ECONOMIST INTELLIGENCE EIU Viewpoint

# One-click report : Germany

March 1st 2024

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# One-click report : Germany

## Briefing sheet

Germany | Summary | Briefing sheet

March 1st 2024

### Political and economic outlook

- The German economy is the fourth largest in the world, after the US, China and Japan. It has a large and sophisticated industrial sector, with automotive expertise. Recent global supply shocks have exposed a number of structural vulnerabilities in the economy.
- The centre-left Social Democratic Party (SPD) leads a government with The Greens and the Free Democratic Party (FDP)—the first tripartite federal coalition. It has been characterised by internal frictions and declining approval ratings. Support for the far-right Alternative for Germany (AfD) has risen. EIU expects the coalition to last its full term to 2025.
- A Federal Constitutional Court ruling in November 2023 that off-budget spending plans violated the country's debt brake threw the coalition's 2024 fiscal strategy into disarray. This has forced the government into a tighter fiscal stance, curtailing its ambitions regarding the green and digital transition, and its ability to address structural economic challenges.
- Germany's GDP growth has performed the worst among G7 countries since 2019, with its export-oriented and energy-intensive industrial sector particularly exposed to high energy costs, supply frictions and a more combative China. We expect anaemic growth in 2024 and a modest strengthening from 2025 as the global economy regains momentum.
- After 450 basis points of rate rises since July 2022, we believe that the European Central Bank (ECB) has concluded its tightening cycle. We expect rates to start to decline from mid-2024, but to stabilise later in the forecast period at a higher level than in recent years.
- We expect services-dominated and tourism-centric economies to be the best-performing in Europe in 2024. Although lower energy costs will give a modest fillip to manufacturing growth this year, Germany will again be the slowest-growing large European economy.

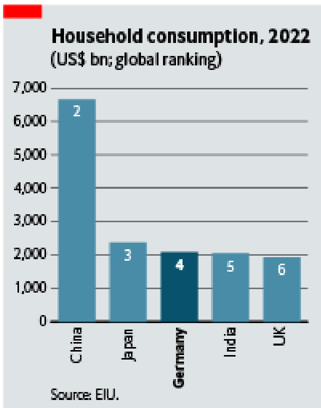
- In response to the war in Ukraine, German foreign policy has changed sharply, with a commitment to spending 2% of GDP per year on average on defence now built into the constitution and severe sanctions on Russia, following decades of economic engagement.

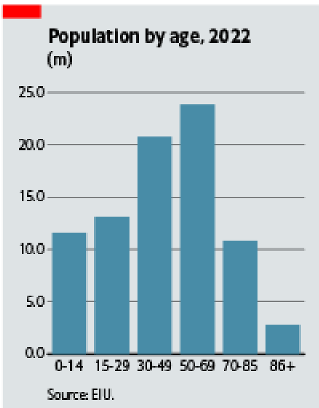
### Key indicators

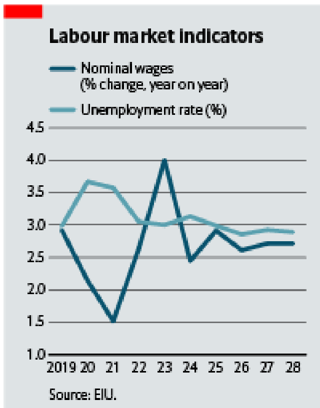
| | 2023[a] | 2024[b] | 2025[b] | 2026[b] | 2027[b] | 2028[b] |
|---|---|---|---|---|---|---|
| Real GDP growth (%) | -0.1 | 0.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Consumer price inflation (av; %) | 6.0 | 2.1 | 1.9 | 1.9 | 2.0 | 2.0 |
| Government balance (% of GDP) | -2.2[c] | -1.5 | -0.9 | -0.5 | -0.6 | -0.5 |
| Current-account balance (% of GDP) | 7.2[c] | 6.2 | 5.5 | 5.5 | 5.4 | 5.5 |
| Short-term interest rate (av; %) | 3.4 | 3.6 | 2.5 | 1.8 | 1.8 | 1.8 |
| Unemployment rate (%) | 3.0 | 3.1 | 3.0 | 2.9 | 2.9 | 2.9 |
| Exchange rate US$:€ (av) | 1.08 | 1.10 | 1.14 | 1.16 | 1.17 | 1.17 |

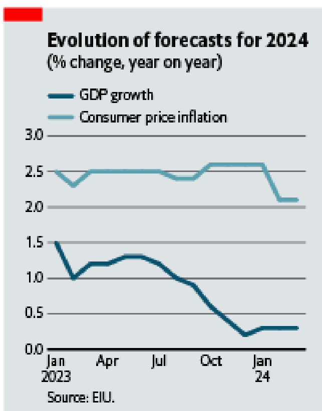
[a] Actual. [b] EIU forecasts. [c] EIU estimates.

### Market opportunities




## Key changes since January 30th

- Media revelations of a meeting between several AfD politicians and a prominent far-right radical led to a number of anti-AfD protests across Germany. Amid a drop in support in national opinion polls, the AfD was surprisingly defeated in a local election in Thuringia.

- On February 2nd parliament approved the delayed 2024 federal budget. There were only minor amendments to the revamped draft budget agreed by the coalition in December, including recent policy concessions to protesting farmers.
- This marked the end of a fraught budget process, triggered by a court ruling last year that exposed a large funding gap in initial budget plans. This will be only a temporary reprieve, as the focus will soon shift to how the coalition intends to plug a sizeable 2025 budget gap.
- On February 1st the EU unlocked €50bn in financial assistance for Ukraine over 2024-27. Amid recent advances by Russia and an impasse in the US over a US$60bn aid package, Ukraine has voiced concern over aid delays, munitions shortages and Western solidarity.
- Industrial production continued to fall in the final quarter of 2023, resulting in a full-year contraction of 1.5%, the fourth decline in five years. Given weak carry-over effects and soft new orders, we now forecast production in 2024 to decline by 2% (previously -0.3%).

## The month ahead

- February-March—Sentiment and activity indicators: High-frequency data since the start of 2024 have pointed to ongoing consumer weakness, disinflationary pressures and some tentative signs of stabilising industry sentiment. We expect new data to reflect these broad trends. We forecast flat real GDP in the first quarter, but there is a high risk of a decline.
- March 7th—ECB policy decision: The ECB kept policy interest rates unchanged in January for a third consecutive meeting. Euro zone economic activity is weak, but we believe that market speculation over imminent easing is premature, given ECB cautiousness and its focus on (lagging) wage data. We expect rate cuts to begin in June.

## Major risks to our forecast

| Scenarios, Q1 2024 | Probability | Impact | Intensity |
|---|---|---|---|
| Structural economic weaknesses drag down medium-term growth | High | High | 16 |
| A surge in irregular migration leads to the imposition of additional border controls | Very high | Moderate | 15 |
| Sustained disinvestment leads to further degradation of German infrastructure | Very high | Moderate | 15 |
| EU-China ties worsen sharply | Moderate | Very high | 15 |
| Divisions in the ruling coalition deepen, creating gridlock | High | Moderate | 12 |

Note. Scenarios and scores are taken from our Operational Risk product. Risk scenarios are potential developments that might substantially change the business operating environment over the coming two years. Risk intensity is a product of probability and impact, on a 25-point scale.

Source: EIU.

# Forecast summary

Germany | Economy | Forecast | Forecast summary

March 1st 2024

### Forecast summary

**(% unless otherwise indicated)**

| | 2023[a] | 2024[b] | 2025[b] | 2026[b] | 2027[b] | 2028[b] |
|---|---|---|---|---|---|---|
| Real GDP growth | -0.1 | 0.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Industrial production incl construction (% change) | -1.5 | -2.0 | 2.2 | 0.6 | 1.2 | 1.2 |
| Unemployment rate (av; EU/OECD standardised measure) | 3.0 | 3.1 | 3.0 | 2.9 | 2.9 | 2.9 |
| Consumer price inflation (av; EU harmonised measure) | 6.0 | 2.1 | 1.9 | 1.9 | 2.0 | 2.0 |
| Short-term interbank rate | 3.4 | 3.6 | 2.5 | 1.8 | 1.8 | 1.8 |
| Government balance (% of GDP) | -2.2[c] | -1.5 | -0.9 | -0.5 | -0.6 | -0.5 |
| Exports of goods fob (US$ bn) | 1,665[c] | 1,661 | 1,766 | 1,866 | 1,970 | 2,067 |
| Imports of goods fob (US$ bn) | -1,410[c] | -1,412 | -1,536 | -1,616 | -1,724 | -1,830 |
| Current-account balance (US$ bn) | 319.9[c] | 291.7 | 275.5 | 291.7 | 294.9 | 313.6 |
| Current-account balance (% of GDP) | 7.2[c] | 6.2 | 5.5 | 5.5 | 5.4 | 5.5 |
| Exchange rate US$:€ (av) | 1.08 | 1.10 | 1.14 | 1.16 | 1.17 | 1.17 |
| Exchange rate US$:€ (end-period) | 1.11 | 1.12 | 1.15 | 1.16 | 1.17 | 1.17 |
| Exchange rate ¥100:€ (av) | 1.52 | 1.48 | 1.33 | 1.24 | 1.23 | 1.23 |
| Exchange rate €:£ (av) | 1.15 | 1.16 | 1.15 | 1.15 | 1.16 | 1.19 |

[a] Actual. [b] EIU forecasts. [c] EIU estimates.

# Political stability

Germany | Politics | Forecast | Political stability

March 1st 2024

Germany has a strongly centrist and consensus-based political culture, and EIU expects the ruling coalition to serve a full term to October 2025. Olaf Scholz of the centre-left Social Democratic Party (SPD) governs as chancellor at the head of Germany's first three-party federal coalition, with the liberal Free Democratic Party (FDP) and The Greens. Opinion polls show a clear fall in support for all three coalition parties since the 2021 election, particularly for the SPD and the FDP, and only one in five voters think that the government is doing a good job. This has increased strains within the coalition, which will slow policymaking, raising the likelihood of a further decline in the parties' approval ratings. However, the government has a comfortable majority, and the constitution underpins stability: only the chancellor can call a no-confidence vote, and only the president can call an early election (this has only happened once since reunification).

Falling public support and disappointing results in state elections have made the coalition partners less amenable to compromise. Frictions will increase in 2024 as the next election nears, amid a weak economy and a tighter than expected fiscal stance following an adverse court ruling regarding the budget in 2023. Major protests and transport disruption by farmers over measures in the 2024 budget resulted in policy concessions by the government. Public discontent with the coalition and the abrupt shift to fiscal consolidation means that strikes and protests are likely to escalate over 2024. Mr Scholz will have to continue to focus considerable effort on keeping his coalition in line and public dissatisfaction under control, inhibiting his role (and influence) in wider European affairs.

The mainstream parties agree that the increasing influence of the far right in Germany is a cause for concern. A number of local chapters of the Alternative for Germany (AfD) party are classed as ”extremist” and are under investigation by the domestic intelligence service, which has warned of growing radicalisation within the party. Public support for the AfD rose strongly over 2022-23. More recently, media revelations have triggered a number of large anti-AfD protests across Germany and a drop in support, although its 18-20% share in current polls remains well above its 10.3% vote share in the 2021 election. The AfD has benefited in part from the coalition’s unpopularity, although its strong anti-immigration stance and opposition to the government’s climate policy measures have also effectively tapped into voter concerns. We expect the taboo among mainstream parties against co-operating with the AfD to remain in place. However, regional branches of the opposition centre-right Christian Democratic Union (CDU) could make moves to form coalitions with the AfD in the wake of regional elections in 2024.

A new party, the Sahra Wagenknecht Alliance (BSW), set up by Sahra Wagenknecht, formerly of the Left Party, has taken left-wing economic positions, along with a tougher stance on migration, scepticism towards climate policies and a more positive stance towards Russia. Initial polling indicates support in the 5-10% range, pulling voters from most of the established parties. Its founding has also cost the Left Party its status as an organised political group in the Bundestag (the lower house of parliament), losing it some privileges. Candidates from the BSW will stand in the European Parliament elections in June, the first test of its electoral appeal.

# Election watch

Germany | Politics | Forecast | Election watch

March 1st 2024

The next federal election will be held in autumn 2025. The CDU (together with its Bavarian sister party, the Christian Social Union—CSU) remains the most popular party and appears well placed to return to power. Recent polls show stable support of about 30%, up from 24%

in the 2021 election. State elections in late 2024 in Thuringia, Saxony and Brandenburg—all part of the former East Germany, where the AfD's support is concentrated—are likely to result in the far-right party's strongest-ever vote share.

A new electoral reform law will remove exceptions to the 5% threshold for proportional seats to reduce the size of the Bundestag (currently the largest democratically elected parliament in the world). This would mean that the Left Party and the CSU would lose parliamentary representation if they failed to secure more than 5% of the national vote at the 2025 election. Both parties will challenge this in court.

## International relations

Germany | Politics | Forecast | International relations

March 1st 2024

Germany's first National Security Strategy, published in 2023, reaffirms support for NATO, the 2% of GDP defence spending target and Ukraine's defence against Russia. A separate strategy on policy towards China stresses the need for "de-risking" in strategic sectors such as critical minerals and infrastructure, but leaves the onus for doing this on companies. Overall, we expect de-risking from China to underwhelm, with trade and investment ties remaining substantial.

Germany-EU tensions are set to persist on issues such as defence spending, relations with China, and the use of subsidies and state aid to offset US green industrial policy. As the EU joins the US-China subsidy race, large member states (especially Germany and France) are likely to have an advantage over smaller ones with less fiscal firepower. However, tighter fiscal consolidation due to an adverse ruling by the Federal Constitutional Court will limit Germany's capacity in this area. The ruling will also inhibit Germany's ability to push a fiscally hawkish line at the EU level as it struggles to cut spending domestically.

