



Germany



Business Support on Your Doorstep

Enterprise Europe Network London Country Profile February 2007

GERMANY



Country's full name: Federal Republic of Germany (Bundesrepublik Deutschland).

Capital City: Berlin (3.4 million).

Population: 82.5 million. German 91.5%, Turkish 2.4% and 6.1% are from Denmark, Greece, Poland and Russia.

Official Language: German.

Currency: Euro (Since January 2002).

Religions: Protestant 34%, Roman Catholic 34%, Muslim 3.7% and others or unaffiliated 28.3%.

Area: 357,021 sq km.

Terrain: Lowlands in the north, uplands and gently rolling hills in the centre and the Bavarian Alps in the south.

Climate: Temperate weather. Usually cool and cloudy with wet winters and summers and the occasional

mountain wind.

Administrative divisions: 13 states (Länder) and 3 free states (Freistaaten). There are 439 administrative districts; these consist of 323 rural districts (Landkreise) and 116 urban districts (Kreisfreie Städte), cities which constitute a district in their own right.

Weights and Measures: Metric.

Time Zone: GMT plus one hour. From late March to late October a daylight saving scheme is in operation which is two hours ahead of GMT.

International dialling code: 00 49.

Government: The Federal Republic of Germany is a representative democracy with a federal structure consisting of 16 states. Each state has its own constitution and parliament, which has extensive powers over culture, education, health services and police. The Federal Parliament consists of two chambers, the Federal Assembly (Bundestag) with 613 seats, elected by popular vote and serves four-year terms, and the Federal Council (Bundesrat) with 69 seats. There are no elections for the Federal Council and the composition is determined by the composition of the state-level governments. The German president is elected for a five-year term (eligible for a second term) by a Federal Convention, including all members of the Federal Assembly and an equal number of representatives elected by the state parliaments. The German President is Horst Köhler who was elected on 1 June 2004. The coalition government between Christlich Demokratische Union (CDU) and Sozialdemokratische Partei Deutschlands (SPD) won the parliamentary elections in 2005 and is led by Chancellor Angela Merkel, CDU. The next presidential election will be in May 2009 and the election for Parliament and chancellor will be in November 2009.

ECONOMIC OVERVIEW

Germany's affluent and technologically powerful economy, the fifth largest in the world, has become one of the slowest growing economies in the eurozone, struggling with economic recession. It's ageing population combined with high unemployment and structural inflexibility in the labour market remain the biggest problems for the economy. The German government is hoping that labour market reforms, corporate restructuring and growing capital markets will enable Germany to meet the challenges of European economic integration and globalisation.

The German economy is heavily export-oriented and Germany exports more than any other country in the world. It is a strong advocate of closer European economic integration and its economic and commercial policies are increasingly determined by EU agreements. It has the highest GNP and the largest population in the EU and is thus the EU's most important market place. The markets of the former state-controlled countries of Central and Eastern Europe are right on the doorstep, offering immense market potential for the future. Germany represents a geographical and historical bridge to these markets.

ECONOMIC INDICATORS	
Population (2005)	82.5 million
Unemployment rate (2005)	11.5%
GDP per head (euro) (2005)	27,229
GDP average growth rate (2005)	0.9%
Inflation rate (2005)	2%
Total exports (million euro) (2005)	780,233
Total imports (million euro) (2005)	622,192
Internet users (2006)	67%

Sources: Eurostat, www.um.dk

INFRASTRUCTURE / ENVIRONMENT

Roads

There is 231,581 km of roads in Germany and they are all paved. Germany has one of the most extensive transport networks in the EU with over 12,200 km of motorways. Germany's position in the EU is of geo-strategic significance as most goods transported in Western Europe pass through Germany, making it one of the most important transit countries in Europe.

