

WESGRO

cape town & western cape
research



Germany: Country Fact Sheet

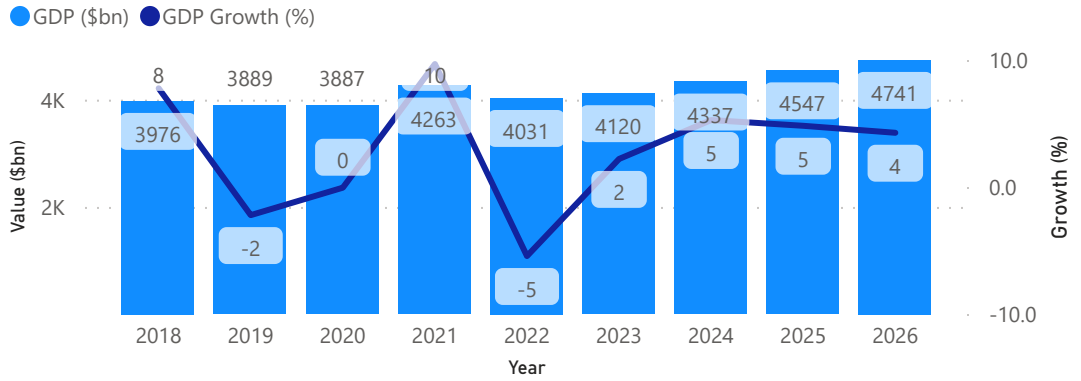
March 2023

Cape Town and the Western Cape – A Leading Regional Economy

1) Economic Overview - Germany

Ongoing high energy prices along with soaring inflation related to the ongoing Russia-Ukraine conflict caused the German economy to contract by 5.43% in 2022, as shown in Figure 1. However, the country's economy shows signs of recovering swiftly in 2023, and is expected to record a y-o-y growth of 2.21% to reach a total GDP value of USD120.24bn, up from USD4031.15bn in 2022. This growth is expected to be driven by a new spending on defense, climate, refugees and measures to help households cope with higher energy prices.

Figure 1: GDP, 2018-2026f

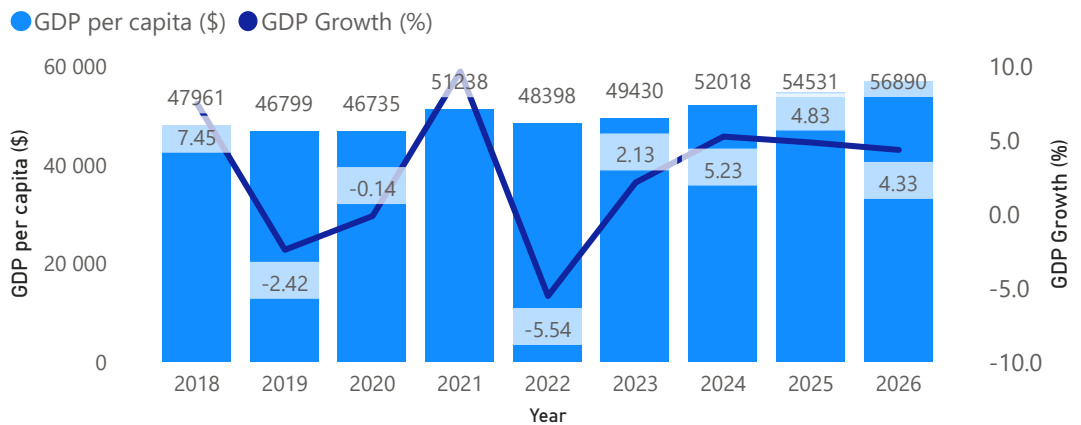


Source: Euromonitor, 2023

Germany's GDP per capita eased to USD48 397.81 in 2022, a decline of 5.54% y-o-y from the USD51 238 recorded in 2021.

Mitigating factors implemented by Government to insulate the economy from global economic challenges however, including an expansion of short-time work benefits (Kurzarbeit) amongst other initiatives, is expected to boost GDP per capita to USD49 430.06 in 2023, an increase of 2.13% y-o-y.

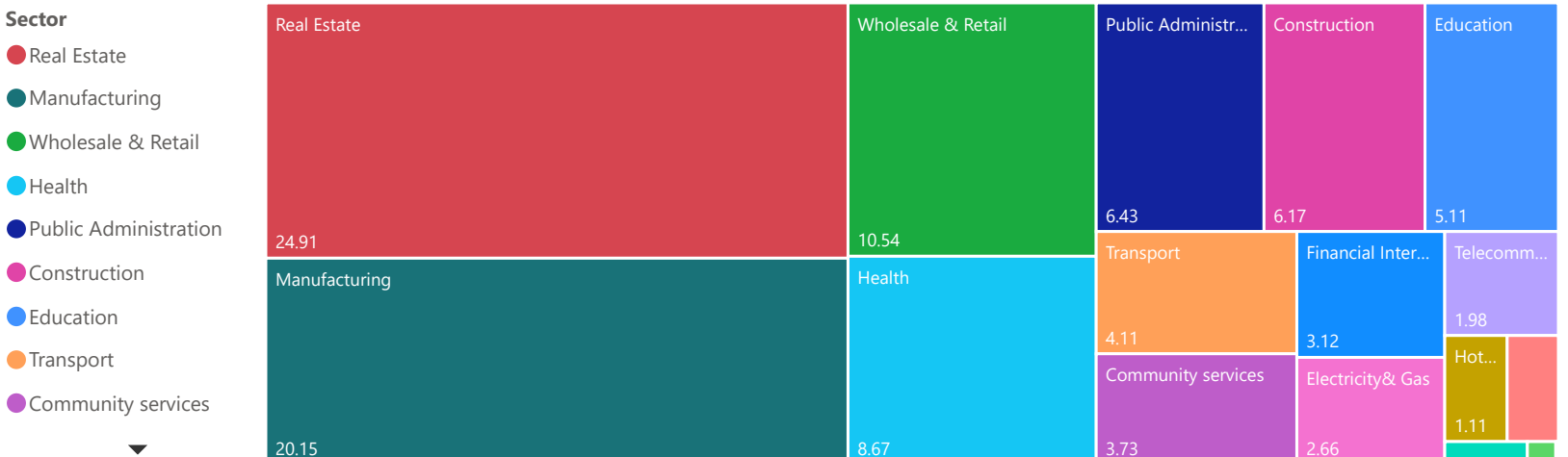
Figure 2: GDP per capita, 2018-2026f



Source: Euromonitor, 2023

The German economy is a services-based economy with this sector collectively accounting for close-on 70% of the total Gross Value Added (GVA) in 2022. Figure 3 demonstrates that the top three contributing sectors to the economy's Gross Value Added (GVA) were real estate which contributed 24.91%, followed by manufacturing at 20.15% and wholesale and retail trade (10.54%). Looking ahead, economic growth is expected to be driven by the services sector. A development strategy centered on spurring innovation through skills development, technological upgrading, and improving the information, communications and technology (ICT) infrastructure will provide further support.

Figure 3: Germany's Sector Contribution to GVA (%), 2022



Source: Euromonitor, 2023

2) Trade

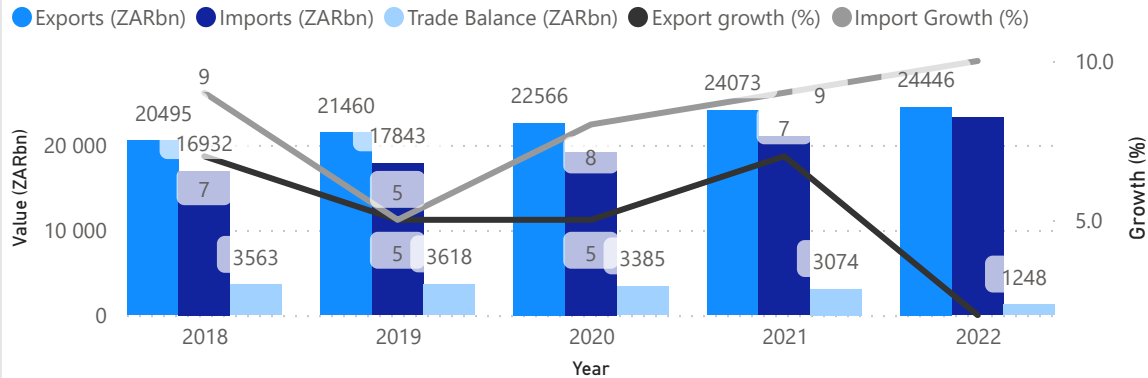
2.1) Germany's Global Merchandise Trade

Germany's exports have increased consistently in recent years, increasing from ZAR20 494.85bn in 2018 to ZAR24 445.73bn in 2022, despite challenging economic conditions.

Imports in turn increased at an annual average rate of 8.42% from ZAR16 931.88bn in 2018 to ZAR23 197.24bn in 2022.

More recently, exports increased by 1.55% y-o-y to a value of ZAR24 446bn in 2022, up from ZAR24,073bn recorded in 2021, while imports increased by 10.47% y-o-y to reach a value of ZAR23 197.24bn in 2022 from ZAR20 999bn incurred in 2021.

Figure 4: Germany's Global Trade, 2018-2022

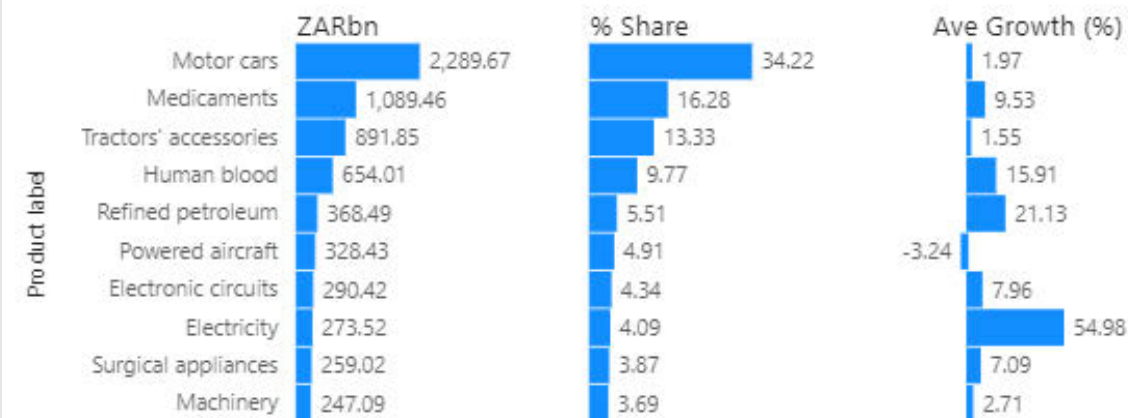


Source: Trademap, 2023

Motor cars were the country's largest export in 2022, which at a value of ZAR2 289.67bn accounted for a 34.22% share of German exports. Medicaments, and tractors' accessories were the second and third largest export categories, valued at ZAR1 089.46bn and ZAR891.85bn respectively.

