

# Country Insight Snapshot

## Germany

March 2021





## 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:** Stable

## 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

The still-disrupted services sector is expected to see rising bankruptcies, with average payment delays - although low at 6.64 days - set to increase.

### 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:** Stable

Key Development has had a neutral impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK



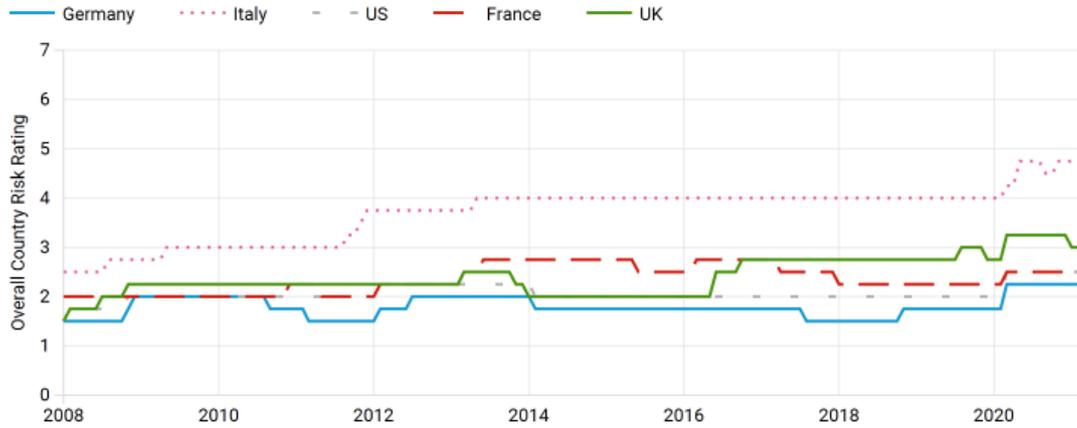
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

