

Joachim Nagel: Act now and advance the German economy

Keynote speech by Dr Joachim Nagel, President of the Deutsche Bundesbank, at the Frankfurt Euro Finance Summit, Frankfurt am Main, 15 June 2026.

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1 Introductory remarks

Ladies and gentlemen, Germany has begun its 2026 World Cup campaign with a victory. While the bookies aren't counting Germany among the favourites, they are still giving the team a fair chance of winning the tournament.

A fifth title would also be highly welcome from an economic standpoint: in the years when the men's national team won the World Cup, Germany's economic growth was, on average, one percentage point higher than usual. In 1954, 1974, 1990 and 2014, it averaged 4%, compared with an average of 3% per year since 1951.

There is, however, no causal justification for this finding. And so, even if we were to manage to win the World Cup again, we are unlikely to see any strong economic growth. But I'll come back to that later.

First of all, I would like to thank you for inviting me here today. I am delighted to have the privilege of opening the Frankfurt Euro Finance Summit – as I did last year. In a way, this also marks the passing of another year. It has also been just over one year since Germany's current Federal Government took office. This prompted you, Mr Scholz, to give your interim assessment today.

2 Flashback: One year ago – and today?

Germany could be a success story. I made this statement in my speech one year ago. Connoisseurs of grammar will immediately recognise this as the conditional grammatical mood. Because the word "could" describes a possibility, not a fact.

How are things looking for this possibility now? On the one hand, progress has been made and there is reason to hope that more will follow in the coming weeks and months. On the other hand, reforms to boost growth are needed now more than ever. This is also because the international environment remains challenging.

In my speech last year, I spoke about the trade dispute with the United States. One year later, there has still been no definitive resolution to the issue of tariffs. In just over five weeks, the US tariffs pursuant to Section 122 will generally expire and a new arrangement will be drawn up. The Middle East was also a topic at that time, including Israel's attack on Iran. Looking back, the repercussions proved to be limited.

Much more severe, however, is the economic impact of the current war in the Middle East. For months now, the blockade of the Strait of Hormuz has largely cut off a vital

lifeline for the global energy trade. This has had consequences for the global economy as a whole.

There was a sudden jump in the cost of energy, especially crude oil. This is also reflected in general inflation. According to the Harmonised Index of Consumer Prices (HICP), the rate of inflation in the euro area rose from just under 2% at the beginning of the year to a provisional 3.2% in May. So far, this has been attributable mostly to the energy component, but the prices of other goods and services have also recently risen.

Fortunately, there are now signs that there will be a ceasefire and that the Strait of Hormuz will be reopened. There is reason for hope for peace. Nevertheless, even if the Strait of Hormuz is soon navigable again, it will take months for the oil supply to normalise. Especially since production facilities in the region have, in some cases, been damaged or put out of commission, and reserves are getting smaller. And price pressures are likely to rise again when fiscal policy measures to lower energy prices expire. These are likely to have dampened euro area inflation by 0.4 percentage point in May.

3 Monetary policy in the euro area

Three and a half months after the outbreak of the war in the Middle East, it has become clear that monetary policy is not dealing with a short-term supply shock that we can simply look past without taking action.

According to the Eurosystem's June projection, the inflation outlook is deteriorating. This suggests that the persistently high energy costs are likely to be increasingly reflected in consumer prices in the coming months. Second-round effects cannot be ruled out at present, either. The risk that high wage demands will continue to drive prices is currently rather low. However, second-round effects can also occur if inflation expectations rise.

The inflation expectations derived from financial market data have actually risen recently. Many people still vividly remember the exceptionally strong inflation in 2022 and 2023. This may contribute to the fact that the ECB's Consumer Expectations Survey from March and April indicates perceptibly elevated inflation expectations.¹ Overall, the Eurosystem staff projection expects that inflation will be 3.0% this year. It will not reach our target of 2% until the year after next.

Against this backdrop, we on the ECB Governing Council decided last Thursday to raise the key interest rates by 0.25 percentage point. We are committed to setting monetary policy to ensure that inflation stabilises at our 2% target in the medium term. The Governing Council will hold its next monetary policy meeting in July. We will be keeping all options open.

The interest rate step decided on Thursday was expected by the financial markets and had long since been priced in. It should not have come as a surprise to anyone. At present, the interest rate level is still broadly neutral. The underlying monetary policy stance is therefore currently neither weighing on economic activity nor hindering structural measures for stronger growth. And this brings us to my next two topics for today.

4 The German economy

As the winter half-year went better than expected, the war in the Middle East only slightly throttled the outlook for Germany's economic engine for 2026 as a whole. According to the Bundesbank's Forecast for Germany published on Friday, the German economy will grow by 0.5% in real and calendar-adjusted terms in 2026 as a whole. Our experts have thus revised the Bundesbank's December forecast only marginally downwards by 0.1 percentage point.

If we bear in mind that we have an above-average number of working days this year, real growth without calendar adjustment amounts to 0.7%. Next year, economic growth will accelerate to 0.8% in calendar-adjusted terms. And, in the year after that, the German economy will see even stronger growth of 1.4%. Economic activity is therefore likely to regain momentum by 2028.

The recovery will be supported by falling energy prices, a strengthening global economy and, above all, strong stimulus from fiscal policy. According to our estimate, the latter will contribute a cumulative 1.3 percentage point to the increase in gross domestic product over the forecast horizon. Here, increasing defence expenditure has the greatest weight. However, higher expenditure for infrastructure also plays a role.

