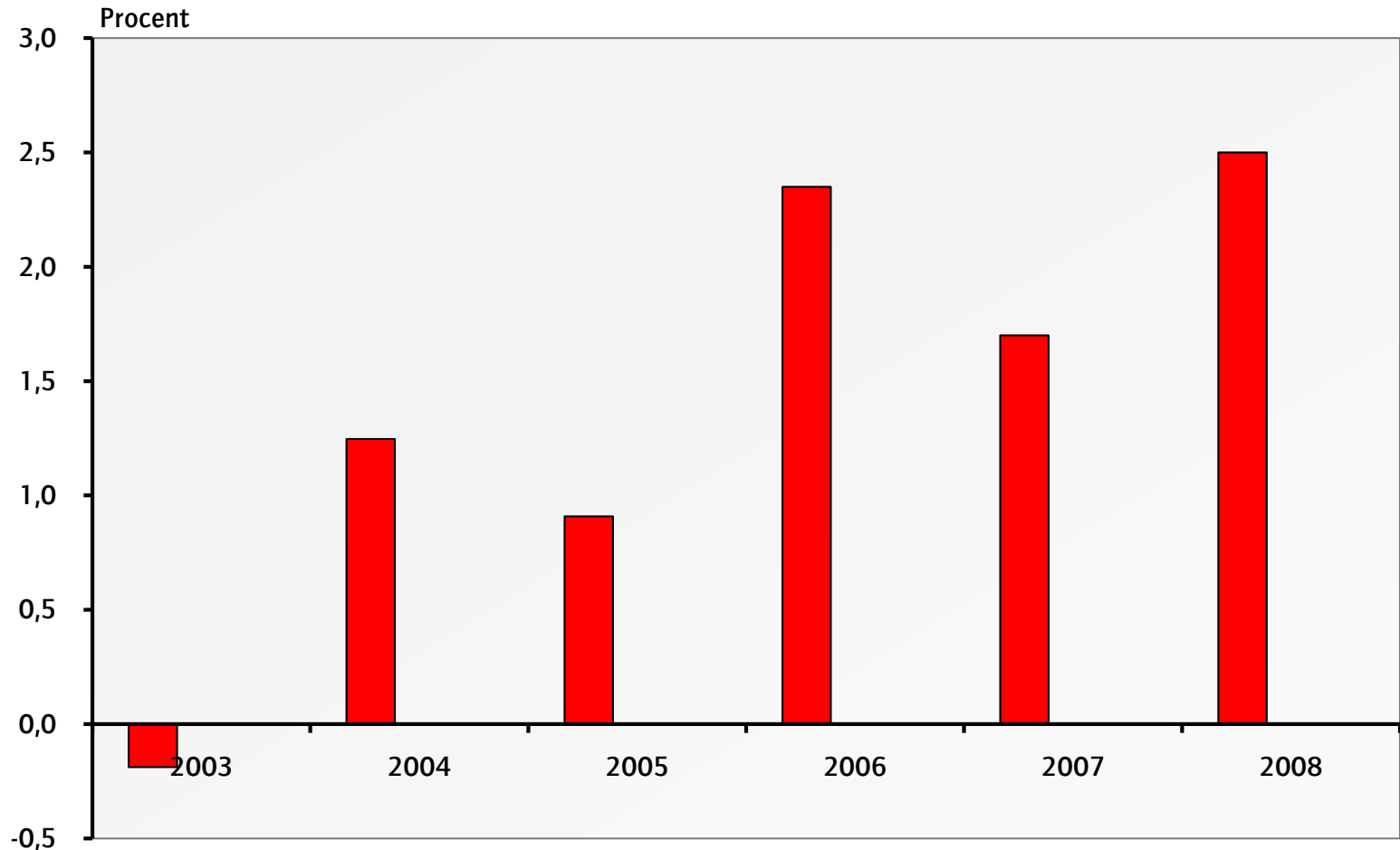
	2007	2008
▪ Oil price	60 USD	60 USD
▪ Exchange rate	1,40 USD/Euro	
▪ World trade	+8,0 %	+7,0 %
▪ ECB reference rate	4,0 % (by end of 2007)	
▪ Effective wage rate	+1,6 %	+2,6 %
▪ Shift effects (prod.)	3 Bill. Euro	

