

DIW Berlin

Deutsches Institut
für Wirtschaftsforschung

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International Consultancy
Budgetary Committee of the Danish Parliament

Economic Outlook Germany 2007-2008

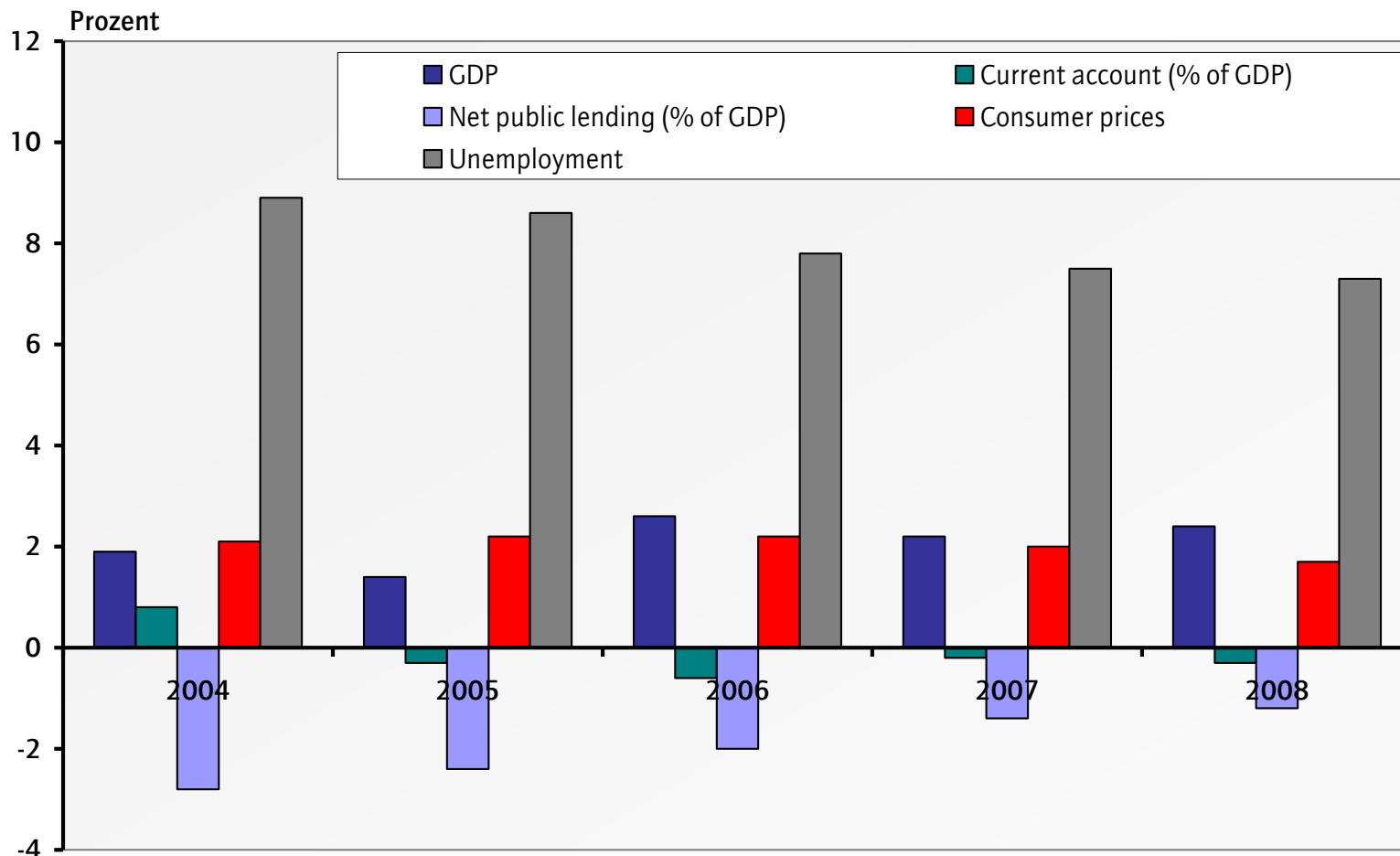
Berlin, 16 January 2007

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

Key assumptions

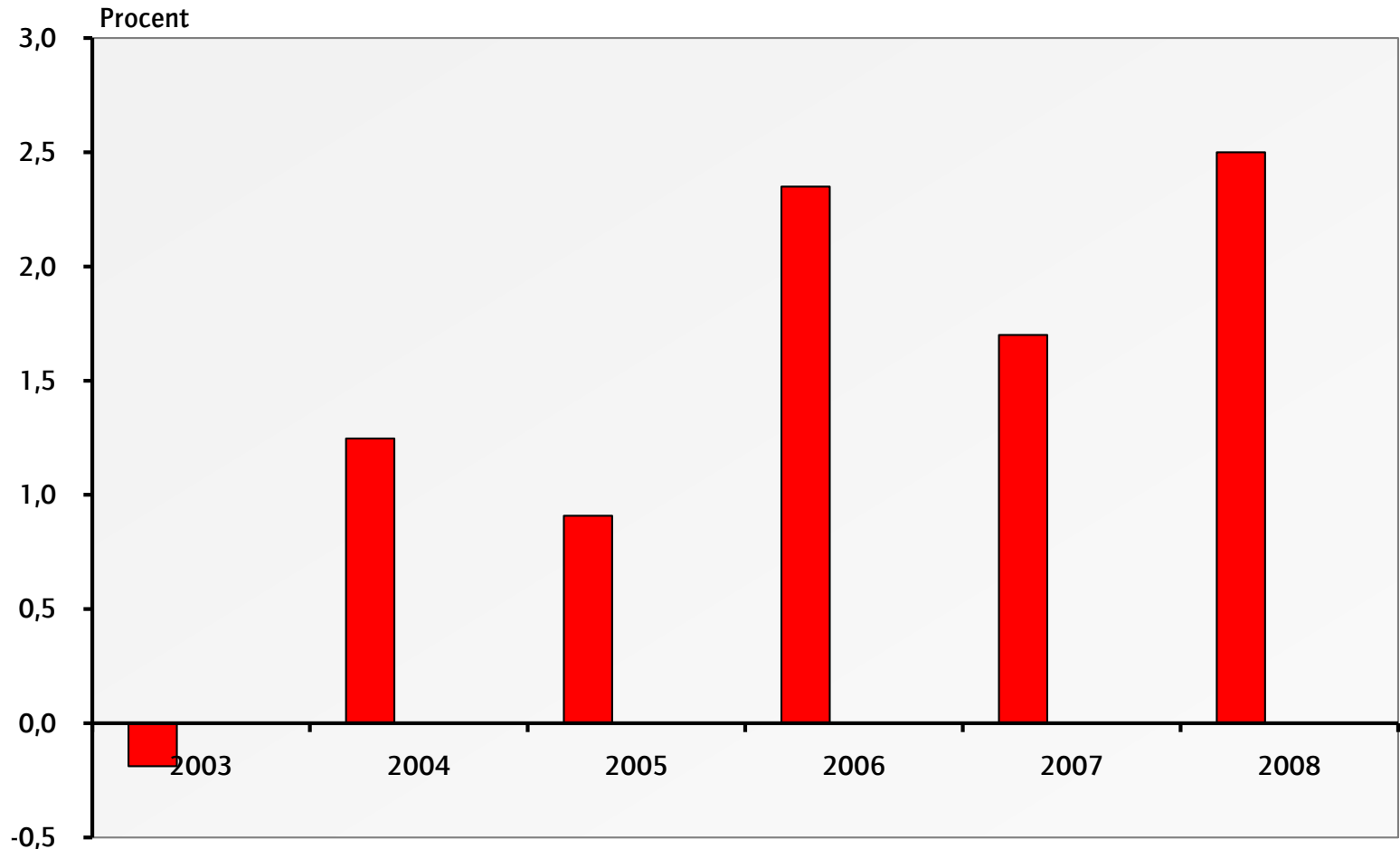
	2007	2008
▪ Oil price	60 USD	60 USD
▪ Exchange rate	1,40 USD/Euro	
▪ World trade	+8,0 %	+7,0 %
▪ EZB reference rate	4,0 % (by end of 2007)	
▪ Effective wage rate	+1,6 %	+2,6 %
▪ Shift effects (prod.)	3 Bill. Euro	

