

Germany – 3Q21

Macroeconomic Outlook Report



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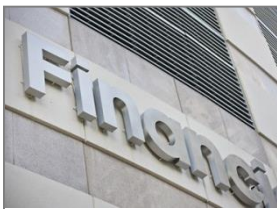
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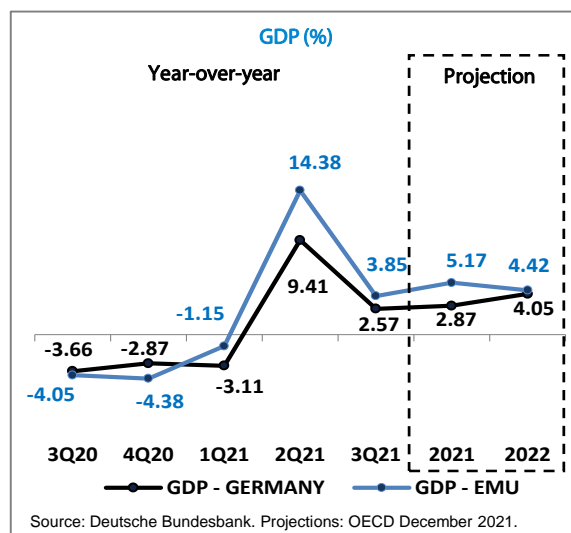
1. General Outlook

German macroeconomic overview

The recovery of German economic activity which began in spring, continued at a more moderate pace in the third quarter of 2021. Thus, Germany's GDP registered a correction in its y/y growth rate down to 2.57%, but it must be considered the lower comparative rate of the previous quarter. CPI y/y growth increased above the 2% objective. Furthermore, the German labour market, continued recovering from the pandemic effects.

German Macroeconomic Overview

- ▶ In 3Q21, Germany's economy registered a GDP y/y growth rate of 2.57%, after a correction of 6.84 p.p. when compared to the rate reported in 2Q21. Growth in the German economy was lower than that of the EMU, which reached 3.85% in 3Q21.
- ▶ The OECD forecast is sensitive to many factors including a possible increase of Covid infections or unexpected hurdles in production and distribution of vaccines. Thus, the German economy is expected to grow 2.87% and 4.05% during 2021 and 2022.
- ▶ According to the Bundesbank, private consumption and services providers receive a strong boost during 3Q21, as pandemic-related restrictions were progressively eased. In contrast, investment and exports were severely hampered by supply problems in the industrial sector.
- ▶ The German industry suffered supply-side constraints and, as a result, the output level continued to lag considerably behind strong demand.



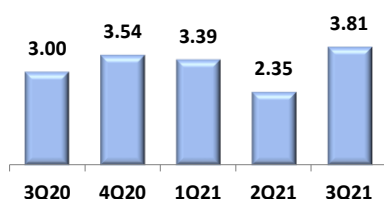
- ▶ In terms of external demand, according to the Bundesbank, in 3Q21 exports of goods fell sharply, despite continued high demand from abroad.
- ▶ During 3Q21, Germany's unemployment rate decelerated when compared to the previous quarter, down to 3.27% after a decrease of 0.47 p.p.. Furthermore, the y/y growth rate of employment during 3Q21 recorded a rise of 0.38 p.p. with respect to the second quarter of 2021, registering a growth rate of 0.39%.
- ▶ Regarding inflation, the CPI recorded a y/y growth rate of 3.90%, which was 2.23 p.p. higher than the one registered in the previous quarter. This means that inflation rose above the 2% level objective.
- ▶ During the third quarter of 3021, the euro depreciate against the dollar, hence the exchange rate slowed-down when compared to 2Q21, recording an average quarterly exchange rate of 1.18 \$/€.
- ▶ As a result of the revival of the economy and a sustained trust-building investor confidence, the German stock market continued its recovery following its increasing trend. Therefore, the German's Stock Index (DAX 30) quarterly average experienced an increase of 1.20% up to 15,547 points during the third quarter of 2021, when compared to the previous quarter.

Banking sector

During the third quarter of 2021 the y/y growth rate of total loans in the German financial system increased to 3.81%. Total deposits experienced a decrease with respect to the previous quarter, registering a growth rate of 4.78%. In 2Q21* the NPL ratio stood at 1.11%, which represented a decrease compared to 1Q21. As for the coverage ratio, it decreased in the second quarter of 2021 compared to 1Q21, amounting to 35.37%. In terms of efficiency, the German financial system decreased its cost to income ratio compared to 2Q20 and was down to 72.60%.

Banking sector

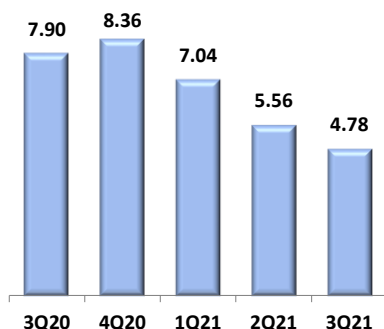
LOANS (Year-over-year) (%)



Source: Deutsche Bundesbank.

- ▶ During the third quarter of 2021, the y/y growth rate of total loans in the German financial system increased by 1.45 p.p. up to 3.81%.
- ▶ Nevertheless, the y/y growth rate of total deposits decelerated, by 0.78 p.p. in 3Q21 when compared to the previous quarter, down to a rate of 4.78%.
- ▶ Commercial Banks and other institutions decreased their deposits growth rates whereas Savings institutions and Landesbanken increased them compared to the previous quarter.
- ▶ Germany's financial system recorded a 0.16 p.p. y/y decrease in its LTD ratio compared to 3Q20, which stood at 108.43% in the third quarter of 2021, with all type of institutions experiencing increases in their ratios with the exemption of Savings institutions.

DEPOSITS (Year-over-year) (%)



Source: Deutsche Bundesbank.

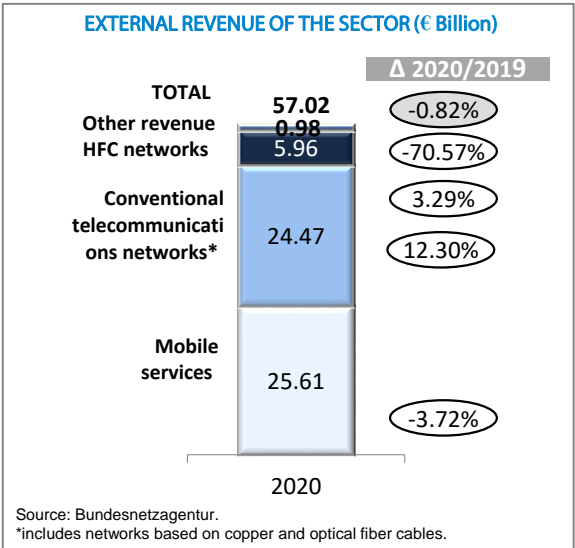
- ▶ On the other hand, during 2Q21, the NPL ratio* stood at 1.11%, which represented a decrease of 0.05 p.p. when compared to 1Q21.
- ▶ In the second quarter of 2021 the coverage ratio* of the German financial system decreased by 1.14 p.p. when compared to 1Q21, amounting to 35.37%.
- ▶ In terms of efficiency*, the ratio of the German financial system decreased by 7.02 p.p. compared to 2Q20, totaling 72.60% during the second quarter of 2021.

Other sectors: Telecommunications

In 2020, the external revenue of the telecommunications sector decreased by 0.82% when compared to 2019, due to the decreases in the external revenue from mobile services (-3.72%) and other external revenue sources (-70.57%). External revenue from HFC networks and external revenue in conventional telecommunications networks increased by 3.29% and 12.30% respectively. The number of fixed connections maintained its level, meanwhile mobile connections experienced a 0.28% increase. Fixed traffic incremented by 10.64%, along with mobile traffic, which experienced a growth of 22.05%.*

Telecommunications sector

- ▶ During 2020, external revenue in the telecommunications sector amounted to € 57.02 billion, after a y/y decrease of € 470 million (-0.82%).
- ▶ Conventional telecommunications network segment revenues increased by 12.30% to € 24.47 billion in 2020. HFC networks revenues increased y/y by 3.29% to € 5.96 billion.
- ▶ On the other hand, external revenue from mobile services decreased to € 25.61 billion in 2020 (-3.72%), as well as, other revenues, which dropped by -70.57%, to € 0.98 billion in 2020.
- ▶ In terms of volume, fixed connections conserved its level during 2020 with respect to 2019, with 38.30 million connections. In terms of mobile connections, a slight increase of 0.30 million connections was registered, 0.28% more than the number of connections reported in 2019.



* Annual frequency data, 2021 data not available at time of publication of this report.



2. International Overview

LatAm

During the third quarter of 2021, all the countries analysed continued with their economic recovery after the acceleration experienced in the second quarter of the year. This was mainly due to the progress in vaccination, although growth rates were reduced compared to the previous quarter. The unemployment rates registered a decrease compared to the previous quarter, although they remained above the levels before the pandemic, and inflation rates increased in most countries.


