

Brussels, 21 May 2025
(OR. en)

9015/25

ECOFIN 553	RECH 218
UEM 153	ENER 131
SOC 284	JAI 607
EMPL 183	GENDER 41
COMPET 376	ANTIDISCRIM 39
ENV 345	JEUN 77
EDUC 157	SAN 223
ECB	EIB

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	13 May 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.:	SWD(2025) 69 final
Subject:	COMMISSION STAFF WORKING DOCUMENT In-depth review for Germany Prepared under Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances

Delegations will find attached document SWD(2025) 69 final.

Encl.: SWD(2025) 69 final



EUROPEAN
COMMISSION

Brussels, 13.5.2025
SWD(2025) 69 final

COMMISSION STAFF WORKING DOCUMENT

In-depth review for Germany

**Prepared under Regulation 1176/2011 on the prevention and correction of
macroeconomic imbalances**



Germany

In-Depth Review 2025



This in-depth review presents the main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Germany for the purposes of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances. It provides technical input to the Commission for the Communication "European Semester – 2025 Spring Package" that will set out the Commission's assessment as to the existence of imbalances or excessive imbalances in Germany. That Communication will be published in June 2025.

CONTENTS

1.	INTRODUCTION	1
2.	ASSESSMENT OF MACROECONOMIC IMBALANCES	2
	2.1 External balance developments	2
	Conclusions	7
	ANNEX - PUBLIC INVESTMENT NEEDS IN GERMANY	10

1. INTRODUCTION

This in-depth review (IDR) analyses the evolution of Germany's vulnerabilities related to the persistent current account surplus. This year's IDR, which follows the 2025 Alert Mechanism Report (AMR) published in December 2024, assesses the persistence or unwinding of the vulnerabilities identified last year, potential emerging risks, and relevant policy progress and policy options that could be considered for the future.⁽¹⁾ Given the size of the German economy and its interlinkages with the other Member States, these vulnerabilities have a cross-border relevance.

The German economy has been stagnating for five years due to temporary as well as structural challenges. The cumulated real GDP growth between 2019 and 2024 was 0.3%. Real GDP declined by 0.2% in 2024, in a context of weak domestic and foreign demand. Real investment fell by 2.7%: construction costs were still high and housing investment shrunk by 5.0%, business confidence was very low and investment in machinery and equipment fell by 5.5%. Private consumption increased only by 0.3%, despite the strong real wage growth of close to 3%, as households savings increased. Sluggish domestic demand was reflected in imports value falling by 0.1%. Exports value also fell by 0.2%, with a further loss of export market shares. Overall, the estimated contribution of foreign demand to 2019-2024 GDP growth amounted to 0.7 pps., mostly coming from outside the EU. Conversely, German weak domestic demand contributed only little to EU growth, despite Germany's size.⁽²⁾ In the Commission's Autumn 2024 forecast, German GDP growth was forecast to be the lowest in the euro area, at 0.7% in 2025 and 1.3% in 2026, in a context of sluggish domestic demand, and the outlook deteriorated since the publication of the forecast⁽³⁾. Structural challenges are considerable. They relate to adverse demographic developments, high tax burden on labour, obsolete infrastructure, weak capital deepening and, as a result, low productivity growth: potential growth is estimated at 0.6% annually over the period 2024-2029, among the lowest in the euro area. Last year, inflation evolved broadly in line with the euro area. Consumer inflation averaged 2.5% in 2024 and amounted to 2.8% year-on-year in December 2024⁽⁴⁾. Going forward, inflation is expected to ease further.

⁽¹⁾ European Commission (2024), Alert Mechanism Report 2025, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, [COM\(2024\) 702 final](#); and European Commission (2024), Alert Mechanism Report 2025, Staff Working Document, [SWD\(2024\) 700 final](#).

⁽²⁾ See European Commission Institutional Paper 2025 (forthcoming) – “Economic spillovers and financial linkages in the EU”.

⁽³⁾ All forecast data used in the IDR come from the Commission Autumn 2024 Forecast (European Economy, Institutional Paper 296), unless stated otherwise, in order to ensure the coherence of the various figures and calculations. The cut-off date for the data for the preparation of this IDR was 20 February 2025. Actual outturn data that have become available after the Autumn Forecast, and before the cut-off date for the IDR, are mentioned.

⁽⁴⁾ Over the period 2020-2024, cumulated inflation amounted to 17.5%, of which about 0.7 pps. is estimated to have been due to imported value-added inflation. See European Commission Institutional Paper 2025 (forthcoming) – “Economic spillovers and financial linkages in the EU”.

