Press Release

Euler Hermes: UK economy set for slowest EU growth rate in 2018

- UK GDP growth predicted to reach just 1 per cent next year – the lowest rate across the EU
- Overall Eurozone GDP growth forecast at 1.8 per cent, with Germany and Spain set to reach two per cent and 2.3 per cent respectively
- 2019 'deal or no deal?' impact – in a transition scenario the UK economy could grow by 0.9 per cent; with no trade agreement it might contract by -1.2 per cent

LONDON – 21 NOVEMBER 2017 – The UK economy is set to become the worst performer in the European Union next year, as the Brexit-induced slowdown becomes increasingly more pronounced, according to Euler Hermes, the world's largest trade credit insurer.

Its latest economic report - 'Brexit: Taking the pulse of the UK economy' - forecasts that UK GDP growth will reach just one per cent in 2018, following an expansion around 1.5 per cent this year, putting it behind its European neighbours.

Following a strong growth of 2.1 per cent in 2017, the Eurozone will continue to expand above potential with GDP set to expand by 1.8 per cent in 2018 as trade and investment levels continue to rise. Germany, France and Spain are forecast to see growth of two per cent, 1.7 per cent and 2.3 per cent respectively, according to the findings. The Netherlands will see an expansion of 1.7 per cent, with Belgium's economy predicted to grow by 1.4 per cent.

Euler Hermes says a softening in investment levels and slowing consumer spending are behind the UK's slowdown. The report forecasts corporate investment could contract by 2.3 per cent in 2018, with private consumption growth expected to drop from 1.7 per cent this year to one per cent over the same period. Export growth meanwhile is not strong enough to compensate for slowing domestic demand slowing from 2.8 per cent to 2.2 per cent next year as UK firms put profit before volume, according to the findings.

Katharina Utermöhl, senior economist for Europe at Euler Hermes, said: "The continuing uncertainty surrounding the UK's position on Brexit has put the economy on the back foot compared to its European counterparts, as higher prices due to the declining value of sterling and weakening confidence hit retail spending and appetite for investment.

"A transition deal once the UK formally exits the EU in March 2019 could help limit the negative impact on the economy. With such an agreement in place, the UK would see growth of 0.9 per cent in 2019; compared with a -1.2 per cent contraction should the UK leave the EU and trading on World Trade Organization terms."

Without a transition deal export losses in 2019 could be as high as £30 billion for goods and £36 billion for services. In real terms, this would mean a drop of 6 per cent for total exports on the previous year. Euler Hermes predicts that the level of inward investment in British companies could fall by 8 per cent.

Euler Hermes defines a transition deal as a bridge solution in which the UK will maintain access to the EU Single Market in exchange for making continued EU budget contributions, retain EU laws and regulations and refrain from migration control until a final trade deal is concluded, perhaps as early as 2021.

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Media contacts

Euler Hermes
Adrian Russell +44 (0)20 7860 2728
adrian.russell@eulerhermes.com

Citypress
Dave Bertram +44 (0)161 235 0316
david.bertram@citypress.co.uk

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 5,800+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's. The company posted a consolidated turnover of €2.6 billion in 2016 and insured global business transactions for €883 billion in exposure at the end of 2016.

Further information: www.eulerhermes.com, LinkedIn or Twitter @eulerhermes.