Frankfurt School
Centre for European Transformation

TRANSFORMATION INVESTMENT COMPASS

Quarterly Update | September 2026

From Research to Action.

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01 – GERMANY DASHBOARD

The Transformation Investment Compass (TIC) for Germany tracks three main components: (i) corporate investments identified as transformational; (ii) federal public investment; and (iii) foreign direct investment (FDI). The September 2026 edition reports on developments across all three pillars for the first half of the year.

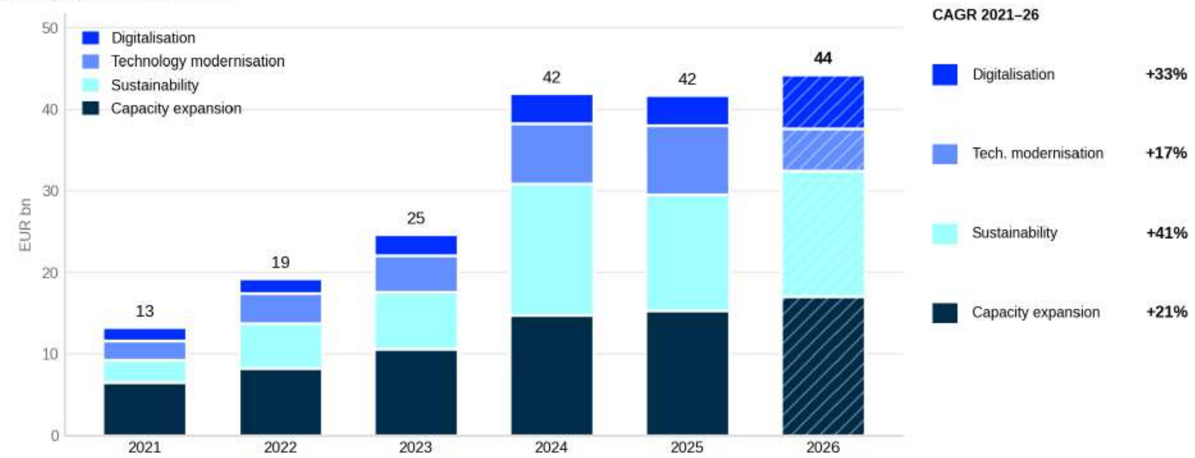
01_1 – CORPORATE TRANSFORMATION INVESTMENT

Germany's corporate transformation investment reached €44.2 billion in 2026 year-to-date, surpassing the level of previous two years already by early August.

Capacity expansion and sustainability are the dominant investment categories, with the energy sector and notably EnBW and E.ON among the leading contributors with multi-year programmes. Digitalisation and technology innovation account for 25% of the investment – significantly less than in France and the Netherlands (see section 2). Technology innovation is the only category which has not reached the level of 2025 at this point in time.

Figure 1 · Germany: transformation investment spend by category, 2021–2026

EUR bn per year of investment flow

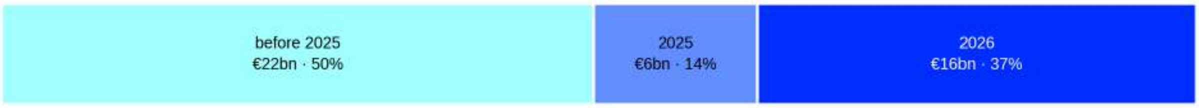


Source: CfET Transformation Investment Compass

The vintage composition of 2026 investment spend — shown in Figure 2 — illustrates that approximately two thirds of this year's investment is driven by large-scale multi-year programmes announced in prior years, while announcements made in 2026 ytd account for one third.

