



Kiel Institute

for the World Economy

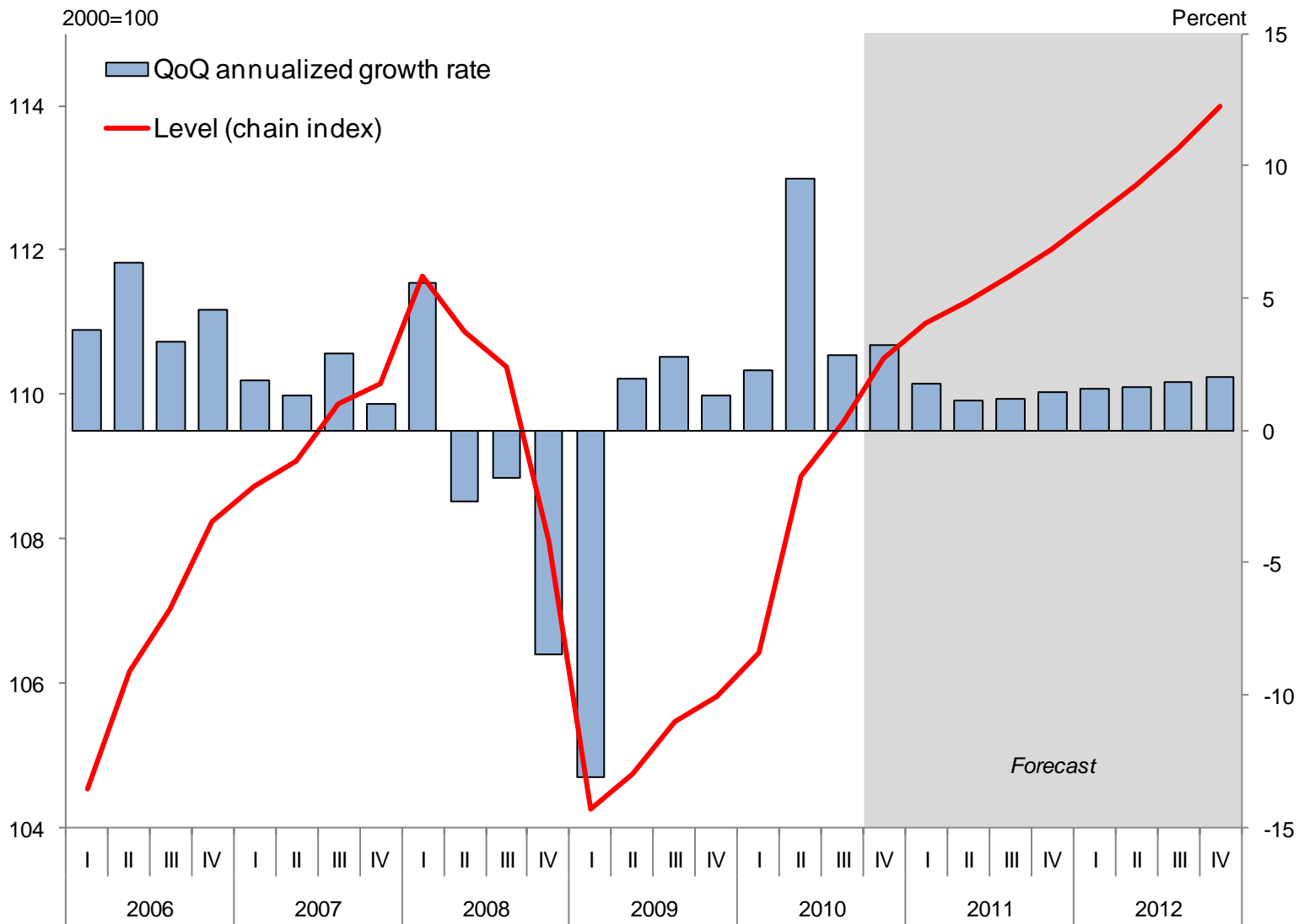
IHS Global Insight | Frankfurt/M., 2. Februar 2011
Neujahrsprognose 2011

Deutschland: Asiens Ingenieur, Europas Motor, Garant des Euro?

Dr. Stefan Kooths
Forecasting Center

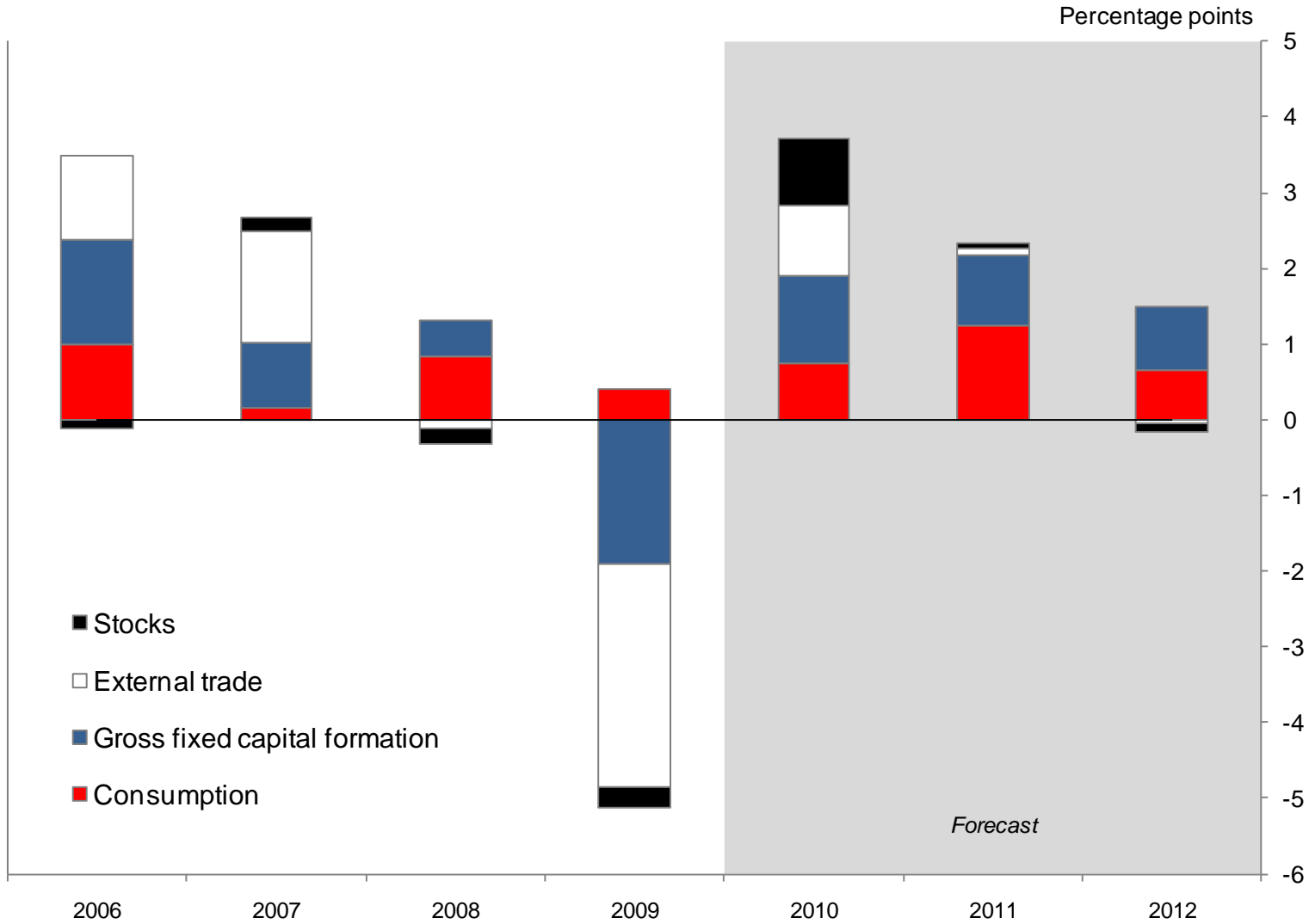


GDP: Slower pace ahead ...





... driven by domestic demand (GDP, cont.)





Mixed evidence on capacity utilization

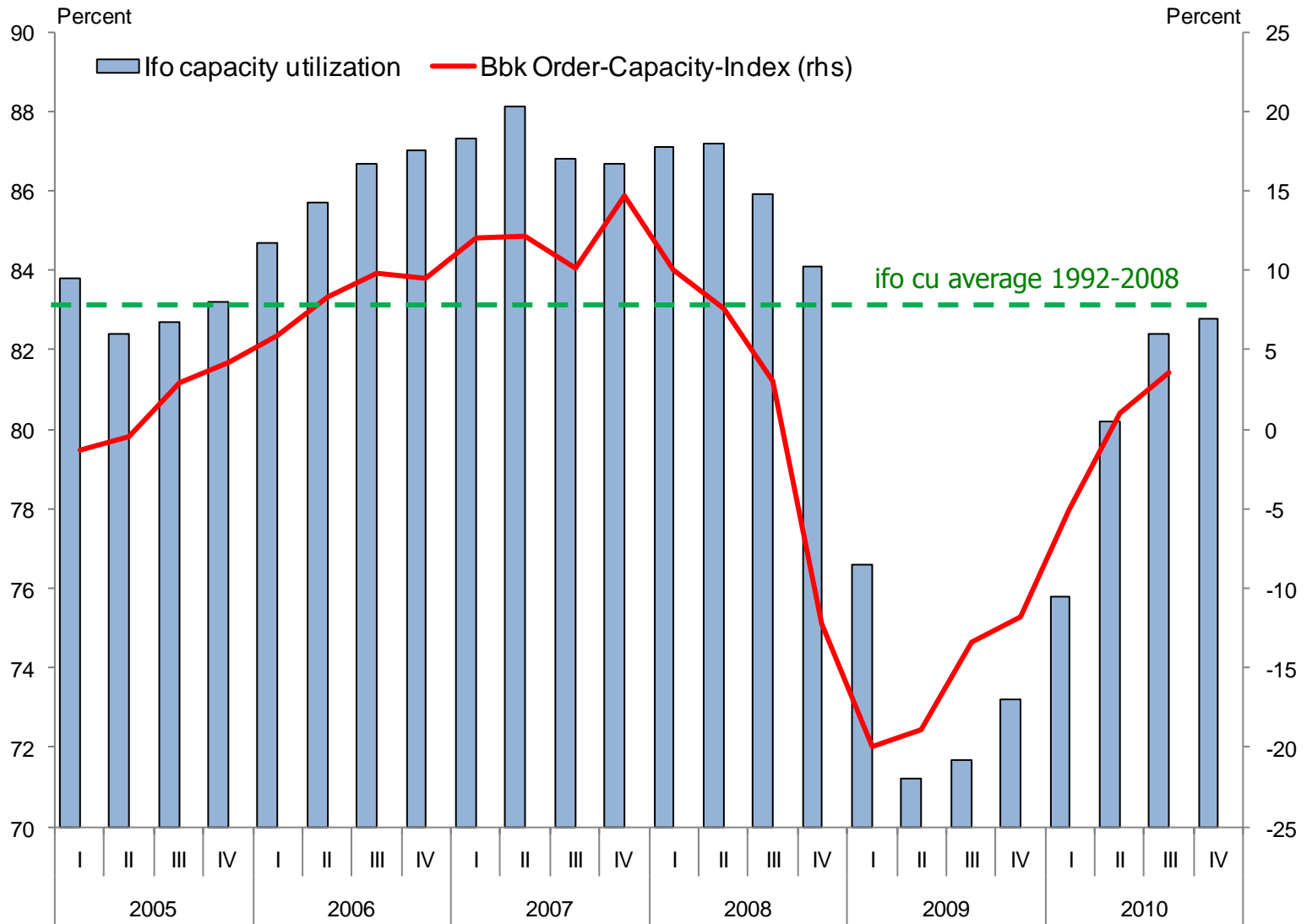
- Survey (ifo)
 - ⇒ back to normalization (expected for 2011-Q1)

