

GERMANY

Business Conditions Snapshot

- 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 US\$3.9 trillion in 2018.
- Before the COVID-19 pandemic, Germany had been experiencing the longest period of uninterrupted growth since reunification in 1990, with strong domestic factors balancing weaker external demand.
- Impacts of COVID-19, such as restrictive measures associated with Germany's pandemic response— together with disruptions to global trade—have impacted hard on the country's export-focused economy. The government now expects a contraction of 5.5 per cent in 2020, followed by a 4.4 per cent expansion in 2021.
- The German government's economic response to COVID-19 includes more than €1 trillion worth of loan guarantees, stimulus, corporate stabilisation and welfare support. The 'Kurzarbeit' scheme for compensating workers for reduced hours has played a critical role in shoring the labour market and stabilising household incomes.
- The government's €130 billion post-COVID stimulus package includes significant measures to support Germany's ongoing energy transition. About €50 billion has been allocated for investment in sustainable transport, including incentives for new electric cars and investment in new charging stations. Implementation of Germany's national hydrogen strategy is being supported by a €9 billion allocation, including €7 billion for leveraging new investments in hydrogen technology domestically and €2 billion to establish international hydrogen partnerships, including potentially with Australia.
- 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.
- A key objective for German industry and government is the ongoing digitalisation of the economy, particularly as the country responds to COVID-19 and builds its

Key facts and figures

- Population: 82.9 million (2018)
- GDP growth: 0.5 %
- GDP per capita: US\$46,564.0
- Political system: Federal parliamentary democracy
- Two-way trade (2019): A\$23.3 billion
- Key goods exports (A\$m):
 - Pharmaceuticals, 644.1
 - Gold coins, 567.1
 - Oil seeds, 324.6
- Key goods imports (A\$m):
 - Passenger motor vehicles, 2.6b
 - Medicaments, 1.1b
 - Goods vehicles, 678.0
 - Pharmaceuticals, 638.8
- Key services exports (A\$m):
 - Personal travel, 684
 - Other business services, 213
- Key services imports (A\$m):
 - Personal travel, 1.4b
 - Transport services, 353
- Two-way investment (2019): A\$146 billion



pandemic resilience. A particular focus of this transition is advanced manufacturing – the backbone of Germany’s economy and the ‘Made in Germany’ brand. The ongoing development of ‘Industry 4.0’ production methods is an important focus for German ‘Mittelstand’ companies (SMEs), which comprise 99.6 per cent of German companies, account for more than half of the country’s economic output, and almost 60 per cent of all jobs. To remain at the forefront of manufacturing competitiveness, the German government has introduced a range of incentives and programs to support the digital transition, including to assist schools and tertiary institutions to develop the necessary skills for the jobs of the future.

- Germany was ranked first for its innovation capability—and seventh overall—in the 2019 World Economic Forum Competitiveness Index. Germany has a highly developed innovation landscape of universities, non-university institutes and research clusters, and spent almost €105 billion in research and development in 2018 (€72 billion by the industry sector, €19 billion by higher education institutions, and more than €14 billion by state and private institutions).
- Addressing Germany’s significant infrastructure gaps is a government focus, with planned additional infrastructure investments in the areas of science, research and digitalisation (€6 billion), social and family welfare (€12 billion), housing (€4 billion) and transport and regional infrastructure (€12 billion). Investment in a modernised broadband network (€4 billion) for greater connectivity is also seen as critical to maintaining German industry’s global competitiveness.

Trade and Investment Opportunities

- Germany is Australia’s 11th largest trading partner, with two-way goods and services trade reaching A\$23.3 billion in 2019.
 - Opportunities for Australian businesses in Germany include health and med tech, smart cities, agritech, renewable energy and storage, advanced manufacturing, technology and services.
- German investment in Australia is broad.
 - It covers infrastructure and urban development (including future transport, mobility and smart cities), as well as advanced manufacturing/Industry 4.0, digital technologies, financial services, defence, medical technologies and digital health, agribusiness and food, education, and energy and resources, including renewable energy and energy storage, hydrogen, and critical minerals.
- Germany is the 13th largest source of foreign investment in Australia, with the total stock of investment reaching A\$49 billion in 2019.
 - 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.