Figure 2 · Germany: 2026 investment spend by announcement vintage

Share of 2026-attributed spend · vintages as flagged in the chart-layer workbook (QA re-datings applied)



Source: CfET Transformation Investment Compass

01_2 – FEDERAL PUBLIC INVESTMENT

Germany’s 2026 federal investment envelope has expanded substantially, driven by the activation of two new special funds (Sondervermögen), the Infrastructure and Climate Neutrality Special Fund (Sondervermögen Infrastruktur und Klimaneutralität, SVIK) and the Climate and Transformation Fund (Klima- und Transformationsfonds, KTF), whose contributions are visible in the upper two components of Figure 3. Together, they add €30.6 billion above prior-year levels, bringing the total public investment allocation to €114.4 billion — a 25.4% increase over 2025 and well above the run-rate of any preceding year.

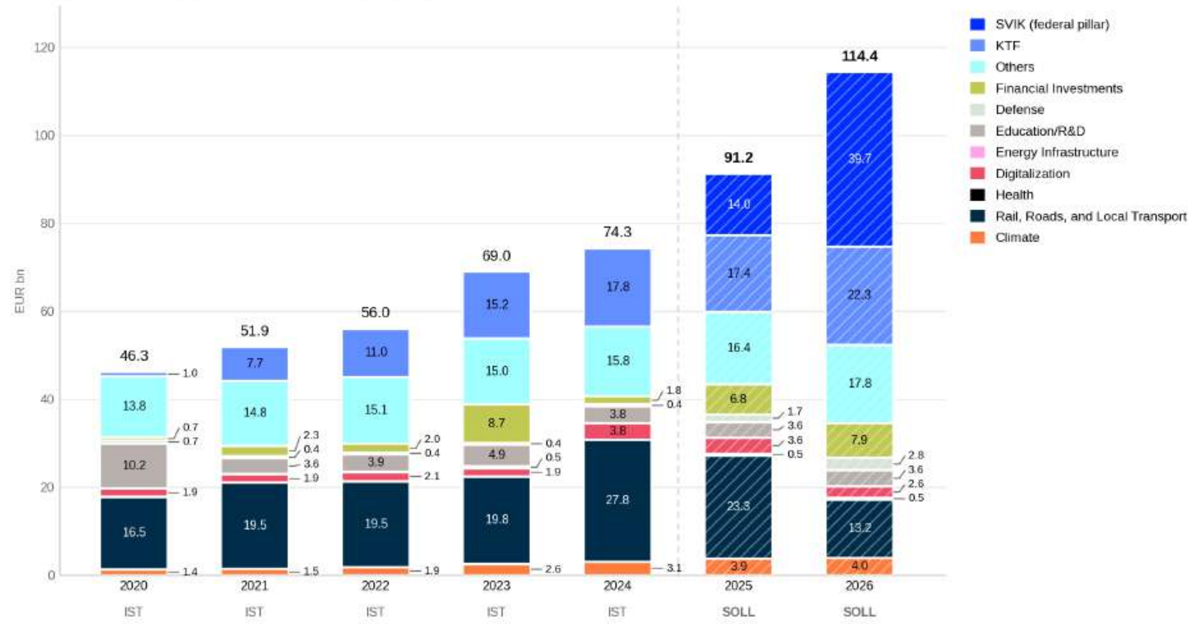
The KTF is a federal special fund financing Germany’s energy and climate transition, including energy-efficient buildings, hydrogen infrastructure, charging infrastructure and industrial transformation. The SVIK is a €500 billion federal special fund established in 2025 to finance additional infrastructure investment, including rail and road infrastructure, digitalisation, hospitals, energy infrastructure, and education and research. Figure 3 shows the federal component of the SVIK.

Transport infrastructure accounts for the largest single tranche of the new capacity. Over 2025–2029, total federal transport investment is projected at €166bn (€107bn rail, €52bn roads, €8bn inland waterways), financed from the regular BMV budget and the SVIK, which alone contributes ~€81bn to rail and ~€13bn to roads.

An open question is how these budgets are actually being deployed. The Compass tracks federal public investment as a single aggregate and, at this stage, does not filter for transformational vs. non-transformational spend (unlike for corporate investments, 1.1). Early academic analysis challenges how far SVIK and KTF funds are being used for transformational investment. IW Köln estimates up to €133bn, roughly one in two euros of new SVIK credits through 2029, will be diverted to cover spending already planned in the regular federal budget. The ifo Institut's initial 2025 monitoring finds that despite €24.3bn in SVIK credit uptake, total federal investment rose by only €1.3bn year-on-year.

