Macroeconomic
and Country Risk Outlook

Economic Outlook **no. 1199**

September 2013

www.eulerhermes.com

Half-baked **recovery**

Economic Research

EULER HERMES
Our knowledge serving your success

Contents

Economic Research
Euler Hermes Group

Economic Outlook **no. 1199**

Macroeconomic and Country Risk Outlook

3 **EDITORIAL**

4 **OVERVIEW**

12 **COUNTRY RISK OUTLOOK**

14 **North AMERICA**
Focus United States ■ Hopes for modest improvement in 2014

15 **Latin AMERICA**
Focus Brazil ■ Growth below potential

16 **EUROzone**
Focus Southern Europe ■ Partly cloudy

17 **Emerging EUROPE**
Focus Turkey ■ Still vulnerable

18 **AFRICA - Middle EAST**
Focus Saudi Arabia ■ Not based on shifting sands
Focus South Africa ■ Digging deep

19 **ASIA-Pacific**
Focus Japan ■ Dynamic in 2013, resilient in 2014

20 **ECONOMIC OUTLOOK SERIES**

21 **OTHER AVAILABLE PUBLICATIONS**

22 **SUBSIDIARIES**

The Economic Outlook is a monthly publication by the Economic Research Department of Euler Hermes. This publication is for the clients of Euler Hermes and available on subscription for other businesses and organisations. Reproduction is authorised, so long as mention of source is made. Contact the Economic Research Department
Publication Director and Chief Economist: Ludovic Subran
Macroeconomic Research and Country Risk: Silvia Pepino (Head), Andrew Atkinson, Ana Boata, Mahamoud Islam, Emma Ménascé, Dan North, Manfred Stamer (Country Economists), Nicolas Bargas, Rémy Carasse and Clémentine Cazalets (Research Assistants)
Sector and Insolvency Research: Maxime Lemerle (Head), Bruno Goutard, Yann Lacroix, Marc Livinec, Didier Moizo (Sector Advisors)
Editor: Martine Benhadj
Graphic Design: Claire Mabille
Support: Laetitia Giordanella
For further information, contact the Economic Research Department of Euler Hermes at 1, place des Saisons 92048 Paris La Défense Cedex – Tel.: +33 (0) 1 84 11 41 15 – e-mail: research@euler-hermes.com > Euler Hermes is a limited company with a Directoire and Supervisory Board, with a capital of 14 468 072,64 EUR, RCS Paris B 388 236 853
Photoengraving: Évreux Compo France – Permit September 2013 ; issn 1 162 – 2 881 ■ *September 30, 2013* ■

EDITORIAL

Keeping faith in the J curve

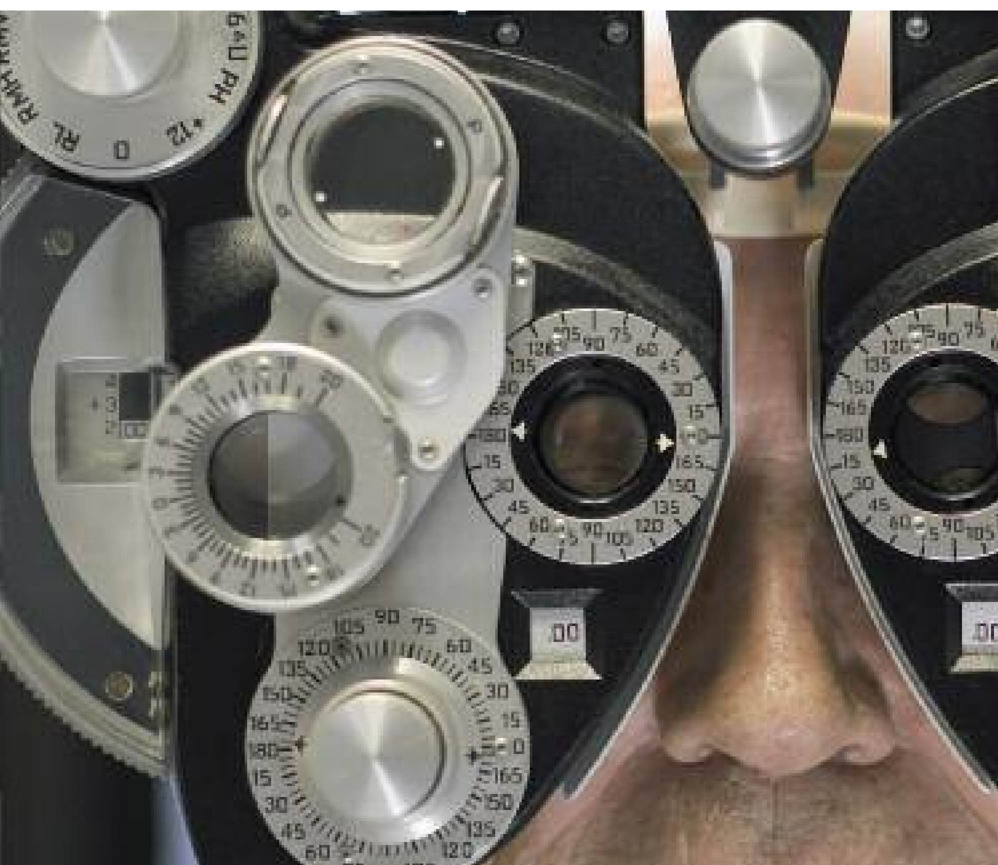
LUDOVIC SUBRAN

In economics, the J curve describes the effect of a depreciation of the exchange rate on the trade balance over time. At the outset, the idea is simple: following the depreciation of a country's currency, the price of imports increases and the price of exports decreases; the current account balance worsens, and we reach the trough of the J. Since domestic products have become more competitive, exports pick up and, at the same time, imports decrease because foreign products are now more expensive. The current account balance recovers and surpasses its starting point, or the bar of the J. Many economic policies have the effect of an initial deterioration (particularly on the fiscal deficit) and count on a recovery phase (growth) but everything then depends on the shape of the J. In 2014, many economies will see whether their J has done its loop and is now onto the stem or, in other words, whether the recovery will finally materialize and heal the scars of the crisis after the efforts made. Austerity cures, private sector deleveraging, financing shortfalls, cleaning up banks, fighting inflation and containing credit risk, developed countries and emerging countries are all at a pivotal moment where the J should finally begin to take shape. And yet... Like for the Marshall-Lerner condition (describing the theoretical parameters of a successful devaluation), many conditions (here beyond simple price elasticities) will determine the shape and the strength of the curve. Negotiating the bend of the J will be all the more difficult the more the end of accommodating monetary policies is abrupt, the longer household and business confidence takes to materialize in investments and the more the risks of a credit crunch are not contained. So what can be done so that the J does not turn into an L, so that the W (the end of the double dip) is clear-cut, and so that each country and each company rediscovers the ABCs of growth? First of all it needs to be accepted that the recovery will not be risk-free and risks still need to be hedged. The risk of non-payment for companies will remain particularly high in Europe (due to demand) and in emerging countries (due to financing problems in the countries with large external deficits). Next, growth needs to continue to be consolidated all the while risk-taking is diversified. This may translate into decisions to export further afield (to decouple risks), to raise financing in an innovative way or simply once again to revise budgets (and therefore expenditures). Last, be alert as to the automatic effect of confidence: self-fulfilling prophecies may be necessary to get to the other side, but beware of false good news!

