



Macroeconomic trends in the British-German corridor

Quarterly newsletter of KPMG
in Germany and the BCCG

Q2/2024

published July 2024



Key observations in Q2/2024

- After 14 years spent on the opposition bench, Labour has won a landslide majority in the **UK general election**. Sir Keir Starmer who has been Labour's leader since 2020, has subsequently come to power as the UK's new prime minister. The Tory party, however, have suffered a historic defeat this time round.
- Whilst Germany was defeated by Spain in the quarter-finals of the **UEFA European Football Championship**, the English team made it to the final. On 14 July 2024, the "Three Lions" also lost 1:2 to Spain in the final in Berlin, finishing in second place.
- The **German economy has seen minimal growth** in recent times, with GDP having only increased by +0.2% in Q1/2024 as compared to Q4/2023. Growing investment in construction and exports have had the greatest positive impact on the economy. Germany's inflation rate decreased further to 2.2% in June 2024. Similarly, the **UK experienced a +0.6% growth in economic output** in Q1/2024 compared to Q4/2023. The UK's inflation rate decreased to 2.0% in May 2024, thus reaching the Bank of England's (BOE) target for the first time since October 2021.
- Germany and the UK are still grappling with economic challenges, with the **IMF predicting only minimal growth for both nations in 2024**. After its negative growth in 2023, Germany is projected to achieve 0.2% growth this year. Further insights into Germany's macroeconomic landscape can be found [here](#). The UK economy is also likely to grow by a mere 0.5% in 2024, despite experiencing positive growth in the previous year, 2023.
- On 6 June 2024, the European Central Bank (ECB) lowered the key interest rate from 4.5% to 4.25% for the first time since September 2023. By contrast, the BOE decided on 20 June 2024 to leave interest rates unchanged at 5.25% for the seventh time in a row despite the UK inflation rate reaching the two percent target in May 2024.
- On 30 April 2024, more than three years after Brexit officially took place, the UK began imposing **goods controls on EU imports of animal and plant products** as phase 2 of the Border Target Operating Model.
- As part of the **Ludwig Erhard Summit** from 17 to 19 April 2024 at Lake Tegernsee, Michael Schmidt, President of the BCCG, presented the results of the **German-British Business Outlook 2024**. Watch the video [here](#). Key aspects of the survey have also been summarized in the Q1/2024 British-German corridor newsletter.



Impressions from the **Ludwig-Erhard-Gipfel 2024** (17-19 April 2024, Tegernsee)
From left to right: Michael Schmidt, President BCCG; Andreas Glunz, Managing Partner International Business KPMG in Germany

German-British Business Outlook 2024:

<https://kpmg.com/de/en/home/insights/overview/german-british-business-outlook.html>



UK elections – 4 July 2024

Special

Media responses in Germany

Wahl in UK: „Ich verspreche Ihnen nicht, dass es einfach wird“
Süddeutsche Zeitung, 5 July 2024

Sunak gratuliert Labourpartei zum Wahlsieg
Spiegel Ausland, 5 July 2024

Labour schafft historischen Machtwechsel
Handelsblatt, 5 July 2024

Labour-Partei gewinnt absolute Mehrheit
ZDF, 5 July 2024

Keir Starmer ist neuer britischer Premierminister
Zeit Online, 5 July 2024

Den Briten „wurde eine Last von den Schultern genommen“
FAZ, 5 July 2024

Neue Mehrheiten und ungelöste Fragen
Tagesschau, 5 July 2024

Ein EU-Beitritt Großbritanniens? „In ein oder zwei Jahrhunderten“
WirtschaftsWoche, 5 July 2024

Media responses in the UK

Labour wins big but the UK's electoral system is creaking
The Guardian, 5 July 2024

Labour Party wins UK election in a landslide
CNBC, 5 July 2024

Starmer vows to serve whole UK as new Labour PM
BBC, 5 July 2024

Keir Starmer pledges government of service in first address
The Daily Telegraph, 5 July 2024

Keir Starmer begins appointing cabinet as Nigel Farage heckled during speech
The Independent, 5 July 2024

Labour has won the British election. Now it has to seize the moment
The Economist, 5 July 2024

It's time for a change...
The Sun, 5 July 2024

Keir Starmer hails historic Labour victory as Conservatives sink to worst-ever result
Financial Times, 5 July 2024

UEFA European Football Championship 2024

Special

A Thank You to England

We would like to extend our thanks for England's participation in the Euros and for bringing with them their spirit and enthusiasm to Germany. Congratulations are in order for their impressive success during the tournament, overcoming many of the toughest opponents in Europe. England's commitment and performance on the field were truly exceptional and have now inspired both fans at home and the global football community more generally.

