

Germany: Growth Remains Sluggish Despite Fiscal Support on the Horizon

The German government has announced its draft budget for 2027. It provides for an acceleration and strengthening of the investments already announced in 2025, particularly in infrastructure and rearmament. It comes at a time when economic activity has remained weakened for several years. And although the spending measures decided upon will mechanically support activity over the coming quarters, it is not yet clear whether they will be sufficient to enable a more durable rebound in potential growth.

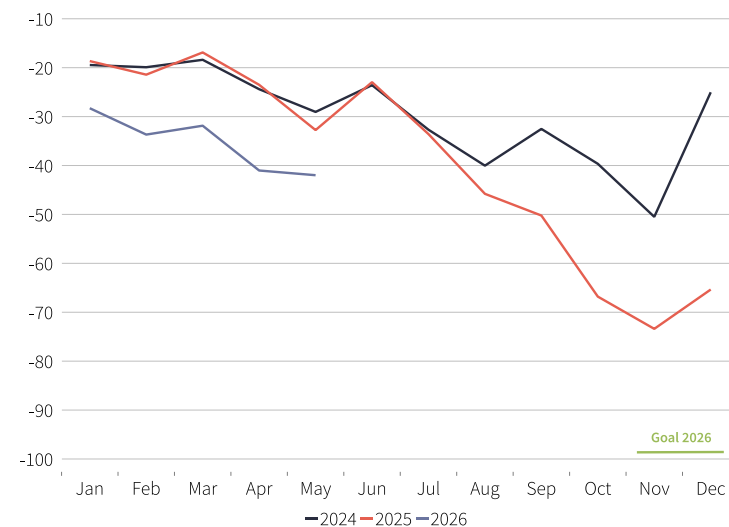
Growth remains sluggish. The Merz government had announced a vast public investment program in infrastructure and defense, spread over ten years and whose rollout was due to begin at the start of 2026. However, at this stage, while public spending has indeed increased, mainly driven by higher transfers and public consumption, public investment remains limited. Growth in Q1 2026 was supported by this spending, but data for April and May already point to a slowdown in activity. Activity continues to be weighed down both by the energy crisis and by the still overly gradual ramp-up of public investment. At the same time, business investment continues to contract and is expected to remain weak in the coming months, in an environment marked by persistent tensions in global trade. It is in this context that the German government is now seeking to accelerate the pace of public spending.

Toward an acceleration of reforms. At the beginning of July, the Merz government presented its draft budget for 2027. Most of the proposed measures are a continuation of the reforms announced in 2025. The plan notably includes labor market reforms, with tax incentives encouraging worker mobility, measures simplifying taxation and certain regulations, as well as targeted support schemes for specific sectors. At the same time, this budget aims to speed up the procedures for selecting, approving, and disbursing funds intended for investment projects as well as defense spending.

An environment calling for a transformation of the growth model. Beyond the expected short-term support effect of this fiscal stimulus, the emphasis placed on investment and structural reforms addresses a deeper issue: adapting the German growth model to a permanently transformed economic environment. The model that long represented the country's strength, based on a competitive export-oriented industry and openness to trade, is now facing growing challenges. The return of protectionist policies in the United States, combined with the upgrading and increasing competitiveness of Chinese industry, is placing particular pressure on German manufacturing and exports. In this context, investments in strategic sectors, together with the reforms being implemented, aim not only to support activity in the short term, but also to strengthen the German economy's ability to adapt to this new environment and restore its growth potential over the long term.

