



Germany



Did you know...?

Geography Germany is the most populous European country. More than 82 million people live in an area that is approximately the size of Montana.

History The fall of the Berlin Wall on November 9th 1989 marked the end of the Cold War and preceded German re-unification on October 3rd 1990.

Sciences and Technology German inventions include the movable type (Johannes Gutenberg, 1440), the telephone (Philipp Reis, 1886), the modern car (Karl Benz, 1885 and Gottlieb Daimler 1886), and many more.

Culture Germany is also known as “the land of poets and thinkers”. Notable people include Albert Einstein, Ludwig van Beethoven, Johann Wolfgang von Goethe, Karl Marx, Immanuel Kant, and Friedrich Nietzsche.

Fun Fact With 6.7 million members, the ‘German Football Association’ is the world’s largest single sports association.

An overview of Germany’s economy

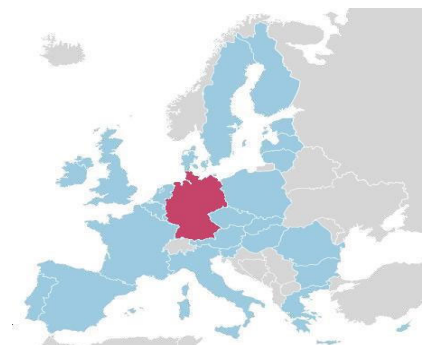
Germany, Europe’s economic engine, is slowly regaining the ground lost in the crisis, but still faces long-term structural challenges.

Germany is a social market economy, which combines elements of markets with a large role for the state in the economy. In 1957, Germany was one of the first six Member States to join the European Economic Community (EEC), one of the predecessors of the EU. Originally only West Germany joined the EEC and East Germany remained economically tied to Soviet Russia. Only in 1990, following re-unification of East and West, did the whole of Germany enter the EEC, which caused significant political, economic and demographic upheaval. The modernization and integration of the eastern German economy continues to be a costly long-term process. Germany was one of the founding members of the Euro Area, and adopted the Euro in 1999. Euro notes and coins were introduced on January 1, 2002, replacing the Deutsche Mark.

After re-unification, the German economy essentially stagnated. High unemployment and pressure on the welfare system led the government to push through a wide-ranging program of belt-tightening reforms. By successfully restricting wage growth below the rate of productivity growth, Germany was able to restore its competitiveness and boost its exports, but domestic demand remained sluggish.

Germany’s heavy exposure to international trade meant that it was sharply hit by the global financial crisis, and the government responded with a significant fiscal stimulus. However, Germany has since rebounded with GDP growing by 3.5% in 2010.

The German economy experienced a strong recovery in 2010 and the beginning of 2011 on the bank of a sharp rebound in exports, but growth has begun to slow due to temporary factors as well as the slowdown in many of Germany’s euro area trading partners and other advanced economies. Reduced potential growth and the threat of lower export demand raise the importance of further improving the flexibility of domestic markets. Addressing skills shortages by improving education and training, and encouraging the immigration of skilled workers could also be part of an effort to raise Germany’s potential growth rate.





Germany's Economy – Key Facts

- Germany has a strong tradition of regional government. The sixteen federal states or *Länder* are involved in federal decision making and have exclusive competences in school education, culture and broadcasting.
- Germany is an innovation-driven, export-oriented economy. In 2009 the top country of destination for German exports was France, followed by the Netherlands and the UK. About three quarters of exports, "Made in Germany," were shipped to European countries.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Germany 6th out of 133 countries in terms of competitiveness. Germany also benefits greatly from its significant market size (5th). On the other hand, Germany's labor market remains very rigid, ranking 124th for labor market flexibility, where a lack of flexibility in wage determination and the high cost of firing provide a hindrance to job creation.
- The World Bank's Doing Business Report ranked Germany 22nd out of 183 countries in 2011.
- According to the European Commission's Spring 2011 forecast, real GDP will grow by 2.6%. As such, the Commission expects Germany's economy to be slightly stronger than the rest of the EU this year. In 2012, GDP is estimated to grow by 1.9% sparking fears of a permanent slowdown. The government deficit is projected at 1.4% of GDP in 2011 and 0.8% of GDP in 2012. The gross debt is projected to increase from 73.5% of GDP in 2009 to 82.4% of GDP in 2011.
- Many commentators believe that Germany should reorient its economy away from a heavy dependence on exports toward domestic demand. Reforms to product and labor markets may be helpful in this respect.

References

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Export industry The German economy – the fifth largest economy in the world in PPP terms and Europe's largest – is a leading exporter of machinery, vehicles, chemicals, and household equipment.

Ageing Germany's population is ageing, and decreasing due to low fertility rates and declining net immigration. Pressure on the social welfare system continues to grow.

Unemployment In September 2011, unemployment in Germany stood at 6.4%, which is much lower than the euro area average. However, in the former East Germany, unemployment is nearly double the rates in the country's west.

Immigration: Since the 1960s, Germany has been attracting migrants primarily from Southern and Eastern Europe as well as Turkey. In 2009, over 16 million people living in Germany had foreign backgrounds.

Inflation With inflation at 1.1% in 2010, Germany ranks 26 in world inflation rates.

Labor market German labor market features include high employment protection and a relatively low full-time female labor force participation rate.