**The Investment Institute**
by UniCredit

# Coffee Break

*Coffee Break* is our daily publication, offering topical insights as an intellectual ingot to start the day.

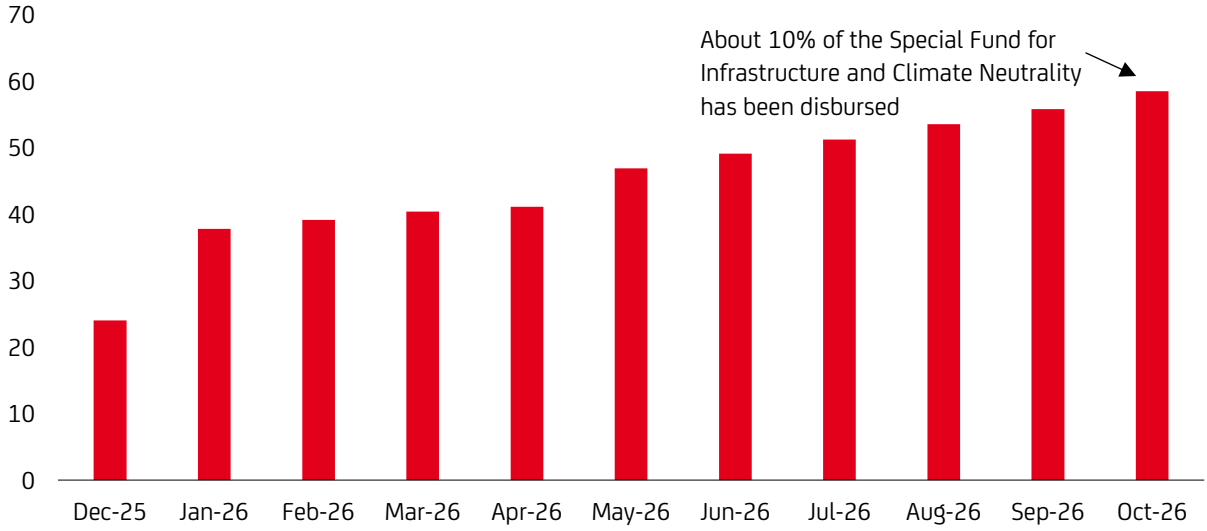
## Germany's fiscal bazooka: the growth dividend is coming

**12 November 2026**

Germany's 2027 federal budget is entering its home stretch. Meanwhile, money from the fiscal bazooka has increasingly been flowing into the economy, setting the stage for stronger GDP growth in 2027.

### FISCAL IMPULSE IS BUILDING GRADUALLY

MONEY THAT LEFT THE SPECIAL FUND FOR INFRASTRUCTURE AND CLIMATE NEUTRALITY, IN EUR BN (STOCKS)




Source: Federal Ministry of Finance, The Investment Institute by UniCredit
Note: Cumulative disbursements of the federal government excluding federal states and municipalities

### THE CONTEXT

Today, the Bundestag's budget committee is scheduled to settle the remaining disputes over the 2027 federal budget, ahead of the parliamentary vote on 27 November. The government's draft envisages total federal net borrowing of about EUR 200bn, or more than 4% of GDP. Defence is a major driver of fiscal expansion: military expenditure is set to rise from around EUR 110bn in 2026 to almost EUR 140bn in 2027, thanks to the relaxation of the debt brake and the 2022 military special fund, which was established after the start of the Russia-Ukraine war. Substantial resources are also earmarked for infrastructure, digitalisation and fighting climate change. While these

numbers are impressive, the key question is how quickly the public money can be disbursed and the extent to which the fiscal firepower translates into stronger economic activity.



## THE DATA

Cumulative disbursements from the EUR 500bn Special Fund for Infrastructure and Climate Neutrality stood at nearly EUR 60bn as of October 2026, equivalent to about 1.3% of GDP. However, the net stimulus for the economy is smaller than this headline figure would suggest, for two reasons. First, the government has reduced some investment items in the core budget to close gaps and shifted them into the special fund (see ifo Institute analysis on the basis of data for the first half of 2026). To some extent, this pattern is likely to continue, as noted in a Bundesbank publication. Furthermore, some disbursements (EUR 20bn) reflect transfers to the Climate and Transformation Fund, which do not necessarily immediately translate into higher spending. Besides the EUR 300bn earmarked for federal infrastructure projects, the EUR 500bn special fund allocates EUR 100bn to the Climate and Transformation Fund and EUR 100bn to federal states and municipalities.