2. ASSESSMENT OF MACROECONOMIC IMBALANCES

In 2024, the external surplus remained at 5.8% of GDP,⁽⁵⁾ reflecting sluggish domestic demand. Consumption remained weak. A pick-up of net public investment in recent years so far did not manage to offset declining private investment. Because of low investment, Germany's capital stock per worker continued to decline in 2024, at a pace similar to the decline of the 2010s.

2.1 EXTERNAL BALANCE DEVELOPMENTS

Assessment of gravity, evolution and prospects of vulnerabilities

Despite stagnant domestic demand, the current account balance has declined over the past years, in line with the trade balance. Between 2019 and 2024, the current account balance declined from 7.9% of GDP to 5.8% of GDP. The three-year average for 2022-2024 stands at 5.3% of GDP, which is below the indicative MIP scoreboard threshold of 6% of GDP. The decline was primarily driven by the fall of the trade balance, from 5.6% of GDP to 3.7% of GDP (Table 2.1 and Graph 2.1.a). In particular, trade in services resulted in a lower balance, partly driven by tourism, for which the balance fell from -1.3% of GDP in 2019 to -1.8% of GDP in 2024. Non-tourism services have also been falling, from a positive balance of 0.9% of GDP in 2019 to -0.1% in 2024.⁽⁶⁾ The primary income balance, mainly reflecting net returns from Germany's high net international investment position, remained broadly stable at around 3.5% of GDP, despite favourable interest rate and exchange rate dynamics.⁽⁷⁾ The current account surplus continues to significantly exceed the level suggested by economic fundamentals: estimates suggest that given its high income per capita and high manufacturing intensity, Germany would be expected to post a current account surplus of about 1.2% of GDP.

⁽⁵⁾ By the cut-off date there were no annual figures published for 2024 by Eurostat on the current account and its main balances, this and the following 2024 figures reflect calculations based on Bundesbank data.

⁽⁶⁾ This diverse group of services include transport services, financial services, IT and digital service, as well as professional services, management services and payment for R&D. See Langhammer, R. (2023), [Germany's Role as a Trader in Services: Difficult Factfinding and Uncertain Prospects](#). Kiel Policy Brief, 166.

⁽⁷⁾ The secondary income balance, reflecting current transfers, also remained largely unchanged, at around -1.5% of GDP.

Table 2.1: Evolution of the current account and its main components, % of GDP, 2010-2024

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2019 to 2024	2023 to 2024
Current account	5.7	6.3	7.2	6.7	7.2	8.1	8.9	8.1	8.4	7.9	6.3	6.9	4.4	5.8	5.8	-2.1	0.0
Goods and services	5.1	4.9	6.1	5.8	6.6	7.4	7.3	7.1	6.0	5.6	5.3	5.2	2.5	3.8	3.7	-1.9	-0.1
Goods	6.1	6.0	7.2	7.0	7.3	7.9	7.8	7.7	6.4	6.0	5.2	5.1	3.4	5.4	5.6	-0.4	0.2
Services	-1.0	-1.1	-1.1	-1.2	-0.8	-0.5	-0.6	-0.6	-0.4	-0.4	0.2	0.0	-0.9	-1.5	-1.9	-1.5	-0.4
Primary income	2.0	2.6	2.4	2.3	2.1	1.9	2.8	2.5	3.9	3.7	2.5	3.4	3.6	3.5	3.6	-0.1	0.1
Secondary income	-1.4	-1.1	-1.3	-1.4	-1.4	-1.3	-1.2	-1.5	-1.4	-1.4	-1.5	-1.6	-1.7	-1.5	-1.5	-0.1	0.0

Source: Eurostat until 2023, calculations based on Bundesbank for 2024

The lower surplus in recent years mainly reflects weak export dynamics. Germany's export market share compared to advanced economies fell by 8.6% over the period 2021-2023. This reflected faltering demand from major markets outside the EU and increased competition for some of Germany's most relevant export sectors. Export order books as measured by the EU business survey deteriorated also over 2024, falling further into negative territory. This suggests that companies continue to see weak export prospects in the near future.⁽⁸⁾ Historically, value creation in Germany has been very dependent on foreign trade, with exports based on domestic value added amounting to close to one-third of GDP.⁽⁹⁾ Exports to the US and China each account for about 2-3% of German value added.

