

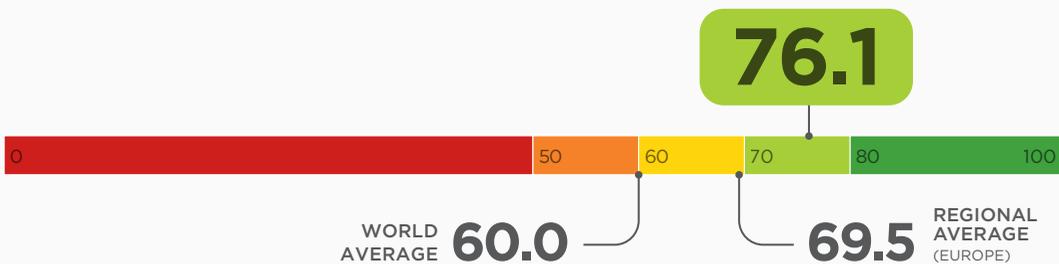
# GERMANY

Germany's economic freedom score is 76.1, making its economy the 16th freest in the 2022 *Index*. Germany is ranked 11th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Germany's economic growth slowed from 2017 through 2019, turned negative in 2020, and resumed at a modest level in 2021. However, the country's lackluster trend of economic freedom over the past five years has brightened Boosted by substantial score increases in rule of law (**property rights, judicial effectiveness, and government integrity**), Germany has recorded a 2.3-point overall gain in economic freedom since 2017 and has moved into the upper half of the "Mostly Free" category for the first time in the history of the *Index*. Fiscal health and **business freedom** are robust, but scores for **government spending and tax burden** remain low.

**IMPACT OF COVID-19:** As of December 1, 2021, 102,183 deaths had been attributed to the pandemic in Germany, and the government's response to the crisis ranked 8th among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.9 percent in 2020.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.3

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
83.2 million

**GDP (PPP):**  
\$4.5 trillion  
-4.9% growth in 2020  
5-year compound annual growth 0.4%  
\$54,076 per capita

**UNEMPLOYMENT:**  
4.3%

**INFLATION (CPI):**  
0.4%

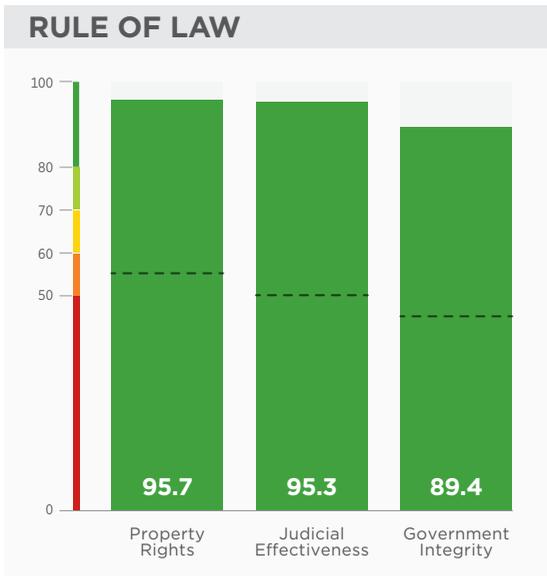
**FDI INFLOW:**  
\$35.7 billion

**PUBLIC DEBT:**  
68.9% of GDP

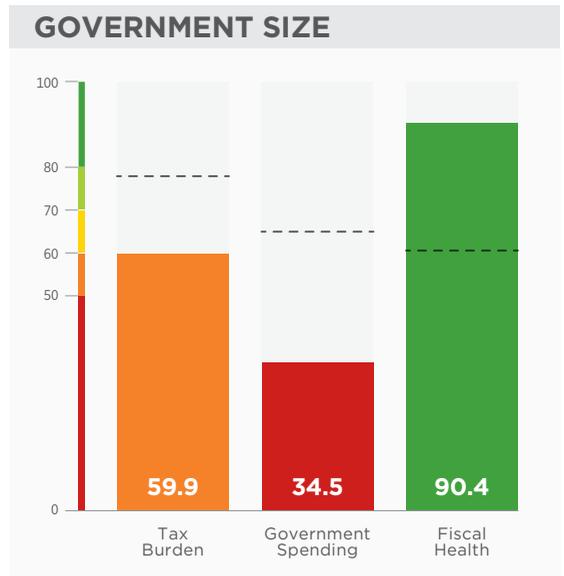
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** Germany remains the European Union's most politically and economically influential member nation. Former Chancellor Angela Merkel, who dominated German politics for 16 years, was succeeded by Olaf Scholz, who became only the fourth Social Democratic chancellor since the end of World War II by forming a complicated coalition government with the environmentalist Alliance '90/Greens and the market-liberal Free Democrats after September 2021 elections. Germany's solid economy, the world's fourth largest and Europe's largest, is based on exports of high-quality manufactured goods. Germany has come under fire from other European countries and the United States for its inadequate defense spending, continued construction of a second natural gas pipeline link with Russia, and economic ties to China.

