



German-Indian Business Outlook 2025



Foreword

In a year shaped by global realignments and heightened geopolitical uncertainty, German businesses continue to regard India as a cornerstone of their international growth strategies. Bilateral trade in goods between Germany and India reached a new high of EUR 30.9 billion in 2024, and German investment stock in India rose to EUR 25.4 billion, highlighting the sustained confidence in India's long-term potential.

This year's survey reveals increased optimism: 79% of respondents intend to expand their investments in India within the next five years, with over a third planning to invest more than EUR 5 million. Meanwhile, expectations of rising revenues, growing profits and increasing employment remain high.

India's macroeconomic fundamentals are becoming increasingly attractive. As the world's most populous nation and likely soon to be the fourth largest economy in the world, India combines a young

demographic profile with relatively low public debt and a stable political environment. These factors, along with the availability of skilled workers and competitive labor cost, solidify its appeal as a location for production, sales and shared service centers.

At the same time, the survey also highlights significant challenges: Bureaucratic hurdles, corruption and recent regulatory developments such as Quality Control Orders continue to test German companies. Environmental issues, including air pollution and climate change, are perceived as growing risks for long-term operations.

Looking ahead, many German businesses see India benefiting from shifting global dynamics, particularly as tensions between the US and China reshape trade and supply chains. In response, companies are prioritizing investments in forward-looking technologies, particularly digitalization and artificial intelligence.

We trust that this study will provide valuable guidance for your business activities in India. We sincerely thank all participating companies for their contributions to the German-Indian Business Outlook 2025.



Andreas Glunz
Managing Partner
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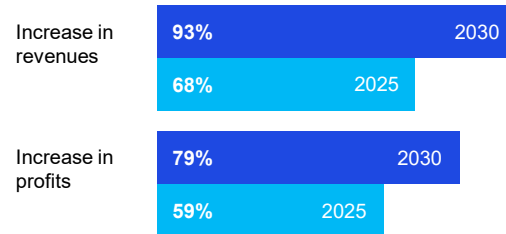
Stefan Halusa
Director General,
Indo-German Chamber
of Commerce



Executive Summary (1/2)

Growing revenues and profits expected

The majority of German companies in India expect their revenues and profits to increase in 2025. Even more companies expect sales and profits to grow over the next five years



Source: KPMG in Germany and AHK India, 2025

Ongoing investments in India

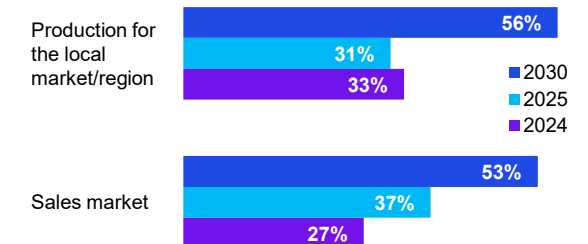
In 2025, more than half of the companies surveyed (53%) intend to expand their investments. That number is expected to climb further to 79% over the next five years. 35% plan to invest more than EUR 5 million in India by 2030



Source: KPMG in Germany and AHK India, 2025

Local market particularly important

The Indian market will become significantly more important for German companies in the future. The country already plays a decisive role as a sales market for over a third (37%) of the companies surveyed, and for over half (53%) of them within the next five years. Production for the local market is also becoming increasingly relevant. While just under a third (31%) are using India for this purpose this year, this figure is expected to nearly double to 56% over the next five years



Source: KPMG in Germany and AHK India, 2025



In times of rising geopolitical tensions German companies are feeling positive about India. The country is increasingly positioning itself as an important and profitable sales market, as well as a manufacturing hub for global supply chains and the local market alike. Consequently, German companies are increasing the number and volume of their investments there.



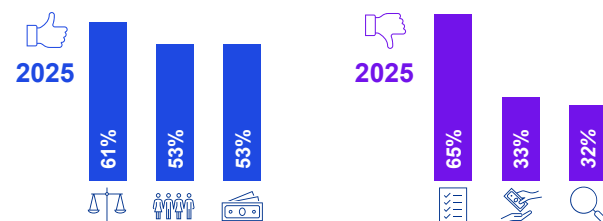
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Executive Summary (2/2)

Major location advantages, but also significant challenges

The three best-rated location factors cited by German companies are India's political stability (61%), the availability of highly qualified employees and relatively low labor costs (both 53%)

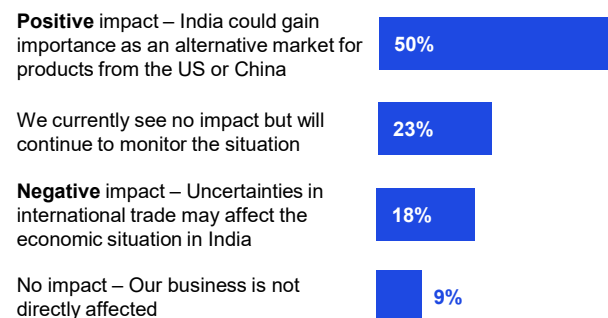
Bureaucratic hurdles (65%), the high level of corruption (33%) and the newly introduced Quality Control Orders (32%) pose the greatest challenges for German companies in India



Source: KPMG in Germany and AHK India, 2025

India viewed as a beneficiary of global power shifts

Half of the companies surveyed (50%) expect the growing rivalry between the US and China to have a positive impact on their business activities in India. Around one in four companies (23%) do not currently see any impact on their activities in India but are keeping an eye on the situation. Just under a fifth of companies (18%), on the other hand, fear negative effects from the resulting uncertainty

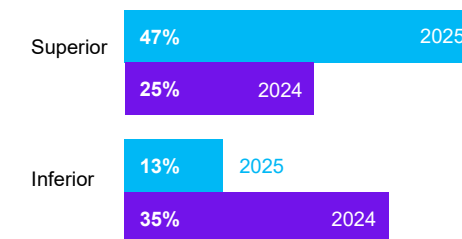


Source: KPMG in Germany and AHK India, 2025

Indian competitors expected to become significantly stronger

Back in 2024, one in four companies (25%) believed that Indian companies would outperform them in the local market over the next five years. This year, it is already nearly half (47%). While in 2024 more than one in three companies (35%) still assumed that Indian competitors would be inferior to their own German company over the next five years, this figure has fallen to only 13% in 2025.

Indian competitors in five years



Source: KPMG in Germany and AHK India, 2025

“Additional investments by German companies in India will increase the country's importance to their global supply chains and footprint. The growing strength of local competitors demands in-depth localization. Removing bureaucratic hurdles and greater flexibility and predictability related to QCOs would support their localization efforts further.



Stefan Halusa
Director General,
Indo-German
Chamber of Commerce

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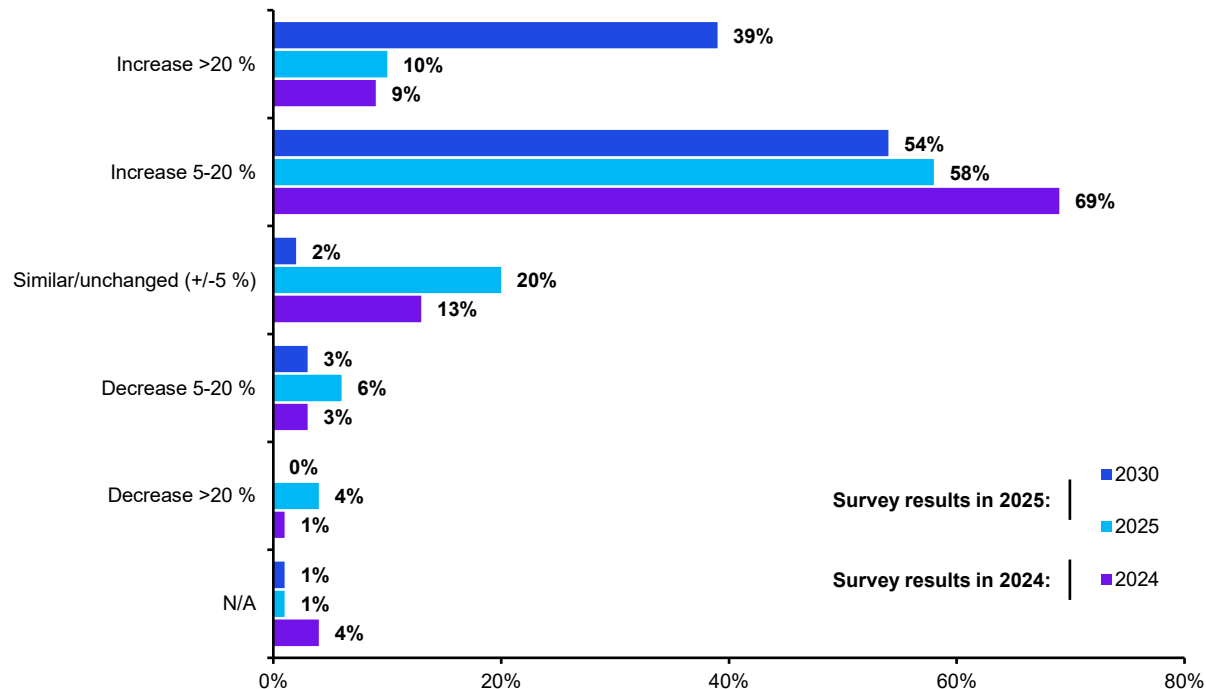
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Business development and outlook



Revenues in India expected to rise

Figure 1: **Development of revenues in India**



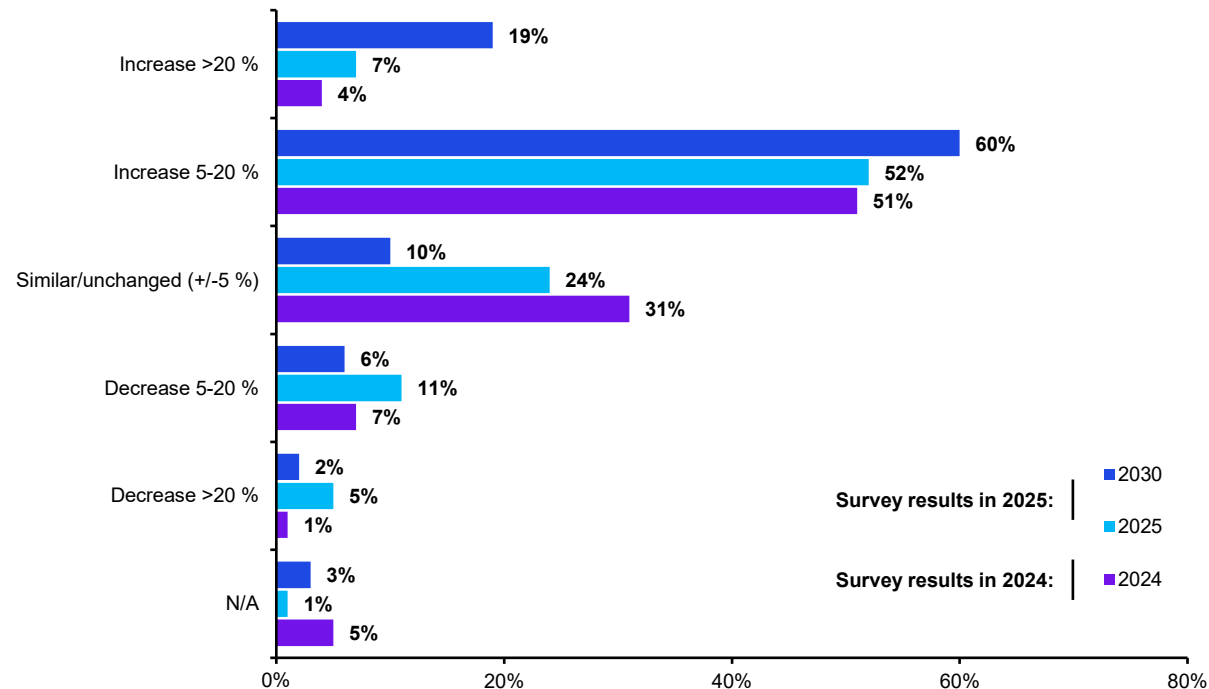
Source: KPMG in Germany and AHK India, 2025 (n=98); 2024 (n=85; rounding differences possible)



