



New Challenges, but Resilience in the Face of Already Known

Low river levels, rising interest rates in the bond markets, and developments not seen in many years – such as foreign exchange market interventions involving major currencies – are presenting the economy with new challenges. At the same time, old burdens – such as the closure of the Strait of Hormuz, which has now lasted for half a year – have still not been overcome. There have been new escalations, such as the recent attacks in Saudi Arabia.

Yet the global economy seems to be coping quite well even with oil and gas production at 80 percent of normal levels. There are certain price signals to contend with. Yet in the real growth rates for the second quarter, outside the crisis region, there are hardly any traces of the Middle East war to be found, even in the major economies. This also applies to the German economy. It surprised everyone with a remarkably robust expansion in the second quarter. Exports, in particular, once again contributed to growth, which is anything but a given in light of the ongoing trade disputes.

Against this backdrop, the chief economists of the Sparkassen-Finanzgruppe have prepared the latest edition of their “Joint Forecast.” In the current year, Germany’s growth rate is expected to be in the 1% range. The recovery in Germany and the Euro area is also expected to continue in the coming years.

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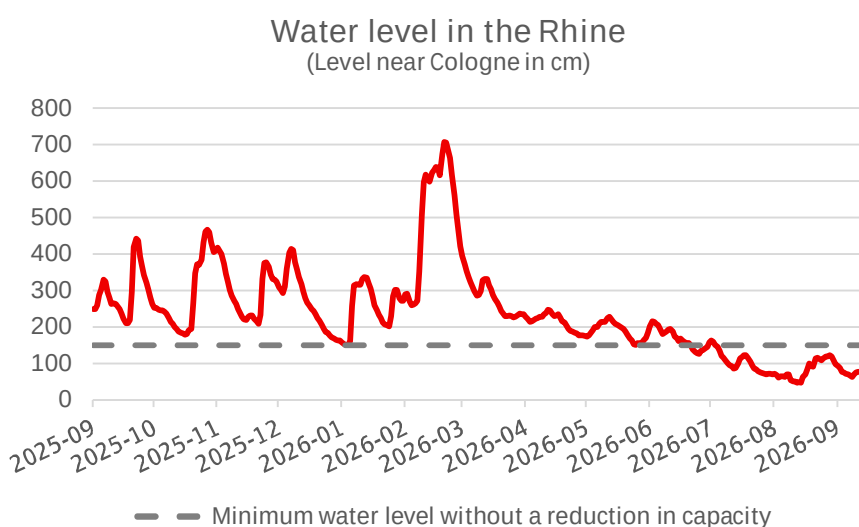
Low River Water Levels as Another Supply Shock

In the summer of 2026, the German economy faces new challenges. Various but interrelated consequences of climate change - such as drought, heat waves, wildfires, and low river levels - are shaking the country not only ecologically but also economically. Crop failures could trigger a further surge in prices. In particular, the disruption of shipping routes on the major rivers is causing another supply-side shock, which is once again straining and disrupting supply chains.

At first, inland waterway vessels were “merely” unable to sail with a full load, which had already led to price increases and bottlenecks. Since early August, however, freight transport has become completely impossible on certain sections of the Rhine. Bulk goods in particular - such as coal, oil, ores, chemicals, and grain - with their high weight and/or volume cannot simply be shifted to other modes of transport. And in cases where this would theoretically be possible, the capacity is lacking. The railways are currently repairing their Rhine route, partially closing it, and there is no fleet of railcars of the necessary scale available. Truck capacity is even more limited, and there is a shortage of drivers. A shift to road transport would therefore be significantly more expensive and would place a strain on the environment and the roads. Ad hoc measures to increase flexibility, such as lifting Sunday driving bans, can help in a few cases, but ultimately amount to nothing more than the proverbial “drop in the bucket” - a metaphor that, unfortunately, fits the events of the summer of 2026 all too well.

Inland waterway vessels are first loaded only halfway, then no longer in service at all

Bulk cargo is difficult to shift to rail and road transport



Source: NRW Flood Portal

Even though water levels have since recovered somewhat, many shipments have inevitably been canceled under the current circumstances. Some production lines

that rely on these shipments have been scaled back or even shut down entirely. Some of these shipments and production activities may be made up later, once ships can resume sailing in the fall. However, a dip in production statistics - and thus in gross domestic product - will remain, at least in the third quarter.

Operating with Higher Inventory Levels

It is possible to cushion the impact of such disruptions by maintaining higher inventory levels. In fact, many companies made appropriate provisions in anticipation of the current strain. Lessons were already learned from the comparable low-water situation in 2018. Since similar situations are expected to occur more frequently in the coming years, it is likely wise to prepare for them more thoroughly.

Inventory levels make a difference

Better preparation with larger inventory levels is currently limiting production losses. Nevertheless, economic research institutes expect losses of 0.1 to 0.4 percent of GDP on an annual basis, concentrated primarily in the third quarter. From a macroeconomic perspective, this magnitude appears manageable, but it naturally has a more painful impact in certain industries and regions.

A dip in third-quarter GDP is likely

However, the recommended higher inventory levels also result in structurally higher costs - for example, for the necessary warehouses or storage areas for bulk goods, as well as for financing the additional inventory itself. It is therefore necessary to weigh these various factors against one another. While complete security is unattainable, carelessness and wishful thinking should not prevail either. The savings banks are, of course, available to their corporate clients as financing partners for sensible increases in inventory levels. This is already standard practice today. However, this business segment will certainly gain even greater importance in the coming years, especially in light of the experiences we have now gained once again.

Savings banks are also available as financing partners for inventory

Strait of Hormuz Still Largely Closed

An unpleasant aspect of the new and additional logistical tensions and bottlenecks described above is that they compound existing blockades that have not yet been overcome. The Strait of Hormuz, closed as a result of the war waged by the U.S. and Israel against Iran, remains largely closed as of the time of this report's publication. Even though there have been repeated ceasefires and negotiations to resolve this conflict, as well as countless announcements over the course of months by President Trump that the opening was now imminent, these have not led to any tangible results. Most recently, there have been further escalations.