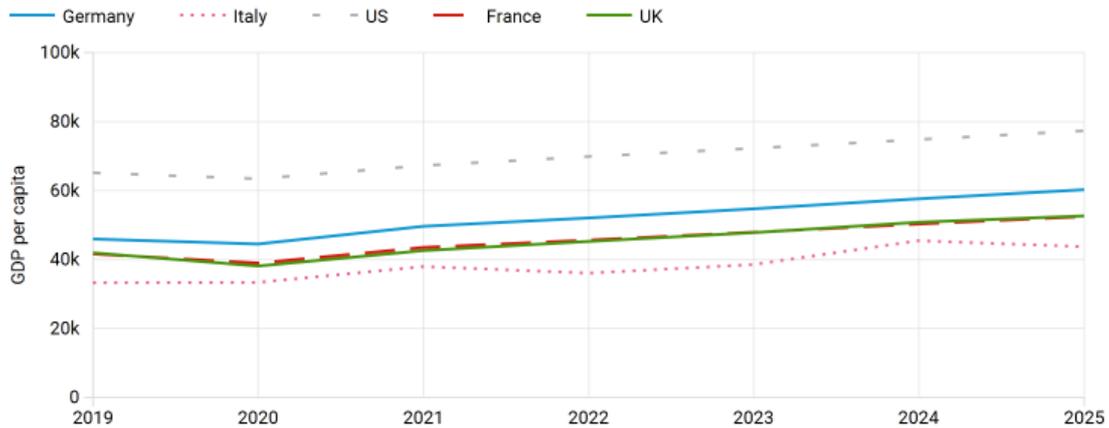
### Rating History and Comparison



Source: Dun & Bradstreet

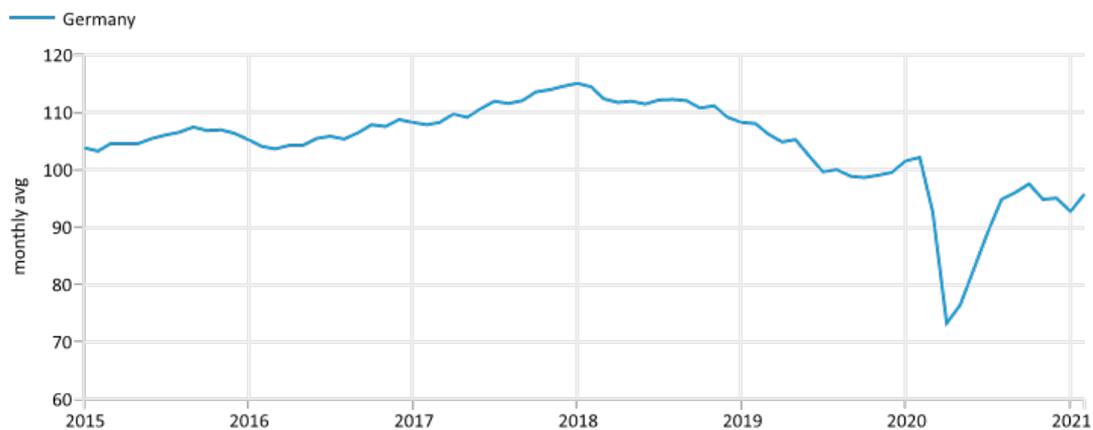
Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

### Economic Sentiment Indicator



Source: National Statistical Offices / Haver Analytics



## Economic Indicators

Indicator	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	7.5	7.3	7.2	6.9	6.7	6.7	6.6	6.8
Govt balance, % GDP	1.8	1.5	-4.2	-3.8	-3.3	-2.8	-2.0	-2.0
Inflation, annual ave %	1.9	1.4	0.4	1.4	1.7	1.5	1.7	1.8
Real GDP Growth, %	1.3	0.6	-4.9	3.8	2.3	1.8	1.8	1.8
Unemployment (annual ave, %)	3.4	3.1	4.2	6.2	5.8	5.2	4.5	4.3

Source: Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

While all trade declined in 2020, the drop in service imports was particularly sharp, causing a significant narrowing of the services deficit. Goods account for the largest share of trade: in 2020 exports fell by 8.8% (to EUR1,193.6bn), against an 8.0% drop in imports (to EUR998.9bn), narrowing the large trade surplus by 12.3%. Meanwhile, service exports fell by 13.3% (to EUR268.3bn), against a drop of 18.9% for imports (to EUR268.6bn), reducing the deficit from EUR21.7bn in 2019 to just EUR0.3bn. Continuing curbs on economic activity across much of the EU will continue to dampen demand in Q1 2021, probably extending into Q2; in addition, trade with the UK is now subject to more regulation than previously, causing some disruption with that market. While we expect the trade in goods gradually to return to more normal volumes from H2, services (in particular travel and tourism) are likely to remain disrupted for much longer. As such, we expect the current account surplus to narrow to an average 6.8% of GDP in 2021-22, from 7.2% in 2020.

## 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

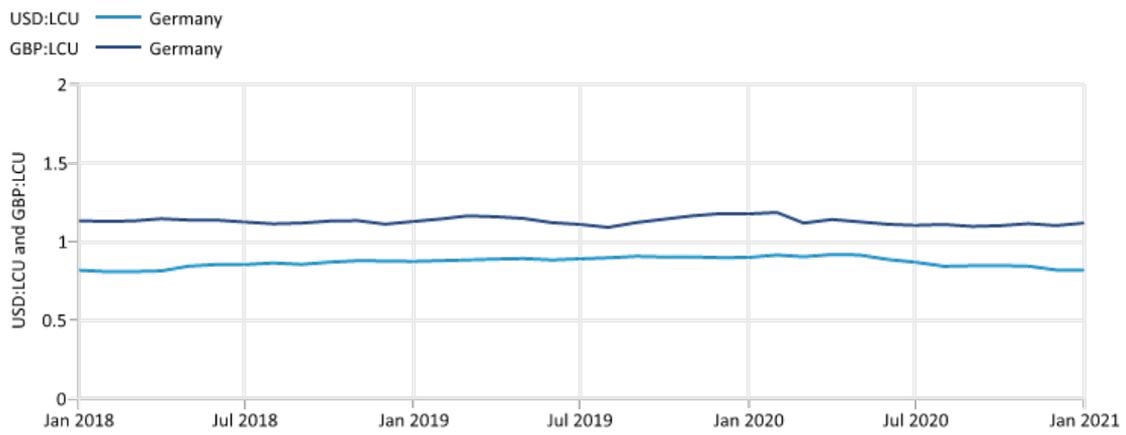
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



