Economic Research

Economic Briefing

German recovery monitor

11 September 2025

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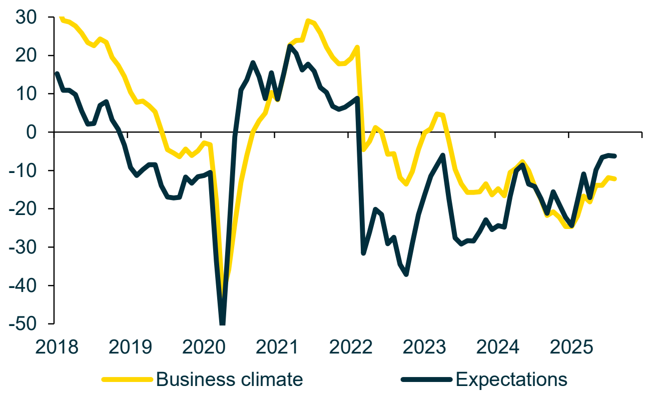
When will the recovery of the German economy finally start? To answer this question, we look at indicators for the individual sectors of the German economy and examine them for signs of an impending upswing. The picture is still very mixed. So far, there are only clear signs of an upswing in construction, and there are at least signs of hope in manufacturing. In contrast, there are no indications yet that the economy will improve significantly in the service sector in the near future.

Manufacturing: At least a glimmer of hope

Despite a slight setback in August, the **Ifo Business Climate Index for manufacturing** is sending out positive signals, although the index remains at a fairly low level. Business expectations in particular have improved in recent months, while the assessment of the current situation remains rather negative.

Ifo business climate for manufacturing



Source: Ifo, S&P Global, Commerzbank Research

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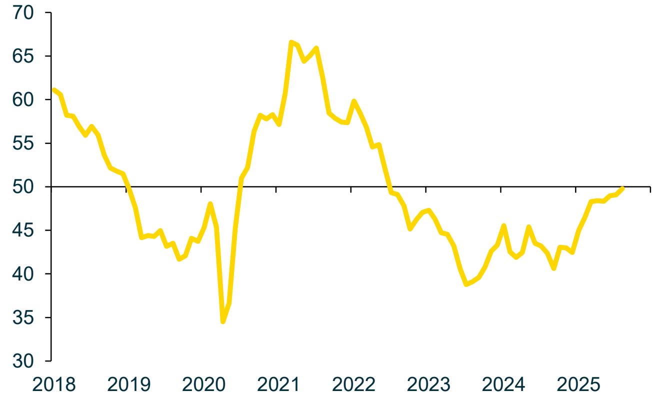
The **Purchasing Managers' Index** for manufacturing has also risen since the beginning of the year. It is now only slightly below the 50 mark, which indicates that the sector is at least stagnating rather than shrinking.

Purchasing Managers' Index for manufacturing

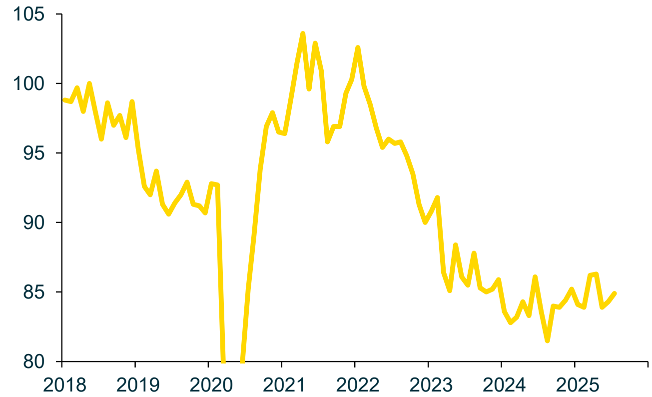


Source: S&P Global, Commerzbank Research

Even without the often highly volatile large orders, industrial **order intake** has been moving sideways with considerable fluctuations since the beginning of 2024. In July, it rose slightly again, but this does not yet reliably indicate the start of an upward trend. Demand from abroad appears to be picking up, while domestic orders are still declining.

