

Macroeconomic trends in the British-German corridor

Q1/2026

published April 2026



Key observations in Q1/2026

Economic update

- **German GDP grew minimally by +0.2%** in 2025 (2024: 0.0%). Exports increased by +1.0% compared to 2024. **In the UK, GDP increased** by +1.3% in 2025 following growth of +1.1% in 2024.
- With an **inflation rate** of 2.7% in March 2026, price pressure in Germany has increased significantly again, specifically due to rising energy prices. At 3.0% in February 2026, inflation in the UK remained well above the 2% target set by the central bank.
- **Economic growth** remains low in both economies. In its latest World Economic Outlook (April 2026), the IMF forecasts the German and the British economy to grow by +0.8% in 2026.
- On 19 March 2026, the European Central Bank (ECB) left its **key interest rate** unchanged for the sixth time in a row. The deposit rate, relevant to financial markets, remained at 2%. On the same day, the Bank of England decided to keep interest rates on hold as well at 3.75%. The decisions came amid volatility in energy prices, which have surged since the outbreak of the Iran war.



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Update on cooperation and trade agreements

EU

- On 24 March 2026, the EU and **Australia** have concluded negotiations on an ambitious free trade agreement. They also announced the establishment of a security and defence partnership. Both sides further agreed to begin formal negotiations on Australia's association with Horizon Europe, the world's largest research and innovation program.
- On 27 January 2026, the EU and **India** concluded negotiations on a free trade agreement. Tariffs will be either eliminated or reduced on 97% of EU goods exports.
- On 9 January 2026, a qualified majority of EU member states approved a **comprehensive trade deal between the EU and South America (Mercosur)**. The interim trade agreement will be provisionally applied from 1 May 2026.

UK

- The tenth round of negotiations on an enhanced Free Trade Agreement with **Switzerland** took place in Geneva between 9 and 13 March 2026.
- On 15 December 2025, the UK and **South Korea** finalised a free trade deal.
- The third round of negotiations on an enhanced Free Trade Agreement (FTA) between the UK and **Turkey** took place in Ankara during the week commencing 17 November 2025. The FTA is expected to enter into force in the second half of 2026.



14th BCCG Kohlfahrt

12 February 2026, Berlin

From left to right: Michael Schmidt, BCCG President; Ubbo Oltmanns, BCCG Chairman Region Bremen/Lower Saxony; Aygül Özkan, Managing Director ZIA; David McAllister, MEP, Chair of the Foreign Affairs Committee in the EP; Ilka Hartmann, Managing Director BCCG; Kathryn Boyd, Deputy Head for Trade, Europe, British Embassy Berlin.

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Events in the German-British corridor in Q1/2026

3rd German-British #Freundship Award to Nico Rosberg



11 March 2026, Berlin

From left to right: Michael Schmidt, President BCCG; Olivier Reppert, Mercedes UK CEO; Sascha, The BossHoss; Presenter Mareile Höppner; Laureate Nico Rosberg; Alec, The BossHoss; H.E. Susanne Baumann, German Ambassador to the UK; H.E. Andrew Mitchell CMG, British Ambassador to Germany

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The German-British #Freundship Award has been honouring individuals, projects, and organizations since 2021 that distinguish themselves through exceptional commitment to German-British friendship and cooperation.

1st UK-GER Defence Symposium "Defence meets Wirtschaft"



25 March 2026, Düsseldorf

Andreas Glunz (Vice President BCCG; Managing Partner International Business, KPMG in Germany) giving the opening speech

Together with XPONENTIAL Europe / Messe Düsseldorf, and co-organized by Mark Roberts, BCCG Regional Co-Chairman NRW, the BCCG brought together leading figures from government, business and technology to discuss defence, innovation and economic resilience, complemented by high-level keynotes, engaging panels and valuable networking opportunities.

