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CEO Insight: Unprecedented Recovery of International Investment Appetite for Germany

Germany is seeing a sharp rebound in international investment after last year's decline. Investors are once again viewing the country as a stable and strategic destination, driven by its climate commitments, infrastructure push, and policy reforms. With tax incentives and private capital mobilization underway, Germany is regaining attention as a key player in Europe's investment landscape.

Dramatic Turnaround in Sentiment

In recent months, international investors' interest in Germany has experienced a remarkable resurgence, defying the previous year's decline to its lowest levels since 2011. KfW (Germany's comparable to "Japan Bank for International Cooperation" (JBIC)) CEO Stefan Wintels emphasized that he had "never experienced such a rapid mood shift" in his over 30-year career, citing promotional events in New York, London, and Zurich that revealed strong investor appetite for Germany. Many large international investors, who already are heavily invested in the U.S., now see Germany as an attractive destination to diversify their portfolios because of its stable politics and strong commitment to climate goals.

This turnaround follows a sharp drop in foreign direct investment last year. EY reported a 17% decline in foreign investment projects in Germany, with particularly steep reductions from U.S. companies (minus 27%) making Germany the European country with the largest decline. In response, the German government plans a major tax relief package (the "Investitions-Booster"), aiming to attract investors through accelerated depreciation allowances for machinery and electric vehicles.

Infrastructure as a Key Driver of Opportunity

The renewed optimism coincides with Germany's strong shift toward rebuilding its infrastructure. The new German government has made infrastructure modernization a top priority, with a landmark €500 billion infrastructure and climate special investment fund established earlier this year. Economy Minister Katherina Reiche emphasized the urgent need for private capital.

Germany's neglected infrastructure — exemplified by the partial collapse of Dresden's Carola Bridge in 2024 — requires massive financial injections, with estimates suggesting around €100 billion for bridges alone, €150 billion for Deutsche Bahn's rail network, and over €600 billion over the next decade to meet broader needs. Private investors are increasingly drawn to the opportunity, particularly given Berlin's plans to reduce red tape and regulatory barriers that have long hampered large-scale projects.

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Strategic Reforms and Political Momentum

Germany's coalition agreement contains important measures to attract international investors. These include infrastructure modernization, digitalization, labor immigration reform, and a commitment to achieving climate targets by 2045. KfW's Wintels argues that Germany's political stability — in stark contrast to recent U.S. policy turbulence — represents a valuable asset in attracting global capital.

Economists at J.P. Morgan and Deutsche Bank agree that Germany's regulatory reforms and commitment to infrastructure investment could unlock significant private sector participation. Yet, challenges remain: the capacity to develop projects rapidly and the speed of approval processes are under scrutiny, with some experts cautioning that political will and implementation will ultimately determine success.

Spotlight on Major Investment Projects

The scale of investments announced by global firms underscores Germany's continued relevance on the international stage. Major projects span critical industries such as semiconductors, pharmaceuticals, energy, and digital infrastructure — all of which are expected to shape the country's economic landscape through 2025.

- TSMC (Taiwan): Investing € 10 billion in a semiconductor factory in Dresden, expected operational by 2025
 - BP (UK): Committing € 6.8 billion to two offshore wind parks in the North Sea,
 - Apple (USA): Allocating a further € 1 billion to its European chip design center in Munich,
- These initiatives illustrate Germany's appeal to investors seeking strategic opportunities in high-growth sectors.

Conclusion

The unprecedented shift in international investor sentiment, coupled with Germany's ambitious infrastructure agenda and political stability, positions the country for a potential boom in foreign investment. With strategic tax incentives, regulatory reforms, and the mobilization of private capital, Germany appears poised to leverage this moment to address its long-standing infrastructure challenges and strengthen its position as a leading European investment hub.

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