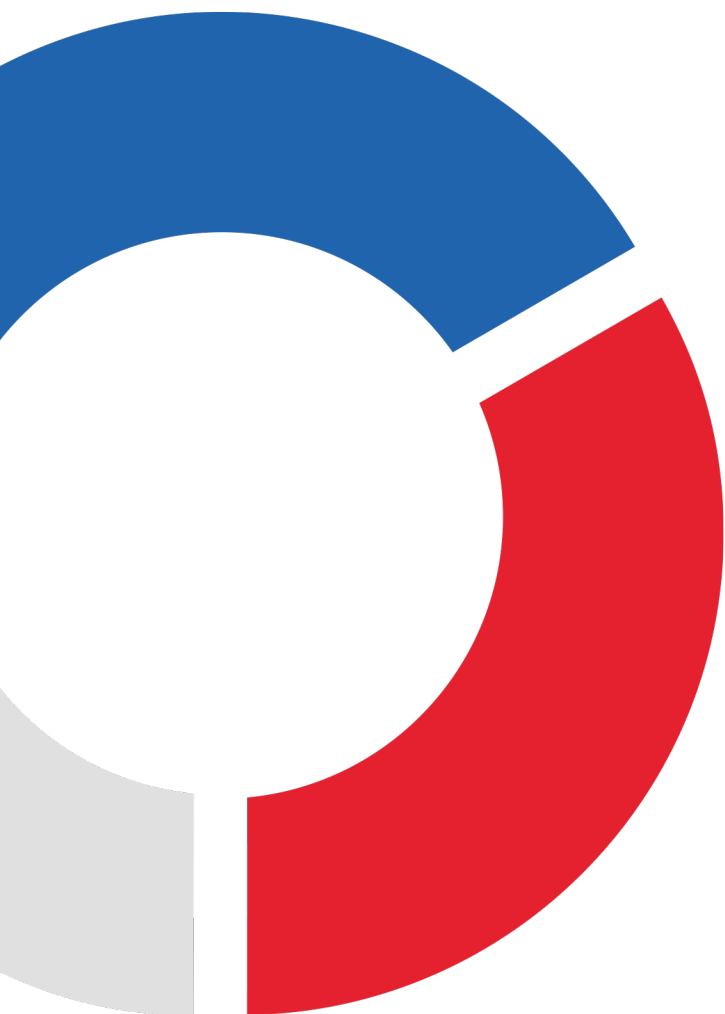




Conference of Fiscal Councils

Mojmír Hampl
Chairman
Czech Fiscal Council

27 October 2025
Lámfalussy Conference Centre, MNB

Danger ahead

1. Danger (only) ahead?
2. Higher defence spending
3. Energy transition (decarbonization)