Macroeconomic Overview

- ▶ During the third quarter of 2021, the economic recovery was consolidated in the countries studied, all of which achieved a positive year-on-year GDP growth rate. However, all reduced their year-on-year growth rate compared to the previous quarter. Peru was the country whose year-on-year growth rate decreased the most, declining by 30.43 p.p., although it should be noted that its growth in the second quarter had been the most pronounced (41.88%). Chile was the country that reduced its rate the least compared to the previous quarter, falling by only 0.16 p.p. to 17.34%, which was the highest rate of the group.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has improved its forecasts for the Latin American economy in 2021, placing the region's growth at 5.90%. In addition, growth of 2.90% is expected for 2022. This is mainly due to the progress in global immunization that has been developing during the third quarter of 2021. However, according to the IFM, this expansion will not be enough to return to pre-covid levels in the medium term since the persistent social impacts and the damaged labour market after the crisis will continue to hamper the recovery. In its December update, the OECD improved its forecasts from September for Argentina and lowered them for Brazil and Mexico for 2021. In addition, it placed the year-on-year GDP growth of these three countries for 2022 below the OECD average.
- ▶ As for inflation, all the countries studied registered increases in their inflation rate compared to the previous quarter except Mexico, which lowered its index to 5.80%. Colombia was the country with the lowest inflation rate, at 4.31%. Meanwhile, Argentina was the country that experienced the highest growth in its inflation rate compared to 2Q21, increasing by 2.33 p.p. up to a rate of 50.73%, registering the highest inflation rate of this group of countries again.
- ▶ During the third quarter of 2021, the labour market continued to recover from the economic consequences of the pandemic. Most countries recorded falls in their unemployment rate compared to 2Q21, although they are still far from their pre-covid levels. In this context, Brazil was positioned as the country with the highest unemployment rate, with a figure of 13.13%. On the other hand, Mexico recorded the lowest unemployment rate of the countries studied, at 4.02%.

Financial Sector

- ▶ With regards to their rating, all Latin American countries maintained their ratings constant in the third quarter of the year except for Peru, which fell from a Fitch rating of BBB+ to BBB during this period. This rating considers that, despite the country having a good credit quality and an adequate capacity to meet its financial obligations, this capacity could be affected by exposure to adverse economic conditions.
- ▶ With regard to economic policies, the introduction of additional stimulus is more limited than during the previous year, facing tightening global financial conditions and rising inflation. Thus, despite the effectiveness of the policies already promoted, the public accounts of these countries have deteriorated, leading to public debt increases of up to 75.4% of regional GDP at the end of the third quarter. According to the World Bank, Latin America has been the hardest hit region by the pandemic, most countries in the region will not be able to fully reverse the 6.7% contraction of their GDP in 2020 in the near future.
- ▶ All the countries analysed, except Argentina and Brazil, increased their pace of lending compared to the previous quarter. Mexico continued to register the lowest year-on-year growth, with a contraction of -1.94%. Regarding deposits, all countries stood at a positive year-on-year growth during the period, although half of them, Argentina, Brazil and Peru, decreased their rate compared to the previous quarter. Chile showed the largest increase in its rate, after an acceleration of 6.48 p.p. compared to 2Q21.

 **Argentina**
11.87%

 **Brazil**
4.03%

 **Chile**
17.34%

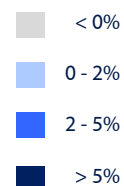
 **Colombia**
12.93%

 **Mexico**
5.22%

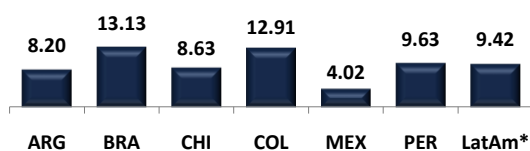
 **Peru**
11.45%

 **LatAm***
10.47%

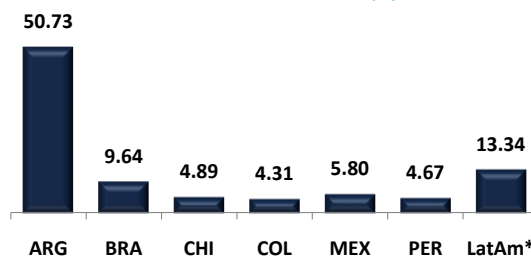
GDP 3Q21 (% year-on-year growth rate)



UNEMPLOYMENT RATE 3Q21 (%)

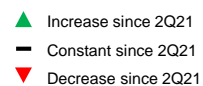


INFLATION RATE 3Q21 (%)

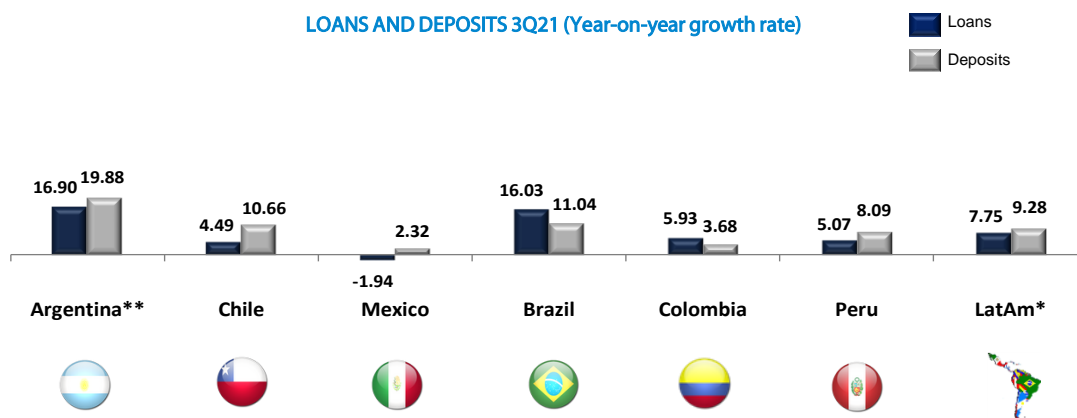


LONG TERM RATINGS 3Q21

	MOODY'S		S&P		FITCH	
Argentina	Ca	—	CCC+	—	CCC	—
Brazil	Ba2	—	BB-	—	BB-	—
Chile	A1	—	A	—	A-	—
Colombia	Baa2	—	BB+	—	BB+	—
Mexico	Baa1	—	BBB	—	BBB-	—
Peru	Baa1	—	BBB+	—	BBB	▼



LOANS AND DEPOSITS 3Q21 (Year-on-year growth rate)



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.