In response to Russia's invasion of Ukraine the EU has imposed financial, sectoral and individual sanctions, closely co-ordinated with the US and other Western allies. Sanctions will remain in place throughout our forecast period and beyond as the West and Russia continue their economic decoupling. We expect the war to be a protracted conflict with no clear-cut resolution. As the war drags on and costs to Ukraine's Western backers increase, there is a risk that "conflict fatigue" leads to less generous funding and military support. Should the Republican Party led by Donald Trump win the elections in the US in November, there is a high risk of a sharp decline or withdrawal of US support for Ukraine. This would strengthen Russia's position in the war and heighten security threats across Europe.

# Policy trends

Germany | Economy | Forecast | Policy trends

March 1st 2024

The government is now in the second half of its term, and much of its coalition agreement has been enacted or superseded by events. Amid coalition tensions, constrained fiscal space, a weak economy and increased demands on defence and climate-related spending, policymaking will be contentious and reform progress sluggish until the next federal election in 2025.

The war in Ukraine and the energy price shock have focused investment efforts on energy security and building infrastructure for liquefied natural gas (LNG). This has slightly inhibited medium-term capital investment projects relating to semiconductors, 5G mobile technology and automotive innovation. Green investment is another area of focus, although proposals have been scaled back since a Federal Constitutional Court ruling in 2023 upended fiscal plans. The Climate and Transformation Fund has been reduced by €12bn in 2024 and a further €45bn up to 2027. However, it will still involve €160bn in investment, targeted towards hydrogen infrastructure, incentivising the switch to clean energy in industry and a change to the funding of renewable power to reduce the burden on consumers.

Controlling immigration has become a more salient issue amid the AfD's rise in support and an increase in refugee inflows. The government recorded 352,000 asylum applications in 2023, a 50% rise from the previous year. The government plans to tighten rules governing the asylum system and has imposed temporary border checks with Poland, the Czech Republic, Switzerland and Austria. This issue will remain politically salient and contentious as migration flows continue.

# Fiscal policy

Germany | Economy | Forecast | Fiscal policy outlook

March 1st 2024

German fiscal policy was thrown into disarray by a ruling from the Federal Constitutional Court in November 2023. Germany has had a constitutionally mandated "debt brake" since 2009, limiting the annual structural federal budget deficit to 0.35% of GDP outside recessions or national emergencies to contain the debt/GDP ratio. Amid a push to bolster historically modest levels of public investment, the government had turned to off-balance-sheet vehicles to circumvent the debt brake constraints. However, the court ruling struck down the planned reallocation of €60bn of funding from an off-balance-sheet vehicle for pandemic relief into one for green investment. This forced the coalition to retroactively suspend the debt brake for 2023 and completely overhaul its 2024 budget. The two largest funds are unaffected: a €100bn investment fund for the armed forces is constitutionally protected, and €200bn in energy support is due to be phased out. However, similar vehicles are likely to be eschewed in future.

After difficult negotiations, the new 2024 budget struck a compromise between the governing parties' competing demands, resolving the impasse over a €17bn annual funding gap. The FDP avoided invoking the crisis exemption to the debt brake but agreed to higher business costs (including a plastic levy), higher carbon taxes and reduced business subsidies. The Greens protected core provisions of the Climate and Transformation Fund, but accepted a cut in spending, including an earlier than planned removal of subsidies for solar and electric vehicles (EVs). The SPD and The Greens secured welfare benefit levels, but households will face higher electricity and petrol costs given lower subsidies. There will be some offsetting impact from higher income tax thresholds and tax relief for firms under the Growth Opportunities Act aimed at incentivising SME investment. Overall, a squeeze on planned capital spending on green initiatives, transport infrastructure and the digital transition will make Germany's investment deficit wider than that of most peer economies.

We expect that fiscal consolidation this year will lower the budget deficit to 1.5% of GDP, from an estimated 2.2% in 2023. Public debt will fall slightly from 65.3% in 2023 to about 61% of GDP at end-2028. There is limited political appetite to repeal or significantly reform the debt brake (any change would require a two-thirds majority in the Bundestag), but this could change if there is a protracted period of economic weakness.

# Monetary policy

Germany | Economy | Forecast | Monetary policy outlook

March 1st 2024

We believe that the European Central Bank (ECB) has ended its aggressive policy tightening cycle and expect key interest rates to remain at their current elevated levels until at least mid-2024. On January 25th the ECB kept interest rates unchanged for a third successive meeting following ten consecutive rate rises totalling 450 basis points between mid-2022 and September 2023. The ECB reiterated its view that interest rates are at a level that will drive a fall in inflation to its 2% target in a "timely manner", provided that this level is maintained for a "sufficiently long" period. The ECB is keen to maintain a moderately hawkish tone to temper rate-cutting expectations, but it acknowledged the underlying disinflationary trend in recent months. Headline euro zone inflation fell slightly to 2.8% in January, with core inflation measures continuing to trend gradually lower. We believe that the deposit rate and the main refinancing rate will remain at 4% and 4.5% respectively until mid-2024, when we expect the ECB to start a gradual rate-cutting cycle. We forecast that the main refinancing rate will settle at about 2.3% in 2026-28, well above the near-zero average in the 2010s.

# Global forecast data

Germany | Economy | Forecast | International assumptions

March 1st 2024

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|
| **Economic growth (%)** | | | | | | |
| US GDP | 2.5 | 1.8 | 1.6 | 2.0 | 2.1 | 2.0 |
| Developed economies GDP | 1.5 | 1.4 | 1.7 | 1.9 | 1.9 | 1.8 |
| EU27 GDP | 0.5 | 1.0 | 1.7 | 1.9 | 1.8 | 1.8 |
| World GDP | 2.5 | 2.4 | 2.6 | 2.7 | 2.7 | 2.6 |
| World trade | -0.3 | 2.4 | 3.3 | 3.5 | 3.5 | 3.4 |
| **Inflation indicators (% unless otherwise indicated)** | | | | | | |
| US CPI | 4.1 | 2.5 | 2.1 | 2.3 | 2.3 | 2.4 |
| Developed economies CPI | 4.5 | 2.4 | 1.9 | 2.0 | 2.0 | 2.0 |
| EU27 CPI | 6.1 | 2.7 | 2.2 | 2.1 | 2.0 | 2.0 |
| Manufactures (measured in US$) | 3.9 | 3.7 | 4.6 | 2.9 | 2.2 | 3.0 |
| Oil (Brent; US$/b) | 82.6 | 79.7 | 75.6 | 71.2 | 67.0 | 63.8 |
| Non-oil commodities (measured in US$) | -15.1 | -4.3 | 1.0 | 0.8 | 1.4 | 2.5 |
| **Financial variables** | | | | | | |
| US$ 3-month commercial paper rate (av; %) | 5.1 | 5.1 | 4.2 | 3.2 | 2.5 | 2.5 |
| € 3-month interbank rate (av; %) | 3.4 | 3.6 | 2.5 | 1.8 | 1.8 | 1.8 |
| US$:€ (av) | 1.08 | 1.10 | 1.14 | 1.16 | 1.17 | 1.17 |
| ¥:€ (av) | 152.08 | 147.90 | 132.90 | 124.45 | 122.62 | 122.56 |

# Economic growth

Germany | Economy | Forecast | Economic growth

March 1st 2024

Near-term prospects are gloomy, amid weak sentiment, cautious consumers, fiscal tightening, and soft industry and export orders. Quarterly real GDP growth in Germany has averaged zero over the past 21 months—the worst performance among the G7 countries—and we expect only a marginal improvement in 2024 as the economy recovers slowly from a shallow winter recession. Following a contraction of 0.1% in 2023, we forecast anaemic real GDP growth of 0.3%, below a euro zone average of 0.8%. Moderating inflationary pressures, a resilient labour market and firming real-income gains will support a mild expansion in domestic demand, but tight monetary policy, fiscal consolidation, subdued global growth and domestic structural constraints will continue to weigh on activity.

Risks to the 2024 outlook appear balanced. In contrast to most peer countries, private consumption in Germany remains below pre-pandemic levels, implying scope for a stronger than expected rebound if conditions and sentiment turn more favourable. Conversely, exposure of the large, export-oriented and energy-intensive industrial sector to a protracted period of soft external demand, high energy costs (relative to most countries) and supply frictions imply a moderate risk that real GDP will decline for a second consecutive year in 2024.

We expect a cyclical strengthening of economic activity from 2025, supported by fairly robust household finances and the resilient capacity of the large group of diverse small and medium-sized firms (the Mittelstand) companies. However, the pace of expansion will remain constrained by geopolitical pressures and domestic structural challenges arising from low public investment spending, sluggish digitalisation and comparatively slow adaptation to trends in the automotive sector, a more combative China and the green energy transition. Germany's ageing demographics and declining working-age population imply that labour shortages will become a more pressing issue over the next decade. We forecast average real GDP growth of 1.4% in 2025-28. Should Mr Trump win the presidency in the US (Germany's largest export market) in November, a rise in US-EU trade tensions and foreign policy threats would represent a major downside risk.

**Economic growth**

| % | 2023[a] | 2024[b] | 2025[b] | 2026[b] | 2027[b] | 2028[b] |
|---|---|---|---|---|---|---|
| GDP | -0.1[c] | 0.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Private consumption | -0.9 | 0.7 | 1.1 | 0.9 | 1.1 | 1.0 |
| Government consumption | -2.0 | 1.0 | 2.2 | 1.4 | 1.3 | 1.3 |
| Gross fixed investment | 0.8 | 1.5 | 2.5 | 2.3 | 2.3 | 2.2 |
| Exports of goods & services | -1.4 | 0.6 | 2.2 | 3.5 | 3.8 | 3.5 |
| Imports of goods & services | -3.0 | 0.1 | 2.8 | 2.7 | 3.5 | 3.5 |
| Domestic demand | -0.8 | 0.2 | 1.6 | 1.1 | 1.1 | 1.2 |
| Agriculture | 2.8 | 0.4 | 1.3 | 1.5 | 1.4 | 1.3 |
| Industry | 0.7 | -0.1 | 1.4 | 1.5 | 1.4 | 1.3 |
| Services | -0.6 | 0.4 | 1.4 | 1.5 | 1.4 | 1.3 |

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

# Inflation

Germany | Economy | Forecast | Inflation

March 1st 2024

We forecast that inflation will ease to 2.1% in 2024, from 6% in 2023. Moderating energy prices and subdued domestic demand will be the main drivers of the slowdown. We expect commodity prices to broadly stabilise (although there are upside risks in a strained geopolitical environment), and tight monetary policy and sluggish economic activity will slow wage growth. Annual inflation will remain above the ECB's 2% target for most of the year, largely owing to base effects. Real wage growth will turn positive and, as interest rates start to fall from mid-year, we expect a gradual firming of economic activity, resulting in a shift from mostly supply-side to demand-side inflationary pressures thereafter. We expect annual average inflation of 2% in 2025-28.

## Exchange rates

Germany | Economy | Forecast | Exchange rates

March 1st 2024

The euro is forecast to remain broadly stable against the US dollar over the first half of 2024, given our assumption that the ECB and the Federal Reserve (Fed, the US central bank) have concluded their tightening cycles and that their policy interest rates will remain at current levels until mid-year. This will keep the Fed-ECB interest-rate differential at its narrowest since mid-2022. The euro appreciated against the dollar in the first half of 2023, reaching a 16-month high of €1:US$1.11 in July, driven by an improvement in the region's terms of trade. The euro has since weakened slightly, amid heightened market unease over the economic outlook for the euro zone in 2024. We expect a gradual appreciation of the euro against the dollar from mid-2024, in response to a widening of the Fed-ECB interest-rate differential and as the euro zone's current-account surplus supports the currency's value.

## External sector

Germany | Economy | Forecast | External sector

March 1st 2024

Germany's traditionally large current-account surplus narrowed sharply from an annual average of 8% of GDP in 2015-21 to 4.2% in 2022 amid an increase in energy import costs, but rebounded in 2023 to an estimated 7.2% of GDP. We expect the surplus to stabilise over the forecast period at about 5-6% of GDP as merchandise imports gradually strengthen and in response to more subdued demand for German exports than before the pandemic. This will reflect relatively sluggish growth in major export markets in Europe, softer trend demand from China (due to economic and geopolitical factors), structural global shifts in key export sectors such as automotive, and the weakened price competitiveness of domestic industry following the supply-side disruption of recent years and the end of cheap Russian gas imports. Germany will continue to record a comparatively large merchandise trade surplus, and a sizeable primary income surplus, driven by income returns from investments abroad financed by the substantial stock of domestic savings.

## Country forecast overview: Business environment rankings

Germany | Business | Business environment | Rankings overview

March 1st 2024

| Value of index[a] | | Global rank[b] | | Regional rank[c] | |
|---|---|---|---|---|---|
| 2019-23 | 2024-28 | 2019-23 | 2024-28 | 2019-23 | 2024-28 |
| 8.10 | 8.35 | 8 | 4 | 6 | 2 |

[a] Out of 10. [b] Out of 82 countries. [c] Out of 18 countries: Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the UK.

- The business environment benefits from political stability, a skilled labour force, openness to external trade and investment, and well-developed (if ageing) infrastructure. Labour shortages, energy costs and bureaucracy are constraints.

## Business environment at a glance

Germany | Business | Business environment | Business environment at a glance

March 1st 2024

### Policy towards private enterprise and competition

2024-25: Continued state intervention in the energy sector as EU electricity reforms are debated. EU eases green investment state aid rules to counter the impact of the US Inflation Reduction Act.

2026-28: Limited prospects for reforming regulated service professions. Trend towards industrial sovereignty continues.

### Policy towards foreign investment

2024-25: Government generally welcomes foreign direct investment. Prospective tightening of screening rules in "strategic" sectors for non-EU capital inflows, and greater political oversight amid EU-wide pushback.

