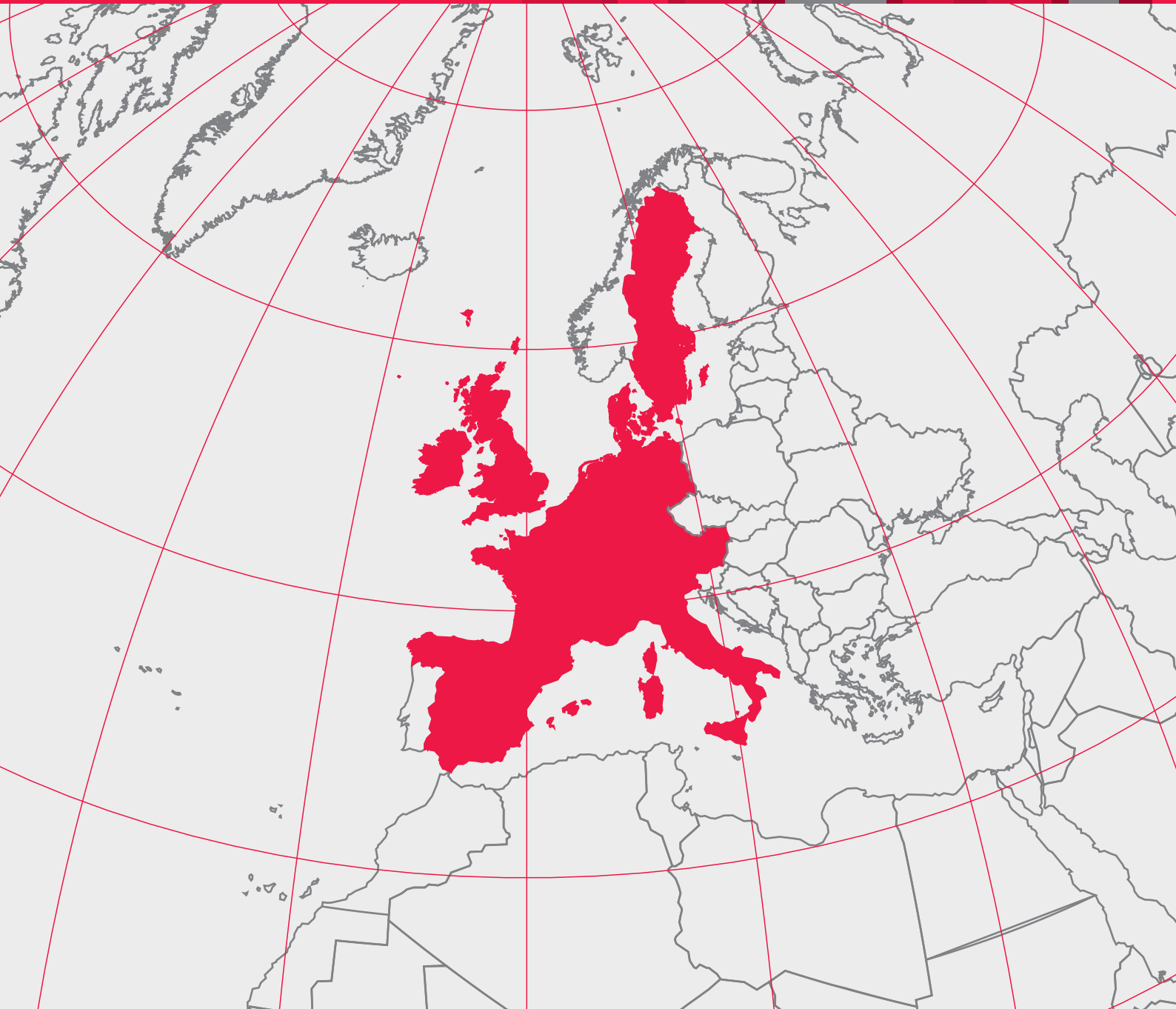


Atradius Country Report

Main Western European Markets – June 2015



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Austria

Main import sources (2013, % of total)

Germany:	41.4 %
Italy:	6.3 %
Switzerland:	5.4 %
Czech Republic:	4.1 %
The Netherlands:	3.9 %

Main export markets (2013, % of total)

Germany:	29.9 %
Italy:	6.4 %
USA:	5.1 %
Switzerland:	5.0 %
France:	4.7 %

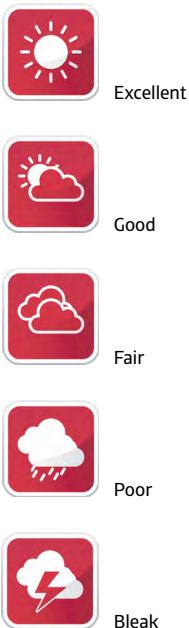
Key indicators
















	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.7	0.3	0.4	0.8	1.7
Consumer prices (y-on-y, % change)	2.5	2.0	1.6	1.0	1.9
Real private consumption (y-on-y, % change)	0.5	-0.2	0.1	0.5	1.3
Retail sales (y-on-y, % change)	-0.7	-0.5	-0.5	0.8	0.0
Industrial production (y-on-y, % change)	1.7	0.7	-0.4	0.5	2.7
Unemployment rate (%)	7.0	7.6	8.4	8.7	8.4
Real fixed investment (y-on-y, % change)	1.2	-1.0	0.0	-0.2	3.7
Exports of goods and non-factor services (y-on-y, % change)	1.5	1.2	1.5	2.5	5.3
Fiscal balance (% of GDP)	-2.6	-1.5	-3.0	-2.0	-1.5
Government debt (% of GDP)	81.8	81.2	86.6	87.1	86.3

* forecast Source: IHS

Austrian industries performance forecast

May 2015



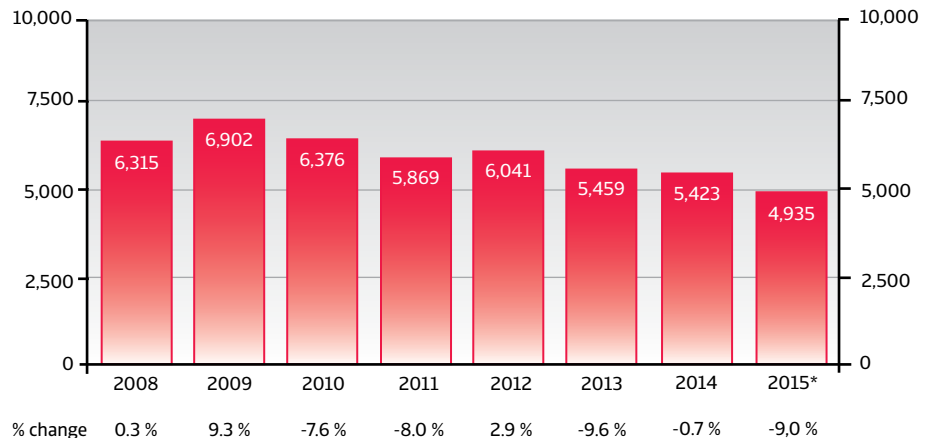
Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

The insolvency environment

Corporate insolvencies decrease slowed down in 2014

Austrian business insolvencies decreased by more than 9 % in 2013, however this positive trend slowed down in 2014, to just 0.7 %. In 2015 it is expected that the number of business failures will decrease further, by 9 % year-on-year.

Austrian business insolvencies (year-on-year change)

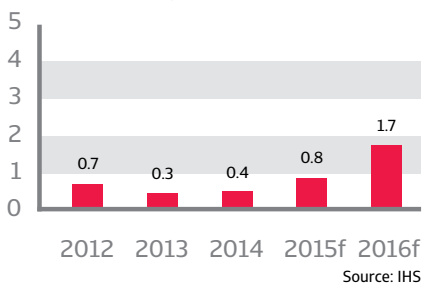


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

Real GDP growth (%)

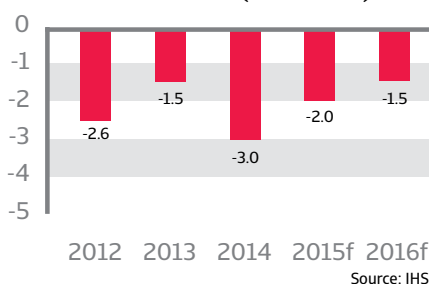


Higher growth in 2015 expected

After modest growth in 2013 (up 0.3 %) and 2014 (up 0.4 %) the Austrian economy is expected to see a modest 0.8% surge in 2015. Private consumption is expected to increase only modestly, given that unemployment will remain at an (for Austrian standards) elevated level of 8.7 % and real wages are still impacted by the general decrease seen in previous years.

The fiscal deficit increased by 3.0 % in 2014, mainly due to large increases in capital transfers to banks in the course of the reorganization of Hypo Group Alpe Adria (the bank was nationalized in 2009 after overextending itself in South-eastern Europe). With these capital transfers decreasing after 2015, the budget balance is set to improve to -2.0 % and -1.5 % of GDP in 2015 and 2016, respectively. Government debt is expected to rise to 87.1 % and to decrease thereafter.

Fiscal balance (% of GDP)



Belgium

Main import sources (2013, % of total)	
The Netherlands:	20.7 %
Germany:	13.6 %
France:	10.7 %
USA:	7.1 %
United Kingdom:	5.3 %


























Main export markets (2013, % of total)	
Germany:	17.2 %
France:	15.9 %
The Netherlands:	12.5 %
United Kingdom:	7.7 %
USA:	5.2 %

Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.1	0.3	1.0	1.2	1.7
Consumer prices (y-on-y, % change)	2.8	1.1	0.3	-0.2	0.6
Real private consumption (y-on-y, % change)	0.8	0.3	1.0	1.9	1.7
Retail sales (y-on-y, % change)	0.4	-0.1	0.0	2.1	1.9
Industrial production (y-on-y, % change)	-2.1	0.9	1.0	2.3	2.5
Unemployment rate (%)	7.6	8.4	8.5	8.2	8.0
Real fixed investment (y-on-y, % change)	0.0	-2.2	4.8	0.7	2.7
Exports of goods and non-factor services (y-on-y, % change)	1.9	2.9	3.3	2.2	4.6
Fiscal balance (% of GDP)	-2.7	-2.2	-1.8	-1.3	-1.2
Government debt (% of GDP)	99.1	99.3	99.2	100.9	101.6

* forecast Source: IHS

Belgian industries performance forecast

May 2015

	Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
Excellent					
Good					
Fair					
Poor					
Bleak					

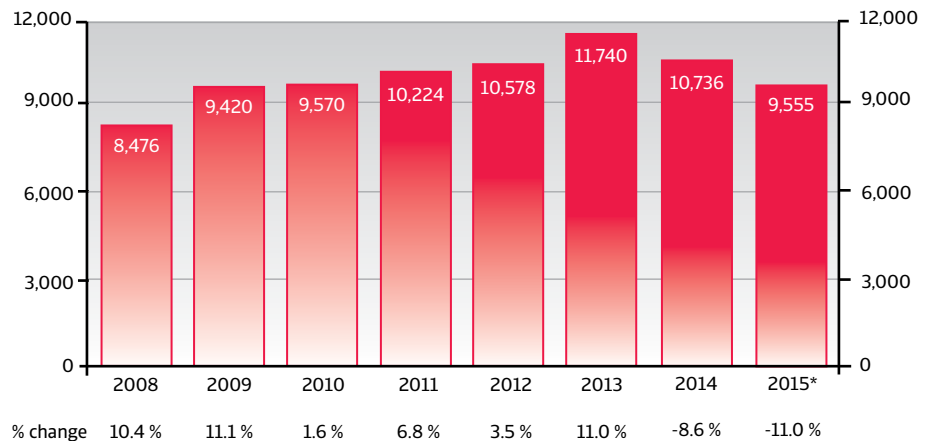
The insolvency environment

Corporate insolvencies finally decreased in 2014

As a consequence of the recession triggered by the global credit crisis, the number of Belgian corporate insolvencies rose by more than 10 % in 2008 and 2009, and continued to increase even during the economic rebound of 2010 and 2011. This was in stark contrast to its neighbours - France, Germany and the Netherlands - where business failures reduced during 2010 and 2011. With low GDP growth rates in 2012 and 2013 the worsening trend in Belgian insolvencies continued. However, in 2014 business failures finally decreased by 8.6 %, to 10,700 cases. That said, insolvencies remained high, especially in the construction, hotel/restaurant and transport sectors. In 2015 business insolvencies are expected to decrease further, by 11 % year-on-year.