Electricity had the highest five-year annual average growth rate of 54.98%, followed by refined petroleum (21.13%) and human blood at (15.91%).

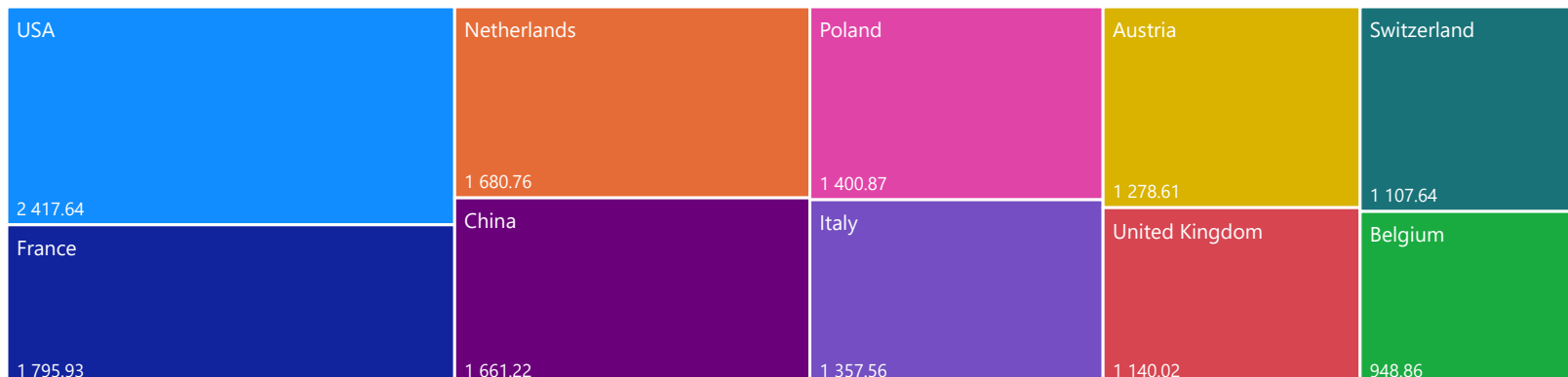
Figure 5: Germany's Top Export Products, 2022: (Average Growth: 2018-2022)



Source: Trademap, 2023

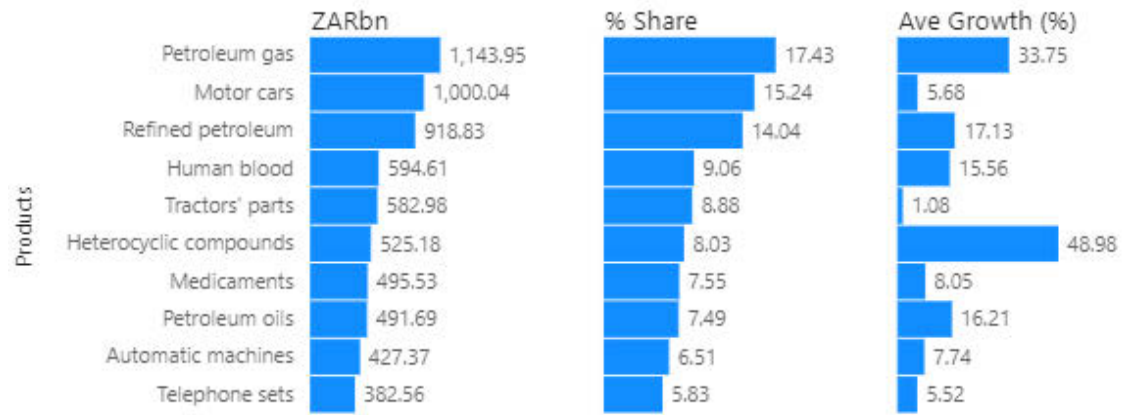
Bilateral relations between Germany and the United States (US) are strong and cover a wide spectrum of political, cultural and trade relations. The US is Germany's most important trading partner and ranked as its top export market in 2022, with goods to the value of ZAR2 417.64bn exported to the US as seen in Figure 6. France and the Netherlands were the country's second and third largest export markets, with goods to the value ZAR1 795.935bn and ZAR1 680.76bn exported to these countries, respectively in 2022. The European Union (EU) remains the largest economic trading bloc for Germany, with eight of the top 10 destination markets located in Europe. China was the only Asian market featuring among the top ten destination markets.

Figure 6: Germany's Top Export Markets (ZARbn), 2022



Source: Trademap, 2022

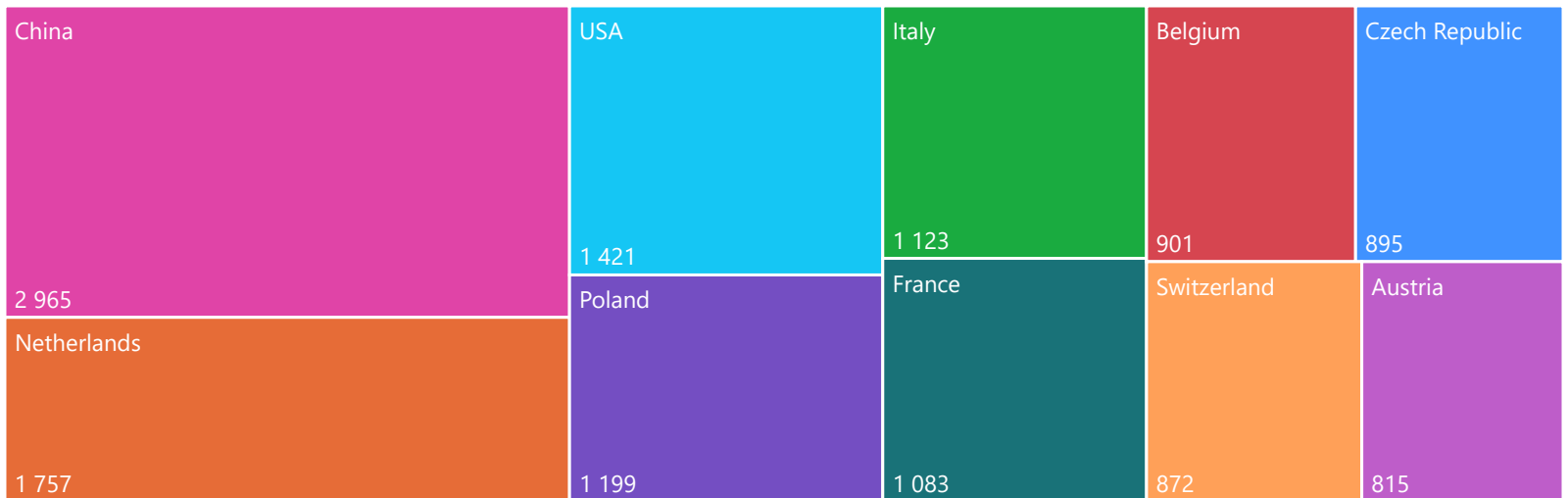
Figure 7: Germany's Top Import Products, 2022: (Average growth: 2018-2022)



Source: Trademap, 2023

China, the Netherlands, and the US were Germany's largest import source markets in 2022, collectively accounting for 47.14% of Germany's imports in the said year. China with imports valued at ZAR2 964.98bn, and equivalent to 22.75% of total imports, was Germany's largest import partner in 2022. The European Union remains Germany's top source region, with eight of the top ten import markets located in Europe. Interestingly, China and the US were the only non-European countries featuring in Germany's top 10 source markets.

Figure 8: Germany's Top Import Markets (ZARbn), 2022



Source: Trademap, 2023

2.2) Trade Agreements

Since the Trade and Development Cooperation Agreement (TDCA) took effect at the beginning of 2000, trade relations between South Africa and Germany have undergone very positive developments. Furthermore, several German federal states have established close contacts and partnerships with South African provinces and have conducted their own development cooperation and economic cooperation projects, an example of which is Bavaria with the Western Cape. It is also important to mention the German-South African energy partnership that has been in existence since 2013. The partnership between both countries formalises and coordinates a diverse range of initiatives in this field, involving bilateral cooperation with direct access to South Africa's Department of Energy at state secretary level. In addition, an Economic Partnership Agreement (EPA) has been in force between the EU and six states in southern Africa (including South Africa) since October 2016.

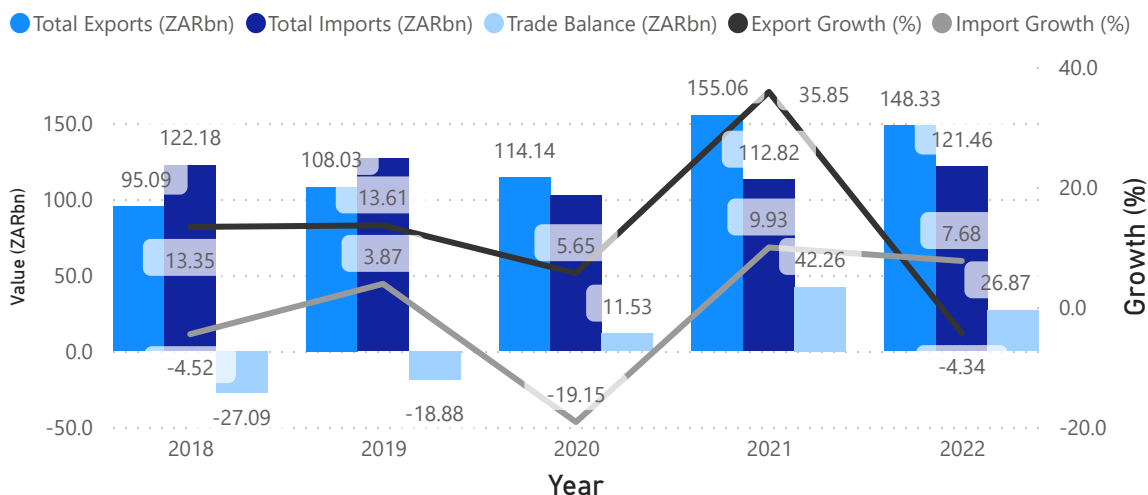
2.3) Bilateral Trade: South Africa and Germany

South Africa's exports to Germany fluctuated between the values of ZAR95.09bn in 2018 and ZAR148.33bn in 2022. Most recently, South Africa's exports to Germany declined by 4.34% y-o-y to a value of ZAR148.33bn in 2022, down from ZAR155.06bn earned in 2021.

