



German Lessons

Can Sweden Learn from German Labour Market Reforms?

The German Economic Development

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Outline

1. Growth since the German Reunification

2. Exports and imports

3. Investments

4. Employment and unemployment

5. National deficit and national debt

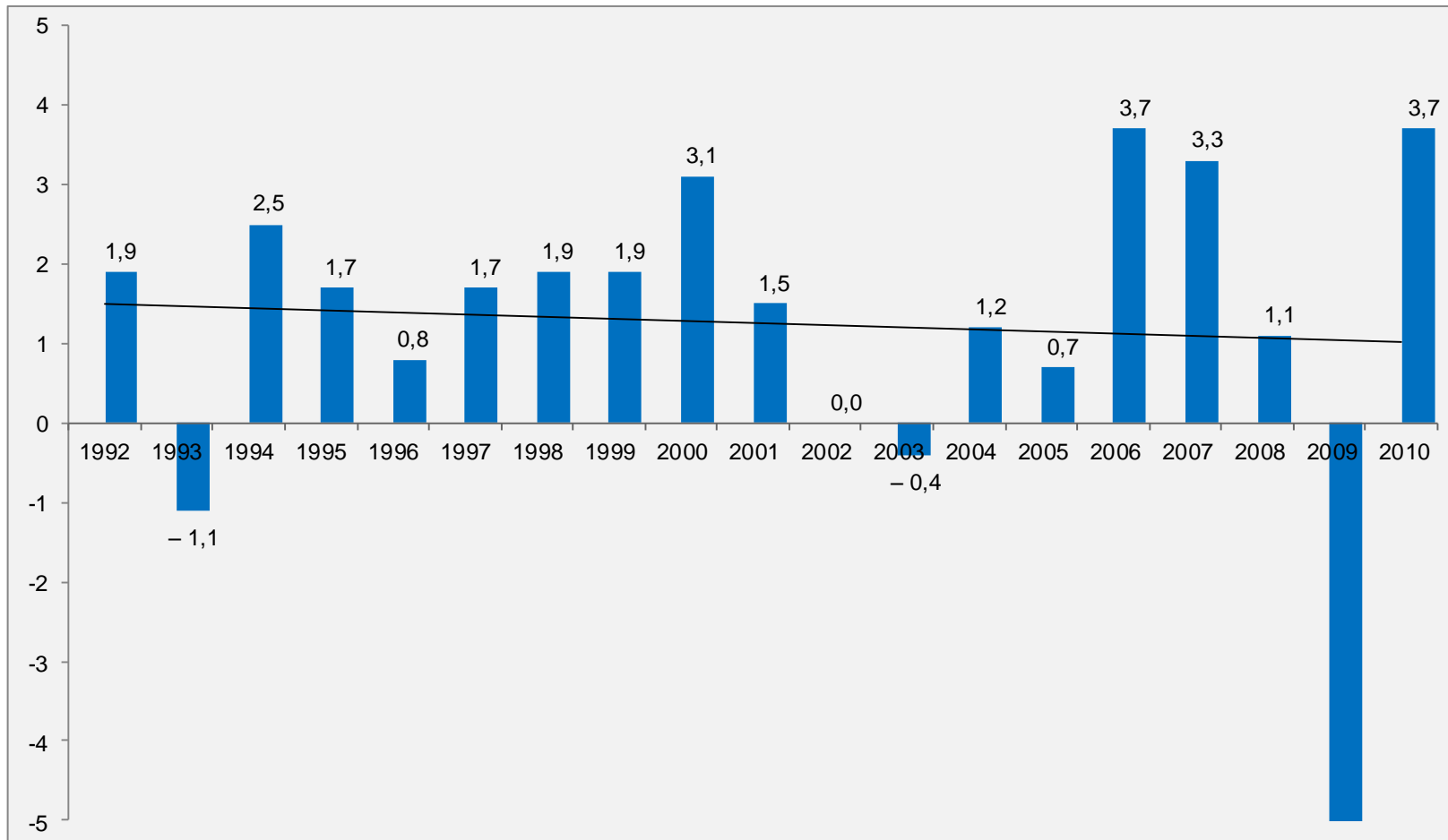
6. Summary - analysis

7. Reform barometer for Germany, Austria and Switzerland

8. German lessons – German risks

1. Growth since the German Reunification

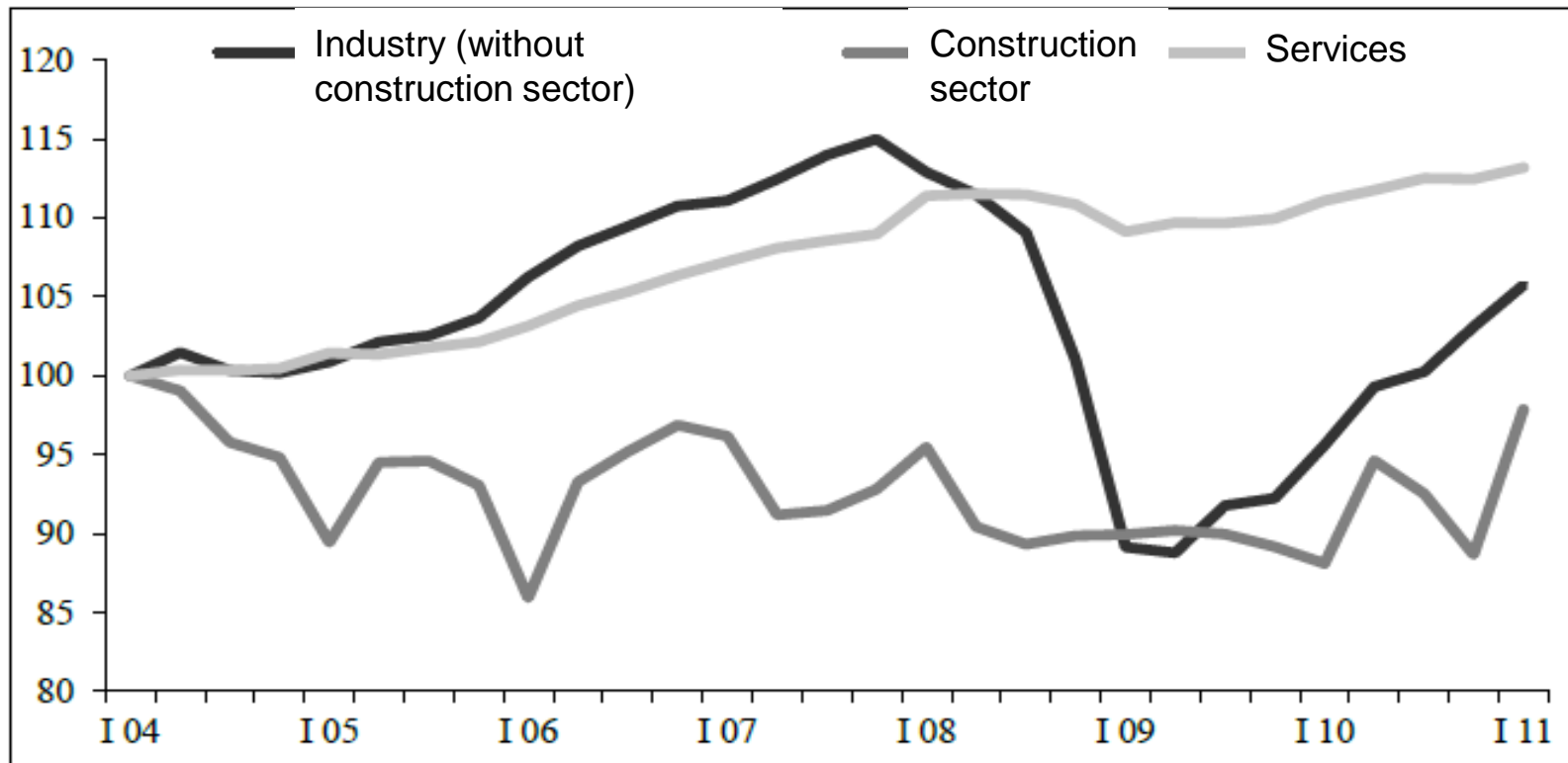
1.1 German GDP's development since 1992



Source: Statistisches Bundesamt

1.2 Sectoral contribution to German GDP