1st UK-Germany Business Forum 2026



26-28 March 2026, Liverpool

Group photo with City of Liverpool's Lord Mayor Barbara Murray at Liverpool Town Hall. Also pictured: Andreas Glunz, KPMG; Ilka Hartmann, BCCG; Peter Schriewersmann, Happy Days Group

Copyright: Atanas Paskalev/ Nice to film you

The UK-Germany Business Forum 2026 brought together senior business and political leaders from the UK and Germany to explore investment and growth opportunities linked to the Liverpool Northern Gateway.

News in the German-British corridor (Jan. – Mar. 2026)

Inbound from the UK to Germany

London steckt Millionen in **Südzucker-Tochter Ensus UK**

FAZ, 30 March 2026

Knorr-Mutter Unilever prüft Teilverkauf an **McCormick**

Handelsblatt, 23 March 2026

Deutsche **inTime Group** wird Teil von britischer **Tawin Holdings Limited**

inTime, 6 March 2026

Britische **Reconomy Group** übernimmt deutschen Entsorgungsdienstleister **GfAW** (Gesellschaft für Abfallwirtschaft mbH)

recycling today, 4 March 2026

Motorenhersteller **RRPS** (Rolls Royce Power Systems) baut neue Fabrik am Bodensee

FAZ, 28 February 2026

Deutsches Putenfleisch, britischer Art (**Boporan Private Office** to overtake **Heidemark**)

FAZ, 20 February 2026

Drache Umwelttechnik mit neuem Eigentümer: **Porvair plc** übernimmt alle Geschäftsanteile

London Stock Exchange, 11 January 2026

Outbound from Germany to the UK

Axel Springer übernimmt britische „**Telegraph**“-Gruppe

Handelsblatt, 9 March 2026

Aldi to open 40 new UK stores this year as part of £370m investment

The Standard, 28 January 2026

EnBW steigt bei Großprojekt (Windpark vor britischer Küste) aus

Handelsblatt, 16 January 2026

RWE gewinnt Mega-Windauktion (Windpark vor britischer Küste)

Handelsblatt, 15 January 2026

Uniper continues to transform its generation portfolio and makes investment decisions for five new solar projects (in **UK** and Poland)

Uniper, 13 January 2026

General news in the British-German corridor

Einreise nach Großbritannien: **ETA wird teurer**

ADAC, 25 March 2026

Labour will neue Städte bauen

FAZ, 24 March 2026

UK and Germany meet to advance **deep precision strike missile programme** to boost national security

Gov.UK, 16 March 2026

Die Kunst des Machbaren: **EU und Großbritannien** planen **neues Abkommen**

Handelsblatt, 20 February 2026

EU calls for urgent reboot in **talks with UK** to stop reset deal failing

The Guardian, 16 March 2026

Geopolitical tensions sharpen the case for **offshore wind** – UK ambassador to Germany

Clean Energy Wire, 23 January 2026

Sehnsucht nach Europa (**Briten** diskutieren **Rückkehr in Zollunion**)

Handelsblatt, 22 December 2025

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

Germany and the UK rank as the third- and fifth-largest economies in the world, respectively

Germany and the UK are Europe's two largest economies, with respective GDPs of USD 5.05 trillion and USD 4.00 trillion. Together, they account for more than 7% of the global economy.

Populations develop differently

While the population in Germany is stagnating, the British population is growing due to increasing immigration. In 2026, Germany has a population of 83.5 million and the UK 69.9 million.

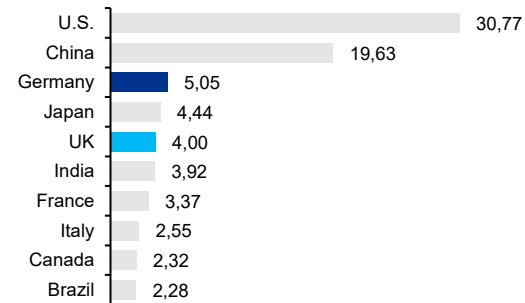
Real GDP growth remains weak

In its April 2026 World Economic Outlook, the IMF forecasts only slight GDP growth in 2026: +0.8% in Germany and in the UK. The two economies are therefore below the projected average of +1.8% for advanced economies. Both countries are suffering from the increased energy prices resulting from the Middle East conflict.

