Press release

Euler Hermes Global Sector Outlook: All things come to those who wait

PARIS – 18 MARCH 2014 – Euler Hermes, the global leader in trade credit insurance, has published its latest Global Sector Outlook: "All things come to those who wait". It reports that sector risks globally are better oriented since mid-2013 but that the anticipated 2014-2015 global economic recovery will be too modest and heterogeneous to fully benefit a majority of sectors all around the world.

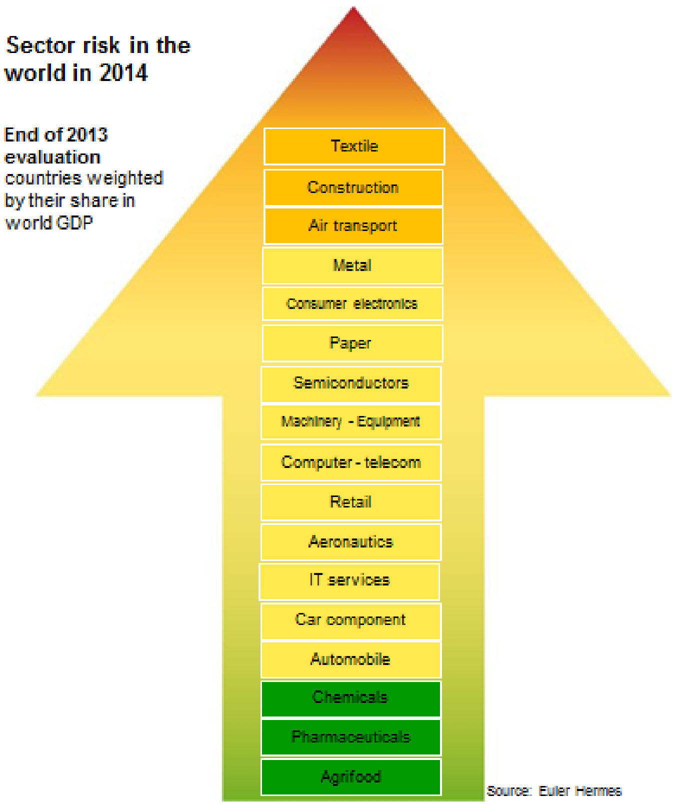
"It will take some time for the global economic growth to feed through to the bottom lines of companies of all sizes and sectors, especially in still-fragile Europe," explained Ludovic Subran, chief economist, Euler Hermes. "In many sectors we do not foresee an accelerating recovery path in 2014."

Euler Hermes monitors sector risks for 17 industries in 72 countries, representing 95% of worldwide GDP. Sector ratings (low, medium, sensitive and high risk) are established for each country and aggregate proprietary forecasts in demand, financing, profitability and the business environment.

Global recovery not yet sufficient to fully benefit a majority of sectors worldwide

In 9 out of 10 cases, sector risks by country remain at 2013 levels. Overall, sectors rated "at risk" remain in the majority for 2014: 49% at medium risk and approximately 25% at sensitive or high risk. In other words, only 25% of sectors exhibit sound enough fundamentals or outlooks to begin 2014 with a low level of risk.

On a global scale, textile, construction and air transport sectors began 2014 with the highest level of risk, while chemicals, pharmaceuticals and agrifood kept their risk levels lowest.



Low risk: sound fundamentals; very favorable or fairly good outlook
Medium risk: signs of weaknesses; possible slowdown
Sensitive risk: structural weaknesses
High risk: imminent or recognized crisis.

Textile: Production in the EU stagnated in 2013, after a decade-long drop. The sector has long been directly subject to household consumption volatility and the key driver remains production cost.

Construction: More favorable regional and national trends will develop in 2014, but numerous and persistent pressures will still weigh on the sector. The sector's global revenue growth remained weak in 2013 (+3% in value, approx. USD 9,300 billion). Its contribution to company insolvencies remains high - up to 20% of the total - whereas on average it accounts for 7% of GDP.

Paper: Capacity adjustments should maintain current price levels. A major challenge to the industry is the increased use of online communication and consumer electronic devices such as smartphones and tablets.