Sluggish domestic demand from corporates and consumers contribute to the current account surplus. Low domestic demand has been a key factor behind the emergence and persistence of the current account surplus in the past two decades. The demand contribution of the household sector slightly declined since 2019 as household savings remained high (Graph 2.1.b). Corporate investment has fallen while corporate savings are relatively high. By contrast, the government has gone from a net lender to a net borrower over the past years, somewhat mitigating the current account surplus.

Household incomes and consumption

Household consumption continues to stagnate at 2019 levels. German households have the highest saving rate in the euro area at 20.5% in the third quarter of 2024; increasing by 0.6 pps. since 2023. Households have been reluctant to consume their income gains as private consumption increased only by 0.3% in 2024. With this, real private consumption persisted at 2019 levels, displaying the smallest change across all euro area economies. Instead of unwinding savings built up during the COVID-19 period, households have further added to their savings buffers. In general, the consumer climate remains strongly negative. The persistence of savings may also reflect precautionary motives in view of increased uncertainty in the labour market where vacancies and hiring intentions fell, employment dynamics slowed down and unemployment started to increase.

On top of consumer uncertainty, lacklustre consumption may be related to lower permanent wage increases. In 2024, nominal gross wages and salaries increased by 5.3%. As inflation fell to 2.5%, real gross wages and salaries by employee increased by 2.7% and household real disposable income by 1.9%. Yet, even with these increases, the real value of wages remained below the pre-pandemic level, by 1.4% for gross wages and salaries per employee, and by 1.3% for household disposable income. An important

⁽⁸⁾ European Commission (2025), [Latest business and consumer surveys](#).

⁽⁹⁾ Calculations based on OECD (2023), [ICIO-TIVA highlights: GVC indicators for Germany](#) and Eurostat FIGARO.

component of wage increases came from inflation bonuses: since October 2022, 86% of employees covered by a wage agreement received an inflation bonus averaging EUR 2 680, which was phased out in 2024. Although low-wage earners benefitted particularly from them,⁽¹⁰⁾ these temporary wage increases appear to have led to smaller consumption increase than permanent wage increases would normally lead to. Going forward, the weak economic situation is expected to weigh on wage negotiations, and real wage growth is expected to moderate. The elimination of the inflation compensation bonuses also dampens overall wage growth, as these bonuses are only partly replaced by regular wage increases. Nominal wage growth is expected to continue at a pace slightly above the euro area average.

Private investment

The corporate sector reduced its investment in 2024, opting to preserve its profits in light of increased uncertainty. In 2024, overall fixed capital formation remained below 2017 levels, and corporate investment continued to decline by 3.5% in real terms (Graph 2.1.d). Weak export prospects, high interest rates and strong wage dynamics seem to have contributed to the investment slump, more so than in the rest of euro area. Equipment investment was particularly suppressed, 11.6% below its peak in 2019. Surveys point to a range of factors explaining weak investment such as the unfavourable macroeconomic environment, high energy and wage costs, shortage of skilled workers, uncertainty regarding regulatory frameworks and business regulation.⁽¹¹⁾ ⁽¹²⁾ ⁽¹³⁾ Investment was moved abroad in particular in energy-intensive manufacturing.⁽¹⁴⁾ Overall, the corporate sector is under stress, even if this may partly reflect a catch-up after the expiry of emergency support measures: at the end of 2024, the number of insolvencies was 50% above the pre-pandemic level, being at the highest level since the Great Financial Crisis.⁽¹⁵⁾ Capacity utilisation in manufacturing was below the long-term average of 83.4% already in January 2024 and fell further to 76.5% by January 2025, limiting the need for new investment.⁽¹⁶⁾ Corporate credit growth remains negative and investment expectations of companies were still negative for 2025, even though somewhat better than the year before.⁽¹⁷⁾ As a baseline, the easing of monetary policy and the associated lower financing costs are expected to support a gradual recovery in investment, yet corporates overall remain net savers.

Housing investment fell for the fourth year in a row. Investment in residential construction, accounting for 31% of overall investment, fell by 5% in 2024, resulting in a cumulative fall of 15% since 2020. Financing conditions for house purchases have eased as mortgage interest rates have fallen. There are some signs of stabilisation in Germany's housing market, with mortgage credit flows for households accelerating and house prices starting to increase, in the third quarter of 2024 exceeding their first quarter level by 1.9%. Yet, building permits continued to fall. In January-November 2024, they were 19% below

⁽¹⁰⁾ Lump-sum payments particularly benefitted the lowest earning one-fifth of fulltime employees where nominal wages increased by 7.8%, while in the highest earning one-fifth saw a nominal wage increase of 5.0%.