- Despite a slight decline compared to the previous year, revenue expectations among German companies in India remain optimistic
- In 2025, 68% anticipate an increase in revenues. Looking ahead to 2030, the outlook becomes even more positive, with 93% expecting revenue growth, and over a third (39%) projecting increases of more than 20%
- Only 3% expect a decline over the next five years – a clear indicator of sustained confidence in the Indian market

Profits expected to improve significantly

Figure 2: **Development of profits in India**



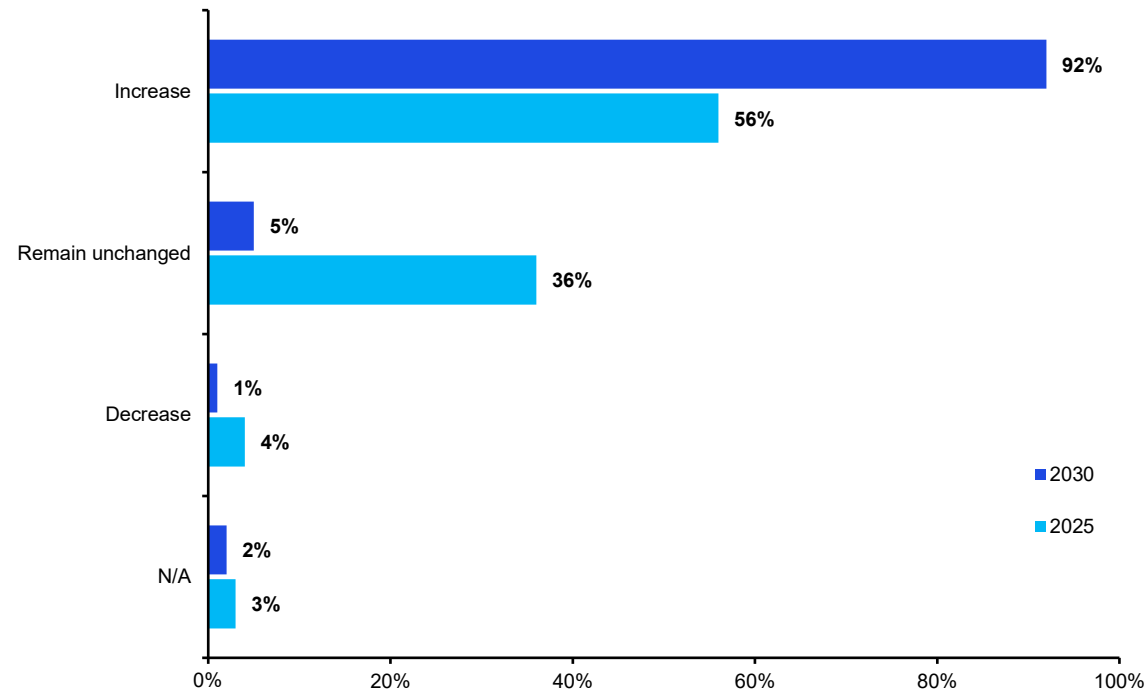
Source: KPMG in Germany and AHK India, 2025 (n=83); 2024 (n=83); rounding differences possible

- Profit expectations mirror the positive revenue trend. In 2025, 59% of companies anticipate profit increases of at least 5%
- Looking ahead five years, the number of respondents expecting profits to rise by more than 20% increases nearly threefold to 19%
- Only 8% foresee a decline in profitability by 2030, highlighting an overall optimistic outlook



Workforce expansion remains a top priority

Figure 3: **Development of employees in India**



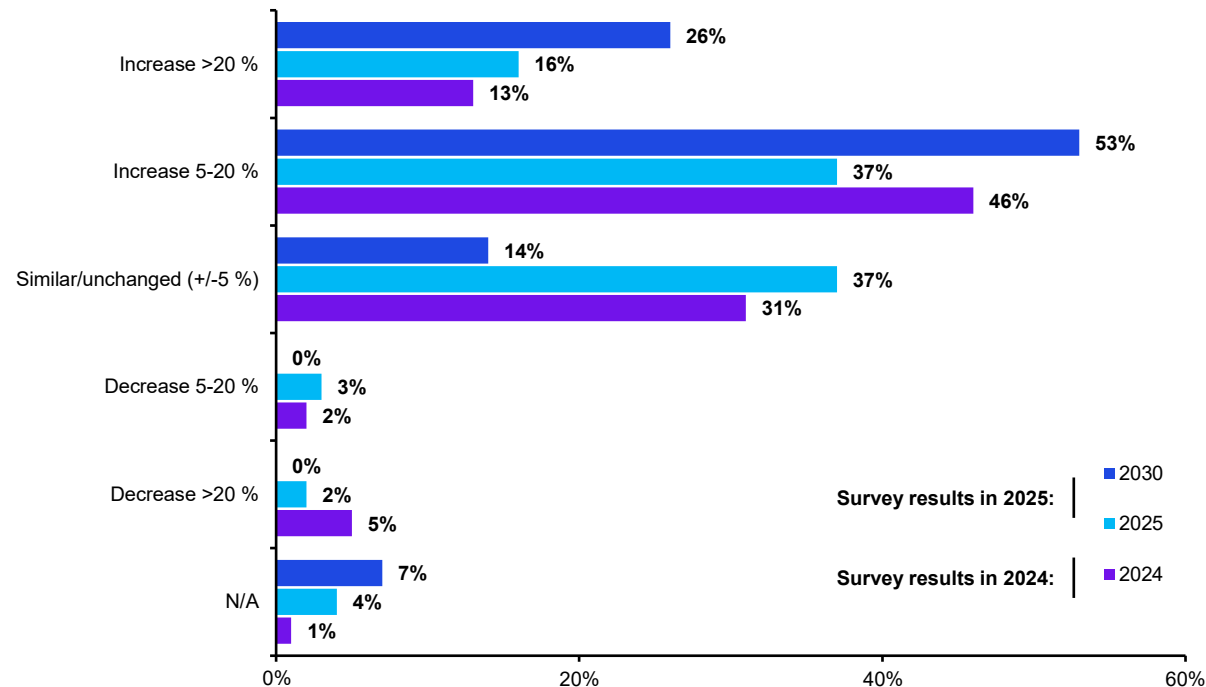
Source: KPMG in Germany and AHK India, 2025 (n=96); rounding differences possible



- Employment prospects are equally robust. In 2025, 56% of the companies surveyed intend to increase their workforce in India, and nearly all (92%) plan to do so within the next five years
- Only a very small number expect reductions

Ongoing investments in India

Figure 4: **Development of investment activities in India**



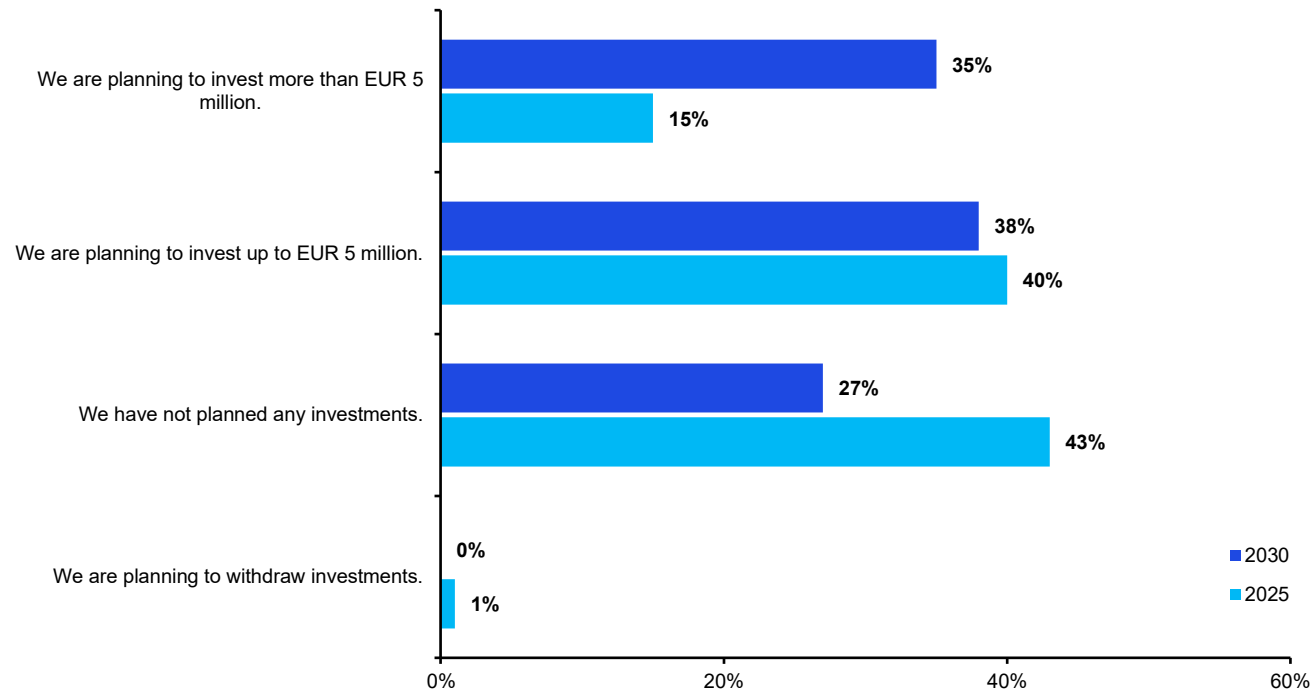
Source: KPMG in Germany and AHK India, 2025 (n=97); 2024 (n=84); rounding differences possible

- More than half of the companies (53%) plan to expand their investments in India in 2025
- This figure rises to 79% when looking toward 2030
- Only 5% expect investment reductions in the current year, and none foresee this longer-term
- The results clearly confirm India's attractiveness as an investment location for German companies



Investment volumes increase

Figure 5: Investment plans in India



Source: KPMG in Germany and AHK India, 2025 (n=93); rounding differences possible



- In 2025, 55% of companies surveyed intend to invest in India, with 15% planning to commit more than EUR 5 million
- By 2030, 73% of companies intend to invest and over one-third (35%) plan to invest more than EUR 5 million
- Withdrawals of investment are virtually non-existent, with only 1% considering such a move