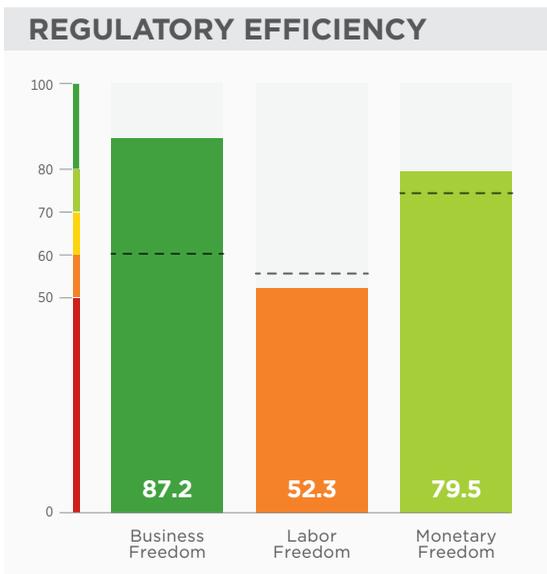
# 12 ECONOMIC FREEDOMS | GERMANY



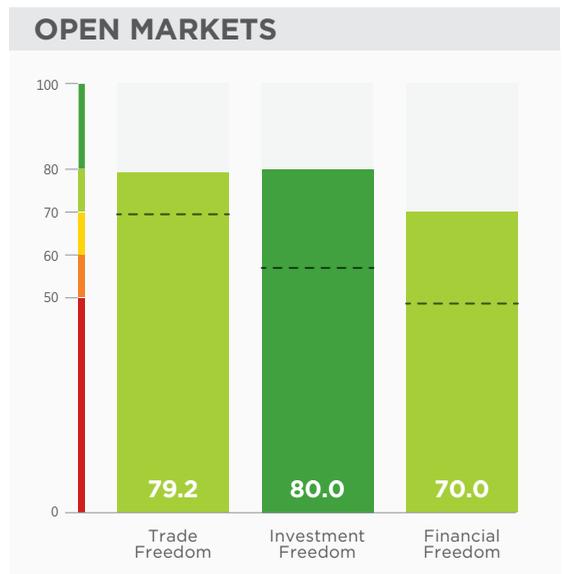
Real and intellectual property are well protected, and contracts are enforced. The judicial system is independent, and the government does not interfere in the court system. Cases of public corruption are rare, although some sectors, including the automotive industry, construction sector, and public contracting, exert political influence. The financing of political parties remains only partially transparent.



The top individual income tax rate is 47.5 percent, and the federal corporate tax rate is 15.8 percent (effectively above 30 percent with other taxes). The overall tax burden equals 38.8 percent of total domestic income. Government spending has amounted to 46.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.3 percent of GDP. Public debt is equivalent to 68.9 percent of GDP.



Regulatory and accounting systems are complex but fair. Infrastructure is reliable, and the social climate is attractive. Germany ranks seventh among the 27 EU members for average labor cost. Labor laws make the hiring and dismissing of employees problematic. Inflation in historically fiscally and monetarily conservative Germany rose significantly to nearly 3 percent in 2021, partly because of sharply rising natural gas prices across Europe.



As a member of the EU, Germany has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. The consistent, transparent, and modern investment framework supports and facilitates foreign investment. The competitive financial sector offers a full range of services.