OVERVIEW

Half-**baked** recovery

ANA BOATA, CLÉMENTINE CAZALETS, MAHAMOUD ISLAM



With the participation of **Marc Livinec**

We have revised (1) slightly upwards our growth forecasts for developed countries in 2014 (to +2.1%), owing to improved prospects in the United States (+2.8%), Japan (+1.5%) and the eurozone (+0.9%), and (2) slightly downwards our forecasts for emerging countries (+4.6%) due to a slowdown in growth in Latin America and Asia. Growth in developed countries is likely to be curbed by the lack of any real recovery in the investment cycle (especially in the eurozone), combined with still-weak household consumption.

Although the pace of budgetary consolidation should slow in the coming quarters (in the eurozone and the United States), the delayed effects of tax hikes, rising unemployment rates and household deleveraging can be expected to weigh on growth (notably in the eurozone).

Risks remain tilted on the downside

(1) Refinancing needs in the Southern European countries and the end of financial assistance to Portugal, Ireland, Greece and Spain (for banks) could give rise to fresh tensions in financial markets. Similarly, the debate on the public debt ceiling in the United States, which is likely to be reached in mid-October, as well as the government shutdown affecting a number of public services continues to dent the US gov-

ernment's credibility.
(2) In geopolitical terms, an escalation of political tensions with Iran and Syria could lead to major loss of life and a complete destabilization of the region, in addition to a shock on oil prices.

Despite the slowdown in growth in emerging countries, they will remain the biggest contributors to global growth. However, prospects remain fragile, as illustrated by the concerns sparked during the summer of 2013: (1) downward revision of growth forecasts, (2) acceleration of capital outflows as a result of expectations of a slowdown in the US quantitative easing (QE) program since May. While tensions seem to have eased during September (gradual return of capital and stabilization of currencies) following the Fed's meeting announcing the postponement of the tapering, it is too soon to celebrate. The risk of an emerging-country crisis, ▶

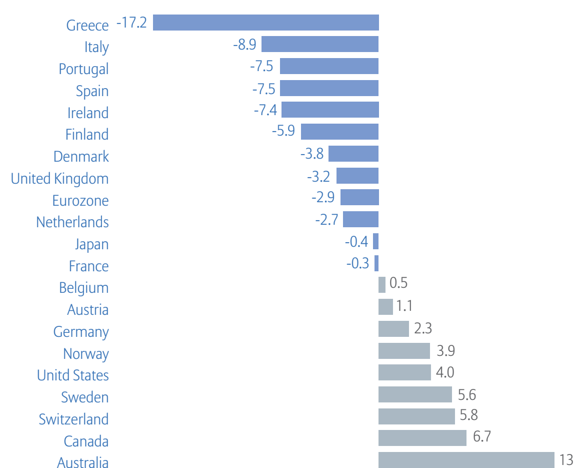
+3.0%
Global GDP growth
in 2014

GDP growth, %

	Share*	2011	2012	2013_f	2014_f
World GDP growth	**100**	**2.9**	**2.6**	**2.2**	**3.0**
Developed countries	**62**	**1.6**	**1.4**	**1.1**	**2.1**
Emerging countries	**38**	**5.2**	**4.5**	**4.1**	**4.6**
North America	**24**	**1.9**	**2.7**	**1.7**	**2.8**
United States	**22**	**1.8**	**2.8**	**1.6**	**2.9**
Canada	3	2.5	1.7	1.8	2.5
Latin America	**8**	**4.2**	**2.6**	**2.7**	**2.9**
Brazil	3	2.7	0.9	2.2	2.0
Western Europe	**23**	**1.5**	**-0.3**	**-0.1**	**1.1**
United Kingdom	3	1.1	0.2	1.1	1.6
Sweden	1	3.8	1.1	1.1	2.3
Eurozone	**17**	**1.5**	**-0.5**	**-0.5**	**0.9**
Germany	5	3.1	0.9	0.5	1.6
France	4	2.0	0.0	0.2	0.6
Italy	3	0.5	-2.4	-1.8	0.3
Spain	2	0.4	-1.6	-1.5	0.4
Netherlands	1	1.1	-1.3	-1.2	0.8
Greece	0	-7.1	-6.4	-4.1	-0.3
Ireland	0	2.2	0.1	-0.3	1.4
Portugal	0	-1.6	-3.2	-1.9	0.4
Central and Eastern Europe	**6**	**4.7**	**2.1**	**1.7**	**3.0**
Russia	3	4.3	3.4	2.0	3.5
Turkey	1	8.8	2.2	3.3	4.0
Poland	1	4.5	1.9	1.0	2.2
Asia	**29**	**4.7**	**4.9**	**4.7**	**4.9**
China	11	9.3	7.7	7.4	7.6
Japan	8	-0.5	2.0	2.0	1.5
India	3	6.3	5.0	4.7	5.5
Oceania	**2**	**2.3**	**3.3**	**2.2**	**2.6**
Australia	2	2.4	3.7	2.4	2.8
Middle East	**4**	**4.6**	**3.6**	**2.4**	**3.7**
Saudi Arabia	1	8.5	6.8	4.0	4.5
United Arab Emirates	1	3.9	4.4	3.5	4.0
Africa	**2**	**1.1**	**5.7**	**4.1**	**4.9**
South Africa	1	3.5	2.5	2.5	3.5
Morocco	0	5.0	2.7	4.5	4.5

Sources: IHS Global Insight, Euler Hermes forecasts
(*) 2012, GDP weighted at current exchanges rates, %

Change in real GDP level
Q2 2013 compared to Q1 2008, %



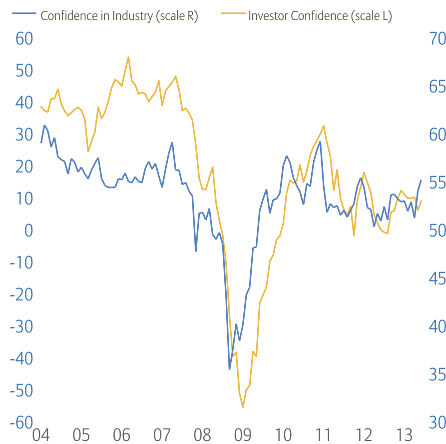
Sources: National Statistics, IHS Global Insight

like the one that started in 1997, remains small, as emerging countries have more tools to manage financial instability (foreign exchange reserves and, above all, credible monetary policies). However, in order to completely restore investor confidence, priority will need to be given to (1) reducing external imbalances (particularly in Indonesia and Turkey), and (2) pressing ahead with structural reforms to spur more sustainable growth.

Against this backdrop, global growth is forecast to come in at +2.2% in 2013 (after +2.6% in 2012) and to accelerate moderately in 2014 (+3.0%). Growth in global trade is expected to remain below past levels (+1.9% in 2013 and +4.5% in 2014, compared with a long-term average of +5.1%) due to a slowdown in activity in Latin America and, notably, in Asia.