Eurozone perspectives



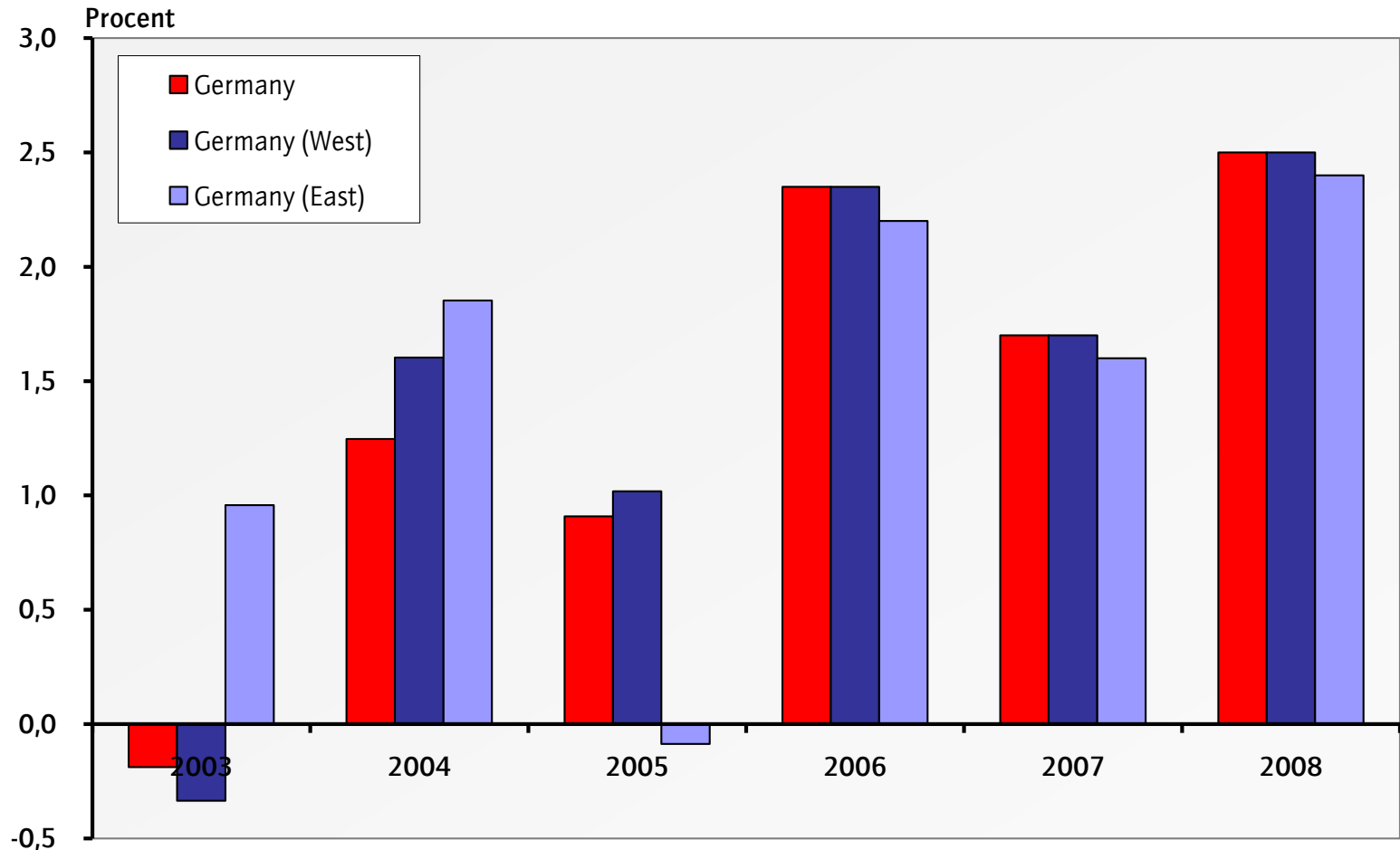
German growth perspectives

GDP growth rate in %

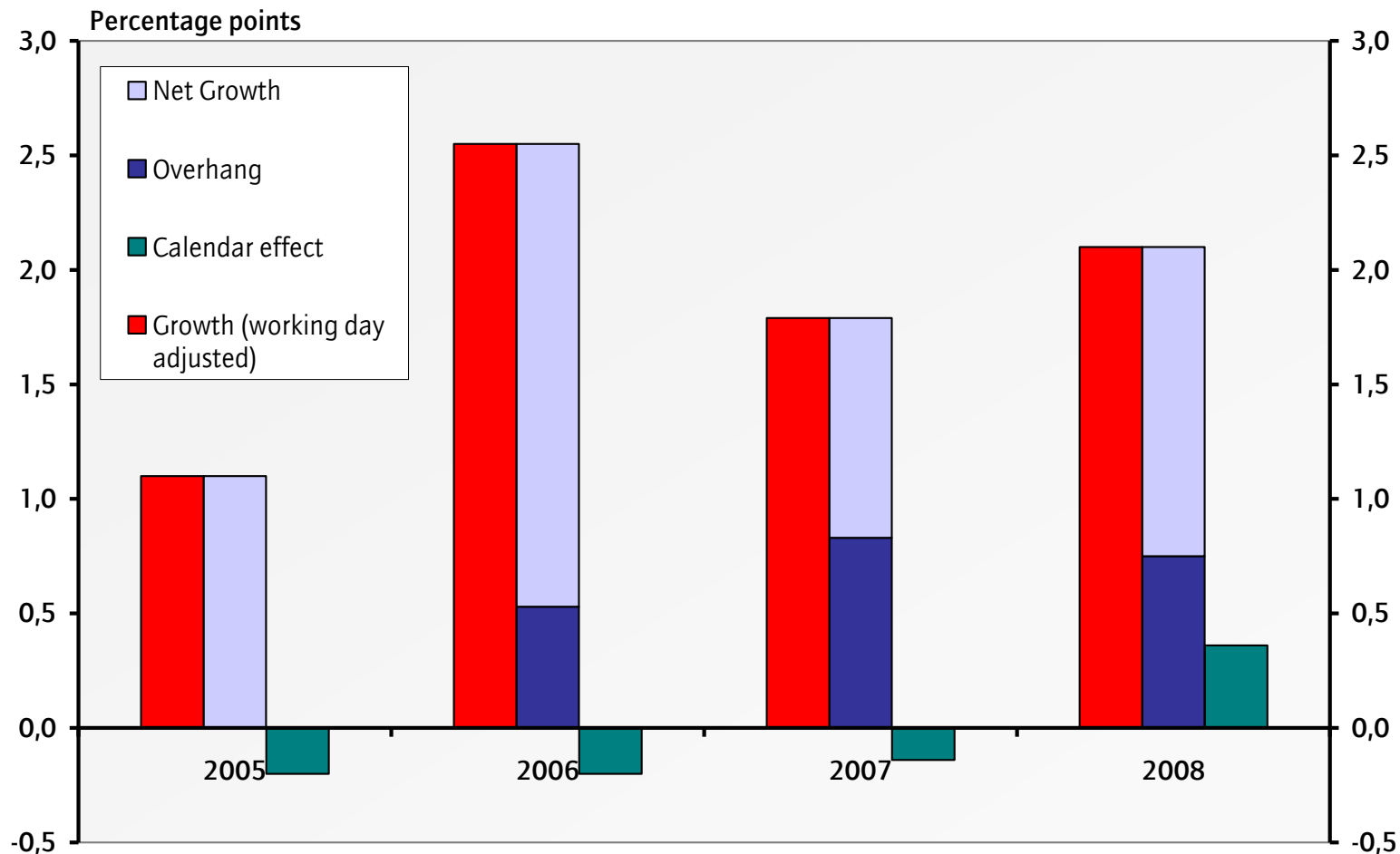


German growth perspectives: West and East

GDP growth rate in %

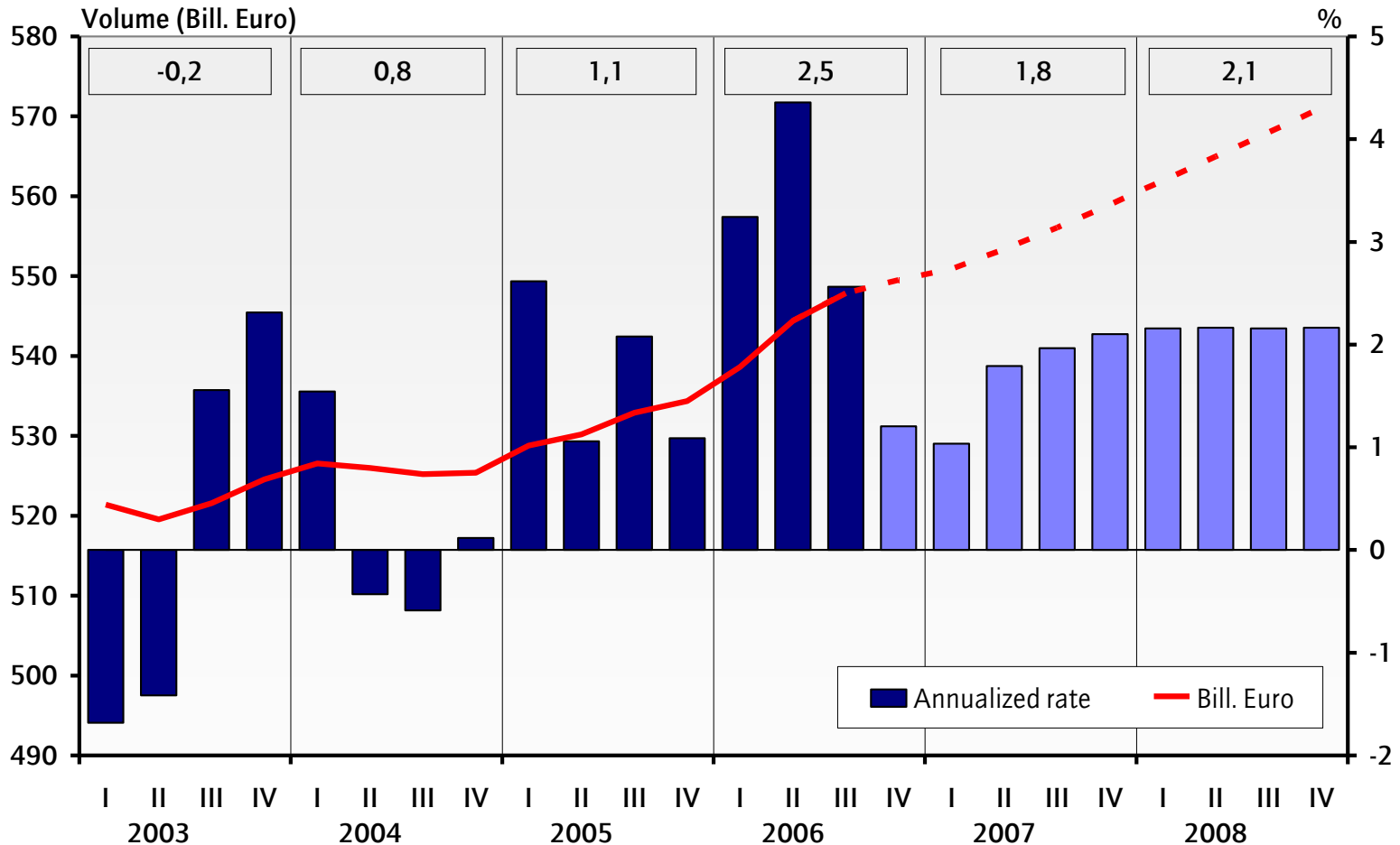