In contrast, South Africa's imports from Germany increased by 7.68% y-o-y to a cost of ZAR121.46bn in 2022, up from ZAR112.82bn incurred in 2021.

Germany was South Africa's third largest export and import market in 2022.

Figure 9: SA's Trade with Germany, 2018-2022

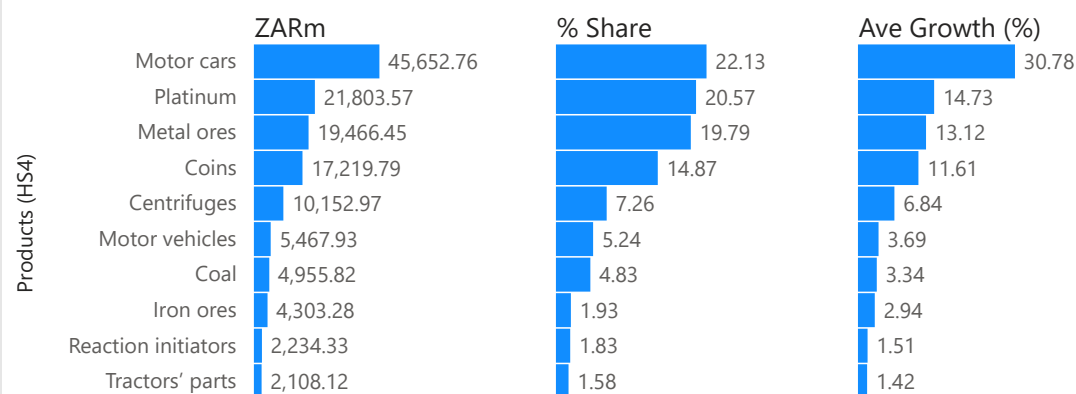


Source: Quantec, 2023

At a value of ZAR45 652.76m, motor cars were South Africa's top export product to Germany in 2022. This was followed by platinum, and metal ores at ZAR21 803.57m and ZAR19 466.45m, respectively.

Motor car exports recorded a robust five-year annual average growth rate of 30.78% over the period 2018 to 2022. This was followed by a 14.73% five-year average growth in platinum and a 13.12% growth in metal ores over the said period.

Figure 10: SA's Top Exports to Germany, 2022: (Average Growth: 2018-2022)

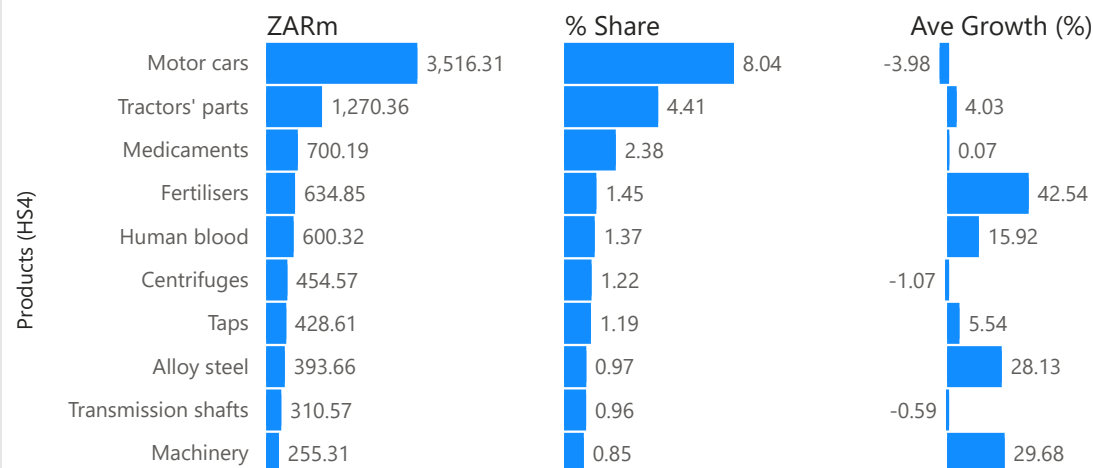


Source: Quantec, 2023

Motor cars were also South Africa's top import product from Germany at a value of ZAR3 516.31m in 2022. This was followed by parts for tractors at ZAR1 270.36m and medicaments at ZAR700.19m.

In a related development, the EU has responded to the Russia – Ukraine conflict with several sanction packages. Germany has followed suit by suspending approval of the Nord Stream 2 gas pipeline. This potentially provides an opportunity for South Africa to source petroleum gas from Germany.

Figure 11: SA's Top Imports from Germany, 2022: (Average Growth: 2018-2022)



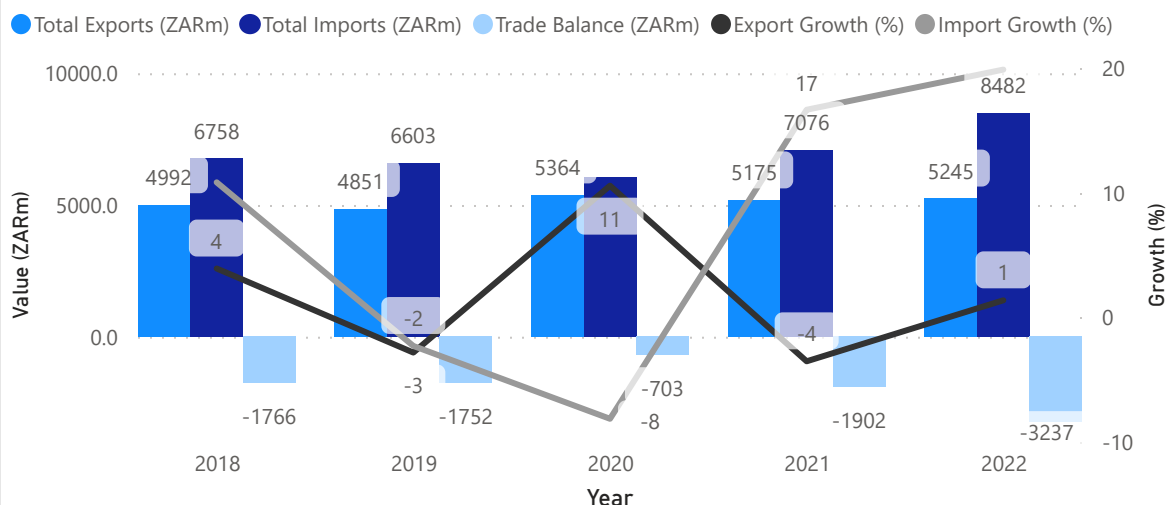
Source: Quantec, 2023

2.4) Bilateral Trade: Western Cape and Germany

Germany was the Western Cape's eighth largest export partner in 2022, with exports to the country growing at a five-year annual average rate of 1.90% per annum over the period 2018 to 2022. This robust growth was largely due to a spike in Western Cape exports (particularly of engine parts) to Germany in 2022. The province's exports grew by 1.37% y-o-y, from ZAR5 174.65m earned in 2021 to ZAR5 245.41m in 2022.

In turn, Germany was the Western Cape's 10th largest import market in 2022, with an average growth rate of 19.87% per annum achieved between 2018 and 2022.

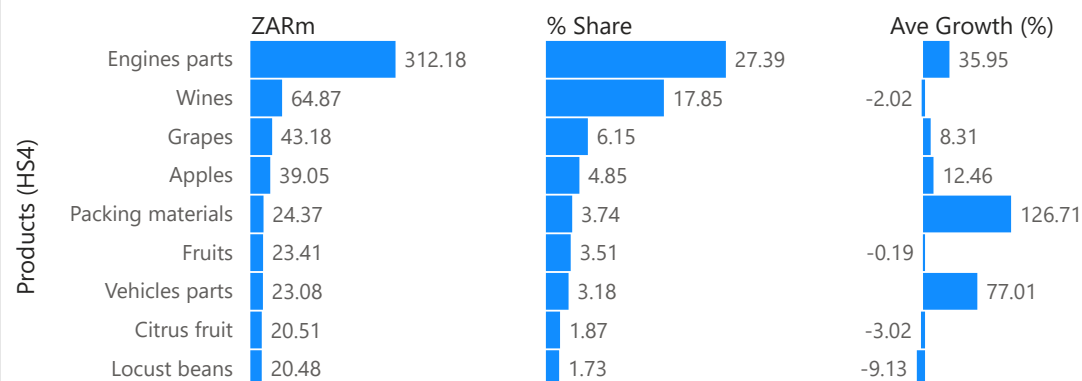
Figure 12: WC's Trade with Germany, 2018-2022



Source: Quantec, 2023

The Western Cape's exports to Germany in 2022 were dominated by the top three export products namely engine parts, wines, and grapes. These products collectively accounted for 51.39% of the total export basket to Germany last year. Packaging materials attained the highest growth of 126.71% over a five-year period from 2018 to 2022.

