

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S DATED 07-02-2024

INDIA-GERMANY BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The Federal Republic of Germany, which was formally established in October 1990 upon the unification of the Federal Republic of Germany (FRG, West Germany) and the German Democratic Republic (GDR, East Germany), lies in the heart of Europe. Their neighbours to the west are The Netherlands, Belgium, Luxembourg and France, to the east Czech Republic and Poland, to the north Denmark and to south and south east Switzerland and Austria. . Germany is a member of the UN, EU, WEU, NATO the Council of Europe and OECD (The Organization for Economic Cooperation and Development).

2. Germany has a social market economy with a highly skilled labour force, a low level of corruption and a high level of innovation. It is the largest economic power in Europe and the third largest economy in the world.. As per available report of IMF Executive Board Concludes 2023 Article IV Consultation with Germany July 17, 2023., it has been reflected that, “The German economy has demonstrated resilience following the shut-off of Russian gas supply last year . Highly adverse scenarios of widespread energy scarcity have been avoided due to strong efforts to conserve gas and secure energy supplies, as well as the lack of severe winter weather. Nevertheless, adverse effects from the energy shock and tightening financial conditions have been sufficient to tilt the economy into recession in recent months. Inflation also spiked as the energy price shock added to existing pandemic-related bottlenecks, though inflation is now falling as these effects ease. The overall capital and liquidity positions of Germany’s banking and insurance systems remain at solid levels, but banking turmoil in other advanced economies earlier this year has heightened the focus on potential financial stability risks associated with rising interest rates.”. “Executive Directors of the IMF acknowledged that Germany’s financial system remains sound. However, with systemic risks rising amidst higher interest rates, they underscored the importance of identifying vulnerable banks and subjecting them to intensive supervision, as well as encouraging a conservative approach to bank capital distributions”.

.A snapshot of Germany’s select economic indicators is presented at [Annexure –I](#)

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the five major merchandise export partners of Germany are United States, China, France, Netherlands and Poland. On the other hand five major import partners of Germany are China, Netherlands, United States, Poland and Italy. Major five exported goods of Germany are (i) Automobiles nes including gas turbine powered (ii Other medicaments of mixed or unmixed products, (iii) Automobiles with reciprocating piston engine (iv) Aircraft nes of an unladen weight exceeding 15, and (v) Human and animal blood; microbial cultures. On the other hand major five imported goods are (i) Natural gas in gaseous state (ii) Petroleum oils and oils obtained from bituminous (iii) Human and animal blood; microbial cultures; tox (iv) Other medicaments of mixed or unmixed products and (v) Automobiles nes including gas turbine powered.

4. Germany’s total exports in 2018 were of the order of US\$ 1,562,418 million. It has scaled up to US\$ 1,686,142 million in 2022 with downfall recorded for the year in between and positive trend recorded from 21.64% in 2021 onwards. During the period from 2018 to 2022, the annual average compound rate of growth of exports was 1.92%.

5. Germany’s total imports in 2018 were of the order of US\$ 1,292,726 million and which has touched US\$ 1,588,853 million mark in 2022 after having experienced a decline in 2019 and 2020 pandemic hit-year. During the period from 2018 to 2022, the annual average compound rate of growth of Imports was 5.29%.

6. Germany runs an overall Balance of Trade surplus as is observed from data 2018 to 2022 and it was quite significant to the tune of USD 97,289 million in 2022. During the period from 2018 to 2022, the annual average compound rate of growth of total volume of trade was 3.49%.

A snapshot of Germany's overall Trade Statistics is presented in **Annexure-II [Table 1: Figure 1]**

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. With a trade history of over 500 years India and Germany share an economic relation based on strategic cooperation. In recent times the success story continues as both countries extend their relationship. India's export to Germany was 2.25% of India's total export value in FY2022-23. Germany was the India's 11th largest export destination in FY 2022-23. In the same financial year imports from Germany was 2.32% of India's total import value. Germany was the 12th largest trading partner of India in FY 2022-23. Almost 2.29% of India's total international trade value between India and Germany has been recorded in FY 2022-23 as per DGCIS data base.

8. Indo-Germany total volume of bilateral trade in FY 2018-19 was of the order of US\$ 24,071.03 million. It has increased to US\$ 26,738.22 million in FY 2022-23. The annual compound growth rate of volume of trade during the period from 2018-19 to 2022-23 has been of the order of 2.66%.

9. It appears from the available figures that between 2018-19 and 2022-23, India has had a deficit Balance of Trade with Germany. Exports from India to Germany increased steeply by 21.64% in FY2021-22 immediately after the pandemic hit year. The annual average compound rate of growth of Exports was 3.29% during the period under review. On the other hand, imports from Germany to India increased by 9.71% in FY 2021-22 and 10.91 % in FY 2022. During the period from 2018-19 to 2022-23, the annual average compound rate of growth of Imports was 2.29%.