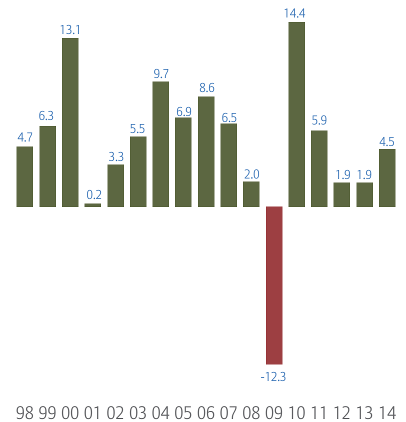
+4.5%
Global trade growth
in 2014

World business cycle indicators



Sources: Markit, Sentix, Euler Hermes

World trade in goods and services
Yearly change, in %



Sources: National Statistics, CPB, Euler Hermes forecasts

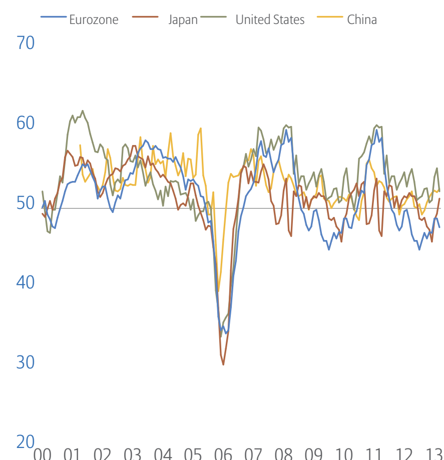
Contribution to 2013 GDP growth

	GDP =	Domestic demand	+ Net trade contribution
Australia	2.4%	0.7%	1.7%
Japan	2.0%	1.8%	0.2%
Canada	1.8%	1.6%	0.2%
Switzerland	1.7%	0.9%	0.8%
United States	1.6%	1.6%	0.1%
Norway	1.1%	1.9%	-0.8%
United Kingdom	1.1%	0.9%	0.2%
Sweden	1.1%	1.0%	0.1%
Germany	0.5%	0.7%	-0.2%
Austria	0.4%	-0.7%	1.2%
Denmark	0.4%	0.5%	-0.2%
France	0.2%	0.1%	0.1%
Belgium	0.0%	-0.4%	0.5%
Ireland	-0.3%	-0.7%	0.4%
Finland	-1.0%	-3.4%	2.4%
Netherlands	-1.2%	-2.6%	1.4%
Spain	-1.4%	-3.3%	2.0%
Italy	-1.8%	-2.8%	0.9%
Portugal	-1.9%	-3.9%	2.0%
Greece	-4.1%	-6.3%	2.2%

Sources: IHS Global Insight, Euler Hermes estimates

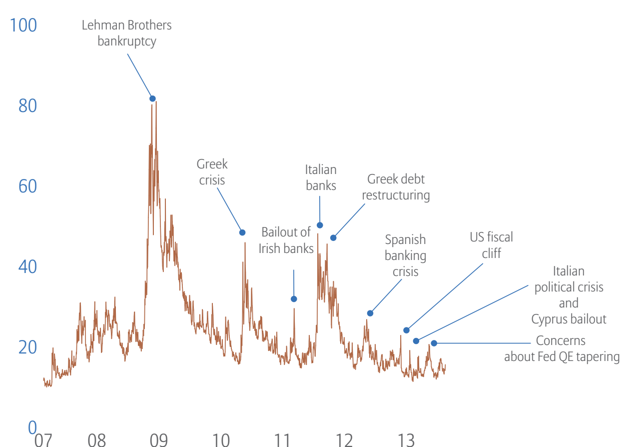
Industrial confidence index

Manufacturing PMI



Sources: Markit, Bloomberg, Euler Hermes

Index of financial market volatility (VIX)



Sources: Bloomberg, Euler Hermes

+0.9%

GDP growth in the eurozone in 2014

Unemployment rate (*)

	2012	2013f	2014f
Greece	24.2%	26.5%	27.0%
Switzerland	2.8%	3.0%	3.0%
Japan	4.3%	4.3%	4.6%
Sweden	8.0%	8.4%	8.0%
Portugal	15.9%	17.7%	18.4%
Ireland	14.7%	14.2%	13.8%
Norway	3.2%	3.3%	3.2%
Canada	7.3%	7.1%	6.9%
United States	8.1%	7.7%	7.0%
France	10.3%	10.9%	10.9%
Italy	10.7%	12.0%	12.9%
Spain	24.9%	26.0%	26.4%
Denmark	7.7%	6.9%	6.0%
Belgium	7.6%	8.6%	8.6%
Germany	6.5%	6.6%	6.5%
Eurozone	11.5%	12.2%	12.9%
Austria	4.4%	4.7%	4.6%
Finland	7.7%	8.0%	7.8%
Netherlands	6.4%	8.3%	8.6%
Australia	5.2%	5.1%	4.7%
United Kingdom	8.0%	7.8%	7.7%
Brazil	5.5%	5.4%	5.4%
Russia	5.1%	5.4%	5.2%
India	8.1%	8.4%	8.2%

(*) Annual average
Sources: IHS Global Insight, Euler Hermes forecasts

Eurozone

> Confidence is returning in the eurozone, but downside risks linger over our scenario.

GDP growth in the eurozone countries is expected to stabilize in the second quarter of 2013 on the back of an improvement in the business climate, better prospects for order books (notably for exports) and a smaller contraction in domestic demand. Nevertheless, divergences between the region's countries persist, with Germany growing moderately, France near stagnation and the Southern European countries still in recession. Overall, activity growth in the eurozone will remain modest (+0.9% in 2014 after -0.5% in 2013), driven by exports but held back by weak domestic demand, hit by a lack of business financing, private-sector deleveraging, rising unemployment rates and budgetary consolidation.

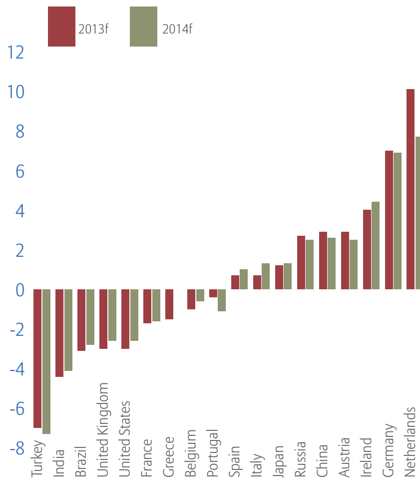
> At the eurozone governance level, the road to financial integration remains long.

After the agreement from the European Parliament, the Single Supervisory Mechanism (SSM) is expected to be operational in H2 2014. The ECB will publish its first Asset Quality Review (AQR) for the banks under single European supervision at the beginning of 2014. The European Banking Authority (EBA) will conduct a test focused on liquidity (and no longer on the solvency of banks, as was the case previously) in the same period. All this should bolster confidence in the solidity of the European financial system and, once the bank supervisor is up and running, pave the way for the direct recapitalization of solvent banks by the ESM in order to break the vicious circle between banks and sovereigns. The ECB is expected to announce support measures (new LTROs) towards the end of 2013 or early 2014 in order to assuage banks' reluctance to offer credit to the private sector. Negotiations over the implementation of the second pillar of the banking union (the Single Resolution Mechanism, comprising a bank resolution authority and a common resolution fund) are ongoing and do not promise to be straightforward. Implementation is not expected before 2015. The introduction of a common deposit guarantee scheme seems to have been sidelined. The end of several adjustment programs (Ireland, Portugal, Greece and Spain), at a time when market conditions are still not favorable enough to ensure future financing needs are met, could give rise to fresh tensions in the markets. All eyes will be on the conclusions of the Troika's missions in Ireland and Greece to be given in October.

> The political context remains a key factor for eurozone governance.