2026-28: Investment from China is increasingly unwelcome amid concerns about intellectual property leakage.

## Foreign trade and exchange controls

2024-25: Trade surplus remains robust as energy prices stabilise, but sustained higher input costs reduce industrial sector competitiveness. Sanctions on Russian imports remain in place.

2026-28: EU makes further gradual progress on bilateral trade deals. EU-China relations and trade ties deteriorate. Carbon border adjustment mechanism (CBAM) duties come into force in 2026. Risk of US-EU-China subsidy race escalating.

## Taxes

2024-25: No changes to headline rates. Scope for reform constrained by economic backdrop and coalition tensions. Modest adjustments aimed at mitigating the energy price shock, incentivising green investment and encouraging clean energy use.

2026-28: Comparatively high labour tax burden persists. Research and development (R&D) tax incentive applies until 2026.

## Financing

2024-25: Financing environment for firms is fairly resilient, supported by the national development bank. Significantly tightened monetary conditions and jittery global markets will dampen activity and could expose vulnerabilities.

2026-28: Alternative financing channels remain fairly limited. Weak banking sector profitability remains an issue.

## The labour market

2024-25: Unemployment remains low amid subdued economic backdrop. Modest easing of labour immigration rules, but sector-specific skills mismatches and labour shortages will persist.

2026-28: Policy focus on raising labour participation to counter structural challenges arising from ageing demographics.

## Infrastructure

2024-25: Energy transition focuses on national hydrogen strategy, power grid improvement and new liquefied natural gas terminals to reduce exposure to Russia. Investment in healthcare infrastructure, the transport network and digital access.

2026-28: Achieving nationwide full-coverage target for gigabit-ready broadband (by 2025) will be challenging.

## Technological readiness

2024-25: Government prioritises e-public services (where coverage and quality lag many peer countries), firms' digital adoption, automotive innovation and workforce digital skills.

2026-28: Efforts continue on Industry 4.0, which focuses on upgrading manufacturing through automation and connected systems. Increasing threat from cyber-weapons. Fifth-generation (5G) network rollout supports wider digitalisation drive.

# Market opportunities: Social indicators and living standards

Germany | Business | Market opportunities | Social indicators and living standards

June 12th 2023

### Social indicators and living standards

| | 2022 | | 2027 | |
|---|---|---|---|---|
| | **Germany** | **Europe (av)** | **Germany** | **Europe (av)** |
| **Health** | | | | |
| Healthcare spending (% of GDP) | 12.9 | 10.0 | 12.7 | 9.7 |
| Healthcare spending (US$ per head) | 6,346 | 2,997 | 8,296 | 3,899 |
| Infant mortality rate (per 1,000 live births) | 3.2 | 6.2 | 3.0 | 5.6 |
| Physicians (per 1,000 population) | 4.6 | 3.7 | 5.1 | 3.8 |
| **Food and beverages** | | | | |
| Food, beverages & tobacco (% of household spending) | 15.8 | 21.2 | 15.4 | 20.3 |
| Meat consumption (kg per person) | 72.0 | 70.2 | 68.1 | 71.2 |
| Milk consumption (litres per person) | 257.0 | 227.0 | 237.0 | 234.0 |
| Coffee & tea consumption (kg per person) | 7.7 | 4.5 | 8.1 | 4.8 |
| **Consumer goods in use (per 1,000 population)** | | | | |
| Passenger cars | 588 | 438 | 606 | 444 |
| Telephone main lines | 467 | 281 | 464 | 260 |
| Mobile phone subscribers | 1,290 | 1,280 | 1,320 | 1,280 |
| Television sets | 711 | 902 | 776 | 1,020 |
| Personal computers | 900 | 775 | 945 | 826 |
| **Households** | | | | |
| No. of households (m) | 41.6 | 340.8 | 41.9 | 354.1 |
| No. of people per household (av) | 2.0 | 2.4 | 2.0 | 2.3 |
| **Income and income distribution** | | | | |
| Median household income (US$) | 48,400 | 39,490 | 65,040 | 51,470 |
| Average monthly wage (US$) | 3,850 | 2,450 | 5,080 | 3,220 |

| | | | | |
|---|---|---|---|---|
| Gini index | 31.7[a] | – | – | – |

[a] Latest available year.

Sources: UN Statistics Division; World Bank; Food and Agriculture Organisation; Euromonitor; World Health Organisation; national statistical offices; International Telecommunication Union; EIU estimates and forecasts.

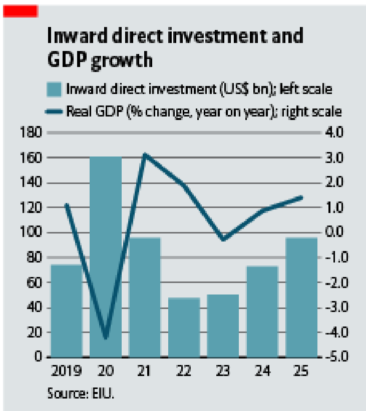
# Global position

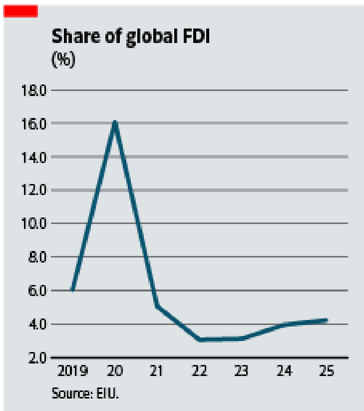
Germany | Regulation | Global position

October 1st 2023



The German economy is the fourth largest in the world, after the US, China and Japan. It has a skilled labour force, a large and sophisticated industrial sector, with automotive expertise and a relatively high share of small and medium-sized firms (the Mittelstand). In recent years the country has progressively strengthened its investment screening rules, with economic and national security concerns related to the coronavirus (covid-19) pandemic and the Russia-Ukraine war accelerating this trend. Germany's long-established position as an attractive business environment at the heart of Europe means that the country will still retain significant advantages in industrial production. However, the poor demographic outlook (with a shrinking working-age population), worse than regional peers, will constrain potential growth throughout 2024–27. Germany is more exposed than most other large high-income economies to the near-term fallout (and energy risks) from the Russia-Ukraine war, given a historically high reliance on Russian gas. Although the country will continue to prioritise weaning itself off of Russian energy, a full transition will take time. In the longer term, policymaking will focus on addressing climate change and raising investment spending, including in infrastructure, digital connectivity and industrial sovereignty.




# Regulatory/market assessment

Germany | Regulation | Regulatory/market assessment

October 1st 2023

- In December 2022 the European Commission approved the German government's €28bn support scheme for renewable energy, which is aimed at rapidly expanding use of wind and solar power. The policy runs until 2026 and is designed to deliver Germany's target to produce 80% of its electricity from renewable sources by 2030.
- The government introduced the country's first national minimum hourly wage of €8.50 in 2015. Since then, the wage has steadily increased and stood at €12.00 in September 2023, following a previous increase to €10.45 in July 2022. It is set to increase further to €12.41 in January 2024 and to €12.82 in January 2025.
- In December 2022 the government published the Inflation Compensation Act, which introduces changes to the individual basic tax-free allowance and tax brackets, effective January 2023. The second highest rate of 42% applies to incomes between €62,810 and €277,825 in the 2023 tax year and to incomes between €66,761 and €277,825 from the 2024 tax year. The threshold for the top 45% tax rate is maintained at €277,836.
- Germany, along with most other EU members, signed an agreement in 2013 (and ratified it in February 2023) to establish the Unified Patent Court (UPC), which began operations on June 1st 2023. The UPC has jurisdiction over regular European patents and the unitary patent, also known as the European patent with unitary effect, which offers uniform protection in all member states that have ratified the 2013 agreement.
- In the UN's E-government Survey 2022, Germany ranked 22nd out of 193 countries for e-government development, up from 25th place in 2018. The biennial study ranked Germany 32nd out of 193 countries for e-participation, measuring the use of e-government services, up from 57th position in 2020.

# Regulatory/market watch

Germany | Regulation | Regulatory/market watch

October 1st 2023

- Olaf Scholz of the centre-left Social Democratic Party governs as chancellor at the head of the country's first three-party federal coalition, with the liberal Free Democratic Party and The Greens. Internal disagreements have slowed policymaking and damaged the governing parties' approval ratings. Still, Germany has a strongly centrist and consensus-based political culture, and EIU expects the coalition to serve a full term to October 2025.
- A cut-off of Russian gas flows to Germany and subsequent decline in consumer and business confidence pushed the economy into recession in the winter of 2022/23. If existing fiscal support measures prove to be insufficient, there could be some degree of industrial gas rationing again in the 2023/24 winter, with the federal government limiting gas usage for the most energy-intensive large firms so as to protect households.
- The EU response to Russia's invasion of Ukraine has been unprecedented and closely co-ordinated with the US and other Western allies. As of end-September 2023, the EU has imposed 11 packages of financial and individual sanctions on Russia. EIU expects the EU's sanctions against Russia to remain in place throughout 2023–27, if not longer.
- EU-China tensions have risen over recent years, with the EU adopting a tougher approach on human rights abuses, investment screening and an effort to "de-risk" economic ties. The German government published a new China strategy in July 2023, which stresses the need for de-risking in strategic sectors such as critical minerals and infrastructure but suggests that the onus for doing this will be on companies rather than the government.
- The European Commission enacted the Carbon Border Adjustment Mechanism in May 2023, instituting a carbon price on imports of iron, steel, aluminium, fertilisers, cement, electricity products and hydrogen. It is being gradually phased in between October 2023 and January 2026. The transitional phase will require exporters of these commodities to the EU to report the emissions embedded in their products.
- In December 2022 the EU reached an internal agreement on a 15% minimum corporate tax, the so-called second pillar of the 2021 OECD global tax deal, with member states now required to enact the provision by end-2023. However, the prospects for fully implementing the global tax deal remain shrouded in doubt, as major signatories (particularly the US) continue to disagree over the arrangement.

# Long-term outlook: The long-term outlook

Germany | Economy | Long-term outlook | Long-term outlook

June 12th 2023

| | 2023-30 | 2031-50 | 2023-50 |
|---|---|---|---|
| **Population and labour force (% change; annual av)** | | | |
| Total population | -0.08 | -0.24 | -0.19 |
| Working-age population | -0.89 | -0.48 | -0.60 |
| Working-age minus total population | -0.80 | -0.24 | -0.40 |
| Labour force | -0.45 | -0.39 | -0.41 |
| **Growth and productivity (% change; annual av)** | | | |
| Growth of real GDP per head | 1.3 | 1.5 | 1.4 |
| Growth of real GDP | 1.2 | 1.3 | 1.2 |
| Labour productivity growth | 1.3 | 1.7 | 1.6 |
| Growth of capital stock | 1.5 | 1.4 | 1.4 |
| Total factor productivity growth | 0.8 | 1.0 | 0.9 |

Initial conditions: Germany is a highly developed social market economy that is unusually export-oriented for its size (exports account for more than 50% of GDP, versus about 33% in France and the UK, and 12% in the US). More than half of production from sectors such as carmaking, mechanical and plant engineering, chemicals, and medical technology is exported. Small and medium-sized enterprises (SMEs), known as the Mittelstand, account for 99% of the total number of companies. A world-famous vocational education system and strong spending on research and development (R&D) underpin the industrial sector. Germany has many attributes that are conducive to sustainable long-term growth, including a highly skilled workforce, good infrastructure and stable institutions. Moreover, the structural shift away from manufacturing and towards services has been less pronounced in Germany than in other OECD members, with a strong outlook for services linked to the industrial sector.

## The demographic outlook will prove the biggest drag on long-term growth

Demographic trends: Germany's demographics will weigh on growth in the long-term period, with the total population set to shrink by an annual average of 0.2% in 2023-50, and the working-age population set to decline at an even more rapid rate of 0.6% per year. The retirement age is gradually being raised to 67 by 2031, but the ruling Social Democratic Party (SPD) has ruled out any further increase. Efforts to increase the participation rate are more likely to focus on tightening the conditions for long-term unemployment benefits and bringing more women, immigrants, lower-skilled and older workers into the active labour force. The negative rate of natural change in the population will continue to be slightly offset by positive immigration, with further liberalisation of immigration rules for highly skilled workers from non-EU countries possible. Policy will remain more welcoming to refugees and immigrants from central and eastern Europe than those from the Middle East or Africa, given cultural similarities.

External conditions: As an export-oriented country, Germany benefits from the broadly liberal world trade order, and will continue to push to reform the World Trade Organisation in order to maintain this. Germany has so far suffered less than other developed countries (such as Italy) from competition from emerging markets, such as China and India, owing to its specialisation in high-technology capital goods. However, Chinese companies are increasingly able to compete with German firms in sophisticated industrial manufacturing, which is driving a growing focus in Germany on digitalisation and innovation (Industry 4.0), and, belatedly, on the move to electric mobility. Germany will gradually reduce its economic reliance on China, in line with the EU's derisking policy, but this will be a much less decisive shift than in the US. Trade ties with Russia will also fall sharply over the long term as companies exit the Russian market and Germany reorients its energy supply network. Within the EU the liberalisation of services trade will continue, but slowly.

## Rising investment and structural reforms will support productivity

Institutions and policy trends: Low growth in the early 2000s focused the minds of politicians and policymakers on the need for economic reforms, many of which were implemented, along with more flexible bargaining about wages and other working conditions. These changes have put Germany at an advantage in the region more recently. EIU expects that national and EU initiatives will continue to strengthen productivity, with continued domestic efforts to reduce regulatory barriers and to make financing easier for innovative new firms. Greater investment in infrastructure and digitalisation in the coming years will help to make up for recent shortfalls in spending driven by an overwhelming focus on fiscal probity, and will support economic growth. Public debt increased sharply during the pandemic but remains manageable; reforms to the pension system to make the public finances sustainable in the long term are, however, not yet in sight.