⁽¹¹⁾ Economic policy uncertainty as measured by press reports and sentiment surveys, remains at a high level which, along with weak sales prospects is weighing on the willingness to invest ([Berend and Jannsen 2024](#)). In company surveys the economic policy environment is cited as the first/second important business risk after domestic demand ([DIHK 2025](#)).

⁽¹²⁾ Bundesbank (2024), [Monthly Report May 2024](#), Box Domestic investment barriers faced by German enterprises.

⁽¹³⁾ European Investment Bank (2024), [Investment Survey 2024](#).

⁽¹⁴⁾ Bundesbank (2024), [Monthly Report May 2024](#), Box Domestic investment barriers faced by German enterprises.

⁽¹⁵⁾ IWH Halle (2025), [IWH-Insolvenztrend: Höchstwert bei Firmenpleiten seit Finanzkrise](#)

⁽¹⁶⁾ ifo Institute (2025), [ifo Business Climate Index Rises \(January 2025\)](#)

⁽¹⁷⁾ ifo Institute (2025), [Investitionserwartungen sinken deutlich](#)

their level a year before, and 40% below their level in 2019. This suggests a rather gradual investment recovery towards 2026. As housing demand strengthens again, supply constraints resulting from low availability of housing in urban areas, an inefficient use of the housing stock, and high transaction costs, will be pressure points.

Public investment

Despite gradual increases, public investment remains low. Although the gross public investment ratio increased from 2.3% of GDP in 2014 to 2.7% in 2019 and reached 2.9%, it remains below the public investment ratio in the euro area (3.3% of GDP in 2023) and the EU average (3.6% of GDP in 2023). Government investments have recently started benefitting from military procurements as part of the Bundeswehr Special Fund where investments are expected to continue until 2027.⁽¹⁸⁾ Overall net public investment have remained close to zero, as it has been over the past two decades (Graph 2.1.e and f). The increase in public investment does not match increasing investment needs, with additional public investment need estimated to about 1%-3% of GDP per year (see Annex). At the same time, allocated funding from the federal level tended to be underutilised in recent years, with reasons including a lack of experienced staff,⁽¹⁹⁾ and administrative complexity, though there are some indications of improved execution in 2024.⁽²⁰⁾ Negative net investment has had a particularly visible effect on the local and regional transport infrastructure, leading to overdue infrastructure maintenance in for example bridges.⁽²¹⁾

Assessment of MIP relevant policies

Several government decisions were taken to counter the decline in investment. Some investment initiatives were stepped up, such as the extension of the support scheme for climate-friendly building of affordable housing, from October 2024.⁽²²⁾ On 18 December 2024, the budget committee of the Bundestag decided to invest EUR 21 billion (0.5% of GDP) in military equipment such as submarines and to grant EUR 3 billion to the Deutsche Bahn to pursue investment projects.⁽²³⁾ As of January 2025, the government prepared measures to better use the existing housing stock.⁽²⁴⁾ At the same time, some investment initiatives were downscaled. The discontinuation of the purchase premium for electric vehicles (*Umweltbonus*) in September and December 2023, was followed by a sharp drop in equipment investment in 2024.

A package to reduce administrative burden (*Bürokratieentlastungsgesetz IV*) was adopted in October 2024, through which the government expects to reduce administrative compliance costs by EUR 1 billion. Parts of the Growth initiative (*Wachstumsinitiative*) aimed at strengthening growth and competitiveness, were legislated, despite the fall of the government, such as the law on quality early childhood education care and tackling tax bracket creep for personal income taxation (*kalte Progression*), but other measures expected to boost investment, such as faster depreciation rules, were not. Germany has not yet submitted its medium-term fiscal-structural plan, which is expected later in 2025.

⁽¹⁸⁾ Bardt, H. (2024), Verteidigungswirtschaft: Industriepolitik statt „Kriegswirtschaft“. [IW-Policy Paper 10/2024](#)

⁽¹⁹⁾ Rösel, F., Wolffson, J (2022): [Chronischer Investitionsmangel – eine deutsche Krankheit](#). *Wirtschaftsdienst*, 2022/7.

