

News Recap

German Inflation Climbs to 3.3% as Iran-War Energy Shock Deepens

German inflation accelerated to 3.3% in September, reaching its highest level since late 2023 as the energy shock caused by the Iran war continues to push up prices. The increase was stronger than expected, with economists having forecast inflation of around 3.2%.

Energy prices were the main driver of the rise. They increased by 14.9% compared with a year earlier, up sharply from 10.5% in August, as higher oil and gas prices increasingly reached German households and businesses. By contrast, core inflation, which excludes volatile food and energy prices, remained unchanged at 2.4%.

The figures create another challenge for the European Central Bank. Higher energy costs are pushing headline inflation further above the ECB's 2% target, while underlying price pressures have so far remained relatively stable. However, policymakers are concerned that prolonged increases in energy prices could eventually spread into wages, services, and other parts of the economy.

Overall, Germany's latest inflation figures show that the economic consequences of the Iran war are becoming increasingly visible. If energy prices remain elevated, inflation could stay above target for longer than previously expected, increasing pressure on the ECB to maintain a tighter monetary policy stance.

(Sources: Destatis, Reuters, Tagesschau)

Germany More Than Doubles 2026 Growth Forecast to 1.3%

Germany's leading economic institutes and, a week later, the federal government have sharply raised their growth outlooks for 2026. In their autumn joint forecast, presented on September 24, the five participating institutes (DIW Berlin, ifo, IfW Kiel, IWH and RWI) expect real GDP to grow by 1.3% this year, more than double the 0.6% they projected in spring. On October 1, Reuters reported that the government has likewise lifted its 2026 forecast to 1.3% from 0.5% in April, according to a person familiar with the draft. The official presentation is scheduled for October 8.

Both revisions rest on a stronger-than-expected first half of the year. A government source told Reuters that this unexpectedly solid performance was the main driver of

the upgrade, while the institutes had pointed to higher public spending as the force behind the faster recovery. The government draft also reflects that the Iran war is weighing on the economy less than feared. Exports are expected to contribute to growth, with the source citing a rise of 3.7% in 2026.

Projections for the following years are considerably more modest. The institutes expect growth of 1.1% in 2027, up from 0.9% previously, but only 0.4% in 2028. The government forecasts 1.1% for 2027 and 0.6% for 2028. Other forecasters have also turned more optimistic: according to ZDFheute, the BDI and the OECD have raised their expectations as well, with the OECD likewise projecting 1.1% for 2027.

Domestic demand remains the weak spot. The government source put private consumption growth at 0.8% in 2026 and 1.1% in 2027, and described the recovery as limited in scope, with consumption and corporate investment growing slowly and structural challenges persisting. At the same time, inflation is picking up: the government expects 2.7% in 2026 and 3.0% in 2027, before easing to 2.2% in 2028, and German inflation reached 3.3% in September, its highest level in almost three years.

The title of the institutes' report points to the same tension, referring to an upturn held back by structural problems and to fiscal policy heading in the wrong direction. The weak economy has also been a prominent theme in recent regional elections, which brought strong gains for parties on the far right and far left.

The upgrades show that the German economy has performed better than anticipated this year, but the sharp slowdown projected for 2028 suggests that the current momentum depends heavily on temporary factors. Whether the recovery proves durable will remain under close scrutiny, not least when the government presents its full projection on October 8.

(Sources: Reuters, ZDFheute)

U.S. Presses Germany and France to Release Diesel Reserves, Threatens Export Halt

On October 1, Reuters reported, citing three people close to the discussions, that the Trump administration had told Germany and France to draw down their emergency diesel inventories or face a possible U.S. diesel export ban. One source said Washington had asked the EU to release 120 million barrels over the next six months. The pressure comes as President Donald Trump tries to lower fuel prices ahead of the November midterm elections.

The two countries are the natural targets because they hold more than a third of the EU's strategic diesel stocks. According to Reuters, U.S. officials believe that France and

Germany have not fully delivered on earlier pledges to release emergency oil and petroleum products. Energy Secretary Chris Wright said he was highly confident that Europe could ease prices by tapping these inventories. The issue was reportedly also raised in a letter from the U.S. Energy Department to Germany's Economy Ministry. Berlin said the International Energy Agency (IEA) had not yet asked it to release further stocks, and the European Commission said it registered the threat with concern.

