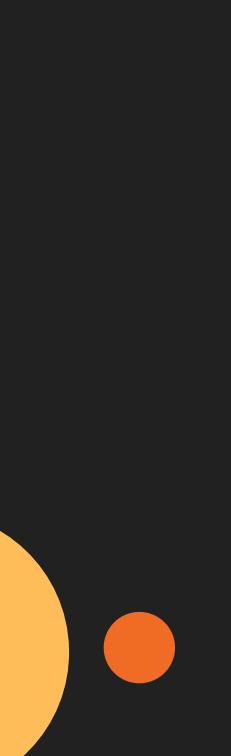




Germany The Sick Man of Europe Again?

By Rachel Cummins, Ignacio & Godfield

13/11/2025





Agenda

- The sick man of Europe definition
- Germanys economy in 2000's
- Germanys recent economic performance
- Germanys challenges & strengths
- Comparison and conclusion



The sick man of Europe?

- Emperor Nicholas I of the Russian empire - mid 19th century
- Germany - early 2000's

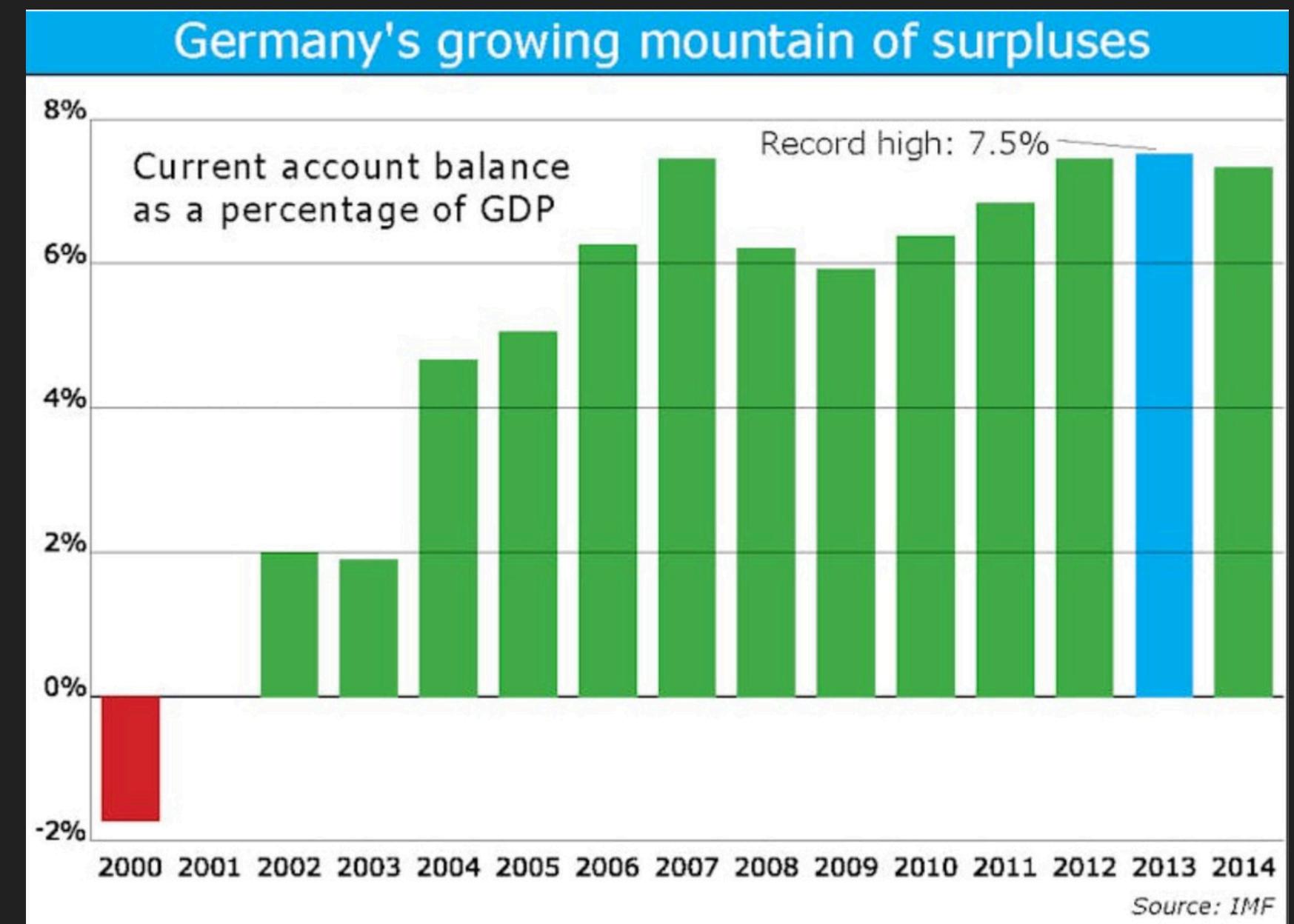


(The Economist, 2023)
(Dustmann et al., 2014)
(Financial Times, 2023)



The first sick man of Europe

- Unemployment over 10% - early 00's