⁽²⁰⁾ BMF (2025), Monatsbericht Januar 2025, [Vorläufiger Abschluss des Bundeshaushalts](#)

⁽²¹⁾ IMF (2024), Germany - Selected Issues. [Options for Creating Fiscal Room for Investment and Other Spending Needs](#)

⁽²²⁾ KfW (2024), [KfW fördert "Klimafreundlichen Neubau im Niedrigpreissegment" im Auftrag des Bundes](#)

⁽²³⁾ BMVG (2024), [Parlament bewilligt Milliardeninvestitionen in Verteidigung](#)

⁽²⁴⁾ BMWBS (2025), [Potenzial Wohnungsleerstand: Bundesbauministerin Klara Geywitz stellt Handlungsstrategie vor](#)

Substantial policy announcements were made in early March 2025, following the parliamentary elections. On 4 March 2025, the parties negotiating for a future coalition agreed to enable the next German government to take up more loans for defence spending and infrastructure investment. The change would exempt all defence spending above 1% of GDP from Germany's national fiscal rule, the debt brake, and would allow Länder to take up new loans of up to 0.35% of GDP per year. A new special infrastructure fund of EUR 500 billion would be also set up for a period of ten years (spending of around 1.2% of GDP annually), allowing investment in transport, energy, housing, digitalisation, education, health).

Wage policy impulses have been moderate. As the government's inflation bonus scheme (Inflationsausgleichsprämie) which had a ceiling of EUR 3 000 per employee was used up by most companies since October 2022 and the scheme expired altogether by the end of 2024, the importance of permanent wage increases has increased compared to one-offs in the course of 2024. The public sector wage negotiations that started in January 2025 also appear to focus on general wage increases, combined with a working time reduction. Following a 25% minimum wage increase in 2022, the minimum wage is again rising in line with the recommendation of the social partner-led Minimum Wage Commission (*Mindestlohnkommission*) by 3.4% in 2024 and 3.3% in 2025. The Minimum Wage Commission adopted a rule of procedure in January 2025, according to which recommendations will go beyond a mechanical tracking of earlier developments of negotiated wages, also orienting themselves to reaching 60% of the gross median wage for full-time employees and other criteria specified in the EU Minimum Wage Directive, such as the purchasing power of the minimum wage, the general level of wages and productivity trends.⁽²⁵⁾

Table A: Main policies increasing or reducing risks of imbalances considered in this IDR

Vulnerability	Policies	Implementation status
External sector	<i>Tax system development act (Steuerfortentwicklungsgesetz)</i> The law raised the income thresholds for personal income taxation by 2.6% in 2025 and by 2% in 2026, and also increases family benefits. By mitigating bracket creep, this contributes to household incomes.	Implemented in January 2025
	<i>National security and industry strategy</i> The strategy foresees the strengthening of the defence industry, by improving the financial framework conditions and supporting SMEs. In addition, the Defence Fund of EUR 100 billion (2.4% of GDP) is continuously used, for example with a decision to invest EUR 21 billion in military equipment such as submarines.	Adopted in December 2024
	<i>Bureaucracy reduction act IV (Bürokratieentlastungsgesetz IV)</i> Reducing administrative compliance costs by EUR 1 billion, accompanied by measures such as expanding the acceptance of electronic signatures, the use of "reality checks" to pre-test regulatory initiatives, and clearly define an administrative burden reduction path.	Adopted in October 2024

⁽²⁵⁾ Mindestlohnkommission (2025), [Geschäftsordnung](#)

Housing markets	<i>Quality Childcare law (Kita-Qualitätsgesetz)</i> The law introduces unified standards for childcare for whole Germany and the federal government committed EUR 4 billion (0.1% of GDP) for implementation in 2025-2026. Improved childcare could increase labour supply and thereby help address an important investment bottleneck.	Adopted in December 2024
	<i>Strategy for reducing vacant housing</i> A set of measures to bring to the market the stock of 2 million uninhabited (4.5% of total) housing units, including subsidised renovation when buying old property, improving transport options.	Announced in January 2025
	<i>Extending the support scheme for climate friendly building to affordable housing</i> The programme of EUR 2 billion in two years (0.05% of GDP) focuses on construction projects for new residential and non-residential buildings. The aim is to construct climate-friendly residential buildings that have lower greenhouse gas emissions over their lifecycles as well as a space-optimised design involving lower lifecycle costs.	Implemented in October 2024