- Order-Capacity-Index (Bundesbank)
 - ⇒ normalizing, ...
 - ... but coming from 6 dramatically poor quarters

- Labor productivity
 - ⇒ Still way below pre-crisis levels

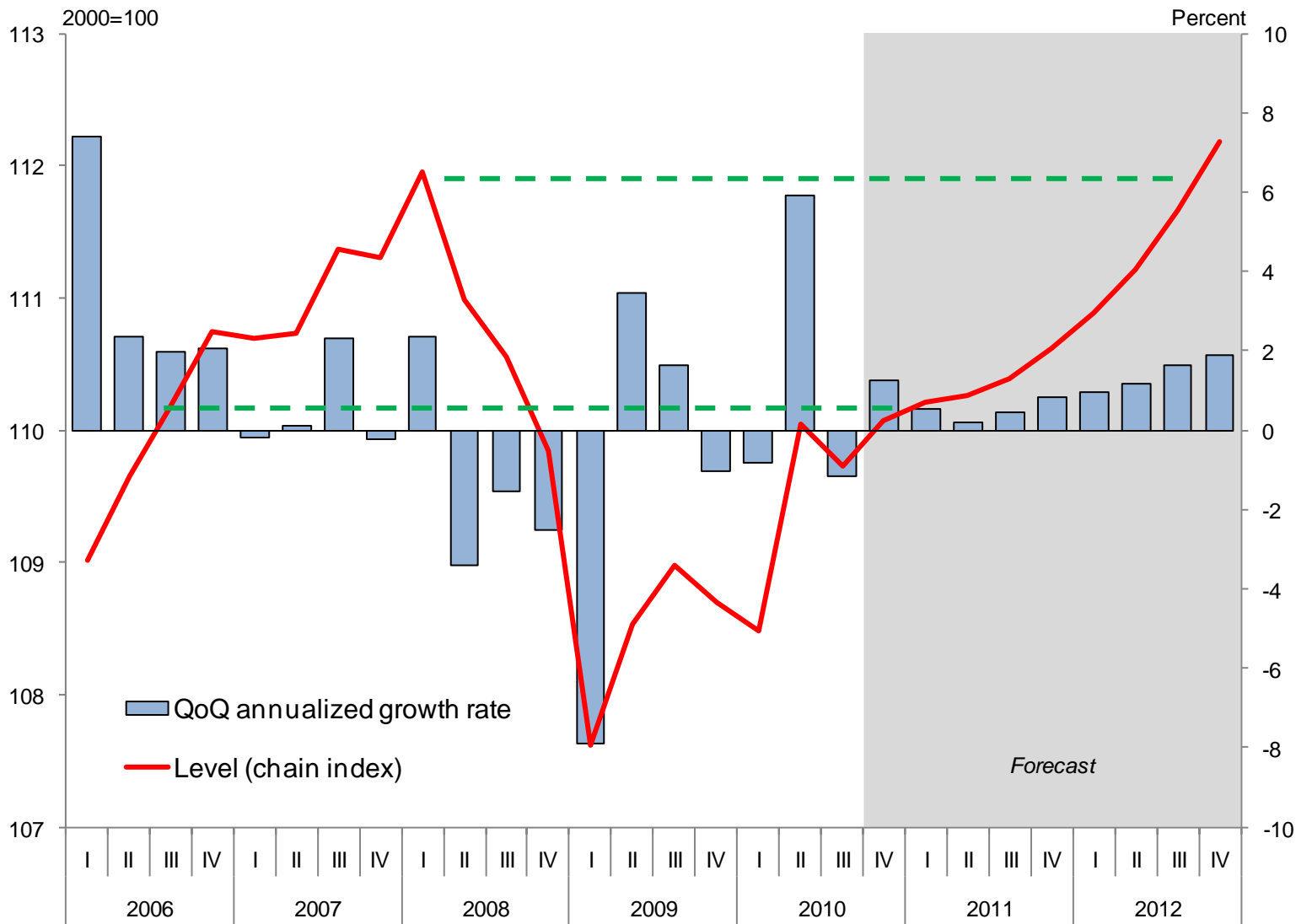
- Output gap via production function
 - ⇒ closing by mid/end of 2011

