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HARNESSING THE OPPORTUNITIES OF THE FISCAL PACKAGE

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KEY MESSAGES

↘ The more investment-oriented and the less consumption-driven the spending, the greater the long-term impact of the fiscal package on gross domestic product (GDP) investment

↘ The current regulations permit defence and investment expenditure amounting to 1.2 % of GDP to be shifted from the core budget and financed through borrowing instead. Additional institutional safeguards are needed to ensure that the financial package is genuinely used for additional spending.

↘ The compatibility of the financial package with the EU fiscal rules is highly uncertain. It can only be ensured through a strong focus on investment spending and accompanying structural reforms.

EXECUTIVE SUMMARY

In March 2025, the German Bundestag adopted a constitutional amendment establishing a financial package that significantly expands fiscal leeway. This includes an exemption from the debt brake for defence spending, the creation of a twelve-year special fund for infrastructure and climate protection, and the introduction of a structural debt option for the federal states. The package opens up great **opportunities for modernising the capital stock and for reviving the German economy.** However, it also entails considerable **risks**, particularly if the **funds** are **used too heavily for consumption rather than investment** or if their disbursement reignites inflationary pressures.

In order to take full advantage of the opportunities offered by the financial package and maximise its overall economic impact, the **additionality of spending across all components of the package must be firmly ensured.** The measures taken so far are not sufficient in this regard and create considerable room for shifting already planned expenditures from the core budget and financing it through borrowing instead — up to 1.2 % of GDP. The threshold for exempting defence spending from the debt brake, set at 1 % GDP, is too low. A gradual increase in the share of defense spending financed out of the core budget should be pursued. To this end, a statutory minimum target for core-budget defence spending of at least 2 % of GDP should be established. For the special fund for infrastructure, an "appropriate" investment ratio has been set. According to a resolution passed alongside the constitutional amendment, this quota should amount to 10 % of the federal budget expenditure (excluding special funds and financial transactions). This provision has created an important safeguard to limit cross-financing from the core budget. To further reduce the remaining scope for such shifts and to strengthen the package’s growth effects, this quota should be gradually raised to 12 %. The principle of an "appropriate" investment quota should also be extended to the remaining components of the fund. For the Climate and Transformation Fund (KTF), an appropriate investment quota could be based on the fund’s existing expenditure structure and amount to, for example, 80 % of the annual spending. For the federal states, state-specific investment quotas should be set.

Whether the financial package is compatible with the recently reformed EU fiscal rules is highly uncertainty. Compatibility can only be achieved if the implementation of the package is strongly investment-oriented and accompanied by structural reforms. If the new spending is too consumption-oriented, on the other hand, compatibility with the European fiscal rules is unlikely. A further reform of the debt brake could also prove helpful — even after the constitutional amendment already passed — in allowing more flexible responses to future crises.

I. INTRODUCTION

75. In March 2025, the German Bundestag adopted a **constitutional amendment establishing** a **fiscal package that greatly expands** the fiscal leeway **in three respects**. In future, there will firstly be an exception to the debt brake for broadly defined defence spending, secondly a special fund to finance infrastructure investments with a term of twelve years and thirdly a structural debt option for the federal states. This is intended to enable policymakers to react to the changed geopolitical regulatory framework and make up for missed public spending in the area of infrastructure (GCEE Annual Report 2024 items 80 ff.).

76. Over the coming years, the fiscal stimulus provided by the fiscal package will contribute to the recovery of the German economy. ↘ ITEM 43 The amount of the newly created fiscal leeway ↘ ITEM 84 will make it possible to **invest** significantly in **modernising the public capital stock**. However, the package also entails **significant risks** — both for Germany and the euro area. There is a risk that the new fiscal space will be used primarily for consumption rather than investment. A strong und sudden expansion of government demand triggered by the package could also push up inflation, while rising interest burden could limit the room for investment in the core budget. Moreover, a higher level of debt could affect yields on German government bonds, with potential spillover effects for the borrowing conditions for other European countries. Against this backdrop, the key question is how to best ensure that **the fiscal package from March 2025 comes along with positive macroeconomic effects**.

77. In the past, **future-oriented public spending** ↘ BACKGROUND INFO 2 has **been insufficiently prioritised** by policymakers (GCEE Annual Report 2024 items 80 ff.). Institutional provisions in budget and fiscal planning can help increase commitment to such expenditures (GCEE Annual Report 2024 items 80 ff.). **In the areas of defence and infrastructure** — which are central to the fiscal package — there is a considerable spending backlog. ↘ ITEMS 87 AND 96 Due to the investment character of infrastructure spending and the unexpectedly rapid and profound change in Germany's and Europe's geopolitical environment necessitating a swift expansion of defence spending, the **credit financing of the necessary spending can be justified in principle at the current time**. ↘ BACKGROUND INFO 5 ↘ BACKGROUND INFO 3 However, the solution chosen in March 2025 — to create additional fiscal scope for such expenditure by exempting defence spending from the debt brake and establishing a special fund — poses challenges. These challenges have already been highlighted by the GCEE in its recent Annual Report (GCEE Annual Report 2024 items 80 ff.). In particular, earmarking of funds can easily be circumvented in both cases.

78. **In the short term**, the fiscal package is likely to **act as an economic stimulus programme** for Germany due to the strongly underutilised capacity in the manufacturing and construction. ↘ ITEMS 43 AND 114 The analyses and simulations carried out for this chapter show that the medium to long-term economic impact of the fiscal package depends largely on how the additional funds made available by the constitutional amendment are spent. ↘ ITEMS 114 FF. **The long-term impact**

on gross domestic product (GDP) up to 2040 is **all the greater, the more the funds are used for investment**. ↘ BACKGROUND INFO 2 If, on the other hand, the fiscalleeway created is used for consumption, the overall effect on GDP up to 2040 is only minor. ↘ ITEM 119 If the funds were at least partially used for investment, the effect on GDP would be greater, but still unfavourable in relation to expenditure. An appropriate, clearly expansionary effect can only be achieved if the funds in the fiscalpackage are used for additional investment in a targeted manner and as comprehensively as possible.

↘ BACKGROUND INFO 2

Definition: Investment, consumption and forward-looking public spending

In the fulfilment of government tasks, a distinction is made between consumptive and investment expenditure (GCEE Annual Report 2024 items 89 f.). **Investment expenditure** contributes (directly) to the creation of assets, most of whose income will only be generated in the future. **Consumptive** expenditure, on the other hand, is public expenditure that is used for ongoing operations and the provision of public services and at most makes an indirect contribution to the creation of new assets. In addition to traditional investment, some consumptive expenditure can also have an investment effect because its costs are largely incurred in the present, but its income is primarily generated in the future. The classic concept of investment in the sense of the creation of physical capital can therefore be extended to include expenditure to maintain and increase human capital, natural capital and technical knowledge. In this chapter, the term investment is understood in the sense of such **future-oriented public investment** (GCEE Annual Report 2024 background info 2).

79. The precautions taken as part of the constitutional amendment to ensure additionality in the use of funds for investments are not sufficient. In the case of the Special Infrastructure Fund, the criterion of an "appropriate investment ratio" in the federal budget ↘ ITEMS 98 F. is in principle suitable for **ensuring additionality**. However, the term "appropriateness" should be clearly defined in the law establishing the special infrastructure fund. The threshold for appropriateness should not be lower than the investment ratio of 10 % in the federal budget – a threshold that was also defined as "appropriate" in the motion for a resolution (SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups, 2025). The possibilities of credit-financed cross-financing of expenditure that would have to be paid from the core budget are then small, although not zero. ↘ ITEMS 98 F. The growth potential could be further strengthened if the remaining room for manoeuvre in terms of consumption were further restricted by **slowly increasing the appropriate investment ratio** to 12 %. ↘ ITEM 137 Another problem is that there is currently no comparable regulation for those parts of the special fund that are earmarked for the federal states and the Climate and Transformation Fund (KTF). There is therefore a risk that funds from the special fund will **finance expenditure-intensive consumptive projects from the coalition agreement**, ↘ ITEM 101 **instead of** enabling **additional investment**. In order to ensure that the fiscal package has a positive impact on the overall economy, it would therefore be expedient to define appropriate investment ratios for the KTF and

the federal states in order to ensure that the funds are used for additional and investment purposes.

In the area of defence, the constitutional amendment sets a threshold of 1 % of GDP, above which the expenditure does not count towards the debt brake and can be flexibly financed through borrowing. However, in 2024, the actual defence expenditure financed from the core budget in accordance with the definition set out in the Constitution (hereinafter "defence expenditure") at just under €67.5 billion exceeded that threshold by almost 0.6 % of GDP. Setting the threshold at 1 % of GDP therefore creates considerable scope for financing consumptive expenditure in the core budget outside of the debt brake. A statutory **minimum ratio for defence spending in the core budget** of at least 2 % of GDP, as proposed by the GCEE (GCEE Annual Report 2024 items 143 ff. and 178), would counteract this. ↘ ITEM 134

80. The special infrastructure fund is set for twelve years. Once it expires, unless further precautions are taken, there is a risk that future-oriented expenditure will once again be too low due to politicians' present bias (GCEE Annual Report 2024 item 82). To prevent this from happening, institutional safeguards should be put in place today, setting up a foundation for the future financing of the necessary expenditure from the core budget. For transportation, a **transport infrastructure fund** could already be created today, **to which revenue from the core budget would be permanently transferred** (GCEE Annual Report 2024 item 177). ↘ ITEM 140 This could replace the special fund in the future. In the area of education, the **statutory quotas for education expenditure** could be set at federal state level (GCEE Annual Report 2024 item 179).

81. The overall economic impact of the fiscal package will be influenced, among other things, by whether capacity bottlenecks or lengthy planning and procurement processes delay the planned measures. ↘ ITEM 147 **European procurement** should be **strengthened** in the defence sector. The **Bundeswehr Procurement Acceleration Act should** not only **be prolonged**, but should also be applied more widely. ↘ ITEM 150 According to the coalition agreement, **infrastructure projects from the special fund should be accelerated** in the context of "overriding public interest". Such an approach is fundamentally sensible and has proven to be effective in the past. ↘ ITEM 95 **Accompanying structural reforms** to reduce bureaucracy ↘ ITEM 175 and increase the labour supply (GCEE Annual Report 2023 items 277 ff.) can be an important complement to the fiscal package and strengthen its growth impetus.

82. A **reform of the debt brake** envisaged in the motion for a resolution may make sense despite the extensive funds now available for the next twelve years. It can be used to **eliminate** existing **weaknesses of the debt brake in its current form**, for example by introducing a transitional arrangement for future emergencies (GCEE, 2024). ↘ ITEMS 157 F.

83. If spending is consumption-orientated, the fiscal package is not expected to be compatible with European fiscal rules. The assessment is subject to various uncertainties, including the fact that Germany has not yet agreed a net spending path with the European Commission. **However,** the Federal Government can **itself**

contribute **to increasing the likelihood of the fiscal package being compatible with EU fiscal rules** by ensuring that **the fiscal package is strongly investment-orientated**. In order to improve the growth-orientation of expenditure in the long term and thus also the conformity with the rules, an increased ex ante review of expenditure can be expedient.

II. OPPORTUNITIES AND RISKS OF THE NEW FISCAL PACKAGE

84. **The constitutional amendment opens up great additional fiscal leeway**. The additional credit-financed expenditure at federal level as a result of the constitutional amendment depends largely on the level of defence spending. In addition to 300 billion euros in credit financing for infrastructure investments and 100 billion for the KTF, the constitutional amendment also provides for unlimited credit authorisation for all defence spending exceeding 1 % of GDP. ↘ ITEM 85 If this defence expenditure were to amount to 2 % of GDP, the federal government could spend an average of over 75 billion euros more per year financed by credit. With defence expenditure of 4 % of GDP, the additional credit-financed expenditure for the federal government would be 162 billion euros.

For the federal states, the constitutional amendment enables annual credit-financed expenditure of 0.35 % of GDP through the newly granted structural debt option. In addition, 100 billion euros will be allocated from the special infrastructure fund over the next twelve years. These funds from the special fund are to be passed on in part by the federal states to the municipalities. In total, the **federal states and municipalities** will therefore be able to spend an average of up to an additional 24 billion euros per year by the end of the 2030s.

This potential additional expenditure at federal, state and municipalities level corresponds to an overall **increase in general government spending of almost 2.3 % or 4.3 % of GDP** (with defence spending of 2 % or 4 % of GDP). The impact of this expenditure on the overall economy depends largely on how the leeway provided by the constitutional amendment can be utilised in concrete terms and which measures accompany it.

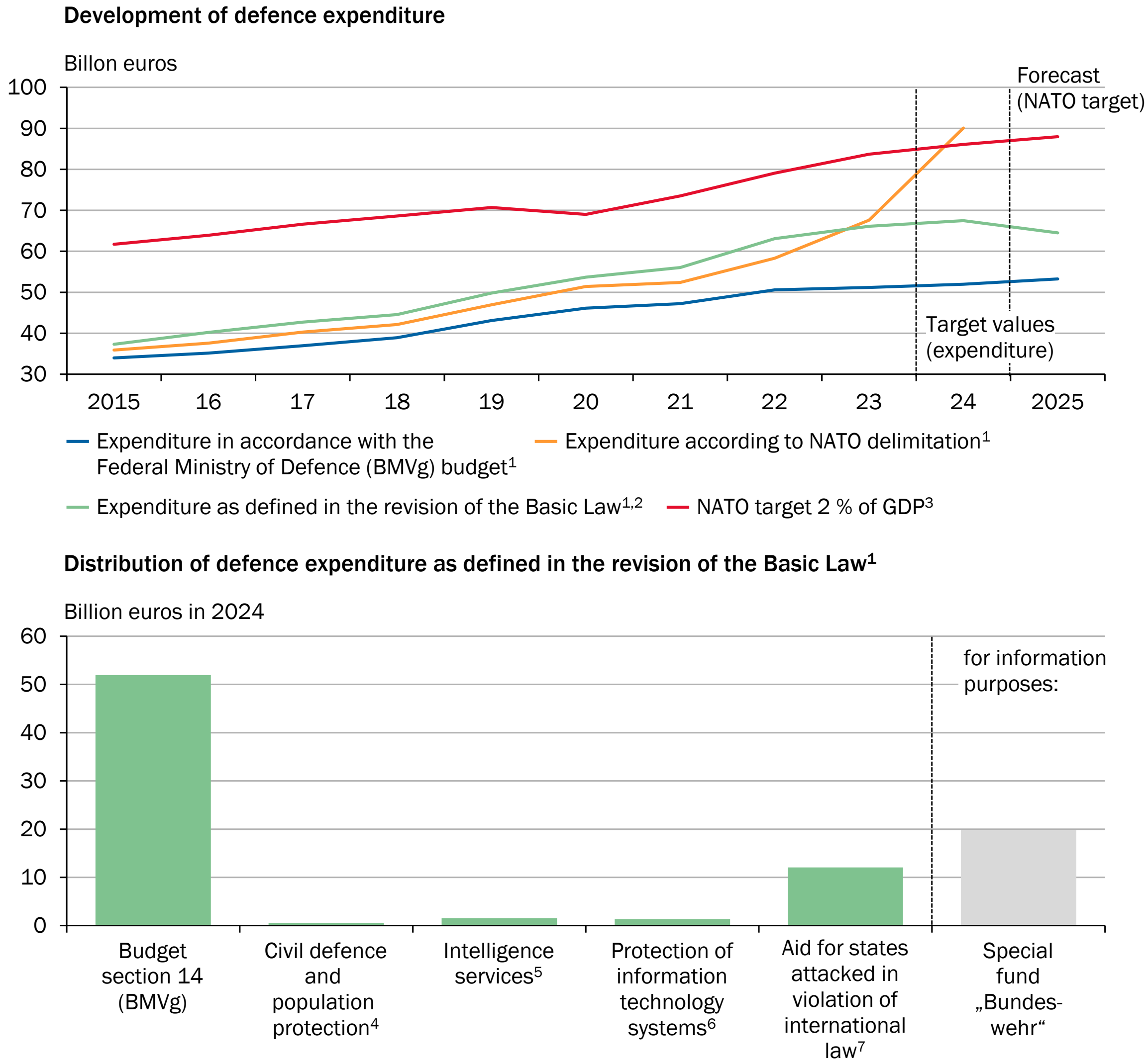
1. Exemption for defence spending from the debt brake

85. The amendments to Articles 109 and 115 of the Constitution modifies the debt brake to allow for **credit-financed defence expenditure**. Specifically, expenditure by the Ministry of Defence (Section 14) as well as expenditure for the intelligence services, for the protection of information technology systems and for aid to states attacked in violation of international law, which together exceed **1 % of GDP**, will **no** longer be **counted towards the permissible net borrow-**

ing of the federal government under the debt brake. This means that defence expenditure can be financed by unlimited borrowing as long as 1 % of the defence expenditure is financed from the core budget. In 2024, the relevant expenditure amounted to €67.5 billion and thus 1.6 % of GDP. ↘ CHART 26

↘ CHART 26

Defence expenditure in various delimitations



1 – Target values from 2024. 2 – Including the expenditure of the Ministry of Defence as well as expenditure for the intelligence services, for the protection of information technology systems and for aid to states attacked in violation of international law. The budget items included are based on Hentze et al. (2025). The special fund „Bundeswehr“ is not included in the calculation of the new 1 % threshold for debt-financed defence expenditure. 3 – NATO expenditure largely corresponds to defence expenditure as defined in the revision of the Basic Law. Expenditure from the special fund is also included, while some other expenditure, such as for the protection of information technology systems, is not. GDP estimated for the year 2025 (see item 44). 4 – Federal Ministry of the Interior (Federal Agency for Technical Relief, Federal Office of Civil Protection and Disaster Assistance). 5 – Federal Chancellery (Foreign Intelligence Service), Federal Ministry of the Interior (Domestic Intelligence Services). Military Counterintelligence Service is included in Budget section 14 (BMVg). 6 – Federal Ministry of the Interior (Federal Office for Information Security, Central Office for Information Technology in the Security Sector, IT and Network Policy, Digital Radio and Modern Administration). 7 – General Financial Administration (strengthening partner states in the areas of security, defence and stabilisation), Federal Foreign Office (securing peace and stability), Federal Ministry of Economic Cooperation and Development (crisis management, reconstruction and infrastructure).