Belgian business insolvencies

(year-on-year change)

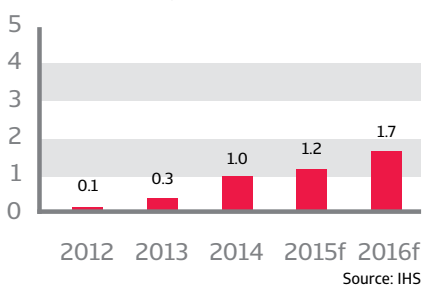


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

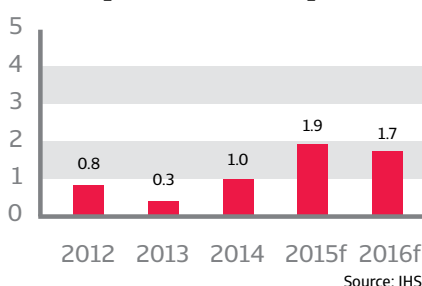
Real GDP growth (%)



The rebound is set to continue in 2015

Belgian economic growth accelerated to 1.0 % in 2014 after two years of weak performance. This improvement is expected to continue in 2015, with 1.2 % growth in GDP forecast. In 2014 net exports again contributed positively to Belgium's economic performance, while domestic demand rebounded, growing by 1.7 %. Real fixed investment increased after two years of contraction.

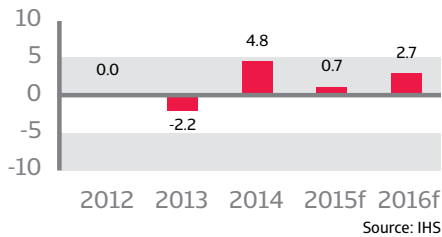
Real private consumption (%)



Consumer confidence is increasing

Private consumption growth remained subdued in 2013 and 2014. This is partially due to increased unemployment (8.5 % in 2014), which increased due to a number of closures – the main one being the shutdown of the Ford plant in Genk. 4,000 employees were directly affected, but the total impact is estimated to be 10,000 jobs. However, unemployment is expected to decrease slightly in 2015, and consumer confidence has steadily improved since the end of 2014. With private consumption expected to increase 1.9 % in 2015, this rise in consumer confidence could bring about an increase in spending to support the future rebound. This is also helped by very low consumer price inflation.

Real fixed investment (%)



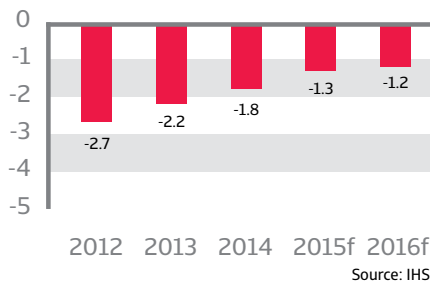
Investment growth set to continue

Business confidence remained volatile in recent months, but overall, it increased in 2014 compared to 2013. Real fixed investment grew 4.8 % after two years of decreases, with business investments increasing by more than 6 %. Real fixed investment growth is expected to continue in 2015, although at a lower rate.

Exports will increase further

As Belgium is an export-driven economy, its balance of trade should be structurally positive. Net exports increased from EUR 8.8 billion in 2013 to EUR 11.1 billion in 2014, helped by lower costs for energy imports such as petrol. Export growth is expected to increase 2.2 % in 2015.

Fiscal balance (% of GDP)



Government debt remains above 100% of GDP

The yearly fiscal deficit is expected to decrease further in 2015, helped by austerity measures passed in 2013. However, government debt will increase to above 100 % of GDP in 2015.

Denmark

Main import sources (2013, % of total)	
Germany:	22.1 %
Sweden:	12.7 %
The Netherlands:	7.6 %
Norway:	7.3 %
China:	6.8 %






Main export markets (2013, % of total)	
Germany:	17.0 %
Sweden:	12.3 %
United Kingdom:	8.8 %
Norway:	6.7 %
USA:	6.4 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	-0.6	-0.5	1.0	1.8	2.1
Consumer prices (y-on-y, % change)	2.4	0.8	0.6	0.1	1.3
Real private consumption (y-on-y, % change)	0.4	0.0	0.4	1.7	1.6
Retail sales (y-on-y, % change)	-2.2	-2.3	-0.3	1.2	0.3
Industrial production (y-on-y, % change)	0.1	0.4	0.8	1.8	1.6
Unemployment rate (%)	7.5	7.0	6.5	6.3	6.3
Real fixed investment (y-on-y, % change)	0.6	1.0	3.0	4.4	4.6
Exports of goods and non-factor services (y-on-y, % change)	0.1	0.8	3.0	3.0	4.7
Fiscal balance (% of GDP)	-4.1	-2.2	-1.2	-1.4	-1.2
Government debt (% of GDP)	45.4	44.5	47.2	47.9	47.5

* forecast Source: IHS

Danish industries performance forecast

May 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

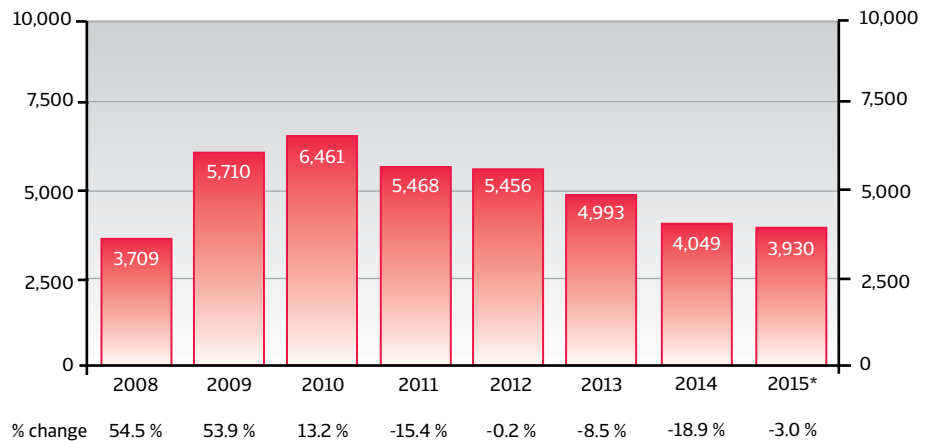
The insolvency environment

Corporate insolvencies expected to decrease further in 2015

Danish business insolvencies decreased four years in a row, and in 2015 another decrease is expected, as the economic rebound gains momentum.

Danish business insolvencies

(year-on-year change)

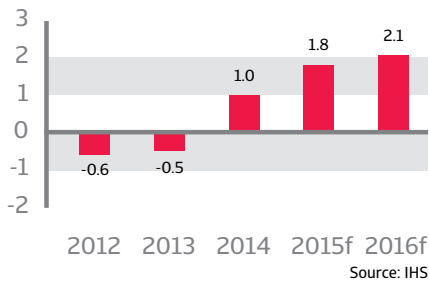


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

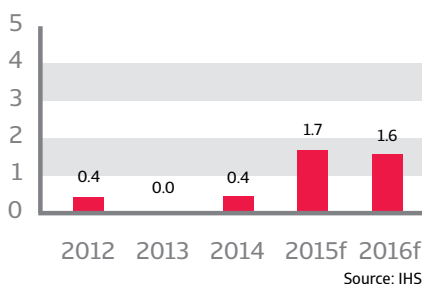
Real GDP growth (%)



Growth in 2014 after two years of contraction

Since the sharp recession in 2009, when GDP contracted by more than 5 %, the Danish economy has yet to find its way back to sustainable growth. The real estate market was hit so badly during the global credit crisis – with house prices dropping by 20 % – that only Spain and Ireland surpassed it in terms of lost value. This was followed by a crisis in Denmark's banking system and the loss of 170,000 jobs, mainly in the manufacturing sector. With private households having to tighten their purse strings, private consumption has remained subdued over the last couple of years. Meanwhile public spending has been tightened to control the government deficit and various support packages designed to stabilise the financial sector and to ensure that Danish businesses have access to financing were implemented. In 2014, GDP growth finally increased again, up 1.0 % after two years of contraction.

Real private consumption (%)



Private consumption and investment expected to pick up

The Danish economy is expected to rebound further, with a 1.8 % expansion forecast for 2015 as private consumption and investment growth accelerate and export growth continues. Externally, the Danish economy has regained some of its international competitiveness due to structural reforms that addressed the issue of high labour costs. In order to keep the Danish krone pegged to the (depreciating) euro, the Danish National Bank has repeatedly lowered the main interest rate to -0.75 % in February 2015. Avoiding appreciation of the krone against the euro helps Danish firms remain competitive in their eurozone export destinations. The additional stimulus of a devalued euro to eurozone consumers will also benefit Danish exporters through rising demand.

