



Decide with Confidence

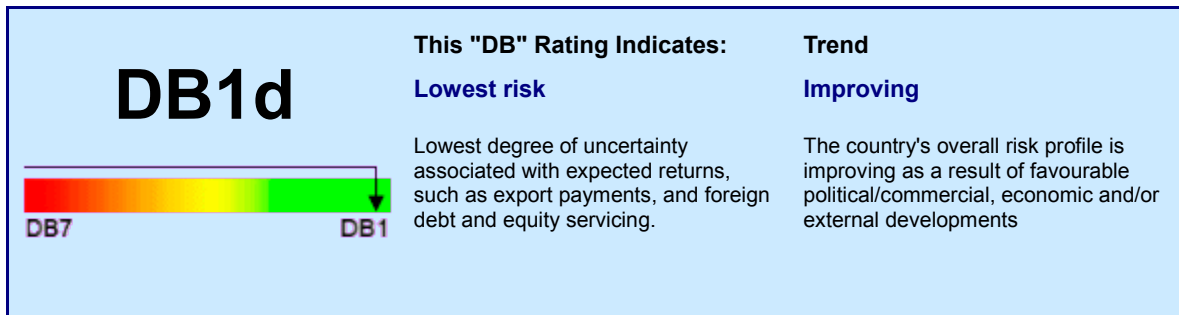
D&B Country RiskLine Report

GERMANY

Region : Western Europe

Edition : January 2011

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	82.2m
Surface area (sq km):	357,022
Capital:	Berlin
Timezone:	GMT +01:00
Official language:	German
Head of government:	Chancellor Angela MERKEL
GDP (USD):	3.3trn
GDP per capita (USD):	40,483
Life expectancy (years):	79
Literacy (% of adult pop.):	99.9

Country 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, which specialises in high-tech capital goods. The global financial crisis affected Germany deeply, although the economy has not been driven by debt or a housing boom. Its position as the world's second largest merchandise exporter has made the country vulnerable to fluctuations in global demand.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

The economic recovery and banks' less restrictive lending practices have boosted German companies' payments performance. D&B's proprietary payments performance data show that payment trends have improved since Q3 2009, in respect of both domestic and cross-border payments. German firms paid only 4.7% of their bills to European shippers 30 or more days over terms in the year to end-Q3 2010. In terms of domestic payments, German firms settled 84.3% of their bills promptly in November, up from 79.3% a year earlier. After improving particularly strongly in export-oriented sectors (such as the car industry) in recent months, payment behaviour has also begun to improve markedly in sectors focusing on domestic demand, such as small trade/craft and construction.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

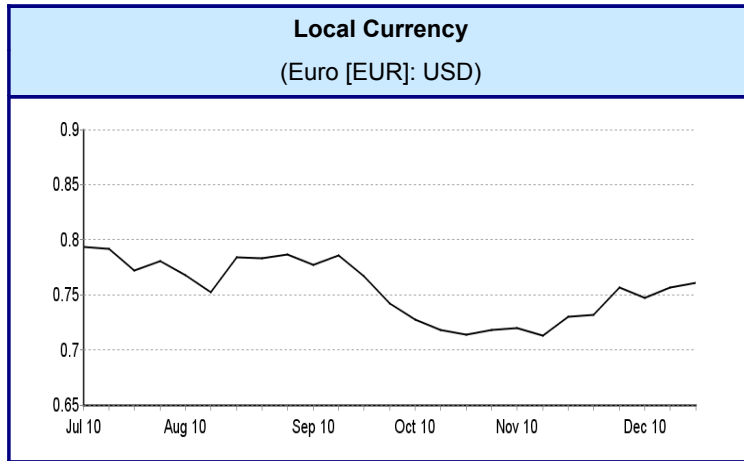
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	0.7	-4.7	3.5	2.3	2.5
Inflation, annual ave, %	2.8	0.2	1.1	1.5	1.7
Govt balance, % GDP	0.1	-3.0	-3.6	-2.5	-1.8
Unemployment, %	7.3	7.5	6.9	6.4	6.2
C/A balance, % GDP	6.8	5.0	4.9	4.6	4.3

"Payments Performance" chart reflects experiences of EU rather than US companies. Inflation and unemployment are based on EU-harmonised data.