GERMANY: FEDERAL BUDGET BALANCE

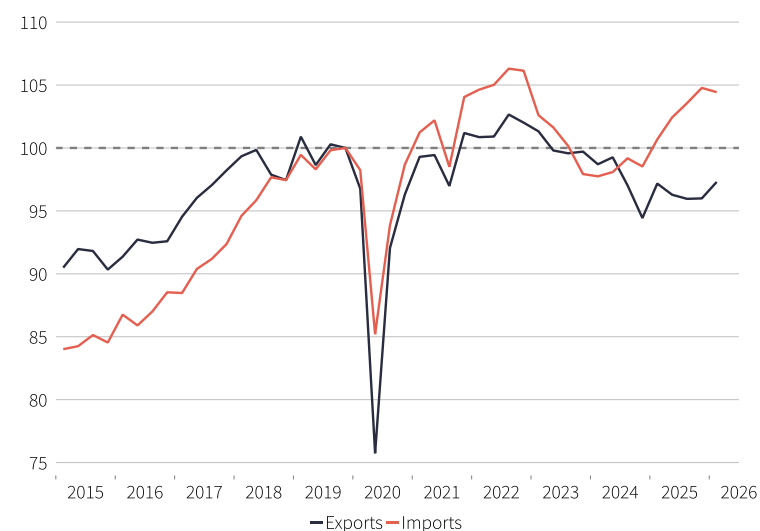
EUR billions, cumulative sum over the calendar year



Sources: Société Générale Investment Solutions, Macrobond, German Ministry of Finance May 2026

GERMANY: EXPORTS & IMPORTS OF GOODS

100 = 31/12/2019, by volume



Sources: Société Générale Investment Solutions, Macrobond, DESTATIS 2026 Q1

OUR MACRO COMMENTS

Events of the week

UNITED STATES: A WIDENING TRADE DEFICIT

In May, the U.S. trade deficit widened to USD 77.6 billion, marking a significant deterioration from USD 54 billion in April. Over the past twelve months, the U.S. goods trade deficit has reached USD 1.03 trillion. This deterioration is primarily driven by the sustained growth in imports (+3% month-on-month), reflecting continued strong demand for semiconductors and other hardware equipment required for the construction of data centers. Indeed, imports of computer hardware exceeded USD 700 billion on a twelve-month basis in May, accounting for more than half of the U.S. goods trade deficit. Imports across other categories of goods continue to moderate following increases in tariff rates. On the export side, U.S. exports declined by 3%, further contributing to the widening of the trade deficit.

CHINA: CPI SLOWS, PPI ACCELERATES

In June, Chinese inflation slowed to 1.0% year-on-year, compared with 1.2% in May, coming out slightly below market expectations. This moderation primarily reflects the decline in food prices (-1.6% year-on-year). The slowdown in inflation is explained by the retreat in gasoline and diesel prices, in a context of easing tensions in the Middle East. Moreover, the increase in residential rents continues to slow, confirming the persistent weakness of domestic demand. Conversely, producer price inflation (PPI) reached 4.1% year-on-year, its strongest increase since 2022. This acceleration essentially reflects favorable base effects and the past rise in production costs. The weakness of domestic demand still limits companies' ability to pass these increases on to consumers, which explains the contrast between a dynamic PPI and moderate consumer inflation. A stabilization of oil prices could gradually ease pressures on producer prices over the coming months.

EVENTS IN THE COMING MONTHS

July 23 : ECB monetary policy meeting

July 29 : FED monetary policy meeting

July 30 : BoJ monetary policy meeting

July 30 : BoE monetary policy meeting

Source: Macrobond, July 10, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

KEY EVENTS NEXT WEEK



Tuesday

China	Trade balance JUNE
United States	Inflation (CPI) JUNE

Wednesday

China	- Industrial production JUNE - GDP growth Q2
Euro area	Industrial production MAY
United States	Producer price index JUNE

Thursday

United Kingdom	- Industrial production MAY - Trade balance MAY
Euro area	Trade balance MAY
United States	Retail sales JUNE

Friday

United States	Industrial production JUNE
----------------------	----------------------------

MARKET PERFORMANCES

Interbank rates

%	07/07/2026	10/06/2026	10/04/2026	01/01/2024	10/07/2025
US SOFR	3,636	3,59	3,64	5,34	4,34
Euro area €ster	2,182	1,93	1,93	3,88	1,92
UK SONIA	3,730	3,73	3,73	5,19	4,22
Switzerland SARON	-0,038	-0,04	-0,05	1,70	-0,04
Japan TONAR	0,978	0,73	0,73	-0,04	0,48