Technical growth components



German growth dynamics

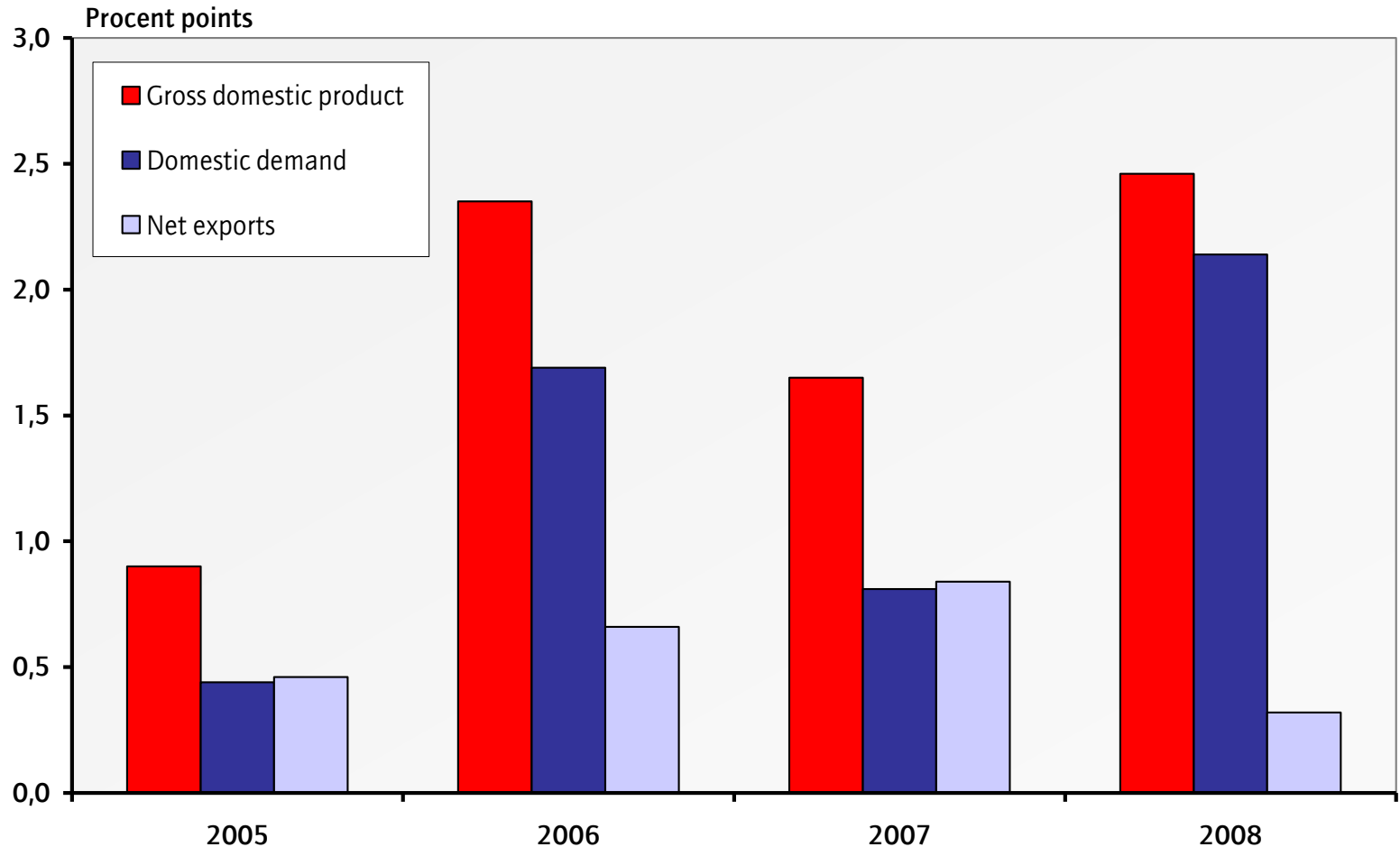
GDP, working-day adjusted



Domestic slowdown in 2007

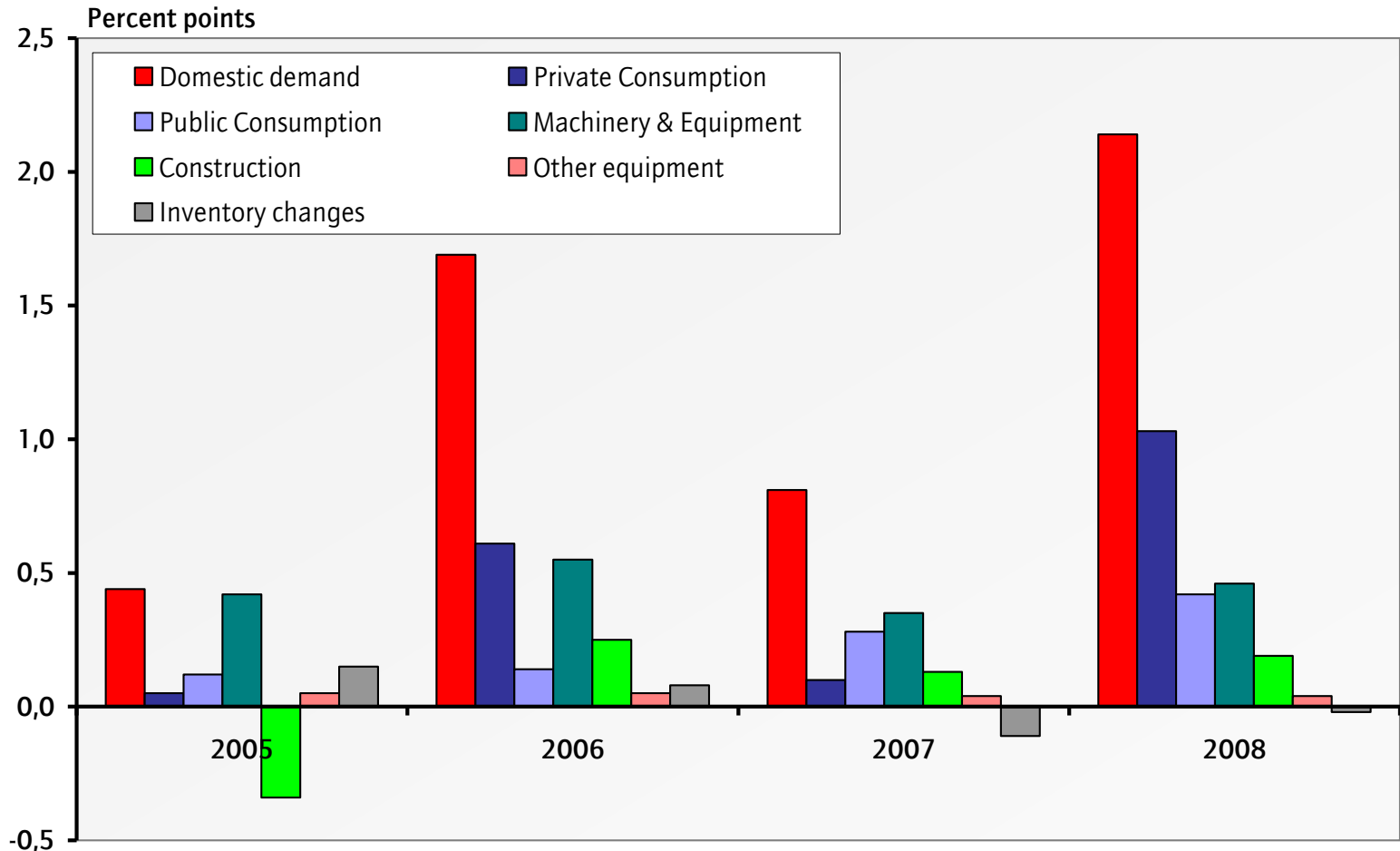
Export surplus still important

