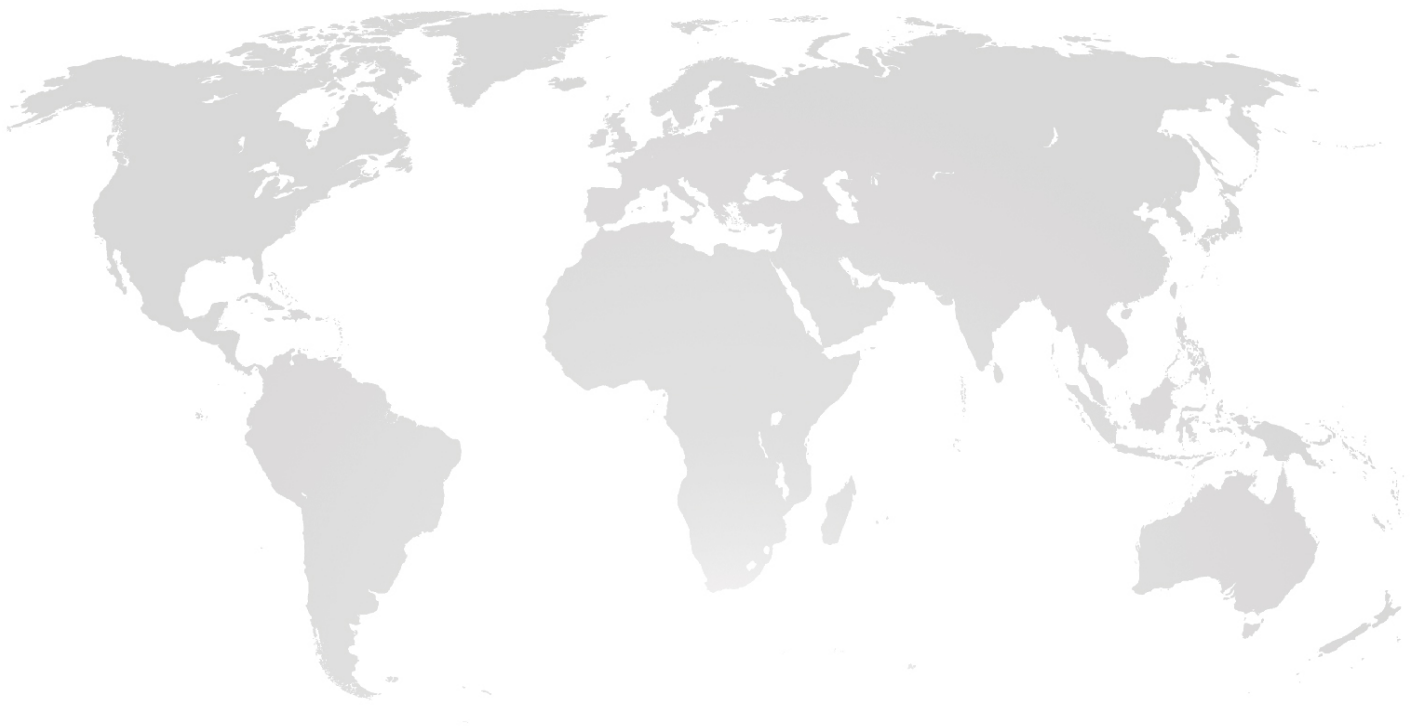


Country Insight Snapshot

Germany

October 2016





OVERVIEW

OVERALL COUNTRY RISK RATING: DB1d

Lowest risk : Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.



Rating Outlook: Deteriorating

CORE OUTLOOK

+ Labour supply has increased due to immigration from ailing euro-zone economies and greater numbers of university graduates.

+ Local supplier quality is a strong point, and raises the attractiveness of local sourcing options for many firms.

- As a relatively open economy, Germany is overly reliant on the economic performance of its key export markets, most notably the euro zone but also the US and emerging Asia.

- Childcare provision is insufficient, reducing women's labour market participation rates, and undermining the country's growth potential.

KEY DEVELOPMENT

National statistics office data shows that business failures continue to trend downwards, positively impacting on the already very low risk of non-payment.

