Economic Research

Economic Briefing

German recovery monitor – update

9 October 2025

Dr. Ralph Solveen [AC]

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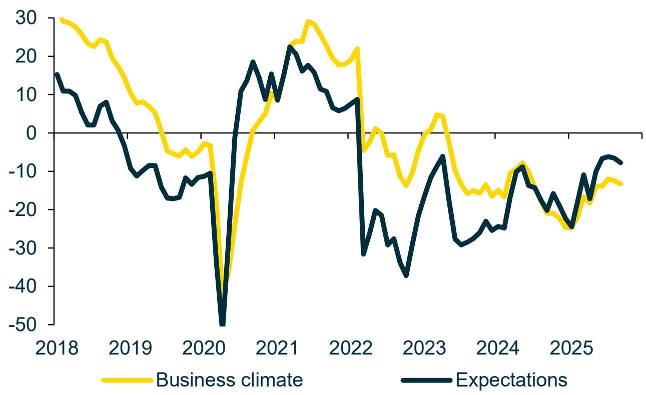
When will the upturn finally start? We look at indicators for the individual sectors of the German economy and examine them for signs of an impending upturn. The picture has recently deteriorated again. This is particularly true for manufacturing, where the signs of hope seen a month ago have at least weakened. Clear signs of an upturn therefore continue to exist only in the construction sector. In contrast, there are no indications so far that the economy will improve significantly in the services sector in the near future.

Setback for manufacturing

The **Ifo Business Climate** for manufacturing has deteriorated slightly twice in a row recently. This also applies to business expectations. Although the mood among companies is still better than at the beginning of the year, there are no signs of a strong upturn.

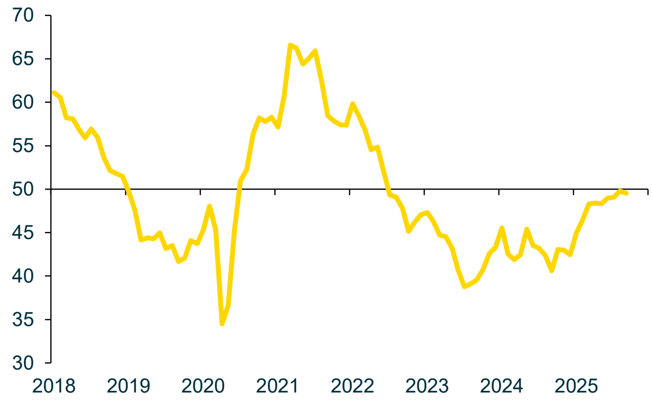
Ifo business climate for manufacturing



Source: Ifo, S&P Global, Commerzbank Research

The **Purchasing Managers' Index** also saw a setback in September. However, the trend here continues to point clearly upward. With a value close to the 50 mark, it signals at least stagnation in the sector and no longer a contraction, as was the case a few months ago.

Purchasing Managers' Index for manufacturing

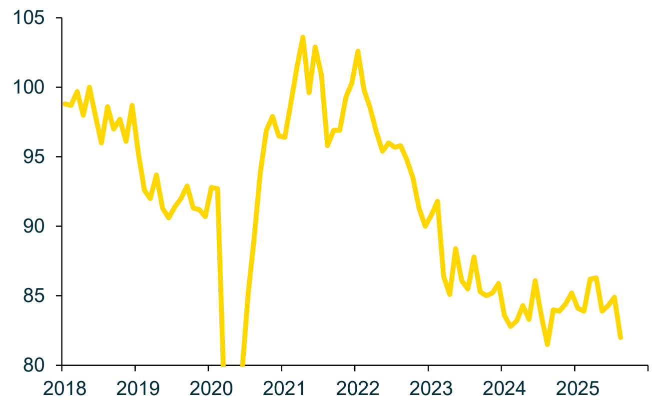


Source: S&P Global, Commerzbank Research

Even without the often highly volatile big ticket orders, industrial **order intake** has fluctuated considerably since the beginning of 2024, but has remained flat on average. In August, they fell again by more than 3%. Special factors such as the relatively late timing of factory holidays certainly played a role here. It is therefore quite possible that the weak August figure is once again just an outlier and that the September figures will be better. However, the orders do not yet indicate an upturn.

