



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Germany

May 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2b

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + Employers benefit from a well-educated, skilled and productive workforce, as well as relatively high levels of internal mobility.
- + Germany offers a generally amenable business environment, with a strong entrepreneurial culture and high capacity for innovation.
- 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.
- The regulatory environment can sometimes be cumbersome, causing delays and pushing up administrative costs for businesses.

KEY DEVELOPMENT

Economic activity plummets as virus-containment measures take their toll, suppressing the near-term outlook for services and manufacturing alike.

CREDIT ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



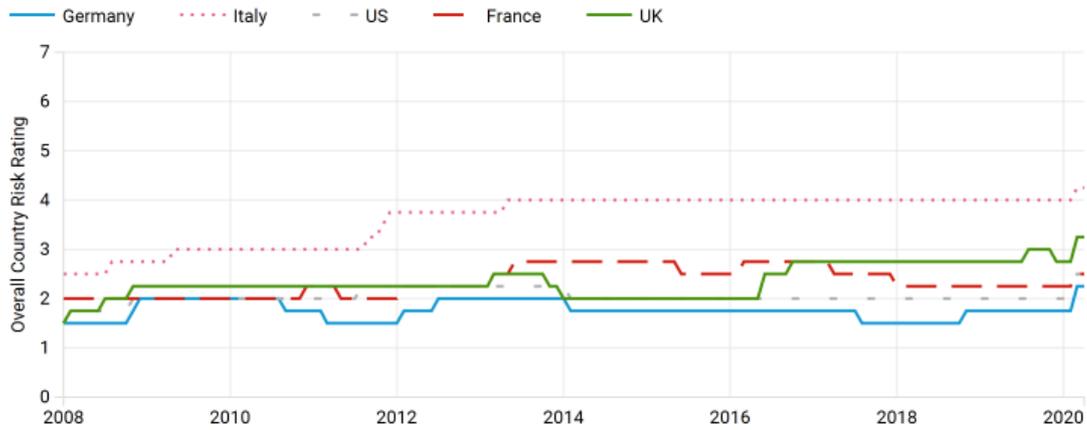
Trend: Deteriorating

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

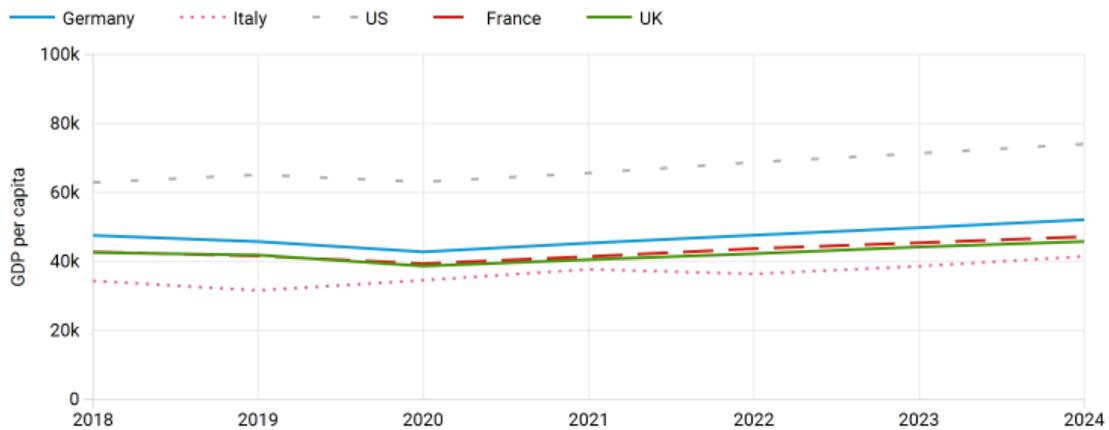
Rating History and Comparison



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	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	7.9	7.5	7.2	6.8	7.0	7.2	6.8	6.4
Govt balance, % GDP	1.2	1.9	1.3	-5.0	-3.5	-2.5	-1.5	-0.5
Inflation, annual avge %	1.7	2.0	1.3	0.9	1.5	1.7	1.8	1.9
Real GDP Growth, %	2.5	1.5	0.6	-4.5	2.7	1.5	1.7	1.7
Unemployment, %	3.8	3.4	3.2	5.8	4.0	3.8	3.5	3.5

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

External trade plays an important part in Germany's economy, leaving it exposed to the high level of risk stemming from the coronavirus-related disruption to supply chains and the impact on global demand. The goods trade was already weak going into the crisis: exports fell by 0.5% y/y in January-February 2020 (having grown by an anaemic 1.2% in 2019, to EUR1,307.8bn), while imports were down 2.3% (having grown by 1.9% in 2019, to EUR1,086.8bn). However, the trade in services also weakened in January-February: imports were up 1.9% y/y - after growing by 4.5% in 2019 as a whole - and exports were up 2.8% (after growth of 4.6%). While measures to contain the pandemic have eased in China - the starting point for many supply chains - and are starting to lift in some European countries, including Germany, trade flows are likely to be disrupted for at least the next few months, and probably beyond. Currently, we expect the current account surplus to narrow to 6.9% of GDP in 2020, before widening slightly in 2021-22, but the risks remain heavily on the downside.

