

Germany

An overview of the economy and of the business environment



Germany is hosting the UEFA Men's Football European Championship, or EURO 2024, which started on June 14th and will end on July 14th. Around 3 million team supporters are expected to visit the 10 German cities hosting the event. The cities hosting the sports events are Munich, Dortmund, Düsseldorf, Frankfurt, Gelsenkirchen, Hamburg, Leipzig, Stuttgart, Cologne, and Berlin. This is also an opportunity for Germany, as a hospitable travel destination, to revive its tourism.



Countries usually aspire to host such events both for enhancing their national image and for the economic benefits they typically bring. Despite this, given the current situation in Europe and observing the economy effects of the World Cup in 2006, experts say that the positive impacts might be limited and insufficient to significantly stimulate economic growth of the country.

They say that EUROS might yield a positive psychological boost and indirect economic benefits for Germany especially for the hotels and the catering sector, however, these effects are unlikely to significantly impact the overall economy and will be probably temporary and limited to specific cities.

Looking at the current situation of the German economy overall, after a recession in 2023, Germany's economy is expected to stagnate in 2024. Domestic demand should slowly pick up in 2024 and 2025 as real wages grow again. However, investment will likely remain well below pre-pandemic levels due to high financing costs. Exports are expected to stay sluggish in 2024 and recover slowly in 2025. GDP growth is anticipated to rise moderately in 2025, driven by domestic demand. Fiscal consolidation will continue, with the government deficit and debt-to-GDP ratio gradually decreasing as energy support measures are phased out.



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Nevertheless, with a gross domestic product (GDP) of 4.121 billion euros in 2023, Germany ranks as the third-largest economy in the world, following the United States and China, and it is the largest economy in Europe. Germany is also the third-largest exporting nation globally, thanks to its significant exports of motor vehicles, parts, and chemical products. The service sector is the biggest contributor to Germany's GDP, making up 70% of the total.

Overall, the German economy relies heavily on a dense network of small and medium-sized enterprises (SMEs). According to Destatis, SMEs employ about 56% of the workforce, with micro-enterprises accounting for 18%, small enterprises 21%, and medium-sized enterprises 17%. Many of these SMEs are highly internationalized, contributing significantly to the economy.



If we take a look at individual sectors, we observe that the agriculture industry is relatively small, contributing only 0.9% to the GDP and employing 1% of the workforce, according to the latest data from the World Bank. To support a population of over 200 million farm animals, about half of Germany's agricultural land is used for grasslands and feed crops. The main agricultural products for human consumption include animal products, bread cereals, potatoes, sugar beets, oilseeds, fruits, and vegetables. Additionally, some grasslands and crops are used for bioenergy and bioresource production.



Germany has around 262,776 farms, with most being family-run sole proprietorships, as reported by the national statistical office, Destatis. Organic farming is on the rise, with 26,133 organic farms recorded. The total agricultural area is 16.6 million hectares, with an average farm size of 63.2 hectares. Between 2007 and 2022, Germany's agricultural output grew by 9.1%, and in 2022, the country contributed almost 14.2% of the EU's total agricultural output value, reaching EUR 76.2 billion, largely driven by rising prices (EU Commission, Eurostat).

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The industrial sector makes up about 26.9% of Germany's GDP and employs 28% of the workforce, making it the most industrialized country in Europe with a diversified economy. The automotive industry is the largest, but Germany also excels in mechanical engineering, electronics, and chemical products. Manufacturing alone accounts for 18% of GDP. Industrial activity is concentrated in Baden-Württemberg and North Rhine-Westphalia, home to over half of Germany's 1,600 global market-leading manufacturing companies. Data from BDI shows a 1% decline in industrial production in the first nine months of 2023 compared to the previous year. While vehicle production and other transport equipment saw significant growth, energy-intensive industries like chemicals, paper, glass, and ceramics experienced notable declines.



Four sectors dominate German industry: automotive, mechanical engineering, chemical, and electrical.

Mechanical engineering is Germany's largest industry, employing 1.1 million people. Germany's economic strength is bolstered by the innovation and resilience of its industrial sector, alongside its SMEs.

Foremost among these industries is Germany's automotive sector, a hallmark of the "Made in Germany" brand, employing around 800,000 people. The six leading brands—Volkswagen, BMW, Mercedes-Benz, Opel (Stellantis), and VW-owned Audi and Porsche—position the German car industry as a pioneer in the shift towards sustainable mobility.

To maintain their competitive edge, German businesses are investing billions in research and development (R&D). Key trends in the automotive sector include electrical propulsion, digital networking, and assisted or autonomous driving. Notably, about two-thirds of vehicles produced by German manufacturers are assembled in factories abroad.



