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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Germany is the top economic power in Europe and the fourth globally. Nevertheless, the country was severely affected by the consequences of the Russia-Ukraine conflict: prior to the invasion, Germany was highly dependent on Russian gas, oil and coal, with around one-third of its primary energy supply coming from Russia. After growing 1.8% in 2022, Germany's GDP contracted by an estimated 0.5% in 2023 (IMF, -0.3% as per the EU Commission figures) as industrial production extended its downturn in Q3, following a sluggish first half of the year. Furthermore, elevated inflation eroded purchasing power, adversely affecting private consumption, while export volumes contracted as economic conditions weakened in Germany's primary trading partners. The country anticipates a modest recovery in 2024: the resurgence is expected to be fueled by increased growth in the domestic consumer services sector, while the manufacturing sector's outlook hinges on foreign demand. Despite persistent supply chain challenges, their impact has notably diminished in 2023 and is projected to have only a limited effect on production in 2024. Furthermore, Germany is not foreseen to encounter an energy crisis during the winter of 2023-2024, in contrast to the preceding year. Overall, the IMF forecasts growth at 0.9% this year and 2% in 2025. In terms of demand, the revival is expected to stem from personal consumption, constituting 52% of GDP (Coface), as a result of the wage increase determined by the collective bargaining agreements reached in early 2023.

The unprecedented measures taken to fight the pandemic and stabilise the economy, followed by several energy support packages, drove an increase in Germany's budget deficit in recent years. The IMF estimated the federal government deficit at 2.4% of GDP in 2023 (from 2.1% one year earlier). In 2024, the government deficit is anticipated to decrease to 1.1% of GDP (1.6% as per the EU Commission). Besides the discontinuation of energy-related measures, fiscal consolidation will be aided by robust growth in government revenue. However, several tax initiatives, including addressing 'tax bracket creep', boosting child allowances, and supporting companies for growth, will negatively impact government revenue. The 2025 projection foresees a further reduction in the government deficit to 0.6% of GDP (IMF). Nevertheless, the Supreme Court's November decision regarding the Climate and Transformation Fund (KTF) could potentially impact the utilization of other special funds, which might necessitate additional financing for their spending plans through increased revenues and cuts in other areas, potentially resulting in further fiscal tightening. The national debt brake was reinstated in 2023 after suspension during 2020-2022 (when the debt-to-GDP ratio stood at 66.1%), with the ratio decreasing to 65.9%. Overall, government debt is expected to gradually decrease over the forecast horizon, to around 59.9% by 2026 (IMF). After peaking in 2022, annual inflation decelerated steadily over the past year, with an overall level estimated at 6.3% by the IMF. The reduction was primarily influenced by the fall in wholesale energy prices and the implementation of energy measures. Looking ahead, the slowdown in inflation is expected to persist, though at a slower pace, reaching 3.5% in 2024 and 2.2% the following year. Temporary support for inflation, particularly in the services sector, is anticipated due to ongoing wage growth. Concurrently, the role of energy price growth should play a relatively minor role. Decreasing inflation and rising wages should support real incomes and private consumption over the forecast horizon.

Unemployment was estimated at 3.3% in 2023 (IMF), up from 3.1% one year earlier, with wage growth averaging 6.1% on an annual basis in the first semester. The IMF forecasts unemployment to remain at its current level in 2024, before easing to 3.1% in 2025. To tackle shortages in skilled labor, the OECD recommends enhancing work incentives for women, older individuals, and those with lower incomes, which could be achieved through improving training and adult learning programs and simplifying the recognition of qualifications for migrants and refugees. With a GDP per capita (PPP) of USD 66,038, Germany is among the wealthiest countries in the world (IMF, 2023). Nevertheless, according to data by Destatis, around 20.9% of the country's population is at risk of poverty or social exclusion: in 2022, 14.7% of the population was at risk of poverty, 6.1% was affected by severe material and social deprivation, and 9.7% was living in a household with very low work intensity.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	4,085.68	4,429.84	4,700.88	4,960.29	5,181.79
GDP <i>(Constant Prices, Annual % Change)</i>	1.8	-0.5	0.9	2.0	1.9
GDP per Capita <i>(USD)</i>	48,756	52,824	56,037	59,135	61,807
General Government Balance <i>(in % of GDP)</i>	-2.1	-2.4	-1.1	-0.6	-0.6
General Government Gross Debt <i>(in % of GDP)</i>	66.1	65.9	64.0	61.8	59.9
Inflation Rate <i>(%)</i>	n/a	6.3	3.5	2.2	2.1
Unemployment Rate <i>(% of the Labour Force)</i>	3.1	3.3	3.3	3.1	3.0
Current Account <i>(billions USD)</i>	170.76	265.62	309.11	322.13	319.77
Current Account <i>(in % of GDP)</i>	4.2	6.0	6.6	6.5	6.2

