

NEW YORK, Sept. 20, 2013 /PRNewswire/ -- The Conference Board today published *Global Debt and Growth Series*:

Germany

, part of its project to analyze and compare sovereign debt's impact on the outlook for 15 advanced and developing economies (see list below). Having adhered to the debt brake and related policies,

Germany

appears to be on a path of fiscal sustainability, with its debt-to-GDP ratio poised to drop below the Maastricht standard of 60 percent within the next decade. But the potential for substantial unplanned spending on Euro Area instability and an aging population remain.

"Thanks in part to fiscal consolidation and labor market reforms carried out before the crisis, Germany's

debt peaked in 2010 at a relatively mild 82.4 percent of GDP," said

Kirsten Jager

, author of the report. "With German companies and workers well positioned to seize productivity gains, we expect debt-to-GDP ratio to fall steadily through the medium term and into the 2020s."

2013-2035: Flying high, with storm clouds lurking Since 2010, The Conference Board has developed a simple but powerful debt-reduction framework based on maintaining per-capita spending while seeking to grow GDP—and thus government revenues—beyond the increases brought by inflation and population growth. The key is productivity growth; over the long term, a debt-to-GDP crisis can in most cases only be resolved by raising worker productivity.

Today's report derives from this general framework two scenarios for the Germany economy. An aggressive growth model assumes annual productivity growth of 2.4 percent and inflation of 2 percent. Under this scenario, nominal GDP between 2019 and 2035 will rise 4.1 percent per annum. A more moderate growth scenario holds annual productivity growth to 1.8 percent and inflation to 1.0 percent; 2019-2035 nominal GDP growth under this model would only average 2.2 percent. (The report calls 2013-2018 transition years, with projected growth exceeding the

long-term average.) On the aggressive growth path, German debt-to-GDP will fall below 60 percent by 2018; the milestone is delayed by four years if the moderate growth model holds.

"Whether it meets the Maastricht standard in 2018 or 2022," said Jager, "Germany's sound fiscal position stands in stark contrast to most other Euro countries. But this relative strength is also a danger.

Germany

still risks being the Euro Area's lender of last resort, which could threaten budgets and (further) inflame public opinion. Just as dangerous, all our scenarios see the German labor force aging, and substantially shrinking. Without farsighted immigration, education, and labor reforms, a demographic crisis looms."

Global Debt and Growth Series Videos: [Chief Economist Bart van Ark introduces the series](#) [Economist Kirsten Jager discusses the German report](#)

Reports in the *Global Debt and Growth Series*:

Advanced Economies: United States, Germany (*available now*) Spain, France, United Kingdom, Italy, Netherlands, (coming soon)

Developing Economies: Brazil, China, India, Mexico, Turkey, Russia, Indonesia (coming soon)

For full details visit us on the web at <http://www.conference-board.org/globaldebtandgrowthseries/>.

Report: Global Debt and Growth Series: Germany | A Cloud Cast over Its Good

Performance

by Kirsten Jager

(Report EA0410, September 2013)

Journalists, email

Jonathan Liu

or

Carol Courter

for a copy of the full report. ☐☐☐

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