Industrial order intake

Excl. big ticket orders, volumes



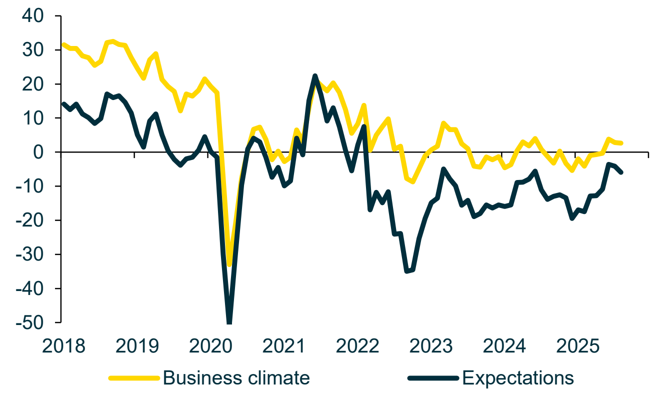
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: Industrial companies are hoping for an end to the years of weakness, but this has not yet been achieved. The sector has stabilized in recent months, but a clear upward trend in the "hard" data is still awaited.

Services: In stagnation

The **Ifo Business Climate Index** for the service sector saw a slight decline in July and in August. This suggests that the sideways movement around the zero line will continue for the time being. At least business expectations have improved in recent months. However, there was also a slight setback recently.

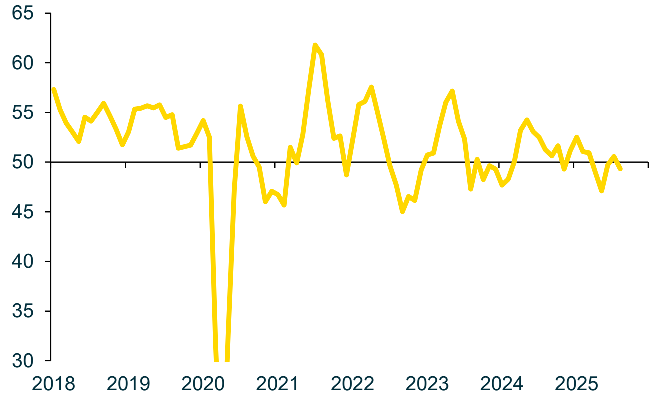
Ifo business climate for the service sector



Source: Ifo, S&P Global, Commerzbank Research

The **Purchasing Managers' Index** for the service sector paints a similar picture. After having risen in June and July, it fell slightly again in August. Viewed over a longer period, it remains virtually unchanged at around the 50 mark, which signals stagnating business activity, and unlike the index for manufacturing, there are no signs of improvement.

Purchsing Managers' Index for the service sector

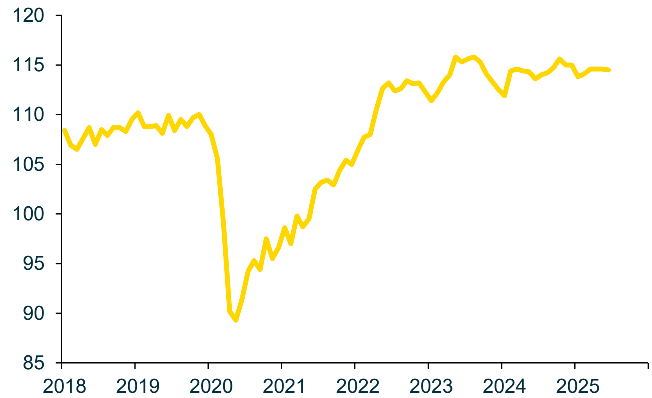


Source: S&P Global, Commerzbank Research

This is in line with the development of real **sales**, which have hardly changed on balance since the beginning of 2023. Nothing changed in June either.

