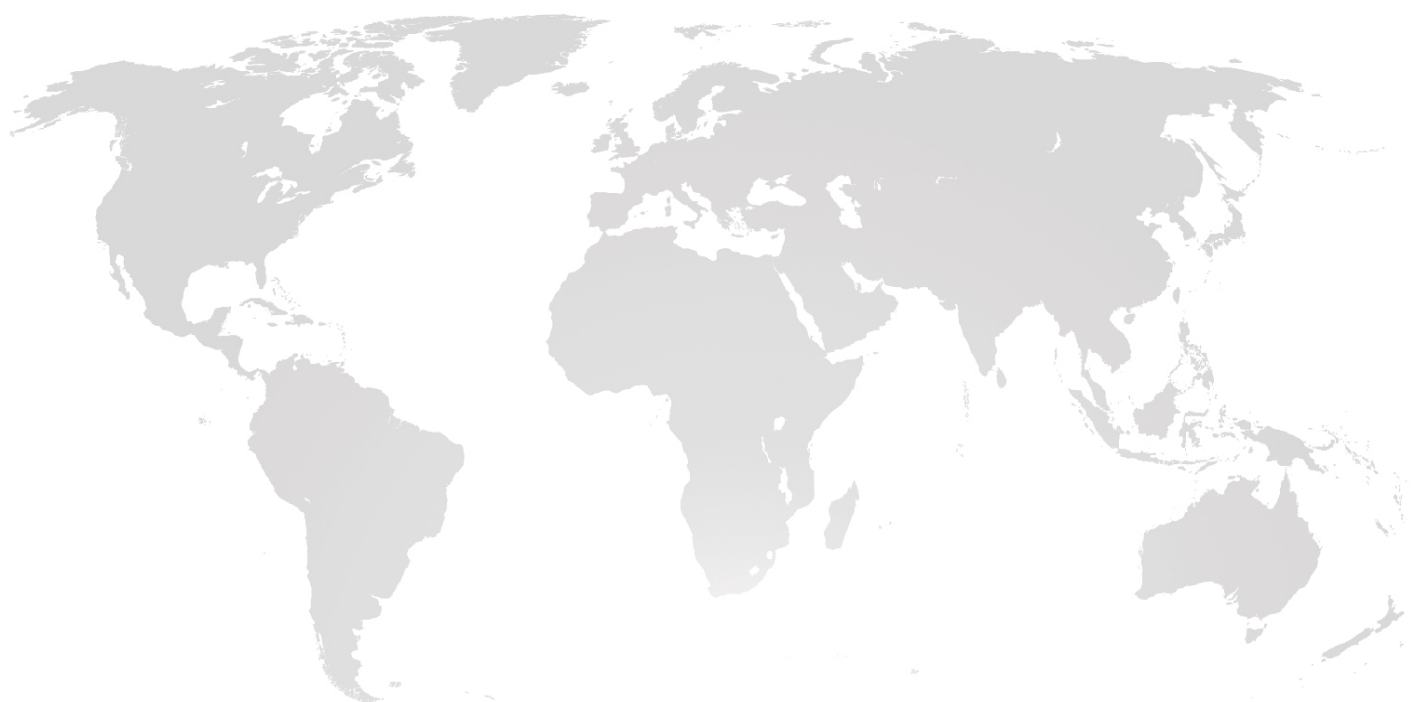




D&B Country Insight Snapshot: Germany

June 2015



Written 05 June 2015



Overview

Overall Country Risk Rating : DB1d



Lowest risk : Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.

Rating Outlook: Stable →

Core Outlook

- + Labour supply has increased due to immigration from ailing euro-zone economies and greater numbers of university graduates.
- + Local supplier quality is a strong point, and raises the attractiveness of local sourcing options for many firms.
- Germany's demographic structure is deteriorating, and attempts to boost birth rates in 2009-12 have been unsuccessful.
- Childcare is insufficient, reducing women's labour market participation rates and undermining the country's growth potential.

Key Development

The country's labour market strengthens amid sound wage growth and falling unemployment. As inflation remains subdued, consumer power is increasing markedly.

Credit Environment Outlook

Key Development has had a positive impact on the outlook.

Supply Environment Outlook

Key Development has had a positive impact on the outlook.

Market Environment Outlook

Key Development has had a positive impact on the outlook.