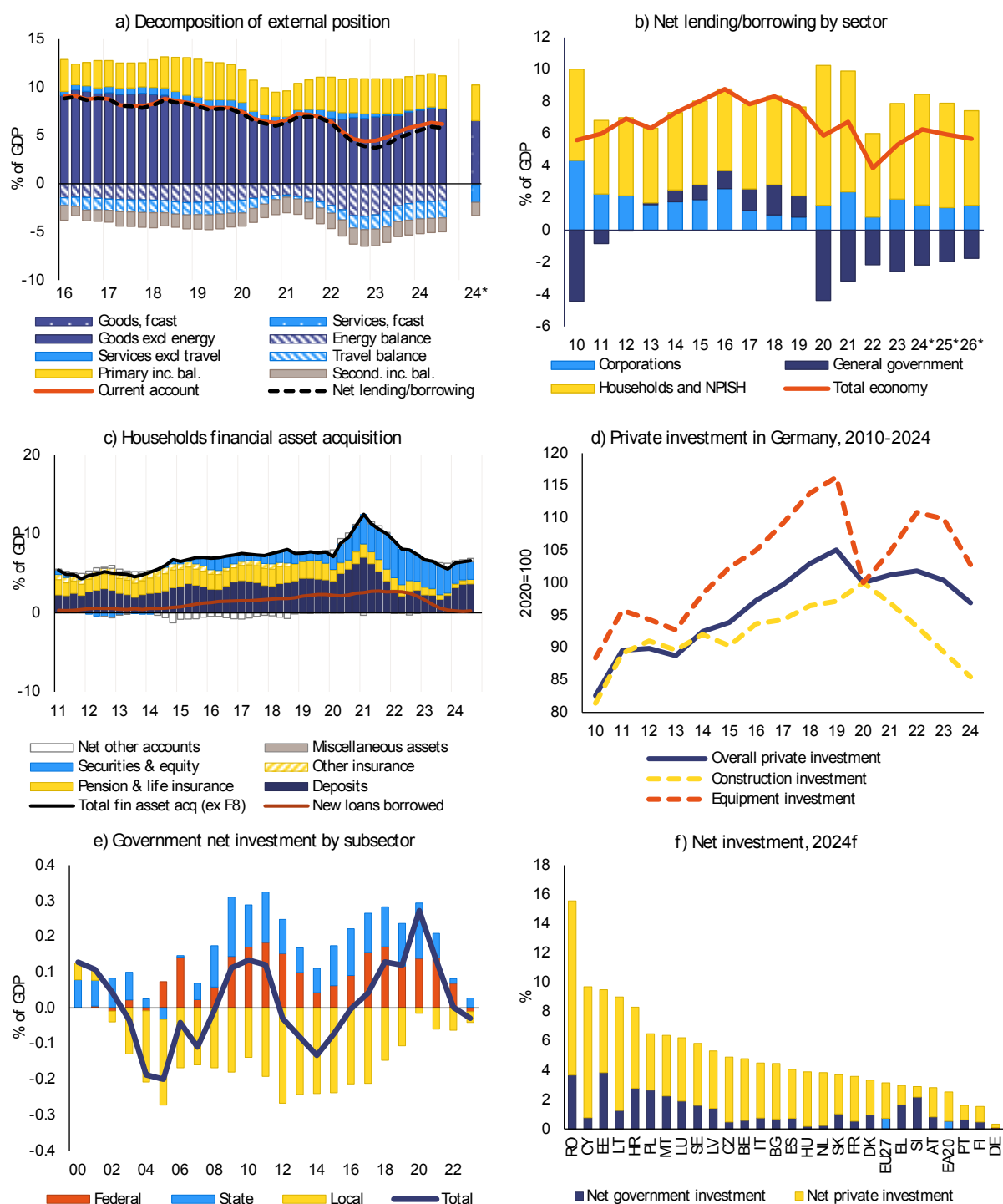
Note: This table lists the main measures that may increase or reduce the risks of macroeconomic imbalances. The measures are described more at length and reviewed in the text of this IDR.

Conclusions

Germany's current account surplus remains high, even if it has declined from the heights recorded in the past two decades. This reflects persistent low domestic demand, with savings considerably exceeding investments. In 2024, households increased their savings while investment in housing declined. Companies cut their investments and remained net savers. The government remained a net borrower and public investment increased only moderately. Combined with other structural challenges, low public and private investment contributed to potential GDP growth being among the lowest in the EU. Impulses on wage increases have been moderate, yet real wage growth was close to 3% and is expected to remain positive, though declining.

There has been some policy progress. Several policy measures contributed to investment, reducing bureaucracy and committing to investment in defence and infrastructure in recent years. Public investment increased to 2.9% of GDP in 2024. Parts of the Growth initiative launched in 2024, which aimed at strengthening growth and competitiveness, were legislated. Some other measures expected to boost investment, such as faster depreciation rules, were not. Announcements have accelerated in early March 2025, following the parliamentary elections, including an agreement which may lead to significantly higher defence spending and infrastructure investment.

Graph 2.1: Selected graphs, Germany



Note: Net investments and net lending/borrowing by sector as of Autumn forecast 2024. IE omitted for net investment as an outlier.

