

GERMANY

Trade Credit Risk Insight

Marco Arrighini
Lugano, September 19th



WHAT WE DO

We give companies worldwide the confidence to trade and be paid.

You gain:


Competitiveness

Know how

Cash flow security

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 EULER HERMES

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COUNTRY RISK

At a glance

Flirting with recession

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WINTER IS COMING WORLDWIDE



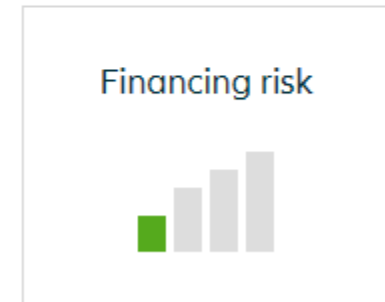
After a relatively good start 2019, the German economy has gone in reverse gear. In the 2nd quarter, seasonally adjusted GDP shrank by -0.1% q/q. A sharp decline in exports (-1.3% q/q) and a setback in construction investment (-1.0% q/q). Due to the very weak start to the third quarter, the risk of a recession is now at a high level.

COUNTRY RISK



Resilient domestic demand will save the day

AA1
LOW RISK
for enterprise



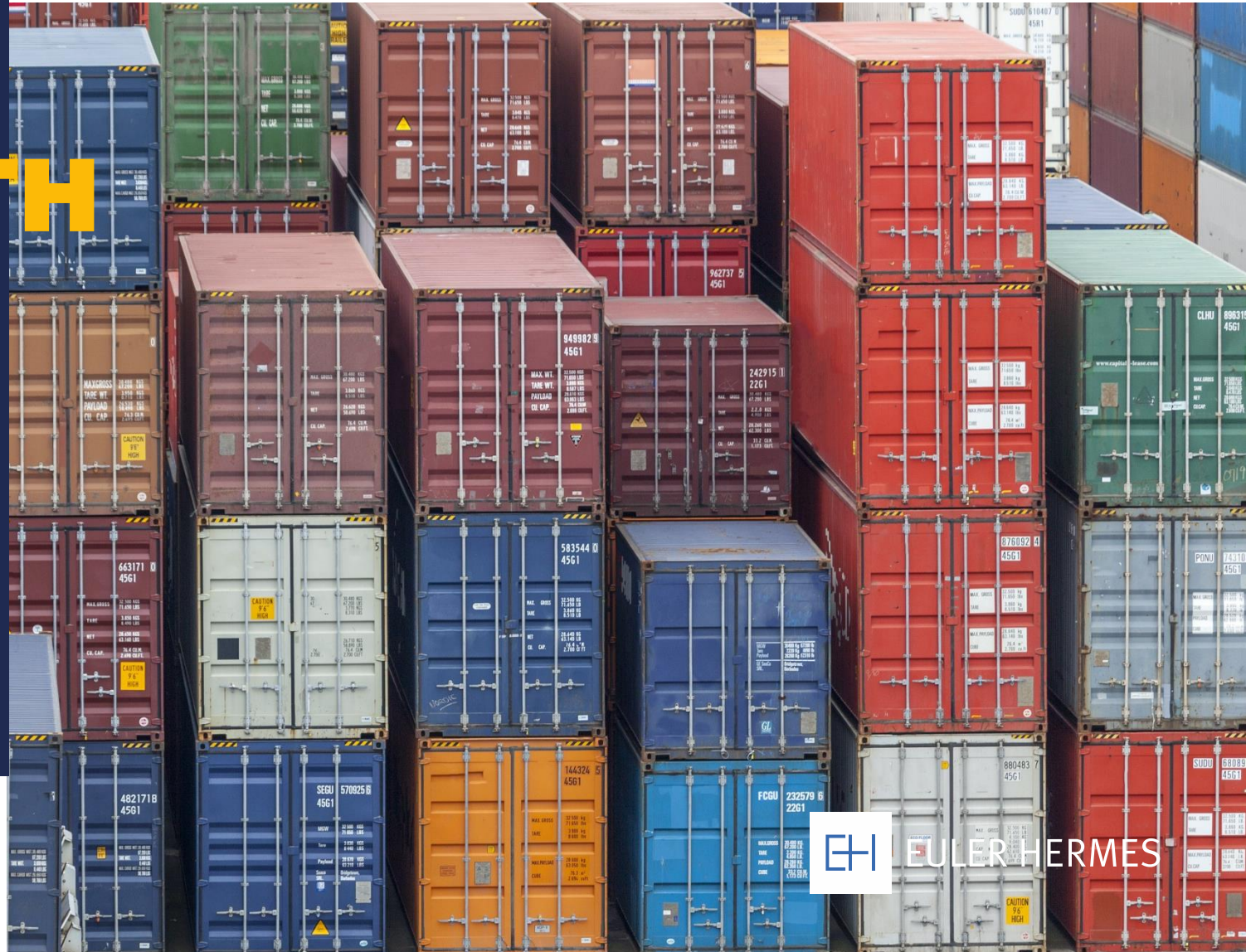
After 4 consecutive years of strong economic growth, the high-flying German economy experienced a sharp deceleration in 2018.