Unemployment rises

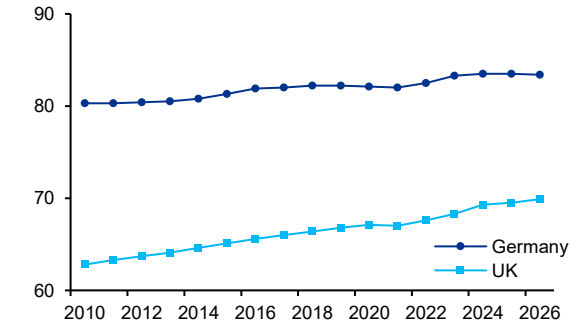
The strained economic situation is gradually becoming noticeable in the labor market. In Germany, the unemployment rate is expected to rise to 3.9% in 2026, and in the UK even to 5.6%. However, it is projected to fall back to 3.5% and 5.3% respectively in 2027.

Largest economies by GDP, 2025 (in USD trillions)



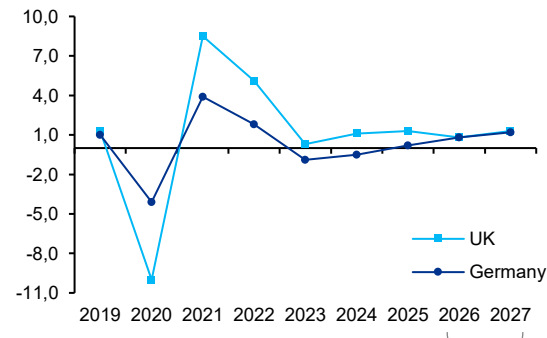
Source: IMF, Apr. 2026

Population (in millions)



Source: IMF, Apr. 2026

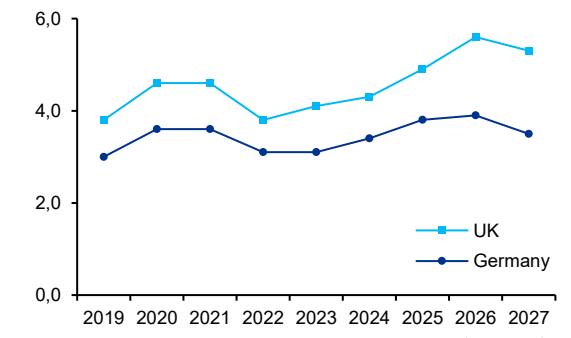
Real GDP growth (in %)



Source: IMF, Apr. 2026

Projections (Apr. 2026)

Unemployment rate (in %)



Source: IMF, Apr. 2026

Projections (Apr. 2026)

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

Cost of living rises

Housing shortages and the sharp rise in prices in recent years are particularly evident in major cities across both countries. London surpasses Munich as the city with the highest cost of living, while overall living costs in large UK cities are mainly comparable with German cities.

USD rises amid Iran war

In recent months, the USD had lost significant value. But with the outbreak of war in Iran, the USD suddenly rose again – thus making up for at least some of its losses from the past year. According to experts, however, this is currently less about seeking “safe haven”; rather, the US is benefiting from its ability to export oil itself – at high prices.

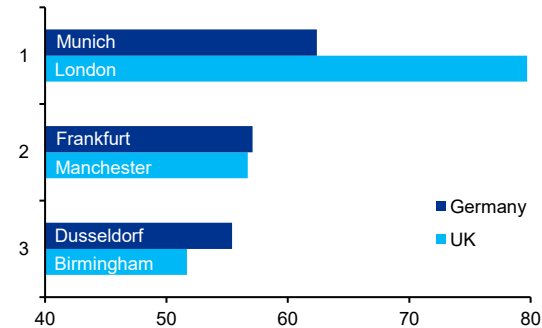
Iran war puts pressure on financial markets

The war in Iran has led to a significant shift in sentiment on the financial markets. Economists, analysts, and investors have revised their forecasts for the global economy downwards due to the conflict's impact on supply chains, fuel prices and inflation more generally. They are now preparing for scenarios that were dismissed as far-fetched just a few weeks ago.