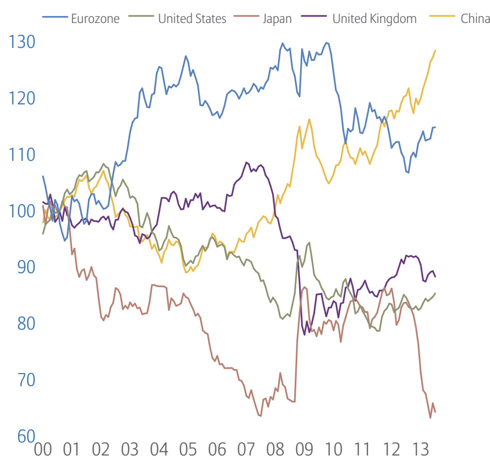
The new governing coalition in Germany will be crucial for the eurozone's governance. A coalition between the center-right CDU/CSU (Angela Merkel's party) and the center-left (SPD) seems to be the most likely scenario and talks are under way. Should this eventuate, it would probably have positive effects for the eurozone, as the center-left party seems more open to (1) ▶

Current account balance
% of GDP



Sources: IHS Global Insight, Euler Hermes forecasts

Exchange rates
Real effective exchange rate, basis 100=Q1 2000



Sources: IHS Global Insight, Euler Hermes

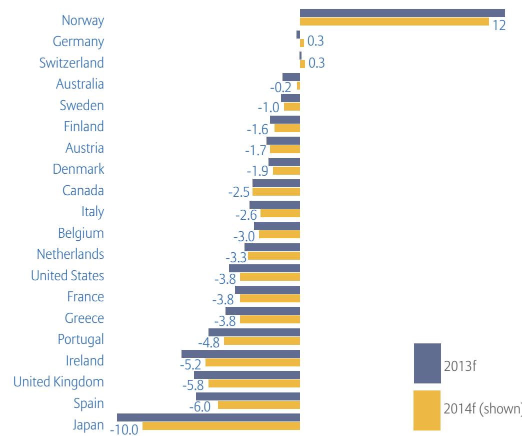
implementing a fiscal union and mutualizing public debt in the eurozone (European Redemption Fund), and (2) a fiscal policy in favor of preserving growth and employment. The recent tensions within the Italian governing coalition provide confirmation of a tense political environment and increase the risk of new elections by the year's end. The markets could penalize the delayed implementation of structural reforms and a possible budget overrun (even if limited) following the delayed implementation of austerity measures needed to reach the official fiscal deficit target.

United States

> The United States is showing signs of resilience despite the budgetary consolidation. 2014 should see a more pronounced recovery in growth.

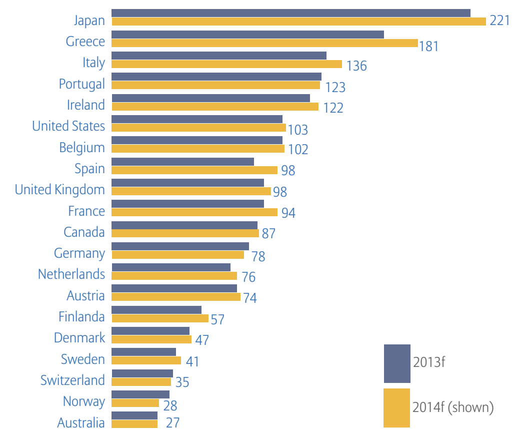
US growth has remained modest in recent years (we expect +1.6% in 2013) and below its postwar average (+3.3%) given the weak recovery in the labor market (the structural unemployment rate remains at very high levels) and the impact of austerity measures. In 2014, the housing market is expected to continue to pick up, although the recent rise in interest rates could take the wind out of its sails. The manufacturing sector should remain buoyant, helped by re-

Fiscal balance
% of GDP



Sources: National Statistics, Euler Hermes forecasts

Public debt
% of GDP



Sources: National Statistics, Euler Hermes forecasts

+2.9%

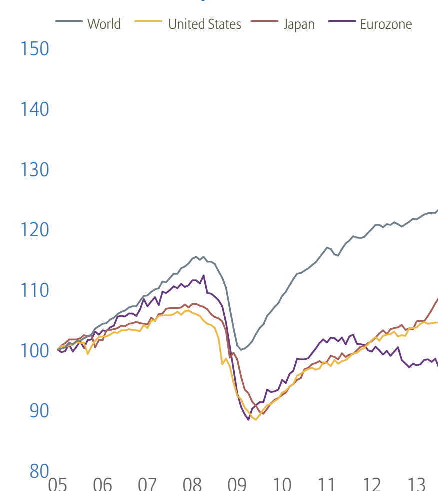
GDP growth
in the United States
in 2014

newed competitiveness and low energy costs. The Fed will probably continue to bolster the economy with its quantitative easing program: a slowdown in bond purchases is expected in late 2013 or early 2014, but a complete stop is unlikely before H2 2014.

> Political paralysis has not been averted; the risk of the United States failing to reach an agreement on the debt ceiling, and thus of technical default, is not zero.

The fiscal year began on October 1 and, on this date, Congress and the House of Representatives had to have found the means to finance government operations. Unfortunately, agreement was not found and government shutdown affecting a number of services were not averted. This has taken place before, in 1995 and 1996 when Bill Clinton was president, and at episode

Industrial production
Basis 100=2005, January



Sources: IHS Global Insight, Euler Hermes forecasts

showed that the negative effects could remain contained if the situation lasts no longer than two to three weeks. More worryingly, the debt ceiling is likely to be reached in mid-October and, in the event of no agreement from Congress, a technical default could be declared. A last-minute deal remains our core scenario.

JAPAN

> Abenomics is bearing fruit in Japan.

Since the beginning of the year, GDP growth has surprised positively thanks to brisk domestic demand and export growth. For the full year 2013, growth is forecast to reach +2.0% before slowing slightly in 2014 (+1.5%) under the effect of budgetary consolidation measures to contain the slide in public finances (at end-2012 the fiscal deficit had reached -9.9% of GDP and the public debt 212% of GDP). The VAT rate will be increased by +3 percentage points in April 2014 (to 8%). Growth is expected to be underpinned by a policy mix that remains favorable, combining the continuation of the BoJ's monetary policy (doubling of the money supply by 2014) and fiscal stimulus (JPY 10 trillion for the time being; another JPY 5 trillion being negotiated).

> The time for reforms has come!

In the medium term, the Japanese government should adopt a range of structural reforms, Abenomics' third arrow, including bolstering the private sector's potential for growth, an improvement of labor market, and the development of new high-tech industries in order to make ▶

growth more sustainable. Public finances will have to be rebalanced in parallel and the government will have to adopt a credible stance. Our view is that, at present, the goal of cutting spending by JPY 8 trillion in two years (i.e. -4% of current budget spending) is ambitious given the stimulus measures already announced by the government and the fragility of the Japanese recovery (essentially relying on fiscal and monetary stimulus).

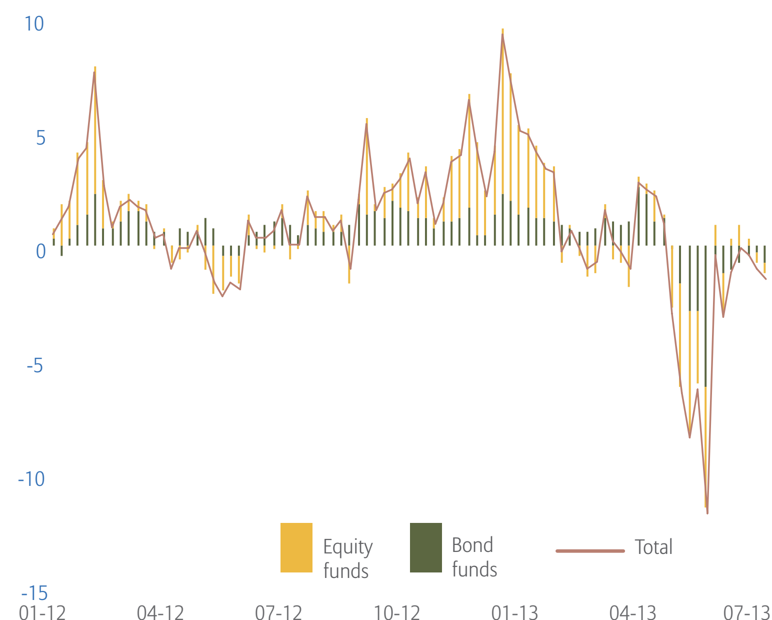
Emerging countries

> The second-round effects from the decoupling of the real economy and the financial markets will reach emerging markets.