Source: ECB, Eurostat, Destatis and European Commission calculations.

Table 2.2: Key economic and financial indicators, Germany

	average 2017-2019	average 2020-2022	2023	2024 ⁺	forecast	
					2025	2026
Output and Prices						
Real GDP (1 year % change)	1.6	0.3	-0.3	-0.2	0.7	1.3
Real GDP per capita (1 year % change)	1.3	-0.1	-1.1	-0.5	0.5	1.2
GDP deflator (1 year % change)	1.8	3.6	6.1	3.1	2.4	2.2
Harmonised index of consumer prices (1 year % change)	1.7	4.0	6.0	2.5	2.1	1.9
Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change)	1.3	2.3	5.1	3.2	2.7	2.1
External position						
Current account balance, balance of payments (% GDP, 3y average)	8.3	6.8	5.7	5.7	6.4	6.6
Current account balance, balance of payments (% of GDP)	8.1	5.9	5.8	7.0	6.6	6.3
of which: trade balance (% GDP)	6.2	4.3	3.8			
of which: income balance (% GDP)	1.9	1.6	2.0			
Current account norm (% of GDP) (1)	1.8	1.8	1.3	1.2	1.1	1.0
Current account req. to reach fund. NIIP (% of GDP) (2)	0.6	0.4	0.0	-0.2		
Net international investment position (% of GDP)	51.7	67.9	70.8	75.1	78.8	81.8
NIDI - NIIP excluding non-defaultable instruments (% of GDP)	47.3	54.0	53.1			
Net lending-borrowing (% of GDP)	8.0	5.6	5.3			
Competitiveness						
Nominal unit labour cost index per hour worked (3y % change)	5.8	7.7	11.0	17.3	15.3	9.9
Nominal unit labour cost index per hour worked (1 year % change)	2.5	2.4	6.7	5.4	2.6	1.6
Real effective exchange rate - 42 trad. part., HICP defl. (3y % ch.)	1.9	0.8	1.9	1.6	-0.7	-0.6
Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change)	0.7	-0.1	3.8	0.4	-0.3	-0.1
Export performance against advanced economies (3y % change)	-1.6	-3.2	-8.6	-10.4	-4.7	-4.7
Export performance against advanced economies (1 year % change)	-1.0	-2.6	1.1	-2.6	-1.6	-0.6
Core inflation differential vis-à-vis the euro area (pps.)	0.3	0.2	0.2	0.4	0.2	0.1
Corporations						
Non-financial corporate (NFCs) debt, consolidated (% of GDP) (3)	55.5	63.3	59.6	59.8		
NFCs debt fundamental benchmark (% of GDP) (4)	71.3	75.8	75.7	76.4		
NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)	5.3	8.0	2.5	5.2		
Households and housing market						
Household debt, consolidated (% of GDP) (3)	52.0	55.0	51.0*	50.0		
Household debt fundamental benchmark (% of GDP) (4)	52.2	54.0	53.9	55.0		
Household debt, consolidated (% of Households' GDI)	69.4	71.0	66.1	64.0		
Household credit flow, consolidated (% debt stock t-1)	3.9	4.6	0.7	0.7		
Household gross saving rate (%)	17.8	21.4	19.3			
House price index, nominal (1 year % change)	6.2	8.1	-8.5			
House prices over/undervaluation gap (5)	3.7	18.7	6.4			
Standardized price-to-income ratio	103.8	117.8	103.3			
Building permits (m2 per 1000 inh)	461.9	483.1	297.8			
Government						
General government gross debt (% of GDP)	61.1	67.0	62.9	63.0	63.2	62.8
General government balance (% of GDP)	1.5	-3.2	-2.6	-2.2	-2.0	-1.8
Banking sector						
Return on equity of banks (%)	2.5	3.5	5.7			
Tier-1 capital ratio banking sector (% risk-weighted assets)	16.3	16.6	17.7			
Gross non-performing loans, domestic and foreign entities (% gross loans)	1.5	1.1	1.3	1.4		
Cost of borrowing for households for house purchase (%)	1.7	1.7	4.0	3.8		
Cost of borrowing for NFCs (%)	1.6	1.8	4.9	5.2		
Labour market						
Unemployment rate (% labour force Y15-74)	3.3	3.5	3.1	3.3	3.3	3.4
Labour force participation rate - % pop. aged 15-64 (3y change in pp)	0.9	0.1	1.2	1.7	1.3	1.5

* If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead; * Denotes values above prudential thresholds;

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinant of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turrini and Zauggner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(2) Current account required to reach the prudential level of the NIIP over 10 years: calculations make use of Commission's T+10 projections. See Coutinho, Turrini and Zauggner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission.

