EUROPE INTELLIGENCE BRIEF — TUESDAY, AUGUST 25, 2026

The Mood Went First

German business confidence jumped to 88.8 in August from 86.7, far ahead of the 87.2 economists expected, with firms reporting less uncertainty even as energy costs rose again.

Inside the same survey, manufacturers said their order books remain weak. Sentiment has moved and the work has not, which is a particular kind of recovery and worth naming as such.

Read in German, French, Italian, Spanish, Dutch, Polish and English, from the ifo Institute and the national debt offices.

IN THIS ISSUE

EDITOR'S LEADER · 01

CONFIDENCE JUMPS WHILE THE ORDERS STAY THIN

Ahead Of The Evidence

A survey of how people feel is not the same as a record of what they have sold. Occasionally the two separate far enough to be interesting.

The ifo business climate index for Germany rose to 88.8 in August from 86.7 in July. Economists had expected 87.2, so this is a substantial beat rather than a rounding difference.

Both halves moved. The assessment of current conditions climbed to 88.5 from 86.5, and expectations for the next six months reached 89.1 from 86.8.

And the reported reason is unusual

The institute reported that companies were more satisfied with current conditions, significantly upgraded their outlook, and described declining uncertainty. That last item came despite another increase in energy prices.

Firms saying they feel less uncertain in a month when their input costs rose again is not the ordinary pattern. Something other than the immediate arithmetic is doing the work.

The line that complicates it

Manufacturing recorded the strongest rebound of any sector, with its balance improving to minus 4.2 from minus 9.6, and firms expecting production to increase over the coming three months. In the same breath the institute recorded that order books remained weak.

So German manufacturers expect to produce more without yet having the orders to produce it against. That is a forecast about demand rather than a report of it.

> *Companies reported declining uncertainty despite another increase in energy prices.*
>
> IFO INSTITUTE, BUSINESS CLIMATE SURVEY FOR AUGUST · TUESDAY 25 AUGUST 2026

Why it might still be right

Confidence surveys often turn before the hard data, which is the entire reason anybody reads them. A broad-based improvement across manufacturing, services, trade and construction is harder to dismiss than a single sector's optimism.

The honest position is that this reading is genuine information about mood and not yet information about output. Whether the second follows the first is what the autumn will settle.

Against a very different backdrop

This lands three days after German thirty-year borrowing reached its costliest since 2011 and the finance ministry attributed record issuance to defence spending. Berlin sold two-year paper this morning against a previous level of 2.78%.

Firms are more confident and their government is paying more to borrow, in the same week. Both can be true and they pull in opposite directions.

EXECUTIVE SUMMARY · 02

TEN ITEMS, RANKED BY CONSEQUENCE

The Day At A Glance

Here is Tuesday's news, in order of consequence for Latin American readers. Every item is dated.

#	ITEM	WHY IT MATTERS
1	German business confidence jumped to 88.8	The August reading rose from 86.7 in July against expectations of 87.2. It is a substantial beat rather than a marginal one.
2	Current conditions improved to 88.5	The assessment rose from 86.5. Firms reported being more satisfied with the business situation in front of them.
3	Expectations reached 89.1	The six-month outlook rose from 86.8. Companies significantly upgraded what they expect to happen.
4	Uncertainty fell despite higher energy costs	The institute recorded declining uncertainty in a month when energy prices rose again. That is not the usual relationship.
5	Manufacturing rebounded hardest	The sector balance improved to minus 4.2 from minus 9.6, with firms expecting production to rise over three months.
6	But order books remained weak	The same survey recorded thin order books alongside the production expectations. Sentiment has moved further than the work has.
7	The improvement was broad-based	Gains ran across sectors rather than concentrating in one. That makes the reading harder to dismiss.
8	Germany sold two-year paper this morning	The auction followed a previous level of 2.78%. It comes three days after thirty-year borrowing reached its costliest since 2011.
9	Record issuance continues in the background	The finance ministry has attributed it to defence spending. That position is carried here as established context, not as news.
10	The oil levy remains on the Dublin agenda	Six member states want finance ministers to discuss it next month. It is unchanged since the weekend.