A snapshot of India's merchandise trade statistics w.r.t. Germany is presented in **Annexure-II [Table 2: Figure 2]**

10. Additionally, **from Tables 3 & 4 presented at Annexure-II** below the following are stated:

a. Electric Machinery And Equipments, RMG Cotton Including Accessories and Telecom Instruments are occupying the top three slots in India's exports to Germany in the year 2022-23. Electric Machinery And Equipments occupying highest share of 7.08% in total exports from India to Germany.

b. Aircraft, Spacecraft And Parts; Indl. Machinery For Dairy Etc. and Medical And Scientific Instruments are the three major commodities in India's imports list from Germany in the year 2022-23, Medical And Scientific Instruments is occupying bulk share of 14.48% in India's imports from Germany.

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Germany: Selected Economic Indicators, 2022–24 1/

	<i>Projections</i>		
	2022	2023	2024
Output			
Real GDP growth (%)	1.8	-0.3	1.3
Total domestic demand growth (%)	3.3	-0.5	1.5
Output gap (% of potential GDP)	0.5	-0.9	-0.9
Employment			
Unemployment rate (% , ILO)	3.1	3.3	3.3
Employment growth (%)	2.6	0.4	-0.1
Prices			
Inflation (% , headline, period avg.)	8.7	5.8	2.6
Inflation (% , core, period avg.)	5.0	6.2	3.0
General Government Finances			
Fiscal balance (% of GDP)	-2.7	-3.0	-1.5
Revenue (% of GDP)	47.0	46.5	46.5
Expenditure (% of GDP)	49.8	49.6	48.0
Public debt (% of GDP)	66.2	66.4	65.0
Money and Credit			
Broad money (M3) (end of year, % change) 2/	5.1	...	...
Credit to private sector (% change)	6.6	...	...
10-year government bond yield (%)	1.3	...	...
Balance of Payments			
Current account balance (% of GDP)	4.2	5.4	5.7
Trade balance (% of GDP)	2.1	3.3	3.6
Exports of goods (% of GDP)	40.1	38.3	38.3
Volume (% change)	1.9	1.9	3.4
Imports of goods (% of GDP)	37.2	34.8	34.6
Volume (% change)	3.4	-0.3	3.9
Service trade balance (% of GDP)	-0.8	-0.3	-0.1
FDI balance (% of GDP)	3.2	2.0	2.7
Reserves minus gold (billions of US\$)	98.4	...	...
External Debt (% of GDP)	156.1	...	...
Exchange Rate			
REER (% change)	-3.6	...	...
NEER (% change)	-2.3	...	...
Real effective rate (2010=100) 3/	93.6	...	...
Nominal effective rate (2010=100) 4/	102.4	...	...
Sources: Deutsche Bundesbank, Eurostat, Federal Statistical Office, Haver Analytics, and IMF staff calculations.			
1/ GDP and its components are unadjusted for working days.			
2/ Reflects Germany's contribution to M3 of the euro area.			
3/ Real effective exchange rate, CPI based, all countries.			
4/ Nominal effective exchange rate, all countries.			

Source: IMF Executive Board Concludes 2023 Article IV Consultation with Germany July 17, 2023.

TABLE - 1

GERMANY'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE BETWEEN 2018 TO 2022

(Figures in USD Million)

Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018	1562418		1292726		28,55,144		269692
2019	1493267	-4.43	1239897	-4.09	27,33,164	-4.27	253370
2020	1385852	-7.19	1173167	-5.38	25,59,019	-6.37	212685
2021	1635600	18.02	1424675	21.44	30,60,275	19.59	210925
2022	1686142	3.09	1588853	11.52	32,74,995	7.02	97289

**Annual
Compound
Growth Rate**

1.92

5.29

3.49

NOTE : Figures relate to calendar year (January to December)

