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Economic Research

Economic Briefing

Germany Recovery Monitor – Update

11 November 2026

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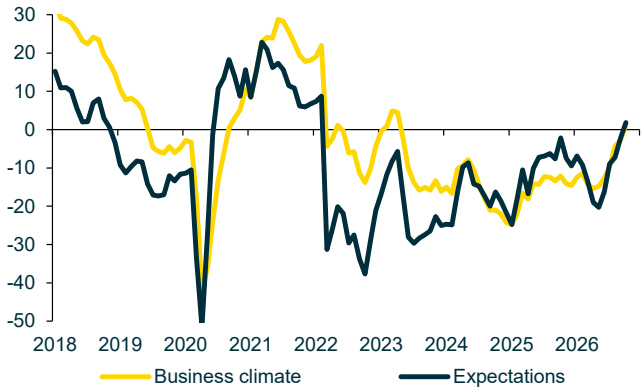
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The German economy has grown quite strongly again in recent quarters, although it has been burdened by the Iran war and the resulting sharp rise in energy prices. We regularly look at indicators for the individual sectors of the German economy and check them for indications of whether the German economy will continue to grow. This is supported by the fact that sentiment indicators have recently risen further or are at least at quite high levels. In terms of "hard" figures, there has recently been positive news from manufacturing in particular. Residential construction and retail in particular remain weak points. However, they are unlikely to prevent the German economy from growing in the fourth quarter as well.

Manufacturing: Better mood, signs of hope in "hard" data

The **Ifo business climate** for industry brightened further in October. Both the assessment of the current business situation and the business expectations were more positive than in the previous month. For the first time, there were (slightly) more positive than negative responses to both subcomponents. This was last the case in the summer of 2023 in the assessment of the situation, and negative responses to business expectations have even predominated since the outbreak of the Ukraine war.

Ifo business climate for manufacturing
Diffusion index

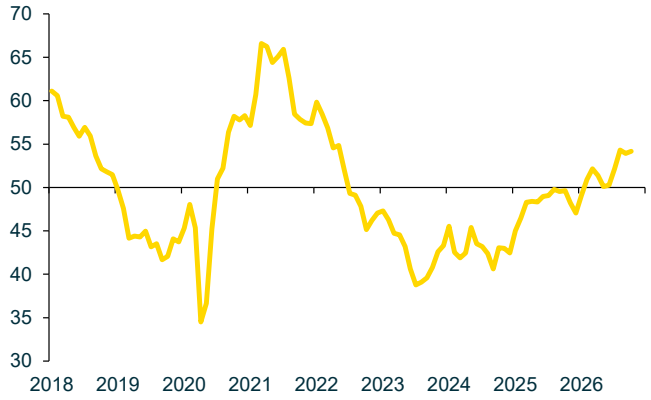


Source: Ifo, S&P Global, Commerzbank Research

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The **purchasing managers' index** again hardly changed in October. With a value of 54.2 (after 53.9 in September), it is still well above the 50-point mark and indicates an expansion of the sector. This also applies to the subcomponents for new orders and production.

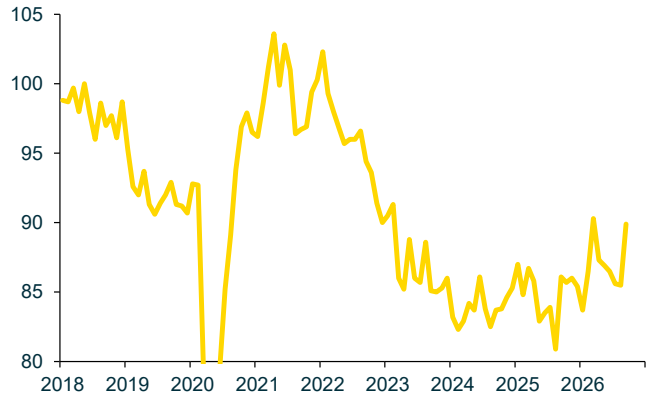
Purchasing Managers' Index for manufacturing
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

With an increase of 4.4%, **new orders** in manufacturing in September only made up for part of the August slump of just over 10%. However, these very strong movements are primarily due to a strongly fluctuating number of big ticket orders. Core orders, excluding the often very volatile big ticket orders that have little impact on production in the short term, even increased by more than 5%, which means that it was only slightly below the very strong March fugure in September. With the significant increase, hopes are rising again that an upward trend will develop in core orders.

