Press release

Euler Hermes: Canadian GDP to drop in 2015 due to low oil prices

MISSISSAUGA, ONTARIO – 11 MAY 2015 – Canadian GDP growth is expected to drop by 0.5 percentage points in 2015 as a result of the sharp drop in oil prices, according to Euler Hermes, the worldwide leader in trade credit insurance. Previously resilient, the country's economy will drop from a projected 2015 GDP growth of 2.4% (with a U.S. $100/barrel assumption) to just 1.9% (U.S. $59/barrel assumption). GDP is expected to recover slightly to 2.1% in 2016.

GDP Forecast and Oil Price Assumptions

	2014 (A)	*2015 (PF)*	**2015 (F)**	**2016 (F)**
GDP growth	2.5	*2.4*	**1.9**	**2.1**
Oil price WTI (USD)	93	*100*	**59**	**71**
CAD	1.10	*1.15*	**1.30**	**1.27**

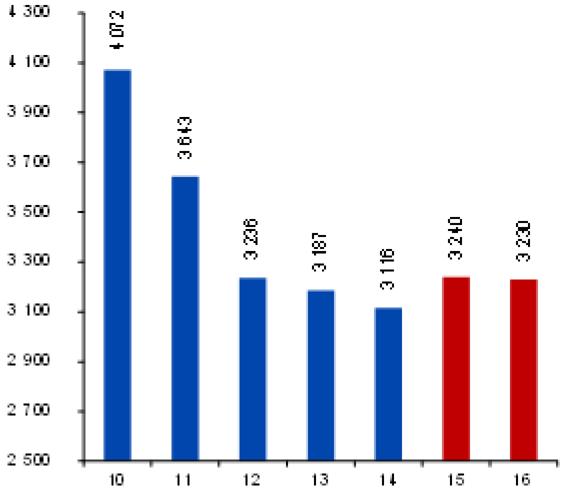
A=Actual F=Forecast PF=Prior Forecast

Source: IHS, Euler Hermes

"Since the Great Recession's end 2007, the Canadian economy has proved more robust than most other developed economies, including the U.S.," said Dan North, senior economist for Euler Hermes North America. "Canada recovered all of its lost jobs from the recession in just 27 months; it took the U.S. 75 months to accomplish this same feat."

Depressed oil prices will also take their toll on the private sector, as insolvencies are likely to rise 4 percent, the first increase since 2001. Insolvencies dropped at an average annual rate of -8 percent between 2000-2012,slowing in 2013-2014 to about -2 percent. The level of bankruptcies reached a historic low in 2014, with Euler Hermes rating only two sectors as sensitive risks: textiles and paper.

Yearly Insolvencies in Canada



Source: IHS, Statistics Canada, Euler Hermes

Though energy comprises just 10 percent of Canada's GDP and employment, the sector has an outsized influence on the economy:

- As oil prices have declined more than 50 percent since June 2014, the energy trade surplus has dropped 38 percent. This has been partially offset by the non-energy trade deficit, which has improved 13 percent since October due to the Canadian dollar's (CAD) falling value.
- Capital investment in Western Canada, including the oil sands, will drop from $69 billion in 2014 to $46 billion in 2015. The number of newly drilled wells is forecast to drop 30 percent to

7,350 in 2015. Falling oil sector capital expenditures (CAPEX) could shave up to 0.3 points from 2015 real GDP.

- Oil-rich provinces are likely to see localized effects, including increased unemployment, deteriorating housing markets and damage to government finances. In particular, Alberta, Newfoundland and Labrador, and Saskatchewan rely on oil and gas production royalties as a major revenue source -- which is now at risk.

At the same time, falling oil prices are expected to have some positive outcomes. Lower gas prices could boost consumer spending, as well as provide a benefit to trucking firms and airlines. Production costs will fall for chemicals manufacturers, leading to higher profits. U.S. consumers will also experience an effective disposable income increase equivalent to about +0.5 percent of GDP, providing a bump for the Canadian economy which relies on exports to the U.S.

"Companies exposed to the oil sector should closely monitor payment delays, as well as the path of oil prices," said North. "Accounts receivables from oil producers throughout the supply chain are at a heightened risk of late payment or default. Companies selling to those businesses should consider mitigating risk by shortening payment terms, extending smaller credit lines or partnering with trade credit specialists."

# # #

Media Contacts

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

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

Euler Hermes Group Media Relations
Remi Calvet – +33(0)1 84 11 61 41
remi.calvet@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 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 €2.5 billion in 2014 and insured global business transactions for €860 billion in exposure at the end of 2014. Further information: www.eulerhermes.com, LinkedIn or Twitter @eulerhermes.

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.