CREDIT ENVIRONMENT OUTLOOK



Trend: Improving

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



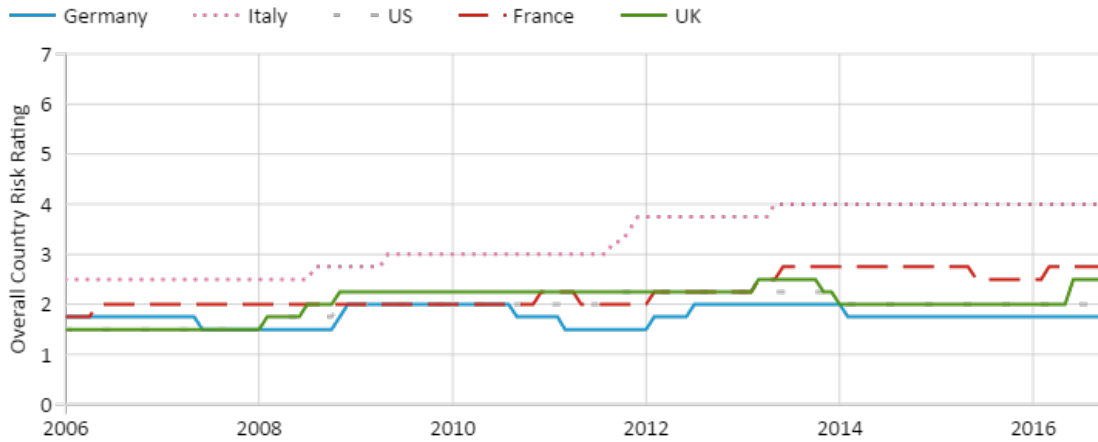
Trend: Deteriorating

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

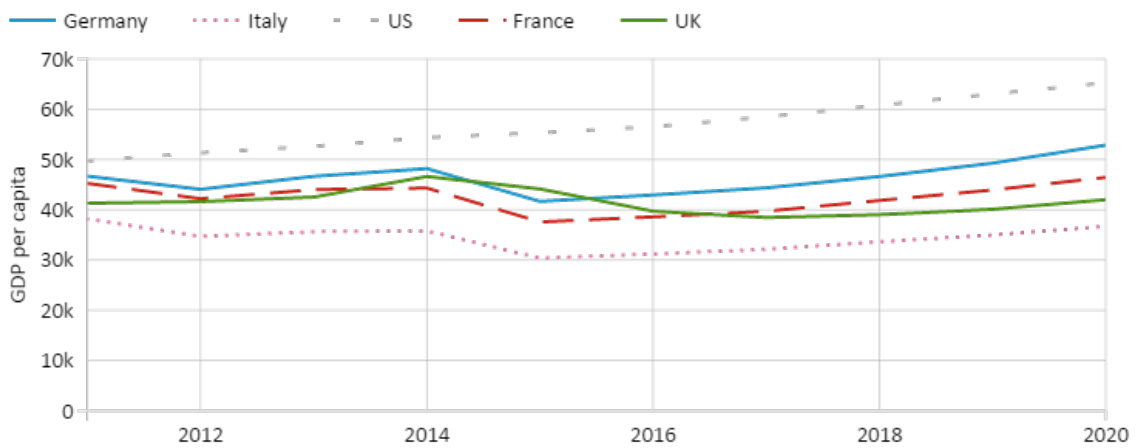
Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics



Economic Indicators

Indicator	2013	2014	2015	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	6.8	7.4	8.5	8.5	8.0	7.6	7.1	7.0
Govt balance, % GDP	-0.1	0.3	0.7	0.2	0.0	0.0	0.0	0.0
Inflation, annual avge %	1.6	0.8	0.1	0.3	1.5	1.9	2.1	2.2
Real GDP Growth, %	0.5	1.6	1.7	1.7	1.5	1.9	2.3	2.5
Unemployment, %	5.2	5.0	4.6	4.5	4.8	5.0	5.4	5.5

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

In the World Economic Forum's *Global Competitiveness Report 2016-17*, Germany was ranked the world's 5th most competitive country, out of 138 states surveyed, thereby confirming an excellent trade and commercial environment. Although this is down one position from the previous year, Germany's score actually rose from 5.5 to 5.6 (on a 1-7 range), showing that in absolute terms, things have improved in the country over the past 12 months. Germany scores particularly well in the business sophistication sub-index (3rd), as well as in innovation and market size (both 5th). The country's lowest scores are recorded in labour market efficiency and institutions (both 22nd), as well as goods market efficiency (23rd). According to the survey respondents, the biggest obstacles of doing business in Germany are (in the order of importance): tax regulations, tax rates, inefficient government bureaucracy and an inadequately educated workforce.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet'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