The stakes are high for Europe. The EU is a net importer of diesel and relies heavily on U.S. supplies, so an export ban would hit it hard, while a release of reserves could leave it exposed if supply disruptions linked to the Middle East and Ukraine wars persist. The European Commission, Germany, France, Italy, Britain and Ireland held a call on October 1 to discuss the possible need for a release.

The situation changed quickly. After Trump spoke with French President Emmanuel Macron, Macron convened a video call of G7 leaders. On October 2, the G7 agreed to release 100 million barrels of diesel and crude oil from reserves, coordinated through the IEA, over four months. A substantial diesel release is to be front-loaded within the first 20 days. The G7 members also pledged to refrain from energy export restrictions among themselves and urged others to do the same. This follows the IEA's record release of 400 million barrels in March.

Trump welcomed the agreement and said a U.S. export ban had never really been on the table, although he had previously said he supported one internally. CNBC noted that he also appeared to lean against a ban because of its potential impact on gasoline prices.

The G7 decision removes the immediate threat of an export halt, but it is described as a short-term measure, and the G7 has said it will meet again within the IEA framework to discuss further diesel releases if necessary. Whether the released volumes are enough to ease prices, and how much strategic buffer Europe retains going into winter, will remain under close scrutiny.

(Sources: CNBC, France 24, Reuters)

Volkswagen Terminates Ten Collective Agreements, Raising Strike Risk From January

Volkswagen terminated ten collective agreements with Germany's largest industrial union, IG Metall, on September 30, effective at the end of 2026. The agreements cover around 100,000 employees at Volkswagen's German sites. With the current peace obligation set to expire on January 1, 2027, industrial action will become legally possible if negotiations fail to reach new agreements.



The terminated agreements regulate key employment conditions, including working hours, allowances and additional payments. Volkswagen cited rising costs and intensifying competition in the automotive sector, particularly from Chinese manufacturers, as the main reasons for seeking greater flexibility in its cost structure. The company is currently pursuing broader restructuring measures in Germany as it seeks to reduce costs and improve competitiveness.

The termination does not immediately change employees' existing conditions. Volkswagen stated that the agreements will continue to apply under statutory post-contractual provisions until they are replaced by new agreements. The 2024 future collective agreement, which provides employment protection until the end of 2030, remains unaffected.

The dispute comes as Volkswagen faces a challenging operating environment marked by weaker demand, geopolitical tensions, trade barriers and increased competitive pressure. IG Metall is demanding a 5% wage increase, while Volkswagen has rejected the demand in light of its current cost situation.

Further negotiations are scheduled for the second half of October. The outcome of the talks will determine the terms of Volkswagen's future collective agreements and is directly relevant to the company's labor costs and ongoing restructuring efforts in Germany.

(Sources: Reuters, Volkswagen Group)

Germany Reintroduces Fuel Discount of Up to 17 Cents per Liter

Germany has reintroduced a temporary fuel discount, cutting taxes on petrol and diesel by up to 17 cents per liter from October 1 until the end of December. The Bundestag approved the law on September 25, and the Bundesrat raised no objections. Technically, the energy tax falls by about 14 cents per liter, and once the associated drop in VAT is included, the relief amounts to up to 17 cents. The measure is expected to cost the federal and state governments around €2.5 billion.

The discount is a response to fuel prices that surged as a result of the Iran war. Chancellor Friedrich Merz's coalition has been forced to revive relief measures for consumers and companies as it tries to contain public discontent and the rise of the far right. Political pressure had been building: the AfD came close to an absolute majority in the Saxony-Anhalt state election on September 6, and Mecklenburg-Western Pomerania's premier Manuela Schwesig accused the government of standing by while prices rose. Germany had already introduced a similar discount in May and June at a cost of €1.6 billion, which temporarily eased inflation.

Reactions are mixed. Many drivers, commuters and businesses welcome the relief but see it as a short-term fix. A logistics executive described it as a plaster, and a motorist noted that prices remain above €2 even after the cut. Aral has promised to pass on the full reduction. DIW president Marcel Fratzscher argues that a flat-rate energy payment would be a more effective instrument because it would reach households regardless of how much they drive. The government rejected direct payments and tax relief for households, arguing that a fuel discount reaches drivers faster.

Whether the savings reach consumers in full remains a central question. Part of the relief from the spring discount was lost before reaching the pump, and economist Henning Vöpel has said it is uncertain whether the current tax cut will be fully passed on, since oil companies could retain part of it as profit. Because the energy tax cut lowers the cost of fuel for suppliers rather than setting pump prices directly, any pass-through depends on how companies price their products.

