Economic Research

Economic Briefing

Germany Recovery Monitor – Update

9 September 2026

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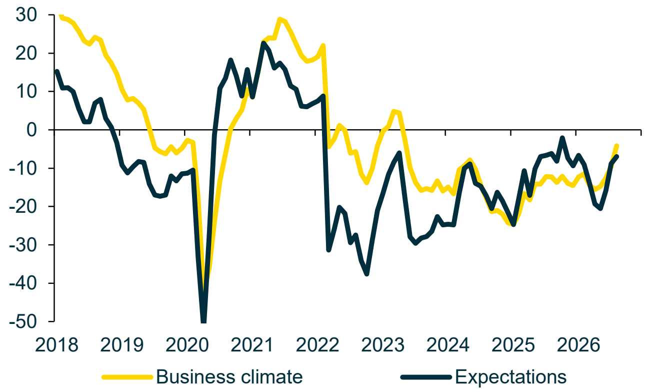
The German economy has grown slightly again in recent quarters. Now, however, it faces challenges such as the war in Iran and the resulting sharp rise in energy prices. We regularly monitor indicators for the individual sectors of the German economy and analyze them for signs that the German economy will continue to grow. Most sentiment indicators have risen recently, largely offsetting the declines that followed the start of the war in Iran. The "hard" numbers, on the other hand, have recently been somewhat weaker again, suggesting that the pace of growth in the third quarter is likely to be slower than in recent periods.

Manufacturing: Improved sentiment, "hard" data remains subdued

The **Ifo Business Climate Index** for the manufacturing sector improved noticeably once again in August, bringing the index to a level significantly higher than it was before the outbreak of the Iran war. In particular, the assessment of the current business situation was noticeably more positive, and expectations have also brightened somewhat. However, the Business Climate Index remains in negative territory, meaning that negative responses still outnumber positive ones.

Ifo business climate for manufacturing
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

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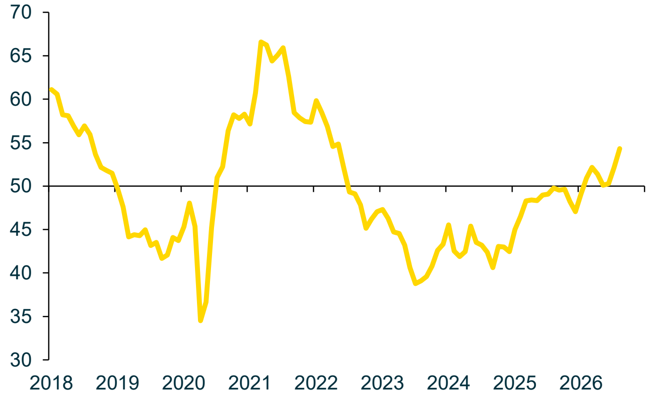
The **Purchasing Managers' Index** for the manufacturing sector rose again by a good two points in August. At 54.3, it now stands well above the 50-point mark, indicating expansion in the sector. This also applies to the sub-indices for new orders and production.

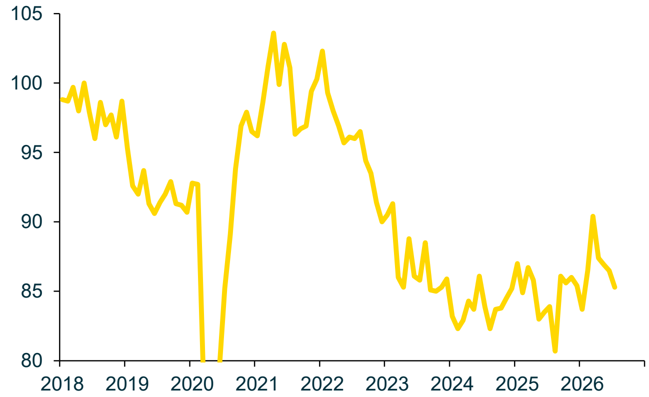
Purchasing Managers' Index for manufacturing
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

New orders in the manufacturing sector continued to rise in July compared with the previous month. However, as in the previous month, this was due solely to an increase in big ticket orders. The core figure – which excludes big ticket orders, which are often highly volatile and have little short-term impact on production – has, by contrast, fallen for the fourth consecutive month. As a result, core orders have returned to their previous sideways trend. So, the only figure to have risen significantly recently is big ticket orders, which likely originate largely from the government.