Sources: European Defence Agency, Federal Government, Federal Statistical Office, own calculations

86. In parallel to the new rules for the debt brake, the **Bundeswehr Special Fund** is to continue to contribute to the upgrading of the defence system. The funds have been almost completely contractually committed since the end of 2024 and are therefore no longer freely available. The wording of the constitutional amended suggests that expenditure from the Bundeswehr Special Fund is **not taken into account when calculating the 1 % threshold**.

87. In view of the changed geopolitical situation and the deficits in defence capability (Dorn et al., 2022), a rapid and substantial increase in defence spending is planned. ↘ BACKGROUND INFO 3 The current political debates already involve calls for defence spending exceeding the previous NATO target of 2 % of GDP (Rutte, 2024). The exact spending target is likely to depend largely on further geopolitical developments. The constitutional amendment guarantees a high degree of fiscal flexibility for defence spending. This **significantly** increases **the Federal Government's ability to act in future crises**, at least in the short to medium term. This flexibility is intended to serve as a credible deterrent. However, it also harbours the risk of inefficiencies. ↘ ITEM 90

↘ BACKGROUND INFO 3

Background: Financial costs of modernizing the Bundeswehr

The **expenditure** required **to modernize German defence** can be estimated using macroeconomic benchmarks (**top-down approach**). The **NATO spending target of 2 % of GDP** is often used here, which measures inputs and not results (Techau, 2015). In Germany, defence spending in the NATO definition has been lower than 2 % of GDP for decades since 1989. If Germany had consistently met the NATO target since the end of the Cold War, defence spending would have cumulatively been more than 600 billion euros higher (Bardt, 2023; Dorn and Schlepper, 2023). Assuming that around a quarter of defence spending in the NATO definition is accounted for by investment, this results in **a shortfall in investment of just under 155 billion euros** (GCEE Annual Report 2024 item 108).

Secondly, the funding requirements can be quantified on the basis of **capability gaps** in the Bundeswehr or the **operational requirements of national and alliance defence** (**bottom-up approach**). In addition to remedying the deficiencies in existing infrastructure and equipment (Högl, 2025), it is also necessary to expand the stocks of large military equipment and develop new weapon systems in order to overcome deficits in defence capability (Dorn et al., 2022). Heilmann et al. (2024) estimate the Bundeswehr's additional investment requirements at around €90 billion by 2030 and €131 billion by 2035. These additional costs for material procurement are not covered by the current fiscal planning, the previous Federal Government's commitment to significantly increase Section 14 expenditure from 2028 on and the remaining funds from the Bundeswehr Special Fund. This corresponds to additional annual costs of between €11.9bn and €15bn on average. Mölling et al. (2025) calculate a significantly higher investment requirement of around €216 billion by 2035, or an average of €19.6 billion per year, taking into account increased NATO requirements and risks relating to transatlantic alliance loyalty. However, higher funding alone does not ensure that the Bundeswehr's capability gaps will actually be closed and its operational capability increased. Complementary to the additional expenditure, accompanying improvements in the efficiency and organisation of the Bundeswehr are therefore necessary.

88. From an economic perspective, debt financing can be particularly useful for temporary increases in investment, catch-up requirements and temporary shocks for intertemporal smoothing of tax revenues (Board of Academic Advisors to the BMWK, 2023a; GCEE Annual Report 2022 box 11). In contrast, recurring expenditure should be financed from the core budget. However, the **1 % threshold** for debt financing of defence expenditure **is significantly lower than the average value of the most recent expenditure for these purposes**. ↘ CHART 26 The portion of expenditure in the defence budget (Section 14) that was budgeted for command authorities and troops, accommodation, Bundeswehr administration and material maintenance (Chapters 1403, 1406, 1408, 1413) in 2025 according to the outgoing coalition government's draft was already around 43 billion euros and thus reached the threshold value. A further 20.5 billion euros were therefore above the threshold and could be debt-financed in future. This opens up additional fiscal leeway that could be used for consumption purposes.

89. **The definition of expenditure items exempt** from the debt brake is not precise. Although the law names the relevant areas of responsibility, it remains unclear which specific expenditure is included. For example, expenditure for the Independent Control Council, which controls the technical reconnaissance of the Federal Intelligence Service, could also be interpreted as defence expenditure. It would also be conceivable to extend the scope for debt through changes to budgetary law. If, for example, research into dual-use goods – goods that can be used for both civilian and military purposes – were included in the expenditure of the Federal Ministry of Defence, funds could be reallocated between sections 14 and 30. Both approaches would be fraught with legal uncertainty. However, as long as there is **no narrow earmarking, there are opportunities to label expenditure as defence expenditure** and thus enable additional (consumptive) expenditure.

90. The possibility of unlimited debt financing potentially **weakens** the **incentives** for **efficient use of funds**. Military procurement already suffers from costly **special requests** ("gold-plated solutions") that drive up expenditure. With unlimited credit financing, even more special requests can be accommodated. The pressure to negotiate low prices in procurement also decreases with expanded fiscal space.

The bargaining power of suppliers has already been strengthened **by the rapid increase in defence purchases** not only in Germany, but also in other European countries (Burilkov and Wolff, 2025) (Rettinger and Minner, 2025). EU member states increased their investment in the defence sector from €59 billion to €72 billion between 2021 and 2023, based on constant prices (EDA, 2024). In 2024, they are likely to have increased massively again to around 102 billion euros. Over 80 % of this investment will be for the procurement of new defence equipment. A further increase in the procurement volume is expected for Germany. ↘ CHART 26 ABOVE

91. At the same time, competition among suppliers has decreased. The **average number of bidders in the defence and security sector fell** from over seven in 2009 to **just under two per tender** in **2017** (Eßig and von Deimling, 2019),

a trend that can also be observed in public procurement in general (European Court of Auditors, 2023). In addition, **the defence industry's production capacities in Europe are limited**, which **could** cause **prices for defence equipment to rise significantly as a result of increased demand**. It is true that capacities have been expanded in some areas such as ammunition production in recent years. Nevertheless, the order backlog of leading European defence manufacturers increased by over 60 % between 2021 and 2024 (The Economist, 2025), indicating difficulties in fulfilling orders.

European countries have also recently switched to **suppliers outside Europe** to a considerable extent, which could ease the price pressure somewhat. Between February 2022 and July 2023, 78 % of defence purchases by EU member states were made from suppliers outside the EU, predominantly in the USA (European Commission, 2024a). However, **Germany relies comparatively heavily on domestic manufacturers**. ↘ BACKGROUND INFO 4 In addition, as part of the new European industrial strategy for the defence sector, the intention is for EU Member States to procure 50 % of their defence investments within the EU by 2030 and by 2035 (European Commission, 2024a).

92. The **procurement and pricing law** will partly protect against **price increases**. For contracts for which no market prices can be set, such as large weapon systems, cost prices are used that provide for a fixed profit formula based on production costs. While this approach protects against increased price markups, cost increases – for example due to a global rise in demand for raw materials relevant to the military – are passed on. Overall, it is to be expected that **prices** and therefore also the **costs of military procurement will rise relatively quickly**. In any case, they tend to grow faster than the general price level (Hartley, 2016).

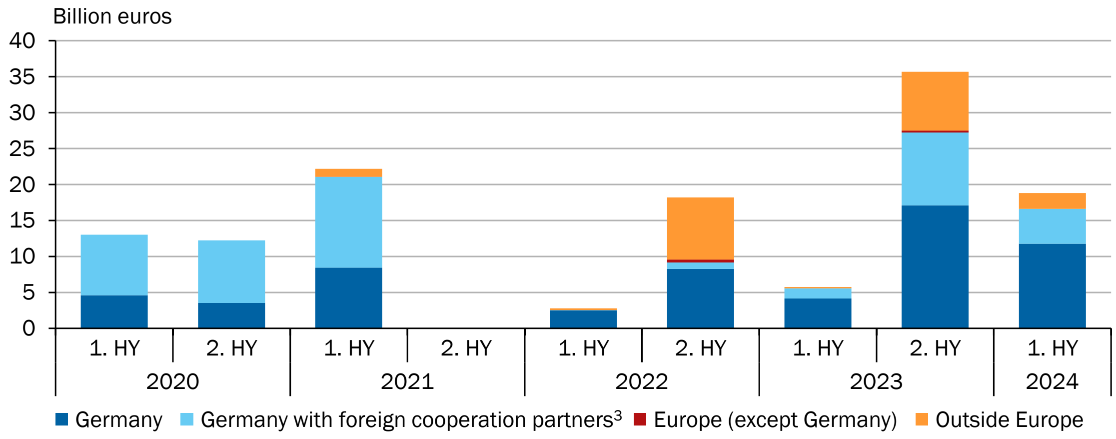
↘ BACKGROUND INFO 4

Background: Purchase of defence equipment in Germany

Germany procures **most of** its **defence equipment from domestic manufacturers**, who develop and produce these goods either alone or in cooperation with foreign companies. In the period from January 2020 to July 2024, 48 % of all defence contracts (€64.6 billion) were awarded to domestic manufacturers and a further 35 % (€47.1 billion) to projects between German manufacturers and foreign cooperation partners (Wolff et al., 2024). Cooperation projects include, for example, the procurement of 38 Eurofighter combat aircraft (€5.6 billion) and initially four ships of the Frigate 126 class (€5.5 billion) in 2020. In 2022 and 2023, **purchases** were also made **from non-European manufacturers, primarily from the USA**, amounting to €22.1 billion or 16.5 % of defence contracts. ↘ CHART 27 These orders primarily included 35 fighter aircraft (F-35A) worth 8.3 billion euros in December 2022 and 60 helicopters (CH-47F Chinook) worth 7 billion euros in July 2023.

93. The stock market's reaction to the announcement of the fiscal package suggests that investors **expect higher profits from European defence companies in the** future. In the first half of March 2025, the share prices of three German defence manufacturers, and thus their market value, rose by around 30 %, while

↘ CHART 27
German military orders[1] by country of origin[2] of the producers

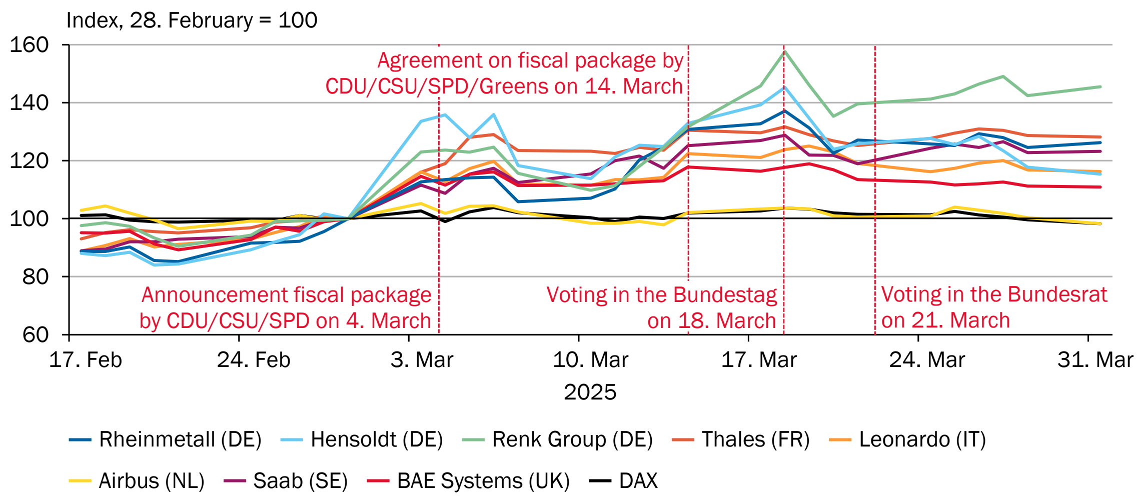


1 – According to the date of announcement or approval of the order. In all but a few cases, this date refers to when the Bundestag Budget Committee approved the order. 2 – Location of headquarters of producer. 3 – Cases where a German and non-German company jointly receive an order, i. e., they work together on developing and producing an item.

Source: Wolff et al. (2024)

the DAX only rose by around 2 %. ↘ CHART 28 In an efficient and liquid stock market, the market value of a company should correspond to the present value of its expected future profits at any point in time. Based on this assumption, in the week following the announcement of the fiscal package, the stock market expected that the profits of the defence companies affected could be around 30 % higher in the future. This may reflect both higher sales volumes and higher prices.

↘ CHART 28
Development of share prices of important European defence companies[1]



1 – DE-Germany, FR-France, IT-Italy, NL-Netherlands, SE-Sweden, UK-United Kingdom.

Sources: LSEG Datastream, own calculations

2. Special fund infrastructure

94. The second part of the amendment to the Constitution established a **special fund with its own credit authorisation**. It enables investments in **infrastructure and climate protection** with a total volume of up to 500 billion euros by 2037. 100 billion euros of this is earmarked for the Climate and transformation fund (KTF), for expenditure to **achieve climate neutrality** by 2045. Overall, the special fund provides scope for loan financing of investments totalling an average of around 41.6 billion euros per year, of which 33 billion euros is attributable to the federal government. A total of €100 billion, or €8.3 billion per year, is available to the federal states, which can also use this to facilitate municipal investment. According to the coalition agreement, a "front-loading" of expenditure is planned. This means that measures totalling around 150 billion euros are to be financed from the federal share of the special fund in the years 2025 to 2029, meaning that expenditure will not be distributed evenly over the term of the special fund (CDU, CSU and SPD, 2025). According to the motion for a resolution, the funds from the special fund are to be used for transport infrastructure, hospitals, energy infrastructure, climate protection and education, childcare and science infrastructure, among other things (SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups, 2025). Further details are to be laid down in federal legislation.

95. To speed up the implementation of projects from the special fund, the new Federal Government is planning **an Infrastructure Future Act**, in which the possibilities for accelerating the planning and approval, procurement and awarding of infrastructure projects from the special fund are to be regulated (CDU, CSU and SPD, 2025). The central instrument is to be the **legal categorisation of infrastructure projects as being of "overriding public interest"**. This term gives projects legal superiority, enables shortened consideration procedures and, in some cases, facilitates the handling of environmental regulations (Deutscher Bundestag, 2022). It is complemented by the political leitmotif of "Germany's pace", which aims to achieve rapid, digitalised and coordinated procedures (Federal Government, 2023). In recent years, politicians have declared various laws, including the Grid Expansion Acceleration Act, the Energy Industry Act and the LNG Acceleration Act, to be projects of overriding public interest. As part of the Authorisation Acceleration Act, the overriding public interest was also defined for selected projects in the rail and road sectors in 2023 (BMDV, 2023).

Experience with these projects shows that the **acceleration of projects in the overriding public interest** has been **successful**. For example, the entire project duration for the construction of the LNG terminal in Wilhelmshaven was significantly reduced on the basis of the LNG Acceleration Act (LNGG, 2022) and by applying simplified review procedures and shortened approval periods. This meant that an infrastructure project that would have taken several years under normal circumstances was completed in less than seven months (Niesmann, 2022; StK Niedersachsen, 2024).

↘ BACKGROUND INFO 5

Background: Estimates of public spending requirements for infrastructure and climate protection

There is a substantial spending gap in the infrastructure sector. Various studies quantify **public spending requirements for German infrastructure.** These are subject to a high degree of uncertainty and are only comparable between studies to a limited extent. Dullien et al. (2024) estimate the public investment requirement over the next ten years at €600 billion, of which around €200 billion is for climate protection and climate adaptation and around €200 billion for municipal infrastructure. Around 100 billion euros will be spent on federal roads and railways and the rest primarily on education and housing. Various studies put the financial need for the expansion of early childhood care, the refurbishment of universities and the investment backlog in the school sector at a mid double-digit billion euro amount by 2030 (Bardt et al., 2019; Brand and Salzgeber, 2022; Heilmann et al., 2024). Krebs and Steitz (2021) and Agora Think Tanks (2024) estimate the annual need for additional public investment to achieve climate neutrality in Germany at €52 billion and €37 billion respectively.