Information and communication technologies (ICT): A diverse sector facing strong price pressures and investment requirements. The +3% growth in ICT in 2013, with revenues of approx. USD 4,400 billion, was fuelled by deployment across all countries, though in strongly varying degrees.

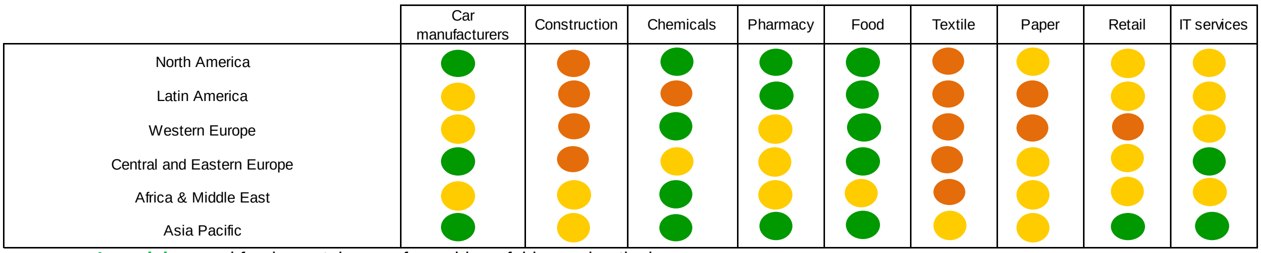
Automobile (car manufacturers): The global market will continue to expand in 2014 at a +5% growth rate (in units) with the United States and China as primary growth drivers. European markets hit a 17-year low in 2013 but are slowly picking up. Some emerging countries stalled in 2013, with weak growth prospects.

Chemicals: Global chemicals production is expected to grow by +4% in real terms for 2014, after +2.5% in 2013. The U.S. sector is being reinvigorated due to cheaper natural gas prices, but Europe remains on the defensive. Asia continues to gain market share linked to vigorous domestic demand.

Pharmaceuticals: Growing medical needs continue to boost the global pharmaceuticals market (2013 est. USD 950 billion), but not all players are benefiting.

Agrifood and Retail: Contrasting outlooks for 2014. On a global scale, sector sentiment will swing between relief (easing of agricultural supply costs), uncertainty (economic) and dynamism (geographical opportunities and a search for new models).

Regions: APAC retains the lowest sector risk level in 2014, Western Europe retains the highest
(*2013 year-end evaluation, countries weighted by share of 2013 regional GDP)*



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Growth recovery in **Europe** remains too modest for its remedial effects to spread quickly across all sectors; retail and construction prospects will remain unchanged. Many European companies still face important challenges linked to competitive pressures and financing. Only 21% of Western Europe sectors and 26% of Central and Eastern Europe sectors register a low risk levels for 2014.

In **Africa and the Middle East**, sector risk profiles clearly improved in oil-exporting countries, especially in the GCC. It stabilized in South Africa and Morocco, despite structural weaknesses in some sectors such as textile, and at lesser extent in countries hit by political or social turmoil.

The crisis in **North America** seems to be well and truly in the rear view mirror for most sectors, despite a few remaining weaknesses (construction, textiles, air transport) and uncertainties about the pace of recovery.

The lack of **Latin America** economic vigor in 2013, plus renewed signs of vulnerability in some countries affected by resurgent currency and funding risks, is weighing on many sectors, particularly construction. For most sectors and many countries, risk remains at medium level.

Resilient to the global cycle up to 2013, **Asia Pacific** remains the region with the lowest level of sector risk for 2014. However, its 2014-2015 challenges are among the largest. APAC began 2014 with some sectors (textile, metal and construction) facing structural weakness in some countries.

Revised sector assessments highlight areas of continued higher risks. Demand is key to 2014 risk development

The balance of change in sector risk assessments has reversed since mid-2013, with a higher number of improved risk ratings (78 for full-year 2013) than downgrades (67).