- Weak GDP growth 2000-2004
- Agenda 2010 - Chancellor Gerhard Schröder 2003
- Hartz labour market reforms 2003-2005
- Germany became the EU's growth-engine, mid 2010's



IMF

(OECD, 2005)

(IMF, 2005)

(OECD, 2010)

(European Comission, 2015)

Present day challenges

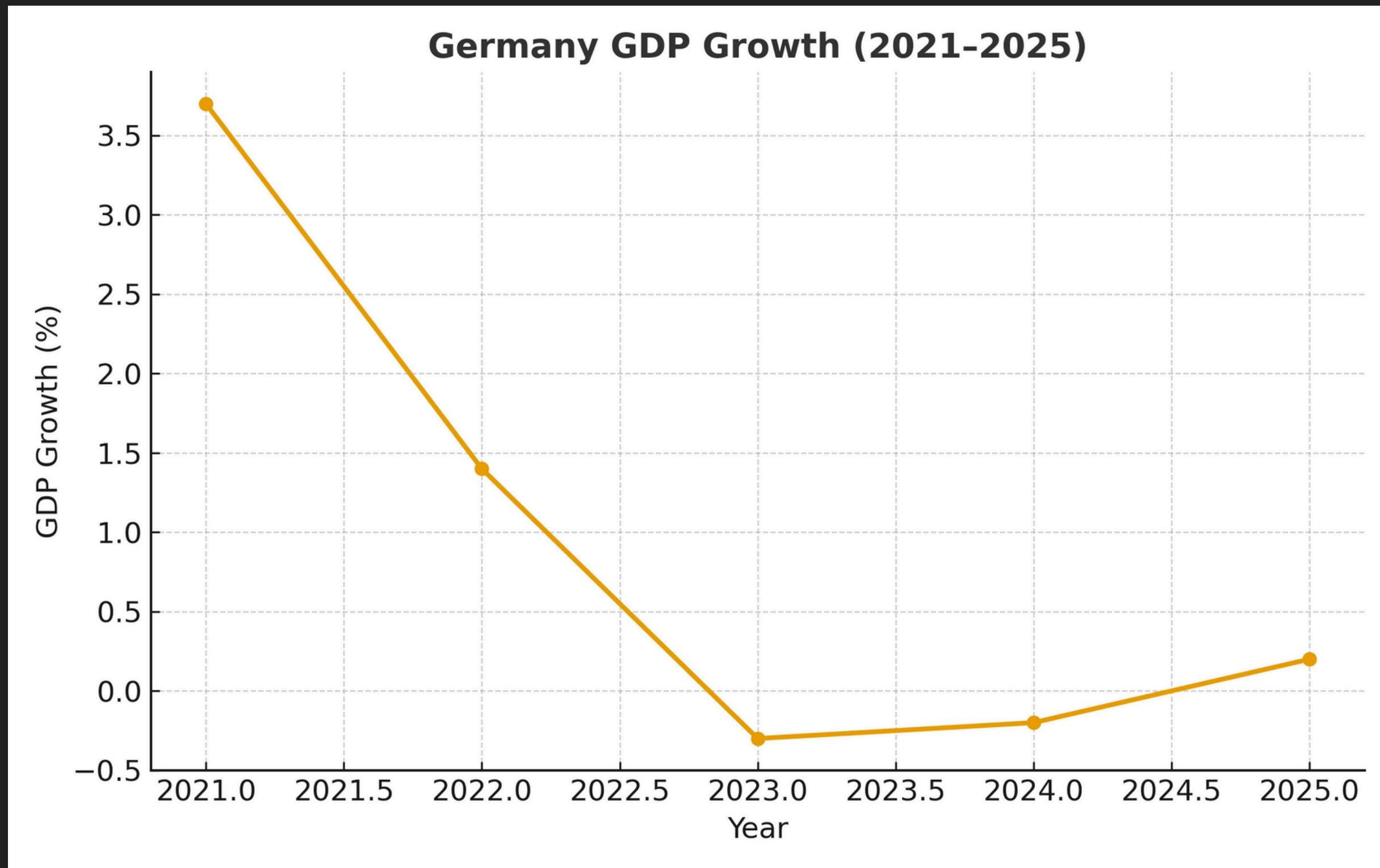
- **COVID-19 impact:** Slower recovery in industrial production and exports.
- **Energy crisis:** loss of cheap Russian gas; higher costs & factory strains.
- **Inflation:** energy and food prices pushed inflation above 6% in 2023
- **Weak growth:** GDP stagnation, brief recession





