

Comparative analysis of the economies of germany essay

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



The chart below shows a gradual decline on the AJAX government expenditure from 2003 to its lowest point in 2008. The sharp rise in 2009 was as a result of the government increasing spending to subdue the global financial crisis.

Government expenditure for the AJAX takes a small percentage of the GAP because the country is tax-free, smaller in size and less populated than Germany. The German government expenditure is generally uniform with its lowest peak in 2007 and highest peak in 2009. Again, the global economic recession caused the German government to increase spending in the form of stimulus packages in order to stabilize its economy. Source: narrow.

Deplorableness. Org 2. 3 Inflation, GAP deflator (annual %) Inflation is the persistent general increase in the prices of goods and services in an economy over a period of time. According to Burnham, p.

G. (2014), 'GAP Deflator is a measure of changes in price in an economy compared to the price of each year's output of goods and services to the price of that same output in a base year'. The specific application of the GAP deflator is to take the total market value of production and to remove the inflation caused by price changes to identify the actual change in GAP. The AAU shows a highly lactating inflationary tendency as shown on the chart below. Inflation reached its highest peak in 2008 due to the booming real estate which skyrocketed prices. As a result of the global financial crisis, the real estate crashed and inflation plunged to - 15.

16% in 2009. The falling oil prices and decreased demand for oil worldwide contributed to the 2009 sharp fall in inflation. The inflation rate in Germany

is generally stable and very low, hovering between 0.31% and 1.63%. The highly developed German economy has better capabilities to deal with inflation compared to the AJAX which is a evildoing economy and lack the right instruments to control inflation.

Source: databanks. Workloads. Org 2.

4 Exports of goods and services (% of GAP) Exports of goods and services represents expenditure on domestically produced goods and services by governments, firms and individuals overseas. $\text{Net Export} = \text{Exports} - \text{Imports}$ Net export could be negative or positive. The AJAX has a steady increase in exporting goods and services as can be seen in the chart below. But in 2010, there was a slight decrease to 78.

38% compared to 79.86% of the previous year. The reason for the steady rise in export could be attributed to tax-free policy, 100% foreign ownership of business operating in the many free trade zones and relocation of companies to the AJAX. These make AJAX a trading hub and boost its re-export potentials.

Compared to the AJAX, Germany which is a diversified and well developed economy also has a steady increase in export contribution to GAP which dropped slightly from 48.15% (2008) to 42.46% (2009). This drop could be attributed to the global financial crisis and the strengthening of the Euro against the US Dollar in 2009. However, a gradual growth in export resumed from 2010 as the global recession was almost over.

2.5 Imports of goods and services (% of GAP) According to the World Bank, ' imports of goods and

services represent the value Of all goods and other market services received from the rest Of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services.

They exclude compensation of employees and investment income and transfer payments'. Imports into the AJAX generally increased gradually ring the period 2003 and 2012. However, imports suffered two drops in 2006 and 2010 mainly due to falling oil prices and less government spending. The increase in GAP contribution was essentially due to increased number of companies operating in the many free trade zones assembling and re-exporting imported goods. Germany which is a well-developed and highly industrialized economy and depends heavily on export of finished goods had a steady gradual growth in import contribution to its GAP but suffered a slight drop in 2009.

This drop was due to the global financial crisis which reduced he purchasing of German trading partners. As such, German industries did not receive enough orders to boost their import of raw materials. The rapid increase in See's in import of goods and services could be attributed to increased government spending to shift from the non-oil sector, no taxation policy and 100% foreign ownership of companies in the free trade zones. . 6 unemployment, total (% of total labor force) World Bank defines unemployment as the share of the labor force that is without work but available for and actively seeking employment. A certain level of

unemployment is healthy to the economy. High unemployment is bad as it increases poverty, reducing GDP by increasing government spending in non-productive sectors like paying unemployment benefits and fighting crime.

The chart shows a gradual rise in unemployment in the AAU from 2.

7% in 2003 which flattened at 4. % from 2008 to 2011 but then dropped to 3. 8% in 2012. Some of the reasons for the rise in unemployment are: huge government benefits to the AAU locals, preference of current generation of AJAX nationals to cushy government jobs while considering the private sector jobs to be below them, large number of skilled expatriate willing to work and lack of professional education to match the needs of industry. However, unemployment figures are now falling because the government is investing in education and Improvisation process. Furthermore, unemployment figures for the AJAX may not be accurate since those of the mobile expatriate majority may not be considered as their residence permits are linked to their employment. Germany's unemployment rate tripled that of the AJAX between the periods 2003 to 2005 and then start to decline to almost double in 2010. A reason for the rise in unemployment rate was due to structural adjustments made by the new government of Angela Merkel in 2005.

A reason for the continuous fall in German unemployment was government's action in actively creating jobs and the academia giving industrial skills to the population. Employment figures for Germany could be more accurate because the country has very few expatriates. As seen on the diagram, while German unemployment was falling that of the AJAX was rising almost proportionately until they almost level each other out in 2012. 2.

7 Labouredly The World Bank spells out that, ' labor force participation rate is the reapportion of the population ages 15-64 that is economically active: all people who supply labor for the production of goods and services during a specified period'. The World Factbook notes that the LEASE labor force stands at 4. 88 million with a country comparison rank of 84.

Expatriates account for about 85% of the work force. The AJAX labor force has seen steady increase due to massive influx of skilled and unskilled expatriate workers, a booming real estate sector, numerous Seems set up in the free zones and the strong commitment by the government to diversify its economy by shifting away from oil and gas revenues. Increased Infrastructural development and specialized education are the major drivers for the increased labor force participation rate Of the local population.

This increase is also due to the Improvisation program which the government is following to ensure that nationals take active part in the development of their country. However, 2009 witness a slight drop in the work force due to the global financial crisis which hit the country very hard especially the construction and real estate sector. This saw a significant drop in real estate prices and closure of most instruction sites where majority of the workers were expatriates and had to leave. The German economy enjoys a highly skilled national labor force which has risen to 44. 2 million (2013) due to strong ties between academia and industry.

However, this growth is declining due to aging population and tight immigration rules which restrict expatriate workers. Source: Sway. Com 3.

Future Business Environment The future business environment of the developing AJAX is quite promising as it has successfully transformed itself into a business hub linking manufacturing points in Asia and emerging markets in the West (Africa and Europe). This is achieved through government spending in infrastructural developments (roads, rail, airports, schools, hospitals, sea ports), real estates, hotel, financial centers, free trade zones, transportation, logistics, communication, and tourism. The government strategic plan, Daubs Expected and the ABA Dhabi vision 2030 will make AJAX experience a boom that will create jobs, attract more expatriates and investors.

However, the country will need to put appropriate measures in place to handle inflation which poses a serious threat. Forecasts suggest that there will be approximately 13% increase in GAP per capita in the I-JAW economy by 2015. The inflation rates are also forecasted to rise by 2015.

(Trading Economics, 2014). Germany being a leader in technological and scientific advances has a bright future as minimum wage will be SIS\$ 11 per hour effective January 1, 2015. Their scientists and inventors are working newest technologies that will also help the economy in the long run.

Appropriate measures to curb GAP deficit are already in place and these will drive the economy into a positive future. 4. Conclusion After having studied, analyses and compared the various indicators; it is seen hat both countries are on the path to economic recovery and growth from the global crisis of 2009.

The AJAX will continue to implement its strategic plans that will reduce its dependence on oil and gas whose prices keep fluctuating and hence make LEASE the fastest growing economy in ICC and Arab World.