GDP growth rate and components growth shares in %



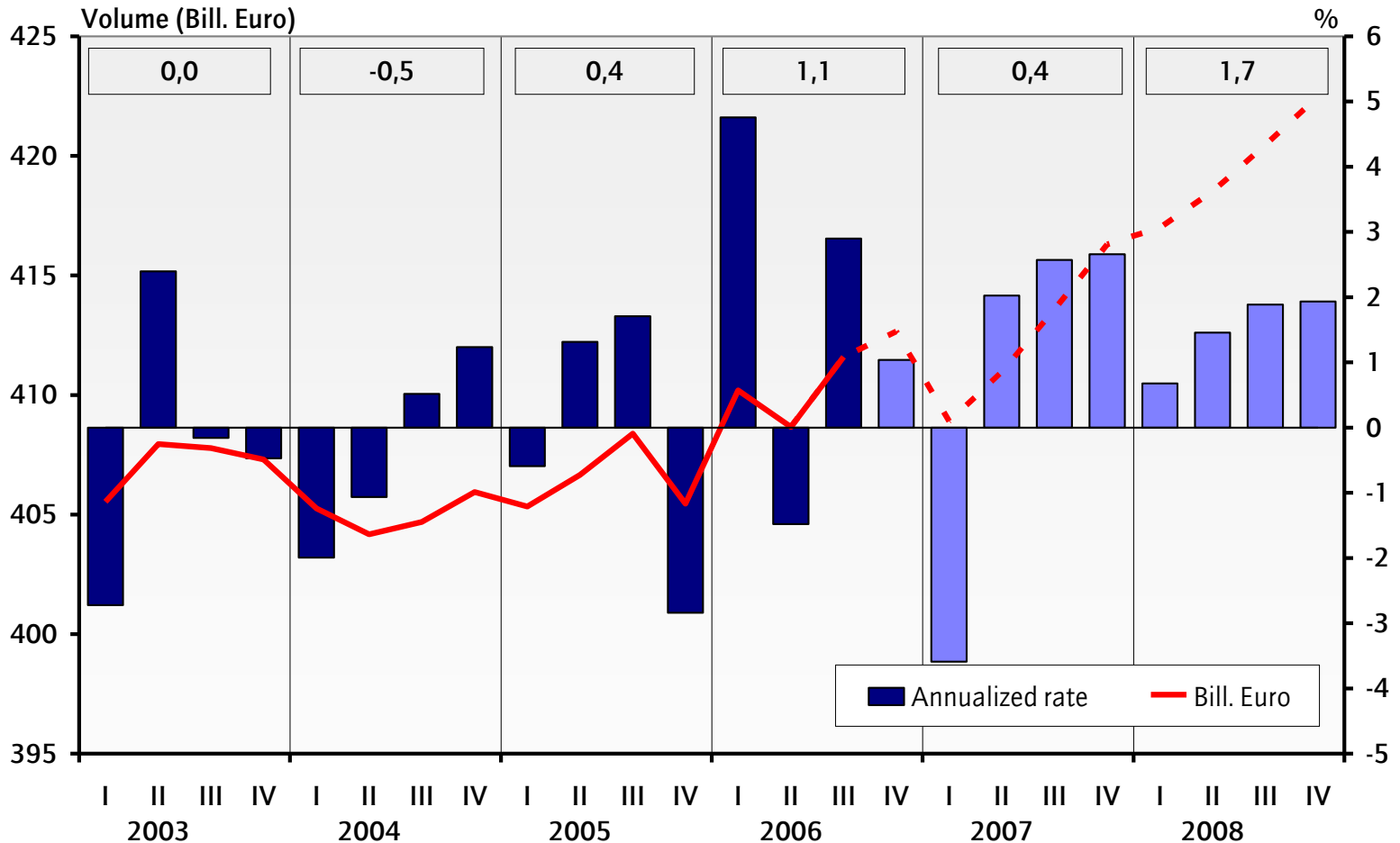
Domestic demand fueled by M&E investment

Component growth contributions in %



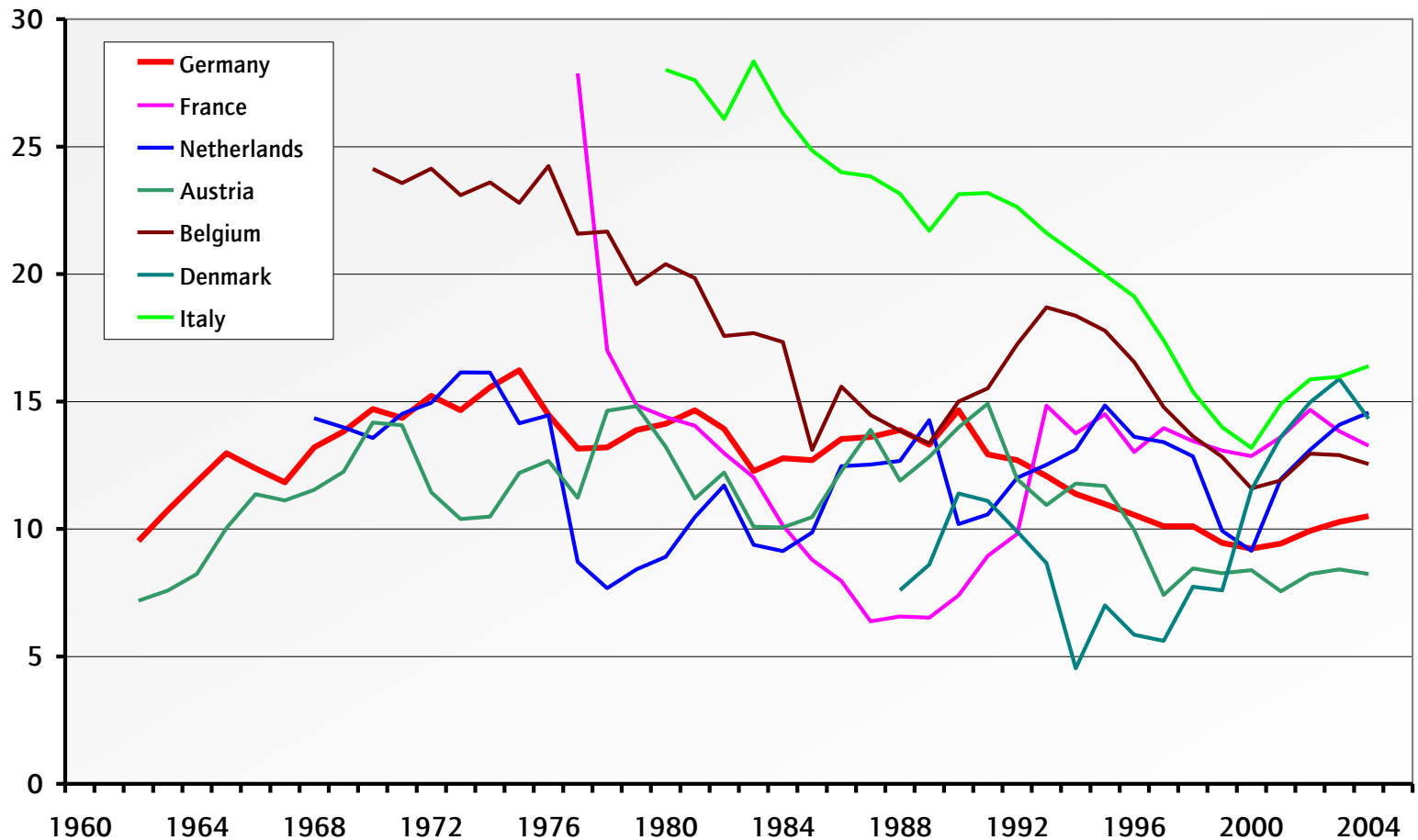
Private consumption: Recovery interrupted by VAT increase