It was a pleasure for us to host the English in Germany, and we hope they enjoyed experiencing our culture and hospitality as much as we enjoyed having the English here. We hope that their time here was memorable, getting to tour Berlin, Dortmund and many other of our largest cities, and that they are able to take home not just their remarkable successes, but also fond recollections of time spent in Germany.

We look forward to seeing England again on their home turf in 2028.

Scorecard for the Euros 2024

Group	England	1 – 0	Serbia
Stage	England	1 – 0	Denmark
	England	0 – 0	Slovenia
Last-16	England	2 – 1	Slovakia
Quarter	England	5 – 3	Switzerland
Semi	England	2 – 1	Netherlands
Final	England	1 – 2	Spain

Where England played

England played at a variety of venues during their stay in Germany. Including playing the final in Berlin (pictured on the right), and other matches in Cologne, Dortmund, Düsseldorf and Gelsenkirchen.



Brandenburger Tor, Berlin

More news in the German-British corridor (Apr. – June 2024)

Inbound from the UK to Germany	Outbound from Germany to the UK	General news in the British-German corridor
Whitbread boosted by strong Premier Inn demand in Germany <small>This is Money, 18 June 2024</small>	DHL eCommerce UK launches its first operationally carbon-neutral site <small>Post & Parcel, 11 June 2024</small>	„Die neue Insel der Stabilität“ in Europa <small>Handelsblatt, 26 June 2024</small>
Vodafone investiert deutlich mehr <small>FAZ, 15 June 2024</small>	INDUS schließt Erwerb der britischen COLSON X-Cel erfolgreich ab <small>Wallstreet Online, 6 June 2024</small>	Das Brexit-Tabu brechen <small>Handelsblatt, 7 June 2024</small>
Telekomanbieter Vodafone will Mobilfunknetz 5G verbessern <small>FAZ, 11 June 2024</small>	Freiberger invests in new UK frozen pizza plant <small>Just Food, 4 June 2024</small>	UK and Germany strengthen hydrogen ties <small>Offshore Energy, 25 April 2024</small>
UK biotech signs \$1bn deal to develop liver disease drugs [Ochre Bio to partner with Boehringer Ingelheim] <small>Financial Times, 22 April 2024</small>	Germany's PERI Group acquires UK-based Mabey Hire <small>Yahoo Finance, 30 May, 2024</small>	UK and Germany open 'new chapter' in defence partnership <small>UK Government, 23 April 2024</small>
„Wir brauchen eine Form der Abnahmeverpflichtung“ [Rolls-Royce Power Systems] <small>Handelsblatt, 18 April 2024</small>	German firm [Heidelberg Materials] completes takeover of Mick George <small>mrw, 8 May 2024</small>	Der Handel leidet, Grenzkontrollen bremsen <small>Handelsblatt, 18 April 2024</small>

Economic trends in Germany and the UK in comparison (1/3)

Germany and the UK are # 3 and # 6 of the largest economies in the world

In 2023, the two countries ranked third and sixth globally with a GDP of USD 4.43 and 3.30 trillion, respectively. Together, the GDP of Germany and the UK accounts for more than 7% of the global economy.

Population in both countries on different trajectories

The population in Germany has reached an all-time high of 84.5 million people (due to high levels of immigration). In the UK, the population growth rate has slowed steadily since the Brexit referendum in 2016.

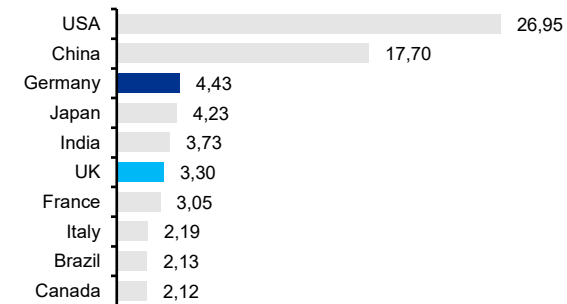
Real GDP growth weakens

The IMF lowered its growth forecasts for both the UK and Germany. While the UK was able to avoid a recession in 2023, the country's economy was also only able to record minimal growth. Both economies are also likely to grow only minimally this year.

