

# Makro Research

## ***S-Financial Climate***

July 14th, 2025



**..Deka**

### ***S-Financial Climate in Q2 2025:***

#### ***Hopes of an upswing against a backdrop of geopolitical threats***

- The latest escalation in the Middle East conflict is meeting with rising hopes of an economic upturn in Germany. The Deka-S financial indicator reached an all-time high of 108 points in the second quarter of 2025. Savings banks in Germany are reporting a better business situation for their corporate customers in their business areas than at the start of the year. Expectations of a future economic recovery have increased even more.
- The dominant economic topics in the second quarter were the foreign trade policy of the new US government under President Trump. The savings banks' board members continue to see the new trade restrictions as a burden for the German economy. This is all the more the case the more industrialized the respective business area is. The spending plans of the new German government are only half seen as a counterbalance here: Their positive effects on the local economy are predominantly seen as weak. A turn for the better is therefore not synonymous with the end of the economic problems in Germany, especially as the optimists are only slightly in the majority among those surveyed. But a start has been made towards overcoming years of stagnation.



**Finanzgruppe**  
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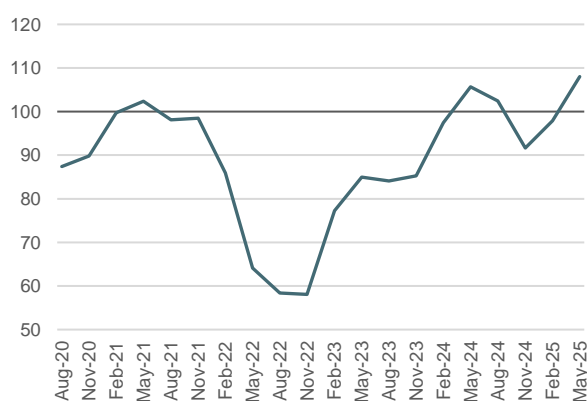
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## Economy Update

### S-Financial Climate at an all-time high

The S-Financial Climate reached a new high in its short history in the second quarter of 2025, rising to 108.0 points (Fig. 1). However, on the scale, which ranges from zero to 200, this value only slightly exceeds the normal value of 100. The current escalation in the Middle East conflict is not included in the answers. However, the moderate price movements on the crude oil markets and the stock markets to date tend to indicate that the assessments have not changed fundamentally.

**Fig. 1 Deka S-Financial Climate, Q2 2025**

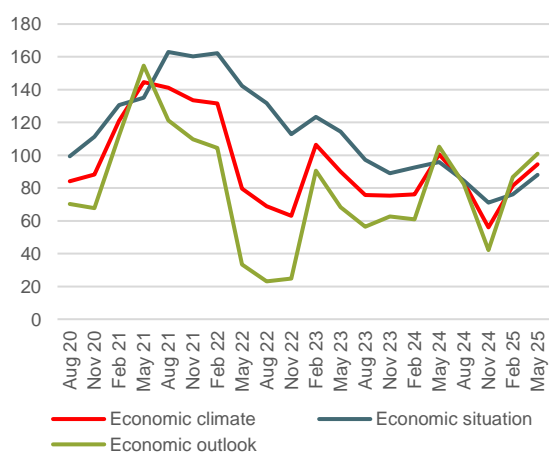


Sources: DekaBank, Research Center for Savings Bank Development, DSGV

### Signs of an incipient recovery

Beyond the geopolitical risks, the economic assessment of the surveyed savings bank board members continued to move towards normality in the second quarter (Fig. 2). Both the economic situation and economic expectations have improved. However, while the situation assessment is still well below the 100 mark, economic expectations are already above it. In an environment characterized by a high level of global trade and political uncertainty, this is quite remarkable. The savings bank board members are presumably

**Fig. 2 Economic climate improves**

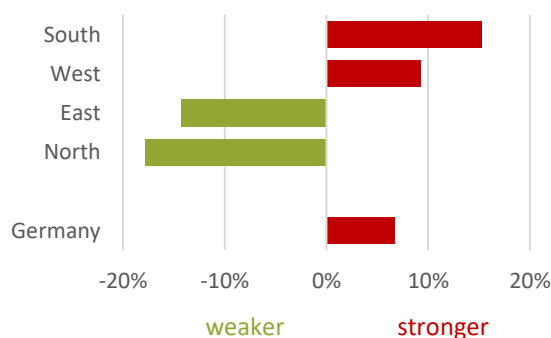


Sources: DekaBank, Research Center for Savings Bank Development, DSGV

counting on a further recovery in domestic demand, driven by real income growth, lower interest rates and the hope of economic policy reforms. The savings bank board members are still cautious with regard to fiscal stimuli. When asked whether their region would benefit from the infrastructure packages, almost 70% answered "somewhat", 10% saw strong or very strong stimulus, 20% little or none at all.

The risks to the economic outlook remain high. For example, 82% of respondents saw medium-term risks in the new US policy. In addition to the geopolitical aspects, they are likely to have been particularly concerned about the risks associated with US customs policy. 28% of the savings bank board members stated that their region was heavily or very heavily burdened by the US tariff policy, while only 15% saw only minor burdens. The regional distribution of the burden is interesting: no savings banks in eastern Germany see strong or very strong problems as a result of US customs policy. The majority of a good 70% expect only slight burdens. In the north of the country, too, 50% see only minor burdens. The picture is very different in the west and south. The southern savings bank regions expect the greatest problems, but the west also sees considerable challenges (Fig. 3). It can be seen that regions that are heavily industrialized and/or have a strong dependency on the US are more critical of US tariff policy.