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



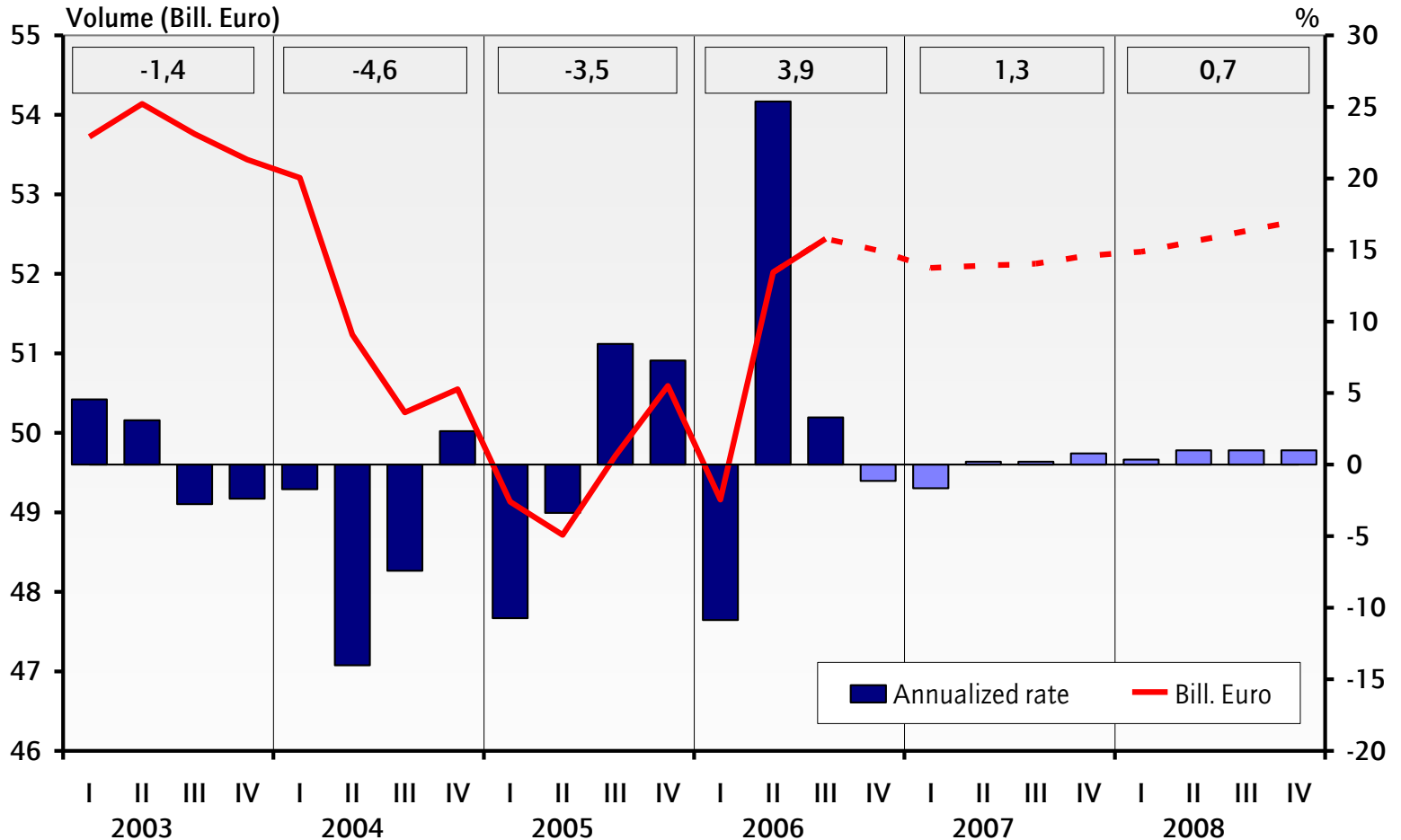
Historic and cross-country view: German saving rate not that high at last

Household saving rates in %



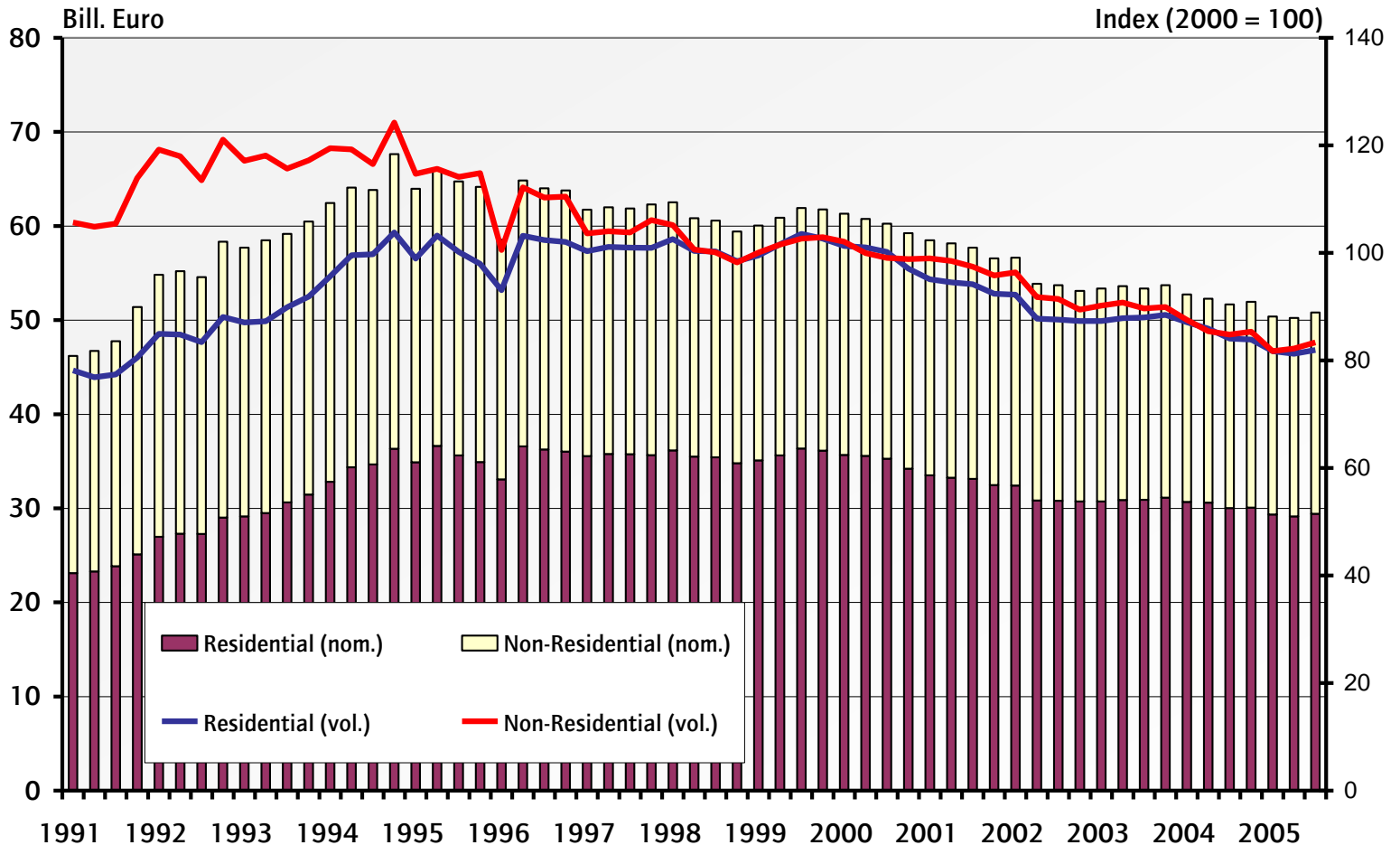
Construction: No longer a growth cruncher

Construction investment (seasonal and working-day adjusted)



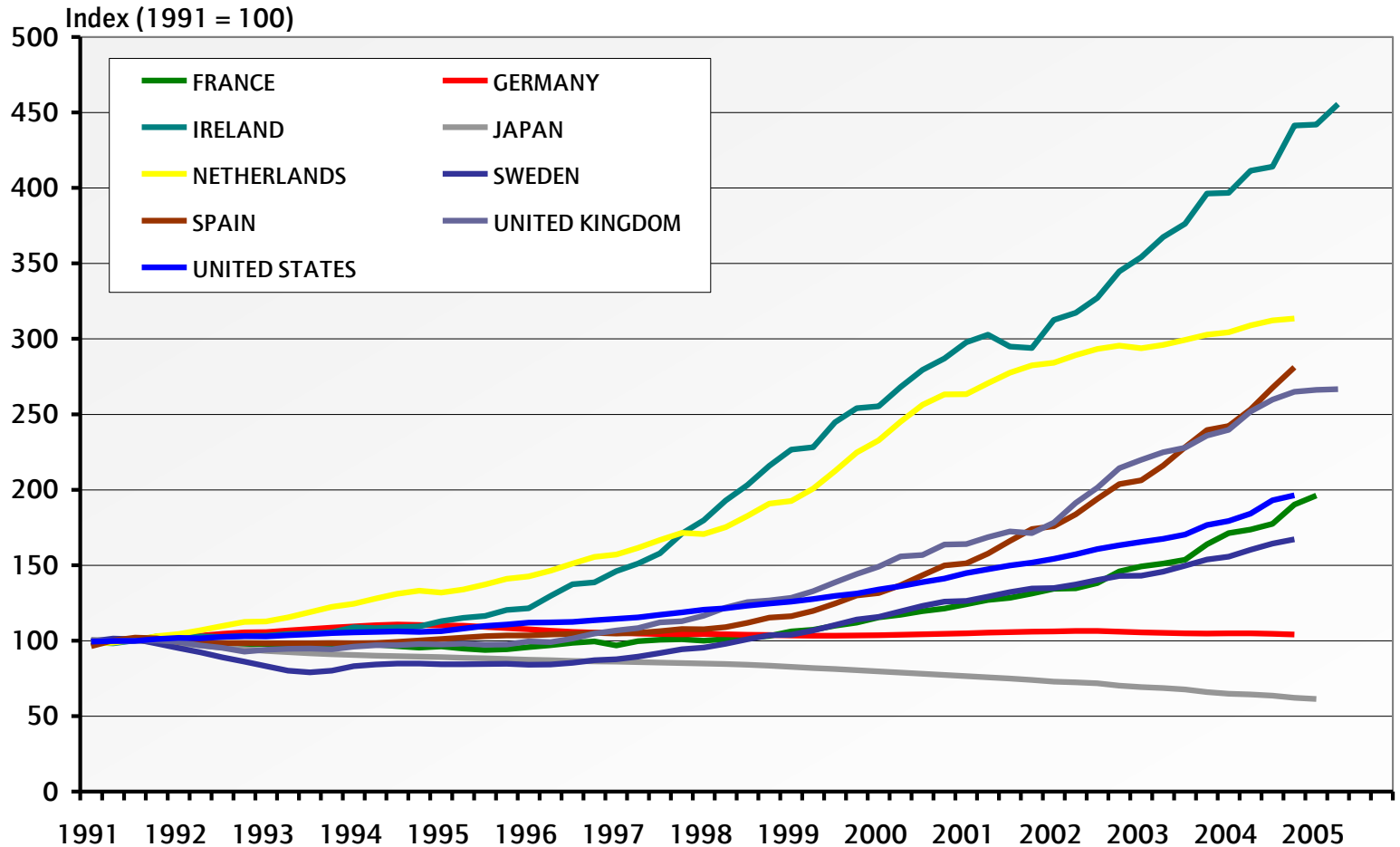
German housing market: Decline for more than 10 years