Eurozone perspectives



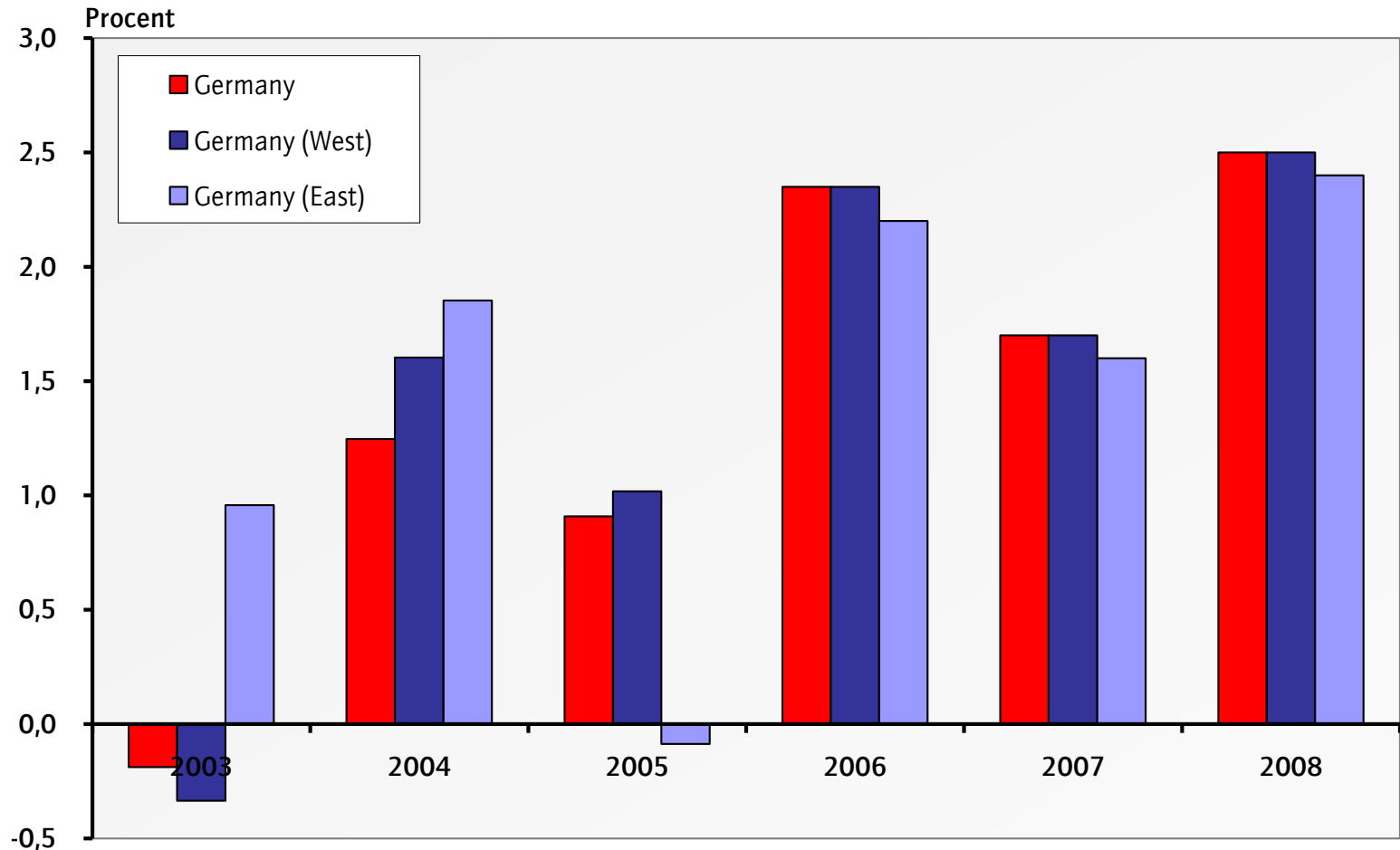
German growth perspectives

GDP growth rate in %

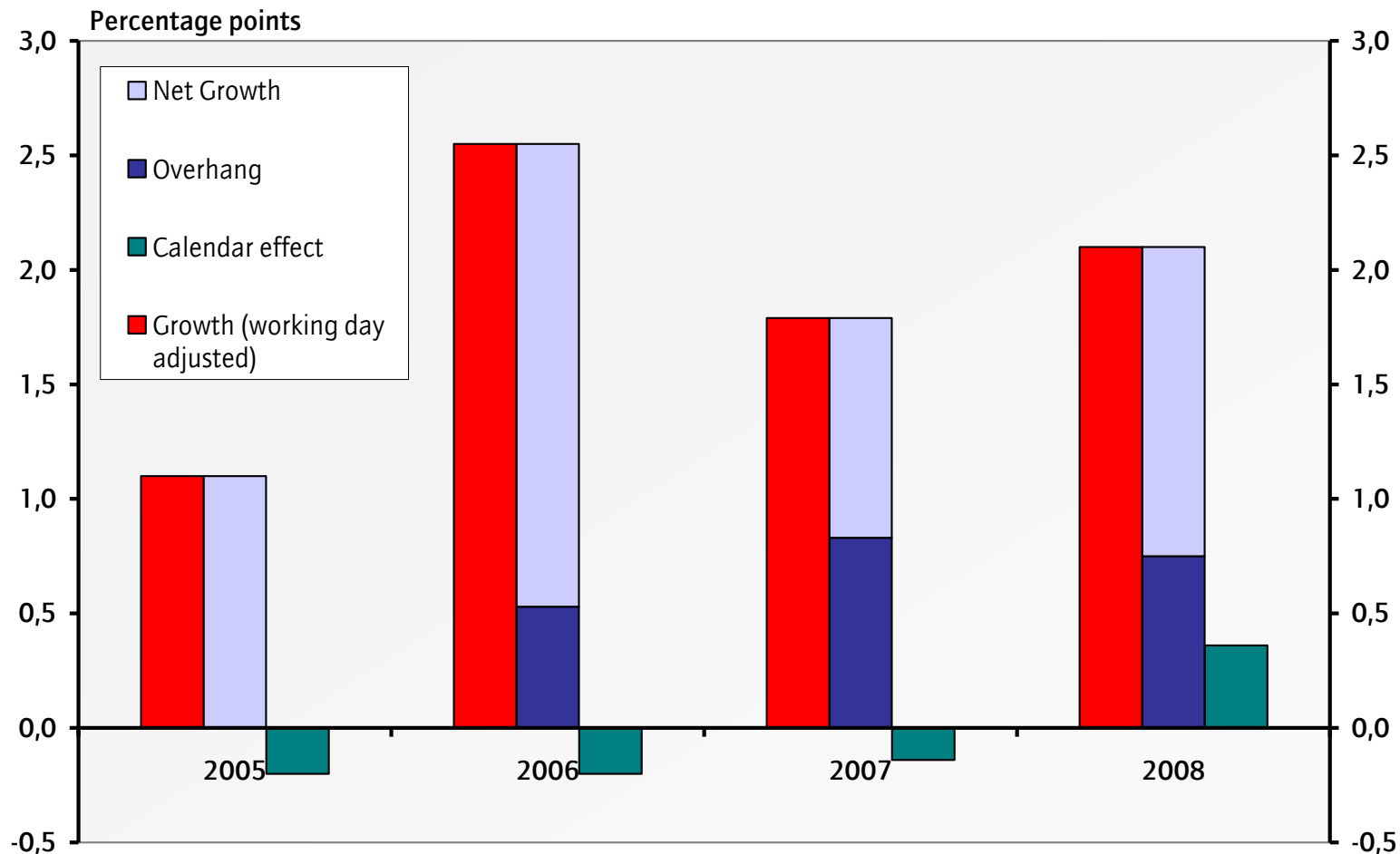


German growth perspectives: West and East

