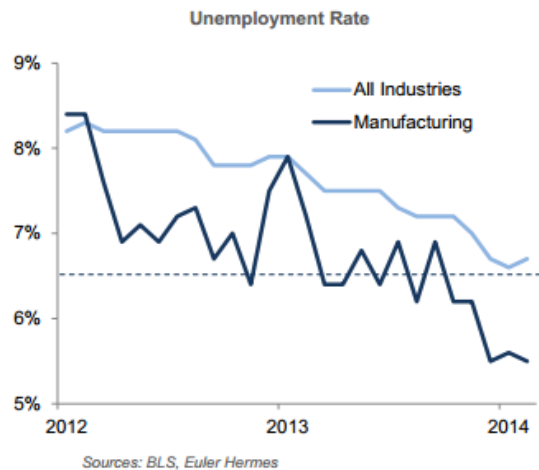


Press release

Euler Hermes: U.S. manufacturing reindustrialization should continue; Recent employment gains are final piece of the equation

BALTIMORE, MD. – April 16, 2014 – There is significant evidence that the resurgence of United States manufacturing will continue, according to [Euler Hermes](#), the world's leading provider of [trade credit insurance](#). Many factors contributing to the industry's performance have improved as detailed in the company's new economic report, [The Reindustrialization of the U.S. – A 2014 Update](#).

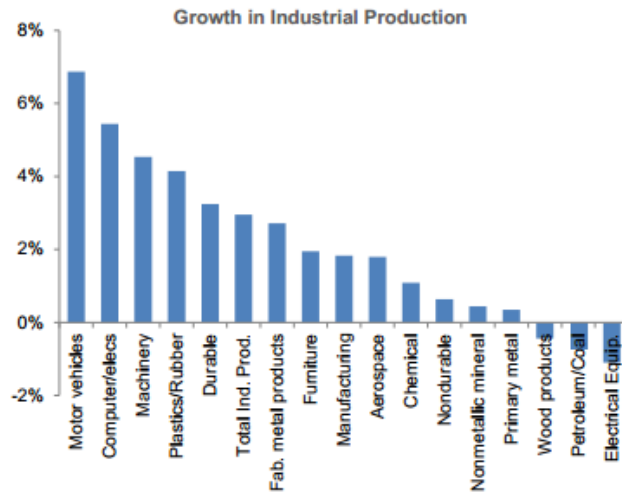
The U.S. has among the lowest labor costs in the industrialized world and is awash in cheap energy, making it attractive for businesses to re-shore by bringing their operations back to the U.S. As a result, the last piece of the manufacturing renaissance is falling into place: employment. Total manufacturing employment has grown for seven of the past eight months, more than erasing job losses suffered April-July 2013. While the overall U.S. unemployment rate has fallen to 6.7%, it has plunged to 5.5% within the manufacturing industry, well below 7.9% recorded at the beginning of 2013 and the 2000-2009 average of 6.6%.



“The U.S. manufacturing rebound is advancing even faster than we previously expected,” said Dan North, Euler Hermes North America Chief Economist. “Businesses are expected to invest \$500 billion in U.S. manufacturing in 2014, and a recent survey indicated that 54% of executives are planning to re-shore or are seriously considering it. Labor costs and skill, proximity to customers, lower transportation costs and supply chain efficiencies are making the U.S. an increasingly desirable place for manufacturers to expand their businesses.”

Manufacturing output measures are also rebounding strongly from a soft patch in 2013.

- Manufacturing industrial production rose for five consecutive months, with a temporary weather-related setback in January, followed by a sharp recovery in February.
- The auto manufacturing sector is expected to continue its strong performance with sales growth of 4% in 2014, while chemical production will rebound from 2013 weakness to grow 3% in 2014.
- Manufacturers' new orders for durable goods have risen 5.6% over the last 12 months, well above the long-term average of 3.4%.
- The total manufacturing and new orders subcomponent of the ISM surveys rebounded to 53.7 in February and 55.1 in March, a sign of increasing sector expansion when the index is over 50.



Sources: Federal Reserve, Euler Hermes

The Next Steps for Reindustrialization

While a firming economy has caused the Federal Reserve to start tapering its quantitative easing (QE) program, it is likely to only have limited effects on the manufacturing resurgence. Monetary policy will remain very loose and is expected to contribute to growth in manufacturing, along with other sectors. In addition, as QE tapering drives up the spread between long-term and short-term rates, credit conditions may ease further boosting the industry. On the downside, QE tapering has driven up interest rates, which has in turn temporarily slowed the housing recovery. A strengthening dollar can also make exports more expensive.

“Manufacturing could also receive a substantial boost from tax reform,” said North. “The U.S. has one of the world’s highest corporate tax rates, while also using a worldwide tax system – taxing profits both where they are made and back in the U.S. This has caused companies to keep \$2 trillion locked up overseas. Lowering and flattening rates, reducing deductions, and switching to a territorial tax system – which only taxes profits where they are made – could unleash that cash for productive manufacturing investment.”

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Media Contacts

Euler Hermes Americas Media Relations
 Morgan Salinger – +1-212-931-6158
msalinger@peppercomm.com

Euler Hermes Group Media Relations
 Remi Calvet – +33 (0) 1 84 11 61 41
remi.calvet@eulerhermes.com

Laura Crovo – +1-410-753-0862
Laura.Crovo@eulerhermes.com

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