This vital shipping route has now been closed for more than half a year. It is common knowledge that, before the outbreak of the most recent war, approximately 20 percent of global oil trade passed through this bottleneck. For natural gas and certain other goods, such as fertilizer precursors and helium, the percentages are even higher.

Admittedly, there is an occasional trickle of partial shipments through the strait: Iran and allied nations such as China navigate the Iranian side of the Strait of Hormuz. On the Omani side, tankers with their transponders turned off - some under U.S. protection - are guided through and then transfer crude oil to other tankers in the Arabian Sea. The French TotalEnergies group also transports oil from the Gulf, apparently tolerated by both sides. There are thus several “shadow fleets” in operation that somewhat alleviate the bottleneck situation. However, compared to the total volume that used to be transported, these volumes are marginal.

Some shipments take place “behind the scenes”

Interaction Among Various Shipping Routes

In the field of shipping, it is currently particularly evident how everything is interconnected on a global scale - whether in the interplay of various violent conflicts, from the perspective of transportation routes being disrupted for various reasons, or simply in terms of capacity constraints. Let's take a broad look at the world's oceans:

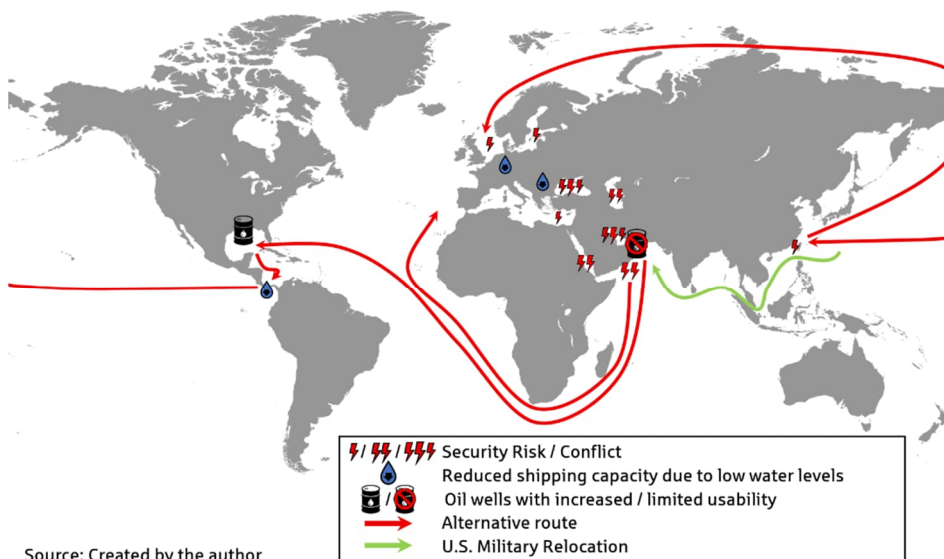
It is well known that the crisis in the Persian Gulf is also spilling over into the Arabian Sea and the Red Sea. There, the Houthi rebels - acting as agents of Iran - are threatening the alternative transport routes toward the Suez Canal. They have advanced to new positions even closer to the chokepoints there. Saudi Arabia's pipeline loading heads on that side of the Arabian Peninsula have also been attacked and damaged once again.

Shipping currently operates on nearly all the world's oceans, with some unique characteristics

But the Middle East conflict is also spreading in the opposite geographical direction toward Ukraine. Russia and Iran are cooperating militarily and exchanging weapons systems and intelligence. As part of its strategic attacks - some of which have been highly spectacular and far-reaching - Ukraine has also struck Russian ships in the Caspian Sea en route to Iran. In the Black Sea, there are already regular mutual attacks between Russia and Ukraine targeting each other's commercial shipping. This is particularly significant right now, following the harvest season, as Eastern European grain crops need to be brought to world markets. Ukrainian ports are currently largely closed and unprotected for this purpose due to the security situation - not least because the U.S. is no longer supplying air defense missiles. The U.S. has largely depleted its stockpiles in the war in the Middle East.

The next-best transportation alternative for the Ukrainian grain harvest would be inland waterway vessels on the Danube. However, due to the drought and low water levels, this was virtually impossible for several weeks! This brings us full circle. The water shortage on the Danube also has other consequences: power plants are running short of cooling water. Nuclear power plants have already had to be shut down for this reason. From a pan-European perspective, the disruption on the Danube likely has even greater effects than those we perceive primarily from a German perspective along the Rhine.

Global Shipping Hotspots



Back to the world's oceans: Arguments based on concern can also be found for other regions. The large tanker fleets had already crossed the South Atlantic in the spring, when shipping routes shifted from the Persian Gulf to the Gulf of Mexico. From there, the U.S. is exporting an increasing volume of crude oil, primarily to Asia, to compensate for supply shortfalls from the Middle East. These ships are therefore traveling across the Pacific and, if they can fit, through the Panama Canal. There, however, the additional traffic is causing a further water shortage when draining the large locks. The canal authority has already raised its transit fees. Waiting times have increased, and priority transit slots are now being auctioned off.

Route changes strain capacity and result in additional costs

From a global perspective, the significantly longer routes inevitably strain transport capacities. Tankers are tied up for longer periods to carry the same volume. The same applies to container traffic, as ships avoid the Suez route due to the threat in the Red Sea and instead sail from Asia to Europe via South Africa.

In this context, the Russians are promoting - not primarily for oil, but for other cargo transport between the Far East and Europe - the Arctic Northeast Passage, which is under their control and has now become largely navigable in the summer due to climate change. Sea Legend, a Chinese shipping company, is already offering a regular service on this route from Ningbo to Europe this summer.

New opportunities ...

