



Decide with Confidence

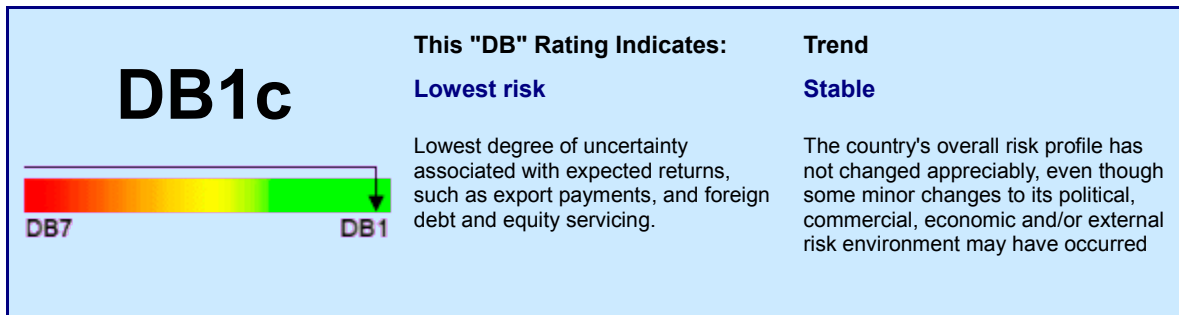
## D&B Country RiskLine Report

# GERMANY

Region : Western Europe

Edition : July 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

<b>Population:</b>	82.3m
<b>Surface area (sq km):</b>	357,022
<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>	3.3trn
<b>GDP per capita (USD):</b>	40,675
<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 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

<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>	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.

<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

The economic recovery and banks' favourable lending conditions will continue to boost companies' payments performance. D&B's proprietary payments performance data show that both domestic and cross-border payments trends remain benign. German firms paid only 4.6% of their bills to European shippers 30 or more days over terms in the year to end-Q1 2011, down from 5.1% a year earlier. In terms of domestic payments, German firms settled 86.5% of their bills promptly in Q1 2011, the seventh consecutive quarterly improvement and up from 80.7% a year earlier. The average payment delay fell to 8.2 days, down from 9.3 days in Q1 2010. The largest shares of prompt payments were recorded in the pharmaceutical, banking, wholesale/retail and engineering sectors.

### 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

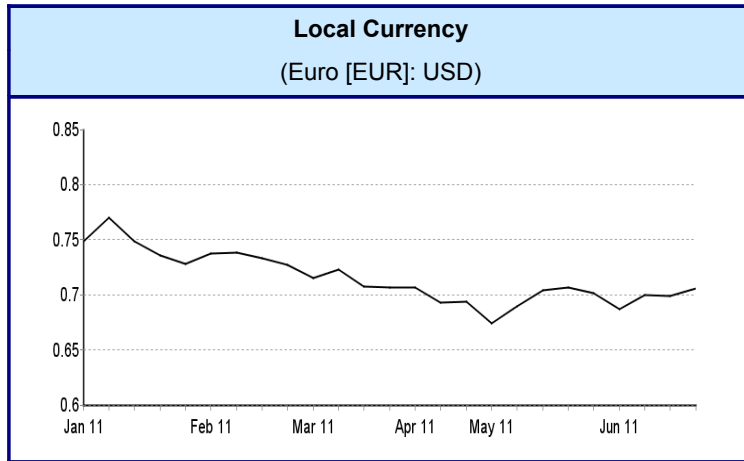
### Economic Indicators

	2008	2009	2010e	2011f	2012f
<b>Real GDP growth, %</b>	1.0	-4.7	3.6	3.4	2.4
<b>Inflation, annual ave, %</b>	2.8	0.2	1.2	2.3	1.9
<b>Govt balance, % GDP</b>	0.1	-3.0	-3.3	-2.2	-1.0
<b>Unemployment, %</b>	7.6	7.7	7.1	6.1	5.8
<b>C/A balance, % GDP</b>	6.3	5.7	5.5	4.6	4.0