France

Main import sources (2013, % of total)	
Germany:	19.3 %
Belgium:	11.2 %
Italy:	7.5 %
The Netherlands:	7.4 %
Spain:	6.7 %

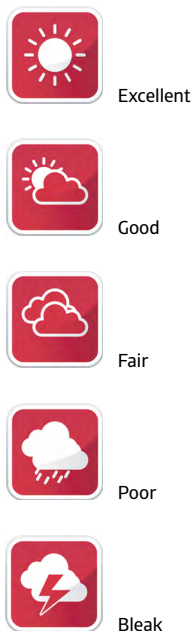
Main export markets (2013, % of total)	
Germany:	16.6 %
Belgium:	7.9 %
Italy:	7.2 %
United Kingdom:	7.1 %
Spain:	6.9 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.4	0.4	0.4	1.1	1.5
Consumer prices (y-on-y, % change)	2.0	0.9	0.5	0.0	1.4
Real private consumption (y-on-y, % change)	-0.4	0.3	0.6	1.4	1.6
Retail sales (y-on-y, % change)	-1.3	0.2	0.7	2.0	0.9
Industrial production (y-on-y, % change)	-2.6	-0.5	-1.0	1.5	1.6
Unemployment rate (%)	9.8	10.3	10.3	10.2	9.9
Real fixed investment (y-on-y, % change)	0.4	-0.8	-1.6	-0.3	1.9
Exports of goods and non-factor services (y-on-y, % change)	1.2	2.4	2.7	4.6	3.5
Fiscal balance (% of GDP)	-4.9	-4.2	-4.3	-4.2	-2.7
Government debt (% of GDP)	89.2	92.2	95.3	98.5	98.1

* forecast Source: IHS

French industries performance forecast

May 2015



Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

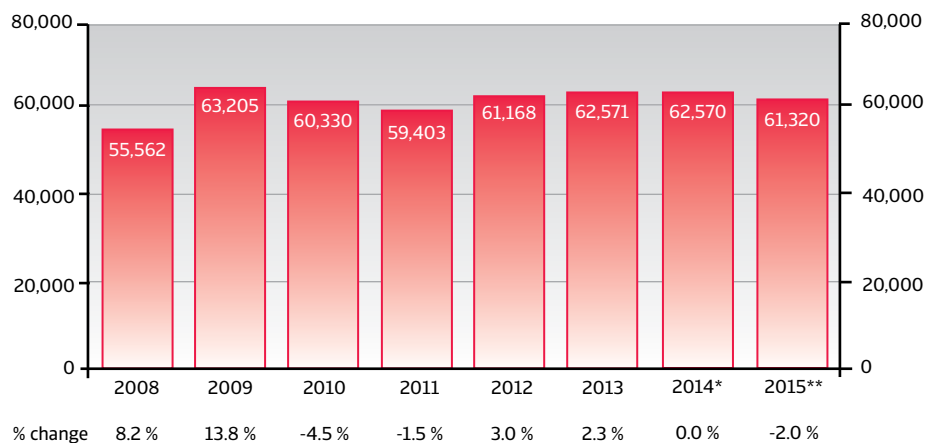
The insolvency environment

Only modest insolvency decrease expected in 2015

After year-on-year increases from 2007 to 2009, the number of corporate insolvencies fell in 2010 and 2011, by 4.5 % and 1.5 % respectively. However, with the French economy stagnating since 2012, the insolvency trend reversed again.

In light of the modest economic rebound forecast in 2015, a meagre improvement of the insolvency environment is also expected. However, with more than 62,000 expected, the number of business insolvencies would still be more than 20 % higher than in 2007.

French business insolvencies (year-on-year change)

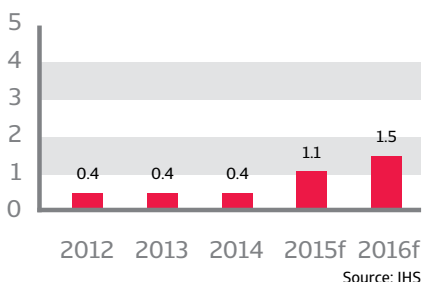


*estimate **forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

Real GDP growth (%)

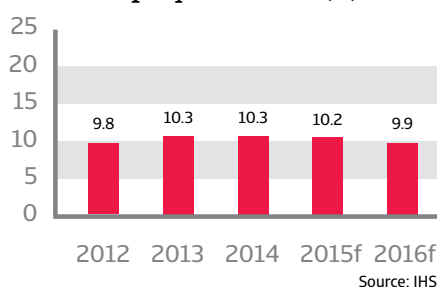


Growth expected to pick up, but remains below eurozone average

According to the French National Institute of Statistics and Economic Studies (INSEE), real GDP grew 0.4 % in 2014, making it the third straight year of subdued economic growth. Household consumption growth remained modest, while investments decreased and net foreign trade weighed down GDP growth by 0.4 %.

In 2015 the French economy is expected to grow 1.1 % as private consumption, manufacturing and exports improve. However, this projected growth rate remains below the forecast eurozone average of 1.4 %.

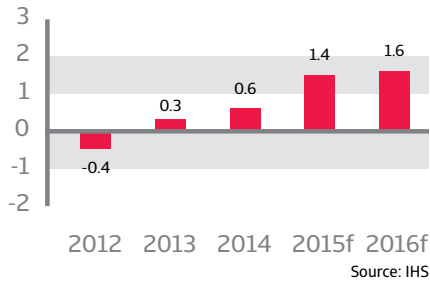
Unemployment rate (%)



Consumer sentiment improving, but concerns remain

Consumer confidence has picked up since mid-2014 amid expectations of an improvement in the economy. Nevertheless, concerns remain over the labour market situation. Unemployment increased again in Q4 of 2014, and was high at 10.3 % last year. In 2015 only a modest decrease is expected.

Real private consumption (%)

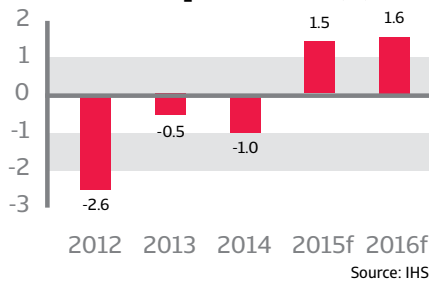


Private consumption, traditionally a major contributor to French economic growth, grew just 0.6 % in 2014. However, it is forecast to increase 1.4 % in 2015, boosted by decreasing consumer prices.

Industrial production expected to improve slightly

French industrial production decreased 1.0 % year-on-year in 2014, but has shown signs of a rebound in recent months, bolstering hopes that overall economic growth will see some support from manufacturing. Business confidence has picked up again since the second half of 2014, but still lies below its long-term average. In 2015 industrial production is expected to grow by 1.5 % and by 1.6 % in 2016. While this is a positive sign after three years of contraction in industrial production, the forecast rebound is still –not enough to offset the decreases from 2012 to 2014.

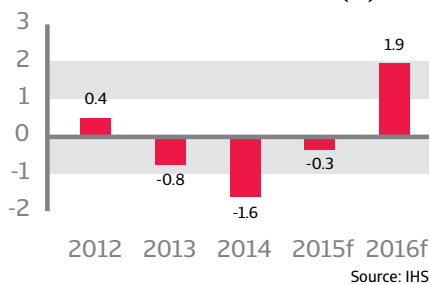
Industrial production (%)



Investments continue to decline

Investments decreased again in Q4 of 2014 after decreasing every quarter since early 2012. Economic uncertainty, particularly regarding the government’s economic policy on corporate tax burdens and social charges, together with low profit margins, has led many French businesses to put investment on hold. Real fixed investment is expected to decrease again in 2015, by 0.3 %.

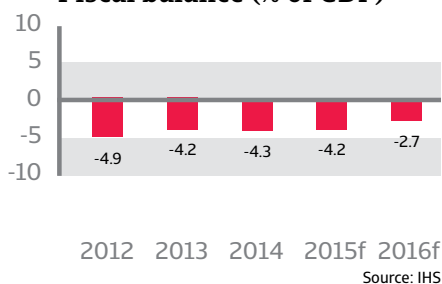
Real fixed investment (%)



Export growth to remain modest

Following last year’s 2.7 % rise, exports are expected to grow 4.6 % in 2014, helped by the lower euro exchange rate and increasing demand from France’s European peers. However, this export growth rate still remains below the forecast eurozone average. With its international competitiveness diminished, France’s share of global exports has decreased by a third since 2002.

Fiscal balance (% of GDP)



Will France miss the Maastricht deficit targets again?

The 2008 credit crisis, subsequent government stimulus measures, and France’s only modest recovery have led to a sharp increase in public debt in recent years, up to 95 % of GDP in 2014 from 66.7 % of GDP in 2008. The government’s fiscal deficit in 2014 was 4.3 % of GDP, and the French government has repeatedly missed meeting the Maastricht deficit threshold of 3 % of GDP. In 2015 it is expected that the fiscal deficit will again fail to meet the 3 % goal, exceeding 4 % of GDP, despite the fact that the French government originally aimed for a deficit of 3 % of GDP. Despite some austerity programs more measures to curb public spending are required, especially as, at 57 % of GDP, public spending in France is the highest in the eurozone.

In March 2015, the European Union finance ministers granted France an extra two years to bring its budget deficit within 3 % of GDP, as mandated by EU regulations. The decision was controversial given it was the third extension that France had been granted since 2009, sparking accusations that larger core EU member-states are treated more leniently than smaller peripheral ones.

Germany

Main import sources (2013, % of total)

The Netherlands:	12.9 %
France:	7.6 %
China:	6.3 %
Belgium:	6.2 %
Italy:	5.3 %

Main export markets (2013, % of total)

France:	9.2 %
USA:	7.9 %
United Kingdom:	6.5 %
The Netherlands:	6.3 %
China:	5.9 %

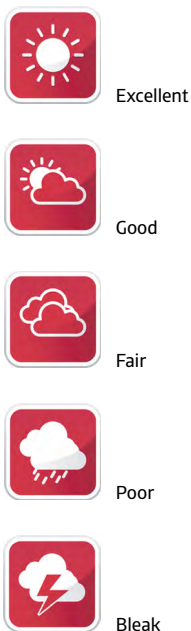
Key indicators
















	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.6	0.2	1.6	2.1	2.2
Consumer prices (y-on-y, % change)	2.0	1.5	0.9	0.6	1.9
Real private consumption (y-on-y, % change)	0.6	1.0	1.2	3.0	2.1
Retail sales (y-on-y, % change)	-0.2	0.1	1.2	2.8	0.1
Industrial production (y-on-y, % change)	-0.4	0.1	1.4	3.1	2.3
Unemployment rate (%)	6.8	6.9	6.7	6.3	6.1
Real fixed investment (y-on-y, % change)	0.0	-0.4	3.4	4.8	5.8
Exports of goods and non-factor services (y-on-y, % change)	3.5	1.8	3.8	6.5	5.3
Fiscal balance (% of GDP)	0.1	0.1	0.6	0.3	0.4
Government debt (% of GDP)	79.0	76.9	74.1	71.9	69.1

* forecast Source: IHS

German industries performance forecast

May 2015



Agriculture	Automotive/Transport	Chemicals/Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/Engineering
				
Metals	Paper	Services	Steel	Textiles
				

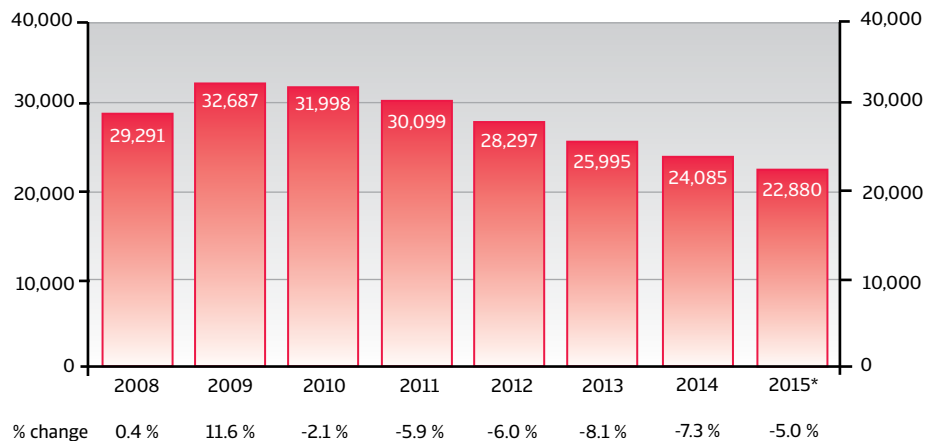
The insolvency environment

Corporate insolvencies expected to decrease further in 2015

Germany's robust economic performance since 2010 has since led to an annual drop in the number of business failures. In 2014 business failures decreased by 7.3 %, to 24,085 cases. Given the positive economic outlook it is expected that the default environment remains stable in 2015.