Germany's recent economic performance

Germany GDP growth 2021-2025



Industrial production trends

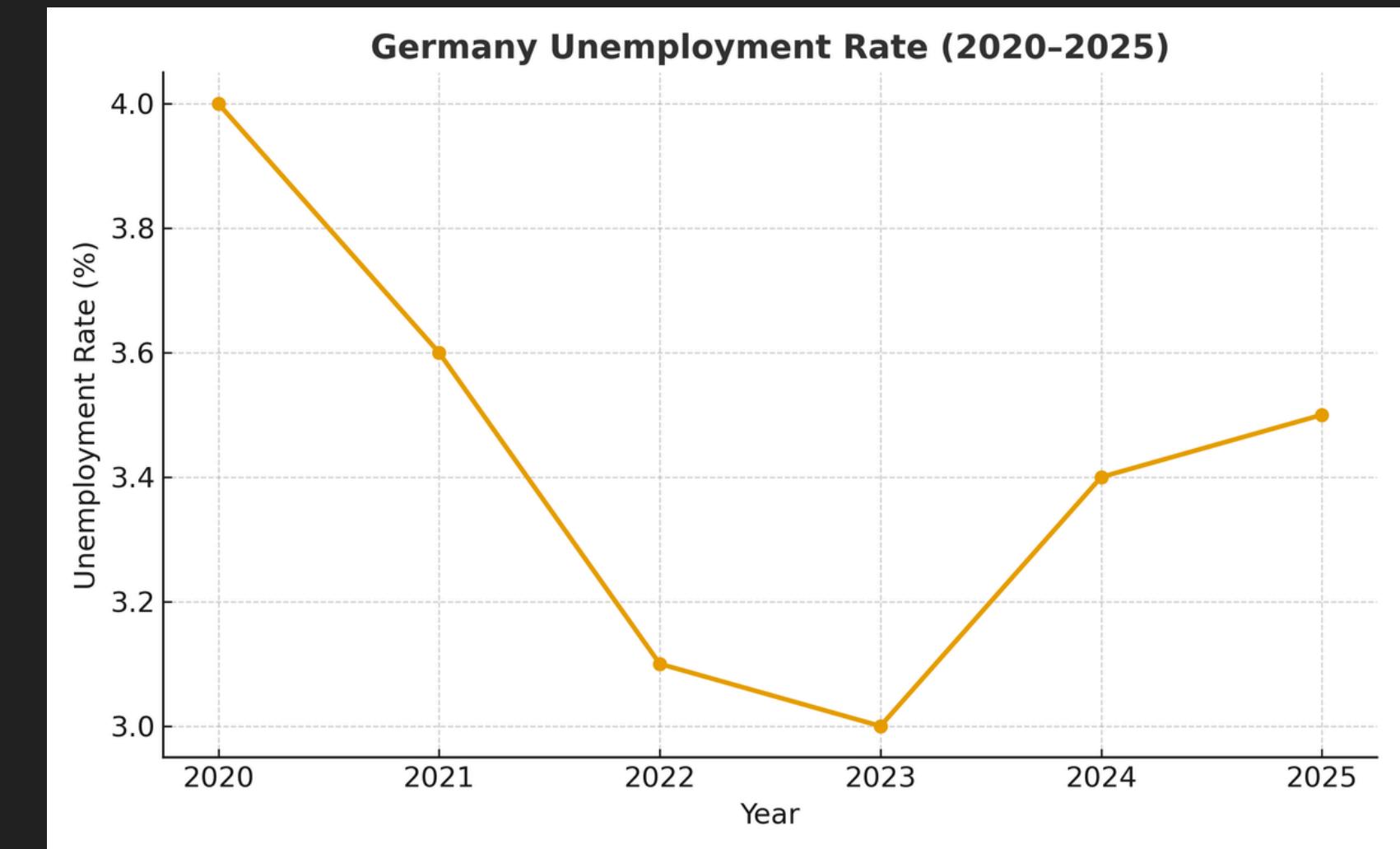
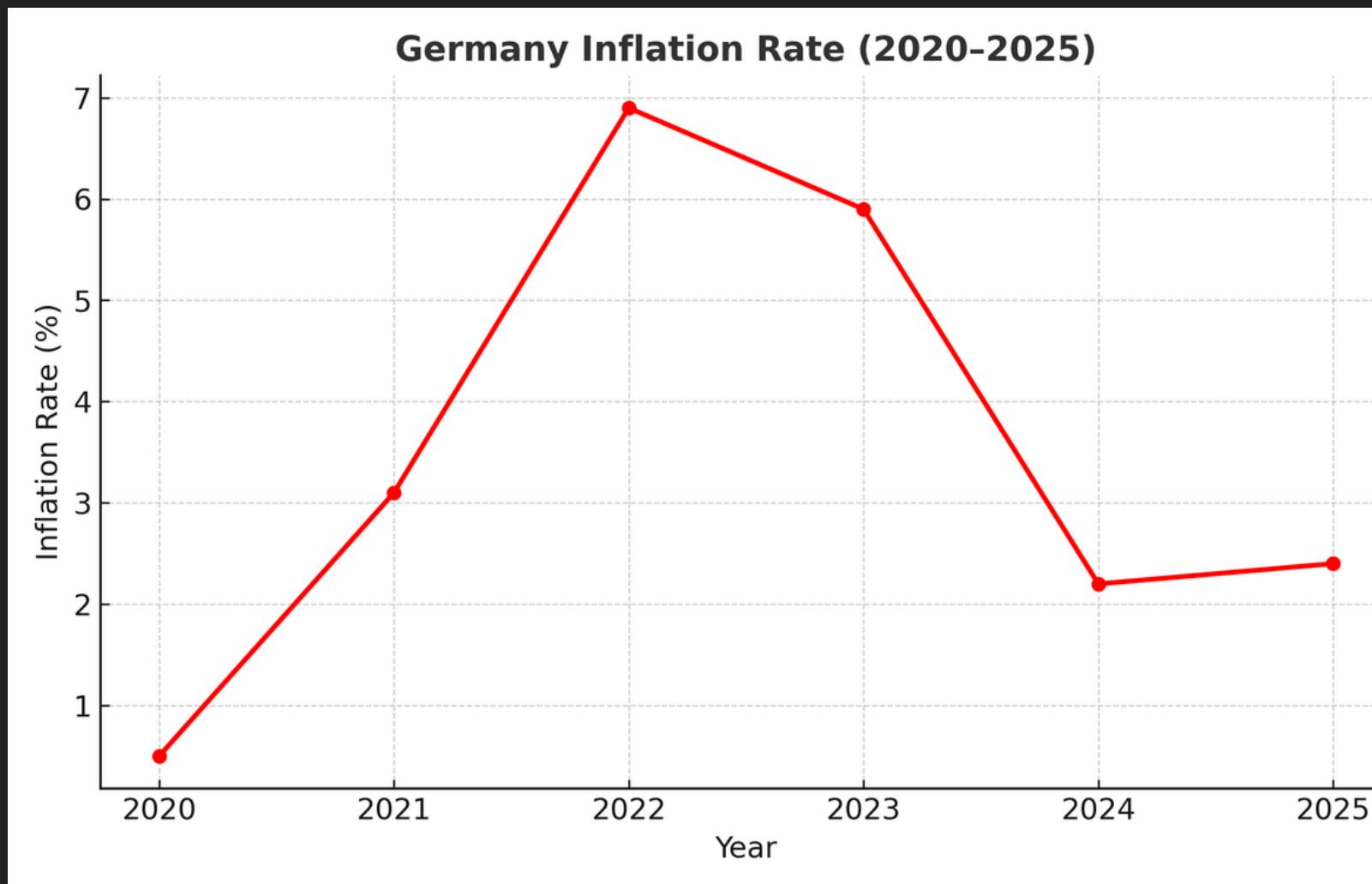
- Overall industrial production in Germany has been sluggish since 2022, reflecting higher energy prices and weaker global demand.
- Manufacturing output declined around 1–2% per year (2023–2024), with automotive production particularly affected by supply-chain bottlenecks and semiconductor shortages.
- The automotive industry—Germany's largest export sector—still faces challenges adapting to EV transition, battery sourcing, and automation gaps.
- Energy-intensive industries (chemicals, metals) saw output fall sharply after the 2022 energy crisis.
- Some recovery is expected in 2025, supported by falling inflation and improved supply conditions.



