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Press release

Study: Germany under more pressure than ever before as a business location - wake-up call from industry for urgent reforms and investments

- **Grave structural deficits:** Roundabout 20 per cent of industrial value creation under threat
- **High investments required:** An additional 1.4 trillion euros by 2030 necessary to secure the future and stability of Germany as industry location
- **15 areas of action:** Unleash the forces of innovation and growth now with a bold industrial policy agenda

About a fifth of industrial value creation in Germany is under threat. In order to remain internationally competitive in the future, additional private and public investments totalling 1.4 trillion euros are necessary by 2030. These are the findings of the ‘Transformation Paths’ study commissioned by the Federation of German Industries (BDI) from strategy consultants Boston Consulting Group (BCG) and the German Economic Institute (IW). According to the study, long-term high energy prices, labour shortages, too much bureaucracy, a lack of investment and high taxes, among other things, are a burden in an international comparison. The study analyses the location conditions for industry and industry-related services in detail and identifies specific ways to restore competitiveness and secure the future of the industrial location. The analysis has been developed over the past nine months in collaboration with more than 30 companies and associations, and more than 40 experts from BCG, BDI and IW were involved in its creation.

New balance between ecology and economy

Decarbonisation to achieve climate neutrality by 2045 remains technologically possible and feasible, but the timetable envisaged by politicians is becoming less realistic every day. ‘The transformation pathways study is a loud wake-up call from the industry for urgently needed changes in the country. It provides a well-founded picture of the realities that politicians must face: Political micromanagement and a lack of willingness for market-oriented reforms are paralysing companies. The risk of de-industrialisation due to the silent migration and abandonment of many SMEs in particular is continuously increasing and has already occurred in some cases,’ said BDI President Siegfried Russwurm at the presentation of the study in Berlin on Tuesday. ‘We are running out of time and competitors are extending their lead. In order to make the location internationally competitive and achieve the green and digital transformation, politicians must realign their industrial policy agenda. At its core, this agenda must take the triad of ecological progress, economic competitiveness and technological openness seriously and open up opportunities for development and growth for Germany's leading global companies in many future-oriented sectors instead of placing obstacles in their way.’

Structural problems slow down industry

The analyses by BCG and IW show: It is primarily the sum of structural problems that is slowing down the business location, and rapid economic stimulus programmes are not the solution: both public and private investment in Germany has been significantly below the investment rates of other industrialised countries over the past 30 years. The result is deficits in the expansion of fibre optics, the level of education and transport infrastructure. High energy prices and complex bureaucratic reporting obligations tie up capital and other resources that are not available for investment and innovation. ‘Restoring our competitiveness is the most urgent task in the coming years. Only with an innovative and competitive economy will we be able to secure our prosperity and thus also social cohesion in the future,’ said Michael Brigl, Head of Central Europe at BCG.

The analysis makes it clear that the industrial sectors in Germany are highly interlinked due to close supply relationships and other dependencies. ‘The primary industries alone – to name one example – directly trigger around 84 billion euros of additional value creation in other sectors,’ explained Michael Hüther, Director of the IW. ‘This interdependence means that the weakness of a single industry can jeopardise value creation across the board more quickly in crisis situations.’ A successful economy needs a strong industry; industrial growth and international competitiveness must once again become top priorities in political action.

‘Competitive energy prices, fast planning and approval procedures and a modernised and expanded infrastructure – from hydrogen networks to transport and the digital sector – are prerequisites for securing the industrial base. Regulation should be seen as a trailblazer for the development of innovations rather than a brake pad. Wherever possible, European solutions should be found, new import partnerships concluded and the country's defence capabilities strengthened. This reduces international dependencies and strengthens resilience and progress.’

Additional investment needs of 1.4 trillion euros by 2030

The study identifies 15 necessary fields of action to restore competitiveness, secure the industrial base and accelerate growth. The transformation processes require massive private and public investment totalling an additional 1.4 trillion euros by 2030. ‘Only with these investments will the successful transformation to a future-proof and competitive location be possible. Financing the transformation is therefore clearly a multi-generational task,’ says BDI President Russwurm. According to the study, the private sector, i.e. companies and households, must bear the lion's share of the necessary investments, i.e. two thirds. The remaining third is government investment.

‘The days of small-scale regulation, political fine-tuning and vague declarations of intent are over. In order to bring Germany back to the forefront of international competition and achieve our transformation goals, we now need a big leap forward: we need to unleash all of this country's innovation and growth forces and urgently step up the pace. Then the location will not be helplessly at the mercy of creeping de-industrialisation,’ says Russwurm.

Detailed analyses of key industries

In order to obtain a detailed picture of the industrial transformation, the authors analysed seven key industries. The authors see major opportunities for Germany in green and digital technologies in particular – here they expect a global market worth more than 15 trillion euros per year to be created by 2030. Germany is particularly well placed in the areas of climate technologies, industrial automation and healthcare. ‘The good news is that the race for the markets of the future has not yet been decided. Despite the challenges described above, Germany has every opportunity to tap into key future markets and become a global market leader,’ said Brigl.

Further information:

- [Study: 'Transformation Paths'](#) (German only)
- [Recommendations for action](#) (German only)
- [Executive Summary in English](#)
- Website: www.transformationspfade.com
- [Selected graphs](#) (German only)

About BCG

BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact. Our diverse, global teams are passionate about unlocking potential and making change happen, delivering integrated solutions through leading-edge management consulting, technology and design, and corporate and digital ventures.

Further information: www.bcg.de

About IW

The German Economic Institute (IW) is a private economic research institute. It is a registered association with a membership that includes around 110 German business and employers' associations, as well as several individual companies. The institute combines research, consultancy, and communication services. It advocates for a socially responsible free market economy and a liberal economic and social order. Its work is aimed at policymakers, the general public, businesses, and the scientific community. Further information: www.iwkoeln.de/en/

About

BDI

The BDI is the umbrella organisation of German industry and industry-related service providers. It represents 39 industrial sector federations and has 15 regional offices in the German federal states. The BDI speaks for more than 100,000 private enterprises employing around 8 million people. Industry is the basis of the German economy and plays a decisive role in determining the future competitiveness of our country. The BDI relays the interests of German industry to political representatives in Germany, Europe and worldwide. Further information: www.english.bdi.eu

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