

# Macroeconomic trends in the British-German corridor

Q1/2025

published April 2025



# Key observations in Q1/2025

- **German economic output fell** for the second time in a row in 2024 and its GDP fell by 0.2% compared to the previous year. At an average of 2.2%, the inflation rate in 2024 remained slightly above the ECB's target of 2%. Inflation was also 2.2% in March 2025. **In the UK, real GDP increased** by 1.1% in 2024 (2023: 0.4%). The average inflation rate in the UK in 2024 was 2.5%. At 2.8% in February 2025, inflation still remains well above the targeted 2% mark.
- In its latest World Economic Outlook Update from 17 January 2025, the **IMF forecasts** minimal growth of 0.3% for Germany in 2025 and growth of 1.6% for the UK. While the IMF significantly lowered its forecast for Germany (-0.5 percentage points compared to October 2024), it raised its forecast for UK GDP growth in 2025 by 0.1 percentage points compared to October 2024. Further **insights into Germany's macroeconomic landscape** can be found [here](#). On “**Liberation Day**” in the US on 2 April 2025, US President Trump announced **new US tariffs of 10% on exports from the UK to the US and 20% on exports from the EU to the US** (and 25% on automobiles, automobile parts, steel and aluminium). Consequently, the forecasted growth rates will likely have to be adjusted downward.
- On 6 March 2025, the European Central Bank (ECB) further lowered the **key interest rate**. The deposit rate relevant for the financial markets was reduced from 2.75% to 2.50%. By contrast, the Bank of England (BoE) decided on 20 March 2025 to leave interest rates unchanged at 4.50%. Despite the weakening British economy, the persistent inflationary pressure leaves little scope for extensive interest rate cuts at present.
- The CDU/CSU, with its candidate for chancellor, Friedrich Merz, emerged as the strongest party in the **German federal election** on 23 February 2025 with 28.5% of the vote. The right-wing populist party AfD had the second-strongest showing with 20.8% and was thus the biggest winner of the election night, doubling its support compared to the previous federal election. With 16.4%, the former governing party SPD became the third-strongest party. A **coalition between the CDU and SPD** is currently being negotiated.
- In response to the new security threats from Russia and doubts about the new US administration's support for Europe, the German Bundestag and Bundesrat decided in March 2025 to **invest EUR 1 trillion** over the next few years, particularly in the **military sector and civilian infrastructure** to boost defence capabilities. On 23 October 2024, the **Trinity House Agreement between the UK and Germany** was signed, committing both countries to deepen defence cooperation.
- The UK Home Office in London announced on 14 September 2024 that travellers from countries who currently do not require a visa in the UK – including those from EU countries – will in future require an **electronic travel authorisation (ETA)** in addition to a valid passport. Travellers from EU countries, including Germany, require the electronic entry permit **starting 2 April 2025**. For other nationalities, this requirement has been in force since 8 January 2025.



Impressions from the **BCCG New Year's Reception** (21 January 2025, Berlin)

From left to right: **S.E. Andrew Mitchell CMG**, British Ambassador and Patron of the BCCG, **Susanne Baumann**, State Secretary of the Federal Foreign Office, **Michael Schmidt**, President of the BCCG, **Ilka Hartmann**, Managing Director of the BCCG