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Location factors

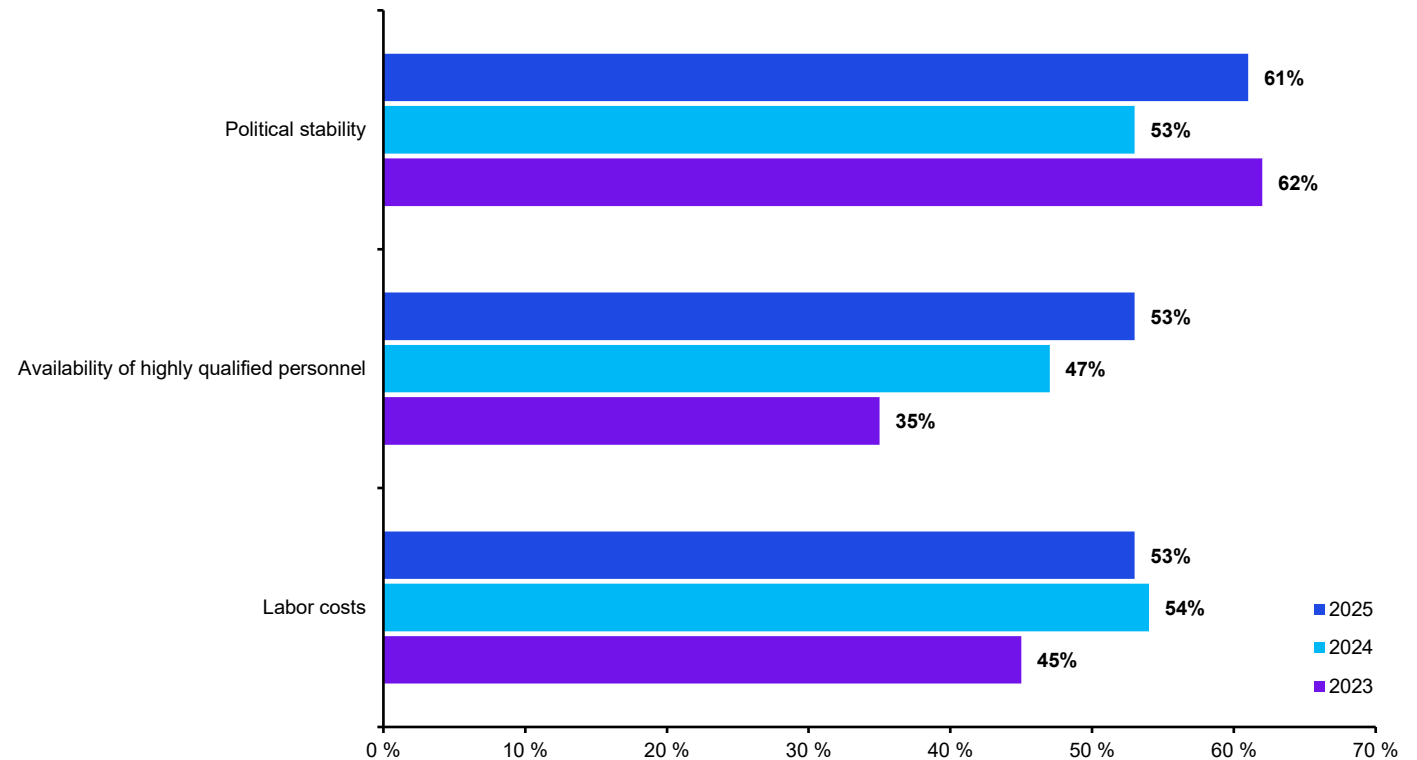


Political stability and availability of skilled employees at low cost are highly valued

- In 2025, political stability tops the list of positive location factors for 61% of respondents – a significant rise from previous years. Prime Minister Narendra Modi has been in office since 2014 and was re-elected in June 2024 to serve a further five-year term
- Equally important are India's demographic strengths. With a median age of just 28.8 years, India is one of the youngest major economies in the world, offering access to a vast, dynamic and well-educated labor force. This is reflected in the 53% of respondents who cite the availability of highly qualified personnel as a key location advantage
- Additionally, 53% continue to highlight India's comparatively low labor costs – nearly unchanged compared to the previous year (54%)



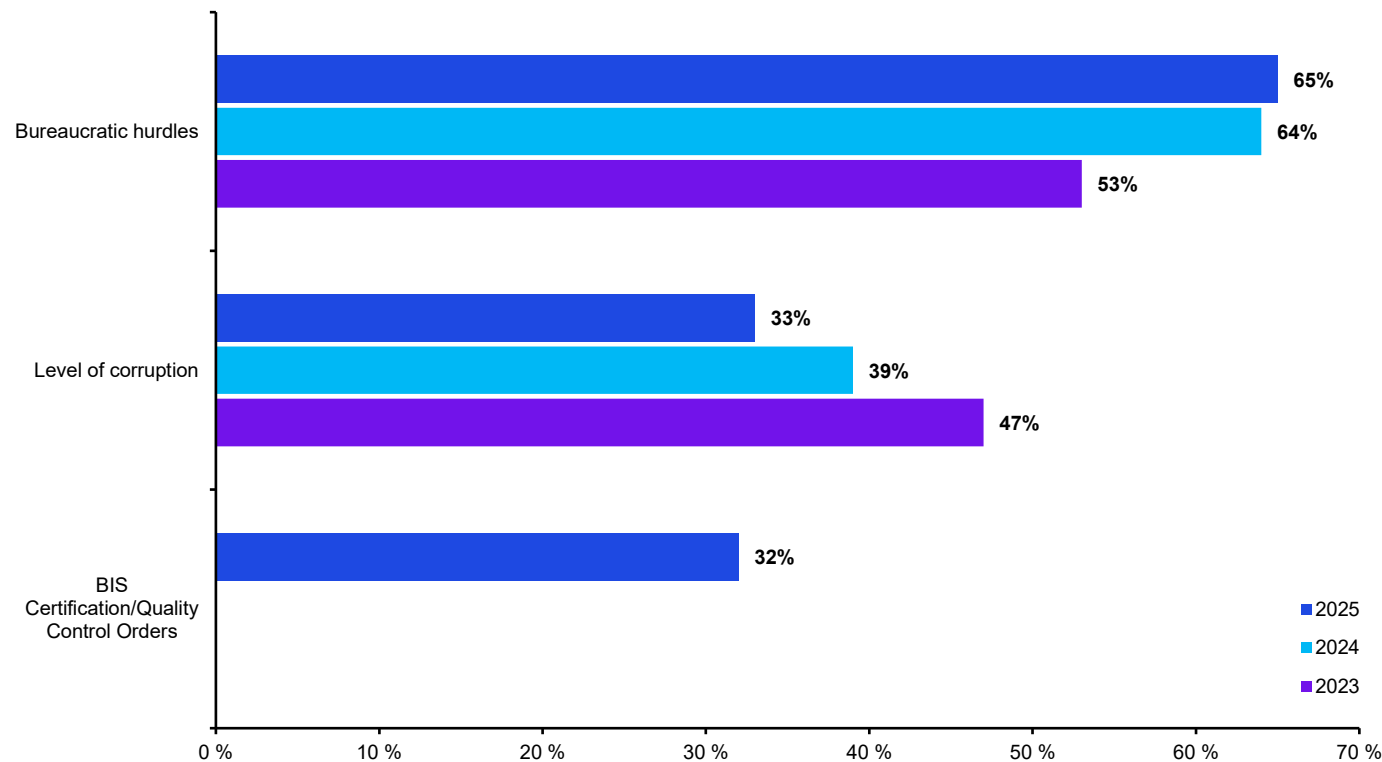
Figure 6: **Assessment of the 3 most positive location factors for India over time**



Source: KPMG in Germany and AHK India, 2025 (n=92); 2024; (n=83)

Bureaucratic hurdles and level of corruption again pose greatest challenges

Figure 7: **Assessment of the 3 most negative location factors for India over time**



Source: KPMG in Germany and AHK India, 2025 (n=92); 2024; (n=83)



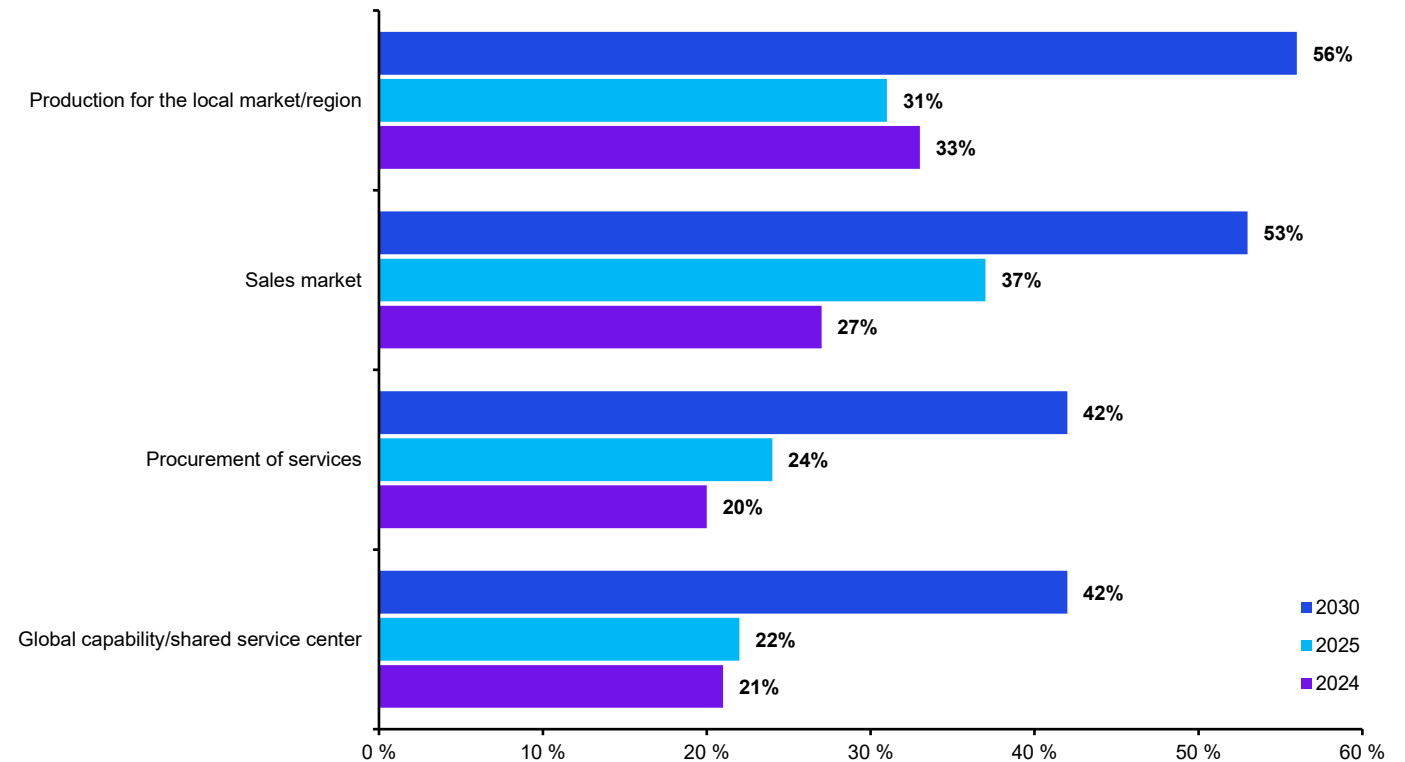
- Despite India's attractiveness as a business location, significant operational challenges persist. The most frequently cited obstacle is bureaucratic complexity, named by 65% of respondents. This includes protectionist procurement practices, restrictive local standards, and administrative inefficiencies, which often complicate market entry and day-to-day operations
- Corruption remains another notable concern, highlighted by 33% of companies. While its relevance has declined again compared to previous years, India's rank of 96 out of 180 countries in the 2024 Corruption Perceptions Index underscores that this issue continues to persist
- A growing challenge is the expansion of Quality Control Orders (QCOs), cited by 32% of respondents. These Government-mandated regulations require the certification of production facilities by the Bureau of Indian Standards (BIS) for a broad range of products and serviceable components to be sold in India. While designed to improve standards, they have introduced significant additional compliance burdens for foreign companies, creating new layers of complexity in the import and manufacturing processes