**Fig. 3 How badly is your region affected by US-tariff policy?**



The balance results from the difference between the positive and negative answers: (very strongly)\* 100% + (strongly)\*50% - (hardly)\*50% - (not at all)\*100%.

Sources: DekaBank, Research Center for Savings Bank Development, DSGV

### Demand for credit is rising - supply is not yet keeping pace

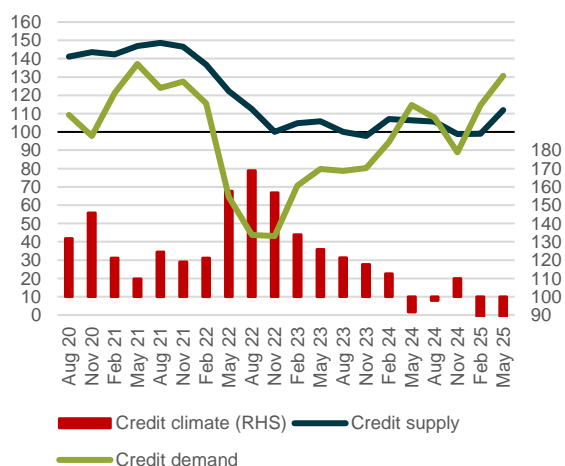
From an economic perspective, it is a good sign that the savings banks are reporting a stronger increase in demand for credit, both for commercial loans and real estate loans. This means that more companies and households have so much confidence in the future that they want to invest

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more money again. The supply of loans from savings banks has also increased, even to its highest level since 2022, but it has not been able to keep pace with demand, meaning that the credit climate has fallen again (Fig. 4). However, there is no reason to speak of tensions or credit shortages, as credit supply and demand are still too close together for that.

**Fig. 4 Credit climate**

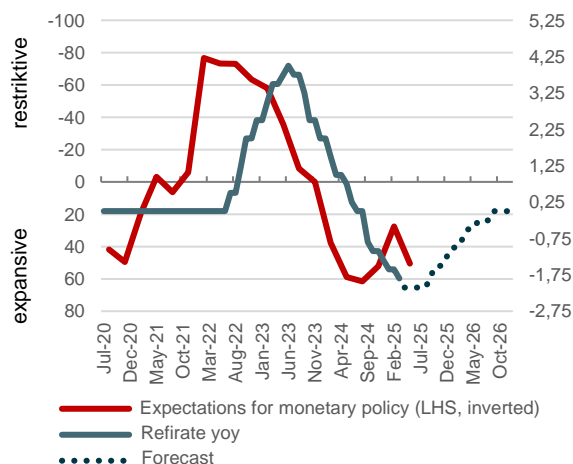


Sources: DekaBank, Research Center for Savings Bank Development, DSGV

### Expectations of a more expansionary monetary policy

The expectations of regional bank managers in the area of monetary policy are quite accurate (Fig. 5). This is also a success of the communication policy of the European Central Bank (ECB). At present, the balance of monetary policy remains on an expansionary course. However, the European Central Bank had already lowered its key interest rates by a further quarter of a percentage point to 2% (for the deposit

**Fig. 5 Key interest rate and the S-indicator**



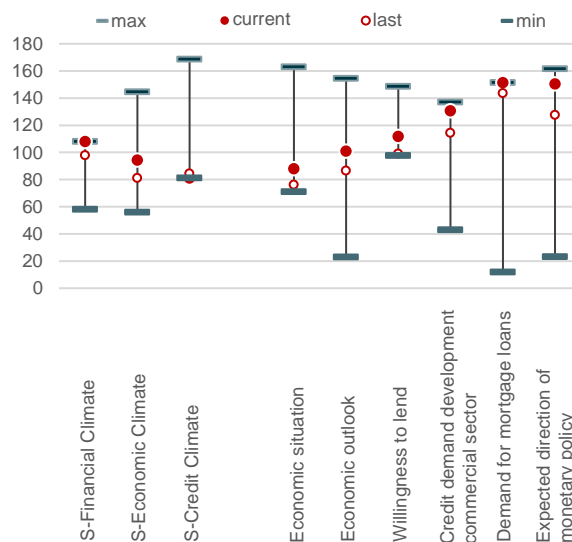
Sources: DekaBank, Research Center for Savings Bank Development, DSGV

rate) during the survey period. It remains to be seen in the next round of surveys whether this interest rate represents the end of the interest rate ladder in the eyes of the savings banks.

### Conclusion

The negative impact of the new trade policy in the United States on the German business landscape remains. The savings banks are also noticing that the typical industrial regions of the past decades in the south of Germany in particular are suffering from the new coordinates of the global economy. Nevertheless, the regional banks are also registering the first signs of an upturn, albeit at a low level. Many sub-indicators of the Deka-S financial climate are in above-average territory, in some cases at their highest levels to date (Fig. 6). As there is hardly any negative counterweight left, the overall indicator reached an all-time high in the second quarter, although there is still plenty of room for improvement at 108 points (theoretical high: 200 points). It is still too early to judge whether the renewed escalation of the Middle East conflict will dampen hopes of an upturn.

**Fig. 6 Overview of indicators**



Sources: DekaBank, Research Center for Savings Bank Development, DSGV

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## ***Economy Update***

### ***Deka-S Financial Climate Index: Construction***

The Deka-S-Finanzklimaindex 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 and Giro 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 a perspective on the current situation and expectations for the future. 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 answers to each question. A completely neutral result results in an index value of 100. A completely positive assessment in all questions by all participants means an index value of 200 points; in the opposite negative variant, the index value is zero.

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## *Economy Update*

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