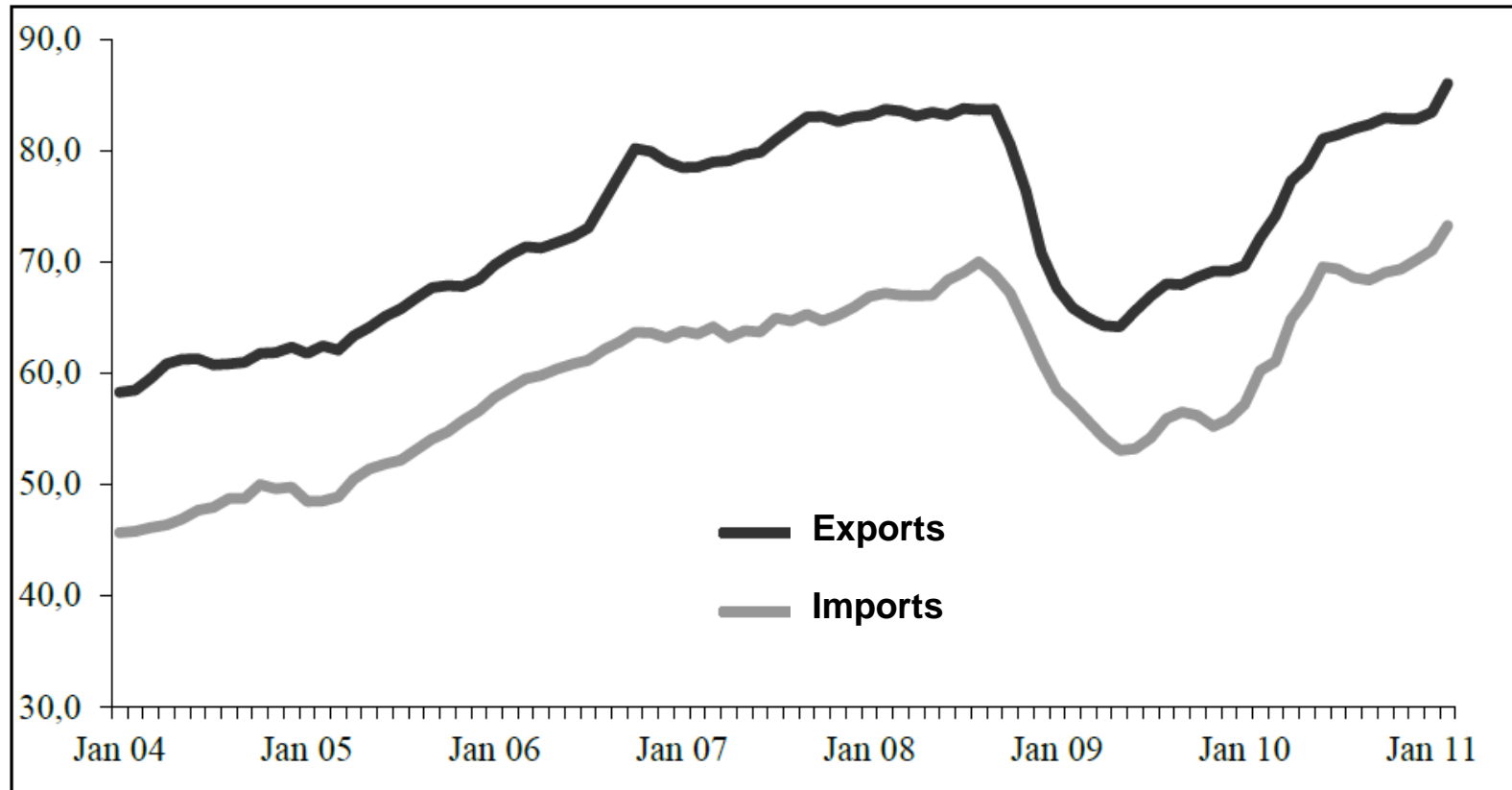
Index first quarter 2004 = 100



Sources: Statistisches Bundesamt; Institut der deutschen Wirtschaft Köln (economic forecast spring 2011, p. 16)

2. German exports and imports

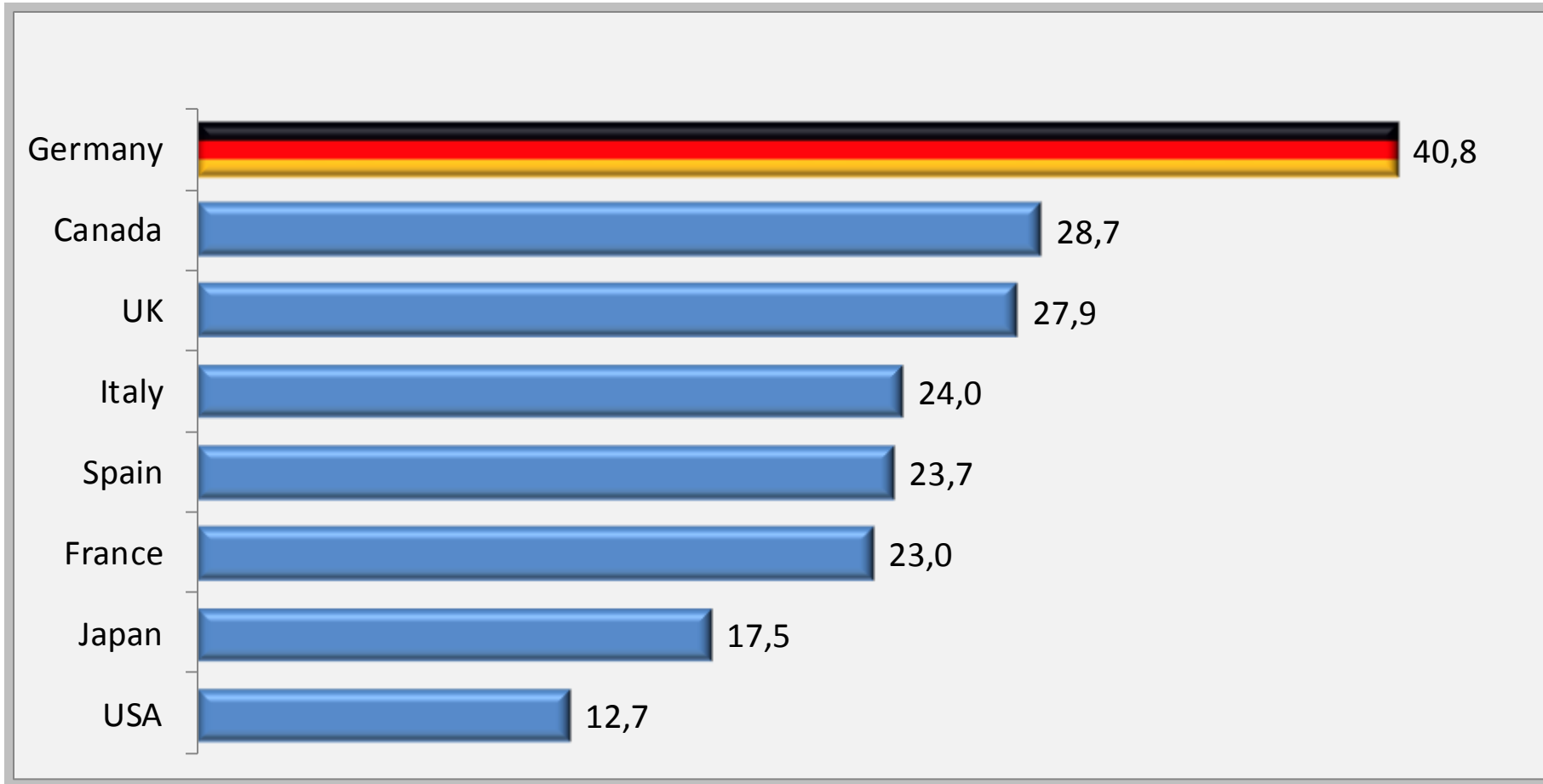
2.1 German exports' and imports' development since 2004 (billion euros, nominal)