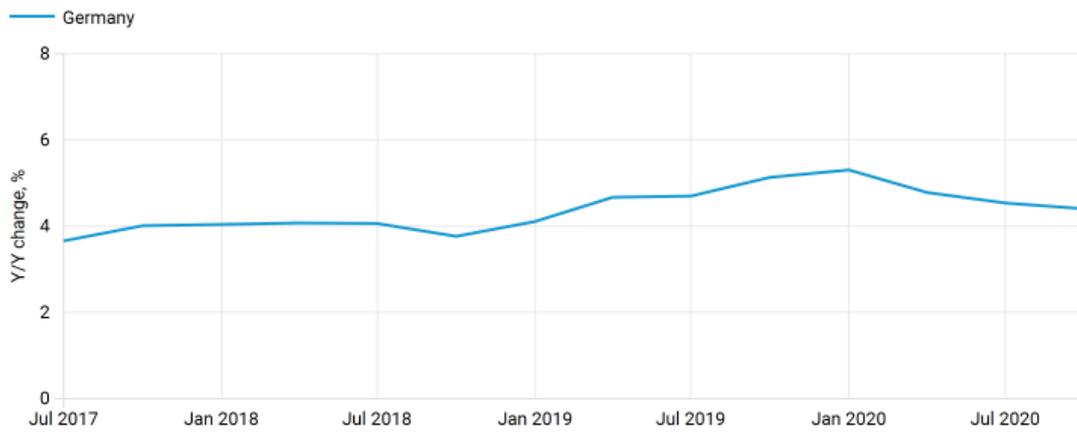
## Exchange Rate



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

### Transfer Risk

#### *Payment delays creep up*

Near-term challenges are likely to push up payment delays in H1 2021, but this will be from a low base: data from Dun & Bradstreet's World Wide Network partner, Informa, show that firms on average paid their bills 6.64 days late in Q4 2020, up from 6.53 in Q3 but still faster than the year-earlier delay of 6.73 days, and much quicker than the European average of 14.50 days. Business failures are also low: down 15.9% in January-November 2020 to a total of 14,621 firms, according to Destatis.

However, failures have been suppressed by the suspension of the obligation to file for insolvency. The data also show some fluctuation m/m (for instance, rising in September and October) and highlight stark differences between sectors: most failures have occurred in construction (15.9% of the total for January-November) and the wholesale and retail trade sector (15.8%), followed by accommodation and food services (11.3%), then professional and administrative services. In comparison, agriculture, mining and utilities have seen few bankruptcies, with numbers also relatively low in the ICT, financial services and (perhaps more surprisingly) entertainment sectors. However, in 2021-22, we expect payment times to lengthen further and failures to rise as the damage inflicted to cashflows becomes more telling and protections against bankruptcy ease. As such, while we continue to recommend the use of OA terms, we also advise businesses to monitor supply chains closely and to adjust credit terms promptly if required.

