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AACHEN INVESTMENT CLUB

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News Recap

German Economy Stalls

The German economy showed little sign of recovery in the latest quarter, with real GDP remaining flat compared to the previous period. According to preliminary data from the Federal Statistical Office (Destatis), output slipped slightly by 0.2% year-on-year, reflecting weak industrial activity, cautious consumer spending, and ongoing structural pressures.

Private consumption offered no meaningful boost. Despite easing inflation, households remained hesitant, with retail sales stagnating and savings rising. Public consumption also stayed broadly unchanged. Investment remained subdued, as construction continued to struggle with high financing costs and spending on machinery and equipment barely held steady. Industry, long a core strength of the German economy, continued to weigh on overall momentum. Manufacturing output declined again, driven by weakness in chemicals, automotive supply chains, and energy-intensive sectors. Export demand provided little relief, with foreign orders remaining soft amid cooler global demand and persistent geopolitical tensions.

Overall, the data signals a troubling lack of momentum. Inflation has eased and the labor market remains stable, yet neither factor has translated into stronger growth. Without a revival in industrial output or a pickup in investment, Germany risks falling behind other advanced economies. Looking ahead to 2026, the country may need to rely more on structural reforms, productivity improvements, and domestic innovation to regain competitiveness and break out of the current stagnation. *(Sources: Statistisches Bundesamt, DIW Berlin, Deutsche Bundesbank)*

German Auto Industry Sheds Nearly 50,000 Jobs

Germany’s automotive sector has seen a marked drop in employment over the past year. According to the Federal Statistical Office (Destatis), the industry employed around 721,400 people at the end of Q3 2025, down by 48,700 jobs or 6.3% compared with a year earlier, the lowest level since 2011 and the sharpest decline among major German industrial branches. The cuts hit suppliers particularly hard, with jobs in parts and accessories down by around 11%, while employment at vehicle and engine manufacturers shrank by nearly 4%.

The figures highlight the pressure facing Germany's key export industry as it navigates the costly shift to electric vehicles, rising competition from China, and structurally higher energy and labour costs at home. For investors, the data signal short-term headwinds for margins, especially at smaller suppliers, but also underline the scale of the ongoing transformation: future growth will likely depend on how successfully companies reposition toward electric drivetrains, software and high-value components, and how supportive policy proves in easing the transition. *(Sources: Statistisches Bundesamt, Die Zeit, Tagesschau, Reuters)*

Federal government sets incentives for e-cars and hybrids

The federal government has approved a new subsidy package for electric vehicles and hybrid models, set to take effect at the beginning of 2026. After the abrupt discontinuation of the environmental bonus (Umweltbonus) in 2023, Berlin is responding to the significantly weaker demand of recent months and the growing competitive pressure from Chinese manufacturers. The package aims to ease the financial burden on both private buyers and companies, accelerating the shift toward low-emission mobility.

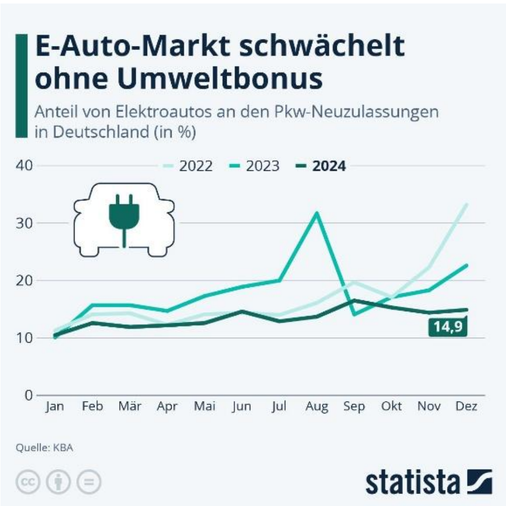
At the core of the program is a tiered purchase grant linked to vehicle type and income level. Private buyers purchasing battery-electric models with a net list price of up to €45,000 will be eligible for subsidies of up to €4,000. Plug-in hybrids qualify for up to €2,000, provided they achieve a minimum electric range of 80 kilometers. A separate budget will support commercial and business customers, financing investments in electric fleets with subsidies covering up to 30% of costs.