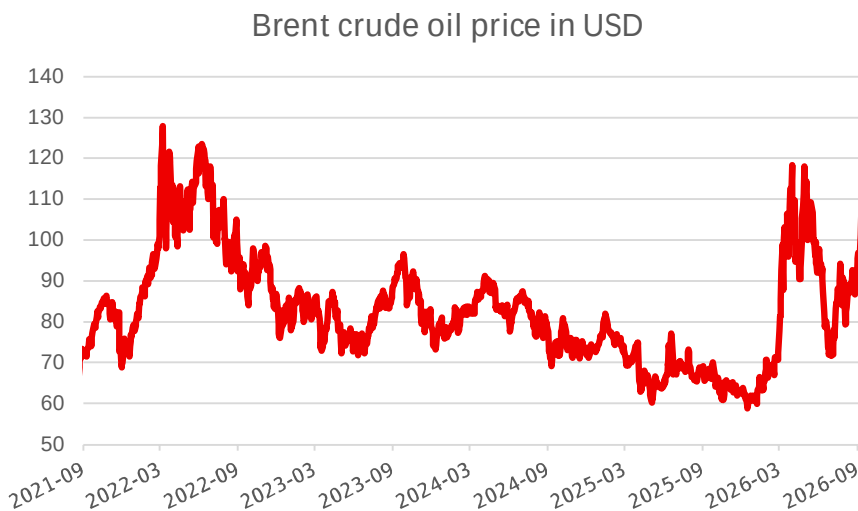
Meanwhile, confrontations and provocations with the Russian shadow fleet and the Russian navy continue to occur in the North and Baltic Sea. It has become almost the norm for GPS signals in the Baltic Sea to be unreliable because they are often electronically jammed. And to round out the list of the world's oceans discussed: There have also been isolated attacks by Ukraine on Russian ships in the Mediterranean Sea.

... but also some familiar troublemakers

Global Oil Prices Fluctuate Amid Multiple Crises

Given the tensions described above, it is almost surprising that global oil prices have not risen even higher in recent weeks than they actually did. In any case, the peak levels reached from March through May 2026 - nearly \$120 per barrel - have not been matched since. In June and July, it mostly fluctuated within a range of \$70 to \$90 per barrel. This is surprising, as the conflict has not really eased in any substantive way. For a long time, there was apparently hope for a swift agreement. In September, however, the oil price did indeed cross the \$100 mark again.

Oil prices fluctuate within varying ranges ...



Source: German Stock Exchange

As expected, all price fluctuations remained above pre-crisis levels. However, the fluctuations appear to have shifted within their ranges at various stages: from very high at the outset, to somewhat elevated, and finally to high with a continuing upward trend.

... but it hasn't yet returned to the highs of this spring

A significant rise in oil prices once again is and remains one of the main risk scenarios from the perspective of the institutions within the Sparkassen-Finanzgruppe. Our calculated macroeconomic risk scenarios show that, in the event of a sharp rise in oil prices - to, for example, \$150 per barrel - growth would indeed slow significantly, and inflation would rise sharply once again. However, the institutions of the Sparkassen-Finanzgruppe would be well prepared for this as well.

In terms of the real-economy implications of the most likely scenario - and based on developments to date - it appears that, for the time being, the all-clear can be given regarding macroeconomic trends. In the gross domestic product figures for most industrialized nations, there are almost no signs of the Middle East war or the oil price shock in the second quarter of 2026. And this is true even though the price peak - and thus the cost shock and erosion of purchasing power - were most pronounced during this quarter.

Germany Shows Surprising Resilience in the First Half of the Year

Even German GDP is showing remarkable resilience! As vulnerable as the German economy has been in recent years to every shock it has faced, and as much as Germany's growth performance has lagged behind in the last six to seven years, this is no longer the case. On the contrary, German GDP managed to surprise on the upside in the second quarter with growth of 0.3 percent. The initial flash estimate of 0.2 percent growth was already encouraging, but it was subsequently revised upward slightly. The figure is not impressive in absolute terms. However, given the oil price shock, a recessionary trend had been expected. Exports, in particular, have recently shown resilience, which is surprising given the ongoing trade disputes.

A pleasant surprise in Germany's second-quarter GDP figures

In addition, Germany's growth figure for the first quarter of 2026 was subsequently revised upward to 0.4 percent. This means that, mathematically speaking, solid annual growth is already virtually assured. We will return to this point when presenting the chief economists' "Joint Forecast" at the end of this report.

But first, let's stick to the global context. Here, it's worth noting that, despite all the wars, crises, shortages, price spikes, and market distortions, growth figures remain positive in almost all countries.

One could summarize this as follows: "The global economy seems to be coping quite well even with 80 percent of its usual oil supply."

The global economy seems to be managing just fine even with 80 percent of its energy coming from fossil fuels

At first glance, this seems to be the case. But are the current growth models truly robust? And what lies behind the relatively moderate oil price, given the geostrategic tensions?

Pricing in the markets is currently not free from intervention. In addition to tariffs - an instrument that, unfortunately, is once again being widely used - this applies particularly to certain key commodities, for which export bans are repeatedly imposed or threatened during negotiations. There are government interventions in commodity markets as well as in bond markets and even in foreign exchange markets.

The U.S. and the People's Republic of China Are Partially Burning Through Their Oil Reserves

The U.S. began tapping into its strategic oil reserves quite early on in the spring amid the current conflict. They continue to draw down their stocks to this day. This has two objectives: first, to dampen the global market price for oil, which has already become evident in exports via the Gulf of Mexico; second, to limit the domestic price of end products - that is, what U.S. consumers and voters experience directly at the gas pump. The additional sales are met in part by boosting oil production and refining in the U.S., but also in part by drawing on

Reserves have been and continue to be under attack in many places

reserve stocks. The latter, of course, is not sustainable and can only be maintained for a limited time.

The same applies to the behavior of the second-largest player in the global economy - the largest on the consumer side. With its demand power in the oil market, the People's Republic of China has now become the dominant player, rather than the increasingly divided OPEC cartel on the supply side. Before the outbreak of the war, China had fairly large stockpiles dating back to a time when oil was purchased at comparatively low prices. These reserves provided - and continue to provide - sufficient supply for some time. In addition, the Chinese still receive a share of the residual flow trickling in from the Persian Gulf. Above all, however, China has significantly reduced its oil consumption. In the previous edition of this report, we already characterized this as an elastic response to the price situation. This behavior may also stem from a "deal" with the U.S., whereby China mitigates the global economic pain caused by rising oil prices in exchange for political concessions in the Far East or in the trade disputes.