However, resilient domestic demand in Germany will run the economic show over the coming two years but German savers may become less optimistic about the future and could opt to save their additional income rather than spend it (Brexit, US import tariffs, Global growth slowdown).

02

DOING BUSINESS WITH

Being prepared to...



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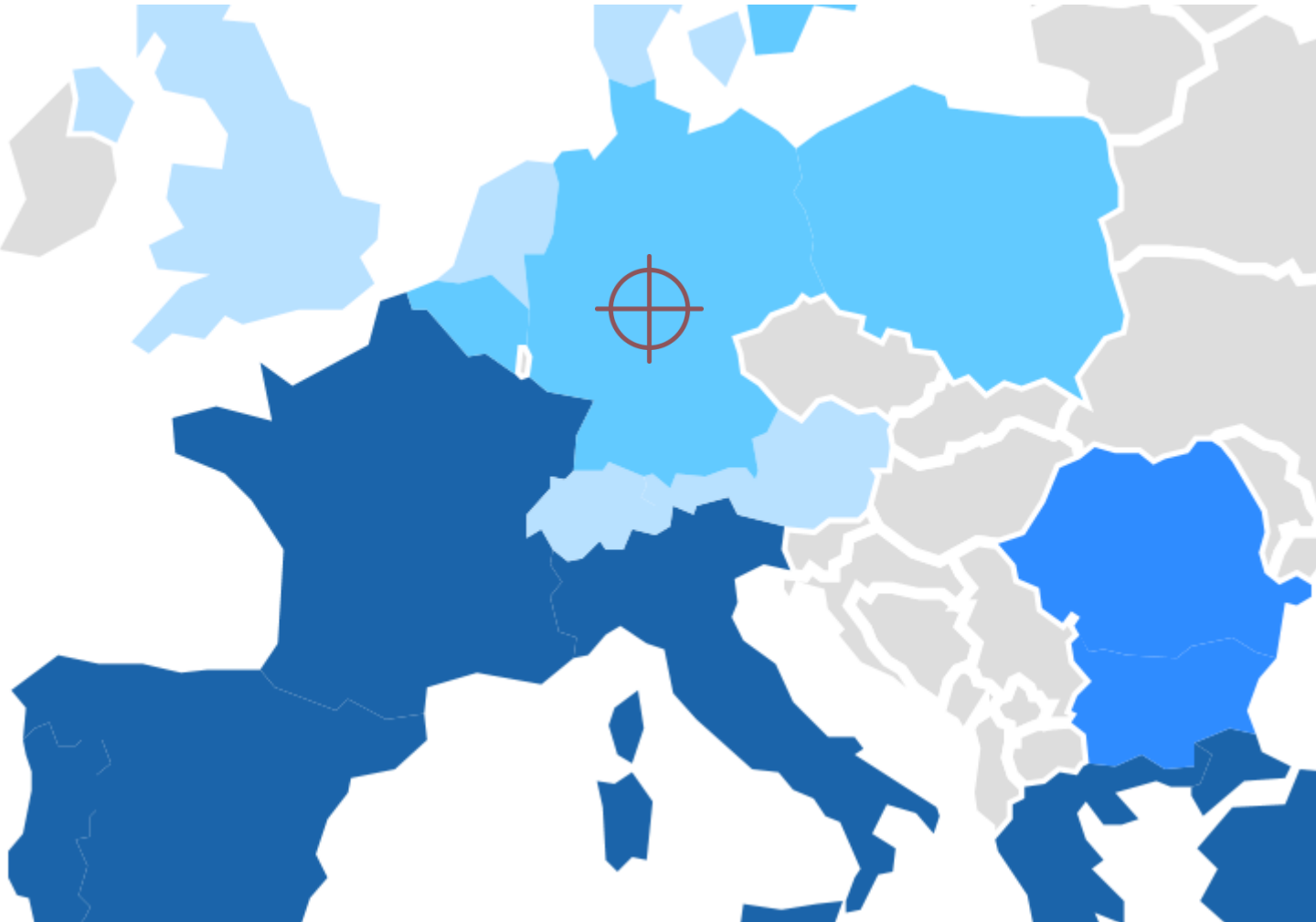
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Trade structure by product

