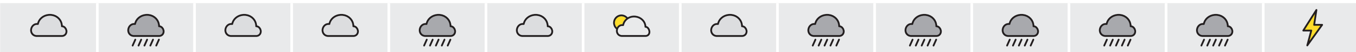
Germany

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The industry is impacted by tighter environmental regulations and low sales prices due to high pressure from processors and retailers. With the coronavirus outbreak, the sector has been additionally affected by the lockdown measures (e.g. lack of foreign seasonal workers and/or additional costs caused by tighter health care regulations for said workers). Additionally, the third dry summer in a row negatively affects the crop harvest, which will hurt farmers with livestock breeding (shortage and/or higher prices for animal feed). While agriculture value added is forecast to shrink by more than 2.5% in 2020, the prospects for a quick rebound are good.

Automotive/Transport

Remains Poor

Automotive producers and suppliers suffer from globally deteriorating sales for passenger cars and commercial vehicles, which has led to severe liquidity strains and cash shortfalls. Margins were already under pressure before the coronavirus outbreak, due to disappointing sales in 2019 and increased investment intended to cope with the shift away from combustion engines and towards e-mobility. Automotive value added is expected to contract by 32% in 2020.

It is expected that insolvencies among suppliers will increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020). The amount of this increase will strongly depend on sector performance in Q3 and Q4 of 2020 and the subsequent effect on businesses´ balance sheets, in particular liquidity.

Chemicals /Pharmaceuticals

Remains Fair

Chemicals businesses remain financially resilient compared to their peers in other sectors. However, already in 2019, the sector was affected by lower global economic growth, increasing competition from Asia and the debate on climate change (stricter environmental regulations). The performance in 2020 will be severely affected by the global economic downturn, and value added is expected to decrease by more than 2%. The pharmaceuticals sector benefits from current health issues, with value added expected to grow about 3% in 2020.

Construction/ Construction Materials

Remains Fair

After performing well over the past couple of years, businesses have been affected by supply chain problems, postponement of projects and reduced order volumes due to the coronavirus impact and subsequent lockdowns. Construction value added is expected to shrink by 2.5% in 2020, but to rebound 3.5% in 2021.

Consumer Durables

Remains Poor

Digital transformation poses a major challenge for the sector, as changing consumer behaviour is increasingly putting stationary retailers under pressure. Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, especially during the lockdown. Despite a rebound since May and implementation of stimulus measures (e.g. VAT decrease), retail value added is expected to decrease 7.5% in 2020. Payment delays and insolvencies are expected to substantially increase in H1of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020). Mainly affected will be stationary non-food retailers.

Electronics/ICT

Remains Fair

Sales have deteriorated due to the temporary closure of businesses with the lockdown, and supply chain disruptions have had an additional negative impact. However, spending from businesses and employees on digital goods and services has increased due to the sharp rise of remote working. ICT value added is expected to shrink by 2.5% in 2020, followed by a 4% rebound in 2021.

Financial services

Remains Good

The sector remains relatively robust. However, increased financial troubles for businesses and consumers due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is expected to decrease 3% in 2020.

Germany

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Food

Remains Fair

The German food retail market is the most competitive in Europe, with low market prices due to the overwhelming power of the leading food retailers and discounters. Tough competition and price wars in the retail market indicate that food producers, processors and suppliers have difficulties passing on costs. With food processing companies and retailers demanding longer payment terms from their immediate suppliers to improve their working capital, a wave of longer payment terms is being created along the whole supply chain.

Value added is expected to decrease by more than 4% in 2020. Food producers and processors supplying hotels, restaurants, canteens, catering etc. have been severely affected by the lockdown measures and the only modest rebound in the hospitality segment since the lifting. On the contrary, suppliers to the food retail sector have been generally less affected, sometimes even benefitting.

Machines/Engineering

Remains Poor

The highly export-dependent Germany machinery sector suffers from deteriorated global demand, with a major decrease in orders and production expected in 2020 and the years beyond. The slowdown started already in 2019 due to increased trade disputes worldwide. After shrinking 2% in 2019, engineering value added is expected to contract again in 2020, by more than 15%. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Metals

Remains Poor

In 2019 the downturn in the domestic automotive and machinery sectors already started to seriously affect the performance of many German metals suppliers, while exports were impacted by subdued global demand. Many metals businesses have suffered from higher transport, labour and energy costs, along with overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past.

In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic. Metals value added is expected to decline by more than 13% in 2020. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Paper

Remains Poor

Paper producers and the packaging segment have been impacted by less demand due to lockdown measures and the ongoing digitalization. Value added of the paper industry is expected to contract by 7% in 2020, while packaging is forecast to decrease 9%.

Services

Remains Poor

Due to the lockdown measures in face of the coronavirus outbreak, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, fairs, airports, bus cruisers, tourism, travel agencies and tour operators. Despite the lifting of lockdown measures, the rebound remains subdued and hotel and catering valued added is expected to decrease by more than 12% in 2020. Currently, it cannot be ruled out that payment delays and insolvencies will increase after the expiry of stimulus measures and the end of the current insolvency moratorium.

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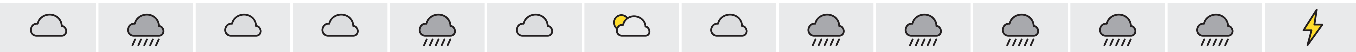

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Steel

Remains Poor

In 2019 the downturn in the domestic automotive and machinery sectors already started to seriously affect the performance of many German steel suppliers, while exports were impacted by subdued global demand. Many steel businesses have suffered from higher transport, labour and energy costs, along with overcapacity and strong competition. Pressure on margins has increased in an industry where many businesses have already shown low profitability in the past. In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic. Steel sector value added is expected to decline by more than 11% in 2021. Insolvencies are expected to increase in H1 of 2021 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins, and have been additionally impacted by deteriorating sales due to the lockdown. A comprehensive market consolidation is expected. Additionally, the large technical textiles segment is negatively affected by decreasing demand from the automotive industry. Valued added is expected to decrease by more than 13% in 2020 after already contracting in 2018 and 2019. Payment delays and insolvencies are expected to increase sharply in H1 of 2020 (the current suspension of the obligation to file for insolvency will expire by the end of December 2020).