

Euler Hermes: "German export Formula 1" - exports up, as are insolvencies and risks

- Foot on the gas pedal – German exports grow; USD 104 billion increase expected in 2016/2017
- In the overtaking lane – Germany set to post stronger export growth than China over the next two years
- Health check: Payment behavior of German companies still good, but non-payments on the rise, margins below average and profit expectations falling
- Flop 1: Risks increase – trend reversal in global insolvencies; now rising for the first time in seven years. Flat in Germany in 2016 after years of steady decline and potentially set to rise in 2017
- Flop 2: Bankruptcies on the rise for three of Germany's five main trading partners.

HAMBURG - 15 APRIL 2016 – The recent study "Top or flop? 2016" marks a trend reversal in global insolvencies: given the latest developments as world trade weakens, [Euler Hermes](#), the worldwide leader in trade credit insurance, expects global corporate bankruptcies to rise in 2016 for the first time in seven years (+ 2%). In Germany the number of cases is expected to stagnate in 2016 for the first time after years of steady decline and even increase slightly in 2017 (+ 1%).

The positive news, however, is that although risks may be rising, so too are German exports. Over the coming years, exports are expected to grow by USD 104 billion – despite global trade nominally growing by just 2.7% in 2016 and in value terms actually shrinking by a further 2% compared to last year.

Formula 1 of exports: high speeds, overtaking maneuvers, high risks and danger of "jostling"

"At the moment German exports are a bit like Formula 1 – high speeds and increasing risks, surprise overtaking maneuvers and the danger of unexpected "jostling" from the blind spot," says Ron van het Hof, CEO of Euler Hermes Germany, Austria and Switzerland. "Exporters are pressing hard on the gas pedal. Over the next two years they will even post stronger export growth than China (+ USD 96 billion) and gain pole position through this overtaking maneuver. At the same time, greater risks lie in wait for them on the track. They can only win by taking risks, but also need to be well protected, drive carefully and employ an effective pit-stop strategy with the right partners."

FLOP: Risk increases; three of Germany's five main trading partners are suffering more insolvencies

Course and weather conditions vary depending on the race circuit and the economic climate:

"The export trade remains risky – but without risk it won't work," explains Ludovic Subran, chief economist at Euler Hermes. "Three of Germany's five main trading partners are seeing a rise in insolvencies in 2016, and therefore an increase in risks. We predict that the frontrunner, the US, will experience a 3% rise in insolvencies, the UK a rise of 1% and China as much as 20%. In the Netherlands and France, Germany's second most important trading partners, bankruptcies are falling – although they are still close to record levels in France."

The emerging markets, where German exporters also detect growth opportunities, are also seeing a significant increase in insolvencies. Brazil holds the negative record ahead of China (+20%), with bankruptcies up 22%. The Asian supplier countries follow, and are heavily dependent on China: Taiwan (+17%), Hong Kong and Singapore (+15% each), as are the Latin American countries of Colombia (+13%) and Chile (+11%). Insolvencies are also on the rise in Australia (+12%), South Africa (+10%), Turkey (+8%), Russia (+7%), Greece and Switzerland (+3% each).

Staying home is not an option: other countries will start from pole position

"Staying home is not an option, because export companies would have to go to the end of the line if things kick off again in markets that are currently riskier," says Subran. "Then others with better stamina and steadier nerves will long ago have gained pole position and stayed there. The emerging markets are aptly named – they are aspiring markets with all the associated characteristics: non-linear, volatile development with highs and lows, and significant growth opportunities long term."



TOP: Overtaking maneuver in exports – but currency effect set to weaken in 2016

Germany will benefit from growth opportunities over the next two years, especially strong import growth among their main trading partners China, France, Netherlands, UK and the US.

"German exporters are positioning themselves to overtake in terms of export growth," says Subran. "This is despite weakening of the favorable currency turbo that makes German goods cheaper abroad. Potential export growth outside the eurozone is therefore lower than in 2015. Exports to France in 2016 are growing more strongly than those to the US, which in 2015 took the crown as Germany's main trading partner for the first time. Exports to the UK, which is mired in the pit lane, can only rise minimally. The losers from the German export markets include Brazil, Greece and Russia."

Health check: Export outlook and profits good, margins below average, expectations fall

Profits of German exporters are stable, but profit expectations have lowered as a result of turmoil, especially in the emerging markets, and margins are also lower than the long-term average. Despite this, many companies are in a strong position, as confirmed by payment behavior. German companies make payments much faster than the global average. In Germany the period between invoice and payment (Days of Sales Outstanding, or DSO) at listed companies is just 56 days, whereas globally companies have to wait 67 days, i.e. 11 days longer.

Trend reversal: Payment delays down, non-payments up

"It is interesting that payment delays fell last year, but non-payments were up 3%," says Subran. "This, combined with high competitive pressure and below-average margins, confirms the trend reversal we predicted, with insolvencies stagnating once again in Germany in 2016 followed by a slight rise in 2017."

Beware of unexpected "jostling": Political risks and capital controls waiting in the wings

Exporters should also keep an eye out for possible "jostling" from their blind spot, said Subran.

"2016 may have some nasty surprises in store. For example, a wave of capital controls could reach emerging markets. Political uncertainties due to elections and the threat of social unrest in many countries including Brazil, Thailand and Turkey are keeping politics, and above all the economy, on tenterhooks this year. Some of these surprises lurk at our own front door in Europe, including a possible UK Brexit and Spanish elections. Conflicts in Turkey and the Middle East also cast shadows in terms of economic risk. After the turmoil this year, the surprises will continue – there will always be winners and losers. The key is to do business with the right companies, whatever the market or sector, to ensure a place on the winner's podium."

#

Media Contacts

Euler Hermes Deutschland AG, (Hamburg)

Antje Stephan - +49 (0)40 8834-1033

antje.stephan@eulerhermes.com

Euler Hermes Group Media Relations

Remi Calvet – +33(0)1 84 11 61 41

remi.calvet@eulerhermes.com

Publicis Consultants

Romain Sulpice +33 (0)1 44 82 46 21

romain.sulpice@mslfrance.com

Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 6,000+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company posted a consolidated turnover of €2.6 billion in 2015 and insured global business transactions for €890 billion in exposure at the end of 2015. Further information: www.eulerhermes.com, [LinkedIn](#) or 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.