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY



The German agricultural sector is rather limited: it contributes a mere 0.9% of GDP and employs 1% of the country’s workforce (World Bank, latest data available). To sustain a population exceeding 200 million farm animals, approximately 50% of the agricultural landscape consists of grasslands and arable land designated for feeding purposes. The primary production areas within the agricultural sector, intended for human consumption, encompass not only animal products but also bread cereals, potatoes, sugar beets, oilseeds, fruits, and vegetables. Additionally, specific areas of grassland and crops are allocated for the production of bioenergy and bioresources. According to the national statistical office Destatis, in Germany there are around 262,776 agricultural holdings, of which the majority are sole proprietorships, meaning that most farmers run their businesses alone or with their families. In recent years, the number of holdings dedicated to organic farming has been growing steadily, reaching 26,133. The total agricultural used area amounts to 16.6 million hectares, with an average size of 63.2 hectares (Destatis). Over the period between 2007 and 2022, agricultural output in Germany grew by 9.1% (EU Commission). In 2022, almost 14,2% of the total output value of the EU's agricultural industry came from Germany (EUR 76.2 billion – Eurostat). The country’s value of agricultural output increased by 30% year-on-year, although the value rise was mostly fuelled by price surge.

The industrial sector amounts to about 26.9% of GDP and employs 28% of the country’s workforce. Germany is Europe's most industrialized country, and its economy is well diversified: the automotive industry is the country’s largest sector, but Germany also retains other specialized sectors, including mechanical engineering, electric and electronic equipment, and chemical products. Overall, manufacturing activities alone account for 18% of GDP. The industrial activity is concentrated mainly in the states of Baden-Württemberg and North Rhine-Westphalia, where there are more than half of the 1,600 German manufacturing companies identified as global market leaders. According to the latest data available from BDI, in the first nine months of 2023, industrial production was down by 1% on the same period one year earlier. In the manufacturing sector, the output for the period between January and September 2023 experienced a year-on-year decline of 0.2%. Examining specific industries, notable growth was observed in vehicle production (up 14.4%) and other transport equipment (up 8.5%). However, more modest growth rates were recorded in the electro industry (up 2.8%) and machinery manufacturing (up 0.5%). Notably, energy-intensive industries significantly reduced production rates, with the chemical industry, paper industry, glass, and ceramics all registering reductions of over 14% compared to the same period one year earlier. The decline was less pronounced in metal production and processing (-3.3%).

Germany’s service sector is a leading employer (71% of the workforce) and contributes to 62.7% of the country’s GDP. The sector’s growth in recent years has been primarily driven by a strong demand for business-related services and by the development of new technologies, which contributed to establishing whole new branches in the tertiary sector. The accommodation and food services sector also plays an important role, with a total turnover worth EUR 104 billion (Destatis). Germany’s banking system comprises three pillars: private commercial banks, public-sector banks, and cooperative banks. The segment with the largest share of assets in the banking system is comprised of privately owned commercial banks, constituting approximately 40% of the total assets, whereas cooperative banks account for around 12% (European Banking Federation). Overall, the German economic model relies heavily on a dense network of small and medium-sized enterprises (SMEs), often very open to the international environment: according to the latest data from Destatis, around 56% of the total employed persons work in SMEs, with the proportion of persons employed in micro-enterprises amounting to 18%, while 21% work in small and 17% in medium-sized enterprises.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	1.3	27.6	71.1
Value Added <i>(in % of GDP)</i>	1.1	26.7	62.7
Value Added <i>(Annual % Change)</i>	-4.6	-0.5	2.8

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Euro (EUR) - Average Annual Exchange Rate For 1 USD	0.94	0.89	0.85	0.89	0.88

Source: World Bank - Latest available data.

