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Economic Research

Economic Briefing

Germany – Q1 growth stronger than expected

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The German economy grew more strongly in the first quarter than previously reported. According to the latest figures from the Federal Statistical Office, growth amounted to 0.4% quarter-on-quarter, more than the 0.2% initially reported. Even if this unexpectedly strong growth is likely to be partly due to special effects, the data published today paint a somewhat more positive picture of the current situation. As a consequence, the chances have increased that the economy will grow modestly in 2025 for the first time in three years. We are therefore raising our growth forecast for 2025 slightly from 0.0% to 0.2%.

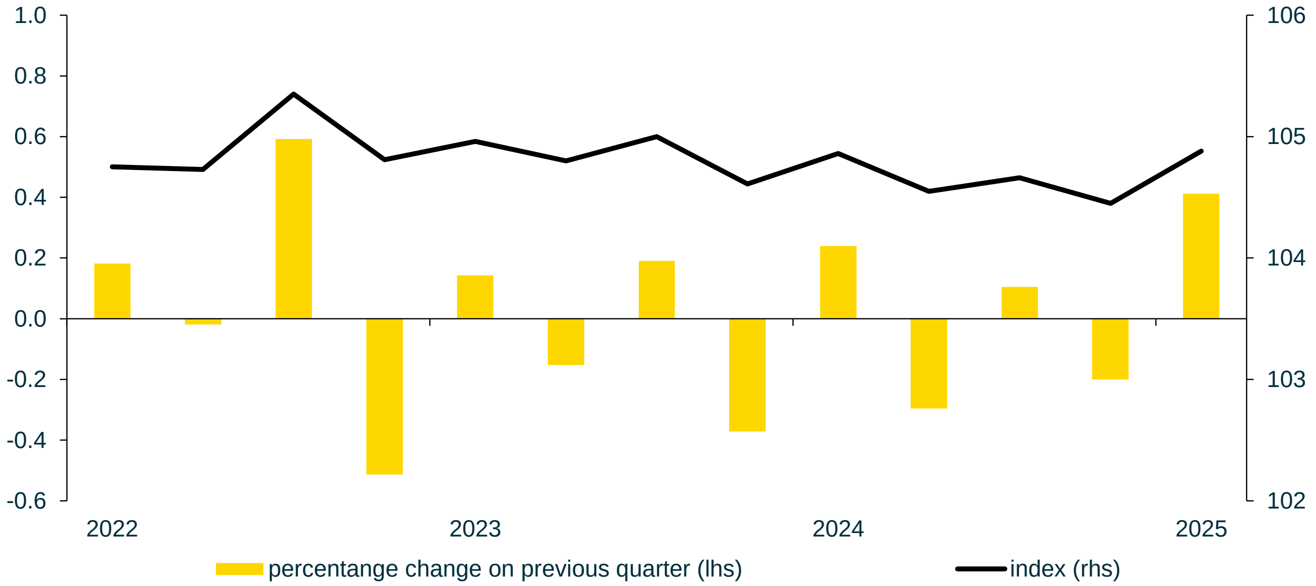
This is a pleasant surprise: The Federal Statistical Office today raised its estimate for German economic growth in the first quarter compared to the final quarter of 2024 from 0.2% to 0.4%. The office cited surprisingly strong economic activity in March as the reason for this. The details published today show that most demand components have increased, with exports standing out with a 3.2% growth rate. Only government consumption expenditure fell, probably due to the federal government's provisional budget management, and inventories also made a negative contribution.

Special factors are likely to have played a role in the fairly strong growth in the first quarter: Easter was relatively late this year, meaning that the Easter holidays had less of a negative impact on economic activity in March than is usually the case. In addition, the strong increase in exports could be an indication that many companies brought forward deliveries to the US in view of the impending US tariffs. Furthermore, the Federal Statistical Office appears to be experiencing problems with seasonal adjustment at present. Seasonally adjusted real GDP has risen in the first and third quarters of each of the past three years and fallen in the second and fourth quarters (Chart 1). This “seasonal effect” therefore probably contributed to the increase in the first quarter. All of this suggests that economic output is set to fall again slightly in the second quarter. However, this does not change the fact that the starting point for this year has improved.

We are therefore raising our growth forecast for this year slightly to 0.2%. This is because there are increasing signs that German manufacturing has passed the economic low point despite the higher US tariffs. However, our view that the German economy will continue to be hampered by deep-rooted structural problems remains unchanged. The stronger growth of 1.4% that we expect for 2026 is primarily due to the fact that there will be significantly more working days next year and that monetary and fiscal policy, in particular, will provide a noticeable boost to the economy.

Chart 1 - German real GDP rising stronger in Q1

Real GDP, seasonally adjusted quarterly figures, 2020=100 and change on quarter in percent



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