**Most updated figures available at the date of the release correspond to 2Q21.

2. International Overview

OECD & China

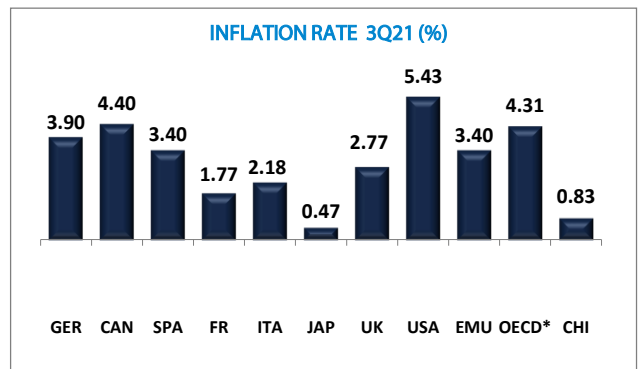
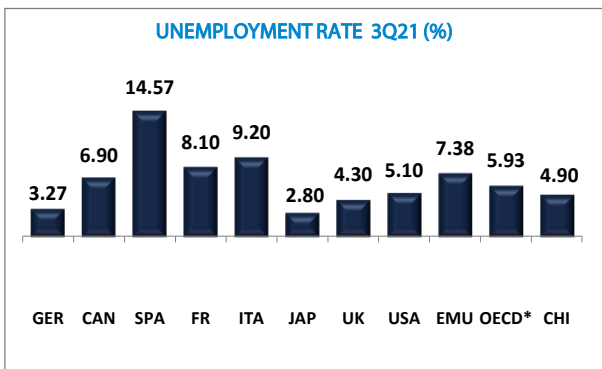
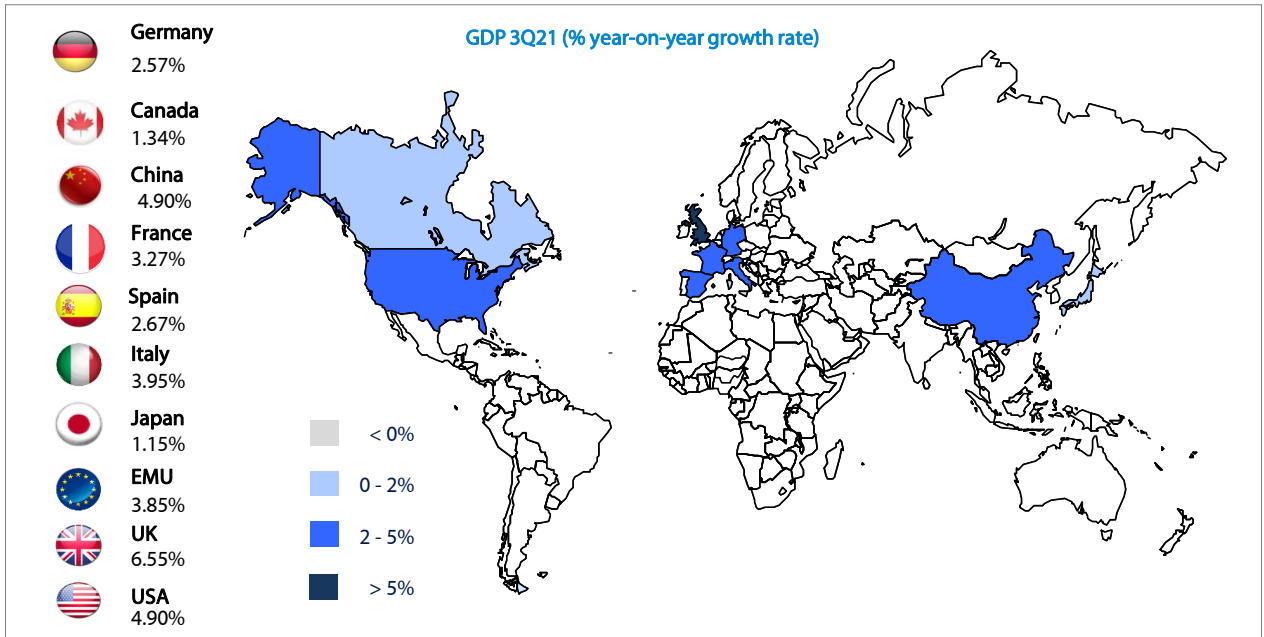
The recovery of economic activity in OECD countries continued in the third quarter of 2021. Advances in the vaccination process meant that the GDP growth rate of these countries remained in positive values. However, a downward revision of the OECD's future growth forecasts was carried out, especially for 2022, due to the increase in COVID-19 cases.

Macroeconomic Overview

- ▶ In the third quarter of 2021, the Eurozone continued to recover with a positive year-on-year GDP growth rate (3.85%), although lower than that of the last quarter, which registered a more pronounced year-on-year acceleration (14.38%). Consequently, the OECD December forecasts have announced expected year-on-year GDP growth for 2021 and 2022 to be of 5.17% and 4.32%, respectively, slightly lowered from its September forecasts. However, the European Commission expects a positive evolution of the economy marked by an effective strategy of containment of the virus and progress with vaccines, with most member states reaching pre-pandemic GDP levels by the end of 2021. Among the countries analysed in the region, all registered positive year-on-year GDP growth rates during the third quarter of the year, highlighting those of France and Italy which were the highest (3.27% and 3.95%, respectively).
- ▶ The United States consolidated its recovery of economic activity in this period with another positive year-on-year GDP growth rate of 4.90%, although it also experienced a decrease of 7.30 p.p. compared to 2Q21. The OECD reduced its forecasts in its December publication, expecting a growth of the US economy of 5.56% in 2021 and 3.73% in 2022. Meanwhile, the United Kingdom recorded the largest decline in GDP during this period compared to the previous quarter, although it remained at a positive rate of 6.55%. Consequently, the OECD estimates growth of 6.92% by 2021 and 4.75% by 2022. These forecasts were also lower than those of September, especially that of 2022, which stood at 5.22%.
- ▶ China also recorded a lower GDP growth rate during the third quarter compared to 2Q21, declining by 12.13 p.p. to a rate of 4.90%, the same as the one obtained in 3Q20. In its December forecasts, the OECD estimates growth of 8.15% and 5.06% for 2021 and 2022, respectively. Japan recorded the only increase in the GDP rate compared to 2Q21, which rose by 0.65 p.p. to 1.15%. In turn, the OECD estimates a growth of its GDP of 1.84% and 3.41% for 2021 and 2022.
- ▶ Regarding international trade, the G20 recorded a stagnation in merchandise trade, although it remained at high levels due to rising commodity prices. High shipping costs coupled with increased international mobility have meant faster growth in international trade of services, where exports approached pre-covid levels. The Regional Comprehensive Economic Partnership (RCEP), which will enter into force on January 1, 2022, will have the potential to spur investment and boost economic recovery among the countries of the Association of Southeast Asian Nations (ASEAN). On the other hand, the ratification of the CAI agreement between the EU and China remains paralyzed since May 2021 due to lack of consensus and recent political tensions.
- ▶ Year-on-year inflation growth in 3Q21 increased in all economies studied in the report compared to 3Q20 except for China, which was also the only country that decreased its rate compared to 2Q21. The EMU registered an acceleration of 3.70 p.p. compared to the same period last year. On the other hand, the labour market continued to improve during this period, with all the countries analysed, except for China, registering lower unemployment rates than in the same quarter of the previous year. Compared to 2Q21, all countries except France and Canada experienced falls in their unemployment rates.

Financial Sector

- ▶ The only country analysed to change any of its ratings was Italy, which went up from a Fitch BBB- rating to BBB.
- ▶ Regarding the economic policies of the different countries, it seems that the shared objective of the Fed and the ECB to keep interest rates close to 0.00% will not be maintained in the coming months. While the ECB has reiterated its intention to keep interest rates stable and continue with the PEPP, the Fed expects interest rates to rise up to three times during 2022.
- ▶ During this period, year-on-year credit growth compared to 3Q20 decelerated in all countries except Germany and Canada, with China being the country with the highest growth rate (11.44%). As for deposits, they decreased for all countries compared to 3Q20. France recorded the second highest year-on-year growth rate (6.25%) behind China (8.65%).

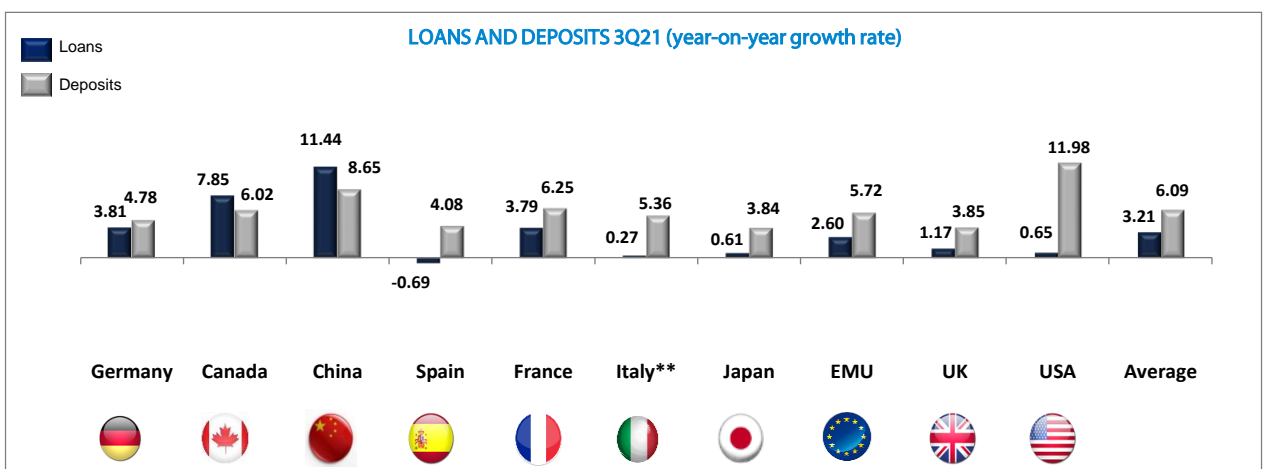


LONG TERM RATINGS 3Q21

	MOODY'S	S&P	Fitch	
Germany	Aaa	AAA	AAA	—
Canada	Aaa	AAA	AA+	—
China	A1	A+	A+	—
Spain	Baa1	A	A-	—
France	Aa2	AA	AA	—
Italy	Baa3	BBB	BBB	▲
Japan	A1	A+	A	—
UK	Aa3	AA	AA-	—
USA	Aaa	AA+	AAA	—

Legend for Long Term Ratings:

- ▲ Increase since 2Q21
- Constant since 2Q21
- ▼ Decrease since 2Q21



*OECD aggregate data for 3Q21

**Latest available data at publication date corresponds to 2Q21

3. German macroeconomic view

During 3Q21 the easing of Covid restrictions contributed to the recovery of German Economy, however it suffered from the bottlenecks in supply-chains. Both internal and external sector knew significant levels of growth, albeit lower than in 2Q21.

