



Decide with Confidence

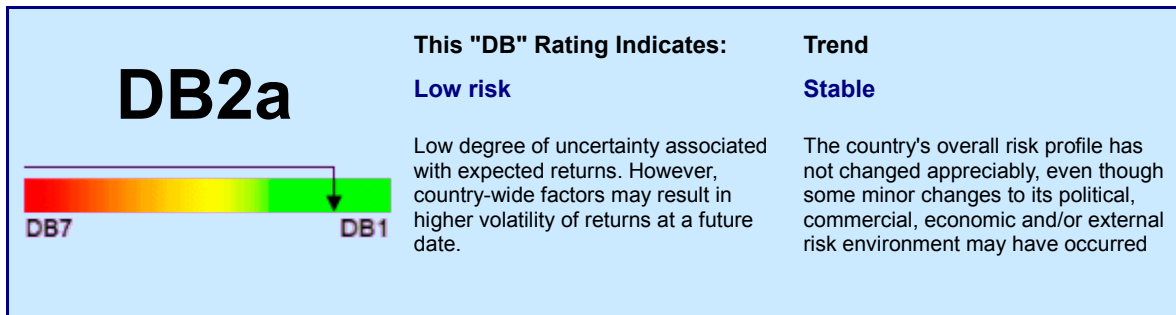
D&B Country RiskLine Report

GERMANY

Region : Western Europe

Edition : July 2010

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):	40,682
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 has 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:	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.

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 payments performance of German companies remained favourable in early 2010, boosted by the economic recovery. D&B's proprietary cross-border payments performance data show that German firms paid only 5.1% of their bills 30 or more days over agreed terms in the year to end-Q1. This is slightly worse than the performance in the year to end-Q4 2009 (5.0%) but compares favourably with the average for the six largest European economies (France, Germany itself, Italy, the Netherlands, Spain and the UK). D&B's detailed domestic data reveal that companies paid 81.8% of their bills on time in May, the eleventh consecutive monthly improvement. Moreover, companies' credit constraints fell further in May, according to the *Ifo Credit Constraint Indicator*.

Export Credit Agencies

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

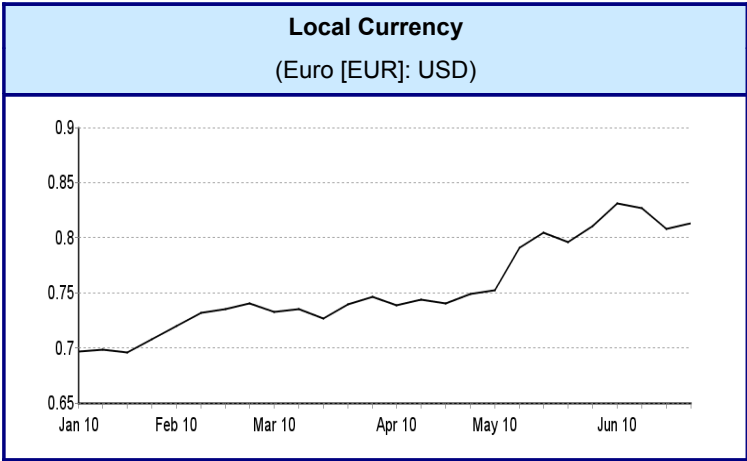
Economic Indicators

	2007	2008	2009	2010f	2011f
Real GDP growth, %	2.6	1.0	-4.9	1.3	1.5
Inflation, annual ave, %	2.3	2.8	0.2	1.4	1.5
Govt balance, % GDP	0.2	0.0	-3.3	-5.5	-5.2
Unemployment, %	8.4	7.3	7.5	7.1	6.9
C/A balance, % GDP	7.9	6.7	5.4	6.2	5.9