Unemployment remains low

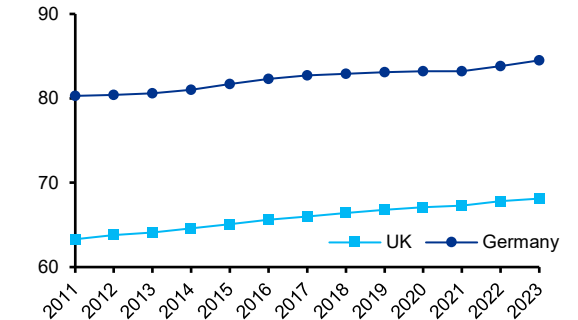
The labour markets remain tight in both countries, with many employers facing hiring problems, especially when it comes to skilled workers. Compared to the rest of Europe, both countries show relatively low unemployment rates.

Largest economies by GDP, 2023 (in USD trillion)



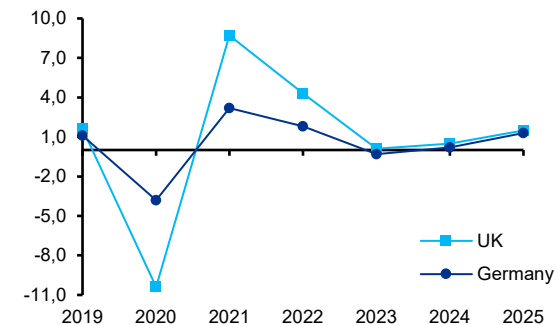
Source: IMF, 2024

Population (in million)



Source: IMF, 2024

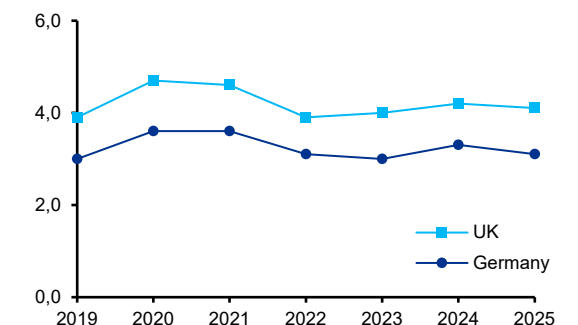
Real GDP growth (in %)



Source: IMF, Apr. 2024

Projections (Apr. 2024)

Unemployment rate (in %)



Source: IMF, Apr. 2024

Projections (Apr. 2024)

Economic trends in Germany and the UK in comparison (2/3)

Cost of living rises

With prices soaring in the last 2 years, the cost of living has increased in the UK and Germany. London by far outstrips Munich as the #1 city in terms of living costs. Also overall, living costs in other larger UK cities also greatly exceed those in larger German cities.

GBP rallies against EUR and USD

In June 2024, the euro fell to its lowest against the pound since August 2022 (1 EUR = 0,85 GBP). This was caused primarily by the success of far-right parties in the recent EU parliamentary election which spooked investors. Continued high interest rates in the UK are also strengthening the GBP against the USD.

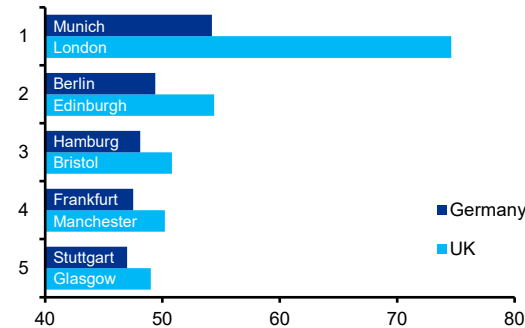
Stock markets

The announcement of new elections in France and newly introduced EU tariffs on imported electric vehicles from China have led to a weakening of the DAX. Whilst in England, hopes that the Bank of England will cut interest rates soon have lead to a record high for the FTSE 100.

UK inflation hits target

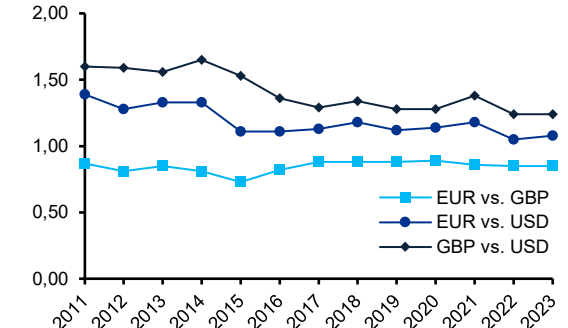
Inflation in UK has achieved the Bank of England's target for the first time in almost three years. Prices rose at 2% in the year to May 2024, down from 2.3% the month before. Germany's annual inflation also decreased again to 2.2% in June 2024.