Sources: Deutsche Bundesbank; Statistisches Bundesamt; Institut der deutschen Wirtschaft Köln (economic forecast spring 2011, p. 17)

2.2 Export orientation in comparison to other countries

Export of goods and services in 2008 (as a percentage of GDP)

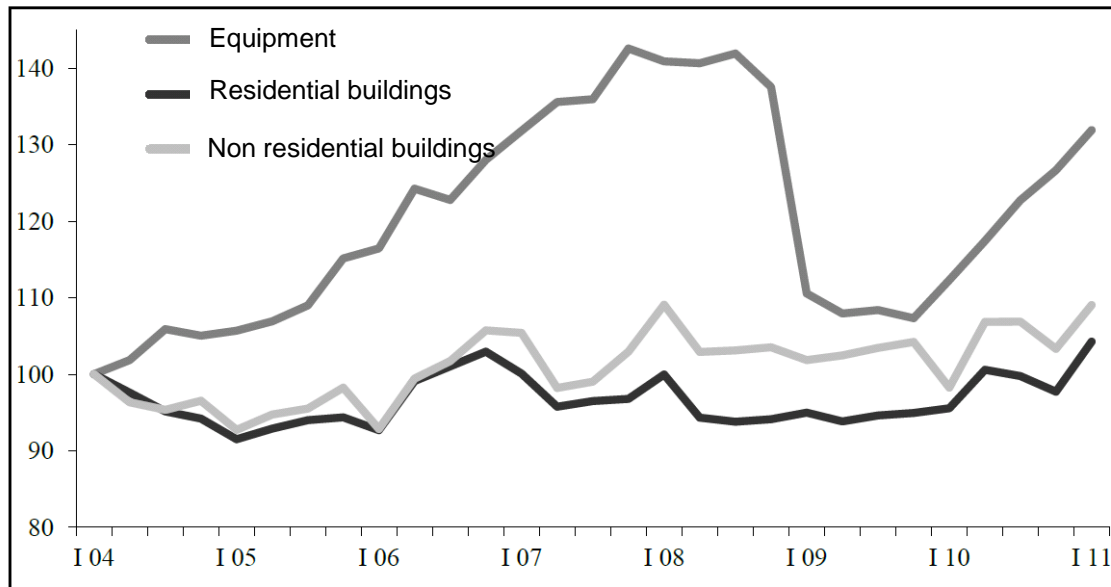


USA, Japan: 2008; sources: OECD, IW Köln

3. Investments

3.1 Investments in Germany