96. Germany has a **considerable need for expenditure in various areas** (GCEE Annual Report 2024 items 80 ff.). In addition to spending on defence, additional future-oriented expenditure is required in the areas of transport infrastructure and general education in particular. In the area of climate protection, Germany is constitutionally obliged to achieve climate neutrality within the limits of the CO_2 budget allocated to Germany as a result of the Federal Constitutional Court's climate judgement in 2021 (Verheyen, 2025a). Some studies quantify the additional public investment required to achieve climate neutrality. ↘ BACKGROUND INFO 5

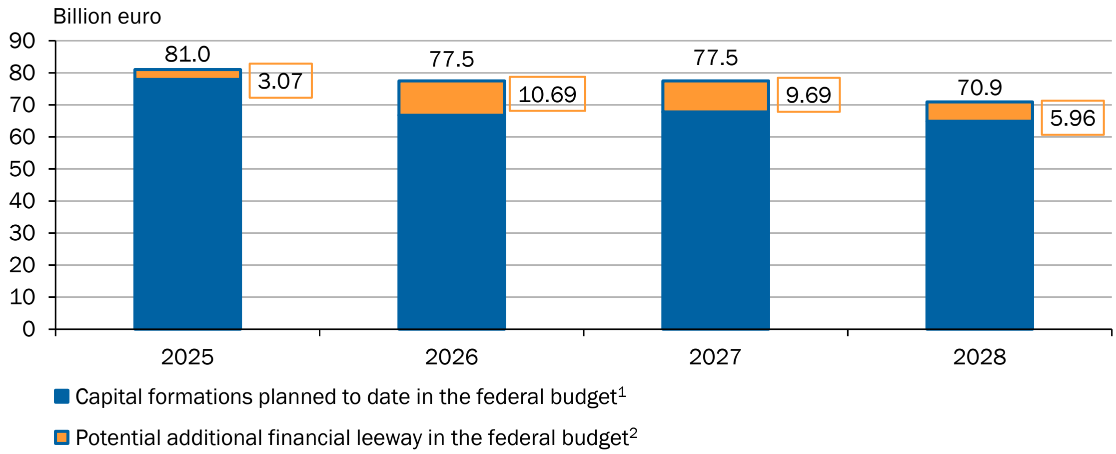
These expenditure requirements are to be addressed by the special infrastructure fund. It is hardly possible to precisely quantify the requirements for the federal government, federal states and municipalities. However, the **provision of a mid-triple-digit billion amount for the modernisation of German infrastructure** over the course of a year **could be** economically **justifiable** against the background of the needs quantified in various studies. ↘ BACKGROUND INFO 5

97. The solution chosen in March 2025 of creating additional funding scope for infrastructure via a special fund was implemented under particular time pressure and in a difficult political negotiation situation in the transitional period between the Bundestag elections and the constitution of the new Bundestag. However, the chosen path of **setting up a special fund is associated with disadvantages**, as the GCEE explained in its last GCEE Annual Report (GCEE Annual Report 2024 items 149 ff.). In particular, there is the problem that the **earmarking can easily be circumvented** by financing expenditure that was already planned in the regular budget via the special fund. To the extent that this would happen, no additional investment expenditure would be incurred. Instead, the deficit limit would merely be temporarily increased and more room for manoeuvre would be created for other, also consumptive, expenditure in the core budget.

98. In order to prevent already planned investments from being shifted from the core budget to the special fund, the new Article 143h of the Constitution stipulates that the new **infrastructure special fund** may **only** be used **for additional investments**. According to the Constitution, additionality exists if an "appropriate" investment ratio is achieved in the federal budget in the respective financial year. The definition of an appropriate investment ratio was not included in the Constitution. However, in a motion for a resolution by the SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups, it is set at 10 % of the federal budget excluding special funds and financial transactions (SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups, 2025). For the years 2025 to 2028, the federal government's fiscal plan consistently provides for a corresponding investment ratio of over 10 %. In the past, it was often lower, but generally close to 10 %. ↘ TABLE 11 APPENDIX If all investments planned in the fiscal plan that exceed an investment ratio of 10 are financed from the special fund, this would result in additional fiscal leeway of 29.4 billion euros in the federal government's core budget for the years 2025 to 2028. This means that an average of €7.3 billion could be shifted from the core budget each year. ↘ CHART 29 ↘ TABLE 12 APPENDIX

99. As the motion for a resolution is not legally binding, it is conceivable that **the definition of an appropriate investment ratio** of **10 %** of the federal budget excluding special funds and financial transactions **will not be included in the law establishing** the special fund. For this case, or if a lower investment ratio were to be defined there, there would be correspondingly higher scope for shifts from the core budget. The further the investment ratio classified as appropriate is below the actual investment ratio, the greater the potential scope for consumption. According to the federal government's current fiscal plan, for every percentage point that the "appropriate" investment ratio is set lower than 10 %, there is additional Fiscal Space in the federal budget of around €18.5 billion up to 2028, which could be used entirely for consumption purposes.

↘ CHART 29
Possible effects of the special infrastructure fund on the federal budget



1 – According to the federal government's financial plan for the years 2024 to 2028. 2 – Total capital formation planned to date in the federal budget that exceeds 10 % of the federal budget without financial transactions and can therefore be financed by the special infrastructure fund. According to the federal financial plan for the years 2024 to 2028.

Sources: Deutscher Bundestag, own calculations

100. Theoretically, the additionality criterion could be circumvented by a **reclassification from consumptive to investment expenditure**. However, this contradicts the previous case law of the Federal Constitutional Court, which rules out an expansion of the definition of investment under budgetary law beyond previous state practice (BVerfG, 1989; Deutscher Bundestag, 2007).

101. Whether the **criterion of additionality** must also apply to the **allocation from the special fund to the KTF** and **the federal states** is legally controversial. A constitutional necessity could be derived from the fact that additionality is explicitly mentioned in the Constitution as the overriding purpose of the special fund and this is not called into question by the partial allocation to the KTF and the federal states (Verheyen, 2025b). Irrespective of possible legal obligations, the preservation of additionality should also be strived for from an economic perspective. The problem is that, unlike for the federal budget with the appropriate investment ratio, **no reference value** was **defined for the federal states and the KTF** in the constitutional amendment.

102. Investments within the meaning of the Special Infrastructure Fund are defined in Section 13 (3) no. 2 sentence 2 of the Federal Budget Code (BHO). Accordingly, investment within the meaning of budgetary law also includes investment grants, for example. ↘ GLOSSARY The **investment ratio in the KTF** is significantly **higher than in the federal budget** according to this definition under budgetary law. In 2023, the investment ratio was around 76 %, while the planned investment ratio for 2024 was around 52 % and for 2025 around 78 %. The lower investment ratio for 2024 is the result of subsidies to reduce the electricity price due to the abolition of the EEG surcharge. However, as stated in the motion for a resolution, these are to be financed from the core budget from the 2025 financial year onwards, meaning that the significantly higher investment ratios for 2023 and 2025 can be considered a more realistic benchmark.

The **largest consumptive expenditure in the KTF**'s economic plan for 2025 is **electricity price compensation** for electricity-intensive companies. ↘ TABLE 13 APPENDIX The coalition agreement announces that funds from the KTF are to be used for "noticeable relief in the electricity price" and that electricity price compensation is to be permanently extended and expanded to other areas. However, there is a risk that funds from the special fund will create additional scope for such consumptive expenditure **instead of being** used for **additional investment**.

103. There is a similar risk with the allocations from the **special fund for the federal states**, as there has been no additionality criterion here either. However, such a criterion would be important, as the funds from the special fund are financed by the federal government. As a result, there are **only limited incentives for** each individual state to spend the funds with **fiscal sustainability** in mind (Boysen-Hogrefe, 2025). The investment ratios of the federal states vary considerably and range from 6.4 % (Lower Saxony) to 16.1 % (Saxony) for 2025. ↘ TABLE 14 APPENDIX

104. The issue of **repayment of the loan taken through the special fund** has not yet been regulated. Should repayment be mandated, it would be conceivable to **align its arrangements with those arrangements established for the**

Bundeswehr special fund. The loans taken out under the Bundeswehr special fund are governed by specific repayment rules set out in the Bundeswehr Financing and Special Fund Act (BwFinSVermG, 2022, § 8 para. 2). Accordingly, repayment must begin no later than 1 January 2031 and must be compeletd within a "reasonable period of time". What constitutes a reasonable timeframe is to be determined only once the full borrowing authorization of the Bundeswehr Special Fund has been fully utilised, taking into account both the total amount borrowed and the prevailing economic conditions (Deutscher Bundestag, 2024). If a possible repayment of the loans from the Special Infrastructure Fund were to be carried out in a similar way, additional payment obligations (for both interest and principal) totalling an average of €21 billion per year could arise from 2037 onwards, assuming an interest rate of 2 %. As a result, fiscal leeway would be significantly reduced in subsequent years

105. The **federal government's existing repayment obligations** are likely to **increase** from 2028 (BWV, 2024), as the repayment obligations arising from the emergency loans taken out between 2020 and 2022 will begin. Those obligations will amount to roughly €9.2bn per year for the next 30 years. Once the Bundeswehr special fund has been fully utilised, repayment of the loans taken out for this purpose would also be mandatory from 2031 at the latest. In addition, Germany will have to repay an as yet undetermined share of the loans taken out by the EU to finance the Recovery and Resilience Facility. Beginning in 2031, repayzments will also need to start on the loans taken out to finance the the Economic Stabilization Fund set up in response to the energy crisis, amounting to around 1.7 billion euros per year (BMF, 2024).

3. Structural debt option for the federal states

106. Going forward, the **federal states** as a whole, like the federal government, will be permitted to **take on structural net borrowing of up to 0.35 % of GDP** annually. The allocation of the permitted borrowing to the federal states will be regulated by a federal law with the approval of the Bundesrat. The extent to which the federal states will utilise the scope for borrowing also remains unclear. The allocation could be based on existing allocation algorithms, e.g. weighting according to population, economic strength or the financial strength of the respective state, or according to other criteria such as the respective investment requirements. Depending on the key, this would allow additional structural borrowing of between €2.4bn and €2.8bn per year for Bavaria, for example, and between €677m and €854m for Berlin (Boysen-Hogrefe, 2025).

107. It makes sense to align the expansion of borrowing capacity for financing public investment with the **federal level responsible for its financing and implementation** (GCEE Annual Report 2024 item 87). In particular, expenditure in education and transport infrastructure fall under different areas of responsibility (GCEE Annual Report 2024 item 97). In the area of transport infrastructure, for example, the federal government is responsible for federal transport routes, which include motorways, federal roads, federal railways and federal waterways, while the federal states and municipalities are responsible for regional roads and rail-

ways, e.g. for local public transport. In the school system, the municipalities bear the material costs and, as a rule, the costs for non-teaching staff. The federal states bear the personnel costs for teachers. The federal government takes on a funding role, e.g. for digital technology as part of the Digital Pact for Schools

4. Constitutional amendment and European fiscal rules

108. German fiscal policy must not only comply with the rules of the Constitution, but also the **European requirements under the Stability and Growth Pact**. The European fiscal rules were fundamentally reformed in April 2024 (GCEE Annual Report 2024 box 11). The core of this reform is that budget management will in future be based on country-specific debt sustainability analyses (DSA) and a net primary expenditure path. This replaces the previous "medium-term targets" for the level of structural deficits.

Member States that do not fulfil one of the two Maastricht criteria (debt ratio below 60 % of GDP; deficit below 3 % of GDP) will be provided by the European Commission with a **country-specific reference path for the net expenditure relevant under the EU regulation** (European Parliament and Council of the European Union, 2024). This is intended to ensure debt sustainability and deficit resilience. Assuming that no further fiscal policy measures are taken, the projected debt ratio is to be brought to a plausible downward path by the end of the adjustment period at and kept below 60 % of GDP in the medium term. The projected deficit is to be reduced to below 3 % of GDP during the adjustment period and kept below this reference value in the medium term. For their part, the member states also submit medium-term fiscal policy and structural plans (MTFSP), which may also include their own net expenditure path in addition to the planned reforms and investment. The European Commission assesses whether debt sustainability and deficit resilience can be ensured with the net expenditure path submitted. If these requirements are not met, the European Council would adopt the previously submitted reference path as the net expenditure path on the recommendation of the European Commission. The expenditure path is set for four years and compliance with it is reviewed by the Commission. An extension of the adjustment period from four to seven years is possible if Member States commit to implementing reforms and investment. In this case, the expenditure path is calibrated in such a way that the debt sustainability adjustment path requirements only have to be met after seven years.

109. The **European Commission** is proposing an amendment to the current rules (European Commission, 2025a), which, among other things, provides for **the activation of national escape clauses** (Regulation EU 2024/1263, Article 26). For defence spending in accordance with the Classification of the Functions of Government (COFOG), a deviation from the agreed spending path of up to 1.5 % of national GDP is to be permitted for a period of four years (with the option to extend). For Germany, this implies additional annual room for manoeuvre within the European fiscal rules of around €64.5 billion. At the end of April 2025, Ger-

many was the first EU member states to apply to activate the national escape clause for the years 2025 to 2028 (Kukies, 2025).

110. While the European Commission will make it possible to temporarily increase defence spending significantly in line with EU fiscal rules by activating national escape clauses, this does not affect defence spending beyond the COFOG classification or spending from the **special infrastructure fund and** as part of the new structural **debt facility for the countries**. Their utilisation must therefore be aligned **with the requirements of the EU fiscal rules** in the short term.

111. In addition to the goal of ensuring the sustainability of public finances, the reformed EU fiscal rules should take better account of structural reforms and investment than before (European Commission, 2024b; AG 2024 box 11). Member states that commit to **implementing reforms and investment** in this sense should be granted **additional flexibility within the framework of the fiscal rules**. Additional room for manoeuvre for debt-financed expenditure can then arise both when determining the multi-annual expenditure path and subsequently when monitoring compliance with the rules (Guttenberg and Redeker, 2024). Practical experience with the application of the reformed EU fiscal rules is still lacking.

112. **Germany** has **not** yet submitted **a medium-term fiscal policy and structural plan** (MTFSP) to the European Commission. The Commission has therefore only submitted a technical reference path for Germany, which is not publicly accessible. The new Federal Government will probably not be able to submit a new plan until summer 2025 at the earliest. The overall Fiscal Space that Germany will be granted on the basis of the recently reformed fiscal rules is therefore still open and will only be determined when a spending path is agreed between the future Federal Government and the European Commission and the European Council.

113. An additional challenge arises from the fact that, following the amendment to the Constution, both the federal government and the federal states are authorised to run structural deficits, while the European fiscal rules apply to the state as a whole. In this respect, deficits must **be coordinated between different levels** to ensure **compliance with the rules**. ↘ ITEM 154

III. MACROECONOMIC EFFECTS

114. In the short term, the fiscal package will have the effect of an expansive demand shock on the German economy. ↘ ITEMS 43 AND 55 The impact of the fiscal package beyond the current forecast horizon, on the other hand, is a complex question. The effect **of debt-financed public spending on real production, inflation and the German debt-to-GDP ratio** depends on various factors. On **the demand side**, these include the scope, orientation (consumption- or investment-orientation), de facto duration, the ability of companies and private households to plan and the place of use of the funds (domestic or foreign). **On the supply side**, the available production capacities and borrowing conditions are particularly relevant

1. Effects on production and inflation

115. **Fiscal multipliers** can be used to estimate the **impact of government spending on real GDP** (GCEE Annual Report 2024 item 113). They indicate by how many euros GDP increases if government spending is increased by one euro. The overall impact of the fiscal package on the real economy depends on the mix of consumer and investment spending. ↘ BOX 6 Scientific studies show that public investment – for example in infrastructure, education or research – generally has a significantly stronger long-term effect on GDP than government consumption (Blanchard and Leigh, 2013). Empirical studies unanimously estimate the long-term multiplier of additional government investment in various economies to be greater than one (Auerbach and Gorodnichenko, 2012; Ilzetzki et al., 2013; Ciaffi et al., 2024). Hollmayr and Kuckuck (2018) estimate the general government **consumption multiplier for Germany after five years** at around 1.1, while the **investment multiplier** is around 4.5. Clemens et al. (2025) find a general government investment multiplier for Germany of around 2.1 after five years. Ochsner and Zuber (2025) estimate slightly lower fiscal multipliers of between 0.5 and 1.5 in the first year and between 0.3 and 1.5 after five years for aggregate consumption and investment expenditure as well as tax cuts by the German general government compared to the literature. ↘ TABLE 15 APPENDIX

116. The estimation of fiscal multipliers for **defence spending** focuses primarily on US data. Antolin-Diaz and Surico (2024) show that an increase in research and development spending, which can go hand in hand with defence spending, has long-lasting positive effects on GDP. Ramey (2011) finds evidence of multipliers between 0.6 and 1.2 for US defence spending. Ilzetzki (2025) estimates that an increase in defence spending in Europe from 2.0 % to 3.5 % of GDP could increase overall European GDP by around 0.9 % to 1.5 %, but stresses that the method of financing increased defence spending is crucial. Ochsner and Zuber (2025) estimate the defence multiplier for Germany at 0.4 (0.3) in the first (fifth) year. ↘ TABLE 15 APPENDIX

117. Since the German economy is currently **operating below capacity**, ↘ ITEM 45 it is conceivable that **fiscal spending will have a greater impact** on real GDP

in the coming years than in times of full capacity utilisation. In the empirical literature, cyclical conditions play a central role in the real effect of fiscal stimulus, but the exact mode of action is disputed. In phases of economic weakness or at the zero lower bound, the effects tend to be higher (Baum and Koester, 2011; Auerbach and Gorodnichenko, 2012; Batini et al., 2014). However, Ramey and Zubairy (2018) find no confirmation of this correlation for the USA.

118. An **increase in government demand can increase the price level**, especially if the production capacities for the goods in demand are heavily utilised. Whether the fiscal package leads to strong price increases depends on its specific design and the predictability of the measures. Predictable and productivity-enhancing investments, for example, in infrastructure, can incentivise private investment, increase potential output and thus dampen inflation. In the long term, there may even be a price-reducing effect if there is an improvement in overall economy supply, for example because public investment triggers innovation, makes production processes more efficient and reduces costs.

