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MAJOR ECONOMIES EXPAND FISCAL INVESTMENTS IN GROWTH INDUSTRIES AND NATIONAL DEFENSE

- **Ministry of Planning and Budget (MPB) to begin releasing monthly comparative analyses of global budget trends**
- **Major economies, including the U.S., Germany, Japan, and China, are strengthening government investment in growth sectors such as AI and social infrastructure**
- **Defense budgets are rising as nations bolster military capabilities in response to the Russia-Ukraine war and heightening geopolitical tensions**

Major economies are currently normalizing health expenditures, which surged during the Covid-19 pandemic, while shifting investments toward high-growth industries such as artificial intelligence (AI), social infrastructure, and national defense.

United States

The United States is pursuing public-private partnership projects to secure AI infrastructure (data centers), most notably through Project Stargate*. Simultaneously, the President's FY2026 Budget Proposal** suggests a 13.4% year-on-year increase in defense spending, confirming a fiscal stance focused on national security.

* Project Stargate: A \$500 billion, five-year joint venture between the U.S. government and private entities such as OpenAI, SoftBank Group, etc., to build large-scale data centers across the country.

** FY2026 Budget (Oct. 1 - Sep. 30): The President's Budget Proposal outlines the administration's fiscal priorities; however, Congress still needs to approve the final budget.

The U.S. is focusing its policy resources on future growth engines by enhancing corporate competitiveness through large-scale tax cuts. Furthermore, the government is restructuring spending to prioritize strategic technologies—including AI, quantum technology, space, and advanced manufacturing—while scaling back funding for environmental programs and DEI (Diversity, Equity, and Inclusion) initiatives.

Japan

Japan has proposed a record-high budget of 122.2 trillion yen for FY2026*. The budget for AI and

semiconductors has surged by 272%, reaching 1.2 trillion yen, compared to the previous year; meanwhile, the defense budget rose by 3.6% to 8.9 trillion yen, maintaining its upward trend from 2025.

* FY2026 Budget (Apr. 1 - Mar. 31): Japan's 2026 budget is yet to be approved.

Under the slogan "*Responsible Proactive Fiscal Policy*," the Japanese government is expanding fiscal spending centered on 17 strategic sectors, including the AI, semiconductors, shipbuilding, aerospace, and defense industries.

Germany

Germany's 2026 federal budget, which runs from January 1 to December 31, stands at 524.5 billion euros, a 4.3% increase from the previous year. Investment in social infrastructure rose by 10% to 126.7 billion euros, while the defense budget saw a significant increase of 32% to 82.7 billion euros.

A notable feature is the establishment of a 500-billion-euro Special Infrastructure Fund—announced in March 2025—to boost the economy through investments in transportation, housing, and healthcare. At the same time, Germany relaxed its debt brake, exempting the defense spending exceeding 1% of GDP from the rule, to raise defense spending to 3.5% of GDP by 2029, up from 2.4% in 2025.

China

China's 2025 Central General Public Budget—which includes budgets for central government departments and affiliated agencies running from January 1 to December 31—reached 14.7 trillion yuan, up 4.5% year-on-year. R&D spending for basic research and talent cultivation increased by 10% to 0.4 trillion yuan, while the defense budget rose by 7.2% to 1.8 trillion yuan.

To achieve its 5% economic growth target in 2025, China widened its fiscal deficit to 4% of GDP, up from 3% in the previous year. The government is increasing fiscal support for high-tech competitiveness in AI and quantum technology, alongside initiatives to stimulate domestic demand through equipment upgrades and consumer trade-ins. While the 2026 budget will be released following the National People's Congress in March 2026, the Ministry of Finance announced in December 2025 that the government intends to maintain this expansionary fiscal stance.

Republic of Korea

Korea's 2026 budget increased by 8.1% year-on-year to 727.9 trillion won, based on the main budget. Significant expenditure increases were seen in R&D, up 19.9% to 35.5 trillion won, and the Industry/SME/Energy sector, which rose 12.7% to 31.8 trillion won. Defense spending increased by 7.5% to 65.9 trillion won, slightly below the total expenditure growth rate of 8.1%.

To expand future growth foundations and promote structural transformation, the government has invested aggressively in the industrial transition to become a global top-3 AI powerhouse, as well as in R&D innovation and energy transition toward carbon neutrality. Moving forward, the government aims to establish a virtuous cycle between fiscal health and economic growth.