



# KCCI - Country Wrap: GERMANY (Feb'18)

## Germany- Economic overview

The economic performance of Germany has a strong influence on the regional countries owing to its particular significance in the European Union. The country enjoys the status of the fifth largest economy in the world in terms of GDP (PPP) along with the largest population in the European Union. The country managed to remain stable during the global economic downturn after it made several structural reforms including increased focus on value added products resulting in further job creation and enhanced external trade.

## Key Industries of Germany

Germany is among the world's largest and most technologically advanced producers of engineering products, communication and electronic equipment, pharmaceutical and chemicals etc. Similarly, German automotive industry is also amongst the best automotive industry in the world. The car brands like Volkswagen, BMW, Daimler, Porsche all belong to Germany and have provided people with luxurious and durable transportation for ages.

## Germany's major partners

Its major export partners are US (8.8%), France (8.2%), China (6.8%), Netherlands (6.7%), UK (6.6%), Italy (5.1%), Austria (4.9%), Poland (4.7%), Switzerland (4.2%). The major import partners of Germany are Netherlands (13.8%), China (7%), France (6.6%), Belgium (5.9%), Italy (5.4%), Poland (5.4%), Czech Republic (4.8%), US (4.5%), Austria (4.3%), Switzerland (4.2%).

## Diplomatic and Economic Ties between Pakistan and Germany

Pakistan and Germany share cordial diplomatic relationship where the two countries have been cooperating on various platforms including health, education, social and economic sectors. Germany has also extended its helping hand towards Pakistan to provide it with assistance in the field of Renewable Power energy. A Memorandum of Understanding (MoU) on Renewable Energy has also been signed between Pakistan and Germany for establishing Pakistan German Renewable Energy Forum (PGREF). German companies have expressed interest in pouring capital into various CPEC projects and in the country's special economic zones. Germany is also a strong supporter for Pakistan in the in European Union, particularly with respect to GSP Plus. More than 5000 Pakistani students are enrolled in various German universities, which is the third largest Pakistan-origin student population after the United Kingdom and the United States.

## Pakistan German Trade Linkages

Germany is one of Pakistan's largest trading partners. Trade quantum between Pakistan and Germany has improved significantly in the last decade. During 2017, Pakistan exported commodities worth \$ 1.896Bn to Germany as against exports of \$ 1.68Bn in 2016 showing growth of 12.9%. The goods imported by Pakistan from Germany during 2017 stood at \$ 1.37Bn as against imports of \$ 1.29Bn showing increase of 5.5% in imports. There is substantial room available for Pakistani products like halal foodstuff, textiles, cotton, where Pakistan can enhance its export to Germany.

## Pakistan German Business Forum

The Pakistan German Business Forum (PGBF) promotes trade and investment activities between Pakistan and Germany, with the active support and co-operation of the German Ambassador and the German Consul General.

## German Companies Operating in Pakistan

Pakistan German cooperation in business activities has been growing as more and more German companies are starting their business activities in Pakistan, generating large profits. Among these include Siemens, BASF, CEI Logistics Pvt. Ltd., GVE Pakistan, KSB Pumps Company Ltd., Metro Cash & Carry Pakistan (Pvt) Ltd., Nordex, Koppersbusch Teika, Evonik and SAP etc. Another German company - Multivac has started its operation in Pakistan which is engaged in manufacturing machines for packaging of sterile products including medical goods, processed and fresh food.

## Trading Items between Pakistan and Germany

Commodities exported by Pakistan to Germany include textile and clothing items, surgical and medical goods, footballs, leather gloves and footwear, fibers and carpets etc. Products imported by Pakistan from Germany include electrical items and machinery, optical items, iron & steel, electronics, pharmaceutical products, organic chemicals, auto vehicles etc.

## Bilateral Agreements between Pakistan and Germany

Germany and Pakistan have maintained good bilateral relations and have come across to sign agreements in various fields to enhance their trade volumes. These agreements mainly include Pak German Bilateral Investment Treaty (BIT) and Pak-German Bilateral Development Co-operation, Foundation for Integrated Development Action (FIDA) etc. The first ever BIT in the world was Pak-Germany BIT which was signed in 1959. This BIT was to enhance the foreign investment of the two countries in each other territories. This BIT was renewed on Dec 1, 2009 for protecting the investment rights of the businessmen operating in two countries. Germany and Pakistan have also come under an agreement "Northern Areas Health Project" which is based on public private partnership.