GDP growth rate in %

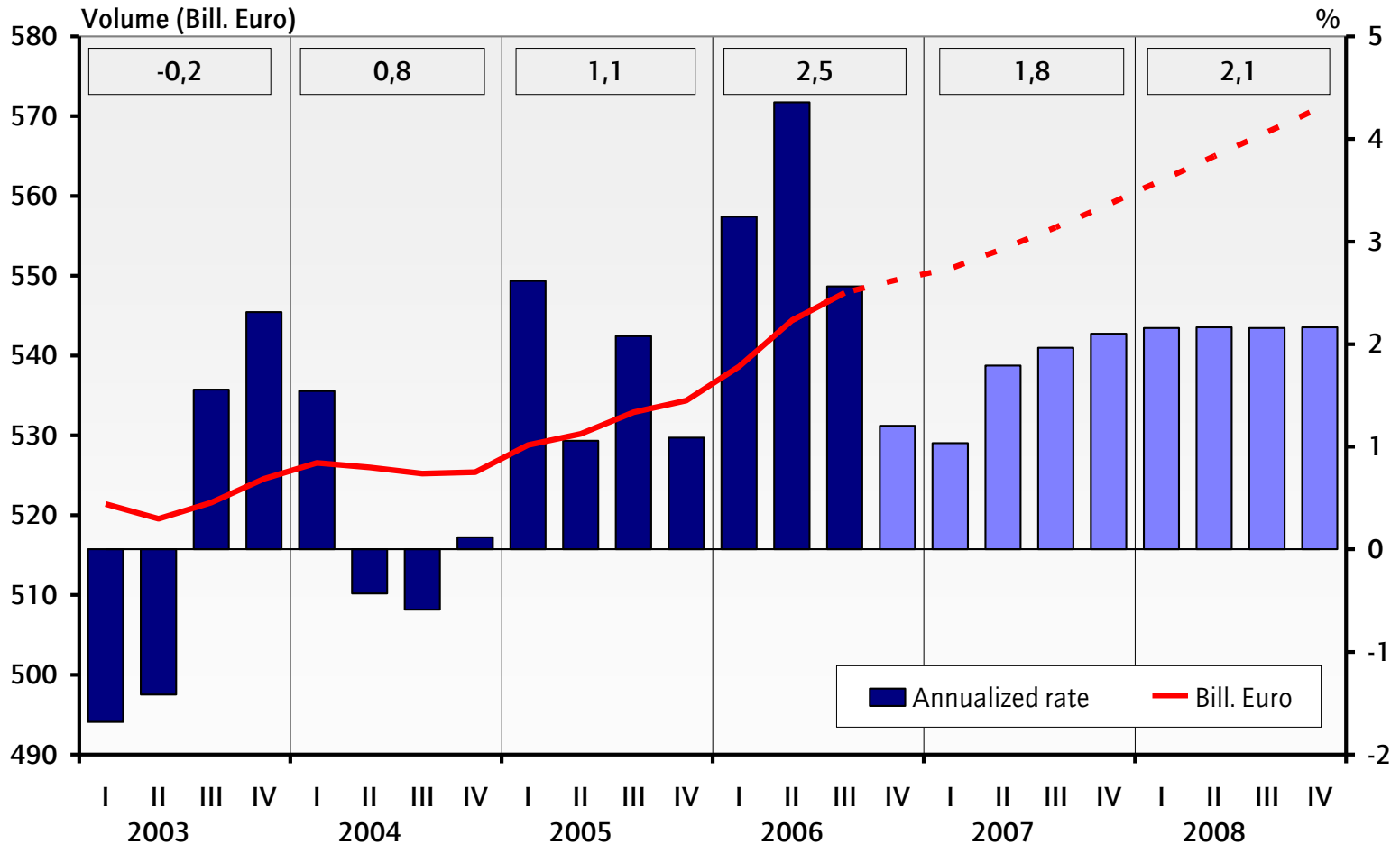


Technical growth components



German growth dynamics

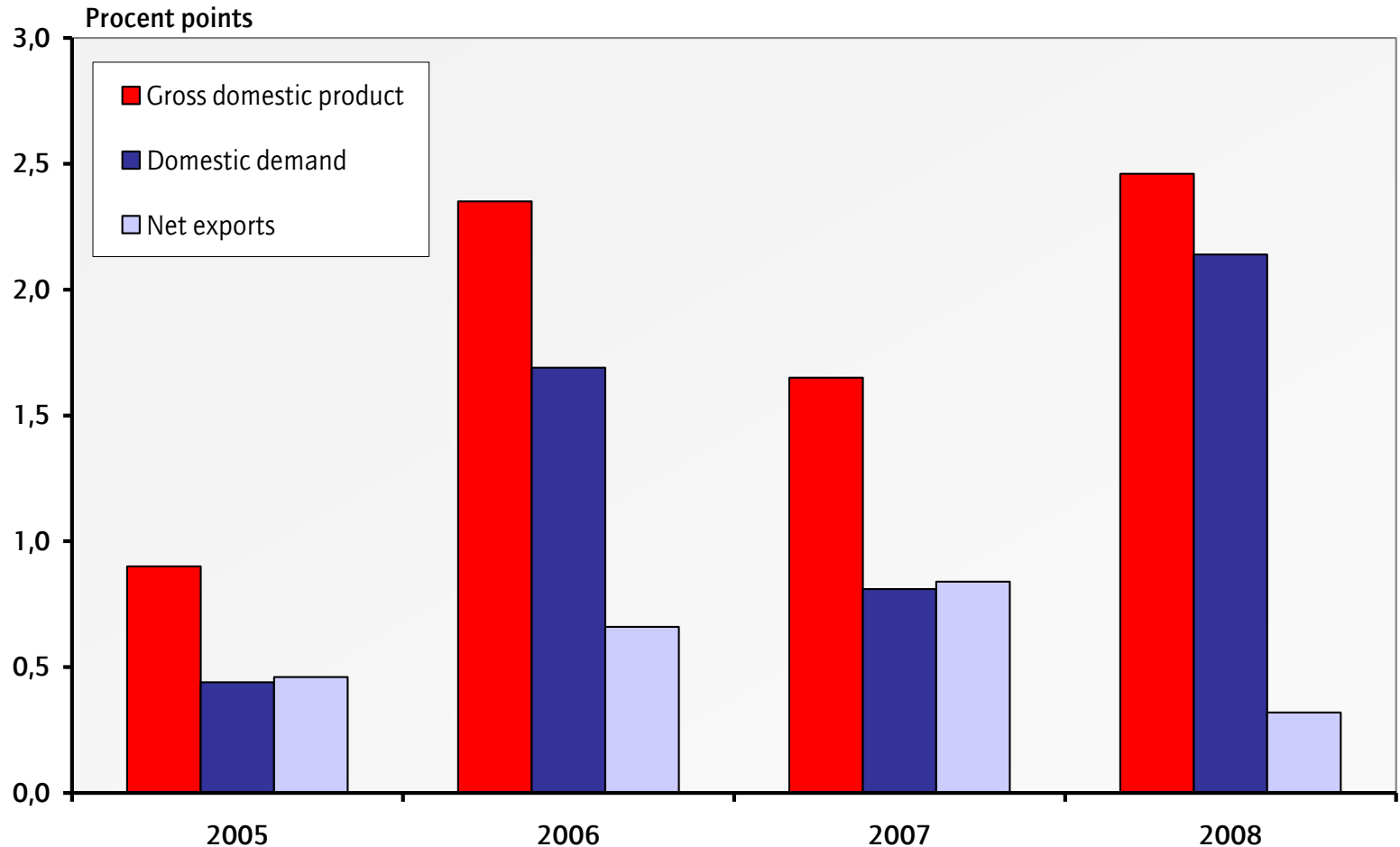
GDP, working-day adjusted