The discount offers temporary relief but does not address the underlying drivers of high fuel prices, and it expires at the end of the year. Its effect on consumers and on inflation will depend on how much of the reduction is reflected at the pump and on how oil prices develop over the coming months. The measure will remain under close scrutiny, not least because of the fiscal cost involved.

(Sources: Reuters, ZDFheute)

M&A/VC News

AMD to Acquire Fei-Fei Li's World Labs for \$8.2 Billion in All-Stock Deal

AMD has agreed to acquire World Labs, the AI startup founded by AI pioneer and researcher Fei-Fei Li, for \$8.2 billion, Bloomberg reported on September 28. The transaction will be paid entirely in stock and is expected to close by the end of the year, subject to regulatory approvals, according to a statement from the companies.

(Source: Bloomberg)

Telix to Acquire Isotope Maker ITM in Deal Worth Up to \$2.35 Billion

Australia's Telix Pharmaceuticals has agreed to acquire Munich-based ITM Isotope Technologies, securing a major supplier of radioactive materials used in cancer

treatments and adding a late-stage drug candidate. Telix will pay \$1.65 billion upfront on a cash-free, debt-free basis, with up to a further \$700 million tied to regulatory approvals and sales milestones for ITM-11, a treatment in development for neuroendocrine tumors. About \$1.25 billion of the upfront payment will be made in Telix shares at \$11.84 each, and Telix will assume \$302 million of ITM debt.

(Source: Bloomberg)

Authentic Brands Approaches Mattel About Takeover Valuing Barbie Maker at Around \$6 Billion

Authentic Brands Group has approached Mattel about a takeover that could value the Barbie maker at around \$6 billion or more, a source told Reuters on October 1. Authentic was discussing an offer of more than \$20 per share, but there is no guarantee Mattel will be receptive, and no formal sale process is under way. Mattel declined to comment. In May, investor Southeastern Asset Management had urged Mattel to explore options, including going private or a sale. Authentic has been steering its M&A strategy toward kids' entertainment brands and hospitality.

(Source: Reuters)

Tekever Raises \$580 Million in First Close of Series D at \$6.4 Billion Valuation

European autonomous-systems developer Tekever said on September 23 it had raised \$580 million in the first close of a Series D round led by UC Investments and Baillie Gifford, valuing the defence technology company at \$6.4 billion. The company plans to use the funds to expand internationally, increase manufacturing and technology capabilities, pursue acquisitions and accelerate development of AI-powered autonomous systems. Tekever, founded in Portugal in 2001 and now headquartered in Britain, was recently selected for the British Army's CORVUS drone surveillance programme.

(Source: Reuters)

OpenAI Seeks at Least \$30 Billion at About \$1.4 Trillion Valuation

OpenAI is looking to raise at least \$30 billion in a new funding round at a valuation of about \$1.4 trillion, excluding the new money, Bloomberg reported on September 29, citing people familiar with the matter. The talks are at an early stage and terms could change. According to Reuters' summary of the report, the round would serve as bridge

financing in place of an IPO. OpenAI closed a round in March with \$122 billion in committed capital at an \$852 billion valuation, and CEO Sam Altman said this month the company will not go public in 2026.

(Sources: Bloomberg, Reuters)

Kalshi Finalizing New Funding at Around \$40 Billion Valuation Ahead of IPO

Prediction-market platform Kalshi is finalizing a new financing round that would value it at around \$40 billion, Bloomberg reported on September 30, citing people familiar with the matter. The round is expected to be its last before an IPO, which is anticipated as soon as next year. The valuation would almost quadruple the \$11 billion it was given last December and compares with \$22 billion when it last raised in March. Bloomberg links the growth to record trading volumes, driven largely by wagers on football, the World Cup and other sporting events.

(Source: Bloomberg)

Outlook

Earnings and key events

- 07.10.: FOMC Minutes
- 08.10.: German Government Autumn Projection
- 13.10.: Citigroup, Goldman Sachs, JPMorgan Chase & Co., Wells Fargo
- 14.10.: ASML, Bank of America, Morgan Stanley, U.S. CPI
- 15.10.: U.S. Retail Sales
- 16.10.: Eurozone CPI, Reliance Industries, TSMC

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