Back in June, we highlighted the rise in financial risks as a result of the global decoupling of the real economy and the financial markets (weak economic recovery and low inflation on the one hand and highly positive performances by financial indicators on the other), itself due to excessive global liquidity. At that time we argued that this decoupling would be a source of instability given (1) the ineffectiveness of monetary policy transmission mechanisms, (2) uncertainties overhanging the global economic outlook leading to greater demand for "safe-haven" assets, and (3) speculative behavior on the part of financial institutions in search of high yields in the short term. This diagnosis turned out to be correct and second-round effects are being felt. Since the Fed's announcement of a future slowdown in its bond purchases back in May, emerging countries have been exposed to severe pressures in the currency and equity markets, brought about on the one hand by investor fears of monetary tightening in the United States and, on the other, by financial imbalances in many emerging countries, in particular Indonesia, India, Turkey, Brazil and South Africa (excessive credit growth, external deficits, lack of structural reforms). As capital outflows gathered pace, the currencies of these countries depreciated sharply against the dollar, inflationary pressures increased, equity markets slumped and funding costs rose (bond markets).

Emerging markets, net capital flows

Billion USD



Sources: OECD, Euler Hermes

> Interventions by domestic governments and central banks dampened the negative effects.

Three types of actions were carried out to restore financial stability in emerging countries: interventions in the currency market, the use of key policy rates and capital controls. The central banks of India and Thailand, for example, intervened in the currency market to sell dollars in order to check the slide in their exchange rates. The central banks of Indonesia, Brazil and Turkey hiked their key policy rates to contain inflationary pressures and attract capital inflows. Brazil eased its capital controls introduced in 2010.

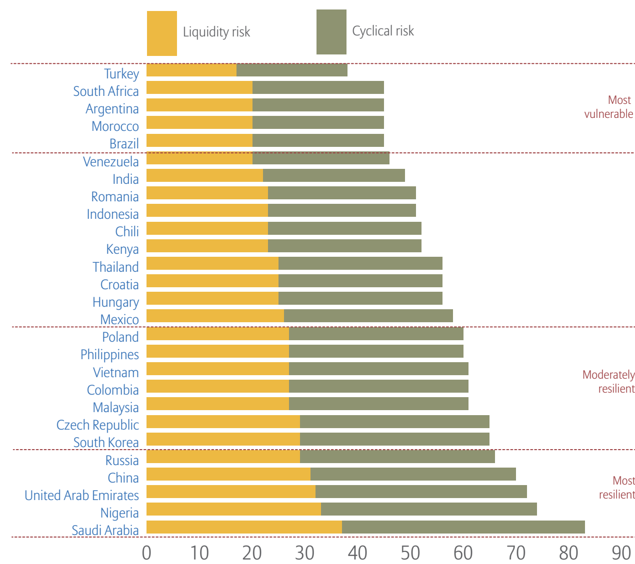
Thus, prospects improved for emerging countries during September (appreciation of exchange rates, renewed capital inflows), while the positive trend was confirmed only after the Fed's announcement on 18 September in favor of keeping the unconventional monetary policies in place. Nevertheless, these past months have clearly underlined the vulnerability of a number of emerging countries and the problems could flare up again in the coming months as long as uncertainty over the Fed's tapering of its quantitative easing program continues to linger.

> We identify three groups of countries: the most vulnerable, the resilient and the least vulnerable.

Against this backdrop, the vulnerability of a country depends on two risk categories: cyclical risk and liquidity risk (structural vulnerability). The first encompasses short-term weaknesses: (1) risks overhanging exchange rates and prices, (2) the risk overhanging financial value (financial wealth and stock prices), and (3) dependence on the energy sector. The second category concerns the economy's capacity to weather a liquidity crisis. It can be measured by the level of external accounts (current accounts, debt and foreign reserves) and trends in credit to the private sector.

A comparison of these indicators reveals three groups of countries: (1) the least vulnerable countries (low liquidity risk, low cyclical risk), notably the United Arab Emirates, Saudi Arabia and Nigeria; (2) the resilient countries (low liquidity risk but exposed to cyclical risk), mainly Asian countries such as Malaysia, the Philippines and Thailand; (3) last, the most vulnerable countries (high cyclical risk and high liquidity risk), notably Turkey, South Africa, Argentina and India.

Ranking of emerging economies in terms of resilience
0-100 score (0=highest risk, 100=lowest risk)



Source: Euler Hermes

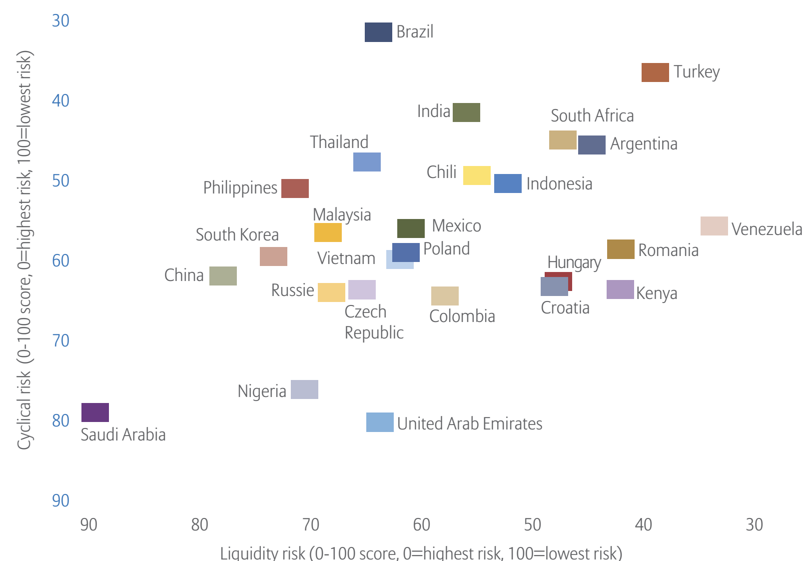
Although the third category is the most vulnerable, we believe the likelihood of a large-scale financial crisis is small. In addition to rather satisfactory growth prospects, these countries have shown (2009 crisis in particular) their capacity to react to a financial crisis in the past. Monetary oversight has become more effective, as illustrated by the actions undertaken as soon as volatility in capital outflows began to increase. The most likely consequence is a slowdown in growth in the short term. The depreciation of exchange rates has increased import prices and resulted in inflationary pressures which are eroding demand in the private sector. This is all the more damaging as a large number of countries (particularly the most vulnerable) are deprived of the possibility of using expansionary monetary policies to stimulate demand (Brazil): as the level of inflation is already high, a fall in interest rates could encourage capital flight.

Beyond macro effects, the microeconomic impact will without doubt be the most destabilizing if new pressures were to resurface. This is because companies – especially the smallest – are highly vulnerable to fluctuations in exchange rates, as a depreciation of the exchange rate makes transactions and refinancing debt denominated in dollars more expensive. In this respect, the risk of non-payment is higher, opening up the possibility of greater increases in corporate insolvencies. The most vulnerable sectors are probably construction, which is hampered by higher input prices, and the IT sector due to its high degree of dependence on imports of technological goods from emerging countries. In this context, emerging countries are forecast to record a slowdown in growth in 2013 (+4.1%) and a modest acceleration in 2014 (+4.6%), underpinned in particular by satisfactory economic dynamics in Asia.