Domestic slowdown in 2007

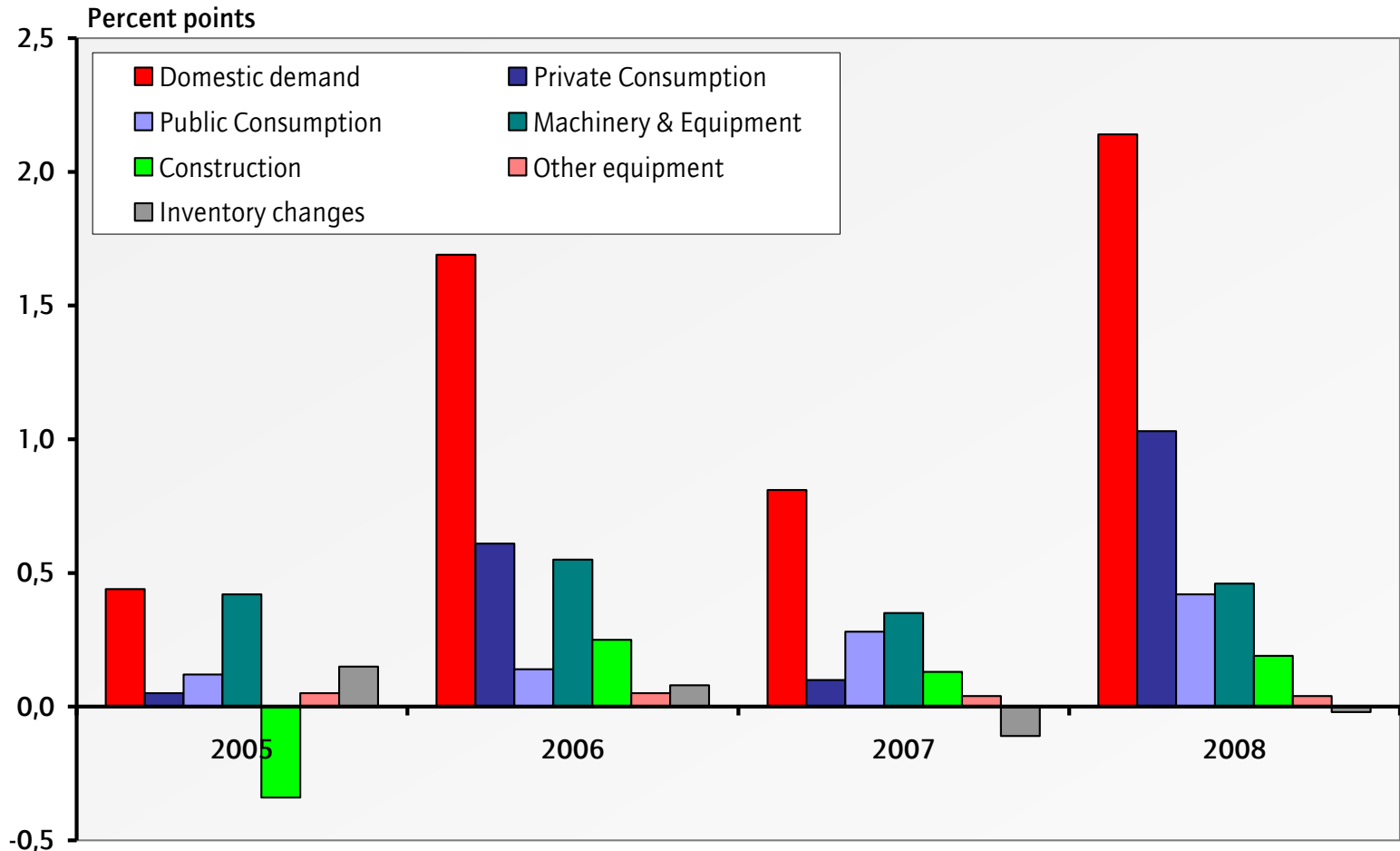
Export surplus still important

GDP growth rate and components growth shares in %



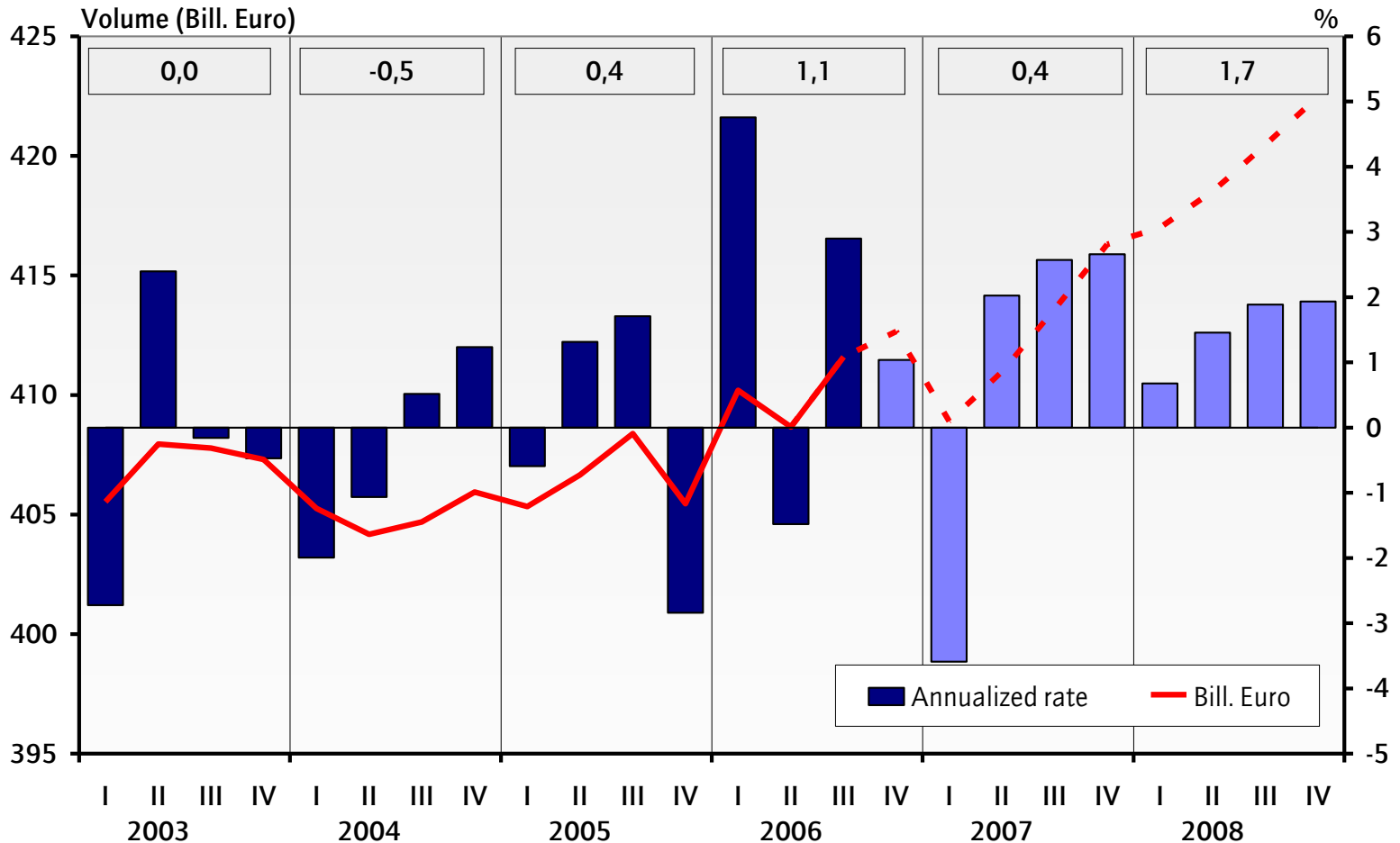
