

Euler Hermes: Global economy shows some signs of recovery despite struggling Eurozone

- Global growth to increase by +2.5% in 2013 before accelerating to +3.2% in 2014
- Eurozone prospects remain bleak in 2013 (-0.1%), but fairer in 2014 (+1.4%)
- Emerging countries will drive more than half of global growth
- Negative trend in business insolvencies to continue in 2013: +4% after +1% in 2012

PARIS, 23 JANUARY 2013 – [Euler Hermes](#) foresees a gradual recovery of the global economy, but only from the second half of 2013. Having entered the sixth consecutive year of crisis, world GDP¹ should grow only slightly in 2013 to +2.5% vs. 2012 (+2.4%) – still slower pre-crisis – mainly due to the Eurozone difficulties.

Light at the end of the tunnel for the Eurozone?

The Eurozone recession will continue in 2013 with -0.1% (after -0.5% in 2012). Its economy continues to be affected by:

- significant government borrowing requirements (mainly in the Southern peripheral countries: Greece, Italy, Spain)
- lack of competitiveness
- insufficient job creation and
- internal imbalances.

“Though the Eurozone continues to face headwinds, economically, socially and politically, we are noticing positive signals,” confirmed [Wilfried Verstraete](#), chairman of the Euler Hermes group. “Milestones were reached in 2012 in addressing the lack of integration among Eurozone members such as the ratification of the European Stability Mechanism (ESM). However, the commitment to support the private sector is still lacking and poses some concerns for a full-fledged Eurozone recovery. That is why we only foresee a slight pick up of +1.4% of the Eurozone in 2014.”

Emerging countries remain world growth drivers

In 2012, emerging countries’ growth slowed by -1.3 pp (percentage points), but continued to drive the global economy with a performance of +4.5%. This year emerging economies should achieve just about 5% growth. They will generate more than half of overall global growth contributing 1.9pp in 2013 and 2.1pp in 2014.

“Although down from +9.2% in 2011 to +7.6% in 2012, China remains nonetheless indisputably the largest contributor to global growth,” said [Ludovic Subran](#), Euler Hermes’ chief economist. “Like the rest of Asia, China will face production overcapacity due to fewer outlets in the West, and inflationary pressures due to an expansionary monetary policy. However, with some improvement in global demand, Chinese GDP should grow by +8% in 2013 and +8.2% in 2014.”

¹ GDP : Gross Domestic Product

In comparison, GDP growth in established markets remains comparatively weak (+1.1% in 2012, +1% in 2013), as disparities persist:

- The United States continues to grow at a moderate pace (+2.2% in 2012, +1.9% in 2013), despite domestic fears about the fiscal uncertainties that put a damper on business investment.
- The United Kingdom (-0.1% in 2012, +0.8% in 2013) and Japan (+1.7% vs. 0.3%) face headwinds.
- Most Eurozone countries' growth remained flat or negative.

Global Insolvencies gather momentum

For the second consecutive year global insolvencies are expected to increase in 2013: +4% vs. +1% in 2012. The 2010-2011 decline in corporate insolvencies, following a global surge of +57% from 2007-2009 after the crisis, was short-lived and limited in scale (-9% over 2010 and 2011). The decline in global activity that began in 2011 quickly brought a trend break in insolvencies.

Euler Hermes observed two main trends in 2012:

- A 12% decline in insolvencies for the Americas, where the rise in Brazil insolvencies was more than offset by pronounced decrease in the United States and Canada.
- A rise in insolvencies in Europe, significant for France (+2%), Northern Europe (+4%) and, especially, Mediterranean countries (+22%) – Germany (-1%) and UK (-6%) were the main exceptions.

“By increasing 4% globally this year, business failures will be once again far higher than before the 2008-2009 crisis,” said Wilfried Verstraete. “We believe this trend is one of the main risks to monitor in 2013, in addition to inflation from expansionary monetary policies and political risks triggered by the Eurozone recession.”

Appendix

1. GDP development by country / region

GDP growth	Weights (%)	2011	2012	2013	2014
World	100,0	3,0%	2,4%	2,5%	3,2%
USA	22,5	1,8%	2,2%	1,9%	2,5%
Canada	2,6	2,6%	2,0%	2,1%	2,6%
Japan	8,8	-0,7%	1,7%	0,3%	0,8%
Australia	2,2	2,4%	3,5%	2,6%	3,2%
Eurozone	19,5	1,5%	-0,5%	-0,1%	1,4%
Germany	5,3	3,1%	1,0%	0,8%	1,9%
France	4,1	1,7%	0,1%	0,2%	1,2%
Italy	3,3	0,6%	-2,1%	-0,8%	0,6%
Spain	2,2	0,4%	-1,5%	-1,6%	0,6%
Netherlands	1,2	1,1%	-0,9%	0,1%	1,6%
Belgium	0,8	1,8%	-0,2%	0,3%	1,4%
Austria	0,6	2,7%	0,4%	0,5%	1,6%
Finland	0,4	2,7%	0,0%	0,7%	2,0%
Greece	0,4	-7,1%	-6,0%	-3,7%	-0,1%
Ireland	0,3	1,4%	0,2%	1,4%	2,0%
Portugal	0,4	-1,7%	-3,0%	-1,7%	0,8%
UK	3,6	0,9%	-0,1%	0,8%	1,3%
Sweden	0,8	3,8%	1,3%	1,4%	2,1%
Denmark	0,5	1,1%	-0,5%	0,6%	1,6%