# News in the German-British corridor (Jan. – Mar. 2025)

| Inbound from the UK to Germany  | Outbound from Germany to the UK   | General news in the British-German corridor   |
|---|---|---|
| <p><b>KI-Start-up Wayve</b> baut in Stuttgart<br/>Börsen-Zeitung, 4 March 2025</p>  | <p><b>Salesfive</b> expandiert nach Großbritannien<br/>CRN.de, 04.03.2025</p>   | <p><b>Trade with Germany thriving</b> with potential for even greater growth<br/>UK Department of the Economy, 3 March 2025</p> |
| <p>Wachstum in Krisenzeiten – Rekordzahlen für <b>Rolls-Royce Power</b><br/>Süddeutsche Zeitung, 28 February 2025</p>       | <p>German venture firm <b>HV Capital</b> to open London office and hire new partner<br/>Sifted, 6 February 2025</p>   | <p><b>Germany's conservatives celebrate</b>, but far right enjoy record result<br/>BBC, 24 February 2025</p>                    |
| <p><b>Vodafone-Partner [Altice]</b> erwägt Verkauf von Glasfaser-Beteiligung<br/>Handelsblatt, 24 February 2025</p>         | <p>Flughafeninvestor <b>Avialliance</b> kauft <b>AGS Airports</b><br/>Airliners.de, 30 January 2025</p>   | <p>„Der <b>Brexit</b> wird uns noch ewig begleiten“<br/>Handelsblatt, 31 January 2025</p>                                       |
| <p><b>BP</b> verkauft <b>Ruhr Oel</b><br/>FAZ, 7 February 2025</p>  | <p><b>Altilium</b> says agreement puts it on lithium recycling path - United Kingdom-based company announces memorandum of understanding with German lithium producer <b>Helm AG</b><br/>Recycling Today, 14 January 2025</p> | <p><b>Labour-Regierung</b> treibt <b>Wachstumsplan</b> voran<br/>Handelsblatt, 30 January 2025</p>                              |
|   |   | <p><b>Labour-Regierung</b> kündigt <b>Einschnitte im Sozialbereich</b> an<br/>Handelsblatt, 18 March 2025</p>                   |
| <p><b>Cormica</b> expands European operations with <b>Zwisler</b> acquisition<br/>Drug Discovery World, 24 January 2025</p> | <p>German giant [<b>Siemens</b>] wants to pitch in to make Britain's trains run on time<br/>The Telegraph, 5 January 2025</p>   | <p>Prime Minister Keir Starmer to host <b>leaders summit on Ukraine</b><br/>Reuters, 10 March 2025</p>                          |

# A comparison of economic trends in Germany and the UK (1/3)

## Germany and the UK rank as the third and sixth largest economies in the world, respectively

Germany and the UK are the two biggest economies in Europe with a GDP of USD 4.71 and USD 3.56 trillion, respectively. Together, the GDP of Germany and the UK accounts for more than 7% of the global economy.

## Populations of both countries grow modestly

The populations of Germany and the UK have reached an all-time high of 84.8 million and 68.4 million people, respectively. This growth is particularly due to increased immigration from abroad.

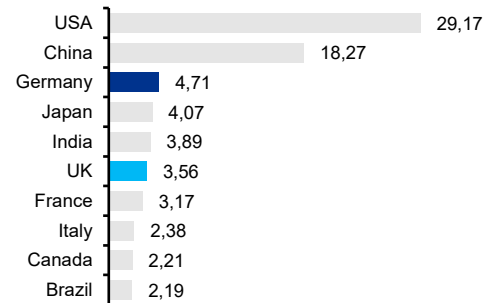
## Real GDP growth weakens

The IMF forecasts only minimal growth of 0.3% for Germany in 2025 and growth of 1.6% for the UK. While in January 2025, the IMF significantly lowered its forecast for Germany (-0.5 percentage points compared to October 2024), it raised its forecast for UK GDP growth in 2025 by 0.1 percentage points compared to October 2024. Both economies are therefore below the forecast of 1.9% for advanced economies. The impacts of the new US tariffs of 10% on exports from the UK to the US and 20% from the EU to the US (and 25% on automobiles, automobile parts, steel and aluminum) will likely reduce the forecasted growth rates again.

## Unemployment remains low

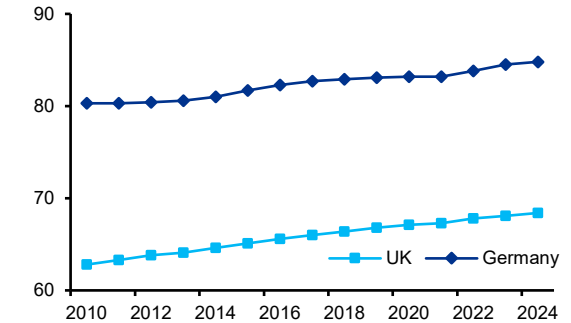
Despite the economic uncertainties, the labour markets remain tight in both countries, with many employers facing hiring problems, especially when it comes to skilled workers. Compared to the rest of Europe, both countries show relatively low unemployment rates.

