Press release

Paris, December 15, 2010.

Although threatened, the global economic recovery is likely to win through

Corporate insolvencies will continue to decline in 2011

An analysis by Euler Hermes

Credit insurer Euler Hermes expects the global economic recovery to be confirmed out to 2012. It will, however, remain very uneven from one geographic region to another in 2011, with a slight slowdown overall. After 4% in 2010, world growth will drop back to 3% in 2011 before rising again to 3.3% in 2012. After making good the 2009 slump in 2010, world trade is forecast to grow by around 8% in both 2011 and 2012.

The 2011 slowdown will be more pronounced for OECD countries than for emerging regions. "The euro zone has lost out in the present global recovery, with GDP not expected to return to its 2008 level until the end of 2012, due in particular to the fiscal consolidation measures," points out Wilfried Verstraete, Chairman of Euler Hermes' Group Management Board.

Against this backdrop, the decline in corporate insolvencies is expected to continue, down by 5% in 2011 after falling by 4% in 2010. Corporate insolvencies will nonetheless remain at very high levels next year.

World economy: the slowdown forecast for 2011 does not jeopardise the recovery

The global economic recovery initiated in the spring of 2009 has gradually been confirmed with growth in world GDP in each of the past six quarters and a significant rebound in most of the main global indicators, such as industrial production, international trade, etc.

"We believe there will be a global recovery out to 2012," says Wilfried Verstraete. "*However, some risks and uncertainties persist, particularly for 2011. To begin with, growth in Asian countries, which, excluding Japan, have already largely erased the impact of the crisis, will undoubtedly drop back to a more balanced, and therefore more moderate, pace. Also, the major fiscal consolidation measures adopted by developed countries whose public finances have deteriorated significantly as a result of the crisis and of the stimulus packages implemented are likely to hamper growth."*

Euler Hermes estimates that growth in Asia will slow by more than 1 percentage point of GDP to around 7% in 2011 after 8.5% in 2010, in line with the slowdown expected in China, where growth is expected to drop from 10% in 2010 to 8.8% in 2011 and in 2012. The outlook for 2012 remains good for the region as a whole with growth of 7.4%.

At the same time, after rebounding to 2.8% in 2010, US economic growth is set to slow slightly to 2.2% in 2011 given the inadequate recovery in private sector employment. However, the pace of recovery is expected to pick up to 2.4% in 2012. The trend is likely to be similar in Europe, where fiscal consolidation will limit the rebound in 2011, particularly in the countries that have benefited least from the recovery.

All in all, Euler Hermes estimates that, after reaching 4% in 2010, growth in the world economy will drop back to a moderate 3.0% in 2011 before picking up again to 3.3% in 2012. The slowdown forecast for 2011 will be more pronounced for OECD countries. Trends in world trade are expected to be similar, with growth dropping from 14% in 2010 to 8% in 2011 before moving up to 9% in 2012.

Europe will lag behind

After growing by 1.7% in 2010, the euro-zone economy is forecast to grow by 1.3% in 2011 and by 1.5% in 2012. This sluggish growth reflects the persistently weak demand in Europe under the impact of unemployment - which has increased in all countries except Germany - wage moderation and the fiscal austerity measures announced by several major countries and which will continue out to 2013-2014: savings of €100 billion for France and of €80 billion for Germany. "*These consolidation plans are a major effort for all the economies concerned. However, the austerity measures called for are proportionally tougher for those countries that have benefited least from the recovery, such as Ireland and Greece*," underlines Karine Berger, Euler Hermes Chief Economist and Group Head of Market Management and Strategic Marketing.

Economic recovery is expected to remain weak in France with growth of 1.3% en 2011, after 1.5% in 2010, before rebounding to 1.8% in 2012.

Although expected to decline, corporate insolvencies will remain at a high level

Euler Hermes' Global Insolvencies Index fell by 4% in 2010 compared with an initial forecast of 3%. After record increases in 2008 and 2009, with the Global Insolvencies Index rising by 28% in each of those years, corporate insolvencies began to decline again in many countries in 2010. More than half the countries surveyed reported a smaller number of corporate insolvencies in 2010 than in 2009. The decline was stronger in Asia (12%) and the Americas (8%) than in Europe, where the situation of businesses remains more difficult in some countries, such as Greece, Portugal, Italy and Ireland.

Although less robust in 2011, the gradual recovery in the world economy should pave the way for a drop in corporate insolvencies (forecast at 5% in 2011) in a larger number of countries. The decrease will not, however, manage to wipe out the record rises in corporate insolvencies recorded in 2008 and 2009.