10Y Government rates

%	09/07/2026	10/06/2026	10/04/2026	01/01/2024	10/07/2025
US Treasuries	4,54	4,55	4,31	3,88	4,35
France OAT	3,81	3,79	3,75	2,55	3,39
Germany Bund	3,10	3,07	3,04	2,02	2,71
Italy BTP	3,84	3,89	3,81	3,70	3,55
Spain Bonos	3,48	3,51	3,49	2,98	3,25
Switzerland	0,43	0,48	0,45	0,66	0,44
UK Gilts	4,98	5,00	4,84	3,60	4,59
Japan JGB	2,85	2,64	2,39	0,62	1,50

Credit

%	09/07/2026	10/06/2026	10/04/2026	01/01/2024	10/07/2025
United States IG	5,29	5,26	5,07	5,06	5,08
United States HY	7,14	7,26	6,98	7,59	7,06
Europe IG	3,77	3,81	3,78	3,72	3,29
Europe HY	5,72	5,72	6,02	6,80	5,39
Emerging FX	5,83	5,84	5,81	6,77	5,96

Equity indices

09/07/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-0,23	3,62	9,480	62,1	25,95
United States	0,70	4,10	11,269	62,1	23,17
Euro area	-1,95	3,74	7,345	52,9	21,08
France	-2,19	2,21	3,530	21,8	10,73
Germany	-2,46	3,07	4,594	44,4	2,83
United Kingdom	-1,86	1,96	-0,404	45,4	20,89
Japan	-1,25	4,78	8,641	82,3	47,85
Emerging	-2,67	1,12	9,753	79,9	42,31
China USD	2,91	-1,74	-6,889	39,5	-1,53
India USD	-1,08	4,10	1,089	7,3	-10,95
Latin America USD	-0,12	3,91	-9,806	26,2	30,63

Foreign exchange rates

	09/07/2026	10/06/2026	10/04/2026	01/01/2024	10/07/2025
EUR/USD	1,14	1,16	1,17	1,11	1,17
GBP/USD	1,34	1,34	1,35	1,27	1,36
EUR/CHF	0,92	0,92	0,92	0,93	0,93
USD/JPY	162,41	160,48	159,09	141,03	146,44
USD/CNY	6,80	6,77	6,83	7,08	7,18

Commodity prices

	09/07/2026	10/06/2026	10/04/2026	01/01/2024	10/07/2025
Brent, USD/BL	76	94	94	77	69
Copper, USD/Metric ton	13 357	13 370	12 661	8 476	9 752
Gold, USD/Troy oz	4 130	4 171	4 774	2 078	3 313
Silver, USD/Troy oz	59	64	76	24	37
Palladium, USD/Troy oz	1 261	1 239	1 525	1 136	1 142
Platinum, USD/Troy oz	1 619	1 681	2 062	1 000	1 357

Source: Bloomberg on 10 July 2026, 1W=1 week change, 3M=3 month change, 12M=12 month change, YTD=year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded.

IMPORTANT INFORMATION – PLEASE READ

General information

This document is a marketing communication issued by Société Générale Private Banking which is the business line of the Société Générale Group operating through its headquarters within Société Générale S.A. in France and its network (departments or separate legal entities (branches or subsidiaries) hereinafter the “Entities”), located on the various below-mentioned territories, acting under the brand name “Societe Generale Private Banking” and distributors of the present document.

This material has been prepared solely for informational purposes and has no contractual value.

This material does not constitute an offer of purchase, sale, or subscription in any of the asset classes presented herein, nor a solicitation of such an offer, nor is it an offer of financial services, to participate in any investment strategy. Nothing in this document should be construed as constituting investment advice or personal recommendation to any investor or its agent. Information contained herein is not intended to provide a basis on which to make an investment decision.

Any investment may have tax consequences and Société Générale Private Banking and its Entities do not provide tax advice. The level of taxation depends on individual circumstances and tax levels and bases may change. In addition, this document is not intended to provide accounting, tax or legal advice and should not be relied upon for accounting, tax, or legal purposes. Independent advice should be sought where appropriate.

