

**Author:**

**Gustavo Angel**

Expert of Rating-Agentur Expert RA GmbH

**For further information contact:**

**Rating-Agentur Expert RA GmbH**

Office 601a, Mainzer Landstrasse 49,  
 60329 Frankfurt am Main, Germany  
 +49 (69) 3085-54-85

E-mail: [info@raexpert.eu](mailto:info@raexpert.eu)  
[www.raexpert.eu](http://www.raexpert.eu)

**Main Economic Indicators of Germany**

<b>Macro indicators</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Gross pub. debt, bill EUR	2087	2161	2147
Nominal GDP, bill EUR	2609	2666	2737
Nominal GDP growth, %	4,6	2,2	2,7
Gross gov. debt/GDP,%	80,0	81,0	78,4
Deficit (surplus)/GDP,%	-0,8	0,1	0,2
Inflation rate,%	2,3	2,1	1,2
Curr. Account balance/GDP,%	6,3	7,4	7,0

**Development indicators** **2013**

Inequality adj. HDI	0,85
GDP per capita (Thou. of USD)	43,5

Sources: RAEX (Europe) calculations based on data from World Bank, IMF, Bloomberg

**Introduction**

Germany is the biggest economy in Europe in terms of GDP (which currently represents 28% of the whole Euro Area GDP) and stands as a world-leading exporter country with a positive account balance, which showed a surplus of 219,2 Billion USD by 2013 (7,5% of GDP). While the final impact of some variables (like the recently passed minimum wage law or the current ageing of population) is still unknown, the German government is endowed with noticeable features which influence its creditworthiness in a positive manner (Among others, low levels of short term debt and negligible figures of budget deficit).

**Recently passed German minimum wage law could make the labor market more homogeneous at the same time that may increase unemployment.** The law Setting the minimum wage at €8,5 that the new German coalition government recently passed is expected to have positive as well as negative impact on the labor market. While many analysts, including those from IMF, suggest that a nation-wide minimum wage will eliminate the disparities in wages arising from collective wage agreements in different industries, others consider that this policy will increase the level of unemployment by excluding part of low-skilled workers from the labor market. The answer to the question of whether this minimum wage will harm German competitiveness or increase the overall German welfare remains unknown.

**Strong position of Germany in European financial system, provides the country with additional advantage compared to other EU states.** Germany holds the highest share of capital at the ECB (see graph 1), which provides the country with additional advantage among other EU countries. Germany's strong position on the decision making at the ECB was evident during the aftermath of the 2008 financial crisis, when the Bundesbank strongly opposed to the bail out of stressed assets from other EU members.

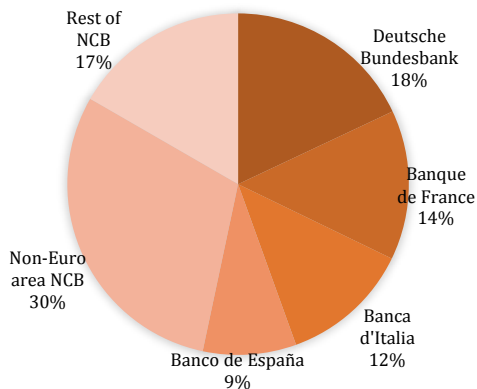
**Ageing population and downward trend in the number of inhabitants stand as the main obstacles for German mid- and long-term growth perspectives.** For the last 20 years the gap between the old-age

**Disclaimer**

The Agency disclaims all liability in connection with any consequences, interpretations, conclusions, recommendations and other actions directly or indirectly related to the conclusions and opinions contained in the Agency's Research Reports.

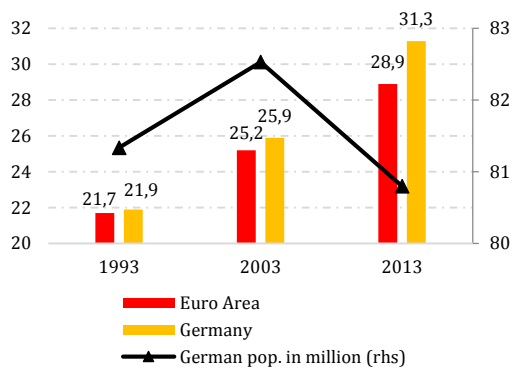
This Report represents the opinion of Rating-Agentur Expert RA GmbH and is not a recommendation to buy, hold or sell any securities or assets, or to make investment decisions.

**Graph 1:** Paid-up subscriptions of euro area national central banks (NCB) to the capital of the ECB



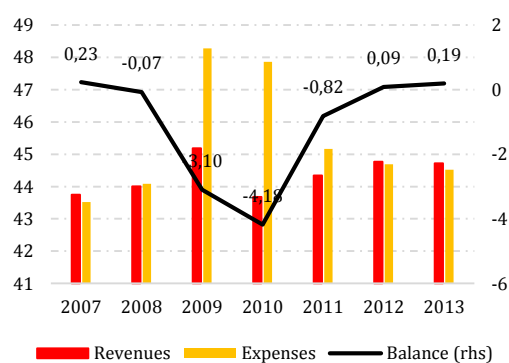
Source: RAEX (Europe) calculations based on data from ECB

**Graph 2:** Old-age dependency ratio (in %)



Source: RAEX (Europe) calculations based on data from IMF and Eurostat

**Graph 3:** Fiscal position of the German Government (as % of GDP)



Source: RAEX (Europe) calculations based on data from IMF

dependency ratio<sup>1</sup> of the Euro area and Germany has widened suggesting that German population is ageing at a higher pace than the average European population (see graph 2). In addition, since the year 2003, the total German population has been steadily declining due to the fact that the country's fertility rate<sup>2</sup> (1,38 in 2012) is below the replacement level fertility rate. This situation poses a risk for the future funding of the German pension system and represents the main obstacle for growth in the mid-term perspective.