Energy prices increase inflation

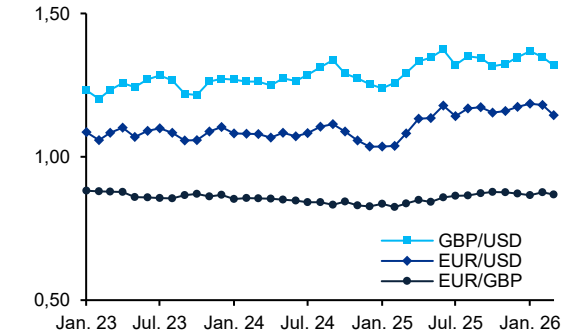
While inflation rates in Germany and the UK have decreased at the beginning of the year, in March 2026, the inflation rate in Germany increased to 2.7% (Feb. 2026: 1.9%). Although inflation declined in the UK, (3.0% in Feb. 2026; remains above the target of 2%), energy prices are also likely to have an inflationary effect here.

Cost of living plus rent index



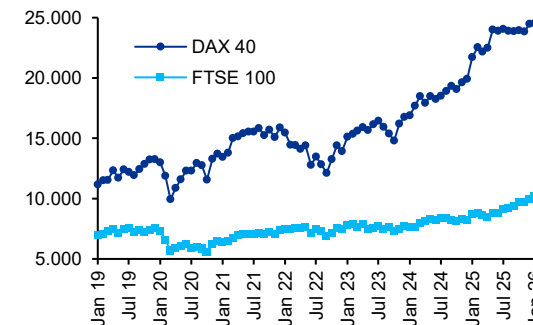
Source: Numbeo (Mar. 2026)

Exchange rates



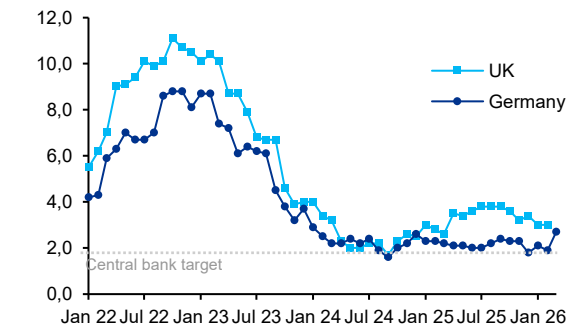
Source: Investing.com

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)

Bilateral trade is growing

German-British trade volume reached EUR 118 billion in 2025. This is the fourth year in a row that the volume of bilateral trade has increased slightly. The trade balance was in favour of Germany, with a surplus of EUR +41 billion. In 2024, the United Kingdom was Germany's ninth-largest trading partner and Germany the UK's second most important trading partner.

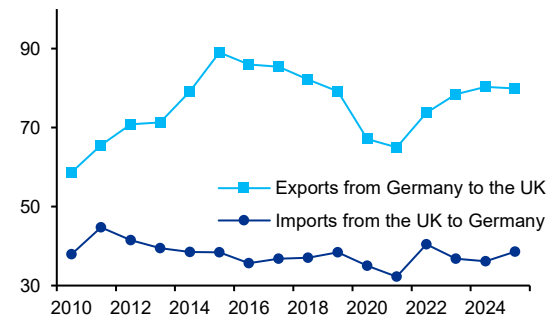
Inward FDI in the UK and Germany is declining

From the 1970s until Brexit, the UK consistently attracted higher foreign direct investment (FDI) than other comparable economies. However, between 2016 and 2018, FDI inflows declined sharply following Brexit. Although direct investment inflows into the UK had temporarily recovered by 2020, they have since declined again, hitting a new low of 0.1% of GDP in 2024. In Germany, FDI inflows have been more stable overall, but a steady decline since 2020 is also evident.