Sales in the service sector

Volumes



Source: Destatis, S&P Global, Commerzbank Research

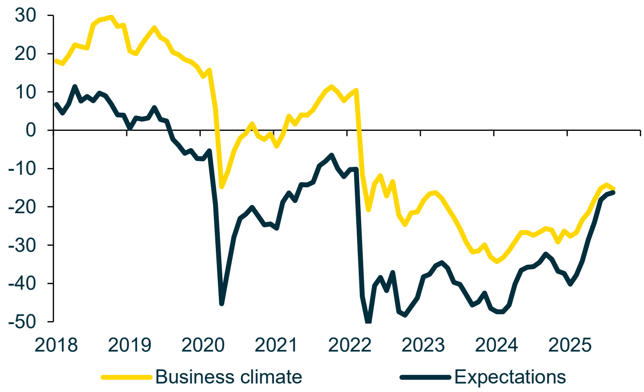
Bottom line: In the service sector, the slightly more positive business expectations in recent months are the only indication of an economic upswing. All other indicators point to stagnation in the sector.

Construction: The upturn has begun!

The **Ifo Business Climate** for the construction sector has improved significantly since the end of 2024, despite a slight setback in August. The mood has improved not only in civil engineering, which is likely to benefit particularly from rising government investment, but also in building construction.

Business expectations are still the strongest driver, but in building construction in particular, the assessment of the current situation – starting from a low level – has improved somewhat in recent months.

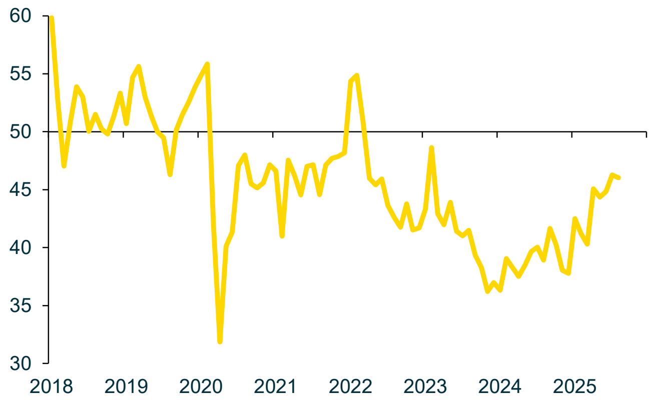
Ifo business climate for the construction sector



Source: Ifo, S&P Global, Commerzbank Research

The **Purchasing Managers' Index** for the construction sector has been on an upward trend for a year and a half, and the slight decline in August has not changed this. However, it is still below 50, indicating that the sector continues to shrink.

Purchasing Managers' Index for the construction sector

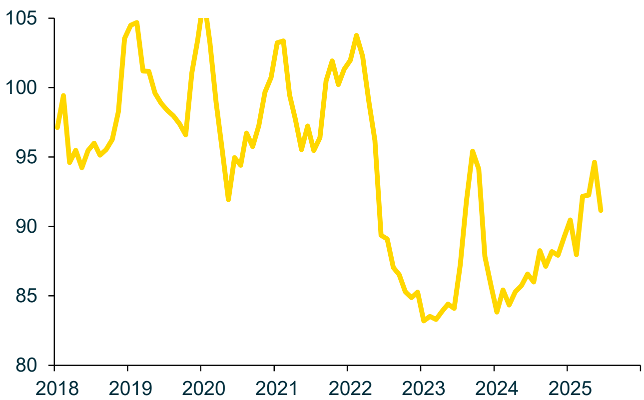


Source: S&P Global, Commerzbank Research

There has recently been a significant setback in **order intake** for construction companies. However, the trend continues to point upward. Civil engineering has seen the strongest increase, but since last fall, residential construction companies have also been receiving more new orders.