SOURCE ; UN COMTRADE PUBLICATION

Figure - 1

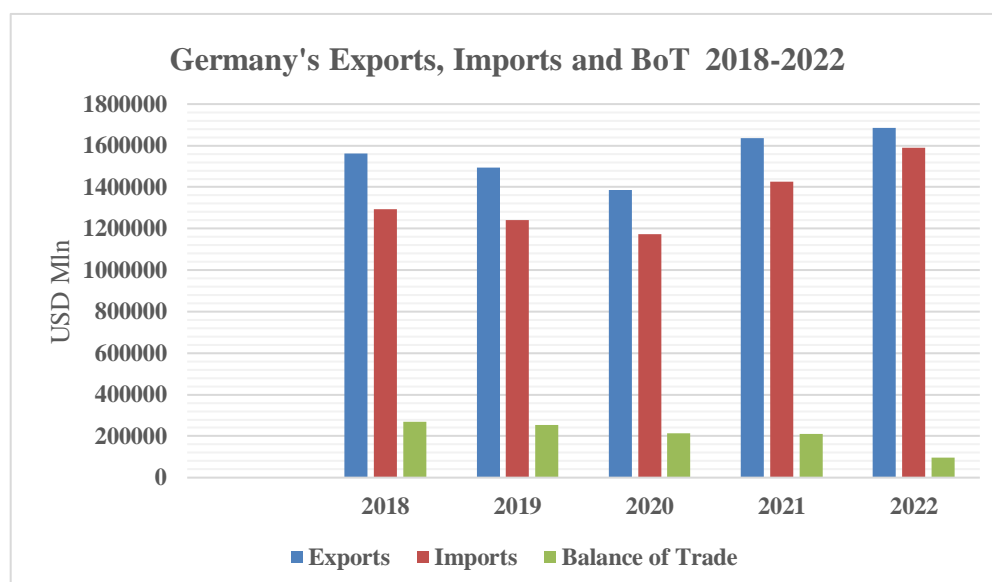


TABLE - 2

**INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t. NETHERLAND
FY 2018-2019 to 2022-2023**

(Value in USD Million)

Year	Exports from India to Germany	Percentage Growth in Exports	Imports from Germany to India	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2018-19	8904.39		15166.64		24071.03		-6262.25
2019-20	8291.30	-6.89	13691.11	-9.73	21982.41	-8.68	-5399.81
2020-21	8126.28	-1.99	13643.02	-0.35	21769.30	-0.97	-5516.74
2021-22	9884.70	21.64	14968.10	9.71	24852.80	14.16	-5083.40
2022-23	10136.69	2.55	16601.53	10.91	26738.22	7.59	-6464.84

**Annual
Compound
Growth Rate**

3.29

2.29

2.66

NOTE : Figures relate to Financial Year (April to March)

