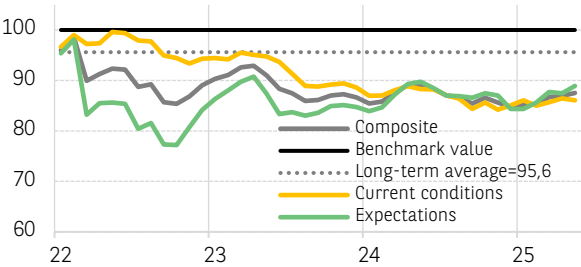


Germany: The economic upturn continues

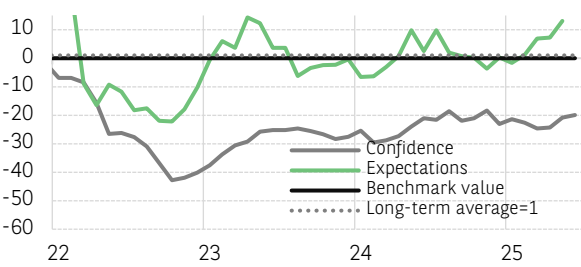
IFO's Business climate



Source: IFO, BNP Paribas

Business climate: better prospects. According to the Ifo survey, the business climate continued to improve in May (+0.6 points m/m to 87.5), driven by the improvement in the economic outlook (+1.5 points). The services index declined for the second consecutive month, while the manufacturing sector continued to show signs of improvement. Nevertheless, the index remains below its long-term average (95.6), signaling a fragile recovery amid high uncertainty.

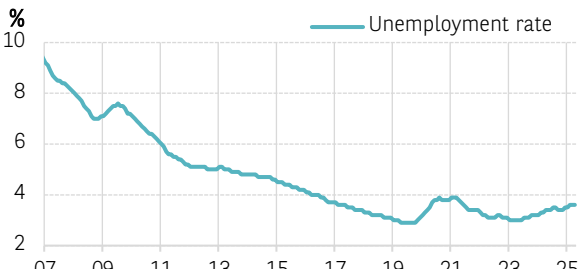
Household confidence



Source: GfK, BNP Paribas

Household confidence rises slightly. Household confidence improved in May (+0.9 points m/m, to -19.9) but remains relatively depressed. On the one hand, sentiment regarding the economic outlook improved, reaching a two-year high of 13.1 points (+5.9 points m/m). On the other hand, caution persists, given the decline in spending intentions (after a rebound in the previous month) and the increase in the propensity to save.

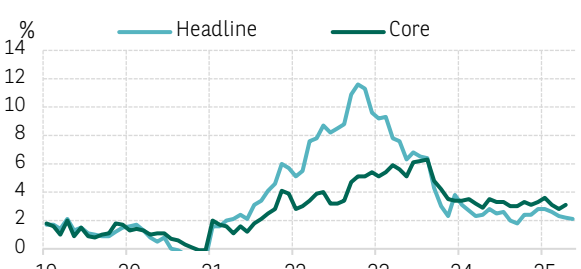
Labour market: unemployment rate



Source: Destatis, BNP Paribas

Labor market: stabilization. The unemployment rate remained stable at 3.6% in April, having reached 3% in the first half of 2023 (the previous low). After three consecutive quarters of net job losses since Q3 2024, mainly in the manufacturing industry, employment picked up slightly in April. The IAB barometer improved slightly, reflecting the slightly more favorable business climate for employment.

Inflation



Source: Destatis, BNP Paribas

Gradual disinflation. Inflation (harmonized index) stood at 2.1% y/y in May (preliminary estimate), compared with 2.8% in January 2025. Energy prices continued to fall, while inflation in services declined (-0.5 ppt to 3.4%), leading to a decline in core inflation (-0.1 ppt to 2.8%). Inflation is expected to stabilize in the coming months and average 2.3% for 2025.

GDP growth q/q: actual, carry-over, forecasts

Actual				Carry-over	Actual	Forecast		Annual forecasts (y/y)		
Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	2024 (observed)	2025	2026
0,2	-0,3	0,1	-0,2	-0,2	0,4	0,1	0,3	-0,2	0,5	1,0

Source: Refinitiv, BNP Paribas

Revision of first-quarter growth. Growth in Q1 2025 has been revised upward to +0.4% q/q (previously +0.2%), supported by household consumption and a significant rebound in exports (+3.2%, after -3.1% q/q in Q4 2024). This revision is explained by an exceptional month of March, supported by an influx of exports ahead of the tariff increases announced by the Trump administration, as well as by military equipment deliveries. This is therefore a one-off boost to growth and a backlash is to be expected in Q2 2025 (we forecast 0.1% q/q).

Marianne Mueller (completed on June 5, 2025)



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