Long-term performance: Our forecast for the economy's long-term average annual growth rate (2023-50) is 1.2%. A falling working-age population is the main driver of this slowdown; total factor productivity and capital spending will still support growth. The picture looks slightly more favourable on a per-head basis, with growth of real GDP per head averaging 1.4% in 2023-50. GDP per head in 2050 will therefore come to US$147,871, ahead of the UK and France but behind the US. In terms of the size of the German economy overall, we expect it to remain the fourth-largest economy in the world at market exchange rates in

2050, preceded by China, the US and India, in that order (in contrast to the current order of the US, China and Japan).

### Income and market size

| | 2022 | 2030 | 2050 |
|---|---|---|---|
| **Income and market size** | | | |
| Population (m) | 82.9 | 82.4 | 78.5 |
| GDP (US$ bn at market exchange rates) | 4,071.4 | 6,186.9 | 11,614.8 |
| GDP per head (US$ at market exchange rates) | 49,120 | 75,120 | 147,870 |
| Private consumption (US$ bn) | 2,087.2 | 3,187.8 | 5,915.1 |
| Private consumption per head (US$) | 25,180 | 38,710 | 75,310 |
| GDP (US$ bn at PPP) | 5,366.4 | 7,130.1 | 13,659.4 |
| GDP per head (US$ at PPP) | 64,740 | 86,570 | 173,900 |
| Exports of goods & services (US$ bn) | 2,050.2 | 3,153.4 | 8,375.3 |
| Imports of goods & services (US$ bn) | 1,972.9 | 2,941.8 | 8,076.6 |
| **Memorandum items** | | | |
| GDP per head (at PPP; index, US=100) | 86.0 | 87.4 | 92.9 |
| Share of world population (%) | 1.1 | 1.0 | 0.8 |
| Share of world GDP (% at market exchange rates) | 4.1 | 4.2 | 2.9 |
| Share of world GDP (% at PPP) | 3.3 | 3.0 | 2.4 |
| Share of world exports of goods & services (%) | 6.6 | 6.8 | 6.0 |

# Automotive

Germany | Automotive | Overview

November 23rd 2023

- In 2022 Germany ranked fifth globally for new-vehicle sales (after China, the US, India and Japan) and sixth for vehicle production (also after South Korea). Its relative standing weakened slightly in both categories. In recent years the country's automotive sector has faced disruption from the pandemic and the Russia-Ukraine conflict—both of which have exposed structural weaknesses of the German economy—and from the rapid global transition towards electric vehicles (EVs) amid an increasingly competitive automotive industry.
- Easing supply frictions, recovering vehicle stocks and a reduction of elevated order backlogs have driven a partial rebound in vehicle production and new-car sales in 2023. Both sectors are on track to record firm annual growth, albeit from a low base after earlier sharp declines. The outlook remains challenging, with cost-of-living pressures, high interest rates, elevated geopolitical tensions, and structurally higher price levels and energy costs constraining household demand and production orders. The German

economy has underperformed compared with regional peers over the past year and is expected to fall into a mild recession over the 2023/24 winter. Conditions should improve gradually in 2024-25 as inflationary pressures moderate, but over EIU's forecast period as a whole (2024-28) we expect real GDP growth to average a subdued 1.2%.

- New-car sales slumped to a 27-year low of 2.6m units in 2021 and recovered only marginally in 2022 (a rise of 1.1%), largely owing to a late spurt in EV registrations ahead of year-end subsidy cuts. This pulled-forward demand and lower purchase incentives have constrained EV sales growth in 2023: we estimate a 10.5% decline year on year. The reduction of high order backlogs has bolstered overall new-car sales (up by 12% year on year in January-October, from a pandemic-affected base), and we estimate full-year growth at 9%. The pace of expansion will slow considerably in 2024. Our medium-term projection is for sales to rise at a compound annual growth rate (CAGR) of 2.6% over our five-year forecast period and to remain below pre-pandemic levels. After double-digit growth in 2023, new commercial vehicle (CV) registrations will post a CAGR of 2.3% in 2024-28.


- EV sales increased steadily over 2020-22 (as in many countries), supported by official incentives and as regulatory pressure forced manufacturers to expand rapidly their selection of EV models. Chargeable EVs (full battery and plug-in hybrids) accounted for 31% of new-car sales in 2022, up from 26% in 2021 and the sixth-highest share in Europe. Base effects, reduced incentives and weaker consumer finances have constrained demand in 2023. Muted growth will see EVs' share of new-car sales declining to an estimated 25.8%. We expect this share to resume a gradual upward trend from 2024 as the transition to EVs continues, but affordability issues, the full phase-out of subsidies by end-2024 and "real-world" limitations of charging infrastructure will continue to restrain uptake among private buyers.

- Increased production costs, geopolitical shocks and rising EU-China tensions will add to the structural challenges facing the automotive sector. Germany's biggest car manufacturer, Volkswagen, is struggling to retain its strong market position in China amid fierce EV competition from local carmakers (such as BYD), which are also targeting a strong push into the European market—a development that prompted the EU to launch an "anti-subsidy" probe into China's EV sector in September 2023. The premium segment focus of most German carmakers will continue to underpin broader demand and implies that they are relatively well positioned amid an industry-wide shift in Europe to higher-priced vehicles. However, increased per-unit energy and labour costs will drive more scrutiny of the medium-term competitiveness and investment plans of the main German automakers, amid an intense focus globally on supply-chain access to semiconductors and EV batteries, and a new wave of climate-related regulation and ”green investment subsidies” (such as the major package in the US Inflation Reduction Act).

# Consumer goods

Germany | Consumer goods | Overview

November 20th 2023

- Germany is the largest consumer market in Europe by retail expenditure and population. Demand is supported by a robust labour market and high average incomes, but constrained by a fairly high tax burden and a high household savings rate. A competitive grocery sector is concentrated among four major retailers, whose market share has recently risen amid heightened cost-of-living pressures. Germany's ageing demographic will increasingly shape retail demand over the coming years.
- Since late 2022 the German economy has underperformed compared with most regional peers and is on track to be the only major G7 economy to contract in 2023. This reflects mainly the exposure of its large export-oriented industrial sector to cyclically weak external demand, but consumer spending is also subdued, with high inflation and energy costs, rising interest rates and deteriorating wealth effects (from a housing-market downturn) constraining household discretionary spending and overall sentiment. Tight monetary policy, with interest rates at a record high until at least mid-2024, and a subdued external environment, with global growth and demand from the US and China slowing considerably, will lead to subdued real GDP growth of 0.4% 2024, below the euro zone average of 1.1%.
- EIU forecasts a mild and gradual cyclical improvement in economic conditions and retail spending for 2024 as broader disinflationary pressures and moderate real-wage gains offer some support to purchasing power. Price pressures are moderating gradually, but confidence indicators remain weak in historical terms, particularly willingness to make major purchases. We forecast that retail sales volumes will expand at an annual average of 0.9% in 2024-28.
- Online volume sales are expected to decline for a second consecutive year in 2023. We forecast a return to growth from 2024, with the online share of retail sales rising gradually to more than 19% by 2028. The large online marketplace segment will continue to expand amid more regulatory scrutiny. The online grocery sector will remain less developed than in most regional peers, reflecting a consumer preference for physical stores and selected fresh produce, and lacklustre interest from major grocers due to profitability concerns.

# Energy

Germany | Energy | Overview

December 15th 2023

- EIU forecasts that energy demand in Germany will contract again in 2024, mainly pulled down by declining activity in the most energy-intensive segments of the country's manufacturing industry, which will continue cutting output and increasing efficiency amid very high energy prices, in historical terms.
- Concerns about natural gas supply have forced the government to rethink the speed of the coal phase-out. Coal-fired power generation surged in 2022 and 2023, but we expect it to return to its declining trend in 2024. Increased availability of floating liquefied natural gas (LNG) terminals, renewables expansion, energy savings and rising carbon prices will all help to push down coal use.
- Gas demand fell sharply in the winter of 2022/23 owing to a curtailment of supplies from Russia and high prices. We estimate that gas demand declined again in 2023, reaching its lowest level since 1994. Gas consumption will stabilise in 2024 as lower prices lend support to demand. We believe that gas demand in Germany will not return to the level seen before the war in Ukraine during the forecast period (2024-33), although it will increase from today's levels.
- Germany has adopted ambitious targets for renewable capacity additions, with the share of renewables in the electricity mix now set for 80% by 2030—although we expect renewables to account for only about 65% of power generation by that year. The target for solar photovoltaic (PV) capacity was scaled up to 215 GW by 2030, that for offshore wind to 30 GW, and that for onshore wind to 115 GW, but these will be challenging to meet.
- The retirement of Germany's three remaining nuclear power plants, totalling about 4 GW of capacity, was enacted in mid-April 2023, following some delay. Anti-nuclear sentiment has been strong enough for decades to tolerate continued coal use for power generation rather than keeping nuclear plants running.

**Energy: key indicators**

| | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] | 2033[c] |
|---|---|---|---|---|---|---|---|---|
| GDP (US$ bn at market exchange rates) | 4,079 | 4,397 | 4,626 | 4,977 | 5,266 | 5,482 | 5,671 | 6,613 |
| Real GDP (% change, year on year) | 1.9 | -0.2 | 0.2 | 1.4 | 1.4 | 1.3 | 1.3 | 1.4 |
| Population (m) | 82.9 | 82.9 | 82.8 | 82.7 | 82.7 | 82.7 | 82.6 | 82.0 |
| Population (% change, year on year) | 0.0 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.2 |
| Gross domestic energy consumption (ktoe) | 268,608 | 260,214 | 255,009 | 254,371 | 252,389 | 252,766 | 252,375 | 250,078 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Gross domestic energy consumption (% change, year on year) | -6.7 | -3.1 | -2.0 | -0.2 | -0.8 | 0.1 | -0.2 | -0.2 |

Note. Forecasts for all dates are available via EIU's data tool.

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: EIU; © OECD/IEA 2023 IEA statistics, www.iea.org/data-and-statistics, licence: www.iea.org/t&c.

# Financial services

Germany | Finance | Overview | Financial services | Overview

January 1st 2024

- Germany's financial sector has coped fairly well with the economic shocks and heightened volatility of recent years amid the fallout from the pandemic and the Russia-Ukraine war. It has been assisted by the stabilising effects of extensive monetary and fiscal support, but also reflects improved resilience following restructuring over the past decade. Bank capital levels and liquidity coverage are above regulatory minimums, asset quality appears sound and higher interest rates drove firm gains in revenue and profitability in 2022-23, following a protracted period of weakness. Headwinds persist, however, amid a lacklustre economy (GDP growth has plateaued since early 2022), weak loan demand, structurally higher price levels, a housing market slump, unstable geopolitics and expected lagged effects in 2024 of earlier policy tightening.
- Lending activity will be supported by a competitive banking sector and the prominent role of the KfW (Europe's largest national development bank), but credit demand will remain subdued in 2024 and loan-loss provisions could rise. The recent tailwind to banks' net interest income and profitability is likely to moderate in 2024-25, given higher deposit funding costs, the pass-through impact of subdued economic activity and expected cuts in official euro zone policy interest rates from early to mid-2024. Germany's banking sector has long struggled with a comparatively high cost base and low profitability.
- Germany's economic performance since 2020 compares unfavourably with most advanced economies. This partly reflects the exposure of its large, export-oriented and energy-intensive industrial sector to the energy-price shock, wider supply-chain disruption and softer Chinese growth, but is also attributable to structural weaknesses that have built up amid policy complacency over the past decade. EIU forecasts real GDP growth of just 0.2% in 2024, after a mild contraction in 2023, and expects annual growth to average 1.4% in 2025-28.
- The financial services sector is important in Germany, but at 3.6% of GDP in 2022, it is smaller relative to the size of the economy than in the US, the UK and Japan (and below an EU average of 3.9%), according to Eurostat. The sector employs 2.4% of the labour

force, similar to the EU average. The sector's share of national output and employment has fallen gradually over the past decade.

- Germany is a member of the EU and the euro zone. It uses the euro currency, adheres to all EU rules and participates in the EU's banking union. The European Central Bank (ECB) sets monetary policy for the entire region and oversees the largest banks in Germany and across the economic bloc. Under the single market, German financial firms are free to offer services across the region, and EU firms can compete for customers in Germany.
- After holding official interest rates unchanged for 11 years, the ECB tightened monetary policy aggressively between July 2022 and September 2023, raising the main policy rate by a cumulative 450 points to 4.5%. We assume that the ECB has now ended its rate-increase cycle, given diminishing price pressures and a sluggish euro zone economy. There is a slight possibility of further increases in 2024, dependent on the ECB's perception of inflation risk, but we expect the next policy move to be a rate cut, by mid-2024 at the latest, signalling the start of a gradual easing cycle into 2025.
- Following the UK's exit from the EU in 2020, temporary provisions (such as in the clearing market) reduced Brexit-related risks to financial stability, but policy uncertainty and tensions over regulatory divergence will persist. The current limited scope of EU-UK trading arrangements covering financial services will evolve as economic realities force a gradual reconciliation of EU-UK relations. Germany (and the wider EU) will seek to bolster its capital markets infrastructure to strengthen the bloc's regulatory control. There has been some modest post-Brexit relocation of financial services operations to Frankfurt, Germany's financial capital and the seat of the ECB. We expect activity to continue migrating gradually to the EU over the forecast period.

