



Introduction to O&G

ECONOMY & BUSINESS ENVIRONMENT

Germany is the top economic power in Europe and the fourth globally. After experiencing a historic recession following the COVID-19 pandemic, the country's economy grew throughout the first three quarters of 2022 driven by an ongoing recovery in private consumption. However, Germany only grew an estimated 1.5% in 2022, slower than one year earlier (2.6% - IMF) due to the consequences of the Russia-Ukraine conflict: prior to the invasion, Germany was highly dependent on Russian gas, oil and coal, with around one-third of primary energy supply coming from Russia. The political situation and the resulting EU sanctions against Russia forced Germany to reduce such dependency; however, there were severe disruptions in the supply chain (especially in the chemicals and automotive sectors, which together account for almost 6.5% of GDP) and in energy imports. Sentiment indicators have deteriorated markedly towards the end of 2022; with a decrease in private consumption due to high inflation and rising energy costs. The IMF expects GDP to decrease by 0.3% in 2023 (-0.6% according to the EU Commission), before rebounding by 1.5% in 2024. Downside risks to the forecast remain, especially those related to delays in the energy supplies diversification, which may cause shortages and spur inflation in the winter of 2023-24.

The unprecedented measures taken to fight the pandemic and stabilise the economy – focused on subsidies to companies, prolongation of the short-time work scheme and increased healthcare spending for vaccination and testing – drove an increase in Germany's budget deficit in recent years. Pandemic-related support programmes were phased out by mid-2022, but three energy support packages estimated at EUR 95 billion in direct expenditures and an energy support fund of 5.5% of GDP financed by credit allowances contributed to the third consecutive year of fiscal deficit (-3% as per the IMF), despite higher tax receipts. While the IMF expects the deficit to decline to 1.8% this year and 1.1% in 2024, the European Commission forecast is less optimistic (3.1% and 2.6%). After peaking at 71.1% in 2022, the government debt-to-GDP ratio is projected to decrease to 68.3% in 2023 and 65.6% the following year (IMF) thanks to the growth of nominal GDP on the back of high inflation, the reduction in the portfolio of bad banks and the decline of cash reserves. Inflation reached a record level of 8.5% in 2022 driven by the aforementioned surge in energy prices, rising input costs and a boost to service sector wages. A tighter labour market and the staggering pass-through of wholesale energy prices should contribute to a gradual decline in inflation, projected at 7.2% this year and 3.5% the next (IMF). For 2023, export growth is expected to recover due to easing supply chain bottlenecks and a record-high order backlog. With a GDP per capita (PPP) of USD 57,927, Germany is among the wealthiest countries in the world (World

Bank). Nevertheless, according to data by Destatis, around 20.7% of the country's population is at risk of poverty or social exclusion (latest data available).

Main Indicators	2020	2021	2022	2023	2024
GDP <i>(billions USD)</i>	3,886.56	4,262.77	4,031.15	4,120.24	4,337.39
GDP <i>(Constant Prices, Annual % Change)</i>	-3.7	2.6	1.5	-0.3	1.5
GDP per Capita <i>(USD)</i>	46,735	51,238	48,398	49,430	52,018

Key Parametes :

S.No.	PARAMETERS	STATUS	REFERENCE
1	Location	Central Europe	Bordering the Baltic Sea and the North Sea, between the Netherlands and Poland, south of Denmark
2	Total surface area (in km sq.)	357,022 sq km	Land: 348,672 sq km water: 8,350 sq km
3	Climate	Temperate and marine; cool, cloudy, wet winters and summers; occasional warm mountain (foehn) wind	
4	Ease of doing business	Rank 22 out of 190 Nations (2020)	India ranks 63 out of 190 Nations (2020)
5	Main natural resources	coal, lignite, natural gas, iron ore, copper, nickel, uranium, potash, salt, construction materials, timber, arable land	
6	Top cities (population)	3.574 million BERLIN (capital), 1.788 million Hamburg, 1.576 million Munich, 1.144 million Cologne, 796,000 Frankfurt (2023)	
7	Real GDP (PPP) (in US trillion \$)	\$4.424 trillion (2021 est.)	(1) China – \$27.312 trillion (2) US- \$22.996 trillion (3) India- \$10.193 trillion
8	Inflation (%)	3.14% (2021 est.)	India's Inflation rate is 4.95% (Dec – 2022)
9	Exports	\$2.004 trillion (2021 est.) Top five exports are cars and vehicle parts, packaged medicines, aircraft, medical	Top export destinations: United States 9%, France 8%, China 7%, Netherlands 6%, United

		cultures/vaccines, industrial machinery	Kingdom 6%, Italy 5%, Poland 5%, Austria 5%
10	Imports	\$1.775 trillion (2021 est.) Top imports commodity groups are: cars and vehicle parts, packaged medicines, crude petroleum, refined petroleum, medical cultures/vaccines	Top importing countries: Netherlands 9%, China 8%, France 7%, Belgium 6%, Poland 6%, Italy 6%, Czechia 5%, United States 5%
11	Industry wise GDP Contribution	agriculture: 0.7% industry: 30.7% Services: 68.6% (2021 est.)	

Historical Information

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As Europe's largest economy and second most populous nation (after Russia), Germany is a key member of the continent's economic, political, and defense organizations. European power struggles immersed Germany in two devastating world wars in the first half of the 20th century and left the country occupied by the victorious Allied powers of the US, UK, France, and the Soviet Union in 1945. With the advent of the Cold War, two German states were formed in 1949: the western Federal Republic of Germany (FRG) and the eastern German Democratic Republic (GDR). The democratic FRG embedded itself in key western economic and security organizations, the EC (now the EU) and NATO, while the communist GDR was on the front line of the Soviet-led Warsaw Pact. The decline of the USSR and the end of the Cold War allowed for German reunification in 1990. Since then, Germany has expended considerable funds to bring eastern productivity and wages up to western standards. In January 1999, Germany and 10 other EU countries introduced a common European exchange currency, the euro.