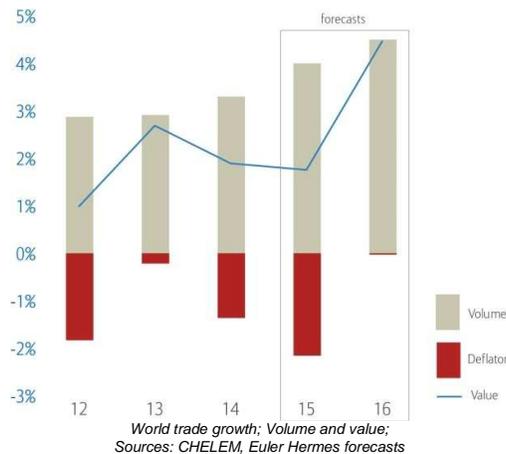


Global trade outlook: Trade-nation persists in weak recovery, warns Euler Hermes

PARIS – 18 MARCH 2015 – A worrying mix of stagnating economic growth, anaemic price pressures and continued excess capacity makes the immediate outlook for global trade muted at best, according to a new report ([“Global trade: What’s cooking?”](#)) from Euler Hermes, the worldwide leader in credit insurance.

Identifying three key reasons for the protracted slowdown in trade, Wilfried Verstraete, chairman of the Board of Euler Hermes, said: “First, austerity programs have globally shrunk public spending, historically a significant component of growth. Secondly, global export and import volumes have declined, and given their inter-related nature, the impact on supply chains is exponential which in turn further weakens global growth and trade. Finally and most importantly, growth in private consumption and investment – the main ingredients for trade expansion – is modest at best. Thus global trade is no longer driving global GDP, it is merely accompanying it.”

Euler Hermes forecasts nominal international trade will grow by a mere 1.8% this year and just 4.5% in 2016 – a fraction of the +12% global trade expansion seen annually between 2001 and 2008. The report anticipates that greater negative price pressures would result in a \$560 billion ‘drag’ on nominal trade in 2015 alone, as the global market recovery in goods and service continues to struggle seven years after the financial crisis. The creeping risk of a “vicious cycle” developing remains very real: deflationary pressures intensify and operating margins erode to the point where consumer prices are so low that companies struggle to maintain profitability.



As a result, countries have a growing appetite to boost their domestic demand through a greater focus on internal reliance, while in parallel each is trying to stimulate exports. This risks greater protectionism in the form of currency wars, tariff controls and other trade-restrictive measures.

“It is vital that exporters pay attention to the three Ps of export risk, namely Prices, Protectionism and non-Payment,” stressed Ludovic Subran, chief economist at Euler Hermes. “.This involves managing global price competition, country-level protectionism and the risk of client non-payments in order to successfully run the gauntlet of international expansion.”

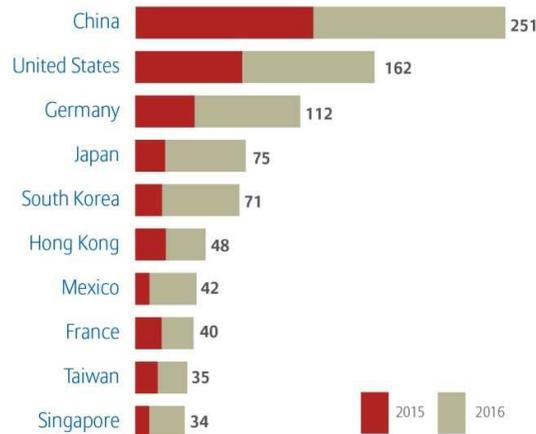
The report highlights evidence that corporate non-payment is set to become a greater issue. The time spent waiting for payments, as measured by day sales outstanding (DSO), is increasing globally. During the waiting period suppliers are funding their customers, creating additional stress on their cash flow positions.

The main export winners are expected in Asia, with \$221 billion in additional net exports during 2015. Globally, China will edge out the United States for the biggest single-country gain, followed by

Press release

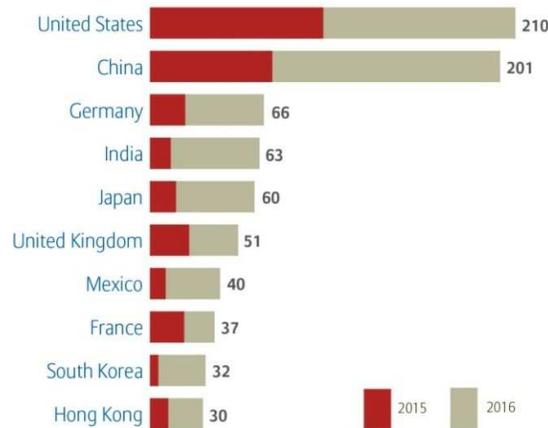
Germany, Japan and South Korea. Export laggards include Brazil and Chile due to falling commodity prices, while Portugal and Hungary are hit by a lack of competitiveness. Euler Hermes suggests 12 recipes enabling countries to boost exports by focusing on their unique strengths, including

- France and its pharmaceutical industry
- Spain's increased manufacturing competitiveness following real wage declines, and
- Singapore's successful use of Free Trade Agreements.



Top 10 Export winners; Additional exports in USD bn
 Source: Euler Hermes forecasts

The report provides a framework dividing countries by their anticipated demand for imports in 2015-16 and associated risk levels, to help identify potential opportunities and pitfalls. Euler Hermes carves out those countries which have both high growth and comparatively lower risk, such as Estonia and South Korea - who are among "the 15 Delicacies". Caution is advised to exporters venturing into "already full markets" such as Canada, Switzerland and Australia -- which appear temptingly safe but offer uninspiringly low growth.



Top 10 Importers; Additional imports, in USD bn
 Source: Euler Hermes forecasts

Sector-wise, the biggest loser will be energy, down \$400 billion in exports in 2015 alone. However, chemicals will benefit from the manufacturing sector recovery and reduced energy costs; electronics will gain from rising Asia demand; and robust demand for capital goods in industrializing countries will lift the machinery sector.

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