Macroeconomic trends in the British-German corridor

Q2/2026

published July 2026

Key observations in Q2/2026

Economic update

- **German GDP grew by +0.3%** in Q1/2026 compared to Q4/2025. **In the UK, GDP increased by +0.6%** in the first three months of 2026 compared to the previous quarter.
- With an **inflation rate** of 2.3% in June 2026, price pressure in Germany has eased slightly again, particularly due to falling oil prices and the fuel discount. At 2.8% in May 2026, inflation in the UK (CPI) also 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 11 June 2026, the **European Central Bank (ECB)** increased its key interest rate for the first time in nearly three years due to sharply rising inflation. It increased the deposit rate - which is relevant for the financial markets - from 2.0% to 2.25%. On 18 June 2026, **the Bank of England (BOE)** decided to keep interest rates on hold at 3.75%. British monetary policymakers are continuing to wait and see to what extent the consequences of the Iran war will be reflected in inflation.

British PM Keir Starmer resigns

On 22 June 2026, UK Prime Minister Keir Starmer announced his resignation. Nominations to replace Starmer as leader of the Labour Party, and thus British prime minister, open on July 9.

Update on cooperation and trade agreements

EU

- On 16 June 2026, the European Parliament voted in favour of the so-called **Turnberry Deal**. The plan entails eliminating import duties on **US** industrial products entering the EU. In return, a 15% import duty is to be applied to most EU products exported to the US. Additionally, the EU is to facilitate market access for US agricultural products and seafood.
- On 1 May 2026, the trade component of the **EU-MERCOSUR** agreement provisionally entered into force. Prior to this, the MERCOSUR states had ratified the agreement, and the EU had confirmed its provisional application by transmitting a note verbale to MERCOSUR.

UK

- On 22 June 2026, the UK and **Malaysia** have been launching negotiations on a new digital trade deal that will support growth and back British jobs.
- On 10 June 2026, the UK has successfully concluded a milestone free trade agreement (FTA) with the **Gulf Cooperation Council (GCC)**. Over the next 10 years, the GCC will fully liberalise 90% of its tariff lines. Tariffs will be removed on around 93% of UK exports to the GCC worth an estimated £580 million a year based on existing trade.

BCCG Annual Conference & Dinner 2026

21 May 2026, London

BCCG Patron **H.E. Susanne Baumann**, German Ambassador to the United Kingdom, delivering her keynote speech at the BCCG Annual Dinner, Royal Automobile Club, London.

We are currently conducting the survey for the **German-British Business Outlook 2026**.

Please participate here. We greatly value your insights.

News in the German-British corridor (Apr. – Jun. 2026)

Inbound from the UK to Germany

Britischer Milliardär Mike Ashley greift nach **Hugo Boss**
Handelsblatt, 12 June 2026

Premier Inn rückt **Motel One** auf die Pelle
FAZ, 5 May 2026

Wie **Vodafone** die **Telekom** angreifen will
FAZ, 24 April 2026

Revealed**: Axel Springer** skipped due diligence before £575m **Telegraph** takeover
The Guardian, 24 April 2026

UK power distribution group [**Lucy Group**] acquires German switchgear tech firm [**Nuventura**]
Business Sale Report, 8 April 2026

Outbound from Germany to the UK

Humanoid's New Deal: **Bosch** Will Build Its Robots With Schaeffler Parts
Fores, 21 May 2026

German energy company **RWE** granted consent to build three new UK offshore windfarms
New Civil Engineer, 15 May 2026

Siemens Energy delivers all transformers for first UK-Germany energy link
Offshore Energy, 11 May 2026

German firm **E.On** to buy rival **Ovo** to create one of Britain's largest suppliers
Yahoo Finance, 11 May 2026

ARX Robotics expands in UK following British Army backing for uncrewed platforms
Shephard, 30 April 2026

Boehringer to invest £150m in London after US trade deal
The Times, 20 April 2026

General news in the British-German corridor

EU prüft Gipfel mit Großbritannien nach Starmer-Rücktrittsplan
Euro News, 22 June 2026

Britischer Premierminister **Keir Starmer kündigt Rücktritt an**
Die Zeit, 22 June 2026

Germany and UK **rebuilding ties** 10 years after Brexit vote
Deutsche Welle, 22 June 2026

Third **shipment of vitrified waste** from the UK to Germany successfully completed
UK Government, 18 June 2026

PM meeting with Chancellor Merz of Germany: 15 June 2026
UK Government, 16 June 2026

Liverpool and Hamburg launch partnership to boost business links between Britain and Germany
Business Live, 11 May 2026

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.

