

# Why Germany?

## Summary

**Area:** 357,050 sq km

**Population:** 81.8 million

**Capital city:** Berlin

**Largest cities:** Berlin (3.5 million), Hamburg (1.8 million), Munich (1.4 million)

**People (ethnicity):** Germans 91%, Turks 2%

**Language:** German

**Religion:** Protestant 30%, Roman Catholic 31%, unaffiliated or other 29%, Muslim 3.5%

**Currency:** Euro €

**Membership of international organisations:** European Union (EU), European Bank for Reconstruction and Development (EBRD), G8, World Trade Organisation (WTO), United Nations (UN), North Atlantic Treaty Organisation (NATO), International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD), Organisation for Co-operation and Security in Europe (OSCE), Organisation for Economic Cooperation and Development (OECD).

*[Source: FCO (Feb 2016); Germany Trade and Invest (Feb 2016)]*



Background

**Geography** Germany covers an area of about 357,000 sq km (138,000 sq miles) in Central Europe, bordering the North Sea and the Baltic Sea between the Netherlands and Poland, and to the south of Denmark. It has land boundaries with Austria, Belgium, the Czech Republic, Denmark, France, Luxembourg, the Netherlands, Poland and Switzerland. Germany has a coastline of 2,389 km. The terrain rises from the generally lowland flat plains of the northern coast through the hills and forests in the centre of the country (Eifel, Harz, Taunus, Black Forest and Erzgebirge) to the Alpine foothills in the south.

The climate is temperate with no great extremes of heat or cold – typically cool, cloudy, wet winters including snow particularly in the south, and warm summers. Over 30% of the country is forest and woodland. The main rivers are the Rhine and its tributary the Main, the Danube, the Elbe and the Oder. The Rhine and the Main are linked to the Danube by canal and all three rivers are navigable by large, freshwater barges, a recognised international waterway between Rotterdam and the Black Sea ports.

**Population** The German population is estimated at 81.8 million. With annual deaths exceeding births, there is a falling and ageing population, partially compensated by immigration from abroad. Official estimates suggest that the population may fall to some 65 million by 2060 if current trends continue.

Germany is more densely populated than either of its two largest neighbours, France and Poland, with the greatest density in the traditionally industrial areas of the Ruhr and parts of the Saar, the commercial centres of Cologne/Düsseldorf, the Rhine-Main area of Frankfurt/Wiesbaden, and also Berlin.

The five most important regions are frequently compared with other European metropolitan areas for investments and market development – Berlin for its political and cultural importance; Hamburg for its importance in global logistics; Düsseldorf/Cologne/Rhine-Ruhr region for its logistics, technology and industry; Frankfurt/Rhine-Main for its financial economy and human transport; and Munich for its business, science and technology community.

### Economic overview

Germany had a Gross Domestic Product (GDP) of more than USD \$3.85 trillion in 2015 (USD \$39,717 GDP per capita). This makes it the largest economy in Europe and the fourth strongest economy in the world. Its consistently strong economic performance offers long-term growth potential for UK businesses. Its GNI per capita was USD \$43,443 PPP in 2015.

The annual growth rate in 2015 was 1.7%, better than its 1.6% expansion in 2014 and higher than market expectations of 1.6%. It is its best performance in four years, boosted by domestic demand.

*[Source: World Bank/Trading Economics]*

### **Benefits of Germany for UK businesses** These include:

- one hour from the UK by air
- easy access to Eastern Europe
- English widely spoken and accepted as a business language
- strong domestic consumer market due to population of 81 million and resilient economy

### Strengths of the market

The country's highly developed infrastructure, stable economy and location in the middle of Europe make it especially attractive for foreign investors.