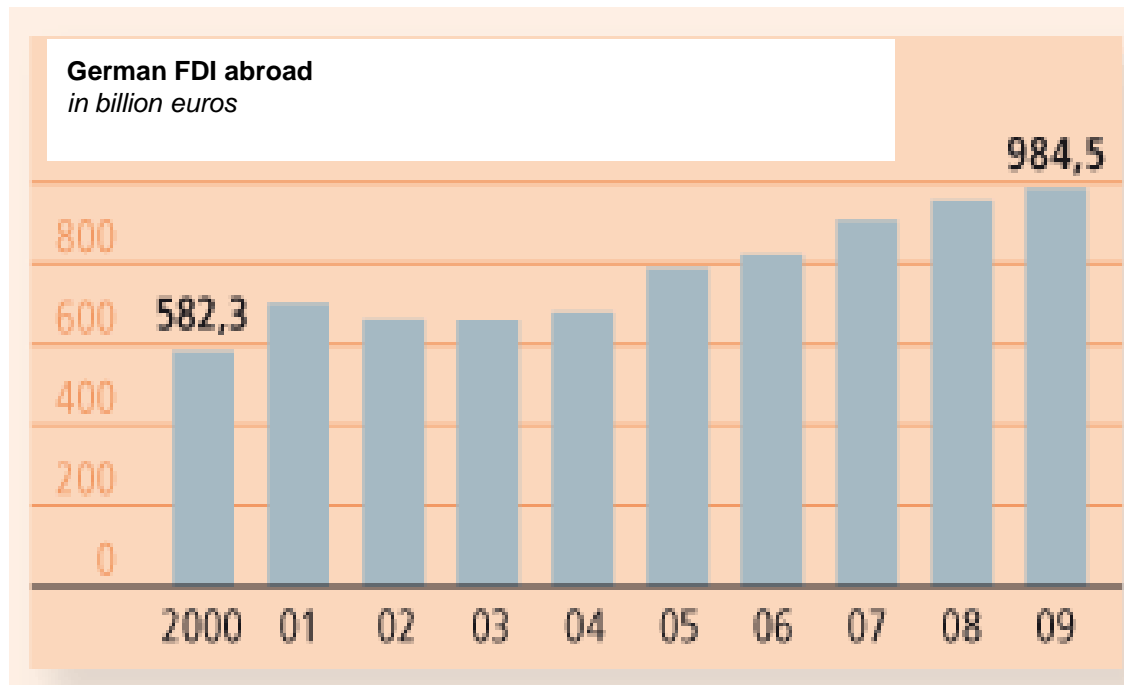
Investments in Germany
Index first quarter 2004 = 100



Quellen: Statistisches Bundesamt; Institut der deutschen Wirtschaft Köln

Sources: Statistisches Bundesamt; IW Köln (economic forecast spring 2011, p. 20)

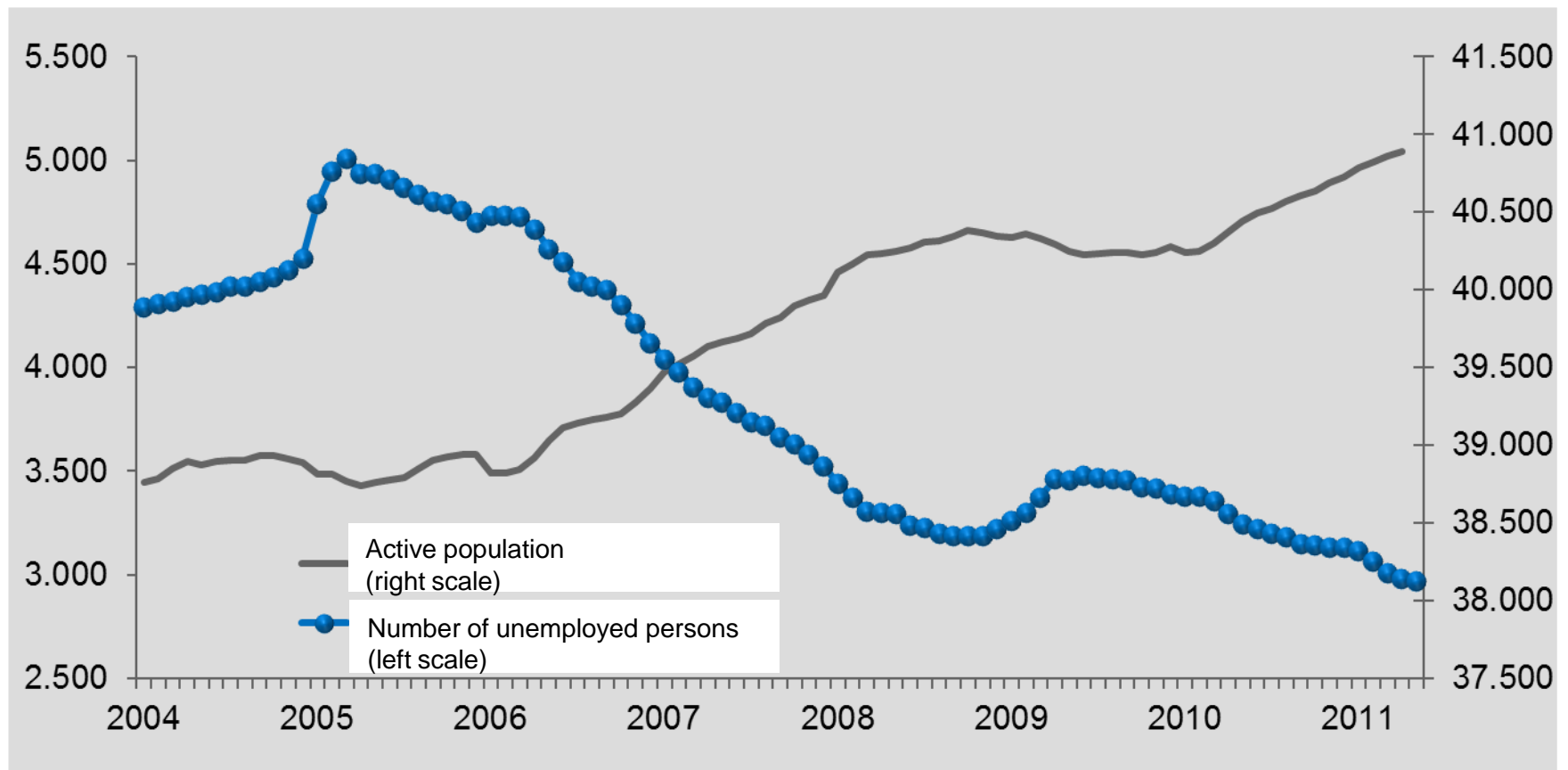
3.2 German Foreign direct investments (FDI) – immediate and mediate



