

Executive Summary

This destination fact sheet provides key trade and investment related statistics for Bavaria. Specifically, it provides an overview of Bavaria's key economic indicators as well as its trade and investment trends. The key highlights are provided below:

Economy

- Bavaria has one of the most industrialised economies in Europe, boasting a strong manufacturing industry.
- Bavaria's nominal GDP of €661.54 billion in 2021 ranks 7th within the European Union (EU).
- The state's economy bounced back in 2021, recording a GDP growth rate of close-on 6%, following a decline of 3.05% in the previous year.
- Bavaria's top performing sectors in terms of contribution to gross value added (GVA) in 2021 were financial, insurance, business and real estate; industry, except construction; and trade, transportation, storage, accommodation and food services, as well as information technology.

Trade

- Bavaria accounted for approximately 14% of Germany's total exports in 2021, making it the third largest exporter among the 16 federal states.
- In 2021, Bavaria was the second largest importer among Germany's 16 states, accounting for approximately 18% of the country's imports.
- Motor cars and motor caravans; machinery for electricity production; and chassis, engines and other parts for motor vehicles were Bavaria's top exports in 2021.
- In 2021, Bavaria exported mostly to the United States; China; Austria; France; and Italy; and imported mostly from China; Austria; Poland; Czechia and Italy.
- South Africa is Bavaria's most important trading partner on the African continent. In 2021, Bavarian exports to South Africa amounted to EUR 0.8 billion, whereas Bavarian imports from South Africa amounted to approximately EUR 1.8 billion.

Investment

- Between January 2010 and June 2021, a total of 19 FDI projects originated from Bavaria to South Africa, which resulted in a capital investment of US\$554.4 million and created 2 699 jobs.
- Only one company (IBC Solar) from Bavaria invested in the Western Cape between January 2010 and June 2021. This investment project, which was in the renewable energy sector, brought in a capex of US\$23.1 million and created 30 jobs.

Tourism

- Bavarian passenger arrivals into South Africa showed signs of recovery during the first six months of 2021.

1. Introduction



The Free State of Bavaria (Freistaat Bayern), which comprises the entire southeast part of Germany, is geographically the largest of the country's 16 states, with a surface area of 70 552 km². It is also Germany's second most populated federal state, behind Nordrhein-Westfalen. Bavaria accounted for approximately 16% of the national population in 2021. Its 13.18 million inhabitants have a gross domestic product (GDP) per capita of EUR 50 204 as at 2021. It shares borders with Austria and the Czech Republic as well as with four other federal states, namely, Baden-Württemberg, Hesse, Thuringia and Saxony.

Bavaria is divided into seven administrative regions: Oberfranken, Mittelfranken, Unterfranken, Bayerisch Schwaben with Allgäu, Oberpfalz, Oberbayer, and Niederbayern. In 2021, the nominal GDP of Bavaria was €661.54 billion, accounting for 18.53% of national GDP. With Munich as its capital city, Bavaria is one of the most advanced economic regions in Europe, and is home to global players like Adidas, BMW, Audi, and Airbus. Bavaria had the lowest unemployment rate (3.5%) in Germany in 2021.

Table 1: General information on Bavaria

General Information	
Minister-President	Markus Söder
Capital	Munich
Population (2021)	13 176 989
Surface area	70 552 km ²
Unemployment rate (2021)	3.5%
Nominal GDP (2021)	EUR 661.54 billion
GDP per capita (2021)	EUR 50204.26
Exports (2021)	EUR 189.66 billion
Imports (2021)	EUR 212.04 billion

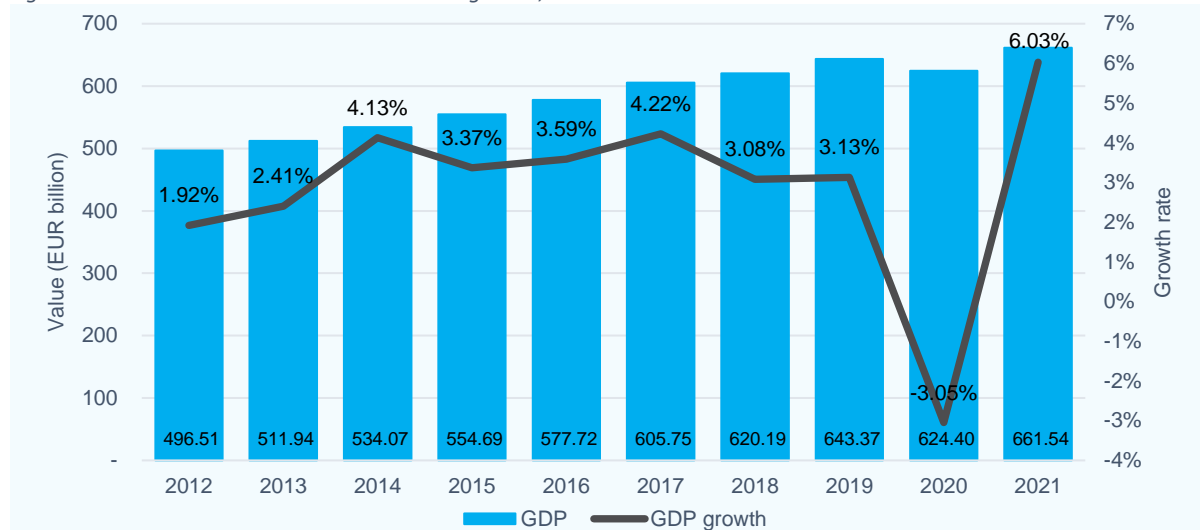
Source: Federal Statistical Office of Germany (2022); Bayerische Staatsregierung (2022)

2. Economic Overview

Bavaria has a highly diversified and industrialised economies in Europe. It serves as the headquarters for approximately one-fourth of German DAX-listed companies (State of Bavaria, 2022.) As one of the most attractive industrial locations in Europe, Bavaria boasts a strong manufacturing sector, is a leading Information and Communications Technology (ICT) hub and is home to a competitive automotive industry. The state's nominal GDP of €661.54 billion in 2021 ranks 7th within the European Union (EU).