## Largest economies by GDP, 2024 (in USD trillions)



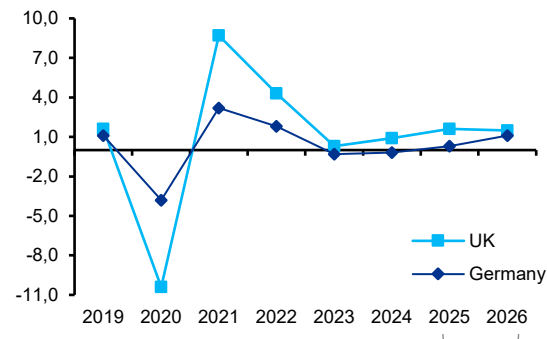
Source: IMF, Oct. 2024 (estimates)

## Population (in millions)



Source: IMF, 2025

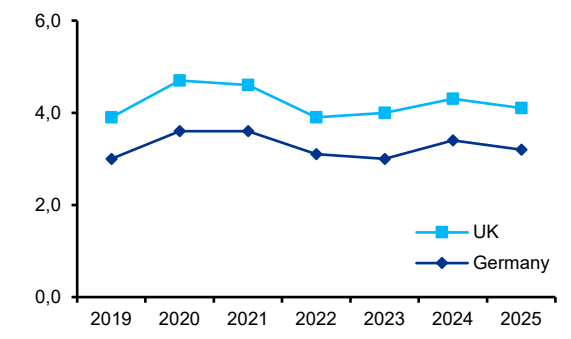
## Real GDP growth (in %)



Source: IMF, Jan. 2025

Projections (Jan. 2025)

## Unemployment rate (in %)



Source: IMF, Oct. 2024

Projections (Oct. 2024)

# A comparison of economic trends in Germany and the UK (2/3)

## Cost of living rises

The housing shortage and the sharp rise in prices in recent years are particularly evident in major cities. London outstrips Munich by far as the number 1 city in terms of cost of living. Also, the overall cost of living in other larger UK cities significantly exceed that in larger German cities.

## USD loses value against GBP and EUR

US President Donald Trump's imposition of import tariffs significantly weakened the US dollar. The currency devaluation is intended to help US exporters remain competitive in a world of increasing protectionism. It remains to be seen to what extent the weakening dollar will negatively impact the export-centric economies of Germany and the UK.

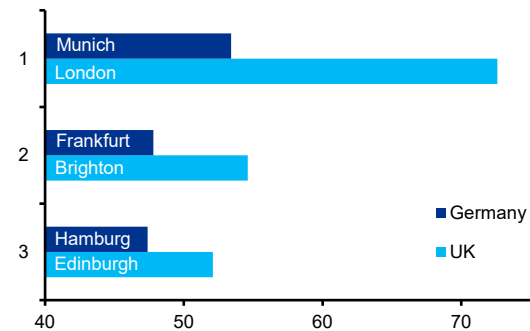
## Stock markets

Despite weak economic development in Germany, the DAX was still at a record high until "Liberation Day" in the US. This is due to the fact that the ECB is continuing to cut interest rates and the fact that DAX companies generate most of their sales and profits abroad. The FTSE 100 also reached new record highs in the first few weeks of 2025, driven by a range of factors including a stronger US dollar, ongoing interest in M&A and robust performance in the banking sector. However, stock markets have plummeted in the wake of US President Donald Trump's announcement of global tariffs on products imported into the US on "Liberation Day".

## Inflation develops differently in Germany and the UK

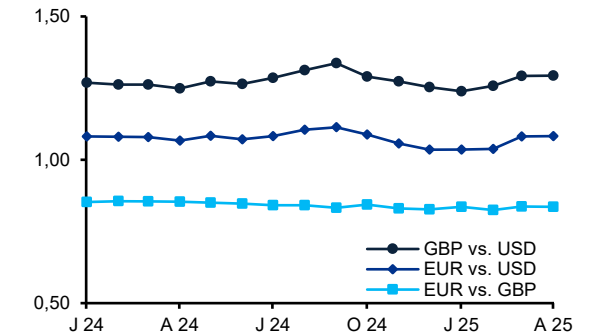
While the inflation rate in Germany fell in the first quarter and at 2.2% in March was just above the targeted 2% mark, inflation in the UK rose again at the beginning of the year, reaching 2.8% in February.