5 Right of way for investment

In order for the economic engine to accelerate further – and for a longer period of time – investment must have the right of way. To continue the metaphor, the traffic rules should be changed in favour of investment at three junctions.

First, the Infrastructure and Climate Neutrality Special Fund offers a great opportunity to resolve the traffic jam in public infrastructure investment. The more funds from the new loans are channelled into additional investment that improves infrastructure, the greater the effect will be. The Bundesbank has made proposals on how to effectively secure this right of way for spending on infrastructure.²

Second, investment needs the right of way in planning, approval and procurement procedures. This applies to public investment just as much as to private investment. The shorter bureaucratic stops are – and the fewer of those stops there are – the faster the investment gap can be closed. Clearing the regulatory thicket can help here, alongside the systematic digitalisation of public administration. Central and state governments have already put some miles behind them on this road. Now the modernisation agenda must be implemented, so private investors increasingly perceive government and administration as companions and helpers.

There is also a third junction where we could secure the right of way for investment. Too often, the location traffic light is red, holding businesses back. Enterprises willing to invest need a green wave that will lead them to an attractive location. A location that produces ground-breaking inventions and turns them into innovations. A location that attracts the brightest minds, where it is worth building something. A location that takes advantage of the opportunities offered by new technologies and harnesses them for new prosperity. In short, a location where the future is being shaped.

Ladies and gentlemen, Germany has a lot to offer as one of these locations: Excellent research, adaptable enterprises and highly-skilled, dedicated people. If the economy and society seize the opportunities and policymakers step off the growth brakes, new momentum will be created.

You are all familiar with the other construction sites that policymakers are currently working on – pensions, long-term care, health, and taxes. Reducing tax burdens is undoubtedly also a very important issue for Germany as a business location. In this regard, we rely, in particular, on the good advice of our expert commissions.

I would therefore like to highlight a further area where action is needed that receives less focus. It is, however, particularly relevant here in Frankfurt as a financial centre: I am talking about venture capital. Venture capital is a key financing component for young enterprises that want to grow quickly through innovation.

Such business models are often characterised by high risk, predominantly intangible assets and initially negative cash flows. This usually rules out bank loans or bonds as financing options, as ideas and intangible capital are difficult to post as collateral. This is why developed venture capital markets are so important for innovation financing.

Relative to the size of our economy, the venture capital market in Germany is significantly smaller than in other advanced economies. In 2025, the ratio between the volume of deals and domestic economic output stood at 0.16%. By way of comparison, it was just under twice as high in France, almost four times as high in the United Kingdom and more than five times as high in the United States.

Germany lacks neither innovativeness nor capital demand from young enterprises. What it lacks is supply: venture capital funds in Europe are too small. Only 5% of the global capital raised by venture capital funds comes from the EU.³ This is particularly evident in later, capital-intensive financing rounds, where enterprises are heavily reliant on non-European venture capital. Studies show that some of these enterprises then follow the capital and migrate.⁴

But why is this financing gap in Europe even widening? One factor is certainly that institutional investors such as pension funds and insurance companies take on fewer risks in Germany than in some other countries. This can be for regulatory reasons, but it can also be a question of preferences.

In addition, the small-scale capital markets in Europe offer venture capital providers little prospect of exiting again, for example via initial public offerings. These deficits are known.⁵

It is high time to address them politically.

Some things can be improved at the national level, as shown by Germany's WIN initiative. Ultimately, however, we must end the fragmentation: Europe's financial markets must unify. We need a genuine internal capital market.

In the Eurosystem, we are committed to making progress on the Savings and Investments Union. The main players, however, are the EU legislators: the Commission, Parliament and Member States must reach an agreement. The joint position paper⁶ on the market integration and supervisory package issued by the finance ministers of the six largest EU economies is an encouraging signal: there is a growing willingness to set aside the national lens in order to achieve more together.

6 Conclusion

Ladies and gentlemen, it's easy for me to speak from the sidelines. But, as the legendary Dortmund footballer Adi Preißler already knew, it's what happens on the pitch that matters.

Moving from analyses and concepts to implementation and action – that is the order of the day. If investment has consistent right of way, Germany's economic engine will also rev up again.

I am still convinced: Germany can be a success story. Even if we don't win the World Cup – though it wouldn't hurt!

Thank you very much.

¹ See ECB Consumer Expectations Survey, [Inflation perceptions and expectations](#).

² Deutsche Bundesbank, [The Infrastructure and Climate Neutrality Fund should focus more specifically on increasing infrastructure-related investment](#), Monthly Report, January 2026.

³ Fratto, C., M. Gatti, A. Kivernyk, E. Sinnott and W. van der Wielen (2024), The scale-up gap: Financial market constraints holding back innovative firms in the European Union, EIB Economics – Thematic Studies, European Investment Bank, Luxembourg.

⁴ Hellmann, T. and V. Thiele (2023), Scaling versus selling startups: The role of foreign acquirers in entrepreneurial ecosystems, *Journal of Political Economy Microeconomics* 1 (2); Weik, S., A.-K. Achleitner and R. Braun (2024), Venture capital and the international relocation of startups, *Research Policy* 53 (7).

⁵ FIVE – Financing Innovative Ventures in Europe, Recommendations to close the scale-up financing gap, deepen the Savings and Investments Union and strengthen Europe's competitiveness, January 2026.

⁶ [Increasing the Attractiveness and Competitiveness of the European Capital Market – Input for Council negotiations on the Integration and Supervision Package \(MISP\)](#), 29 May 2026.