Many studies have accorded Germany – along with UK – one of the most attractive investment locations in the EU, and as such the country continues to receive large

amounts of Foreign Direct Investment. Germany's business environment is well known for its integrity, safety, reliability and transparency. Furthermore, the government provides a number of investment incentives at both a regional and federal level. Alongside these, Germany offers the following competitive advantages for investors:

- strong industrial base
- hosts 65% of the world's international trade fairs
- high quality infrastructure, including sophisticated energy and communications sectors and first-class transportation networks
- its strategic location make it a key logistics hub for European trade
- highly developed economic and political frameworks providing security for business investments
- an open and welcoming foreign investment regime; foreign investors are able to choose any form of business to operate
- Germany's working population is highly trained, cultured and educated with one of the highest productivity rates in the world

*[Source: Open to Export/HSBC (Feb 2016)]*

In 2014, the employment rate of 20 to 64 year olds was 78% in Germany. Hence Germany ranked second after Sweden (80%) in the EU. See: [www.destatis.de/EN/Homepage.html](http://www.destatis.de/EN/Homepage.html)

*[Source: German Federal Statistical Office (Feb 2016)]*

In 2014 Germany was ranked 12th out of 175 in Transparency International's latest corruption perception index (the UK ranked 14th): [www.transparency.org/cpi2014/results](http://www.transparency.org/cpi2014/results)

Germany is ranked 15th out of 189 in the World Bank's 2015 Ease of Doing Business index (the UK ranked 6th): [www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings)

The World Economic Forum's Global Competitiveness report ranks Germany 5th out of 144 for 2014-15 (the UK is ranked 9th): [www.weforum.org/reports/global-competitiveness-report-2014-2015](http://www.weforum.org/reports/global-competitiveness-report-2014-2015)

## Political overview

**Major Political Parties** : Social Democrats (SPD); Christian Democrats (CDU); Christian Social Union (CSU); Alliance 90/The Greens (usually known simply as The Greens); Free Democrats (FDP); The Left Party (Die Linke); Alternative für Deutschland (AfD).

**Government:** Germany is a Federal Republic made up of 16 states. The German Parliament, called the Bundestag, is elected every four years. The 16 state governments are represented in the Bundesrat, which has a role similar to that of an upper house. The Federal Government is led by the Chancellor. Germany is currently governed by a coalition government with a strong tradition of co-decision making.

**Head of State** : The formal Head of State is the Federal President. The President is elected for a term of five years by the Federal Assembly (which is made up of the Bundestag and representatives from the Länder). The role of President is largely ceremonial, although the President does have the power to dismiss the Government. Joachim Gauck was elected Federal President on 18th March 2012 for a full five year term. He succeeded Christian Wulff (CDU), who resigned on 17th February 2012.

**Chancellor** : Angela Merkel (since November 2005) - CDU

#### Trade between the UK and Germany

Germany is the UK's largest export market in Europe and second largest globally after the US. The UK's market share of German imports is around 4.7%.

Since 2009 UK exports to Germany have increased by 21% to £43 billion. The main UK exports to Germany are:

- mineral fuels and gas
- machinery and mechanical appliances
- vehicles and automotive components
- aircraft
- electrical machinery and equipment
- pharmaceutical products

There are over 1,200 British companies in Germany, employing over 200,000 people. Almost every 10th foreign company in Germany is British. Total British Foreign Direct Investment (FDI) in Germany currently amounts to £19 billion.

### Free Trade Agreements (FTAs)

Germany is a member of the European Union (EU) and the World Trade Organization (WTO). This means that goods manufactured in the UK are exempt from import duties.

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*[Source: UKTI (Feb 2016)]*

### Growth potential

Germany was one of the first European countries to emerge from the global economic crisis. This was mainly due to:

- strong exports
- structural reforms undertaken by German companies
- strengthened domestic demand

Germany's economy is expected to grow by about 2% in the next couple of years. Future growth over the next 20 to 50 years is forecast between 0.7% and 1.75%. Germany faces a number of long-term structural challenges due to an ageing and decreasing working population.

Overall unemployment has consistently fallen since 2005. It was 4.5% in November 2015, staying at its lowest level since 1981 for the fourth consecutive month

The German economy is characterised by its small and medium-sized enterprises (SME). 99% of all companies are SMEs, with most family owned and passed from one generation to the next.

Germany has many so-called 'hidden champions'. These are larger medium-sized companies which are often global market leaders in specialised sectors.

*[Source: UKTI (Feb) 2016]*

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