BPI

Germany

Outlook

	Average 12-16	2017	2018	2019	2020	2021	2022	Forecast 2023	Forecast 2024
GDP growth (%)	1,4	3,0	1,0	1,1	-4,1	2,6	1,9	-0,1	1,2
CPI inflation (%)*	1,1	1,7	1,9	1,4	0,4	3,2	8,7	6,0	2,9
Fiscal balance (% of GDP)	0,5	1,3	1,9	1,5	-4,3	-3,7	-2,6	-2,3	-1,2
Primary fiscal balance (% of GDP)	2,2	2,4	2,9	2,3	-3,7	-3,2	-1,9	-1,5	-0,3
Public debt (% of GDP)	75,0	64,6	61,3	59,6	68,7	69,3	66,3	65,2	64,1
Reference rate (%)*	0,4	0,0	0,0	0,0	0,0	0,0	0,0	3,8	4,0
Current balance (% of GDP)	7,7	8,0	8,1	7,7	7,1	7,4	4,0	5,8	5,6

Notes: * Annual average. (e): estimate. CaixaBank Research forecast for GDP, CPI and interest rates.
Source: CaixaBank Research, based on data from AMECO, Destatis and the ECB (via Refinitiv).

- **Germany showed a disappointing start this year**, falling by 0.3% quarter-on-quarter in Q1 2023, after -0.5% in Q4 2022. This result is explained by the fall in private consumption (-1.2% vs. -1.7%) and, above all, in public consumption (-4.9% vs. 0.2%), while the growth of gross capital formation (3.0% vs. -2.6%) and the contribution of the foreign sector (0.7 p.p. vs. 0.5 p.p.) stand out on the positive side. The performance of various business climate and confidence indicators has a bearing on the high uncertainty surrounding the current scenario, although everything points to activity continuing to be sustained by **the good tone presumed for the services sector**. Moreover, the favourable evolution of the weekly activity indicator gives confidence that Q2 growth could be positive (we estimate 0.2% quarter-on-quarter).
- It should be noted that, despite the discreet performance of activity, **the labour market continues to show notable strength**: in March, employment broke records by exceeding 45.7 million people, the unemployment rate fell to a low of 2.8% and several sectors continue to report labour shortages. In this context, wages have been rising and in February they reached a year-on-year increase of 6.5% (2.4% in December), which, in any case, is still below the rise in inflation (7.6% in April). However, the prospect of inflation continuing to fall will improve households' purchasing power, which, together with the possibility of drawing on some of the "extra" savings accumulated during the pandemic that they still have (equivalent to almost 2.5% of their gross income), will sustain their spending in the coming months.
- With regard **to the evolution of public accounts, the outlook is quite positive**. The European Commission's Spring Report anticipates a reduction from 2.6% of GDP in 2022 to 2.3% in 2023 and 1.2% in 2024. These forecasts incorporate the impact on public finances of measures taken to limit the impact of higher energy prices (around 1.2% of GDP in 2023), which would be phased out in 2024. In fact, given the favourable forecasts for crude oil and, above all, gas prices, it is estimated that around a quarter of the 200 billion euro "shield" approved in September last year (4.9% of GDP) would be used. On the other hand, the evolution of the fiscal deficit in 2023 will be favoured by the complete removal of the emergency measures adopted during the pandemic, which accounted for almost 0.8% of GDP in 2022. In this context, public debt-to-GDP ratios will continue to fall, from a peak of 69.3% in 2021, to slightly above 65% by the end of 2023 and to fall further to 64% by the end of 2024.

Closing date of this edition: 16 June 2023