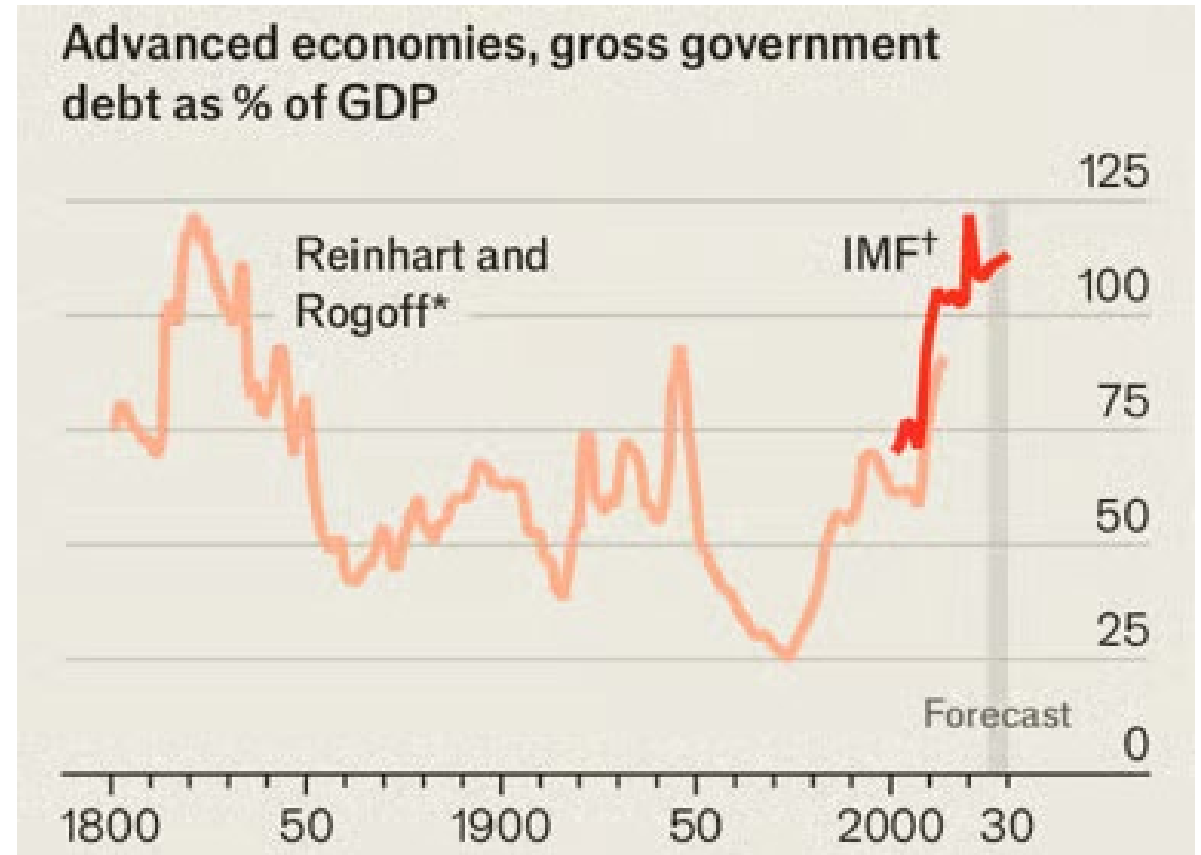
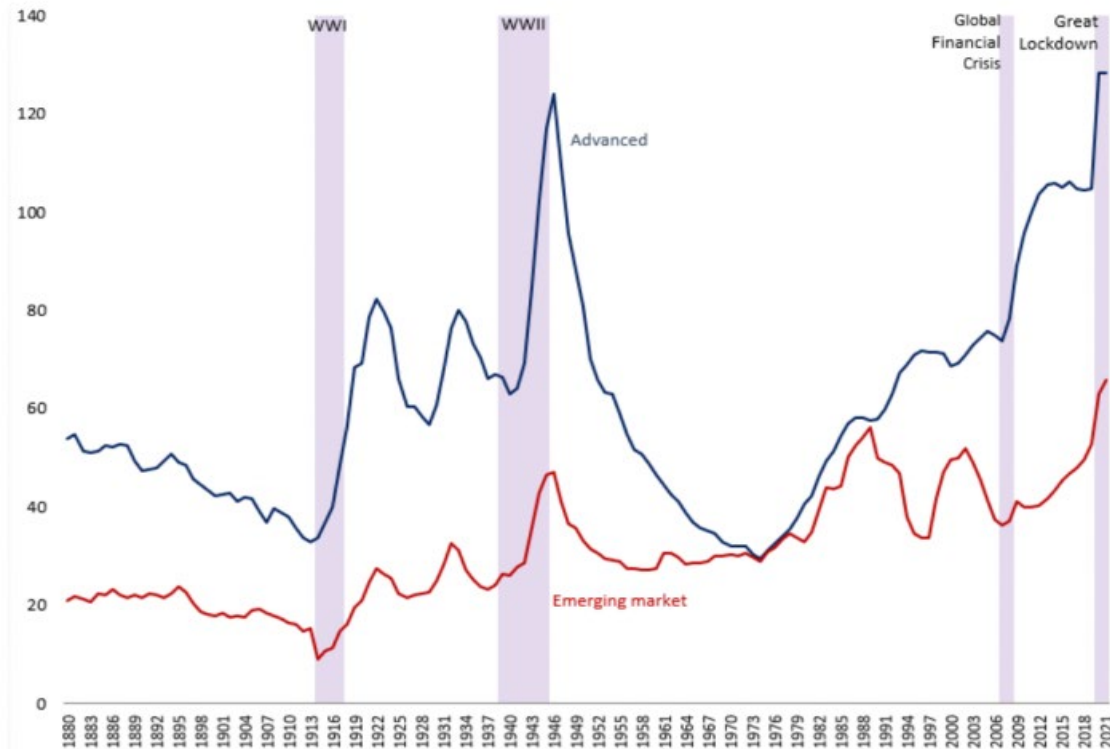
Danger ahead

1. **Danger (only) ahead?**
2. Higher defence spending
3. Energy transition (decarbonization)

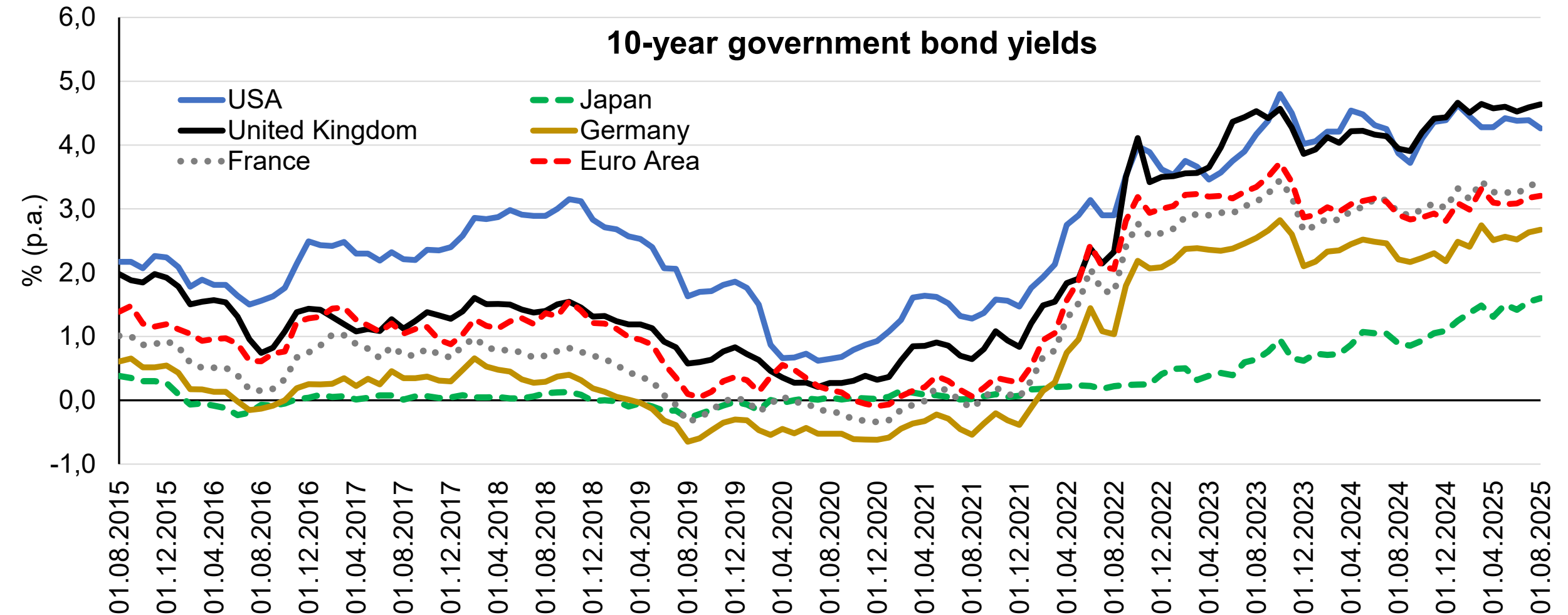
Danger (only) ahead? No. The problem is already here.