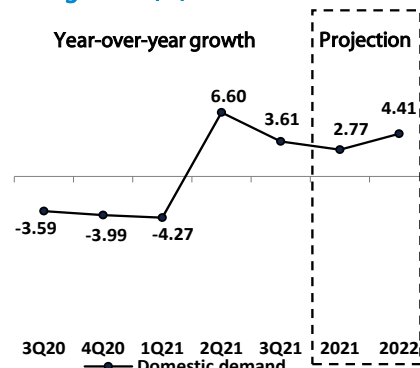
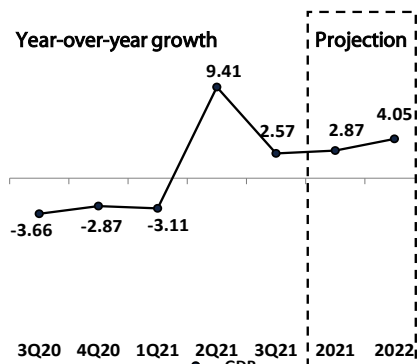
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	3Q20	4Q20	1Q21	2Q21	3Q21	2021	2022
GDP	-3.66	-2.87	-3.11	9.41	2.57	2.87	4.05
DOMESTIC DEMAND	-3.59	-3.99	-4.27	6.60	3.61	2.77	4.41
PRIVATE CONSUMPTION	-3.39	-6.07	-9.07	6.13	1.55	0.82	6.84
PUBLIC CONSUMPTION	3.84	4.22	2.60	3.66	2.16	3.03	0.74
GROSS FIXED CAPITAL FORMATION	-3.43	-0.37	-1.06	6.72	0.86	1.82	3.56
EXTERNAL DEMAND							
EXPORTS	-9.41	-5.20	-0.46	25.32	5.58	7.35	4.11
IMPORTS	-10.07	-8.09	-2.77	19.41	8.70	7.71	4.92
INFLATION							
CPI	-0.09	-0.25	1.36	1.67	3.90	3.06	2.84
LABOR MARKET							
UNEMPLOYMENT	4.07	4.07	3.87	3.73	3.27	3.56	3.24
EMPLOYMENT	-1.10	-0.81	-1.50	0.01	0.39	-0.87	1.39

Source: Deutsche Bundesbank. Projections: OECD December 2021

- ▶ During the third quarter of the year, the German economy continued its recovery, with GDP growth of 2.57% year-on-year. Although there was a correction, this was due to a lower comparative rate during the previous quarter. Internal demand supported this improvement with private consumption and service providers receiving a particularly strong boost, as the pandemic-related restrictions were eased and no longer apply for the most part.
- ▶ Furthermore, public expenditure also contributed to the rise of internal demand. In spite of the pandemic related special payments declined sharply, the health fund's expenditure increased during the third quarter of the year.
- ▶ According to the Bundesbank, despite a good growth during 3Q21 in the construction and industrial sectors, German Economy have been affected by supply-chain problems, slowing this recovery which is near to reach pre-pandemic levels.
- ▶ On the external demand side, exports recorded an interannual growth rate of 5.58% while imports stood at a rate of 8.70%. Exports of goods in the third quarter of 2021 declined significantly from the previous quarter in price-adjusted terms. Supply problems in the industrial sector are likely to have been the main factor. Despite imports grew even further than exports during the quarter, it must be highlighted that July imports recorded a strong fall. This was probably because of the rise of imports prices due to the bottlenecks in worldwide supply chains.

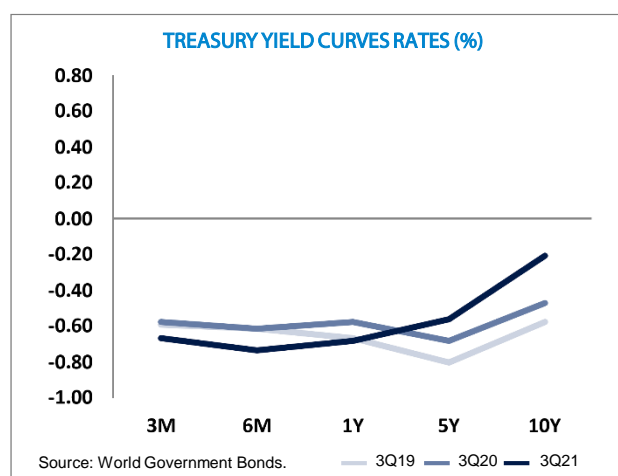
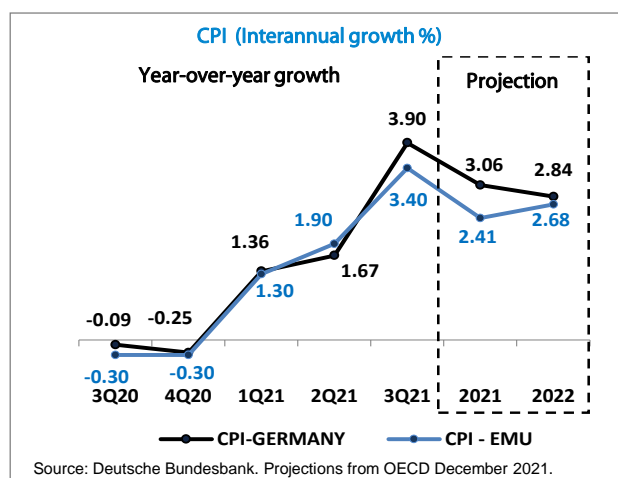
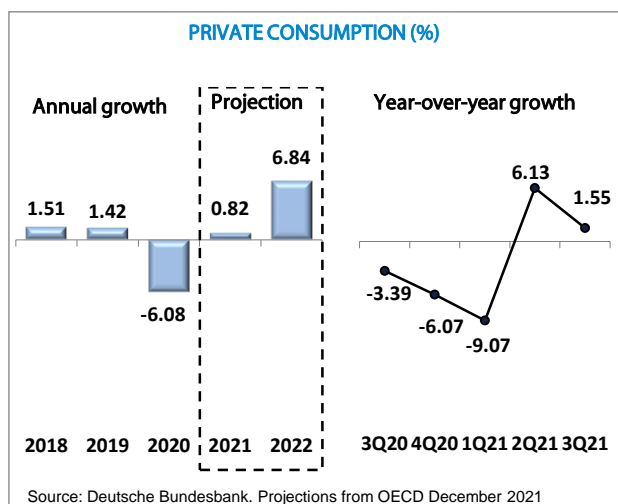
GDP and domestic demand interannual growth (%)



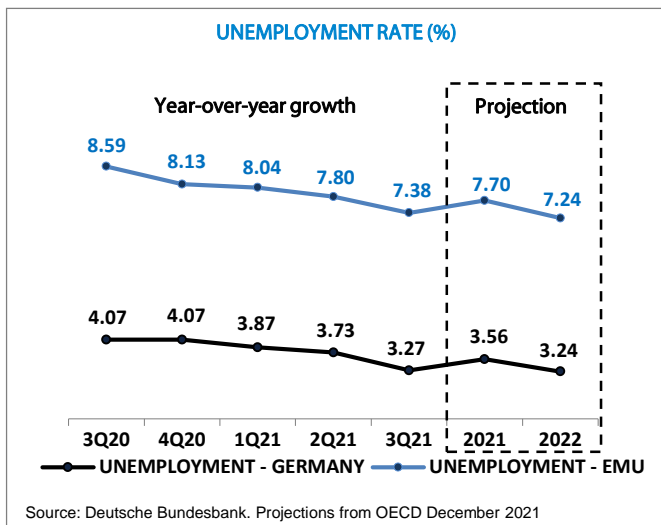
Source: Deutsche Bundesbank. Projections: OECD December 2021

In the third quarter of 2021, private consumption recorded a correction in its y/y growth rate compared to the previous quarter, standing at a 1.55% rate. In addition, the inflation rate continued its raising trend, reaching a 3.90% rate during the third quarter of 2021. German bond yields registered decreases in all their interest rate maturities, except for 5 year and 10 years maturity, compared to 3Q20 and 3Q19.