German business insolvencies

(year-on-year change)

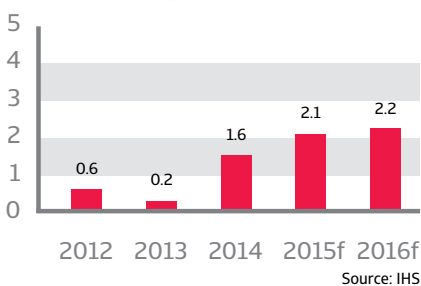


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

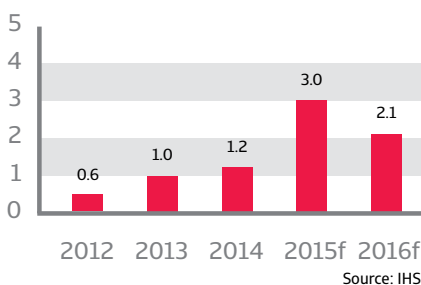
Real GDP growth (%)



Economic growth accelerates in 2015

After modest 0.2 % GDP growth in 2013, the German economy recorded a solid growth rate of 1.6 % in 2014. This trend is expected to accelerate in 2015 with a 2.1 % expansion driven by export growth and increases in private consumption, industrial production and investment.

Real private consumption (%)



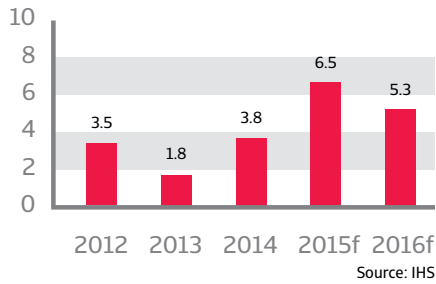
Private consumption to become main driver of growth in 2015

In contrast to previous years when exports provided the main contribution to German economic growth, household consumption is expected to become the key driver in 2015. Private consumption is expected to increase 3.0 % in 2015 after a 1.2 % increase in 2014. This surge is attributable to lower oil prices, rising wages and a further decrease in unemployment. Consumer confidence has steadily increased since Q3 of 2014, and unemployment is expected to decrease further in 2015, to 6.3 % from 6.7 % in 2014.

Industrial production expected to grow further in 2015

Industrial production growth accelerated 1.4 % in 2014 and is expected to increase further, by 3.1 % in 2015. The same trend is expected for investments; estimated to grow 4.8 % in 2015 after 3.4 % growth in 2014.

Exports of goods and non-factor services (%)

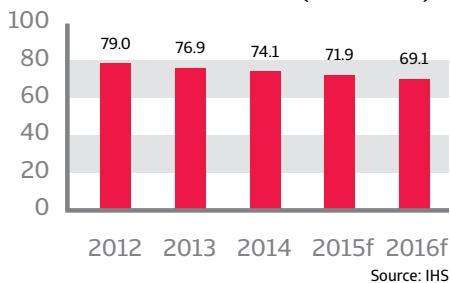


Strong export performance should continue

According to the German Statistics Office, price-adjusted exports and imports increased by 3.7 % and 2.0 % respectively in 2013, and the trade balance surplus decreased to EUR 217 billion. Exports to EU-countries increased 5.4 % last year, while exports to non-EU countries rose 1.5 %.

Exports are expected to increase by more than 5 % year-on-year in 2015, driven by the rebound in the eurozone, while the lower euro exchange rate helps to boost German exports to non-EU countries. Overall, German exports to non-EU countries have outpaced export growth to its EU peers in the last couple of years. While in 2000 exports to EU members still accounted for 65 % of German exports, this share dropped to 58.0 % in 2014, while the share of shipments to non-EU countries increased from 35% in 2000 to 42 % last year.

Government debt (% of GDP)



Another budget surplus in 2015?

Germany passed a debt brake law in 2009, forcing the government to cut its spending. After a transitional period, the law sets an upper limit for new structural debt of 0.35 % of GDP to be reached by 2016 and then to remain at that level, with additional borrowing possible only if the economy is weak.

The federal government reduced the deficit to 0.9 % of GDP in 2011 and has achieved slight budget surpluses since then, due largely to higher tax revenues and lower government transfer payments for unemployment. In 2015, the budget is expected to record a surplus of 0.3 % of GDP, while public debt is expected to decrease to 71.9 % of GDP.

Ireland

Main import sources (2013, % of total)	
United Kingdom:	40.3 %
USA:	10.2 %
Germany:	8.8 %
The Netherlands:	6.7 %
China:	4.2 %






Main export markets (2013, % of total)	
USA:	21.4 %
United Kingdom:	16.3 %
Belgium:	13.2 %
Germany:	7.4 %
Switzerland:	6.0 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	-0.3	0.2	4.9	3.6	3.7
Consumer prices (y-on-y, % change)	1.7	0.5	0.2	0.0	1.5
Real private consumption (y-on-y, % change)	-1.2	-0.8	0.6	1.7	2.7
Retail sales (y-on-y, % change)	-2.6	0.2	6.2	6.5	3.4
Industrial production (y-on-y, % change)	-1.4	-2.5	19.9	2.9	1.7
Unemployment rate (%)	14.6	13.1	11.3	9.7	8.4
Real fixed investment (y-on-y, % change)	4.3	-1.9	8.9	4.7	3.7
Exports of goods and non-factor services (y-on-y, % change)	4.7	1.1	12.2	6.5	3.9
Fiscal balance (% of GDP)	-8.1	-7.0	-3.7	-2.8	-1.9
Government debt (% of GDP)	121.7	123.3	110.8	109.8	105.3

* forecast Source: IHS

Irish industries performance forecast

May 2015

 Excellent
 Good
 Fair
 Poor
 Bleak

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

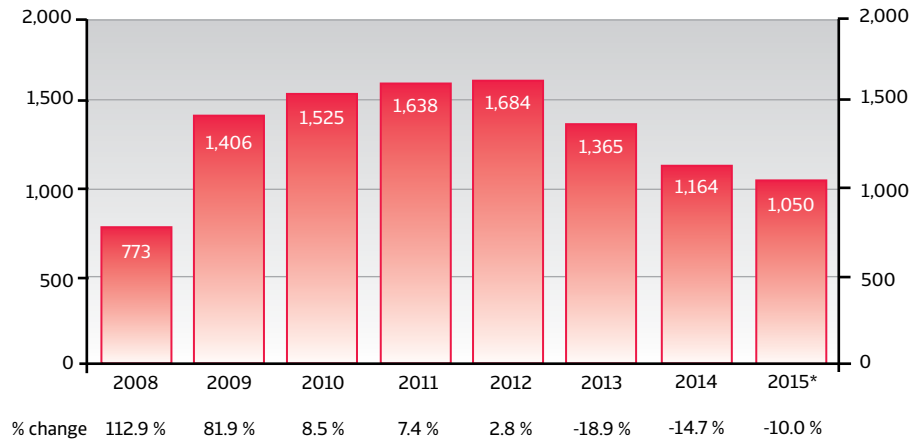
The insolvency environment

Corporate insolvency decrease slows down

After six years of subsequent increases, Irish business insolvencies finally started to decline in 2013. This trend is expected to continue in 2015.

Irish business insolvencies

(year-on-year change)

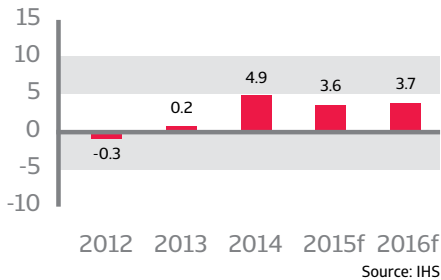


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

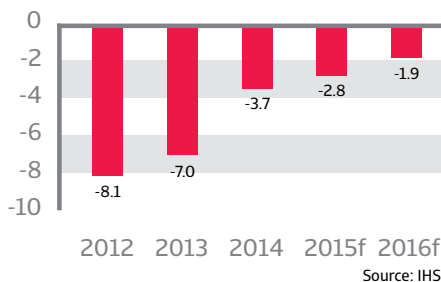
Real GDP growth (%)



Positive signs, but significant challenges remain

The Irish economy grew by 4.9 % in 2014 – a particularly strong performance compared to the rest of the eurozone. The rebound is mainly due to a 12.2 % increase in net export growth of goods and services, triggered by a reduction in wages, but also to a drop in domestic demand for imports. Government spending and private consumption growth also contributed positively – although to a lesser extent. In 2015 a GDP growth rate of 3.6 % is expected, backed by exports to the US and UK where demand is picking up. Private consumption is expected to increase further, but remains hampered by high unemployment and limited wage growth. Unemployment continues to decrease, however, to an expected rate of 9.7 % in 2015 after being higher than 14 % in 2011 and 2012.

Fiscal balance (% of GDP)



Notwithstanding the recovery, Ireland continues to face significant challenges. Despite yearly decreases since 2012 government debt remains high, at 110 % of GDP in 2014. International investors seem to appreciate the efforts of the government to reduce the public deficit and have regained new trust in the (long-term) sustainability of public finances.

Private debt levels also remain high, putting constraints on consumption growth. And while the banking sector is recovering from the near-collapse in 2010, it still faces large residential-mortgage arrears and impaired loans to smaller businesses. That said, house prices stabilised in 2013 and recorded a marked rebound in 2014, helping to improve the balance sheets of financial institutions and households. A continuation of the real estate market recovery is an important prerequisite for the sustainability of Ireland's economic recovery in the future.