Soaring public debt

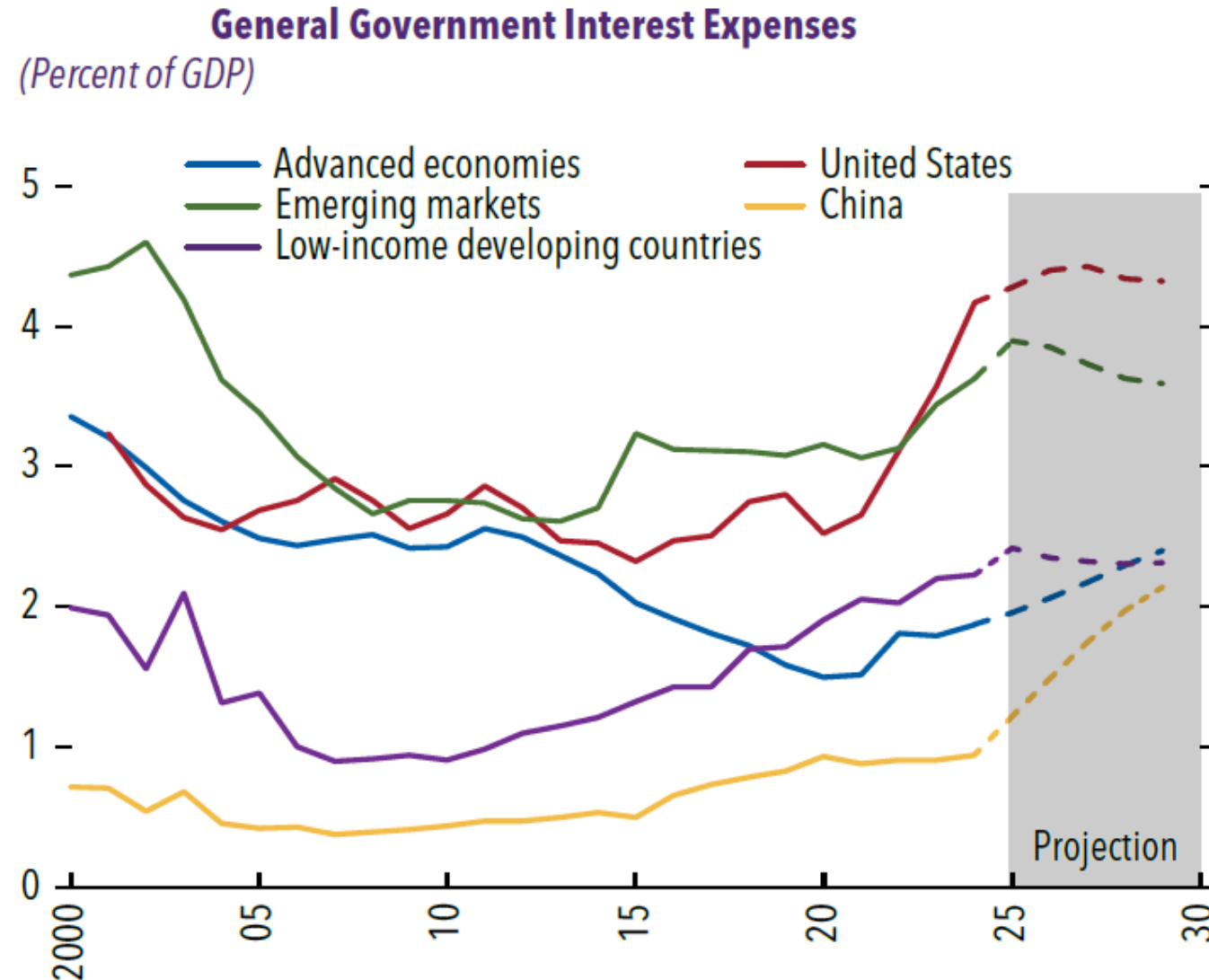
Global public debt reached 101.5 percent of global GDP in 2020 – the highest level ever.
(percent of GDP)



This affects yields (the cost of capital) worldwide...