Industrial order intake

Excl. big ticket orders, volumes



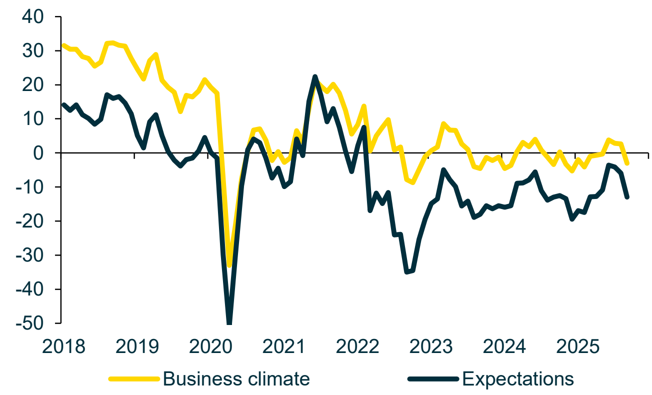
Source: Destatis, S&P Global, Commerzbank Research

Bottom line: The somewhat poorer mood among companies and weaker order intake have put a significant damper on hopes for a rapid turnaround in manufacturing. The upturn continues to be a long time coming.

Services in stagnation

The **Ifo Business Climate** for the service sector has deteriorated slightly for the third month in a row, with expectations in particular worsening recently. In the longer term, the index continues to move sideways around zero.

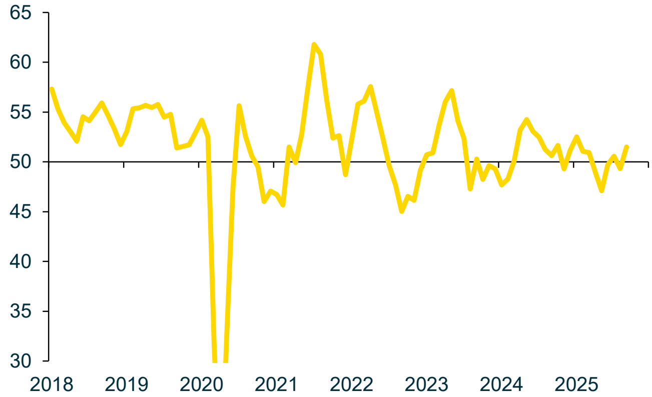
Ifo business climate for the service sector



Source: Ifo, S&P Global, Commerzbank Research

By contrast, the **Purchasing Managers' Index** for the service sector rose quite significantly in October and is now back above the 50 mark. In the longer term, however, the picture is similar to that of the Ifo Business Climate Index, namely a sideways movement around the 50 mark.

Purchasing Managers' Index for the service sector

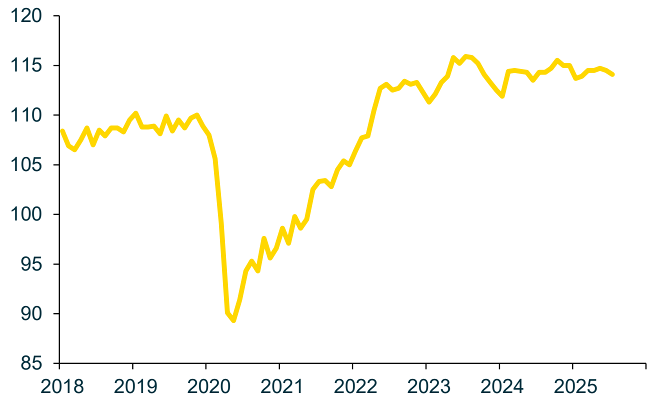


Source: S&P Global, Commerzbank Research

This is consistent with the trend in real **sales figures**, which have remained virtually unchanged since the beginning of 2023. There was a slight decline in July and August, but this did not alter the underlying situation.

