Germany

Germany’s economic freedom score is 73.5, making its economy the 24th freest in the 2019 Index. Its overall score has decreased by 0.7 point, with declines in monetary freedom and business freedom outpacing an increase in government integrity. Germany is ranked 14th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Business freedom and investment freedom remain strong overall in Germany. Long-term competitiveness and entrepreneurial growth are supported by openness to global commerce, well-protected property rights, and a sound regulatory environment. The current political coalition agreement suggests that a slight loosening of fiscal policy can be expected through increased public investment in infrastructure and digital technologies, greater spending on child care, and implementation of a lower income tax rate. Government spending on subsidies has reached record levels.

**ECONOMIC FREEDOM SCORE**

- **World Rank:** 24
- **Regional Rank:** 14
- **Economic Freedom Status:** MOSTLY FREE
- **Economic Freedom Score:** 73.5 (▼ DOWN 0.7 POINT)
- **Regional Average (Europe Region):** 68.6
- **World Average:** 60.8

**Relative Strengths:** Fiscal Health and Trade Freedom

**Historical Index Score Change (Since 1995):** +3.7

**Concerns:** Government Spending and Labor Freedom

**FREEDOM TREND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Freedom Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>73.8</td>
</tr>
<tr>
<td>2016</td>
<td>74.4</td>
</tr>
<tr>
<td>2017</td>
<td>73.8</td>
</tr>
<tr>
<td>2018</td>
<td>74.2</td>
</tr>
<tr>
<td>2019</td>
<td>73.5</td>
</tr>
</tbody>
</table>

**QUICK FACTS**

- **Population:** 82.7 million
- **GDP (PPP):** $4.2 trillion
- **2.5% growth in 2017**
- **5-year compound annual growth 1.7%**
- **$50,425 per capita**
- **FDI Inflow:** $34.7 billion
- **Public Debt:** 64.1% of GDP
- **Unemployment:** 3.8%
- **Inflation (CPI):** 1.7%

**Background:** Germany remains the European Union’s most politically and economically influential member nation. Chancellor Angela Merkel has been in office since 2005. After long negotiations, Merkel secured a fourth term in March 2018 when her centrist Christian Democratic Union and its junior partner, the Bavaria-based conservative Christian Social Union, formed a tenuous coalition with the Social Democratic Party after failing to secure an outright parliamentary majority in the September 2017 elections. Political tensions over the issue of migration remain high. Germany’s solid economy, the world’s fourth largest and Europe’s biggest, is based on exports of high-quality manufactured goods. Plans to build a second natural gas pipeline between Russia and Germany have come under fire from the U.S. and other European countries.

2017 data unless otherwise noted. Data compiled as of September 2018.
German law fully protects property rights for German citizens and foreigners. Secured interests in property, both chattel and real, are recognized and enforced. Germany boasts a robust regime to protect intellectual property rights. The judiciary is independent, and the rule of law prevails. Rare cases of public corruption occur (for example, in the construction sector), but corrupt acts are typically prosecuted and punished.

The efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business operation to be as dynamic as anywhere else in the world. The national minimum hourly wage, introduced in 2015, has been increasing. A 2017 regulatory change introduced restrictions on temporary employment. Monetary stability is well maintained. Subsidies hit an all-time high in 2018, and subsidy expenditures continue to expand.

The combined value of exports and imports is equal to 86.9 percent of GDP. The average applied tariff rate is 2.0 percent. Germany implements a number of EU-directed nontariff trade barriers including technical and product-specific regulations, subsidies, and quotas. Long-term competitiveness and investment are supported by openness to global commerce. The well-functioning and modern financial sector offers a full range of services.