Domestic demand more balanced

Component growth contributions in %



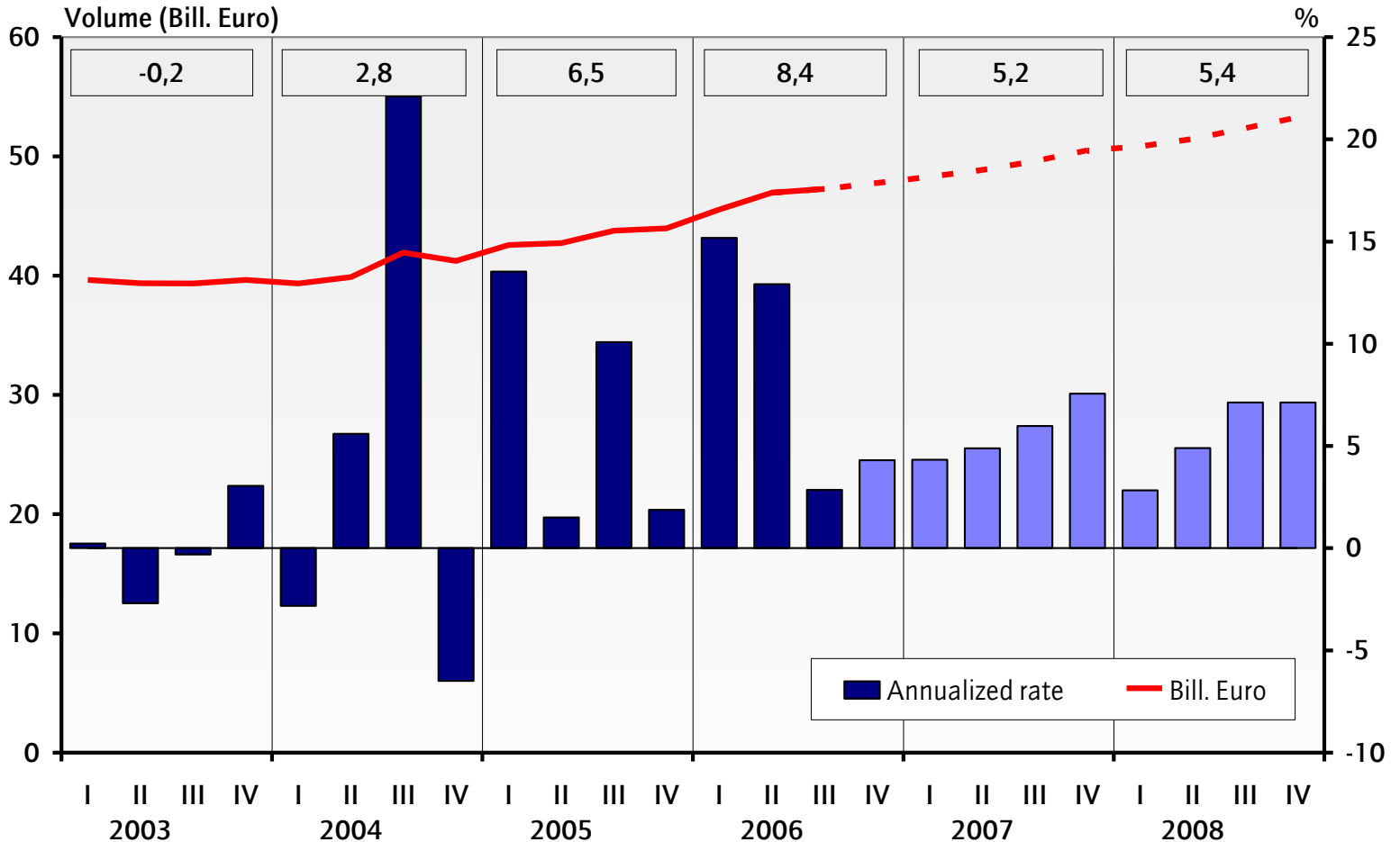
Private consumption: Recovery interrupted by VAT increase

