



Hamburgisches
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New HWWI-Forecast

Iran war delays recovery of German economy

Hamburg, – 11th March 2026 – The German economy had stabilized toward the end of last year, with many economic indicators showing positive development. Growth prospects for 2026 and 2027 were assessed as favorable due to the fiscal spending programs and support measures initiated by the coalition government. However, the war in Iran and the resulting price shocks for oil and gas have initially worsened the outlook for inflation and growth, not only in Germany but worldwide.

The further development of the Iran conflict is unclear – it is assumed here that by the middle of the year at the latest, the war will be confined to the territory of Iran and the Strait of Hormuz will be freely passable again. Oil and gas prices would then move back towards pre-war levels. The recovery of the German economy, which is expected to take place in 2026/2027, could then pick up speed again in the second half of this year. Under these conditions, the HWWI expects average annual economic growth of $\frac{3}{4}$ % for 2026 (before the outbreak of war: $1\frac{1}{2}$ %) and $1\frac{1}{2}$ % for 2027.

The consumer price inflation rate in Germany has recently hovered around the stability mark of 2 %. This was due in no small part to favorable energy prices. The situation has now changed dramatically. This will lead to a significant surge in inflation in the coming months; by the middle

of this year, the inflation rate could rise to 3 %. Based on the assumed development, the inflation rate would move back towards 2 % by the end of this year. The annual average for 2026 would then be 2½ %, and in 2027 it could reach 2 % again.

The geopolitical and geoeconomic conditions pose considerable risks to this forecast. The further development of the US-Iran conflict is unclear. In the event of an escalation, such as major destruction of oil and gas facilities in other Gulf states or a prolonged blockade of the Strait of Hormuz, the inflation forecast would have to be adjusted upwards and the growth forecast downwards. This makes it all the more important for the coalition government to press ahead with structural reforms and to use the special borrowing options exclusively for additional investment; a reallocation of expenditure from the actual core budget would reduce the potential growth momentum.

Table 1: Key figures of the forecast

	2023	2024	2025	2026	2027
Gross domestic product, real (in % compared to previous year)	-0,9	-0,5	0,2	0,8	1,5
Consumer prices (in % compared to previous year)	5,9	2,3	2,2	2,5	2,0
Unemployed (millions of people)	2,61	2,79	2,95	2,96	2,80
Government net lending (as % of GDP)	-2,5	-2,7	-2,7	-3,6	-3,6
Current account balance (in billion euros)	232,8	250,5	197,4	190	195

Sources: Federal Statistical Office; Deutsche Bundesbank; Federal Employment Agency; 2026 and 2027 forecasts by HWWI.

A detailed forecast can be downloaded via the following link: https://www.hwwi.org/wp-content/uploads/2026/03/HWWI_Konjunkturprognose_1_2026.pdf

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