Capacity utilization approaching normal levels



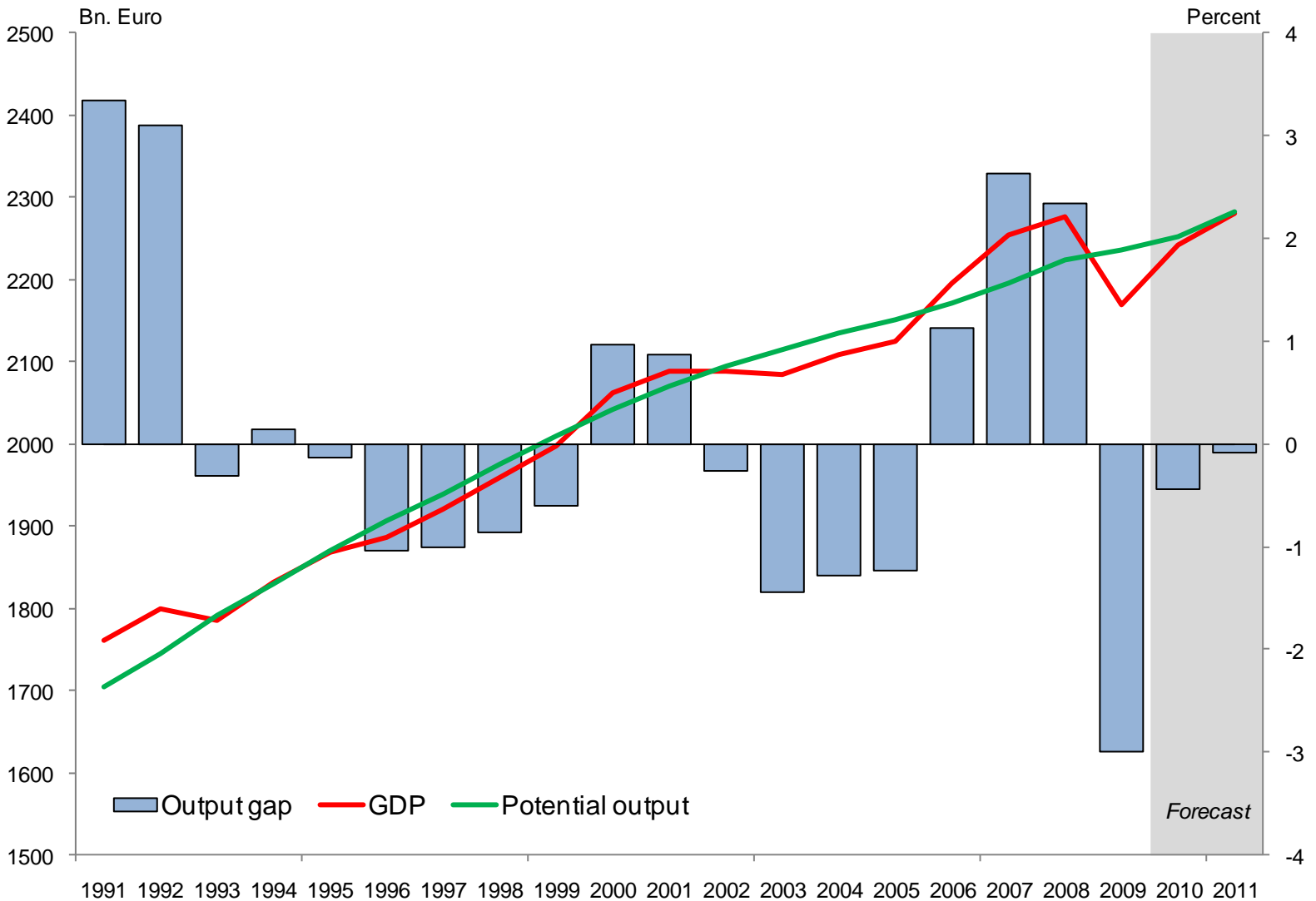


Labor productivity: 4 lost years



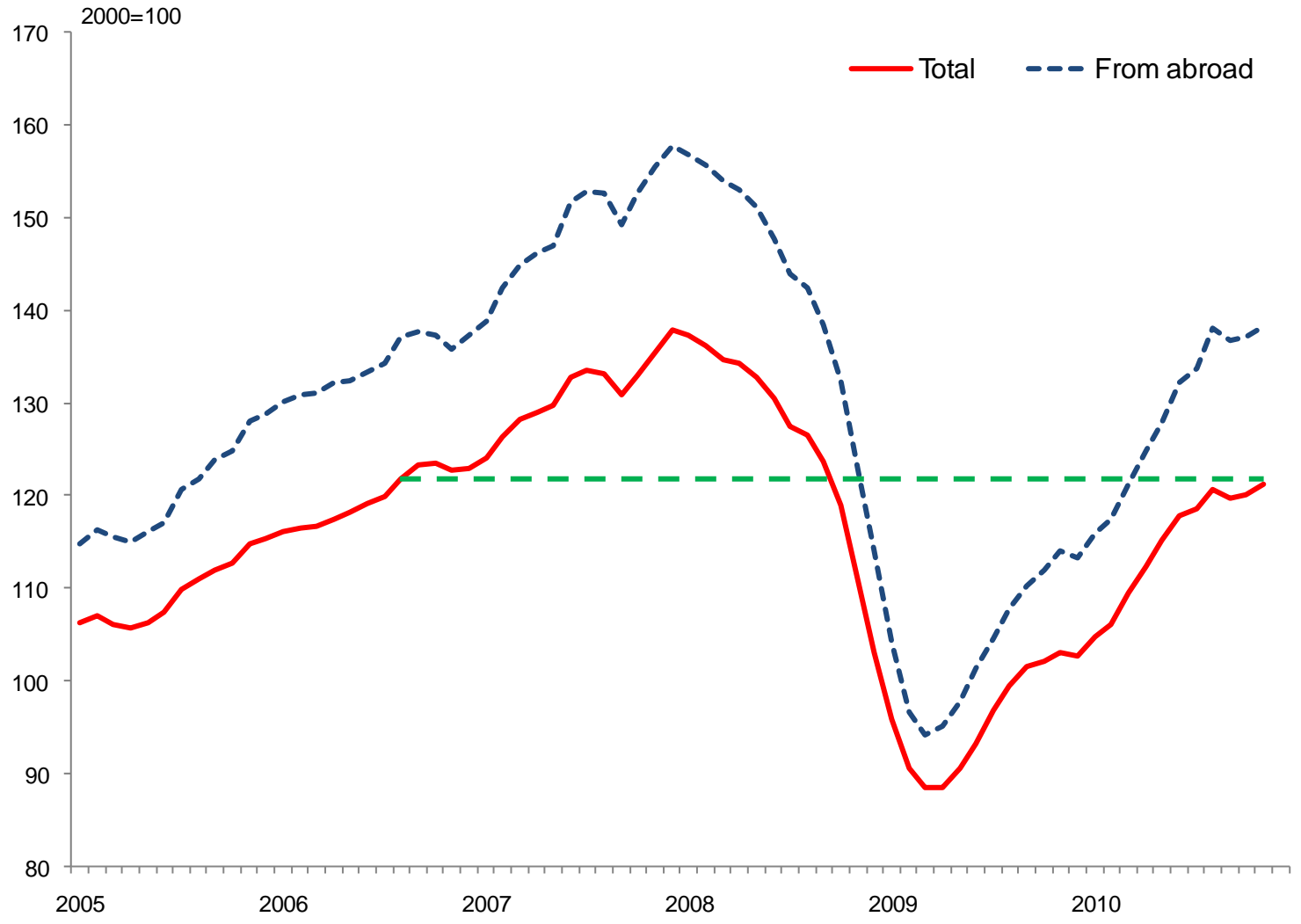


Output gap closed by mid/end of 2011

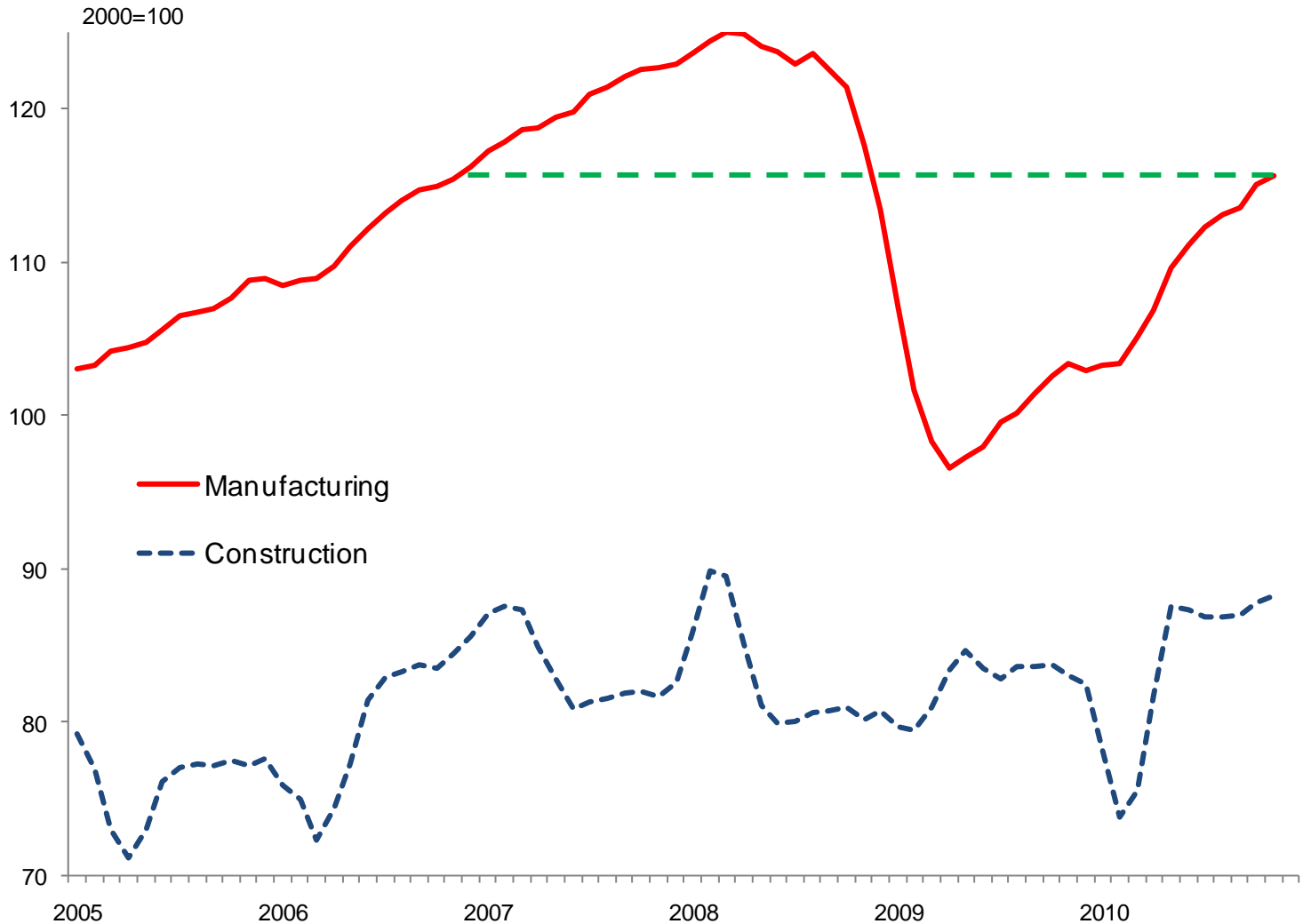




Orders received by industry: Flattening upward trend

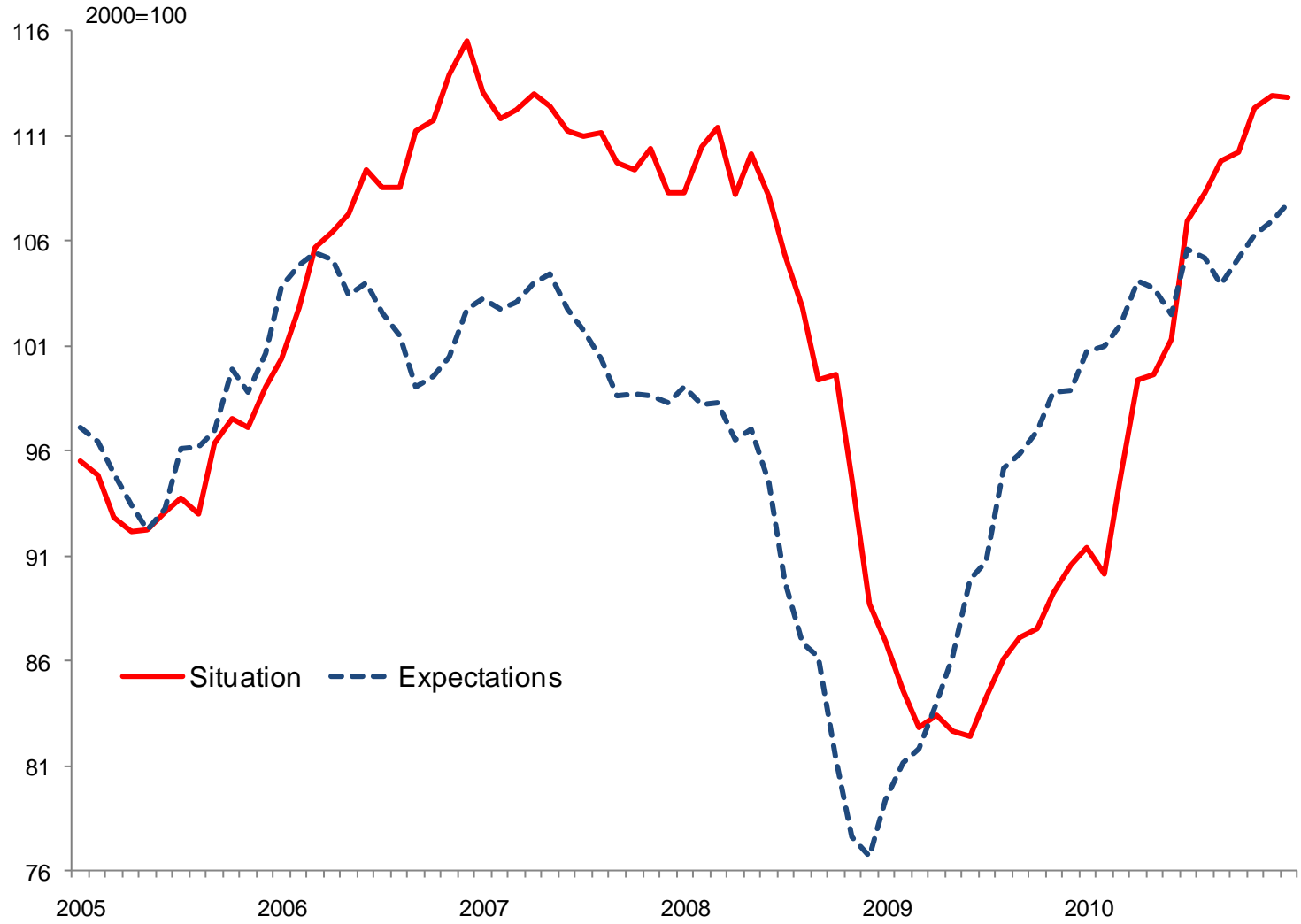