India is gaining ground as a production, sales, engineering and service location



- India's strategic importance is gaining traction across the board. While 37% of companies currently view India as a key sales market, this figure is projected to grow to 53% over the next five years
- Similarly, the share of companies producing for the local market is expected to nearly double from 31% to 56%
- Interest in India as a service and sourcing hub is also growing sharply, particularly for shared service centers resp. global capability centers, both of which are expected to be utilized by 42% of companies by 2030

Figure 8: India's role for German companies over time

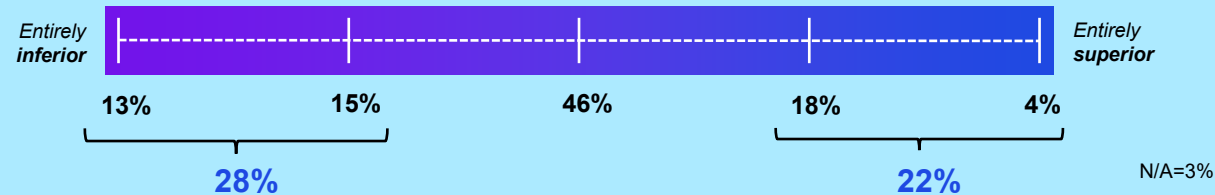


Source: KPMG in Germany and AHK India, 2025 (n=95); 2024; (n=80)

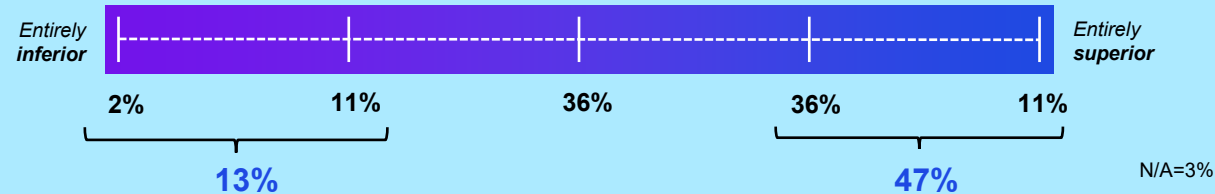
Indian competitors expected to become significantly stronger

Figure 9: Local competitors in own industry

In the current year



In five years



Source: KPMG in Germany and AHK India, 2025; (n=92); rounding differences possible

- Currently, 22% of companies consider Indian competitors superior to their own company, while 28% see them as less competitive
- However, this perspective shifts sharply in the long term. By 2030, 47% of respondents believe that Indian companies will outperform them in the local market. This figure nearly doubled from 25% when compared with our study in the previous year
- This signals a recognition of India's rapidly advancing industrial and technological capabilities

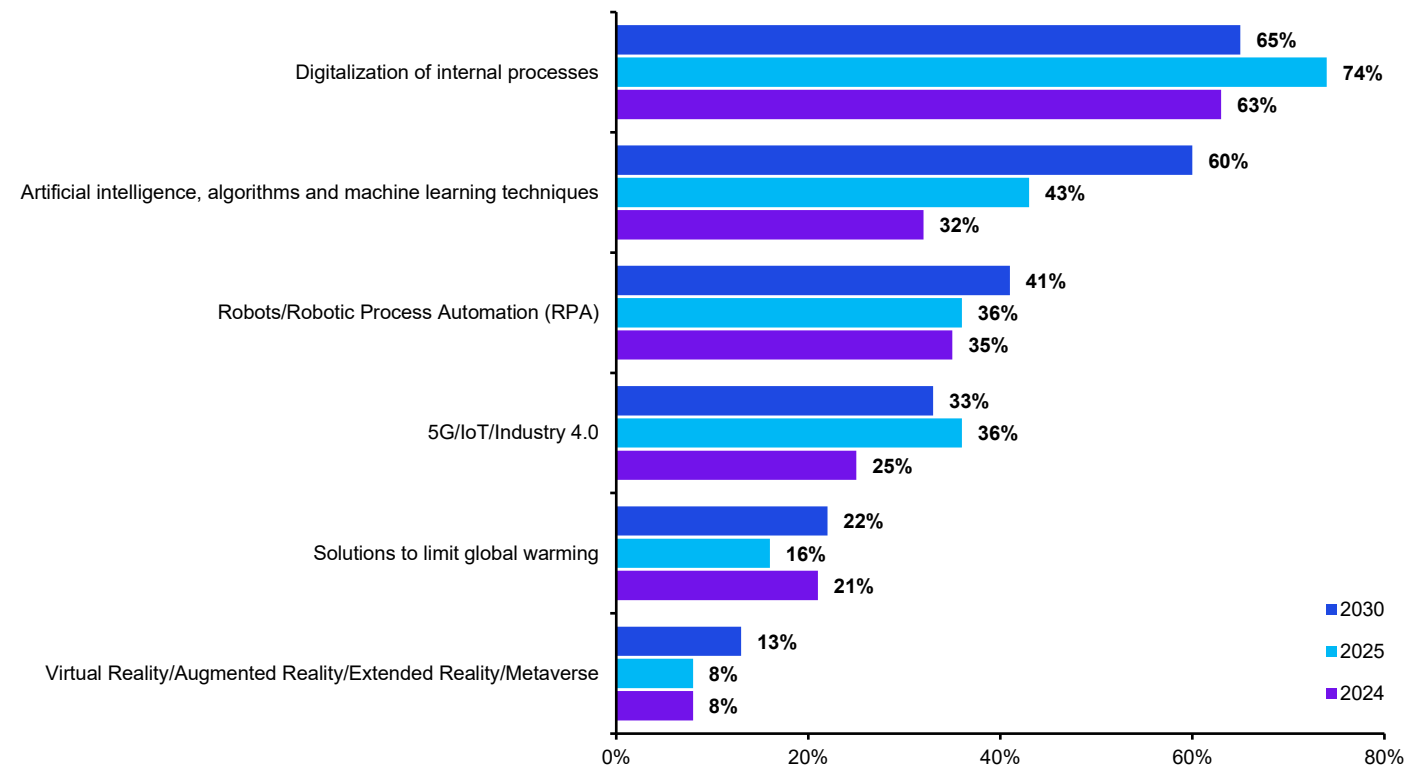


Digitalization and AI are top investment priorities

- Digital transformation remains central to investment planning. In 2025, 74% of companies plan to invest in the digitalization of internal processes
- Over the longer term, however, artificial intelligence is gaining ground. While 43% already view it as a key area for investment in 2025, this figure rises to 60% by 2030
- Other areas experiencing growth include robotics, climate-related technologies and virtual/augmented reality, all of which are reflective of a shift toward forward-looking innovation in India



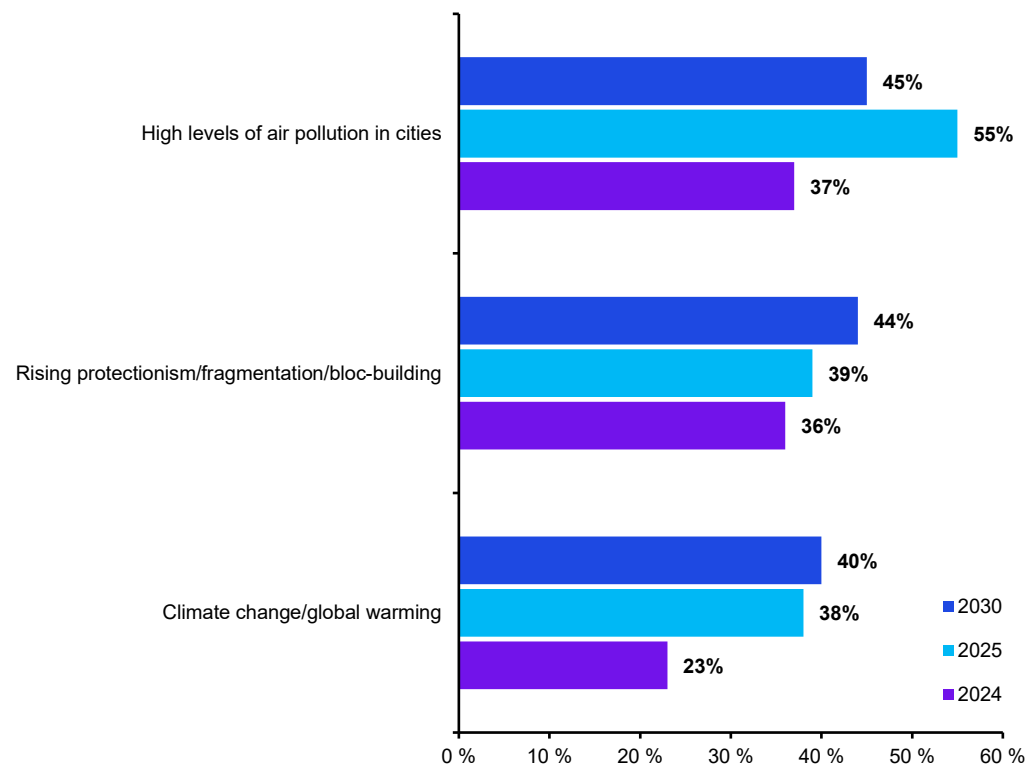
Figure 10: Investment area “Forward-looking technologies”



Source: KPMG in Germany and AHK India, 2025 (n=88); 2024; (n=84)

Air pollution, protectionism and climate change dominate risk landscape

Figure 11: **Greatest exogenous risks**



Source: KPMG in Germany and AHK India, 2025 (n=89); 2024; (n=84)



- High levels of air pollution in cities are seen as the most significant external risk in 2025, with 55% of respondents identifying it as a key concern. However, this issue is expected to become slightly less critical by 2030, as mitigation efforts and policy measures potentially start to take effect
- At the same time, worries about rising protectionism, economic fragmentation, and the formation of trade blocs are growing. In 2025, 39% of companies view these developments as a major threat, with the proportion expected to increase further by 2030 to 44%, reflecting the increasingly volatile nature of global trade dynamics
- Climate change and global warming are also seen as escalating risks. Identified by 38% of respondents in 2025 (up 15 percentage points from the previous year), this issue is projected to gain even more relevance by 2030 (40%). Companies anticipate a greater impact of environmental disruptions and regulatory responses, particularly in sectors reliant on infrastructure, logistics and natural resources

