Press Release

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Euler Hermes Study: "Price Tag" the 2016 summer song for the global economy – slowest growth since the economic crisis

- "Priceless" growth and high debt burdens in Brazil and China negatively impact global economic forecasts; global economy slows down
- Result: rising global risks and+1% increase in insolvencies
- The losers: commodities sector, exporters, manufacturing industry, savers and creditors
- The winners: borrowers, consumers and importers
- Increasing risks: Brexit, China, Italian banks, oil, Turkey and US elections

PARIS - 31 AUGUST 2016 – Global economic growth is slowing: the estimated 2016 rate of +2.4% is the slowest since the global economic crisis, and will remain subdued for 2017 at +2.7% - the sixth consecutive year under 3%. Euler Hermes, the worldwide leader in trade credit insurance presents these results in its study "The price of growth". Low prices are putting pressure on nominal growth, business turnover and trade, both domestically and abroad. While global trade volumes for 2016 should increase by +2.2%, the value of traded goods will decline by -2% from the previous year.

Exporters and the commodities sector are under pressure, as revealed by the latest export figures from the German Federal Statistical Office. The manufacturing industry, savers, investors and creditors are also suffering badly from the low prices, whereas consumers, importers and borrowers are benefitting from the low interest rates and depressed prices. On the flip side of the coin, "priceless" growth in 2016 and 2017 will create an estimated +1% increase in global insolvencies, the first since the global economic crisis.

It's all about the money: economy without a price tag
"For me, Jessie J's Song 'Price Tag' is the defining economic summer hit of 2016 – because, as she sings, 'It's all about the money,'" says Ludovic Subran, chief economist at Euler Hermes. "There just aren't any price tags in the current global economy - pure and simple. Price-less growth is affecting decision-making, incentives and expectations worldwide. In these uncertain times, investors are running toward safe investments, and both companies and consumers are holding on to their money. In spite of lower prices and cheaper capital costs, there is little investment. This poses many problems for the global economy – the first new rise in insolvencies being one of them."

According to Euler Hermes, uncertainty and the resulting financial restraint are set to persist, as increasing risks – or apprehension about them – are due to continue as the year progresses.

3 shocks and more: China, oil, Brexit, Italian banks, Turkey and US elections
"Three shocks have shaped the global economy recently: fears of a hard landing in China, tumbling oil prices due to OPEC's decision to stick with its market share, and the first round of Brexit effects," said Subran. "These will stay with us. Added to that are potential new risks: the problems of the Italian banking sector, the current situation in Turkey after an attempted coup, or a series of US policy faux-pas."

Subran sees two major reasons for the expected increase in insolvencies:
"On the one hand, the high level of corporate and government debt in a number of countries and the difficulties that these countries have in reducing debt play a central role. China and Brazil in particular are struggling with this – followed by any exporters trading extensively with these nations. But many other countries are still feeling the effects of the monetary and wealth shock of the previous year. Many national currencies have seriously depreciated against the US dollar, hitting public finances and the economy hard, in spite of slight recoveries. The second major reason is that the commodities sector and countries where that sector has a strong presence are still at risk of default."

The Euler Hermes economist has drawn up a playlist for the current global economy – entirely in the spirit of "Price Tag".

Euler Hermes Top 10 for the economy in the summer of 2016

#1 David Bowie & Queen: Under Pressure
…prices and turnovers are under pressure in today's economy.

#2 Nancy Sinatra: These Boo(s)ts are Made for Walkin'
… low prices continue to fuel consumption in Europe and the US.

#3 Beach Boys: Good Vibrations
… low interest rates (and cheap building materials) are eventually driving a recovery in the European and US construction sector.

#4 Dire Straits: Money for Nothing
…negative interest rates have become the norm in a growing number of countries due to accommodating central banks.

#5 Guns 'n' Roses: Knocking on Heaven's Door
… USD 12 trillion in bonds are placed with negative yields.

#6 Sniff in the Tears: Driver's Seat
… China and the US Federal Reserve are driving world commodity prices and global interest rates.

#7 I Monster: The Backseat of my Car
… most emerging markets are price takers, and do not dictate or determine prices themselves.

#8 50 Cent: Get Rich or Die Trying
…commodity exporters got richer over the past few years and are now suffering significant output and wealth losses (and risk making policy mistakes).

#9 Rod Stewart: Da ya Think I'm Sexy?
…emerging markets that rebalanced their economy earlier than others are now experiencing capital inflows again.

#10 Antares: Ride on a Meteorite
…corporate debt is strong and worrying in some countries, particularly China.

Read the full version of the Euler Hermes study "The price of growth" at:
http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/EO-The_Price_of_Growth-Aug2016.pdf

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