- During the third quarter of the year, private consumption suffered a correction due to the higher comparative rate when compared to the previous quarter, down to a 1.55% y/y growth rate, declining by 4.48 p.p..
- According to the Bundesbank, private consumption was the main growth driver of the recovery in the third quarter, as in the previous quarter. The strong rebound effects associated with the easing of most of the containment measures had an impact here in particular.
- The OECD forecast for private consumption predicts a year-over-year growth rate of 0.82% for 2021. Furthermore, it expects private consumption to exponentially growth in 2022, growing at a 6.84% rate.
- In 3Q21, the y/y growth rate of the German Consumer Price Index rose by 2.23 p.p., increasing for the third consecutive quarter, up to a 3.90%. One of the reasons was that the high demand for fossil fuels met with low market supply. As a result, market prices increased considerably.
- According to the Bundesbank, the monthly inflation rate was higher at the industrial producer level, with energy prices continuing to climb steeply and more sharply than other goods.
- Also, inflation rate stood 0.50 p.p. above the European average in 3Q21. Moreover, predictions stands for levels above the 2% objective during the rest of 2021 and the year 2022. According to the OECD, German price index will remain above the European average during all that time.
- During the third quarter of the year, German bonds decreased for all types of maturities whit the exemption of 5 and 10 years maturities when compared with 3Q19.
- Similarly, when compared to the third quarter of 2020, German bonds only registered an increase in the 10Y maturity (+0.26 p.p.), and in the 5Y maturity (+0.12 p.p.). Meanwhile, the rest of the maturities registered decreases compared to the third quarter of 2020, with the largest difference in the 6M bond (decrease of 0.12 p.p.).



Regarding the labour market, during the third quarter of 2021, the unemployment rate decrease when compared to the previous quarter, standing at a 3.27% rate. Besides, in year-over-year terms, unemployment also felt, by 0.80 p.p.. Concerning the y/y growth rate of employment, it stood at 0.39% in the third quarter of 2021, breaking with its negative trend for the second consecutive quarter.



► In the third quarter of the year, the unemployment rate slightly decreased with respect to the second quarter of 2021, standing at a 3.27% rate. Moreover, it felt by 0.80 p.p. relative to the same quarter of the previous year. The unemployment rate was lower than that of the EMU (7.38%).

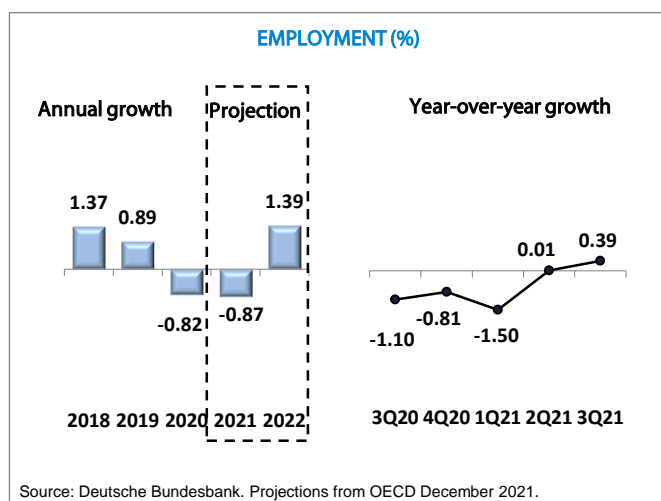
► The OECD projected the unemployment rate to reach 3.56% by 2021. In contrast, the unemployment rate is expected to continue its recovery during 2022, decreasing to 3.24%.

► According to the Bundesbank, the labour market experienced a very strong recovery in June and July. The seasonally adjusted number of persons in work went up by 100,000 in July. However, this momentum lost steam from August onwards, mainly as a result of continuing supply constraints in the industrial sector and the fading of the momentum provided by the easing of pandemic-related restrictions in the services sector. Even so, the level of employment rose considerably in the quarter, unemployment fell substantially and the use of short-time work could be reduced significantly.

► The y/y growth rate of employment during 3Q21 recorded a substantial increase of 0.38 p.p. with respect to the second quarter of 2021, registering a growth rate of 0.39%, breaking with its negative trend for the second consecutive quarter.

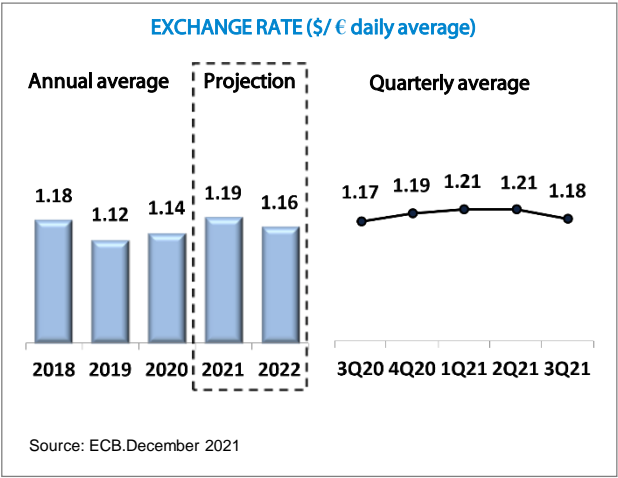
► According to the surveys on the willingness on the part of enterprises and employment agencies to recruit new staff and the constant increase in job vacancies suggest that the very favorable labour market developments will continue over the next few months.

► According to the Bundesbank, average hours worked per employee increased in the third quarter, as cyclical work was massively reduced. This also led to a sharp increase in total hours worked in the third quarter after seasonal adjustment.

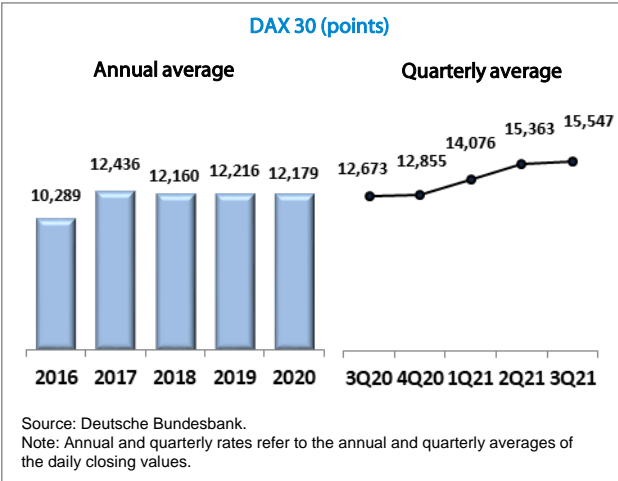




- During the third quarter of 2021, the euro depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.18 \$/€.
- The ECB expects the annual average dollar/euro exchange rate to stand at 1.19 \$/€ for 2021 and slightly lower for 2022 standing at 1.16 \$/€ , with the US dollar depreciating against the euro with respect to 2020.



- Following its sustained recovery, the German stock market continued improving due to the increase of vaccination measures during the third quarter.
- In further detail, the German's Stock Index (DAX 30) quarterly average experienced an increase of 1.20% up to 15,547 points during the third quarter of 2021 when compared to the previous quarter.
- Moreover, the main stock index increased by 2,874 points in 3Q21 when compared to the same quarter of the previous year (22.67%).



4. Banking sector: general overview

Loans

During the third quarter of 2021, the y/y growth rate of total loans increased by 1.45 p.p. compared to the previous quarter, up to a 3.81% rate. This behavior was driven by the performance of all the banking segments during the third quarter of the year.

- ▶ During the third quarter of 2021, the y/y growth rate of total loans in the German financial system increased by 1.45 p.p. compared to the previous quarter up to a rate of 3.81%.
- ▶ This performance was a result of the acceleration in the y/y growth rate of loans and leases of all types of financial institutions.
- ▶ During 3Q21, the y/y growth rate of loans granted by Landesbanken accelerated compared to 2Q21, with a variation of 3.36 p.p. and pursuing a negative rate (-1.55%) for the fifth consecutive quarter.
- ▶ On the same line, Commercial Banks loans y/y growth rate increased by 2.96 p.p. to 3.52% in the third quarter of the year. Saving Institutions registered a y/y growth rate of 4.97% after increasing by 0.35 p.p. compared to the previous quarter and, finally, other Institutions also increased their growth rate by 0.29 p.p. up to 4.62% during the third quarter of 2021.

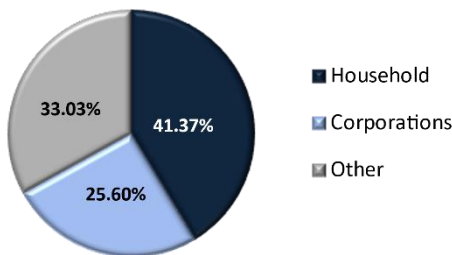


Source: Deutsche Bundesbank.

*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

During the third quarter of 2021, loans granted to non-financial corporations and to other segments registered an increase in their y/y growth rates when compared to the previous quarter and therefore drove the increase of total loans in the German financial system. In turn, loans to households decelerated its growth in 3Q21 with respect to 2Q21. Regarding distribution, household loans accounted for 41.37% of total loans, while those granted to non-financial corporations and other segments registered shares of 25.60% and 33.03%, respectively in 3Q21.