After years of positive growth, Bavaria's GDP declined by approximately 3.05% in 2020 as the coronavirus pandemic forced the global economy into a recession. However, the economy bounced back in 2021, recording a GDP growth rate of about 6%.

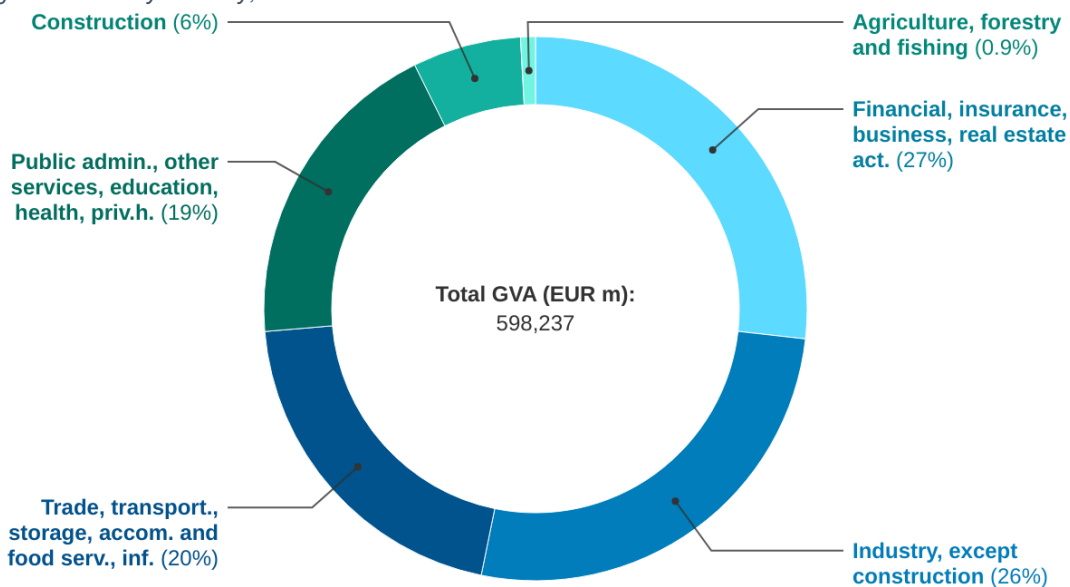
Figure 1: Bavaria's nominal GDP and economic growth, 2012-2021



Source: Federal Statistical Office of Germany (2022)

Some of the industries that are important to the Bavarian economy are vehicle manufacturing, mechanical engineering, and environmental technology. As shown in Figure 2, the financial, insurance, business and real estate sector (27%) was Bavaria's top performing sector in terms of contribution to gross value added (GVA) in 2021. Industry, except construction (26%) and Trade, transportation, storage, accommodation, and food services, as well as Information technology (20%) followed in second and third positions, respectively.

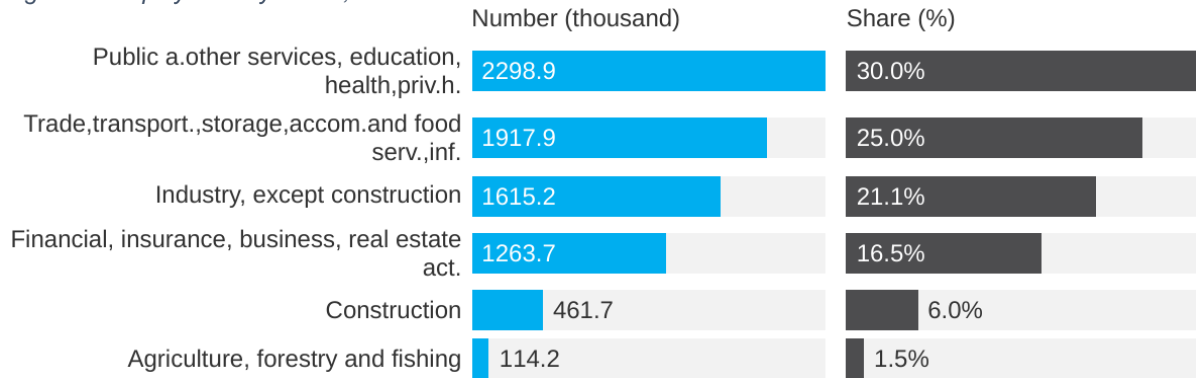
Figure 2: GVA by industry, 2021



Source: Federal Statistical Office of Germany (2022)

Figure 3 shows the sectoral contribution to employment in 2021. In general, most people are employed in the services sector. In 2021, public administration, other services, education, health and private households accounted for 30% of employment in Bavaria, followed by industry (27.1%) and trade, transport, storage, accommodation and food service as well as information and communication (25%).