Source: Deutsche Bundesbank; IW Köln (iwd, n° 25, june 23rd, 2011, p. 4)

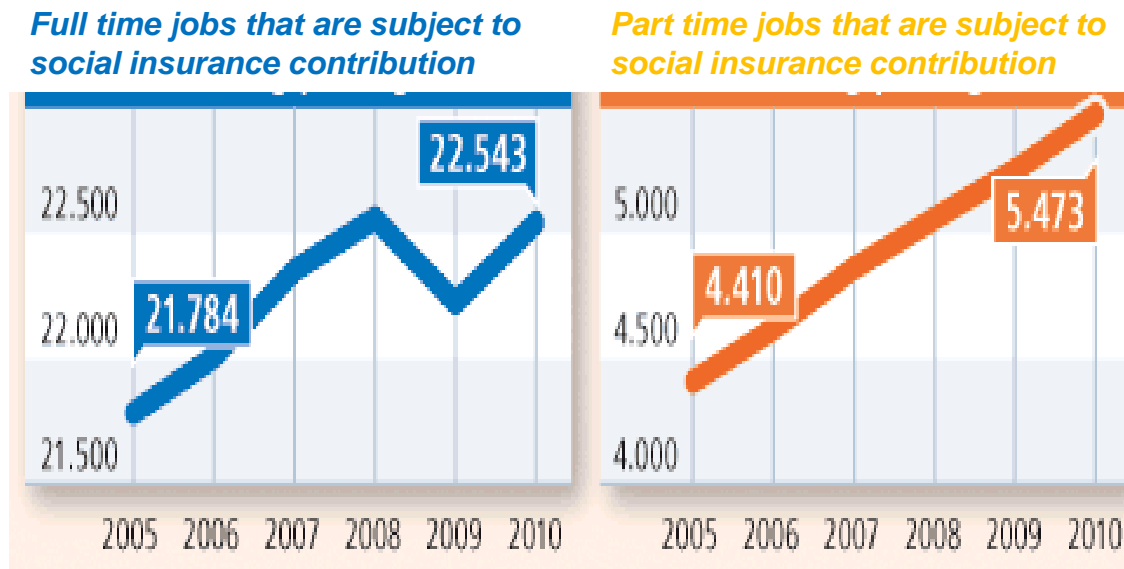
4. Employment and unemployment

4.1 Active population and number of unemployed persons (factor 1.000), seasonal effects eliminated



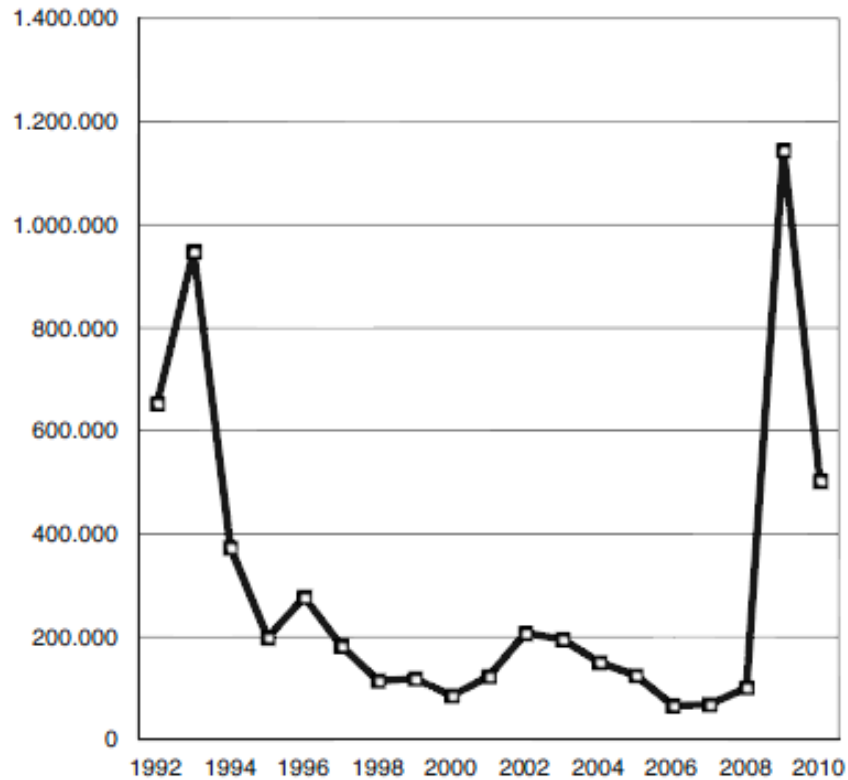
Sources: Bundesagentur für Arbeit; Deutsche Bundesbank