Dany-Knedlik et al. (2025) assume that the funds from the special fund will be spent primarily from the end of the 2020s and find evidence of **moderate inflation effects** of around 0.5 percentage points on average. Based on empirical dynamic partial models, Ochsner and Zuber (2025) assume that **rapid spending of the funds** – especially in the case of government investment – **will lead to an increase in capacity utilisation and the respective deflators**. ↘ BOX 6 The model calculations by Dany-Knedlik et al. (2025) and Ochsner and Zuber (2025) also indicate that interest rates on long-term government bonds and capacity utilisation are likely to rise by the end of the decade. An increase in interest rates in particular would dampen the upward pressure on prices triggered by the fiscal package, but could also slow down the overall economy in the second half of the decade.

↘ Box 6

Background: Expenditure paths the simulation of the fiscal package

The **expenditure paths modelled** by Ochsner and Zuber (2025) ↘ CHART 30 ABOVE **are based on the special infrastructure fund** in a nominal amount of 500 billion euros **and additional, debt-financed defence spending** in a nominal amount of 375 billion euros up to and including 2040. The possibility of shifting defence spending in favour of consumptive spending from the core budget increases this spending by up to an additional 418 billion euros, depending on the scenario. The expenditure paths therefore differ in terms of the composition of the special fund expenditure and the amount of defence expenditure that is shifted from the core budget in favour of additional consumption. They are translated into real terms using the deflators from Ochsner and Zuber (2025).

For the **infrastructure special fund,** the three scenarios assume that the funds will flow out from 2026 and that there will still be cash outflows after the end of the special fund's twelve-year term until 2040 – similar to the current situation with the Bundeswehr special fund. For the year 2026, it is assumed that 20 billion euros will flow out of the special fund in cash terms. Overall, however, there will only be a moderate "front-loading" of expenditure, with just under 35 % of the funds from the special infrastructure fund being spent up to and including 2029. In the coalition agreement, the Federal Government assumes that around 150 billion euros of the federal funds, which corresponds to 50 % of the federal share, will have been spent by 2029. Ochsner and Zuber (2025) assume that expenditure will decrease linearly after 2029 until 2040. The scenarios differ in terms of the composition of expenditure on the special infrastructure fund. In the case of the **consumption orientation** ↘ CHART 30 LEFT there is no additional investment because investment is postponed in favour of consumptive expenditure from the core budget. ↘ ITEMS 98 AND 143 In the case **of extensive consumption orientation** ↘ CHART 30 CENTRE, only just under 37 % of the special infrastructure fund is used for additional investment, limited by an investment ratio of 10 % in the federal budget. The federal government only invests to the extent prescribed and splits the investments into one third average investments ↘ TABLE 15 FIRST COLUMN BOTTOM APPENDIX and two thirds civil engineering investments. ↘ TABLE 15 FOURTH COLUMN BOTTOM APPENDIX The federal states consume two-thirds of their share of the special funds and spend one-third on investment. Their investment is divided into three quarters average investment and one quarter civil engineering investment. The expenditure of the KTF is exclusively consumptive. In the case of the **investment orientation** ↘ CHART 30 RIGHT the special fund is used exclusively for additional investment. The federal government spends one third on average investment and two thirds on civil engineering investments. The federal states each spend half on average investment and half on civil engineering investment. The KTF spends the funds entirely on average investment. In contrast to the medium scenario, no funds are shifted from the special fund in favour of consumptive expenditure from the core budget.

For **defence spending outside the debt brake**, it is assumed in all three scenarios that it will increase linearly to 1.5 % of GDP from 2026 up to and including 2029 and then fall to zero by the beginning of 2035. It is assumed that from 2029, when the exemption from the EU fiscal rules expires, ↘ ITEM 108 defence spending will increasingly be financed from the core budget. The scenarios differ in the amount of defence spending that is shifted from the core budget in favour of additional consumption. In the case of **consumption orientation**, ↘ CHART 30 LEFT 0.5 % of GDP in defence spending is shifted from the core budget each year in favour of consumptive spending. In the case **of extensive consumption orientation**, ↘ CHART 30 CENTRE the shift is half as high at 0.25 % of GDP per year. In the case of **investment orientation**, ↘ CHART 30 RIGHT defence spending is not shifted in favour of consumptive spending from the core budget.

119. The **more extensively the funds from the fiscal package are invested** and the less they are consumed or used for tax cuts, **the greater** may be **their long-term effect on GDP**. Dany-Knedlik et al. (2025) simulate the effect of the special fund in a structural model and find an increase in economic output of up to around 3 % in 2029 due to the associated public investment. Ochsner and Zuber (2025) calculate the real cumulative effects on GDP for the three scenarios described above on the basis of the fiscal multipliers they have determined. ↘ TABLE 16 APPENDIX If the funds are used for consumption-oriented purposes, i.e., not for additional investment but for consumption or for defence spending that replaces consumptive spending in the core budget, there is only a small positive effect on GDP up to 2030 (2035) in relation to overall spending. ↘ CHART 30 LEFT In this case, additional expenditure of 517 (901) billion euros would only lead to additional GDP of around 218 (246) billion euros. If the funds were instead used for investment within the framework of the federal budget's current investment ratio of 10 %, but otherwise largely for consumption, ↘ ITEM 98 the effect on GDP would be somewhat greater, but still unfavourable in relation to expenditure. ↘ CHART 30 CENTRE In this case, additional expenditure of 462 (788) billion euros by 2030 (2035) would generate additional GDP of 318 (393) billion euros. Only if the funds from the fiscal package were used in a targeted, investment-orientated manner would

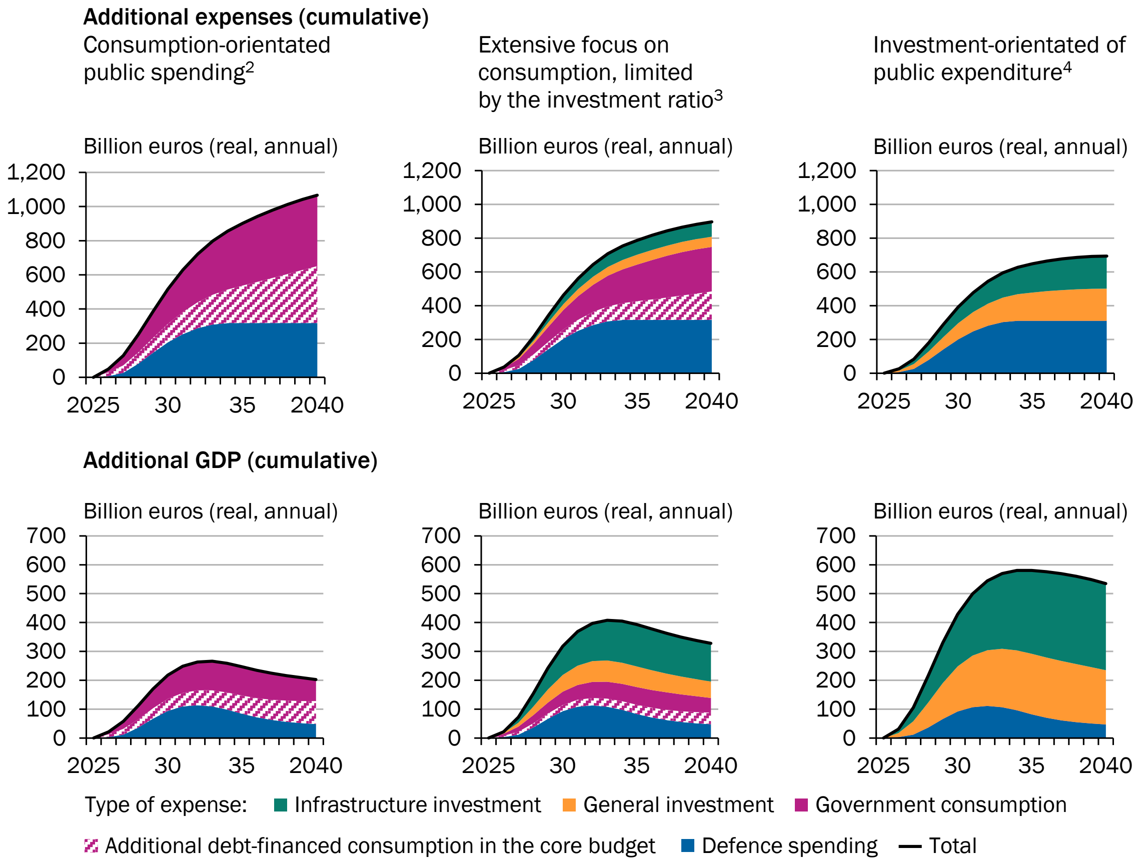
it be possible to achieve a clear expansionary effect in relation to expenditure up to the beginning of the 2030s. In this scenario, additional expenditure of 393 (648) billion euros would lead to an increase in GDP of around 428 (580) billion euros by 2030 (2035). ↘ CHART 30 RIGHT

While **the multipliers of investment expenditure are above one in** the medium term and can therefore ensure high returns for the infrastructure special fund, **the multipliers for consumption and defence expenditure** are **significantly below one**. ↘ TABLE 15 APPENDIX This leads to significantly lower returns, which are lower than the cumulative expenditure, especially in the late 2030s and without an investment orientation.

120. The **GDP reference path is crucial for determining the cumulative growth effects of expenditure**. While Dany-Knedlik et al. (2025) derive the GDP development with and without special infrastructure assets from the same

↘ CHART 30

Three possible spending paths[1]



1 – Expenditure is based on the paths in Box 6. For defence spending outside the debt brake, it is assumed that it will increase linearly to 1.5 % of GDP from 2026 up to and including 2029 and then decrease to zero by the beginning of 2035. 2 – In the case of consumption orientation, no additional investments are made and investments or defence expenditure are shifted in favour of consumptive expenditure from the core budget. 3 – In the case of extensive consumption orientation, an investment ratio of 10% of the federal budget restricts the possibility of shifting funds from the core budget. The KTF and the federal states consume exclusively and half of the scope for shifting defence spending from the core budget is used. 4 – In the case of investment orientation, the special fund is used exclusively for additional investments. Defence expenditure is not shifted from the core budget in favour of consumptive expenditure.

Source: Ochsner and Zuber (2025)

model, Ochsner and Zuber (2025) compare the GDP effect of the fiscal package with the GCEE's current projection of potential output up to 2040. Without the fiscal package, the latter suggests only low growth rates due to demographic change. Dany-Knedlik et al. (2025) estimate that GDP would be more than 2 % higher per year on average by the mid-2030s than without the infrastructure special fund, while Ochsner and Zuber (2025) expect an average difference in GDP levels of between –0.3 % and 6.0 % in 2035 with and without the infrastructure and defence spending special fund, depending on the scenario. ↘ TABLE 15 APPENDIX

121. All **estimates of the long-term effects of the fiscal package** are associated with **major uncertainties**. These include methodological and statistical uncertainties, for example in the calibration of models, as well as the uncertainty of estimating price effects and fiscal multipliers. There are also uncertainties regarding the future institutional regulatory framework and political factors that can strongly influence the actual implementation and impact of spending. It is also unclear to what extent and at what speed the planned measures can actually be implemented. Delays in planning, capacity bottlenecks or inefficient use of funds can significantly reduce the impact. External factors such as geopolitical tensions can also lead to significant deviations from the simulated results. In addition, the estimate by Ochsner and Zuber (2025) does not fully take into account general equilibrium effects, such as the price effects on the private basket of goods.

Despite all the **uncertainties**, it is evident that **using the funds for investment purposes has a consistently more favourable effect on GDP than using them for consumption purposes**.

2. Effects on the German debt-to-GDP ratio

122. The **sustainability of government debt** is significantly influenced **by three factors**: the long-term real interest rate, GDP growth and the government's primary balance (GCEE Annual Report 2020 box 12). A permanently lower interest rate, higher GDP growth rates or a higher primary balance allow for a higher debt-to-GDP ratio without jeopardising sustainability (Furman and Summers, 2020; Blanchard, 2022). A **high debt-to-GDP ratio can jeopardise the sustainability of public finances**, especially if the interest rate exceeds the growth rate of overall economy output.

In addition to its role as a financing instrument, **public debt** can also fulfil a **macroeconomic stabilisation function** (GCEE Annual Report 2022 box 11). This is the case when an anti-cyclical fiscal policy supports overall economic demand during economic downturns and thus stabilises economic production (Fatás and Mihov, 2012). This stabilisation function can be achieved through both automatic stabilisers and discretionary fiscal policy measures. However, it should only increase the debt-to-GDP ratio temporarily in each case.

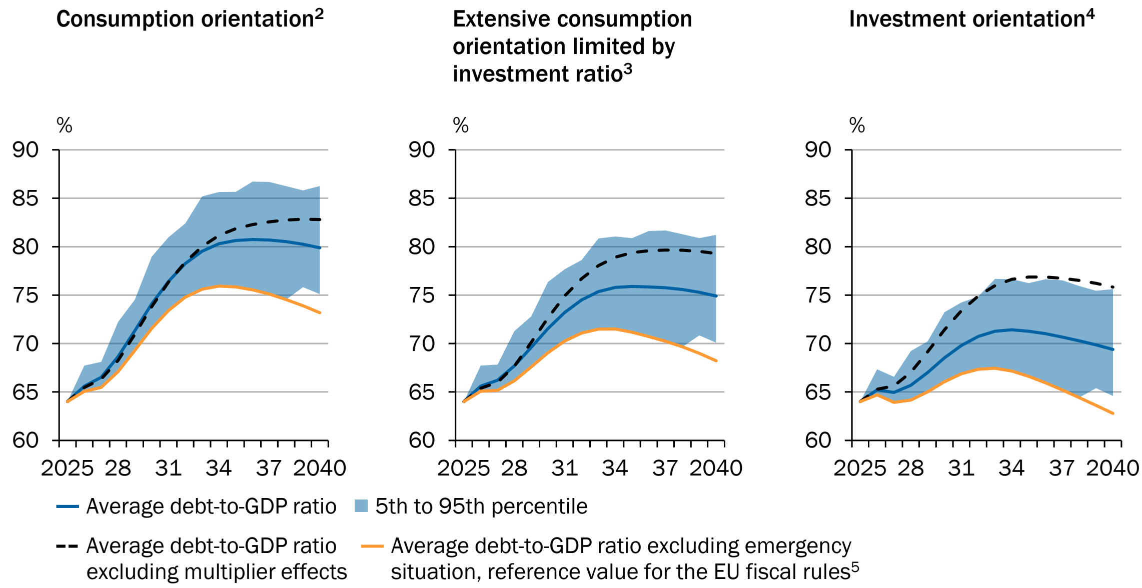
123. Simulations can show how the **debt-to-GDP ratio will develop over** the coming decades **with different expenditure levels of the fiscal package**. In the simulations by Ochsner and Zuber (2025), the additional debt associated with the

spending paths ↘ BOX 6 and the effect of this additional spending on GDP growth ↘ ITEM 119 are taken into account for each scenario. It is also assumed that the possible net borrowing of 0.7 % of GDP, 0.35 % of GDP for the federal government and the federal states respectively, ↘ ITEM 106 is fully utilised each year.

The **development of debt ratio** is also determined by the extent to which additional loans are necessary in emergency situations. As in the GCEE's policy brief, two paths are therefore simulated (GCEE, 2024). On the one hand, the debt brake is consistently adhered to **without emergencies** (orange line). ↘ CHART 31 **This comes closest ex ante to the reference value for the European fiscal rules.** ↘ BOX 7 On the other hand, the average debt-to-GDP ratio is simulated if the deficit relevant for the debt brake is 3 % instead of 0.7 % of GDP in 20 % of cases, i.e., on average every 5 years. This assumption is based on previous experience since the introduction of the debt brake

124. In the simulations, the **average debt-to-GDP ratio rises** to 79.9 % of GDP **by 2040** in the case of a consumption orientation ↘ CHART 31 LEFT and to 74.9 % of GDP

↘ CHART 31
Hypothetical development of the general government dept ratio[1]



1 – The simulations are based on the debt-to-GDP ratio in 2025, the projected growth in real potential output up to 2040 (see items 73 f.) and an average GDP deflator of 1.8 % per year, the additional debt-financed expenditure according to the three expenditure paths and the resulting implied GDP growth (see items 118 ff.). For defence expenditure outside the debt brake, it is assumed that it will increase linearly to 1.5 % of GDP from 2026 up to and including 2029 and then fall to zero by the beginning of 2035 (see Box 6). There is a 20 % probability of an emergency situation occurring. In the emergency situation, the general government budget deficit excluding the expenditure of the fiscal package amounts to 3 % of GDP. Otherwise, it amounts to 0.7 % of GDP. 100,000 paths are simulated in each scenario. 2 – In the case of consumption orientation, no additional investments are made and capital formations or defence expenditure are shifted in favour of consumptive expenditure from the core budget. 3 – In the case of an extensive consumption orientation, an investment ratio of 10 % of the federal budget restricts the possibility of shifting funds from the core budget. The KTF and the Länder consume exclusively and half of the scope for shifting defence expenditure from the core budget is used. 4 – In the case of investment orientation, the special fund is exclusively for additional capital formations. Defence expenditure is not shifted from the core budget in favour of consumptive expenditure. 5 – In each year, the general government budget deficit is 0.7 % of GDP. Approximation to the reference value of the EU fiscal rules.