*China's Current Decline
in Oil Consumption Is
Open to Ambivalent
Interpretation*

Ultimately, however, the decline in Chinese oil consumption can also be viewed from another perspective - namely, as an indication of the weakness of the Chinese economy. This weakness may be more pronounced and critical than official Chinese statistics suggest. That, of course, would not be a good sign for the global economy and would not be a factor supporting its resilience.

Geostrategic tensions in the Far East are also spilling over into the markets

Furthermore, other effects of the geostrategic shifts in the Far East are being felt. And these are increasingly reflected in market valuations as well.

The conflict over Taiwan's status persists and continues to threaten to escalate into open, violent clashes. It certainly does not help that the U.S.'s strategic overextension is becoming increasingly apparent. Attention has already been drawn to the largely depleted stockpiles of cruise missiles and air defense missiles, which weaken the U.S.'s deterrence and assurance capabilities. Furthermore, in mid-August, the U.S. Navy's only aircraft carrier operating on a permanent basis in the Western Pacific, the "George Washington," was redeployed to the Indian Ocean to replace the "Abraham Lincoln."

*Lage in Nahost strahlt
bis nach Fernost aus*

The latter carrier had been active in the Iran conflict until then. On the Lincoln, the psychological and physical consequences of the long deployment and the strained supply situation were clearly evident. The Navy's logistics had been severely disrupted following the missile strikes on the U.S. base in Bahrain.

The Trump administration's political stance and messaging are also unhelpful to the United States' traditional allies. The fact that U.S. President Trump recently expressed sympathy for Kim Jong-un and - at least verbally - qualified U.S. solidarity with South Korea did not go over well with the Far Eastern democracies of Taiwan, South Korea, and Japan, and is putting them under further pressure.

*U.S. Strategic
Commitment in Asia
Also Put into
Perspective*

Japan, in particular, has recently found itself facing threats from three directions- originating from the China - North Korea - Russia axis.

President Putin visited the Kuril Islands in August, thereby affirming the normality of the occupation that has persisted since the end of World War II. Shortly thereafter, in mid-August, Russia conducted missile tests in the area. North Korea periodically fires ballistic missiles - most recently in May 2026 - as tests - or rather, as a show of force - over Japan into the Pacific. This certainly does not happen without China's tacit approval or even encouragement.

*Japan Faces Threats
from Various Directions*

In any case, in July, the financial markets began to increasingly price in the escalating threat. The Japanese yen came under downward pressure.

Japanese Yen Under Depreciation Pressure

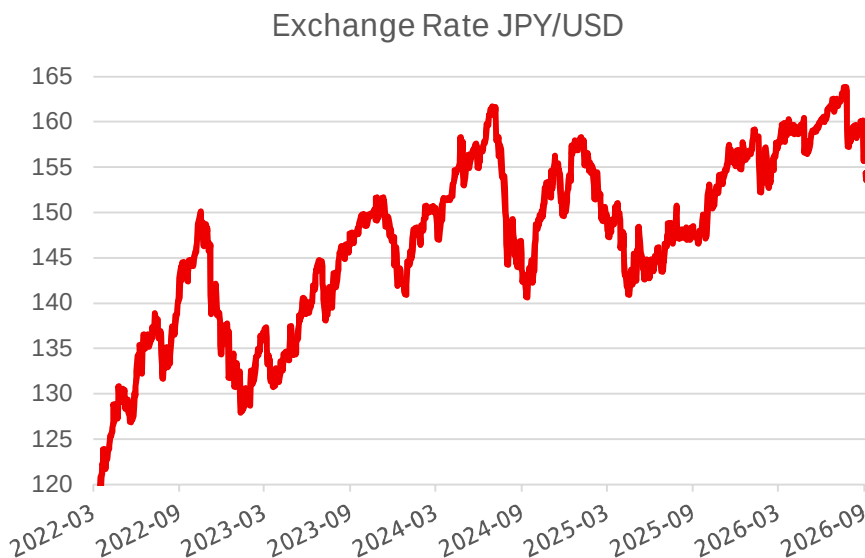
The Japanese yen has been significantly undervalued for many years now, as measured by relative purchasing power parities and trade balances. The cause lies in the high interest rate differential - particularly against the U.S. dollar - which amounts to about two percentage points for 10-year government bonds. Corresponding borrowing in yen and investments in U.S. dollars - so-called carry trades - have generated massive trans-Pacific capital flows. According to standard economic theories, such differences should be offset by expectations of a corresponding appreciation of the yen to restore equilibrium. However, for many years - indeed, decades - the yen's exchange rate trend has not aligned with this, which has further fueled carry trades.

*The Japanese Yen Has
Been a Source of Carry
Trades for Many Years*

As a result, Japan has been the largest creditor of U.S. Treasuries for many years, ahead of China, which has gradually reduced its own substantial holdings in recent years.

While Japan's export industry benefits from these conditions, imports are very expensive. With inflation rates rising recently in Japan as well, this is increasingly seen as a problem. For a country that is almost entirely dependent on energy imports, the cost has doubled due to both prices and exchange rates. With exchange rates exceeding 160 yen per U.S. dollar, the situation threatened to become untenable. Central bank interventions in the foreign exchange market were on the table.

*Interventions in the
Foreign Exchange
Market*



Source: German Stock Exchange

However, the U.S. does not want Japan to use its own currency reserves for this purpose - and, in particular, to sell U.S. Treasuries. This is because U.S. Treasuries are themselves under heavy pressure in the markets. For this reason, the U.S. undertook corresponding interventions at the end of July. In addition to the central bank and the Treasury Department purchasing yen themselves, they attempted to leverage these interventions with private-sector transactions through verbal interventions (intentions to buy leaked to the public by Treasury Secretary Scott Bessent).