> Geopolitical tensions still constitute a downside risk for the global recovery.

The social and political tensions that resurfaced in Egypt early in the summer and tensions following the threat of military strikes against Syria weighed on the oil price (+9% since the start of July to USD 109.50, an equivalent increase to that recorded between the end of 2012 and February 2013 during the increase in tensions between Iran and Israel). In addition, oil production was halted in Libya, Iraq and Nigeria. Syria, which produces less than 0.5% of the world's oil, is not a major player in the oil market. But it is the risk of the Strait of Hormuz being blocked by Iran (an ally of Syria) which constitutes the main concern. 30% of global oil passes through this strait, ahead of the Strait of Malacca. The "decrease" in the Syria risk eased some pressure on the world's leading oil-producing region, the Middle East, as well as on the oil price. The latter has been bolstered by an increase in production in Saudi Arabia and the United States. The underlying situation nevertheless remains to be stabilized and the risks remain high. Assuming status quo for Syria (ruling out foreign military intervention) and for Iran, we predict an average Brent price of USD 110 per barrel in 2013. In 2014, the oil price should remain around USD 113 per barrel on average insofar as additional oil production capacity to meet renewed growth in global demand for oil remains limited. This suggests the adjustment will take place through prices.

Liquidity and cyclical risks in emerging countries



Source: Euler Hermes

Country Risk Outlook

3rd Quarter 2013

Five changes in country risk ratings

3rd quarter 2013 :

two downward revisions and three upward revisions

MACROECONOMIC RESEARCH AND COUNTRY RISK

2
downward
revisions

Medium term risk:
the scale comprises 6 levels:
AA represents the lowest risk,
D the highest.

Short term risk:
the scale comprises 4 levels:
1 represents the lowest risk,
4 the highest.

Romania

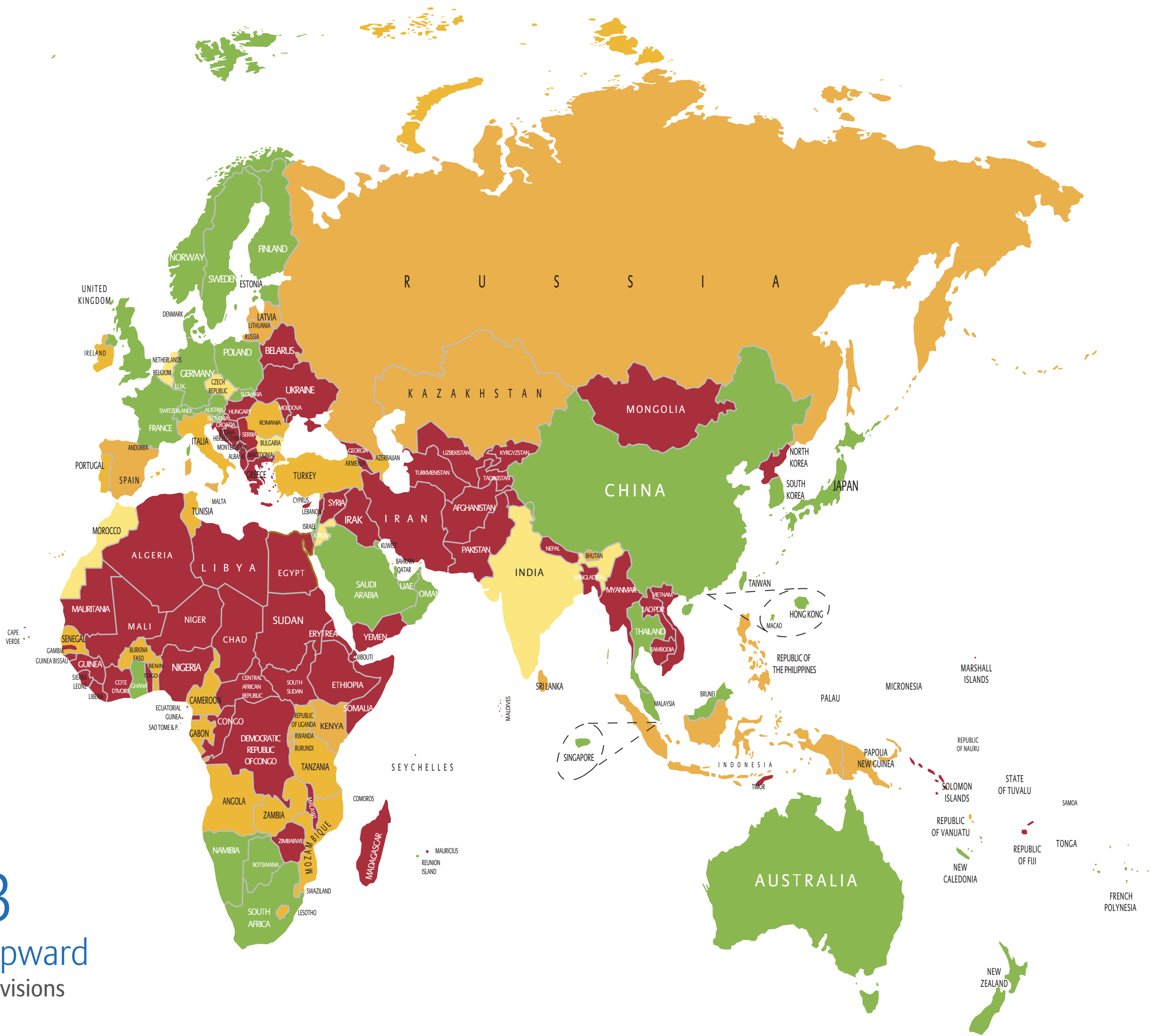
C4 ··············➤ C3

Although the economy is still vulnerable to external shocks, there are signs of improving fundamentals (current account deficit, fiscal balance). GDP growth is recovering from near-recession in 2012 and business insolvencies are falling.

Kenya

D4 ··············➤ C3

Elections (presidential, legislative and local) in March 2013 were relatively peaceful and the post-poll period is stable. The sectarian violence of 2008 has not been repeated, thereby marking a significant advance and leading to an improved political risk assessment.



3
upward revisions

Jordan

B1 ··············▶ B2

Already weak fiscal and current account balances have been adversely affected by loss of trade with Syria, as well as large inward refugee flows.

Egypt

C3 ··············▶ D4

Forced removal of an elected president and government in July was a clear indication that the political/social environment is not conducive to a quick recovery in GDP growth and earnings capacity, suggesting a period of higher business failures.

India

B1 ··············▶ B2

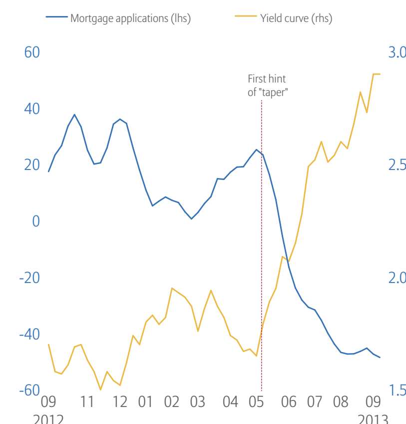
Structural flaws, including large current account deficit, fiscal deficit, weak infrastructures and a political environment not conducive to the swift implementation of reforms motivate the downward revision.