Sales in the service sector

Volumes



Source: Destatis, S&P Global, Commerzbank Research

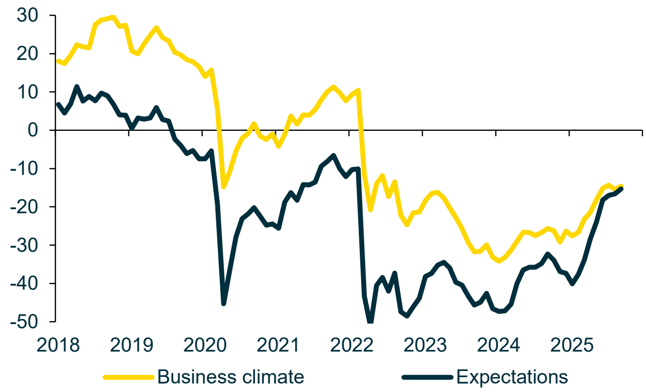
Bottom line: In the service sector, the purchasing managers' index, which is back above the 50 mark, indicates an upturn. However, it would need to rise further to signal a sustained turnaround for the better. Until then, like the other indicators, it points to stagnation in the sector.

Construction: The upturn has begun

The **Ifo Business Climate** for the construction sector has improved significantly since the end of 2024. After a slight decline in September, the index rose again slightly in October. 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 in construction, but in building construction in particular, the assessment of the current situation – starting from a low level – has improved somewhat in recent months.

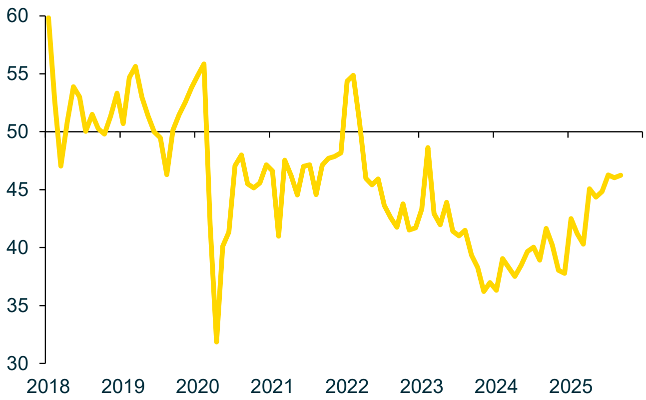
Ifo business climate for the construction sector



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. In October, it made up for the slight setback of the previous month. However, it is still below 50, indicating that the sector continues to shrink.

Purchasing Managers' Index for the construction sector

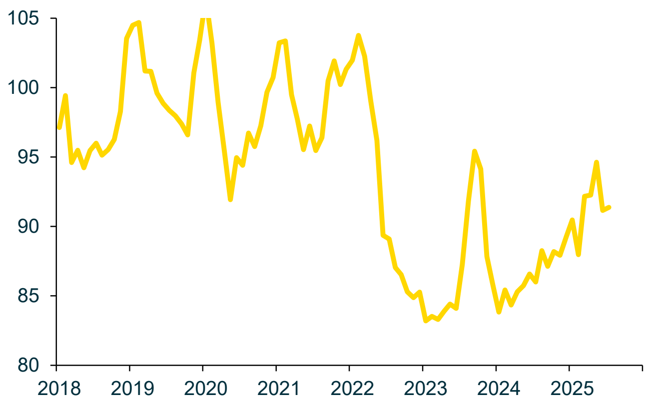


Source: S&P Global, Commerzbank Research

There has recently been a significant setback in **order intake** for construction companies. However, the trend continues to point upward. In recent months this is only due to stronger demand in civil engineering, while demand in building construction has actually weakened somewhat.

Order intake for construction

3-months average, volumes

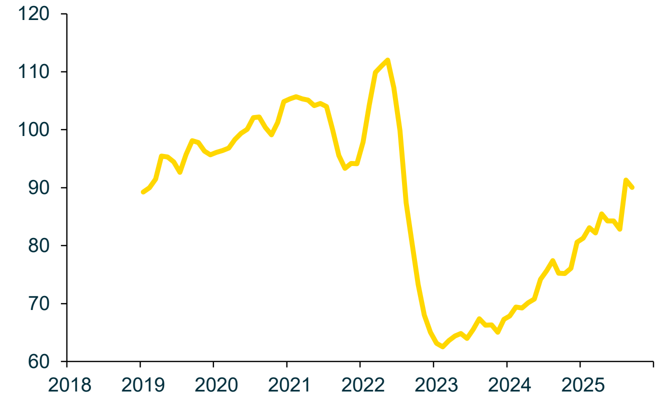


Source: Destatis, S&P Global, Commerzbank Research

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. However, the 3-month average of the index has not yet returned to its pre-crisis level.