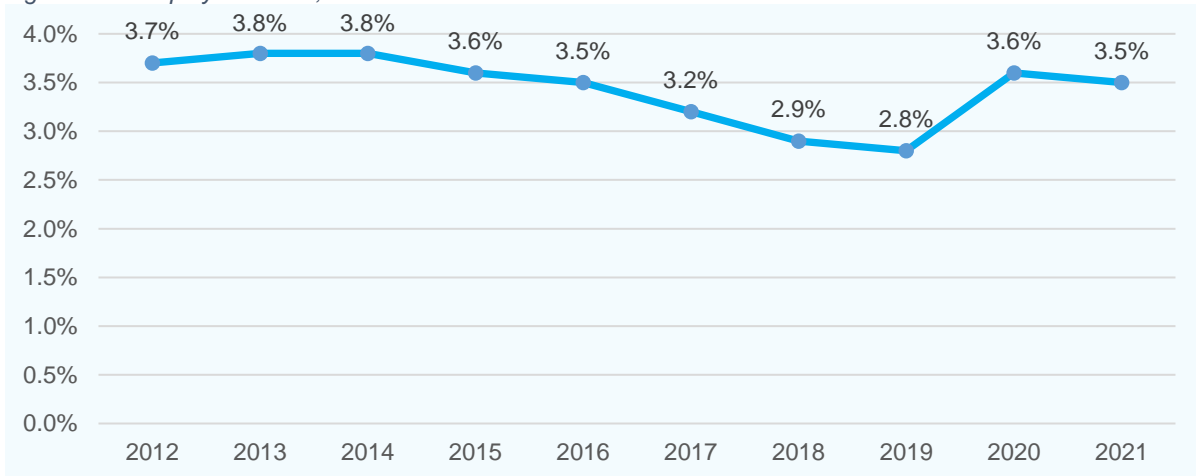
Figure 3: Employment by sector, 2021



Source: Federal Statistical Office of Germany (2022)

Bavaria recorded a steady decline in the rate of unemployment between 2014 and 2019. As shown in Figure 4, the state’s unemployment rate decline from 3.8% in 2014 to 2.8% in 2019. However, the unemployment rate increased to 3.6% in 2020, which can be attributed to the impact of the coronavirus pandemic.

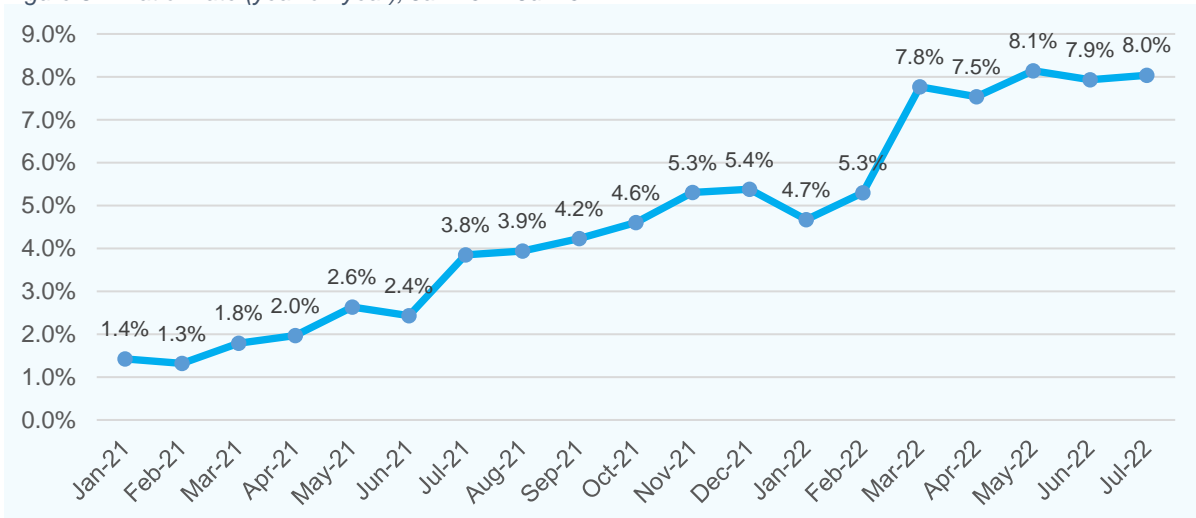
Figure 4: Unemployment rate, 2012-2021



Source: Federal Statistical Office of Germany (2022)

In line with the global economy, Bavaria’s inflation rate has been rising since February 2021. Annual consumer inflation in the region increased from 1.3% in February 2021 to 8% in July 2022. Energy products and food were the main contributors of the increase in the consumer price index.

Figure 5: Inflation rate (year-on-year), Jan 2021-Jul 2022

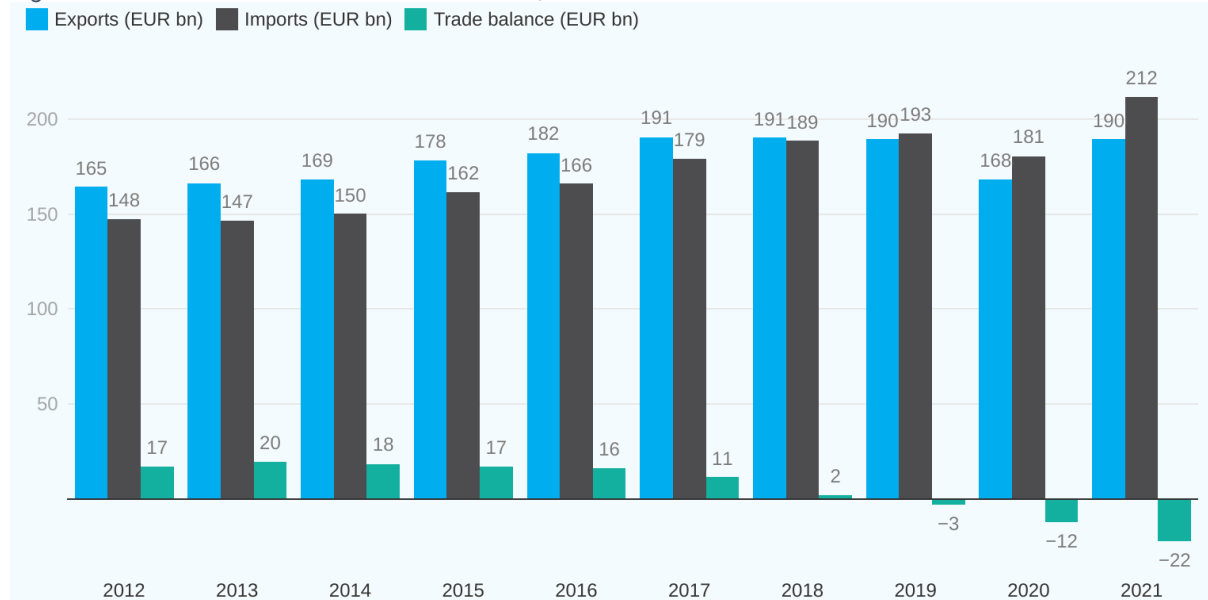


Source: Federal Statistical Office of Germany (2022)