Railways

Germany's railway structure is also extensive with over 47,201 km of rail tracks running across the country. Of these approximately 20,000 km are electrified. The Deutsche Bahn AG (German Rail) is the provider of one of Europe's most advanced and comfortable rail networks, a network which includes the high-speed ICE (Inter-City Express) trains used by 65,000 people every day in Germany and beyond. These ICE trains have managed to significantly reduce the journey time between popular destinations in Germany and countries such as the Netherlands, Switzerland, Belgium and Austria.

Shipping

The Rhine River is the busiest of the German rivers and a main goods transport means. The Main-Danube Canal links the North Sea and the Black Sea. The main ports are Bremen, Duisburg, Frankfurt, Hamburg and Rostock. Germany has almost 400 vessels (1000 GRT) in its merchant marine and exploits its geographic position as a key transport link between Western and Eastern Europe.

Civil aviation

Germany has 28 international airports, the main ones being Berlin, Frankfurt, Munich and Stuttgart. The capital of Berlin has three airports which are some of the busiest in Germany. There are also 32 heliports and almost 350 small airports.

Energy

Germany is the fifth largest consumer of energy in the world, only surpassed by the US, China, Russia and Japan. The country is highly dependent on coal, minerals and natural gas as well as nuclear energy. Germany's total energy consumption is expected to grow at an annual rate of 0.6% until 2025. Renewable energy sources are expected to increase at an average annual rate of 2.9%, nuclear energy consumption is expected to decrease at a rate of 5.2% and carbon emissions are expected to increase at a yearly rate of 0.6%.

Telecommunications

Germany has one of the world's most technologically advanced telecommunications systems. As a result of intensive capital investments since the reunification, the formerly backward system of the eastern part of the country, dating back to World War II, has been modernised and integrated with that of the western part. In 2006 approximately 67% of German households had access to the internet, which is one of the highest percentages in EU25. New technology and broadband connections are extremely important for SMEs as 73% have internet access and use it on a daily basis. There are 71 million mobile phone subscribers, which constitutes almost 90% of the total population.

Environment

In 2004, 21% of all forests displayed varying degrees of defoliation, and decades of pollution are only now beginning to become visible, particularly on the forest floor where the soil is acidifying after absorbing years of pollutants. While there have been noticeable improvements in all polluting sectors, the health of forests has improved only marginally since 1995.

In April 2003, the German government announced plans to introduce stricter standards for vehicle diesel emissions by 2010. Germany plans to cooperate with France in order to meet the EU emissions requirements. In recent years, the German government has been strongly promoting the use of renewable energy sources. The aim of Germany's Renewable Energy Act is to double the use of renewable energy by 2010 and general tax rates on fuel, gas and electricity for consumers have been increased and higher rates for industry and farming have been imposed.

MAJOR SECTORS OF THE ECONOMY

Germany is the world's fifth largest economy. The country has a strong industrial base and is heavily export orientated, consistently running a trade surplus.

Technology and telecommunications

Germany is responsible for one fifth of the information and telecommunication industry in the EU as well as being the world's third largest information and communication technology (ICT) market. Over 750,000 people are employed in the ICT industry and its annual turnover in 2005 was 130 billion euro, corresponding to 6% of the global market. The growth rate was 3.7% for the ICT industry in 2004/2005.

Construction

The construction industry in Germany is the largest contributor to the German economy, accounting for more than 55% of all investments. The construction and building sector has an annual turnover of 208 billion euro and approximately 770,000 people are employed in this sector. The building industry is rather susceptible to the state of the market and the instability of the German national economy has hit the construction sector hard. However, the sector stabilised in 2005, indicating a possible return to more durable macroeconomics in the German economy.

Environment and energy

Germany still holds the lead position in the environment and energy sector. The objective of its environment and energy policy is to prioritise strategies that are based on long-term solutions without nuclear energy and subsidies. Germany is the largest wind energy market in the world, the second largest solar-electrical market in the world and by far the largest solar-thermal market in Europe as well as a pioneer within biofuels and hydrogen.