New mortgage contracts

3-months average, 2019=100



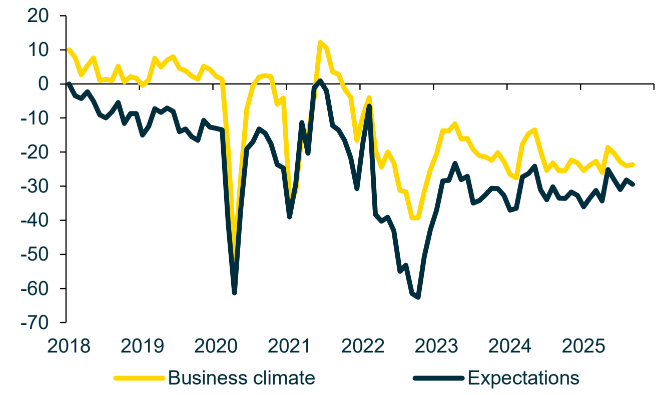
Source: Schufa, Destatis, Commerzbank Research

Bottom line: The upturn 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** in the retail sector has been moving sideways at a very low level for more than two years. There are therefore no signs of an imminent upturn in business.

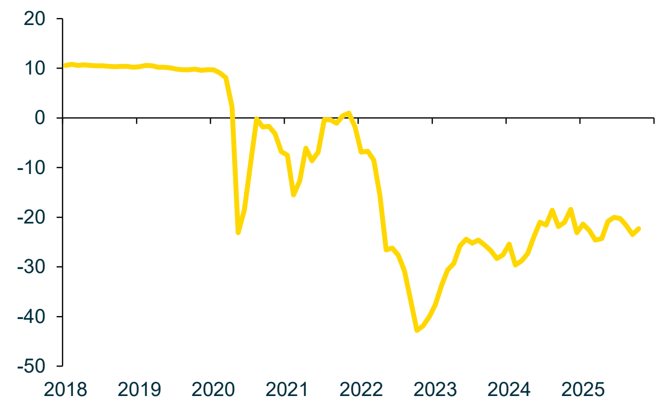
Ifo business climate for the retail sector



Source: Ifo, S&P Global, Commerzbank Research

Consumer sentiment has still not recovered from the inflation shock. Instead, the **GfK consumer climate** has been deep in negative territory for more than a year, and even the slight increase in October has done nothing to change this.

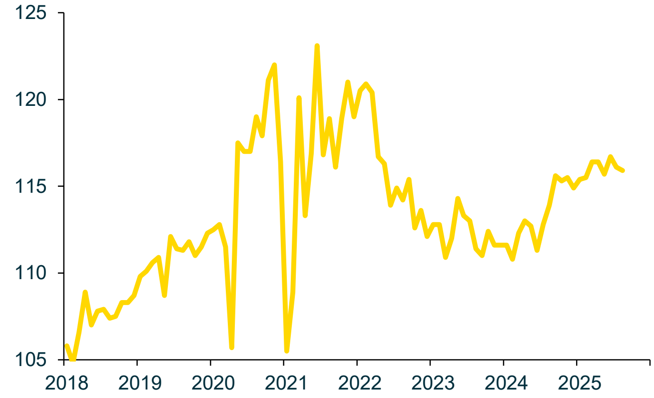
GfK consumer sentiment



Source: GfK, S&P Global, Commerzbank Research

Retail sales fell slightly in July and August. 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 seen in 2024.

Retail sales
Volumes



Source: Destatis, S&P Global, Commerzbank Research

Bottom line: There are currently no signs of an imminent upturn 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.

Analysts

Dr. Ralph Solveen AC
Senior Economist
+49 69 9353 45622
ralph.solveen@commerzbank.com

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DLZ - Gebäude 2, Händlerhaus	PO BOX 52715	225 Liberty Street, 32nd floor,	128 Beach Road
Mainzer Landstraße 153	30 Gresham Street	New York,	#17-01 Guoco Midtown
60327 Frankfurt	London, EC2P 2XY	NY 10281-1050	Singapore 189773
Tel: + 49 69 136 21200	Tel: + 44 207 623 8000	Tel: + 1 212 703 4000	Tel: +65 631 10000