THE NUMBERS AT A GLANCE · EUROPE · TUESDAY, AUGUST 25, 2026

GERMANY Business climate **88.8** from 86.7	**GERMANY** Consensus **87.2** comfortably beaten	**GERMANY** Current conditions **88.5** from 86.5	**GERMANY** Expectations **89.1** from 86.8
GERMANY Manufacturing balance **-4.2** from -9.6	**GERMANY** Order books **Weak** firms' own report	**GERMANY** Energy prices **Rose again** uncertainty still fell	**GERMANY** 2-year auction **2.78%** previous level

OUR SIMPLE HEALTH CHECK · TEN EUROPEAN ECONOMIES

How The Countries Are Doing

Our own reading of ten European economies across five dimensions, scored one to five. This is a judgement, not a forecast, and it is not financial advice.

	POLITICS	BUDGET	MONEY	MARKETS	OUTSIDE	WHAT WE SEE
Germany Berlin	3	5	4	3	3	Business confidence up sharply to 88.8 with uncertainty falling, while manufacturers report order books still thin.
German industry Manufacturing	3	4	3	3	4	The strongest sector rebound, balance improving to minus 4.2, with production expectations ahead of actual orders.
German public finance Finance Agency	3	5	4	4	4	Sold two-year paper this morning, three days after thirty-year borrowing reached its costliest since 2011.
France Paris	5	5	4	4	4	Borrowing near 2008 levels, a deficit expected above five per cent and budget measures still unagreed.
Italy Rome	3	5	4	4	4	Carried along by the general rise in borrowing costs, with a tourism season that flattered the summer.
Spain Madrid	4	4	3	3	4	The cheapest borrower among the large economies, still managing the enclave dispute with Morocco.
United Kingdom London	3	5	4	4	4	The costliest ten-year borrowing of the majors, with the budget due on 27 October.
Netherlands Amsterdam	2	3	3	3	4	An open goods economy that benefits directly if German production expectations turn into German orders.
Poland Warsaw	3	4	3	3	5	Most exposed to German industrial demand and among the heaviest defence spenders relative to output.
Euro area Twenty members	3	5	4	4	4	A record supply year ahead, met by a confidence reading that has moved further than the underlying activity.

How to read the colours: 1 = calm, 2 = fairly good, 3 = mixed, 4 = some strain, 5 = serious strain. Updated Tuesday, August 25, 2026.

DEEP DIVE · THE SURVEY · 04

WHAT HAPPENS WHEN CONFIDENCE MOVES FIRST

When Sentiment Leads

Part One · What Actually Happened

The August survey contains two findings that do not sit easily together. Manufacturers reported the strongest sentiment rebound of any sector and also reported that their order books remain weak.

Firms said they expect production to increase over the next three months. An expectation of higher output without the orders to fill it is a bet on demand arriving.

Sometimes that bet is well informed. Companies see enquiry volumes, tender pipelines and customer conversations months before any of it becomes a recorded order, and those signals are exactly what a sentiment survey is designed to capture.

Sometimes it is not. Confidence readings also move on politics, on share prices and on the general absence of bad news, none of which produces a single unit of output.

There is a specific reason to take this one seriously. The institute recorded declining uncertainty in a month when energy prices rose again, which suggests firms have absorbed the energy question rather than merely stopped noticing it.

There is also a specific reason for caution. This brief reported on 21 August that German factory strength was resting on defence procurement and precautionary stockpiling, and neither of those generates the follow-on orders a genuine recovery needs.

Part Two · Three Ways This Can Go

Possibility A · The orders follow · 40%

Enquiry pipelines convert, order books fill through the autumn and the survey is vindicated as the leading indicator it is meant to be. German output would then confirm the mood by the fourth quarter.

Possibility B · The mood corrects back · 40%

Orders fail to arrive, production expectations are revised down and the confidence reading retreats toward the activity data. Sentiment surveys reverse faster than they rise.