In this way, the U.S. was able to portray itself as a savior that came to the aid of a close ally. It is not without a certain irony, however, that American policy - with its geopolitical weakening in the Western Pacific - was the very trigger for the exchange rate fluctuations. Trade policy, with tariffs directed in part against Japan, had also already increased pressure on the yen. The United States' actual, purely self-serving motive was to keep Japan in its position as a bondholder.

These interventions in the foreign exchange market were the first by the U.S. since 1998! In all the crises in between - including the financial crisis of 2008/2009 - this instrument had not been used. Another notable feature this time was that the intervention was not conducted in the U.S. dollar. It is standard practice for central bank interventions to act only in currency pairs where the central bank is one of the two parties involved. In this case, however, the U.S. apparently exchanged euros for Japanese yen. Holdings from a reserve fund - presumably mainly French government bonds - were used for this purpose. Even more remarkable is that the Americans did not directly inform either the European Central Bank or France.

The interventions worked at first. The yen appreciated by about five percent in the immediate aftermath. Toward the end of August, however, a countertrend set in again.

For the first time since 1998, the U.S. is intervening on a large scale in the foreign exchange market...

... and in doing so, they are using euro-denominated assets without prior agreement!

In the long run, imbalances cannot be suppressed by interventions but will prevail in the markets. In early September, however, there were once again noticeable price surges in favor of the yen. It is not yet possible to definitively determine whether this is due to new interventions, a genuine resurgence in Japan, or rather growing skepticism toward the U.S. dollar.

Financial Markets Slightly More Tense

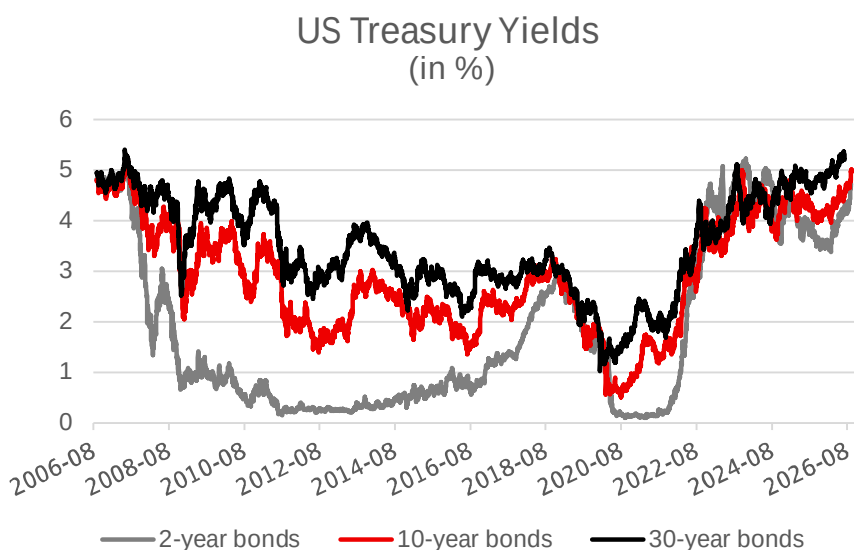
Against the backdrop of these developments, international financial markets have recently reacted with slightly greater tension. The two biggest issues, viewed with increasing concern, are government debt and the AI boom.

With regard to the first issue, the question of sustainability is increasingly coming to the fore, particularly in the U.S. Under the Trump administration, there have been no serious efforts to curb the deficit. Hopes for high tariff revenues have been dashed. On the contrary, large sums had to be refunded for tariffs that were deemed legally invalid. Rising debt levels and rising interest rates are putting further pressure on the budget.

Government debt is once again being viewed with somewhat greater skepticism

With regard to the AI boom, which has also generated very high investments in the real economy in the U.S. - for example, in data centers - the markets are increasingly questioning the profitability of these business models. The high valuations are based primarily on future prospects. The sector is driving itself forward in a race to outdo one another with ever-larger volumes of data and computing capacity. However, this primarily leads to transactions and cash flows within the industry itself. Not much revenue is flowing in from outside. This raises the question of what external cash flows will be used to service the very high levels of debt, some of which was incurred in a non-transparent manner. At the very least, a gradual revaluation of the sector - if not a more significant correction - could be on the horizon.

How long and to what extent can the very high levels of AI investment continue to drive growth?



Source: German Stock Exchange

But this casts the U.S.'s growth rates - and thus its public debt sustainability - in a different light. In any case, the bond markets are increasingly pricing in rising risk premiums. Yields on U.S. bonds have reached their highest levels since 2007 across nearly all maturities. For 10-year maturities, the 5 percent mark was surpassed in mid-September. The recent increases are particularly evident in bonds with long fixed-rate periods. This makes the U.S.'s debt service even more expensive. If interest rates continue to rise, a loss of debt sustainability would, purely mathematically, eventually become a self-fulfilling prophecy.

*U.S. Economy Highly
Dependent on AI*

*Public Debt on the Brink
of Sustainability*

The U.S. Treasury is attempting to reduce interest burdens by withdrawing longer-term bonds from the market and replacing them with shorter-term securities. Because the latter carry lower interest rates, this initially saves costs. But this is a highly dangerous maneuver! Should interest rates rise (as they inevitably will), for example due to a further surge in inflation or a loss of external confidence in the U.S. dollar, such a shock would hit all the harder, more directly, and more quickly. The cushion provided by maintaining a constant level of long-term financing would then be less effective in mitigating the impact.

*Shortening the fixed-
rate period is a risky
gamble*

Against this backdrop, the Federal Reserve raised its key interest rates by 25 basis points to a range of 3.75 to 4.0 percent. This was in line with market expectations and had also been called for in light of high inflation rates. With this rate hike, the Fed has demonstrated that, even under its new chairman, Kevin Warsh, it remains willing and able to combat inflation. This is unlikely to please President Trump, who constantly calls for interest rate cuts. But realistically speaking, if the Fed had refrained from raising rates, yields on long-term U.S. bonds would likely have risen even more sharply due to higher inflation premiums and doubts about the Fed's institutional independence. In this respect, the Fed's rate hike was rightly justified and helped contain the crisis.