Construction investment (seasonal and working-day adjusted)



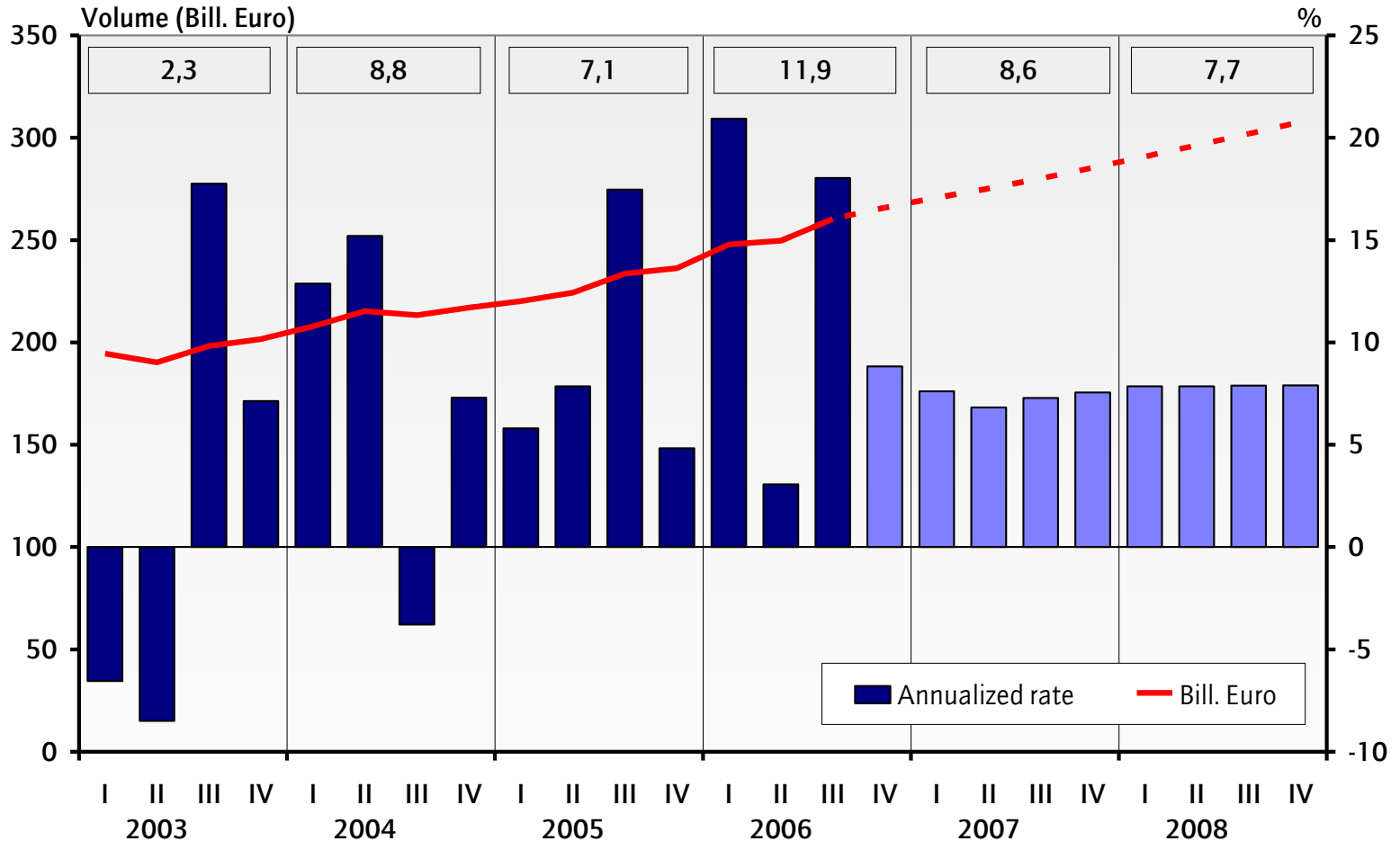
Cross-country view on housing prices

Housing price index (Src: NiGEM)