Source: Ochsner and Zuber (2025)

in the case of an extensive consumption orientation. ↘ CHART 31 CENTRE In the case of an investment orientation, however, it only reaches 69.4 % of GDP. ↘ CHART 31 RIGHT The **lower the expenditure and the higher the GDP growth, the lower** the debt ratio. As the estimation of the fiscal multipliers by Ochsner and Zuber (2025) controls for the development of taxes, their feedback effect on GDP is taken into account

125. Calculations that **assume no growth effect from the additional expenditure** or that **defence spending** is financed **outside of the debt brake in the long term** arrive at higher debt ratios. Steinbach and Zettelmeyer (2025), for example, point out that if defence spending is financed outside the debt brake at a rate of 2.5 % to 3.5 % per year, the debt-to-GDP ratio converges to a value between 74 % of GDP and 114 % of GDP in the long term, depending on the growth of nominal GDP (between 3 % and 2 %). However, Ochsner and Zuber (2025) take into account both GDP growth effects ↘ CHART 30 and medium-term financing of defence spending from the core budget when calculating the debt-to-GDP ratios. ↘ CHART 31 ↘ BOX 6 In the investment-orientated scenario, the debt-to-GDP ratio falls from 2034 without further emergencies and amounts to 62.8 % of GDP in 2040. For expenditure paths with a (broad) consumption orientation, on the other hand, the debt ratio does not fall below 68 % of GDP at the end of the projection period.

3. Transmission to the euro area

126. **The spillover effects of the fiscal package** on other economies and public finances **in the euro area** depend largely on the **size and symmetry of the spending shocks**. It is to be expected that the individual member states will be affected to varying degrees by the fiscal package, as a large part of the additional government demand from the special funds and the potential additional production capacities will be generated in Germany

127. Nevertheless, the **special fund** could in principle cause production, factor wages and prices to rise in all euro area countries, albeit probably to a lesser extent than in Germany. ↘ ITEMS 118 AND 114 Germany's intra-European (capital) imports and labour migration to Germany could increase as a result of the spending of the special fund. This applies in particular to public civil engineering and investment in machinery and equipment, for example in vehicle and mechanical engineering, as well as the professions that are strongly represented in these industries.

128. In the case of a strong investment orientation, the special fund leads to an increase in the public capital stock in Germany. This **increases** the **marginal productivity of private capital**, as more or better public capital, for example in the form of better infrastructure, makes private capital more productive (Leeper et al., 2010). Higher capital productivity means that investments are more profitable for companies if interest rates remain constant. This leads to higher expected corporate profits and triggers **additional investment**. At the same time, private households anticipate future income increases and **consume more and save less in the present**. The resulting higher demand has a **price-driving** effect, especially when production capacities for the demanded goods are relatively fully

utilised. In this case, Germany's current account balance, which corresponds to the balance of savings and investment, deteriorates due to the combination of falling savings and rising investment.

129. The described stimuli triggered by the special fund are likely to have an expansionary effect not only in Germany, but in the euro area as a whole. An **expansionary spillover effect to other member states in the euro area** can therefore be expected. In addition to the investment orientation of the special fund, the prerequisite for this is that the **supply** in the euro area member states can **react** with sufficient **flexibility**. The reaction of the stock markets to **the announcement of the fiscal package** in March 2025 suggests that market participants expect additional growth in the euro area. ↘ ITEM 30

130. The announcement also led to an **increase in yields** on German government bonds as well as an increase in yields on other European government bonds. There are various possible explanations for the rise. On the one hand, the higher yields are likely to reflect **improved growth prospects** for Germany and the EU as a whole, **which is reflected in the reaction of the European stock markets**. This increases inflationary pressure in the medium term, which goes hand in hand with higher expected interest rates. ↘ ITEM 30 Another reason is likely to be the expected **increase in the supply of German government bonds** due to higher debt. Investors are willing to pay a safety and liquidity premium ("convenience yield") to hold "safe government bonds" that they can sell or deposit as collateral if necessary. This premium decreases with the supply of safe bonds (Krishnamurthy and Vissing-Jorgensen, 2012; Jiang et al., 2024) – and not only for German government bonds, but also for other euro countries, especially those with high credit ratings (Bellon and Gnewuch, 2024). As a result, financing costs will rise for other euro area member states as well as for the EU itself.

131. Finally, the rise in yields could be due to an **increased default risk**. However, the **stable prices for credit default swaps** ↘ GLOSSARY **do not yet indicate this** (Petroulakis and Saidi, 2025). It is currently unclear what effect the fiscal package will have on the risk premiums of euro area member states in the medium term. An expansionary fiscal policy in Germany could increase inflation expectations ↘ ITEM 118 and thus favour a tighter monetary policy by the European Central Bank. This would cause financing costs in the euro area as a whole to rise. This could worsen the refinancing conditions for highly indebted member states, which would be reflected in rising yield spreads against German government bonds. At the same time, a debt-financed expansion of government spending in Germany could also have a dampening effect on risk premiums in the euro area. **The real effects of the fiscal package can improve the economic performance of the euro area** ↘ ITEMS 127 FF. and thus **reduce debt ratios** through carry-over effects, even in highly indebted member states. This would reduce their default risk and thus the risk premiums.

IV. FIELDS OF ACTION FOR A FORWARD-LOOKING IMPLEMENTATION OF THE FISCAL PACKAGE

132. The fiscal package offers the opportunity to make up for past failures, make Germany fit for the future and put it back on a long-term growth path. However, the provision of sufficient financial resources is not a sufficient condition for this. Rather, it must be ensured that the **funds** are **spent on additional investment as intended.** Such utilisation will generate the greatest growth effects and reduce risks to fiscal sustainability in Germany and other EU member states. ↘ ITEM 119 In order to achieve this, **institutional arrangements** should be made for the appropriate utilisation of debt leeway. ↘ ITEM 77 In addition, **production capacities** must be expanded, ↘ ITEM 147 funds must be spent efficiently ↘ ITEM 150 and necessary **structural reforms** to reduce bureaucracy and increase labour supply must be tackled. ↘ ITEM 150 In addition, a long-term perspective must be developed on how infrastructure and defence spending can be financed from the core budget in the long term. ↘ ITEMS 138 FF. This also contributes to the **compatibility of the fiscal package with the European fiscal rules.** ↘ ITEM 152

1. Future-orientated public spending prioritise permanently

Ensure additionality

133. **In order for the fiscal package to achieve the greatest possible growth effects**, investment expenditure must be prioritised more bindingly than consumption expenditure in future. First and foremost, it must be ensured that the newly available credit-financed funds are **additionally invested** and do not finance investment that is already planned in the core budget. This is crucial in view of the expected growth effects. ↘ ITEM 119 This additionality is currently only partially ensured in the case of both the special infrastructure fund and the exception for defence spending in the debt brake. The provisions envisaged to date allow for shifts that would enable additional consumptive expenditure in the core budget totalling up to 50 billion euros per year, i.e. around 1.2 % of GDP. This amount includes the allocations from the special infrastructure fund for the federal states and the KTF totalling an average of €8.3bn per year each (€100bn/12 years in each case), as additionality has not yet been explicitly regulated in either case. ↘ ITEM 101 In the case of the federal government, the special infrastructure fund generates an average of €7.3bn per year, which can still be postponed even after applying the 10 % investment ratio. ↘ ITEM 98 In addition, there are around 25 billion euros per year in the defence sector. ↘ ITEM 88

134. In the past, defence spending has always exceeded the threshold of 1 % of GDP and amounted to €67.5 billion in 2024. ↘ ITEM 88 ↘ CHART 26 This means that **expen-**

diture of around 24.5 billion (0.6 % of GDP) can **now** be **excluded from the scope of the debt brake,** which is **not additional** and would therefore have been incurred even without the fiscal package. As long as there is no narrow earmarking, there are also incentives to label existing expenditure as defence spending. This can lead to even less debt-financed expenditure being additional. ↘ ITEM 89 An increase in the threshold value could counteract this. Better earmarking, for example by specifying the tasks to be counted, would also be expedient

135. In order to ensure additionality for the special infrastructure fund, the **"appropriate" investment ratio for the core budget** must be specified **in the law establishing the fund**. ↘ ITEM 100 The fact that the political negotiation process succeeded in such an additionality criterion for the special fund in the motion for a resolution is to be welcomed in view of the expected growth effects of the fiscal package. Setting the **"appropriate" investment ratio at 10 %** of the federal budget without special funds and financial transactions **can lead to a significantly lower consumption-orientation** of public spending than without a corresponding ratio – with correspondingly greater **growth effects**. ↘ CHART 30 BELOW ↘ ITEM 119 With an investment ratio of 10 %, the scope for postponement remains limited, but is not zero. ↘ CHART 29

136. The **growth potential** would be greater if the remaining possibilities for postponements were further reduced with an investment ratio of 10 %. ↘ CHART 30 RIGHT An investment ratio equal to the actual historical ratio or the previously planned ratio – without special funds – would be desirable, as this is the only way to prevent an expansion of the scope for consumption. To achieve this, the investment ratio, which is considered appropriate, would have to be somewhat higher. ↘ TABLE 12 APPENDIX ↘ CHART 29 If, on the other hand, the appropriate investment ratio is set too high, the incentives to utilise the financial resources from the special fund for investment will decrease. A **slow increase in the appropriate investment ratio over time** could ensure that the funds can actually only be invested additionally and counteract the expected increasing shifts that can be seen from the coalition agreement. The average investment ratio of 12 % envisaged in the federal government's current fiscal plan for the years 2025 to 2028 could serve as a target value. ↘ ITEM 143

137. A **comparable provision** in the Establishment Act should also ensure that the funds **allocated** by the special fund **to the KTF and the federal states** are used for additional and investment purposes. For the KTF, an appropriate investment ratio could be based on the previous investment ratio of this fund and amount to 80 % of the funds spent annually, for example. ↘ ITEM 103 Due to the great heterogeneity in the planned investments, ↘ TABLE 14 APPENDIX individual investment ratios would be a possible instrument for the federal states. The allocation of financial resources from the special fund to the federal states could be based on the population of the federal states. In contrast to an orientation towards economic or financial strength, this would ensure that infrastructure spending benefits all citizens equally and that existing differences in economic strength between the federal states are not further increased (Boysen-Hogrefe, 2025).

Strengthen prospects for financing from the core budget

138. Both defence and the maintenance and expansion of infrastructure are part of the state's regular sovereign tasks (GCEE Annual Report 2024 items 87 ff.). Beyond existing pent-up demand, a **long-term perspective** should therefore be sought **for the full financing of the necessary expenditure from the core budget**. To this end, a minimum spending quota for defence of at least 2 % of GDP in the core budget should be enshrined in law (GCEE Annual Report 2024 items 143 ff. and 178).

139. **Once the special fund expires**, there is a risk that future-orientated expenditure **will again be too low without further precautions** due to politicians' preference for the present. A special fund with additional borrowing authorisation, as implemented by the constitutional amendment for infrastructure, can be advantageous if clearly defined, extensive expenditure limited in terms of time and amount is necessary that could otherwise only be financed by large tax increases or spending cuts from the core budget (Fischer, 2023).

140. In principle, temporary loan financing could be justified for transport infrastructure due to the large backlog demand in this area (GCEE Annual Report 2024 item 150). However, the special infrastructure fund only provides a temporary framework for the necessary modernisation of transport infrastructure in Germany. At the same time, **institutional precautions** should be taken to increase the **binding prioritisation of expenditure on transport infrastructure beyond the planned term of the special fund**. In the area of transport infrastructure, for example, the special fund could be replaced by a **permanent transport infrastructure fund with its own revenues** (GCEE Annual Report 2024 item 177). While funds from the current special fund should be used to address the high pent-up demand in the area of transport infrastructure, the fund could finance the maintenance, replacement and new construction of transport infrastructure in the long term. The creation of a transport infrastructure fund would have the advantage that public spending on transport infrastructure would be credibly and predictably stabilised even beyond the term of the special fund and private companies would be incentivised to build up corresponding capacities. For this reason, the fund should not only be created at the end of the special fund, but already today. The fund should be permanently endowed with its own income, which would be transferred from the core budget. The transfer of income from the core budget ensures that the establishment of the fund does not lead to an increase in the scope for consumptive expenditure in the core budget. In order to make the fund highly binding, it could be incorporated into the Constitution.

141. In the area of education, **statutory quotas for education expenditure could be set at federal** state level, for example defined on the basis of minimum expenditure per pupil (GCEE Annual Report 2024 item 179). On the one hand, statutory quotas would ensure that a corresponding proportion of the additional funds now available to the federal states as a result of the special fund and the additional structural debt option is channelled into education. On the other hand, it would ensure that the prioritisation of education spending remains in place even after the temporary special fund expires. A simple legal implementation of

such statutory quotas for education expenditure could take place, for example, as part of the yet-to-be-developed law establishing the special fund.

Improve decision-making basis for expenditure prioritisation

142. To ensure that available funds are used in the most growth-enhancing way possible, it is crucial to **prioritise between** and **within public spending areas**. ↘ ITEM 115 Public final consumption expenditure ↘ BACKGROUND INFO 2 has very little effect on growth compared to investment. ↘ TABLE 15 TOP APPENDIX Although the **multiplier effects for investment are consistently higher than for consumption**, they do not all have the same impact on GDP. For example, investments in intangible capital, such as research and digital infrastructure, already generate high multiplier effects in the short term and have an even stronger impact than all other investment expenditure in the medium term. ↘ TABLE 15 BOTTOM APPENDIX Civil engineering, which primarily includes the expansion of transport infrastructure, also has consistently high multipliers over different time horizons. ↘ TABLE 15 FOURTH COLUMN BELOW APPENDIX In the field of civil engineering, investment in transport infrastructure of nationwide relevance in particular is likely to have stronger productivity effects than regional construction measures. ↘ BOX 22

143. Various **new expenditures of a consumptive** nature were agreed in the coalition agreement. This applies, for example, to the expansion of the maternity pension (€4.9 billion per year), the increase in subsidies for agricultural diesel (€0.5 billion per year) and the permanent introduction of a reduced VAT rate for the catering industry (€4.3 billion per year). This expenditure must not be financed indirectly through the fiscal package. Otherwise there is a risk that the Fiscal Space made possible by the constitutional amendment will be spent on consumption to a considerable extent, which would significantly reduce the growth stimulus provided by the fiscal package.

144. The decision-making basis for new public expenditure can be improved through ex-ante analyses. These analyses can increase the transparency of the expected impact of public expenditure and thus facilitate expenditure prioritisation and strengthen the impact orientation of public finances. Ex-ante analyses include, among other things, efficiency analyses, which must be carried out anyway according to Section 7 BHO, but are neglected in practice (Bundesrechnungshof, 2013). Among the feasibility studies, **cost-benefit analyses** in particular can improve comparability when evaluating different projects and thus help to **identify expenditure with a high cost-benefit ratio**. The analyses should always be prepared according to scientific standards, be methodologically transparent and verifiable for the (specialist) public (GCEE Annual Report 2024 items 139 f.). Internationally, there are several examples of institutionally anchored economic analyses of legislative proposals, such as the non-partisan Congressional Budget Office (CBO) in the USA or the Centraal Planbureau (CPB) in the Netherlands.

145. A continuous **ex-post review** and **evaluation of existing expenditure** is also essential in order to **avoid inefficient use of funds**. Scrutinising public spending for potential efficiency improvements remains essential, especially in light of the additional financing burdens resulting from the constitutional amendment.

↘ ITEM 84 The Federal Ministry of Finance is already conducting spending reviews together with specialised ministries to evaluate the economic efficiency and target achievement of selected government measures. In future, this instrument could be expanded and based more on cost-benefit analyses ↘ ITEM 144 (GCEE Annual Report 2024 item 168).

2. Expand production capacities, implement structural reforms

146. In order for the **funds from the fiscal package to have the greatest possible effect on growth**, they must be prioritised for investment. ↘ ITEM 121 However, increased demand for investment can increase the price level, ↘ ITEM 118 if it is offset by insufficient production capacities, for example due to shortages of skilled workers in certain occupations, limited availability of physical capital or frictions in administrative and authorisation procedures. In order for the fiscal package to be absorbed efficiently by the overall economy, accompanying **structural reforms** that contribute to an increase in investment, employment and productivity are therefore **helpful**. This can be achieved in a variety of ways, for example through investment in human capital (GCEE Annual Report 2021 items 342 ff.), in fixed assets and in new cross-cutting technologies such as AI (GCEE Annual Report 2023 items 77, 158 ff. and 167 ff.) and by strengthening the capital markets (GCEE Annual Report 2023 items 190 ff.). The diversification of global value chains can also increase resilience (GCEE Annual Report 2022 items 511 f. and 517; GCEE Annual Report 2023 item 175). In particular, skilled immigration and stronger employment incentives as well as the substitution of labour with new capital goods can mitigate the growth-dampening effects of the declining volume of labour (GCEE Annual Report 2022 items 358 ff.; GCEE Annual Report 2023 items 163 ff.). More comprehensive reforms to reduce bureaucratic costs and modernise the administration would also have a positive impact on economic growth. ↘ ITEMS 196 AND 204

147. In order to realise the increased public spending without excessive inflationary pressure, **production capacities in the private sector need to be expanded**. Private companies will build up production capacities above all if there is **long-term planning security** and if the additional funds are spent as steadily as possible over time. Both the exemption rule for defence spending and the special fund for infrastructure fundamentally improve the situation in these two dimensions. However, it would be desirable to specify the spending paths, particularly in the area of defence, in order to improve the basis for capacity decisions.