## Cost of living plus rent index



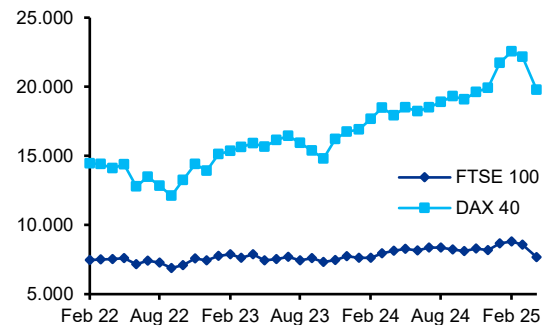
Source: Numbeo (Apr. 2025)

## Exchange rates



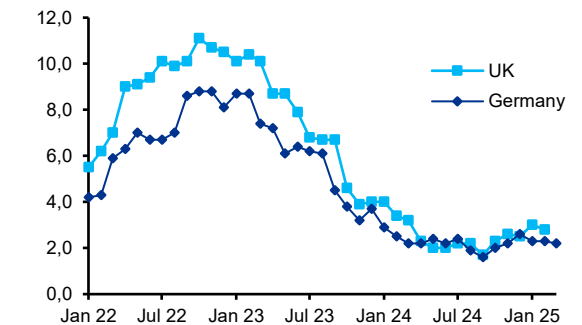
Source: Investing.com

## DAX 40 and FTSE 100



Source: FTSE, Ariva

## Inflation rate/CPI (in %)



Source: Office for National Statistics, Statistisches Bundesamt

# A comparison of economic trends in Germany and the UK (3/3)

## Foreign trade still impacted by Brexit

Due to Brexit, the cost of importing and exporting between Germany and the UK has risen significantly. Non-tariff trade restrictions have also been introduced, causing a drop in bilateral trade.

In 2022, the volume of foreign exchange rose again for the first time since the Brexit referendum in 2016. However, this was mainly caused by rising imports of crude oil from the UK at peak prices due to the Ukraine war. While in 2024, exports to the UK continued to increase (albeit only due to rising gold trade), imports from the UK to Germany decreased again.

In 2024, the UK was Germany's seventh-largest export market, accounting for 5.2% of total German exports. Germany, on the other hand, was the UK's second-largest export destination in 2024, accounting for 8.8% of total UK exports.

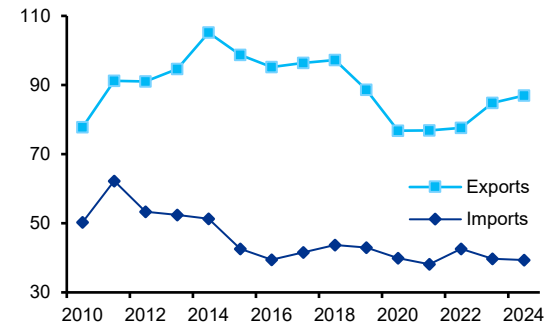
## Inward FDI in the UK and Germany is declining

Between the 1970's and Brexit, the UK consistently attracted more FDI than other comparable economies. Between the Brexit referendum and 2018, the inflow of FDI into the UK declined sharply. While direct investment inflows into the UK had recovered by 2020, they subsequently declined again. In 2023, net inflows into the UK hit a record low of -2.6% of GDP. Although FDI inflows into Germany are more stable overall, a steady decline since 2020 is also evident.