(% of total)

| | Exports | Rank | Imports |
|--|---------|------|---|
| Road vehicles | 18% | 1 | 10% Road vehicles |
| Electrical machinery, apparatus and appliances, n.e.s. | 8% | 2 | 8% Electrical machinery, apparatus and appliances, n.e.s. |
| Other industrial machinery and parts | 7% | 3 | 5% Medicinal and pharmaceutical products |
| Medicinal and pharmaceutical products | 6% | 4 | 4% Petroleum, petroleum products and related materials |
| Other transport equipment | 4% | 5 | 4% Other industrial machinery and parts |

DAYS SALES OUTSTANDING 2018 (DSO)



DSO (NB OF DAYS)

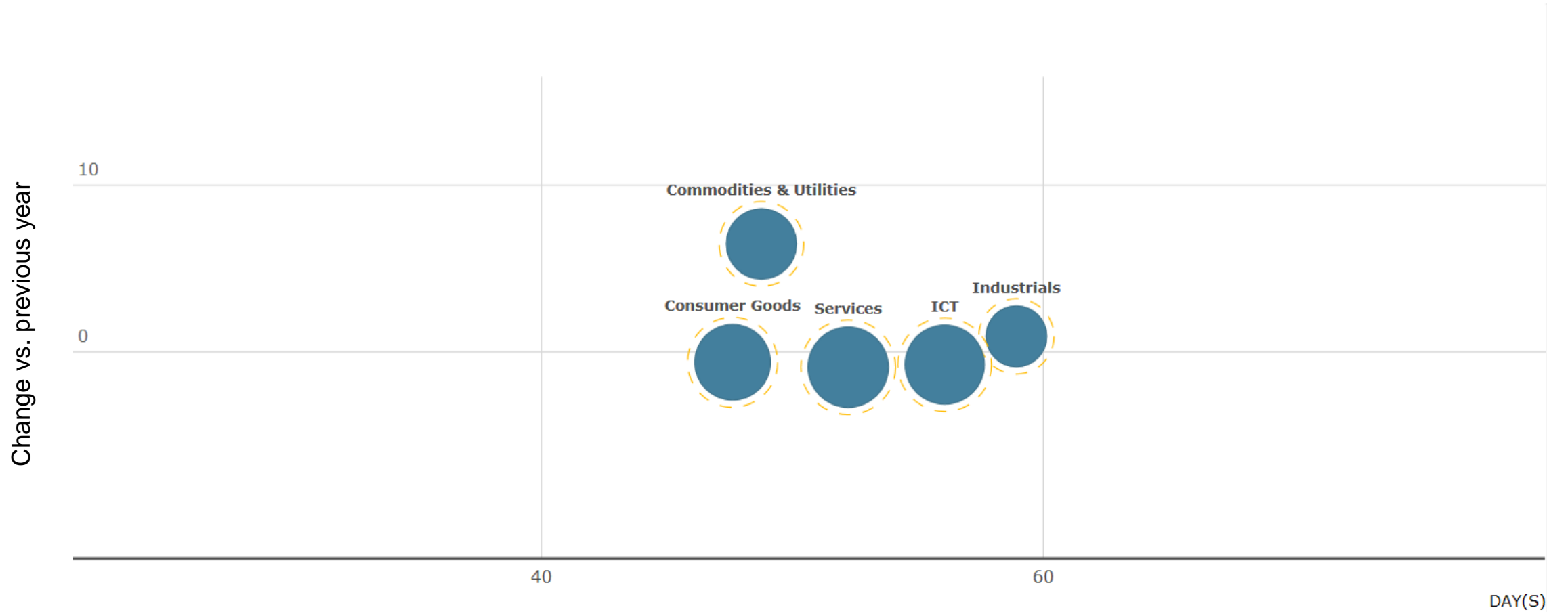
■ 54 days
 (Average World 65 days)