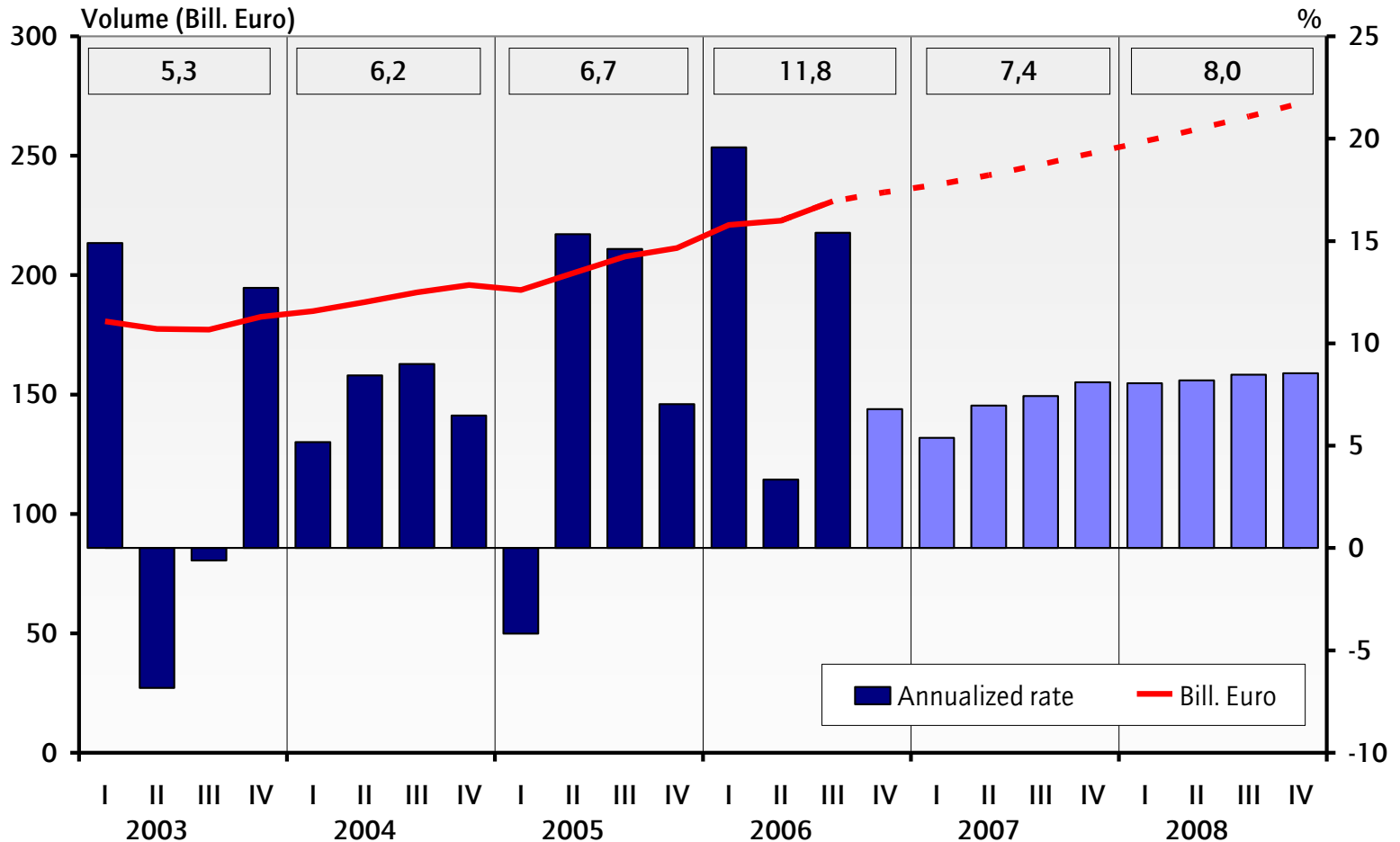
Export dynamics of a „world champion“

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



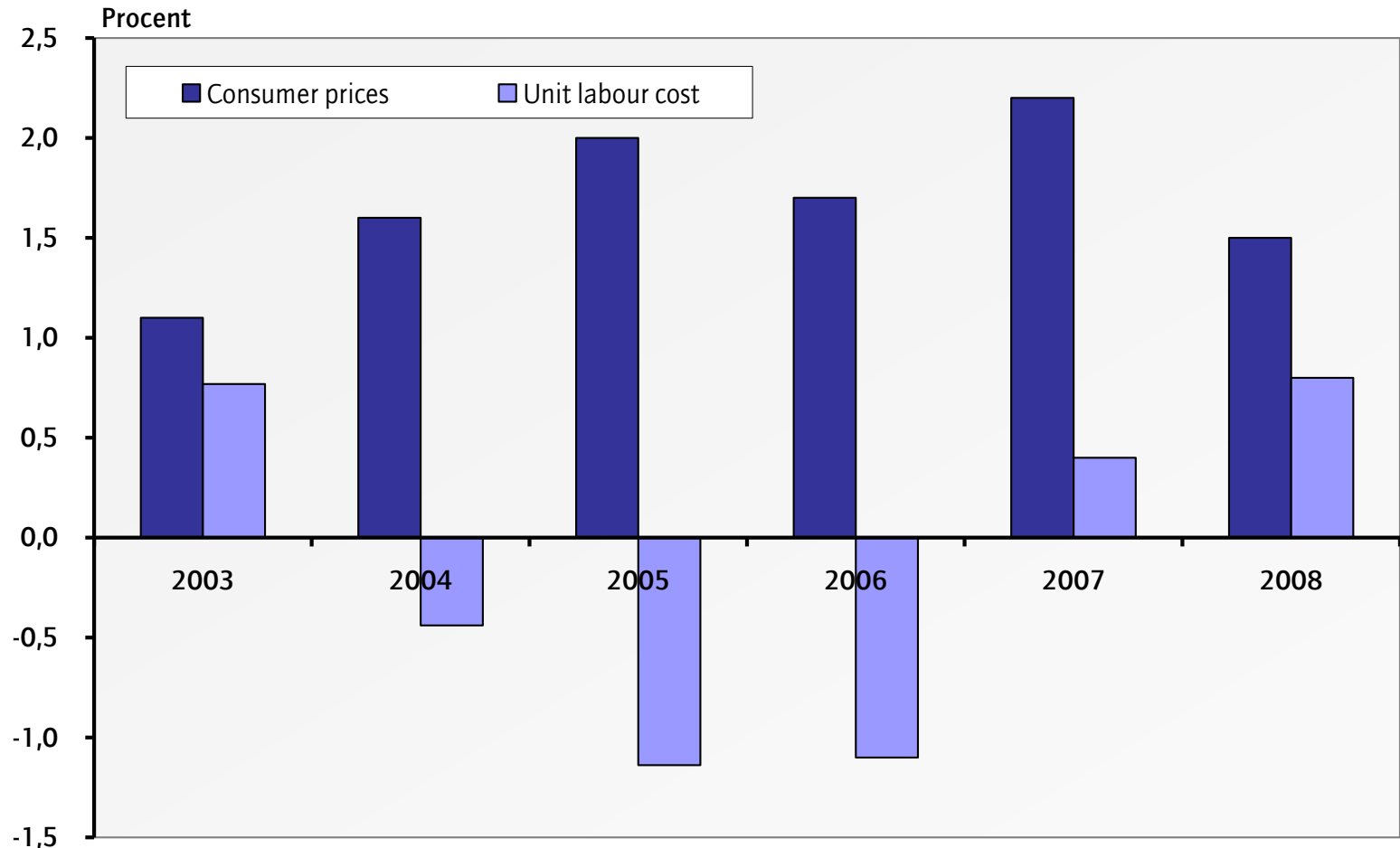
Import growth reflects domestic recovery

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



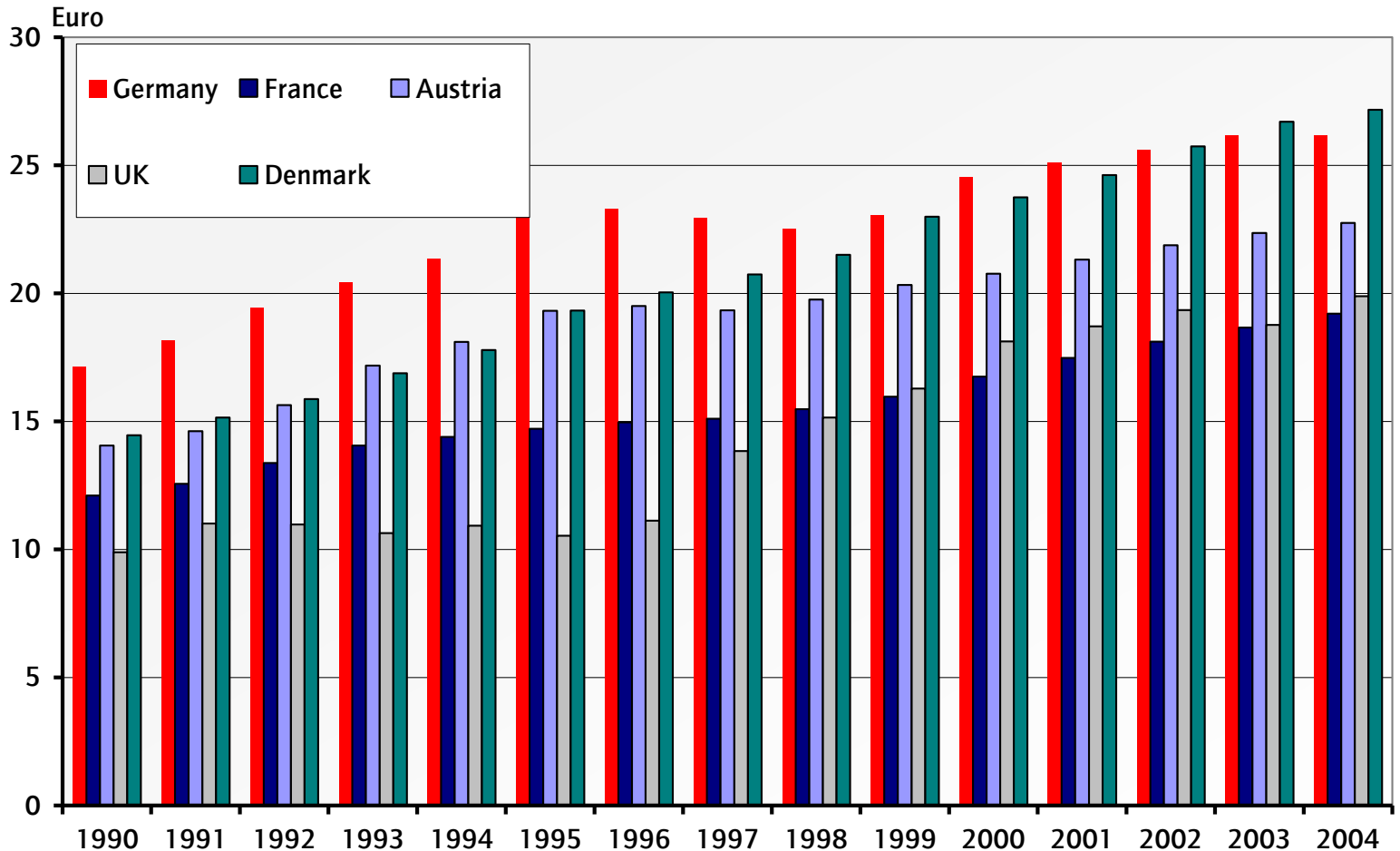
Competitiveness still raising Inflation driven by exogenous factors