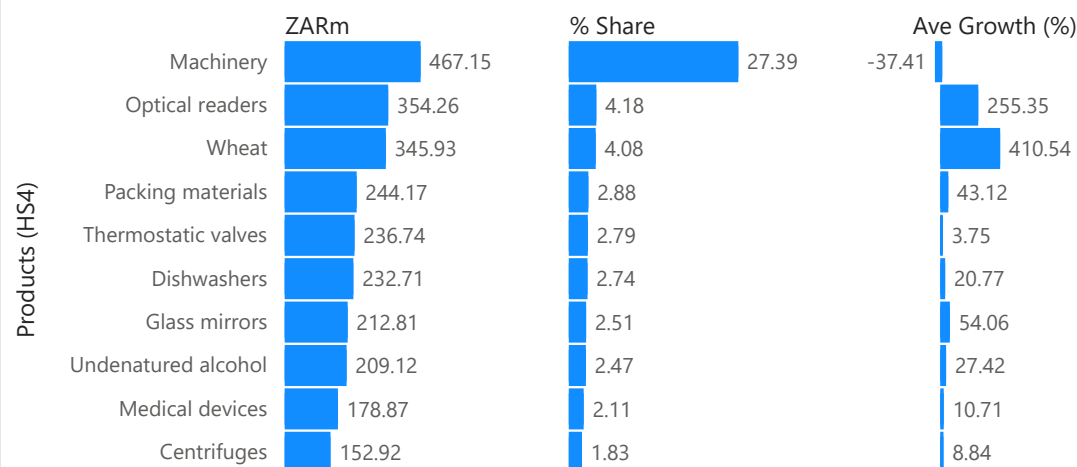
Figure 13: WC's Top Exports to Germany, 2022: (Average Growth : 2018-2022)



Source: Quantec, 2023

Machinery was the Western Cape's largest import category from Germany in 2022. As seen in Figure 14, at a cost of ZAR467.15m this sector accounted for 27.39% of the total import costs incurred in 2022. Optical readers were the second largest import category (ZAR354.26m), while wheat (ZAR345.93m) took third place.

Figure 14: WC's Top Imports from Germany, 2022: (Average Growth: 2018-2022)



Source: Quantec, 2023

3) Foreign Direct Investment (FDI)

3.1) FDI into Germany

Despite global developments, Germany has remained a favoured destination for foreign direct investment (FDI) in recent years. The number of inward FDI projects into Germany between 2011 through mid-March 2023 varied from 728 in 2011 to an estimated 35 in the first three months of 2023, with the highest number of projects recorded in 2021.

The capex value of these projects fluctuated between ZAR203.01bn in 2010 and an estimated ZAR32.72bn in March 2023, with the highest annual capex recorded in 2021.

The US was the top source market for FDI into Germany over the period 2011 to 2023, having invested 2 513 projects worth an estimated ZAR1 082.71bn.

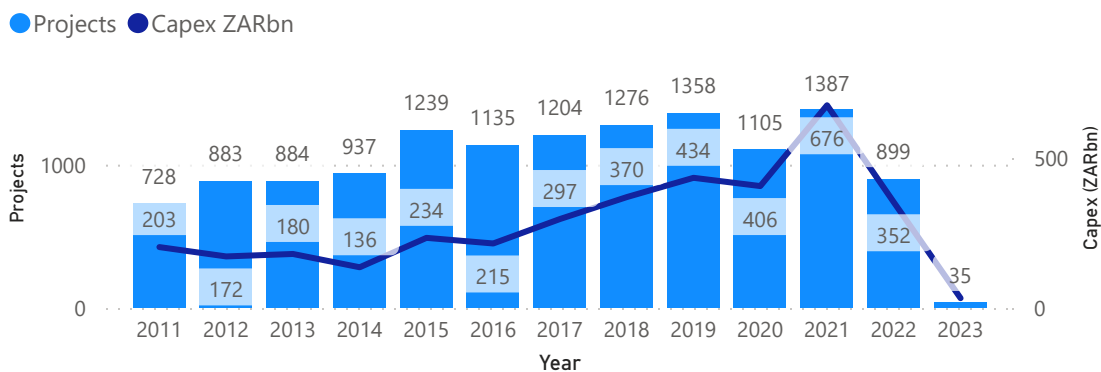
Switzerland and the United Kingdom were the second and third largest source markets, recording 1 399 and 1 237 projects worth ZAR240.95bn and ZAR217.04bn respectively.

Six of the top 10 source markets for FDI in Germany were from Europe.

As shown in Figure 17, the software and IT services attracted 2 193 FDI projects over the period 2011 to 2023. Although this sector outstripped other sectors in terms of the number of FDI projects received, this was not the case in terms of capex invested. When measured by capex, consumer products received the most FDI worth ZAR358.04bn. This was followed by the communications, and the electronic components sectors, which attracted FDI valued at ZAR329.45bn and ZAR293.08bn respectively.

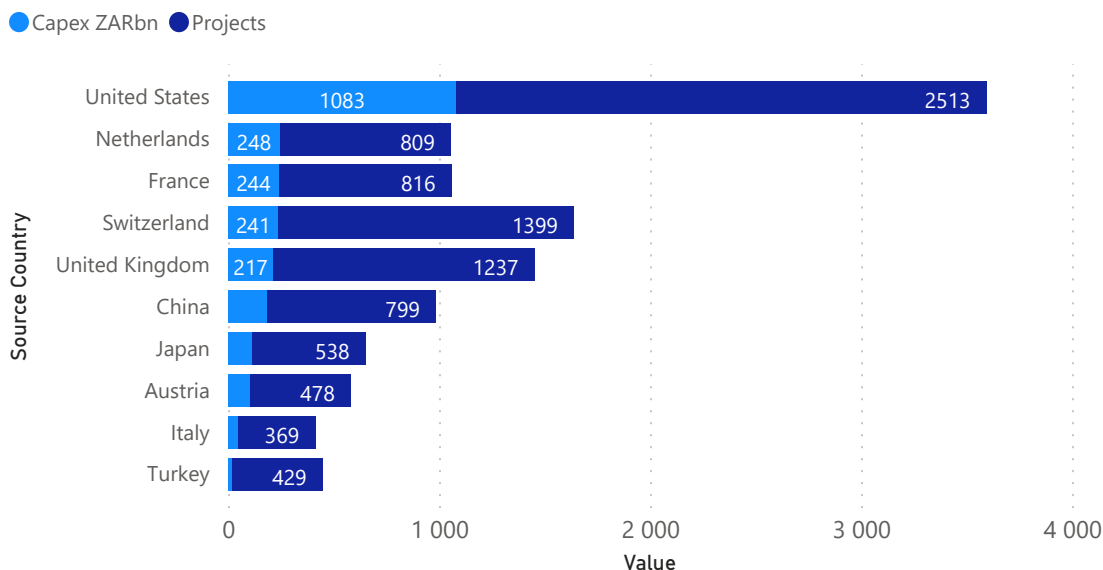
The business services sector received the second highest number of inward FDI projects at 1 457 projects, followed by the industrial equipment sector at 1 146 projects.

Figure 15: FDI in Germany, 2011 - 2023



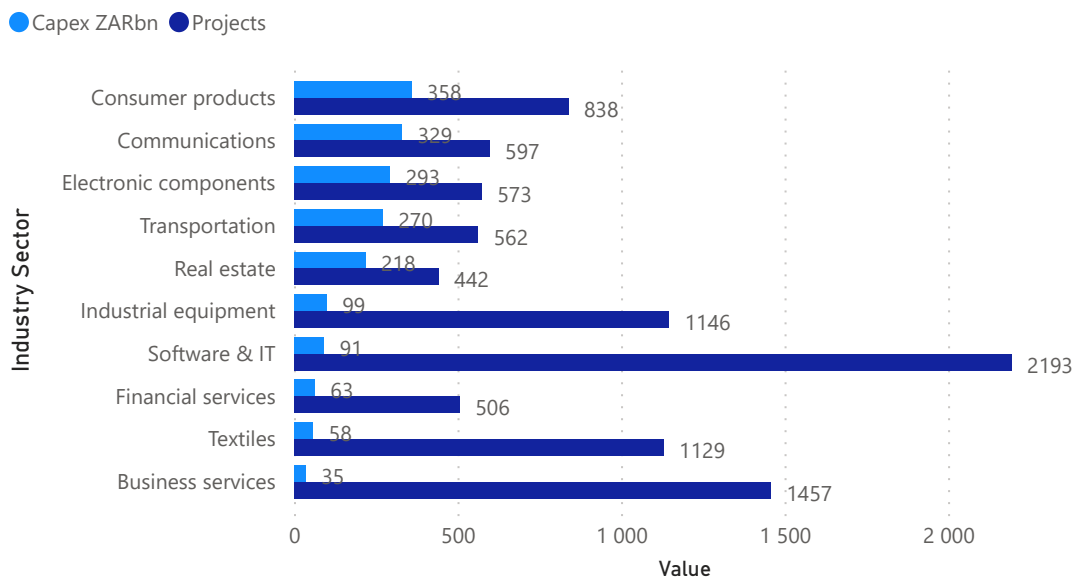
Source: FDI Markets, 2023

Figure 16: FDI in Germany by Source Markets, 2011 - 2023



Source: FDI Markets, 2023

Figure 17: FDI in Germany Sectors, 2011 - 2023



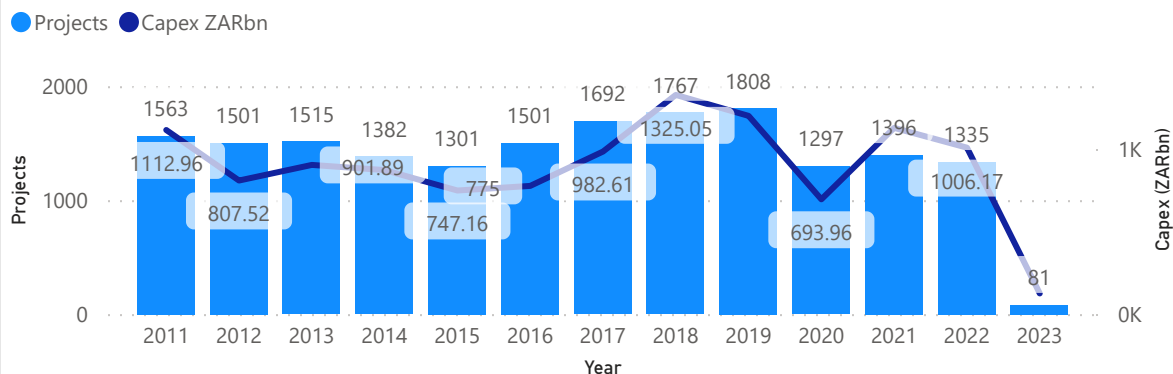
Source: FDI Markets, 2023

3.2) OFDI From Germany to the Globe

Germany's outward foreign direct investment (OFDI) as measured by number of projects fluctuated between 1 563 projects in January 2011 and 81 projects in March 2023, as shown in Figure 18.