The accuracy, completeness or relevance of the information provided is not guaranteed although it has been drawn from sources believed to be reliable. The information and opinions expressed in this document were produced as at the date of writing and are subject to change without notice.

This material has not been prepared regarding specific investment objectives, financial situations, or the particular needs of any specific entity or person. Investors should make their own appraisal of the risks and should seek their own financial and legal advice regarding the appropriateness of investing in any asset classes or participating in any investment strategy.

The asset classes presented herein may be subject to restrictions regarding certain persons or in certain countries under national

regulations applicable to said persons or in said countries. It is the responsibility of any person in possession of this document to inform themselves and to comply with the legal and regulatory provisions of the relevant jurisdiction. This document is not intended for distribution to any person or in any jurisdiction where such distribution would be restricted or illegal. In particular, it may not be distributed in the United States, nor may it be distributed, directly or indirectly, in the United States or to any US Person.

General risks

Some of the asset classes mentioned may present various risks, imply a potential loss of the entire amount invested or even an unlimited potential loss, and may therefore only be reserved for a certain category of investors, and/or only be suitable for well-informed investors who are eligible for these asset classes. In addition, these asset classes must comply with the Société Générale Group’s Code of Tax Conduct.

The price and value of investments and the income derived from them may go down as well as up. Changes in inflation, interest rates and exchange rates may adversely affect the value, price and income of investments denominated in a currency other than that of the client. Any simulations and examples contained in this document are provided for illustrative purposes only. This information is subject to change because of market fluctuations, and the information and opinions contained herein may change. Société Générale Private Banking does not undertake to update or amend this document and will not assume any liability in this regard.

This document is for information purposes only and investors should make their investment decisions without relying on this document. Société Générale Private Banking and its Entities shall not be liable for any direct or indirect loss arising from any use of this document or its contents. Société Générale Private Banking and its Entities do not make any warranty, express or implied, as to the accuracy or completeness of this information or as to the profitability or performance of any asset class, country, or market.

Past performance does not predict future returns. The value of an investment is not guaranteed, and the valuation of investments may fluctuate.

Forecasts of future performance are based on assumptions which may not materialized. The scenarios presented are an estimate of future

performance based on evidence from the past on how the value of this investment varies, and/or current market conditions and are not an exact indicator. What you will get will vary depending on how the market performs and how long you keep the investment/product. Future performance is subject to taxation which depends on the personal situation of each investor and which may change in the future.

For a more complete definition and description of the risks, please refer to the prospectus of the product or other legal information document as the case may be (as applicable) before making any final investment decisions.

This document is confidential, intended exclusively for the person to whom it is addressed, and may not be communicated or made known to third parties (except for external advisers and provided that they themselves respect confidentiality), nor reproduced in whole or in part, without the prior written agreement of Société Générale Private Banking and its Entities.

Conflicts of interest

The Societe Generale Group maintains an effective administrative organization that takes all necessary measures to identify, control and manage conflicts of interest. To this end, Societe Generale Private Banking and its Entities have put in place a conflict of interest policy to prevent conflicts of interest, including information Chinese walls.

This document contains the views of SGPB teams. Société Générale trading desks may trade, or have traded, as principal on the basis of the teams’ views and reports. In addition, SGPB teams receive compensation based, in part, on the quality and accuracy of their analysis, client feedback, revenues of their entity of the Société Générale group and competitive factors.

As a general matter, entities within the Société Générale group may make a market or act as a principal trader in securities referred to in this report and can provide banking services to the companies mentioned in that document, and to their subsidiary. Entities within the Société Générale group may from time-to-time deal in, profit from trading on, hold on a principal basis, or act as advisers or brokers or bankers in relation to securities, or derivatives thereof, or asset class(es) mentioned in this document.

IMPORTANT INFORMATION – PLEASE READ

Entities within the Société Générale group may be represented on the supervisory board or on the executive board of such persons, firms or entities.