## Greater fiscal flexibility in Germany than in the UK

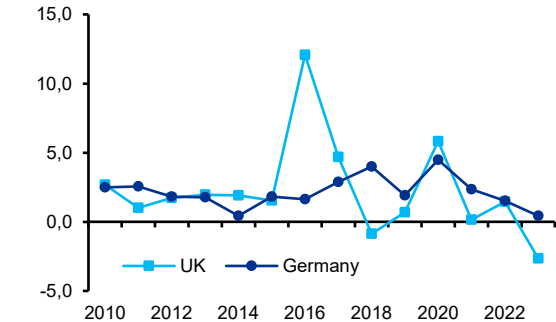
While the ratio of public debt to GDP in Germany declined steadily until the outbreak of the pandemic, standing at ~63% in 2024, public debt to GDP in the UK has risen further, reaching ~102% in 2024. The debt-to-GDP delta between the two economies is thus steadily increasing. According to calculations by the German Economic Institute (IW Köln), the debt-financed trillion-euro package for defence and infrastructure adopted by the new German government is likely to increase public debt to almost 70% by 2028.

## Foreign trade Germany-UK (from German perspective) (in USD billion)



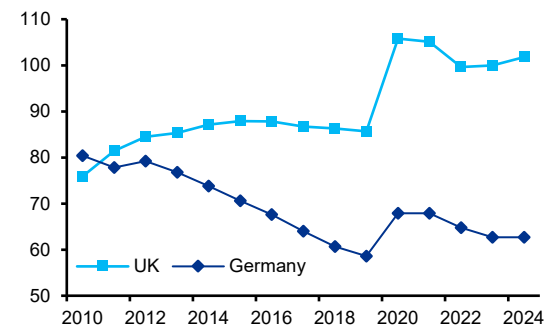
Source: Statistisches Bundesamt

## FDI net inflows (% of GDP)



Source: World Bank

## Government gross debt (% of GDP)



Source: IMF

# M&A deals and investments from the UK to Germany (1/3)

| Date effective | Deal value (USD mil.) | German target                         | Target industry         | UK acquiror  | Acquiror industry              | In the press  |
|----------------|-----------------------|---------------------------------------|-------------------------|--|--------------------------------|---|
| 20.02.2025     | 200.78                | STARFACE GmbH                         | Telecommunications      | Gamma Communications PLC                             | Telecommunications             | Gamma schließt Akquisition der STARFACE Group GmbH nach behördlicher Freigabe ab Gamma, 20.02.2025                                  |
| 15.01.2025     | 123.68                | Neura Robotics GmbH                   | Industrials             | Investor Group (a.o. Lingotto Investment Management) | Financials                     | NEURA Robotics Secures €120 Million in Series B Funding to Propel Cognitive and Humanoid Robotics Vision NEURA Robotics, 15.01.2025 |
| 18.02.2025     | 115.83                | Ruby GmbH                             | Media and Entertainment | InterContinental Hotels Group PLC                    | Media and Entertainment        | IHG Hotels & Resorts acquires Ruby, its 20th brand, and targets global expansion IHG Hotels & Resorts, 18.02.2025                   |
| 07.03.2025     | 108.25                | Gode Wind 1                           | Energy and Power        | Equitix Ltd  | Consumer Products and Services | Equitix announces further expansion into European offshore wind sector Equitix, 01.08.2024  |
| 24.03.2025     | 59.48                 | n8n GmbH                              | High Technology         | Investor Group (a.o. Highland Europe)                | Financials                     | n8n raises €55 million to transform workflow automation for technical teams EU-Startups, 25.03.2025                                 |
| 16.01.2025     | 44.24                 | Burster GmbH & Co KG                  | High Technology         | discoverIE Group PLC                                 | High Technology                | DiscoverIE kauft deutschen Sensorhersteller Burster für bis zu 43 Millionen Euro Market Screener, 16.01.2025                        |
| 16.01.2025     | 41.16                 | Connected Infrastructure Capital GmbH | Real Estate             | Aviva Investors Global Services Ltd                  | Financials                     | Aviva Investors completes €40 million investment into European renewables developer Aviva Investors, 16.01.2025                     |
| 20.02.2025     | 14.69                 | METCYCLE GmbH                         | High Technology         | Investor Group (a.o. Project A)                      | Financials                     | METCYCLE raises €14 million to expand platform for global metal recycling EU-Startups, 20.02.2025                                   |
| 06.03.2025     | 11.06                 | Alpine Eagle GmbH                     | High Technology         | Investor Group (a.o. IQ Capital)                     | Financials                     | German startup Alpine Eagle secures €10.25M for its air-to-air counter-drone system Vestbee, 06.03.2025                             |