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The chemicals and mechanical engineering sectors have also been longstanding pillars of the German economy. Founded in 1865 and headquartered in Ludwigshafen, BASF employs around 118,000 people across 366 production facilities in over 90 countries, making it one of the world's largest chemical companies. Similarly, Germany's leading plant and mechanical engineering firms excel globally, especially in electronics and electrical engineering. Siemens, with operations in over 200 countries, is a global leader providing innovative solutions across a range of sectors, from transportation to renewable energy it is primarily composed of small and medium-sized enterprises (SMEs).



Germany's main economic hubs are its large metropolitan regions, such as the Ruhr area. The Munich and Stuttgart metropolitan areas are renowned for high-tech and automotive manufacturing. The Rhine-Neckar region is a center for the chemicals and IT industries, while Frankfurt am Main serves as the financial hub. Nuremberg is a leading center for both industry and service sectors, and Cologne and Hamburg are notable for their ports, aviation, and media industries. High-performance high-tech centers have also emerged in former East Germany, particularly in the "lighthouse regions" of Dresden, Jena, Leipzig, Leuna, and Berlin-Brandenburg.

The service sector is the largest in Germany, employing 71% of the workforce and contributing 62.7% to GDP. Growth in recent years has been driven by business-related services and new technologies, along with the significant role of the accommodation and food services sector, which generated EUR 104 billion in turnover (Destatis). Germany's banking system has three main pillars: private commercial banks, public-sector banks, and cooperative banks, with private banks holding the largest share of assets (European Banking Federation).



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The service industries play a crucial role in Germany's economy. Approximately 80% of businesses operate in this sector, generating nearly 70% of the country's GDP. They also provide three-quarters of all jobs, employing around 30 million people.

Germany is also one of the world's leading exporters and importers, in 2023, it ranked third among countries with the highest levels of exports and imports.

Top export destinations of commodities from Germany in 2023 included the USA, France, the Netherlands, China, Poland, Italy, the United Kingdom, Austria, Switzerland, and Belgium, while most exported commodities included vehicles other than railway or tramway rolling stock and parts and accessories thereof, nuclear reactors, boilers, machinery and mechanical appliances, electrical machinery and equipment, sound recorders and reproducers, television image and sound recorders and reproducers, pharmaceutical products, optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments, plastics and articles thereof, mineral fuels, mineral oils and products of their distillation, bituminous substances and mineral waxes, miscellaneous chemical products, articles of iron or steel.



Regarding import, the top trading partners (import sources) of Germany in 2023 were China, the Netherlands, the USA, Poland, Italy, France, the Czech Republic, Switzerland, Austria, and Belgium. Imports to Germany in 2023 included the following main commodity groups: Electrical machinery and equipment, sound recorders and reproducers, television image and sound recorders and reproducers, nuclear reactors, boilers, machinery and mechanical appliances, vehicles other than railway or tramway rolling stock and parts and accessories thereof, mineral fuels, mineral oils and products of their distillation, bituminous substances and mineral waxes, pharmaceutical products, plastics, optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus, organic chemicals, iron and steel, and articles of iron or steel.

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Despite the difficulties and problems affecting the economies of most countries globally due to the pandemic and current political situations, Germany remains one of the main global economic engines and offers endless business opportunities for companies worldwide.



At the same time, in today's fast-changing economic environment, building secure and successful business relationships depends on reliable local expertise in business information. SkyMinder is here to support you by collaborating with top local business information providers, offering in-depth insights on all German companies. By utilizing the extensive knowledge and expertise of CRIF GmbH, SkyMinder delivers the most detailed and current full reports on any company registered in Germany.

All SkyMinder Full Reports on Germany include the following information (if available at local sources):

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- Directors and company structure: board of directors, shareholders and related companies
- Financials: balance sheet and profit and loss (if companies are obliged to disclose).
- Credit rating and suggested credit limit
- Payment information
- Number of employees
- Activity details: sector and industry of the company, when possible also information on import and export activities.
- Negative information on the company

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In addition to the Full Report including all complete details on German companies, it is possible to keep them monitored thanks to the Full Monitoring service: every time a change affects a company, a detailed notification is generated, with all the specifics about the type of variation and the area interested. In addition, a new overview of the company, including changes, will be available on the platform.



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- Cyber Risk Report: thanks to the test performed to a company website and related domains and emails, you can understand in advance if a partner or potential partner is vulnerable to a cyber-attack.

Thanks to SkyMinder and its local partner CRIF GmbH, you can access the most comprehensive information on all German companies, allowing you to establish or maintain secure and profitable business relationships with any German company.

Sources: <https://economy-finance.ec.europa.eu/>; <https://kpmg.com/>; <https://www.deutschland.de/>;
<https://www.destatis.de/>