

Location Spotlight – Munich, Germany

December 2022: Complimentary Abstract / Table of Contents



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This report provides perspectives on key aspects of the global sourcing market in Munich

Location Spotlight – Munich, Germany

Munich | at a glance



Highly leveraged for providing IT-ADM and digital support, receiving significant investments from leading companies; availability of world-class tech talent and innovation-focused research ecosystem

KEY FACTS

19,000-21,000 annual tertiary graduates

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Munich, considered to be one of Europe's biggest tech hubs, is being leveraged by leading companies for IT-ADM and digital support functions It has a thriving tech ecosystem consisting of eminent technical universities and research institutions, such as Fraunhofer Institute for Cognitive Systems (Munich has the highest number of R&D employees in Germany), world-class infrastructure, and a growing digital start-up landscape Rental costs, although high, are lower compared to other leading cities such as London, New York, and Singapore 	<ul style="list-style-type: none"> Sizable talent pool skilled in IT, engineering, and next-generation digital technologies such as AI and IoT Presence of prestigious tech universities and research ecosystem Innovation-focused city with 1,300+ start-ups amounting to 11% of Germany's total start-ups Interesting mix of businesses (media, automobiles, tech etc.) providing numerous opportunities for collaborative growth 	<ul style="list-style-type: none"> Global uncertainty due to Russia-Ukraine war Overdependency on Russia and China supply chains, causing price volatility Recent power shift with disparate political stability High rentals and costs



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Location Spotlight – Munich, Germany

Munich | risk profile (page 1 of 2)

Well-positioned for growth owing to strong infrastructure, digital readiness, and innovation capabilities; concerns due to the Russia-Ukraine war

Parameter	Everest Group rating	Comments
Geopolitical	■	<ul style="list-style-type: none"> Germany ranks 15th out of 167 nations in the EIU Democracy Index and is a Full Democracy Concerns around political stability as Chancellor Olaf Scholz came into power in November 2021 through a coalition-led government between three parties with disparate political priorities The country is very vulnerable owing to its energy dependency on Russia and economic dependency on China, two authoritarian states that are increasingly cooperating with each other Geopolitical tension due to a major shift in Germany's decades-long Russia appeasement stance – it is now exporting weapons to Ukraine, has imposed SWIFT sanctions on Russia, and is working on reducing energy import dependence on Russia (55% in 2021)
Macroeconomic	■	<ul style="list-style-type: none"> S&P's and Moody's credit ratings for Germany (2021) stand at AAA and Aaa, both with stable outlooks Germany has a perfect score of 100 in the World Bank's Global Competitiveness Index 2019 Recent war-induced downgrade of Germany's macroeconomic conditions; the IMF revised Germany's growth forecasts downward in the near term to 1.5% in 2022 and 0.8% in 2023 CPI reached 8.3% in June 2022, three-fifths of which has come from energy prices The government has expanded short-time work benefits (Kurzarbeit) and extended pandemic-era grants to firms; it is also spending 1.2% of GDP on defense, climate, refugees, and measures to help households cope with higher energy prices
Infrastructure	■	<ul style="list-style-type: none"> Germany is ranked 8th out of 141 countries in the infrastructure dimension of the Global Competitiveness Index 2019 (compiled by World Economic Forum). It is the third most competitive country in Europe <ul style="list-style-type: none"> Germany has the best logistics infrastructure in the world. It includes not only the port of Hamburg – Europe's third largest container port, but also Bremerhaven – one of the world's largest ports for vehicle traffic. The country's highway system has one of the greatest kilometer densities in Europe Munich is rated among the world's top five cities for electricity, water, transport, and telecommunication systems

Source: Everest Group (2022); inputs from recruitment firms, market players, and investment agencies

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Reports title	Release date
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