Source: KPMG research

# M&A deals and investments from the UK to Germany (2/3)

| Date effective | Deal value (USD mil.) | German target                              | Target industry                | UK acquiror                             | Acquiror industry              | In the press  |
|----------------|-----------------------|--|--------------------------------|---|--------------------------------|---|
| 29.01.2025     | 10.43                 | Clinical Research Services Management GmbH | Consumer Products and Services | Hvivo PLC                               | Healthcare                     | HVIVO plc hat zwei klinische Forschungseinheiten der Crs Clinical Research Services Management GmbH für €10 Millionen erworben<br>Market Screener, 29.01.2025 |
| 05.02.2025     | 9.34                  | Prior Labs GmbH                            | High Technology                | Investor Group (a.o. Balderton Capital) | Financials                     | Prior Labs raises €9 million for foundation models for spreadsheets and databases<br>EU-Startups, 05.02.2025  |
| 31.03.2025     | 5.94                  | P&I Personal & Informatik AG               | High Technology                | HgCapital Trust PLC                     | Financials                     | HR software leader P&I secures further backing from HG in €5.5 billion transaction<br>HG Capital Trust, 31.03.2025  |
| 16.01.2025     | n/a                   | CELLphenomics GmbH                         | Healthcare                     | GSK PLC                                 | Healthcare                     | LinkedIn / X<br>16.01.2025  |
| 31.01.2025     | n/a                   | finanzen.net GmbH                          | High Technology                | Inflexion Buyout Fund VI                | Financials                     | finanzen.net startet mit neuem Eigentümer Inflexion in die nächste Wachstumsphase<br>Finanzen.net, 15.11.2024   |
| 16.01.2025     | n/a                   | Kerkhoff Group GmbH                        | Consumer Products and Services | Interpath Ltd                           | Consumer Products and Services | Kerkhoff an Interpath verkauft<br>Beschaffung aktuell, 15.01.2025   |
| 07.01.2025     | n/a                   | Nadara Ltd                                 | Energy and Power               | NeXtWind Capital Ltd                    | Energy and Power               | NeXtWind Acquires 12 Wind Farms in Germany<br>NeXtWind, 07.01.2025  |
| 21.01.2025     | n/a                   | OMS Prüfservice GmbH                       | High Technology                | 3i Group PLC                            | Financials                     | 3i invests in OMS Prüfservice, a tech-enabled service provider for testing electrical systems and equipment<br>3i, 21.01.2025                                 |

Source: KPMG research



# M&A deals and investments from the UK to Germany (3/3)

| Date effective | Deal value (USD mil.) | German target             | Target industry                | UK acquiror         | Acquiror industry              | In the press   |
|----------------|-----------------------|---------------------------|--------------------------------|---------------------|--------------------------------|--|
| 04.03.2025     | n/a                   | Orgadata AG               | High Technology                | Forterro UK Ltd     | High Technology                | Forterro enters a new exciting chapter with Orgadata acquisition Forterro, 13.11.2024  |
| 30.01.2025     | n/a                   | Prianto GmbH              | High Technology                | QBS Software Ltd    | High Technology                | QBS Software agrees to acquire Prianto, establishing the largest EMEA enterprise software distribution powerhouse QBS Software, 30.01.2025 |
| 31.01.2025     | n/a                   | Rehaneo GmbH              | Healthcare                     | Fremman Capital Ltd | Financials                     | Gimv sells to Fremman Capital a majority stake in outpatient rehabilitation specialist rehaneo rehaneo, 20.11.2024                         |
| 20.01.2025     | n/a                   | Zwisler Laboratorium GmbH | Consumer Products and Services | Cormica Ltd         | Consumer Products and Services | Cormica expands European operations with acquisition of Zwisler Laboratorium GmbH Cormica, 20.01.2025                                      |