Production: Robust catching-up process

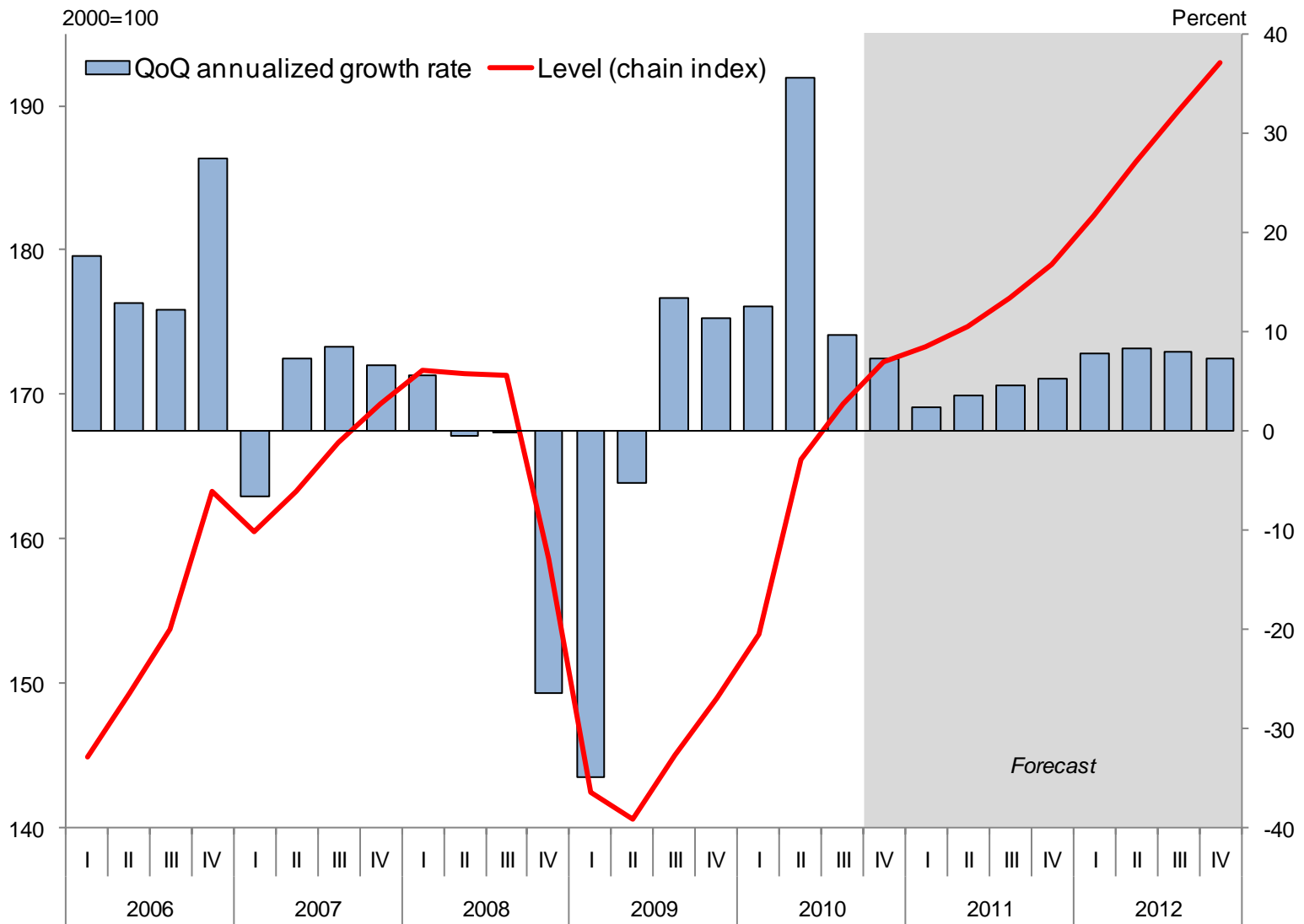




Business climate: A mental boom

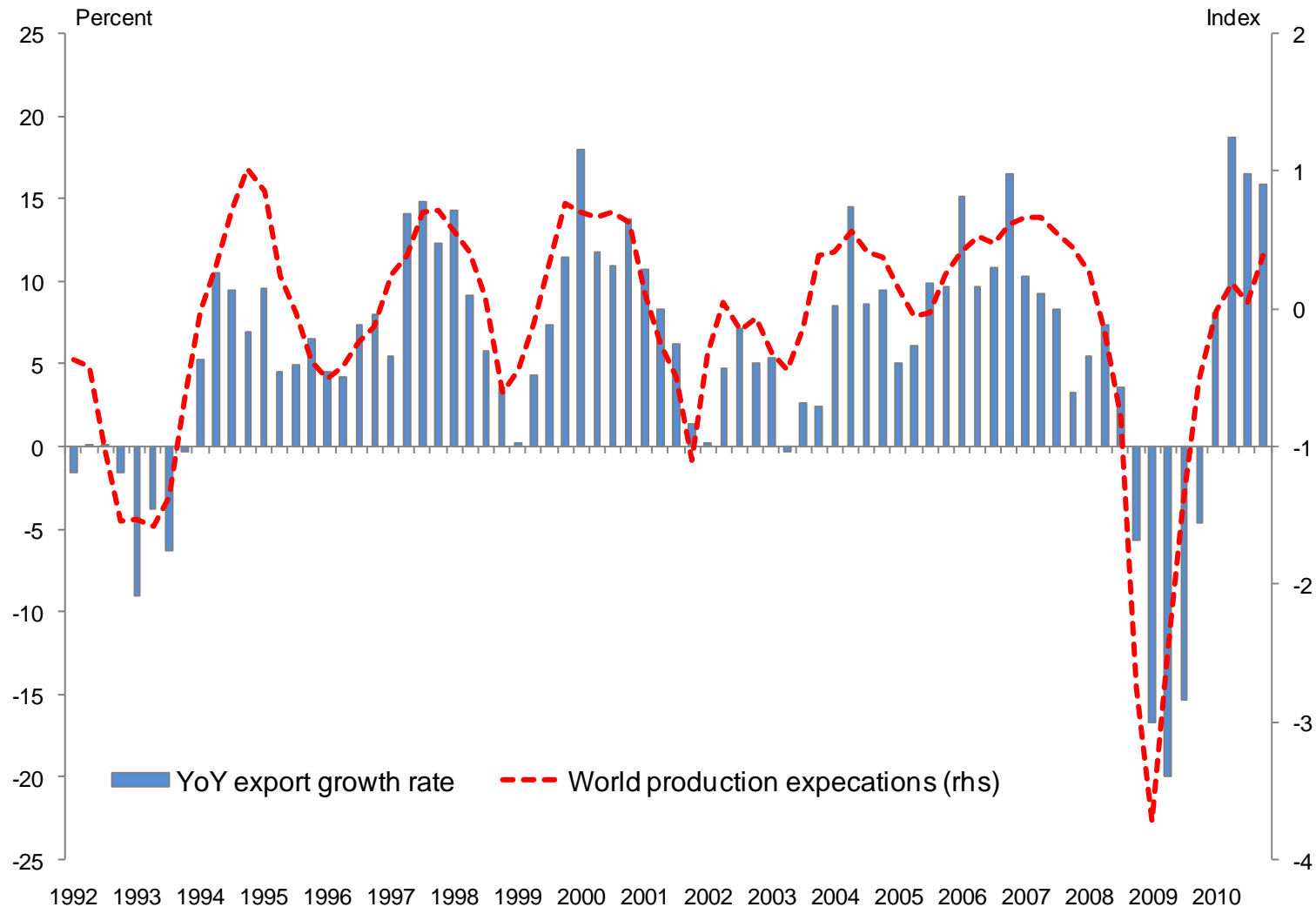


Exports are back on track



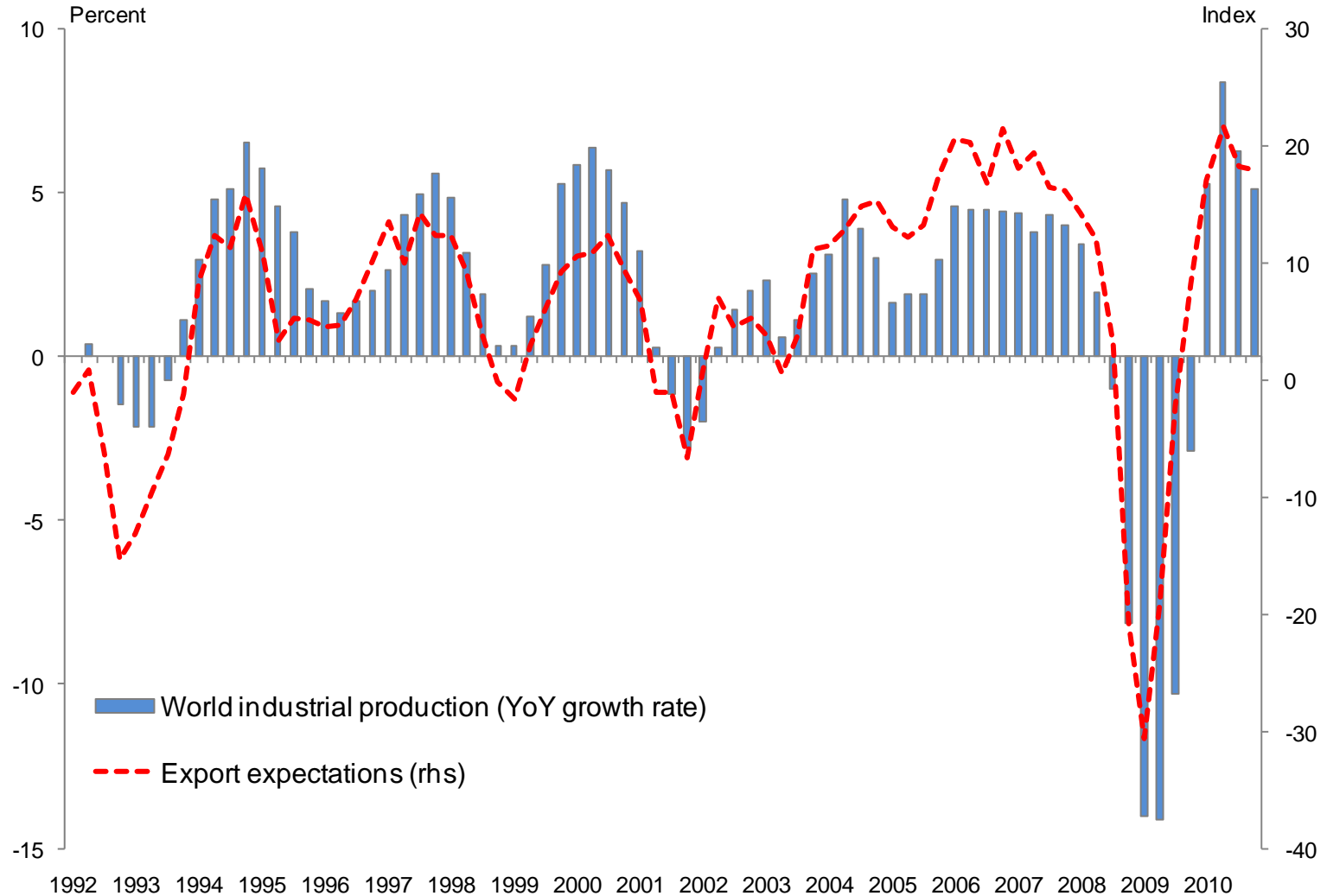


Exports and world production expectations



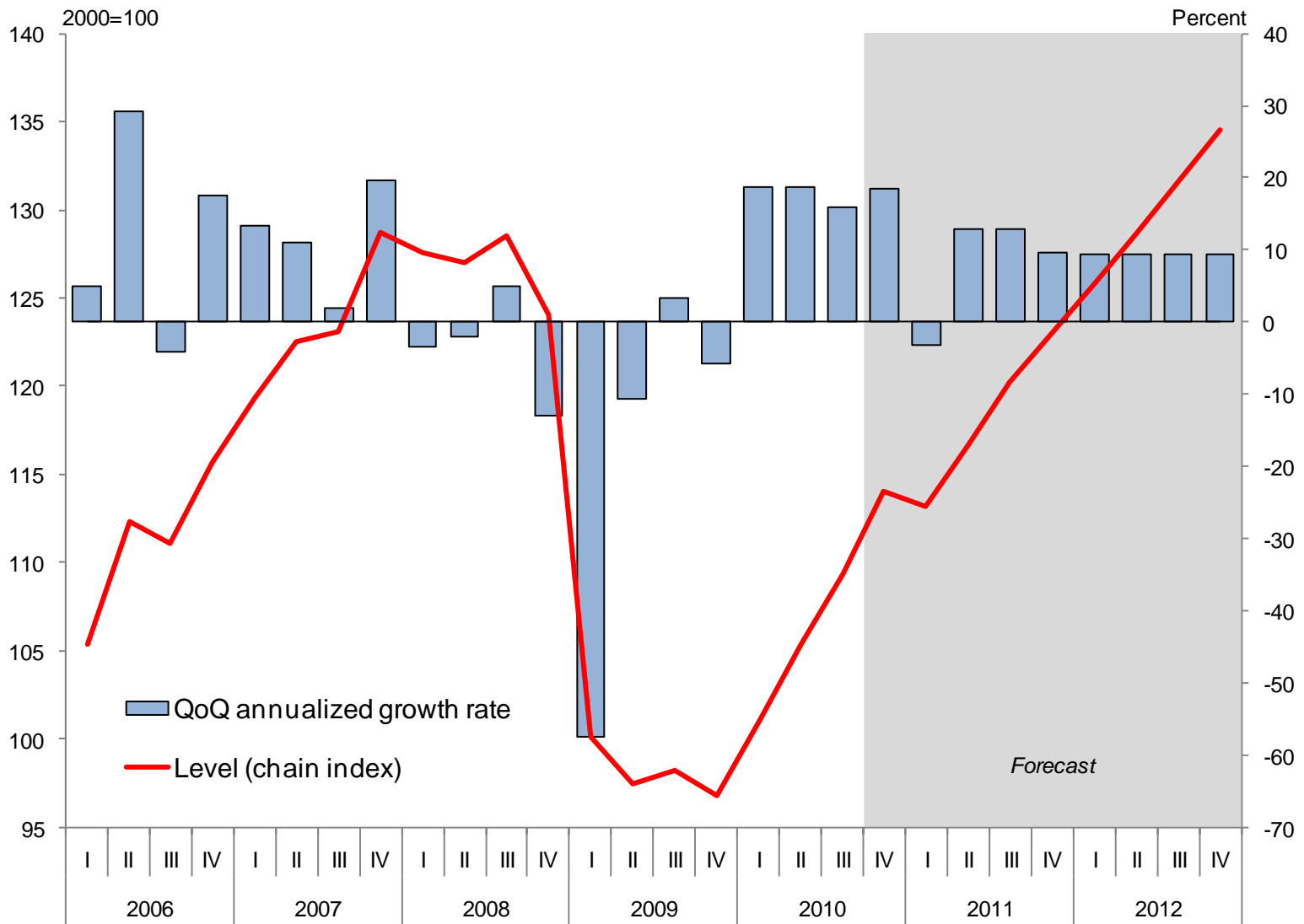