3. Bavaria's Global Trade

In 2021, Bavaria was the third largest exporter among the 16 states in Germany, accounting for approximately 14% of the country's total exports. During the same period, Bavaria's imports constituted about 18% of total imports by Germany, making it the second largest importer among Germany's 16 federal states. As can be seen in Figure 6, Bavaria was a net exporter between 2012 and 2018. In 2021, it had a trade deficit of €11.38 billion. The State's exports and imports increased by 12.77% and 17.36% respectively in 2021, following a decline in the previous year.

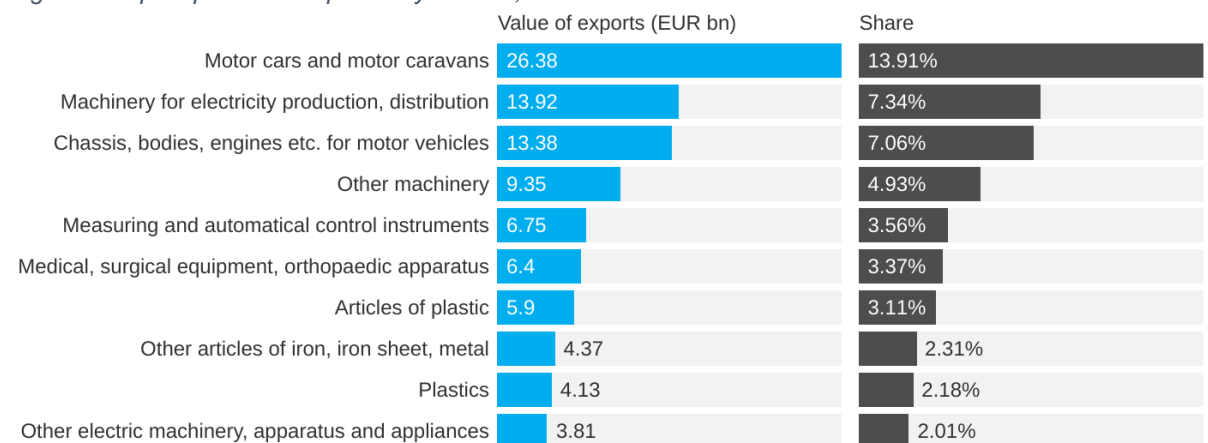
Figure 6: Bavaria's trade with the rest of the world, 2012-2021



Source: Federal Statistical Office of Germany (2022)

The top exports of Bavaria in 2021, were motor cars and motor caravans (13.91%); machinery for electricity production (7.34%); and chassis, engines and other parts for motor vehicles (7.06%) as shown in Figure 7.

Figure 7: Top 10 products¹ exported by Bavaria, 2021



Source: Federal Statistical Office of Germany (2022)

Machinery for electricity production (7.58%); chassis, bodies, engines etc. for motor vehicles (6.58%); petroleum oils and gases (5.95%); electronic devices (5.4%); and motor cars and caravans (5.26%) were Bavaria's top imports in 2021.

¹ EGW 2002: 3-digit codes


Figure 8: Top 10 products imports by Bavaria, 2021

	Value of imports (EUR bn)	Share (%)
Machinery for electricity production, distribution	16.07	7.58%
Chassis, bodies, engines etc. for motor vehicles	13.95	6.58%
Petroleum oil and petroleum gases	12.61	5.95%
Electronic devices	11.45	5.4%
Motor cars and motor caravans	11.14	5.26%
Office and automatic data processing machines	8.33	3.93%
Pharmaceutical products	5.76	2.72%
Other electric machinery, apparatus and appliances	5.74	2.71%
Telecommunication devices and apparatus	5.6	2.64%
Other articles of iron, iron sheet, metal	5.56	2.62%

Source: Federal Statistical Office of Germany (2022)

A number of the top 10 destination and source markets for Bavaria's exports and imports are European countries. In 2021, Bavaria exported mostly to the United States (€19.93b); China (€17.67b); Austria (€15.91b); France (€13.08b); and Italy (€12.99b). In terms of imports, China (€24.83b); Austria (€17.07b); Poland (€16.05b); Czechia (€16.04b) and Italy (€13.44b) were the top supplying markets for products imported by Bavaria in 2021.