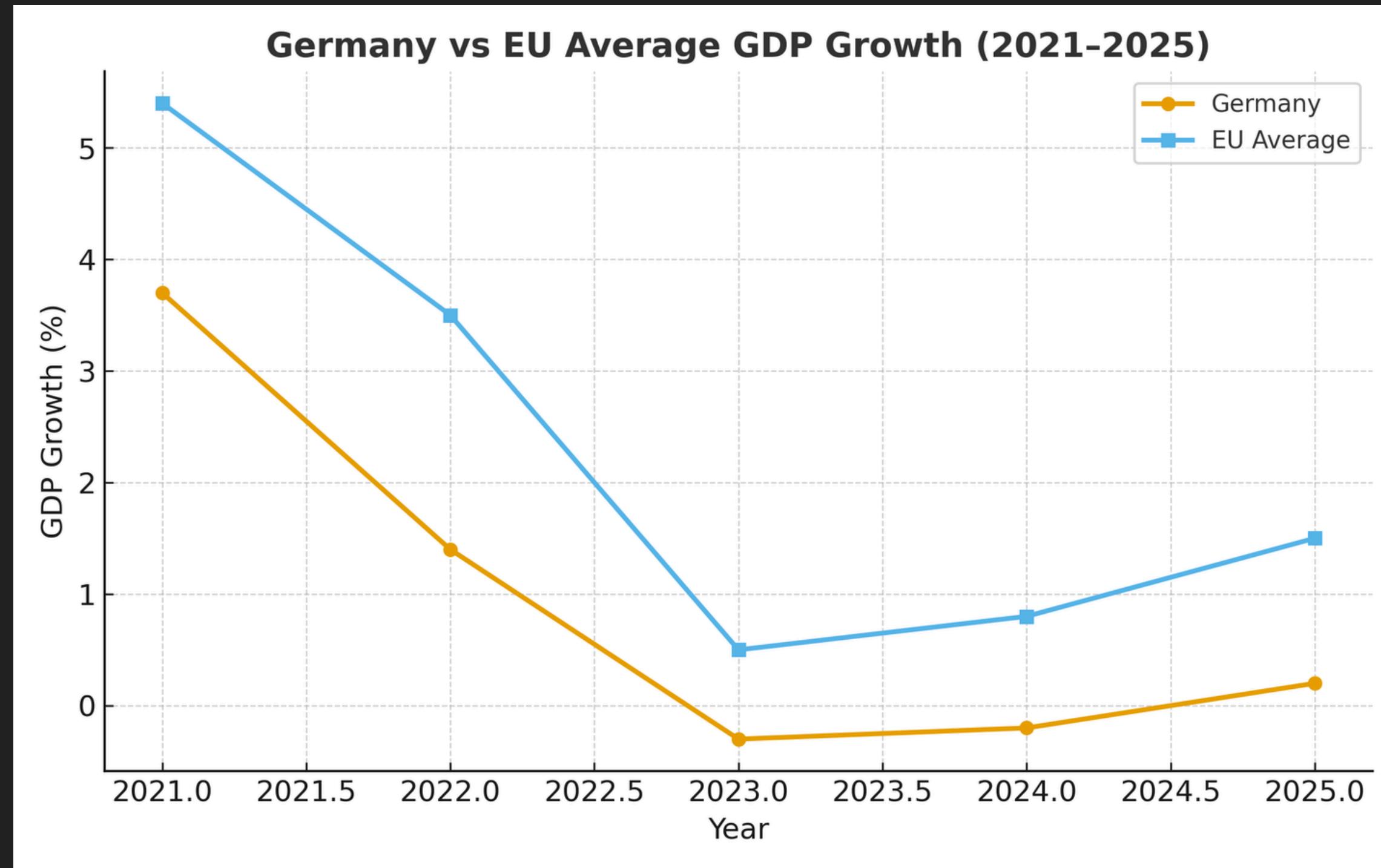
Chiacchio, F., A, D. S. R., Gunnella, V., & Lebastard, L. (2023, 14 februari). How have higher energy prices affected industrial production and imports? European Central Bank. https://www.ecb.europa.eu/press/economic-bulletin/focus/2023/html/ecb.ebbox202301_02~8d6f1214ae.en.html?utm_