Possibility C · A split economy persists · 20%

Confidence stays high on defence and infrastructure commitments while the commercial order book stays thin. Germany would then have two economies running at different speeds indefinitely.

OUTCOME	WHAT IT LOOKS LIKE	WHAT IT MEANS FROM LATIN AMERICA
The orders follow	German output rises through the autumn and confirms the survey.	Durable European demand for industrial inputs, metals and energy from this hemisphere.
The mood corrects	Confidence falls back toward the activity data.	A shorter European order cycle than the headline sentiment implies.
A split economy	State-backed demand strong, commercial demand thin.	Selective European buying, concentrated in the sectors governments are funding.

Chances are Rio Times Intelligence Desk estimates and sum to one hundred. They are a way of ordering possibilities, not financial advice.

EIGHT THINGS, WITH OUR OWN VIEW

Eight Things We Are Watching

Eight things we are watching, with our own view on each. These are opinions from the Rio Times Intelligence Desk and not financial advice.

WHAT	WHEN	OUR VIEW
German order books	Monthly	The survey says thin. Everything in this reading depends on whether that changes.
Production expectations	Three months	Firms expect to make more without the orders yet in hand. A bet, not a record.
Uncertainty and energy	Monthly	Uncertainty fell in a month energy costs rose. If that holds, it is the most encouraging item in the survey.
Breadth of the improvement	Monthly	Gains across sectors rather than one. Breadth is what makes a sentiment reading credible.
German issuance	Weekly	Two-year paper sold this morning against a previous 2.78%, three days after thirty-year costs hit an eleven-year high.
The French budget	Weeks	Unagreed measures, a deficit above five per cent and an election next year.
The Governing Council	9-10 September	Meets in Berlin, now with a confidence reading that argues against cutting.
The oil levy	September	Still on the Dublin agenda and unchanged since the weekend.

POWER PLAYERS · 06

WHO IS DECIDING THIS WEEK

Five People Shaping The News

Five figures whose decisions this week shape what follows. We characterise stances and choices, not private motives.

Clemens Fuest · President, ifo Institute

Publishes the survey that has just recorded the sharpest improvement in German business sentiment in months, alongside the note that order books remain weak.

The German Finance Agency · Berlin

Sold two-year paper this morning against a previous level of 2.78%, three days after long borrowing reached its costliest since 2011.

German manufacturers · National

Reported the strongest sector rebound and expect production to rise over three months, without the order book to support it yet.

Christine Lagarde and the Governing Council · Frankfurt and Berlin

Meet on 9 and 10 September with a confidence reading that makes the case for cutting harder to sustain.

Agence France Trésor · Paris

Continues funding a deficit expected above five per cent while budget measures remain unagreed and borrowing sits near 2008 levels.

DAILY BRIEFING · 07

WHAT HAPPENED WHERE

The Day, Country By Country

What happened where, across the continent, on Tuesday 25 August 2026.

GERMANY · THE SURVEY

The ifo business climate index rose to 88.8 in August from 86.7 in July, against expectations of 87.2. The assessment of current conditions climbed to 88.5 from 86.5 and expectations reached 89.1 from 86.8.

The institute reported that companies were more satisfied with current conditions, significantly upgraded their outlook and described declining uncertainty. That came despite another increase in energy prices.

GERMANY · WHAT SITS INSIDE IT

Manufacturing recorded the strongest rebound, with its balance improving to minus 4.2 from minus 9.6. Firms expected production to increase over the coming three months.

In the same survey, manufacturers reported that order books remained weak. The improvement across sectors was broad rather than concentrated.

GERMANY · THE OTHER SIDE

The Finance Agency sold two-year paper this morning against a previous level of 2.78%. It follows a week in which thirty-year borrowing reached its costliest since 2011.

The finance ministry has attributed record issuance to a massive investment in security and defence. That attribution is established context here rather than news.

FRANCE

Borrowing remains near levels last seen in 2008, with the deficit expected to stay above five per cent. Budget measures have not been agreed.

A presidential election follows next year. France remains the most closely watched borrower on the continent.