(Noting that year 2023 only currently reflects data available for the first three months of the year.) Collectively, the country invested in 18 138 projects globally worth ZAR11 672.27bn over this period. These investments created 2, 284,213 jobs.

Figure 18: Trends in OFDI from Germany, 2011-2023

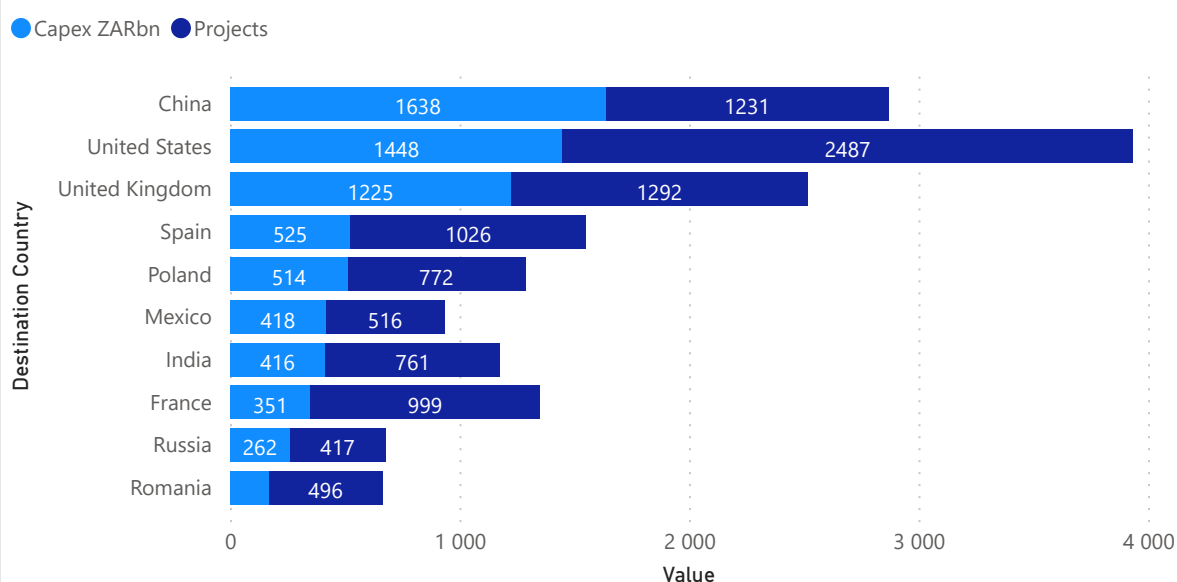


Source: FDI Markets, 2023

The US was the leading destination market for OFDI from Germany in terms of the number of projects over the period analysed, as shown in Figure 19.

From January 2011 to March 2023, Germany invested in a total of 2 487 projects in the US valued at ZAR1 448.48bn. This was followed by the United Kingdom with 1 292 projects at a value of ZAR1 225.02bn, and China in third position with 1 231 projects worth ZAR1 637.98bn.

Figure 19: Destination Markets for OFDI from Germany, 2011-2023



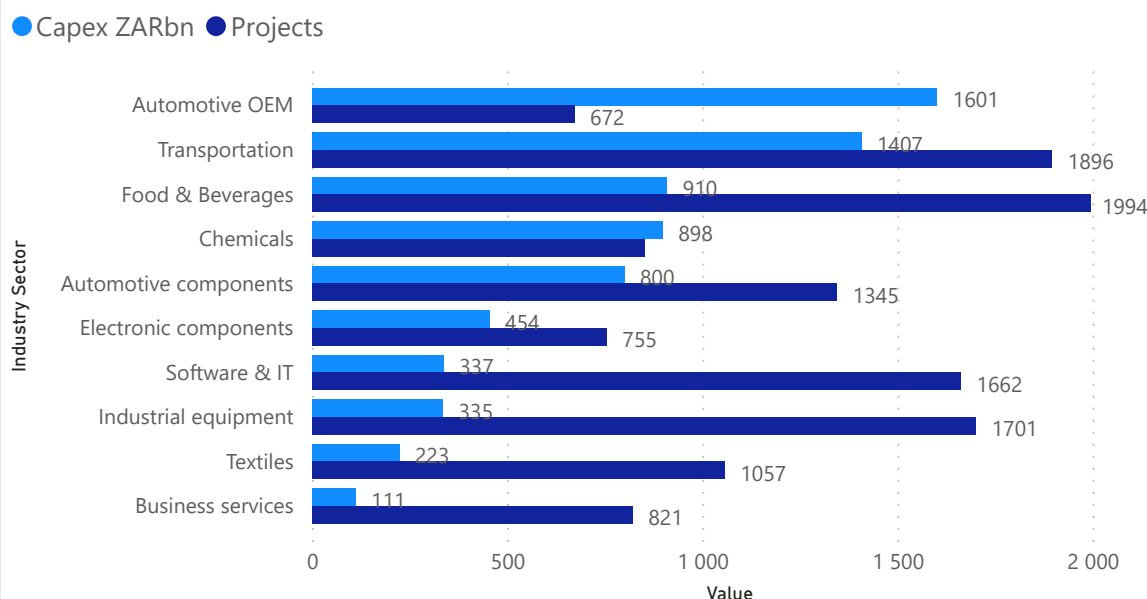
Source: FDI Markets, 2023

Figure 20 demonstrates that the food and beverages sector benefited the most from Germany's investments abroad from January 2011 to March 2023. Germany invested in a total of 1 994 projects in this sector, with a cumulative capex of ZAR909.69bn.

Other top sectors attracting OFDI from Germany were the transportation sector (1 896 projects worth ZAR1 407.03bn) and the industrial equipment sector (1 701 projects valued at ZAR335.08bn).

These top three sectors accounted for an estimated 37.48% of Germany's OFDI during this period.

Figure 20: Top Sectors for OFDI from Germany, 2011-2023



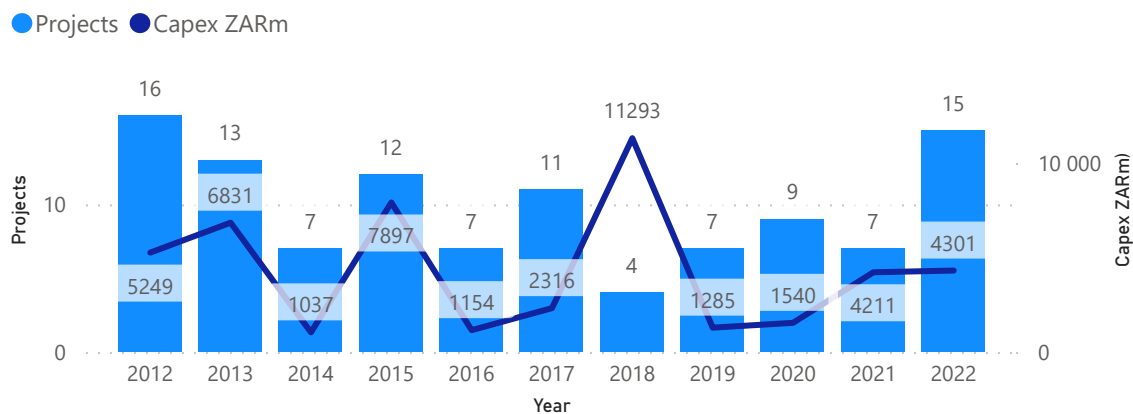
Source: FDI Markets, 2023

3.3) Bilateral FDI: Germany's FDI in South Africa

Figure 21 shows German FDI into South Africa over the period January 2011 to March 2023. Germany invested in 126 projects valued at ZAR80.23bn into South Africa over the period analysed, which generated 15 080 jobs.

FDI from Germany into South Africa fluctuated between ZAR5 249m in 2012 and ZAR4 301.34m in 2022.

Figure 21: FDI from Germany in SA, 2011-2023

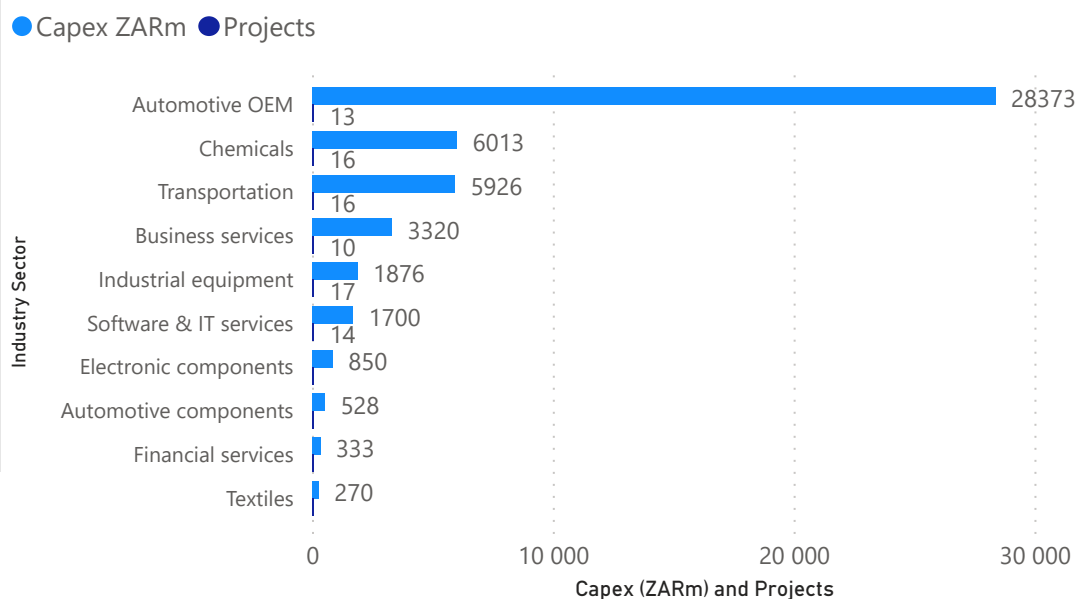


Source: FDI Markets, 2023

The South African industry that received the largest amount of capex from Germany during the period under review was the Automotive OEM sector (ZAR28 373.08m), followed by the chemicals sector (ZAR6 013.28m).