Health sector

The health sector is the second largest employer in Germany. Including sub-contractors, the sector has approximately 4.2 million employees, corresponding to 12% of the total workforce. This figure is expected to have risen to 5.2 million by 2010. Germany is one of the highest healthcare spenders in the world. Approximately 11% of the German GDP is spent on health services such as medicine, doctor appointments and hospital treatment. In 2003 health sector costs came to 240 billion euro, of which 57% was funded by mandatory health insurance.

Retail

The situation of retail trade is still unstable due to general consumer fatigue in Germany and changing purchasing habits of customers. The economic situation of the retail industry has been rather negative over the past few years, as neither income nor employment have risen. However, in 2005 the retail industry managed to stabilise itself and its annual turnover was 381.6 billion euro in 2005 compared to 379.7 billion euro in 2004, an increase of 0.5%.

Retail chains are growing and dominating the market. Ten of the largest supermarkets control 90% of the foodstuffs market in Germany. The trend is also visible in other parts of the sector where discount chains are outperforming smaller businesses.

Automotive industry

Germany accounts for more than 30% of Europe's motor vehicle production. This sector is, in terms of both turnover and employment, one of the key industries in Germany with more than 6.1 million people employed in this sector. Even though the German economy has been rather weak lately, the automotive industry has experienced continued growth. It exported for more than 135 billion euro in 2005, making it Germany's strongest export sector.

BANKING AND FINANCE

Banking

The banking sector employed just over 700,000 people in 2005, a 3% decline from 2004. The sector ranges from big national and regional banks to private banks and banks with special functions, including 85 branches of foreign banks. The German banks' business with non-residents has expanded far more rapidly than their business with domestic customers. Foreign lending in particular has seen double-figured annual increases over the last five years. The top five banks in Germany are Bayerische Hypo- und Vereinsbank, Commerzbank, Deutsche Bank, Deutsche Postbank and Dresdner Bank.

Deutsche Bundesbank

Steinplatz 2, 10623 Berlin, Germany
Tel: 0049 (0) 30 3475 0. Fax: 0049 (0) 30 3475 1990.
Email: volkswirtschaft.hv-berlin@bundesbank.de
Website: www.bundesbank.de

Association of German Banks

Burgstrasse 28, 10178 Berlin, Germany
Tel: 0049 (0) 30 1663 0. Fax: 0049 (0) 30 1631 399. Email: bankenverband@bdb.de
Website: www.germanbanks.org

Frankfurt Stock Exchange

Börsenplatz 4, Frankfurt/Main, Germany
Tel: 0049 (0) 69 2111 1515. Email: info@deutsche-boerse.com
Frankfurter Wertpapierbörse (Frankfurt Stock Exchange) is one of the world's largest trading centres for securities. With a share in turnover of 90%, it is the largest of the eight German stock exchanges. Deutsche Börse AG operates the Frankfurt Stock Exchange, an entity under public law. In this capacity it ensures the smooth functioning of exchange trading.

Deutsche Börse Group

Tel.: 0049 (0) 69 2111 1670. Email: info@deutsche-boerse.com
Website: www.deutsche-boerse.com

Insurance

German Allianz is one of the world's largest insurers, and has, like most large multinational companies, been built up by a series of mergers and acquisitions. It was founded in Berlin in 1890 and set up its first international branch office (in London) in 1893. Other major German insurance companies include Axa-Colonia, Hannover RE, Gerling Group and AIG.

German Insurance Industry Association (Gesamtverband der Deutschen Versicherungswirtschaft),

Friedrichstrasse 191, 10117 Berlin, Germany
Tel: 0049 (0) 30 2050 00. Fax: 0049 (0) 30 2020 6000. Email: berlin@gdv.org
Website: www.gdv.de

OPPORTUNITIES FOR UK EXPORTERS / INVESTORS

Overview

Germany is the UK's second largest global market and its largest European export market. The UK is Germany's fifth largest supplier after Italy, France, the Netherlands and the US, with a market share of around 6.3%. In 2005, British exports of goods and services to Germany were worth £30.8 billion

and almost 1,000 British companies have subsidiaries in the country. With so many larger UK companies enjoying the ample opportunities offered by the market, there is plenty of scope for smaller companies to follow suit.