Industrial order intake
Excl. big ticket orders, volumes



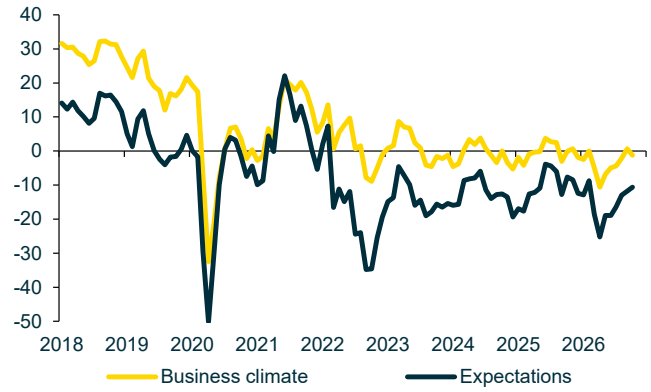
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: After the mood among companies had already improved significantly in recent months, positive signals have now also come from the "hard" data. Manufacturing seems to have left at least the worst behind it and could show a slight upward trend in the coming months.

Service sector: Sentiment improves, revenue rises slightly

The **Ifo business climate** for the service sector fell slightly again in October after five consecutive increases. The assessment of the current situation – which had previously been quite positive – deteriorated, while business expectations brightened slightly.

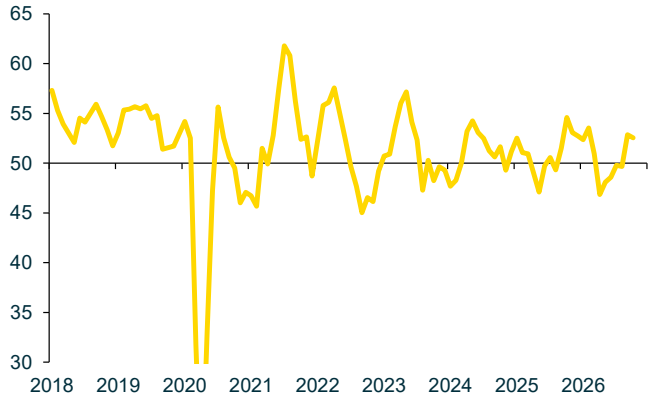
Ifo business climate for the service sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

There was also a slight setback in the **purchasing managers' index** for the service sector in October. However, the index is still above the 50 line, signalling moderate growth in this sector.

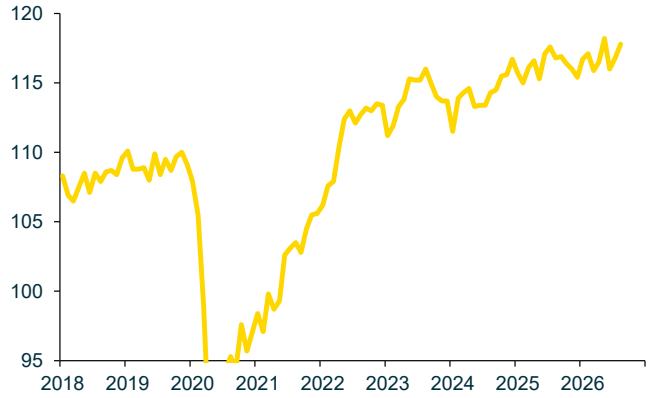
Purchasing Managers' Index for the service sector
Diffusion index



Source: S&P Global, Commerzbank Research

Real sales in the service sector rose again slightly in August, largely making up for the decline in June. However, the trend of recent months has been sideways rather than upwards.

Sales in the service sector
Volumes



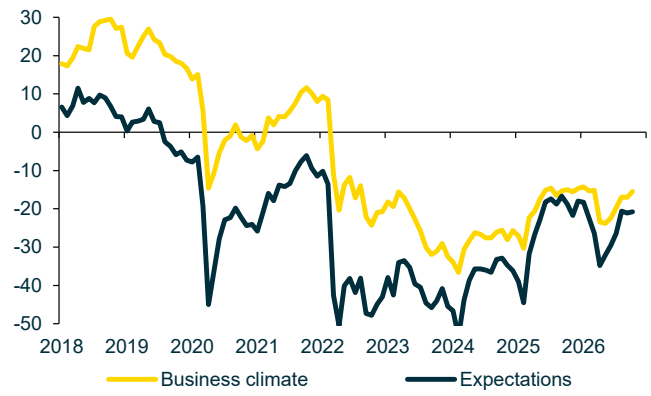
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: Sentiment in the service sector has recently deteriorated somewhat, but continues to point to increasing economic output. However, this is not yet visible in the sales figures.