Figure 3 · Germany: federal investment expenditure by category, 2020–2026

EUR bn · 2020–2024: actual expenditure (IST); 2025–2026: budgeted expenditure (SOLL)



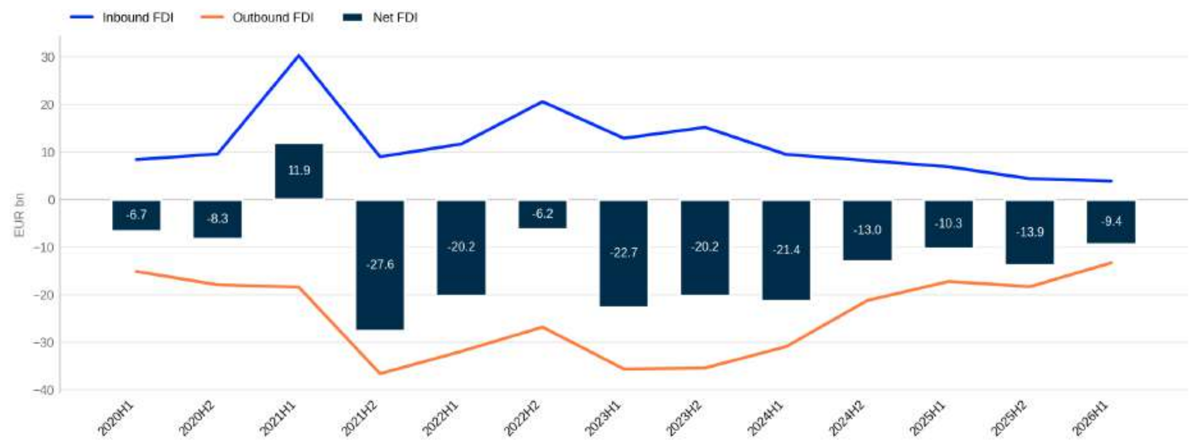
Source: German Federal Ministry of Finance (BMF), federal budget and budget account data and KTF/SVIK reporting; authors' calculations.

01_3 – FOREIGN DIRECT INVESTMENT

Cross-border investment activity is contracting in both directions (Figure 4). Inbound FDI (excluding M&A) reached approximately €4 billion in 2026 H1, compared with a peak of roughly €29 billion in 2021 H1. The net position of €9.4 billion narrows only because German outbound investment is falling at the same rate.

Figure 4 · Germany: foreign direct investment flows, 2020H1–2026H1

EUR bn per half-year · net = inbound less outbound; greenfield investments and expansions, excluding M&A



Source: Financial Times fDi Markets database

This suppressed level of non-M&A foreign investment in Germany stands in sharp contrast with a strong rebound in M&A activity by foreign companies, as reflected in Bundesbank balance-of-payments data on foreign direct investment published September 1, 2026. One point to watch in the coming months and years will be if and how these acquisitions are turning into transformational investment activity in Germany.

