



Decide with Confidence

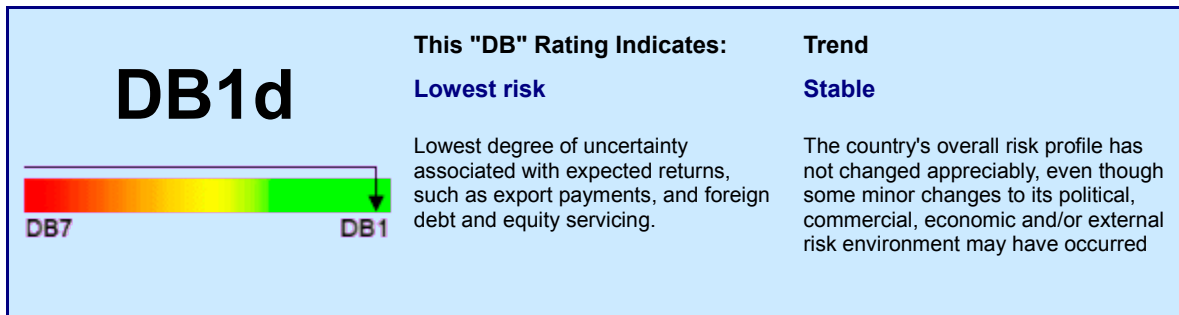
## D&B Country RiskLine Report

# GERMANY

Region : Western Europe

Edition : April 2014

### 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>	3.4trn
<b>GDP per capita (USD):</b>	41,267
<b>Life expectancy (years):</b>	80
<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. 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.

## 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

Starting a company in Germany is not as easy as it is in many other OECD countries. Germany ranks only 111th among 189 economies in the ease of starting a business, according to the World Bank's *Doing Business 2014* report. The number of procedures involved in Germany (9) is substantially higher than the OECD average. It also takes longer to set up a business in Germany (14.5 days) than in the OECD (11.1 days). The cost of starting a business, expressed as a share of gross national income (GNI) per capita, is slightly higher in Germany (4.7%) than the OECD average (3.6%). The minimum capital that has to be paid in (0% of GNI per capita) is well below the OECD average (10.4%). We advise the use of OA terms when doing business with Germany-based companies.

### 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

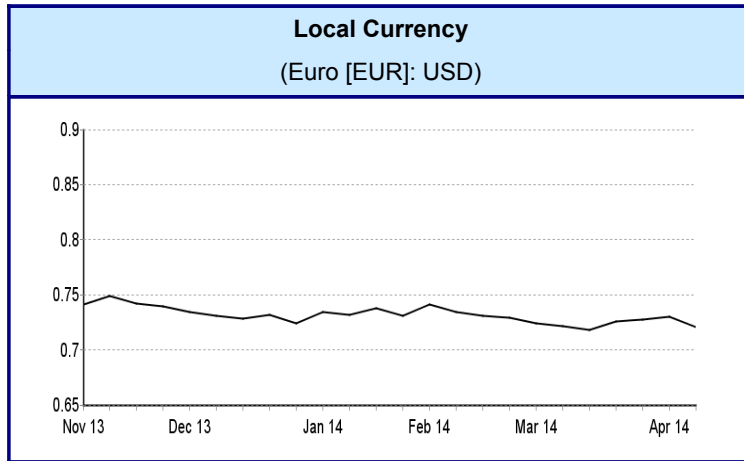
### Economic Indicators

	2011	2012	2013	2014f	2015f
<b>Real GDP growth, %</b>	3.4	0.9	0.4	1.9	2.1
<b>Inflation, annual ave, %</b>	2.5	2.1	1.6	2.0	2.3
<b>Govt balance, % GDP</b>	-0.8	0.1	-0.9	-0.5	-0.5
<b>Unemployment, %</b>	6.0	5.5	5.3	5.9	5.7
<b>C/A balance, % GDP</b>	6.8	7.5	6.0	3.4	3.1

Inflation and unemployment are based on EU-harmonised data.