Loans distribution in private sector 3Q21 (%)

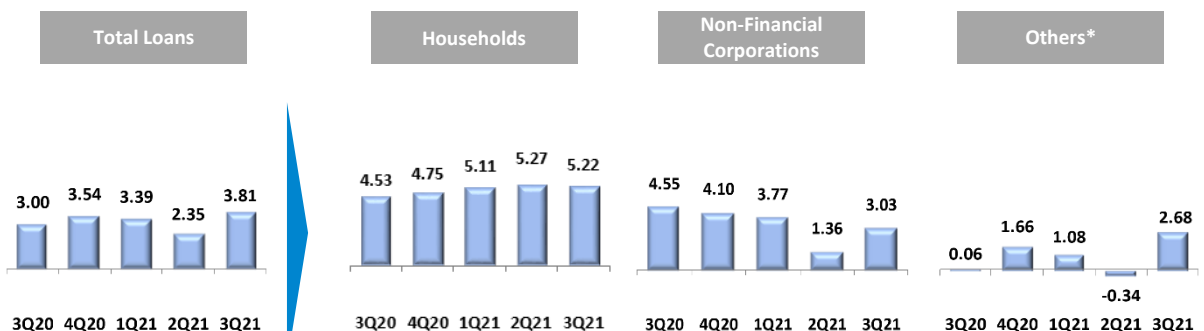


Source: Deutsche Bundesbank.

- ▶ Total loans increased by 1.45 p.p. during 3Q21 compared to 2Q21, up to a y/y growth rate of 3.81%.
- ▶ As in the previous quarter, a large proportion of loans to the private sector were granted to households. Thus, during the third quarter, loans to households decelerated by 0.05 p.p. to a y/y rate of 5.22%.
- ▶ However, loans to non-financial corporations accelerated their y/y growth rate by 1.67 p.p., up to 3.03% in 3Q21.
- ▶ On the other hand, loans to other segments increased with respect to 2Q21 by 3.02 p.p., registering a y/y rate of 2.68% in 3Q21.

- ▶ Household loans made up 41.37% of total loans in 3Q21, 0.09 p.p. more than in the previous quarter, while loans to non-financial corporations accounted for 25.60% (a quarterly decrease of 0.08 p.p.) of total credits to the private sector.
- ▶ Loans to other segments amounted to 33.03% of the total loan volume during 3Q21, decreasing its share with respect to 2Q21 by 0.01 p.p..

LOANS (Year-over-year) (%)



Source: Deutsche Bundesbank.

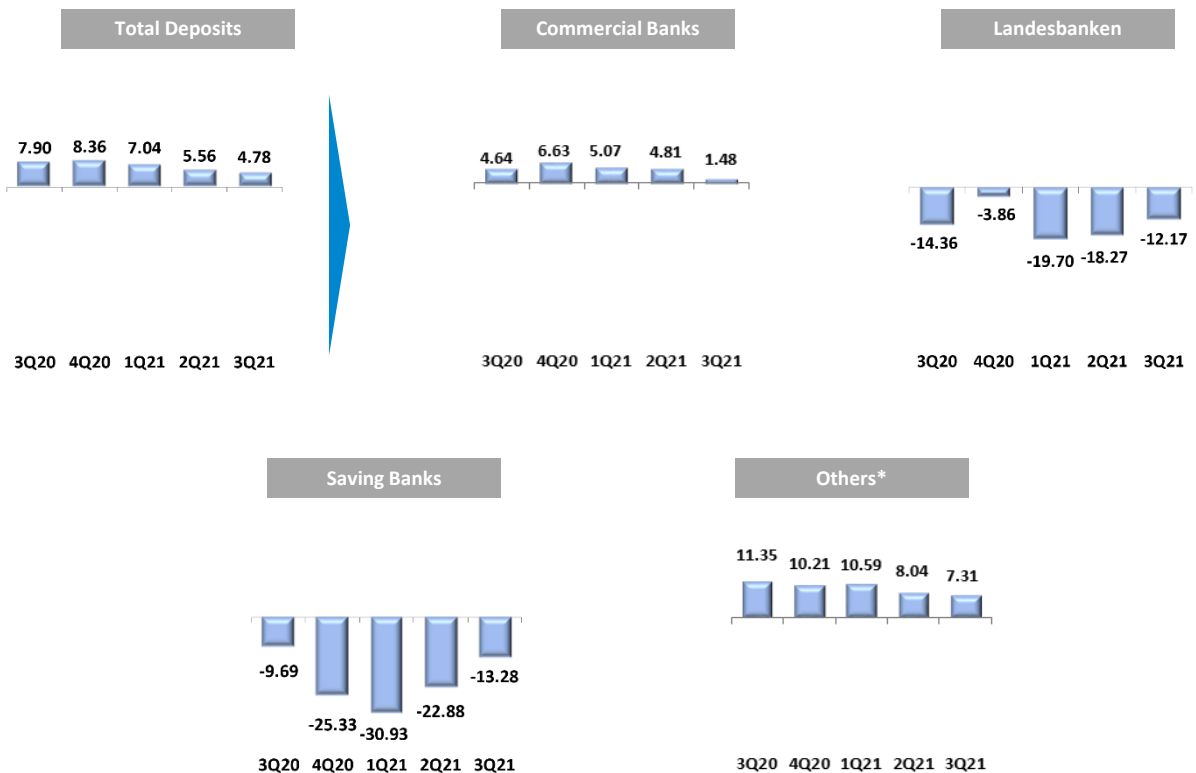
*Note: Others includes loans to Government, Securities, Money Market and Bills.

Deposits: by entity

During 3Q21, the y/y growth rate of total deposits experienced a deceleration of 0.78 p.p. with respect to the previous quarter, down to a growth rate of 4.78%. Commercial banks and other institutions recorded declines to rates of 1.48% and 7.31% respectively.

- ▶ The y/y growth rate of total deposits decreased by 0.78 p.p. in 3Q21, down to a rate of 4.78%.
- ▶ Commercial Banks and other institutions registered decreases during the third quarter of the year. The former decelerated its growth rate by 3.33 p.p. and recorded a rate of 1.48%, meanwhile, the latter registered a decrease of 0.73 p.p., despite registering a growth rate of 7.31%.
- ▶ Saving institutions recorded the largest increase in its growth rate in deposits, despite being still negative and standing -13.28%, when compared to the previous quarter. Thus, they continued registering a negative growth trend for the sixth quarter in a row.
- ▶ Finally, Landesbanken registered a 6.10 p.p. acceleration with respect to 2Q21, up to a y/y growth rate of deposits of -12.17%.

DEPOSITS BY TYPE OF ENTITY (Year-over-year, %)



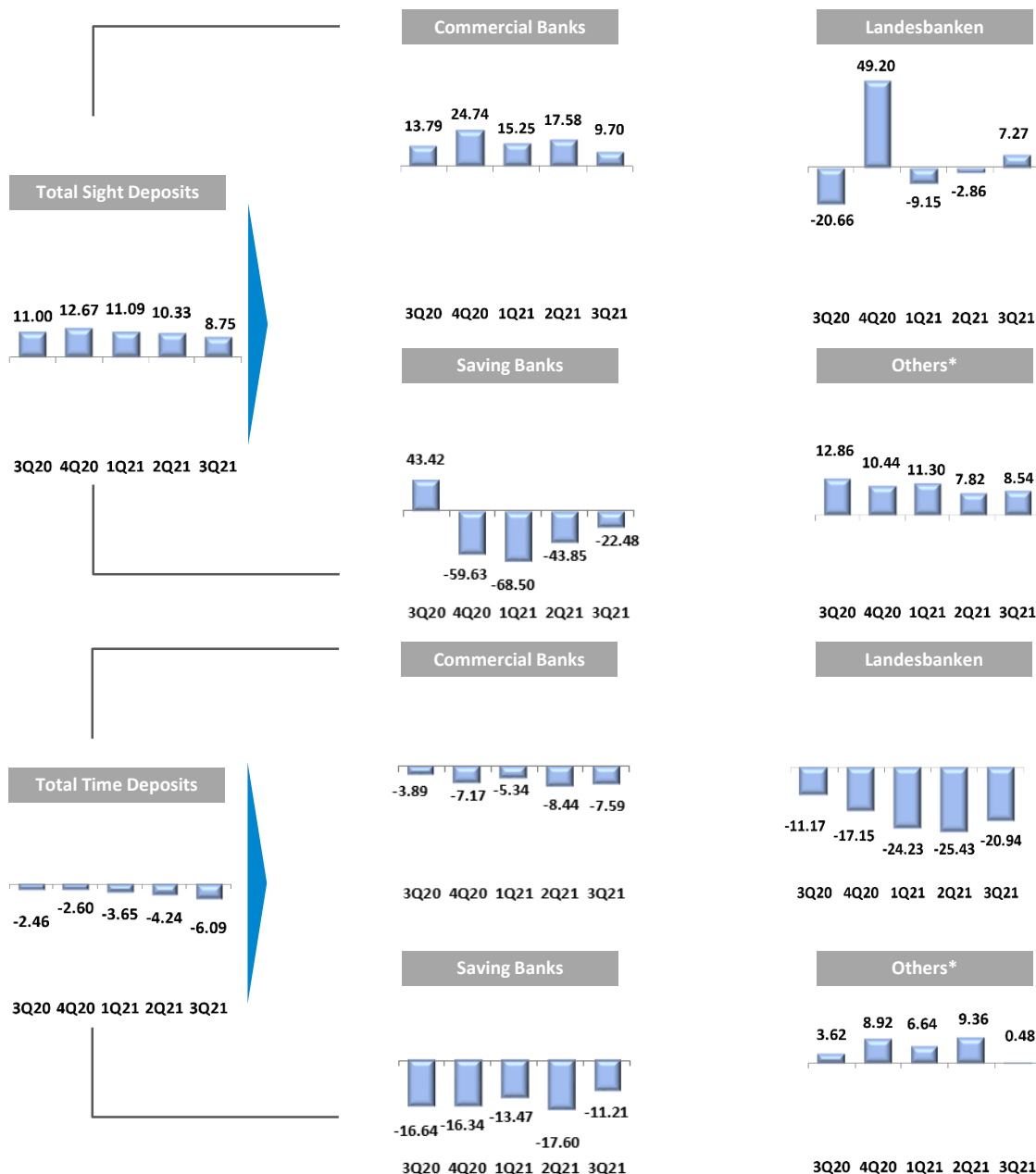
Source: Deutsche Bundesbank.