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

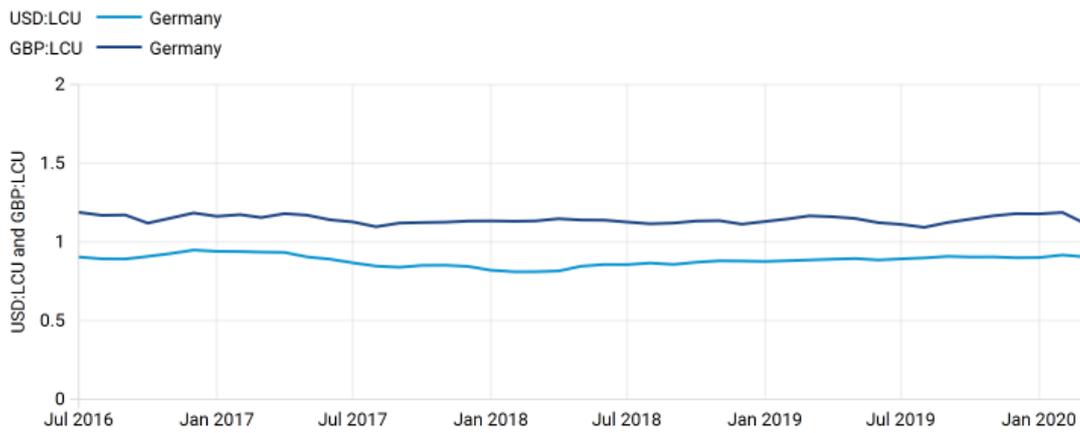
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

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.



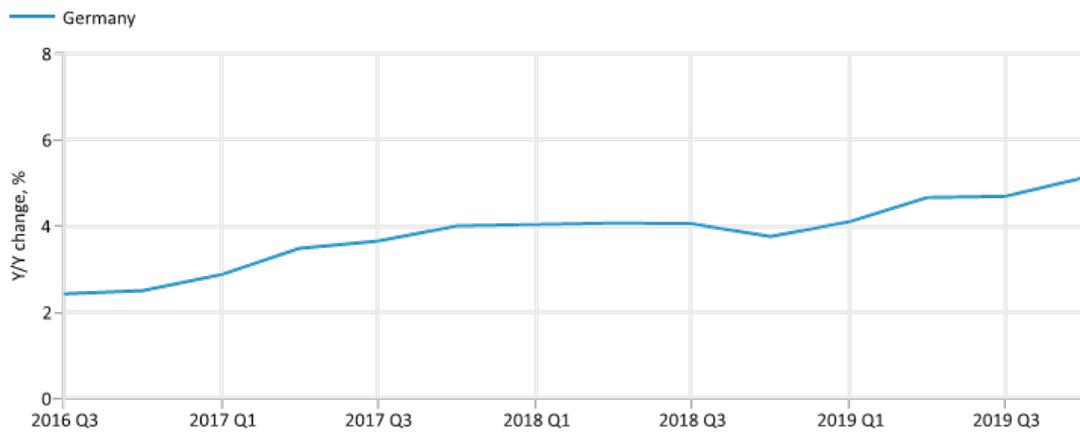
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Economic activity plummets

Although lagging indicators have yet to confirm the sharp drop in economic activity suffered since March, forward-looking indices have already plummeted. Eurostat's Economic Sentiment Indicator for Germany dropped to 92.0 in March (the lowest level since 2009), while in April IHS Markit's Flash PMI Composite Output Index for Germany fell to a record low of 17.1. Services are faring particularly badly: the Services PMI dropped to 15.9, while the Manufacturing PMI stood at 34.4, both well below the 50.0-point line that divides expansion from contraction.

The government has stepped in quickly to support businesses and individuals, both in terms of direct spending (the 2020 budget has been increased by EUR156bn) and loans: EUR100bn is being made available via the state development bank, with a further EUR100bn put into a new economic stabilisation fund (the WSF), which will be able to take stakes in distressed firms and offer up to EUR400bn of loan guarantees. Together with existing welfare and job-retention schemes, and an easing of business regulations, these measures should help firms stave off permanent closure and avoid redundancies, particularly as containment measures are starting to ease across Germany's 16 states.