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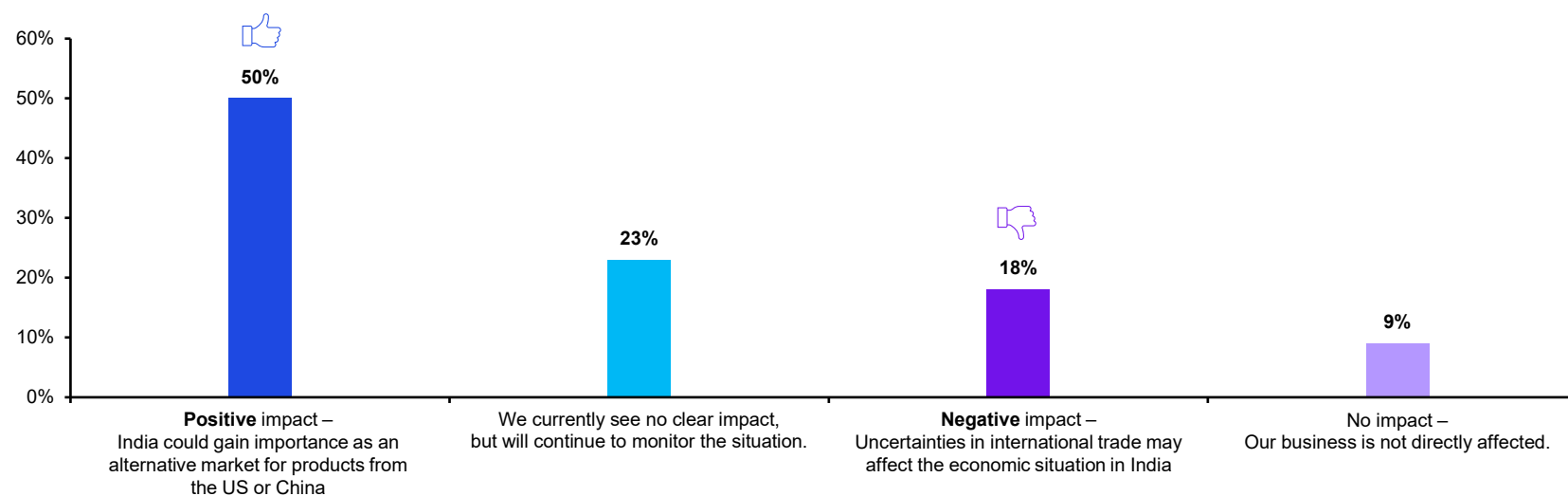
Spotlight on selected topics



India viewed as a beneficiary of global power shifts

- The ongoing rivalry between the United States and China is influencing corporate strategies worldwide – and many German companies see India as a likely beneficiary. Half of the companies surveyed (50%) believe that geopolitical tension will positively impact their business activities in India, as the country increasingly positions itself as an alternative sourcing market and manufacturing hub for global supply chains
- Roughly one in four companies (23%) do not yet see a direct effect but are actively monitoring the developments
- Conversely, 18% of respondents express concern that rising geopolitical uncertainty could negatively affect India's economic environment
- Only 9% believe the US-China rivalry will have no impact on their business in India

Figure 12: Impact of growing rivalry between the US and China on business activities in India



Source: KPMG in Germany and AHK India, 2025; (n=86)); rounding differences possible

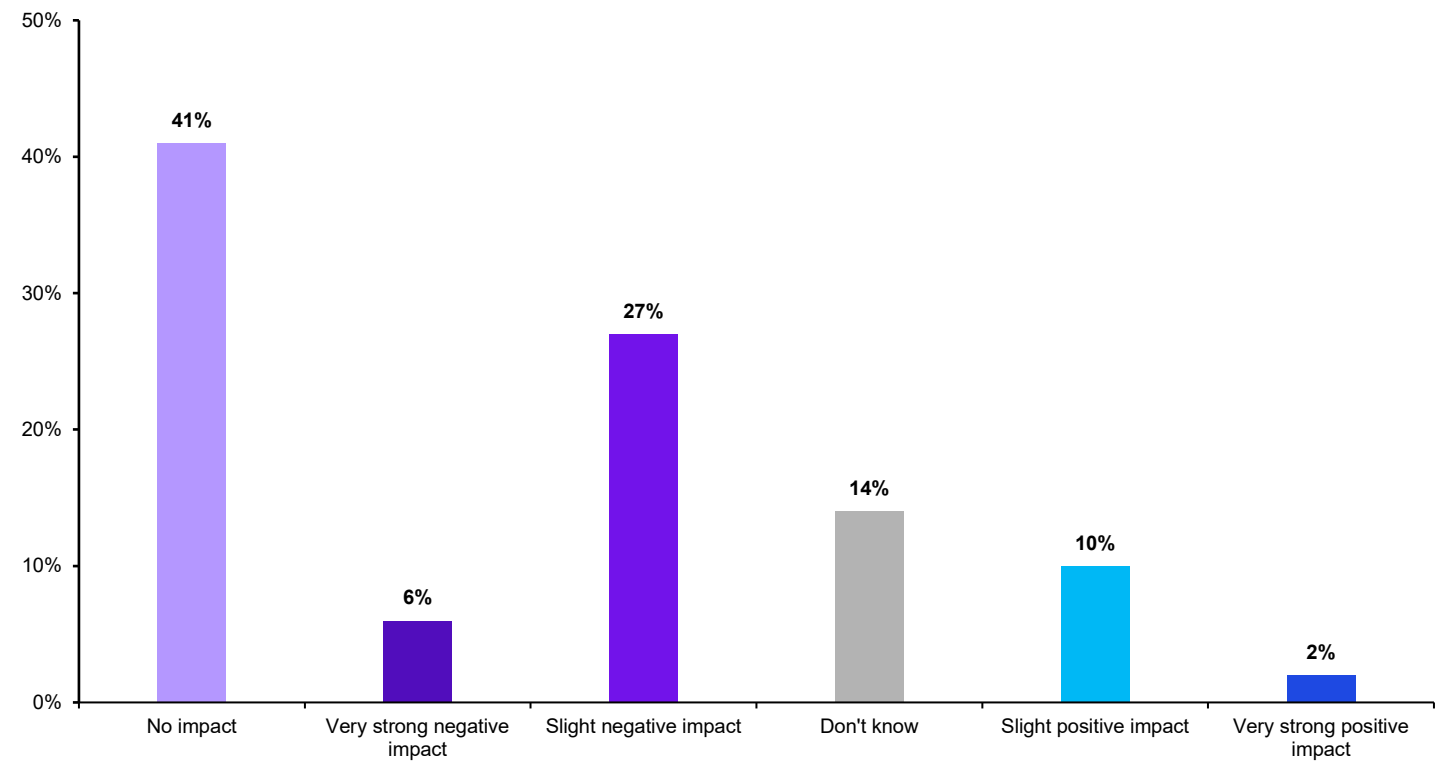


No significant impact expected from US tariffs



- Of the companies surveyed, 41% do not expect the tariffs imposed by the US administration will affect their business in India
- However, one-third (33%) expect negative consequences, with 6% predicting a significantly negative impact
- 12% of the companies foresee even positive effects on their Indian operations because of the tariffs
- At the time of the survey, 14% were unable to assess the potential impact

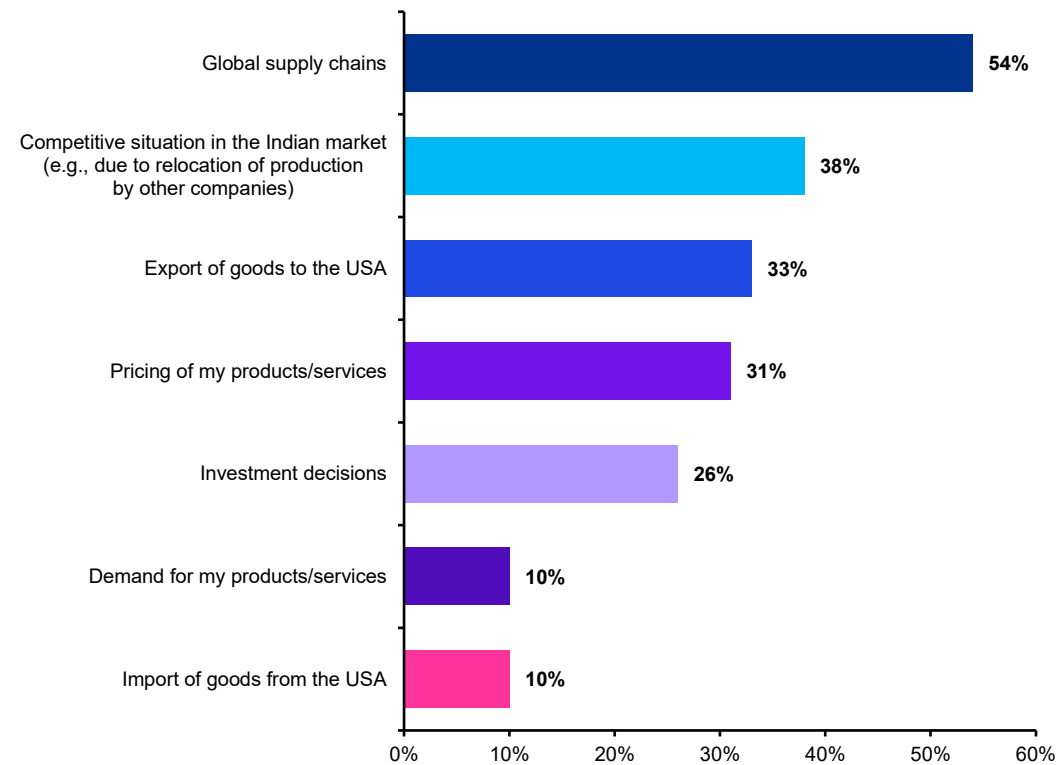
Figure 13: Impact of US tariffs on business in India



Source: KPMG in Germany and AHK India, 2025; (n=86)); rounding differences possible

US tariffs pose various challenges

Figure 14: **Areas of Indian business that are primarily affected by US tariffs**



Source: KPMG in Germany and AHK India, 2025; (n=39)

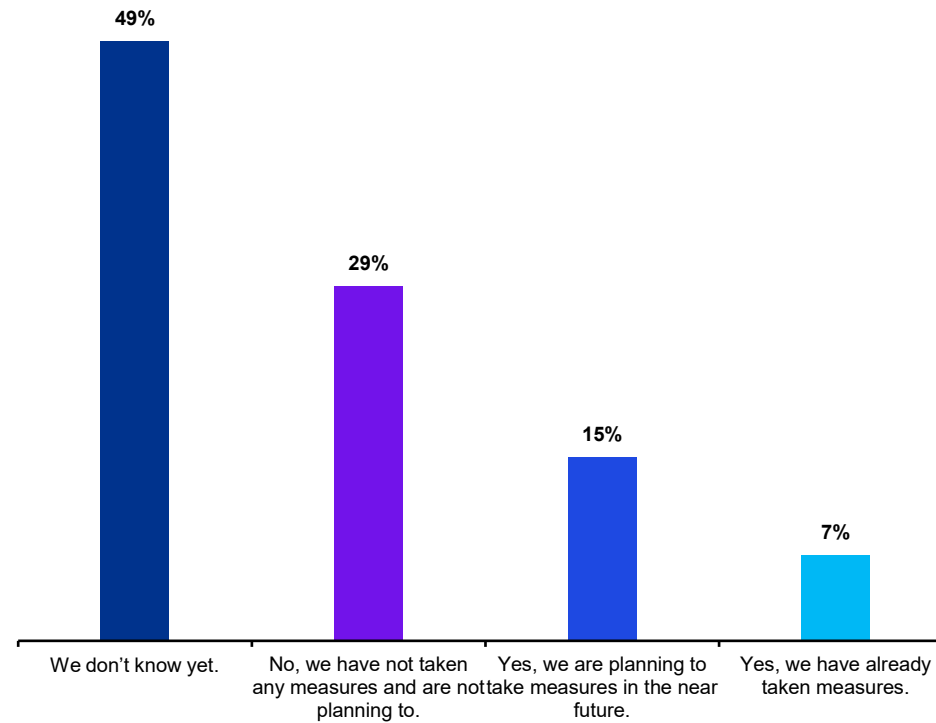
- Of the companies that expect US tariffs to affect their business in India, just over half (54%) anticipate a particular impact on their global supply chains
- 38% are concerned about increased competition in the Indian market, for example, due to more companies potentially relocating production to India in the future
- A third (33%) fear the tariffs will impact exports from India to the US
- Similarly, 31% of the companies expect the tariffs to influence the sale prices of their products or services
- One in four companies (26%) believe the tariffs will play a decisive role in future investment decisions in the Indian market