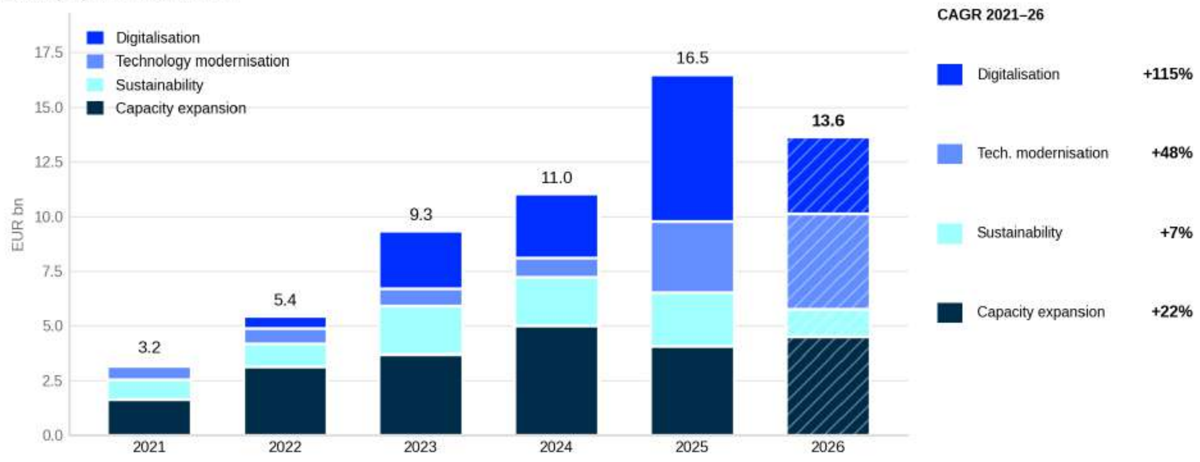
02 – EUROPEAN PEERS: FRANCE · NETHERLANDS

France — digitization and technology innovation. The dataset covers 913 projects, of which 400 carry a disclosed value totalling €122.0bn; eight companies account for 61% of that value. French transformation remains dominated by digitization and tech innovation, the reverse pattern compared with Germany. Noteworthy recent announcements include Blue Solutions' €2.2bn solid-state battery programme.

Netherlands — technology innovation. 234 projects carry €29.3bn of disclosed value (Compass release 06 Aug 2026); KPN, Nebius and ASML account for more than half of disclosed investment. However, the Compass dataset for the Netherlands follows headquarters domicile (vs. Germany data focused on domestic investment) which matters: Nebius' announced capacity sits in Finland, France, the UK and the US, and ASML's €1.3bn is an equity stake in France-based Mistral AI. The largest identified domestic commitment is Shell's Holland Hydrogen 1 at Maasvlakte 2, an estimated ~€1bn; first hydrogen output expected 2026.

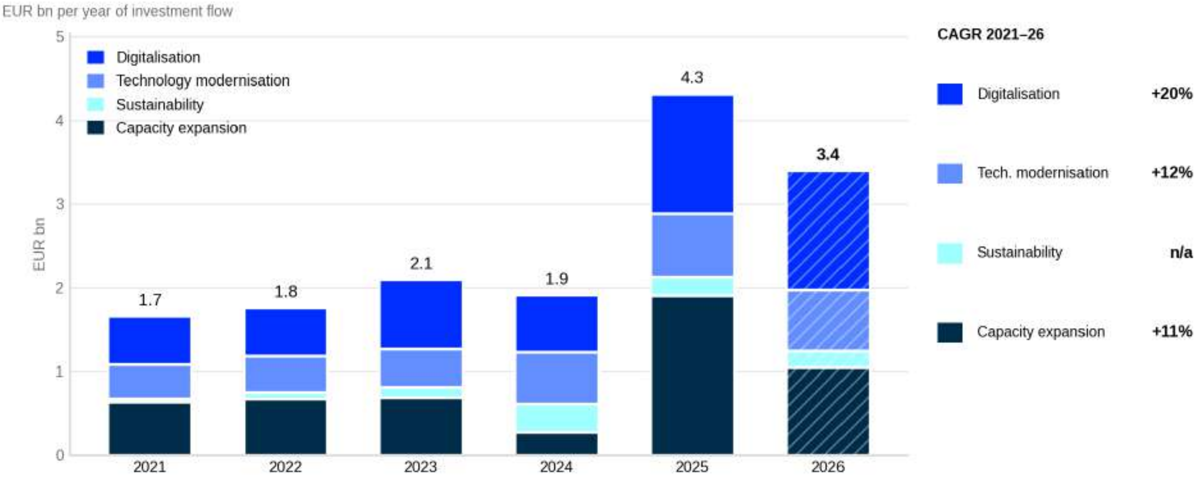
Figure 5 · France: transformation investment spend by category, 2021–2026