Regarding the number of projects that were invested in per sector, industrial equipment gained the most (17 projects) followed by the chemicals and the transportation sectors with each of these sectors benefiting from investments in 16 projects.

Figure 22: FDI from Germany in SA Sectors, 2011-2023



Source: FDI Markets, 2023

Figure 23 lists the top 10 German companies and the amount of capex invested into South Africa from January 2011 to March 2023. Afrox invested in the greatest number of projects (four) in South Africa. The FDI amounted to ZAR2 239.64m and generated an estimated 649 jobs during this period. (A number of other companies also invested in four projects but with a lesser capex value.)

Regarding capex, Mercedes-Benz South Africa in the automotive sector invested the largest amount of ZAR17 277.44m over this period.

Figure 23: Germany Companies Investing in SA, 2011-2023

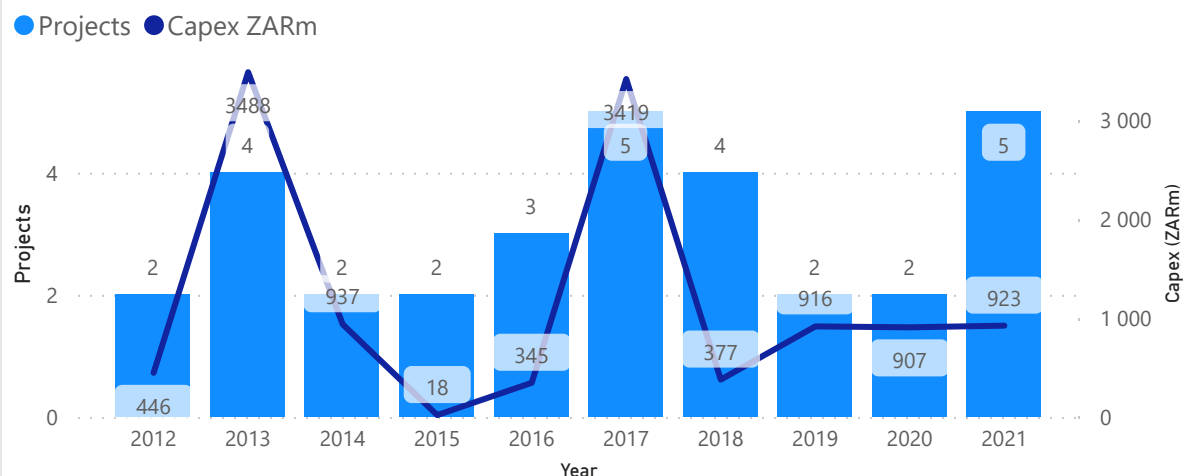
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Mercedes-Benz (SA)	3	17 277.44	5001	Automotive
VW (SA)	3	3 581.89	1051	Automotive
BMW	2	3 445.36	1054	Automotive
Afrox	4	2 239.64	649	Chemicals
Fuchs Lubricants	3	1 147.43	802	Chemicals
BASF	3	929.63	485	Chemicals
DHL	4	920.41	294	Transportation
DHL Express	4	684.16	171	Transportation
BMW (SA)	3	615.13	228	Automotive
Bizerba & Co	2	85.94	24	Industrial equipment
Total	31	30 927.03	9759	

Source: FDI Markets, 2023

3.4) Bilateral FDI: South Africa's FDI in Germany

As shown in Figure 24, FDI from South Africa into Germany was less robust, with South African companies investing in 31 projects in total worth ZAR11 778.05m over the period analysed, generating 1 368 jobs.

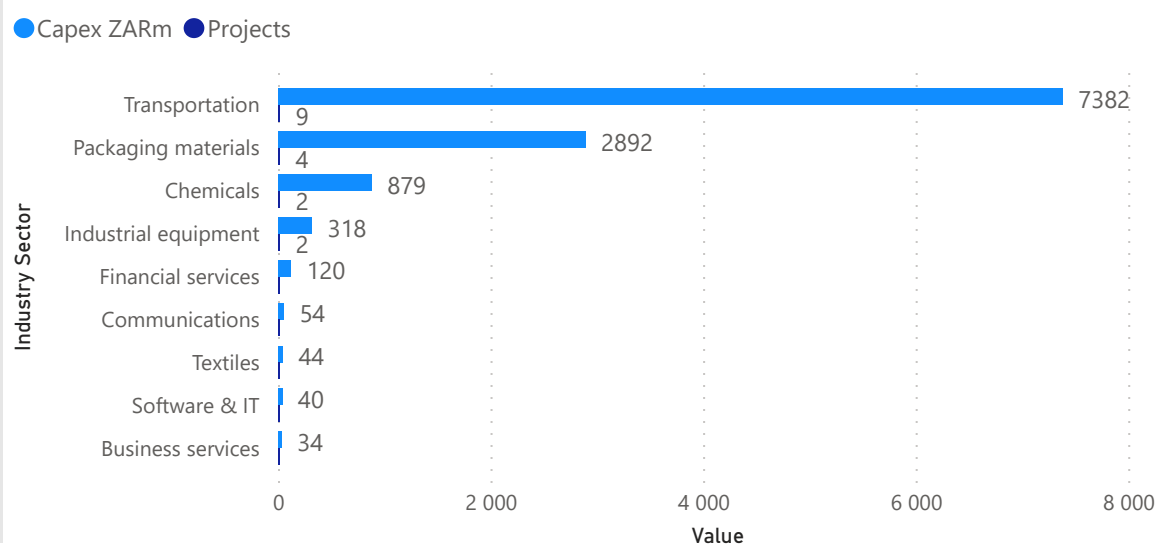
Figure 24: FDI from SA in Germany, 2011-2023



Source: FDI Markets, 2023

As shown in Figure 25, the German transportation sector received the largest amount of capex (ZAR7 381.61m) from South Africa during the period under review. This was followed by the packaging materials sector (ZAR2 891.59m) and the chemicals sector (ZAR878.98m).

Figure 25: FDI from SA in Germany Sectors, 2011-2023



Source: FDI Markets, 2023

Close ties exist between South Africa and Germany. These are further cemented by South Africa's export of engine parts to Germany's vibrant manufacturing sector and the strong support given to South Africa's automotive sector.

Figure 26 lists the top ten South African companies and the number of projects invested in in Germany over the past 12 years. Imperial Logistics International invested in four capital-intensive projects in the transportation sector, at a capex value of ZAR3 595.73m. Other South African companies that made significant investments into Germany include Sappi and Lehnkering.

Figure 26: SA Companies Investing into Germany, 2011-2023

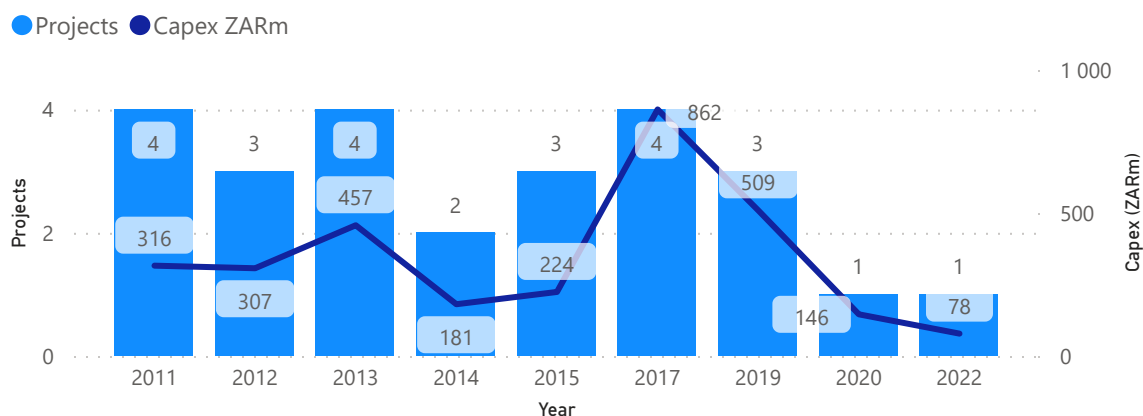
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Bell Equipment (Deutschland) GmbH	2	317.54	147	Industrial equipment
Brilliant Wheels	1	16.87	2	Non-automotive transport
Curve Technology Group	1	46.02	17	Communications
Education Africa	1	1.53	1	Business services
EMCP	1	4.62	3	Business services
Entersekt	1	23.01	12	Software & IT
Imperial Logistics International	4	3 595.73	308	Transportation
Lehnkering	2	1 797.85	154	Transportation
Palletways	2	1 089.14	102	Transportation
Sappi	4	2 891.59	339	Packaging material
Total for Top Ten Companies	19		1085	

Source: FDI Markets, 2023

3.5) Bilateral FDI: Germany's FDI in the Western Cape

Figure 27 shows that from 2011 to March 2023, Germany invested in 25 projects in the Western Cape at a value of ZAR5 780.11m. These investments generated 1 059 jobs. FDI from Germany reached a peak in 2011 when ZAR3 015.84m was invested in four projects.