Cost of living plus rent index



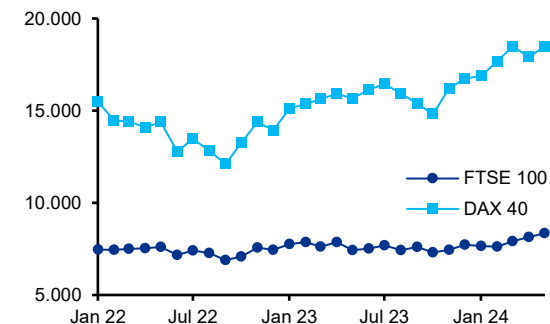
Source: Numbeo (June 2024)

Exchange rates



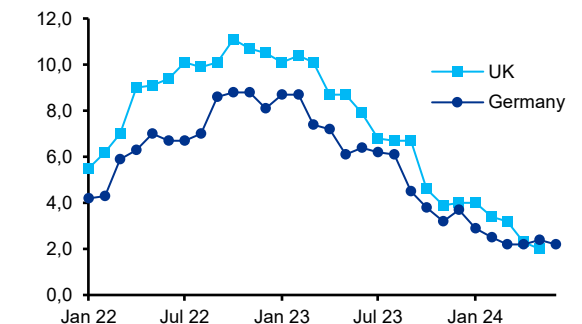
Source: Exchange Rates UK

DAX 40 and FTSE 100



Source: FTSE, Ariva

Inflation rate/CPI (in %)



Source: Office for National Statistics, Statistisches Bundesamt

Economic trends in Germany and the UK in comparison (3/3)

Foreign trade facing slow recovery after Brexit

Due to Brexit, the cost of importing/exporting between Germany and the UK rose significantly. Non-tariff trade restrictions were also introduced, causing a drop in bilateral trade.

In 2022 the volume of foreign change rose again for the first time since the Brexit referendum in 2016. While in 2023 exports to the UK continued to increase, imports from the UK to Germany decreased again.

Since 2016, the UK has slipped from 5th to 9th place among Germany's most important trading partners, accounting for just 3.9% of total German trade in 2023. Germany, on the other hand, was still UK's 2nd largest trading partner in 2023, accounting for 8.3% of total UK trade.

Inward FDI in the UK appears to be stabilising

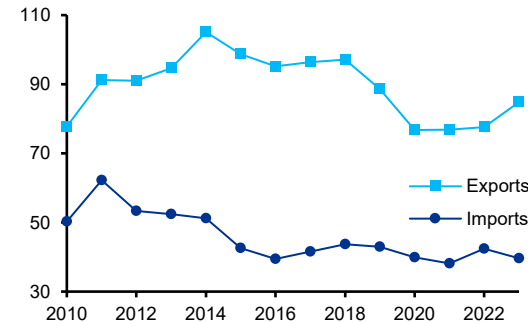
From the 1970s until Brexit, the UK consistently attracted more FDI than other comparable economies. Between the Brexit referendum and 2018, the inflow of FDI into the UK experienced a plummet. Since then, FDI inflows have, however, recovered and have almost returned to their pre-Brexit-levels. Inward FDI flows to Germany have remained relatively stable over the past decade. Though since 2020 they face a slight downward trend.

Greater fiscal flexibility in Germany than in the UK

While the level of public debt to GDP in Germany declined steadily until the outbreak of the pandemic and standing at ~66% in 2023, public debt to GDP in the UK has risen further, reaching ~104% in 2023.

Foreign trade Germany-UK

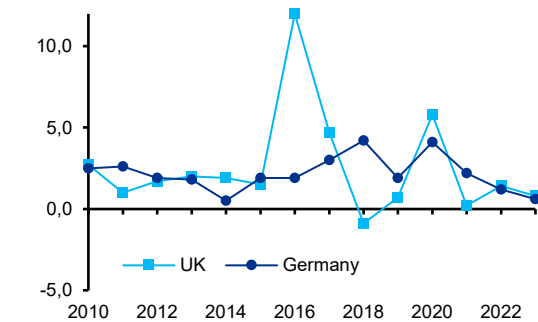
(from German perspective) (in USD billion)