Greater fiscal flexibility in Germany than in the UK

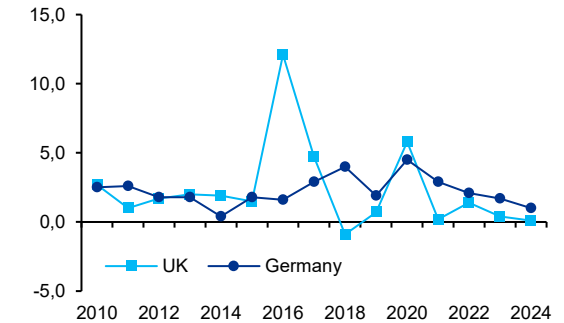
While Germany's public debt-to-GDP ratio had been steadily declining until the pandemic, it has grown since then, reaching 62.9% in 2025; the UK's ratio has risen much further, reaching 102.3% in 2025. The weak economy, high interest burdens and, in Germany, debt-financed investment packages cause public debt in both countries to continue to grow in the coming years.

Foreign trade Germany-UK (in EUR billion)



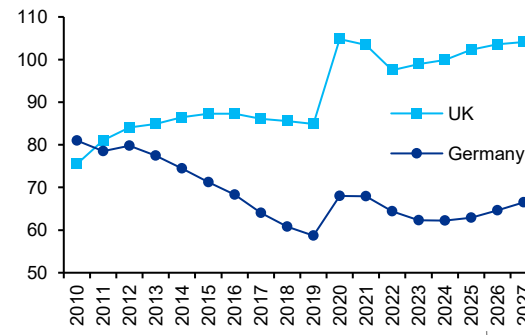
Source: Statistisches Bundesamt

FDI net inflows (% of GDP)



Source: World Bank

Government gross debt (% of GDP)



Source: IMF, Apr. 2026

Projections (Apr. 2026)

M&A deals and investments from the UK to Germany (1/2)

Date effective	Deal value (USD mil.)	German target	Target industry	UK acquiror	Acquiror industry	In the press
05.03.2026	230	PUMA SE	Consumer Staples	Frasers Group plc	Retail	Puma: Frasers Group steigt mit knapp 6 % ein – zweitgrößter Aktionär (Fashion Network, 05.03.2026)
26.01.2026	88	Limehome GmbH	Media and Entertainment	Cheyne Capital Management (UK) LLP	Financials	Limehome erhält 75 Mio. EUR (Munich Startup, 16.12.2025)
10.02.2026	48	metiundo GmbH	High Technology	Octopus Energy Generation Ltd	Energy and Power	Octopus Energy investiert in Smart-Meter Startup metiundo (Solarserver, 12.02.2026)
11.02.2026	40	Andercore GmbH	Industrials	Investor Group (a.o. Atomico)	Financials	Andercore sichert sich 40 Mio. US-Dollar Serie-B-Finanzierung für KI-gestützte Plattform im industriellen Handel (Andercore, 11.02.2026)
12.01.2026	24	Drache Umwelttechnik GmbH	Consumer Staples	Porvair PLC	Industrials	Porvair übernimmt deutschen Schmelzmetall-Spezialisten Drache für 20,5 Mio. EUR (MarketScreener, 12.01.2026)
19.03.2026	17	Interloom Technologies GmbH	High Technology	Investor Group (a.o. DN Capital)	Financials	Interloom erhält 14,2 Mio. EUR (Munich Startup, 26.03.2026)
25.03.2026	8	Cellbricks GmbH	Consumer Products and Services	Investor Group (a.o. Silicon Roundabout Ventures)	Financials	Cellbricks Therapeutics Raises 10 Mio. EUR New Capital to Move Living Tissue Implants Toward the Clinic (Cellbricks, 25.03.2026)
13.03.2026	7	Tower Computing GmbH	High Technology	Investor Group (a.o. DIG Ventures)	Financials	Berlin-based Tower raises 5.5 Mio. EUR to build the “last-mile” platform for data engineers in the AI era (EU-Startups, 13.03.2026)
06.03.2026	n.a.	inTime Group GmbH	Consumer Products and Services	Tawin Holdings Ltd	Financials	inTime Group wird Teil von Tawin Holdings Limited (inTime, 06.03.2026)
05.03.2026	n.a.	fresh Id Products GmbH	Industrials	Fluid Branding Ltd	Media and Entertainment	Brand Revolution Acquires Global Custom Merch Company fresh id (ASI, 05.02.2026)