*Fed's Interest Rate
Move Goes Against
President Trump's
Wishes*

Sound Banking Markets in Germany and Europe

Compared to the more turbulent developments in the United States, the European and German financial and banking markets appear to be a veritable bastion of stability. Valuations on the stock markets are far more moderate. Public debt levels and budget deficits are now lower in most countries than in the U.S. Interest rates in the Euro area are also lower, reflecting the growing lead in confidence.

*Europe as a bastion of
stability in many
respects*

It is true that Germany, too, has recently allowed itself a boost in debt - and will do so increasingly in the coming years - through the infrastructure fund's "special fund" and the budgetary exemption for higher defense spending. But here, at least part of the spending is investment-oriented. The starting point in terms of debt levels and the deficit is significantly more prudent and robust. Nevertheless, there has also been some reaction in the bond markets here in Germany amid rising global yields and an overall more skeptical assessment of debt levels. Yields on ten-year German government bonds have now settled at over 3.6 percent.

*Certain interest rate
premiums can also be
observed here*

In the money market, the European Central Bank has demonstrated with its latest key interest rate move that it is taking decisive action to combat inflation. Of course, it cannot directly counter the rise in energy prices caused by the Gulf War. But it can prevent the spread of inflationary pressures and second-round effects. In this way, inflation expectations can remain anchored at the target level. This is the best measure for keeping interest rate increases in check over the long term. The inflation rate in the Euro area, which according to a flash estimate stood at 3.3 percent in August - once again above the 3 percent mark - provided cause for action.

Inflation rates in Germany and the Euro Area (12-month rates, in %)

	May	Jun.	Jul.	Aug.
Euro area				
total HICP	3.2	2.8	3.0	3.2
core inflation	2.6	2.4	2.5	2.4
Germany				
total HICP	2.7	2.4	2.8	2.9
core inflation	2.6	2.5	2.6	2.6

Source: Eurostat

On the topic of “Inflation and Monetary Policy,” the DSGV will publish a separate, in-depth report in the coming weeks - the next “Chief Economists’ Perspective.”

To a certain extent, however, the most recent interest rate hike has also accompanied and mirrored the trend toward higher rates in the capital markets. Had the ECB remained at 2.25 percent, the yield curve would have steepened, and the impact of monetary policy would thus have become more expansionary. This would not have been appropriate in the current situation, however, which is why we believe the rate hike was the right decision.

The ECB's interest rate decision on September 10 is appropriate given the circumstances

The banking sectors in the euro area are also well-positioned to weather the situation and support the economic recovery. This also applies to Germany, where growth picked up unexpectedly in the first half of 2026. The stability, capital base, and earnings situation in the banking system are strong. The Deutsche Bundesbank has just confirmed this once again in its recently published September Monthly Report. As it does every year in this month, the Bundesbank examined the development of the pillars of the banking system over the past full year. In particular, the Bundesbank attests to the savings banks' robust earnings situation and considers them to be well-positioned.

A robust credit market supports growth

Even the somewhat turbulent market conditions in the summer of 2026 do nothing to alter the positive outlook for savings banks and state banks. While the rise in interest rates on the bond markets in recent years could result in a certain need for write-downs on their own bond portfolios, the slightly higher rates once again offer good potential for the interest margins that can still be achieved.

Joint Forecast by Chief Economists

Against this backdrop, the chief economists of the Sparkassen-Finanzgruppe have prepared their new “Joint Forecast.” All ten institutions with relevant positions participated in the process. The key figures from the forecast for Germany are shown in the table on the following page.

For the current year, growth in Germany is expected to be slightly above the one-percent mark. Hardly anyone would have thought that possible in the spring, when a more significant impact from the war in the Middle East and the rise in oil prices was still anticipated. Even now, the forecast is not particularly optimistic

Growth in the current year above the 1 percent mark

and indicates only modest momentum for the remainder of 2026, due, for example, to the slowdown caused by low water levels. The strong full-year figure stems rather from the surprisingly good performance of the first half of the year, which has already been reported as a statistical actual. Growth above the one-percent mark is remarkable in this situation and should not be downplayed in terms of its magnitude. Such a development is well above the potential growth path. We can therefore speak of a recovery following the meager six years that lie behind us.

Germany	Actual values 2025	Forecast 2026	Forecast 2027
Gross Domestic Product ¹⁾	0.2	1.1	1.2
private consumption	1.4	0.5	1
government spending	1.5	3	1.9
Construction Investments	-0.9	-1.1	2.2
Investments in Equipment	-2.3	0.2	2.3
Exports	-0.3	3.2	2
Imports	3.6	2.6	2.6
Employees ²⁾	45977	45688	45525
Unemployment rate ³⁾	6.3	6.3	6.2
Consumer Prices (HICP) ⁴⁾	2.2	2.7	2.5
Core rate ⁴⁾ (excluding energy, food, alcohol, and tobacco)	2.6	2.5	2.3
Savings Rate ⁵⁾	10.1	10.2	10.1

- 1) GDP and subcategories: non-calendar-adjusted, real year-over-year change in %
 2) Number of employed persons working in Germany, in thousands..
 3) Unemployment rate as defined by the Federal Employment Agency, in %
 4) Change from the previous year, in %, based on the HICP definition.
 5) According to the national definition of the consumer price index, the annual average rate in 2025 was 2.2 percent..
 6) Household savings rate as a percentage of disposable income.

Source: Federal Statistical Office, Joint Economic Forecast by the Sparkassen-Finanzgruppe from Summer 2026

With the projected growth rate, we will once again reach the level we had forecast at the beginning of the year during the summer period - or even exceed it slightly. At that time, the chief economists had predicted 1.0 percent growth for 2026 - and that was before the impact of the war in the Middle East was foreseeable! Now it appears that this growth will indeed be achieved - at the very least. Despite all the new pressures from wars and additional burdens such as the low river water levels, growth is proving to be very robust.