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



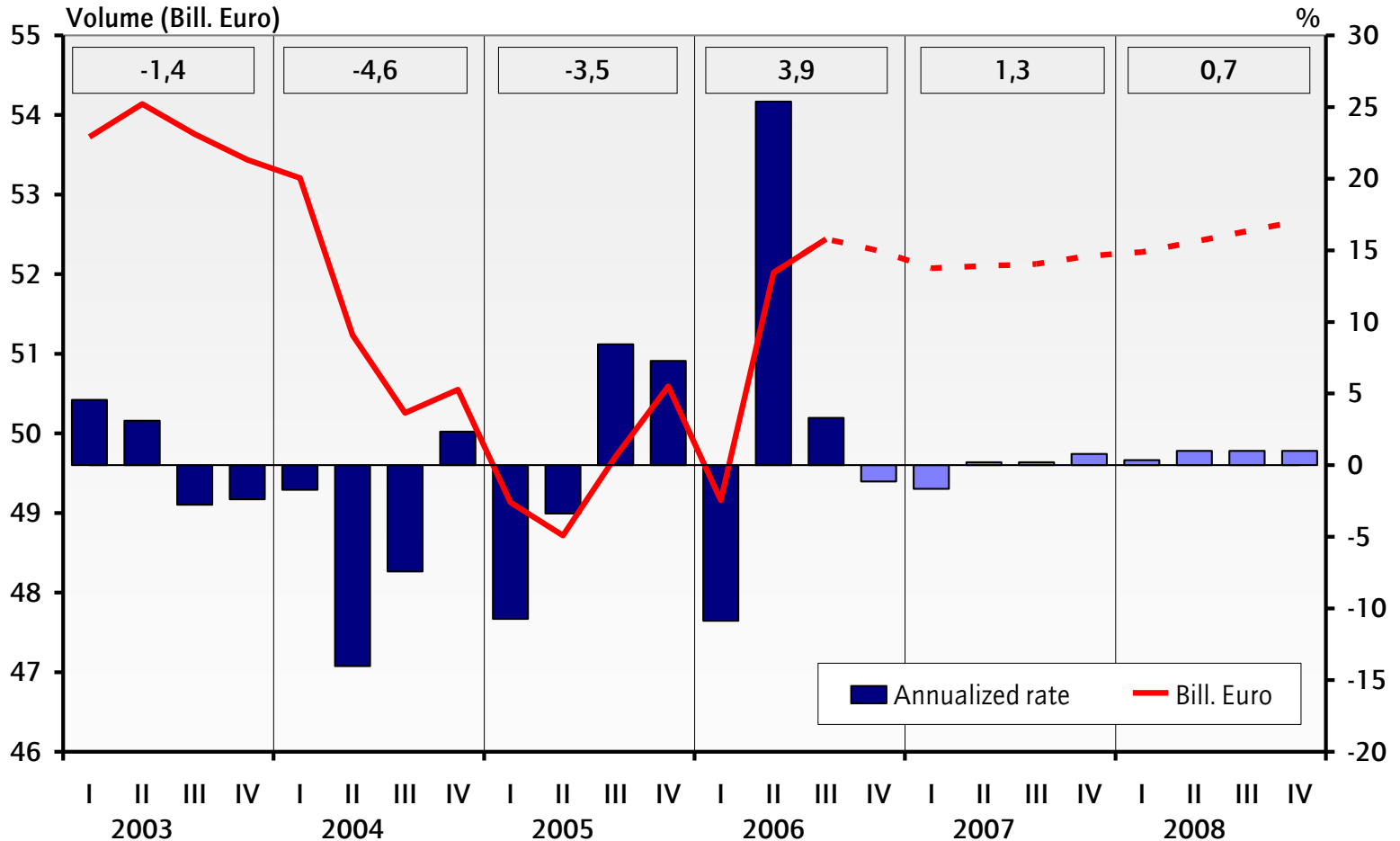
M&E: Moderate but robust growth

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



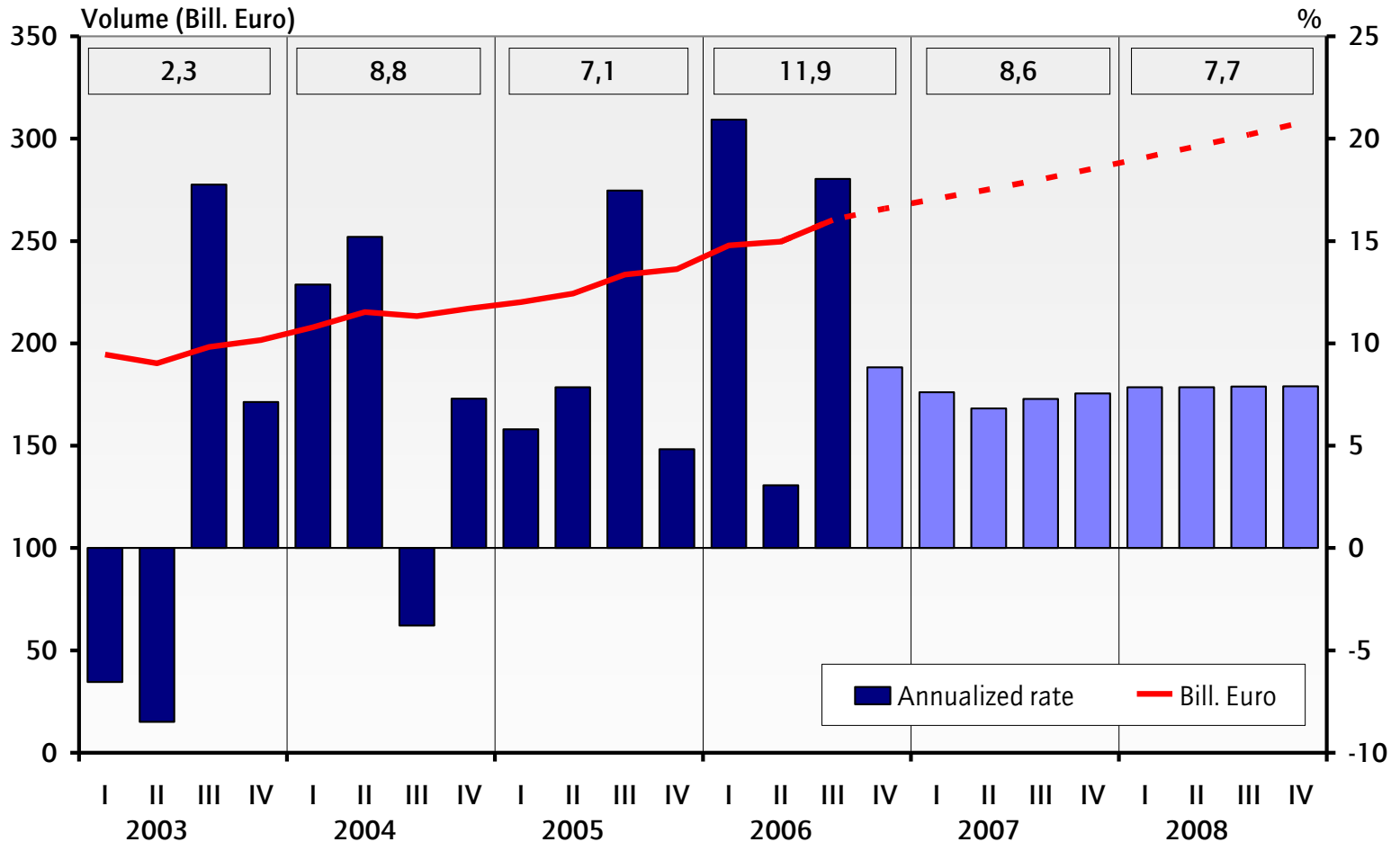
Construction: No longer a growth cruncher

Construction investment (seasonal and working-day adjusted)



