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S-Financial Climate

December 2025

.Deka

Deka-S Financial Climate in Q4 2025: No progress

- Following the upturn in expectations in the first half of the year, the Deka-S financial climate index fell for the second consecutive quarter, reaching 95.3 points in the last quarter of 2025. Both the economic situation and expectations declined. This means that hopes for an upturn in Germany are likely to be postponed until the second half of next year. Although the credit climate is improving, this is due to a slight decline in demand for credit, while supply remains high.
- For the coming year, savings bank executives expect a repeat of current trends: trade policy disruptions, particularly from the US, but no slump in economic development as a result. Increased security needs among capital market participants, but no sovereign debt crisis. Even for highly valued stocks in the technology sector, there is still no high probability of a correction in the coming year.

 **Finanzgruppe**
Deutscher Sparkassen- und Giroverband



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Economy Update

Deka-S Financial Climate continues declining

According to the savings banks, the economic situation in Germany will not improve at the end of the year. This is the result of the latest economic survey conducted among savings banks. The Deka-S Financial Climate deteriorated again in the fourth quarter of 2025 and is now back below the 100 mark at 95.3 points (previous quarter: 104.4 points, Fig. 1).

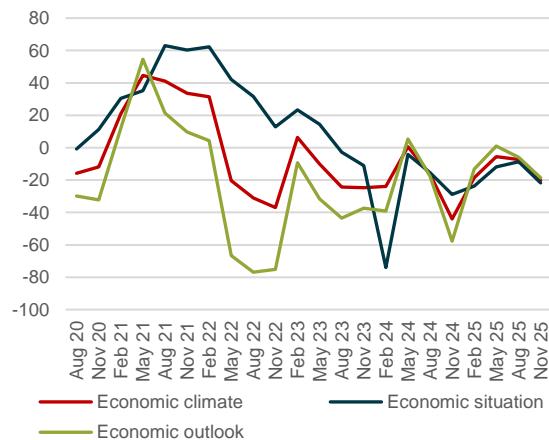
Fig. 1 Deka-S financial climate, Q4 2025



Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

The macroeconomic component of the index, the economic climate, contributed to this with a further cooling (Fig. 2). Last month, the decline in economic expectations already signaled difficulties in the fourth quarter. The assessment of the current situation, which had improved in the fall, has now followed expectations downward and is only slightly above its historic low. There is no sign of improvement for the time being, as economic expectations have deteriorated once again in the fourth quarter. This means that the "Merz upturn" in expectations has been completely reversed. This brightening of expectations for the German economy began in the spring with the announcement of economic reforms and continued until the middle of the year despite the global political turmoil. The fact that expectations have collapsed again despite a catalog of measures by the federal government shows how difficult an economic turnaround in Germany has become in view of the manifold challenges.

Fig. 2 Economic climate



Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

This is unlikely to change anytime soon. The announced autumn of reforms was already canceled in 2025, and the majority of savings bank board members do not expect any substantial reforms in 2026 either (64%, see Fig. 3).

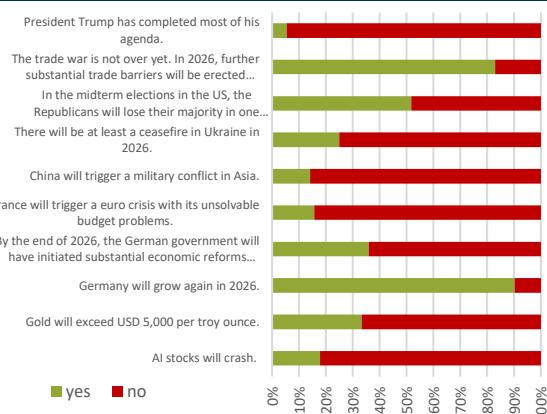
Expectations for 2026

The special topic of the survey on the S-Financial Climate in the last quarter of the year was expectations for the new capital market year (Fig. 3). In view of the spectacular political change in the White House this year, an overwhelming majority of 95 percent of savings bank board members do not expect any relief: In their assessment, the US government's new self-serving agenda has not yet been exhausted, and new measures can be expected at any time. 83 percent of experts anticipate new restrictions on trade in goods. In addition, further measures in capital transactions or other policy areas are considered likely. According to the savings banks, the age of geopolitics has only just begun.

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Fig. 3 What are your expectations for the year 2026?