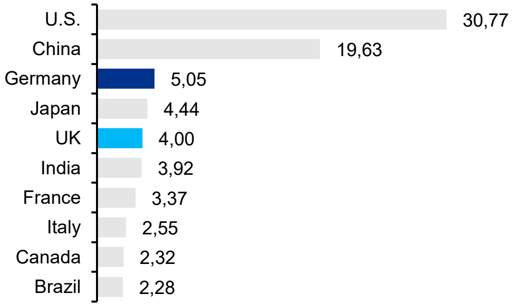
Real GDP growth remains weak

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

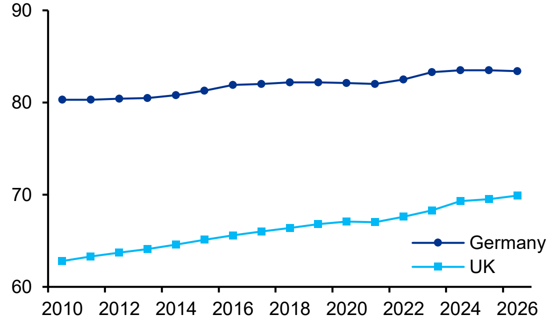
The strained economic situation is gradually becoming noticeable in the labour market. In Germany, the unemployment rate is expected to rise to 3.9% in 2026, and in the UK even to 5.6%. However, it is projected to fall back to 3.5% and 5.3% respectively in 2027.

Largest economies by GDP, 2025
(in USD trillions)



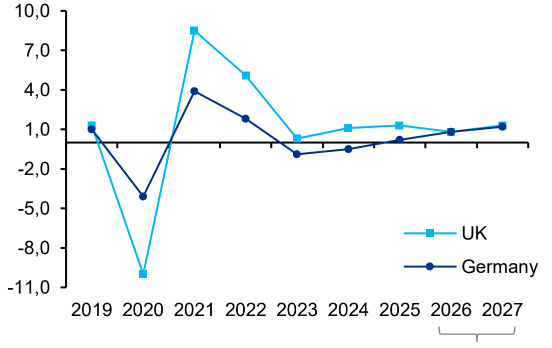
Source: IMF, Apr. 2026

Population
(in millions)



Source: IMF, Apr. 2026

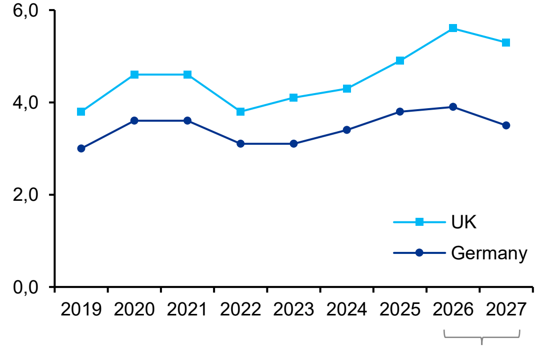
Real GDP growth (in %)



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 to one-year high

The USD rose to its highest level in over a year as traders braced for a more hawkish US Federal Reserve. It is also benefiting from the fact that the conflict in the Middle East has not been fully resolved; significant uncertainty remains, providing support for the US dollar.

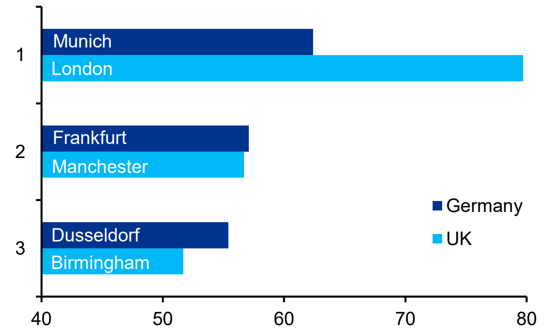
Stock markets marked by uncertainty

Financial markets are grappling with an exceptionally tense situation. Geopolitical risks in the Middle East show no signs of abating. The consequences of the war are already being felt across many sectors of the economy. Inflation in the eurozone is rising as a result of the war. Market indices remain mainly unchanged.

Inflation remains elevated

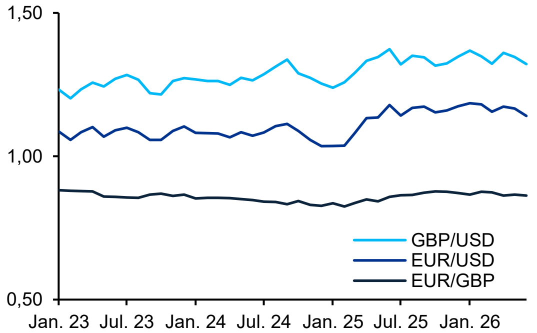
While inflation rates in Germany and the UK had declined at the beginning of the year, the rise in energy prices caused by the conflict in the Middle East has pushed inflation back up. In June 2026 the inflation rate in Germany stood at 2.3%. Inflation in the UK also remained at an elevated level at 2.8% in May 2026, despite a recent decline.