FOREIGN TRADE

Trade represents 100% of Germany's GDP (World Bank 2022, up from 89% one year earlier), and the country is both the world's third-largest importer and exporter. Germany is by far the world's largest exporter of automobiles: accounting for 15.4% of exports, automobiles and their parts were its main export product in 2022, with a value of around EUR 245 billion (Destatis). Machinery (13.3%) and chemical products (10.3%) ranked second and third, respectively. In the same year, the main imported goods were petroleum gas (4.6%), vehicles and vehicle parts (4.4%), and petroleum oils (4%).

In 2022, Germany's primary export destination was the U.S. which accounted for 9.8% of the total, followed by France (7.4%), the Netherlands (7%), and China (6.7%). Imports came chiefly from China (12.8%), ahead of the Netherlands and the U.S. (7.6% and 6.2%, respectively). Overall, China was Germany's most important trading partner in 2022 for the seventh consecutive year (data Destatis). Germany continues to be the "most open" economy of the G7 countries.

The country's trade balance is structurally positive. According to the latest figures from the national statistical office Destatis, in 2022, Germany saw a notable increase in both exports and imports: goods exported amounted to EUR 1,574 billion, marking a 14.1% rise, while imports totalled EUR 1,494.4 billion, reflecting a 24.1% increase compared to 2021. The foreign trade balance for 2022 recorded a surplus of EUR 79.7 billion, the lowest since 2000. This figure represents a significant decline (for the sixth consecutive year), with the export surplus more than halving compared to the 2021 surplus of EUR 175.3 billion, mostly due to the steep rise in the cost of energy imports. The main trade surpluses were recorded with the United States (EUR 62.8 billion), France (EUR 48.2 billion), and the United Kingdom (EUR 33.4 billion). In regards to Germany's vast trade surplus, since 2014 the European Commission has encouraged the country to favour internal demand dynamics instead of exports, in order to mitigate the existing "macroeconomic imbalance" in the EU (as per the Commission rules, EU countries should not have an external trade surplus of more than 6% of their GDP). Germany is generally a net importer of commercial services; nevertheless, the trend reversed in recent years. In 2022, Germany had the highest value of services exports (EUR 408 billion) and services imports (EUR 438 billion) among the EU Member States (data Eurostat).

According to preliminary figures from Destatis, in the period Jan-Oct 2023, Germany exportes EUR 1,304.6 billion worth of goods, against EUR 596.8 billion in imports (-0.8% and -2.7% year-on-year, respectively). The EU accounted for 54.3% of total exports and 66.6% of imports.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	1,284,353	1,233,978	1,171,782	1,421,512	1,570,752
Exports of Goods (million USD)	1,560,539	1,489,412	1,382,533	1,636,742	1,657,577
Imports of Services (million USD)	376,130	376,540	315,457	387,181	459,231
Exports of Services (million USD)	357,464	356,277	318,570	387,553	411,761

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	88.5	87.7	80.4	88.7	98.6
Trade Balance (million USD)	263,292	245,868	219,238	230,563	118,588
Trade Balance (Including Service) (million USD)	244,736	230,802	227,764	236,609	87,555

Foreign Trade Indicators	2018	2019	2020	2021	2022
Imports of Goods and Services <i>(Annual % Change)</i>	4.0	2.9	-8.5	9.0	6.0
Exports of Goods and Services <i>(Annual % Change)</i>	2.2	1.3	-9.3	9.7	2.9
Imports of Goods and Services <i>(in % of GDP)</i>	41.2	41.0	37.4	41.7	48.3
Exports of Goods and Services <i>(in % of GDP)</i>	47.3	46.7	43.0	47.0	50.3

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	0.9	3.5	3.5	3.4	3.1
Volume of imports of goods and services (Annual % change)	0.2	3.5	3.8	3.4	3.4

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Germany is a member of the following international economic organisations: ICC, European Union, WTO, European Economic Area, G-6, G-7, G-8, G-10, G-20, IMF, OECD, among others. For the full list of economic and other international organisations in which participates Germany click [here](#). International organisation membership of Germany is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Germany can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
United States	9.8%
France	7.4%
Netherlands	6.9%
China	6.7%
Poland	5.8%
See More Countries	63.4%

