# GERMANY

## Trade Credit Risk Insight

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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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**COUNTRY RISK** At a glance



**DOING BUSINESS WITH** Being prepared to...



TAKE AWAY Good to know

# 01 COUNTRY RISK

### **At a glance** Flirting with recession



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## WINTER IS COMING WORLDWIDE



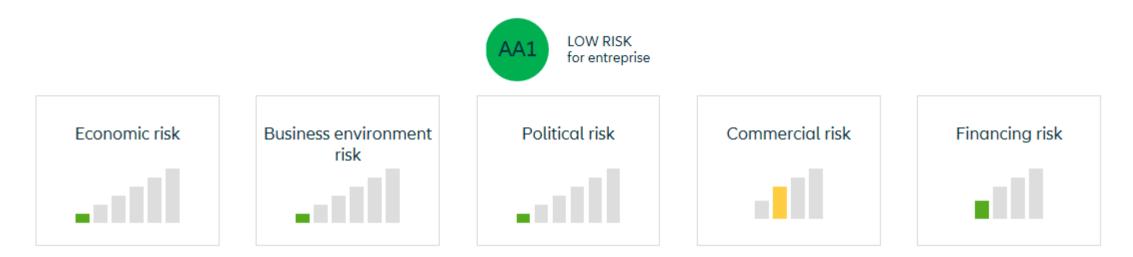
After a relatively good start 2019, the German economy has gone in reverse gear. In the 2<sup>nd</sup> quarter, seasonally adjusted GDP shrank by -0.1% q/q. A sharp decline in exports (-1.3% q/q) and a setback in construction investment (-1.0% q/q). Due to the very weak start to the third quarter, the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

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## **COUNTRY RISK**

### Resilient domestic demand will save the day



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 VIT

Being prepared to...