## Potential for enhancing bilateral trade relations between Pakistan and Germany

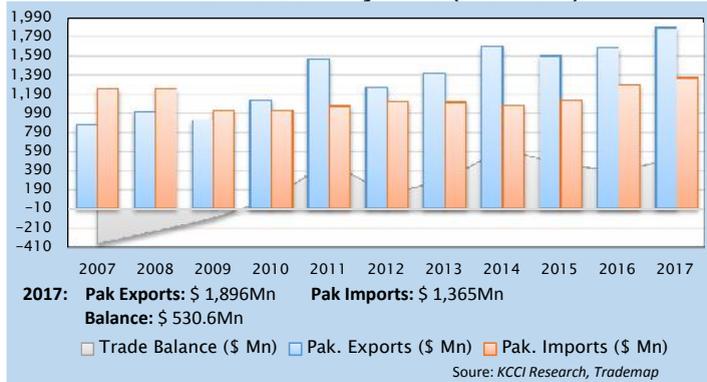
- The tourism industry of Pakistan can attract tourists by participating and presenting its tourism potential at ITB travel and trade show in Berlin, held every year.
- Pakistan may increase its focus on exporting halal food and dairy products to Germany which has large market share in German markets as number of Muslim consumers is growing in Germany.
- Automobile giants like Mercedes and VW to look into Pakistani market for joint production.

## Economic Indicators

| Indicators         | Unit  | 2016   | 2017   | Change |
|--------------------|-------|--------|--------|--------|
| GDP (PPP)          | \$ Bn | 4,099  | 4,199  | 2.44%  |
| GDP per Capita     | \$    | 49,800 | 50,800 | 2.01%  |
| GDP growth         | %     | 2.20   | 2.50   | 0.30%  |
| Forex Reserves     | \$ Bn | N/A    | 200    | N/A    |
| External Debt      | \$ Bn | 5,210  | 5,326  | 2.23%  |
| Exports of Goods   | \$ Bn | 1,322  | 1,434  | 8.47%  |
| Imports of Goods   | \$ Bn | 1,022  | 1,135  | 11.06% |
| Trade Balance      | \$ Bn | 300    | 299    | -0.33% |
| Current Account    | \$ Bn | 298    | 291    | -2.18% |
| FDI - at Home      | \$ Bn | 1,391  | 1,653  | 18.84% |
| FDI - at Abroad    | \$ Bn | 1,981  | 2,298  | 16.00% |
| CPI                | %     | 0.40   | 1.70   | 1.30%  |
| Prime Lending Rate | %     | 1.78   | 1.67   | -0.11% |
| Population         | Mn    | 80.46  | 80.46  | 0.00%  |
| Unemployment       | %     | 4.20   | 3.80   | -0.40% |

Sources: KCCI Research, CIA Factbook

## Pakistan & Germany Trade (2007-2017)



## Germany's Top 10 Trade Items (2017)

| Imports Items                 | (\$ Mn)   | Exports Items                    | (\$ Mn)    |
|-------------------------------|-----------|----------------------------------|------------|
| Machinery, mech. appliances   | 150,300.1 | Vehicles other than railway      | 258,286.60 |
| Electrical mach. and equip.   | 147,365.7 | Machinery, mech.appliances       | 246,157.85 |
| Vehicles other than railway   | 124,572.6 | Electrical machinery & equipment | 149,756.62 |
| Mineral fuels, mineral oils   | 96,075.6  | Pharmaceutical products          | 84,468.41  |
| Pharmaceutical products       | 54,012.5  | Optical, photographic,           | 72,970.02  |
| Plastics and articles thereof | 44,467.7  | Plastics and articles thereof    | 63,604.31  |
| Optical, photographic,        | 40,589.8  | Aircraft & parts                 | 41,797.62  |
| Organic chemicals             | 34,309.4  | Commodities NES.                 | 38,709.23  |
| Iron and steel                | 28,960.1  | Articles of iron or steel        | 30,555.02  |
| Articles of iron or steel     | 23,371.5  | Mineral fuels, mineral oils      | 26,790.53  |

Source: KCCI Research, Trademap

## Pakistan - Germany Top 10 Trade Items (2017)

| Pakistan Export Items           | (\$ Mn) | Pakistan Imports Items      | (\$ Mn) |
|---------------------------------|---------|-----------------------------|---------|
| Articles of apparel not knitted | 618.44  | Machinery, mech.appliances  | 365.26  |
| Articles of apparel, knitted    | 383.35  | Electrical machinery        | 141.96  |
| Other made-up tex. Articles     | 357.72  | Optical & photographic      | 115.77  |
| Cotton                          | 132.08  | Commodities nes.            | 90.41   |
| Articles of leather; saddlery   | 127.67  | Pharmaceutical products     | 66.83   |
| Toys, games and sports          | 50.75   | Vehicles other than railway | 60.94   |
| Optical, photographic           | 44.18   | Misc. chemical products     | 52.09   |
| Footwear, gaiters               | 34.83   | Tanning or dyeing extracts  | 50.70   |
| Man-made staple fibres          | 19.50   | Iron and steel              | 39.56   |
| Carpets & tex. floor coverings  | 13.99   | Organic chemicals           | 38.85   |

Sources: KCCI Research, Trademap