

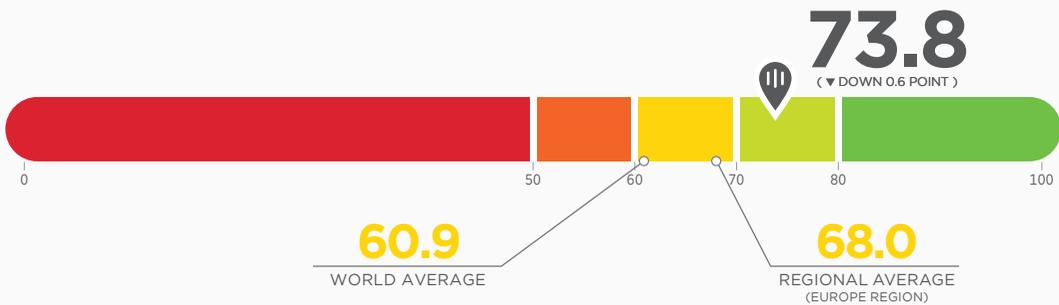
GERMANY



Despite the challenging economic environment within the European Union, Germany continues to be one of the world's most powerful and dynamic economies. Business freedom and investment freedom are strong. Long-term competitiveness and entrepreneurial growth are supported by openness to global commerce, well-protected property rights, and a sound business regulatory environment.

The German economy has gradually emerged from the effects of the global financial crisis, which had an acute negative impact both on Germany's public finances and on its economic growth. Actions required to hold the eurozone together have taken a toll, and the more recent migrant crisis has had huge political, economic, and societal impacts within the country.

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
Rule of Law, Open Markets, and Business Freedom

CONCERNS:
Government Spending, Labor Freedom, and Tax Burden

OVERALL SCORE CHANGE SINCE 2013:
+1.0

FREEDOM TREND



QUICK FACTS

POPULATION:
81.4 million

GDP (PPP):
\$3.8 trillion
1.6% growth in 2015
5-year compound annual growth 1.6%
\$46,893 per capita

UNEMPLOYMENT:
4.6%

INFLATION (CPI):
0.1%

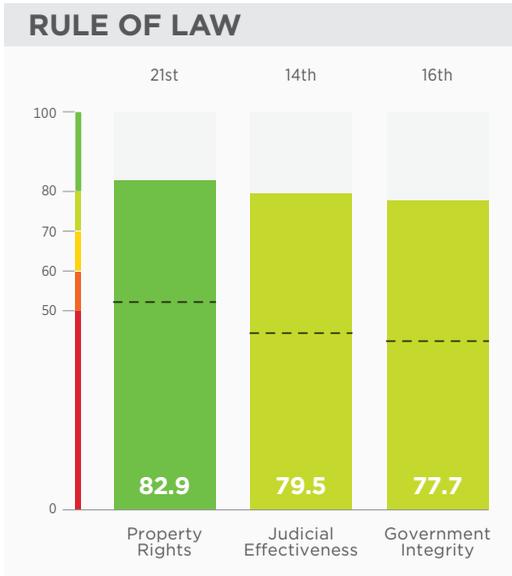
FDI INFLOW:
\$31.7 billion

PUBLIC DEBT:
71.0% of GDP

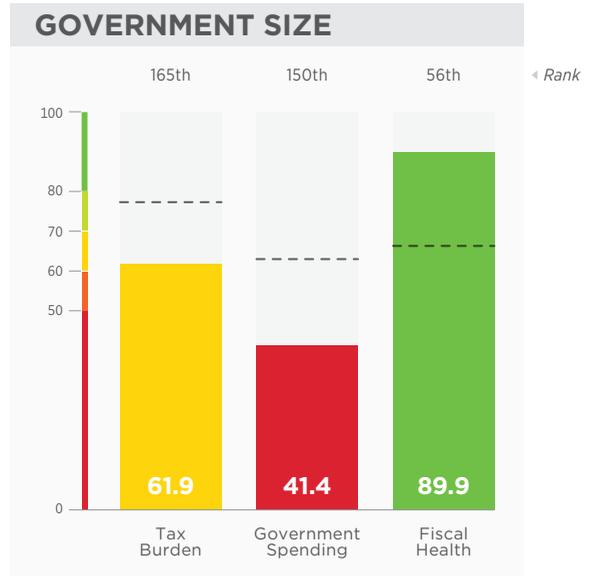
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: Chancellor Angela Merkel's Christian Democratic Union remains in power, governing in coalition with the Social Democratic Party since December 2013. With the government initially following an open-door policy, net immigration of foreign nations to Germany was 1.14 million in 2015. Merkel's CDU suffered losses in regional elections in March 2016, and parties with anti-immigration platforms gained strength. The ongoing migrant crisis has opened deep divisions in German society and exposed flaws in ideas like the Schengen Area that are at the heart of the European project. Germany remains, both politically and economically, the most influential nation in the EU.

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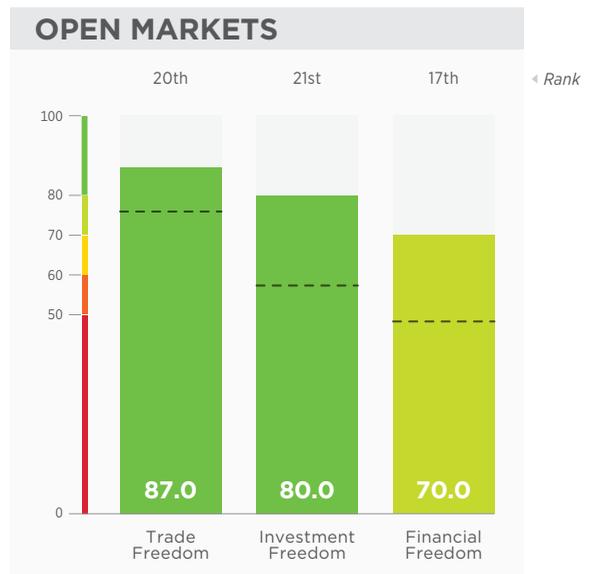
German law fully protects the property rights of German citizens and foreigners alike. Secured interests in property, both chattel and real, are recognized and enforced. Germany boasts a robust regime for the protection of intellectual property rights. The judiciary is independent, and the rule of law prevails. Corrupt acts by public officials are vigorously prosecuted and punished.



The top personal income tax rate is 45 percent. The federal corporate tax rate is 15.8 percent, but other taxes, including a solidarity tax, make the effective rate more than 30 percent. The overall tax burden equals 36.1 percent of total domestic income. Government spending has amounted to 44.2 percent of total output (GDP) over the past three years, and budget surpluses have averaged 0.4 percent of GDP. Public debt is equivalent to 71.0 percent of GDP.



The efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business operation to be as dynamic in Germany as anywhere else in the world. A nationwide statutory minimum wage was introduced in 2015. Monetary stability is well maintained, but electricity costs are among the highest in Europe because of the government's commitment to renewable energy.



Trade is important to Germany's economy; the value of exports and imports taken together equals 86 percent of GDP. The average applied tariff rate is 1.5 percent. Barriers to foreign investment are low, but state-owned enterprises distort the economy. The well-functioning and modern financial sector offers a full range of services. The banking sector consists of the traditional three-tiered system of private, public, and cooperative banks.