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## **TRADE STRUCTURE**

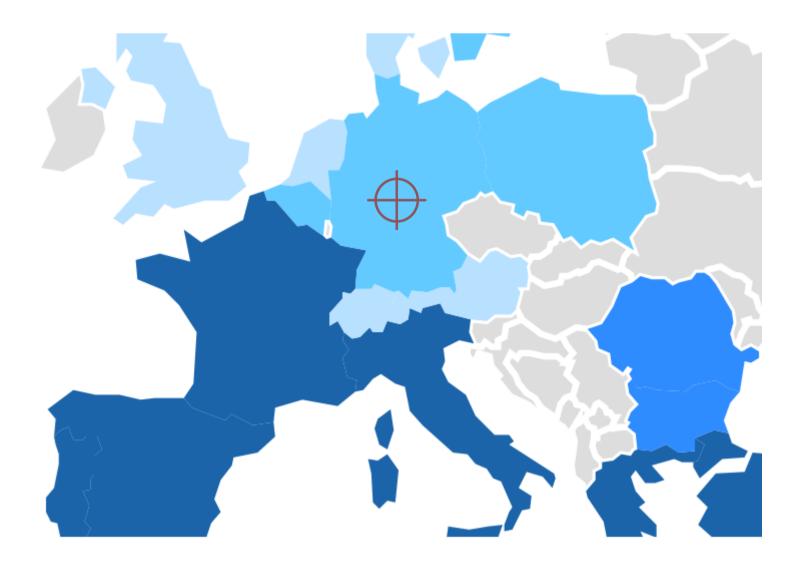


### Trade structure by product

(% 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

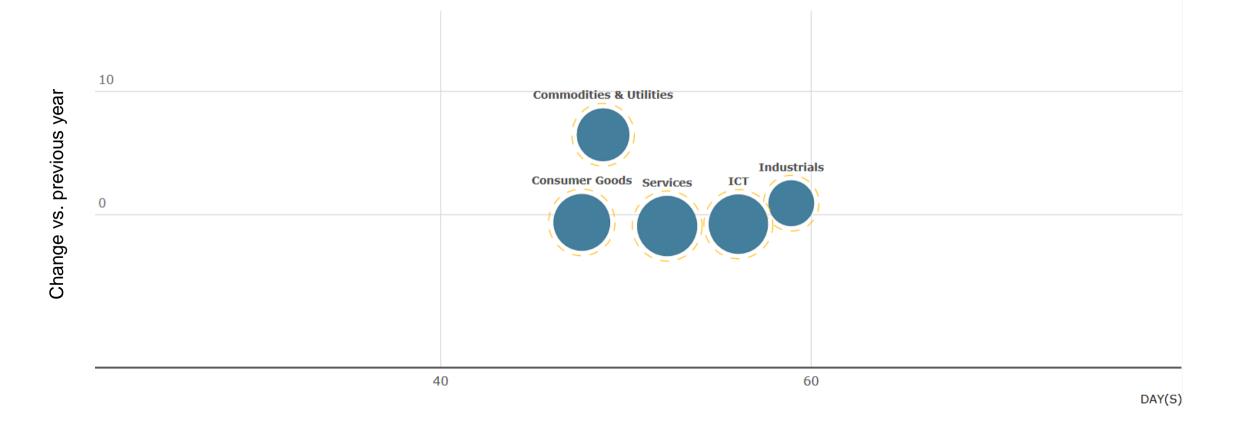
Germany

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. EH

### **DSO BY SECTOR 2018**



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## **PAST DUES 2019**

1. Russia	<b>270 004 €</b> 😗 13 %
2. China	<b>64 472 € 64 16 %</b>
3. Germany	<b>56 661 €</b> 😗 112 %
4. U.S.	41 165 € ⊜ 2 %
5. Global	30 496 € 😝 11 %
6. United Kingdom	22 632 € _ 11 %
7. Italy	<b>21 115 €</b> <sup>34 %</sup>
8. Poland	<b>17 377 €</b> _ 17 %
9. France	<b>16 393 €</b> _ 45 %
10. Morocco	<b>16 157 €</b> <sup>5 %</sup>
11. Spain	<b>10 688 €</b>

## **NON PAYMENTS 2019**

1. China	<b>276 646 €</b> <mark>⊜</mark> 14%
2. Russia	<b>64 386 €</b> ⊜ 33 %
3. U.S.	<b>55 411 €</b> <mark>0</mark> 17 %
4. Morocco	<b>39 513 €</b> <mark>⊜</mark> 3 %
5. United Kingdom	<b>31 844 €</b> <mark>⊜</mark> 16 %
6. Germany	<b>31 410 €</b> ⊖ 13 %
7. Italy	21644€ ⊜0%
8. Global	<b>20 967 €</b>
9. The Netherlands	<b>15 429 €</b> 😗 33 %
10. Spain	<b>15 217 €</b> 😗 19 %
11. France	<b>11 642 €</b> ⊜ 20 %
12. Poland	11 035 € <mark>⊜</mark> 26 %

## **INSOLVENCIES BY SECTOR IN GERMANY**

+2% on 2020f

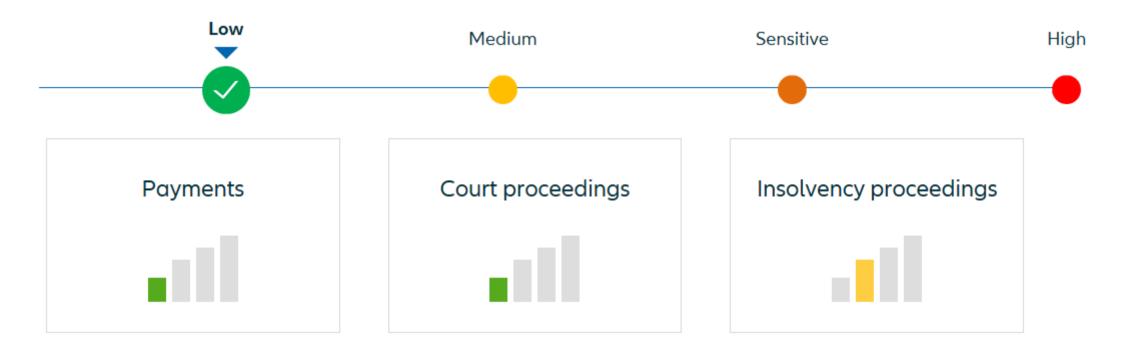
N. of insolvencies by sectors over the last 12 months (latest available data)

## GERMANY

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	Changes vs. previous year
1. Trade	3 247 cases 😑 10,3
2. Construction	3 202 cases 😑 5,5 %
3. Hotels and restaurants	2 297 cases 😑 7,2 %
4. Professionnal services	1 977 cases 😑 12,6
5. Administrative services	1 873 cases 👩 1,0 %
6. Manufacturing	1 405 cases 😑 10,8
7. Transport	1 320 cases 👩 3,4 %
8. Personnal services and others	847 cases _ 4,7 %
9. Communication	631 cases _ 6,0 %
10. Real estate	551 cases 🖕 4,5 %
11. Finance	445 cases 😑 14,8
12. Health and social work	430 cases _ 2,5 %
13. Leisure	401 cases 😑 7,4 %
14. Education	188 cases 😑 8,7 %
15. Agriculture and forestry and fishing	133 cases 😋 37,1
16. Energy	99 cases 😋 4,2 %
17. Utilities	50 cases _ 29,61
18. Mining and quarrying	7 cases 0,0 %

## **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.

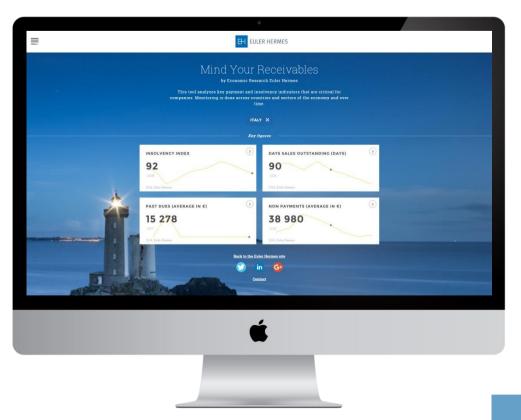
## 03 TAKE AWAY

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## TAKE AWAY



#### MIND YOUR RECEIVABLES

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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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## CONFIDENCE IN TOMORROW