SOURCE : DGCI&S, M/oC&I

Figure 2

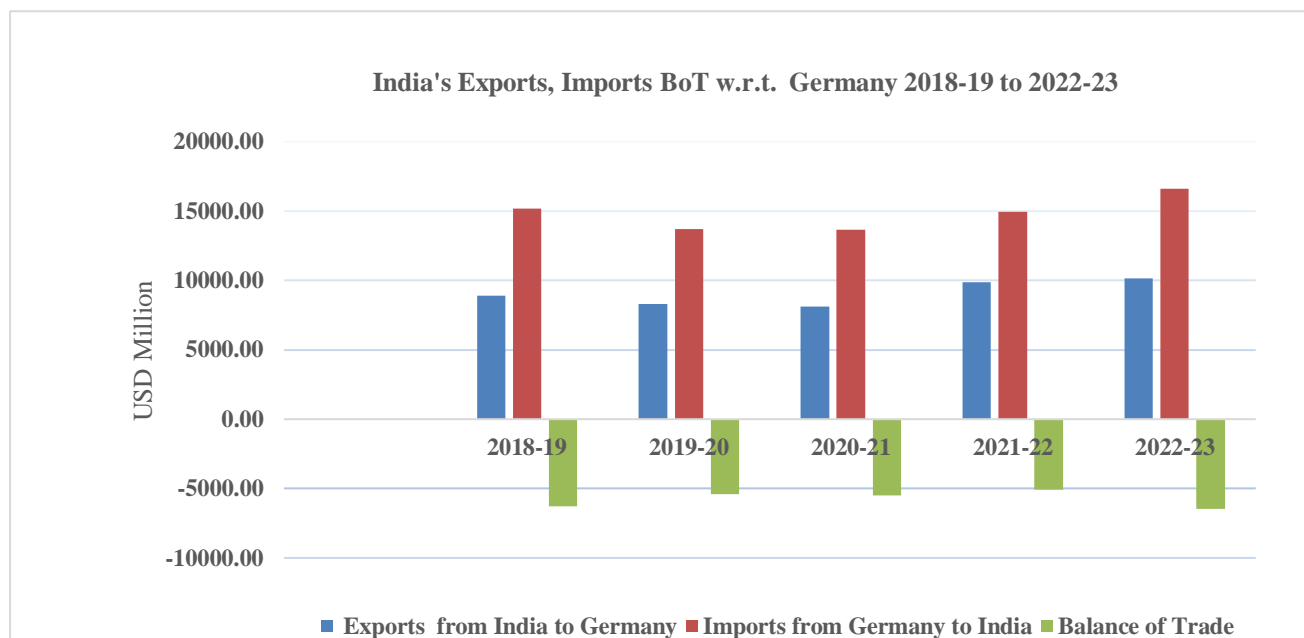


TABLE -3
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO GERMANY
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Electric Machinery And Equipments	880.96	881.27	63.03	663.06	717.30	0.04	-92.85	951.98	8.18
	Share in total export	9.89	10.63	0.78	6.71	7.08				
2	RMG Cotton Including Accessories	621.26	544.58	461.82	570.52	574.84	-12.34	-15.20	23.54	0.76
	Share in total export	6.98	6.57	5.68	5.77	5.67				
3	Telecom Instruments	148.94	70.22	62.74	434.35	855.90	-52.85	-10.65	592.30	97.05
	Share in total export	1.67	0.85	0.77	4.39	8.44				
4	Indl. Machinery For Dairy Etc.	264.18	226.27	273.23	558.49	586.97	-14.35	20.75	104.40	5.10
	Share in total export	2.97	2.73	3.36	5.65	5.79				
5	Products Of Iron & Steel	144.36	200.23	163.40	344.23	453.20	38.70	-18.39	110.67	31.66
	Share in total export	1.62	2.41	2.01	3.48	4.47				
6	Auto Components/Parts	104.58	204.47	243.64	314.51	449.37	95.52	19.16	29.09	42.88
	Share in total export	1.17	2.47	3.00	3.18	4.43				
7	Residual Chemicals And Allied Products	310.08	280.49	235.18	347.21	420.91	-9.54	-16.15	47.64	21.23
	Share in total export	3.48	3.38	2.89	3.51	4.15				
8	Organic Chemicals	78.16	80.43	91.15	194.56	368.45	2.90	13.33	113.45	89.38
	Share in total export	0.88	0.97	1.12	1.97	3.63				
9	Drugs Formulations Biologicals	168.29	132.34	152.99	360.58	346.95	-21.36	15.60	135.69	-3.78
	Share in total export	1.89	1.60	1.88	3.65	3.42				
10	Other Misc. Engineering Items	212.95	184.49	168.42	299.31	296.27	-13.36	-8.71	77.72	-1.02
	Share in total export	2.39	2.23	2.07	3.03	2.92				
	Total export to GERMANY	8904.39	8291.30	8126.28	9884.70	10136.69	-6.89	-1.99	21.64	2.55

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

TABLE -4

**INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM GERMANY
2018-2019 TO 2022-2023 AND THEIR GROWTH RATES**

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2018-19	2019-20	2020-21	2021-22	2022-23	19-20 over 2018-19	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22
1	Aircraft, Spacecraft And Parts	1463.15	2065.28	3588.27	1778.82	2403.13	41.15	73.74	-50.43	35.10
	Share in total imports	9.65	15.08	26.30	11.88	14.48				
2	Indl. Machinery For Dairy Etc.	1163.53	1570.00	1269.17	1884.15	1961.32	34.93	-19.16	48.46	4.10
	Share in total imports	7.67	11.47	9.30	12.59	11.81				
3	Medical And Scientific Instruments	738.96	679.89	571.87	765.70	871.57	-7.99	-15.89	33.89	13.83
	Share in total imports.	4.87	4.97	4.19	5.12	5.25				
4	Electric Machinery And Equipments	1197.60	1167.88	712.37	889.87	855.59	-2.48	-39.00	24.92	-3.85
	Share in total import	7.90	8.53	5.22	5.95	5.15				
5	Auto Copponents/Parts	943.65	264.56	375.70	661.82	809.23	-71.96	42.01	76.16	22.27
	Share in total import	6.22	1.93	2.75	4.42	4.87				
6	Electronic Instruments	795.45	693.21	533.84	676.37	763.98	-12.85	-22.99	26.70	12.95
	Share in total import	5.24	5.06	3.91	4.52	4.60				
7	Electronic Components	623.10	506.63	462.48	552.84	687.78	-18.69	-8.71	19.54	24.41
	Share in total import	4.11	3.70	3.39	3.69	4.14				
8	Other Misc. Engineering Items	495.02	395.19	346.44	442.26	622.51	-20.17	-12.34	27.66	40.76
	Share in total import	3.26	2.89	2.54	2.95	3.75				
9	Residual Chemicals And Alld. Prod.	388.74	406.75	472.19	619.64	500.74	4.63	16.09	31.23	-19.19
	Share in total import	2.56	2.97	3.46	4.14	3.02				
10	Iron And Steel	326.95	252.73	212.31	311.80	376.20	-22.70	-15.99	46.86	20.65
	Share in total import	2.16	1.85	1.56	2.08	2.27				
	Total import from GERMANY	15166.64	13691.11	13643.02	14968.10	16601.53	-9.73	-0.35	9.71	10.91

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCIS, M/o C&I