

German government announces relief for industry

Earlier this summer, German Chancellor Friedrich Merz promised a 'Fall of reforms'. This week, the government moved to accelerate decision-making, unveiling a fresh set of policy announcements within just the past 24 hours



German Chancellor Friedrich Merz speaking at an event in Berlin, 13 November 2025

It has taken a long time, but Berlin has finally recognised that the German economy is facing not just a cyclical downturn, but a structural period of weakness.

The latest report from Germany's Council of Economic Advisors was one of many examples pointing to an economy that is likely facing the largest economic challenge of the last 80 years.

Fifteen years of underinvestment, a lack of structural reforms, and China's emergence as a fierce competitor have eroded Germany's economic model. The announced U-turn on fiscal stimulus half a year ago should have been the start of a longer and broader overhaul of the economy, but the new government seemed to believe that with this decision back in spring the job was already done.

Now that there is a high risk that any rebound of the German economy in 2026 will mainly stem

from the three extra working days in the year vs 2025 (which will add some 0.3 percentage points to GDP growth) rather than a broad-based recovery, the urgency to act is high.

New policy announcements over the last 24 hours

Over the last 24 hours, the German government has agreed on several measures that at least show a willingness to act, even if a bigger masterplan is still lacking. Some of these measures are already actual policy decisions; others are only the result of last night's agreement between the main leaders of the coalition partners and not yet official government decisions. Here is what was decided:

- A fixed energy price of five cents per kilowatt-hour for the energy-intensive industry until 2028. Currently, the price is some 15 cents. The idea of a subsidy for industry energy prices was already mentioned in the official coalition agreement, but hadn't been specified or implemented yet.
- Production of new gas power plants with a capacity of 8 gigawatts.
- Reduction of air traffic control fees, with the aim of saving the aviation sector €350m.
- The start of a "Germany Fund". This idea was already mentioned in the coalition agreement, and back then was a fund of €10bn that should attract another €90bn from the private sector to support SMEs and scale-up companies.
- The return of semi-compulsory military service. As of next year, all 18-year-old men will have to pass the conscription assessment. If there are not enough volunteers for the actual draft, candidates for military service will be drawn by lottery. There is no official target number.

The economic policy announcements still need to get support from the entire government and parliament, and in the case of the energy price subsidy, also require approval from the European Commission. Therefore, the announcements still need to be taken with a pinch of salt.

However, the energy price subsidy, in particular, sends a strong signal and could provide industry not only short-term relief but also clarity and stability for years to come. That is still not an all-encompassing and coherent strategy for a broader overhaul of the economy, but that is a topic for another day.

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