% OF COMPANIES PAID AFTER 90 DAYS

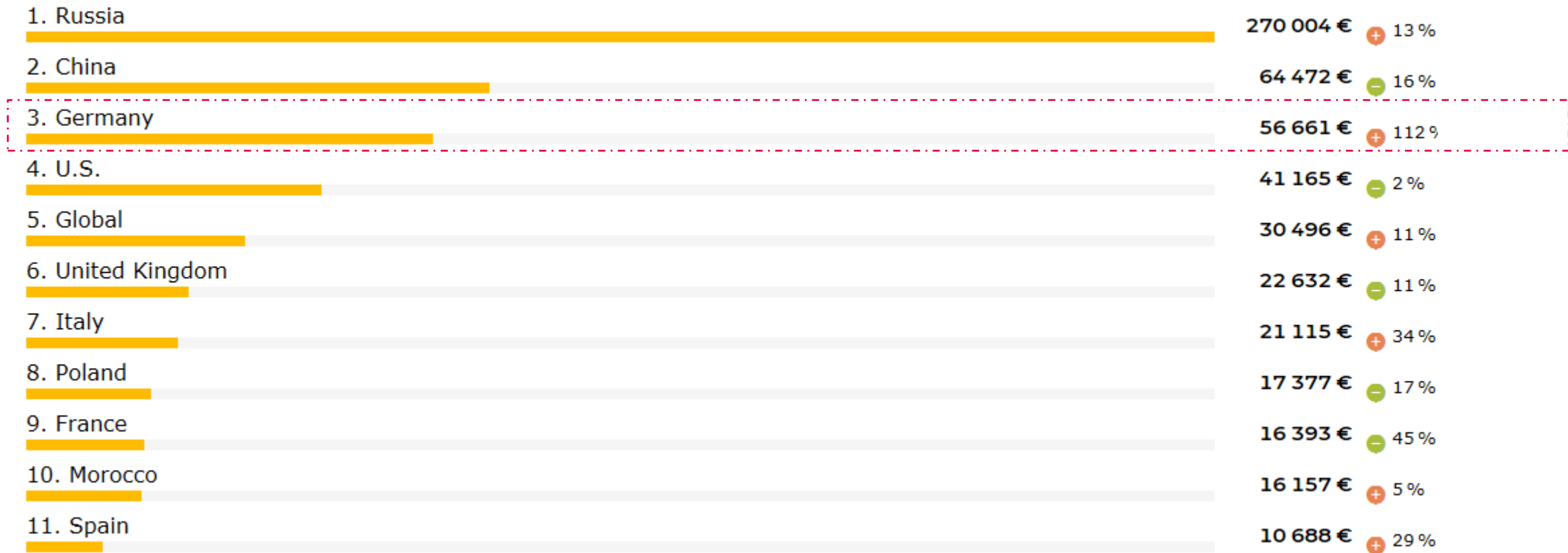
Germany
 12,64%

DSO
 Days sales outstanding (DSO) is a measurement of the average number of days a company takes to collect revenue after a sale. The figures in the tool are calculated from the balance sheets of listed companies, based on data from an established external provider.

