



Decide with Confidence

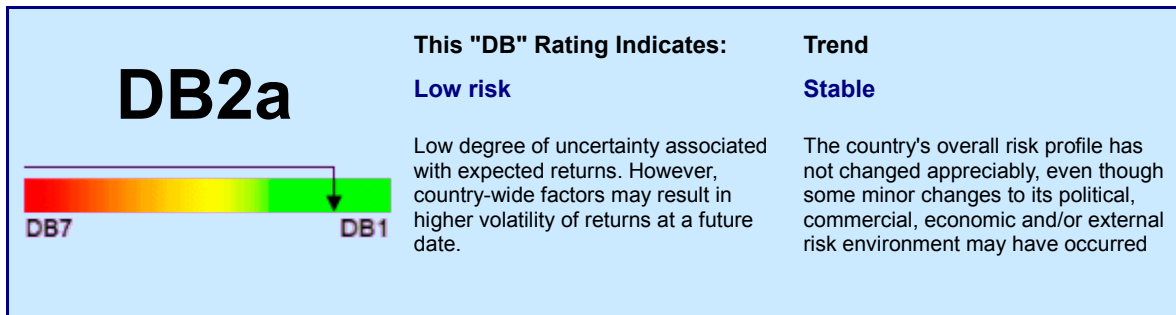
## D&B Country RiskLine Report

# GERMANY

Region : Western Europe

Edition : September 2009

### 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

<b>Population:</b>	82.4m
<b>Surface area (sq km):</b>	357,021
<b>Capital:</b>	Berlin
<b>Timezone:</b>	GMT +01:00
<b>Official language:</b>	German
<b>Head of government:</b>	Chancellor Angela MERKEL
<b>GDP (USD):</b>	3.6trn
<b>GDP per capita (USD):</b>	43,689
<b>Life expectancy (years):</b>	79
<b>Literacy (% of adult pop.):</b>	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 weak global economic climate has affected Germany deeply, although the economy has not been driven by debt or a housing boom. Its position as the world's largest merchandise exporter has made the country vulnerable to fluctuations in global demand.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	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.

<b>Recommended Terms:</b>	SD
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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.

<b>Usual Terms:</b>	0-30 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	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.

<b>FX/Bank Delays:</b>	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

Deficiencies in Germany's corporate governance have been highlighted recently by several scandals, including bribery revelations at Siemens, MAN and Daimler, and episodes of industrial espionage at Deutsche Bank, Deutsche Telekom and Deutsche Bahn. However, these revelations also underline a shift in corporate culture from a more closed system of financing to a more open approach (extending to foreign ownership), which is boosting overall transparency. That said, family ties still play an important role in corporate relations (as shown by the merger of the car manufacturers, VW and Porsche), while the system of co-determination (whereby workers have an important say in corporate decision-making) is another important feature of corporate culture.

### Export Credit Agencies

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

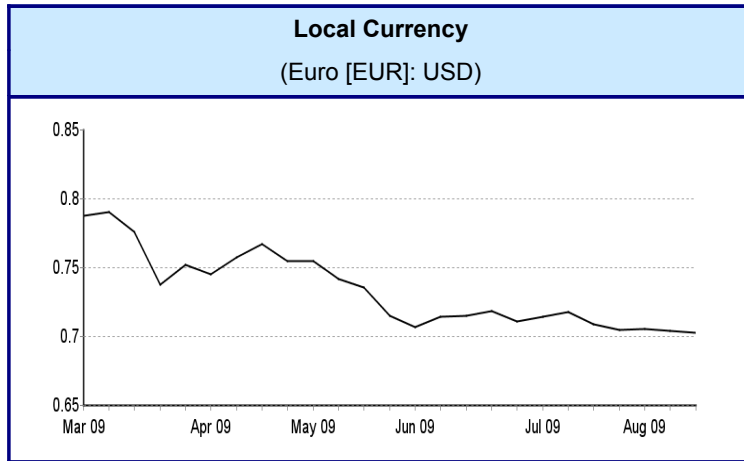
### Economic Indicators

	2006	2007	2008	2009f	2010f
<b>Real GDP growth, %</b>	3.2	2.6	1.0	-5.3	0.3
<b>Inflation, annual ave, %</b>	1.8	2.3	2.8	0.2	1.4
<b>Govt balance, % GDP</b>	-1.5	-0.2	-0.1	-3.7	-5.5
<b>Unemployment, %</b>	9.8	8.4	7.3	8.1	8.8
<b>C/A balance, % GDP</b>	6.5	8.0	6.6	3.9	4.2

"Payments Performance" chart reflects experiences of EU rather than US companies; European average refers to payments from France, Germany, Italy, the Netherlands, Spain and UK.