Source: KPMG research

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

Date effective	Deal value (USD mil.)	German target	Target industry	UK acquirer	Acquirer industry	In the press
04.03.2026	n.a.	Gesellschaft für Abfallwirtschaft mbH	Energy and Power	Reconomy (UK) Ltd	Energy and Power	Reconomy übernimmt GfAW (RLG, 04.03.2026)
04.03.2026	n.a.	Sereni Deutschland GmbH	Consumer Products and Services	All Seas Capital Partners Ltd	Financials	All Seas Capital unterstützt Sereni's Buy-And-Build-Strategie (Businesswire, 06.03.2026)
17.02.2026	n.a.	Aerial Pv Inspection GmbH	Consumer Products and Services	Intertek Group PLC	Consumer Products and Services	Intertek übernimmt deutschen Photovoltaik-Inspektionsspezialisten AePVI (pv magazine, 20.02.2026)
02.02.2026	n.a.	Topas GmbH	Consumer Staples	The Tofoo Co Ltd	Consumer Staples	The Tofoo Co übernimmt den deutschen Hersteller pflanzlicher Produkte Topas und stärkt damit seine Expansion in Europa (veconomist, 03.02.2026)
27.01.2026	n.a.	Stackfuel GmbH	Consumer Products and Services	Multiverse Group Ltd	Consumer Products and Services	Multiverse kauft Stackfuel: Tony Blairs Sohn übernimmt deutschen KI-Bildungsanbieter (FAZ, 27.01.2026)
27.01.2026	n.a.	ICRC-Weyer GmbH	Consumer Products and Services	Evestia Clinical Ltd	Healthcare	Evestia Clinical Acquires ICRC-Weyer to Enhance Global Full-Service Clinical Research Capabilities (BioSpace, 27.01.2026)
14.01.2026	n.a.	PlanA.Earth GmbH	Consumer Products and Services	Diginex Ltd	High Technology	Diginex und Plan A schließen sich zusammen (planA, 08.01.2026)