The **production capacities of the construction industry** in civil engineering are crucial for **the realisation of infrastructure expansion**. Capacity utilisation in civil engineering has recently increased significantly, reflecting the sharp rise in incoming orders. ↘ ITEM 54 ↘ CHART 18 If construction capacity in civil engineering is not increased to the required extent as investment in infrastructure increases, this could lead to a significant rise in construction prices. The comparatively low capacity utilisation in building construction can be an opportunity to ramp up investment, even in the short term. In addition, European tenders offer an opportunity to expand capacity (Hentze et al., 2025).

148. In the past, significantly less was often invested in budget implementation than estimated in the respective previous fiscal planning. In the 5-year period between 2019 and 2023, the deviation between the two figures was 17.5 % on average, and in the 10-year period 2014 to 2023. This indicates various **non-monetary obstacles** that lead to a **delay in the implementation of important investment projects** (GCEE Annual Report 2024 items 139 ff.). The obstacles include an overload in public administration, for example in the Office for the Protection of the Constitution, which is unable to fulfil security checks in the defence industry in a timely manner. In the past, an expansion of municipal investment was hindered by limited personnel capacities (Brand and Salzgeber, 2022). Demographic change is likely to further exacerbate these problems in the future.

149. In addition, spending efficiency is currently being reduced by **long and complex** administrative processes, particularly in **procurement, planning, authorisation and court proceedings**. ↘ ITEM 222 Examples of this include major contracts in the Bundeswehr (Board of Academic Advisors to the BMWK, 2023b; Kerber and Reza, 2024). For example, the "parliamentary loop" requires approval by the Budget Committee for procurements by the Ministry of Defence with a volume of €25 million or more, which leads to considerable delays (GCEE Annual Report 2024 item 139). The slowness of the processes is partly due to the administration's **pronounced risk aversion**, ↘ ITEM 221 which in turn could be partly motivated by concerns about publicised legal reviews. For example, the proportion of review procedures to which the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw), which is responsible for military procurement, was subject is very low at 0.1 % in 2021 and 0.2 % in 2022 compared to the number of contracts awarded in the above-threshold area (BMVg, 2023). This could indicate a culture of excessive error avoidance. To make matters worse, public procurement contracts contain numerous **"special requests"** that can deter potential suppliers and significantly delay production. The number of bidders in defence procurement procedures is low anyway. ↘ ITEM 90

The **Bundeswehr Procurement Acceleration Act**, which was passed in 2022, does help, partly because it calls for procurement to be prioritised according to "services and products available on the market", which would imply a move away from special requests. However, it does not cover all areas of military procurement and expires in 2026.

150. To ensure that spending is not only timely but also efficient, a **change in administrative culture** ↘ ITEM 221 and the digitalisation and modernisation of administrative procedures, including procurement, is required. ↘ BOX 16 European procurement should be strengthened in the defence sector. In addition, the Federal Defence Procurement Acceleration Act should take permanent effect and be applied more widely (Board of Academic Advisors to the BMWK, 2023b; Monopolies Commission, 2025; Wolff et al., 2025). Procurement processes should also be adapted to increase the intensity of competition. The profiting of new bidders is possible, for example, through the digital implementation of administrative

processes, an expansion of contract consulting and the increased use of market explorations in accordance with Section 28 (1) VgV and Section 20 UVgO. The latter should automatically lead to a reduction in special requests. A comprehensive Bundeswehr Procurement Act could develop a strategic approach for different procurement objects and replace the current one-size-fits-all approach.

151. The Infrastructure Future Act ↘ ITEM 95 announced in the coalition agreement is aimed at the permanent structural acceleration of planning, approval and implementation procedures for key investment projects and is to be welcomed as such. The experience of recent years shows that the **acceleration of projects in the overriding public interest** can be successful.

3. Preserving the sustainability of public finances

152. The amendment to the constitution is likely to **significantly increase debt financing in the coming years**. However, the more investment-orientated the funds from the fiscal package are spent and the higher the growth effects resulting from the additional expenditure, the lower the increase in the debt ratio and thus the impact on fiscal sustainability. ↘ ITEM 124 In the simulations by Ochsner and Zuber (2025), the debt ratio rises to around 69.4 % of GDP by 2040 if the funds from the fiscal package are spent in an investment-oriented manner. ↘ CHART 31 RIGHT In the case of a stronger focus on consumption, however, it increases to up to 79.9 % of GDP in the simulations. ↘ CHART 31 LEFT ↘ CHART 31 CENTRE Without taking into account the growth effects of the additional expenditure from the fiscal package, the debt ratios are significantly higher. ↘ ITEM 125

Maintaining compatibility with European fiscal rules

153. **The assessment of the fiscal package in terms of its compatibility with the** recently reformed **European fiscal rules** depends on various factors and **is highly uncertain**. Germany has not yet agreed upon a net expenditure path with the European Commission. ↘ ITEM 112 Furthermore, this is the result of political negotiations and the interpretation of the rules by the European Commission and the European Council. The scope for additional debt-financed expenditure under the new European fiscal rules for Germany can therefore only by approximated. In addition, assumptions, for example on interest expenditure, potential growth and the growth effects of expenditure, have a significant influence on the possible development of reference variables such as the development of debt ratio. The growth effects in particular depend to a large extent on the specific expenditure paths. ↘ ITEM 119 It can therefore not be assumed that the fiscal package is compatible with the European fiscal rules for every possible spending path.

154. In order to ensure compliance with European fiscal rules, a **restructuring of budget monitoring** is expedient (Büttner, 2025). The tasks and working methods of the Stability Council, which is set up by the Federal Government and monitors the budget management of the federal and state governments, must be adapted to the new national and European regulatory framework for fiscal policy. For example, the fiscal policy of the federal and state governments must be coordi-

nated with regard to compliance with European fiscal rules. ↘ ITEM 113 Alternatively, an independent fiscal council, as exists in other European countries (Davoodi et al., 2022; Larch et al., 2024), could be set up.

155. A fundamental problem is that **the German and European fiscal rules have so far only been harmonised to a limited extent**. This has been exacerbated by the recent reform of the European fiscal rules and the recent amendment to the Constitution. For example, the debt brake is limited to the annual budget deficit of the federal government and the federal states, while the European fiscal rules, since their most recent comprehensive reform, derive requirements for a four-year spending path for the general government, including all special funds, from a long-term projection of the debt ratio. ↘ ITEM 112 ↘ BOX 7 It should also be noted that the EU requirements are based ex ante on the general government deficit, while investment in terms of the special fund infrastructure is subject to a definition under budgetary law. The definition of defence expenditure, which, unlike in the amendment to the Constituion, is based on the COFOG delimitation for the EU exemption clause, ↘ ITEM 144 can also lead to discrepancies. As a result, it will be very **difficult** for policymakers **to monitor conformity with the European regulations** when implementing the constitutional amendment **in the coming years**.

↘ Box 7

Excursus: Is the fiscal package in conflict with the European fiscal rules?

How much fiscal space Germany will have under the recently reformed **European fiscal rules depends on the net expenditure path** that the Federal Government has yet to agree upon with the European Commission and the European Council. ↘ ITEM 112 In principle, it can be assumed that the reformed European fiscal rules will offer Germany more fiscal leeway than the national debt brakes offered prior to the constitutional amendment (Darvas et al., 2024; Guttenberg and Redeker, 2024; Deutsche Bundesbank, 2025). However, due to low nominal growth, the European fiscal rules may have already limited Germany's ability to engage in additional debt-financed expenditure even before the constitutional amendment was passed (Darvas et al., 2024; Guttenberg and Redeker, 2024). This is likely to be particularly for a four-year adjustment period. ↘ ITEM 108 A combination of weak economic growth and a high expenditure burden would exacerbate this situation in the medium term**. With the constitutional amendment, the European fiscal rules are now significantly more restrictive than the national debt brake** (Guttenberg and Redeker, 2025; Steinbach and Zettelmeyer, 2025).

Under the national escape clause of the EU fiscal rules, **Germany can finance a substantial share of defence spending through borrowing over the next four years.** ↘ ITEM 109 However, the structural debt capacity of the federal states and the special infrastructure fund could come into conflict with the EU fiscal rules. It is conceivable that some of the credit-financed expenditure associated with these two changes can still be accommodated within the rules by reallocating that expenditure within the escape clause (Guttenberg and Redeker, 2025). Nevertheless, various studies suggest that Germany could run into conflict with European fiscal rules at the latest if the funds from the special fund are drawn down to a greater extent (Büttner, 2025; Guttenberg and Redeker, 2025; Steinbach and Zettelmeyer, 2025). As the constitutional amendment establishes a permanent arrangement for defense spending, Germany will have to present a fiscal policy plan again – probably in four years' time – that is compatible with EU fiscal rules without recourse to the national escape clause.

The lower the debt-financed expenditure and the higher the GDP growth, the lower the debt-to-GDP ratio. Ochsner and Zuber (2025) show that if **the funds from the fiscal package are spent primarily on investment** and if defence spending is financed from the core budget over the medium term, the resulting growth effects could offset the build-up of debt. In this scenario, the development of debt ratio, which is relevant for the ex ante assessment of a member state's expenditure path, ↘ ITEM 123 **could allow compatibility with the EU fiscal rules, when taking into account the escape clause.** ↘ TABLE 16 APPENDIX However, such investment-oriented use of funds would require that the current scope for reallocating up to 1.2 % of GDP from the core budget to debt financing ↘ ITEM 132 remain completely unutilised. In other words, defence spending should not be shifted out of the core budget to make room for consumptive expenditure and the funds from the special fund – including the allocations for the KTF and the federal states – should be used exclusively for investment. A **slower disbursement of the credit-financed funds of the special fund** through less front-loading ↘ BOX 6 than assumed in the simulation **would** further **facilitate compatibility** with the European fiscal rules. By contrast, **in the case of a (largely) consumption-orientated** spending resuting from the fiscal package, **compatibility with the European fiscal rules** would, **according to the simulations, likely not be achieved.**

Overall, the fiscal package is therefore more compatible with EU rules in the medium to long term the more growth-orientated it is spent and if it is flanked by reforms that increase potential output. Such reforms alone would be necessary to extend the adjustment period from four to seven years. ↘ ITEM 108 However, the European Commission's Debt Sustainability Analysis (DSA) ↘ ITEM 108 can only take into account reforms that have already been implemented, not planned reforms and investment, in accordance with its technical method (Darvas et al., 2024; Guttenberg and Redeker, 2024). The change of government therefore creates a **problem with the chronological sequence**: when determining the reference path, which has been pending since autumn 2024, the European Commission is only likely to take into account reforms and investment that have already been enshrined in law (European Commission, 2024c). As a result, the expected effects of the fiscal package may not be included if the budget laws for 2025 and 2026 have not yet been passed at the time the path is determined. **Once the reference path has been defined, reforms and investment can be taken into account retrospectively by changing growth assumptions** (Council of the European Union, 1997). Guttenberg and Redeker (2024) and Darvas et al. (2024) propose an adjustment of the technical method for the DSA. However, the European Commission has some room for manoeuvre when considering and weighting the relevant factors.

Completing the reform of the debt brake

156. The motion for a resolution by the SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups provides for the establishment of an expert commission with the participation of Parliament and the federal states to develop a proposal for **modernising the debt brake** (SPD, CDU/CSU and Bündnis 90/Die Grünen parliamentary groups, 2025). Legislation is to be finalised on this basis by the end of 2025. A further reform of the debt brake following the constitutional amendment could be useful, even if it is unlikely to be politically easy to reach an agreement in the new Bundestag.

157. For example, the debt brake in its current form has the drawback that, in the event of an emergency, the exception clause, which allows credit financing of emergency-related additional requirements, can only be applied for the current calendar year. This rule is unnecessarily restrictive, especially as the emergency-related

expenditure requirements typically do not fall to zero at the end of the year. However, in order to incur outstanding expenditure beyond the calendar year, the emergency situation must be determined and justified again. In order to increase planning security in a crisis, the GCEE proposed in last year to apply **a transitional arrangement** for three years, for example, **after an emergency situation** (GCEE, 2024; GCEE Annual Report 2024 items 170 ff.).

158. A sensible solution would be for **the permissible structural deficit to be higher than the normal rule limit** during this **transitional phase**, but to be steadily reduced. This would make it possible to react appropriately to the ongoing consequences of a crisis without forcing a renewed, possibly politically controversial utilisation of the exception rule. Following the judgement of the Federal Constitutional Court (BVerfG, 2023), the further use of credit authorisations from the crisis period is prohibited and the conditions for renewed recourse to the exemption rule have been significantly tightened.

The transition **following the application of the exemption clause** could provide for a **reduction in the structural deficit of at least 0.5 percentage points per year** in line with the current EU fiscal rules. The requirements for the actual deficit reduction could, as before, be based on the output gap. Alternatively, structural net borrowing could be reduced on a linear basis to the level applicable in normal times within three years of the exemption clause being applied (Kooths, 2023).

159. Another reform proposed by the GCEE is to stagger **the rule limit for the annual structural deficit depending on the debt ratio** (GCEE, 2024; GCEE Annual Report 2024 items 170 ff.). The rule limit could be designed in such a way that higher structural deficits than previously are permitted for lower debt ratios. As the EU fiscal rules are now likely to initially have a much tighter effect than the national debt brakes following the constitutional amendment, ↘ BOX 7 such an adjustment would probably **not** result in **any additional** de facto **fiscal space for the foreseeable future**. This is likely to change as soon as the special fund for infrastructure and climate protection expires, at least if the scope for credit financing is not already completely used up by defence spending.

A differing opinion

160. One Council member, Veronika Grimm, largely disagrees with the perspective and conclusions of the chapter. The reason for the decisions on additional debt was the **escalation of the geopolitical situation and the resulting security challenges facing Europe**. These challenges, which were used in Germany in March 2025 after the Bundestag elections but before the coalition negotiations as justification for the constitutional amendment, can only be addressed jointly by Europe, not by Germany alone. Against this backdrop, the question of how the increased German leeway resulting from the constitutional amendment can contribute to European defence capability and resilience should be at the forefront when classifying the resolutions and shaping policy.

161. The Council majority discusses the opportunities and risks associated with a possible fiscal package, but essentially only with regard to the German economy. **Europe is only mentioned as a secondary condition** when discussing compatibility with European fiscal rules. From the perspective of the dissenting Council member, this approach does not do justice to the challenge that prompted the decision in March. This is explained below, ↘ ITEMS 162 FF. In addition, some dissenting positions on the recommendations for action put forward by the Council majority are expressed. ↘ ITEMS 171 FF.

1. The European perspective

162. The reason for the constitutional amendment by the old Bundestag (according to the communication of the actors involved in the exploratory talks) was the changed security situation together with the fear that Germany might not be sufficiently capable of acting, especially with regard to strengthening its defence capability, given the majority situation **in the new Bundestag**. In the latter, there **is no constitutional majority of parties in favour of increasing defence spending**

163. The special infrastructure fund and the relaxation of the debt brake for the federal states were part of a political deal. The lack of compatibility of the constitutional amendments with European fiscal rules was initially ignored – despite objections to this in the hearings (Büttner, 2025; Grimm, 2025a). Assessments by Büttner (2025), Steinbach and Zettelmeyer (2025), Dezernat Zukunft (von Wangenheim et al., 2025), the Joint Economic Forecast (2025) and the comments by Guttenberg and Redeker (2024) show **that the scope for debt resulting from the constitutional amendments goes** far **beyond what is compatible with the EU's current fiscal rules**.

The Council majority, on the other hand, interprets its own calculations ↘ ITEMS 114 FF. to mean that compatibility with the European requirements could be achieved under certain conditions. ↘ BOX 7 The dissenting Council member does not consider this realistic. Firstly**, the previous Federal Government** (prior to the decision on additional debt leeway) **did not succeed in submitting** a **spending path agreed with the European Commission that complies with European rules** (European Commission, 2024d; Büttner, 2025). Additional debt and the associated expenditure are therefore likely to be even less compatible. Secondly, the GCEE's calculations (section III of the main text) also show an increase in the debt-to-GDP ratio over the next seven years in all scenarios, which is not compatible with the European rules (Büttner, 2025; Steinbach and Zettelmeyer, 2025; von Wangenheim et al., 2025). Thirdly, the GCEE's calculations assume that defence spending will only be financed moderately from loans and will be financed from the core budget again by the early 2030s. However, the necessary shifts in the federal budget in such a scenario are not reflected in any way in the coalition agreement. The calculations therefore significantly underestimate the additional debt for defence spending.

164. It can therefore be assumed from the perspective of the dissenting Council member, in agreement with the authors mentioned in ↘ ITEM 163, that the scope for debt resulting from the constitutional amendments goes far beyond what is compatible with the current EU fiscal rules. Against this background**, the Federal Government should not exploit** the **room for manoeuvre** that exists due to the national regulatory framework **at all costs**, especially not at the expense of the credibility and effectiveness of the European rules. The main text allows the interpretation that the Council majority is not too critical of a softening of the European rules. For example, a proposal by Guttenberg and Redeker (2024) to adapt the European Debt Sustainability Analysis (DSA) in such a way that not only reforms and investments that have already been implemented but also those planned are taken into account is presented (and by no means criticised). ↘ BOX 7 This would be tantamount to the de facto abolition of effective rules.

