



**Finance Group**

German Savings Banks Association

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Statement by

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Online press conference on the economic forecast  
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# Online press conference on the economic forecast

Ladies and gentlemen,

A very warm welcome to our press conference.

The “Common Economic Forecast” which we are presenting today describes our expectations with regard to the economic development for the current year and beyond.

This forecast is based on the Savings Banks’ extensive knowledge of the market and, more importantly, the calculations of nine chief economists of the Savings Banks Finance Group.

I’m pleased to welcome Dr Ulrich Kater, Deka’s chief economist, who is with us today. In a few moments, he will delve deeper into the details of the forecast.

I would like to begin my statement by providing an assessment in terms of economic policy.

Germany is facing significant economic challenges. Many people worry about the future.

It’s all the more important that all of us help to secure and strengthen the foundations of our economic prosperity for the future. Three pillars are absolutely necessary for this purpose:

First: Germany’s economic strength is based on the premise that we are, and will remain, a democratic and open-minded country – where people treat each other with respect and tolerance. This applies in particular vis-à-vis people from other cultural backgrounds.

Anyone who questions this and who fails to comply with the fundamental values of our Constitution will not only jeopardise our liberal-democratic rule of law, but will also deprive this country of its prosperity. Because, for economic reasons, we strongly depend on international cooperation and also immigration of skilled labour.

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To put it bluntly: foreign top-flight researchers as well as foreign professionals and nurses from abroad will not come to Germany if they must fear that they will be rejected here or even deported in future.

Anyone who thinks or talks like this, or who wants to act like this, is not only inhumane but also does harm to the future of our country.

It is therefore right and appropriate that hundreds of thousands of people have taken to the streets in the past few weeks to clearly and visibly articulate their views. As Savings Banks, we support these people, who think and act positively in our country.

Second: As a national economy and as a society, we must hold our ground in a new global world. This will only be possible within the framework of the European Union.

One in four jobs depends on exports in Germany. The countries of the EU are Germany's most important trading partners. More than half of German exports go to EU Member States.

Anyone who argues in favour of weakening the EU or in favour of Germany leaving the EU will make Germany poor.

Third: Germany urgently needs economic growth. Only growth that is climate-friendly will enable us to retain the efficiency of our social security systems and to secure our prosperity.

To achieve growth, all people who are able to work will need to make a contribution – and certainly also more so than in the past.

Because due to our high average age, our country will have to be borne by an ever smaller number of shoulders of people in the active workforce. In future, this will only work if

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consistent use is made of technologies, if skilled labour from abroad is allowed to immigrate and if all of us work more.

There is no reason to be pessimistic or even fainthearted.

We will have every opportunity to jointly shape a positive future. Germany has substance in every respect:

- Employment and career prospects are better than ever before – skilled workers are wanted in nearly all sectors.
- Businesses in Germany – in particular small and medium-sized enterprises – are in a robust position. Their equity ratio is good, and according to data recently published by Germany's Ifo Institute, it is also easier for them again to borrow funds.
- Inflation is still putting pressure on all of us. However, it has already come down and will slowly return to normal. The impact of the necessary monetary policies can already be seen. It is true that the central bank is proceeding cautiously, while carefully monitoring the effects. Interest rate cuts can certainly only be implemented if the fight against inflation has reliably been won.
- The transformation to a more sustainable economy has begun. Some suggest that the investments allegedly required for this purpose are virtually astronomical; as a matter of fact, however, German businesses will easily be able to cope with the investments needed in the next few years. Because many of the investments that are referred to as “climate investments” are actually replacement investments designed to promote more efficient means of production and production processes.

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When subdivided into annual tranches, broken down into equity and debt financing and into replacement and additional investments, the investments to be made by our businesses are in an order of magnitude which – realistically – they will be able to manage.

By the way, these levels of investments can also be managed by the German system of principal banks, supplemented by additional private capital.

I'm in favour of clearly stating – also vis-à-vis policymakers – what actions will need to be taken.

However, I'm also clearly against conjuring up a collective depression. At least 50 percent of the economy is psychology.

I therefore believe that, if the right decisions are taken, our country and our economy will be able to cope with the challenges. We will have to work hard, but at the end of the day, we will be successful.

## II.

So, let us take a closer look at the macroeconomic conditions:

- The global economy is expected to grow at 2.6 percent this year. This is significant growth, but somewhat weaker than in the previous year.
- In the past year, Germany's gross domestic product fell by 0.3 percent. For 2024, we expect a recovery by 0.3 percent. As of 2025, GDP growth is expected to accelerate, reaching a rate of 1.1 percent.