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

Local Delays: 0-1 month

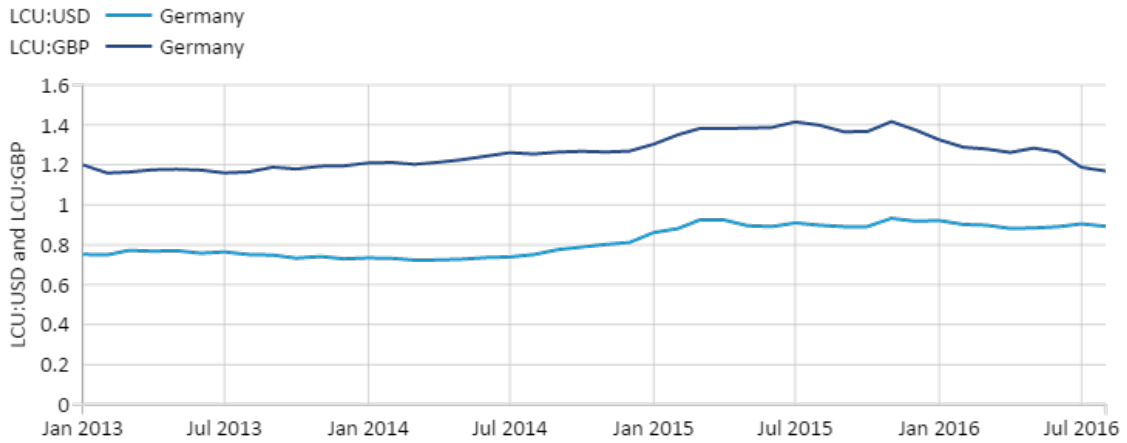
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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.



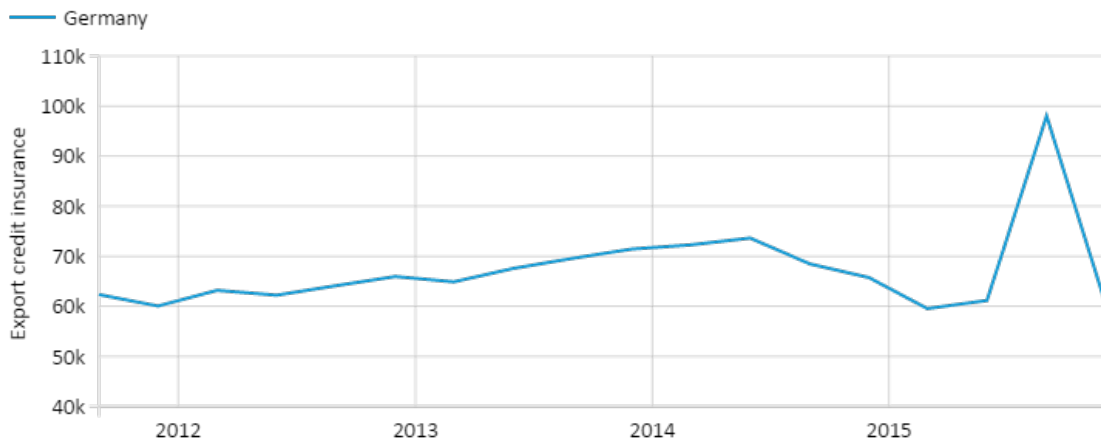
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Business Continuity

Insolvency risk falls

Latest figures from Destatis, the country's national statistics office, show that the number of business failures continued to trend downwards at the start of Q3. Overall, 1,805 companies filed for bankruptcy in July, down 17.5% y/y. The drop in July came on top of the 4.8% y/y reduction in H1 2016 and since December 2015, the number of business failures has fallen in every single month in a y/y comparison. Unchanged from recent months, most insolvencies in July occurred in the trade sector (315), closely followed by construction (311), with scientific and technical services (219) and hospitality (214) also recording a sizeable number of bankruptcies. However, despite this drop in the number of business failures in July, the economic damage caused has risen. Compared with July 2015, the amount of unsettled bills caused by business failures has risen from EUR1.4bn to EUR1.7bn. Looking ahead, Dun & Bradstreet predicts the number of insolvencies to fall further, thereby also helping Germany to maintain its DB1d risk rating (which, together with Norway and Sweden, makes Germany our best rated country).

