



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

MAY 2025

Dramatic surge in German infrastructure and defence spending creates opportunities for Kiwi businesses

MARKET INTELLIGENCE REPORT

Key points

- The German government has laid the groundwork for an unprecedented increase in public investment in infrastructure and defence over the coming years.
- A €500 billion Special Fund has been established dedicated to public infrastructure. The Federal Budgets for 2025 and 2026 also include major spending on defence.
- This will trigger significant German public procurement activity, with many tenders likely to be open to New Zealand businesses, providing opportunities in many areas including: transport, health, energy, civil protection and public safety, childcare, science, research and development, digitalization, housing and construction, and sport.

Report

Germany is the third largest economy in the world. However, its economy has struggled in recent years, public infrastructure has deteriorated, and spending on defence is widely regarded as inadequate in light of Russia's war against Ukraine. At the same time, after years of relative austerity, Germany enjoys by far the lowest public debt level (around 63%) among G7 nations. Against this background, and marking a historic shift in fiscal policy, in March this year Germany's Constitution was amended to relax Germany's strict fiscal rules, particularly the "Schuldenbremse" (debt brake), which has limited new borrowing to 0.35% of GDP. The amendment to the Constitution exempts defence spending above 1% of GDP from the debt brake.

Special Fund for Infrastructure and Climate Neutrality

In March 2025, the Bundestag (German Parliament) approved a [Special Fund for Infrastructure and Climate Neutrality](#), enabling the Government to spend an additional €500 billion over the next twelve years. €300 billion will go directly into additional infrastructure programmes administered by the government. A further €100 billion will go to Germany's Climate and Transformation Fund (KFT), which supports programmes such as the climate-friendly conversion of buildings and mobility infrastructure. The remaining €100 billion will go to federal states to support infrastructure investment regionally.

Eligible sectors include: civil protection and public safety; transport (in particular roads, bridges and railways); hospitals in support of the ongoing transformation in the health sector (see this MFAT Market Intelligence report on [Hospital Care Reform in Germany](#)); energy; education, childcare, science; research and development (e.g. research ecosystems in AI, quantum and space); digitalisation (in particular of public administration); construction and housing; and sports.

Annual business plans being adopted alongside the federal budget will provide insights on future spending. For 2025, €37 billion is available immediately for transport (€12 billion), digitalisation (€4 billion), hospitals (€1.5 billion), and energy infrastructure (€1 billion), with €10 billion going to the KFT and €8 billion to federal states. The government plans to increase spending to €59 billion next year, with a focus on railways, hospitals and digitalisation.

The Fund has been welcomed although the degree to which its spending will be additional as intended (instead of freeing up funds in the regular budget for other purpose)s has been debated, and there are concerns about how effectively and efficiently it will be used.

Dramatic increase in defence spending

Separately, Germany will continue to dramatically increase defence spending, now that this is exempt from the constitutional debt rules that require a balanced federal budget. The exemption includes civil protection, intelligence and cyber security.

To illustrate the magnitude of this development, Germany's approved defence spending this year reached €86 billion – a historic high since the end of the Cold War – and is expected to increase to around €150 billion by 2029. Most of the funds will go into procurement, with €32 billion to be spent this year (the draft budget for next year includes €48 billion), plus €7 billion on maintenance and €10 billion for maintaining, renovating and building new facilities (e.g. barracks). The detailed budget plan reveals a wide range of supplies and equipment sought beyond vehicles and weapon systems, including communication equipment, personal equipment, and medical supplies. The German Minister of Defence also [announced](#) major new investment in space-related capabilities.

Benefits for New Zealand businesses

These spending plans will trigger substantial procurement activity, initially by German government agencies, but with flow-on effects for successful bidders seeking input from other suppliers. Relevant German government agencies will be required under EU and national law to use public tenders for their respective procurement. Thanks to the WTO's Government Procurement Agreement (GPA) and New Zealand's Free Trade Agreement (FTA) with the European Union, New Zealand businesses enjoy largely non-discriminatory access to tenders beyond certain [thresholds](#), which are publicised online and follow standardised processes. Even for tenders below these levels and consequentially not regulated by the GPA and FTA, German procurement law generally provides access for foreign bidders, with some limitations as authorities have greater flexibility in identifying a supplier.

Official information and German regulations on public procurement processes for tenders both above and below the EU thresholds can be found on the [Federal Ministry for Economic Affairs and Energy's website](#). For military goods some special rules apply (given classification levels etc), which are explained on the [German Armed Forces' \(Bundeswehr\) website](#). Germany's 'one-stop shop' for public tenders – including those

published on the EU's [Tenders Electronic Daily](#) (TED) platform as well as many others below the EU's thresholds – is a dedicated [public procurement portal](#). It offers [advanced search](#) options including for SMEs (TED also offers filtered alerts for foreign businesses).

A number of domestic legislative changes are currently underway which, once approved, could impact on New Zealand businesses' access to the German procurement market. A Procurement Acceleration Bill proposes various changes, with the aim of simplifying, accelerating and digitalising procedures, which should benefit bidders overall, although it also includes provisions to allow for larger lots and higher thresholds for direct awards. A separate bill aims to accelerate procurement for the German Armed Forces (Bundeswehr), including provisions allowing for the exclusion of third country bidders on security grounds.

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