Minority took action in response to US tariffs



Figure 15: **(Planned) Action taken in response to US tariffs**



Source: KPMG in Germany and AHK India, 2025; (n=87)); rounding differences possible

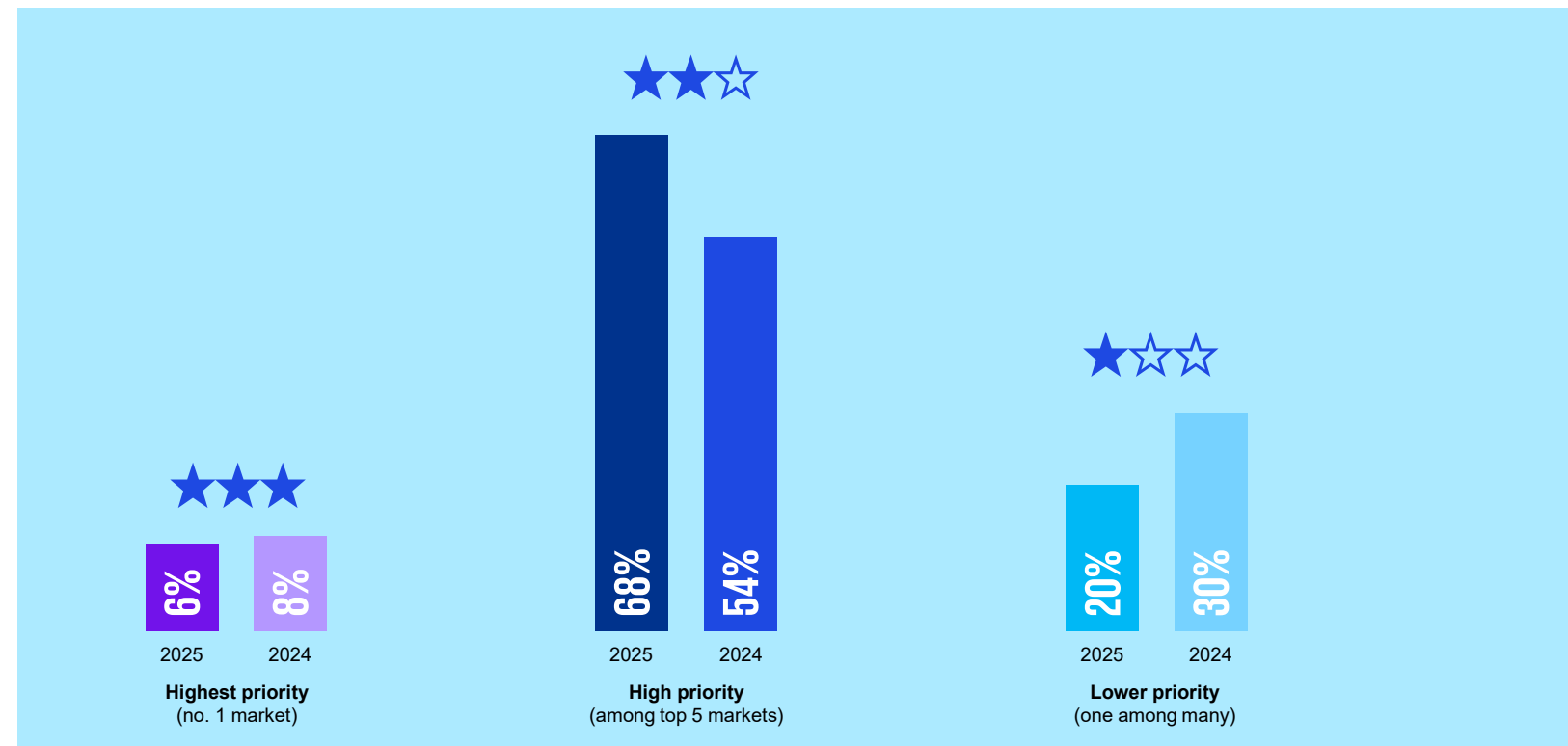
- At the time of the survey, nearly half of the companies surveyed in India (49%) were unsure whether they would take specific action in response to the US tariffs
- Just under one-third (29%) do not plan to take any action
- However, more than one-fifth (22%) have already taken actions or intend to do so soon
- Among those planning to act, half (50%) aim to adjust their product strategy, a third (33%) expect to modify their supply chains, and over a quarter (28%) are preparing to negotiate with suppliers or customers due to price increases

India rises in priority amid global uncertainties

- For more than two-thirds of the companies surveyed (68%), India ranks among their top 5 markets, marking a 14 percentage-point increase compared to 2024. This highlights India's growing importance, especially amid current geopolitical tensions and uncertainties
- For 6% of the companies, India is the highest priority
- Only one in five companies surveyed (20%) consider India to play a limited role in their business activities



Figure 16: **Priority of operations in India for overall group**



N/A= 6% / 8%

Source: KPMG in Germany and AHK India, 2025; (n=97); 2024 (n=85)

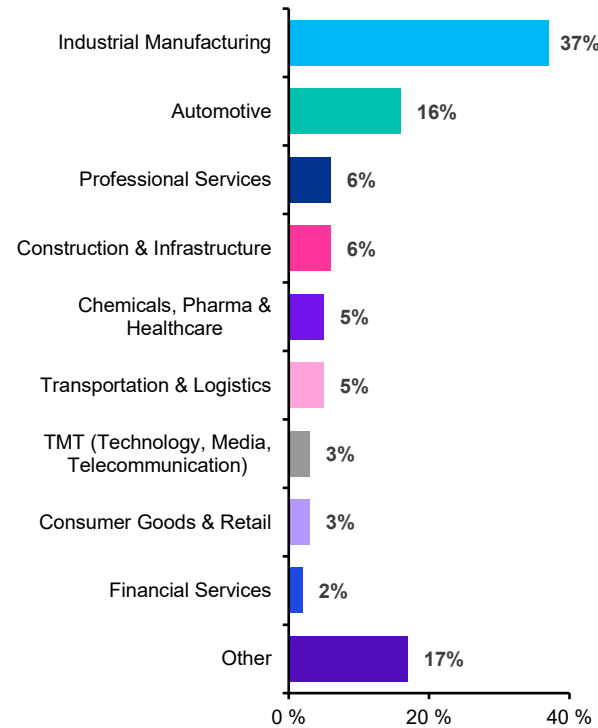
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Profile of the companies surveyed



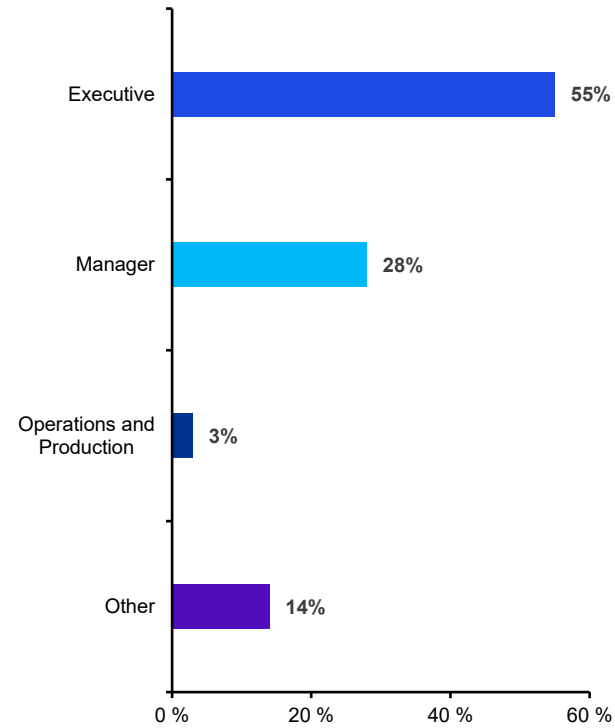
Profile of the companies surveyed

Figure 17: Breakdown by sector of the companies surveyed



Source: KPMG in Germany and AHK India, 2025; (n=97)

Figure 18: Role in company



Source: KPMG in Germany and AHK India, 2025; (n=97)



- The Indo-German Chamber of Commerce and KPMG in Germany approached Indian subsidiaries of German corporate groups and companies with operations in India for this survey. A total of 97 companies participated in the survey (2024: 85 companies), which was conducted between April 15 and May 27, 2025
- The questions focused on the economic outlook for German companies in India and the challenges and opportunities for their businesses

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Macroeconomic overview

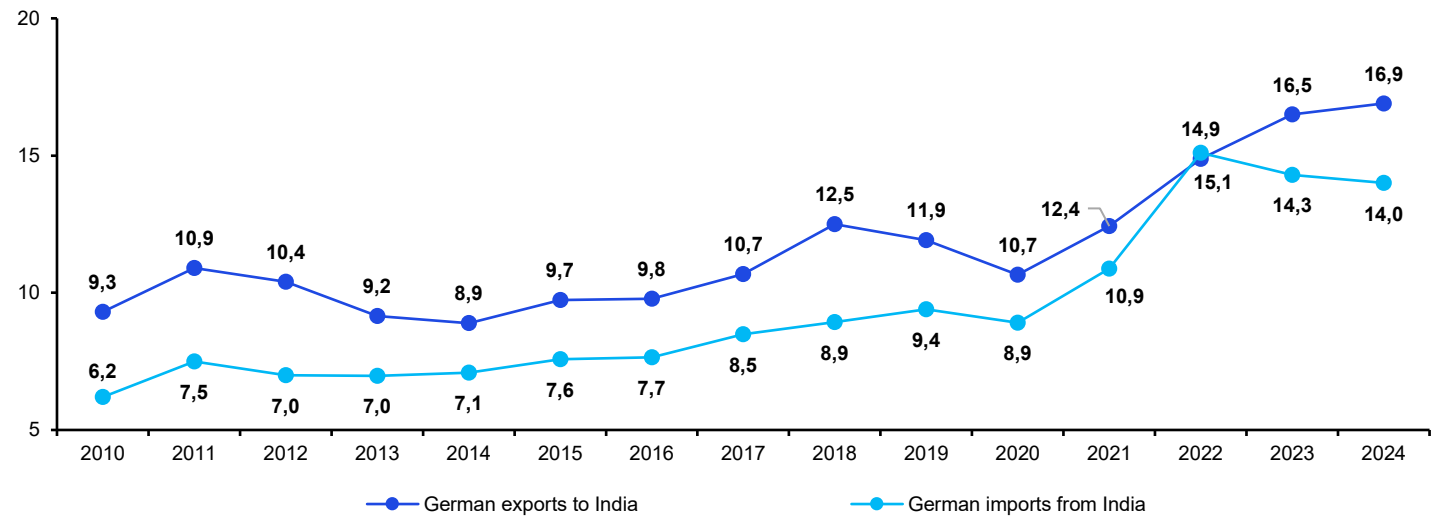


Foreign trade balance grows

- In 2024, bilateral trade in goods between Germany and India exceeded the previous year's record figure by a small margin. The trade volume increased by 0.3% compared to 2023, amounting to EUR 30.9 billion
- While German exports to India continued to grow in 2024, imports from India fell for the second time in a row
- Following a modest trade deficit with India of just EUR 0.2 billion in 2022 – for the first time ever – Germany again reported a trade surplus in 2024 of EUR 2.9 billion
- This places India 23rd among Germany's largest trading partners. As a sales market for German goods the subcontinent ranked 22nd (2023: 22nd) and as a procurement market India ranked 24th (2023: 23rd)
- Germany was the 9th most important sales market for India in 2024 with a share of 2.36% of total exports