Source: KPMG research



M&A deals and investments from Germany to the UK

Date effective	Deal value (USD mil.)	UK target	Target industry	German acquiror	Acquiror industry	In the press
02.03.2026	3.5	OutPost Bio LTD	Healthcare	Investor Group (a.o. Merantix Capital)	Financials	Female-led BioTech startup OutPost Bio raises 2.9 Mio.EUR to make human microbiology computable (EU-Startups, 02.03.2026)
19.03.2026	n.a.	BossaNova Media	Media and Entertainment	Serafin Unternehmensgruppe GmbH	Financials	Night Train Media Exits Stakes In 'Chess Masters' Maker Curve, BossaNova Media & Eccho Rights (Deadline, 19.03.2026)
19.03.2026	n.a.	Curve Media	Media and Entertainment	Serafin Unternehmensgruppe GmbH	Financials	Night Train Media Exits Stakes In 'Chess Masters' Maker Curve Media, BossaNova Media & Eccho Rights (Deadline, 19.03.2026)
02.03.2026	n.a.	KKI Grüenthal UK HoldCo Ltd	Healthcare	Grüenthal GmbH	Healthcare	Grüenthal übernimmt „Grüenthal Meds“ komplett (Pharma Relations, 04.03.2026)
27.02.2026	n.a.	Aberdeen Alarm Co Ltd	Consumer Products and Services	ENTRO Service GmbH	Consumer Products and Services	Aberdeen Alarm Company joins ENTRO Service Group in UK expansion deal (insidermedia, 27.02.2026)
20.02.2026	n.a.	More-IQ Ltd	High Technology	Solvares Group GmbH	High Technology	Solvares Group übernimmt More-IQ und stärkt Portfolio für Field Service (KVD, 06.03.2026)
11.02.2026	n.a.	Hallmarq Veterinary Imaging Ltd	Healthcare	Oehm und Rehbein GmbH	High Technology	OR Technology und Hallmarq bündeln Kräfte zum Aufbau einer globalen Multimodality-Imaging-Gruppe (Oehm und Rehbein, 12.02.2026)
28.01.2026	n.a.	Notonthehighstreet Enterprises Ltd	Retail	Executive Equity Partners GmbH	Financials	Executive Equity Partners übernimmt britischen Online-Marktplatz NOTHS (Retail News, 30.01.2026)
27.02.2026	n.a.	Airedale Group Ltd	Consumer Products and Services	Brenntag SE	Materials	Brenntag acquires Airedale Group in the UK (Brenntag, 16.12.2025)
02.02.2026	n.a.	Nature Delivered Ltd	Consumer Staples	Katjes International GmbH & Co KG	Consumer Staples	Katjes International erwirbt britische Healthy Snacking Marke Graze von Unilever (Katjes, 01.12.2025)

Source: KPMG research

Events in the British–German corridor (Q2/2026)

Title	Date	Location
Hannover Messe	20-24 April 2026	Hannover, Germany
LCCI Private Roundtable Lunch: German-British Business Outlook 2026: Challenges and opportunities in the UK-Germany corridor	29 April 2026	London, UK
ECB – Interest Rate Decision	29 April 2026	Frankfurt, Germany
Bank of England – Interest Rate Decision	30 April 2026	UK
BCCG Annual General Meeting 2026	21 May 2026	London, UK

Thought leadership in the British–German corridor

2026 Bulletin online I



German–British Business Outlook 2025



Brexit 2.0



Statement of the quarter

“As part of the Brexit deal or TCA (Trade and Cooperation Agreement) with the EU the Parliamentary Partnership Assembly (PPA) was established to oversee the implementation of the TCA and to ‘exchange views’. The PPA meets twice a year and is now the only formal interparliamentary body to strengthen relationships past Brexit.

Since 2024 the new Labour government was looking for a reset with the EU and the PPA has played an important part in setting the tone and developing detailed content. As a result, the UK and EU agreed to a new Security and Defence Partnership, the UK will join Erasmus+ from 2027, the UK will be able to take part in the EU electricity markets and the UK/EU Emissions Trading Schemes (ETS) are likely to be linked.

There is progress in the relationship, but it is slow. The key challenge for both sides is simply not to drift ever further apart. The question of ‘dynamic alignment or passive divergence’ doesn’t get much public attention but is nevertheless very important. Should the UK automatically follow new EU rules unless there is an explicit reason based on ‘national interest’ not to do so? How can the UK Parliament realistically keep up with all the rapid changes in EU law that might affect our trading relationship?

A good example is the new proposed EU Industrial Accelerator Act aimed at boosting EU competitiveness but ultimately excluding the UK with potentially massive new impacts for UK manufacturing.

The breakdown in negotiations at the end of December to allow UK defence firms to participate in the SAFE (Security Action for Europe) programme has been another set-back to the reset.

And while the UK delegation turned up in full numbers at the most recent meeting of the PPA in March, the participation of EU parliamentarians was sparse.

There is clear willingness on both the EU and the UK side to repair the worst damage of Brexit but it is a painstaking task and the challenges are still considerable.”



Wera Hobhouse

Member of Parliament for Bath (Liberal Democrats) & Member of the Parliamentary Partnership Assembly (PPA) since 2024

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