Cost of living plus rent index



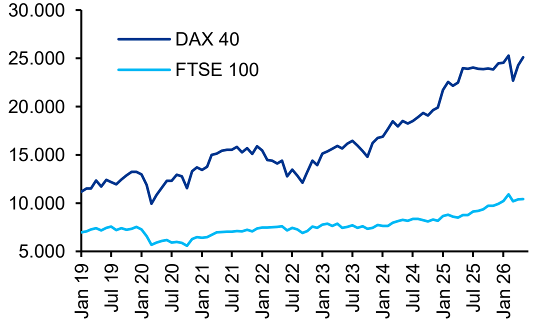
Source: Numbeo (Jun. 2026)

Exchange rates



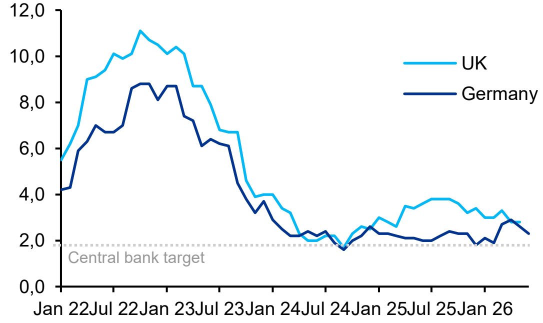
Source: Investing.com

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.

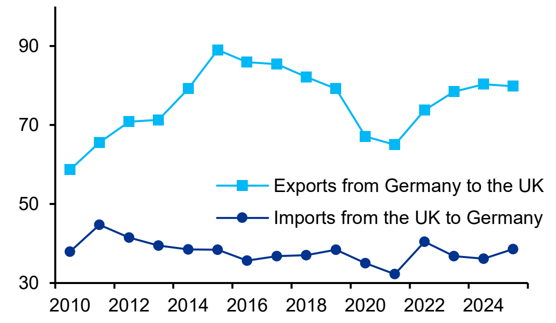
Inward FDI in the UK and Germany is declining

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

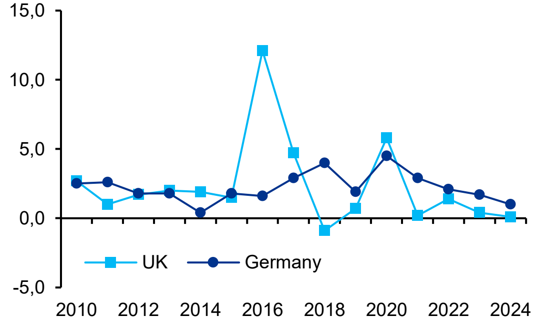
While Germany's public debt-to-GDP ratio had been steadily declining until the pandemic, it has grown since then, reaching 62.9% in 2025; the UK's ratio has risen much further, reaching 102.3% in 2025. The weak economy, high interest burdens and, in Germany, debt-financed investment packages cause public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

Foreign trade Germany-UK
(in EUR billion)



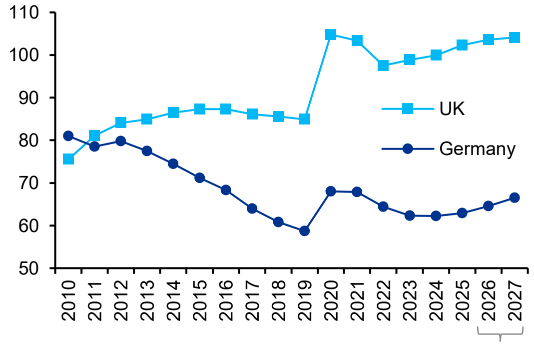
Source: Statistisches Bundesamt

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 (1/3)