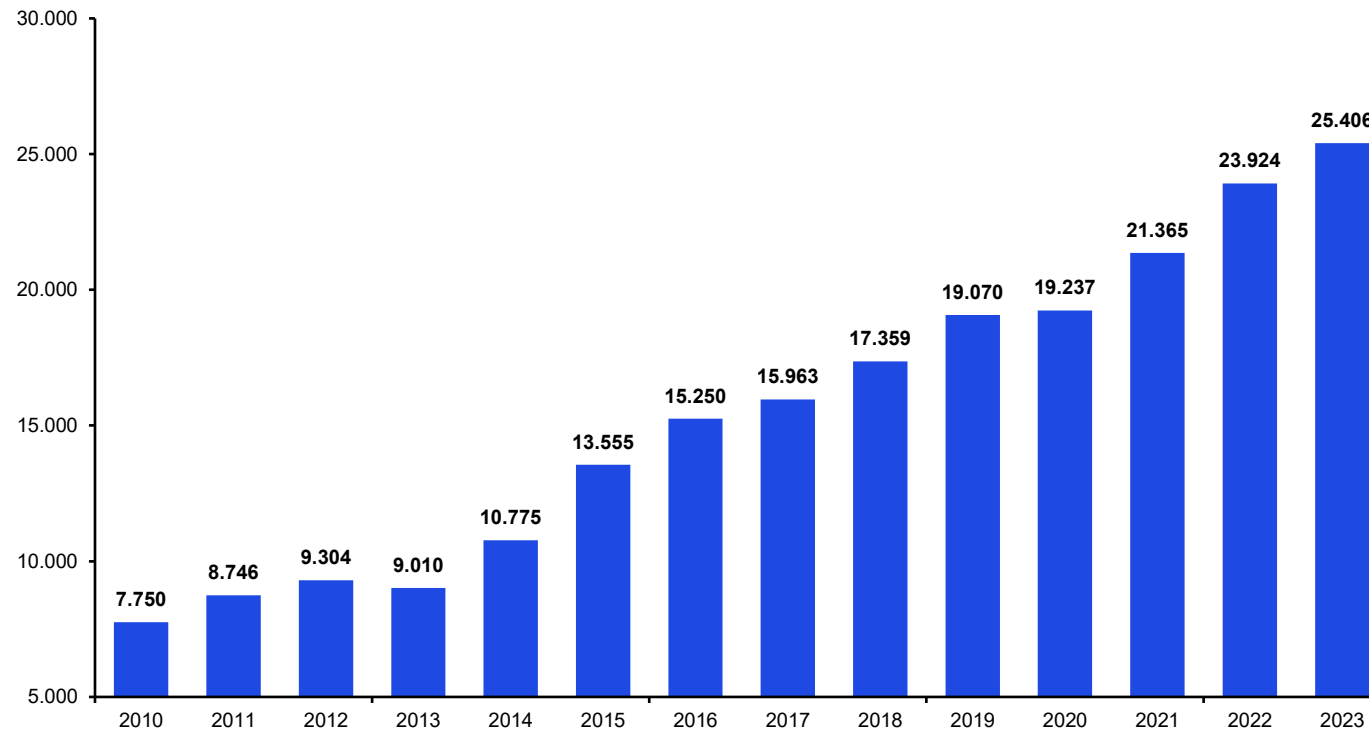
Figure 19: Foreign trade (in EUR billion)



Source: Federal Statistical Office (Destatis)

Investment stock in India is continuously growing (1/2)

Figure 20: **Direct and indirect investment stocks of German companies in India (netted^(a); in EUR million)**



Notes: (a) most recent figures for receivables/payables available for 2023 only

Source: Deutsche Bundesbank, Department for Promotion of Industry and Internal Trade (India), AHK India

- The net stock of German direct and indirect direct investment in India rose by 6.2% to EUR 25.4 billion in 2023
- With 2.2% of total FDI stock between April 2000 and March 2024, Germany is the 9th largest foreign direct investor in India
- In 2022, more than 2,000 German companies were present in India, especially in the automotive, machinery and chemical sectors

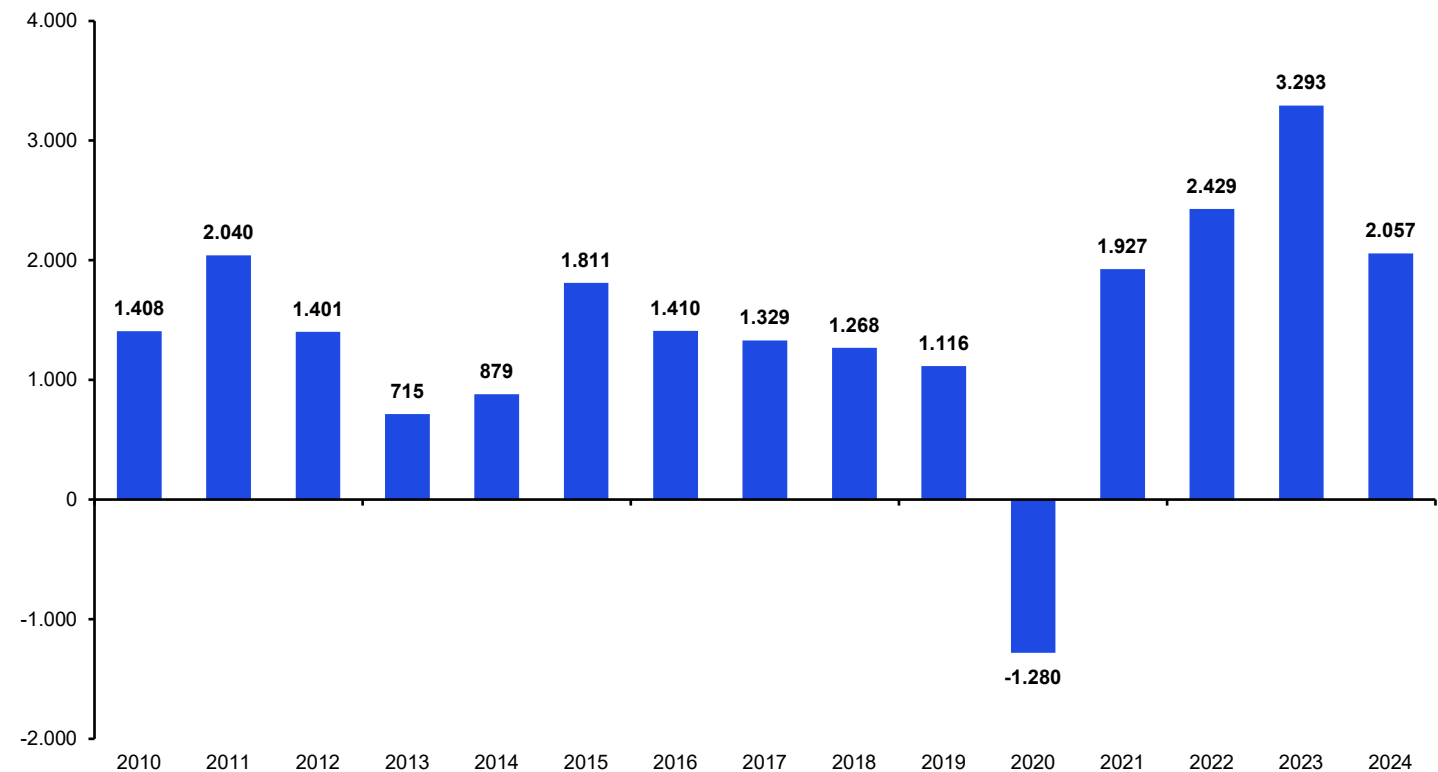


Investment stock in India is growing (2/2)

- Investment flows from Germany to India were consistently positive, with the exception of the 2020 pandemic year
- In 2024, the transaction volume decreased by 38% compared to 2023 and reached EUR 2.1 billion
- According to India's Department for Promotion of Industry and Internal Trade, Germany was the 9th largest foreign investor in India in FY 2024



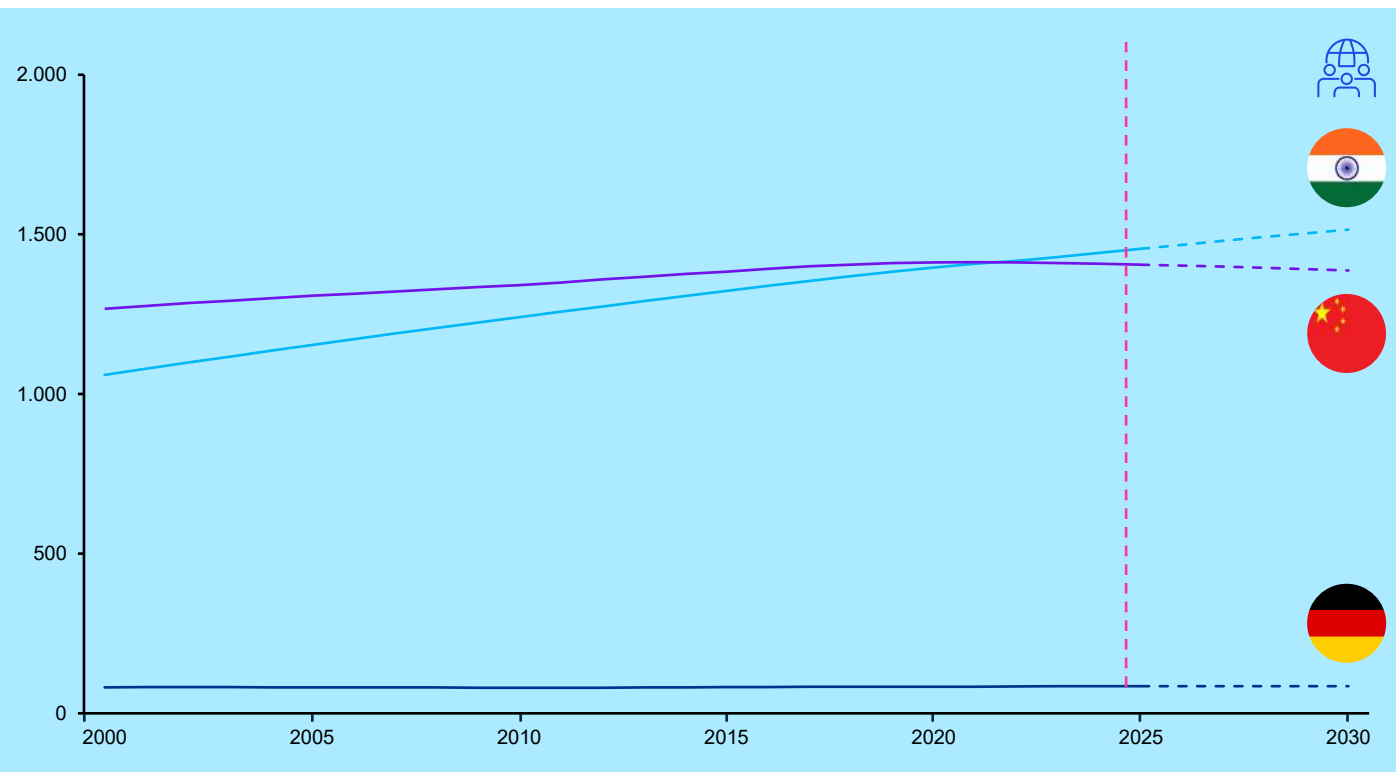
Figure 21: Transaction values for direct investment – German net investment in India (in EUR million)