"Having made use of most of the levers available to them, particularly in terms of costs, businesses, especially European ones, have learnt from the crisis and are now better structured," comments Michel Mollard, member of Euler Hermes' Group Management Board. "*They will still have to get through 2011 before they can benefit fully from the recovery in 2012. Given the overall weakness of demand in Europe, they are still faced with significant risks. The general trend is, however, more positive than it was a few months ago,"* concludes Michel Mollard.

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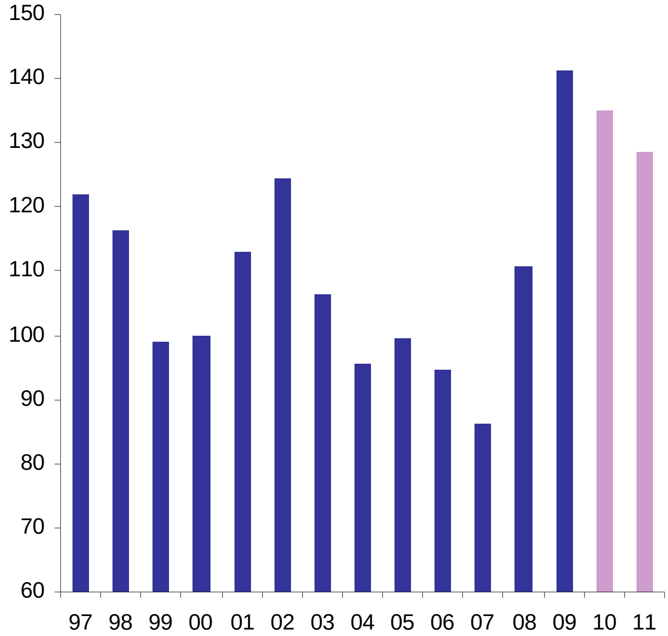
Tables and charts

1. World growth forecasts

Change in GDP	% of world GDP	2009	2010	2011	2012
United States	*25.5*	-2.6%	2.8%	2.2%	2.4%
Japan	*9.1*	-6.3%	4.2%	0.9%	1.3%
Euro zone	*22.5*	-4.0%	1.7%	1.3%	1.5%
Germany	*6.0*	-4.7%	3.6%	2.1%	1.6%
France	*4.8*	-2.5%	1.5%	1.3%	1.8%
Italy	*3.8*	-5.1%	1.0%	1.0%	1.1%
United Kingdom	*3.9*	-5.0%	1.7%	1.7%	1.7%
Central and Eastern Europe	*6.4*	**-6.0%**	**3.5%**	**3.1%**	**3.5%**
Asia (excl. Japan)	*18.6*	**5.8%**	**8.5%**	**7.1%**	**7.4%**
China	*8.8*	9.1%	10.0%	8.8%	8.8%
India	*2.2*	7.4%	8.8%	8.5%	9.0%
Latin America	*7.0*	**-1.9%**	**5.7%**	**3.6%**	**3.8%**
Brazil	*2.8*	-0.2%	7.5%	4.3%	4.5%
Africa & Middle East	*2.2*	**1.4%**	**4.2%**	**4.3%**	**4.7%**
World	*100.0*	**-2.0%**	**4.0%**	**3.0%**	**3.3%**
OECD	*65.8*	**-3.8%**	**2.6%**	**1.7%**	**1.9%**
Non-OECD	*34.2*	**1.5%**	**6.7%**	**5.5%**	**5.8%**

Sources: IHS Global Insight, Euler Hermes estimates (*) 2009 GDP weighting at constant exchange rates

2. Euler Hermes Global Insolvency Index



Sources: national figures, Euler Hermes calculation and forecasts.