# Healthcare

Germany | Healthcare | Spending

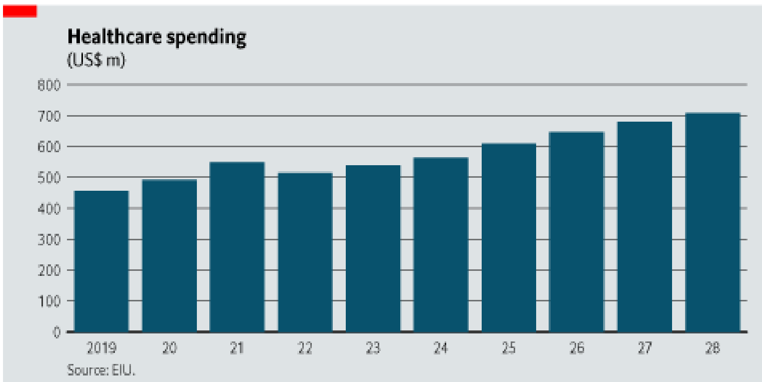
December 14th 2023

## Overview

- Germany has the highest level of healthcare expenditure per head in the EU and the third highest among OECD countries (after the US and Switzerland). The strong capacity of the healthcare system supports comparatively high levels of access and service provision, but its complex, fragmented structure (governance is split across federal and state levels) can impair efficiency, with Germany experiencing only average health outcomes. Digitalisation of health services is lagging most peer countries.
- The focus of government health policy in 2024 will be on stabilising finances in the health insurance system (amid recent higher deficits), reducing a still-large post-pandemic backlog of operations and treatment, and implementing a major (and

controversial) reform of hospital funding. Addressing these issues will be a challenge, amid a sluggish economy, relatively tight fiscal constraints, a shortage of nurses and other specialist medical staff, a high risk of industrial action and rising demand for healthcare services from an ageing population. Elevated inflation since 2022 has squeezed real-term spending levels, adding to pressures on healthcare provision. Inflationary pressures will ease in 2024, but price levels will remain materially higher than in the past decade.

- Annual healthcare spending as a share of GDP has followed a rising trend in recent decades, from 9% in the early 1990s to an estimated 12.6% in 2022. This is the highest share in the EU and well above the OECD average (9.7%), but far below the US (an estimated 16.6%). As elsewhere, the ratio jumped in 2020-21, partly owing to pandemic-related healthcare spending but mainly owing to a fall in GDP. A broadly stable ratio in 2022-23 masks a fall in real-term expenditure.
- EIU forecasts that health spending as a share of GDP will rise to nearly 13% by 2028, with compound annual expenditure growth of 3.5% over our forecast period (2024-28) in nominal euro terms (5.6% in US dollar terms). This implies average real-term growth of 1.7% per year, compared with 3.8% per year over 2016-20.




- A three-party governing coalition of the Social Democratic Party (SPD), The Greens and the Free Democratic Party has been in office since December 2021, with the SPD holding the health portfolio. The main policy objectives are to reform hospital financing, accelerate digitalisation and improve nursing recruitment—a long-standing issue compounded that was compounded by burnout pressures during the pandemic. A fiscal framework to 2025 had allocated new investment spending on health infrastructure and childcare, but a recent legal ruling has thrown government budget plans into disarray, with a need for wholesale revisions. The impact on healthcare spending is unclear at this stage, but the overall fiscal stance in 2024-25 will be tighter than previously assumed.
- Recent significant legislation has included a Financial Stabilisation Act for the Gesetzliche Krankenversicherung (GKV, the statutory health insurance system) and a Hospital Care Relief Act, comprising a range of financing and resourcing measures, as well as cost-containment reforms of drug pricing rules. Two new digital laws will apply in 2024, and the coalition has presented a draft Medical Research Act aimed at simplifying drug approval processes for pharmaceutical firms. The contentious hospital financing

reform will be implemented gradually from January 2024, which set to be complex. The reform will set funding according to the quality of service provision rather than the number of treatments conducted, replacing the diagnosis-related group (DRG) system of flat-rate fees (per case) received by hospitals from health insurers with day rates, and will be supplemented by retention grants independent of case numbers.

## Funding sources

- Public expenditure on healthcare (including compulsory contributions) as a share of total healthcare spending has risen gradually over the past decade, from 83% in 2010 to 86.5% in 2022—the highest in the OECD. We expect this share to stabilise at about 86.8% over the forecast period.

### Healthcare expenditure

| | 2019[a] | 2020[a] | 2021[a] | 2022[b] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| Healthcare spending (US$ bn) | 456.6[b] | 492.2[b] | 549.8[b] | 515.4 | 539.8 | 564.3 | 610.4 | 646.9 | 679.9 | 708.7 |
| Healthcare spending (€ bn) | 407.8[b] | 431.2[b] | 464.5[b] | 489.1 | 498.4 | 511.8 | 528.5 | 548.2 | 568.9 | 590.6 |
| Healthcare spending (% of GDP) | 11.7[b] | 12.7[b] | 12.9[b] | 12.6 | 12.3 | 12.2 | 12.3 | 12.3 | 12.4 | 12.5 |
| **Spending by source** | | | | | | | | | | |
| Public/compulsory spending (US$ bn) | 383.4 | 418.8 | 469.8 | 445.9[a] | 467.1 | 488.8 | 529.6 | 561.5 | 590.2 | 615.2 |
| Public/compulsory spending (% of total) | 84.0 | 85.1 | 85.5 | 86.5[a] | 86.5 | 86.6 | 86.8 | 86.8 | 86.8 | 86.8 |
| Government schemes (% of public spending) | 7.8 | 10.6 | 12.5 | 16.0 | 13.0 | 10.0 | 9.0 | 8.5 | 8.5 | 8.5 |
| Social security funds (% of public spending) | 92.2 | 89.4 | 87.5 | 84.0 | 87.0 | 90.0 | 91.0 | 91.5 | 91.5 | 91.5 |
| Private healthcare spending (US$ bn) | 73.1 | 73.3 | 80.0 | 69.6[a] | 72.7 | 75.4 | 80.9 | 85.4 | 89.6 | 93.5 |
| Private healthcare spending (% of total) | 16.0 | 14.9 | 14.6 | 13.5[a] | 13.5 | 13.4 | 13.2 | 13.2 | 13.2 | 13.2 |
| Out of pocket (% of private spending) | 83.1 | 82.4 | 82.7 | 81.6[a] | 82.3 | 82.2 | 82.0 | 82.2 | 82.1 | 82.1 |
| Voluntary insurance (% of private spending) | 16.9 | 17.6 | 17.2 | 18.4[a] | 17.7 | 17.8 | 18.0 | 17.8 | 17.9 | 17.9 |
| External healthcare spending (US$ bn) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

Sources: US Bureau of the Census; UN; OECD; World Bank; EIU.

- Private or state health insurance has been mandatory for all German residents since 2009. Statutory insurance (GKV) is compulsory for residents with gross annual income below

€66,600 in 2023. GKV operates through non-profit health insurers (sickness funds) that comprise the National Association of Statutory Health Insurance Funds (GKV-Spitzenverband).

- At end-2022 about 74.3m people (88% of the population) were covered by GKV. There were 97 sickness funds, down from 267 in 2005 and 1,815 in 1970, owing to mergers and market consolidation.
- The public healthcare system is primarily financed by statutory employee and employer contributions (via wage deductions), with the remainder from state transfers and subsidies. Since 2009 the federal Health Fund has overseen the reallocation of this overall funding to the individual sickness funds, based on risk-adjusted formulas.
- The sickness funds (in total) recorded modest annual surpluses in 2016-18, but reported growing deficits in 2019-22, in response to strong expenditure growth on medicines and sick pay (sickness absence rose to a 30-year high in 2022), and a spike in vaccine costs. With projections for 2023 showing a widening funds deficit, the GKV Financial Stabilisation Act was passed in late 2022.
- Legislative measures included an increased annual federal grant, an easing of Health Fund liquidity reserve rules, changes to medicine pricing, an extension of a price moratorium on pharmaceuticals to 2026 and a recommended rise in the "additional contribution rate" paid by employees to insurance funds.
- Since 2015 the statutory contribution rate has remained unchanged, at 14.6% of gross income, currently split equally between employer and employee. The employer rate had been fixed at 7.3%, but this cap was abolished in 2019.
- Most employees pay an additional contribution rate, set individually by each health insurer. This has risen gradually since 2019 and averaged 1.3% in 2022. Under the GKV Financial Stabilisation Act, an increase to about 1.6% is likely over 2023-24.
- Germany has compulsory long-term care insurance for all citizens, operating through the GKV. Expenditure on long-term care has risen strongly in recent years, owing to reforms and increasing demand from an ageing population. Contribution rates for long-term care rose in 2019 and in July 2023, lifting the standard rate to 3.4% (4% for childless people), split between employer and employee. More rises are likely over the forecast period. There will be phased increases in care-related benefits in 2024-25.

## Private health insurance

- Private healthcare spending comprised 13.5% of all health expenditure in 2022, according to the OECD, down from a fairly stable 16% on average over 2013-19. Private health spending is forecast to grow at a compound annual growth rate (CAGR) of 3% in nominal euro terms in 2024-28, a slower pace than public spending. Out-of-pocket (OOP) spending accounted for 81.6% of private expenditure and was equivalent to 1.4% of GDP in 2022, slightly below the regional and OECD averages. We expect this share to remain stable over our forecast period.

- Individuals with an income above the annually adjusted statutory level for GKV are obliged to contract their own health insurance. The GKV remains a popular option, but a significant number use the private sector, as do many civil servants and self-employed people. At end-2022 about 8.7m people (11% of the population) had comprehensive private health insurance—a level that has been largely stable over the past decade—with 29m having partial ”top-up” cover, according to the Association of Private Health Insurance Companies (PKV). About 9.3m people have private long-term care insurance.
- Premiums (contributions) for private health insurance have increased in recent years, amid high inflation, rising claims and insurers’ costs, medical advances and a one-off ”corona surcharge” for long-term care insurance. A larger than usual ”catch-up” increase in contributions is expected in 2024.

# Telecommunications

Germany | Telecommunications | Overview

January 12th 2024

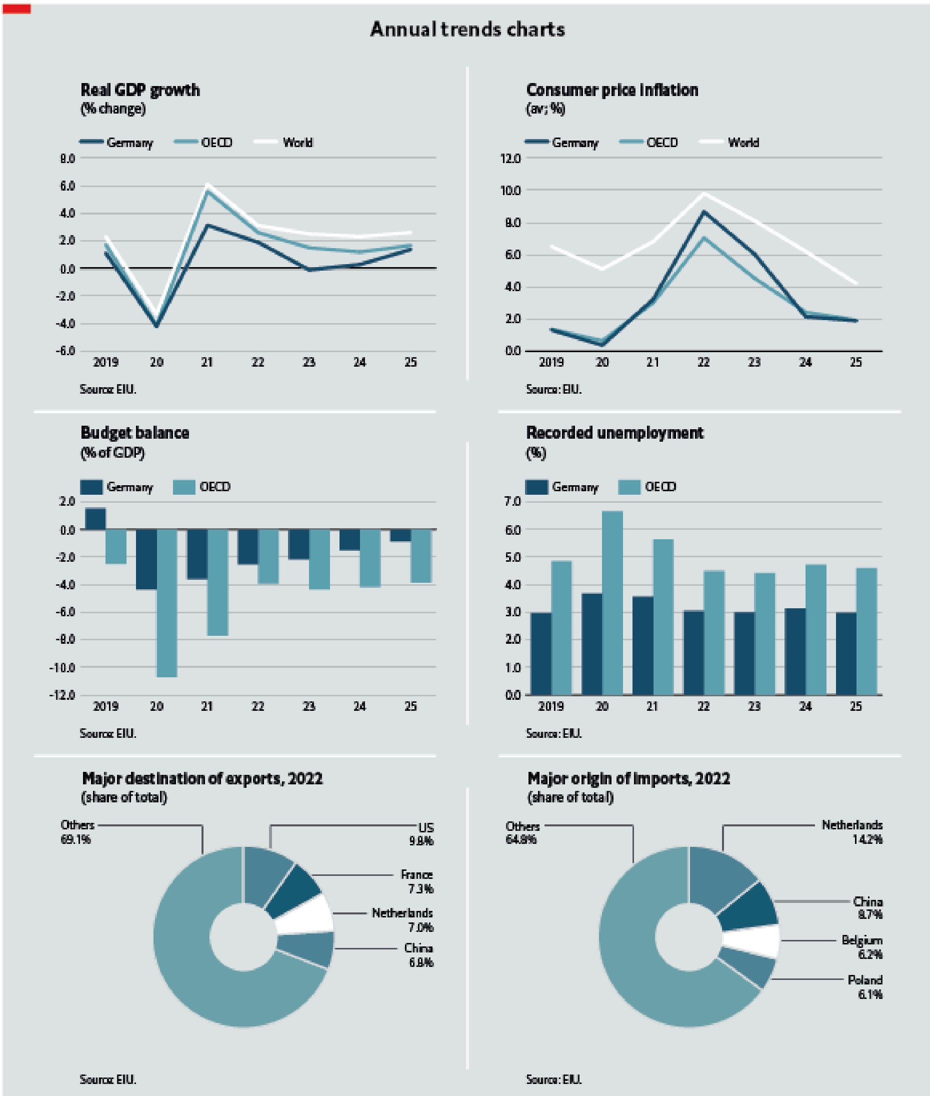
- Germany is the largest telecommunications market in Europe and one of the most competitive. Total revenue has risen slightly in recent years, and modest growth is expected over EIU’s forecast period (2024-28) amid resilient fixed-line revenue and a strong upward trend in mobile data consumption.
- Inflationary pressures will diminish from their 2022-23 peak, but price levels and input costs will remain materially higher than in the historical period (2019-23). This will constrain overall demand across the telecoms sector, as will a sluggish German economy. Digitalisation, fibre rollout and structural shifts in working patterns will support a gradual rise in mobile and broadband penetration, but downward pressure on average revenue per user will persist in Germany’s mature telecoms market.
- Mobile network operators (MNOs) will seek to boost revenue streams from data-focused tariffs and the 5G mobile network rollout, which is progressing steadily in Germany. This will support rising digitalisation by businesses and the state, from current modest levels, via cloud services, data analytics, digital payments, smart city applications and artificial intelligence (AI) solutions. Constraining factors will be a lacklustre economic backdrop; a shortage of ICT specialists; data-privacy issues; and rising cyber-security risks.
- Geopolitical tensions, more strained West-China relations, strategic rivalries related to major components (such as semiconductors) and regulatory standards, and tightening trade restrictions globally will spur increasing regionalisation of the technology sector, implying a continued risk of supply-chain disruption. Amid reshoring trends and a gradual expansion of production capacity in Germany and the EU, Asia will remain the dominant materials provider.