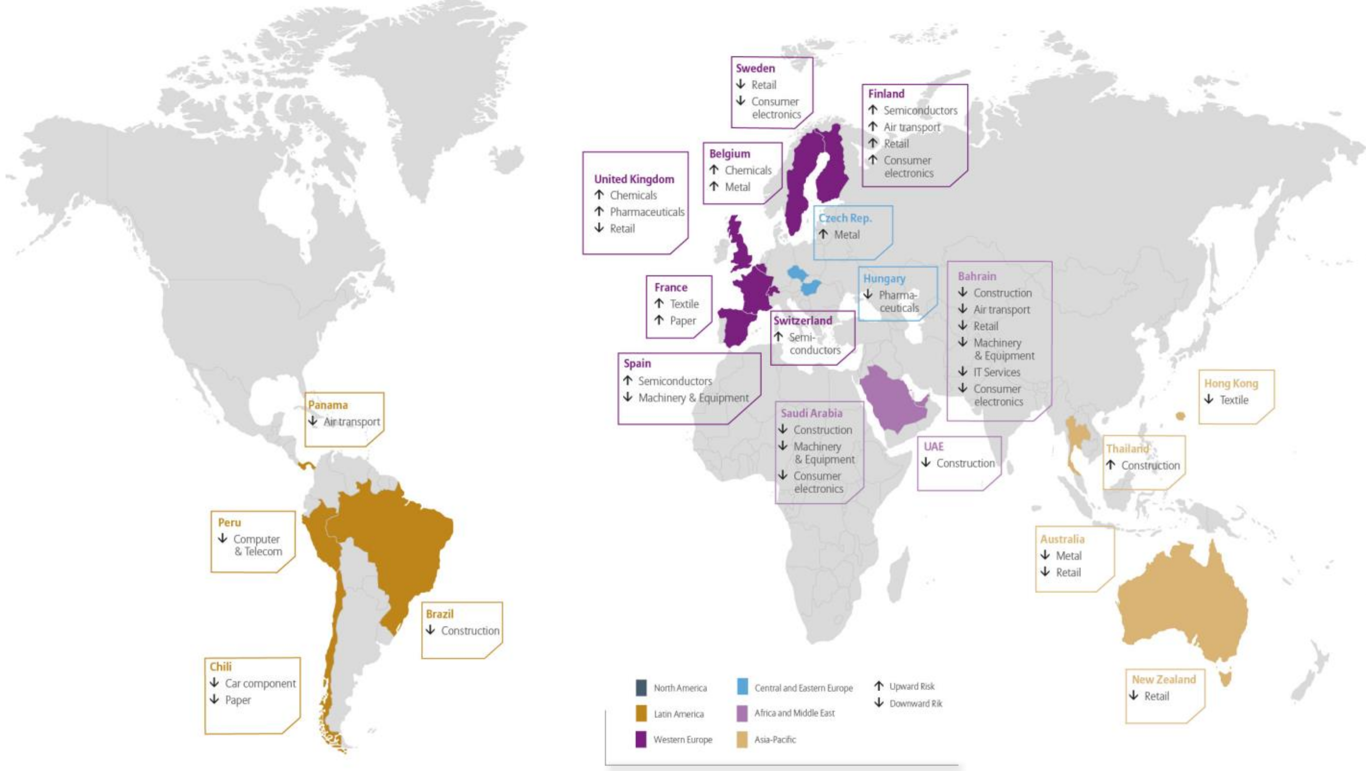
This overall turnaround masked contrasting trends in regions and timing:

- Positive over the whole year in Asia-Pacific, but concentrated in a few countries (Australia, Indonesia, Malaysia, Philippines)
- Stable in the second half of the year in Africa and the Middle East – but mainly in GCC
- Stable in North America
- Still negative in Latin America, despite an improvement at year-end 2013
- Still negative in Europe
- Overall, three sectors began 2014 with a higher number of countries at risk than a year earlier: chemicals, agrifood and metal.

In the latest scenario, sector risk remains downward in the Middle East and upward in Europe. Three sectors -- chemicals, metal, semi-conductors – post the greatest risk deterioration. The top four sectors with a downward risk revision are consumer electronics, construction, machinery and equipment, and, most of all, retail.

“Downward sector risk revisions are based slightly more on demand improvement than on profitability and financing questions, and vice-versa for upward revisions,” noted Ludovic Subran.

Annex: Snapshot of Q4 2013 changes in sector risk



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