### Short-Term Economic Outlook

#### *Manufacturing picks up but services struggle*

The economy contracted by 4.9% in 2020, according to revised data from Destatis (the national statistics office), slightly better than initial estimates. The construction sector bucked the trend with 2.8% value-added growth, while all other sectors contracted, reflecting disrupted supply chains and varying curbs placed on social activities and travel: manufacturing was down 10.5%, business services fell by 8.1% and trade, transport, accommodation and food services were 6.1% lower. On the demand side, government spending rose (up 3.3%), not least due to higher spending on health services and the significant economic support schemes. However, household consumption fell by 6.1%, while gross fixed capital formation was down 3.1%, with a 12.1% drop in spending on machinery and equipment. Trade flows were also badly affected, with exports of goods and services falling by 9.4% and imports down 8.5%, exerting a net drag on overall GDP.

Tight restrictions in Q1 2021 have continued to curb economic activity: the central bank's weekly activity index (WAI) fell by 1.8% in the 13 weeks to end-February. However, Eurostat's Economic Sentiment Indicator recovered some ground in February, reaching 95.8, with a similar uptick seen in the IHS Markit Flash PMI Composite Output Index, which rose to 51.3 in February (above the neutral 50 point dividing growth from contraction), with a buoyant manufacturing sector compensating for a continuing contraction in services. However, as the vaccination programme progresses, controls should start to ease and more usual demand patterns should begin to resume - potentially from H2 2021. Overall, we expect GDP to grow by 3.8% in 2021 and 2.3% in 2022.



## 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)	83.8
GDP (USD billions)	3,728.1
GDP per capita (USD)	44,496
Life expectancy (years)	81.1
Literacy (% of adult pop.)	99.9
Surface area (sq km)	357,022

Source: Various sources/Dun & Bradstreet

### Historical Data

Metric	2016	2017	2018	2019	2020e
Real GDP growth (%)	2.1	2.9	1.3	0.6	-4.9
Nominal GDP in USDbn	3,461	3,678	3,968	3,837	3,728
Nominal GDP in local currency (bn)	3,129	3,263	3,361	3,425	3,270
GDP per Capita in USD	42,110	44,501	47,731	45,937	44,496
Population (year-end, m)	82.2	82.7	83.1	83.5	83.8
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.8	0.9	0.9
Current Account in USDbn	291.7	287.4	296.7	279.2	269.7
Current Account (% of GDP)	8.4	7.8	7.5	7.3	7.2
FX reserves (year-end, USDbn)	344.4	353.2	378.4	386.6	421.9
Import Cover (months)	1.5	1.4	1.3	1.4	1.6
Inflation (annual avge, %)	0.4	1.7	1.9	1.4	0.4
Govt Balance (% GDP)	1.2	1.4	1.8	1.5	-4.2

Source: Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	3.8	2.3	1.8	1.8	1.8
Nominal GDP in USDbn	4,164	4,366	4,583	4,818	5,031
Nominal GDP in local currency (bn)	3,441	3,578	3,696	3,824	3,962
GDP per Capita in USD	49,629	52,045	54,703	57,605	60,246
Population (year-end, m)	83.9	83.9	83.8	83.6	83.5
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	288.1	291.9	307.2	319.0	340.0
Current Account (% of GDP)	6.9	6.7	6.7	6.6	6.8
FX reserves (year-end, USDbn)	439.0	456.8	480.1	519.7	584.9
Import Cover (months)	1.5	1.4	1.4	1.4	1.4
Inflation (annual avge, %)	1.4	1.7	1.5	1.7	1.8
Govt Balance (% GDP)	-3.8	-3.3	-2.8	-2.0	-2.0

Source: Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Germany	Italy	US	France	UK
Income per Capita (USD)	49,629	37,951	67,239	43,504	42,591
Country Population (m)	83.9	60.4	332.9	65.4	68.2
Internet users (% of population)	89.7	74.4	87.3	82.0	94.9
Real GDP Growth (% p.a., 2021 - 2030)	0.5 - 2.5	0.1 - 3.3	1.5 - 3.3	0.5 - 2.5	1.5 - 2.8

Source: Various sources/Dun & Bradstreet



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