Industrial order intake
Excl. big ticket orders, volumes



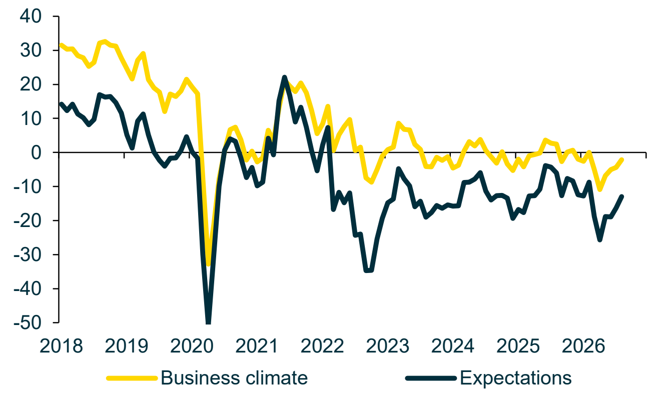
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: The sentiment indicators, which have improved significantly in recent months, offer hope for a recovery in industrial activity. However, a sustained turnaround in the “hard” data has yet to materialize.

Service sector: Sentiment not as bad, revenue weakens again

The **Ifo Business Climate Index** for the service sector rose slightly again in August, gradually approaching the level seen before the outbreak of the Iran War. Expectations (which had been also very negative) have improved somewhat more than the assessment of current conditions, which is clearly in positive territory.

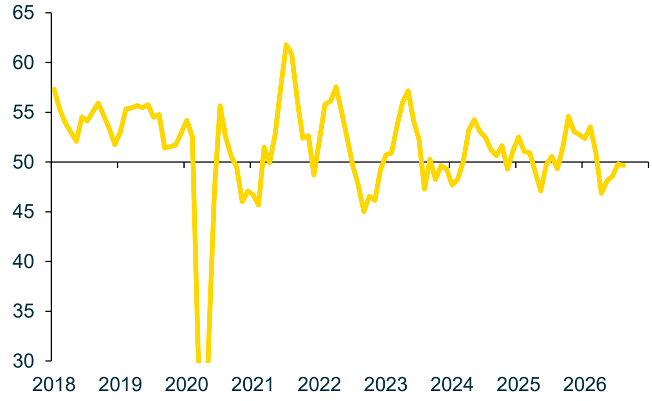
Ifo business climate for the service sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

The **Purchasing Managers' Index** for the services sector fell slightly in August and thus remains just below the 50-point mark. This indicates, at most, a slight contraction in the sector.

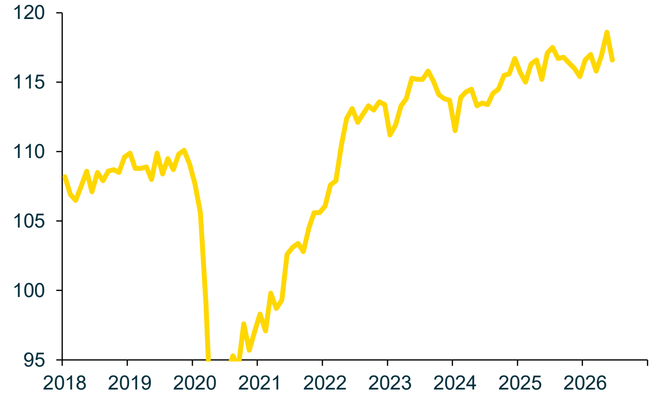
Purchasing Managers' Index for the service sector
Diffusion index



Source: S&P Global, Commerzbank Research

Real **sales** in the service sector fell quite sharply again in June, thereby giving up some of the gains recorded over the past two months. As a result, revenue remains on a slight upward trend.