Main Suppliers <i>(% of Imports)</i>	2022
China	13.0%
Netherlands	7.1%

Main Suppliers (% of Imports)	2022
United States	6.3%
Poland	5.2%
Italy	4.8%
See More Countries	63.5%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Frank-Walter Steinmeier (since 19 March 2017) - SPD

Chancellor: Olaf Scholz (since 8 December 2021) - SPD

Next Election Dates

Presidential: February 2027

Federal Parliament (Bundestag): September 2025 (at the latest)

Current Political Context

In 2021, SPD's representative Olaf Scholz was sworn in as Germany's new chancellor with a vote of 395 out of 736 delegates, formally taking power after Angela Merkel's historic 16 years as leader. The government is currently run by the first three-party coalition formed of the Social Democrats, Greens and the Free Democrats, the so-called "traffic light coalition" (Ampelkoalition). The political activities of the coalition are marked by extensive public disputes among parties over leaked legislative projects. The Greens had to modify the draft Building Energy Act due to strong public opposition. Conversely, the FDP, which oversees the finance ministry, has faced public criticism for the stringent austerity measures it has implemented.

In response to the Russia-Ukraine conflict, the government has implemented major shifts in German foreign, defence, and energy policies (aimed at diversifying energy supply). Relief measures worth hundreds of billions of euros helped Scholz's coalition stave off serious social unrest. Similarly, the government approved an extra budget for military expenses after Chancellor Olaf Scholz announced a *Zeitenwende* (epochal change) in German defence and security policy.

In October 2023, Bavaria and Hesse elected new parliaments, with the campaigns being dominated by migration and climate change. All three parties of the ruling coalition lost votes, whereas the far-right Alternative for Germany (AfD) gained momentum, obtaining more than 14% in Bavaria and 18% in Hesse, marking their highest result ever in a western German state election.

Main Political Parties

In Germany, parties require at least 5% of the national vote in order to secure representation in the Bundestag. Although based on a multi-party system, the Christian Democratic Union (CDU) and the Social Democratic Party of Germany (SPD) have historically dominated the political arena. The major parties include:

- **Social Democratic Party (SPD)**: Centre-left, Social Democrats. It is the party that obtained the most seats in the latest elections with 28% of the votes
- **Christian Democratic Union (CDU)**: Conservative, Christian Democratic. It obtained 26.8% of the votes in the latest elections
- **Bündnis90/die Grünen**: Left, green, social-liberism
- **Free Democratic Party (FDP)**: Liberal, centre-right

- [Alternative for Germany \(AfD\)](#): Far-right
- [Christian-Social Union \(CSU\)](#): Conservative, Christian Democratic; considered the 'sister' of CDU and based in Bayern
- [Left Party \(Die-Linke\)](#): Left-wing

Germany's current leading political coalition is called "the traffic light coalition", also known as the Ampel coalition. It is a three-party coalition composed of the Social Democratic Party (SPD), the Alliance 90/The Greens, and the Free Democratic Party (FDP).

Executive Power

The Head of Government is the [Chancellor](#), and is elected by absolute majority in the Federal Assembly for a four year term. The Chancellor holds the executive power, which includes implementing the law and managing the everyday business of the country. The Federal Ministers (Council of Ministers) are appointed by the President on the recommendation of the Chancellor.

The Head of State is the [President](#), elected for a five year term by the Federal Convention (which includes the members of the Federal Assembly and an equal number of delegates elected by the provincial legislatures). The role of the President is largely ceremonial.

Legislative Power

The legislative power in Germany is bicameral. The parliament consists of two chambers: the [Bundestag](#) (the lower house), currently 736 seats, whose members are elected by universal suffrage combining proportional and direct representation, for a four-year term. The second chamber is the [Bundesrat](#) (upper chamber), which has 69 statutory seats, and the members are the delegates of the 16 Länder (regions) of the country. There are no elections for the Bundesrat, and the term of its members is for four years. Its composition is determined by that of the regional governments. The government is directly or indirectly dependent on the support of parliament, which is generally expressed by a vote of confidence. The Chancellor can not dissolve the Parliament directly, but he/she can recommend the dissolution to the President in the event of a vote of no confidence in the Bundestag. Legislative power belongs to both the government and parliament. German citizens enjoy considerable political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) in Germany, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).