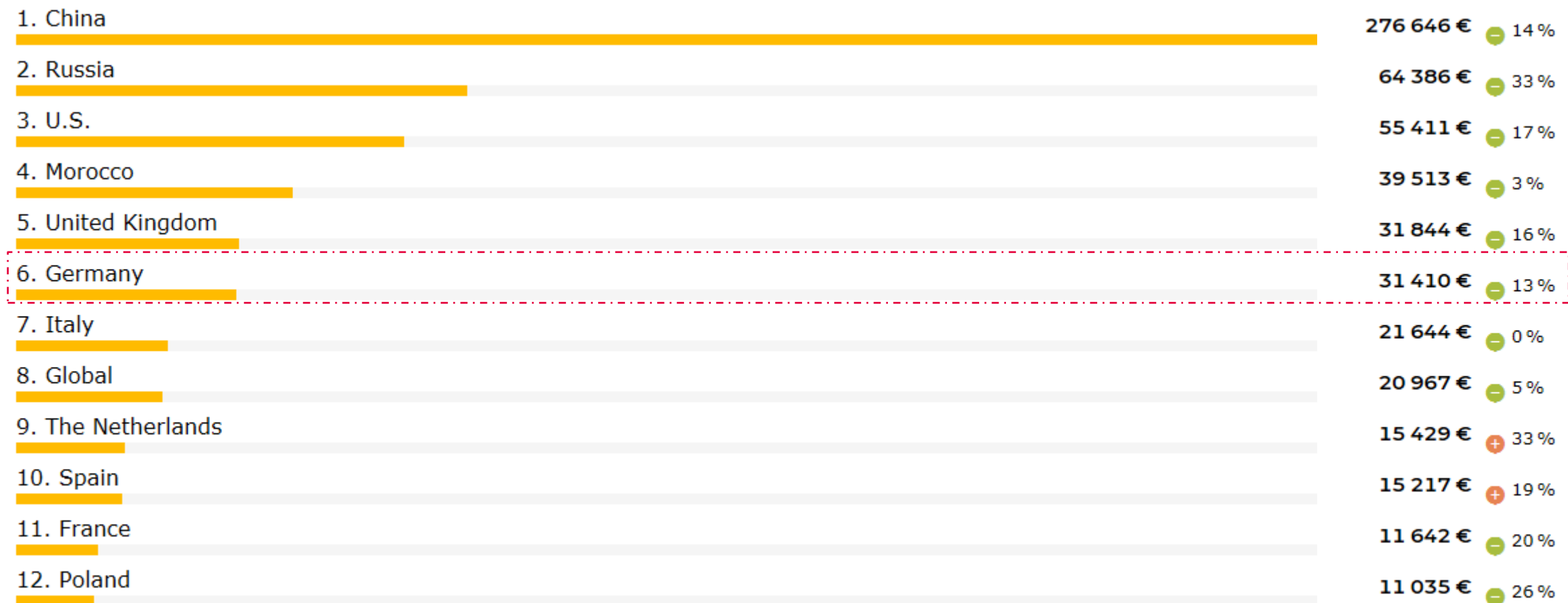
DSO BY SECTOR 2018



PAST DUES 2019



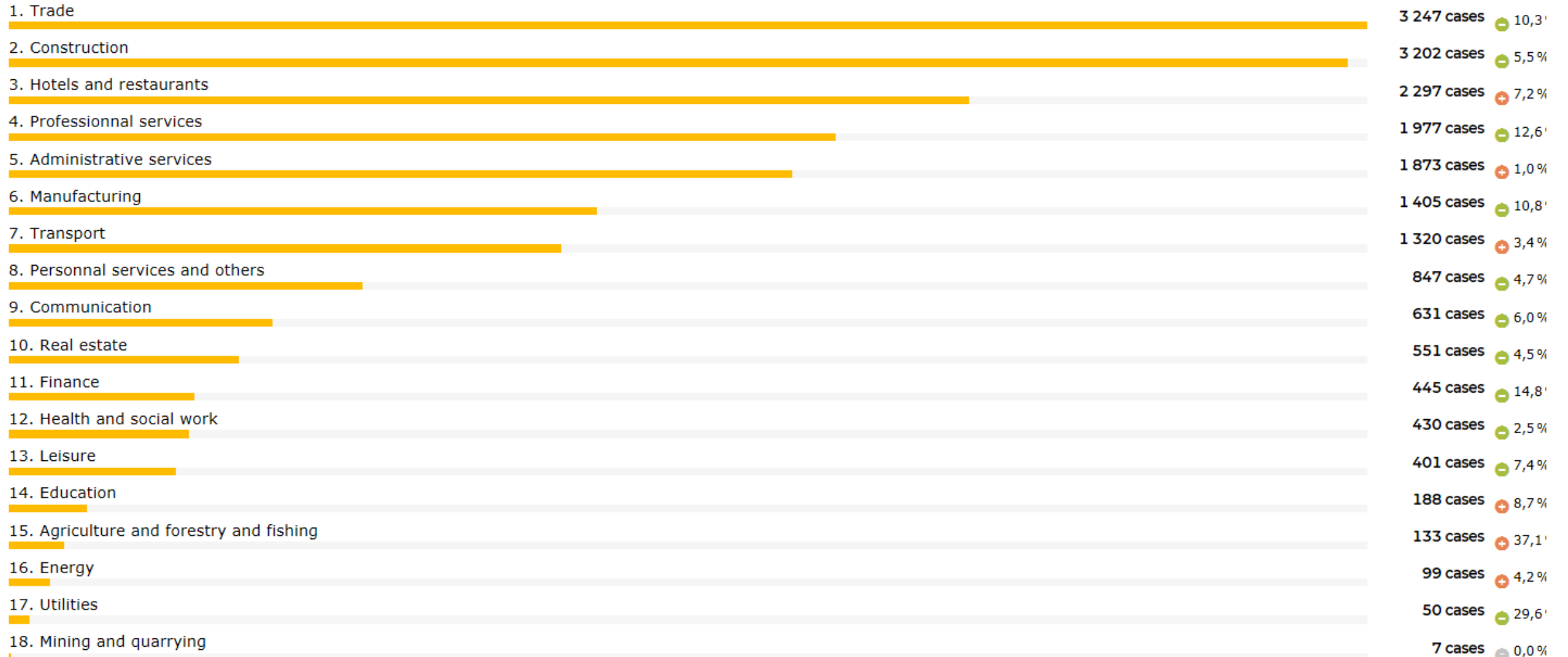
NON PAYMENTS 2019



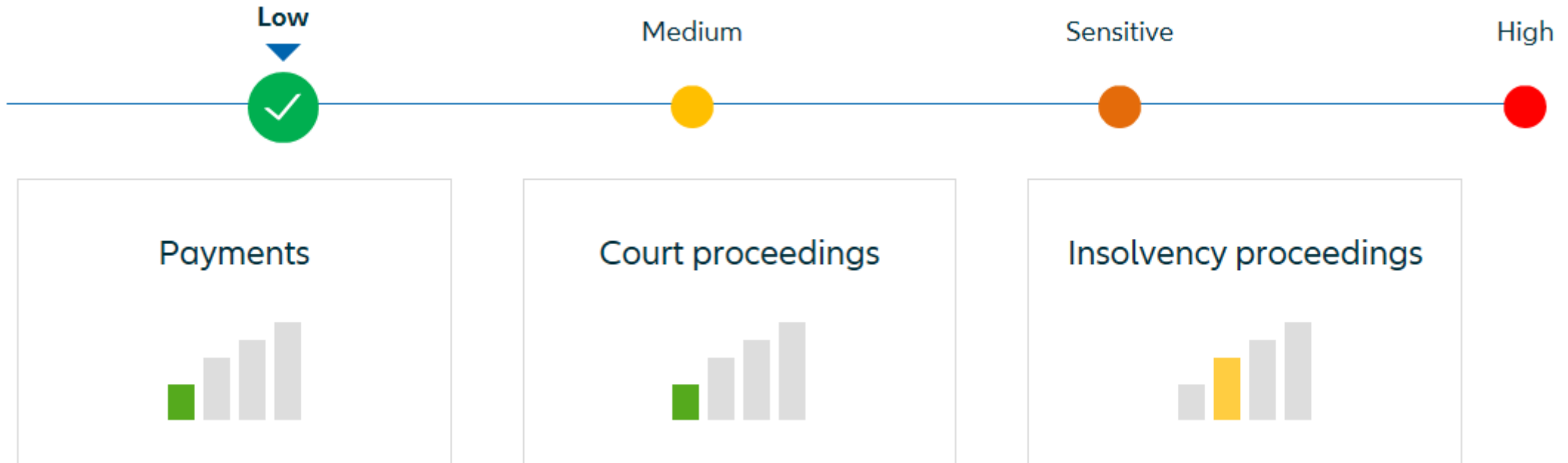
INSOLVENCIES BY SECTOR IN GERMANY

N. of insolvencies by sectors over the last 12 months (latest available data)

+2% on 2020f



COLLECTION COMPLEXITY



The payment behavior of domestic firms is good and the courts are efficient in delivering timely decisions however, professional pre-legal negotiation efforts remain the most efficient means of collecting debt.