Table 2: Top 10 countries importing from and exporting to Bavaria, 2021

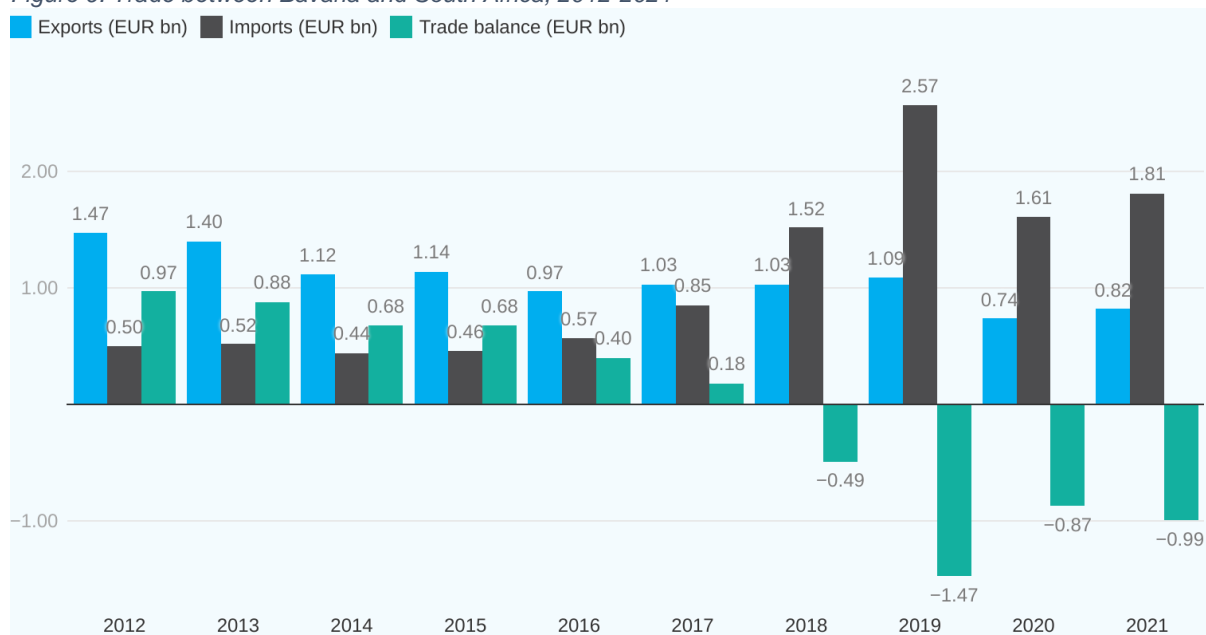
Destination country	Export (EUR bn)	Share of total exports	Source country	Imports (EUR bn)	Share of total imports
 United States	19.93	10.51%	 China	24.83	11.71%
 China	17.67	9.32%	 Austria	17.07	8.05%
 Austria	15.91	8.39%	 Poland	16.05	7.57%
 France	13.08	6.89%	 Czechia	16.04	7.56%
 Italy	12.99	6.85%	 Italy	13.44	6.34%
 United Kingdom	9.45	4.98%	 United States	12.27	5.79%
 Poland	8.78	4.63%	 Netherlands	10.44	4.93%
 Netherlands	7.69	4.05%	 Hungary	10.19	4.81%
 Czechia	6.65	3.51%	 France	8.49	4.00%
 Belgium	6.01	3.17%	 Russian Federation	6.34	2.99%

Source: Federal Statistical Office of Germany (2022)

4. Bavaria's Trade with South Africa

South Africa is Bavaria's most important trading partner on the African continent. There are currently about 1077 Bavarian companies that have business relationships in South Africa (State of Bavaria South Africa Office, 2022). In 2021, Bavarian exports to South Africa amounted to €0.8 billion, whereas its imports from South Africa amounted to approximately €1.8 billion. Until 2017, Bavaria's exports to South Africa exceeded its imports from the southern African country. Between 2020 to 2021, Bavaria's exports and imports to and from South Africa increased by 10.56% and 12.69% respectively.

Figure 9: Trade between Bavaria and South Africa, 2012-2021



Source: Federal Statistical Office of Germany (2022)

Bavaria's top exports to South Africa in 2021 were motor cars and caravans; chassis, bodies, engines etc. for motor vehicles; other machinery; machinery for electricity production; and measuring and automatical control instruments as shown in Figure 10.

Figure 10: Top 10 products exported from Bavaria to South Africa, 2021



Source: Federal Statistical Office of Germany (2022)

As shown in Figure 11, Motor cars and caravans accounted for more than half of Bavaria's imports from South Africa in 2021, followed by other end products (32.02%) and other semi-finished products (2.45%).

Figure 11: Top 10 products from Bavaria imported to South Africa, 2021

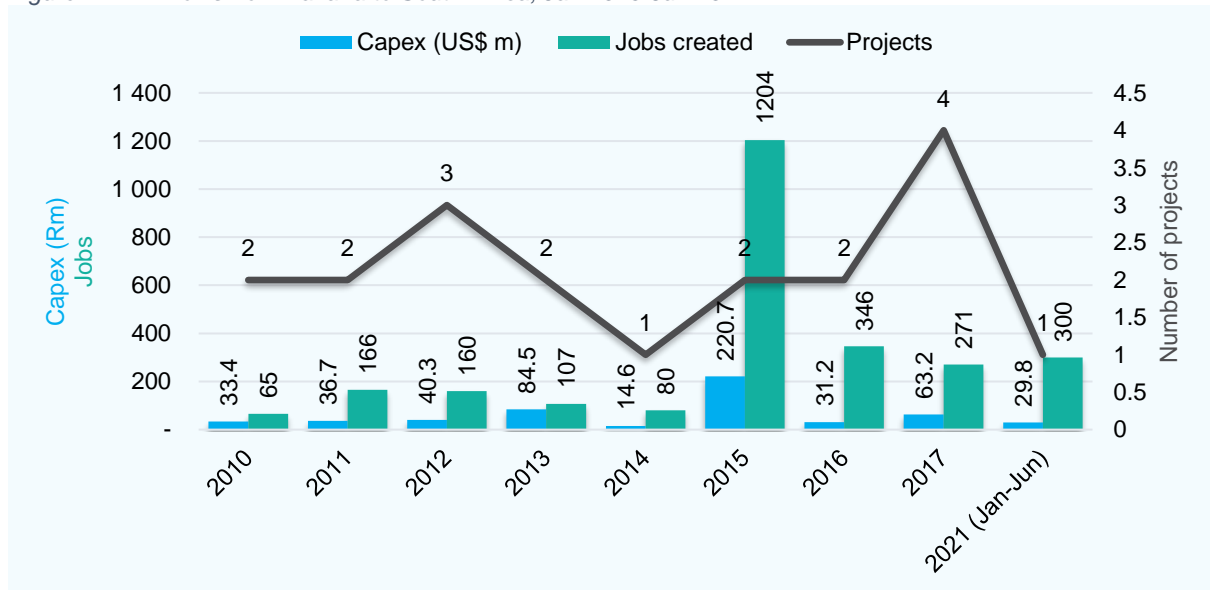
	Value of imports (EUR m)	Share (%)
Motor cars and motor caravans	1,023.77	56.57%
Other end products	579.5	32.02%
Other semi-finished products	44.37	2.45%
Gold for industrial purposes	17.24	0.95%
Vegetable preparations and tinned vegetables	14.06	0.78%
Fresh fruit, excl. tropical and subtropical fruit	13.6	0.75%
Other prefabricated chemicals	13.08	0.72%
Aluminium and aluminium alloys, incl. waste, scrap	12.98	0.72%
Other chemical final products	11.11	0.61%
Tropical and subtropical fruits	10.63	0.59%

