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Economic Research

Economic Briefing

Q3 German GDP – an outlier

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The unexpected 0.2% increase in German GDP in the third quarter is likely to be an outlier. Leading indicators such as the Ifo business climate, which have been falling since the spring, continue to point to a difficult winter half-year. After that, the problems in the important automotive industry and the multi-year erosion of the economy's competitiveness mean that the upward trend is likely to be anemic. We expect only a GDP increase of 0.2% for 2025.

German GDP rose unexpectedly by 0.2% in the third quarter compared to the second quarter (consensus & Commerzbank: +0.1%). The Federal Statistical Office pointed to strong government and private consumer spending.

Q2 revised significantly downwards

The unexpected increase in the third quarter is put into perspective by the significant downward revision of the second quarter (-0.3% instead of -0.1%). Accordingly, the starting point for the 2025 forecast has only improved by 0.1%.

An outlier

Due to the fall in leading indicators since the summer, GDP was not expected to grow in the third quarter. We therefore regard the surprising increase as an outlier, which is probably also a counter-movement to the significant decline in the second quarter. We will be able to assess this better when the statisticians publish the figures for the demand components of GDP on 22 November.

A difficult winter half-year followed by an anemic upward trend

The basic trend of falling sentiment indicators since the summer continues to point to a difficult winter half-year. However, this should be followed by an economic recovery. After all, it will be a year and a half since the ECB raised interest rates and the ECB has started the rate cut cycle in summer. In addition, around two thirds of the energy price increase from 2022 has now been reversed.

However, the cyclical upward forces are being massively overshadowed by the unresolved, far-reaching structural problems of the German economy. This is not just about the poor situation in the extremely important automotive industry, which is suffering from a combination of various problems (sluggish sales in China, politically driven electrification, consumer uncertainty, etc.). In addition, companies outside the

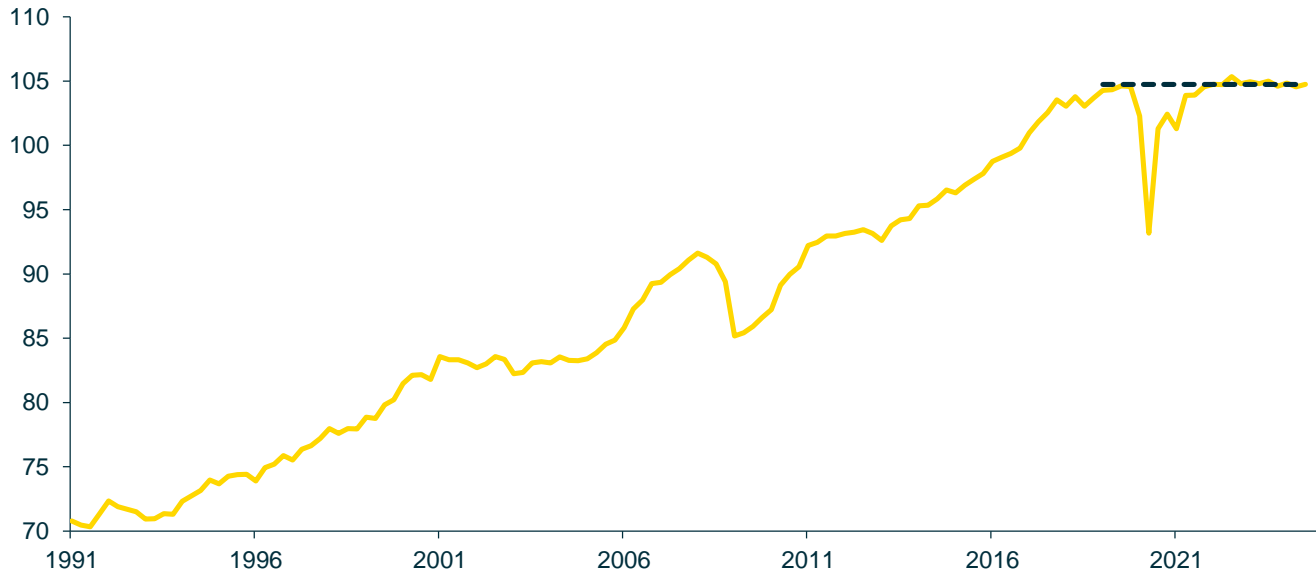
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automotive industry are also deeply unsettled because the German government is not taking decisive action to address problems in competitiveness that have developed since the Merkel years; a consistent reform policy is not in sight. We therefore expect only an anaemic upward trend from the spring onwards. For 2025 as a whole, we forecast a meagre GDP increase of 0.2% (2024: -0.2%).

Chart 1 - German GDP in summer 2024 barely higher than in fall of 2019

Real GDP, index, quarterly data



Source: S&P Global, destatis, Commerzbank-Research



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