Germany is a sophisticated, mature and highly competitive market. The population has a high standard of living, enjoys a healthy disposable income and is very focused on quality and value for money. British companies sell an extensive range of products and services to the country and there are opportunities in most sectors.

Telecommunications and ICT

Both the public and the private sector in Germany are very technologically advanced and the telecommunications and ICT sector is experiencing continuous growth. For British ICT exporters there is great potential for long-term profit, larger than seen in other European markets. The fact that many European companies have turned their focus towards the Oriental markets provides British companies with excellent opportunities for establishing German partnerships before the next IT boom. Three main areas are expected to impose a need for British technology and know-how: IP, mobile communication and IT outsourcing.

Consumer goods

In 2005 some retail sectors were worse off than the rest, amongst these were suppliers of expensive, durable consumer goods, electronic products and paper and office supplies and suppliers to the German department stores. Conversely, there has been increased consumption within the areas of foodstuffs and stimulants (i.e. wine and chocolate) as well as in the cosmetics and pharmaceutical sectors.

In recent years the discount stores have gained immense market share and this trend is set to continue as the German consumers are displaying "geiz ist geil" purchasing behaviour, i.e. "it is cool to be cheap". Retail sales on the internet are expected to increase significantly as is the demand for high quality consumer products.

Construction

British companies have excellent opportunities in the German construction market, particularly companies that provide high quality energy and environmental concepts and solutions within the component/element industry. There is however fierce competition within the construction sector in terms of diversification, quality and costs.

Automotive industry

The German automotive industry is surrounded by strong global competition which has resulted in augmented focus on production and labour costs. German producers are looking for flexible and innovative sub-contractors who are competitive in the global market. There are also opportunities for high-quality environmental products and solutions in the German motor vehicle sector as the government, alongside major industries, is trying to reduce air pollution and emissions from cars.

Food retail industry

Germany is one of the largest markets for the UK food industry. This industry can be divided into three main areas: Retail sector, catering and direct sales to the German food industry. The retail industry is undergoing major structural changes, particularly within the discount sector where sales are increasing significantly. An alternative market could be selling goods to home delivery companies, cash and carry companies as well the gastronomy sector through regional distributors.

BUSINESS CULTURE

Business hours

Offices are usually open 09.00-16.00/17.00 Monday to Thursday and close early on Fridays. Lunch breaks are usually taken 12.00-13.00. Commercial banks open at 09.00 and close at 18.00. Shops tend to be open 09.00-20.00 Monday to Friday and 10.00-18.00 on Saturdays; most shops are closed on Sundays.

National holidays

(Dates are given for 2007)

- New Year's Day (1 January)
- Epiphany (6 January – limited closing)
- Good Friday (6 April)
- Easter Monday (9 April)
- May Day (1 May)
- Ascension Thursday (17 May)
- Pentecost Monday (28 May)
- Corpus Christi (10 June)
- Assumption Day (15 August)
- Day of German Unity (3 October)
- All Saints' Day (1 November)
- Day of Prayer and Repentance (21 November)
- Christmas Eve (24 December)
- Christmas Day (25 December)
- St Stephen's Day (26 December)

Dress

The dress code depends on which type of business associate you are meeting. It is, however, custom for both men and women to dress in dark suits that are simple but elegant.

Business etiquette

Punctuality is vital in Germany. Germans usually shake hands and exchange business cards when meeting. Titles are important as they represent a hierarchy in the business community. Contrary to other countries, it is permissible to talk about money, religion, politics and prosperity. Discipline and a serious demeanour are also German characteristics. Reliability is considered a German virtue when doing business. This is usually reflected in the thorough research and preparation a company carries out before a meeting. It is expected that a meeting is confirmed in writing beforehand. German companies usually expect to conduct business in German, however, English has become more customary due to globalisation.

