

PRESS RELEASE

## Fiscal package: Take advantage of opportunities, make future-oriented and additional investments

- The long-term growth effects of the fiscal package will be the larger, the more the funds are spent on for additional public investment.
- Institutional safeguards should be put in place to ensure that the funds are used predominantly for investments. Otherwise, there will be scope for shifts from the core budget of up to 1.2 % of GDP.
- The compatibility of the fiscal package with the EU fiscal rules remains highly uncertain. The prerequisite for compatibility are a strong investment orientation of the spending and accompanying structural reforms.

**Berlin, 21.05.2025** – In order for the fiscal package to have the most beneficial effect on overall economic growth, the funds must be used for additional investment. This will also increase the likelihood that the fiscal package complies with EU fiscal rules. “The fiscal package offers a great opportunity: If used appropriately, the funds can make Germany fit for the future and put the economy back on a higher growth path,” explains Achim Truger, council member. “The more funds from the fiscal package are spent on investments, the greater the long-term effect on GDP.” If, on the other hand, the funds are used for consumptive purposes, the public debt ratio will increase significantly.

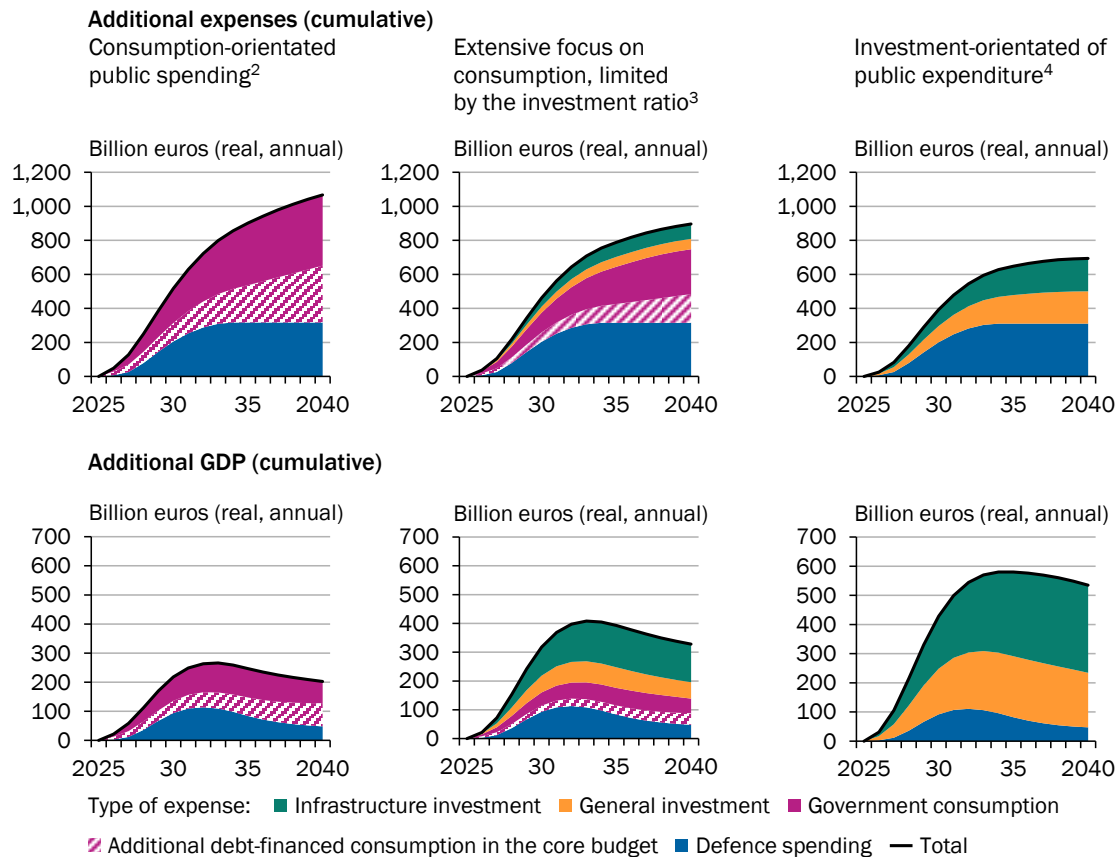
### Use fiscal package for additional investment

In order to make Germany fit for the future and catch up on missed investments, the funds from the fiscal package should be used for additional investments. “It is essential to prevent shifts of already planned investment from the core budget into debt-financing as we urgently need additional investment,” says Ulrike Malmendier, council member. “However, the measures taken so far to prevent the shifting are insufficient. There is still considerable scope for such cross-financing of up to 1.2 per cent of GDP, which corresponds to up to 50 billion euros per year.”

### Make institutional arrangements for additional investments

For defence spending, the constitutional amendment provides for a threshold of 1 per cent of GDP above which expenditure does not count towards the debt brake and can be flexibly financed through borrowing. However, this threshold is too low as significantly more than 1 per cent of GDP was spent on defence from the core budget before the amendment. A minimum quota for defence spending of at least 2 per cent of GDP in the core budget should be enshrined in law. In addition, an investment ratio of at least 10 per cent of the core budget should be included in the law establishing the special fund for infrastructure and climate protection. This investment ratio should gradually rise to 12 per cent. Appropriate investment ratios should also be defined for the allocations from the special fund to the Climate and Transformation Fund (KTF) and to the federal states.

### Three possible spending paths for the fiscal package<sup>1</sup>



1 – Expenditure is based on the paths in Box 6 in the chapter "Fiscal package: Take advantage of opportunities, make future-oriented and additional investments". 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)  
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