The government will also extend existing tax benefits for electric company cars. The current 0.25-percent benefit-in-kind taxation rule for fully electric vehicles will remain in place, while plug-in hybrids will face stricter evaluation. Moving forward, eligibility will depend on the actual share of electric driving, verified via digital vehicle usage data.

Berlin justifies the policy shift with recent market developments. While the European auto market stabilized in Q3, BEV sales showed only moderate growth. Industry associations have warned for months that uncertain or missing incentives are delaying purchase decisions. The German Association of the Automotive Industry (VDA) called the funding package "a decisive signal to ensure planning stability for 2026."

Manufacturers are responding largely positively. Domestic brands such as Volkswagen, BMW, and Mercedes-Benz expect momentum for their electric portfolios and see strong potential especially in the commercial sector. However, experts caution

that short-term funding windows could lead to renewed volatility in demand. Fiscal risks are also under review: According to coalition insiders, the total program budget amounts to approximately €6 billion.
Economists point out that long-term success will depend on two key drivers: the pace of charging infrastructure expansion and continued price development in the EV segment. While intensifying competition and falling prices driven by Chinese rivals such as BYD benefit consumers, they are increasing pressure on German manufacturers. The federal government is therefore also evaluating complementary measures to strengthen domestic production.
Overall, the initiative marks an attempt to revive the stalled transformation process in the German automotive sector while easing pressure on consumers and industry. The coming months will determine whether this new funding approach is sufficient to return electromobility in Germany to a stable growth path.



EV market weakens without environmental bonus

Share of electric cars in new passenger car registrations in Germany (in %)

(Sources: Handelsblatt, statista, Tagesschau)

China Reclaims Position as Germany's Leading Trade Partner

In 2025, trade between Germany and China reached a turning point, with China once again becoming Germany's top trading partner after a one-year interruption. In 2024, the United States had ranked first, but China has now reclaimed the leading position. Total trade volume between Germany and China from January to September 2025 rose to €185.9 billion, narrowly surpassing Germany's trade with the United States at €184.7 billion.

This development is not the result of growing German exports, quite the opposite. Exports to China declined sharply by around 12.3 percent to €61.4 billion, while exports to the United States also fell, though more moderately. Instead, China's return to the top position is largely driven by a surge in imports. Germany imported approximately €124.5 billion worth of goods from China, an increase of 8.5 percent compared to the previous year.

Global trade shifts are also contributing to this trend. Rising trade barriers in the United States have prompted many Chinese exporters to redirect goods toward European markets, with Germany becoming a key destination. This has led to particularly strong growth in imports of electrical equipment, machinery, and textiles, further reinforcing China's role as a major global manufacturing and export hub.

At the same time, Germany's core export industries are under growing pressure. Automotive exports to China declined by more than 35 percent, and machinery and electrical equipment also recorded double-digit reductions. This widening imbalance between falling exports and rising imports is increasingly raising concerns. Many economists and business leaders warn that Germany's trade relationship with China is becoming one-sided, evolving into more of a supply corridor than a balanced economic partnership.

Against this backdrop, calls for a strategic reassessment are growing louder in both industry and political circles. While reliance on Chinese imports may offer short-term cost advantages, long-term trade imbalances and intensifying competition from Chinese manufacturers could weaken key sectors of the German economy. If the current trajectory continues, the impact may be felt most strongly in industries such as automotive manufacturing, machinery, and capital goods. *(Sources: Tagesschau, Statistisches Bundesamt)*

BMW Secures €273 Million State Funding for Hydrogen Car Development

BMW is receiving €273 million in funding from the German federal government and the state of Bavaria for the development of a hydrogen fuel cell drivetrain. The project, named "HyPowerDrive," aims to bring this technology to series production, with plans to launch a fuel cell version of the BMW X5 SUV in 2028. The federal government will contribute €191 million, with Bavaria providing the remaining €82 million.

During the handover of the funding certificate in Berlin, Federal Transport Minister Patrick Schnieder (CDU) and Bavarian Minister-President Markus Söder (CSU) emphasized the importance of technological openness for Germany's automotive industry.

