NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

JULY 2025

What the new German government means for New Zealand exporters

MARKET INTELLIGENCE REPORT

Summary

Prepared by: New Zealand Embassy Berlin, in consultation with NZTE

- Germany, New Zealand's largest export market in the European Union (EU), has a new coalition Government that is keen to stimulate growth, consumption, and inward investment.

- The Government, led by Chancellor Friedrich Merz, has outlined a comprehensive economic growth strategy aimed at reviving the country's stagnant economy. Collectively the measures represent a significant shift in German economic policy, moving away from strict fiscal discipline towards a more expansionary approach.

- The Coalition Agreement sets out numerous initiatives, which include opportunities for New Zealand in the agricultural, technology, and tourism sectors.

Report

Germany has a new coalition Government led by the conservative Christian Democratic Union (CDU)/Christian Social Union (CSU) alliance, joined by the centre-left Social Democrats (SPD). The Coalition Agreement sets out their agenda for the next four years. This market report looks at potential opportunities and challenges for New Zealand exporters under the new Government.

The German economy has experienced a mild recession over the past two years. The latest forecasts now expect 0.3% growth this year. The new Government is keen to turn things around, with a focus on reducing energy prices, lowering corporate and income taxes, and cutting red tape. While previous initiatives have yet to yield significant results (see this earlier report), the anticipated reforms and additional government spending are expected to deliver a boost to the economy.

Food and beverages

Germany is the largest importer of food in Europe. An immediate change of relevance to New Zealand exporters is the planned lowering (again) of VAT on 1 January 2026 on restaurants and catering services from the current 19% to 7% (the reduced rate was originally introduced in 2020 as a COIVD-19 relief measure). After a period of inflation this should make out-of-home consumption more affordable.

On the regulatory side, Germany's new animal husbandry labelling scheme – which will be compulsory for domestic producers but voluntary for imports – will be delayed and reformed. It currently applies only to pork products, but the intention remains to extend it to beef and dairy products. Germany will also lobby Brussels for the introduction of a `zero-risk´ category under the EU's Deforestation Regulation (EUDR), which applies to beef production, and enters into force this year.

The Government is keen to increase domestic fruit and vegetable production, whereas the sector has expressed concern about plans to increase Germany's minimum wage from €12.82 to €15 (NZD30).

Health

As previously reported, the German health sector and market are in transition. The already launched major hospital care reform will be continued, with some modifications. The Coalition parties have agreed to review last year's legalisation of recreational cannabis, which has impacted the German market for medical cannabis (this report refers).

Tourism and education

The Government intends to improve Germany's competitiveness in aviation including reducing Germany's aviation tax from €70 to €60 for long-haul flights.

Regarding education, the Government is committed to increasing funding for the German Academic Exchange Service (DAAD), which has been funding New Zealand/German student exchanges.

Digital, clean and space technologies

The new Government has established a dedicated Digital Ministry, underscoring its commitment to accelerating the deployment of digital infrastructure including fibre optics, 5G networks, cloud infrastructure, and data services. It also aims to digitise public services and administrative processes. This presents business opportunities in e-government solutions, digital verification, and cybersecurity. Additionally, Germany is investing in AI and robotics, particularly in manufacturing and healthcare.

In clean technologies, Germany is committed to expanding its renewable energy capacity, including solar, wind, geothermal, biomass, and hydropower, as well as renewable energy carriers/fuels produced from these sources. A big focus is energy storage technologies to support the integration of renewables into the grid. The new Government continues to prioritise the development of a hydrogen economy while taking a "more pragmatic" approach, to accelerate the scaling-up of production, storage, and distribution infrastructure by embracing "all colours" of hydrogen. Germany's push for greater energy efficiency across various sectors opens up opportunities in energy-efficient building materials, smart home technologies, and industrial efficiency solutions.

The space sector offers further business opportunities in satellite technologies, space launch services, and earth observation capabilities. Germany is expanding its national space programme and exploring space launch capabilities in the North Sea. Investment in earth observation technologies for environmental monitoring and disaster management also present opportunities for New Zealand's space industry with its rocket launching experience and unique geographic positioning.

Infrastructure

Following an amendment to the Constitution in March to loosen the Government's spending limits, the Government will set up a special fund providing €500 billion for nfrastructure and climate projects over a period of twelve years. These funds will be used to modernise hospitals and schools, renew bridges and roads, and promote the green energy transition. Further details will become available once dedicated legislation is adopted.

Cutting red tape and improving ease of doing business

The new Government intends to prioritise cutting red tape and improving the ease of doing business. Examples include simplified collection of import sales taxes, and abolition of national due diligence legislation requiring larger companies to observe human rights and environmental standards along the value chain (see this report). Furthermore, it will introduce a generous 30% annual depreciation rate for new equipment purchases, which could stimulate investment including into New Zealand's agricultural technology and other equipment sectors.

More info

More reports

View full list of market reports from MFAT at www.mfat.govt.nz/market-reports

If you would like to request a topic for reporting please email exports@mfat.net

To get email alerts when new reports are published, go to our subscription page.

To learn more about exporting to this market, New Zealand Trade & Enterprise's comprehensive market guides cover export regulations, business culture, market-entry strategies and more.

To contact the Export Helpdesk

email exports@mfat.net

call 0800 824 605

visit Tradebarriers.govt.nz