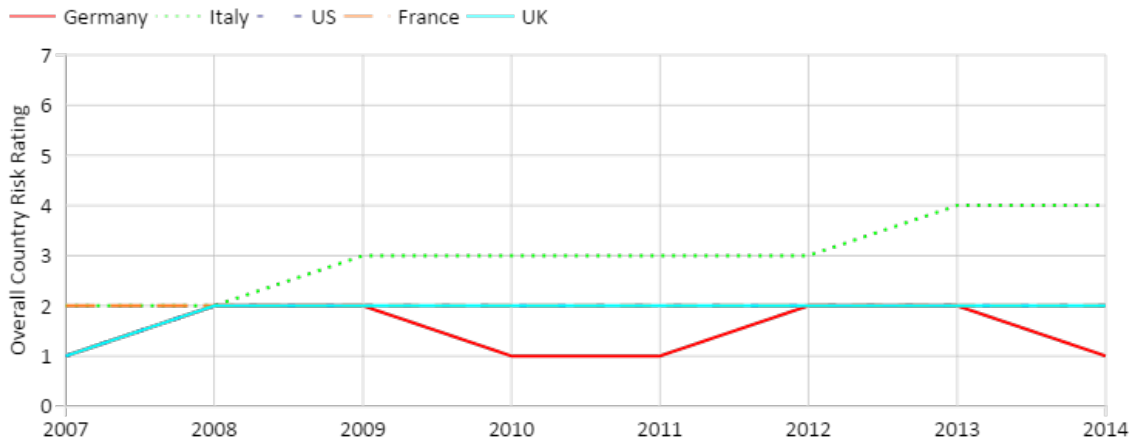
Political Environment Outlook

Key Development has had a neutral impact on the outlook.



Key Indicators

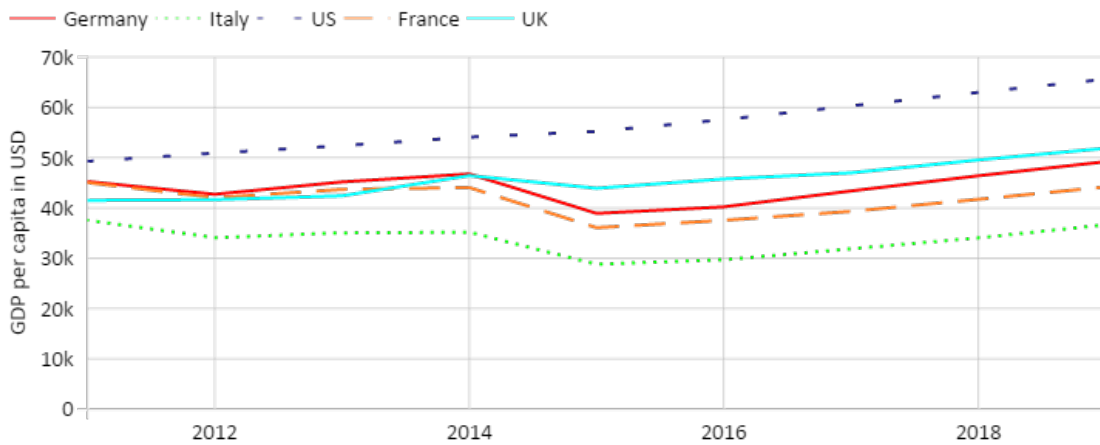
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	6.9	6.6	7.8	7.5	6.6	6.0	5.5	5.0
Govt balance, % GDP	0.1	0.1	0.7	-0.2	0.0	0.2	0.2	0.2
Inflation, annual avge %	2.1	1.6	0.8	0.5	1.2	2.3	2.2	2.2
Real GDP Growth, %	0.9	0.1	1.6	1.8	2.0	2.5	2.7	2.7
Unemployment, %	5.4	5.2	5.0	5.3	5.4	5.5	5.5	5.7

Source : Haver Analytics/D&B

Trade and Commercial Environment

According to the *Payments Study 2015*, released by Dun and Bradstreet's Italy-based World Wide Network partner Cribis, payments performance in Germany exceeds the European average. Our proprietary data shows that 74.8% of all bills in Germany were settled on time last year, compared with the European average of 37.6%. Compared with 2007, the share of timely payments has risen significantly (from 53.9%). At the same time, the share of payments that were made 90 or more days late has fallen from 3.2% in 2007 to 0.4% in 2014 (the European averages are 4.1% and 3.8%, respectively). Sectoral differences in payment patterns are rather small and the share of payments made 30+ late is below 1.0% for all company sizes (micro, small, medium and large).