According to the 2026 forecast, growth will be driven primarily by exports and government consumption. Both are strongly supported by the strong actual figures from the first half of the year. In the case of exports, this is surprising

The forecast made at the beginning of the year has thus been essentially confirmed

Exports and government spending are the pillars of growth this year

given the tariffs imposed by the U.S. One explanation could be that many suppliers quite coolly bet on the tariffs being rolled back, which has indeed “paid off.” In addition, German suppliers are also benefiting from high AI investments in the U.S., for example in electrical components and fans.

However, the main factor behind Germany’s strong exports is the shift in geographic focus. This trend is expected to intensify in the future against the backdrop of free trade agreements concluded with third countries. For the time being, exports to partner countries within the single market have been particularly strong.

Exports to the European single market, in particular, are currently going well

In their forecast for 2027, the chief economists remain optimistic that growth can continue at rates above potential. By 2027, investment - in both construction and equipment - should also emerge as a driver of growth.

Euro area	Actual values 2025	Forecast 2026	Forecast 2027
Gross Domestic Product ¹⁾	1.4	0.8	1.2
Private consumption	1.1	0.9	1.1
Government spending	1.6	2	1.5
Exports	1.8	1.4	2.1
Imports	2.3	2	2.2
Consumer Prices (HICP) ²⁾	2.1	2.9	2.4
Core rate (excluding energy, food, alcohol, and tobacco)	2.6	2.4	2.3

1) GDP and breakdowns: year-over-year real change (not seasonally adjusted), in %.

2) Change from the previous year, in %, as defined by the HICP

Source: Joint Economic Forecast by the Sparkassen-Finanzgruppe, Summer 2026

The latest chief economists’ forecast is also optimistic for the Euro area. Although the growth rate for the current year is projected to be slightly lower than in Germany, the different starting point must be taken into account. In the Euro area as a whole, the economic recovery has been intact for several years now. It is expected to continue and is now once again being supported to some extent by economic developments in Germany.

However, given the many conflicts and geostrategic challenges highlighted in this report, and in light of the increased volatility in international financial and foreign exchange markets, there is a potential risk that renewed disruptions could drag the economy down. The world remains a dangerous place.

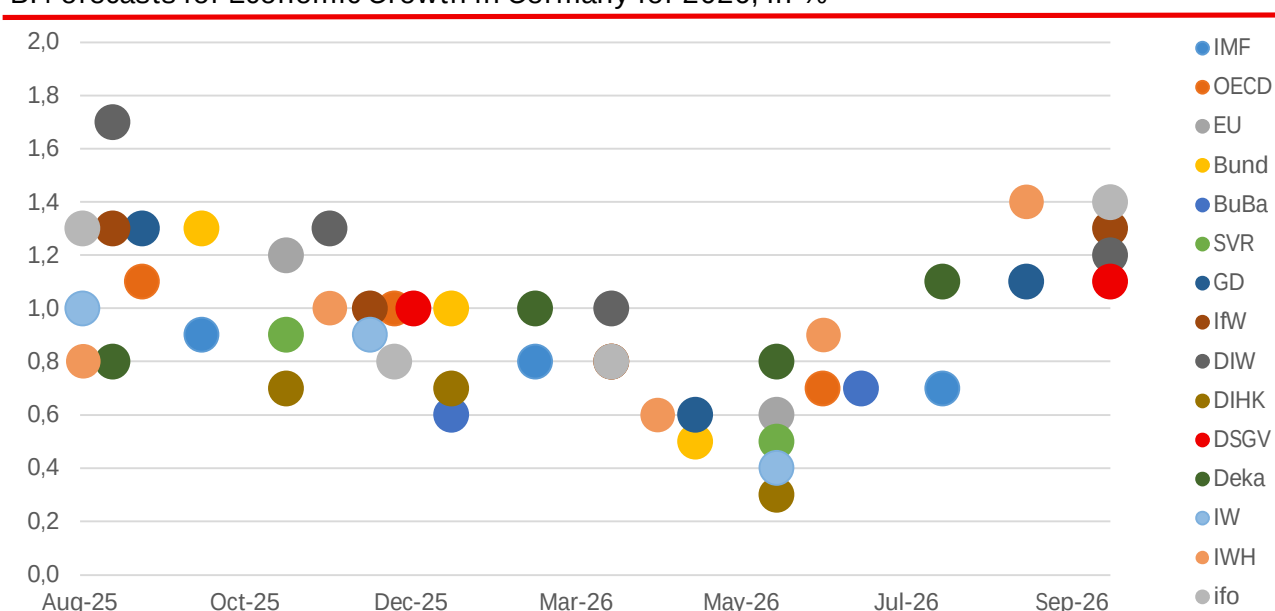
Downside risk due to the global political situation

A. Growth in Global Economic Regions, Change from the Previous Year

	2024	2025	2026*	2027*
Global trade volume	3.7 %	5.0 %	3.5 %	4.3 %
GDP – World	3.5 %	3.5 %	3.0 %	3.4 %
USA	2.8 %	2.1 %	2.3 %	2.2 %
Japan	-0.2 %	1.1 %	0.6 %	0.7 %
China	5.0 %	5.0 %	4.6 %	4.1 %
Euro area	1.0 %	1.4 %	0.9 %	1.2 %
Germany	-0.5 %	0.2 %	0.7 %	1.0 %