Source: Statistisches Bundesamt

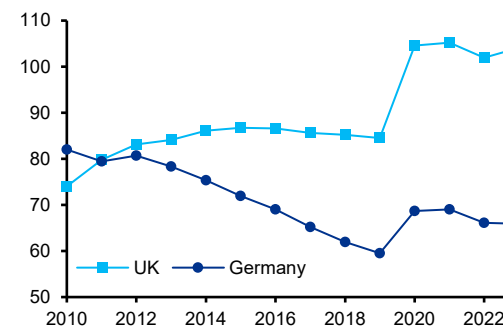
Inward FDI flow/GDP

(in %)



Source: IMF, International Financial Statistics;
Office of National Statistics

Government gross debt (% of GDP)



Source: IMF

M&A deals from the UK to Germany

Target nation: Germany
Acquiror nation: United Kingdom
Date effective: 1 April 2024 – 30 June 2024
Deal status: Completed

Date effective	Rank value (USD million)	Target full name	Target industry	Acquiror full name	Acquiror industry
11 June 2024	4.31	Cardino GmbH	Retail	Investor Group	Financial Services
04 June 2024	14.60	re:cap Technologies GmbH	High Technology	Investor Group	Financial Services
28 May 2024	n/a	HH2E AG	Energy and Power	Foresight Group LLP	Financial Services
21 May 2024	n/a	GXP Engaged Auditing Services GmbH	Consumer Products and Services	Kester Capital III LP	Financial Services
24 April 2024	56.33	GGW Group GmbH	Financial Services	Investor Group	Financial Services
18 April 2024	8.00	PlanerAI GmbH	High Technology	Investor Group	Financial Services
18 April 2024	n/a	Undisclosed Panattoni Logistics Park	Industrials	Clarion Partners Europe (UK) Ltd	Real Estate
16 April 2024	37.18	finmid GmbH	High Technology	Investor Group	Financial Services
09 April 2024	2.93	Torg GmbH	Retail	Investor Group	Financial Services
09 April 2024	n/a	Lifte H2 GmbH	Energy and Power	Px Ltd	Consumer Products and Services

Source: Refinitiv

New investments from the UK to Germany (1/2)

Date	Investor	Industry sector	Type	Capital investment (in USD million)
June 2024	Hytronik	Electronic components	Expansion	Unknown
June 2024	Clearwater International	Financial services	New	7.8
June 2024	Alken Asset Management	Financial services	New	7.8
June 2024	Sidekick Money	Software & IT services	New Funding/Resources for Expansion	Unknown
June 2024	Generation Media	Business services	New	Unknown
May 2024	Global Counsel	Business services	New	0.5
May 2024	RBB Economics	Business services	New	0.5
May 2024	Simpson Judge	Business services	New	0.5
May 2024	Iwoca	Financial services	New Funding/Resources for Expansion	Unknown
May 2024	MRA Search	Business services	New	0.5
Apr. 2024	Low Carbon	Renewable energy	New	661.4
Apr. 2024	Third Bridge	Business services	New	0.5

Source: fDi Markets

New investments from the UK to Germany (2/2)

Date	Investor	Industry sector	Type	Capital investment (in USD million)
Apr. 2024	Red Engineering Design	Business services	New	0.5
Apr. 2024	CIL	Business services	New Investment Strategy	Unknown

Source: fDi Markets

M&A deals from Germany to the UK

Target nation: United Kingdom
Acquiror nation: Germany

Date effective: 1 April 2024 – 30 June 2024
Deal status: Completed

Date effective	Rank value (USD million)	Target full name	Target industry	Acquiror full name	Acquiror industry
06 June 2024	326.04	Vivendi SE-Festival & International Ticketing Activities	Media and Entertainment	CTS Eventim AG & Co KGaA	Media and Entertainment
29 May 2024	n/a	Mabey Hire Ltd	Industrials	PERI SE	Industrials
03 May 2024	n/a	Mick George Ltd	Industrials	Heidelberg Materials AG	Materials
03 May 2024	n/a	Precision Colour Printing Ltd	Media and Entertainment	Hypax GmbH	Financial Services
22 April 2024	n/a	Greenview Group Holdings Ltd	Industrials	Mutares SE & Co KGaA	Financial Services
18 April 2024	n/a	G&L Scientific Ltd	Consumer Products and Services	Armira Beteiligungen GmbH & Co KG	Financial Services

Source: Refinitiv

New investments from Germany to the UK (1/2)

