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[Business](#), [Industries](#)



German Economy Germany has a free market economic system, but it does have provisions for those who are unable to work, ie. the unemployed or elderly. It is the largest economy of Europe, the fourth-largest by nominal GDP in the world, and fifth by GDP (PPP).

Germany is one of the original founding members of European Union and Eurozone. Germany has been one of the countries that has the largest amount of exports(Till 2009 it had the highest) . Germany's Economy has remained stable even during periods even during massive global crises as they don't lose focus of their goals irrespective of the situation. It is the largest market in Europe.

Germany has a major share in European GDP (20%) , and forms 17 % of the European population. The average growth rate of the GDP has been at 1. 8 %, which acts as a proof of the potential of its economy. The German economy is both highly industrialized and diversified; with equal focus placed on services and production. Capitalist EconomyThe idea is to have a basically capitalist economy but make it the state's job to mitigate its negative aspects by providing strong regulation against things like monopoly abuse, and a strong social safety net. A special feature in Germany is codetermination policy- in large companies, half of the board of directors must consist of representatives elected by the employees, usually trade union functionaries. This is believed to result in a less antagonistic climate between employers and employees and fewer strikes than in other countries. The German model of prosperity supports allowing local entrepreneurs to develop and initiate new industries which help the people to communicate

better with the world and to meet their needs in becoming current world players in the technology industries.

The flow of goods exported from Germany are grouped into sectors, and Germany has the dominant role in exporting for markets which specialize in goods which are the result of patents, niche markets and new innovations and inventions within the country. Sectors of German economy Only 1% of the GDP is formed by the agricultural sector and employs around 1.3% of the population. The improvement in agriculture has mainly come due to the subsidies provided by the govt.

. Its main products are milk, pork, livestock, sugar beets and cereals. There seems to be a preference of organic agriculture.

. Currently, Germany is going through a deindustrialisation phase of its Food sector. . Around 30% of the industrial sector is formed by the auto motive industry, which has fallen from 50% since 1950.

Along with this the other sectors that form a major part of the economy are electric and electronic equipment, mechanical engineering and chemical products. There is going to be a change in industrial landscape due to the decision to stop the use of civil nuclear power by 2022.. 70% of Germany's population works in the service sector.

It forms about 70% of the total GDP. There are around 3.6 million SMEs that employ 68% of the population. This forms the backbone of the economy. Fiscal and Monetary policies Fiscal Policy In 2010, the coalition govt

of Christian Democrats and Social Democrats cut 14 million dollars in taxes as agreed. . In 2011, they cut 24 million euros in income taxes benefiting in particular low- and middle-income families. This plan is still being followed and income taxes have been cut down dramatically over the past few years.

This reduction in taxes shows an expansionary fiscal policy. The next goals are to reduce the recessionary gap, increase employment, and stimulate the economy. Reducing taxes creates an opportunity for the economy to adjust itself while government spending can create new jobs. More jobs and less taxation on income will lead to a stable economy. Monetary Policy Germany's money is not its own so it does not have its own monetary policy. Germany has to abide by what the ECB (European Central Bank) says. An increase of 1.5% in interest rates has been expected from the ECB by the end of 2017.

. This rising of interest rates will not effect only Germany, but all the rest of the countries that are involved in the ECB. This can result in unstable prices, and alter many costs of living making it harder for citizens to get approved for loans on many things. It increases the cost of borrowing, increases mortgage income payments, increases incentive to save rather than to spend, rising interest rates affect both consumers and firms, and government debt interest payments increase. FDI It is considered one of the topmost countries for FDI, but due the 2008 crisis and the Eurozone crisis of 2012 its reputation has taken a hit.

. In 2015, the FDI was at 33.3 billion dollars, but fell to 9.5 billion dollars in 2016, it's lowest since 2009.

Its ranking fell after it was beaten by both Ireland and Netherlands for being more attractive for FDI, from 8th to 10th in 2015. German FDI has been falling since 2012, from 1.08 trillion dollars to just 771 billion dollars in 2016. Among the country's strengths are a highly powerful industrial network, a highly skilled workforce with a good command of English, reliable infrastructure, a favourable social climate, a stable legal framework and a location in the heart of Europe.

The only problems with its economy are its massive tax rates and almost inflexible labour laws.