165. Due to the high public debt ratios of large European states, it is of central importance to maintain effective fiscal rules at European level (Gemeinschaftsdiagnose, 2025; Feld et al., 2025; Grimm et al., 2023). To this end, it is crucial that Germany does not disregard the European fiscal rules with a blind eye. This is because a **disregard of the fiscal rules** by the largest member state **is likely to lead the rules losing their binding force** in the other eurozone countries as well, making a debt crisis more likely (Joint Economic Forecast, 2025; Feld et al., 2025). A monetary union without effective fiscal rules and with increased risks to the stability and sustainability of public finances could ultimately lead to less Fiscal Space in Europe. Then the EU would be even less able to address security policy challenges and risk losing its defence capability.

166. In its Debt Sustainability Monitor, the European Commission (2025b) found that eleven EU member states, including many members of the eurozone, will have high medium-term sustainability risks in 2024 (European Commission, 2025b). Most recently, the announcement of additional German debt led to a jump in yields on the bond markets. ↘ ITEMS 30 AND 130 Yields have since fallen again, not least due to the tariff conflicts initiated by Donald Trump. But ceteris paribus, they are likely to be higher than they would be without the constitutional amendment. The additional German debt is likely to increase interest rates on government bonds throughout the eurozone. The resulting **increase in interest burdens**

for member states over time (see Grimm et al., 2023) will further **reduce the scope for** highly indebted states to **finance additional defence spending**.

167. **Other European countries** are therefore likely to **face major challenges** when it comes to increasing defence spending. Even if the European fiscal rules were relaxed – which some in Germany are hoping for – this would do little to help highly indebted countries such as France, Italy or Spain. Due to their already strained financial situation, these countries would hardly be able to finance additional defence spending or investment through new debt, as the capital markets would react with higher risk premiums or reduced demand for their bonds. The governments in many European countries, just like the new German government, do not have the strength to finance this from their current budgets.

168. Shortly after the announcement of German debt plans, the call for **joint European debt** was therefore revived. European bond issues involving Germany as a fiscal policy anchor of stability would open up new scope at more favourable conditions, especially for highly indebted member states. **For Germany** itself**,** however, participation would be **economically unattractive and risky**, as it can finance itself more favourably on its own and would bear higher risks with joint debt and possibly even trigger them. However, if the EU's defence capability needs to be significantly strengthened in the short term, there could ultimately be no way around joint debt. However, joint European borrowing can only strengthen the EU – if at all – under strict fiscal and institutional conditions. It would have to go hand in hand with the transfer of competences and decision-making power in fiscal and budgetary policy to the European level, i.e. a deepening of political union (Grimm, 2025b).

2. Options for action

169. The Council majority discusses the opportunities and risks of a possible fiscal package primarily with regard to the German economy. Unlike the Council majority, the dissenting Council member is not fundamentally in favour of the credit financing of investments ↘ ITEM 77 and the relaxation of the debt brake for the federal states. ↘ ITEM 107 **The justification for the need for credit-financed investment** based on a variety of studies, some of which were commissioned by stakeholders, ↘ BACKGROUND INFO 5 ↘ ITEM 96 **does not convince the dissenting council member**. The dissenting Council member and previous Council members have already criticised this in the GCEE's reports in the past (GCEE Annual Report 2021 items 206 ff.; GCEE Annual Report 2024 item 185).

Justifying the expansion of the scope for the federal states to borrow on the basis of their financing requirements, ↘ ITEM 107 also appears unconvincing. The **financing requirements should give rise to better financial resources for the federal states**. In addition, the federal states' scope for debt creates a complex coordination problem between the federal government and the federal states: If debt options are limited, the question arises as to who is given superiority – the federal government, the federal states as a whole or the financially weak federal states in particular. ↘ ITEM 112 This argues against additional debt leeway for the federal states as long as the European rules limit the leeway.

170. A strict investment orientation of the additional expenditure – as demanded by the Council majority – is correct, but it is **challenging to limit investment in a meaningful way**. The dissenting Council member had already expressed different views on the corresponding recommendations of the GCEE in the 2024 Annual Report, which are relevant here (GCEE Annual Report 2024 items 188 ff.; see also Joint Economic Forecast, 2025, p. 69). In particular, there is a significant demarcation problem, as it is difficult to clearly separate future-oriented public expenditure from consumptive expenditure. This demarcation problem was one reason why the previous object-related debt limit was abandoned (see Advisory Board to the BMF, 2007; GCEE Annual Report 2024 items 69 ff.).

171. The dissenting Council member had commented on the option discussed by the Council majority of making greater systematic use of cost-benefit analyses using standardised methods for the respective areas ↘ ITEM 144 in the Annual Report 2024 items 181 ff. had commented on this. However, the proposals remain vague, which is why **it** also remains **unclear how exactly** an improvement **is to be achieved** with regard to the **identification and prioritisation of future-oriented expenditure**

172. Although the infrastructure funds proposed by the Council majority ↘ ITEM 140 represent an option for financing infrastructure projects, there are several challenges that could make their implementation more difficult (see the discussion in GCEE Annual Report 2024 item 186). One possible alternative is to **outsource** the **provision of infrastructure** in consultation with the European Commission **to revenue-financed, independently debt-capable infrastructure companies** modelled on the Austrian ASFINAG (Expertenkommission Stärkung von Investitionen in Deutschland, 2016). Their revenue financing would enable them to independently finance the necessary investment without burdening the regular state budget or affecting the debt capacity of the public sector. In particular, **financing through contributions and fees** would **help to ensure that infrastructure development is orientated towards the preferences of users**. In this context, it is important to give private investors an appropriate share of the risk so that they have an active interest in ensuring that the provision of infrastructure is aligned with the preferences expressed in users' willingness to pay. The state could continue to commission infrastructure that serves regional policy objectives by purchasing the corresponding transport routes from the investment companies – i.e. through explicit subsidies (GCEE Annual Report 2024 item 187).

173. Germany would have to aim for a 7-year spending path in order to be able to utilise at least some of the additional funds. However, in order to allow sufficient room for manoeuvre here, **reforms that go beyond the agreements in the coalition agreement** are **necessary** in line with European rules. The Council majority also recognises this and proposes some further reforms. ↘ ITEMS 146 FF. However, a much more ambitious reform agenda is likely to be necessary than the Council majority expresses in this report. In view of the challenging situation, the

dissenting Council member would have considered it important to clearly emphasise the important reforms in this report. However, as the Council majority could not agree on this, although some of these reforms have already been presented in previous GCEE reports, this has been done in the minority votes in the chapters "Reducing bureaucratic costs – modernising legislation and administration" and "Structural change in Germany: productivity, regional aspects and the labour market".

174. A reform of the debt brake in the proposed form, ↘ ITEMS 156 FF. which would go hand in hand with a further relaxation, should be avoided due to the likely increase in debt in the coming years.

APPENDIX

↘ TABLE 11

Investment ratios of the federal budget over time

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (target)
Total budget in billion euros	295.5	311.4	317.1	330.7	347.9	356.7	441.8	556.6	480.7	457.1	488.9
Total investments in billion euros	29.3	29.6	33.2	34.0	38.1	38.1	50.3	45.8	46.2	55.0	70.8
Total investments excluding financial transactions in billion euros	23.9	28.2	31.6	31.3	36.2	36.5	42.2	40.3	40.5	43.9	50.6
Investment ratio in %[1]	9.9	9.5	10.5	10.3	11.0	10.7	11.4	8.2	9.6	12.0	14.5
Investment ratio without financial transactions in %	8.2	9.1	10.0	9.5	10.5	10.3	9.7	7.3	8.5	9.8	10.8

1 – Investment ratio as a proportion of the total budget.

Sources: Federal Government's financial plans, own calculations

↘ TABLE 12

Investment ratios and budgetary room for manoeuvre[1] in the federal budget[2]

		2025	2026	2027	2028	Total over the period
Total budget in billion euros		488.6	474.6	488.2	497.3	
including: Investments in property, plant and equipment		7.7	7.4	7.4	7.5	
Allocations and grants for investments		41.0	48.6	49.0	46.5	
Financial transactions: Granting of loans, acquisition of participations		32.3	21.5	21.1	16.9	
Total investments in billion euros		81.0	77.5	77.5	70.9	
Investment ratio in %		16.6	16.3	15.9	14.3	
Total investments excluding financial transactions in billion euros		48.7	56.0	56.4	54.0	
Investment ratio excluding financial transactions in %		10.7	12.4	12.1	11.2	
Budgetary room for manoeuvre in billion euros with an appropriate investment ratio of:	9 %	7.633	15.221	14.361	10.764	47.979
	10 %	3.070	10.690	9.690	5.960	29.410
	11 %	– 1.493	6.159	5.019	1.156	10.841
	12 %	– 6.056	1.628	0.348	– 3.648	– 7.728

1 – Total planned investments in the federal budget to date that exceed/fall short of the appropriate investment ratio.
2 – According to the Federal Financial Plan 2024 to 2028.

Sources: Deutscher Bundestag, own calculations

↘ TABLE 13

Planned expenditure in the Climate and Transformation Fund (KTF) for 2025[1]

Purpose	Title	1,000 euros
Allocations and grants (excluding investments)		
Electricity price compensation	683 03	3,300,000
Energy efficiency in trade and industry	686 08	818,317
Measures for natural climate protection	686 31	579,024
Compensation payments for operators of coal-fired power plants	697 01	480,923
National Climate Protection Initiative, measures for national climate protection	686 05	370,388
Energy efficiency consulting	686 14	369,512
Financial assistance in accordance with § 11 BEHG	697 02	315,350
Measures for the further development of electromobility	683 04	271,257
Application-oriented basic research Green hydrogen	685 02	159,671
Programmes and measures of the energy transition in the field of renewable energies, electricity and grids, digitalisation and energy infrastructure	686 13	121,900
Adapting urban spaces to climate change	685 03	102,388
Development of renewable fuels	686 25	90,187
Model projects in public transport	633 02	71,335
Climate-neutral flying	683 05	68,305
Resource efficiency and substitution	686 15	68,007
CO_2 avoidance and utilisation in primary industry	686 16	50,000
International energy, raw materials and technology cooperation	687 02	44,423
Subsidies for the operation of decarbonised heating infrastructures	683 08	42,017
Energy-efficient urban redevelopment	661 01	35,447
Protecting peatlands and reducing the use of peat	686 21	22,500
Climate protection research and innovation programme in the food and agriculture sector	686 33	19,000
Heat pump development programme	686 34	18,000
Serial refurbishment	661 09	15,582
Cross-sectional task of energy efficiency	686 03	14,500
Energy efficiency in the consumer sector	684 01	12,100
Humus build-up	686 20	12,000
Forest Climate Fund	686 06	11,088
Energetic utilisation of farm manure	686 18	9,057
Climate-neutral ship	686 28	7,279
Investments		
Promotion of energy efficiency and renewable energy measures in the building sector	893 10	14,350,313
Microelectronics for digitalisation	892 10	4,925,150
Grants for the installation of refuelling and charging infrastructure	893 02	1,576,141
Use of hydrogen in industrial production	892 02	1,174,642
Transformation of heating networks	893 03	979,000
Decarbonisation of the industry	892 01	553,000
GER-FRA-projects IPCEI Hydrogen	892 07	528,061
Implementation of the National Hydrogen Strategy	892 03	490,615
Industrial production for mobile and stationary energy storage systems	893 04	489,346
Promoting the purchase of buses with alternative drive systems	893 09	462,078
Procurement of commercial vehicles with alternative, climate friendly drive systems	893 08	375,289
Hydrogen strategy for foreign trade - international hydrogen cooperation	896 01	247,832
Climate friendly new build and home ownership promotion for families	893 15	246,538
Grants for the purchase of electrically powered vehicles	893 01	209,640
Renovation of municipal facilities in the areas of sport, youth and culture	891 03	177,910
Hydrogen and fuel cell applications in transport	892 05	128,638
Home ownership subsidies	893 16	70,000
Subsidies to promote alternative drive systems in rail transport	892 06	63,169
Promotion of generation plants for electricity-based fuels and advanced biofuels and propulsion technologies for aviation	892 04	38,193
Improving energy efficiency in agriculture and horticulture	893 07	23,529
Support programme for bicycle parking facilities at railway stations	891 04	15,000
Shore power supply in German harbours	882 01	10,000
Conversion of coal-fired power plants to hydrogen-capable gas-fired power plants	893 12	250

1 – All titles for which expenditure is planned in 2025 are listed. Classification of expenditure as investment in accordance with the classification in the economic plan of the Climate and Transformation Fund.

Source: Deutscher Bundestag

↘ TABLE 14

Planned investment ratios[1] of the Länder for 2025
In %

	Investment ratio	Investment ratio (excluding financial transactions)
Baden-Württemberg	10.5	10.2
Bavaria	15.2	14.0
Berlin	10.9	9.4
Brandenburg	11.7	11.3
Bremen	7.8	X
Hamburg	11.8	X
Hesse	8.2	7.8
Mecklenburg-Western Pomerania	15.1	14.0
Lower Saxony	6.4	6.3
North Rhine-Westphalia	11.3	10.9
Rhineland-Palatinate	6.9	6.5
Saarland	10.1	9.3
Saxony	16.1	15.7
Saxony-Anhalt	14.4	11.9
Schleswig-Holstein	9.1	9.0
Thuringia	15.7	15.2

1 – The investment ratios were calculated using the financial plans of the Länder. Investments were calculated as the sum of capital formation, allocations and grants for investments excluding other transfers of assets, loans, acquisition equity investments and guarantees. Financial transactions include loans, acquisition of shareholdings and guarantees. Not enough information is available for Hamburg and Bremen to calculate an investment ratio excluding financial transactions.

Sources: Financial plans of the Länder, own calculations

↘ TABLE 15

Fiscal multipliers[1] for different categories of government expenditure

Year	Government consumption			Defence		
	Aggregate	Expenditure	Taxes	Aggregate	Produktive	Non-produktive
1	[0.2; 0.5; 0.8]	[0.2; 0.4; 0.9]	[0.4; 0.6; 0.7]	[-0.1; 0.4; 0.9]	[0.1; 0.9; 1.5]	[-0.3; -0.1; 0.2]
2	[0.2; 0.5; 0.9]	[0.2; 0.5; 0.9]	[0.4; 0.5; 0.7]	[0.1; 0.5; 1.0]	[0.2; 1.0; 1.6]	[-0.2; 0.1; 0.3]
3	[0.2; 0.4; 0.8]	[0.2; 0.4; 0.8]	[0.4; 0.5; 0.6]	[0.1; 0.5; 0.8]	[0.2; 0.8; 1.3]	[-0.2; 0.1; 0.3]
4	[0.2; 0.3; 0.6]	[0.2; 0.3; 0.6]	[0.3; 0.4; 0.6]	[0.1; 0.4; 0.7]	[0.2; 0.7; 1.0]	[-0.2; 0.1; 0.3]
5	[0.1; 0.3; 0.5]	[0.1; 0.3; 0.5]	[0.3; 0.4; 0.6]	[0.0; 0.3; 0.6]	[0.1; 0.6; 0.8]	[-0.2; 0.0; 0.2]
10	[0.0; 0.2; 0.3]	[0.0; 0.1; 0.3]	[0.3; 0.4; 0.5]	[0.0; 0.2; 0.5]	[0.1; 0.5; 0.7]	[-0.2; 0.0; 0.2]
15	[0.0; 0.1; 0.3]	[-0.1; 0.1; 0.3]	[0.3; 0.4; 0.5]	[0.0; 0.2; 0.4]	[0.1; 0.4; 0.7]	[-0.2; 0.0; 0.1]
20	[-0.1; 0.1; 0.3]	[-0.1; 0.1; 0.3]	[0.3; 0.4; 0.5]	[0.0; 0.2; 0.4]	[0.0; 0.4; 0.6]	[-0.2; 0.0; 0.1]

Year	Government investment				
	Aggregate	Machinery & equipment	Non-residential construction	Civil engineering	Intangible assets
1	[0.2; 1.5; 2.5]	[-0.5; 1.4; 2.8]	[0.4; 1.4; 2.2]	[0.3; 1.5; 2.5]	[0.1; 1.8; 3.5]
2	[0.4; 1.9; 3.0]	[-0.4; 1.7; 3.3]	[0.6; 1.9; 2.7]	[0.4; 2.1; 3.5]	[0.1; 2.3; 4.2]
3	[0.4; 1.8; 2.8]	[-0.4; 1.8; 3.3]	[0.6; 1.7; 2.4]	[0.4; 2.1; 3.5]	[0.1; 2.5; 4.4]
4	[0.3; 1.5; 2.3]	[-0.4; 1.6; 3.0]	[0.5; 1.3; 1.7]	[0.4; 1.9; 3.4]	[0.1; 2.5; 4.4]
5	[0.2; 1.3; 2.0]	[-0.4; 1.4; 2.8]	[0.4; 1.0; 1.3]	[0.4; 1.7; 3.2]	[0.1; 2.5; 4.3]
10	[0.0; 0.9; 1.5]	[-0.4; 1.1; 2.2]	[0.1; 0.5; 0.7]	[0.3; 1.5; 2.9]	[0.2; 2.6; 4.5]
15	[0.0; 0.8; 1.4]	[-0.4; 1.0; 2.0]	[0.1; 0.4; 0.6]	[0.3; 1.5; 2.7]	[0.2; 2.8; 4.9]
20	[0.0; 0.8; 1.4]	[-0.4; 0.9; 1.8]	[0.1; 0.3; 0.5]	[0.3; 1.5; 2.7]	[0.2; 3.0; 5.3]

1 – Each column contains the mean value of all estimated multipliers per aggregate as well as the minimum and maximum of the estimated median multipliers. Fiscal multipliers are estimated using a structural vector autoregression. It contains, on a quarterly basis, the respective real expenditure aggregate in relation to trend GDP, real tax revenue in relation to trend GDP, the differences in the logarithmic GDP deflator multiplied by 400, and the difference between the short-term interbank interest rate for Germany and the growth rate of the GDP deflator, real GDP relative to trend GDP, and real gross value added relative to trend GDP. The model is estimated using Bayesian methods and a Minnesota prior. The multiplier is calculated as the ratio of the cumulative sums of the impulse response of GDP and the expenditure aggregate in response to a fiscal shock. All identification strategies are based on a model in the same reduced form (with four, eight and twelve lags, respectively). The aggregate government consumption multiplier is constructed as the weighted average of government consumption expenditure (weight: 0.9) and the tax cut shock (weight: 0.1). The aggregate government investment multiplier is constructed as the weighted average of government investment in equipment (weight: 0.15), non-residential construction (weight: 0.7) and expenditure on intangible capital (weight: 0.15). The aggregate defence spending multiplier is estimated as the arithmetic mean of the multipliers for productive and unproductive defence spending. For further details, see Ochsner and Zuber (2025).