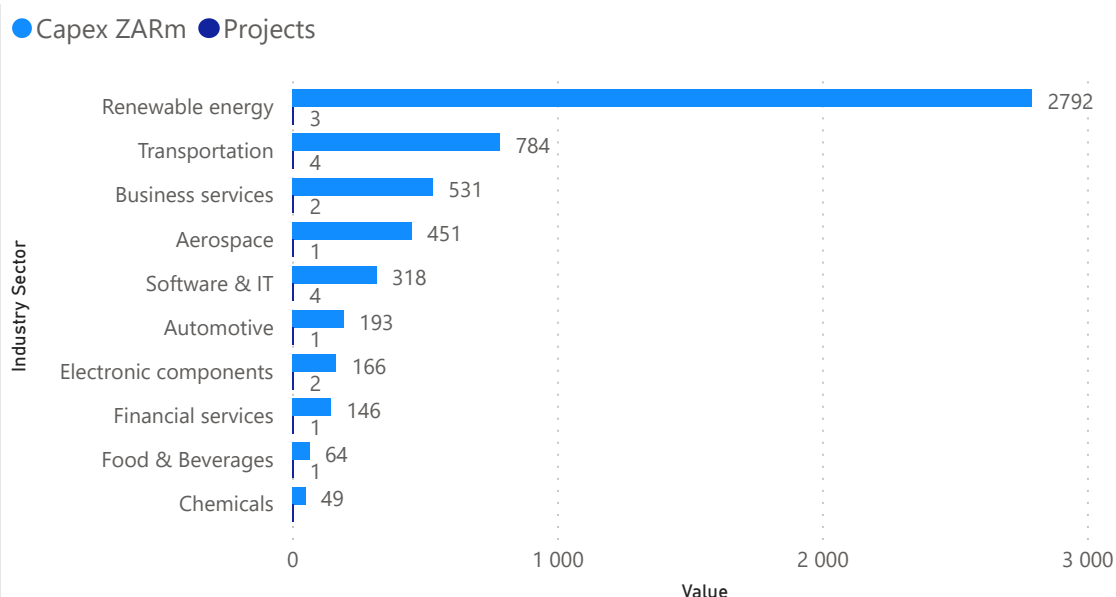
Figure 27: FDI from Germany in WC, 2011-2023



Source: FDI Markets, 2023

The Western Cape's renewable energy sector was the largest recipient of FDI from Germany. Figure 28 shows that a total of ZAR2 791.88m was invested in three projects in this sector. The transportation sector attracted FDI worth ZAR783.87m in four projects and this was followed by the business services sector which had ZAR530.76m invested in it.

Figure 28: FDI from Germany in WC Sectors, 2011-2023



Source: FDI Markets, 2023

Figure 29 lists the German companies that invested in the Western Cape from 2011 to March 2023. The German-based company Juwi, invested the most (ZAR2 452.87m) in two projects in the renewable energy sector. This was followed by DHL Global Forwarding which invested in one project worth ZAR378.90m and Audi South Africa, which invested ZAR193.28m in one project in the automotive sector.

Figure 29: Germany Companies Investing in WC, 2011-2023

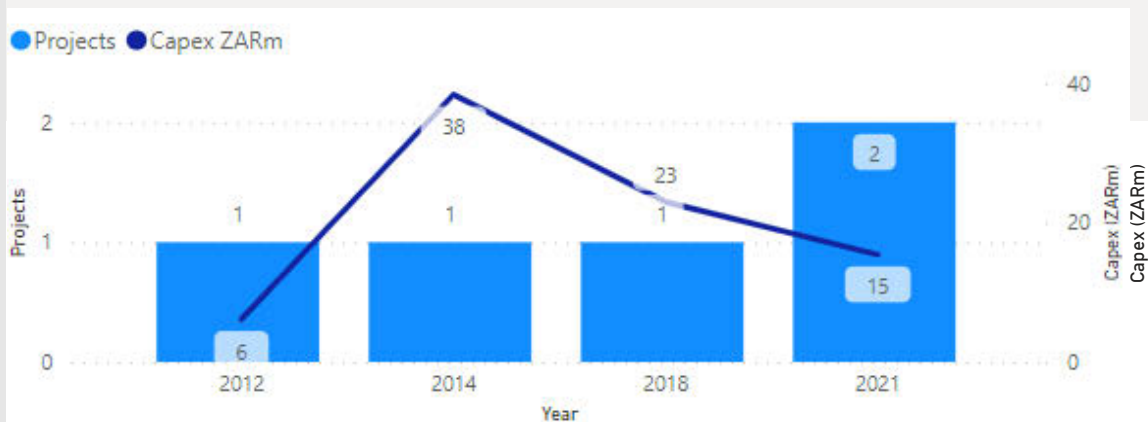
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Juwi	2	2 452.87	38	Renewable energy
DHL Global	1	378.90	138	Transportation
Audi	1	193.28	38	Automotive
DHL	1	134.99	21	Transportation
DHL Express	1	134.99	21	Transportation
FH Bertling	1	134.99	21	Transportation
Accso	1	78.23	231	Software & IT
Don Limon	1	64.43	16	Food & Beverages
Bizerba	1	42.95	12	Industrial equipment
Kai Batla	1	30.68	22	Minerals

Source: FDI Markets, 2023

3.6) Bilateral FDI: Western Cape's FDI in Germany

In Figure 30, one can see that the Western Cape invested in 5 projects in Germany worth ZAR83.02m between 2011 and March 2023. Five Western Cape companies invested in these projects which generated 83 jobs. A surge in FDI in Germany from the Western Cape was witnessed in 2014 when the province invested in 1 projects worth ZAR38.44m.

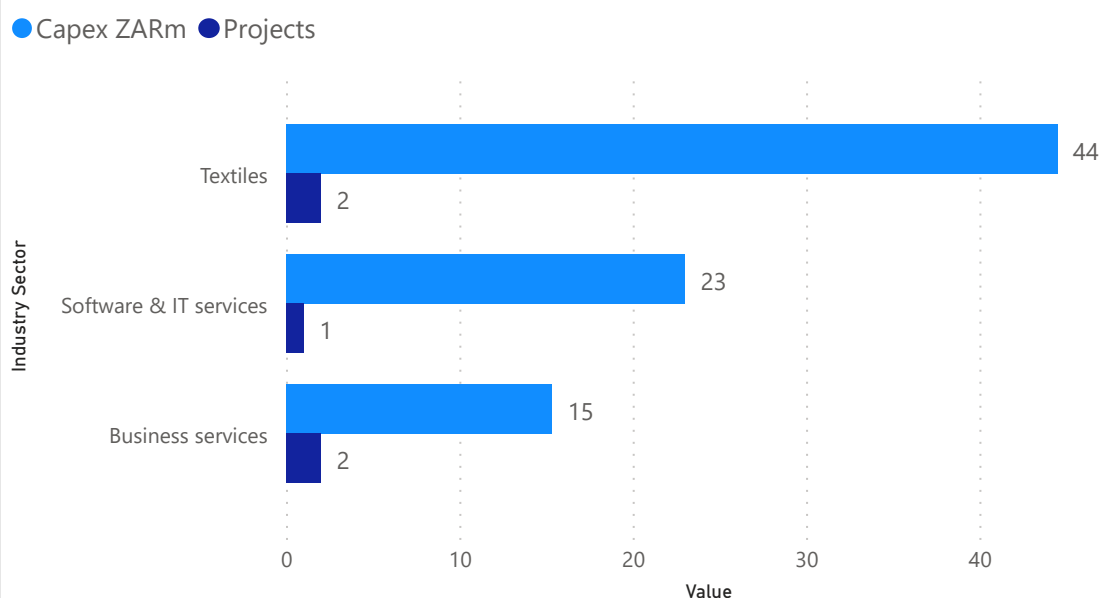
Figure 30: FDI from WC in Germany, 2011-2023



Source: FDI Markets, 2023

Most of the capex from the Western Cape (ZAR44.49m) was invested in one project in Germany's textile sector, as shown in Figure 31. The textiles sector attracted ZAR44.49m in FDI from the Western Cape and the software and IT services sector benefited from ZAR23.01m in FDI. The province also invested in two projects in the business services sector worth ZAR15.34m.

Figure 31: FDI from WC in German Sectors, 2011-2023



Source: FDI Markets, 2023

Phase Eight was the top Western Cape investor in Germany during this period, as shown in Figure 32. The company invested in one project in the German textiles sector with an associated ZAR38.35m in capex thereby, creating 49 jobs. Entersekt followed a similar pattern, investing in one project in the software and IT services sector with a total capex of ZAR23.01m, while People Solved and Shift One each invested in one project in the business services sector with a total capex of ZAR7.67m. The other Western Cape companies investing in Germany during this period was Fashion Days.

Figure 32: WC Companies Investing in Germany, 2011-2023

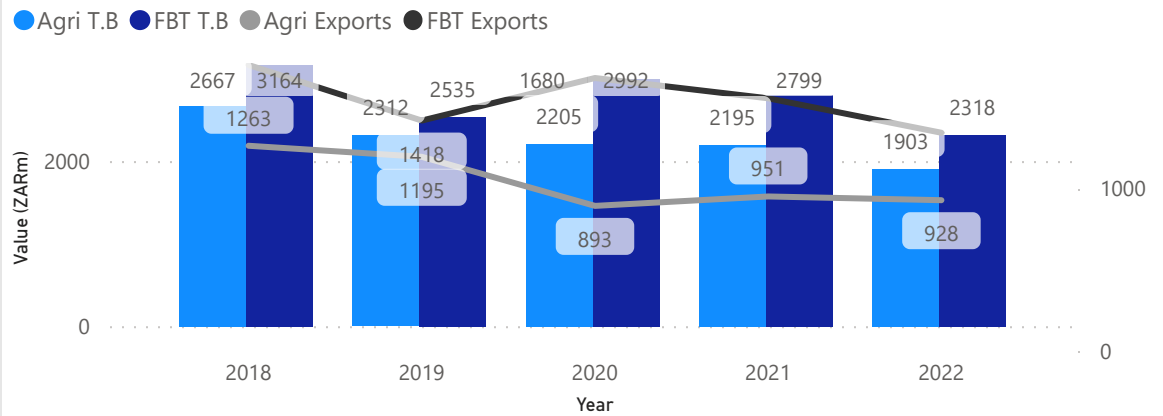
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
Phase Eight	1	38.35	49	Textiles
Entersekt	1	23.01	12	Software
PeopleSolved	1	7.67	9	Business services
Shift ONE	1	7.67	9	Business services
Fashion Days	1	6.14	4	Textiles
Total	5	82.84	83	

Source: FDI Markets, 2023

4) Western Cape Agribusiness Trade with Germany

The Western Cape was a net exporter of primary agricultural products to Germany over the past five years, recording a trade surplus of ZAR536.06m in 2022. During this period, agri exports recorded a five-year average value of ZAR1 046.00m in total receipts. In turn, agri imports averaged ZAR805.79m over this five year period. Looking at the food, beverages and tobacco industry, the Western Cape was a net exporter to Germany over this period, with the province recording a trade surplus during the period under review.