With this move, BMW becomes the sole German carmaker pursuing this technology for passenger vehicles, contrasting with competitors like Stellantis, Opel's parent company, which recently ended its hydrogen car projects. The market success of hydrogen vehicles faces significant hurdles, primarily the currently insufficient refueling infrastructure in Germany, which has recently seen a reduction in the number of stations. Furthermore, hydrogen cars are currently considered more expensive to purchase and operate than battery-electric vehicles. Despite these challenges, the substantial public funding underscores the political commitment to establishing hydrogen as a climate-neutral energy source for transportation, targeting diverse global markets with varying conditions. *(Sources: Tagesschau, Spiegel)*

M&A/VC News

Omnicom merges with Interpublic in $13.25 billion ad mega-deal

Advertising giant Omnicom Group won EU approval for its $13.25 billion all-stock acquisition of rival Interpublic Group, merging the world’s third- and fourth-largest ad agencies into the new industry leader. The deal, announced last year, faces few regulatory hurdles and is expected to create the world’s largest advertising firm. Traditional ad firms are combining forces to better compete with tech platforms, aiming to leverage scale and AI-driven tools to serve global brands more efficiently. *(Source: Reuters)*

Fintech firm SWB to list via $8.1 billion SPAC merger

Financial services startup SWB will go public on the NYSE through a merger with Soulpower Acquisition Corp, a special-purpose acquisition company, in an $8.1 billion deal. The transaction, structured as a SPAC, reflects a resurgence of blank-check deals in 2025 after a market lull. SWB (short for “Soul World Bank”) plans to launch a suite of blockchain-based banking and stablecoin services, using the SPAC proceeds to acquire a banking license and develop its digital currency platform. The hefty valuation underscores renewed investor appetite for fintech ventures tapping into crypto and stablecoin markets. *(Source: Reuters)*

Kraken valued at $20 billion after $800 million funding round

Cryptocurrency exchange Kraken raised $800 million in fresh capital, boosting its valuation to $20 billion. The dual-tranche round was led by major institutional investors (incl. Jane Street, Oppenheimer, Tribe Capital) and supplemented by a $200 million strategic investment from Citadel Securities. The funds come amid a crypto market upswing and supportive U.S. regulatory signals, prompting Kraken to file confidentially for an IPO as it expands trading services. Kraken's raise, 33% above its valuation just two months prior, underscores investor appetite for established digital asset platforms. *(Source: Reuters)*

AI music startup Suno hits $2.45 billion value on $250 million raise

Suno, a Massachusetts-based AI music generation company, secured $250 million in Series C funding led by Menlo Ventures, valuing the startup at $2.45 billion. Backed by investors like Nvidia's NVentures and Lightspeed, Suno develops tools that let users create songs via AI prompts. The company has surged in popularity but is navigating copyright disputes with major record labels over AI-generated tracks. Suno says the new capital will support more sophisticated song-creation features as the music industry grapples with a rise in AI-generated content. *(Source: Reuters)*

Germany's Quantum Systems nets €180 million for anti-drone tech

Munich-based drone maker Quantum-Systems raised €180 million (≈$209 million) in new funding, tripling its valuation to over €3 billion. The round, which includes Porsche SE among shareholders, comes as demand soars for the company's defense-oriented drones designed to intercept hostile UAVs. Quantum Systems plans to use the cash to accelerate product development and pursue strategic acquisitions. The investment crowns the firm as a "triple unicorn" and highlights investor interest in technologies to counter the recent surge in drone incursions at airports and sensitive sites. *(Source: Reuters)*

Outlook

Earnings and key events

- 02.12.: Eurozone HICP & unemployment rate, Bank of Nova Scotia, Fast Retailing, CrowdStrike, Marvell Technology Group
- 03.12.: Royal Bank of Canada, Inditex, Salesforce, Snowflake
- 04.12.: TD Bank Group, Bank of Montreal, Canadian imperial Bank of Commerce
- 05.12.: Foxconn
- 09.12.: British American Tobacco, AutoZone
- 10.12.: Taiwan Semiconductor, MediaTek, Synopsys
- 11.12.: Broadcom, Costco Wholesale, Adobe

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