4.2 An increasing number of jobs that are subject to social insurance contribution



Source: Bundesagentur für Arbeit; IW Köln (iwd, n° 32, aug 11th, 2011, p. 1)

4.3 German “Kurzarbeit” Number of employees receiving “Kurzarbeitergeld”



Source: Bundesagentur für Arbeit, German labour market report 2010, p. 13.

5. National deficit...

National deficit (as a percentage of GDP, Finanzstatistik BMF, Jan 2012)

1991	-4,1
1992	-3,6
1993	-4,2
1994	-3,3
1995	-3,0
1996	-3,3
1997	-2,5
1998	-1,5
1999	-1,3
2000	-1,6
2001	-2,2
2002	-2,7
2003	-3,1
2004	-3,0
2005	-2,3
2006	-1,7
2007	0,0
2008	-0,3
2009	-3,8
2010	-4

... and national debt

National debt (as a percentage of GDP)	
2003	63,9
2004	65,8
2005	68,0
2006	67,6
2007	64,9
2008	66,3
2009	73,5
Spring 2011 forecast	
2010	83,2
2011	82,4
2012	81,1

Source: Eurostat, april 2011

6. Summary - analysis

Evaluation

1. Growth



2. Exports and imports



3. Investments



4. Employment

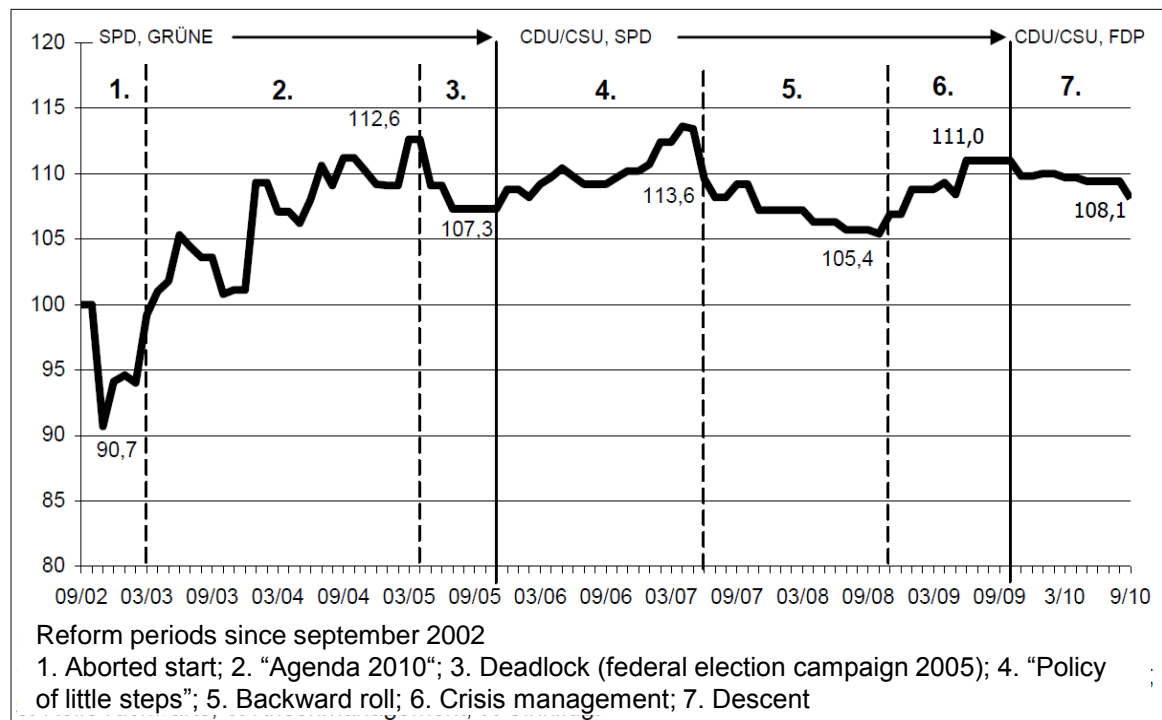


5. Public finances



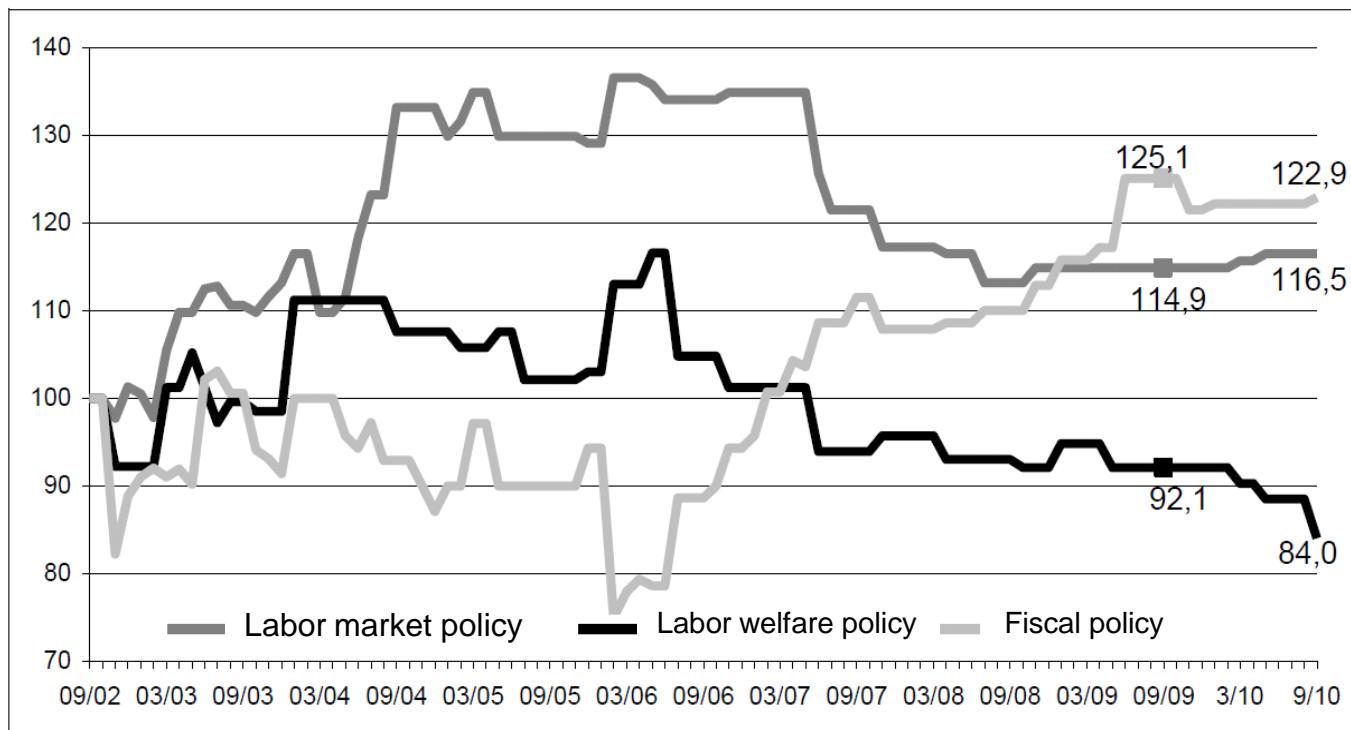
7. Reform barometer for Germany, Austria and Switzerland

7.1 Reform barometer for Germany (sept 2002 = 100)



Source: Institut der deutschen Wirtschaft Köln

7.2 Reform barometer for Germany: indicators (sept 2002 = 100)



Source: Institut der deutschen Wirtschaft Köln

8. German lessons – German risks

8.1 German lessons

- Industry and services are responsible for the German rebound. For a country's economic well-being it is vital to have an industrial basis.
- However, a solid industrial basis is not the result of any industrial policy, but of clear competition rules and productivity-based wages.
- Germany's industrial SME network also favors the increase of exports.
- Especially German industrial businesses invest in a new equipment in order to enlarge their production capacities, not only at home but also abroad.
- The pro-business "Agenda 2010" is mainly responsible for the German labor market's boom, setting incentives to work and providing more flexibility. The German "Kurzarbeitergeld", although not a flawless market mechanism, contributed to low unemployment figures during the crisis. The low youth unemployment may be due to the lack of a legal minimum wage and the German "wage scale autonomy".
- German deficit reduction has been quite successful, thanks to the new constitutional debt brake. Yet, more efforts are necessary to reduce the national debt.

8.1 German risks

- European bail-out policy for heavily indebted member states of the eurozone presents a risk for Germany's public finances.
- German inflation rate is currently up to round about 2,5 %. The European Central Bank should be aware of the risk and control inflation.
- The boom increases the demand for skilled personnel. The German government should facilitate the access to the German labor market for foreign qualified employees. In this context the European common market plays an important role.
- The German "Energy Turnaround" involves high costs. To prevent a deindustrialization and to guarantee a stable energy supply in the future, it is important to build up a European energy network.



In general:





Thank you for your attention.