There are specific reasons why economic growth in Germany is currently weaker than in other industrialised nations:

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On the one hand, we have – fortunately so, and unlike many other countries – a well-developed manufacturing sector, with many energy-intensive companies. It is absolutely necessary that these companies are retained in Germany.

On the other hand, Germany is a country that is highly reliant on exports. We are therefore particularly affected by the flagging world economy.

In my view, it is therefore important that our country – and above all policymakers – should focus on the framework conditions that will maintain and improve our competitiveness.

I would just briefly like to describe these conditions as follows:

First: Secure and cost-efficient energy supply will be crucial for the future, above all for the competitiveness of German industry.

For good ecological reasons, our country has decided that energy supply should in future be based on renewables.

Today, renewables are certainly competitive in terms of their pricing. However, to compensate for peak loads, they need reserve capacity – which for a certain period of time will be provided by coal, to be replaced as soon as possible by gas and in the long term by hydrogen.

According to Germany's Federal Grid Agency (Bundesnetzagentur), the 25 gigawatts required for this purpose – i.e. roughly 50 gas-fired power stations – will need to be financed in such a way that this will not lead to a sustained increase in energy prices, which would have an adverse impact on competitiveness.

Second: Another crucial success factor is the international orientation of our businesses.

As a result, our businesses are not only economically vulnerable to global disruptions, but also in terms of supply chains. We have seen this during the Covid period, at the beginning of the war against Ukraine, or when the Suez Canal was blocked by a container ship, and during the current attacks by the Huthis on ships in the Red Sea.

It's good therefore that German businesses have broadened not only their supplier base but also their geographical base.

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I think that policymakers should and could effectively support this process – through more partnerships with additional emerging countries and selective foreign investments. German businesses simply need more partners in the world. And this will need to be politically supported.

Owing to the Single European Market, the EU is one of the three biggest global players in international trade, along with China and the United States. The Single European Market helps EU Member States to compete in the world market and strengthens the EU's influence in the world.

Turning away from the EU would therefore make no economic sense.

Third: In my view, the use of new technologies, and above all AI, will be crucial in the future.

In this context, we will need to keep an eye on both our competitiveness and preserving our own sovereignty.

In practical terms, this means that, in the b-to-c business, most data are held by the global Big Techs, who do not give others a fair share in the use of these data. This is a significant competitive disadvantage for European suppliers – an unfair restriction of competition.

This must not be allowed to happen in the b-to-b business, as well. In this business, Germany still has significant competitive advantages which were developed by the country on its own and which we should not voluntarily and negligently leave to third parties.

It is important therefore that research into, and the application of, Artificial Intelligence is and will remain a key factor for businesses and policymakers. This applies, for instance, to the availability of large computer centres.

And fourth: We need a new performance culture.

I think that policymakers should tell people in this country – more clearly than in the past – that the path towards a new competitiveness can only be successfully managed if new and greater efforts are made.

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I understand that employees are asking for a fair share of the value growth, which they also want to implement. However, all of us also need to understand that now is not the time to ask for shorter working hours. On the contrary, all of us will need to roll up our sleeves to work our way out of the current difficulties.

Performance and additional work should therefore be promoted and rewarded.

I could politically imagine, for instance, that the tax burden on additional hours worked above a defined minimum might be reduced, or that a voluntary prolongation of an individual's working life might be more highly rewarded in terms of taxation or social security contributions.

Conversely, it is time now to genuinely and seriously unleash the performance capability and willingness of businesses and their employees by reducing excessive bureaucratic and reporting obligations.

This has often been announced, but an implementation of these announcements for businesses has not yet become visible.

### III.

As the Savings Banks Finance Group, we are willing and able to support and finance the path towards greater competitiveness.

Everywhere in Germany, we are the most important partner when it comes to loans for enterprises.

42 percent of all loans to enterprises are granted by our Group; approx. three-quarters of all enterprises are our customers.

We stand for stable financing. We support our customers as they transform their business models from "brown" to "green". In this way, we will make a major contribution to the transition towards a sustainable economy.



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Savings Banks are sufficiently capitalised to cope with this challenge. And we will also continue to strengthen our economic substance.

At the same time, we want to continue to progressively expand our market position – both in corporate banking and in retail banking - which is already strong as it is.

Ladies and gentlemen,

On behalf of the participating economists, Dr Ulrich Kater, the chief economist of DekaBank, will now explain the details of the “Common Economic Forecast”, the data set and the risks involved.