**Fiscal budget converged to balance after deficit figures during the aftermath of the 2008 financial crisis.** Despite deficit figures (which reached a minimum value of -4,18% of GDP in 2010) emerged during the aftermath of the financial crisis, the German government has shown great commitment to maintaining a balanced fiscal budget through time. The quick convergence of fiscal budget to a balanced position of 0,18% of GDP in 2013 (see graph 3) is a proof of good quality of the German federal government fiscal policy.

**German GDP has shown a steady concentration on few sectors through time.** In 2013 and during the last years, the three main sectors in Germany (Industry, trade and public administration) accounted for 60% of total GDP (see graph 4). While this strong concentration of GDP may suggest a drawback for Germany, in reality it is the result of the high specialization of the country in those areas, which provide additional comparative advantages for international trade.

**While total government debt stands at high level, short-term debt poses no risk to the creditworthiness of Germany.** Even though current figures of gross government debt to GDP (78,4% in 2013) remain high compared to the country's average trend, this ratio has shown a steady decline over the last 3 years (see graph 5). Additionally, short-term debt represented only 8,14% of GDP and 18,2% of budget revenues.

<sup>1</sup> This indicator is the ratio between the total number of elderly persons of an age when they are generally economically inactive (aged 65 and over) and the number of persons of working age (from 15 to 64).

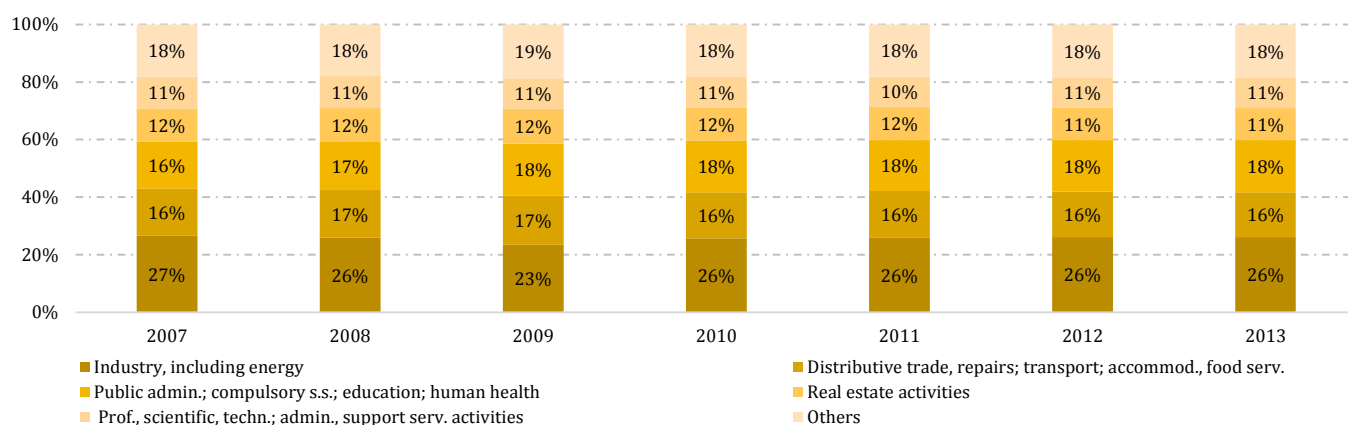
<sup>2</sup> The mean number of children that would be born alive to a woman during her lifetime if she was to pass through her childbearing years conforming to the fertility rates by age of a given year. The total fertility rate is also used to indicate the replacement level fertility; in more developed countries, a rate of 2.1 is considered to be the replacement level fertility rate.

**Disclaimer**

The Agency disclaims all liability in connection with any consequences, interpretations, conclusions, recommendations and other actions directly or indirectly related to the conclusions and opinions contained in the Agency's Research Reports.

This Report represents the opinion of Rating-Agentur Expert RA GmbH and is not a recommendation to buy, hold or sell any securities or assets, or to make investment decisions.

**Graph 4: Structure of German GDP by Sector**



**Graph 5: Gross government debt/GDP (%)**



Source: RAEX (Europe) calculations based on data from the IMF

### Conclusion

While the federal government showed great commitment in performing a sound fiscal policy, current trends of ageing population pose the main risk to future government finances and growth perspectives in the mid- and long-run. Even though gross government debt currently shows high figures, it has shown a downward trend in recent years. Current high levels of GDP concentration on few industries, which may stand as a negative factor for German, actually provide additional competitive advantages to the country in terms of international trade.

### Disclaimer

The Agency disclaims all liability in connection with any consequences, interpretations, conclusions, recommendations and other actions directly or indirectly related to the conclusions and opinions contained in the Agency's Research Reports.

This Report represents the opinion of Rating-Agentur Expert RA GmbH and is not a recommendation to buy, hold or sell any securities or assets, or to make investment decisions.