(3) Prudential threshold for non-financial corporate and household debt-to-GDP ratio corresponds to the level above which banking crises become more likely. It is derived from regressions minimising the probability of missed crises and that of false alerts. See Briongne et al. (2020), "Is Private Debt Excessive?", Open Economies Review, 31:471-512.

(4) Fundamentals-based benchmarks for non-financial corporate and household debt-to-GDP ratios: assesses private debt from regressions capturing the main determinants of credit growth and taking into account a given initial stock of debt. See Briongne et al. (2020), "Is Private Debt Excessive?", Open Economies Review, 31:471-512.

(5) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philippon, N., Turrini, A. (2017), "Assessing House Price Developments in the EU", European Economy - Discussion Papers 2015 - 048, DG ECFIN, European Commission.

Source: Eurostat and ECB; European Commission for forecast figures (Autumn Forecast 2024).

Germany has been investing less in public infrastructure than the EU average for two decades. Even when considering differences in prosperity and demographics, estimates suggest a statistically significant Germany-specific public investment gap of 1.2 pps of GDP each year compared to other EU countries.⁽²⁶⁾

In 2024, public investment amounted to 2.9% of GDP. Several studies suggest that much more public investment is needed for the coming years. The Federation of German Industries (BDI) estimated EUR 400 billion additional financial need in the next decade, the equivalent of 0.9% of GDP annually.⁽²⁷⁾ With a stronger consideration of decarbonisation needs, the German Economic Institute (IW Köln) and the Macroeconomic Policy Institute (IMK) identified additional public investment needs at EUR 600 billion for the next decade.⁽²⁸⁾ Also considering defence, healthcare and research, as well as operational costs, the thinktank Dezernat Zukunft estimated additional investment needs at EUR 421 billion and overall additional public finance needs at EUR 782 billion from 2025 to 2030, close to 4% GDP annually.^{(29) (30)}

Table A: Estimates for additional public investment needs (EUR billion, rounded)

	BDI	IWK - IMK	Dezernat Zukunft
Timeframe	2025-2035	2025-2035	2025-2030
Education (schools, childcare, university buildings)	101	107	127
Decarbonisation (building renovation, sustainable transport, electricity generation, grids)	65	200	207
Transport (federal and municipal roads, public transport, rail, waterways)	158	169	167
Housing (social housing, support for private building)	28	37	31
Climate adaptation		13	38
Economic resilience (critical materials and technologies)	40		17
External security and defence			125
Total	400	600	782
Annual average	40	60	130
Annual average (% of GDP)	0.9%	1.4%	3%

According to the National Climate and Energy Plan presented by Germany in August 2024, additional investments of approximately EUR 690 billion are required between 2023 to 2030 (18% in 2022 GDP) to implement adopted and planned measures in the field of energy and climate.

The lack of public investment is felt in the private sector. Declining quality of public infrastructure and the insufficient modernisation of public services are hindering business activities. In a survey by IW Köln, 79% of companies reported minor or significant

⁽²⁶⁾ Rösel, F., Wolffson, J. (2022), [Chronischer Investitionsmangel – eine deutsche Krankheit](#). Wirtschaftsdienst 2022/7.

⁽²⁷⁾ BDI (2024), [Standort D mit Investitionen stärken](#).

⁽²⁸⁾ Dullien, S., Gerards Iglesias, S., Hüther M., Rietzler K. (2024), Herausforderungen für die Schuldenbremse, Investitionsbedarfe in der Infrastruktur und für die Transformation. [IMK Policy Brief Nr. 168](#), Mai 2024., [IW Policy Paper 2/2024](#)

⁽²⁹⁾ Heilmann, F. et al. (2024), Was kostet eine sichere, lebenswerte und nachhaltige Zukunft? Öffentliche Finanzbedarfe für die Modernisierung Deutschlands. [Dezernat Zukunft](#).

⁽³⁰⁾ Some of the identified public investment needs may be addressed by what statistically accounted as government consumption or private sector investment.

impairments by infrastructure deficiencies in 2022, compared to 67% in 2018 and 59% in 2013.⁽³¹⁾

⁽³¹⁾ Puls, T., Schmitz, E. (2022), Wie stark beeinträchtigen Infrastrukturprobleme die Unternehmen in Deutschland? [IW-Trends](#), 4/2022, and German Council of Economic Experts (2024), [Jahresgutachten 2024/2025](#) showing declining modernity level.