Employees of the Société Générale group, or persons/entities connected to them, may from time to time have positions in or hold any of the investment products/ asset class(es) mentioned in this document.

Société Générale may acquire or liquidate from time-to-time positions in the securities and/or underlying assets (including derivatives thereof) referred to herein, if any, or in any other asset, and therefore any return to prospective investor(s) may directly or indirectly be affected.

Entities within the Société Générale group are under no obligation to disclose or consider this document when advising or dealing with or on behalf of customers.

In addition, Société Générale may issue other reports that are inconsistent with and reach different conclusions from the information presented in this report and is under no obligation to ensure that such other reports are brought to the attention of any recipient of this report.

Société Générale group maintains and operates effective organisational and administrative arrangements taking all reasonable steps to identify, monitor and manage conflicts of interest. Société Générale Private Banking has put in place a management of conflicts of interest policy designed to prevent conflicts of interest giving rise to a material risk of damage to the interests of its clients. For further information, please refer to the management of conflicts of interest's policy, which was provided.

Specific information per jurisdiction

FRANCE : Unless expressly stated otherwise, this document is published and distributed by Société Générale, a credit institution providing investment services authorised by and under the prudential supervision of the European Central Bank ("ECB") (located at ECB Tower, Sonnemannstraße 20, 60314 Frankfurt am Main, Germany) within the Single Supervisory Mechanism and supervised by the Autorité de Contrôle Prudentiel et de Résolution (located at 4, Place de Budapest, CS 92459, 75436 Paris Cedex 09) and the Autorité des Marchés Financiers ("AMF") (located at 17 Pl. de la Bourse, 75002 Paris).

Société Générale is also registered with the ORIAS as an insurance intermediary under the number 07 022 493 orias.fr.

Société Générale is a French public limited company with a capital of EUR 1.000.395.971,25 as of September 23, 2024, whose registered office is located at 29 boulevard Haussmann, 75009 Paris, and whose unique identification number is 552 120 222 R.C.S. Paris. Further details are available on request or at www.privatebanking.societegenerale.com.

LUXEMBOURG : This document is distributed in Luxembourg by Societe Generale Luxembourg, a credit institution which is authorized and regulated by the Commission de Surveillance du Secteur Financier ("CSSF") under the prudential supervision of the European Central Bank- ECB, and whose head office is located at 11, avenue Emile Reuter – L 2420 Luxembourg. Further details are available on request or can be found at <https://www.societegenerale.lu/>. No investment decision whatsoever may result from solely reading this document. Societe Generale Luxembourg accepts no responsibility for the accuracy or otherwise of information contained in this document. Societe Generale Luxembourg accepts no liability or otherwise in respect of actions taken by recipients on the basis of this document only and Societe Generale Luxembourg does not hold itself out as providing any advice, particularly in relation to investment services. The opinions, views and forecasts expressed in this document (including any attachments thereto) reflect the personal views of the author(s) and do not reflect the views of any other person or Societe Generale Luxembourg unless otherwise mentioned. Societe Generale Luxembourg has neither verified nor independently analyzed the information contained in this document. The Commission de Surveillance du Secteur Financier has neither verified nor independently analysed the information contained in this document

MONACO : The present document is distributed in Monaco by Societe Generale Private Banking (Monaco) S.A.M., located 11 avenue de Grande Bretagne, 98000 Monaco, Principality of Monaco, governed by the 'Autorité de Contrôle Prudentiel et de Résolution' and the 'Commission de Contrôle des Activités Financières'. The financial products marketed in Monaco can be reserved for qualified investors

in accordance with the Law No. 1339 of 07/09/2007 and Sovereign Ordinance No 1.285 of 10/09/2007. Further details are available upon request or on www.privatebanking.societegenerale.com.

© Copyright Societe Generale Group 2025. All rights reserved. Any unauthorised use, duplication, redistribution or disclosure in whole or in part is prohibited without the prior consent of Societe Generale. The key symbols, Societe Generale, Societe Generale Private Banking are registered trademarks of Societe Generale. All rights reserved.

