

**Euler Hermes year-end trends analysis:
2016 - political hotspots, savings glut, European resilience
2017 - determined by policy nudges, more protectionism, investment uncertainty**

PARIS – 28 NOVEMBER 2016 – [Euler Hermes](#), the worldwide leader in trade credit insurance, analyzed the main 2016 economic trends and considers what could be the 2017 highlights. In 2016, global growth should reach its lowest level (2.4%) and in 2017 should be below 3% for the 7th consecutive year. Low prices put pressure on nominal growth, business turnover and trade – domestically and abroad. In 2016, insolvencies are expected to increase for the first time since the 2009 financial crisis, with big ticket bankruptcies on the rise. Global trade volumes for 2016 should have increased by +2.1% but the value of traded goods should contract by -2% vs 2015. In 2017, the global trade should grow by +3.1% only.

“The public policy shifts to be expected from 2016 elections and those upcoming will nudge growth and trade even more in 2017,” said Ludovic Subran, chief economist at Euler Hermes. “Globally, 2016 growth proved resilient but several local turbulences are expected to have global impact and lasting effects. Financial turmoil, commodity and trade structural disruptions, and policy uncertainty will continue to be the bread and butter for companies next year.”

2016 a year of political hotspots, savings glut, and a resilient Europe

- 2016 has been a year of multiple hotspots: the stock market crash in China, the oil barrel below US\$20, presidential impeachment in Brazil, the Brexit vote, an attempted coup in Turkey, the surprising U.S. election outcome, to name a few. The December Italian constitutional referendum could also deliver another electoral surprise.
- Exporters and the commodities sector are under pressure: The commodity price shock reshuffled the cards between exporters and importers, just as accommodative monetary policies changed the game between consumers and savers. Precautionary savings are a reason for concern: Investors continue their flight toward safe investments, and both companies and consumers are holding onto their money. This growing savings glut, whereby desired saving exceeds desired investment and financing does not flow to needed countries and sectors, remains a challenge and a drag on investment. US\$7trn in cash remains glued to balance sheets, including US\$2trn in the U.S. In the meantime, credit crunches mushroom in emerging markets.
- While many countries have had a hard time managing their policy mix with fast-depreciating currencies and ailing public finances, Europe has been a green island as the euro zone was strong enough to restore the its credit market.

2017 to be determined by policy nudges, more protectionism & more uncertainty for corporate investment

- Elections and new administrations will bring new faces in many countries: France, Germany, the Netherlands, the U.S. and more. New fiscal stimulus measures to support growth, erratic monetary policies in the face of deflation in the U.S., and stronger industrial policies (structural reforms, innovation and financing support) could change the rules of the game for many companies. Passive countries could suffer from more capital flight and imported tremors.
- In 2017, global trade growth should be less than half its long-term average (below 4%). The main factors include demand shocks (ongoing Brazil and Russian crises), structural adjustments in demand (China’s rebalancing, energy autonomy in the U.S.), tighter U.S. monetary policy implying currency depreciations, rising import costs, and a growing trend to isolationism.
- The feeble return of private investment seen in 2016, while forward visibility deteriorated, could eventually be jeopardized. Companies have to face short-term challenges (country risks) and long-term tests (disruption). Both debt and cash are piling up, highlighting the growing divide between existing wealth and

the will to take risk for many private companies from China to the U.S.; some of them preferring the risk of dying rich when prices and interest rates rise again.

“Growth has proven resilient this year. But resilience is not enough to prevent business insolvencies from increasing,” added Subran. “Insolvencies are expected to rise in most emerging countries in 2016 and in the U.S., while decreasing in Western Europe. Worldwide, insolvencies are expected to increase (+1%) for the first time since the 2009 global financial crisis. Although the number of insolvencies globally has not increased significantly, big ticket bankruptcies are on the rise, with payment terms not improving globally.”

More information:

Economic Insight: 2016-17: Tectonic shifts and risk of local tremors, October 2016

<http://www.eulerhermes.com/mediacenter/Lists/mediacenter-documents/Economic-Insight-Tectonic-Shifts-And-Risk-Of-Local-Tremors-Oct2016.pdf>

Economic Outlook: Trade wars: the force weakens, October 2016

<http://www.eulerhermes.com/economic-research/blog/EconomicPublications/trade-wars-the-force-weakens-economic-outlook-oct16.pdf>

#

Media Contacts:

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@msfrance.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](#).

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.