- Germany compares favourably at regional level for overall connectivity, with high mobile and broadband penetration rates, competitive pricing and strong progress in its 5G network rollout. However, internet speeds are only around the EU average and well below those of the world's leading countries. Despite recent stronger momentum in the provision of ultra-fast broadband services, availability of fibre-to-the-home (FTTH) connections is among the lowest in the EU. Germany ranks below the regional average for business integration of digital technology, and lags well behind most peer countries in the quality and scope of digital public services.
- In a mature sector, we forecast average annual mobile subscription growth of 0.2% in 2024-28. Fixed-broadband penetration was an estimated 46.2% in 2023. We forecast that annual average broadband subscription growth will be 1.9% in 2024-28.
- Accelerated plans for FTTH rollout, ongoing 5G network builds and targeted policy support (including EU grants from the Recovery and Resilience Facility) will bring gradual improvements in full-fibre coverage and narrow an urban-rural digital divide. However, achieving full-coverage targets for gigabit-ready broadband (by 2025) and full-fibre access (by 2030) will be challenging.

# Data and charts: Annual trends charts

Germany | Economy | Charts and tables | Annual trends charts

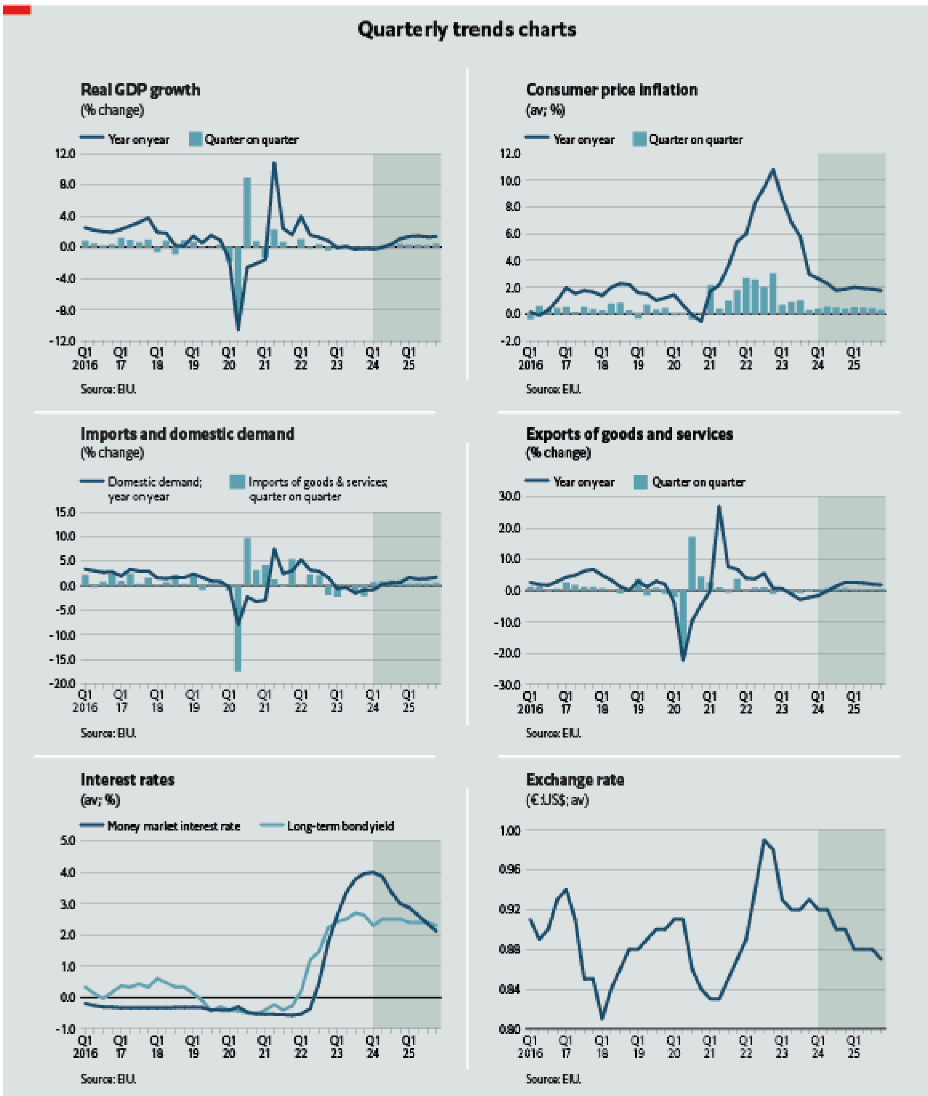
March 1st 2024



# Data and charts: Quarterly trends charts

Germany | Economy | Charts and tables | Quarterly trends charts

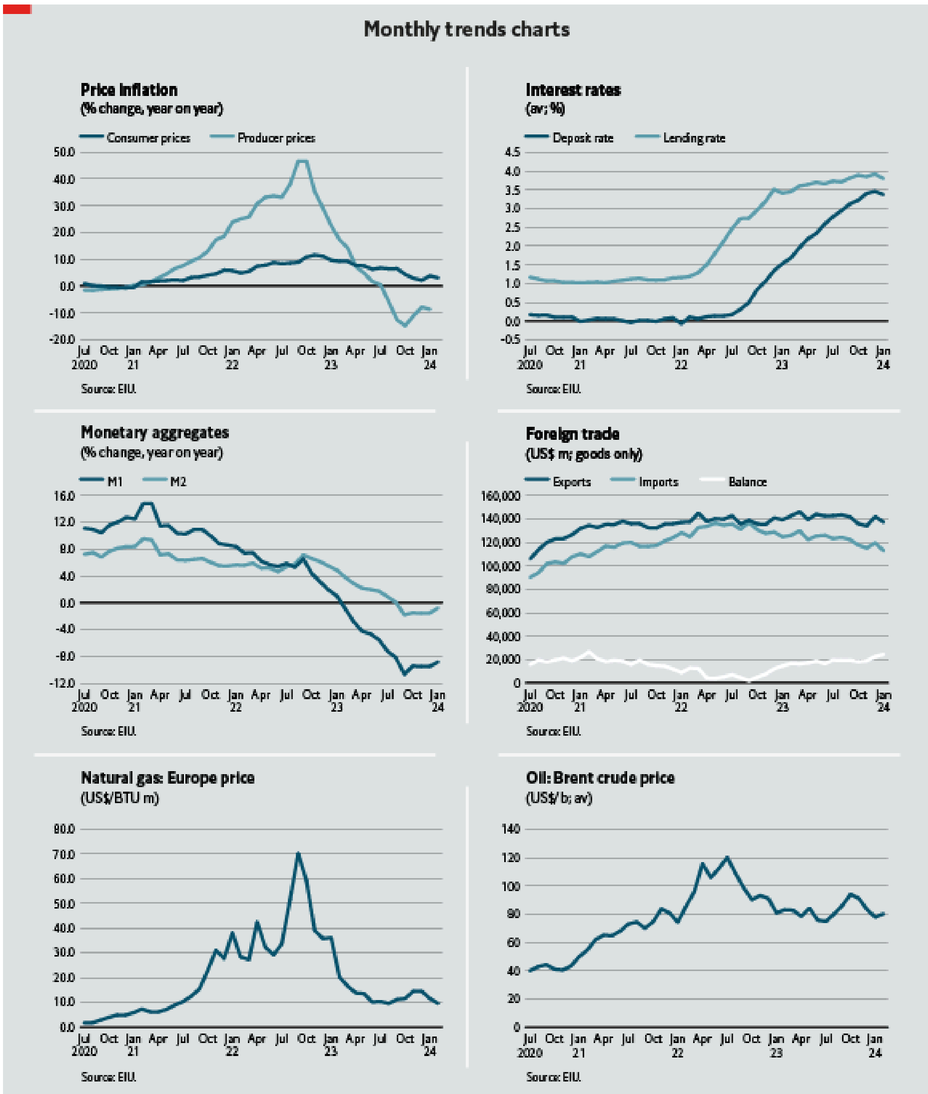
March 1st 2024



# Data and charts: Monthly trends charts

Germany | Economy | Charts and tables | Monthly trends charts

March 1st 2024



# Data summary: Gross domestic product, current market prices

Germany | Economy | Charts and tables | GDP at current market prices

March 1st 2024

## Gross domestic product, at current market prices

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenditure on GDP (€ bn at current market prices)** | | | | | | | | | | |
| GDP | 3,480 | 3,397 | 3,608 | 3,870 | 4,122[a] | 4,294 | 4,442 | 4,576 | 4,714 | 4,840 |
| Private consumption | 1,806 | 1,707 | 1,783 | 1,977 | 2,097 | 2,159 | 2,233 | 2,294 | 2,365 | 2,428 |
| Government consumption | 703.5 | 749.6 | 796.8 | 850.9 | 892.6 | 929.7 | 977.5 | 1,019.8 | 1,063.9 | 1,109.9 |
| Gross fixed investment | 743.7 | 730.4 | 766.2 | 852.6 | 877.5 | 886.2 | 903.4 | 919.6 | 936.0 | 951.8 |
| Exports of goods & services | 1,644.2 | 1,473.3 | 1,699.8 | 1,965.3 | 1,969.1 | 1,980.8 | 2,052.1 | 2,144.0 | 2,252.8 | 2,367.0 |
| Imports of goods & services | 1,435.6 | 1,277.7 | 1,507.8 | 1,891.8 | 1,727.0 | 1,689.6 | 1,756.8 | 1,826.3 | 1,928.6 | 2,035.6 |
| Stockbuilding | 18.0 | 14.5 | 70.0 | 116.1 | 50.0 | 28.3 | 33.0 | 25.0 | 25.0 | 18.0 |
| Domestic demand | 3,272 | 3,201 | 3,416 | 3,797 | 3,917 | 4,003 | 4,146 | 4,258 | 4,390 | 4,508 |
| **Expenditure on GDP (US$ bn at current market prices)** | | | | | | | | | | |
| GDP | 3,897 | 3,877 | 4,271 | 4,079 | 4,459[a] | 4,724 | 5,052 | 5,285 | 5,492 | 5,662 |
| Private consumption | 2,023 | 1,948 | 2,111 | 2,084 | 2,270 | 2,374 | 2,539 | 2,650 | 2,755 | 2,841 |
| Government consumption | 787.7 | 855.6 | 943.1 | 896.8 | 966.2 | 1,022.7 | 1,111.9 | 1,177.8 | 1,239.4 | 1,298.6 |
| Gross fixed investment | 832.6 | 833.6 | 906.8 | 898.6 | 949.9 | 974.9 | 1,027.6 | 1,062.1 | 1,090.4 | 1,113.6 |
| Exports of goods & services | 1,840.8 | 1,681.4 | 2,011.8 | 2,071.2 | 2,131.5 | 2,178.9 | 2,334.3 | 2,476.3 | 2,624.5 | 2,769.4 |
| Imports of goods & services | 1,607.3 | 1,458.3 | 1,784.5 | 1,993.8 | 1,869.5 | 1,858.5 | 1,998.3 | 2,109.4 | 2,246.8 | 2,381.6 |
| Stockbuilding | 20.2 | 16.6 | 82.8 | 122.3 | 54.1 | 31.1 | 37.5 | 28.9 | 29.1 | 21.1 |
| Domestic demand | 3,663 | 3,653 | 4,043 | 4,001 | 4,241 | 4,403 | 4,717 | 4,919 | 5,114 | 5,275 |
| **Economic structure (% of GDP at current market prices)** | | | | | | | | | | |
| Private consumption | 51.9 | 50.2 | 49.4 | 51.1 | 50.9 | 50.3 | 50.3 | 50.1 | 50.2 | 50.2 |
| Government consumption | 20.2 | 22.1 | 22.1 | 22.0 | 21.7 | 21.7 | 22.0 | 22.3 | 22.6 | 22.9 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross fixed investment | 21.4 | 21.5 | 21.2 | 22.0 | 21.3 | 20.6 | 20.3 | 20.1 | 19.9 | 19.7 |
| Stockbuilding | 0.5 | 0.4 | 1.9 | 3.0 | 1.2 | 0.7 | 0.7 | 0.5 | 0.5 | 0.4 |
| Exports of goods & services | 47.2 | 43.4 | 47.1 | 50.8 | 47.8 | 46.1 | 46.2 | 46.9 | 47.8 | 48.9 |
| Imports of goods & services | 41.3 | 37.6 | 41.8 | 48.9 | 41.9 | 39.3 | 39.6 | 39.9 | 40.9 | 42.1 |
| **Memorandum item** | | | | | | | | | | |
| National savings ratio (%) | 30.0 | 29.0 | 30.9 | 29.5 | 29.7 | 27.5 | 26.5 | 26.2 | 25.8 | 25.6 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Gross domestic product, at constant prices