- Despite its relative size, Australian investment in Germany substantially outweighs inward investment.
- Australian investment in Germany reached A\$97 billion in 2019, making Germany our fifth largest investment destination. This is driven largely by Australian investment banks and portfolio interests in energy and infrastructure projects.
- Other significant Australian business interests in Germany include Sonic Healthcare (pathology), CSL Behring (biotechnology) and Cochlear (hearing solutions).
- Germany's healthcare sector is strong, and there is continued interest in Australian life sciences and medtech providers for both trade and investment partnerships.
- Despite COVID, the transport sector continues to show signs of progress, particularly in future transport areas such as autonomous and connected driving technologies, carbon fibre component manufacturing, mobility as a service, and battery supply chains.
- Germany offers both trade and investment opportunities in food production and processing.
 - Australia has valued expertise for the German sector, and there is an opportunity to integrate Germany's advanced manufacturing approaches into Australia's agtech sector.
- Australia's geographical location is recognised and sought after by German space corporates, particularly those operating downstream. Many are seeking to collaborate with Australian space companies.
- Although Germany is a leader in advanced manufacturing, digitalisation of business processes is still ongoing, and has been accelerated by COVID-19.
 - Cyber security, enterprise technology (AI/data analytics, cloud/SaaS, GPS/imaging and geospatial) and immersive technology (AR/VR/MR, gaming) are all growth areas.
- Germany's infrastructure needs present a market opportunity for Australian companies, including for Australian pension funds investing in infrastructure. Public policy opposition to privatisation and public-private partnerships however could limit these opportunities.
- Germany's energy transition will offer significant opportunities for Australian energy and resources enterprises. Hydrogen is expected to play a major role in Germany's efforts to decarbonise, and a [joint feasibility study](#) into a future supply chain for hydrogen from renewable sources will investigate synergies between our respective hydrogen strategies.
 - Germany's leadership on future oriented technologies in renewable energy, circular economy and waste-to-energy and electric mobility also has significant potential for Australia's critical minerals sector.



MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- There is a possibility of supply chain inputs and research cooperation with Germany's leading industrial enterprises.
- Germany is a partner for the Australian Government's defence export strategy and there is an opportunity to leverage Australian expertise, solutions and technologies.
 - This includes new German investor interest in Australia from the SEA1180 and LAND400 contracts won respectively by German companies Luerssen and Rheinmetall.
- Many of Germany's big-ticket trade fairs and commercial events for 2020 were either cancelled or postponed due to COVID-19. Organisers are now planning to host events digitally or physically in 2021.
 - Ongoing business outreach will focus on EU–Australia FTA advocacy and priority investment sectors.
 - International Green Week and the Global Forum for Food and Agriculture (21 to 22 January 2021) is an opportunity to present Australia's high-quality agriproducts and sustainable farming practices to international participants. It also underscores the opportunities of a comprehensive EU–Australia FTA. The fair will be held digitally in 2021, and will include Australian ministerial participation.
 - Hannover Messe, the world's most important international platform for industrial transformation (Industry 4.0), is expected to convene physically from 12 to 16 April 2021. The event has attracted a growing Australian presence—including business and state and federal governments—and is a key opportunity for Australia to position itself as a globally competitive and innovative manufacturing partner.
 - It also allows Australian companies and industry leaders to learn about international markets, promote their solutions, seek commercial relationships on a global scale, and discover new technological advances and business models.
 - Austrade will support Australian engagement with leading European advanced manufacturers as well as the 2021 partner country, Indonesia.
- A virtual platform will be offered if travel is not possible, including Artificial Intelligence Bootcamp through Austrade's Australian Landing Pad program for Australian start-ups and scale-ups with technology and solutions specialising in AI (planned for March and April 2021).
- Regular events will also be hosted by the German–Australian Business Council and the German–Australian Chamber of Industry and Commerce.

Trade policy focus

- Germany is a prominent advocate for open markets and the international rules-based trading system, and has spoken strongly in favour of continued openness.



Australian Government

Department of Foreign Affairs and Trade

MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- A comprehensive and ambitious EU-Australia FTA would significantly enhance economic and commercial opportunities for businesses in Australia and Germany, including for our agribusiness and services sectors.
- Germany is a significant and highly influential Member State in setting EU trade policy, including in relation to FTAs. Senior government figures, including Chancellor Merkel, frequently support the FTA in their public statements.
- Australia works constructively with Germany on trade and economic policy issues arising in multilateral forums, including the WTO, G20 and the OECD.

Disclaimer

The Department of Foreign Affairs and Trade (DFAT) has taken great care to ensure the information contained in this publication is correct and accurate.

DFAT does not guarantee, and accepts no legal liability arising from or connected to the accuracy, reliability, currency or completeness of any material contained in this publication.

Readers should exercise their own skill and care in using the material contained in this publication and carefully evaluate the accuracy, currency, completeness and relevance of the material for their purposes.

This Insights is current as at December 2020.



Australian Government

Department of Foreign Affairs and Trade