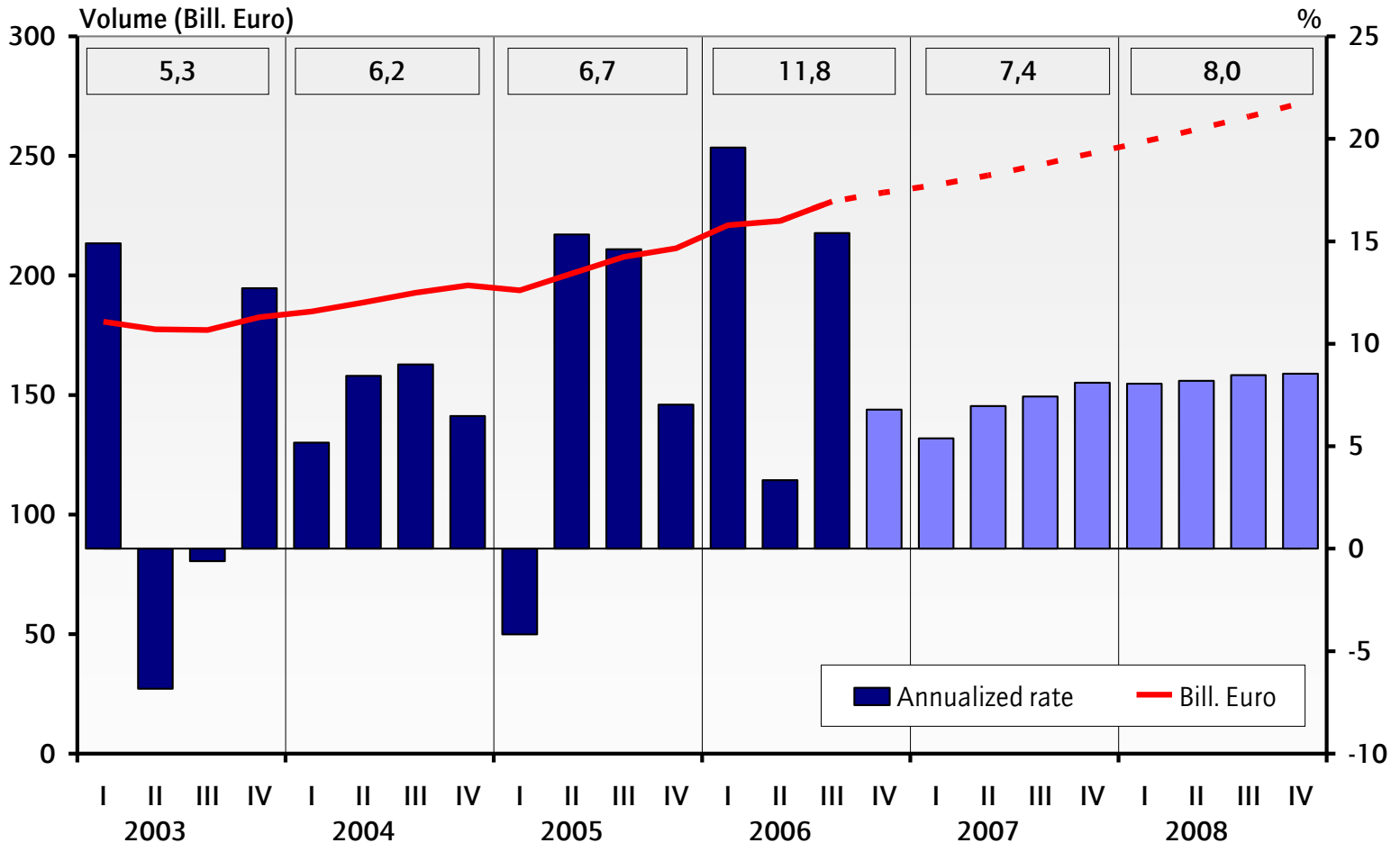
Export dynamics of a „world champion“

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



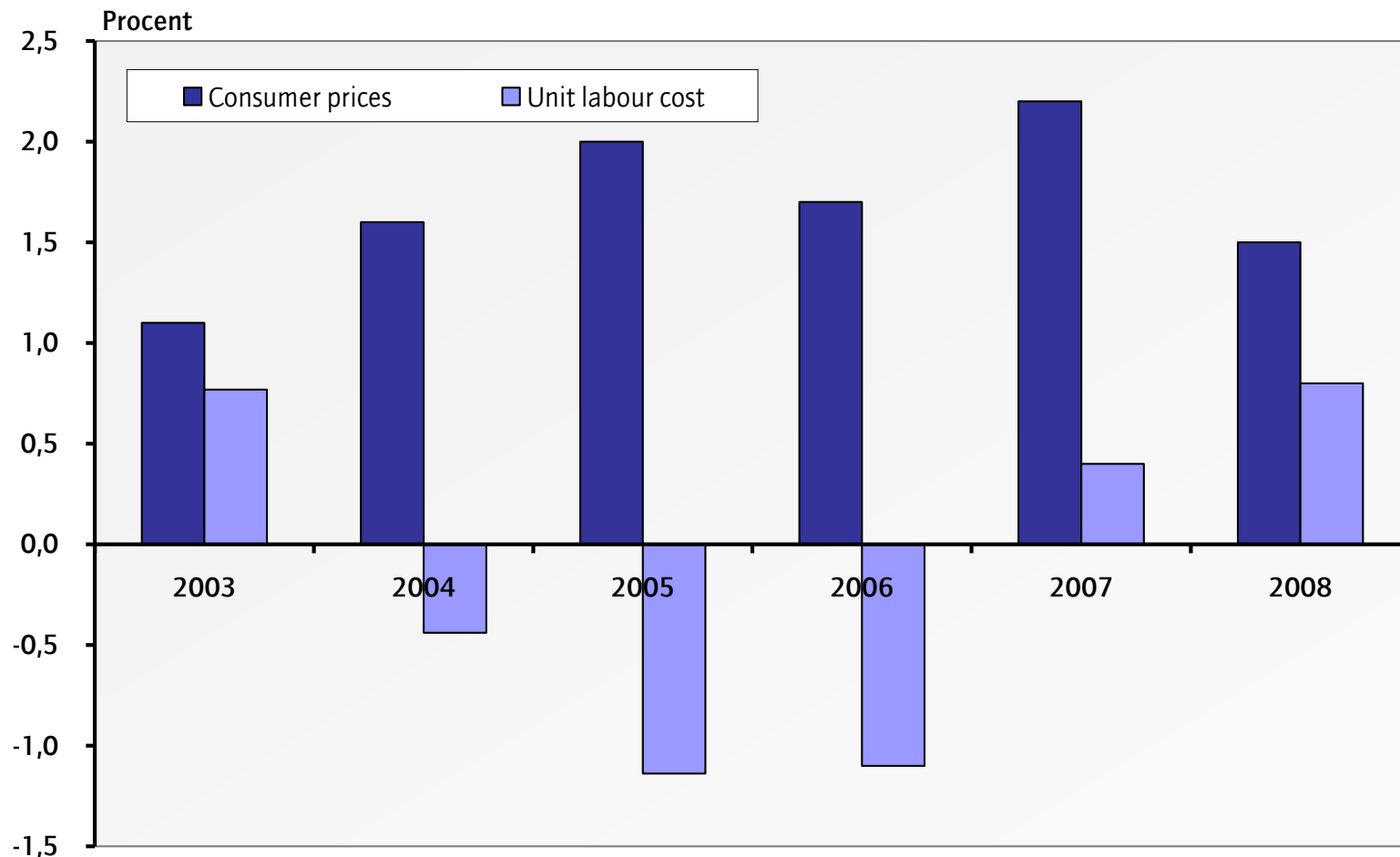
Import growth reflects domestic recovery

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



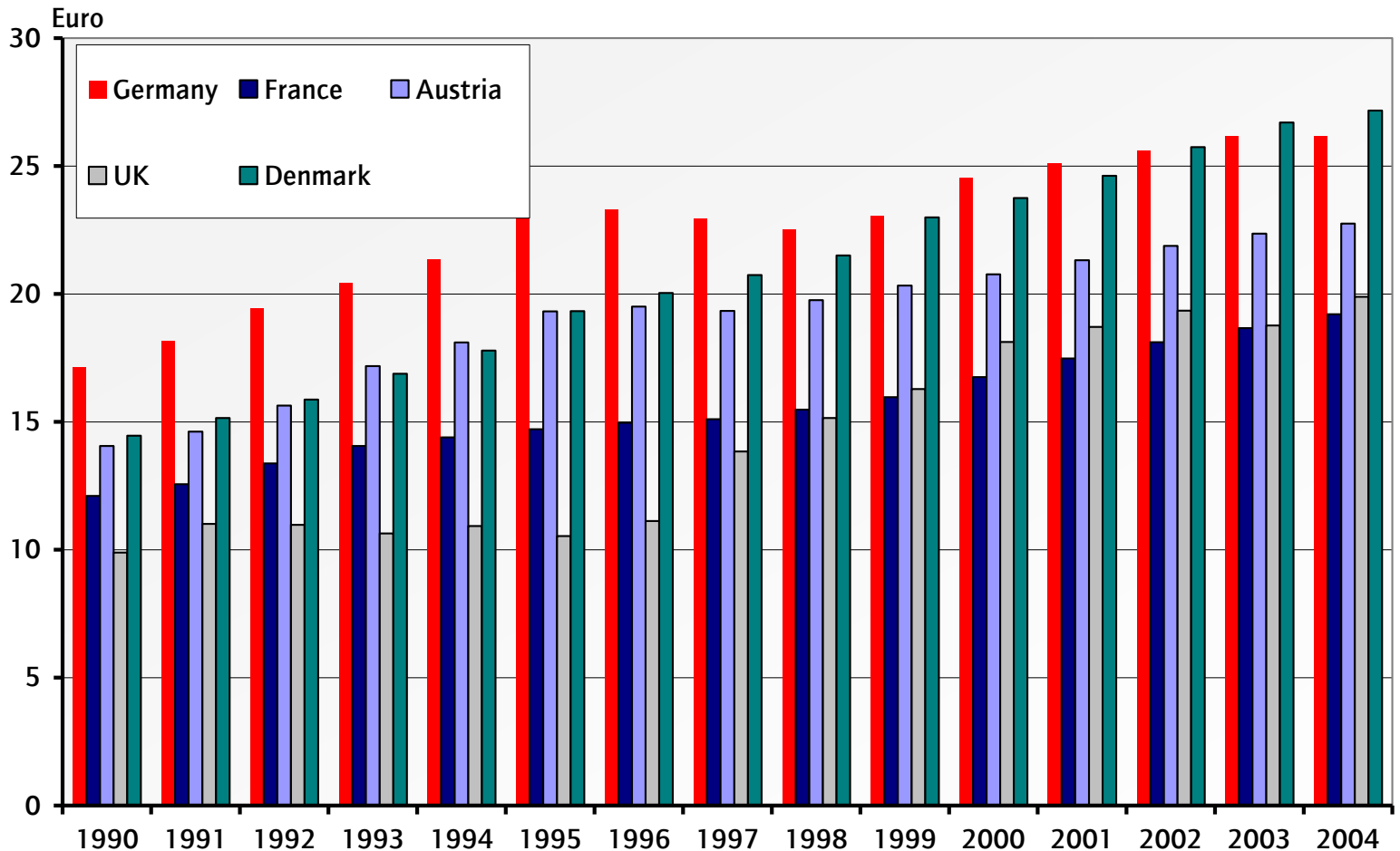
Competitiveness still raising Inflation driven by exogenous factors