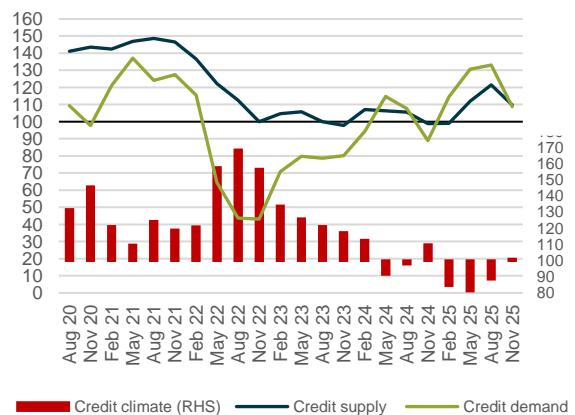
Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

In the eyes of the savings banks, the capital markets are likely to see a continuation of current trends in the coming year: turbulent times, but no major geopolitical crisis; increased demand for security on the markets, but no negative financial market events. The top managers of the S-Finance Group do not expect a sovereign debt crisis to break out in Europe in 2026 either. The high level of wealth in an aging society is generating strong demand for financial investments, from which governments as issuers of debt securities are also benefiting. With regard to the high valuations of technology stocks in the US, a large majority of 82 percent of credit managers do not expect a correction in the near future, but rather a continuation of the trend. On the other hand, the majority of panel participants consider the development of the gold price to have peaked: 67 percent do not believe that the rally will continue beyond USD 5,000 per troy ounce in the coming year.

Credit climate improves, but...

... is this really something to be happy about? After all, the improvement is based solely on companies reducing their demand for credit (Fig. 4), which ensured market equilibrium amid a somewhat more cautious credit supply. The much-hoped-for investment boost for Germany has not yet materialized in view of geopolitical risks, weak demand, and the lack of prospects for reform.

Fig. 4 Credit climate

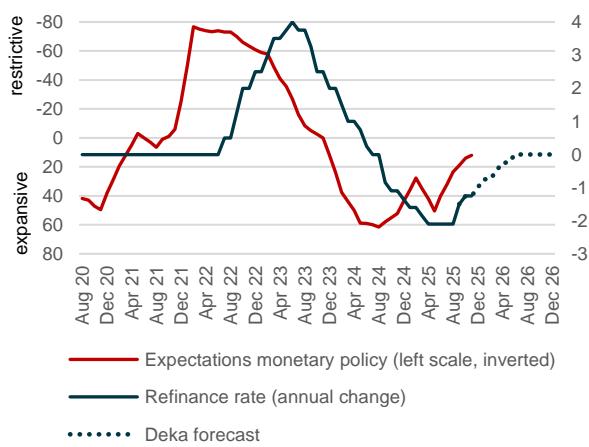


Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

Monetary policy: Normalization complete

The savings bank boards regularly express their assessment of how the European Central Bank's key interest rate will change compared to the previous year. The survey results are increasingly approaching zero (Fig. 5), which corresponds to the forecast of an unchanged monetary policy in the coming months. If anything, there is still slight sympathy for a further key interest rate cut. In the opinion of the savings banks, monetary policy has done its job and can now take a wait-and-see approach.

Fig. 5 Key interest rate and the S-indicator



Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

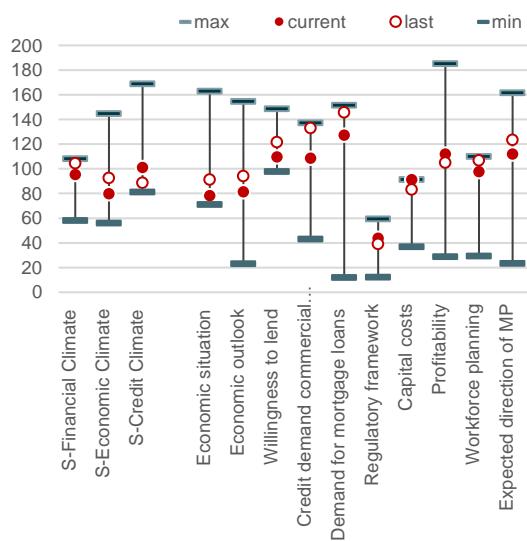
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Conclusion

According to the Sparkassen, there are no signs yet of a positive turnaround in the conditions for the German economy. "The German economy remains under pressure. Weak growth and declining competitiveness – especially in exports – are shaping the picture," says DSGV President Ulrich Reuter, summarizing the results of the survey. This is not due to monetary conditions: credit supply is sufficient and lending conditions have fallen back to historically low levels. However, an economic slump is not expected for the coming year either. On the contrary, an economic upturn in Germany is firmly expected. This gives politicians time and opportunity to continue working on improving the framework conditions.

Fig. 6 Indicator overview



Quellen: DekaBank, Forschungszentrum für Sparkassenentwicklung, DSGV

Deka-S Financial Climate Index: Construction

The Deka-S Financial Climate Index was developed in cooperation between the Research Center for Savings Bank Development at the University of Magdeburg, headed by Prof. Horst Gischer, and DekaBank, with the involvement of the German Savings Banks Association (DSGV). The index is calculated from the results of a quarterly survey of 343 savings banks. It consists of ten subject areas, each of which can be divided into perspectives on the current situation and future expectations. In addition, there are changing special questions relating to the current economic or monetary situation.

The evaluation algorithm is based on the balance of positive and negative responses to each question. A completely neutral result results in an index value of 100. A completely positive assessment of all questions by all participants means an index value of 200 points, while the opposite negative variant results in an index value of zero.

The Deka-S Financial Climate Index was calculated for the first time in fall 2020.

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