The purpose of insolvency proceedings in Germany has long been to realize the debtor's assets to repay the creditor's debt. As a result, liquidation has in practice remained the default procedure and the system provides no genuine support to unsecured creditors when it comes to collecting debt from insolvent debtors.

COLLECTION COMPLEXITY



Availability of financial information

Access to financial information on German companies has improved since business reporting obligations were put in place in 2007.

Regulatory environment

As a general rule, business disputes in Germany fall under the jurisdiction of District Courts depending on the claimed amount.

Getting paid

German partners seek to preserve their credit history and thus avoid late payments.

Collecting overdues

Entering into conciliation or mediation in order to reach a compromise has become a prerequisite to formal judicial proceedings (since 2002) and the courts tend to request proof that a mediation phase was undertaken before considering the claim any further.

The Civil allows charging a compensation fee covering the damage caused to the creditor, and covering collection costs.

03

TAKE AWAY

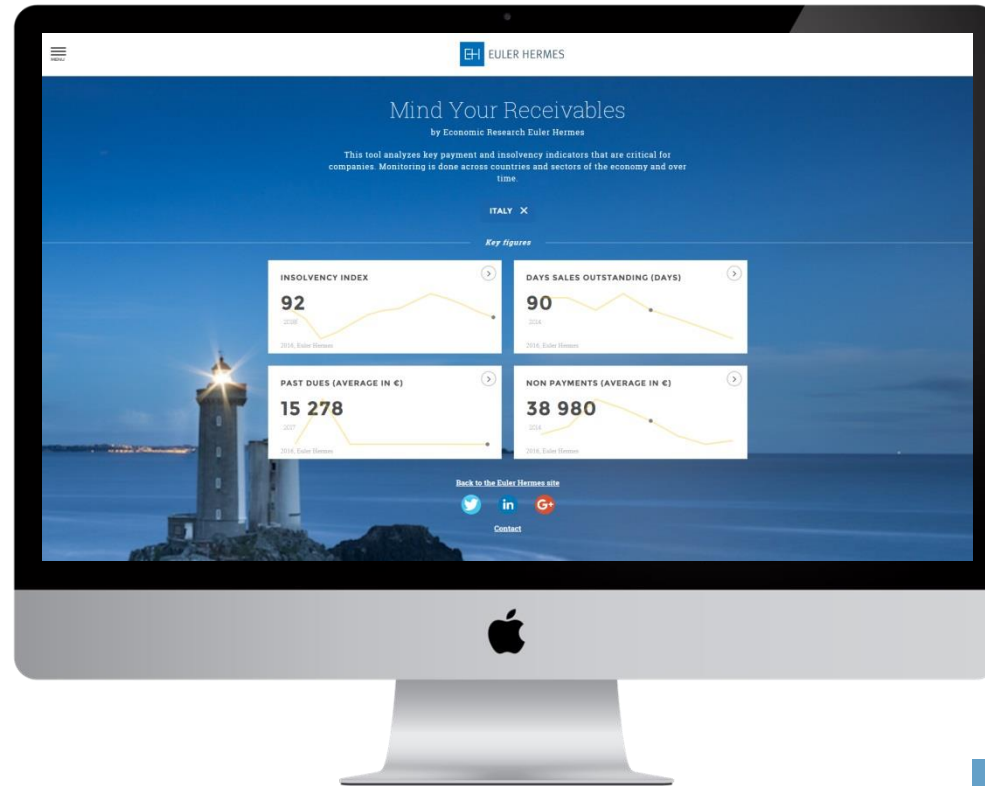
Good to know

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TAKE AWAY



MIND YOUR RECEIVABLES

by Economic Research Euler Hermes

This tool analyzes key payment and insolvency indicators that are critical for companies. Monitoring is done across countries and sectors of the economy and over time.

Check our web app:

mindyourreceivables.eulerhermes.com

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