*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

Deposits: by maturity

- During the third quarter of 2021, the growth rate of total sight deposits experienced a decrease of 1.57 p.p. with respect to the previous quarter, down to a rate of 8.75%. This behavior was mainly due to the reduction of sight deposits at commercial banks, which compared to the previous quarter registered decreases of 7.88 p.p. and represented 17.35% of total sights deposits. However, Other Institutions, Landesbanken and Saving Banks registered increases of 0.72 p.p., 10.13 p.p. and 21.37 p.p. respectively, compared to the previous quarter.
- As for time deposits, they registered a 1.85 p.p. decrease in their y/y growth rate, down to -6.09%. This performance was mainly driven by Other Institutions fall. During 3Q21, Commercial Banks, Landesbanken and Savings Banks increased by 0.85 p.p., 4.49 p.p. and 6.39 p.p. respectively compared to 2Q21. On the other hand, other institutions (the only type with a positive growth rate) recorded a decrease of 8.89 p.p..

DEPOSITS BY MATURITY (Year-over-year, %)



Source: Deutsche Bundesbank.

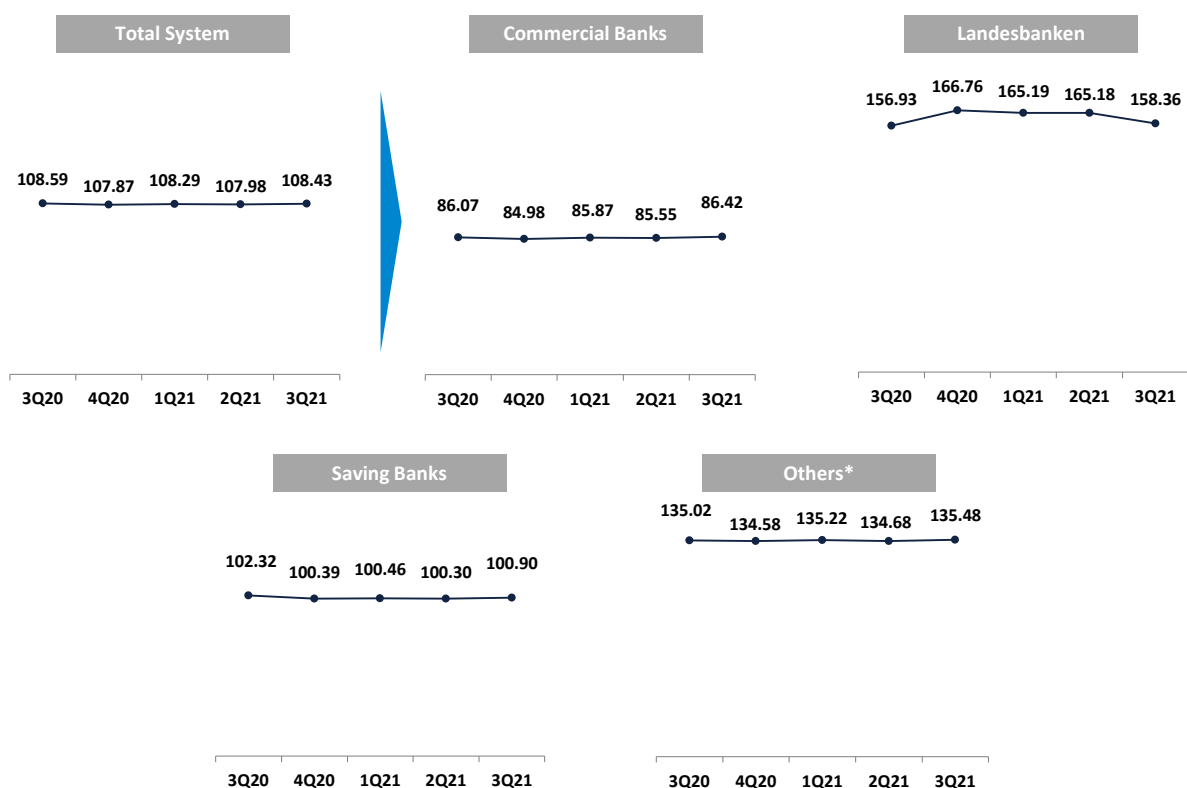
*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

Loans / Deposits

During the third quarter of 2021, the total loans-to-deposits (LTD) ratio of the German financial system experienced a decrease of 0.16 p.p. with respect to the same quarter of the previous year, down to 108.43%. This was the result of higher y/y growth in deposits (4.78%) as compared to loans (3.81%).

- ▶ During 3Q21, Germany's financial system recorded a 0.16 p.p. y/y decrease in its LTD ratio compared to the same quarter of 2020. All types of institutions experienced increases in their ratios, except for Saving Banks, which recorded a decrease of 1.42 p.p.. This was the result of higher year-on-year growth in deposits (4.78%) as compared to loans (3.81%).
- ▶ When comparing entities, Commercial Banks increased their LTD ratio by 0.35 p.p., Landesbanken by 1.43 p.p., Other institutions by 0.46 p.p., and finally, Saving Banks decreased their ratio by 1.42 p.p., all compared to 3Q20.
- ▶ Once again, Landesbanken recorded the largest ratio, amounting to 158.36%. Commercial banks continued to be the only type of entity recording a higher volume of deposits than loans, with LTD ratio standing at 86.42%.

TOTAL LOANS / TOTAL DEPOSITS (Quarterly, %)



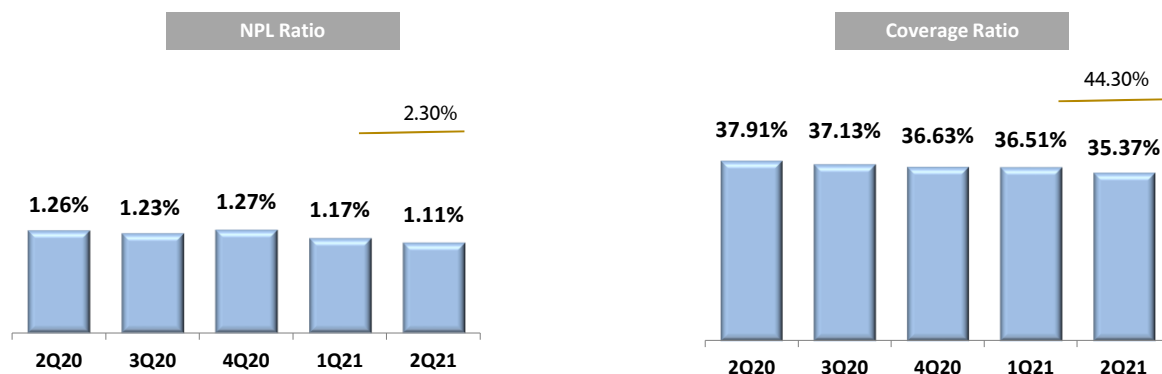
Source: Deutsche Bundesbank.

*Note: Others includes Regional institutions of credit cooperatives, credit cooperatives, mortgage banks, building and loan associations and special purpose banks.