THE WIDER AREA

The proposal by six member states for a levy on oil company profits remains on the agenda for next month's finance ministers' meeting in Dublin. Nothing has changed since the weekend.

The European Central Bank Governing Council meets on 9 and 10 September in Berlin, hosted by the German central bank.

CARRIED OVER

The German fire response, the Hungarian drought and the flooding in Poland and northern Italy all carry over from the weekend without new developments.

Britain's ten-year borrowing remains the costliest among the major European economies ahead of a budget on 27 October.

CORPORATE PIPELINE · 08

DEALS, SECTORS AND DATES

Pipeline, Sectors, And The Calendar

Sectors, dates and structural questions across the continent over the next month.

WHAT	WHO	WHERE IT STANDS
August business climate survey	ifo Institute	Climate 88.8, current conditions 88.5, expectations 89.1, all above July.
Two-year auction	German Finance Agency	Sold this morning against a previous level of 2.78%.
Oil profits levy	Six member states	Still requested for the Dublin finance ministers' meeting next month.
French budget	Paris	Measures unagreed with the deficit expected to stay above five per cent.
British budget	HM Treasury	27 October, with the costliest ten-year borrowing of the majors.

Sector Watch · Four Things to Track

Manufacturing

The strongest sentiment rebound of any sector, reported alongside thin order books. The gap between the two is the number to follow.

Energy

Costs rose again and firms still reported less uncertainty. That suggests adaptation rather than relief.

Government debt

A record supply year ahead, now meeting a confidence reading that argues against any easing of policy.

Logistics and construction

Both participated in the broad-based improvement, which is what separates this reading from a single-sector story.

Calendar · Next 30 Days

DATE	WHAT
25 August	German business climate survey and a two-year auction.
Late August	Further heavy issuance across the currency area.
September	Finance ministers meet in Dublin, with the oil levy requested as an item.
9-10 September	The European Central Bank Governing Council, hosted in Berlin.
13 September	The Swedish general election.
27 October	The British budget.

BOTTOM LINE · SOURCES · 09

WHAT THE DAY ADDS UP TO

What Tuesday Tells Us

German companies feel considerably better than they did a month ago, and they have not yet sold considerably more.

The survey is emphatic on the first point. Climate at 88.8 against an expected 87.2, current conditions and expectations both up sharply, and the improvement spread across sectors rather than concentrated in one.

It is equally clear on the second. Manufacturers, the sector that rebounded hardest, reported that their order books remain weak while expecting to produce more anyway.

The most interesting detail is that uncertainty fell in a month when energy prices rose again. Firms appear to have stopped treating the energy question as an open one, which is a real change even if nothing else in the survey survives.

For Latin American readers the caution is about sequencing. European buyers who feel better will not place orders until they have customers of their own, and a confidence reading is not a purchase order.

	DETAIL
PRIMARY	ifo Institute business climate survey for Germany, August 2026, released 25 August at 10:30 Central European Summer Time. German Finance Agency auction calendar.
REPORTING	ActionForex, Trading Economics, Reuters, and the Rio Times Brazil Financial Morning Call for 25 August 2026.
LANGUAGES	German, French, Italian, Spanish, Dutch, Polish and English.
VERIFICATION NOTE	The July climate reading is given as 86.7 by the survey compilers and as 86.6 in the consensus tables published before release; expectations are similarly reported as 86.8 and 86.7. We use the compilers' figures and record the discrepancy, which is consistent with a routine revision. Consensus for the August climate reading was 87.2. Sector balances are reported as published and are not seasonally comparable with headline index points.
CONTEXT NOT NEWS	Record issuance, the defence attribution and the oil levy ran in our 23 and 24 August editions and appear here only as background.
EXCLUDED	No conflict coverage. The war appears only where a European domestic decision turns on it.
SKIPPED	The result of this morning's two-year auction was not available when this edition closed.

Compiled by the Rio Times Intelligence Desk from major outlets in the region's main languages. editor@riotimesonline.com · riotimesonline.com ·