World production and export expectations

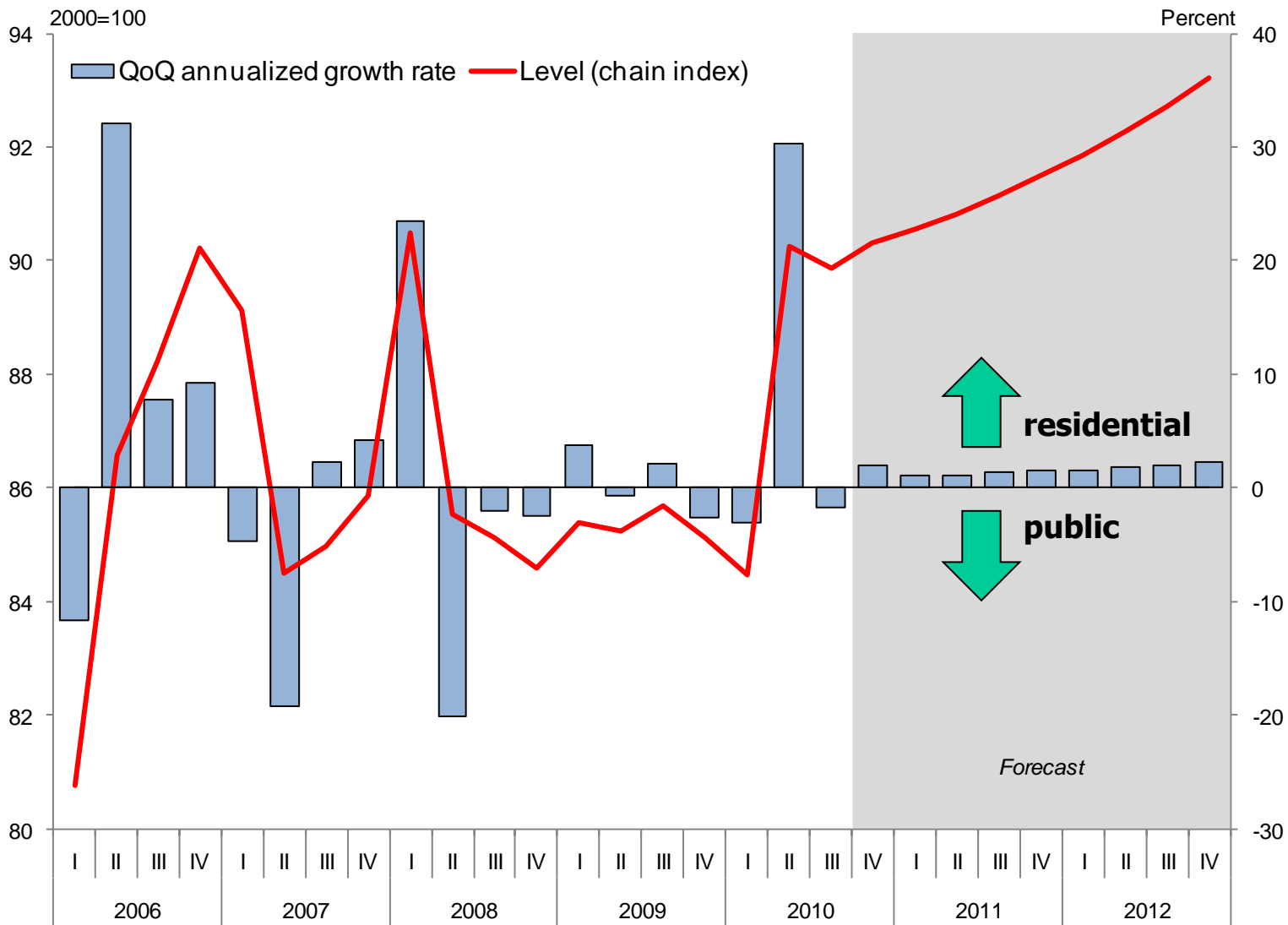




M&E investment: Augmenting the net capital stock ... again

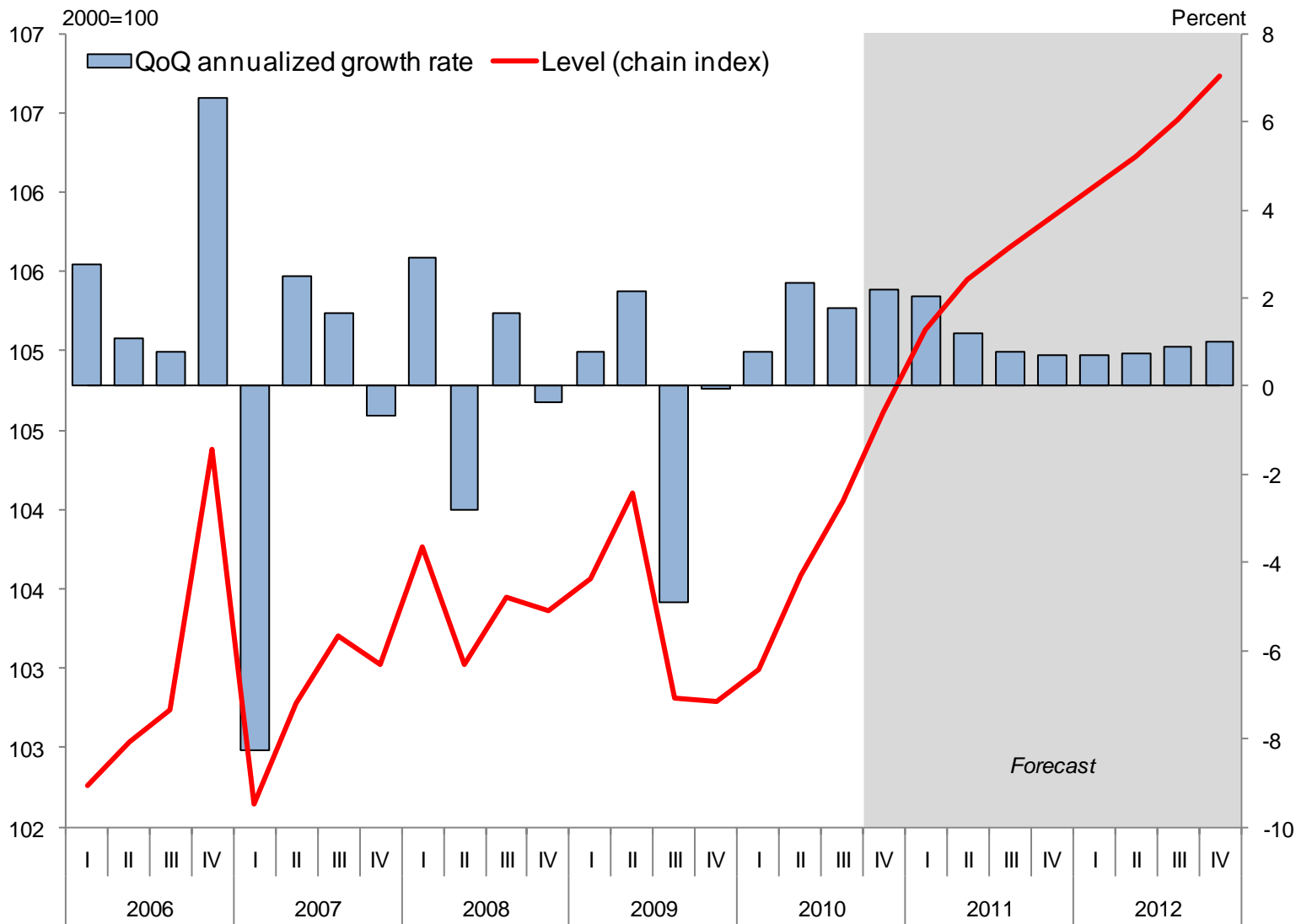


Constructions: Flattened by shrinking public investment

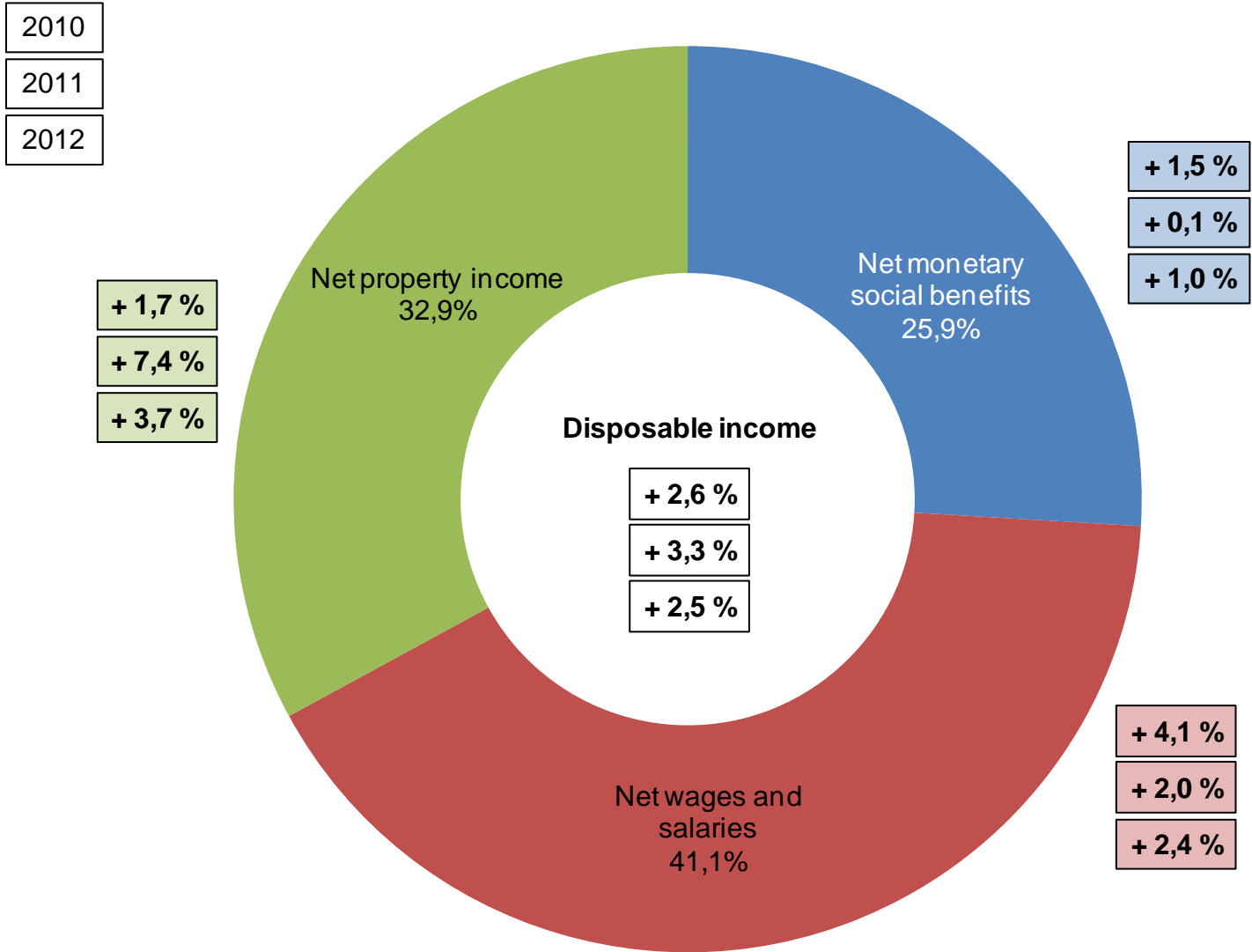




Consumer spending: Recovery after 5 years