Italy

Main import sources (2013, % of total)	
Germany:	15.0 %
France:	8.6 %
China:	6.6 %
The Netherlands:	5.9 %
Russia:	5.7 %




































Main export markets (2013, % of total)	
Germany:	12.8 %
France:	11.1 %
USA:	7.1 %
Switzerland:	5.4 %
United Kingdom:	5.2 %

Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	-2.8	-1.7	-0.4	0.6	0.9
Consumer prices (y-on-y, % change)	3.0	1.2	0.2	-0.3	0.6
Real private consumption (y-on-y, % change)	-4.1	-2.7	0.3	0.9	1.0
Retail sales (y-on-y, % change)	-4.7	-3.2	-1.4	0.3	1.2
Industrial production (y-on-y, % change)	-6.3	-3.1	-0.7	0.5	1.5
Unemployment rate (%)	10.7	12.2	12.7	12.7	12.5
Real fixed investment (y-on-y, % change)	-9.4	-5.8	-3.2	0.0	1.1
Exports of goods and non-factor services (y-on-y, % change)	2.0	0.7	2.4	3.3	2.3
Fiscal balance (% of GDP)	-3.0	-2.9	-3.0	-2.0	-1.6
Government debt (% of GDP)	121.7	127.5	132.5	133.0	132.5

* forecast Source: IHS

Italy industries performance forecast

May 2015

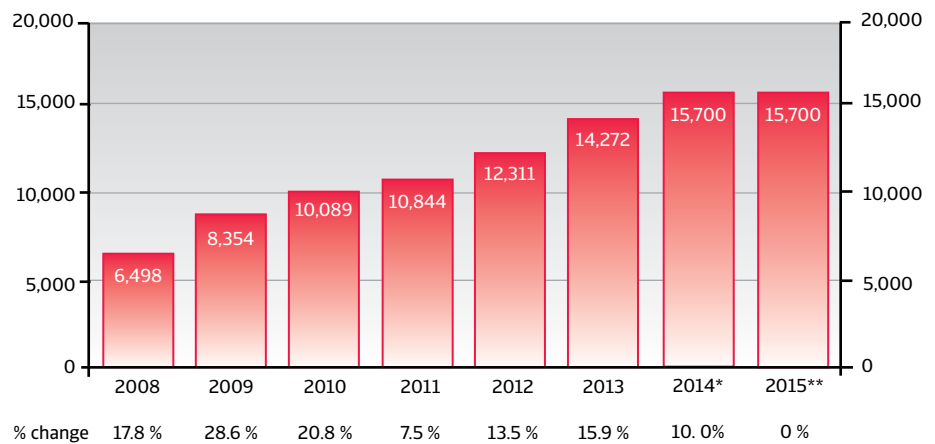
	Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
Excellent					
Good					
Fair					
Poor					
Bleak					
	Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
					
	Metals	Paper	Services	Steel	Textiles
					

The insolvency environment

No insolvency decrease expected in 2015

Corporate insolvencies have increased sharply since 2008, up 10 % year-on-year in 2014. In 2015 we expect Italian business insolvencies only to level off. Liquidity problems of Italian businesses are exacerbated by continuing poor payment behaviour, especially by the public sector. Moreover Italian companies, compared to their Western European counterparts, show a higher average gearing – especially short-term gearing. Many businesses suffer from the currently restrictive loan policies of many banks, and this is expected to continue into 2015. The high dependence of Italian businesses on bank financing is proving to be a major structural weakness.

Italian business insolvencies (year-on-year change)

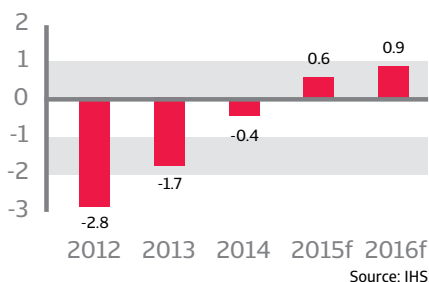


*estimate **forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

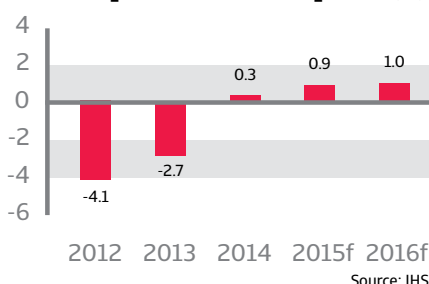
Real GDP growth (%)



A rebound on the horizon?

After a 1.7 % contraction in 2013 the Italian economy shrank again in 2014, by 0.4 %. However, private consumption rose 0.3 % after sharp declines of more than 4 % in 2012 and 2.7 % in 2013, when disposable income shrank and consumer confidence reached its low point. Investments continued to decrease, down 3.2 % in 2014, in an atmosphere of difficult financing conditions and poor business confidence. Foreign demand provided only limited support to growth, however, with lower imports, net exports were a positive contributor to GDP growth in 2013 and 2014. After three years of contraction, Italy's economy is expected to grow by 0.6 % in 2015.

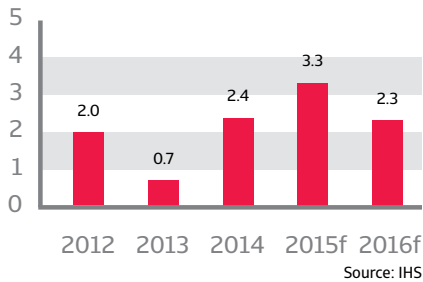
Real private consumption (%)



Domestic demand expected to stabilise

Domestic demand is expected to stabilise in 2015 as investments level off and growth in household consumption accelerates to a forecast 0.9 %. Households' available income began to increase again at the end of 2014. This is partially due to a EUR 80 monthly tax break for low-paid employees introduced by the government in May 2014. However, unemployment is forecast to remain stubbornly high, at 12.7 % in 2015. Consumer prices are expected to decrease slightly, by 0.3 %, in line with overall low inflation in the eurozone.

Exports of goods and non-factor services (%)



Less pressure on international competitiveness?

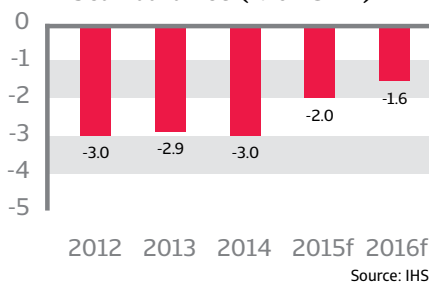
Exports are expected to increase 3.3 % in 2015. That said, Italy has lost nearly 20 % of its share in its export markets – particularly European markets – over the last couple of years. It has managed to retain its leading position in clothing and textiles though. That said, Italy's productivity is set to recover somewhat. Given the continued high level of unemployment, wage rate growth should be limited. As a result, unit labour cost is expected to improve in 2015.

Mainly as a result of a significant decrease in imports, Italy's current account deficit became a current account surplus in 2013. In 2015 the surplus is expected to grow to 1.7 % of GDP following the 1.6 % surplus in 2014. An increase in exports is supporting this improvement, but it is mainly the result of subdued demand for imports.

The banking sector remains vulnerable

Since 2009, non-performing loans as a percentage of regulatory capital have increased sharply, indicating stress in the banking sector. There is a glimmer of light at the end of the tunnel as the ratio of new bad loans is now lower than in the past. However, the volume of loans to the private sector continues to contract, due to tight credit standards and high borrowing costs. In particular, loan provisions to smaller businesses remain constrained.

Fiscal balance (% of GDP)

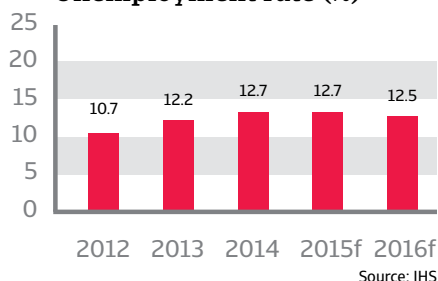


Government debt remains very high

Down to 3 % of GDP or even below since 2012, the yearly Italian budget deficit has reached healthier territory. In 2015, the deficit is expected to remain just within the 3 % margin. However, the subdued economic performance is expected to result in a sustainable increase in the already high government debt-to-GDP ratio. Despite successful fiscal consolidation, this ratio increased from 121.7 % in 2012 to 132.5 % in 2014. This was due mainly to the economic contraction, and is therefore expected to rise again to 133 % of GDP in 2015.

In order to decrease the debt ratio substantially a nominal annual growth rate of 3 % would be required. The challenge is achieving the required high level of real growth, while also pursuing fiscal consolidation in a low inflation environment.

Unemployment rate (%)



More reforms needed

The Renzi administration successfully passed a bill that gives the government a mandate to push ahead with labour market changes. The current labour market regulations still provide solid protection for those workers on permanent contracts. Because newly hired staff on a permanent contract have the same protection as those who have worked for a company for 30 years, firms are still shying away from such contracts. However legal initiatives to improve judicial efficiency, expand deregulation and contain red tape have been limited so far.

The Netherlands

Main import sources (2013, % of total)	
Germany:	16.6 %
Belgium:	9.8 %
China:	8.3 %
United Kingdom:	7.2 %
USA:	6.8 %






Main export markets (2013, % of total)	
Germany:	24.7 %
Belgium:	11.1 %
United Kingdom:	8.5 %
France:	8.3 %
Italy:	4.6 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	-1.6	-0.7	0.8	1.7	2.2
Consumer prices (y-on-y, % change)	2.4	2.5	1.0	0.3	1.3
Real private consumption (y-on-y, % change)	-1.5	-1.6	0.1	1.1	1.3
Retail sales (y-on-y, % change)	-3.6	-4.5	-0.5	1.8	0.7
Industrial production (y-on-y, % change)	-0.4	0.5	-2.8	1.8	2.0
Unemployment rate (%)	6.4	8.3	8.3	8.0	7.5
Real fixed investment (y-on-y, % change)	-6.0	-3.9	2.4	3.8	2.5
Exports of goods and non-factor services (y-on-y, % change)	3.2	2.2	4.0	4.3	5.0
Fiscal balance (% of GDP)	-4.0	-2.4	-2.5	-2.2	-1.7
Government debt (% of GDP)	66.5	68.6	69.3	70.8	70.7

* forecast Source: IHS

Dutch industries performance forecast

May 2015

 Excellent
 Good
 Fair
 Poor
 Bleak

Agriculture	Automotive/Transport	Chemicals/Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/Engineering
				
Metals	Paper	Services	Steel	Textiles
				

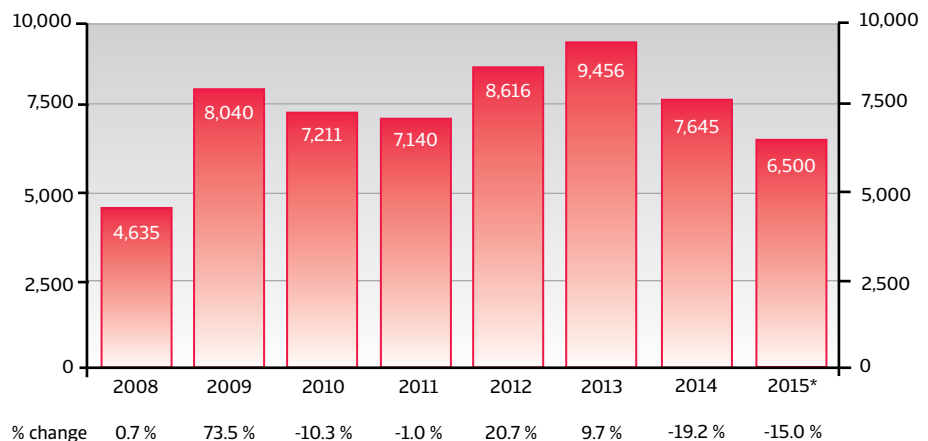
The insolvency environment

Corporate insolvencies expected to decrease further in 2015

The economic slowdown in 2012 and 2013 triggered increases in business insolvencies of 20.7 % and 9.7 %, respectively, to around 9,500 cases in 2013. Due to the economic rebound, business failures decreased by 19.2 % in 2014, and are expected to decline further in 2015, to about 6,500 cases. However, this figure is still very high when compared to 2008 (4,600 cases), the year the global credit crisis started.