Trade Terms and Transfer Situation

Minimum Terms: OA

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 0-30 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

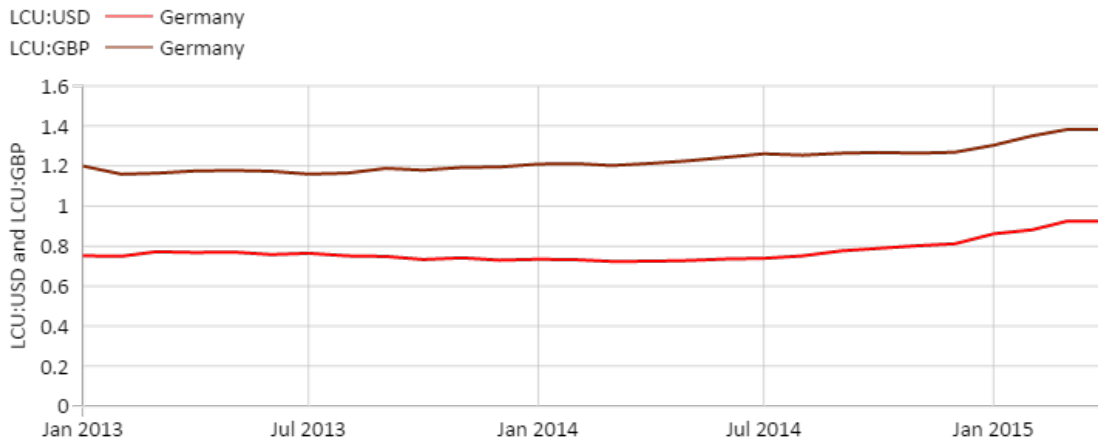
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



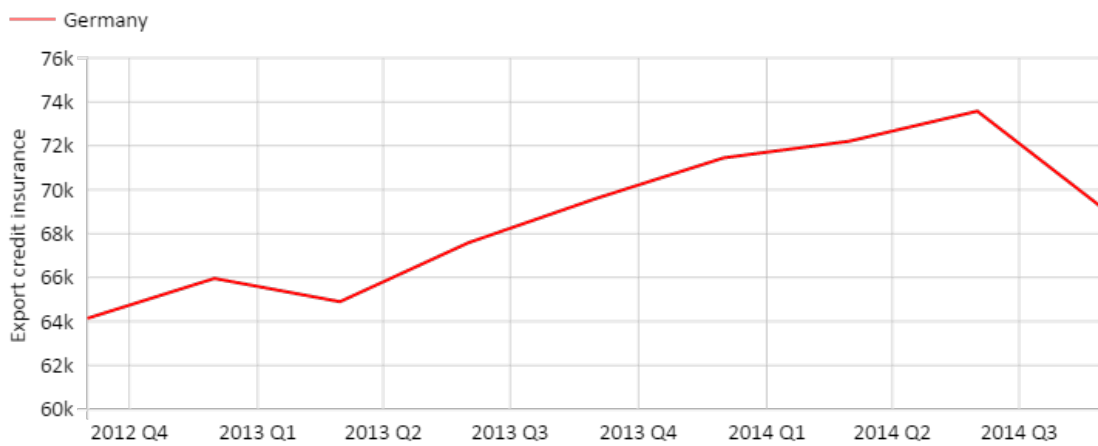
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Short-Term Economic Outlook

The labour market strengthens

While unemployment rates in the euro zone in general and the ailing Mediterranean region in particular remain high, Germany's labour market continues to outperform its peers. The latest figures from the Federal Employment Agency in Nuremberg show that the number of unemployed persons dropped to 2.76m in April (the lowest number since 1991). At the same time, the number of employed persons increased to an all-time high of 42.65m. The positive news from the labour market is even more surprising because some experts had expected the market to cool in early 2015 as the country had introduced a nationwide minimum wage of EUR8.50 per hour on 1 January.

Encouragingly, the further drop in unemployment is accompanied by sound nominal wage growth. Figures from the German Statistics Office, Destatis, highlight that salaries have increased by a robust 2.7% y/y in January to March, also helped by the minimum wage introduction. As inflation remained subdued in early 2015 (April figures show a 0.7% y/y increase), the purchasing power of German households is expanding strongly. However, the weakness of the euro (which has lost 10% against the dollar and 8% against the pound in the past six months) will put a strain on export prospects to the country. Taking all factors into account, we expect the German economy to expand by 1.8% this year (after expanding by 1.6% in 2014), but the situation in Greece needs close and constant monitoring. Although not our core scenario (we actually only assign a 10% risk), a disorderly break-up of the euro zone in the wake of a potential Grexit could send the German economy into a severe recession. For now, we maintain the country's DB1d rating (together with Norway and Sweden, Germany is our best-ranked country in the world) with a stable outlook.