Source: Deutsche Bundesbank

India is the most populous country in the world

Figure 22: Population (in millions)













Source: IMF (Apr. 2025)



- In April 2023, India officially surpassed China as the most populous nation on Earth with 1.41 billion inhabitants
- While India's young population is often considered an asset, the country struggles with high youth unemployment rates due to infrastructure deficits, skills shortages, and a lack of jobs and other basic indicators of human resource development
- China and Germany, on the other hand, are struggling with aging societies and declining populations, and therefore with intensifying labor and skills shortages over the long term

India is the fifth largest economy

Figure 23: The world's five largest economies in comparison

	 US	 China	 Germany	 Japan	 India
 GDP 2024 (in USD billion)	29,185	18,748	4,659	4,026	3,909
 GDP per capita 2024 (in USD)	85,812	13,313	54,990	32,498	2,711
 Population 2024 (in millions)	340	1,408	85	124	1,441
 Unemployment rate 2024	4.0%	5.1%	3.4%	2.6%	4.9%
 Public debt to GDP 2024	120.8%	88.3%	63.9%	236.7%	81.3%

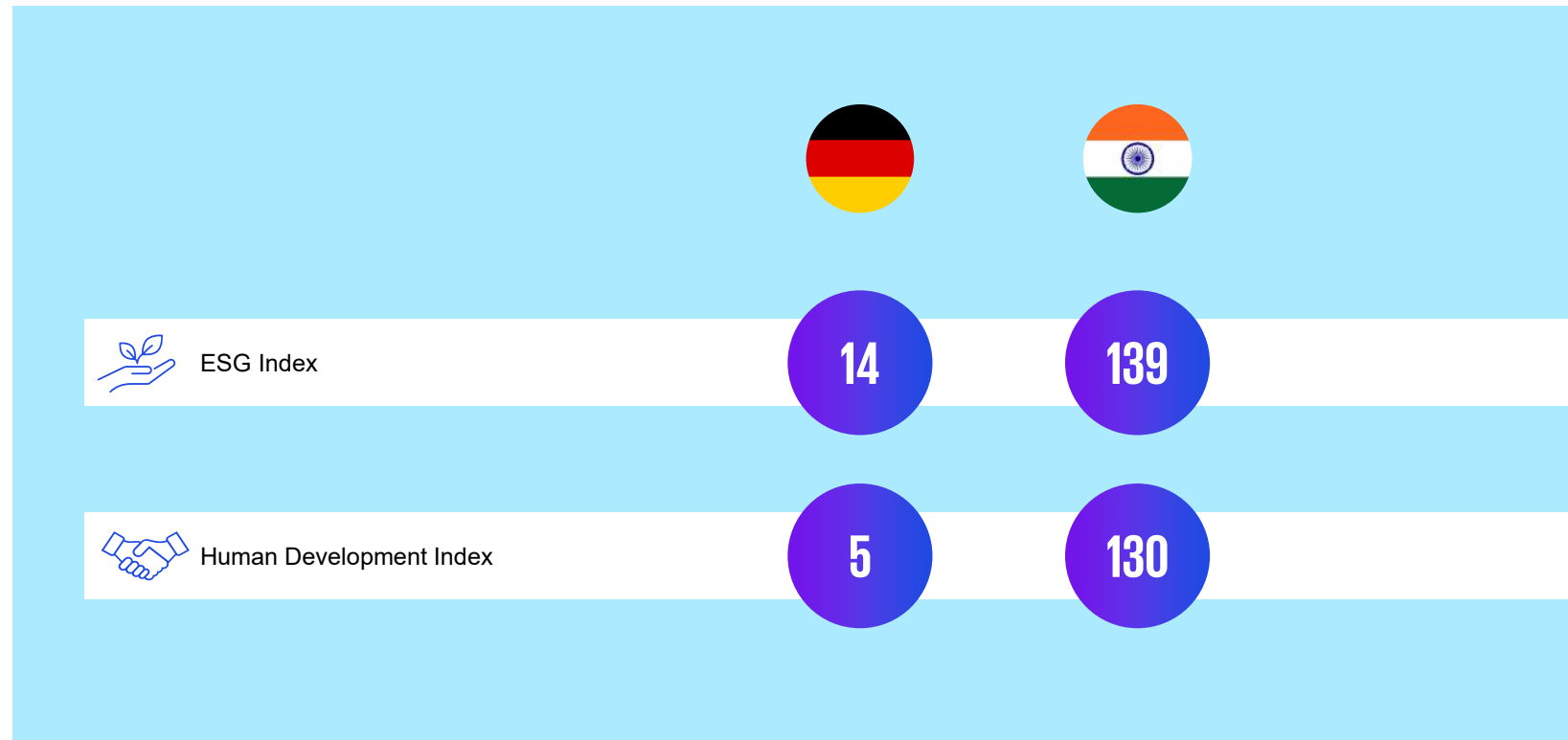
Source: IMF (Apr. 2025)

- As early as 2022, India had overtaken the United Kingdom in terms of size to become the fifth largest economy in the world. It is expected to surpass Japan to become the fourth largest economy by the end of 2025
- GDP per capita, however, remains low compared to the other top 5 nations
- In April 2023, India surpassed China to become the world's most populous country
- With the exception of China, the world's largest economies have unemployment rates of less than 5%
- India has the second-lowest debt ratio of the world's five largest economies

Ranking of Germany and India in comparison (1/3)

- In 2023, Germany ranked 14th and India 139th out of 183 economies on the Risk Watch Initiative's ESG Index. The index encompasses three sub-indexes (environment, human rights and health & safety) based on 65 variables to measure ESG risk exposure
- In 2023, Germany ranked 5th and India 130th out of 193 economies on the United Nations' Human Development Index (HDI)
- In 2023, India continued its steady rise on the HDI. The country saw improvements across all indicators – life expectancy rose from 71.7 to 72.0 years, expected years of schooling reached 12.95 years, and Gross National Income (GNI) per capita recorded an increase from USD 8,476 to USD 9,047

Figure 24: **ESG Index/Human Development Index**

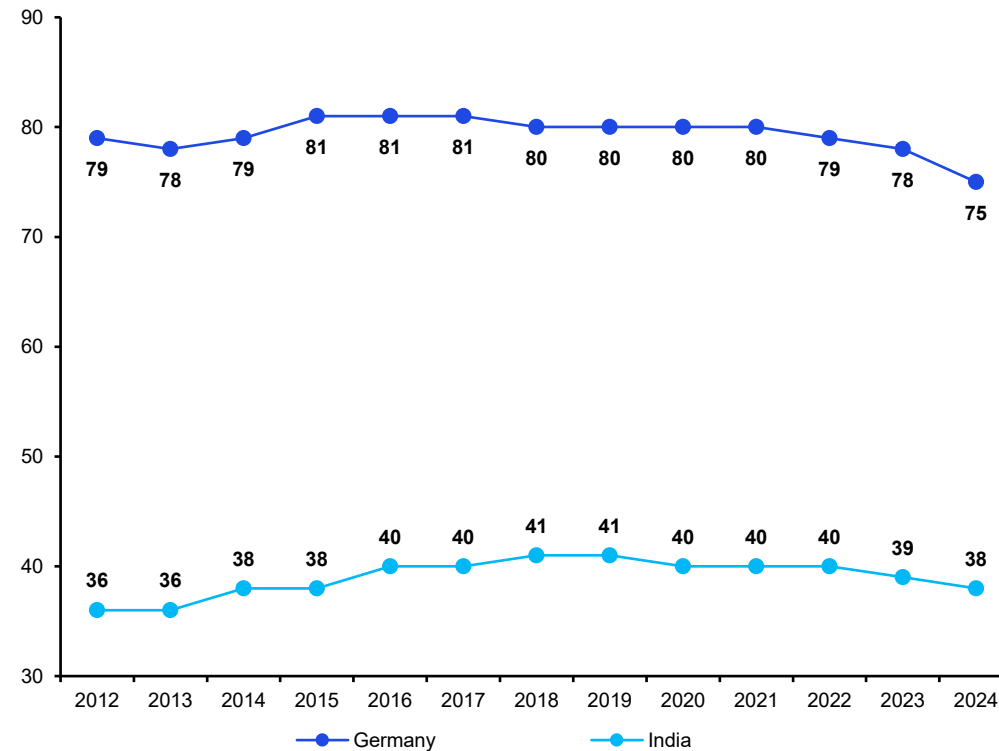


Source: Risk Watch Initiative, United Nations Development Programme (UNDP)

Ranking of Germany and India in comparison (2/3)



Figure 25: **Corruption Perception Index (CPI)** (0 = highly corrupt/100 = very clean)









Source: Transparency International

- In 2024, Germany ranked 15th and India 96th out of 180 economies on Transparency International's Corruption Perception Index (CPI)
- Germany, with its low level of everyday corruption, ranks relatively favorably compared to its international peers. A lack of transparency in financing political parties, however, led to a decline of three points compared to 2023
- Globally, the average CPI score remains unchanged at 43. India's score is therefore slightly below average. Against the backdrop of the general election in June 2024, the issue of corruption came back into focus

Ranking of Germany and India in comparison (3/3)

Figure 26: **KPIs for renewable energies**

			
Electricity demand per capita (2024, in MWh)	5.94		1.42
Share of low-carbon sources in electricity generation (2024)	57%		22%
Electric vehicle charging points (Jan. 2025)	151,718		25,202
Wind installed capacity (2024, in MW)	72,823		48,163

Source: Ember, IRENA, CEA India, Our World in Data, International Council on Clean Transportation, Federal Network Agency, KBA



- In 2024, per capita electricity demand in Germany was more than four times higher than in India
- The share of low-carbon sources in the volume of electricity generated is greater in Germany (57%) than in India (22%)
- In 2024, India ranked 4th globally in renewable power capacity with a capacity of 204.3 GW, Germany ranked 5th with a capacity of 178.7 GW
- At the start of 2025, India had 25,202 public electric vehicle charging stations serving a total of more than 4 million EVs, compared to Germany with 151,718 stations serving 1.65 million EVs
- In a global comparison, both countries are far ahead in terms of installed wind power capacity, with Germany in third place and India in fourth

About us

AHK India

AHK India or the Indo-German Chamber of Commerce was incorporated in 1956. Today, it has close to 4,000 members, making it the largest bilateral chamber in India. We have built up a strong local presence with our head office in Mumbai and branch offices in Delhi, Bangalore, Kolkata, Chennai and Pune, as well as a liaison office in Düsseldorf.

As the primary contact for Indian and German companies who want to start and grow their business in the other country, our role is to foster bilateral economic relations between the two economic giants. As a highly regarded and respected institution in India and Germany – with our qualified team and our innumerable contacts and connections familiar with the particularities and regulatory environment of the respective markets – the Indo-German Chamber of Commerce has played a major role in advancing corporate and cultural understanding between India and Germany for almost 70 years.



www.indien.ahk.de



KPMG

KPMG is an organization of independent member firms with more than 275,000 employees in 142 countries and territories. KPMG is also one of the leading auditing and advisory firms in Germany and has more than 14,500 employees at 28 locations. Our services are divided into the following functions: Audit, Tax, Performance & Strategy, Deal Advisory and Consulting. Legal advice services are provided by a legally independent company.

KPMG in Germany has set up Country Practices for all relevant business corridors between Germany and other countries/regions. All Country Practices are staffed by country experts who know the special characteristics and the regulatory environment of these markets, regularly work in these countries and provide German and global multinational companies with advice on their country/corridor-related questions on a daily basis.



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