

Euler Hermes: UK insolvencies set for +9% rise in 2019, even if a Brexit deal is agreed

- A 'Hard Brexit' will see business failures rise by +20 per cent this year.
- Euler Hermes places a 70% chance that a deal will be agreed by the EU and Parliament before the Brexit deadline.
- A 'no deal scenario' is rated at a 25% probability.
- Overall, the number of global bankruptcies will rise by +6 per cent in 2019.

LONDON, 10 January 2018 – The number of UK business insolvencies is set to rise by +9% this year, even if a deal is agreed with the EU before the Brexit deadline, according to Euler Hermes, the world's leading trade credit insurer.

The company's latest Global Insolvencies Index reveals a further 23,660 businesses are expected to become insolvent in 2019 compared to last year if an agreement on separation terms for future UK-EU relations is in place before the 29th March. The +9% increase follows a +12% uptick last year.

Only five countries (China, Slovakia, Denmark, Chile and Sweden) will see a greater rise than the UK globally. Insolvency levels will remain static in Germany, The Netherlands and Belgium, with France (+2%) and Italy (+2%) set for a small increase.

The firm's economists have calculated that there is a 70% chance of a deal being agreed with the UK ahead of the deadline. But given tight deadlines an extension of Article 50 cannot be excluded which would avoid a disorderly exit and the implementation of WTO tariffs on goods exchanged with the EU.

By contrast, Euler Hermes says that in the event of a 'no deal', UK corporate failures are expected to rise by +20%. This scenario is rated at a 25% probability.

Euler Hermes believes that there is a slim chance (5%) that the UK will stay in the EU in 2019, which would the number of insolvencies rise by +2% for the next 12 months.

Ana Boata, European Economist at Euler Hermes, said: "Increasing late payments, tighter financial and monetary conditions, sluggish consumer spending, deteriorating corporate margins and softening GDP growth are together posing challenges to company finances and putting pressure on almost all areas of the UK economy.

"Overall, the prolonged high Brexit uncertainty has significantly reduced the pockets of resilience in the economy. We expect GDP growth to weaken to +1.2% this year as a result, with at least -1% contraction forecast if the UK leaves the EU with no deal in place. In this scenario, private consumption and business investment would tighten by -1% and -4% respectively, with Sterling expected to fall to 0.88 against the Euro by the end of the year."

Euler Hermes predicts that the total number of insolvencies globally will rise by +6% this year as softening economic momentum, coupled with tightening financial conditions, will increase stress in the majority of countries across the world.

According to the report, two in three countries are expected to record an increase in 2019. The number of bankruptcies in China will rise by a fifth (+20%) this year - the fastest rate of any large global economy - as GDP growth falls to its lowest point in a decade.

ENDS

About Euler Hermes

Euler Hermes is the global leader in trade credit insurance and a recognised specialist in the areas of surety, collections, structured trade credit and political risk. Our proprietary intelligence network analyses daily changes in corporate solvency representing 92% of global GDP. We give companies the confidence to trade, and be paid. We compensate your company in the event of a bad debt, but more importantly, we help you avoid bad debt in the first place. Whenever we provide trade credit insurance or other finance solutions, our priority is predictive protection. But, when the unexpected arrives, our AA credit rating means we have the resources, backed by Allianz to provide compensation to maintain your business. Headquartered in Paris, Euler Hermes is present in 52 countries with 6,050 employees. In 2017, our consolidated turnover was €2.6 billion and insured global business transactions represented €894 billion in exposure.

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