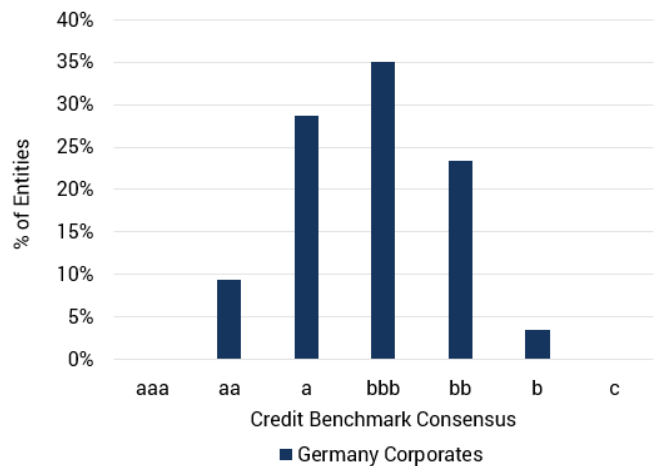


# German Corporates Well Positioned to Weather Any Downturn

January 2019

German growth numbers are at a five-year low and a recession looks increasingly likely. German exports are still growing but the rate has been hit by China's internal and external economic challenges, as well more global trade-related problems. The global auto sector is facing a pause in demand as technology pivots towards electric cars, and Brexit-related uncertainty has had a negative impact on manufacturing related output.

As the top chart below shows, a sample of 195 German corporates are typically of high credit quality; the majority are in the bbb category but the aa category is the second largest. The bottom chart shows a modest but consistent improvement in German Corporate credit quality over the past two years. This improvement may plateau or even reverse if the economy goes through a protracted downturn, but bank-sourced credit data from Credit Benchmark suggests that the German Corporate sector is strongly positioned to weather this.



An upward sloping Credit Risk Indicator line means that average credit quality for that group of companies is improving (i.e. the probability of default is falling). A downward sloping line means that average credit risk is deteriorating (i.e. the probability of default is rising). The left hand axis shows the percentage change in default risk over the period.

Source: Credit Benchmark

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