Sales in the service sector
Volumes



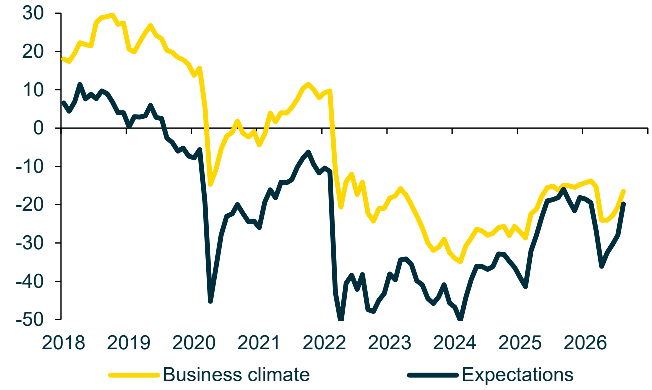
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: Even after the fairly sharp decline in sales in June, the trend continues to point upward. However, the still rather gloomy business sentiment does not currently point to a noticeable economic recovery.

Construction industry: Recovery from the Iran shock

In August, the **Ifo Business Climate Index** for the construction sector improved significantly, largely offsetting the decline that followed the outbreak of the war in Iran. This increase is due solely to improved expectations, which, however, had also fallen particularly sharply after the war began.

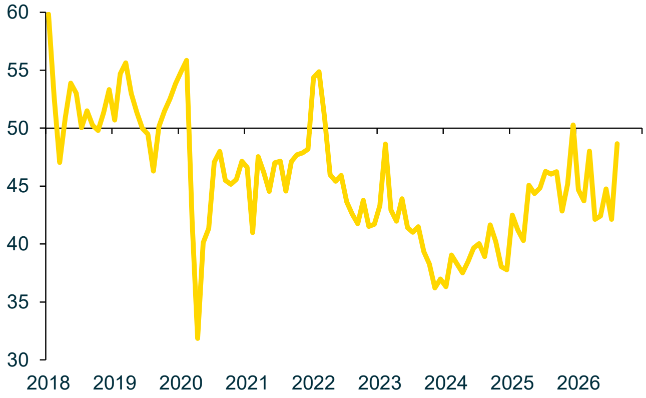
Ifo business climate for the construction sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

The **Purchasing Managers' Index** for the construction sector rose significantly in August, bringing it closer to the 50-point mark again, which indicates, at most, only a slight contraction in the sector.

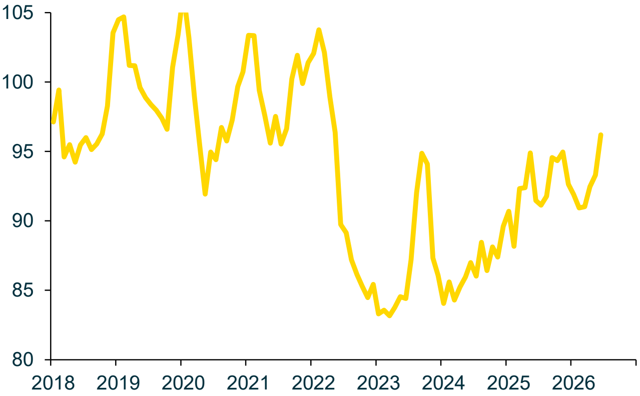
Purchasing Managers' Index for the construction sector
Diffusion index



Source: S&P Global, Commerzbank Research

New orders for construction companies rose significantly in June, causing the less volatile 3-month average to rise further as well. In June, this average reached a level last seen in the spring of 2022 – more than four years ago. Civil engineering, in particular, has recently received more orders, which are likely to have come primarily from the public sector.

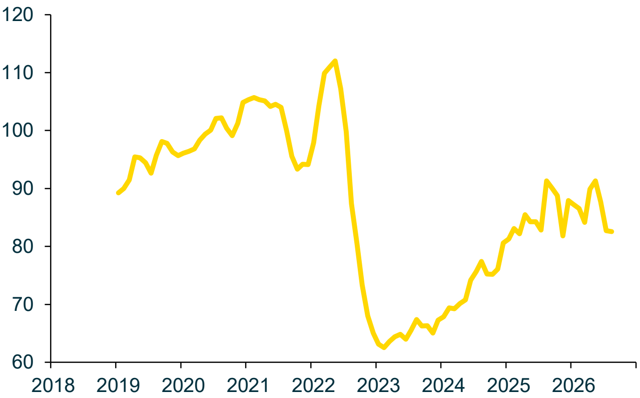
Order intake for construction
3-months average, volumes



Source: Destatis, S&P Global, Commerzbank Research

The number of **newly signed mortgage contracts** continued to decline in June. There is a risk that the sideways trend could turn into a downward trend.