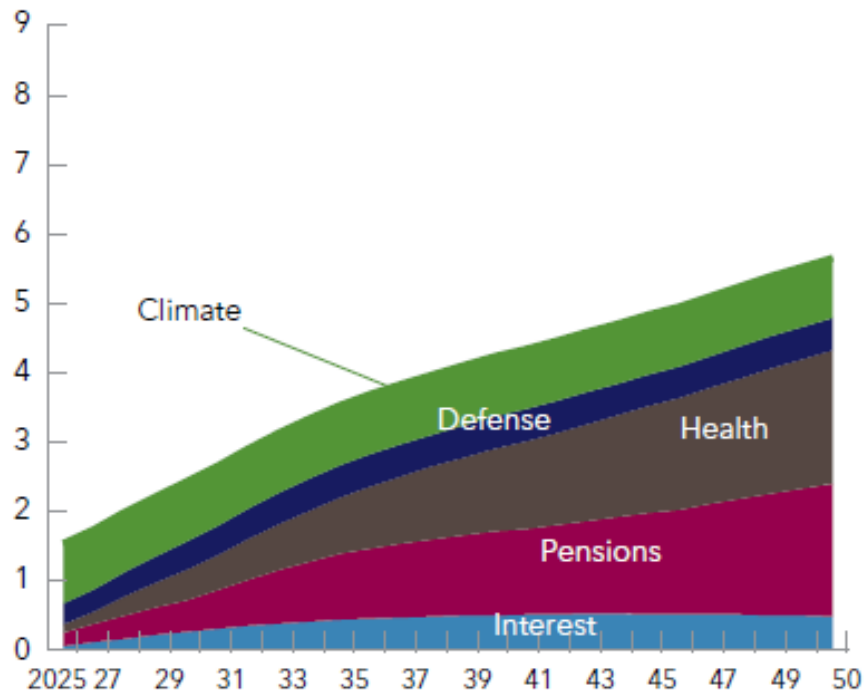
...which leads to increased interest costs.



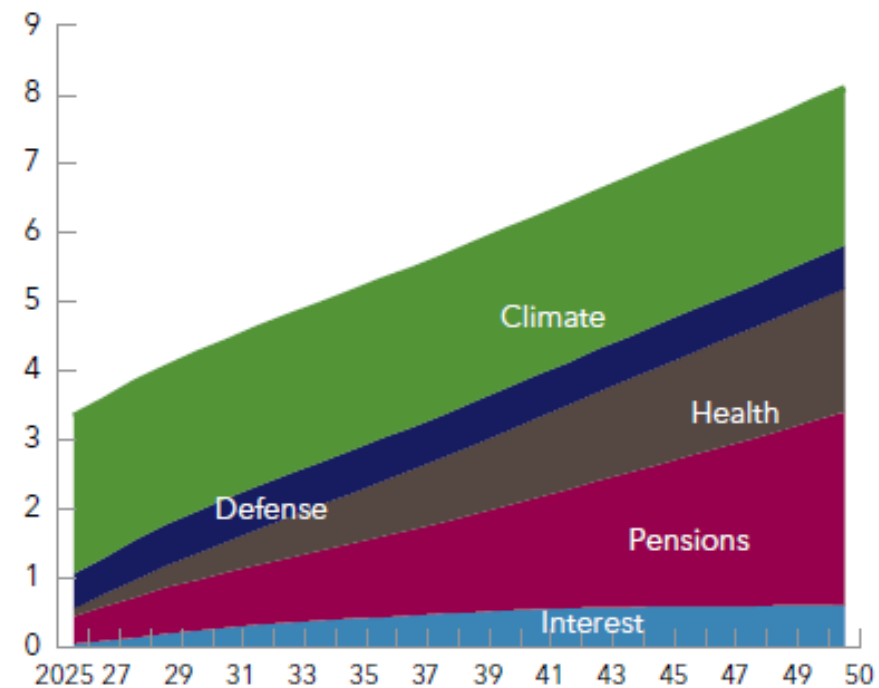
The already high level of debt faces further (inevitable) costly challenges, not only increased interest costs.