Consumer prices: HVPI

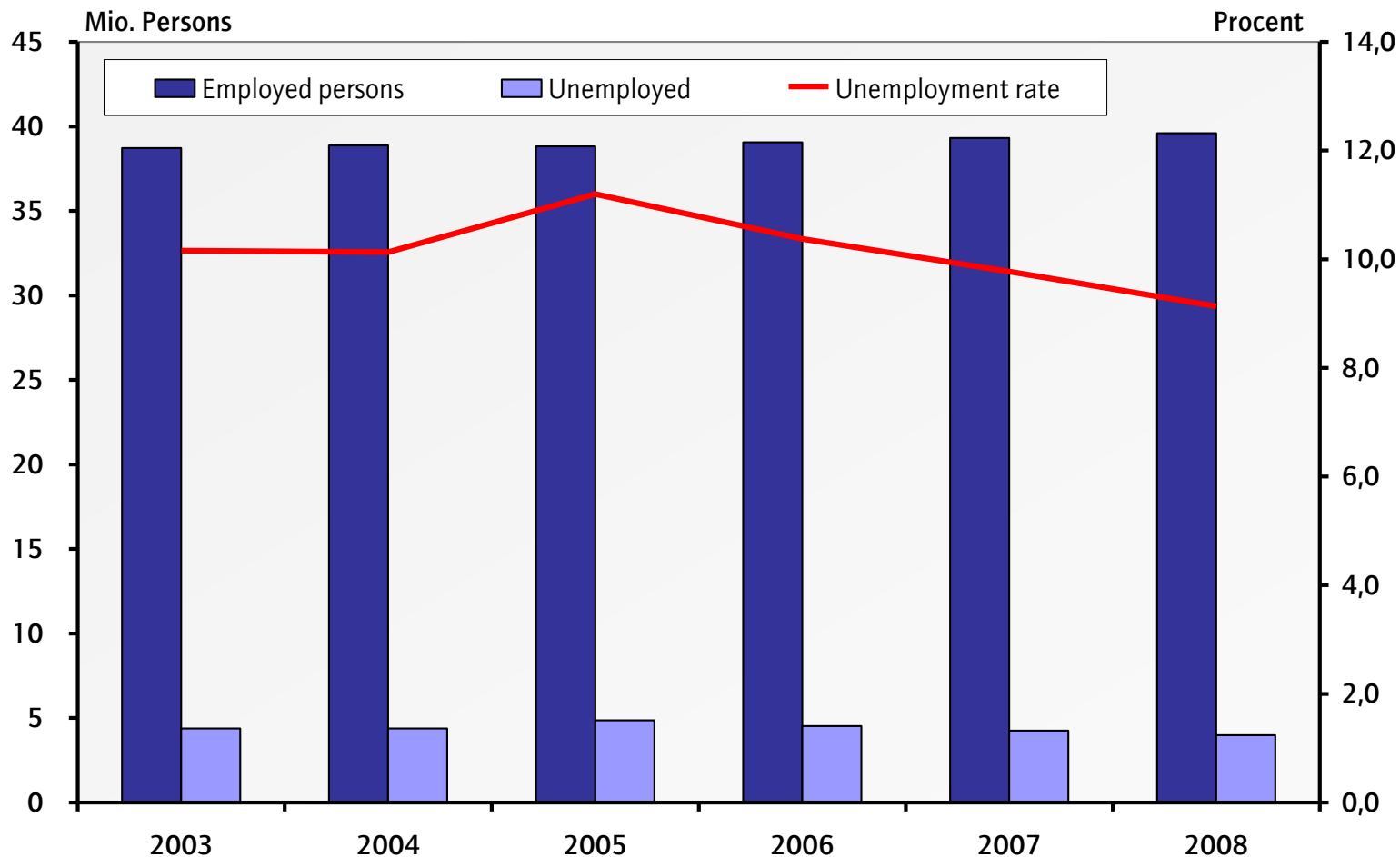


Labor costs: Germany almost beats them all

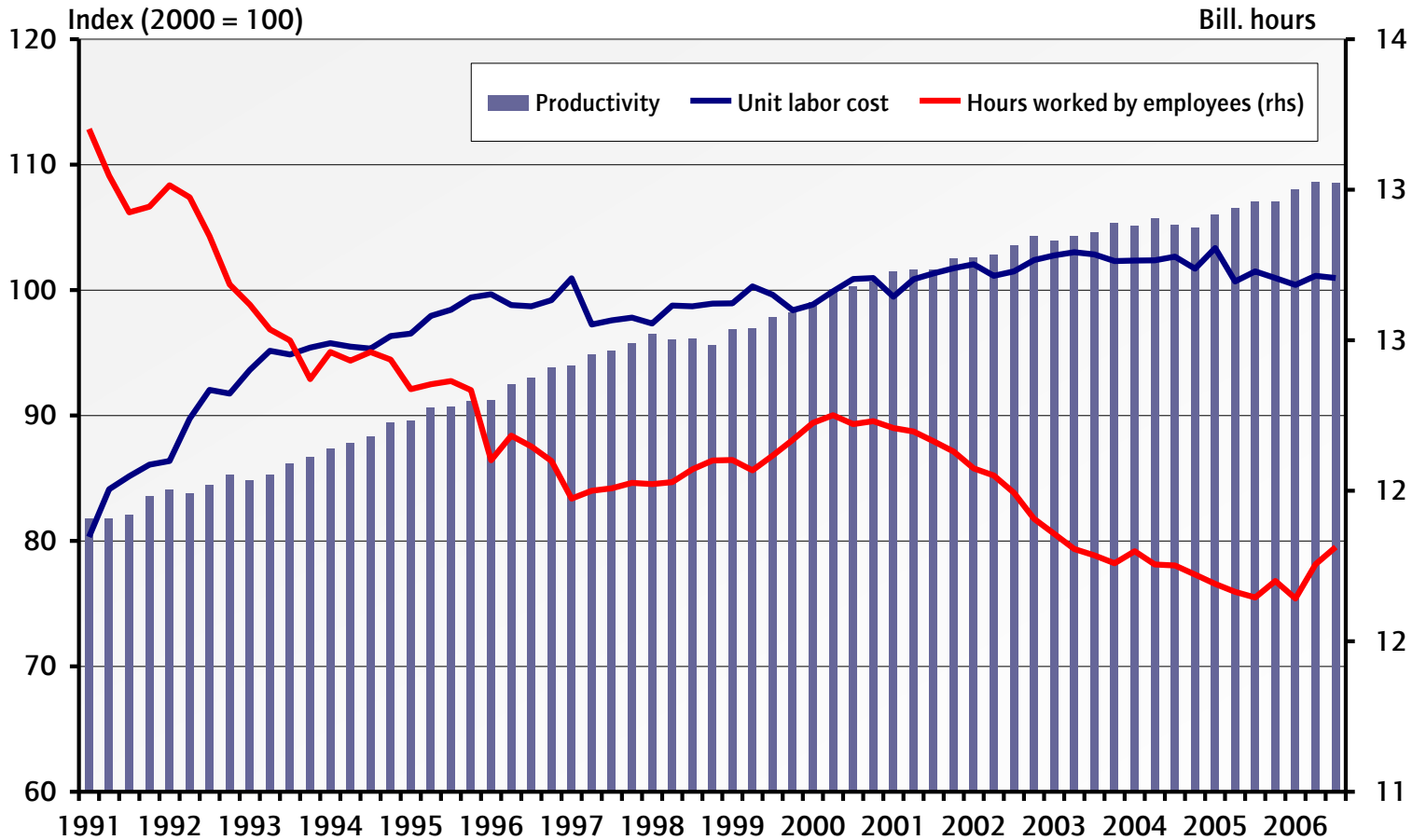
Hourly labor costs, manufacturing sector



Labor market still calls for action



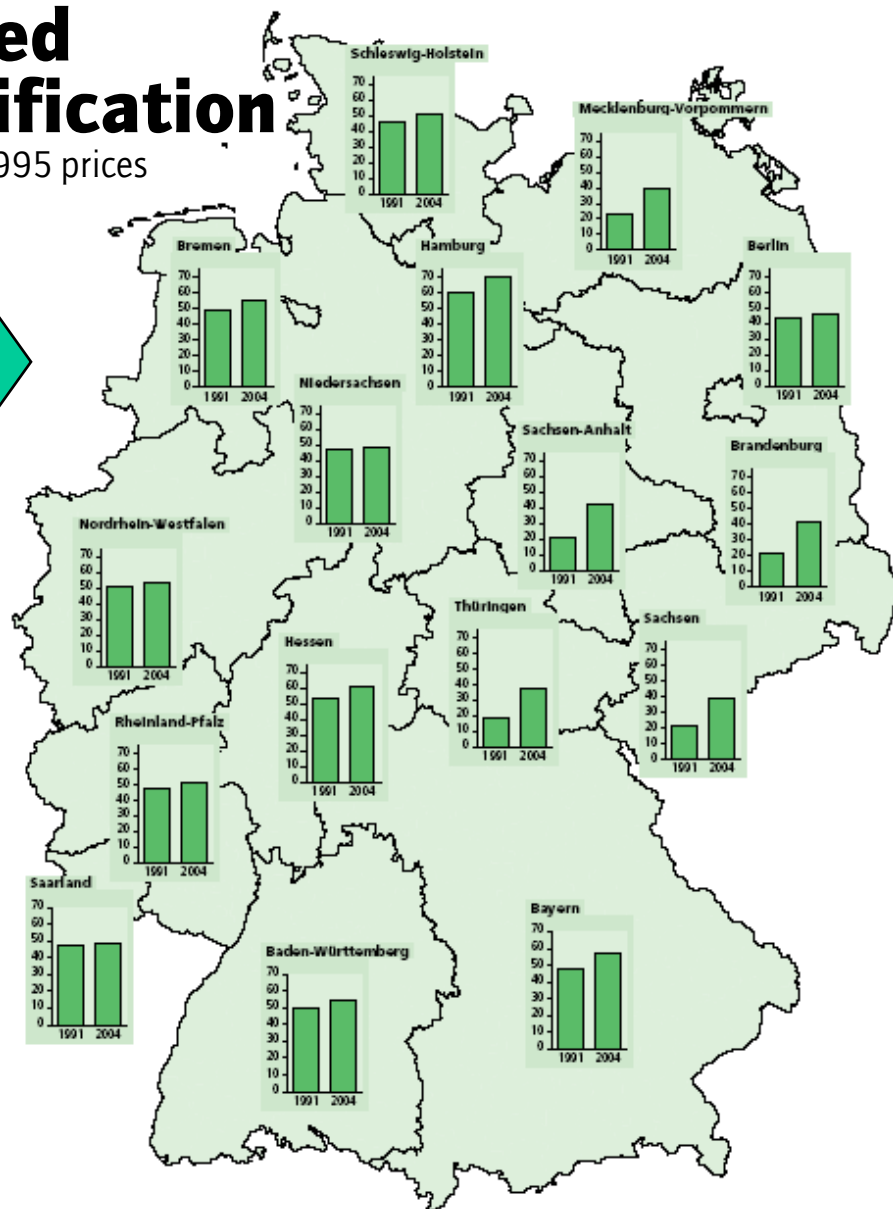
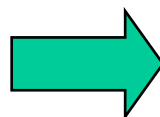
Productivity whip at work



Germany still devided 15 years after reunification

GDP per total employment in TSD Euros at 1995 prices

- **Labor productivity**
 - West: 55.110 €
 - East: 39.486 €
- **Employment**
1991 ⇨ 2004
 - West: + 4 %
 - East: – 16 %
- **Gross fixed assets**
1991 ⇨ 2002
 - West: + 25 %
 - East: + 108 %
- **Capital productivity**
1991 ⇨ 2002
 - West: 211 ⇨ 192
 - East: 231 ⇨ 171



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

West Germany = 100

