

AUTUMN 2007 ECONOMIC OUTLOOK FOR GERMANY: ANSWERS FROM BDA AND BDI

MAIN FORECAST

	2007	2008	2009
Real GDP growth	up to 2.8	2.0	na
Consumer price inflation	2.0	1.9	na
Unemployment rate	6.8	6.4	na
Employment growth	1.7	1.3	na

Components of aggregate demand

Annual % change	2007	2008	2009
Private consumption	0.2	0.8	na
Public consumption	2.0	1.0	na
Investment (Gross fixed capital formation)	6.0	5.0	na
Exports	9.0	7.0	na
Imports	7.0	8.0	na

ECONOMIC SENTIMENT

Question 1	Positive	Negative	Unchanged		
Trend in business climate over the next 6 months	Industry		Services		
Question 2	Positive	Negative	Unchanged		
Trend in profitability over the next 6 months	Industry		Services		
Question 3	Increase (faster pace)	Increase (slower pace)	Unchanged	Decrease (slower pace)	Decrease (faster pace)
Investment intentions over the next 6 months (compared to the last 12 months)			Industry		Services
Question 4	Replacement	Extension	Rationalisation	Innovation	
Driving force behind investment decisions in the next six months	Up	Up	Same	Up	
Question 5	Positive	Negative	Unchanged		
Trend in consumer confidence over the next 6 months	yes				
Question 6	Industry: past 6 months	Industry: next 6 months	Services: past 6 months	Services: next 6 months	
Overall trend in employment	Up	Up	Up	Up	
Question 7	Higher / more difficult	Same	Lower / less difficult		
Compared to 6 months ago, SME's cost/access to capital for business development will be...	Cost		Access		
Question 8	to a large extent	to some extent	not at all		
Effect of financial market turmoil on assessment of financing conditions for next 6 months ...		yes			

MAIN RISKS

Question 9	Dollar per euro		Question 10	Dollar per euro
Above which EUR/USD level will the national economy be significantly hurt ?	1.50	<i>no general threshold for the whole economy; some sectors already suffer from current euro rate</i>	Where will the EUR/USD stand in April 2008 ?	1.45

POLICY MIX

Question 11	Excellent	Satisfactory	Neither satisfactory nor unsatisfactory	Unsatisfactory	Deteriorating
Progress towards medium-term budgetary objective?			yes		
Question 12	Tight, appropriate for the euro area	Tight	Appropriate	Loose	Loose, appropriate for the euro area
Monetary policy is...			yes		
Question 13	Robust growth and above-target inflation	Downside risks to growth	Risks to price stability from high oil prices	Risks from money supply and credit growth	Risks of euro appreciation
Focus on elements of the ECB analysis underlying its current policy stance is...	appropriate	appropriate	appropriate	insufficient	appropriate
Question 14	Adequate	Inadequate			
Consistency between the fiscal and the monetary policies	yes				