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Economic Research

Economic Briefing

Germany – Has industrial production bottomed out?

8 September 2025

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Industrial production rose sharply by 1.3% in July compared with June. At the same time, the June figure was revised significantly upward. This gives hope that the industry has bottomed out and that the German economy will pick up again in the third quarter.

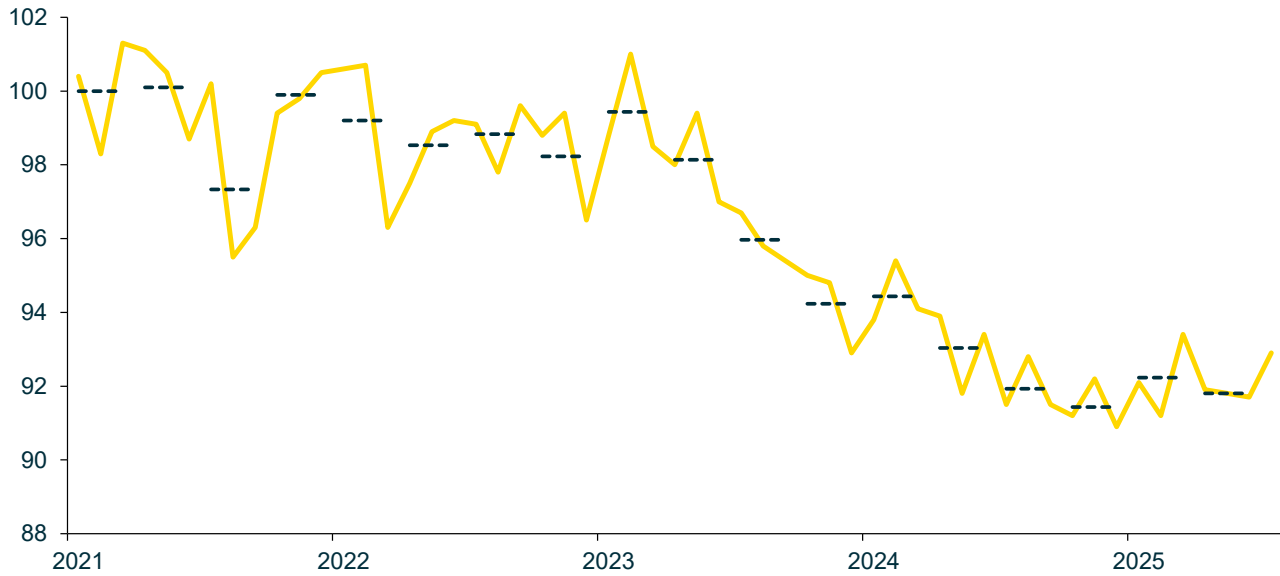
Surprisingly good figures from industry: Although it had been widely expected that Industrial production in July would be higher than in the previous month, it actually rose by 1.3% compared with June. What was not expected, however, was that the Federal Statistical Office would simultaneously revise the June figure significantly upwards. The figure for June is now only a minimal decline of 0.1%, after a slump of 1.9% had been reported a month ago. The latest figures thus show a completely different trend in production: whereas previously they indicated the risk of a renewed slump in production, the latest figures raise hopes that production has bottomed out.

We expect production to pick up in the course of the coming months. After all, the interest rate cuts by the ECB and other central banks should boost investment worldwide. By next year at the latest, Germany will also benefit from the stimulus provided by expansionary fiscal policy. Even a potentially weaker August figure would not diminish this hope, as it would probably be due to relatively late factory holidays in the automotive industry. The VDA has already reported fairly weak production figures for August.

A weak August would also not change the fact that the German economy probably grew slightly again in the third quarter. In addition, there is a chance that the decline in the second quarter was slightly smaller than recently reported. After all, the Federal Statistical Office justified the latest downward revision of the second quarter with the surprisingly weak production in June.

**Chart 1 - Significant increase in July, and June not as weak as expected**

Industrial production, seasonally adjusted monthly figures, 2021=100, dotted lines mark quarterly averages



Source: Destatis, S&P Global, Commerzbank Research



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This report was completed 8/9/2025 08:42 CEST and disseminated 8/9/2025 08:42 CEST.

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