

London - 16 January, 2019

Ana Boata, Senior European Economist at Euler Hermes, the world's leading trade credit insurer, said:

“The result of yesterday’s vote will reduce the remaining pockets of resilience in the UK economy, and will impact investment levels, GDP growth and the number of corporate failures.

“We expect that continued political uncertainty will cut GDP growth by a further 0.1-0.2pp per quarter. Sterling could fall below EUR 1.1 by the time either a deal is approved or an extension of Article 50 is decided and be accompanied by a spike in volatility, which could make transactions above a certain threshold complicated.

“Even if a deal is agreed with the EU before the March deadline, we expect annual UK GDP growth to weaken to a +1.2% in 2019 and business insolvencies to rise by +9% year-on-year. While unlikely, a ‘no deal’ Brexit would see the number of corporate failures increase by +20% and the economy contract by at least -1% for the next two years.

“Sterling has already depreciated by more than -10% since the leave vote, which has increased import costs and triggered a fall in profit margins for many non-financial corporations. As a result, the Eurozone has missed around €60bn of potential exports to the UK over the past two years. UK real import growth will be below 1% this year, the lowest level since 2011.”

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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 52 countries with 6,050 employees. Euler Hermes is a subsidiary of Allianz, rated AA by Standard & Poor's. The company posted a consolidated turnover of €2.6 billion in 2017 and insured global business transactions for €894 billion in exposure at the end of 2017.

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