Europe: Spending Pressures 2025-50

1. Advanced Europe (Percent of annual GDP)



2. Central, Eastern, and Southeastern Europe (Percent of annual GDP)



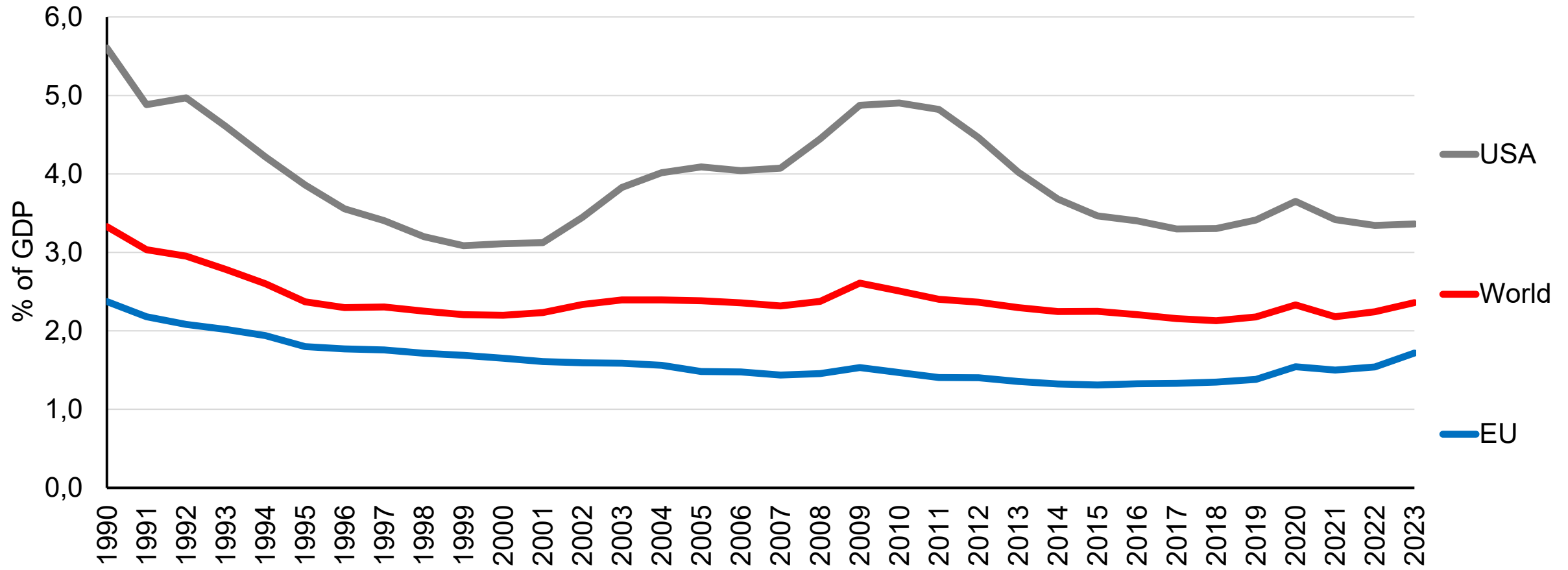
Source: Eble et al. (2025): Long-Term Spending Pressures in Europe (p. 8); see: [Long-Term Spending Pressures in Europe](#).

Note: annual spending pressures beyond baseline. Advanced Europe: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom. CESEE: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia.

Danger ahead

1. Danger (only) ahead?
- 2. Higher defence spending**
3. Energy transition (decarbonization)

Defence spending in the EU: „good old days“ long gone

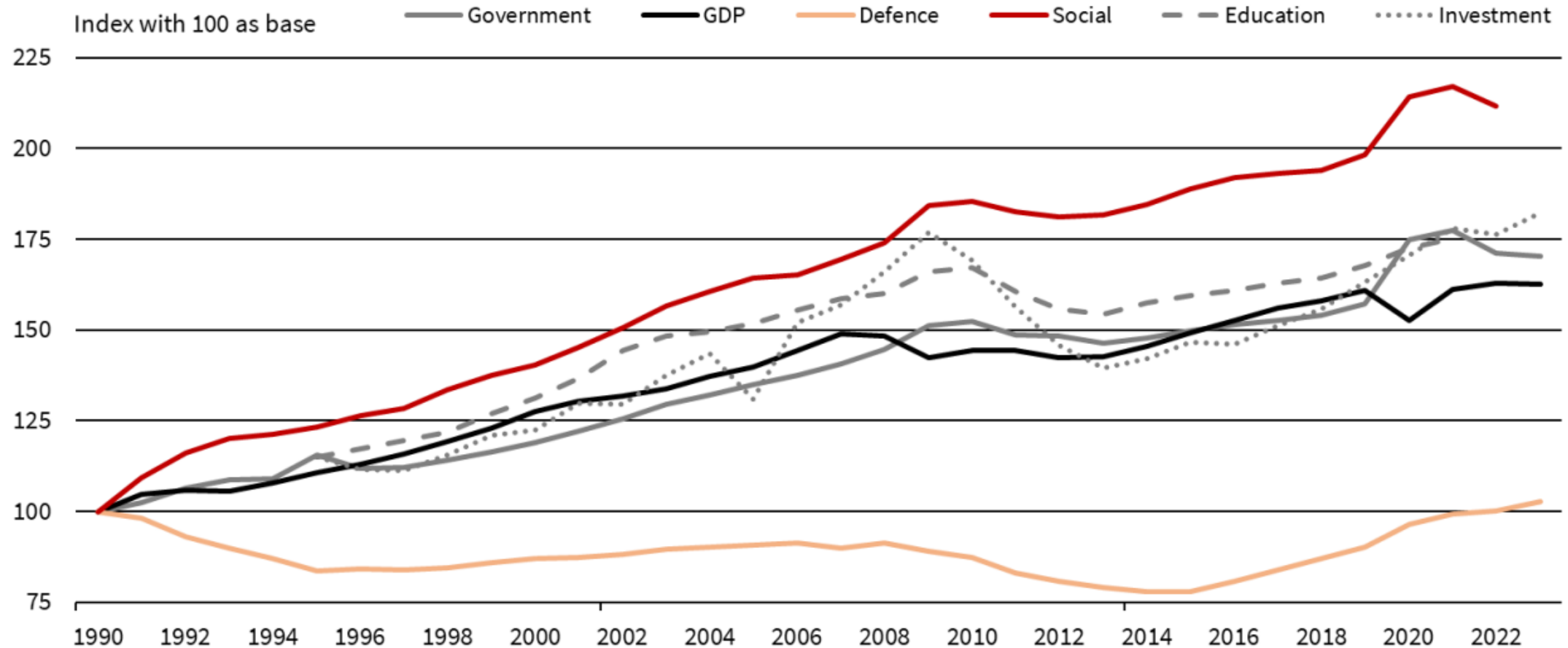


Source: DataBank World Bank Group; see: [World Development Indicators | DataBank](#).