### Currency Information

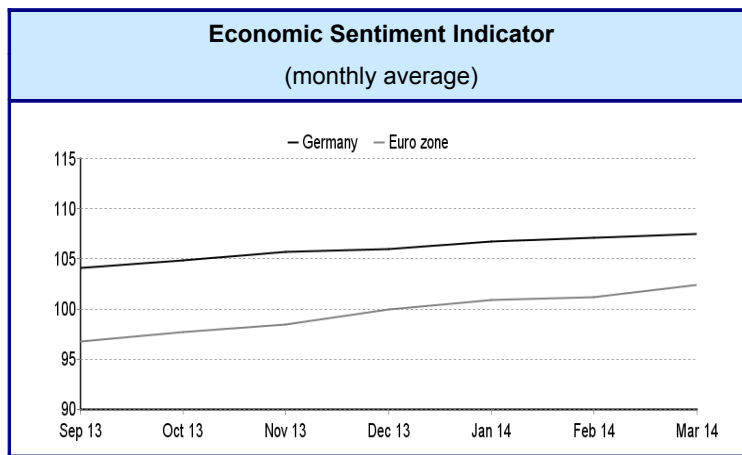
<b>Exchange Rates</b>	
(London, 10 Apr 14)	
GBP	1.2086
JPY*	0.7096
USD	0.7204
*(x 100)	



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

	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14
<b>Week 1</b>	0.741	0.734	0.735	0.742	0.724	0.730
<b>Week 2</b>	0.749	0.731	0.731	0.734	0.721	0.720
<b>Week 3</b>	0.742	0.728	0.738	0.731	0.718	
<b>Week 4</b>	0.739	0.732	0.731	0.729	0.726	
<b>Week 5</b>		0.724			0.727	

**Economic Sentiment Indicator**



**Data Table**

Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
104.1	104.9	105.7	106.0	106.7	107.1	107.5
96.7	97.7	98.4	100.0	100.9	101.2	102.4

## Risk Factor

Recently released data from Destatis, the German statistics office, show that 25,995 companies went bankrupt in 2013, down by 8.1% from 2012. The sector with the highest insolvency risk was the trade sector, accounting for 18.5% of all business failures, followed by construction (15.9% of total). Although generally on a downward trend, the development of business failures remained very heterogeneous across the sectors. The best performers were the horeca sector (where the number of insolvencies fell by 15.7%), followed by ICT businesses (-14.7%) and real estate (-13.4%). Against the trend, the incidence of business failures increased in some sectors; the worst performers were the mining sector (+160.0%, albeit coming from a very low base, only 13 companies went bankrupt in 2013), energy providers (+12.6%) and waste disposal companies (up by 10.0%). Encouragingly, the *Deutschland-Index* (a predictive index measuring insolvency risk in the 12 months ahead) from Bisnode (our partner office in Germany) fell significantly in February. The index lost 6.0 points and came in at 80.9 points, the lowest value recorded since the index was created in January 2011. Against this backdrop, we expect insolvency risk to remain on a downward trajectory during 2014-15.

Meanwhile, forward-looking indicators have eased somewhat in March and suggest that circumstances are cooling down. Markit's *Purchasing Managers' Index* (PMI) in the manufacturing sector fell by 1.1 points to reach 53.7. This is the lowest reading in four months but despite the deterioration, the *PMI* still recorded its best quarter in three years. In the services sector, the *PMI* dropped by 2.9 points to 53.0, a five-month low. However, positively, both indices still stand above the 50-point threshold that divides expansion in sectoral activity from contraction. Moreover, it is also encouraging to note that new order inflow is still rising, albeit at a slower pace than seen in the first two months of 2014. The *Business Climate Index* (compiled by Ifo, one of the country's leading economic research institutes) also eased in March. While companies in the four sectors surveyed (construction, manufacturing, wholesaling and retailing) still believe that their current situation is extraordinarily good (the index value is currently on a two-year high), the outlook concerning optimism is clouding.

Some of the deterioration in recent weeks can be attributed to progress that centre-left Social Democrat Andrea Nahles, the Minister of Labour, is making in the implementation of a minimum wage. According to Nahles' draft law, a minimum wage of EUR8.50 per hour will have to be paid for all employees from January 2015 onwards, thereby endangering profitability in some sectors (especially the services sector in Eastern Germany).

## 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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#### UK

Telephone: 01628 492700  
Fax: 01628 492929  
Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

#### USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2  
Email: [CountryRiskServices@dnb.com](mailto:CountryRiskServices@dnb.com)

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Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

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