Source: Federal Statistical Office of Germany (2022)

5. Investment

This section examines foreign direct investment (FDI) trends by all companies from Bavaria investing in South Africa, and vice versa, between January 2010 and June 2021. During the period under consideration, a total of 19 FDI projects originated from Bavaria to South Africa. These projects brought about a capital investment of US\$554.4 million and created 2 699 jobs. The highest number of projects was recorded in 2017, whereas the largest capex and the highest number of jobs were realised in 2015.

Figure 12: FDI flows from Bavaria to South Africa, Jan 2010-Jun 2021

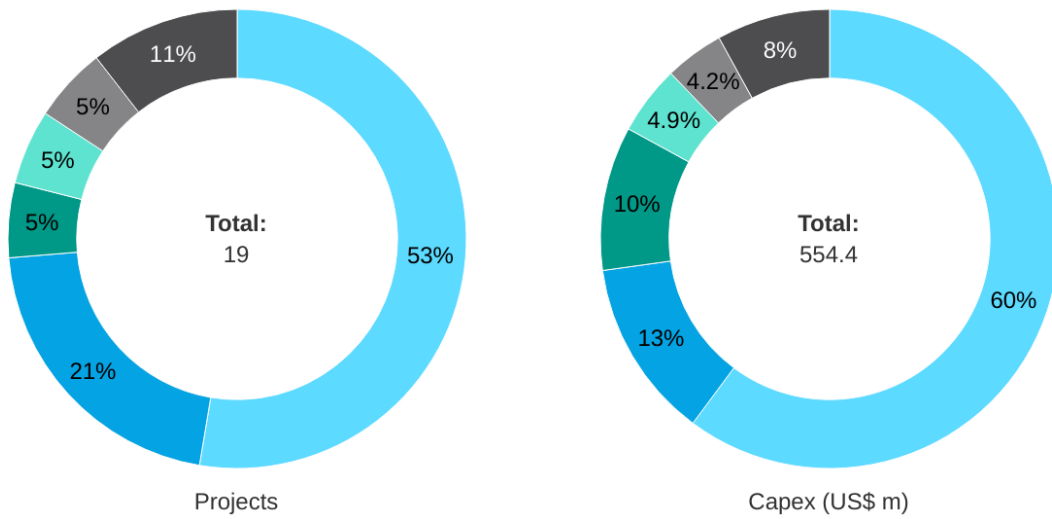


Source: FDI Intelligence (2021)

Gauteng was the top destination in South Africa for inward FDI from Bavaria between January 2010 and June 2021. The province accounted for 53% of projects and three-fifths of capex during this period, followed by Eastern Cape with 21% of projects and 13% of capex.

Figure 13: FDI flows from Bavaria to South Africa: by province, Jan 2010-Jun 2021

Legend: Gauteng (light blue), Eastern Cape (dark blue), KwaZulu-Natal (green), Free State (light green), Western Cape (grey), Not Specified (black)



Source: FDI Intelligence (2021)

As shown in Figure 14, chemicals; automotive OEM; renewable energy; and software and IT services were the top sectors in terms of both the number of projects and capex. The automotive industry accounted for over two-fifths of capex. Moreover, approximately 68% of capex and 37% of projects pertained to manufacturing.

Figure 14: FDI flows from Bavaria to South Africa: by sector, Jan 2010-Jun 2021

Sector	Projects	Share of projects (%)	Capex (US\$ m)	Share of Capex (%)
Chemicals	5	26.3	155.6	28.1
Automotive OEM	4	21.1	250	45.1
Renewable energy	2	10.5	46.2	8.3
Software & IT services	2	10.5	44.4	8
Automotive components	1	5.3	8.2	1.5
Business services	1	5.3	21.6	3.9
Financial services	1	5.3	10.8	1.9
Industrial equipment	1	5.3	2.9	0.5
Textiles	1	5.3	4.2	0.8
Transportation & Warehousing	1	5.3	10.5	1.9

Source: FDI Intelligence (2021)

BMW and Linde were the leading companies, accounting for 48% and 28% of capex respectively. Moreover, both companies were responsible for 26% of FDI projects as can be seen from Table 3. BMW also created more half of jobs during the period under review.

Table 3: Companies from Bavaria investing in South Africa, Jan 2010-Jun 2021

Parent company	Projects	Capex (US\$ M)	Jobs created
Bayerische Motoren Werke (BMW)	5	264.6	1428
Linde	5	155.6	586
Adidas	1	4.2	51
Allianz Group	1	10.8	97
Brose	1	8.2	130
Dachser	1	10.5	14
Erich Netzsch Holding	1	2.9	17
Gehrlicher Solar	1	23.1	30
IBC Solar	1	23.1	30
Munich Fair (Messe Muenchen International)	1	21.6	16
Nagarro	1	29.8	300
Total	19	554.4	2699

Source: FDI Intelligence (2021)

Three companies from South Africa invested in Bavaria between January 2010 and June 2021. These companies invested in 3 projects with an investment value of US\$56 million. Furthermore, 95 jobs were estimated to have been created from these projects.