Note: data from SIPRI are derived from the NATO definition, which includes all current and capital expenditures on the armed forces, including peacekeeping forces.

Tell me, where the money is?

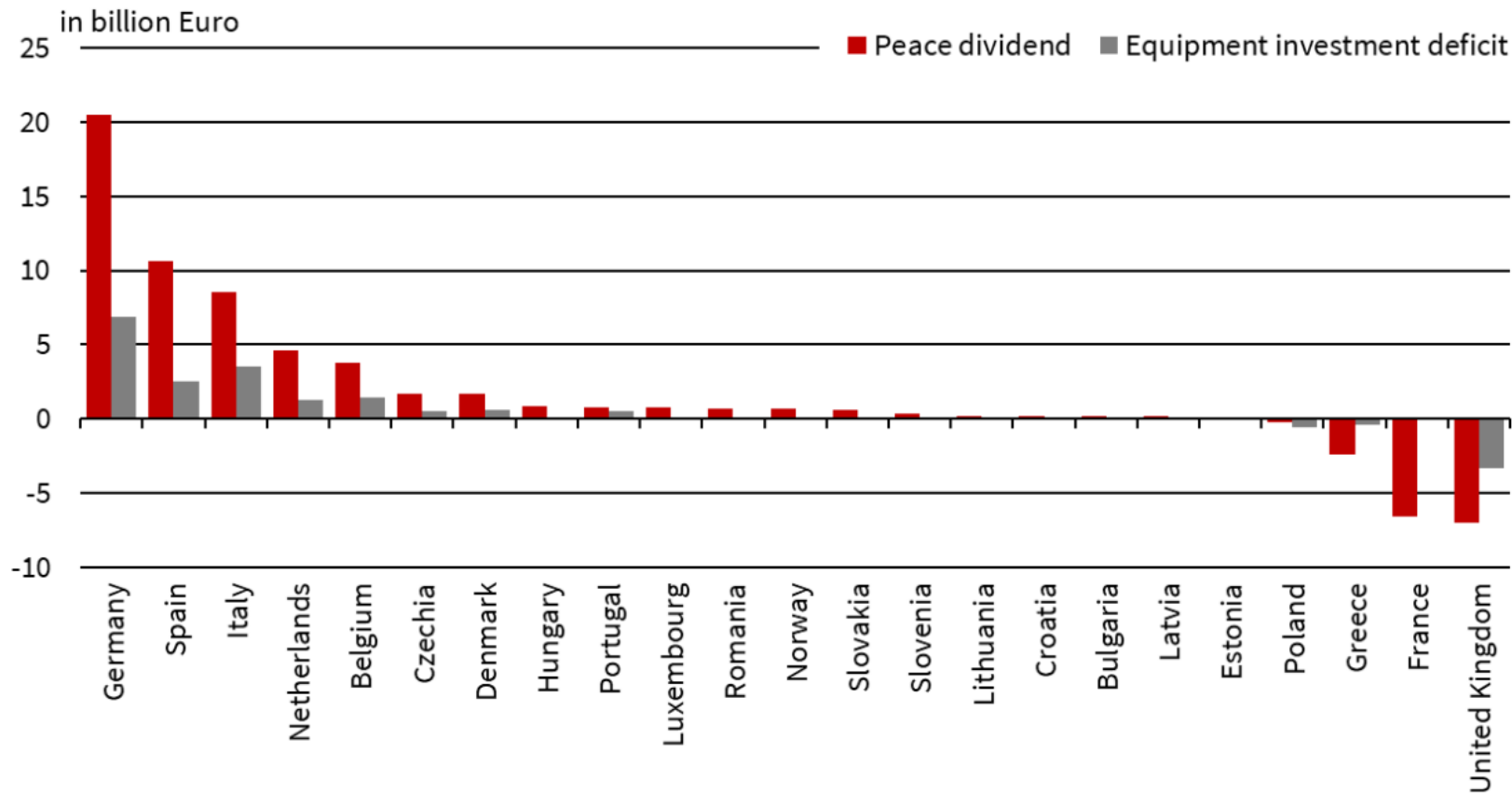
Development of GDP and spending categories for European NATO since 1990



Source: Dorn, Potrafke, Schlepper (2024): European Defence Spending in 2024 and Beyond: How to Provide Security in an Economically Challenging Environment (p.19); see: [European Defence Spending in 2024 and Beyond](#).

Note: price-adjusted for 2023 prices, GDP-weighted average for NATO members joining before 1990.

Annualised average peace dividend and equipment investment deficit since 1990



- On the one hand, France and the United Kingdom are the only countries among the five largest European economies that did not collect any peace dividend...
- ...on the other hand, Germany, Spain, and Italy collected annualised peace dividends ranging from 8 to 20 billion Euro.