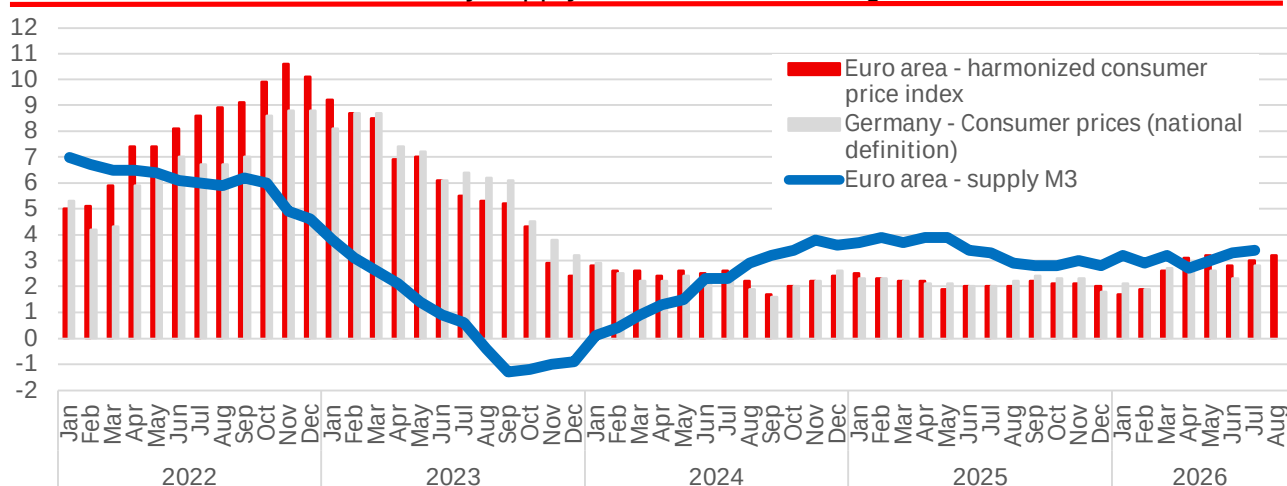
* International Monetary Fund forecasts from July 2026.

B. Forecasts for Economic Growth in Germany for 2026, in %



C. GDP in the Euro area and in Germany

	Yearh 2025	Q III – 2025	Q IV – 2025	Q I – 2026	Q II – 2026
	real ggü. Vorjahr	Real change compared to the same quarter of the previous year and seasonally adjusted real change compared to the previous quarter			
Euro area GDP	+1.2 %	+1.2 % +0.3 %	+1.1 % +0.2 %	+0.6 % 0.0 %	+1.2 % 0.6 %
Germany GDP	+0.2 %	+0.3 % 0.0 %	+0.3 % +0.3 %	+0.7 % +0.4 %	+1.0 % +0.3 %
Private consumption	+1.4 %	+1.0 % -0.1 %	+1.6 % +1.0 %	+0.5 % -0.6 %	+0.1 % +0.1 %
Gross Capital Expenditures	-0.6 %	-0.2 % +0.2 %	+1.0 % +1.2 %	-1.0 % -1.3 %	+0.0 % -0.2 %
Exports	-0.3 %	-0.9 % -0.7 %	-0.2 % -0.1 %	+0.5 % +2.4 %	+3.7 % +2.0 %
Level, not rate of change; seasonally adjusted quarterly figures					
Savings Rate	10.1 %	10.3 %	10.1 %	10.1 %	10.1 %

D. Consumer Prices and M3 Money Supply, Annual rates of change in %**E. Monthly Economic Indicators for Germany**

	May	June	July	August	September
Prices (national definition)	Change compared to the same month of the previous year				
Consumer prices	2.6 %	2.3 %	2.8 %	2.9 %	-
– excluding food and energy (core inflation)	2.6 %	2.5 %	2.6 %	-	-
Producer prices for industrial products	2.2 %	1.8 %	3.0 %	-	-
Import prices	6.8 %	6.1 %	6.8 %	-	-
Sentiment indicators					
ifo Business Climate Index	85.0	85.7	86.7	88.8	-
ZEW Economic Sentiment Survey	-10.2	10.5	26.3	34.2	34.7
Incoming orders	Change compared to the same month of the previous year				
Manufacturing industry	-1.6 %	13.8 %	13.2 %	-	-
From within Germany	-0.5 %	23.0 %	27.1 %	-	-
From abroad	-2.2 %	8.5 %	3.9 %	-	-
Capital-goods producers	-2.9 %	18.7 %	18.7 %	-	-
Production	Working-day-adjusted change compared to the same month of the previous year				
Overall manufacturing industry	-0.2 %	-0.5 %	-1.6 %	-	-
thereof: construction	2.2 %	0.2 %	1.0 %	-	-
thereof: industry	-1.1 %	-1.0 %	-3.3 %	-	-
Foreign trade	Change compared to the same month of the previous year				
Exports	-0.7 %	13.9 %	6.1 %	-	-
Imports	1.5 %	14.0 %	3.0 %	-	-
Labour market	Unemployment rate, change in the jobless total compared to the same month of the previous year (1.000s)				
Unemployment rate (seasonally-adjusted)	6.3 %	6.2 %	6.4 %	6.5 %	-
Jobless total	+31	+22	+28	+36	-
Employed persons (with a place of work in Ger)	+53	+7	-55	-	-
Employees subject to social-security contributions	-69	-73	-	-	-

F. Commodity, foreign-exchange and financial markets

	May	June	July	August	September, 16
Brent oil price in USD	107.14	85.40	83.76	91.08	105.34
Exchange rates					
US-Dollar / EUR	1.1673	1.1518	1.1417	1.1593	1.1537
Japanese Yen / EUR	184.71	185.11	185.54	184.10	178.88
Equity markets					
DAX German benchmark share index. end-of-month	24.292	24.996	25.629	26.258	25.441
Change compared to the same month of the previous year	+9.61 %	+4.54 %	+6.50 %	+9.86 %	-
Money-market and capital-market rates					
Call money (€STR)	1.931 %	2.045 %	2.184 %	2.187 %	2.189 %
Current yield of German government bonds with a residual maturity					
– of one year	2.45 %	2.46 %	2.66 %	2.76 %	2.89 %
– of ten years	3.04 %	2.93 %	3.21 %	3.37 %	3.51 %
Interest rates of credit institutions, in new business					
Daily deposits of private households in D; for comparison across the euro area as a whole	0.48 % 0.27 %	0.51 % 0.28 %	0.50 % 0.28 %	- -	- -
Deposits of private households up to 1 year in D; for comparison across the euro area as a whole	2.00% 1.92 %	2.16 % 2.03 %	2.22 % 2.10 %	- -	- -
Corporate loans of up to € 1 million over 5 years in D; for comparison across the euro area as a whole	4.15% 5.22 %	4.28 % 5.19 %	4.14 % 5.10 %	- -	- -

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