North America

The North American economy is expected to continue growing moderately through 2014, with the U.S. at 2.9%, and Canada at 2.5%. Canadian exports are likely to grow rapidly in 2014 given the improving global economy, while consumption and investment will drive the U.S. economy. The two countries face different risks however. Canadian consumers are carrying near record high debt levels in the midst of frothy property markets. U.S. risks include continued labor and housing market weaknesses and uncertain monetary and fiscal policies.

DAN NORTH

Mortgage volumes and rates



Sources: Mortgage Bankers Association, Federal Reserve, Euler Hermes

United States

Hopes for modest improvement in 2014
The U.S. economy has been in a slow-growth mode since the recession ended four years ago, and expectations are that it will continue along in this "muddling through" fashion resulting in 2013 GDP growth of only 1.6%, with modest improvement in 2014 to 2.9%.

Slowly recovering labour market

Structural unemployment issues, which depress consumption, have been a major drag on the economy and they are expected to be so at least through 2014. These issues include a plunging participation rate, disincentives to work in the form of excessive jobless benefits, a skills mis-match between job openings and job seekers, challenging demographics of retirees not being replaced fast enough, and people being unemployed for so long that they become unemployable.

Fed's QE programs unlikely to end until H2 2014

Expectations of continued weakness will keep monetary policy highly accommodative, with the Fed's quantitative easing (QE) programs unlikely to end until the second half of 2014, while short term interest rates will be held near zero into 2015. Recent fear over the Fed tapering QE led to a spike in interest rates which are likely to be a drag on the economy, perhaps especially the housing market. Mortgage rates have risen over 100 basis points since the spring, causing affordability to drop 20%, mortgage applications to fall 50%, prices to drop for two consecutive months, and July sales of new homes to drop 13%.

2014
Fed QE program expected to end in the 2nd semester

Lending, manufacturing to support growth

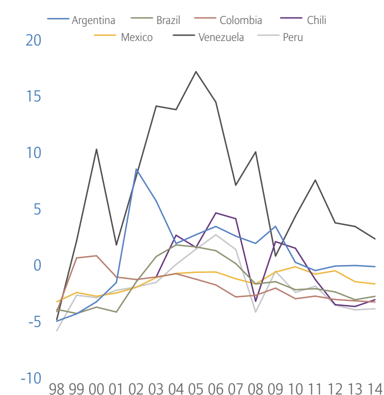
The spike in rates however also has the beneficial effects of increasing existing home sales (a different demographic), and steepening the yield curve which is a strong forecaster of a continued recovery and increasing bank lending and profits. Indeed Commercial and Industrial loans have been on a steady upward trend, while lending terms are getting easier, again contributing to strong future growth, particularly in non-residential investment. Other positives which will support the economy in 2014 include an absence of tax increases which have weighed on 2013, expectations of a continued rebound in manufacturing reflected in Fed surveys, industrial production and the ISM surveys, a very strong auto sector boosted by an ageing fleet, and an abundance of cheap energy. On the fiscal side, impending political fights over the debt ceiling and the corresponding risk of default represent a significant short term risk, in addition to the temporary government shutdown, but their eventual resolution may boost confidence afterwards. The muddling mix of positives and negatives will result in positive but below average growth for the fifth consecutive year of the recovery. ■

Latin America

Major discrepancies persist in the region not only in terms of economic performances but also in terms of vulnerabilities. While overall growth in the region has slowed since the start of the year, Mexico saw its GDP contract in Q2 for the first time in four years (-0.7% q/q after zero growth in Q1). On the other hand, growth in Argentina has picked up markedly since the beginning of the year (+2.6% q/q in Q2) on the back of a good performance by the domestic economy. In terms of vulnerability to capital outflows, Brazil and Argentina remain the most exposed in the region, given (1) for the former, a large current-account deficit, the volatility of its currency and limited room for maneuver for the central bank; (2) for the latter, a lack of access to external financing and limited foreign exchange reserves. In addition, as both countries are net importers of oil, they are vulnerable to an increase in oil prices at a time when the cost of imports excluding energy is already high.

ANA BOATA, EMMA MÉNASCÉ

Current account
% of GDP



Sources: IHS Global Insight, Euler Hermes

Brazil

Growth below potential
For the second time this year, growth in Brazil surprised on the upside (+1.5% q/q in Q2) thanks to a very good performance by the domestic economy – both in terms of household consumption and, in particular, investment – and a good export performance. Nevertheless, the economy faces risks on the downside given the recent depreciation of the real, rising inflation and the impact of the rise in the oil price. Faced with the recent capital outflows, the country should draw resilience from a strong political framework, large foreign exchange reserves and moderate external debt. GDP growth is forecast to reach +2.2% in 2013 (after +0.9% in 2012) and to slow down to +2.0% in 2014.

Brazil one of the most vulnerable countries in the region

Expectations of an incipient monetary tightening in the United States (slowdown in the pace of Treasury purchases by the Fed) have weighed on Latin American countries, in particular Brazil. In fact, among the region's currencies it is the real that has depreciated the most since the end of April (-14% vs. -8% for the Mexican or Chilean peso). Despite the currencies having stabilized since mid-September, when the Fed put its decision on hold, Brazilian domestic demand and, in particular, household consumption are expected to feel the effects of rising inflation (to 6.2% in August, near the upper limit of the central bank's target band) and the monetary policy tightening initiated back in April, which is expected to continue in the coming months. Also, the current-account deficit is a source of vulnerability for the country, which, although it has substantial foreign exchange reserves, remains dependent on external financing.

Upturn in investment could be short-lived

Investment rebounded strongly in Q2 (+3.6% q/q), and was the most buoyant component of GDP. However, the trend is tilted on the downside, given past hikes in interest rates, the weakness of the real weighing on the cost of imports and the rise in oil prices, given that Brazil is a net importer of oil. The Football World Cup should provide some support for fixed investment starting this year, but growth is expected to remain below its potential given the country's loss of competitiveness in recent years (labor market tensions, high unit labor costs, unfavorable tax system) and the deterioration in investor confidence.

Institutional dilemmas are likely to persist, in particular against the backdrop of presidential elections in 2014

More structural reforms are needed to improve the business environment (among the least favorable in the world, close to India's or Russia's low performance), reform the labor market and fix the still-deficient infrastructures adding to supply constraints. Implementing them before the presidential elections in October 2014, however, seems difficult, especially in light of the protests by the middle classes in June that are largely related to the ever-increasing cost of living and many structural bottlenecks in both socioeconomic and political terms. Some populist measures are likely to be implemented in order to shore up President Dilma Roussef's popularity. ■

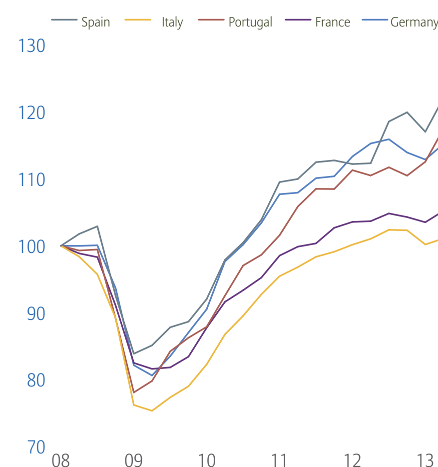
+2.0%
GDP growth
in Brazil
in 2014

Eurozone

In H2, GDP growth in the region's countries is expected to stabilize on the back of an improvement in the business climate, better prospects for order books (notably for exports) and a smaller contraction in domestic demand. Nevertheless, discrepancies between countries persist, with Germany registering moderate growth, France close to stagnation and the Southern European countries still in recession. Overall, activity in the eurozone will continue to accelerate only modestly (+0.9% in 2014 after -0.5% in 2013), under the effect of weak domestic demand affected by a lack of business financing, private-sector deleveraging, rising unemployment rates and budgetary consolidation.