Table 4: FDI flows from South Africa to Bavaria, Jan 2010-Jun 2021

Month	Projects	Capex	Jobs created	Sector	Business activity	Company
Dec 2019	1	1.0	10	Software & IT services	Sales, Marketing & Support	myResilience
Dec 2018	1	1.5	11	Software & IT services	Sales, Marketing & Support	Entersekt
Oct 2017	1	53.5	74	Transportation & Warehousing	Logistics, Distribution & Transportation	Imperial
Total	3	56.0	95			

Source: FDI Intelligence (2021)

Available data indicates that only one company (IBC Solar) from Bavaria invested in the Western Cape during the period under consideration. This investment project, which was in the renewable energy sector, brought in a capex of US\$23.1 million and created 30 jobs as shown in Table 5.

Table 5: Companies from Bavaria investing in Western Cape between January 2010 and June 2021

Month	Projects	Capex (US\$ m)	Jobs created	Company	Sector	Business activity
Jan, 2017	1	23	30	IBC Solar	Renewable energy	Sales, Marketing & Support

Source: FDI Intelligence (2021)

As shown in Table 6, one onward FDI project was recorded from the Western Cape to Bavaria between January 2010 and June 2021. The capital expenditure involved in this project was US\$1.5 million. The project also led to the ceation of 11 jobs in the destination state.

Table 6: Companies from Western Cape investing in Bavaria between January 2010 and June 2021

Month	Projects	Capex (US\$ m)	Jobs created	Company	Sector	Business activity
Dec, 2018	1	2	11	Entersekt	Software & IT services	Sales, Marketing & Support

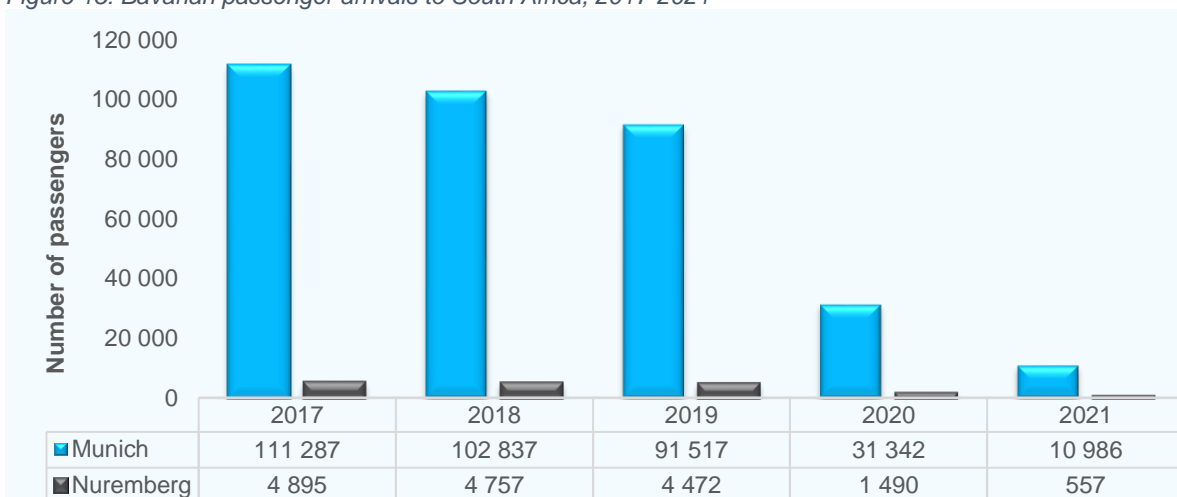
Source: FDI Intelligence (2021)

6. Bavarian Passenger Arrivals in South Africa

Over the past five years, the largest number of passengers from Bavaria to South Africa originated from Munich. Covid-19 had a significant impact on outbound travel from this region, however, passenger arrivals from Munich increased from 10 986 in 2021 to 18 517 into the first six months of 2022 showing strong signs of recovery.

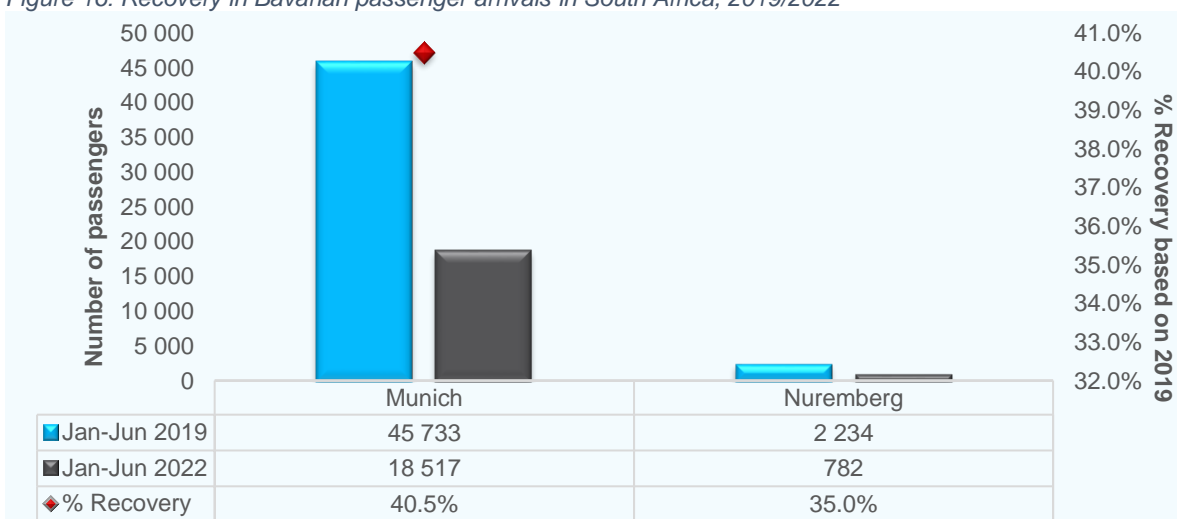
South Africa recorded close to 5 000 passengers from Nuremberg pre-pandemic (2017-2019), which declined to 557 passengers in 2021. Between January and June 2022, passengers from Nuremberg reached 782 and recovered by 35% when compared to 2019.