Short-Term Economic Outlook

Economy sends mixed signals

Meanwhile, forward looking indicators are sending mixed signals about the state of the German economy. In the services sector, the Purchasing Managers' Index (PMI) came in at 50.9 points in September, down from 51.7 in the previous months, and just above the neutral 50-points line that divides expansion from contraction in sectoral activity. With the PMI on the lowest value in 39 months, headwinds are clearly visible, especially as new order inflow has remained weak (albeit still growing) for several months now. In the manufacturing sector, the PMI leaves a little more room for optimism. Compared with August, the PMI rose by 0.7 points to 54.3 points in September, a three-month high. The key driver was an acceleration of new order inflow, leading to the headline figure standing above the 50-points line for the 22nd month running. The improvement of the construction sector PMI, and the deterioration of the retail sector PMI in September add to the mixed picture of the state of the German economy. Taking all factors into account, we believe that real GDP growth will come in at 1.7% this year (unchanged from last year) before slowing down marginally to 1.5% in 2017. However, import demand will remain robust, thereby offering good prospects for doing business with the country.

Political/Insecurity Risk

Angela Merkel still to announce her candidacy

Less than a year before the next federal elections, both the Christian Democratic Union (CDU) and the Social Democrats are still to announce their candidates for the chancellorship. Although Chancellor Angela Merkel's approval ratings are down in the wake of the migrant crisis, Dun & Bradstreet still sees her and the CDU well positioned to secure a fourth consecutive term, with either the Greens or the incumbent Social Democrats as junior coalition partner. Continuity in policy making should hence remain high.



COUNTRY PROFILE AND STATISTICS

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's position as the world's second-largest merchandise exporter has made the country vulnerable to fluctuations in global demand.

Key Facts

Key Fact	Detail
Head of government	Chancellor Angela MERKEL
Capital	Berlin
Timezone	GMT +01-00
Official language	German
Population (millions)	80.7
GDP (USD billions)	3,361.9
GDP per capita (USD)	41,665
Life expectancy (years)	81
Literacy (% of adult pop.)	99.9
Surface area (sq km)	357,022

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	3.4	0.9	0.5	1.6	1.7
Nominal GDP in USDbn	3,754	3,547	3,759	3,886	3,362
Nominal GDP in local currency (bn)	2,699	2,759	2,831	2,928	3,030
GDP per Capita in USD	46,677	44,068	46,653	48,182	41,665
Population (year-end, m)	80.4	80.5	80.6	80.6	80.7
Exchange rate (yr avge, USD-LCU)	0.72	0.78	0.75	0.75	0.9
Current Account in USDbn	227.0	250.8	255.3	286.1	286.8
Current Account (% of GDP)	6.0	7.1	6.8	7.4	8.5
FX reserves (year-end, USDbn)	316.7	332.5	331.0	327.6	333.9
Import Cover (months)	1.2	1.3	1.3	1.3	1.5
Inflation (annual avge, %)	2.5	2.1	1.6	0.8	0.1
Govt Balance (% GDP)	-1.0	-0.1	-0.1	0.3	0.7

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016f	2017f	2018f	2019f	2020f
Real GDP growth (%)	1.7	1.5	1.9	2.3	2.5
Nominal GDP in USDbn	3,464	3,577	3,755	3,965	4,249
Nominal GDP in local currency (bn)	3,091	3,183	3,304	3,450	3,612
GDP per Capita in USD	42,935	44,359	46,611	49,274	52,858
Population (year-end, m)	80.7	80.6	80.6	80.5	80.4
Exchange rate (yr avge, USD-LCU)	0.89	0.89	0.88	0.87	0.85
Current Account in USDbn	294.4	286.2	286.3	282.4	297.5
Current Account (% of GDP)	8.5	8.0	7.6	7.1	7.0
FX reserves (year-end, USDbn)	352.9	367.3	386.0	405.6	426.3
Import Cover (months)	1.5	1.5	1.5	1.4	1.4
Inflation (annual avge, %)	0.3	1.5	1.9	2.1	2.2
Govt Balance (% GDP)	0.2	0.0	0.0	0.0	0.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Germany	Italy	US	France	UK
Income per Capita (USD)	41,665	30,346	55,326	37,579	44,136
Country Population (m)	80.7	59.8	321.8	64.4	64.7
Internet users (% of population)	87.6	65.6	74.5	84.7	92
Real GDP Growth (% p.a., 2016 - 2025)	1.8 - 3	0.5 - 2	1.8 - 2.5	1.3 - 2.5	1.8 - 3.5

Source : Various sources/Dun & Bradstreet



LINKS

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