Consumer prices: HVPI

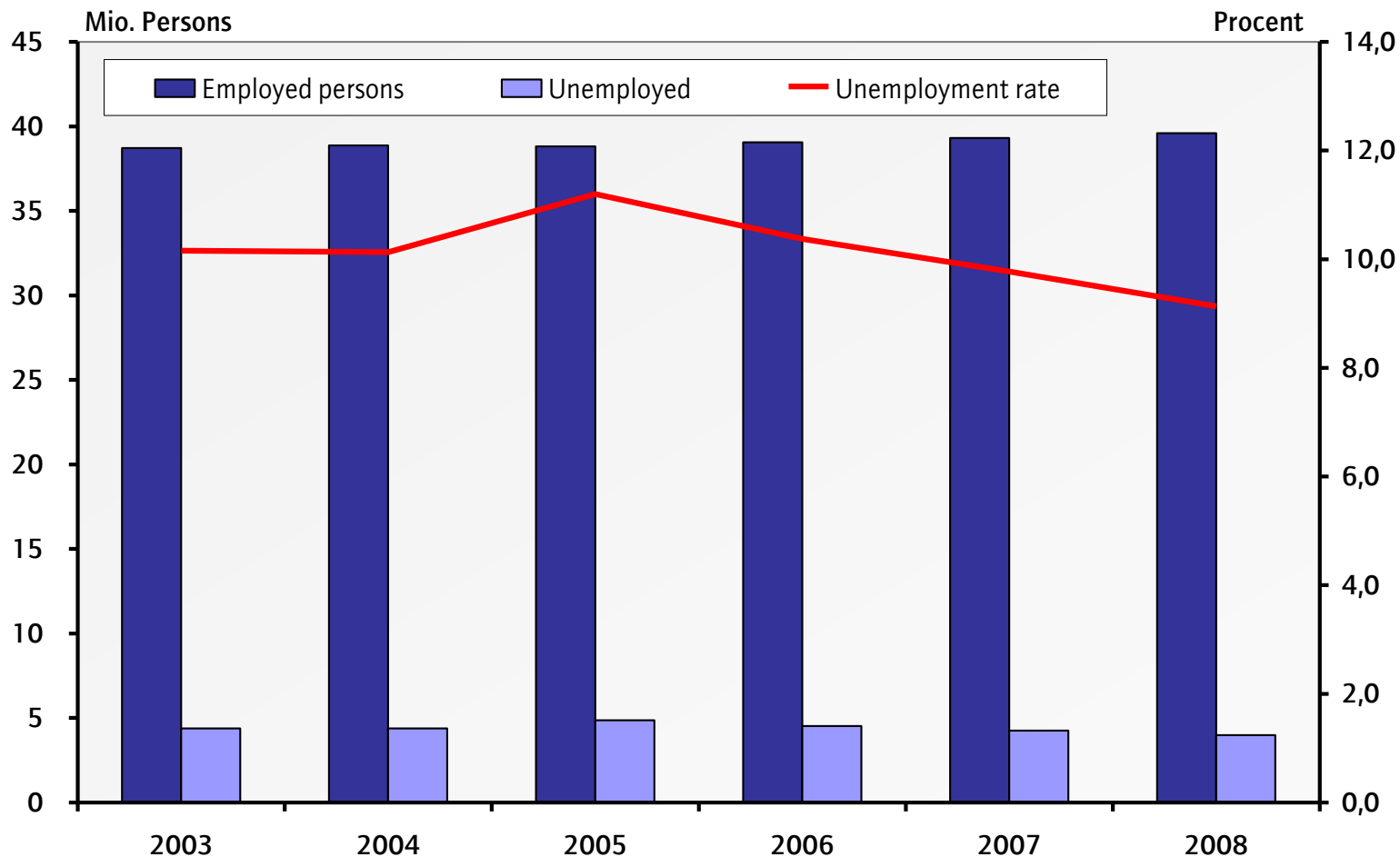


Labor costs: Germany almost beats them all

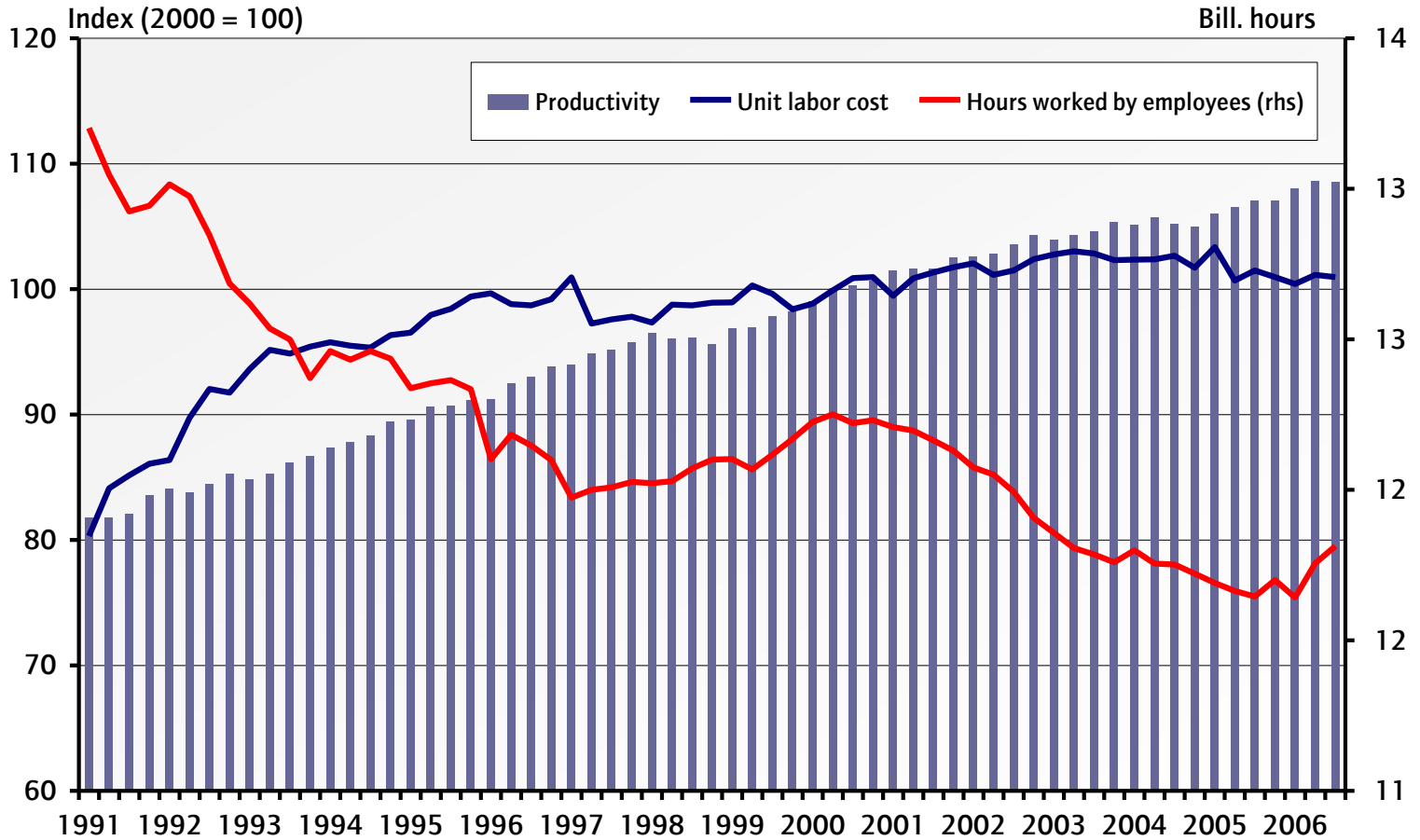
Hourly labor costs, manufacturing sector



Labor market still calls for action



Productivity whip at work



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

West Germany = 100