Disposable income of private households



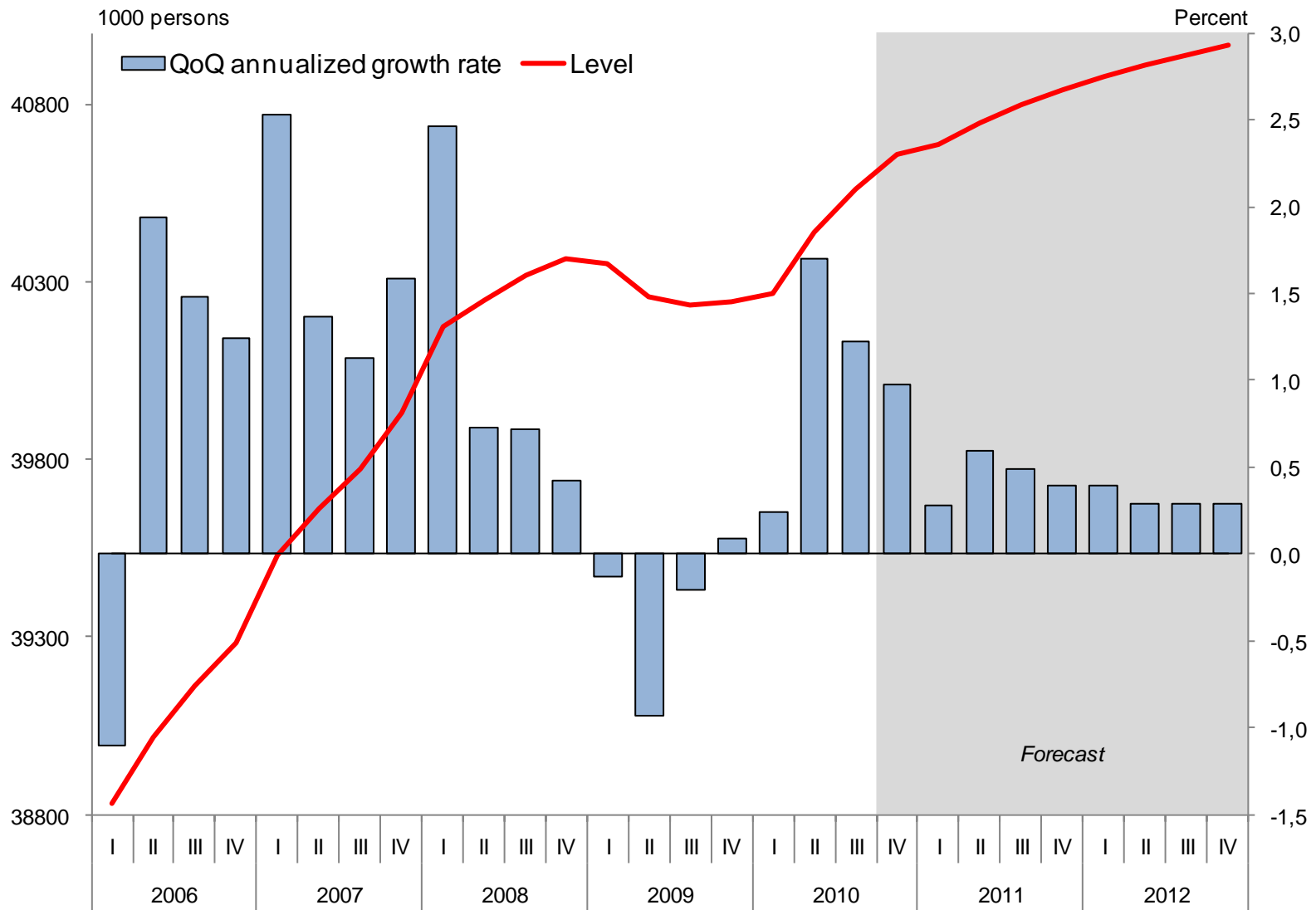
GDP and key components

Volumes, change over previous year in percent

	2010	2011	2012
GDP	3,7	2,3	1,3
Private consumption	0,5	1,7	0,8
Public consumption	2,1	1,4	1,1
M&E investment	10,3	9,4	9,2
Construction	4,2	2,2	1,1
Exports	14,8	6,4	6,2
Imports	14,2	6,9	7,0

