

## Germany suddenly has a €60bn hole in its budget

The German Constitutional Court has ruled against Olaf Scholz's coalition government's decision to push unused funds from pandemic support into the climate and transformation fund. The government now has a budget hole of 60 billion euros



The court ruling is a blow to Chancellor Olaf Scholz

Germany's Constitutional Court has ruled that the government's decision to reallocate €60bn of unused debt from pandemic support measures to its climate and transformation fund is unconstitutional.

It's bad news for the government and means that the budget for 2024 can surely not be agreed this week. The government will now have to fill a hole of €60bn. This is not automatically linked to actual expenditures but rather to the total size of the government's climate and transformation fund. This fund is a core element of the government's strategy to tackle Germany's long list of structural challenges. The fund has a size of about €210bn for the period 2024 to 2027. The government had planned to use more than €50bn from this fund next year.

In short, today's ruling shows that, at least in Germany, legal expertise is not necessarily the same as economic expertise. In the logic of Germany's constitutional debt brake, today's ruling makes

sense. It simply says that debt piled up in special circumstances or crisis situations cannot be used to tackle another one. However, the question remains whether the debt brake makes economic sense when the country struggles with structural stagnation and a long list of serious challenges and transitions, of which many need fiscal support.

To some extent, today's ruling also opens the door to more special-purpose vehicle financing and creative accounting. It also shows that structurally accommodative fiscal policies in Germany are very unlikely to happen any time soon.

## Author

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).