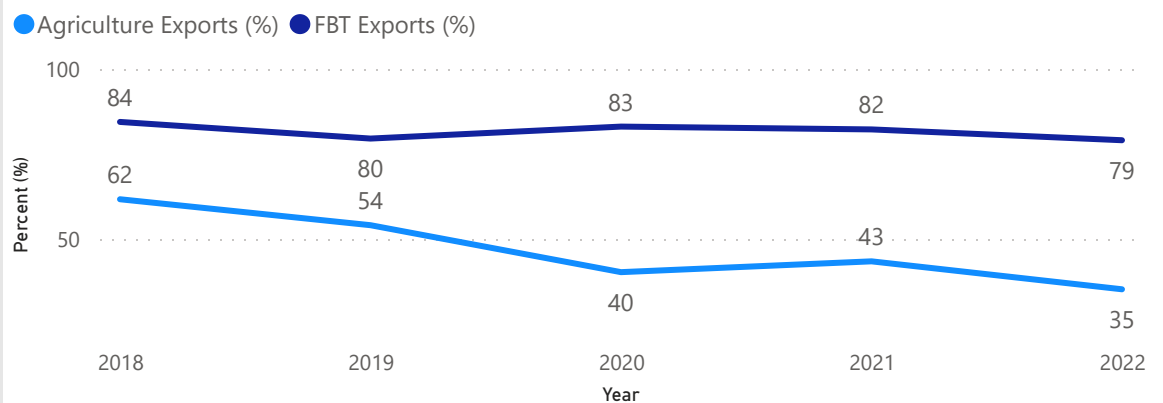
Figure 33: WC Agriculture and FBT Trade with Germany, 2018-2022



Source: Quantec, 2023

The Western Cape was responsible for most of South Africa's agribusiness exports to Germany, accounting for an average annual share of 46.93% of primary agricultural exports and 81.66% of food, beverages and tobacco (FBT) exports during the period under review. The province's contribution of agricultural exports ranged from 61.69% of the national exports to Germany in 2018 to 35.21% by March 2023.

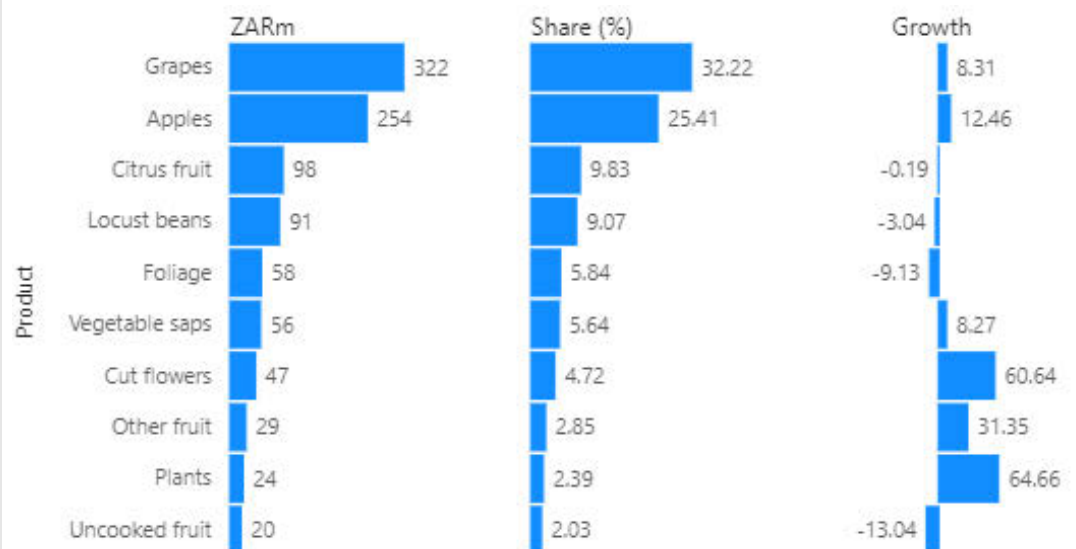
Figure 34: WC Share of National Agri and FBT exports to Germany, 2018-2022



Source: Quantec, 2023

Grapes, at a value of ZAR322.37m, apples (ZAR254.17m) and citrus fruits (ZAR98.29m) were the top three agricultural exports from the Western Cape to Germany, as shown in Figure 35. These products accounted for 67.46% of the province's agricultural exports to Germany in 2022, with grapes alone contributing 32.22%. Exports in plants grew by a phenomenal average growth of 64.66% during the five-year period.

Figure 35: Top Agri Exports from WC to Germany, 2022: (Average Growth: 2018-2022)

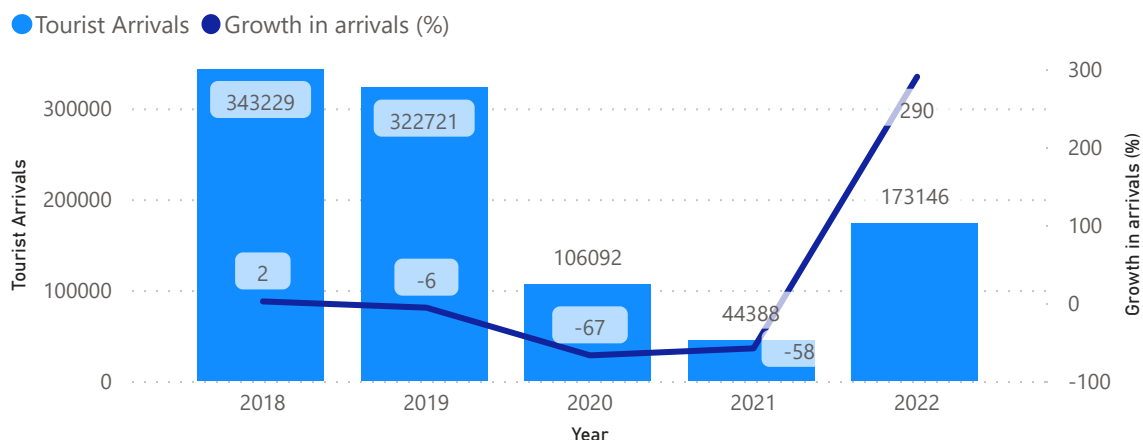


Source: Quantec, 2023

5) Tourism from Germany to South Africa and the Western Cape

South Africa welcomed 173 146 tourists from Germany in 2022, reflecting a 290% y-o-y growth when compared to 2021, and a recovery of 54% over 2019.

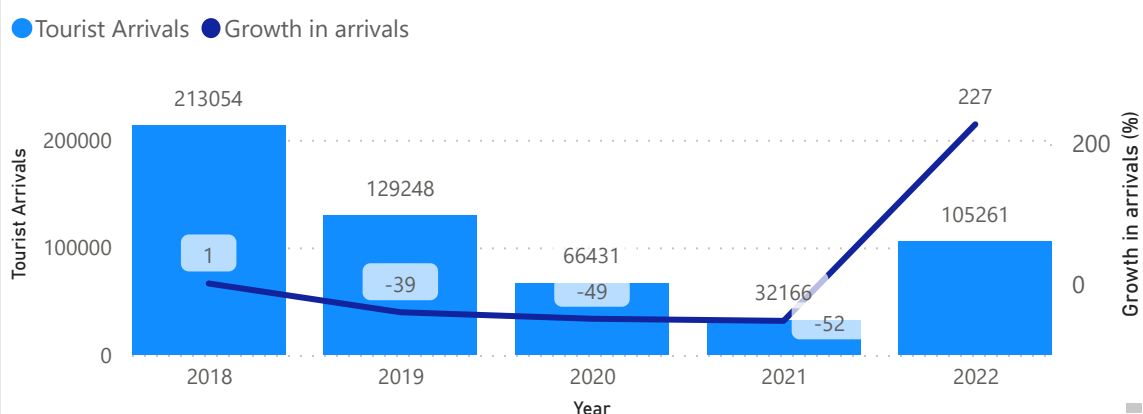
Figure 36: Germany Tourist Arrivals in SA, 2018-2022



Source: South African Tourism, 2023

In 2022, over 105 000 tourists from Germany visited the Western Cape, as seen in Figure 37. This reflects a recovery of 81% when compared to 2019 and a y-o-y growth of 227% in relation to 2021.

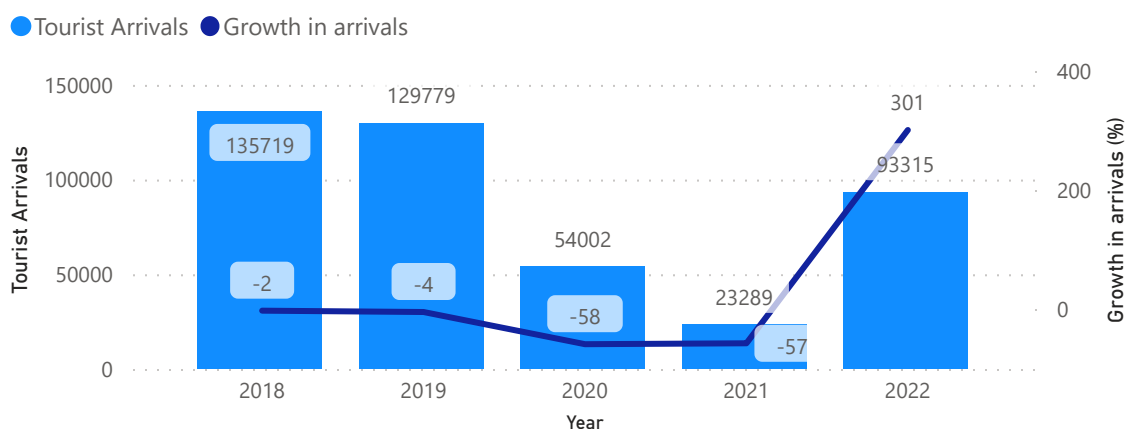
Figure 37: Germany Tourist Arrivals in WC, 2018-2022



Source: South African Tourism, 2023

In 2022, Germany was the second top source market for tourist arrivals in Cape Town (via air). Cape Town recorded a total of 93 315 tourists from Germany in 2022, reflecting a 301% year-on-year increase when compared to 2021 and recovering by 72% against the same period in 2019.

Figure 38: Germany Passenger Movement through CTIA, 2018-2022



DISCLAIMER:

Wesgro has taken every effort to ensure that the information in this publication is accurate. We provide said information without representation or warranty whatsoever, whether expressed or implied. It is the responsibility of users of this publication to satisfy themselves of the accuracy of information contained herein. Wesgro cannot be held responsible for the contents of the publication in any way.