Source: Ochsner and Zuber (2025)

↘ TABLE 16

Simulation results at a glance

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Con-sumption	Invest-ments[1]	Defence	Con-sumption	Invest-ments[1]	Defence	Con-sumption	Invest-ments[1]	Defence
Expenditure (nominal) in billion euros									
2025	0	0	0	0	0	0	0	0	0
2026	43	0	7	27	5	7	0	20	7
2027	66	0	21	36	18	21	0	42	21
2028	78	0	59	41	25	59	0	54	59
2029	84	0	75	43	28	75	0	59	75
2030	82	0	72	43	26	72	0	56	72
2031	77	0	58	41	23	58	0	51	58
2032	73	0	43	40	19	43	0	46	43
2033	68	0	27	39	15	27	0	40	27
2034	63	0	11	38	11	11	0	35	11
2035	59	0	0	37	7	0	0	30	0
2036	54	0	0	36	3	0	0	24	0
2037	49	0	0	33	1	0	0	19	0
2038	45	0	0	28	1	0	0	14	0
2039	41	0	0	24	1	0	0	8	0
2040	36	0	0	19	0	0	0	3	0
Expenditure (in 2020 prices) in billion euros									
2025	0	0	0	0	0	0	0	0	0
2026	41	0	7	26	5	7	0	19	7
2027	60	0	19	34	16	19	0	37	19
2028	69	0	53	37	22	53	0	45	52
2029	72	0	65	38	23	64	0	47	63
2030	69	0	61	37	21	60	0	43	59
2031	64	0	48	35	18	47	0	38	47
2032	59	0	35	33	14	34	0	33	34
2033	54	0	22	32	11	21	0	29	21
2034	50	0	8	30	8	8	0	25	8
2035	45	0	0	29	5	0	0	20	0
2036	41	0	0	27	2	0	0	16	0
2037	37	0	0	25	1	0	0	13	0
2038	33	0	0	21	1	0	0	9	0
2039	29	0	0	17	0	0	0	5	0
2040	26	0	0	14	0	0	0	2	0

1 – Sum of average government investments and transport infrastructure investment. 2 – Defined as the minimum of the estimated median multipliers. 3 – Defined as the maximum of the estimated median multipliers. 4 – Measured by the respective deflators, 16 %, 50 % and 84 % quantile in each case, i. e. there is a 68 % probability that the value lies within the specified interval. 5 – Ratio of the levels of real GDP with the financial package and the real GDP of the reference scenario, minus one.

Sources: Ochsner and Zuber (2025), own calculations

↘ STILL TABLE 16

Simulation results at a glance

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Multiplier			Multiplier			Multiplier		
	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]
Additional cumulative GDP in billion euros									
2025	0	0	0	0	0	0	0	0	0
2026	10	22	42	8	21	40	5	31	54
2027	25	58	111	21	72	131	18	105	181
2028	42	112	216	39	153	278	36	215	370
2029	60	170	325	59	242	436	57	330	569
2030	75	218	414	76	318	569	76	429	738
2031	84	249	471	88	369	661	90	499	862
2032	86	263	501	93	397	716	97	544	944
2033	84	266	508	93	408	741	99	570	994
2034	79	259	500	89	405	741	98	580	1 018
2035	71	247	482	84	393	726	96	580	1 024
2036	63	235	466	77	378	707	92	576	1 024
2037	56	225	454	72	363	687	89	569	1 019
2038	50	216	444	66	349	669	86	560	1 008
2039	45	209	436	62	338	653	83	549	993
2040	40	203	429	57	328	638	79	535	973

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Con-sumption	Invest-ment	Non-resi-dential con-struction	Con-sumption	Invest-ment	Non-resi-dential con-struction	Con-sumption	Invest-ment	Non-resi-dential con-struction
	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]	[L; M; U]
Price development (government expenditure deflators) in %[4]									
2025	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]	[0; 0; 0]
2026	[-1; 3; 7]	[0; 4; 7]	[1; 4; 7]	[0; 3; 6]	[0; 4; 7]	[1; 4; 8]	[-1; 2; 6]	[1; 4; 8]	[2; 5; 9]
2027	[3; 7; 10]	[0; 4; 7]	[0; 4; 7]	[2; 5; 8]	[1; 5; 8]	[2; 5; 8]	[0; 3; 6]	[3; 7; 11]	[3; 7; 10]
2028	[0; 3; 6]	[0; 3; 7]	[0; 4; 6]	[-1; 3; 5]	[1; 5; 8]	[2; 6; 8]	[0; 3; 6]	[3; 7; 10]	[3; 6; 9]
2029	[-1; 3; 5]	[0; 3; 6]	[0; 4; 6]	[-1; 2; 5]	[1; 4; 7]	[2; 5; 7]	[0; 3; 5]	[2; 5; 8]	[2; 5; 7]
2030	[-1; 2; 5]	[-1; 3; 6]	[0; 3; 6]	[-1; 2; 5]	[0; 4; 6]	[0; 3; 6]	[-1; 2; 5]	[1; 4; 6]	[0; 3; 6]
2031	[-1; 2; 4]	[-1; 3; 6]	[0; 3; 6]	[-1; 2; 4]	[-1; 3; 5]	[0; 3; 5]	[-1; 2; 5]	[-1; 3; 5]	[0; 3; 5]
2032	[-1; 2; 4]	[0; 3; 5]	[0; 3; 5]	[-1; 2; 4]	[-1; 2; 5]	[0; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]
2033	[-1; 2; 4]	[-1; 3; 5]	[0; 3; 5]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]
2034	[-1; 2; 4]	[-1; 3; 5]	[0; 3; 5]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]
2035	[-1; 2; 3]	[-1; 3; 4]	[0; 3; 5]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]
2036	[-1; 2; 3]	[-1; 3; 4]	[0; 3; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-1; 2; 4]	[-2; 2; 4]	[-1; 2; 4]
2037	[-1; 2; 3]	[-1; 2; 4]	[0; 3; 4]	[-1; 2; 3]	[-1; 2; 4]	[0; 2; 4]	[-1; 2; 4]	[-2; 2; 3]	[-1; 2; 4]
2038	[-1; 2; 3]	[-1; 2; 4]	[0; 3; 4]	[-1; 2; 3]	[-1; 2; 4]	[0; 2; 4]	[-1; 2; 3]	[-1; 2; 3]	[-1; 2; 3]
2039	[-1; 2; 3]	[-1; 2; 4]	[0; 3; 4]	[-1; 2; 3]	[-1; 2; 4]	[0; 2; 4]	[-1; 2; 3]	[-2; 2; 3]	[-1; 2; 3]
2040	[-1; 2; 3]	[-1; 2; 4]	[0; 3; 4]	[-1; 2; 3]	[-1; 2; 3]	[0; 3; 4]	[-1; 2; 3]	[-2; 2; 3]	[-1; 2; 3]

1 – Sum of average government investments and transport infrastructure investment. 2 – Defined as the minimum of the estimated median multipliers. 3 – Defined as the maximum of the estimated median multipliers. 4 – Measured by the respective deflators, 16 %, 50 % and 84 % quantile in each case, i. e. there is a 68 % probability that the value lies within the specified interval. 5 – Ratio of the levels of real GDP with the financial package and the real GDP of the reference scenario, minus one.

Sources: Ochsner and Zuber (2025), own calculations

↘ STILL TABLE 16

Simulation results at a glance

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Multiplier			Multiplier			Multiplier		
	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]
Debt-to-GDP ratio (excluding emergency situations) in %									
2025	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0	64.0
2026	65.3	65.1	64.8	65.3	65.1	64.8	65.1	64.7	64.4
2027	65.8	65.5	64.9	65.5	65.2	64.5	64.9	63.9	62.9
2028	67.7	67.1	66.2	67.0	66.2	64.9	66.0	64.2	62.4
2029	70.0	69.3	68.4	68.8	67.6	65.9	67.6	65.0	62.7
2030	72.1	71.6	70.8	70.6	69.1	67.2	69.1	66.1	63.5
2031	73.8	73.4	72.9	71.9	70.3	68.4	70.2	66.9	64.1
2032	75.0	74.8	74.5	72.8	71.1	69.2	70.9	67.3	64.4
2033	75.7	75.6	75.5	73.3	71.5	69.6	71.1	67.4	64.4
2034	75.9	75.9	76.0	73.3	71.5	69.7	70.8	67.2	64.1
2035	75.8	75.8	76.0	72.9	71.2	69.4	70.2	66.6	63.6
2036	75.5	75.5	75.6	72.4	70.7	69.0	69.5	65.9	62.9
2037	75.0	75.1	75.2	71.9	70.2	68.6	68.7	65.2	62.2
2038	74.5	74.5	74.6	71.2	69.7	68.1	67.8	64.4	61.5
2039	73.9	73.9	73.9	70.4	69.0	67.6	66.9	63.6	60.8
2040	73.1	73.2	73.2	69.6	68.2	66.9	65.9	62.8	60.2

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Sources: Ochsner and Zuber (2025), own calculations

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Simulation results at a glance

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Multiplier			Multiplier			Multiplier		
	Lower limit² [L]	Mean value [M]	Upper limit³ [U]	Lower limit² [L]	Mean value [M]	Upper limit³ [U]	Lower limit² [L]	Mean value [M]	Upper limit³ [U]
Real GDP growth in %									
2025	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026	1.3	1.6	2.0	1.3	1.6	2.0	1.2	1.8	2.3
2027	0.8	1.1	1.4	0.9	1.5	2.0	1.0	2.0	2.9
2028	0.5	0.8	1.2	0.6	1.4	2.2	0.7	1.9	3.0
2029	0.3	0.4	0.4	0.5	1.1	1.5	0.6	1.4	2.1
2030	0.2	0.1	- 0.2	0.4	0.6	0.8	0.4	0.9	1.3
2031	0.1	- 0.1	- 0.4	0.2	0.3	0.3	0.3	0.5	0.8
2032	0.2	- 0.1	- 0.3	0.2	0.2	0.3	0.3	0.5	0.7
2033	0.2	0.1	- 0.1	0.3	0.2	0.3	0.3	0.5	0.7
2034	0.3	0.2	0.0	0.4	0.3	0.3	0.4	0.5	0.7
2035	0.4	0.3	0.3	0.4	0.3	0.3	0.5	0.5	0.7
2036	0.5	0.5	0.5	0.5	0.4	0.5	0.5	0.6	0.8
2037	0.6	0.6	0.7	0.6	0.5	0.5	0.6	0.7	0.8
2038	0.6	0.6	0.7	0.6	0.6	0.5	0.6	0.6	0.7
2039	0.5	0.6	0.6	0.5	0.5	0.4	0.5	0.5	0.5
2040	0.5	0.5	0.5	0.5	0.5	0.4	0.5	0.4	0.4
Price development (GDP deflator) in %									
2025	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
2026	2.5	2.5	2.6	2.1	2.1	2.1	2.1	2.1	2.1
2027	2.3	2.3	2.4	2.4	2.0	2.1	2.6	2.5	2.7
2028	2.1	2.2	2.3	2.3	2.2	2.4	2.3	2.6	2.8
2029	2.1	2.1	2.2	2.3	2.3	2.5	2.2	2.5	2.7
2030	2.1	2.1	2.1	2.3	2.4	2.4	2.2	2.4	2.5
2031	2.2	2.2	2.1	2.2	2.4	2.4	2.2	2.4	2.4
2032	2.2	2.2	2.1	2.2	2.3	2.3	2.2	2.3	2.3
2033	2.2	2.2	2.1	2.1	2.3	2.2	2.1	2.2	2.2
2034	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.2	2.1
2035	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.1	2.0
2036	2.1	2.1	2.1	2.1	2.2	2.1	2.1	2.1	2.0
2037	2.0	2.0	2.0	1.9	2.0	1.9	2.0	2.0	1.9
2038	2.1	2.1	2.1	2.0	2.0	1.9	2.1	2.0	1.9
2039	2.2	2.2	2.2	2.2	2.1	2.0	2.2	2.1	2.0
2040	2.2	2.2	2.2	2.2	2.1	2.1	2.2	2.1	2.0

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Sources: Ochsner and Zuber (2025), own calculations

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Simulation results at a glance

Year	Consumption orientation			Consumption orientation limited by investment ratio			Investment orientation		
	Multiplier			Multiplier			Multiplier		
	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]	Lower limit[2] [L]	Mean value [M]	Upper limit[3] [U]
Government budget deficit in %									
2026	- 3.6	- 3.6	- 3.6	- 3.4	- 3.4	- 3.4	- 3.1	- 3.1	- 3.1
2027	- 2.5	- 2.5	- 2.5	- 2.3	- 2.3	- 2.3	- 2.0	- 2.0	- 2.0
2028	- 3.6	- 3.5	- 3.5	- 3.3	- 3.3	- 3.2	- 3.0	- 3.0	- 2.9
2029	- 3.9	- 3.9	- 3.8	- 3.6	- 3.6	- 3.5	- 3.4	- 3.3	- 3.2
2030	- 3.8	- 3.7	- 3.7	- 3.5	- 3.4	- 3.3	- 3.2	- 3.1	- 3.0
2031	- 3.3	- 3.3	- 3.3	- 3.0	- 3.0	- 2.9	- 2.8	- 2.7	- 2.6
2032	- 2.9	- 2.9	- 2.9	- 2.6	- 2.6	- 2.5	- 2.4	- 2.3	- 2.2
2033	- 2.5	- 2.5	- 2.5	- 2.2	- 2.2	- 2.1	- 1.9	- 1.9	- 1.8
2034	- 2.0	- 2.0	- 2.0	- 1.8	- 1.7	- 1.7	- 1.5	- 1.5	- 1.4
2035	- 1.7	- 1.7	- 1.7	- 1.5	- 1.4	- 1.4	- 1.2	- 1.2	- 1.2
2036	- 1.6	- 1.6	- 1.6	- 1.4	- 1.3	- 1.3	- 1.1	- 1.1	- 1.1
2037	- 1.5	- 1.5	- 1.5	- 1.3	- 1.2	- 1.2	- 1.0	- 1.0	- 1.0
2038	- 1.4	- 1.4	- 1.4	- 1.2	- 1.2	- 1.1	- 0.9	- 0.9	- 0.9
2039	- 1.3	- 1.3	- 1.3	- 1.1	- 1.1	- 1.1	- 0.8	- 0.8	- 0.8
2040	- 1.3	- 1.3	- 1.3	- 1.0	- 1.0	- 1.0	- 0.7	- 0.7	- 0.7
Difference of the real GDP to the reference scenario in %[5]									
2025	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026	0.2	0.5	0.9	0.2	0.5	0.9	0.1	0.7	1.2
2027	0.3	0.8	1.6	0.3	1.2	2.2	0.3	2.0	3.4
2028	0.4	1.2	2.3	0.5	2.2	4.0	0.6	3.5	6.0
2029	0.4	1.3	2.4	0.6	3.0	5.2	0.9	4.6	7.9
2030	0.3	1.1	2.0	0.7	3.3	5.7	1.0	5.3	9.0
2031	0.2	0.7	1.3	0.7	3.3	5.8	1.1	5.5	9.6
2032	0.1	0.3	0.6	0.6	3.2	5.8	1.1	5.7	10.1
2033	- 0.1	0.1	0.2	0.6	3.1	5.7	1.1	5.8	10.5
2034	- 0.1	- 0.2	- 0.2	0.5	3.0	5.5	1.1	5.9	10.8
2035	- 0.2	- 0.3	- 0.4	0.5	2.9	5.4	1.2	6.0	11.1
2036	- 0.2	- 0.3	- 0.3	0.5	2.8	5.4	1.2	6.2	11.5
2037	- 0.2	- 0.2	- 0.3	0.5	2.8	5.3	1.3	6.3	11.7
2038	- 0.1	- 0.2	- 0.2	0.5	2.7	5.2	1.3	6.3	11.8
2039	- 0.1	- 0.2	- 0.2	0.5	2.7	5.1	1.3	6.2	11.7
2040	- 0.1	- 0.1	- 0.1	0.5	2.6	5.1	1.3	6.1	11.6

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Sources: Ochsner and Zuber (2025), own calculations

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