Currency Information

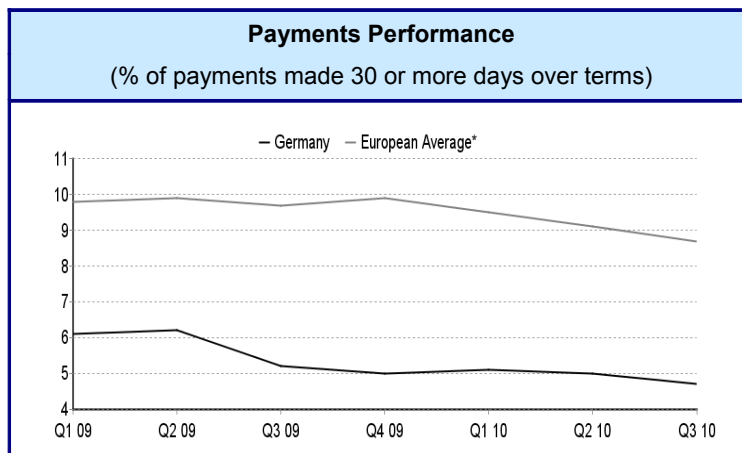
Exchange Rates	
(London, 13 Dec 10)	
GBP	1.1946
JPY*	0.9012
USD	0.7564
*(x 100)	



Local Currency
(Euro [EUR]: USD)

	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10
Week 1	0.794	0.768	0.778	0.728	0.720	0.747
Week 2	0.792	0.752	0.786	0.718	0.713	0.756
Week 3	0.772	0.784	0.766	0.714	0.730	0.760
Week 4	0.780	0.783	0.742	0.718	0.732	
Week 5		0.786			0.757	

Payments Performance



Data Table

Q1 09	Q2 09	Q3 09	Q4 09	Q1 10	Q2 10	Q3 10
6.1	6.2	5.2	5.0	5.1	5.0	4.7
9.8	9.9	9.7	9.9	9.5	9.1	8.7

Risk Factor

Germany's economic outlook remains favourable. Key forward-looking indicators all point to an on-going robust recovery in economic activity. In November, the Purchasing Managers Index (PMI) for the manufacturing sector (produced by Markit) rose to 58.1, the highest value since August. A sharp increase in new orders bodes well for manufacturing activity in the next couple of months, while the fast pace of job creation in the sector signals a further improvement in the labour market outlook (and thus household purchasing power). Business and consumer confidence have also continued to trend upwards. In November, the *Ifo Business Climate Index* rose to its highest level since 1990. Overall, we forecast healthy real GDP growth of 2.3% in 2011 and 2.5% in 2012.

The key risk to this favourable outlook derives from uncertain global demand; Germany's recovery initially relied on exports, although domestic demand is becoming a second pillar of the rebound. We expect the global economy to slow moderately in 2011. However, the downturn could be sharper if the debt crisis in the euro-zone (Germany's key market) worsens and/or inflationary shocks in emerging markets (another important export destination) weaken demand there. Budget cuts in the most vulnerable indebted countries (Greece, Ireland, Portugal and Spain) will reduce demand there significantly, but these four countries account for only around 6% of German exports. The risk to German exports would be higher if financial contagion spreads to Italy (which accounts for a larger export share than the other four combined). However, on balance, we expect Germany's export growth to remain favourable: German exporters (especially in the car and chemicals industries) will continue to benefit from strong demand from Asia, particularly China.

Positively, the slowdown in exports will also be mitigated by stronger domestic demand as savings (traditionally high in Germany) are increasingly used domestically (for consumption and investment) rather than abroad (in the form of FDI, for example). Companies will expand their investment further in light of improving business confidence and capacity utilisation. The strength of domestic demand is reflected in buoyant service sector activity, which increased at its fastest pace in over three years in November (according to the latest PMI). Consumer spending will continue to benefit from favourable labour market trends. According to the *Manpower Employment Outlook Survey* for Q1 2011, German employers report positive hiring intentions for the fifth consecutive quarter. Moreover, the *GfK Consumer Climate Indicator* for December rose markedly from November amid strong income expectations and propensity to buy. These factors will help to offset the dampening effect of the government's budget cuts for 2011.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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

Local Delays:

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

F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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