Dutch business insolvencies

(year-on-year change)

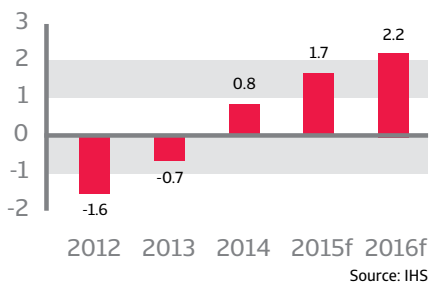


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

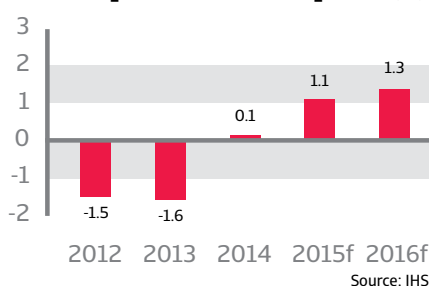
Real GDP growth (%)



Rebound expected in 2015, although uncertainties remain

Following a 0.7 % contraction in 2013, the Dutch economy recorded modest growth of 0.8 % in 2014. The rebound is expected to accelerate in 2015, by 1.7 %, with export growth accompanied by a recovery in private consumption, industrial production and investment. The Dutch economy strongly benefits from lower oil prices, which offers relief to both consumers and businesses. At the same time the lower euro exchange rate should help to spur exports. Given that the economic rebound is still highly dependent on exports, the outlook for the Netherlands remains susceptible to repercussions from on-going geopolitical tensions and the fragile eurozone recovery.

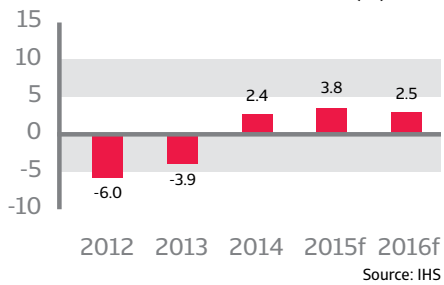
Real private consumption (%)



Small rise in private consumption expected in 2015

Subdued consumer spending was one of the main reasons for poor economic performance in the last couple of years. Private consumption is expected to grow 1.1 % in 2015 after three years of contraction/subdued growth, as households' purchasing power increases, inflation remains low and unemployment slightly decreases. Dutch households will remain cautious with their expenses though for the time being, given the slow recovery of the property market, the still high average debt ratio of households and the fact that unemployment, forecast at 8.0 % in 2015, remains high by Dutch standards.

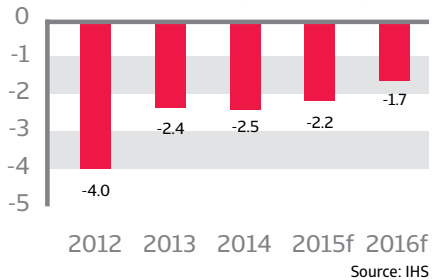
Real fixed investment (%)



Investment growth set to accelerate

Business confidence is slowly improving and industrial production is expected to grow 1.8 % in 2015 after a 2.8 % contraction in 2014. Real fixed investment growth is also expected to accelerate to 3.8 % after rising 2.4 % in 2014. Business investment should increase on expectations of an improvement in both the domestic and international economy. Export growth is expected to accelerate to about 4.3 % in 2015.

Fiscal balance (% of GDP)



Austerity measures trim the budget deficit to below 3 % of GDP

The Dutch government has passed a number of austerity measures to trim the budget deficit. These aim to cut expenses by reducing spending on healthcare and social security benefits as well as to increase government earnings. It is expected that the budget deficit will remain below the 3 % Maastricht threshold in 2015 and 2016. Government debt is expected to increase slightly to 71 % of GDP.

Spain

Main import sources (2013, % of total)	
Germany:	12.3 %
France:	11.8 %
Italy:	6.1 %
China:	5.7 %
The Netherlands:	4.9 %

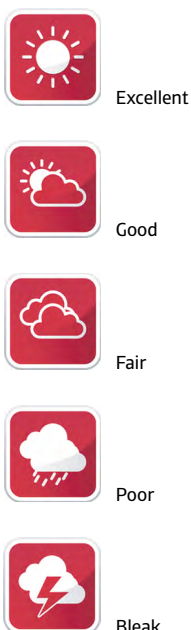
Main export markets (2013, % of total)	
France:	17.0 %
Germany:	10.7 %
Portugal:	7.6 %
Italy:	7.2 %
United Kingdom:	7.2 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	-2.1	-1.2	1.4	2.6	2.4
Consumer prices (y-on-y, % change)	2.5	1.4	-0.2	-1.4	0.6
Real private consumption (y-on-y, % change)	-2.9	-2.3	2.4	3.0	2.2
Retail sales (y-on-y, % change)	-6.4	-3.7	0.6	4.6	2.4
Industrial production (y-on-y, % change)	-6.6	-1.6	1.1	1.5	1.3
Unemployment rate (%)	24.8	26.1	24.5	22.6	20.6
Real fixed investment (y-on-y, % change)	-8.1	-3.8	3.4	4.3	3.0
Exports of goods and non-factor services (y-on-y, % change)	1.2	4.3	4.2	5.4	5.2
Fiscal balance (% of GDP)	-10.6**	-6.9	-5.1	-4.2	-3.5
Government debt (% of GDP)	84.4	92.1	97.0	99.8	98.5

* forecast **including aid to financial institutions Source: IHS

Spanish industries performance forecast

May 2015



Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
				
Metals	Paper	Services	Steel	Textiles
				

The insolvency environment

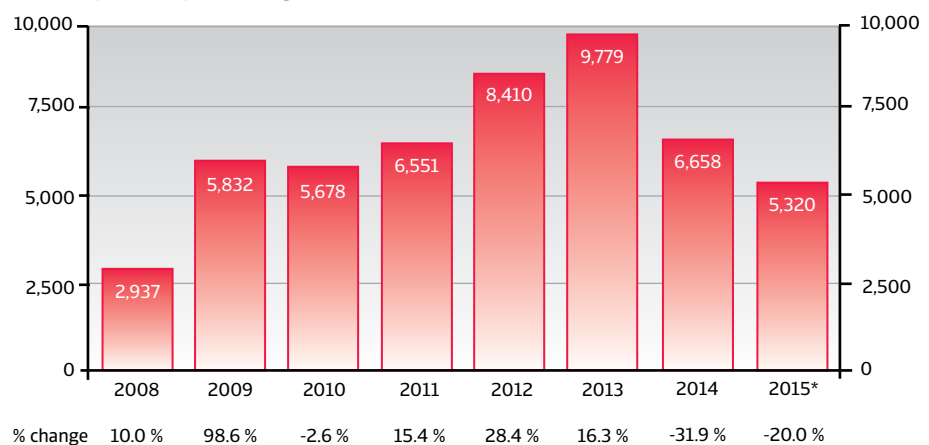
Another insolvency improvement expected in 2015, but figures remain high

Since 2008, corporate defaults have closely reflected economic conditions, with high year-on-year increases in 2008 and 2009. After an annual decrease in 2010 insolvencies increased again in 2011 (15.4 %), 2012 (28.4 %) and 2013 (16.3 %), due mainly to the drop in internal demand and generally high pressure on businesses' liquidity because of their limited options for external financing.

However, with the economic rebound in 2014 insolvencies started to fall again, by 31.9 %. Major decreases were experienced in construction (down 44 %), wood/furniture (down 52 %) and electronic household appliances (down 46 %) recording major decreases. However, business failures in the services sector decreased just 20%, and still accounted for nearly 25 % of all business insolvencies.

While another high year-on-year decrease is expected in 2015, this would still leave business insolvencies at a high level of more than 5,000 cases, not yet fully recovered from the increases since 2008, when about 3,000 cases were recorded.

Spanish business insolvencies (year-on-year change)

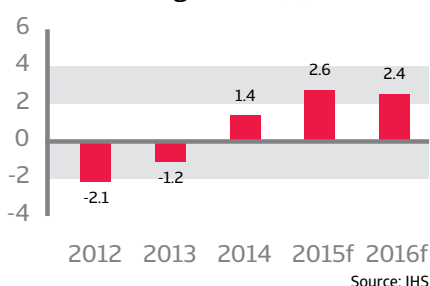


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

Real GDP growth (%)

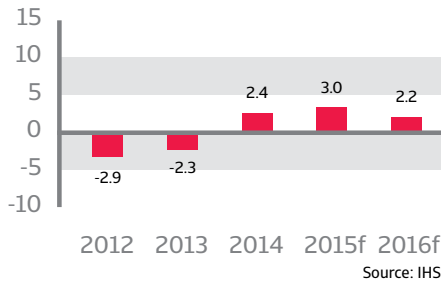


The economic recovery gains momentum

After three years of contraction, Spain's economic rebound gained momentum in the course of 2014. The rebound was initially due to high net exports, but domestic demand has also recovered somewhat from the severe impact of the rebalancing efforts in response to the construction bubble. Increasing foreign demand and higher business confidence have boosted business investment while a recovering labour market, rising confidence, and pent-up demand for consumer durables have boosted private consumption. Both real fixed investment and industrial production are expected to continue to grow and export growth to accelerate in 2015. Spain's international competitiveness is improving and its export sector is relatively healthy and competitive.

With the rebound in domestic demand, Spain's economic performance is now more resilient and sustainable. The economic recovery is expected to accelerate in 2015, with a growth rate of 2.6 %.