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

Currency Information

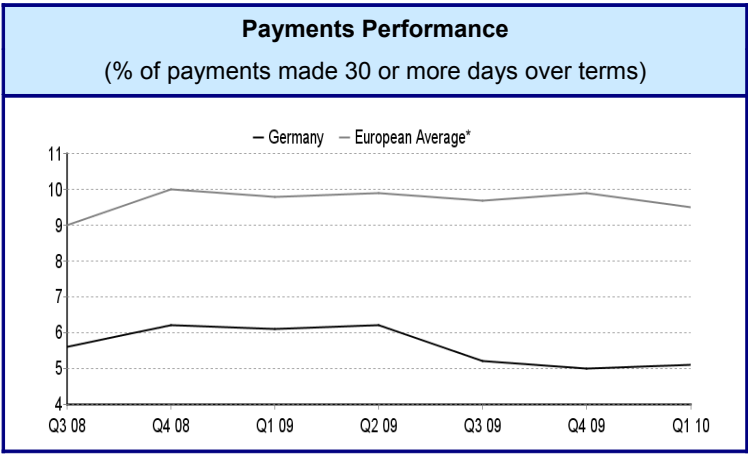
Exchange Rates	
(London, 14 Jun 10)	
GBP	1.2033
JPY*	0.902
USD	0.8269
*(x 100)	



Local Currency
(Euro [EUR]: USD)

	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10
Week 1	0.697	0.720	0.733	0.739	0.752	0.831
Week 2	0.698	0.732	0.735	0.744	0.790	0.827
Week 3	0.696	0.735	0.727	0.740	0.805	0.808
Week 4	0.708	0.740	0.739	0.748	0.796	0.814
Week 5			0.746		0.811	

Payments Performance



Data Table

Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
5.6	6.2	6.1	6.2	5.2	5.0	5.1
9.0	10.0	9.8	9.9	9.7	9.9	9.5

Risk Factor

The risk outlook remains vulnerable to deteriorations in global trade and financial stability, especially in light of the risk of further contagion from the Greek debt crisis. We expect only shallow economic growth of 1.3% in 2010 and 1.5% in 2011. The latest real GDP figures from the federal statistical office show that the economy expanded by 0.2% quarter on quarter in Q1 2010, the same growth rate as in Q4 2009. Trading companies have particularly benefited from the recovery: exports and imports rose substantially in Q1 on the back of the ongoing recovery in global trade. However, domestic demand remained weak: private consumption fell further in Q1, while gross fixed capital formation contracted sharply, exacerbated by the exceptionally bad weather conditions (especially dampening construction investment).

A further sharp weakening in domestic demand remains a key risk to the recovery. We expect disposable incomes and consumer confidence to remain muted despite a recent labour market stabilisation: in return for retaining workers on their payrolls many companies have made use of the government-subsidised short-time work schemes and have kept wages subdued. Worryingly, excessive fiscal consolidation measures (including tax rises and reductions in government spending) also threaten to undermine domestic demand: driven by a perceived (and, in our opinion, exaggerated) need for fiscal restraint in Germany in the wake of the Greek debt crisis, the German government has announced drastic public spending cuts of more than EUR80bn over the next four years. The austerity package includes: new taxes on air travel, the nuclear power industry and financial transactions; up to 15,000 job cuts in the public sector; and reduced social security and unemployment benefits. The measures threaten to affect private consumption negatively from 2011 onwards at a time when consumption is already at a weak level; this will hurt opportunities for exporters of consumer goods to Germany.

In terms of foreign demand, Germany will continue to benefit from a weaker euro (which boosts export price competitiveness vis-a-vis countries outside Euroland) in the wake of Euroland's debt crisis. Germany's export-orientated manufacturing sector has benefited from robust demand in the US and Asia. However, the debt crisis also poses important risks to Germany's recovery: a key risk is that weaknesses in the euro-zone banking system, exacerbated by the debt crisis, will lead to a credit squeeze in Germany. German banks are significantly exposed to sovereign bonds from vulnerable euro-zone countries, and the uncertainty over the creditworthiness of these countries could seriously undermine confidence among German banks and negatively affect their lending decisions. This, in turn, could threaten firms' and consumers' investment and spending plans.

Glossary & Definitions

DEFINITIONS

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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:

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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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