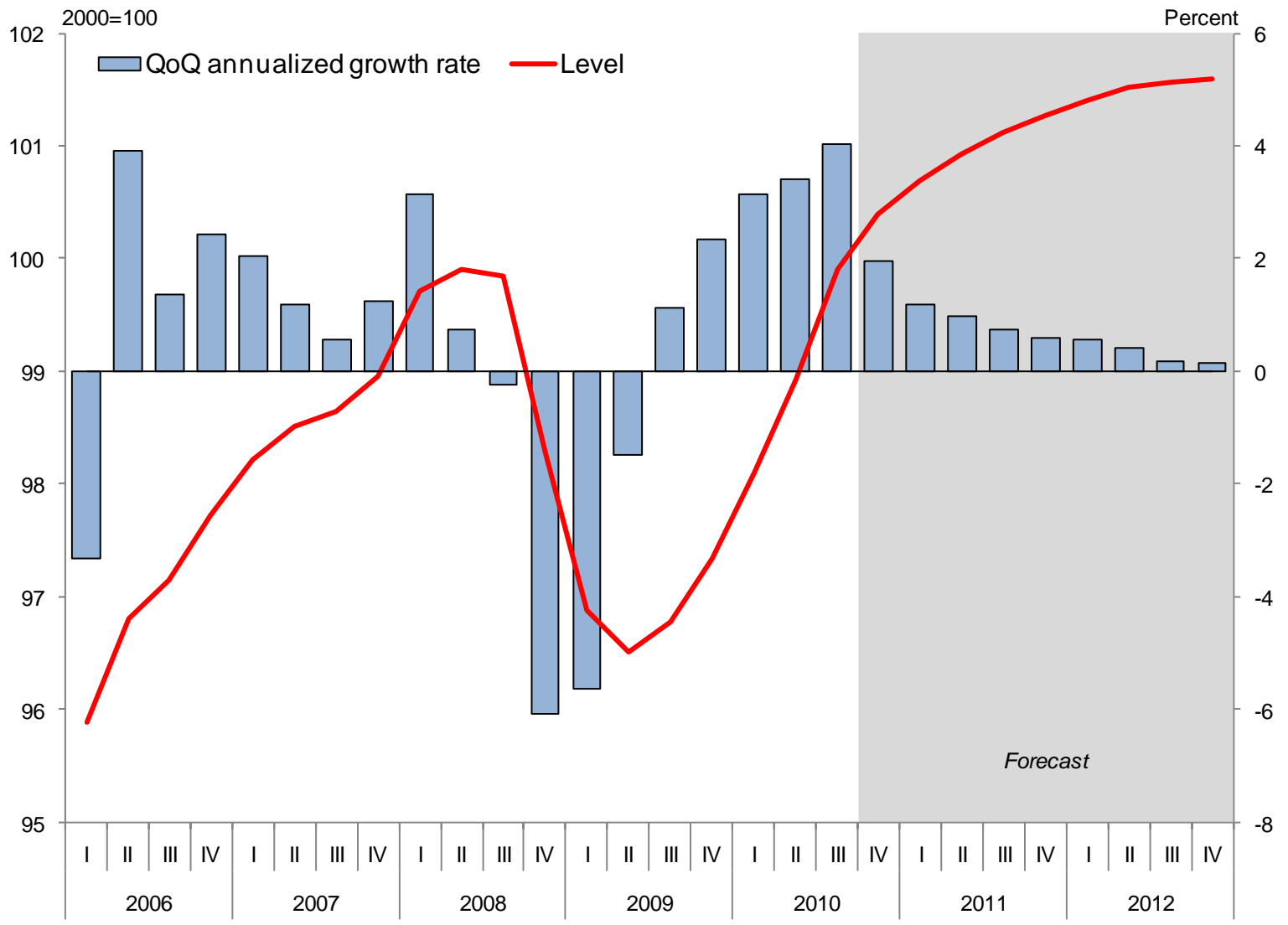


Employment at an all-time high ...

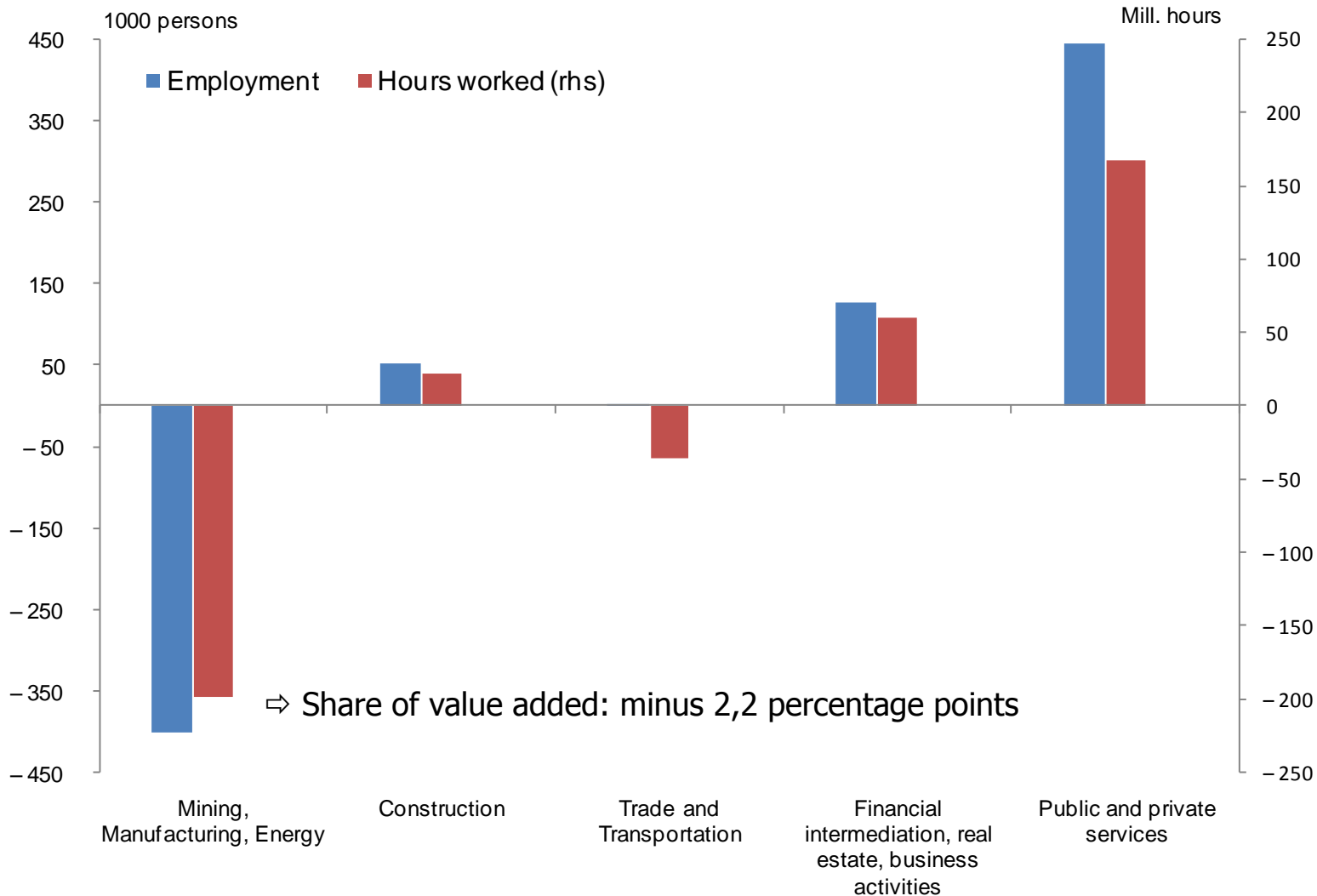




... but total hours at mid-90s levels ...