Date	Investor	Industry sector	Type	Capital investment (in USD million)
June 2024	Freiberger	Food & Beverages	Co-Location	48.3
June 2024	Uniper	Renewable energy	New Funding/Resources for Expansion	8.6
June 2024	E.On	Renewable energy, coal & gas	New Funding/Resources for Expansion	1.3
June 2024	RWE	Renewable energy	New Funding/Resources for Expansion	8.6
June 2024	Nordmann Rassmann (NRC)	Transportation & Warehousing	New	Unknown
June 2024	DHL eCommerce UK	Transportation & Warehousing	New	9.0
June 2024	Brenntag UK & Ireland	Chemicals	Expansion	Unknown
May 2024	Monta	Transportation & Warehousing	New	63.5
May 2024	Siemens Mobility	Non-automotive transport OEM	Expansion	48.2
May 2024	Knauf Insulation	Building materials	New	28.2
May 2024	Rows	Software & IT services	New Funding/Resources for Expansion	Unknown
May 2024	GBTEC Group	Software & IT services	New	2.8

Source: fDi Markets

New investments from Germany to the UK (2/2)

Date	Investor	Industry sector	Type	Capital investment (in USD million)
May 2024	Faircado	Software & IT services	New Funding/Resources for Expansion	Unknown
May 2024	FutureMotiv	Automotive components	Expansion	1.0
Apr. 2024	Patrizia UK	Real estate	New	Unknown
Apr. 2024	Siemens Healthineers (Siemens Healthcare)	Biotechnology	New	25.3
Apr. 2024	Hylmpulse Technologies	Space & defence	New	19.0
Apr. 2024	IFCO Systems	Plastics	New	16.0
Apr. 2024	Heidelberg Materials UK (Hanson UK)	Building materials	Co-Location	29.6
Apr. 2024	BayWa r.e. UK	Renewable energy	New	853.8
Apr. 2024	Neurocare	Healthcare, Software & IT services	New Funding/Resources for Expansion	Unknown
Apr. 2024	RWE	Renewable energy	New	74.3
Apr. 2024	Pliant	Financial services, Software & IT services	New Funding/Resources for Expansion	Unknown

Source: fDi Markets

Upcoming events in the German-British corridor

Title	Date	Location
UK general election	4 July 2024	UK
NATO Summit 2024	9-11 July 2024	Washington, USA
ECB – Interest Rate Decision	18 July 2024	Frankfurt, Germany
Bank of England – Interest Rate Decision	1 August 2024	UK
UN General Assembly	10-24 September 2024	New York, United States
G20 Summit	18-19 September 2024	Rio de Janeiro, Brazil

Statement of the quarter

With a new Labour government under Keir Starmer, Germany Trade & Invest (GTAI) is hopeful that the economic ties between the UK and Germany will improve. Inward investment to Germany continues to enjoy steady growth, according to GTAI's latest FDI Report.

„Following the decisive UK election results on July 4th, the new Labour government has hit the ground running. Foreign secretary David Lammy made his inaugural visit to Germany on his first full day in office, setting a collaborative tone for the bilateral relationship. We are hopeful that improved ties with Germany and Europe will lead to even stronger trade and investment relationships. However, Labour has ruled out rejoining the EU's customs union or single market, limiting the scope for sweeping change. The five-year review of the UK-EU Trade and Cooperation Agreement (TCA) in 2026 will reveal the extent of progress that is possible.

In terms of foreign direct investment, the UK has once again consolidated its position in the top tier of source countries for investment in Germany. According to our GTAI FDI Report published this spring, the UK ranked fourth behind only the USA, Switzerland and China in terms of investment projects in 2023. We have now seen a steady increase of British companies expanding into Germany for nearly a decade, with only a brief dip during the pandemic. The trend has been driven largely by British companies looking to establish a presence in the EU in the post-Brexit environment. In 2023, we also witnessed increased British engagement in the energy sector and several innovative British tech companies setting up in Germany. We look forward to continued growth in 2024.”



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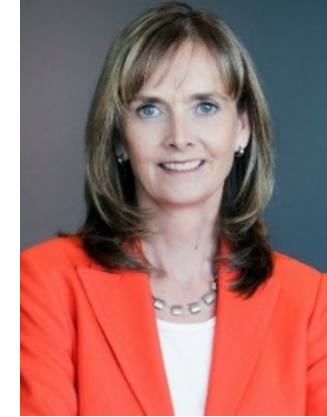
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