### Currency Information

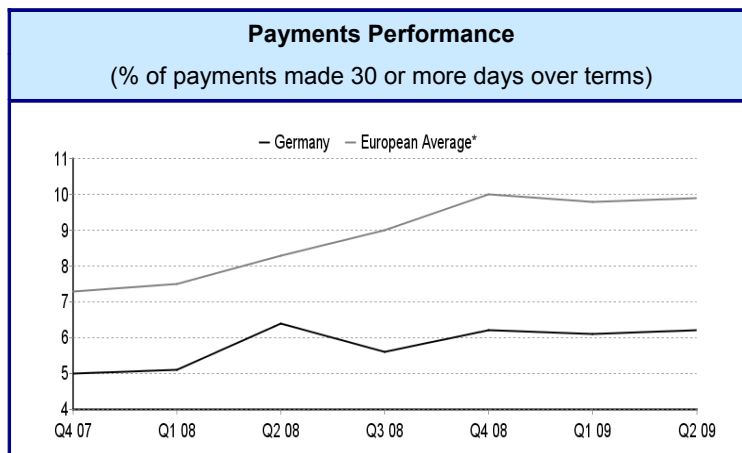
<b>Exchange Rates</b>	
(London, 17 Aug 09)	
GBP	1.1612
JPY*	0.7432
USD	0.7025
*(x 100)	



**Local Currency**  
(Euro [EUR]: USD)

	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09
<b>Week 1</b>	0.787	0.745	0.754	0.706	0.714	0.705
<b>Week 2</b>	0.790	0.757	0.742	0.714	0.717	0.704
<b>Week 3</b>	0.776	0.767	0.736	0.714	0.709	0.702
<b>Week 4</b>	0.737	0.755	0.715	0.718	0.704	
<b>Week 5</b>	0.752			0.711		

## Payments Performance



**Data Table**

Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
5.0	5.1	6.4	5.6	6.2	6.1	6.2
7.3	7.5	8.3	9.0	10.0	9.8	9.9

## Risk Factor

Germany's economic outlook is improving, although it is too early to speak of a recovery. Preliminary data from the Federal Statistics Office show that the economy expanded by 0.3% in quarter-on-quarter (q/q) terms in Q2, following four consecutive quarters that posted contractions (including a sizeable 3.5% q/q decline in Q1). Technically, the economy is no longer in recession. Although a detailed breakdown of GDP data is not yet available, there have been recent signs that the government's fiscal stimulus (especially the car scrapping scheme), 'automatic stabilisers' (public transfer payments to households aimed at easing the impact of sharp fluctuations in real GDP) and a tentative rebound in global demand have supported a return to growth.

The key economic driver, exports (particularly of cars, industrial plant and machinery), had weakened considerably in the wake of the global financial crisis, which intensified in late 2008, undermining global demand. Indeed, German export values dropped by 6.8% year on year in Q4 2008, followed by a 21.4% decrease in Q1 2009. Data for Q2 provided some encouragement, with exports expanding by 7.0% in month-on-month terms in June (the largest monthly increase since late 2006), up from 0.2% in May; however, exports were still 23.6% down on year-earlier levels in Q2, reflecting the large gap that Germany's export performance has to bridge before staging a complete recovery. Meanwhile, the government's recent scrapping scheme (offering car owners a EUR2,500 subsidy for trading in old cars for new ones) has been a success, boosting German car sales. Consumption has also been supported by 'automatic stabilisers', including more generous support for the unemployed and for workers whose hours have been cut. However, D&B remains cautious regarding the prospects for a rapid economic revival in Germany: rising unemployment (despite the introduction of short-time work schemes to avert job losses) coupled with the running out of fiscal stimulus measures will eventually dampen a recovery, while the rebound in global demand might turn out to be shallow. In the meantime, German businesses will continue to face a challenging economic climate, as the number of corporate insolvencies continues to climb (albeit from low levels).

On the political front, campaigning for the general election (scheduled for 27 September) has begun in earnest. News of an economic rebound has boosted support for the centre-right Christian Democrats (CDU), the senior partner in an awkward 'grand coalition' with the centre-left Social Democrats (SPD). Pre-election polls indicate that a clear majority of voters (35-38%) favour the CDU, with the SPD trailing in second place (21-24%). The free-market Liberals are third (13-15%) and hope to win enough votes to form a new, pro-business government with the CDU.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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:

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:

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

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