Construction industry: Civil engineering strong, residential construction weak

The **Ifo business climate** in the construction sector improved again somewhat in October, mainly due to a somewhat more favourable assessment of the current business situation. This puts the index at a similar level as before the outbreak of the Iran war, but is still significantly lower than before the ECB's massive interest rate hikes in 2022 and 2023.

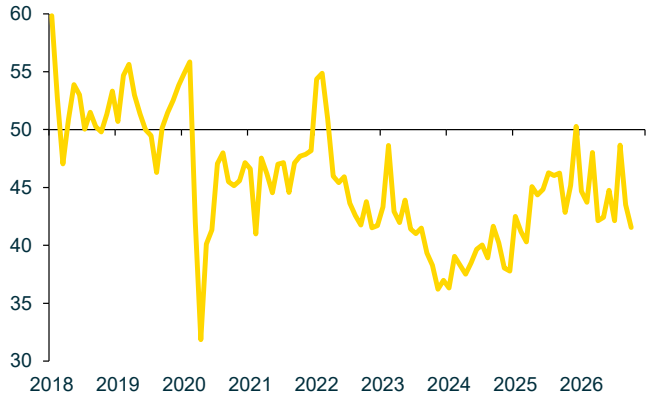
Ifo business climate for the construction sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

The **purchasing managers' index** for the construction sector fell again in October and is thus noticeably below the 50-point mark, signalling a significant contraction in the sector.

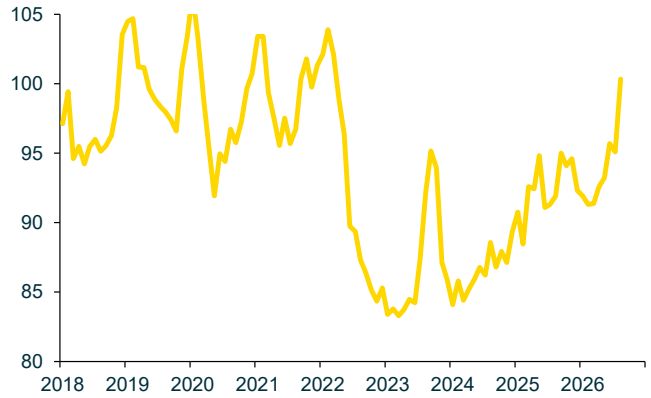
Purchasing Managers' Index for the construction sector
Diffusion index



Source: S&P Global, Commerzbank Research

New orders from construction companies literally shot up in August, with an increase of a good 23% month-on-month. This means that the less volatile 3-month average has also risen sharply and is thus at a level at which it had been before the interest rate shock in 2022. However, the sub-sectors have developed very differently. While civil engineering has probably benefited from large government orders and has recently set new records in incoming orders, residential construction continues to suffer from high interest rates and rising construction costs. The strong increase in orders in August is unlikely to have changed this.

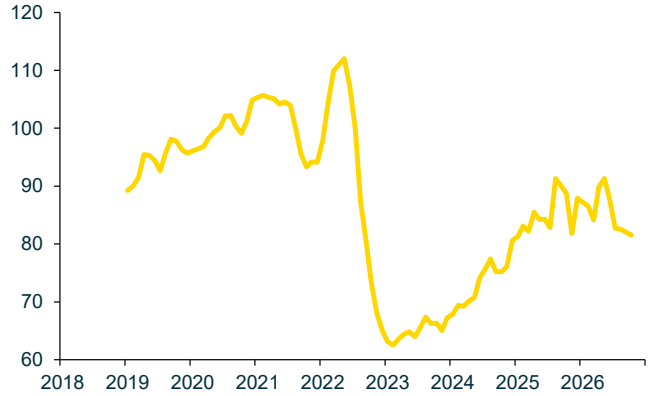
Order intake for construction
3-months average, volumes



Source: Destatis, S&P Global, Commerzbank Research

The **number of new mortgage contracts** continued to fall in October. Here, the sideways trend has turned into a downward trend.

