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Economic Research

Economic Briefing

Germany – production slump over?

10 March 2025

Dr. Ralph Solveen^{AC}

In January, industrial production in Germany more than made up for the significant drop in the previous month. This is because it increased by 2% and was therefore 1.4% above the average for the fourth quarter. This increases the chances that production will at least not fall in the first quarter and that the German economy as a whole will therefore grow slightly again.

Once again, there is good news from German industry: in January, industrial production increased by 2% compared to the previous month, more than compensating for the rather significant decline in December (revised -1.5%). Production in manufacturing even increased by 2.6%.

To a considerable extent, the increase in industry can be attributed to a significant rise in auto production, which at least partially made up for the slump in December (Chart 1). Obviously, the seasonal adjustment has once again not fully filtered out the influence of the Christmas holidays on production. However, the trend here continues to point clearly downwards. Production in the energy-intensive sectors also increased significantly (+3.4%). Here, production appears to have at least stabilized. There are signs of hope from the other sectors, where production has tended to increase slightly in recent months.

Bottom line: The automotive sector remains the weak point of German industry. Overall, however, industrial production in January was above the average for the fourth quarter. This gives hope that it at least will not fall in the first quarter. This would also increase the chances that the German economy has picked up again slightly at the start of the year.

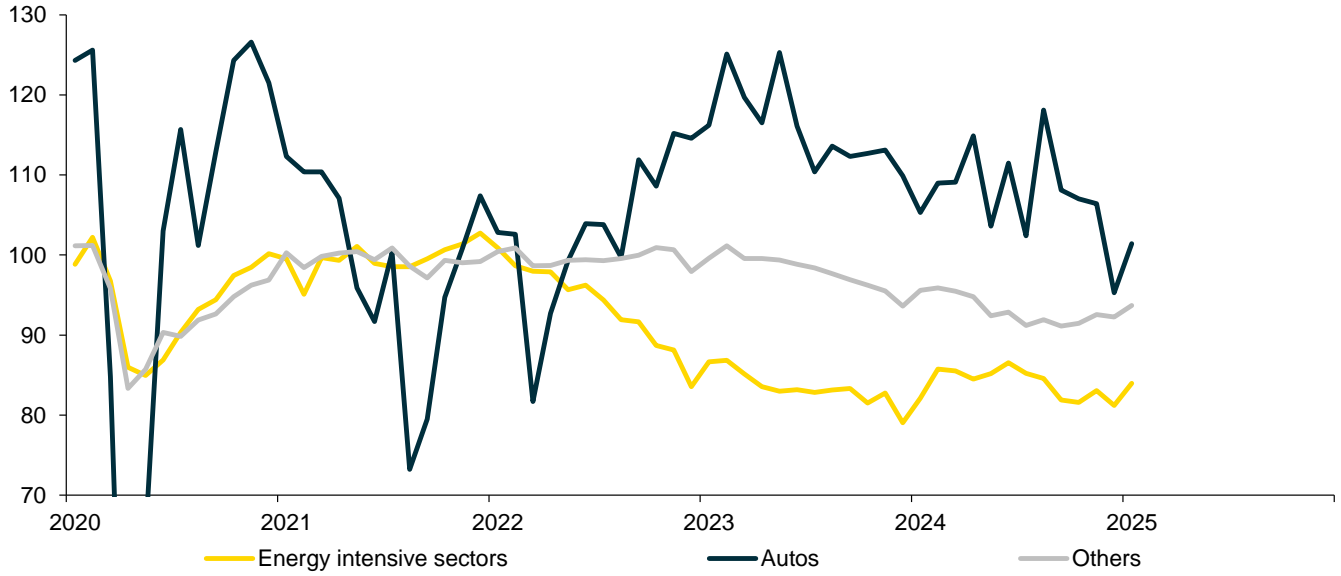


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Chart 1 - Signs of hope from production

Production in the manufacturing sector, seasonal adjusted monthly figures, 2021=100



Source: Destatis, Commerzbank Research



Analysts

Dr. Ralph Solveen ^{AC}

Senior Economist

+49 69 9353 45622

ralph.solveen@commerzbank.com

This report was completed 10/3/2025 08:39 CET and disseminated 10/3/2025 08:39 CET.

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Commerzbank Offices

Frankfurt

Commerzbank AG
DLZ - Gebäude 2,
Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt
Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd
floor,
New York,
NY 10281-1050
Tel: + 1 212 703 4000

Singapore

Commerzbank AG
128 Beach Road
#17-01 Guoco Midtown
Singapore 189773
Tel: +65 631 10000