The recent weakness in the German manufacturing sector. (2025, 22 februari). CEPR. https://cepr.org/voxeu/columns/recent-weakness-german-manufacturing-sector?utm_

Inflation and unemployment rates



Germany vs. EU average GDP growth



Trade & competitiveness



Export slowdown due to weaker demand from China and high energy costs

- Exports have weakened since 2022 due to lower Chinese demand, especially for machinery, vehicles, and chemicals
- High energy prices, following the 2022 energy crisis and reduced Russian gas imports, have increased production costs and reduced export competitiveness
- Manufacturing sectors such as automotive and chemicals have lost price advantages compared with producers in Asia and North America.
- Exports to China fell from around €106 billion in 2022 to €92 billion in 2024, while exports to other EU countries remained relatively stable



Exports under pressure: why Germany needs to act now. (z.d.).

https://www.bundesbank.de/en/press/speeches/exports-under-pressure-why-germany-needs-to-act-now-945036?utm_

Supply chain issues, global decoupling, and automation gaps

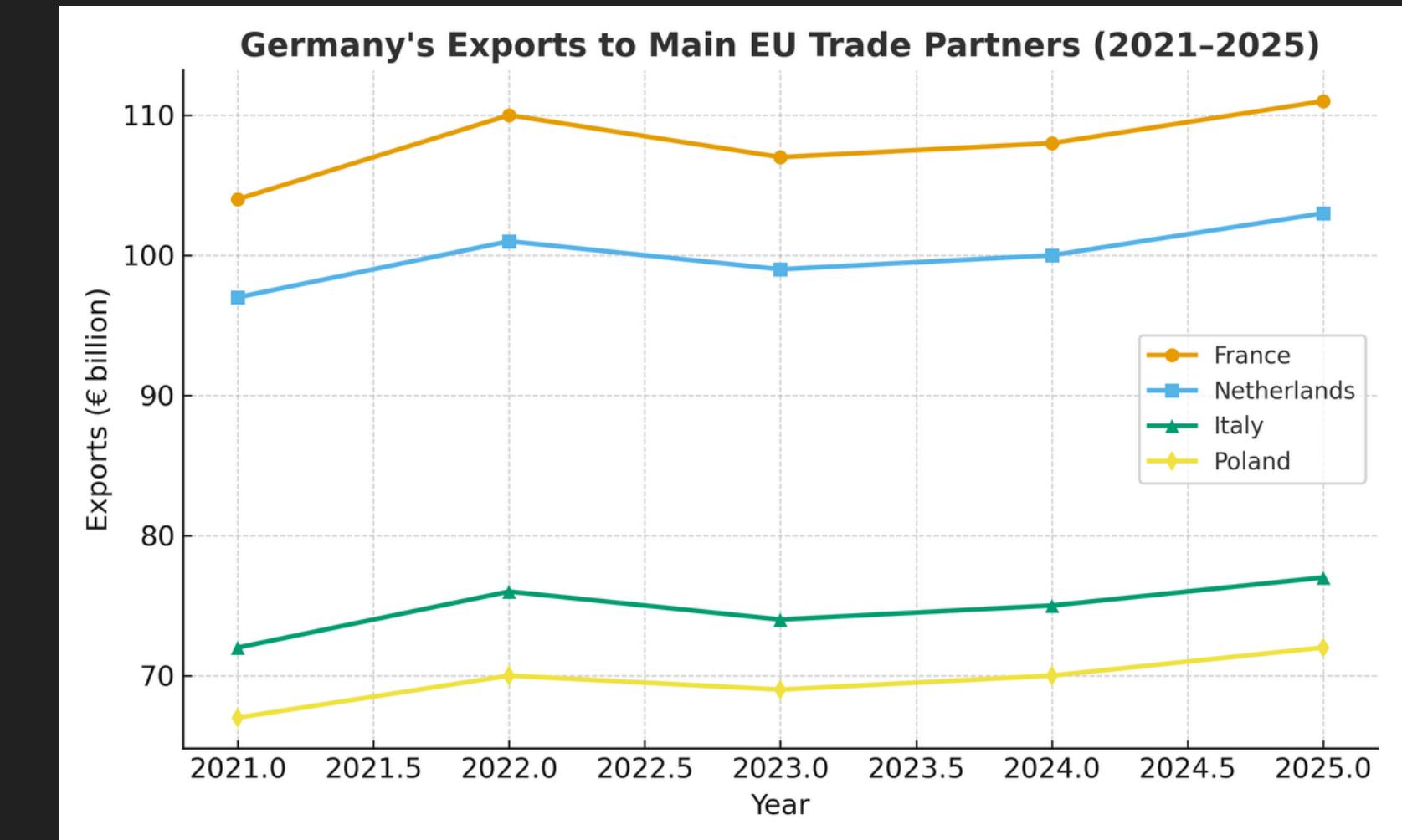
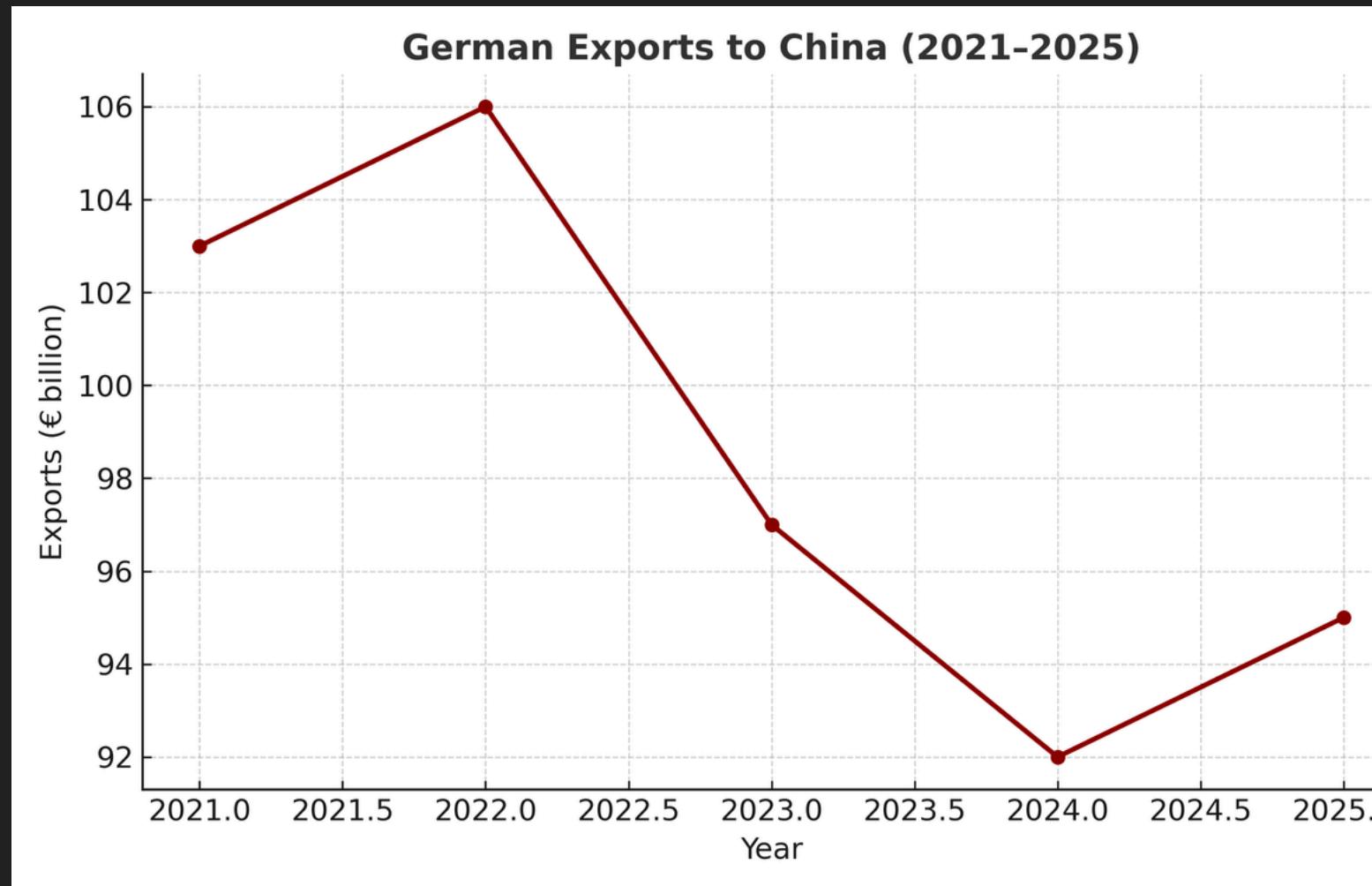