Date effective	Deal value (USD mil.)	German target	Target industry	UK acquiror	Acquiror industry	In the press
16.06.2026	14	AI Audit Systems GmbH	Software	Investor Group	Financials	Cortea raises EUR 12 million to help audit firms adopt AI without compromising audit quality (FinanzNachrichten.de, 16.6.2026)
13.04.2026	13	Nesto Software GmbH	IT Consulting & Services	Investor Group	Financials	Nesto erhält EUR 11 Mio. für KI-gestützte Restaurant-Software (Startbase, 14.4.2026)
24.04.2026	12	Omegga GmbH	Agriculture & Livestock	Investor Group	Financials	Omegga erhält EUR 10 Mio. Seed-Kapital (Munich Startup, 24.4.2026)
02.04.2026	10	Vesputi GmbH	E-commerce / B2B	Tracsis plc	Software	Tracsis übernimmt deutschen Ticketing-Spezialisten Vesputi für EUR 5,8 Mio. (Investing.com, 2.4.2026)
17.06.2026	4	Seqana GmbH	Software	Investor Group	Financials	Seqana sichert sich EUR 3,2 Mio., angeführt von Pymwymic, um die Messung von Bodengesundheit über Kohlenstoff hinaus zu erweitern (Seqana, 16.6.2026)
14.04.2026	3	Peak Quantum GmbH	Computers & Peripherals	Investor Group	Financials	Nicht mehr Qubits, sondern bessere: Peak Quantum sichert sich EUR 5 Mio. für neuen Ansatz (Munich Startup, 14.4.2026)
28.05.2026	n.a.	Mittelstands Assekuranz Partner GmbH	Insurance	Inflexion Private Equity Partners LLP	Financials	Inflexion gründet neue Versicherungsmakler-Plattform MAP (Finance Magazin, 28.5.2026)
22.05.2026	n.a.	Kautz Starkstrom-Anlagen GmbH	Energy & Power	Triton Investments Advisers LLP	Financials	Laufende Fusionskontrollverfahren: Triton Investment Partners LLP, London (GBR); mittelbarer Anteils- und Kontrollerwerb an und über KAUTZ Starkstrom-Anlagen Luxemburg S.à r.l., Luxemburg, KAUTZ Starkstrom-Anlagen GmbH, Trier, Horstmann & Schwarz GmbH & Co kG (FinanzNachrichten.de, 22.5.2026)
22.05.2026	n.a.	Horstmann & Schwarz GmbH & Co. KG	Energy & Power	Triton Investments Advisers LLP	Financials	
13.05.2026	n.a.	Wagner GmbH & Co. KG [Sport Signage]	Advertising & Marketing	The.Team: SME Management EMEA Ltd	Advertising & Marketing	Live-Team acquires leading branding business Sport Signage (The.Team, 10.6.2026)

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
08.05.2026	n.a.	Kocarek GmbH	Professional Services	The Translation People Ltd	Professional Services	The Translation People Makes Fifth Acquisition in Three Years with Purchase of German LSI (Slator, 8.5.2026)
07.05.2026	n.a.	Pharmax Solutions GmbH	Professional Services	Biophorum Operations Group Ltd	Pharmaceuticals	Biophorum acquires Pharmax Solutions, empowering the life sciences industry to turn best practice insight into operational solutions at scale (BioPhorum, 7.5.2026)
05.05.2026	n.a.	Meteoviva GmbH	Building/Construction & Engineering	Bregal Investments LLP	Financials	Bregal Milestone gibt Investition in meteoviva bekannt, der führenden KI-gestützten Lösung für das Energiemanagement in Gebäuden (meteoviva, 5.5.2026)
05.05.2026	n.a.	Diamant Software GmbH	IT Consulting & Services	HgCapital LLP	Financials	Diamant Software gewinnt mit Hg starken Partner für Innovation, Zukunftsinvestition und Wachstum (Handelsblatt, 10.11.2025)
27.04.2026	n.a.	iC Consult GmbH	IT Consulting & Services	Bridgepoint Group plc	Consumer Staples	Bridgepoint to acquire majority stake in iC Consult to accelerate global expansion in identity security (Bridgepoint, 27.4.2026)
23.04.2026	n.a.	Allgeier IT Services GmbH	IT Consulting & Services	Synova LLP	Financials	IT-Berater Allgeier verkauft IT-Services-Geschäft an Finanzinvestor (Handelsblatt, 24.10.2025)
14.04.2026	n.a.	inTime Group GmbH	Professional Services	Tawin Holdings Ltd	Asset Management	inTime Group wird Teil von Tawin Holdings Limited (inTime, 6.3.2026)
13.04.2026	n.a.	WOLF Essgenuss GmbH	Food & Beverage	Morliny Foods Holding Ltd	Food & Beverage	Morliny Foods übernimmt Wolf-Gruppe (markenartikel, 14.10.2025)

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
02.04.2026	n.a.	Nuventura GmbH	Energy & Power	Lucy Electric Uk Ltd	Industrials	Lucy Group acquires Nuventura GmbH in Germany to expand into primary SF6-free switchgear (Lucy Electric, 2.4.2026)
01.04.2026	n.a.	Balver Zinn Josef Jost GmbH & Co KG	Machinery	Amalgamated Metal Corp PLC	Metals & Mining	Erfolgreiche Investorenlösung für Balver Zinn Gruppe gefunden – AMC übernimmt Geschäftsbetrieb (Goerg, 23.4.2026)

