



## GERMANY

### What's happening in this economy

Germany is a significant global economic power. It is the **world's fourth largest economy**—and the largest economy in the Eurozone—with GDP of USD 4.0 trillion in 2018.

Having experienced the longest period of uninterrupted growth since reunification, the German economy has slowed in response to a weak external environment due to Brexit uncertainty and ongoing global trade tensions. After reaching 2.2 per cent in 2017, growth slowed to 1.4 per cent in 2018 and has since slowed further. The official forecast of 0.5 per cent growth in 2019 is anticipated to be downgraded further as manufacturing orders slow. A strong labour market however continues to counterbalance external headwinds.

Economic analysts highlight downside **risks** to the German economy from factors such as an ageing population, lack of digitalisation in parts of the economy, and skills shortages in the labour market. External risks continue to include political developments in other Eurozone economies (such as Italy), a possible slow-down in key economies (such as China), the impact of US–China trade tensions, ongoing uncertainty about Brexit, and rising trade protectionism globally.

Germany is one of the world's leading **manufacturing** production economies and the **third largest exporter**, with exports accounting for more than a third of the country's GDP. Motor vehicles, trailers and trucks continue to be Germany's most important export goods, followed by machinery and chemicals. Germany is also the third largest exporter of agriproducts globally.

Germany was ranked first for its **innovation capability** – and seventh overall – in the World Economic Forum Competitiveness Index 2019. Germany has a highly developed innovation landscape of universities, non-university institutes and research clusters. Germany spent almost EUR 100 billion in research and development in 2017 (EUR 69 billion by the industry sector, EUR 19 billion by higher education institutions, and more than EUR 13 billion by state and private institutions).

A key challenge for Germany is supporting the **digitalisation** of its economy, in particular the manufacturing sector – the backbone of Germany's economic competitiveness and the 'Made in Germany' brand. German 'Mittelstand' companies (SMEs) make up 99.6 per cent of the German economy, account for more than half the country's economic output and almost 60 per cent of all jobs, and are often recognised global market leaders. The German government has introduced a wide range of incentives and programs to support Germany's transition to 'Industrie 4.0', in particular for the manufacturing sector as well as for start-ups, individuals and schools.

#### Key facts and figures

- Population: 82.9 million
- GDP growth: 1.4%
- GDP per capita: USD 48,264
- Political system: federal parliamentary democracy
- Two-way trade: AUD 23.3 b
- Key goods exports (AUD m):  
Oil-seeds: 490  
Gold coins: 469  
Precious metal ores: 251  
Coal: 203
- Key goods imports (AUD m):  
**Passenger** motor vehicles: 2.4  
Medicaments: 1.1  
Pharmaceuticals: 614  
Goods vehicles: 607
- Key services exports (AUD m):  
Personal travel: 826  
Professional tech and business: 306
- Key services imports (AUD m):  
Transport: 1.8  
Personal travel: 691
- Two-way investment (AUD m): 126.4



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Addressing Germany's significant infrastructure gaps will continue to be a significant focus, with planned additional infrastructure investments in the areas of science, research and digitalisation (EUR 6 billion), social and family welfare (EUR 12 billion), housing (EUR 4 billion) and transport and regional infrastructure (EUR 12 billion). Investment in a modernised broadband network (EUR 4 billion) for greater connectivity is also seen as critical to maintaining German industry's global competitiveness. A comprehensive EU-Australia FTA would significantly enhance economic and commercial opportunities for businesses in Australia and Germany, including for our agribusiness and services sectors.

## Trade, investment, and commercial opportunities and activities

- Germany is Australia's 11th largest trading partner, with two-way goods and services trade reaching AUD 23.3 billion in 2018:
  - opportunities for Australian businesses include health and med tech, education and training, smart cities, agritech, renewable energy and storage, advanced manufacturing, technology and services.
- The Australian Landing Pad in Europe, based in Berlin, provides opportunities for Australian start-ups and scale-ups:
  - companies can capitalise on Germany's well-established ecosystem of early stage investors, accelerators, entrepreneurs, co-working spaces and major European corporates.
- Germany's digitalisation and infrastructure needs present a market opportunity for Australian companies, including Australian pension funds investing in infrastructure:
  - public policy opposition to privatisation and public-private partnerships could limit these opportunities.
- Germany is a key country for the Defence Export Strategy:
  - there are opportunities to leverage Australian expertise, solutions and technologies
  - this includes new German investor interest in Australia connected with the SEA1180 and LAND400 contracts, won respectively by German companies Luerssen and Rheinmetall.
- Germany is the 10th largest source of foreign direct investment (FDI) in Australia, valued at \$20.3 billion in 2018. It is the 11th largest source of total investment (FDI + portfolio investment). Total investment was valued at \$49.0 billion in 2018.
- German investment in Australia is broad and covers:
  - infrastructure and urban development (including future transport, mobility and smart cities)
  - advanced manufacturing/Industry 4.0
  - digital technologies
  - defence
  - medical technologies and digital health
  - agribusiness and food, and
  - education, energy and resources (including renewable energy and energy storage, hydrogen, and critical minerals).



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- Keeping Australia on the radar of German corporates investing in R&D is a priority given Germany's strong patent and IP investment rankings. Significant German companies operating in Australia include Siemens, Bosch, SAP and Allianz.
- Total investment by Australia in the German market stands at AUD 77.3 billion, making it Australia's sixth largest investment destination. Significant Australian businesses in Germany include:
  - Sonic Healthcare (pathology)
  - CSL Behring (biotechnology), and
  - Cochlear (hearing solutions).
- Initiatives in the German market over the next year include:
  - ongoing business outreach focused on EU–Australia FTA advocacy and priority investment sectors
  - regular bootcamps (short managed thematic market engagement missions) for Australian scale-ups hosted by the Europe Landing Pad in Berlin
  - International Green Week and the Global Forum for Food and Agriculture (17 to 26 January 2020). This is an opportunity to present Australia's high-quality agriproducts to international participants, and to underscore the opportunities of a comprehensive EU-Australia FTA
  - Hannover Messe, the world's largest industrial technology trade fair from 20 to 24 April 2020, which attracts a growing Australian presence, including from business and state and federal governments
  - the Team Australia Innovation Dinner in Munich, including the Australian delegation to Hannover Messe (23 April 2020)
  - the Australian delegation to the Innotrans Transport Fair from 22 to 25 September 2020, and
  - regular events hosted by the German–Australian Business Council.

## Trade policy and negotiations

Germany is a strong advocate for open markets and the international rules-based trading system. It is a significant and highly influential member state in setting EU trade policy, including in relation to FTAs. Germany supports an FTA with Australia at the highest level and is an important and active advocate in Brussels for a comprehensive and ambitious FTA.

Australia works constructively with Germany on trade and economic policy issues arising in multilateral forums, including the WTO, G20 and OECD.

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