Source: KPMG research



# M&A deals and investments from Germany to the UK (1/1)

| Date effective | Deal value (USD mil.) | UK target              | Target industry | German acquiror                        | Acquiror industry | In the press  |
|----------------|-----------------------|------------------------|-----------------|--|-------------------|---|
| 28.01.2025     | 1,950.29              | AGS Airports Ltd       | Industrials     | AviAlliance GmbH                       | Industrials       | AviAlliance completes acquisition of AGS Airports<br>AviAlliance, 28.01.2025  |
| 22.01.2025     | 50.00                 | Vertice Technology Inc | High Technology | Investor Group (a.o. Lakestar)         | Financials        | Vertice bags \$50M for its AI-powered SaaS spend platform<br>Tech Crunch, 21.01.2025                                |
| 05.03.2025     | 18.30                 | Epoch Biodesign Ltd    | Healthcare      | Investor Group (a.o. Extantia Capital) | Financials        | Epoch Biodesign raises €17 million to turn the plastic crisis into a circular revolution<br>EU-Startups, 05.03.2025 |
| 17.02.2025     | n/a                   | Elcy Ltd               | Financials      | Surecomp DOS GmbH                      | High Technology   | Surecomp acquires ELCY to accelerate digital trade finance adoption and collaboration<br>Surecomp, 17.02.2025       |
| 03.03.2025     | n/a                   | Fluent CX Ltd          | High Technology | salesfive GmbH                         | High Technology   | Salesfive übernimmt fluent:cx<br>ChannelPartner, 05.02.2024   |

Source: KPMG research



# Events in the British-German corridor (Q2/2025)

| Title                                    | Date            | Location               |
|--|-----------------|------------------------|
| ECB – Interest Rate Decision             | 17 April 2025   | Frankfurt, Germany     |
| Bank of England – Interest Rate Decision | 8 May 2025      | UK                     |
| BCCG Annual General Meeting              | 14 May 2025     | Duesseldorf, Germany   |
| EU-UK Summit                             | 19 May 2025     | London, UK             |
| NATO Summit 2025                         | 24-25 June 2025 | The Hague, Netherlands |

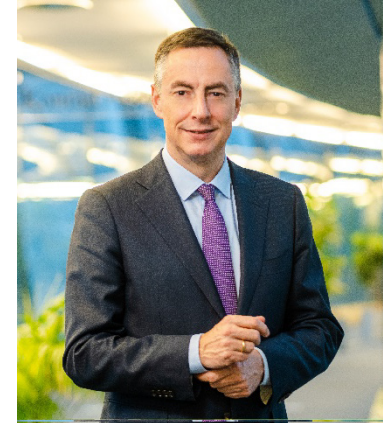
# Statement of the quarter

*„The European Union has been clear that we remain committed to making meaningful progress in our relationship with the United Kingdom. Recent years have seen renewed constructive engagement in several policy areas, like education. If we want to deepen this cooperation further, it is essential that the UK Government provides concrete proposals on how it envisions our partnership going forward.*

*Trade continues to be a central pillar of our relations. The Trade and Cooperation Agreement (TCA) provides a structured framework, and its full and effective implementation is crucial for economic stability on both sides. This year’s European Parliament TCA Implementation Report as well as the TCA Review in 2026 review present key opportunities to evaluate our current cooperation, identify challenges, and adjust our partnership where necessary.*

*Beyond trade, cooperation on security and defence should play a greater role, given the growing geopolitical tensions. The absence of a formalised EU-UK security cooperation is increasingly untenable in a world facing threats to our freedom, our democracy and the rules based international order. Our close cooperation in support of Ukraine as well as the UK’s re-entry into the PESCO military mobility project highlight the potential of deeper collaboration. With transatlantic tensions growing, strengthening Europe’s security capabilities — while maintaining a strong NATO alliance — will be vital. The UK, as a key European security actor, must be an integral part of this effort.*

*The upcoming EU-UK Summit in London on 19 May provides a crucial opportunity to define the next phase of our relations.”*



**David McAllister**

Member of the European Parliament



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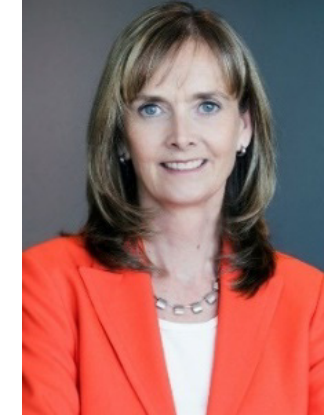
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