Real private consumption (%)



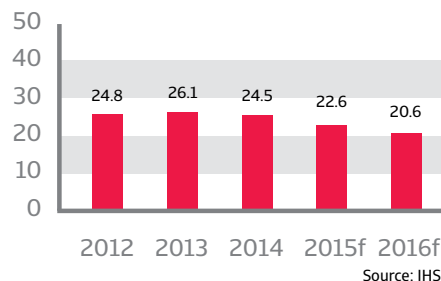
Private consumption remains the backbone of the recovery

Private consumption increased 2.4 % in 2014. Private components of domestic demand, essentially consumption and investments, have been the mainstay of GDP growth in 2014 and are expected to remain robust in 2015, with private consumption expected to grow 3.0 %. Households' expectations of their own financial situation benefit from less economic uncertainty and are supported by increased bank lending to consumers, which increased 11.9 % year-on-year in 2014.

Deflation woes?

Spanish consumer prices decreased 0.2 % in 2014, and are expected to decline further in 2015. This is worrying because, as prices fall, it becomes harder for Spanish debtors to service their debts fixed in nominal terms. Another issue is that deflation tends to suppress demand, as consumers have an incentive to delay purchases and consumption until prices fall further, which in turn could adversely affect economic activity. However, the European Central Bank (ECB) has already taken robust measures to avoid a vicious circle of deflation in the eurozone. Consumer prices are expected to increase again in 2016.

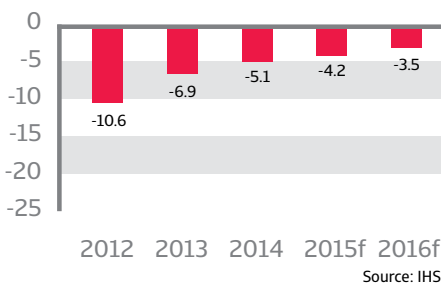
Unemployment rate (%)



Unemployment decreases, but remains high

Labour market conditions have improved, with unemployment falling from 26.1 % in 2013 to 24.4 % in 2014. At the same time the decrease in the labour force has also subsided, indicating a further improvement in the labour market. These developments are also a result of labour reforms in 2012 which gave companies more flexibility to set their own wages and working conditions. Unemployment is forecast to fall further in 2015, to below 23 %. However, some serious problems remain. 15 % of the labour force has been unemployed for more than a year and youth unemployment remains high, at more than 50 %.

Fiscal balance (% of GDP)



Decreasing budget deficits in the coming years

In 2013 Spain's fiscal deficit amounted to 6.9 % of GDP, while public debt increased to 92 % of GDP. Fiscal consolidation to get public spending under control has continued in 2014. Fiscal reforms have been employed to enhance the sustainability of the pension system and to establish a fiscal council. Public debt is expected to peak at 100 % of GDP in 2015 while the fiscal deficit is forecast to continue to decrease in the coming years. In 2015 a fiscal deficit of 4.2 % is predicted, followed by a reduction to 3.5 % of GDP in 2016.

Sweden

Main import sources (2013, % of total)	
Germany:	17.5 %
Norway:	8.5 %
Denmark:	8.1 %
The Netherlands:	7.6 %
United Kingdom:	6.0 %

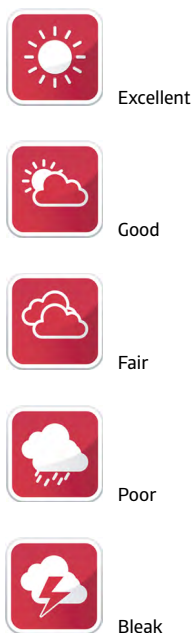
Main export markets (2013, % of total)	
Norway:	10.9 %
Germany:	10.2 %
Finland:	7.2 %
Denmark:	6.9 %
United Kingdom:	6.7 %

Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.0	1.3	2.3	2.4	1.9
Consumer prices (y-on-y, % change)	0.9	0.0	-0.2	0.0	0.9
Real private consumption (y-on-y, % change)	1.0	2.1	2.5	2.2	1.8
Retail sales (y-on-y, % change)	1.0	2.2	3.5	3.9	2.7
Industrial production (y-on-y, % change)	-1.1	-4.7	-1.7	1.7	2.1
Unemployment rate (%)	8.0	8.0	7.9	7.7	7.4
Real fixed investment (y-on-y, % change)	0.3	-0.3	6.6	5.7	3.9
Exports of goods and non-factor services (y-on-y, % change)	1.5	-0.1	3.5	2.6	3.0
Fiscal balance (% of GDP)	-0.7	-1.2	-2.0	-1.6	-0.6
Government debt (% of GDP)	36.4	38.6	37.3	37.2	36.8

* forecast Source: IHS

Swedish industries performance forecast

May 2015

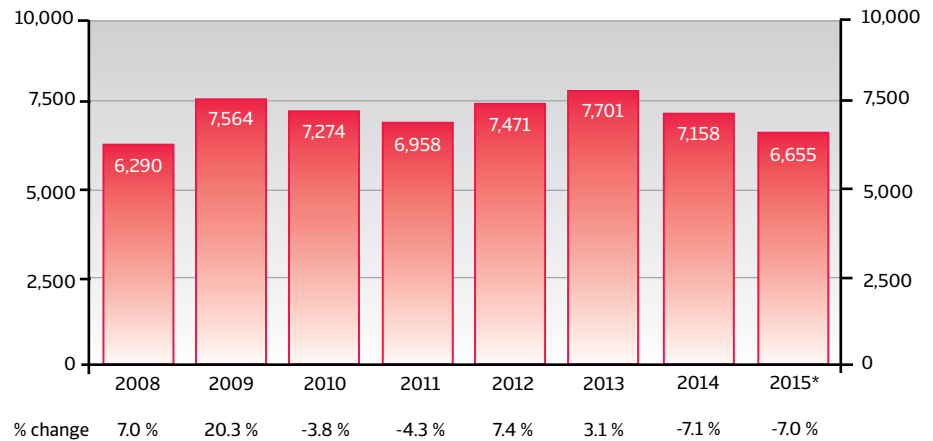


Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction	Construction Materials
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/ Engineering
Metals	Paper	Services	Steel	Textiles

The insolvency environment

After two years of increases, Swedish business insolvencies decreased 7 % in 2014. It is expected that this improvement will continue in 2015.

Swedish business insolvencies (year-on-year change)

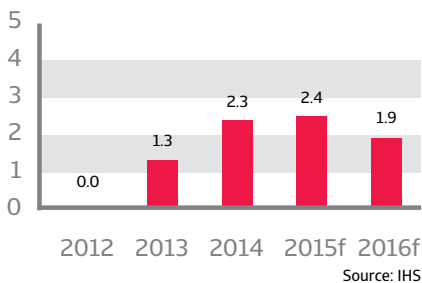


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

Real GDP growth (%)

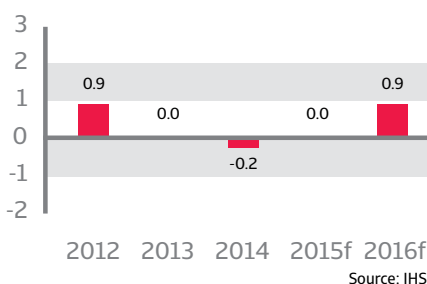


Negative interest rates to combat deflation

The Swedish economy is set to grow by 2.4 % in 2015, with industrial production rebounding after three years of decline. Both household consumption and investment growth are expected to continue, although at a lower rate than in 2014.

The main problem currently facing Sweden is deflation as the country is set to experience its third consecutive year of falling consumer prices. This is intensified by the appreciation of the kronor relative to the euro which accelerates deflation and makes exports more expensive and thus less competitive. Swedish authorities have voiced concerns that ongoing deflation could adversely affect the economic performance, as consumers have an incentive to delay purchases and consumption until prices fall further.

Consumer prices (%)



In order to combat deflation and to weaken the currency the Swedish central bank has repeatedly lowered the repo rate since July 2014. In March 2015 the central bank extended its expansionary monetary policy by lowering the repo rate into negative territory (-0.25 %). Additionally it announced a quantitative easing program of buying 30 billion kronor worth of government bonds, which is intended to lower bond yields and to trigger more lending.

Switzerland

Main import sources (2013, % of total)

Germany:	28.1 %
Italy:	10.1 %
France:	8.3 %
China:	6.1 %
USA:	6.1 %

Main export markets (2013, % of total)

Germany:	18.5 %
USA:	11.7 %
Italy:	7.1 %
France:	7.1 %
United Kingdom:	5.2 %

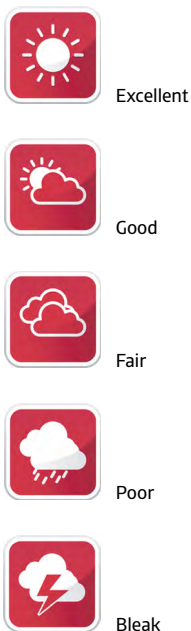
Key indicators
















	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	1.1	1.9	2.0	0.0	0.2
Consumer prices (y-on-y, % change)	-0.7	-0.2	0.0	-1.5	-0.5
Real private consumption (y-on-y, % change)	2.8	2.2	1.0	1.1	0.6
Retail sales (y-on-y, % change)	1.9	0.9	0.1	0.8	0.8
Industrial production (y-on-y, % change)	2.3	0.8	1.5	-0.8	-0.9
Unemployment rate (%)	2.9	3.2	3.2	3.4	3.9
Real fixed investment (y-on-y, % change)	2.5	1.8	1.7	-2.3	-0.9
Exports of goods and non-factor services (y-on-y, % change)	3.4	1.1	3.5	-2.0	1.0
Fiscal balance (% of GDP)	0.2	0.1	0.1	-0.5	-0.7
Government debt (% of GDP)	34.7	35.2	36.0	33.7	34.0

* forecast Source: IHS

Swiss industries performance forecast

May 2015



Agriculture	Automotive/Transport	Chemicals/Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/Engineering
				
Metals	Paper	Services	Steel	Textiles
				

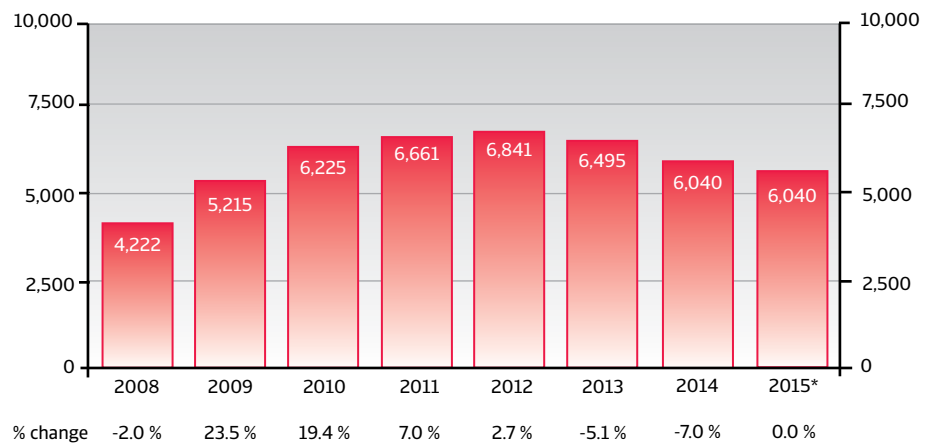
The insolvency environment

The number of corporate insolvencies remains high in 2015

Swiss business insolvencies decreased 7 % in 2014. However, due to the more difficult economic environment it is expected that this improvement will not continue in 2015. With 6,040 cases in 2014 the number of business failures was still about 1,800 cases higher than in 2008.