Business Continuity

Business failures still trend downwards

Insolvency figures from Destatis show that the number of business failures fell by 8.2% y/y in February, on top of a 15.4% drop posted in January and a 7.3% reduction for 2014 as a whole. With the exception of September and December 2014, the number of business failures fell in every single month (in y/y terms) since November 2012. In February, 1,879 firms had to file for insolvency. Unchanged from the previous months, the trade sector was the riskiest sector to do business with, accounting for 335 insolvencies. Construction (308), technical services (211) and hotels and restaurants (203) are ranked second- to fourth-riskiest sectors.

Moreover, the amount of unsettled bills resulting from business failures has dropped from EUR1.8bn in February 2014 to an expected EUR1.5bn in February 2015. Dun and Bradstreet predicts that the number of insolvencies will continue to move lower, helped by ultra-loose monetary policy, the economic recovery and by generally good refinancing conditions of companies, all of which lead to an exceptionally low level of business continuity risk in Germany. That said, pockets of weakness in several sectors persist and these require closer monitoring.

Country Profile and Statistics

Overview

Germany lies in the centre of Europe, with access to the North Sea and the Baltic Sea, and land borders with nine other countries. As the most populous country and largest economy in Western Europe, Germany is a key member of the EU. Its democracy is characterised by a relatively high degree of ideological coherence; coalition governments are the norm.

Germany has an advanced economy; its elevated standard of living is underpinned by high levels of productivity and a world-class capital stock, including public infrastructure. Although services account for over two-thirds of output, the economy is driven by the export-oriented manufacturing sector. Germany has, so far, shown some resilience against the euro-zone debt crisis but this might change in the outlook period. In addition, its position as the world's second-largest merchandise exporter has made the country vulnerable to fluctuations in global demand.

Key Facts

Key Fact	Detail
head of government	Chancellor Angela MERKEL
Capital	Berlin
Timezone	GMT +01-00
Official language	German
Population (millions)	82.7
GDP (USD billions)	3,864.8
GDP per capita (USD)	46,760
Life expectancy (years)	80
Literacy (% of adult pop.)	99.9
Surface area (sq km)	357,022

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	3.9	3.4	0.9	0.1	1.61
Nominal GDP in USDbn	3,410.6	3,750.7	3,537.3	3,737.6	3,864.8
Nominal GDP in local currency (bn)	2,571	2,695	2,752	2,814	2,908
GDP per Capita in USD	41,083	45,247	42,721	45,180	46,760
Population (year-end, m)	83.02	82.89	82.8	82.73	82.65
Exchange rate (yr avge, USD-LCU)	0.75	0.72	0.78	0.75	0.75
Current Account in USDbn	185.13	226.82	243.06	248.12	285.99
Current Account (% of GDP)	5.43	6.05	6.87	6.64	7.4
FX reserves (year-end, USDbn)	300.24	316.71	332.54	330.96	327.67
Import Cover (months)	1.33	1.19	1.31	1.29	1.4
Inflation (annual avge, %)	1.2	2.5	2.1	1.6	0.8
Govt Balance (% GDP)	-4.1	-0.9	0.1	0.1	0.2

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.8	2	2.5	2.7	2.7
Nominal GDP in USDbn	3,213.3	3,316.1	3,571.8	3,814.4	4,036.7
Nominal GDP in local currency (bn)	2,975.3	3,070.5	3,217.9	3,375.6	3,541.0
GDP per Capita in USD	38,920	40,218	43,384	46,407	49,201
Population (year-end, m)	82.6	82.5	82.3	82.2	82
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.9
Current Account in USDbn	241	218.9	214.3	209.8	201.8
Current Account (% of GDP)	7.5	6.6	6	5.5	5
FX reserves (year-end, USDbn)	360	380	385	390	400
Import Cover (months)	1.5	1.5	1.3	1.4	1.5
Inflation (annual avge, %)	0.5	1.2	2.3	2.2	2.2
Govt Balance (% GDP)	-0.2	0	0.2	0.2	0.2

Source : D&B

Comparative Market Indicators

Indicator	Germany	Italy	US	France	UK
Income per Capita (USD)	46,760	35,180	54,086	44,050	46,431
Country Population (m)	82.7	61.1	322.6	64.6	63.5
Internet users (% of population)	84	58.5	84.2	81.9	89.8
Real GDP Growth (% p.a., 2015 - 2024)	2 - 3	-0.5 - 1.5	1.5 - 3	1.2 - 2.1	1.5 - 3.5

Source : D&B

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