New mortgage contracts
3-months average, 2019=100



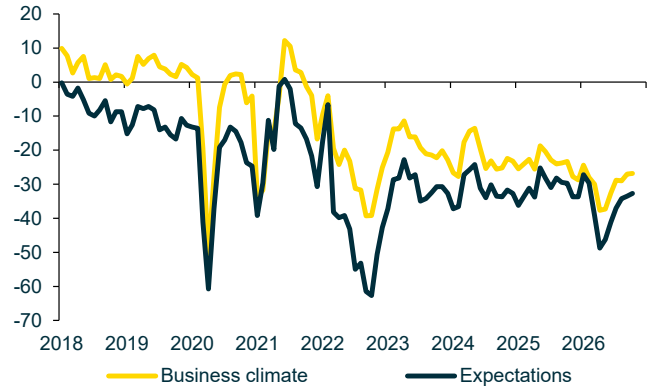
Source: Schufa, Destatis, Commerzbank Research

Bottom line: The construction sector continues to show no uniform picture: While civil engineering benefits from higher government investment, residential construction suffers from higher interest rates and further rising construction costs. Overall, construction is therefore unlikely to make a noticeable contribution to the growth of the German economy.

Retail: Slump in sales?

The **Ifo business climate** in the retail sector improved again somewhat in October, but remains at a very low level.

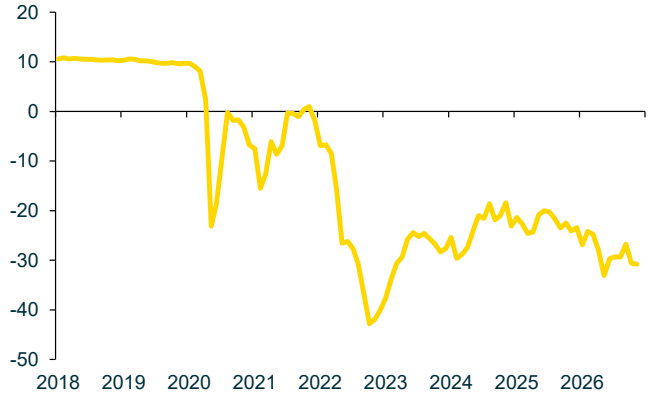
Ifo business climate for the retail sector
Diffusion index



Source: Ifo, S&P Global, Commerzbank Research

The **GfK consumer climate** deteriorated slightly in November. This means that the indicator remains at a very low level. Obviously, the interim jump in energy prices has reinforced memories of the inflation shock in 2021 and 2022.

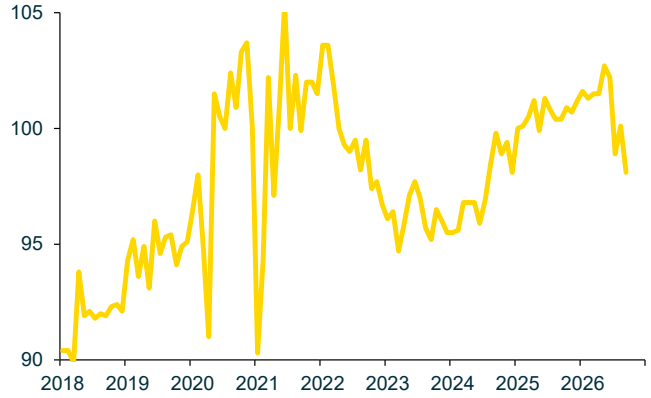
GfK consumer sentiment
Diffusion index



Source: GfK, S&P Global, Commerzbank Research

Real **retail sales** fell significantly again in September, which was 4% lower than in June. Such a slump is unusual even for volatile retail sales, apart from the massive movements during the Corona pandemic. The Federal Statistical Office reports a change in statistics, which could still lead to a revision of the figures since the beginning of the year. We continue to assume that the current figures represent the development in the retail sector too negatively. However, even after a revision, there is likely to be a noticeable decline in sales.

Retail sales
Volumes



Source: Destatis, S&P Global, Commerzbank Research

Bottom line: The mood among companies in the retail sector and among consumers remains poor. With the significant decline in sales in recent months, the picture now also looks much worse for the "hard" figures. A revival is therefore not in sight.

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