EUR bn per year of investment flow



Source: CfET Transformation Investment Compass

Figure 6 · Netherlands: transformation investment spend by category, 2021–2026



Source: CfET Transformation Investment Compass

03 – DEFENCE INVESTMENT — SCALE, GEOGRAPHY, AND NEW NEXT-GEN TECH LEADERS

Germany's defence investment story runs across three vectors: the established industry leaders are investing at scale but increasingly outside Germany; a new group of AI defence tech leaders is attracting scale-up capital; and the integrated European defence architecture is driven by M&A activity.

Established defence companies invest in capacity expansion and drive vertical integration with M&A transaction in their supply chain and capabilities. Noteworthy investments in Germany include: Rheinmetall's Unterlüß ammunition plant (Europe's largest at full ramp-up, 2027), Hensoldt's €675m acquisition of ESG, Heckler & Koch's ~€235m programme to 2028, DEUTZ's moves toward military vehicle systems (SOBEK, September 2025; FFG at €1.6bn, July 2026, not yet closed), and RENK's up-to-€325m capacity pledge at Augsburg and Rheine. Outside Germany: Rheinmetall is building a €535m gunpowder factory in Romania (groundbreaking 2026), a €300m ammunition plant in Lithuania (operations from 2026), and a €275m joint venture in Latvia (operational 2027). The Rheinmetall Ukrainian artillery shell plant, signed July 2024, has not yet broken ground.

New AI defence leaders. Helsing (AI systems for defence) raised $1.8 billion in July 2026 at an $18 billion valuation, Europe's largest-ever defence-technology funding round, approximately 80% European-owned. Quantum Systems (autonomous reconnaissance drones) raised $1.2 billion in the same month at an $8 billion valuation, following a €246 million German Army contract for 520 Falke surveillance systems in December 2025.

European defence integration. The German government acquired a 40% stake in KNDS in May 2026, matching France's holding as the founding KMW family exited ahead of a planned dual Frankfurt–Paris IPO. The transaction establishes the ownership basis for coordinated transformational investment in European land systems capacity.

FOOTNOTES

1 **EnBW** AG, investor communications, February 2026 (programme update confirming €50bn total); original programme announced 2024. Note: the February 2026 communication represents an upward revision of an existing programme, not a new programme; the Compass dates this entry to 2024 accordingly.
2 **BMV** (Bundesministerium für Verkehr), Haushalt 2026 stärkt unsere Infrastruktur, Kabinettsbeschluss, July 2025.
3 **Wirtschaftsplan** des Sondervermögens Infrastruktur und Klimaneutralität 2026, Bundestag, September 2025.
4 **Hentze, T.,** Sondervermögen Infrastruktur und Klimaneutralität: Ein Verschiebebahnhof mit vielen Gleisen, IW-Kurzbericht Nr. 92, Institut der deutschen Wirtschaft (IW Köln), 10. November 2025.
5 **Höslinger, E. and Lay, M.,** Monitoring der Investitionen des Bundes: Werden zusätzliche Schulden auch für zusätzliche Investitionen verwendet? ifo Schnelldienst digital, Nr. 4/2026, ifo Institut, 17. März, 2026.
6 **fDi Markets** (Financial Times Group), deal-level cross-border investment database. Figures reflect announced project values aggregated by destination country; the series tracks greenfield investments and expansions at transaction level.
7 **Rheinmetall** international capacity figures are drawn from company announcements and external sources; they are not included in the German Compass dataset, which tracks German-located investment only.

ABOUT CFET

The Centre for European Transformation (CfET) is a research centre at Frankfurt School of Finance & Management, dedicated to advancing the scholarship and public dialogue Europe needs to finance its sustainable future. CfET brings together academics, business leaders, and policymakers to address the most pressing challenges at the intersection of capital markets, financial regulation, technological change, and industrial competitiveness. Founded in partnership with DWS, the Centre operates as a platform where rigorous research meets policy-relevant practice.
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