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

### Currency Information

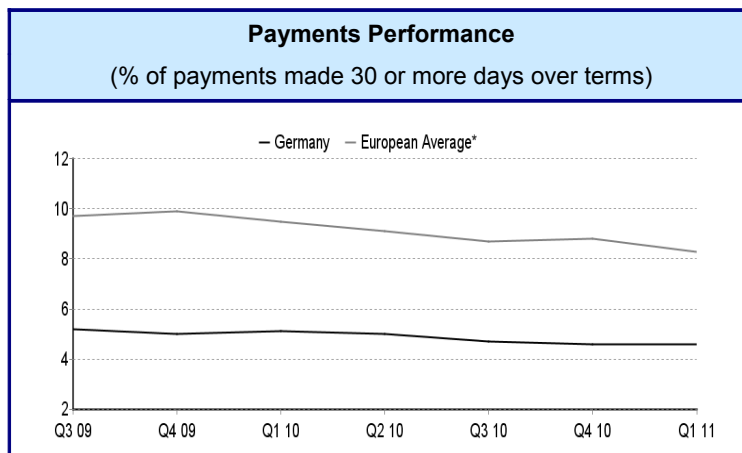
<b>Exchange Rates</b>	
(London, 13 Jun 11)	
GBP	1.1302
JPY*	0.8685
USD	0.6964
*(x 100)	



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

	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11
<b>Week 1</b>	0.748	0.738	0.715	0.707	0.674	0.686
<b>Week 2</b>	0.770	0.738	0.723	0.693	0.689	0.699
<b>Week 3</b>	0.748	0.733	0.707	0.694	0.704	0.699
<b>Week 4</b>	0.736	0.727	0.707		0.707	0.706
<b>Week 5</b>	0.728				0.701	

## Payments Performance



**Data Table**

Q3 09	Q4 09	Q1 10	Q2 10	Q3 10	Q4 10	Q1 11
5.2	5.0	5.1	5.0	4.7	4.6	4.6
9.7	9.9	9.5	9.1	8.7	8.8	8.3

## Risk Factor

Germany's economic performance remains strong, but downside risks have increased. Data from the federal statistics office show that real GDP grew by a robust 1.5% quarter on quarter in Q1 2011, up from 0.4% in Q4 2010. The GDP breakdown showed that domestic demand was the key driver of the upturn in Q1, boosted by acceleration in investment spending growth (especially in construction). Private consumption slowed slightly but remained healthy, while public consumption grew robustly after a contraction in Q4. Growth in both exports and imports accelerated in Q1; exports continued to benefit from the global recovery, while imports rose on the back of strong domestic demand. The rising importance of domestic growth drivers, particularly investment spending, highlights that Germany's economic rebound continues to broaden and mature.

More recently, economic growth has started to slow, indicating that the record pace of the upturn is unlikely to be sustained in the remainder of 2011-12. In May, Markit's *Composite Output Index* for Germany, measuring the combined output of the manufacturing and service sectors, fell to a seven-month low. Meanwhile, the *GfK Consumer Climate Indicator* fell for the third consecutive month in June, while the *Ifo Business Climate Index* stagnated in May at its lowest level since January (although both indicators remained at historically high levels). Overall, however, we expect only a mild slowdown: we maintain our growth forecasts of 3.4% for 2011 and 2.4% for 2012, down from record growth of 3.6% in 2010. Consumer spending will continue to benefit from favourable labour market trends, boosting household disposable incomes: according to the *Manpower Employment Outlook Survey* for Q3 German employers report their most optimistic hiring intentions since the 2008-09 economic downturn. Meanwhile, still-strong business confidence and capacity utilisation indicate good investment incentives for companies.

However, high inflation is a major downside risk to domestic demand, threatening to erode household purchasing power and corporate profitability, despite a slight moderation of consumer prices in May. Moreover, major threats to foreign demand and financial stability emanate from the sovereign debt crisis in the euro zone (Germany's key export market). Greece is on the brink of sovereign default, which would have negative repercussions for German banks: according to data by the Bank for International Settlements for end-2010, German banks' exposure to Greek public and private sector debt amounted to USD34bn (6.6% of German banks' capital base). More worryingly, further financial contagion to Portugal, Ireland and potentially Spain and Italy could seriously weaken the profitability of German banks and exporters, undermining the economic outlook.

## 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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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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