Key ratios: NPL, Coverage and Efficiency*

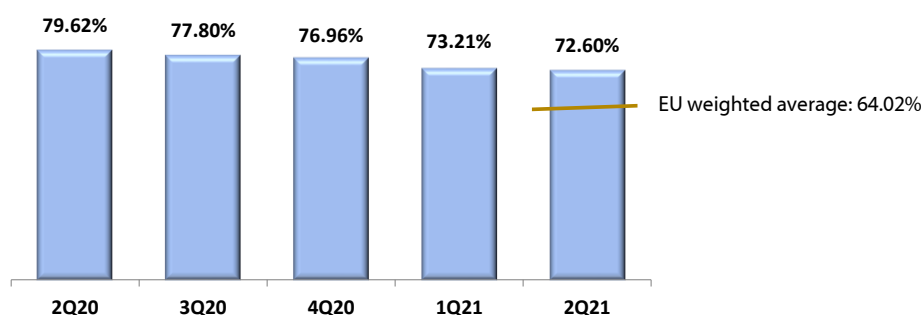
The Non-Performing Loans (NPL) ratio decreased down to 1.11% during 2Q21 compared to 1Q21. As for the coverage ratio, it stood at 35.37% after decreasing compared to the previous quarter. In terms of efficiency, the German financial system's ratio decreased down to 72.60% in 2Q21 when compared to 2Q20.

NON-PERFORMING LOANS RATIO AND COVERAGE RATIO (%)



- ▶ In 2Q21, the NPL ratio stood at 1.11%, which represented a decrease of 0.05 p.p. compared to the previous quarter.
- ▶ The coverage ratio of the German financial system decreased by 1.14 p.p. in the second quarter of 2021 compared to 1Q21, amounting to 35.37%. Moreover, the ratio registered in 2Q21 was 2.55 p.p. lower than the one recorded during the same quarter of the previous year.
- ▶ According to the EBA's Risk Dashboard for 2Q21, the NPL ratio and the coverage ratio of the German financial system stood below the EU average (2.30% and 44.30% respectively).
- ▶ In terms of efficiency, the ratio of the German financial system decreased by 7.02 p.p. compared to 2Q20, totaling a rate of 72.60% during the second quarter of 2021. When compared to the previous quarter, the efficiency also improved by 0.61 p.p..
- ▶ According to the European Banking Authority (EBA), the German efficiency ratio stood at 72.60%, notably above the EU average during 2Q21, which stood at 64.02%.

EFFICIENCY RATIO (%)



Source: European Banking Authority.
 Note: Non-exhaustive analysis conducted by the EBA on the financial system of the country covering more than 80% of total assets. Entities considered in Appendix.

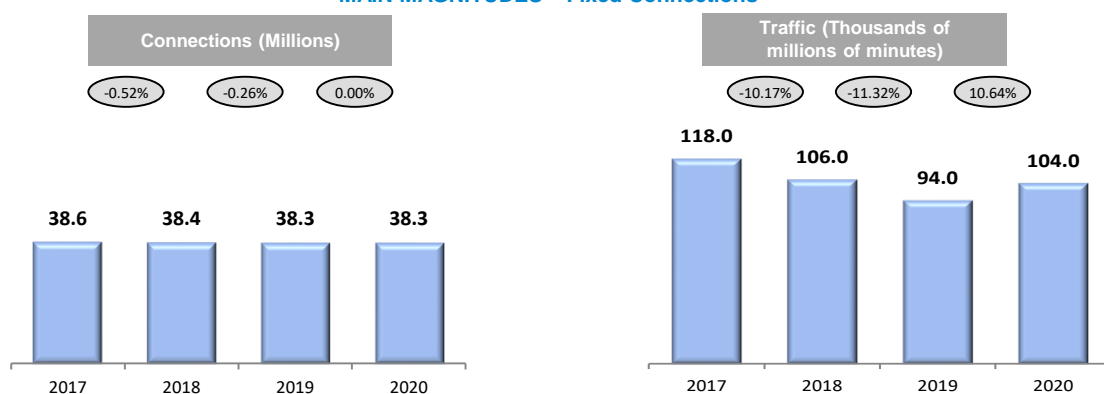
5. Telecommunications

Fixed and Mobile Telephony

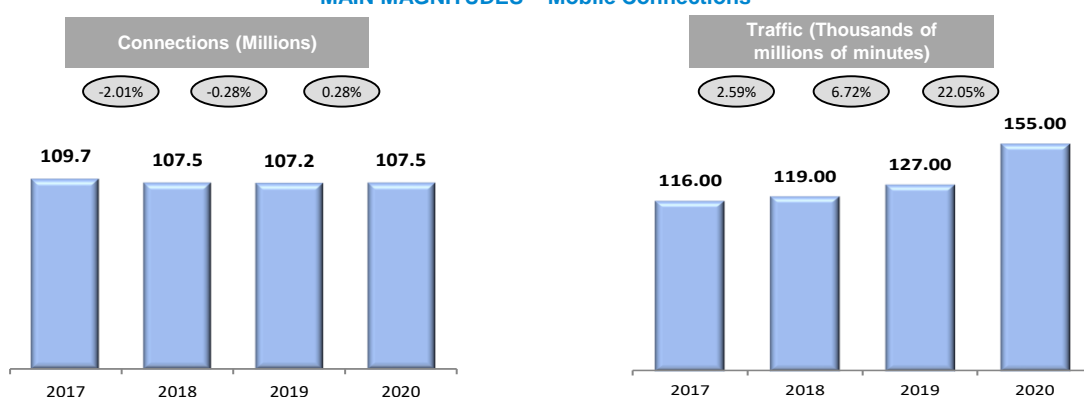
In 2020*, the number of fixed connections maintained its level at 38.30 million, whereas mobile connections experienced a rise of 0.28%, increasing its number of connections up to 107.50 million. During 2020, fixed traffic increased by 10.64% to 104 billion minutes. Mobile traffic experienced a considerable increase of 22.05% up to 155 billion minutes. With respect to 2019 the external revenue of the sector dropped by 0.82%.

- ▶ The volume of fixed connections maintained its level during 2020 with respect to 2019, at 38.30 million connections. Regarding traffic, fixed traffic saw an increase of 10.64% during 2020, up to 104 billion minutes, which indicates the end of its previous downward trend.
- ▶ In terms of mobile connections, an increase of 0.30 million connections was registered, 0.28% more than the number of connections reported in 2019. During 2020 the number of mobile connections reached 107.50 million. Moreover, mobile traffic increased by 22.05% to 155 billion minutes.
- ▶ The number of broadband connections continued to grow to 36.10 million in 2020, a y/y increase of 2.56% mainly attributed to the increase of FTTB/FTTH technologies (+26.67%, to 1.90 million of connections).
- ▶ Furthermore, the fixed broadband data volume has grown by 26.67% in 2020 compared to 2019, to 76 billion GB of data. Mobile network data volume increased by 44.07% with respect to the previous year, to 3.97 billion GB in 2020.
- ▶ External revenue in the telecommunications market amounted to € 57.02 billion in 2020. This represented a y/y decrease of 470 million (-0.82%). External revenue from mobile services declined to € 25.61 billion in 2020, decreasing when compared to the 2019 volume of € 26.60 billion (-3.72%). In the conventional telecommunications networks segment, revenues increased by 12.30% to € 24.47 billion in 2020.

MAIN MAGNITUDES – Fixed Connections



MAIN MAGNITUDES – Mobile Connections





6. Appendix

SOURCES

MACROECONOMIC OVERVIEW

- ▶ Deutsche Bundesbank: www.bundesbank.de
- ▶ Destatis: <https://www.destatis.de/DE/Startseite.html>
- ▶ European Central Bank: <http://www.ecb.int>
- ▶ International Monetary Fund, IMF: <http://www.imf.org>
- ▶ Organisation for Economic Cooperation and Development, OECD: <http://www.oecd.org/home/>
- ▶ World Bank : <http://www.worldbank.org/>
- ▶ Standard & Poor's: <http://www.standardandpoors.com/>
- ▶ Fitch Ratings: <http://www.fitchratings.com/>
- ▶ Moody's: <http://www.moodys.com/>
- ▶ Central Bank of the Republic of Argentina: www.bcra.gov.ar
- ▶ Central Bank of Chile: www.bcentral.cl
- ▶ Bank of Mexico: www.banxico.org.mx
- ▶ Central Bank of Brazil: www.bcb.gov.br
- ▶ National Administrative Department of Statistics of Colombia (DANE): <http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia: <http://www.banrep.gov.co/>
- ▶ Central Bank of Venezuela: www.bcv.org.ve
- ▶ Central Reserve Bank of Peru: www.bcrp.gob.pe

TELECOMMUNICATIONS

- ▶ Bundesnetzagentur: www.bundesnetzagentur.de

BANKING SECTOR

- ▶ Deutsche Bundesbank: www.bundesbank.de
- ▶ European Banking Authority (EBA): <https://eba.europa.eu/>



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Rafael Guerra

Partner of Management Solutions
Rafael.Guerra@msspain.com

Javier Calvo Martín

Partner of Management Solutions
Javier.Calvo.Martin@mssgermany.com.de

Manuel Ángel Guzmán Caba

Partner of Management Solutions
Manuel.Guzman@managementsolutions.com

Management Solutions

Tel. + (49) 69 79539480
www.managementsolutions.com

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