- Supply chain disruptions since 2020 (COVID-19, semiconductor shortages, logistics bottlenecks) continue to affect Germany's manufacturing and export capacity.
- The war in Ukraine and geopolitical tensions (especially between China, the U.S., and the EU) have increased supply uncertainty and costs for imported components and raw materials.
- The process of global economic decoupling – especially between Western and Chinese markets – challenges Germany's export model, which heavily relies on international interdependence.
- Automation and digitalization gaps within German industry have reduced productivity growth compared to Asian competitors.

OECD Supply Chain Resilience Review: Navigating Risks. (2025). OECD Publishing.

https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/06/oecd-supply-chain-resilience-review_9930d256/94e3a8ea-en.pdf

German exports to China (decline) vs. EU trade partners



Structural Challenges

KEY POINTS

Germany faces significant structural challenges, impacting its economy and development. This infographic highlights essential issues surrounding energy prices, renewable energy buildouts, retirement, and digitalization.

MAJOR ISSUES FACING GERMANY TODAY



High energy prices are straining households and industries, forcing a reevaluation of energy consumption and sources.

Renewable buildouts are essential for sustainability but face regulatory hurdles and financial constraints delaying progress.



The expected rise in retirement age may impact the labor market and pension systems, creating new economic challenges.

Discover More Insights Here!

Structural Challenges

- Russia reduced gas supplies to Europe while German gas imports spiked (2022)
- Germany added significant capacities (solar) yet growth is constrained by permitting, grid connection delays and local oppositions
- Number of people at retirement age is expected to rise while the working age is subjected to decrease
- Germany lags in digitalization metrics (e.g. public admin, bureaucracy) which slows down the progression of digital and energy projects

Strengths & Policy responses

Fiscal Health

Public debt remains relatively low compared to GDP

Government has one of the strongest credit ratings in the world

Enduring Strength of the Mistleland

Firms are the engine of innovation due to their high quality manufacturing

Industrial Transformation

Berlin is leaning to heavy green technology, artificial intelligence and semi conductor production

Policy Responses

Climate & Transformation fund
Digitalization plans to help modernize public admin and smaller firms

Comparison with other EU economies

Germany, Italy, France and Spain

01

Spain: being strong in the demand, consistently bringing in tourists and being a favourite in demographics, helped its GDP grow by 3.2%

02

France: Due to structural forms, broad services and a diversified demand, it has a growth of 1.1% in 2024

03

Italy: Growth is still predominately weak, yet still produces more than Germany

04

Germany: While comparing to France, it's evidence to see the underperformance, there is a slow growth, however the economy is not collapsing

Summary & Key findings

Structural issues in Germany are high but can be managed

The level of productivity has decreased and weakened

Bureacray and investment shortages

Germany has a highly skilled workforce, changes that are needed are being targeted, fiscal situation is relatively manageable compared to it's peers

Thank you

We will take any questions?

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