Order intake for construction

3-months average, volumes

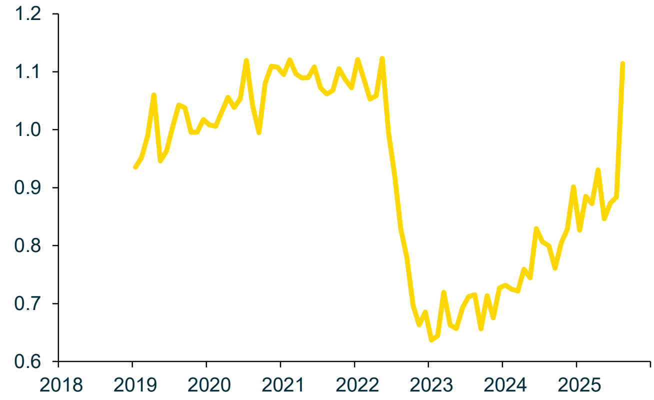


Source: Destatis, S&P Global, Commerzbank Research

The number of **new mortgage contracts** has also been on an upward trend since the beginning of 2024, after slumping in 2022. Both factors are likely to have been strongly influenced by the ECB's monetary policy. Following another significant increase, the index recently returned to roughly its pre-crisis level for the first time.

New mortgage contracts

Monthly figures, 2019=1



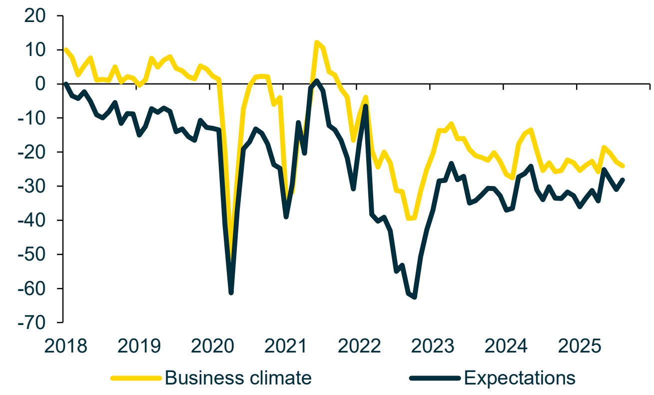
Source: Schufa, Destatis, Commerzbank Research

Bottom line: The upswing appears to have begun in the construction sector. The mood has brightened considerably, and orders have risen significantly in recent months, albeit from a very low level.

Retail: Mood gloomy, sales flat

The **Ifo business climate** for the retail sector has been moving sideways at a very low level for more than two years. At least business expectations have improved slightly on balance so far this year.

Ifo business climate for the retail sector



Source: Ifo, S&P Global, Commerzbank Research

Consumer sentiment has still not recovered from the inflation shock. Most recently, the **GfK consumer climate index** has even fallen again and remains deep in negative territory.

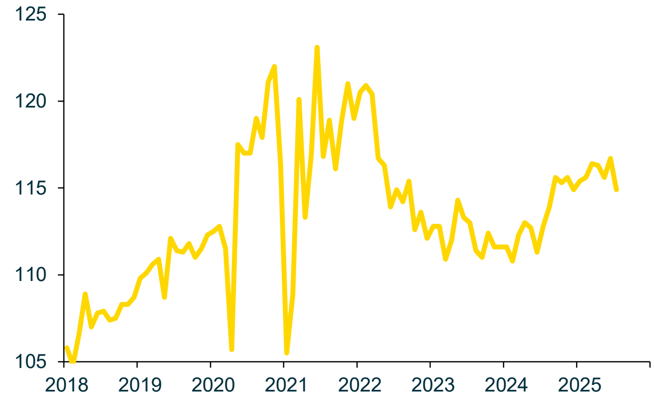
GfK consumer sentiment

Source: GfK, S&P Global, Commerzbank Research

Retail sales fell significantly again in July. This brought them back to a level similar to that seen at the turn of the year, meaning that there is no longer any sign of the upward trend that was evident in 2024.

Retail sales

Volumes



Source: Destatis, S&P Global, Commerzbank Research

Bottom line: There are currently no signs of an imminent upswing in the retail sector. The mood among both companies and potential customers is gloomy, and real sales have been stagnating since the beginning of the year.

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