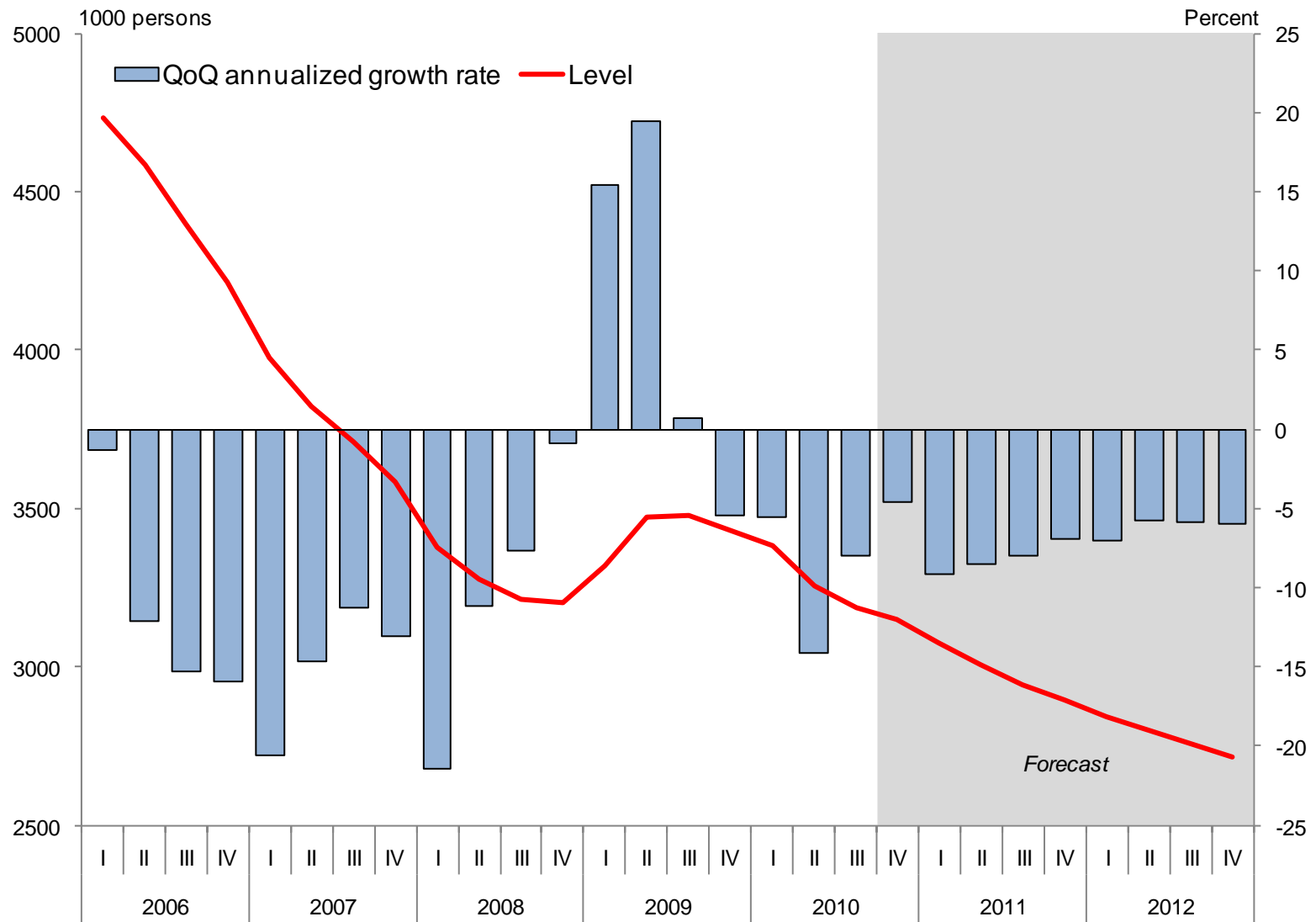


... and significant structural change going on



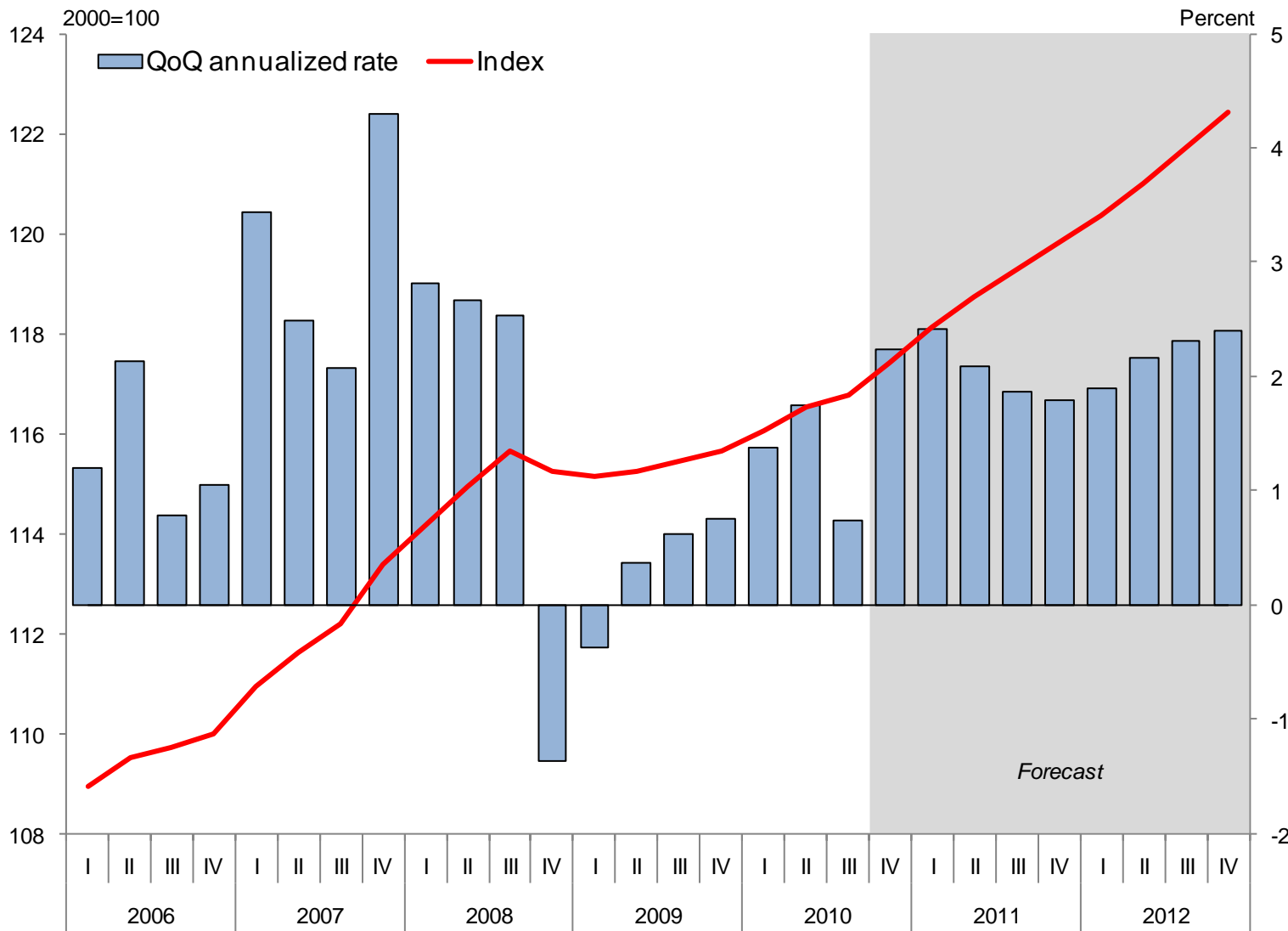


Unemployment below 3 million in 2011

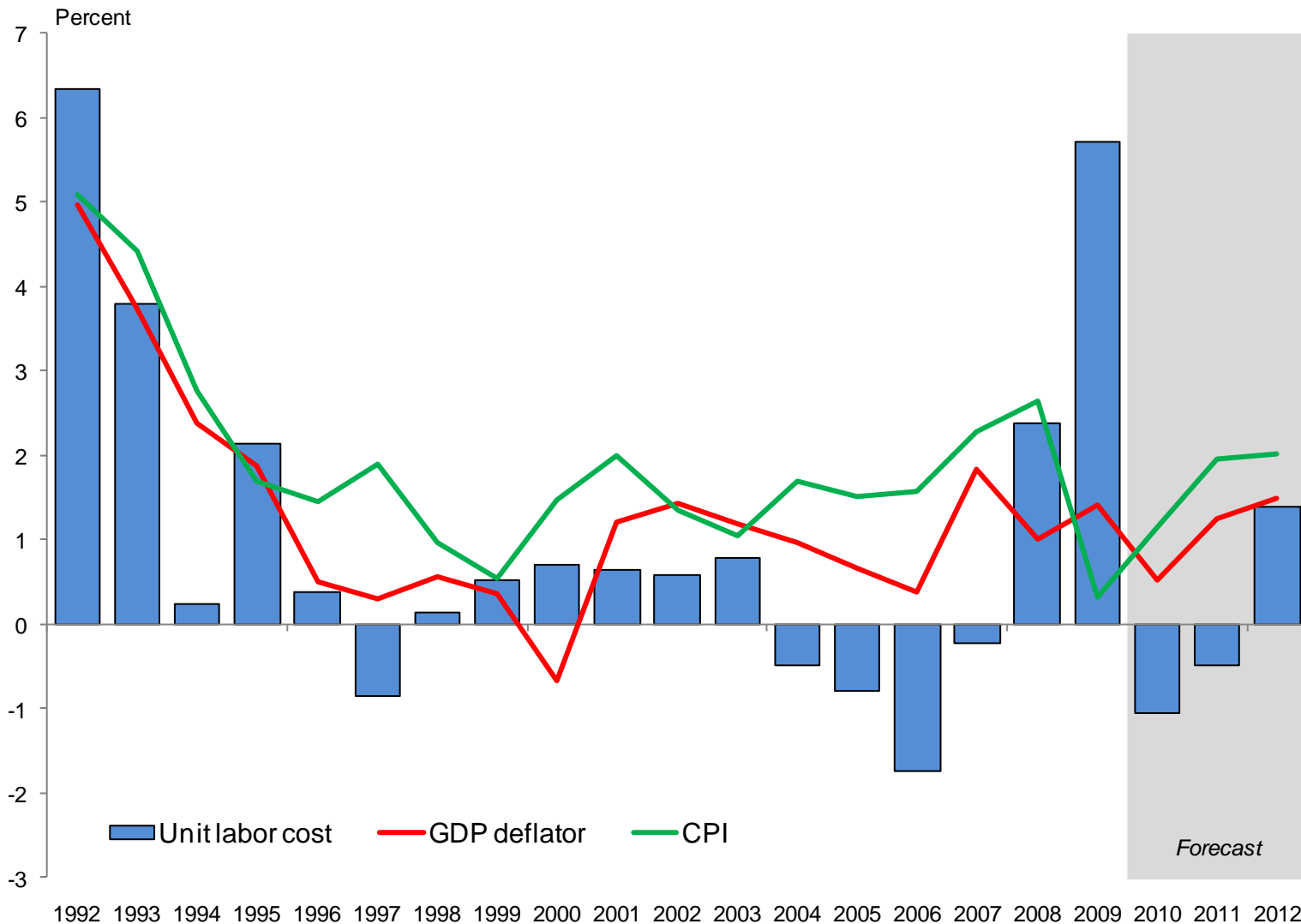




Consumer prices: Inflation is picking up



Unit labor cost: 2009 peak still to be swallowed



Conclusion

- Speed of catching-up process (mid 2010) was surprising, the process itself is not
 - Strong export base
 - Focus on capital goods
- Germany – a “growth engine” for Europe?
 - Ignores the more pronounced slump in the first place, so far mainly back to 2006/2007 levels only (manufacturing)
 - Poor overall investment activity slows down potential growth perspectives
 - Moderate growth (in the course of) next year
- Labor market miracle?
 - Higher (than expected) flexibility in terms of keeping people in their jobs (preserving human capital)
 - Heavy impact of structural change (in the background) and re-distribution of labor (rather than more absorption of labor)