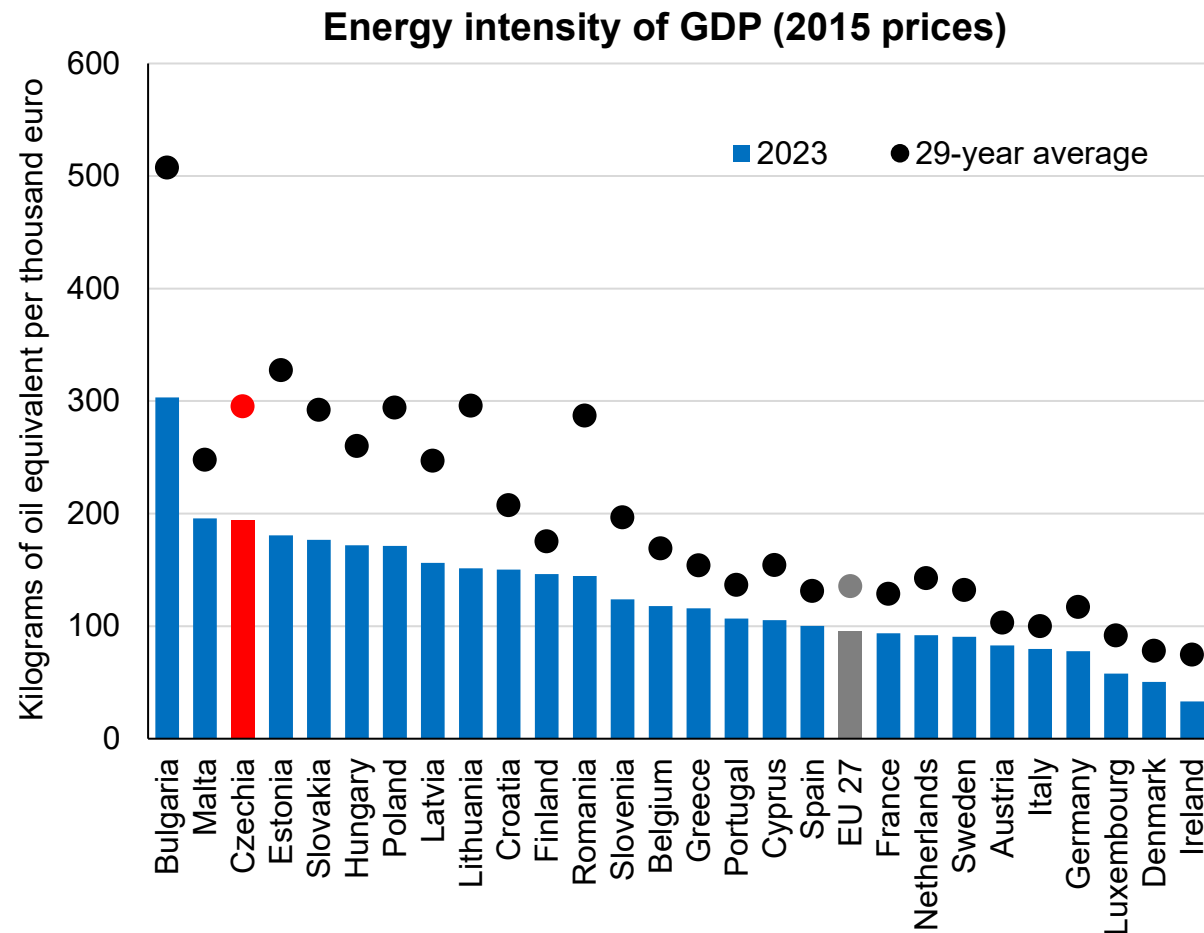
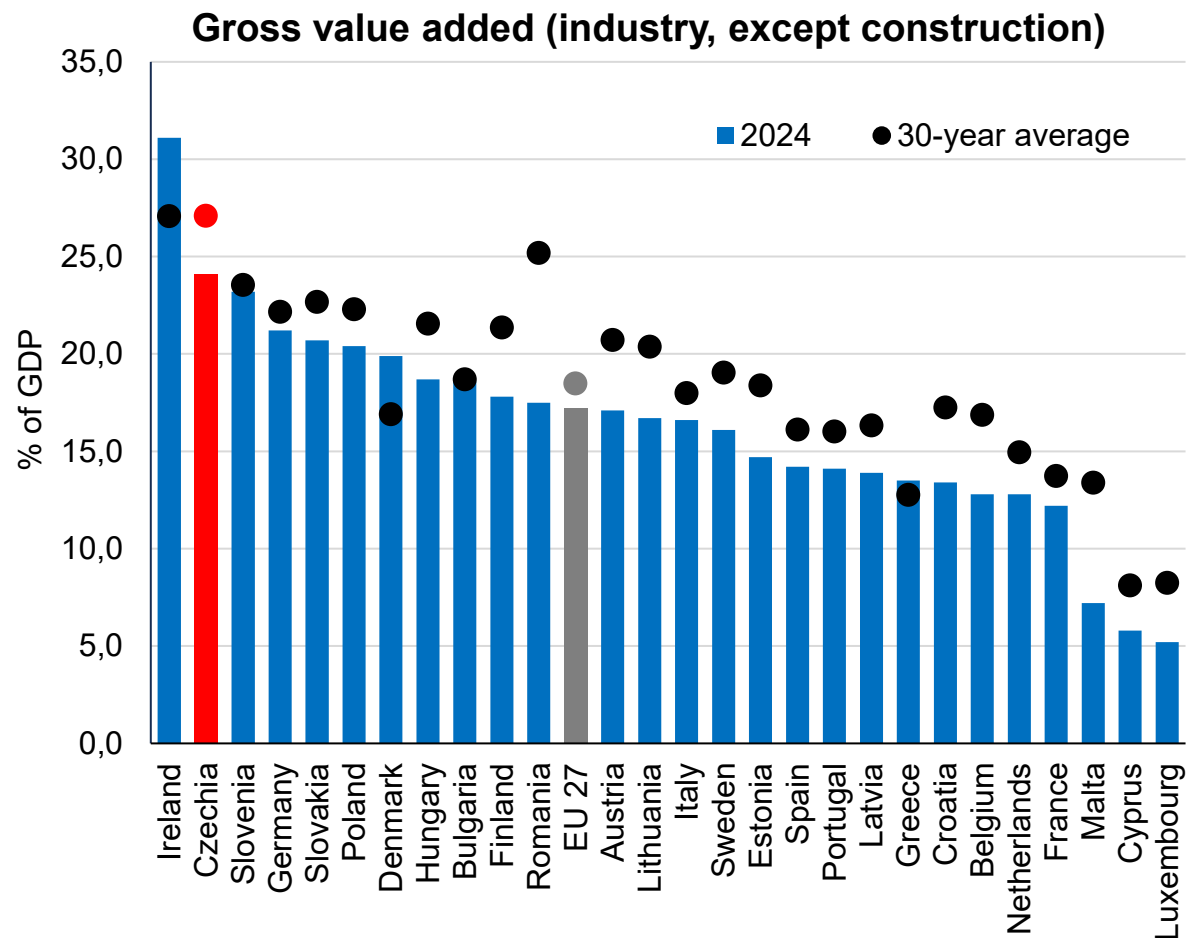
Source: Dorn, Potrafke, Schlepper (2024): European Defence Spending in 2024 and Beyond: How to Provide Security in an Economically Challenging Environment (p.8); see: [European Defence Spending in 2024 and Beyond](#).