Norway	0,7	1,3%	3,1%	2,2%	2,4%
Switzerland	0,9	1,9%	0,9%	1,0%	1,7%
Central and Eastern Europe	7,0	4,6%	2,4%	3,0%	3,4%
Russia	2,8	4,3%	3,8%	4,0%	4,0%
Asia (excluding Japan)	20,4	7,2%	5,9%	6,4%	6,7%
China	10,9	9,2%	7,6%	8,0%	8,2%
India	2,8	6,5%	5,5%	6,5%	7,0%
Latin America	8,3	4,2%	2,7%	3,5%	3,8%
Brazil	3,7	2,7%	1,0%	3,3%	3,8%
Middle East and Africa	2,6	3,3%	4,6%	3,4%	4,3%

Source: Euler Hermes Economic Outlook 1189-1190, December 2012

2. Euler Hermes insolvencies outlook – by country

	% of World GDP (*)	% of Global Insolvency Index (*)	2011		Forecast	Forecast
			Number	Change	2012 f	2013 f
USA	22,5	26,8	47 806	-15%	-13%	-7%
China	10,9	12,9	3 043	-18%	-14%	2%
Japan	8,8	10,4	12 734	-4%	-3%	2%
Germany	5,3	6,3	30 099	-6%	-1%	1%
France	4,1	4,9	60 655	-3%	2%	2%
Brazil	3,7	4,4	2 800	-6%	32%	15%
UK	3,6	4,3	30 751	6%	-6%	-4%
Italy	3,3	3,9	12 094	7%	3%	2%
Russia	2,8	3,3	12 794	-20%	5%	3%
Canada	2,6	3,1	3 643	-11%	-10%	-3%
Spain	2,2	2,6	5 910	18%	24%	25%
Australia	2,2	2,6	10 481	9%	5%	3%
Korea (South)	1,7	2,0	1 359	-13%	-4%	1%
Netherlands	1,2	1,5	7 140	-1%	24%	2%
Switzerland	0,9	1,1	6 661	6%	2%	-1%
Sweden	0,8	1,0	6 958	-4%	9%	0%
Poland	0,8	0,9	740	7%	27%	10%
Belgium	0,8	0,9	10 224	7%	3%	10%
Norway	0,7	0,9	4 355	-2%	-13%	-5%
Taiwan	0,7	0,8	256	-4%	2%	4%
Austria	0,6	0,7	5 869	-8%	2%	3%
Denmark	0,5	0,6	5 468	-15%	-3%	3%
Greece	0,4	0,5	1 077	33%	30%	10%
Finland	0,4	0,5	3 446	1%	3%	3%
Singapore	0,4	0,5	113	-20%	30%	4%
Hong Kong	0,4	0,4	333	-24%	-4%	-3%
Portugal	0,4	0,4	4 746	19%	43%	-10%
Ireland	0,3	0,4	1 638	7%	3%	1%
Czech Republic	0,3	0,4	1 778	11%	9%	8%
Romania	0,3	0,3	22 650	4%	-2%	0%
Hungary	0,2	0,2	19 884	12%	10%	5%
Slovak Republic	0,1	0,2	990	12%	2%	5%
Lithuania	0,1	0,1	1 273	-22%	-3%	0%
Luxembourg	0,1	0,1	973	5%	13%	10%

Source: Euler Hermes Economic Outlook 1189-1190, December 2012

3. Euler Hermes Global Insolvency Index – by region

Base 100 : 2000	% of World GDP (*)	% of Global Insolvency Index (*)				
			2010	2011	2012 f	2013 f
Global Insolvency Index	84,1	100,0	-6%	-4%	1%	4%
Americas Index	28,8	34,3	-8%	-15%	-12%	-6%
Asia-Pacific Index	25,0	29,7	-12%	-6%	-3%	2%
Northern Europe Index	13,0	15,4	-4%	-3%	4%	2%
Germany-Austria-Switzerland Index	6,9	8,2	1%	-4%	0%	1%
France Index	4,1	4,9	-2%	-3%	2%	2%
Mediterranean countries Index	6,3	7,5	1%	17%	22%	19%
Eurozone Index	19,2	22,8	-1%	7%	14%	12%

Source: Euler Hermes Economic Outlook 1189-1190, December 2012

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For further information, or to receive the “Euler Hermes Economic Outlook” publication, please contact:

Euler Hermes Group Media Relations (Paris)
Bettina Sattler – +33 (0)1 8411 6141
bettina.sattler@eulerhermes.com

Ogilvy Public Relations Worldwide
Lorenzo Ricci – +33(0)1 53 67 12 83
lorenzo.ricci@ogilvy.com

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