New mortgage contracts
3-months average, 2019=100



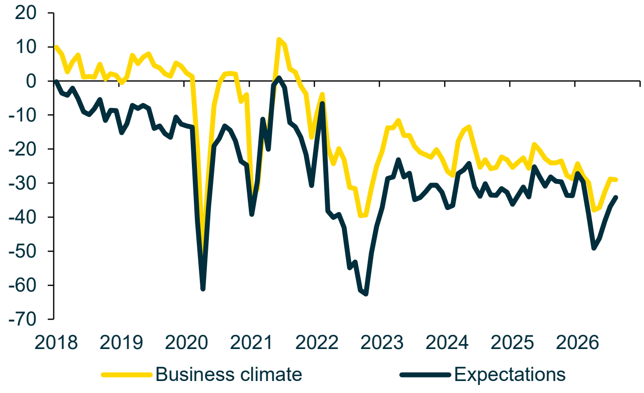
Source: Schufa, Destatis, Commerzbank Research

Bottom line: The marked recovery in sentiment indicators suggests that the construction sector as a whole is not suffering as severely from the war in Iran – and the resulting sharp rise in interest rates – as many companies had apparently feared. Additional government contracts have certainly helped in this regard and are likely responsible for the recent increase in new orders.

Retail: Sentiment is gloomy, sales very weak in July

The **Ifo Business Climate** index for the retail sector improved slightly again in August, but remains at a very low level.

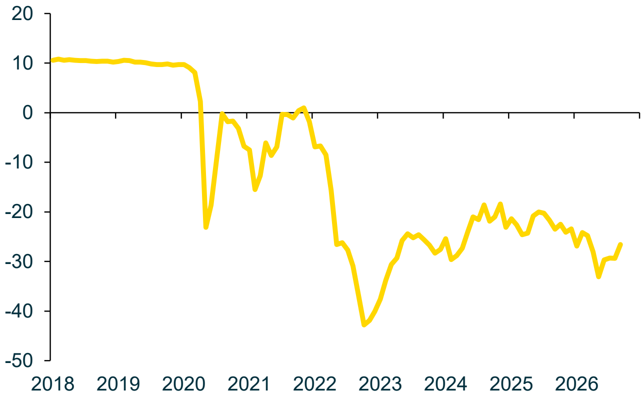
Ifo business climate for the retail sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

The **GfK Consumer Climate Index** improved slightly again in September. However, the indicator remains at a very low level. Evidently, the recent sharp rise in energy prices has reignited memories of the inflation shock in 2021 and 2022.

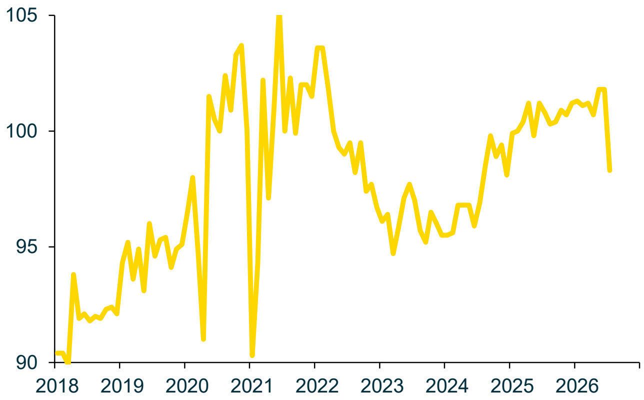
GfK consumer sentiment
Diffusion index



Source: GfK, S&P Global, Commerzbank Research

Real **retail sales** plummeted in July, bringing their slight upward trend to an abrupt halt. However, it remains to be seen to what extent one-time factors played a role here or whether the figures will be revised.

Retail sales
Volumes



Source: Destatis, S&P Global, Commerzbank Research

Bottom line: Sentiment among retail businesses and consumers remains low. With the noticeable decline in sales in July, the picture based on the “hard” numbers now looks significantly worse as well, although one-time factors likely played a role here. However, there is certainly no sign of a significant recovery.

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This report was completed 9/9/2026 09:38 CEST and disseminated 9/9/2026 09:38 CEST.

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