Note: adjusted to 2023 price-level, Analysis starts with first year of NATO membership for each country. Peace dividend is calculated relative to the NATO 2%-target. Equipment investment deficit is relative to the 20%-rule in combination with the 2%-target. The 20%-rule states that at least 20 percent of defence spending is supposed to be used for major equipment spending.

Danger ahead

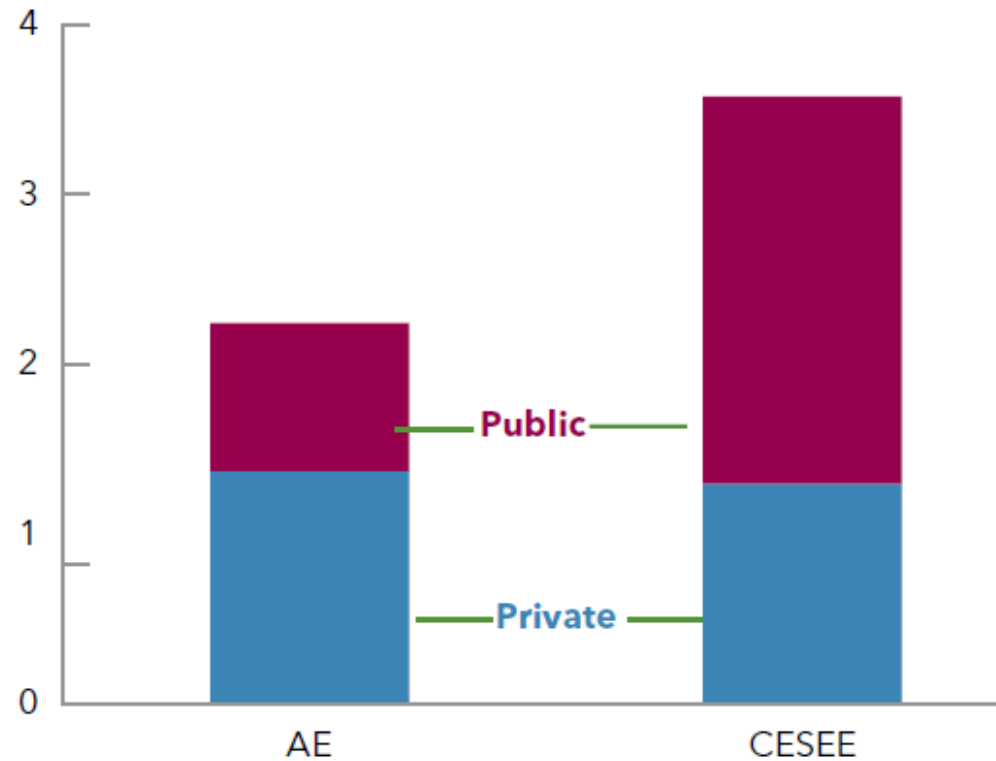
1. Danger (only) ahead?
2. Higher defence spending
3. **Energy transition (decarbonization)**

All EU countries are equal, but some are more equal than others...



...not only now, but also in the future.

Climate Spending Pressures 2050
(Percent of GDP)



Source: Eble et al. (2025): Long-Term Spending Pressures in Europe (p. 11); see: [Long-Term Spending Pressures in Europe](#).

Note: annual spending pressures beyond baseline. Advanced Europe: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom. CESEE: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Moldova, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia.



Thank you for your attention.