Germany | Economy | Charts and tables | GDP at constant prices

March 1st 2024

### Gross domestic product, at constant prices

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Real expenditure on GDP (€ bn at constant 2005 prices)** | | | | | | | | | | |
| GDP | 3,247.9 | 3,111.6 | 3,208.8 | 3,269.2 | 3,265.6[a] | 3,274.8 | 3,319.6 | 3,369.8 | 3,417.0 | 3,462.0 |
| Private consumption | 1,719.1 | 1,614.6 | 1,638.8 | 1,703.2 | 1,687.0 | 1,698.2 | 1,717.0 | 1,733.1 | 1,751.7 | 1,768.7 |
| Government consumption | 652.2 | 679.0 | 700.2 | 711.2 | 696.9 | 703.9 | 719.4 | 729.5 | 738.9 | 748.5 |
| Gross fixed investment | 681.4 | 659.4 | 657.3 | 658.9 | 664.2 | 674.2 | 690.7 | 706.6 | 722.8 | 738.7 |
| Exports of goods & services | 1,602.5 | 1,441.7 | 1,578.5 | 1,633.0 | 1,610.4 | 1,619.5 | 1,655.9 | 1,713.1 | 1,778.3 | 1,839.8 |
| Imports of goods & services | 1,411.0 | 1,285.4 | 1,398.1 | 1,492.8 | 1,448.4 | 1,449.3 | 1,490.2 | 1,530.6 | 1,584.8 | 1,640.7 |
| Stockbuilding | 2.3 | -0.9 | 27.2 | 49.2 | 50.0 | 28.3 | 26.8 | 18.0 | 10.0 | 7.0 |
| Domestic demand | 3,054.9 | 2,952.1 | 3,023.4 | 3,122.4 | 3,098.2 | 3,104.6 | 3,153.8 | 3,187.2 | 3,223.4 | 3,262.9 |
| **Real expenditure on GDP (% change)** | | | | | | | | | | |
| GDP | 1.1 | -4.2 | 3.1 | 1.9 | -0.1[a] | 0.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Private consumption | 1.6 | -6.1 | 1.5 | 3.9 | -0.9 | 0.7 | 1.1 | 0.9 | 1.1 | 1.0 |
| Government consumption | 2.6 | 4.1 | 3.1 | 1.6 | -2.0 | 1.0 | 2.2 | 1.4 | 1.3 | 1.3 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross fixed investment | 1.8 | -3.2 | -0.3 | 0.2 | 0.8 | 1.5 | 2.5 | 2.3 | 2.3 | 2.2 |
| Exports of goods & services | 2.3 | -10.0 | 9.5 | 3.4 | -1.4 | 0.6 | 2.2 | 3.5 | 3.8 | 3.5 |
| Imports of goods & services | 3.4 | -8.9 | 8.8 | 6.8 | -3.0 | 0.1 | 2.8 | 2.7 | 3.5 | 3.5 |
| Stockbuilding (% contribution to GDP growth) | -0.3 | -0.1 | 0.9 | 0.7 | 0.0 | -0.7 | 0.0 | -0.3 | -0.2 | -0.1 |
| Domestic demand | 1.5 | -3.4 | 2.4 | 3.3 | -0.8 | 0.2 | 1.6 | 1.1 | 1.1 | 1.2 |
| **Real contribution to GDP growth (% points)** | | | | | | | | | | |
| Private consumption | 0.9 | -3.2 | 0.8 | 2.0 | -0.5 | 0.3 | 0.6 | 0.5 | 0.5 | 0.5 |
| Government consumption | 0.5 | 0.8 | 0.7 | 0.3 | -0.4 | 0.2 | 0.5 | 0.3 | 0.3 | 0.3 |
| Gross fixed investment | 0.4 | -0.7 | -0.1 | 0.1 | 0.2 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| External balance | -0.3 | -1.1 | 0.8 | -1.3 | 0.7 | 0.3 | -0.1 | 0.5 | 0.3 | 0.2 |
| **Memorandum item** | | | | | | | | | | |
| Real personal disposable income (% change) | 0.8 | 0.9 | -0.8 | 0.4 | -0.6 | -0.5 | 0.9 | 0.8 | 1.0 | 1.1 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Gross domestic product by sector of origin

Germany | Economy | Charts and tables | GDP by sector of origin

March 1st 2024

### Gross domestic product by sector of origin

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Origin of GDP (€ bn at constant 2005 prices)** | | | | | | | | | | |
| GDP at factor cost | 2,916 | 2,786 | 2,876 | 2,927 | 2,924 | 2,933 | 2,973 | 3,018 | 3,060 | 3,100 |
| Agriculture | 20 | 21 | 22 | 21 | 22 | 22 | 22 | 22 | 23 | 23 |
| Industry | 880 | 823 | 867 | 860 | 866 | 866 | 878 | 891 | 903 | 915 |
| Services | 2,015 | 1,939 | 1,989 | 2,049 | 2,036 | 2,045 | 2,073 | 2,104 | 2,134 | 2,162 |
| **Origin of GDP (real % change)** | | | | | | | | | | |
| Agriculture | 13.7 | 2.7 | 8.0 | -6.2 | 2.8 | 0.4 | 1.3 | 1.5 | 1.4 | 1.3 |
| Industry | -1.2 | -6.5 | 5.3 | -0.8 | 0.7 | -0.1 | 1.4 | 1.5 | 1.4 | 1.3 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Services | 1.7 | -3.8 | 2.5 | 3.0 | -0.6 | 0.4 | 1.4 | 1.5 | 1.4 | 1.3 |
| **Origin of GDP (% of factor cost GDP)** | | | | | | | | | | |
| Agriculture | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Industry | 30.2 | 29.6 | 30.1 | 29.4 | 29.6 | 29.5 | 29.5 | 29.5 | 29.5 | 29.5 |
| Services | 69.1 | 69.6 | 69.1 | 70.0 | 69.6 | 69.7 | 69.7 | 69.7 | 69.7 | 69.7 |
| **Memorandum item** | | | | | | | | | | |
| Industrial production incl construction (% change) | -2.3 | -7.6 | 3.6 | -0.6 | -1.5[a] | -2.0 | 2.2 | 0.6 | 1.2 | 1.2 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Growth and productivity

Germany | Economy | Charts and tables | Growth and productivity

March 1st 2024

## Growth and productivity

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[a] | 2024[b] | 2025[b] | 2026[b] | 2027[b] | 2028[b] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Growth and productivity (%)** | | | | | | | | | | |
| Labour productivity growth | 0.1 | -3.3 | 2.7 | -0.7 | -1.3 | 0.0 | 0.9 | 1.2 | 1.1 | 1.0 |
| Total factor productivity growth | -0.2 | -4.0 | 2.5 | -0.1 | -1.2 | -0.3 | 0.6 | 0.8 | 0.7 | 0.6 |
| Growth of capital stock | 2.0 | 1.3 | 1.1 | 1.0 | 0.9 | 1.0 | 1.2 | 1.3 | 1.5 | 1.6 |
| Growth of potential GDP | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.4 | 1.3 | 1.4 | 1.4 | 1.3 |
| Growth of real GDP | 1.1[c] | -4.2[c] | 3.1[c] | 1.9[c] | -0.1[c] | 0.3 | 1.4 | 1.5 | 1.4 | 1.3 |
| Growth of real GDP per head | 0.9[c] | -4.2[c] | 3.0[c] | 0.5[c] | -0.5 | 0.1 | 1.3 | 1.4 | 1.4 | 1.4 |

[a] EIU estimates. [b] EIU forecasts. [c] Actual.

# Data summary: Economic structure, income and market size

Germany | Economy | Charts and tables | Economic structure, income and market size

March 1st 2024

## Economic structure, income and market size

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Population, income and market size** | | | | | | | | | | |
| Population (m) | 83.2 | 83.2 | 83.2 | 84.4 | 84.7 | 84.9 | 85.0 | 85.0 | 85.0 | 85.0 |
| GDP (US$ bn at market exchange rates) | 3,897 | 3,877 | 4,271 | 4,079 | 4,459[a] | 4,724 | 5,052 | 5,285 | 5,492 | 5,662 |
| GDP per head (US$ at market exchange rates) | 46,852 | 46,619 | 51,306 | 48,349 | 52,640 | 55,656 | 59,473 | 62,152 | 64,581 | 66,626 |
| Private consumption (US$ bn) | 2,023 | 1,948 | 2,111 | 2,084 | 2,270 | 2,374 | 2,539 | 2,650 | 2,755 | 2,841 |
| Private consumption per head (US$) | 24,319 | 23,423 | 25,355 | 24,699 | 26,804 | 27,978 | 29,893 | 31,158 | 32,399 | 33,432 |
| GDP (US$ bn at PPP) | 4,849 | 4,806 | 5,140 | 5,573 | 5,767 | 5,934 | 6,135 | 6,371 | 6,609 | 6,857 |
| GDP per head (US$ at PPP) | 58,307 | 57,793 | 61,752 | 66,058 | 68,087 | 69,914 | 72,215 | 74,917 | 77,715 | 80,678 |
| GDP (€ bn) | 3,480 | 3,397 | 3,608 | 3,870 | 4,122 | 4,294 | 4,442 | 4,576 | 4,714 | 4,840 |
| Private consumption (€ bn) | 1,806 | 1,707 | 1,783 | 1,977 | 2,097 | 2,159 | 2,233 | 2,294 | 2,365 | 2,428 |
| Personal disposable income (€ bn) | 1,961 | 1,989 | 2,031 | 2,176 | 2,316 | 2,356 | 2,431 | 2,495 | 2,569 | 2,641 |
| Personal disposable income (US$ bn) | 2,195 | 2,270 | 2,404 | 2,293 | 2,507 | 2,591 | 2,765 | 2,882 | 2,993 | 3,090 |
| Growth of real disposable income (%) | 0.8 | 0.9 | -0.8 | 0.4 | -0.6 | -0.5 | 0.9 | 0.8 | 1.0 | 1.1 |
| **Memorandum items** | | | | | | | | | | |
| Share of world population (%) | 1.09 | 1.08 | 1.07 | 1.08 | 1.08 | 1.08 | 1.09 | 1.05 | 1.04 | 1.04 |
| Share of world GDP (% at market exchange rates) | 4.49 | 4.58 | 4.44 | 4.09 | 4.28[a] | 4.30 | 4.31 | 4.24 | 4.18 | 4.11 |
| Share of world GDP (% at PPP) | 3.59 | 3.60 | 3.48 | 3.40 | 3.28 | 3.21 | 3.15 | 3.10 | 3.05 | 2.99 |
| Share of world exports of goods (%) | 7.96 | 7.96 | 7.45 | 6.85 | 7.28 | 7.04 | 7.03 | 7.04 | 7.10 | 7.10 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Fiscal indicators

Germany | Economy | Charts and tables | Fiscal indicators

March 1st 2024

### Fiscal indicators

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal indicators (% of GDP)** | | | | | | | | | | |
| Government expenditure | 44.9 | 50.6 | 51.1 | 49.6 | 49.1 | 48.4 | 48.1 | 47.6 | 47.8 | 47.7 |
| Interest | 0.8 | 0.6 | 0.6 | 0.7 | 2.0 | 2.6 | 2.6 | 2.1 | 1.8 | 1.7 |
| Non-interest | 44.1 | 49.9 | 50.5 | 48.9 | 47.1 | 45.9 | 45.5 | 45.5 | 45.9 | 46.1 |
| Government revenue | 46.4 | 46.2 | 47.5 | 47.1 | 46.9 | 46.9 | 47.2 | 47.2 | 47.2 | 47.3 |
| Budget balance | 1.5 | -4.3 | -3.6 | -2.5 | -2.2 | -1.5 | -0.9 | -0.5 | -0.6 | -0.5 |
| Primary balance | 2.3 | -3.7 | -3.0 | -1.8 | -0.2 | 1.1 | 1.7 | 1.7 | 1.2 | 1.2 |
| Government debt | 59.5 | 68.9 | 69.2 | 66.2 | 65.0 | 64.6 | 63.8 | 62.8 | 62.0 | 61.1 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Monetary indicators

Germany | Economy | Charts and tables | Monetary indicators

March 1st 2024

### Monetary indicators

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[a] | 2024[b] | 2025[b] | 2026[b] | 2027[b] | 2028[b] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Monetary indicators** | | | | | | | | | | |
| Exchange rate US$:€ (av) | 1.12 | 1.14 | 1.18 | 1.05 | 1.08 | 1.10 | 1.14 | 1.16 | 1.17 | 1.17 |
| Exchange rate US$:€ (year-end) | 1.12 | 1.23 | 1.13 | 1.07 | 1.11 | 1.12 | 1.15 | 1.16 | 1.17 | 1.17 |
| Exchange rate ¥:€ (av) | 122.1 | 121.8 | 129.9 | 138.5 | 152.1 | 147.9 | 132.9 | 124.5 | 122.6 | 122.6 |
| Real effective exchange rate (av), CPI-based | 95.5[c] | 96.4[c] | 97.1[c] | 93.6[c] | 96.7[c] | 96.9 | 96.9 | 96.2 | 96.1 | 95.9 |
| Purchasing power parity €:US$ (av) | 0.72 | 0.71 | 0.70 | 0.69 | 0.71 | 0.72 | 0.72 | 0.72 | 0.71 | 0.71 |
| Money supply (M2) growth (%) | 4.6 | 8.4 | 5.6 | 4.9 | -0.8 | 2.2 | 5.5 | 4.9 | 6.8 | 5.2 |
| Domestic credit growth (%) | 9.3 | 7.4 | 2.1 | 21.0 | -2.1 | 1.1 | 3.4 | 4.1 | 5.3 | 3.5 |
| Lending rate (av; %) | 1.4 | 1.1 | 1.1 | 2.4 | 3.7 | 3.9 | 3.8 | 3.5 | 3.2 | 3.0 |
| Deposit rate (av; %) | 0.2 | 0.1 | 0.0 | 0.5 | 2.8 | 3.0 | 2.6 | 2.3 | 2.0 | 1.9 |
| Short-term interest rate (av; | -0.4 | -0.4 | -0.5 | 0.3 | 3.4 | 3.6 | 2.5 | 1.8 | 1.8 | 1.8 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| %) | | | | | | | | | | |
| Long-term interest rate (av; %) | -0.2 | -0.5 | -0.3 | 1.3 | 2.6 | 2.5 | 2.4 | 2.2 | 2.2 | 2.2 |

[a] Actual. [b] EIU forecasts. [c] EIU estimates.

