

Euler Hermes U.S. construction industry outlook: Conditions ripe for continued residential recovery, slower commercial recovery expected

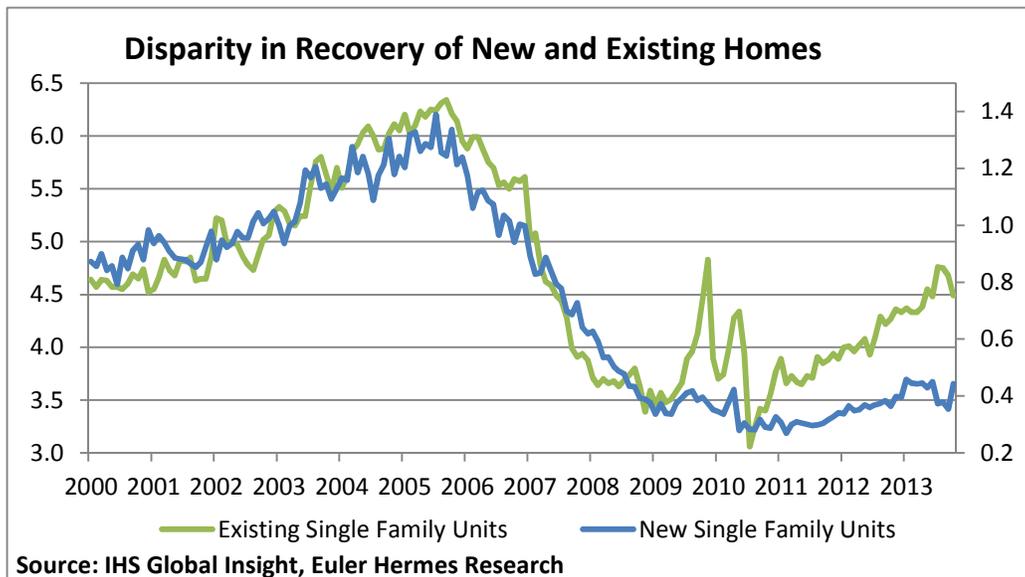
BALTIMORE, MD. – 10 DECEMBER 2013 – The U.S. construction industry is expected to maintain its rebound as the nation’s economy improves – but not without facing headwinds – according to a new [U.S. Construction Industry Outlook](#) released by [Euler Hermes](#), the world’s leading provider of [trade credit insurance](#).

“In 2013, residential construction continued the sustained improvement begun in 2012, credited to increased consumer confidence, lower inventory, attractive financing incentives for qualified buyers, and a general economic improvement,” said Jochen Duemler, CEO and head of Euler Hermes Americas Region. “Commercial construction industry recovery is also expected this year, but at a slower pace due to a high vacancy numbers and longer lead times required to complete new projects.”

Residential Construction

While existing home sales have begun tracking at higher levels, recent mortgage interest rate increases have created volatility that may dampen the recovery pace. Sales surged once interest rates began to rise in May 2013 as “on the fence” buyers rushed purchases, motivated by fears that interest rates would continue to climb. As concerns over Fed tapering waned, both interest rates and existing homes purchase activity declined.

Conversely, new home sales dropped by 14.1% in July before recovering in August when purchasers adjusted to the new environment. As buyers continue to return to the market, the resulting decline in existing home inventories will likely drive 2014 demand in new home construction, positively impacting the macroeconomic recovery.

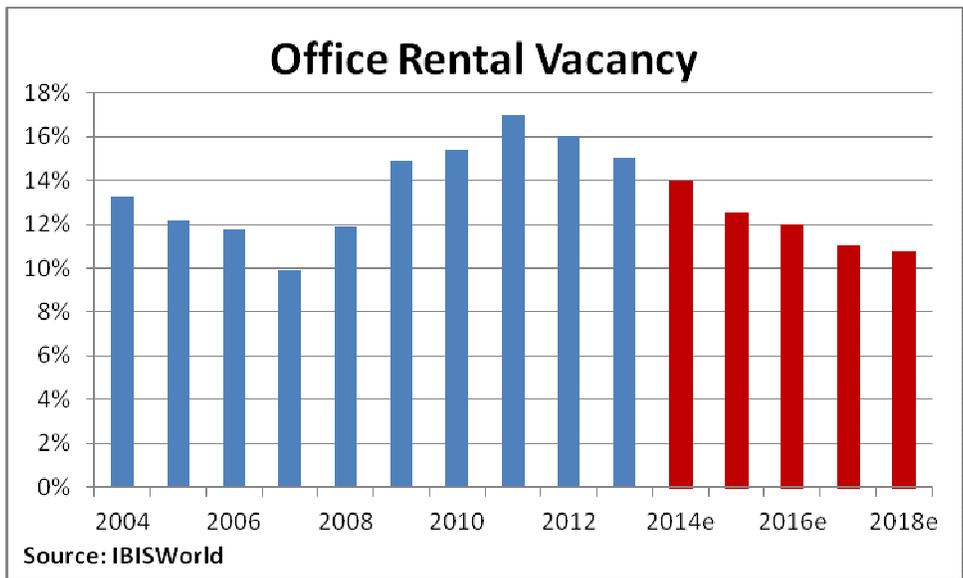




“The recovery to date has been biased toward existing home sales,” said Kim Fleischer, author of the report and construction sector analyst at Euler Hermes. “We believe that rising rates pulled forward hesitant buyers who were waiting for a bottoming of rates, and simultaneously discouraged buyers from entering contracts on new construction.”

Commercial Construction

U.S. commercial construction, which has experienced 8.5% annual declines over the past five years, is expected to rebound over the next five years. The recovery will be slower than that of residential construction due to high current commercial vacancy rates following overbuilding in 2005 and 2006. As consumer confidence grows, unemployment decreases and vacancies are filled, Euler Hermes expects the need for new construction to satisfy rising demand. However, this recovery will not be without its challenges as consumers continue their shift toward online shopping, suppressing demand in the important traditional brick-and-mortar niche.



Summarizing the key themes of the report, Fleischer said: “While our outlook for both the residential and commercial construction industries calls for sustained improvements through 2018, an economic downturn or a substantial rise in interest rates could imperil recovery and affect our conclusion.”

###

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



Euler Hermes North America Insurance Company

Euler Hermes' regional headquarters for the United States, Canada and Brazil is located in Owings Mills, Md. Founded in 1893, Euler Hermes is North America's largest and longest-established provider of trade credit insurance and accounts receivable management solutions. The company protects and insures around \$120 billion of regional trade transactions annually, serving small, medium and multinational clients across a range of sectors. The company employs 430 people regionally and serves clients from more than 50 locations in North America and Brazil.

Euler Hermes is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000+ employees in over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and posted a consolidated turnover of €2.4 billion in 2012. Euler Hermes has developed a credit intelligence network that enables it to analyze the financial stability of 40+ million businesses across the globe. The Group insured worldwide business transactions totaling €770 billion exposure end of December 2012. Euler Hermes, subsidiary of Allianz, is listed on Euronext Paris. The Group is rated AA- by Standard & Poor's.

For more information, visit www.eulerhermes.us; follow us on Twitter [@eulerhermes](https://twitter.com/eulerhermes).

Cautionary note regarding forward-looking statements: The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Euler Hermes Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels, (vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The company assumes no obligation to update any forward-looking statement.