3. Trend in corporate insolvencies by country

Base 100: 2000	*% of world GDP (*)*	*Weight in index*	2005	2006	2007	2008	2009	2010	2011
United States	*24.57*	*28.5%*	14%	-50%	44%	54%	40%	-7%	-6%
Canada	*2.58*	*3.0%*	-7%	-10%	-7%	-2%	-12%	-23%	-1%
Japan	*8.45*	*9.8%*	-5%	2%	6%	11%	-1%	-12%	-3%
Germany	*6.30*	*7.3%*	-6%	-7%	-15%	0%	12%	-1%	-5%
France	*4.94*	*5.7%*	1%	-4%	6%	15%	12%	-4%	-5%
Italy	*3.98*	*4.6%*	9%	-16%	-40%	19%	29%	21%	0%
Spain	*2.78*	*3.2%*	25%	-1%	13%	180%	76%	1%	-7%
Netherlands	*1.51*	*1.8%*	2%	-12%	-23%	1%	73%	-9%	-5%
Belgium	*0.87*	*1.0%*	0%	-3%	1%	10%	11%	5%	-4%
Austria	*0.72*	*0.8%*	12%	-5%	-6%	0%	9%	-8%	-7%
Portugal	*0.42*	*0.5%*	-37%	3%	18%	47%	29%	5%	0%
Finland	*0.47*	*0.5%*	-7%	2%	-1%	14%	30%	-8%	-10%
Greece	*0.62*	*0.7%*	2%	-8%	-6%	10%	15%	25%	20%
Luxembourg	*0.12*	*0.1%*	2%	-8%	0%	-6%	20%	23%	-14%
Ireland	*0.46*	*0.5%*	-3%	1%	3%	113%	82%	9%	0%
United Kingdom	*4.61*	*5.3%*	10%	6%	-20%	31%	17%	-16%	-13%
Denmark	*0.59*	*0.7%*	-5%	-20%	21%	54%	54%	12%	-5%
Sweden	*0.83*	*1.0%*	-11%	-9%	-6%	9%	21%	-7%	-5%
Norway	*0.78*	*0.9%*	-18%	-14%	-6%	28%	38%	-7%	-10%
Switzerland	*0.85*	*1.0%*	-4%	-5%	-5%	-2%	24%	19%	-3%
Poland	*0.91*	*1.1%*	-4%	-34%	-26%	-10%	57%	7%	0%
Hungary	*0.27*	*0.3%*	2%	18%	3%	21%	24%	21%	-24%
Czech Republic	*0.37*	*0.4%*	-12%	0%	-10%	-3%	36%	6%	4%
Slovakia	*0.16*	*0.2%*	66%	5%	-54%	-27%	35%	2%	-13%
Lithuania	*0.08*	*0.1%*	9%	-2%	-20%	58%	93%	-13%	-6%
Latvia	*0.06*	*0.1%*	-36%	15%	16%	28%	67%	-8%	-6%
Estonia	*0.04*	*0.0%*	-4%	-16%	-43%	109%	149%	-12%	-8%
Russia	*2.89*	*3.4%*	49%	447%	-75%	-28%	11%	8%	9%
Brazil	*2.71*	*3.2%*	-31%	-54%	-33%	-15%	19%	-18%	6%
Australia	*1.74*	*2.0%*	10%	6%	-3%	21%	4%	-2%	5%
China	*7.45*	*8.7%*	9%	14%	20%	5%	-2%	-18%	-5%
Taiwan	*0.67*	*0.8%*	17%	21%	68%	-23%	-58%	-21%	-15%
South Korea	*1.60*	*1.9%*	-23%	-26%	-9%	19%	-27%	-27%	3%
Hong Kong	*0.37*	*0.4%*	-26%	-35%	-18%	3%	22%	-20%	-4%
Singapore	*0.31*	*0.4%*	-28%	-19%	-18%	25%	2%	4%	4%

Sources: national figures, Euler Hermes estimates
(*) 2009 GDP weighting at constant exchange rates

Methodology

The concept of corporate insolvency is different from one country to another, which makes international comparison difficult. There are two main reasons for country differences. First of all, official procedures do not have the same weight in all countries. Some countries, such as Spain and Italy, where amicable settlement procedures predominate, record very low official corporate insolvency figures that underestimate the real number of businesses in difficulties. Secondly, one-man businesses are in some cases recorded as business insolvencies and in some cases – the United States for example – as personal bankruptcies, making it difficult to separate business failures from purely private insolvencies. This results in a significant underestimation of business insolvencies. Moreover, the line between individual entrepreneurs and very small businesses varies substantially from one country to another. For each country we have used a definition of a business that corresponds as closely as possible to that used in the insolvency survey used to calculate an insolvency rate. To overcome the heterogeneous nature of national statistics and circumstances, we monitor the change in insolvencies over time rather than their absolute numbers. For each country, we have calculated an insolvency index, using a basis of 2000=100. We then constructed our Global Insolvency Index (GII), which is the weighted sum of the national indices. Each country is weighted according to its share of total aggregate GDP (at current exchange rates) of the 35 countries included in our survey, which represents more than 85% of world GDP at current exchange rates for 2009.

Euler Hermes is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,200 employees in over 50 countries, Euler Hermes offers a complete range of trade receivables management services and posted a **consolidated turnover of €2.1 billion in 2009.**

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40 million businesses across the globe. The group protects worldwide business transactions totalling €700 billion.

Euler Hermes, a subsidiary of Allianz, is listed on Euronext Paris. The group and its principal credit insurance subsidiaries are rated AA- by Standard & Poor's.

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