## OUR VIEW

Germany's fiscal engine has been gaining traction, and we expect the economic benefits to become increasingly visible in 2027. The government is not only making more money available but is also addressing the obstacles that have held back public investment for years. The Infrastructure Future Act, which came into force in July, aims to accelerate planning and approval processes for transport and energy projects. The new military procurement legislation, effective since February, is designed to speed up military purchases and construction. Both reforms should help to turn additional financial resources into actual spending more quickly.

Some challenges remain, however. Limited administrative capacity, especially at the municipalities level, could still delay projects. As of the end of October, less than EUR 2bn of the EUR 100bn had been transferred from the government to the federal states, which forward large parts of the money to cash-stricken municipalities. Capacity constraints in the German defence industry pose another bottleneck. Backlog orders have been exceptionally high, equivalent to more than five years of production, which slows the pass-through from higher military procurement to actual industrial output. Expanding capacity will therefore be crucial. Nevertheless, we expect a growing number of infrastructure and defence projects to move from the planning to the implementation phase. Hence, we forecast GDP growth will accelerate to 1.6% in 2027 from 1.2% in 2026, with fiscal stimulus and spillover effects to German industry to be an important driver of the recovery.

---

**Author**
Dr. Andreas Rees, Chief German Economist (UniCredit, Munich), andreas.rees@unicredit.de

**Editors**
Edoardo Campanella, Director and Editor-in-Chief of The Investment Institute (UniCredit, Milan)
edoardo.campanella@unicredit.eu
Francesco Maria Di Bella, FI Strategist (UniCredit, Milan), francescomaria.dibella@unicredit.eu

**UniCredit S.p.A**
The Investment Institute by UniCredit, Piazza Gae Aulenti, 4, I-20154 Milan
www.the-investment-institute.unicredit.eu

# Legal Notices

## Glossary

Terms used in the report are available on our website: Our glossary

## Marketing Communication

This publication/video constitutes a marketing communication of UniCredit S.p.A., UniCredit Bank Austria AG, Schoellerbank AG and UniCredit Bank GmbH (hereinafter jointly referred to as the "UniCredit Group") is addressed to the general public and is provided free of charge for information only. It does not constitute investment recommendation or consultancy activity by the UniCredit Group or, even less, an offer to the public of any kind nor an invitation to buy or sell securities. The information contained herein does not constitute an investment research or financial analysis since, in addition to the lack of content, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

UniCredit Group, including all its group companies may have a specific interest in relation to the issuers, financial instruments or transactions detailed herein. Relevant disclosures of interests and positions held by UniCredit Group are available at: Conflicts of interest Any estimates and/or assessments contained in this publication represent the independent opinion of the UniCredit Group and, like all the information contained therein, are given in good faith on the basis of the data available at the date of publication, taken from reliable sources, but having a purely indicative value and subject to change at any time after publication, on the completeness, correctness and truthfulness of which the UniCredit Group makes no guarantees and assumes no responsibility. Interested parties must therefore carry out their own investment assessments in a completely autonomous and independent manner, relying exclusively on their own considerations of the market conditions and the information available overall, also in line with their risk profile and economic situation. Investment involves risk. Before any transaction in financial instruments please refer to the relevant offering documents. It should also be noted that:

1. Information relating to the past performance of a financial instrument, index or investment service is not indicative of future results.
2. If the investment is denominated in a currency other than the investor's currency, the value of the investment can fluctuate strongly according to changes in exchange rates and have an undesirable effect on the profitability of the investment.
3. Investments that offer high returns can undergo significant price fluctuations following any downgrading of creditworthiness. In the event of bankruptcy of the issuer, the investor may lose the entire capital.
4. High volatility investments can be subject to sudden and significant decreases in value, being able to generate significant losses at the time of sale up to the entire capital invested.
5. In the presence of extraordinary events, it may be difficult for the investor to sell or liquidate certain investments or obtain reliable information on their value.
6. If the information refers to a specific tax treatment, it should be noted that the tax treatment depends on the individual situation of the customer and may be subject to change in the future.
7. If the information refers to future results, it should be noted that they do not constitute a reliable indicator of these results.
8. Diversification does not guarantee a profit or protect against a loss.

The UniCredit Group cannot in any way be held responsible for facts and/or damages that may arise to anyone from the use of this document, including, but not limited to, damages due to losses, lost earnings or unrealised savings. The contents of the publication – including data, news, information, images, graphics, drawings, brands, and domain names – are owned by the UniCredit Group unless otherwise indicated, covered by copyright and by the industrial property law. No license or right of use is granted and therefore it is not allowed to reproduce its contents, in whole or in part, on any medium, copy them, publish them and use them for commercial purposes without prior written authorisation from UniCredit Group unless if purposes of personal use only. E 25/1