Figure 15: Bavarian passenger arrivals to South Africa, 2017-2021



Source: OAG Traffic Analyser, 2022

Figure 16: Recovery in Bavarian passenger arrivals in South Africa, 2019/2022

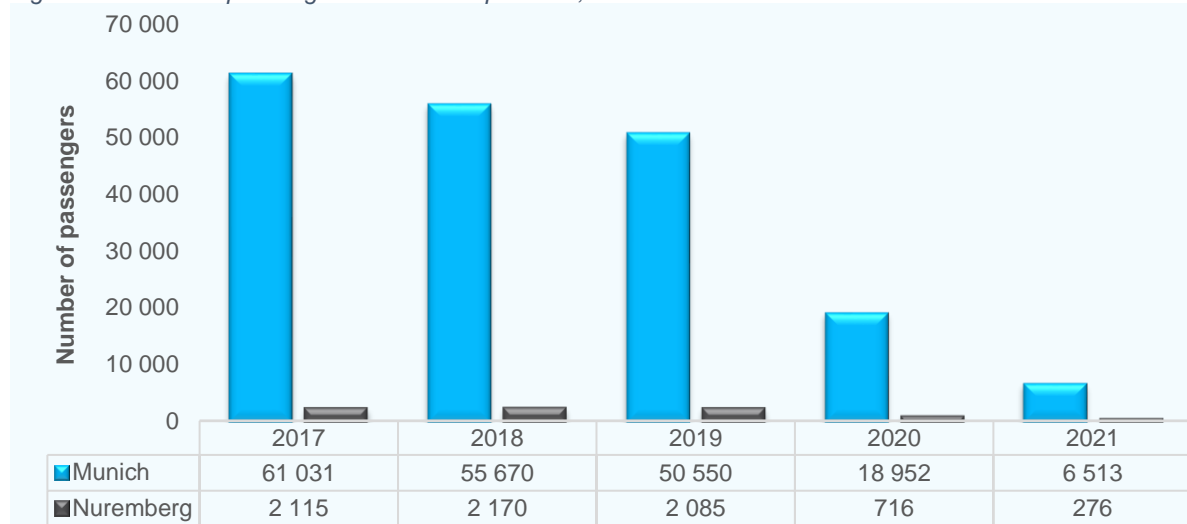


Source: OAG Traffic Analyser, 2022

7. Bavarian Passenger Arrivals in Cape Town

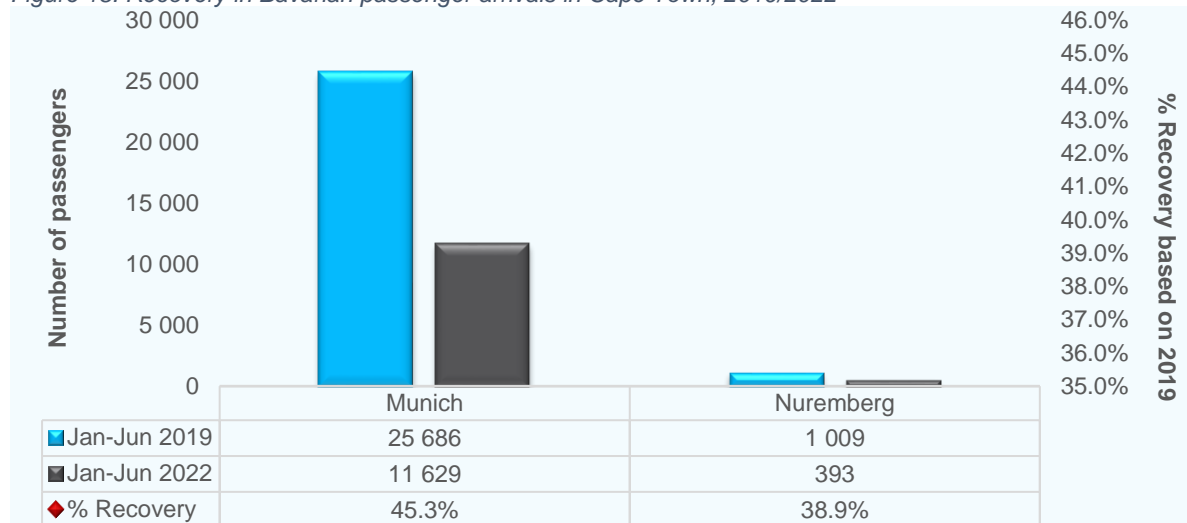
Over the period 2017-2019, Cape Town saw over 50 000 passenger arrivals from Munich and around 2 000 from Nuremberg. The first six months of 2022 saw close to 12 000 passengers from Munich and almost 400 from Nuremberg. When compared to 2019, passengers from Munich recovered to 45% between January and June 2022 and Nuremberg passengers recovered to 39%.

Figure 17: Bavarian passenger arrivals in Cape Town, 2017-2021



Source: OAG Traffic Analyser, 2022

Figure 18: Recovery in Bavarian passenger arrivals in Cape Town, 2019/2022



Source: OAG Traffic Analyser, 2022

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