SETTING UP A BUSINESS IN GERMANY

Germany offers an attractive investment climate. Foreign companies are generally treated in the same way as national companies when investing. There is no limit on the percentage of equity foreigners may own or on the size of their investment.

All companies in Germany have to register with their local/regional chamber of commerce rather than with a central body as is the case in the UK. Several options exist for establishing a German company, the main ones being a private limited company, a public limited company and a private limited company with a limited partner. Other forms such as mutual insurance associations and partnerships limited by shares also exist. The formalities to be completed depend entirely on which type of legal status is chosen.

Information on how to set up a business in Germany and investment opportunities can be found on Invest in Germany's website:

Invest in Germany, Anna-Louisa-Karsch-Strasse 2, 10178 Berlin, Germany

Tel: 0049 (0) 30 2065 70. Fax: 0049 (0) 30 2065 7111. Email: office@invest-in-germany.com

Website: www.invest-in-germany.de/en

Additional information on investing in or establishing a company in Germany can be found on the following website:

Expats Media GmbH, Metz Strasse 12, 81667 Munich, Bavaria, Germany

Tel: 0049 (0) 89 4414 1365. Fax: 0049 (0) 89 4414 0752

Website: www.expats-in-bavaria.com

FURTHER SOURCES OF INFORMATION / USEFUL ADDRESSES

Enterprise Europe Network London at London Chamber of Commerce and Industry

33 Queen Street, London, EC4R 1AP

T: +44 (0)20 74891992. F:+44 (0)20 72031812 E: europa@londonchamber.co.uk

The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses.

W: www.een-london.co.uk

London Chamber of Commerce and Industry

33 Queen Street, London EC4R 1AP

Tel: 020 7248 4444. Fax: 020 7489 0391. Email: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and Enterprise Europe Network can provide information or advice on many topics relating to international trade and overseas markets, including Germany. London Chamber of Commerce is a membership organisation but non-members can utilise certain services on a charged basis.

Website: www.londonchamber.co.uk

UK Trade and Investment

New City Court, 20 St. Thomas Street, London, SE1 9RS

Tel: 020 7234 3000. Fax: 020 7234 3001. Email: saul.harris@fco.gov.uk

UK Trade and Investment is the British government body responsible for helping UK companies secure overseas sales and investments. Their website has pages for each country in the world, including Germany.

Website: www.uktradeinvest.gov.uk

German – British Chamber of Commerce and Industry

Mecklenburg House, 16 Buckingham Gate, London SW1E 6LB

Tel: 020 7976 4100. Fax: 020 7976 4101. Email: mail@ahk-london.co.uk

Website: <http://www.germanbritishchamber.co.uk>

British Chamber of Commerce in Germany

Französische Strasse 48, 10117 Berlin, Germany

Tel: 0049 (0) 30 2067 080. Fax: 0049 (0) 30 2067 0829. Email: info@bccg.de

Website: www.bccg.de

Embassy of the Federal Republic of Germany

23 Belgrave Square, London SW1X 8PZ

Tel. 020 7824 1300. Fax. 020 7824 1449

Website: www.london.diplo.de

British Embassy

Wilhelmstrasse 70-71, 10117 Berlin, Germany

Tel: 0049 (0) 30 2045 70. Fax: 0049 (0) 30 20457 594. Email: info@britischebotschaft.de

Website: www.britischebotschaft.de/en/

Invest in Germany

Anna-Louisa-Karsch-Strasse 2, 10178 Berlin, Germany

Tel: 0049 (0) 30 2065 70. Fax: 0049 (0) 30 2065 7111. Email: office@invest-in-germany.com

Website: www.invest-in-germany.de/en/

The Industrial Investment Council Germany

Friedrichstrasse 60, 10117 Berlin, Germany

Tel: 0049 (0) 30 2000 990. Fax: 0049 (0) 30 2000 99111. Email: info@iic.de

Website: www.iic.de



This country profile was produced by the Enterprise Europe Network London team at London Chamber of Commerce. The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. The Enterprise Europe Network London is funded by the European Commission and the London Development Agency.

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