Swiss business insolvencies

(year-on-year change)

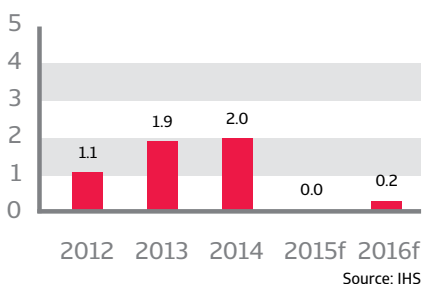


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

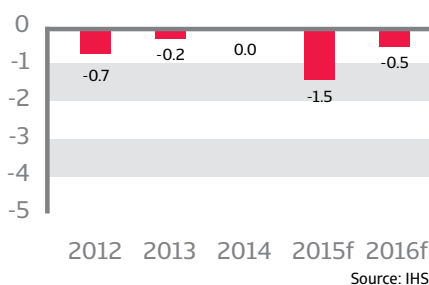
Real GDP growth (%)



Slowdown of growth

Swiss economic growth is expected to stagnate in 2015 mainly due to the decision of the Swiss National Bank to abandon the ceiling of the franc against the euro on January 15, 2015. Since then, export-oriented Swiss businesses have been negatively affected by the sharp appreciation of the franc against the euro, as their domestic production costs have risen relative to their export prices, squeezing profit levels. Switzerland relies heavily on exports, which account for 70 % of GDP. Tourism is also negatively affected.

Consumer prices (%)



While exports, industrial production and investments are expected to decrease year-on-year in 2015, private consumption is expected to rise 1.1 % in 2015. Household consumption is helped by decreasing consumer prices and cheaper imports. However, a persistently strong franc raises the chance of prolonged deflation, and consumer prices are expected to decrease in 2015 and 2016. Entrenched deflation poses the risk that households postpone consumption and businesses delay investments, expecting prices to decrease further. This would undermine overall economic growth.

United Kingdom

Main import sources (2013, % of total)	
Germany:	13.9 %
China:	8.8 %
The Netherlands:	8.6 %
USA:	7.4 %
France:	6.0 %






Main export markets (2013, % of total)	
Germany:	13.7 %
USA:	11.4 %
The Netherlands:	8.8 %
France:	7.4 %
Ireland:	6.2 %
















Key indicators	2012	2013	2014	2015*	2016*
Real GDP (y-on-y, % change)	0.7	1.7	2.6	2.7	2.8
Consumer prices (y-on-y, % change)	2.8	2.6	1.5	0.4	1.6
Real private consumption (y-on-y, % change)	1.1	1.7	2.0	2.7	3.1
Retail sales (y-on-y, % change)	-0.4	0.0	1.6	3.0	3.5
Industrial production (y-on-y, % change)	-2.7	-0.6	1.4	1.5	2.6
Unemployment rate (%)	8.0	7.6	6.2	5.4	5.0
Real fixed investment (y-on-y, % change)	0.7	3.4	6.8	3.7	6.3
Exports of goods and non-factor services (y-on-y, % change)	0.7	1.5	0.4	5.6	5.9
Fiscal balance (% of GDP)	-7.5	-5.9	-5.4	-4.1	-3.0
Government debt (% of GDP)	77.8	81.1	83.0	85.4	86.0

* forecast Source: IHS

British industries performance forecast

May 2015

	Excellent
	Good
	Fair
	Poor
	Bleak

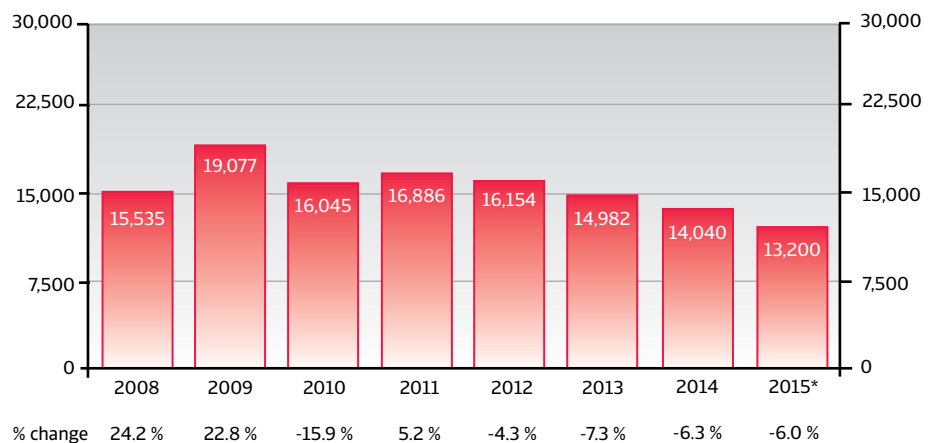
Agriculture	Automotive/Transport	Chemicals/Pharma	Construction	Construction Materials
				
Consumer Durables	Electronics/ICT	Financial Services	Food	Machines/Engineering
				
Metals	Paper	Services	Steel	Textiles
				

The insolvency environment

Insolvencies are expected to decrease again in 2015

The economic crisis years of 2008 and 2009 saw spectacular year-on-year increases in corporate insolvencies of more than 20 %. Though business failures decreased by 16 % in 2010, this improving trend did not continue in 2011. Since 2012, however, the number of business failures has been falling, and in 2014 the UK Insolvency Service recorded a 6.3 % year-on-year decrease in compulsory liquidations and creditors' voluntary liquidations in England and Wales, with 14,040 cases recorded. We expect this trend to continue in 2015, with business failures forecast to decrease by around 6 %. However, this still puts the number of insolvencies slightly above 2007 pre-crisis levels at around 12,500 cases.

British business insolvencies (year-on-year change)

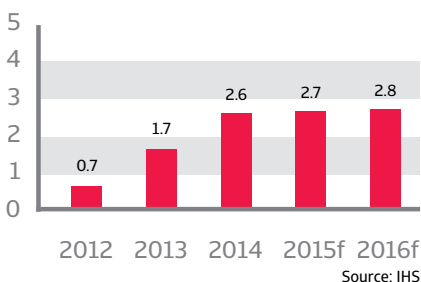


*forecast

Sources: National Statistics Office, IHS, Atradius Economic Research

Economic situation

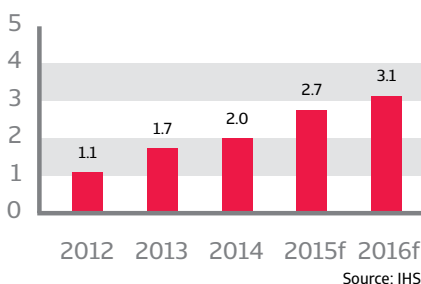
Real GDP growth (%)



2014: highest growth rate in seven years

The UK economy expanded by 2.6 % in 2014, the fastest pace of growth since 2007. While consumer spending was the main driver, real fixed investments also increased. Given the continued robust performance of private consumption and investments in 2015, GDP is expected to grow 2.7 % in 2015.

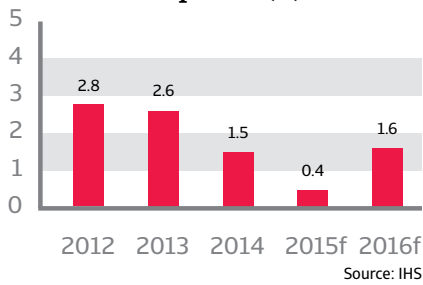
Real private consumption (%)



Buoyant household consumption performance

Since 2013, consumer confidence has been boosted by the more optimistic economic outlook and a rebound in the housing market, with a return to rising house prices having a positive effect on household wealth. At the same time unemployment has further decreased to 6.2 % in 2014. With improving confidence, higher house prices and decreasing unemployment, UK consumer spending is forecast to continue on its upward path in 2015, increasing by 2.7 %, and stimulating growth.

Consumer prices (%)



This trend is also helped by lower consumer price inflation, mainly due to lower oil prices, which has been steadily declining since the end of 2014 and is expected to decrease to 0.4 % in 2015. This should improve household spending power as the rate of wage growth will finally outpace the rate of inflation after years of decline in real wages. Increased household purchasing power will benefit retail sales, which are expected to increase 3.0 % in 2015.

There are some concerns regarding the low inflation rate, however it is not expected that the Bank of England will increase interest rates before early 2016; particularly since low wage growth is still restricting higher spending capacity.

Growing industrial production and investment

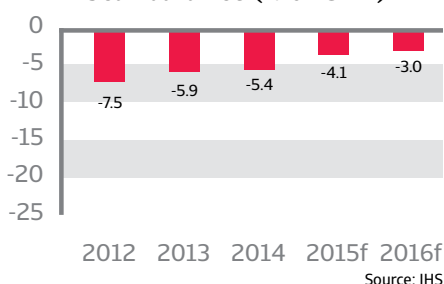
Business confidence remains elevated, and industrial production increased 1.4 % after three years of contraction. Industrial production is forecast to increase 1.5 % in 2015. Real fixed investment is expected to increase 3.7 % in 2015 after rising 6.8 % in 2014.

External position: higher sterling weighs on exports to the eurozone

In order to sustain robust economic growth, the British government is aiming to rebalance the economy away from consumer spending and towards higher productivity and more exports. However, the United Kingdom remains a net importer.

At the same time a side effect of the UK's strong economic performance has been a steady rise of the pound since early 2013, and this trend has intensified due to weaker growth and expansionary monetary policy in the eurozone. A strong pound negatively affects British exports to the eurozone, which is still the UK's most important trading partner, accounting for 42 % of exports. Businesses that depend on exporting their products are adversely affected by the low euro as exports to the eurozone will be relatively more expensive, either reducing demand for UK exports or forcing British firms to reduce their profit margins.

Fiscal balance (% of GDP)



Government debt continues to rise

The 2008 credit crisis and the subsequent economic downturn pushed government debt up from 38 % of GDP in 2007 to more than 75 % in 2012. The fiscal deficit exceeded 10 % of GDP in 2009 and 2010 as a consequence of the economic slump and the government's investment in stimulus measures. Comprehensive austerity measures and tax increases since 2011 have slowly reduced the fiscal deficit to 5.4 % of GDP in 2014. However, government debt continues to rise and is forecast to be more than 85 % of GDP in 2015.

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Atradius N.V.
David Ricardostraat 1- 1066 JS Amsterdam
Postbus 8982 - 1006 JD Amsterdam
The Netherlands
Phone: +31 20 553 9111
info@atradius.com
www.atradius.com