Source: KPMG research

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

Date effective	Deal value (USD mil.)	UK target	Target industry	German acquiror	Acquiror industry	In the press
12.05.2026	120	Elliptic Enterprises Ltd	Financials	Investor Group (a.o. Deutsche Bank)	Financials	Elliptic secures USD 120 million investment from Nasdaq Ventures, Deutsche Bank, One Peak and the British Business Bank (Elliptic, 12.5.2026)
21.04.2026	14	Exergy3 Ltd	Professional Services	Investor Group (a.o. Bayern Kapital)	Financials	Exergy3 raises USD 13.5 million to decarbonize industrial heat with unused renewable energy (ESG Today, 21.4.2026)
05.05.2026	9	Agemo AI Ltd	Software	Investor Group (a.o. Visionaries)	Financials	CodeWords Raises USD 9 million to Power AI Agent Automation (The AI World, 8.5.2026)
10.04.2026	6	Round Financial Ltd	Software	Investor Group (a.o. Alstin Capital)	Financials	Round Raises USD 6 million to build the AI-Powered Finance Automation Platform for Modern Finance Teams (Round, 10.4.2026)
22.04.2026	3	ABR Health Ventures Ltd [Calibre]	Healthcare Providers & Services	Investor Group	Financials	Calibre, founded by Ex-Palantirs in London, Raises USD 3.3 million for AI Testing (Trending Topics, 18.5.2026)
27.05.2026	n.a.	Metra Non-Ferrous Metals Ltd	Automobiles & Components	Hypax GmbH	Financials	GRILLO-Werke AG hat Metra Non-Ferrous Metals an Hypax veräußert (Grillo, 6.5.2026)
26.05.2026	n.a.	Green Guarantee Company Ltd	Financials	Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit	National Agency	Unterstützung über die Internationale Klimaschutz Initative
18.05.2026	n.a.	Complete Plant Maintenance Engineering Ltd	Machinery	Langer & Laumann Ingenieurbuero GmbH	Building/Construction & Engineering	Langer & Laumann and Complete Plant Maintenance Engineering join forces to create a leading European elevator aftermarket platform (Norvestor, 18.5.2026)
01.05.2026	n.a.	eStar Truck & Van Ltd	Automobiles & Components	Daimler Truck Holding AG	Automobiles & Components	Daimler Truck stärkt eigenes Vertriebsnetz in Europa: Expansion nach Großbritannien durch die Übernahme der eStar Truck & Van Ltd. (Daimler Truck, 5.5.2026)

Source: KPMG research

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

Date effective	Deal value (USD mil.)	UK target	Target industry	German acquiror	Acquiror industry	In the press
17.04.2026	n.a.	Cromwell Group (Holdings) Ltd	Construction Materials	AUR Portfolio III SE & Co. KgaA	Financials	AURELIUS acquires Cromwell (Baird, 12.2025)

Source: KPMG research

Upcoming events in the British-German corridor (Q3/2026)

Title	Date	Location
Nato Summit	7-8 July 2026	Ankara, Turkey
ECB – Interest Rate Decision	23 July 2026	Frankfurt, Germany
Bank of England – Interest Rate Decision	30 July 2026	UK

Thought leadership in the British-German corridor

2026 Bulletin online II

German-British Business Outlook 2025

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Please participate [here](). We greatly value your insights.

Brexit 2.0

Statement of the quarter

"As I take up my role in Berlin, I am struck by the strength and momentum in the UK–Germany economic relationship. The UK remains committed to being a close and innovative partner to Europe – because for business on both sides, growth depends on cooperation and combining our strengths.

Our bilateral cooperation continues to translate into real opportunities. The Kensington Treaty has helped to unlock barriers and deliver across priority sectors – from North Sea energy collaboration and defence to innovation. The inaugural UK–Germany Government Business Forum has brought our governments and hundreds of businesses even closer together. German firms are continuing to invest in the UK, drawn by its strong talent base and global reach, while our deep trade links continue to sustain growth and thousands of jobs across both economies.

The UK's Industrial Strategy is demonstrating real impact across key sectors. With over £320 billion in investment secured and strong momentum in areas such as advanced manufacturing, clean energy and digital technologies and AI, we are creating the conditions for long-term growth ensuring businesses on both sides can invest, scale and succeed."

Alexander Harriss

Country Director DBT &
Deputy Trade
Commissioner for Europe

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