# Data summary: Employment, wages and prices

Germany | Economy | Charts and tables | Employment, wages and prices

March 1st 2024

### Employment, wages and prices

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **The labour market (av)** | | | | | | | | | | |
| Labour force (m) | 42.9 | 42.8 | 42.9 | 43.8 | 44.3 | 44.5 | 44.6 | 44.7 | 44.9 | 45.0 |
| Labour force (% change) | 0.7 | -0.3 | 0.3 | 2.0 | 1.1 | 0.4 | 0.4 | 0.2 | 0.4 | 0.3 |
| Employment (m) | 41.6 | 41.2 | 41.4 | 42.4 | 42.9 | 43.1 | 43.3 | 43.4 | 43.5 | 43.7 |
| Employment (% change) | 1.0 | -1.0 | 0.4 | 2.6 | 1.2 | 0.3 | 0.5 | 0.3 | 0.3 | 0.3 |
| Unemployment (m; national measure) | 1.3 | 1.6 | 1.5 | 1.3 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 |
| Unemployment rate (%; EU/OECD standardised measure) | 3.0 | 3.7 | 3.6 | 3.1 | 3.0[a] | 3.1 | 3.0 | 2.9 | 2.9 | 2.9 |
| **Wage and price inflation (% except labour costs per hour)** | | | | | | | | | | |
| Consumer price inflation (EU harmonised measure) | 1.3 | 0.4 | 3.2 | 8.7 | 6.0[a] | 2.1 | 1.9 | 1.9 | 2.0 | 2.0 |
| Producer prices (av) | 1.3 | -0.8 | 9.7 | 33.3 | -2.0[a] | -0.2 | 1.5 | 1.1 | 1.0 | 0.9 |
| GDP deflator (av) | 2.1 | 1.9 | 3.0 | 5.3 | 6.6 | 3.9 | 2.0 | 1.5 | 1.6 | 1.3 |
| Private consumption deflator (av) | 1.3 | 0.6 | 3.0 | 6.7 | 7.1 | 2.2 | 2.3 | 1.8 | 2.0 | 1.7 |
| Government consumption deflator (av) | 2.4 | 2.3 | 3.1 | 5.1 | 7.0 | 3.1 | 2.9 | 2.9 | 3.0 | 3.0 |
| Fixed investment deflator (av) | 2.7 | 1.5 | 5.2 | 11.0 | 2.1 | -0.5 | -0.5 | -0.5 | -0.5 | -0.5 |
| Hourly wages (whole economy, nominal) | 2.9 | 2.1 | 1.5 | 2.6 | 4.0 | 2.4 | 2.9 | 2.6 | 2.7 | 2.7 |
| Hourly wages (whole economy, real) | 1.6 | 1.8 | -1.6 | -5.5 | -1.9 | 0.3 | 1.0 | 0.7 | 0.7 | 0.7 |
| Unit labour costs (€-based; av) | 3.5 | 4.3 | 0.3 | 3.6 | 6.3 | 2.6 | 3.0 | 2.4 | 2.6 | 2.7 |
| Unit labour costs (% change; US$) | -1.9 | 6.3 | 4.0 | -7.8 | 9.2 | 4.2 | 6.5 | 4.0 | 3.5 | 3.1 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Labour costs per hour (€) | 42.6[b] | 43.5[b] | 44.1[b] | 45.3 | 47.1 | 48.3 | 49.7 | 51.0 | 52.4 | 53.8 |
| Labour costs per hour (US$) | 47.7[b] | 49.6[b] | 52.2[b] | 47.7 | 51.0 | 53.1 | 56.5 | 58.9 | 61.0 | 62.9 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Current account and terms of trade

Germany | Economy | Charts and tables | Current account and terms of trade

March 1st 2024

**Current account and terms of trade**

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Current account (US$ bn)** | | | | | | | | | | |
| Current-account balance | 317.9 | 275.9 | 330.0 | 181.6 | 319.9 | 291.7 | 275.5 | 291.7 | 294.9 | 313.6 |
| Current-account balance (% of GDP) | 8.2 | 7.1 | 7.7 | 4.5 | 7.2 | 6.2 | 5.5 | 5.5 | 5.4 | 5.5 |
| Goods: exports fob | 1,466.5 | 1,359.8 | 1,614.1 | 1,652.0 | 1,665.3 | 1,661.2 | 1,765.8 | 1,866.4 | 1,970.1 | 2,066.8 |
| Goods: imports fob | -1,220.6 | -1,140.5 | -1,383.5 | -1,524.3 | -1,410.5 | -1,411.7 | -1,535.5 | -1,615.5 | -1,723.8 | -1,829.8 |
| Trade balance | 245.9 | 219.2 | 230.6 | 127.7 | 254.8 | 249.5 | 230.3 | 250.8 | 246.3 | 237.0 |
| Services: credit | 366.6 | 332.1 | 407.2 | 428.7 | 427.5 | 462.3 | 504.0 | 544.2 | 587.5 | 633.8 |
| Services: debit | -381.7 | -323.5 | -401.2 | -460.0 | -488.9 | -518.0 | -557.3 | -596.1 | -633.2 | -670.4 |
| Services balance | -15.1 | 8.6 | 6.0 | -31.3 | -61.4 | -55.7 | -53.3 | -52.0 | -45.7 | -36.6 |
| Primary income: credit | 281.3 | 231.7 | 302.0 | 310.5 | 391.5 | 372.1 | 381.5 | 385.3 | 402.9 | 432.6 |
| Primary income: debit | -137.3 | -121.4 | -138.9 | -152.9 | -212.1 | -226.7 | -232.1 | -248.6 | -273.7 | -294.5 |
| Primary income balance | 144.0 | 110.3 | 163.1 | 157.6 | 179.4 | 145.5 | 149.4 | 136.6 | 129.1 | 138.1 |
| Secondary income: credit | 90.1 | 96.1 | 116.6 | 105.2 | 125.4 | 132.9 | 142.1 | 148.7 | 165.2 | 181.4 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Secondary income: debit | -146.9 | -158.3 | -186.3 | -177.7 | -178.3 | -180.5 | -193.1 | -192.5 | -200.0 | -206.3 |
| Secondary income balance | -56.8 | -62.2 | -69.7 | -72.5 | -52.9 | -47.6 | -50.9 | -43.8 | -34.8 | -24.9 |
| **Terms of trade** | | | | | | | | | | |
| Export price index (US$-based; 2010=100) | 91.0 | 92.1 | 100.9 | 103.0 | 105.3 | 106.0 | 110.8 | 113.2 | 115.1 | 117.2 |
| Export prices (% change) | -4.8 | 1.2 | 9.5 | 2.1 | 2.3 | 0.7 | 4.5 | 2.1 | 1.8 | 1.8 |
| Import price index (US$-based; 2010=100) | 86.9 | 84.7 | 99.7 | 112.1 | 102.9 | 100.6 | 104.9 | 107.5 | 110.6 | 113.2 |
| Import prices (% change) | -6.1 | -2.5 | 17.6 | 12.4 | -8.1 | -2.3 | 4.3 | 2.5 | 2.9 | 2.4 |
| Terms of trade (2010=100) | 104.7 | 108.7 | 101.2 | 91.9 | 102.3 | 105.4 | 105.6 | 105.3 | 104.1 | 103.5 |
| **Memorandum item** | | | | | | | | | | |
| Export market growth (%) | 1.6 | -5.2 | 9.8 | 6.1 | 0.1 | 1.7 | 3.1 | 3.4 | 3.3 | 3.1 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Data summary: Foreign direct investment

Germany | Economy | Charts and tables | Foreign direct investment

March 1st 2024

### Foreign direct investment

| | 2019[a] | 2020[a] | 2021[a] | 2022[a] | 2023[b] | 2024[c] | 2025[c] | 2026[c] | 2027[c] | 2028[c] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Foreign direct investment (US$ bn)** | | | | | | | | | | |
| Inward FDI flows | 74.0 | 160.8 | 95.9 | 47.4 | 25.3 | 41.8 | 74.8 | 89.8 | 87.6 | 93.7 |
| Inward FDI flows (% of GDP) | 1.9 | 4.1 | 2.2 | 1.2 | 0.6 | 0.9 | 1.5 | 1.7 | 1.6 | 1.7 |
| Inward FDI flows (% of gross fixed investment) | 8.9 | 19.3 | 10.6 | 5.3 | 2.7 | 4.3 | 7.3 | 8.5 | 8.0 | 8.4 |
| Outward FDI flows | -172.8 | -154.9 | -214.7 | -178.9 | -131.4 | -163.2 | -174.5 | -185.1 | -196.4 | -203.4 |
| Net FDI flows | -98.8 | 5.9 | -118.8 | -131.5 | -106.1 | -121.4 | -99.7 | -95.3 | -108.8 | -109.7 |
| Stock of inward FDI flows | 1,808.6 | 2,161.7 | 2,088.4 | 2,019.1 | 2,044.4 | 2,086.2 | 2,161.0 | 2,250.8 | 2,338.4 | 2,432.1 |
| Stock of inward FDI flows per head (US$) | 21,747 | 25,996 | 25,090 | 23,935 | 24,137 | 24,581 | 25,437 | 26,468 | 27,498 | 28,618 |
| Stock of inward FDI flows (% of GDP) | 46.4 | 55.8 | 48.9 | 49.5 | 45.9 | 44.2 | 42.8 | 42.6 | 42.6 | 43.0 |
| **Memorandum items** | | | | | | | | | | |
| Share of world inward FDI flows (%) | 6.01 | 13.18 | 7.11 | 3.20 | 1.60 | 2.53 | 4.37 | 5.04 | 4.70 | 4.82 |
| Share of world inward FDI stock (%) | 5.29 | 6.38 | 5.58 | 4.91 | 4.66 | 4.56 | 4.55 | 4.54 | 4.52 | 4.51 |

[a] Actual. [b] EIU estimates. [c] EIU forecasts.

# Political structure

Germany | Summary | Political structure

March 1st 2024

## Official name

Bundesrepublik Deutschland (Federal Republic of Germany)

## Legal system

Based on the Grundgesetz (Basic Law) of 1949

## Unification

The states (Länder) of the former German Democratic Republic (East Germany) acceded to the Federal Republic on October 3rd 1990

## National legislature

Bicameral parliament. The Bundestag (the lower house), currently with 709 members (299 directly elected from individual constituencies, the others elected through party lists in each state, so as to obtain proportional representation). Parties must win at least 5% of the national vote, or three constituency seats, to gain representation. The Bundesrat (the upper house) comprises members nominated by 16 state governments; there is currently a centre-left majority

## National elections

Most recent elections: September 2021 (federal); February 2022 (presidential). Next elections: 2025 (federal); 2027 (presidential)

## Head of state

Federal president, elected for a maximum of two five-year terms by the Federal Assembly, consisting of members of the Bundestag and representatives of the state legislatures. Largely a ceremonial role. Frank-Walter Steinmeier (SPD) was re-elected on February 13th 2022

## State legislature

Each state has an elected legislature. State governments and parliaments have considerable responsibilities, including education and policing

## National government

The federal government is led by the chancellor, who is elected by the Bundestag on the nomination of the federal president. Olaf Scholz of the centre-left Social Democratic Party (SPD) took office as chancellor on December 8th 2021, after a coalition agreement was reached with the Free Democratic Party (FDP) and The Greens

## Main political parties

Social Democratic Party (SPD); The Greens; Free Democratic Party (FDP); Christian Democratic Union (CDU) and its Bavarian sister party, Christian Social Union (CSU); Alternative for Germany (AfD); Left Party; Sahra Wagenknecht Alliance

### Key ministers

Chancellor: Olaf Scholz (SPD)

Vice-chancellor; economic affairs & climate: Robert Habeck (Greens)

Defence: Boris Pistorius (SPD)

Economic co-operation & development: Svenja Schulze (SPD)

Education & research: Bettina Stark-Watzinger (FDP)

Environment, nature conservation & nuclear safety: Steffi Lemke (Greens)

Family affairs, senior citizens, women & youth: Anne Spiegel (Greens)

Finance: Christian Lindner (FDP)

Food & agriculture: Cem Özdemir (Greens)

Foreign affairs: Annalena Baerbock (Greens)

Health: Karl Lauterbach (SPD)

Interior: Nancy Faeser (SPD)

Justice: Marco Buschmann (FDP)

Labour & social affairs: Hubertus Heil (SPD)

Special tasks: Wolfgang Schmidt (SPD)

Transport & digital infrastructure: Volker Wissing (FDP)

### Central bank president

Joachim Nagel

## Basic data

Germany | Summary | Basic data

March 1st 2024

### Land area

356,970 sq km, of which 55% is agricultural land and 29% forest

### Population

84.7m (2023; Federal Statistical Office)

## Main cities

Population in ’000 (2022)

Berlin (capital): 3,755

Hamburg: 1,892

Munich (München): 1,512

Cologne (Köln): 1,084

Frankfurt am Main: 773

Stuttgart: 632

## Climate

Temperate

## Weather in Frankfurt (altitude 125 metres)

Hottest month, July, 15-20°C (average daily minimum and maximum); coldest month, January, -1°C to 3°C; driest month, February, 40 mm (average monthly rainfall); wettest month, June, 70 mm

## Language

German

## Weights and measures

Metric system

## Currency

Euro (€ = 100 cents)

## Time

One hour ahead of GMT in winter (two hours ahead in summer)

## Fiscal year

January-December

## Public holidays

January 1st (New Year's Day), March 29th (Good Friday), April 1st (Easter Monday), May 1st (Labour Day), May 9th (Ascension Day), May 20th (Whit Monday), October 3rd (Reunification Day), December 25th-26th (Christmas); additional public holidays apply for various states

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