Nonetheless, the near-term outlook is poor. Domestic consumer demand is likely to be constrained by ongoing social distancing measures and reduced spending power: despite low inflation and measures to preserve jobs, unemployment is expected to rise and confidence levels are low, deterring discretionary spending. In addition, external trade will remain subdued. As such, we forecast a 6.0% contraction in GDP in 2020. While the economy is expected to pick up in 2021 (growing by 2.9%), the exact trajectory will depend on the still-unclear legacy effects from the pandemic, the government's fiscal decisions in the wake of the substantial stimulus in 2020 and whether other risks come into play - for example, stemming from the final terms of Brexit.

Transfer Risk

Payment risks rise

Prior to the coronavirus epidemic, Germany has had a good payments performance record: data from our World Wide Network partner, Informa, shows that German firms paid their bills just 6.8 days late on average in 2019. In addition, the national statistics office reported that insolvencies fell by 2.9% y/y in 2019 to 18,749, with a further 5.4% y/y fall in January. Nevertheless, the current economic shock will put cashflows under pressure for many firms, which in turn is likely to see payment delays lengthen and bankruptcies rise.

Various measures have been put in place to support businesses through this period. In addition to tax relief and payroll support, businesses can also access government loans and guarantees. The requirement for companies to file for insolvency within three weeks of failing to meet an obligation has also been suspended until September, giving firms more time to find new funding. These measures will help to lessen the negative effects of the economic shock and should speed recovery once the epidemic has abated. Nevertheless, we advise businesses to monitor key customers and suppliers closely for signs of financial distress and to adjust credit terms promptly if required.



COUNTRY PROFILE AND STATISTICS

Overview

Germany lies at the centre of Europe, with access to the North Sea and the Baltic, and has 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, with coalition governments being the norm.

Germany has an advanced economy, and 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 it 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)	83.5
GDP (USD billions)	3,822.4
GDP per capita (USD)	45,768
Life expectancy (years)	81.0
Literacy (% of adult pop.)	99.9
Surface area (sq km)	357,022

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.7	2.2	2.5	1.5	0.6
Nominal GDP in USDbn	3,358	3,461	3,662	3,954	3,822
Nominal GDP in local currency (bn)	3,027	3,128	3,249	3,349	3,413
GDP per Capita in USD	41,063	42,106	44,302	47,562	45,768
Population (year-end, m)	81.8	82.2	82.7	83.1	83.5
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.8	0.9
Current Account in USDbn	290.5	292.3	287.9	297.0	274.6
Current Account (% of GDP)	8.7	8.4	7.9	7.5	7.2
FX reserves (year-end, USDbn)	333.9	344.4	353.2	378.4	386.6
Import Cover (months)	1.4	1.5	1.4	1.3	1.4
Inflation (annual avge, %)	0.7	0.4	1.7	2.0	1.3
Govt Balance (% GDP)	0.9	1.2	1.2	1.9	1.3

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-4.5	2.7	1.5	1.7	1.7
Nominal GDP in USDbn	3,586	3,804	3,996	4,172	4,358
Nominal GDP in local currency (bn)	3,290	3,427	3,536	3,660	3,790
GDP per Capita in USD	42,799	45,339	47,638	49,800	52,112
Population (year-end, m)	83.8	83.9	83.9	83.8	83.6
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.9
Current Account in USDbn	245.1	268.1	286.9	284.2	279.0
Current Account (% of GDP)	6.8	7.0	7.2	6.8	6.4
FX reserves (year-end, USDbn)	407.1	423.6	440.8	463.3	542.0
Import Cover (months)	1.4	1.4	1.3	1.3	1.4
Inflation (annual avge, %)	0.9	1.5	1.7	1.8	1.9
Govt Balance (% GDP)	-5.0	-3.5	-2.5	-1.5	-0.5

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Germany	Italy	US	France	UK
Income per Capita (USD)	42,799	34,565	63,076	39,363	38,675
Country Population (m)	83.8	60.5	331.0	65.3	67.9
Internet users (% of population)	89.6	61.3	76.2	85.6	94.8
Real GDP Growth (% p.a., 2020 - 2029)	1.8 - 3.0	0.5 - 2.0	1.8 - 2.5	1.3 - 2.5	1.8 - 3.5

Source: Various sources/Dun & Bradstreet



LINKS

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 (0)1628 492700
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet
Marlow International
Parkway
Marlow
Bucks SL7 1AJ
United Kingdom
Tel: 01628 492000
Fax: 01628 492929
Email: countryinsight@dnb.com

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Visit www.dnb.com for details.

Additional information relevant to country risk can be found in the online *International Risk & Payment Review*, which provides timely and concise economic, political and commercial information and analysis on 132 countries. This subscription-based service (www.dnbcountryrisk.com) carries essential information on payment terms and delays. It also includes the unique Dun & Bradstreet Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.