

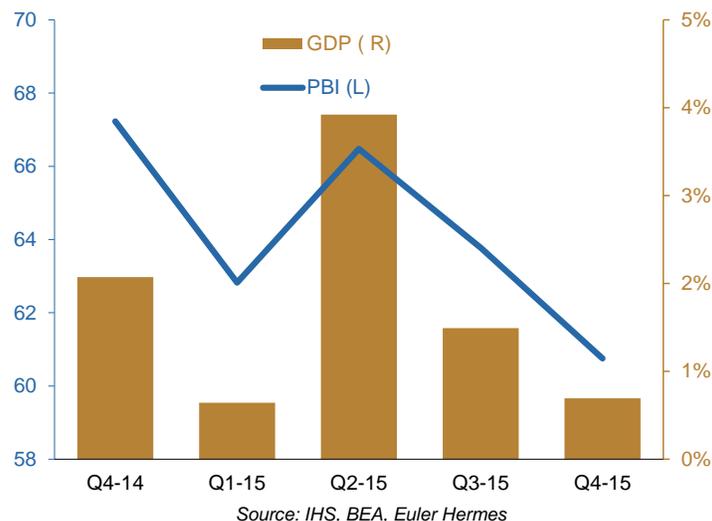
Euler Hermes: Late payments to U.S. businesses increase due to worsening economic conditions

BALTIMORE, Md. – 24 FEBRUARY 2016 – [Euler Hermes](#), the worldwide leader of trade credit insurance, today released its quarterly [Payment Behavior Index \(PBI\)](#) showing a marked increase in late payments to businesses by their customers. The index – for which a value of 50 indicates average payment behavior – has fallen substantially (6.4 points from 67.2 to 60.8) over the past four quarters ending in Q4 2015. This trend indicates a higher incidence of past due receivables, also consistent with slower GDP growth in Q4 2015 versus the previous year.

Highly correlated to GDP growth, the PBI is developed using Euler Hermes’ proprietary past due information from policyholders about unpaid accounts receivables. Euler Hermes predicts continued tepid U.S. GDP growth of 2.3 percent in 2016 due to a weak global economy.

“The current financial environment has forced U.S. bank lending conditions to tighten, making it more difficult and expensive for businesses to obtain credit and fund their operations,” explains Dan North, chief economist at Euler Hermes North America. “These tighter lending conditions have already contributed to the increase in slow payments. Businesses have started to resort to paying bills more slowly in order to maintain cash flow. If this continues, there is a strong possibility that we’ll see an increase in bankruptcies this year.”

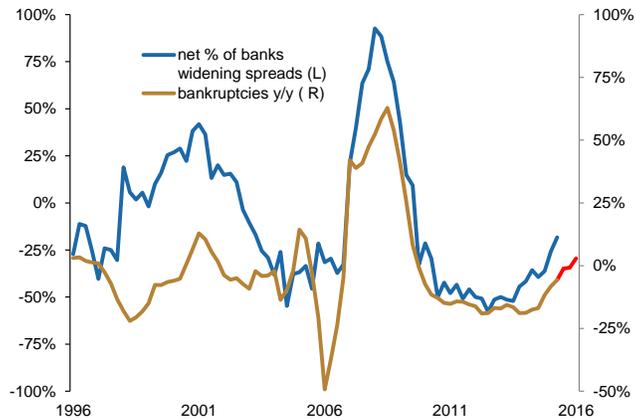
Payment Behavior Index (PBI) vs. GDP



Nationwide bankruptcy increase on the horizon?

Historically speaking, tightening lending conditions have been highly correlated with increases in nationwide bankruptcies. Furthermore, real corporate investment is slowing and real corporate profits are actually shrinking, putting additional pressure on businesses. As a result, Euler Hermes expects to see U.S. bankruptcies increase by 3 percent in 2016, after six straight years of declines.

Nationwide Bankruptcies vs. Lending Conditions



Sources: IHS, Federal Reserve, US Courts, Euler Hermes

Looking ahead

In 2016, Euler Hermes expects to see continued anemic global demand, low commodity prices and weak machinery orders. Metals and machinery companies are facing severe financial stress due to a combination of factors, including

- Weak global demand
- Plummeting orders for pipe and machinery from oil drillers, and
- A strong dollar that makes exports less competitive and causes a flood of cheap imports that are difficult to compete against.

“Although the dollar has fallen a little in the past weeks, we do not expect it to fall enough to boost exports or lessen competition from cheap imports,” said North. “Conversely, we expect to see improvement within the U.S. food industry plus strong growth in the auto sector due to a boost in auto sales as a result of cheap gasoline prices.”

The Payment Behavior Index is available here: : <http://www.eulerhermes.us/economic-research/economic-publications/Documents/EI-PaymentBehaviorIndex-FEBRUARY2016.pdf>

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Euler Hermes North America Insurance Company

Euler Hermes' regional headquarters for the United States, Canada and Brazil is located in Owings Mills, Md. Founded in 1893, Euler Hermes is North America's largest and longest-established provider of trade credit insurance and accounts receivable management solutions. The company protects and insures around \$120 billion of regional trade transactions annually, serving small, medium and multinational clients across a range of sectors. The company employs 430 people regionally and serves clients from more than 50 locations in North America and Brazil.

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 over 50 countries with 6,000+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company posted a consolidated turnover of €2.6 billion in 2015 and insured global business transactions for €890 billion in exposure at the end of 2015. Further information: www.eulerhermes.com, [LinkedIn](#) or Twitter [@eulerhermes](#).

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The company assumes no obligation to update any forward-looking statement.