ANA BOATA

Exports
Basis 100 = T1 2008



Sources: IHS Global Insight, Euler Hermes

Southern Europe

Cost of austerity:
1.3
percentage point of growth per year

Partly cloudy
Returning confidence confirmed
Confidence among business leaders in industry, services and retailing has been picking up since July. For the first time in more than two years, the composite PMI for the eurozone suggests activity will increase in the coming months. Consumer confidence is also improving, but households remain pessimistic. For confidence surveys as a whole, recent levels remain below those recorded during the previous decade. Nevertheless, the investment cycle will struggle to pick up in the absence of real support measures for credit to non-financial companies, which has suffered severely in the Southern European countries due to the dysfunctional monetary policy. In August 2013, credit to non-financial companies fell by -20.1% y/y in Spain, -5.4% y/y in Italy and -5.7% y/y in Portugal.

Risks remain tilted on the downside

The road to complete financial integration remains long. Following the agreement by the European Parliament, the Single Supervisory Mechanism (SSM) for banks is expected to be operational in H2 2014. Negotiations for the establishment of the second pillar of the banking union, the Single Resolution Mechanism, which includes a banking resolution authority and a common resolution fund, are under way but promise to be difficult. Its implementation is not expected before 2015. The end of several adjustment programs (Ireland, Portugal, Greece and Spain) at a time when market conditions are not yet favorable enough to ensure future borrowing requirements are met could give rise to fresh tensions in the markets. Last, the political environment remains tense in Italy.

Net exports will drive the (modest) recovery in 2014

Domestic demand will remain weak due to private-sector deleveraging (particularly in Spain), rising unemployment rates and the impact of budgetary consolidation measures. Although the pace of the latter has slowed since last May's European Commission agreement, it is far from over and should strip on average 1.3pp per year from annual potential growth out to 2014.

Under these conditions, imports are expected to continue to be restrained, while the improvement in competitiveness (especially in Spain, Portugal and Greece) should bolster exports. Net exports are therefore likely to be the catalyst for a gradual exit from recession in the Southern European countries in 2014 (with the exception of Greece): +0.3% in Italy, +0.4% in Spain and +0.4% in Portugal. ■

WHAT OF THE EUROZONE'S TWO PILLARS?

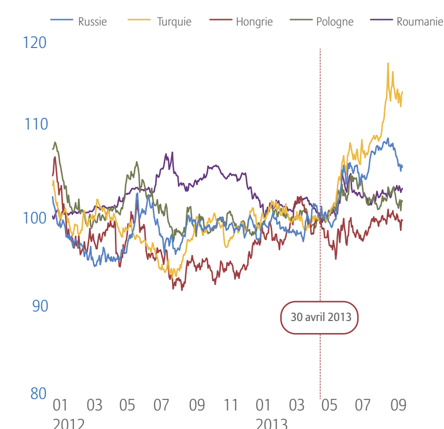
✓ Household consumption in **Germany** should remain buoyant at a time when companies have significant leeway at their disposal to kick-start investment (favorable credit conditions and high self-financing capacity). GDP growth is forecast to reach +0.5% in 2013 and to subsequently pick up more strongly in 2014 (+1.6%), close to its potential.

⚠ **France** will avoid recession (+0.2%) thanks to base effects linked to a pronounced recovery in growth in Q2. However, the recovery will remain limited (+0.6% in 2014) by weak investment and uncertainty lingering over the sustainability of exports, affected by high labor costs and an unfavorable tax environment.

Emerging Europe

Economic activity remained generally lacklustre in Q2 and the regional GDP growth forecast has been revised downwards to +1.7% in 2013 and +3% in 2014. Russia was particularly disappointing as Q2 growth decelerated to +1.2% y/y. The deteriorated growth prospects – EH expects the Russian economy to expand by +2% in full year 2013 – led to a 7.5% depreciation of the RUB against a USD-EUR basket during May-August. However, most countries in the region have avoided the recent emerging market sell-off as they had not attracted substantial capital inflows in the previous years. The notable exception is Turkey. Nonetheless, some other countries remain also high risk owing to persistently high external debt burdens, especially Croatia, Hungary, Romania, Serbia and Slovenia.

Nominal exchange rate
Basis 100=30 April 2013



Sources: IHS Global Insight, Euler Hermes

MANFRED STAMER

Turkey

Still vulnerable

Following the soft landing in 2012, the economy will pick up gradually in 2013-2014

Real GDP growth accelerated to +4.4% y/y in Q2, up from +2.9% in Q1 and +2.2% in full year 2012, thanks to strong gains in domestic demand though external demand weakened. Private consumption expanded by +6.4% y/y in Q2, public consumption by +7.4% and investment by +3.7%, thanks to a +36.7% surge in public sector investment. Exports growth decelerated to just +1.2% y/y while imports increased by +11.7%, so that net exports made a large negative contribution to Q2 growth. Going forward, mounting headwinds since mid-2013 are likely to have hurt GDP growth in Q3, which may be followed by a modest recovery in Q4. EH expects full year growth of about +3.3% in 2013, followed by +4% in 2014.

8.9%
of GDP

Turkish current account deficit in the 2nd semester 2013

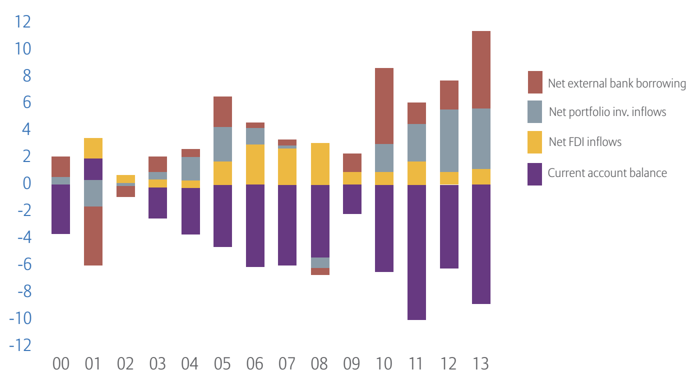
The current account deficit has widened again, causing renewed concerns about its financing

After narrowing to 6% of GDP in 2012, the current account deficit increased again to 8.9% of GDP in H1 2013. Net foreign direct investment inflows have been modest in recent years, covering just 17% of the annual current account deficits in 2010-2012 and 10% in H1 2013. The large remainder of the shortfalls has been financed through new short-term external debt: in H1 2013, net portfolio investment inflows amounted to USD18bn (4.4% of GDP) and net external bank borrowing added up to USD22bn (5.5% of GDP). As a result, short-term external debt has risen rapidly, hitting a worrisome, new record high of USD126bn in mid-2013.

Rapid TRY depreciation during emerging market sell-off in mid-2013

The risks associated with large short-term capital outflows were exposed during the emerging market sell-off from May to August 2013, which hit Turkey badly. News in May that the US Fed would taper its QE led to substantial capital outflows (the reversal of earlier inflows), a marked fall in turkish stocks and a 13% depreciation of the TRY against a USD-EUR basket during that period. The Central Bank has intervened to smooth the progress of depreciation through foreign exchange auctions and monetary tightening, and the TRY has stabilised in September. EH does not expect a full-blown currency crisis, but corporate insolvencies and non-performing loans are likely to rise as the servicing of short-term external debt will become more difficult for weaker companies. ■

Current account balance and financing of deficits
% of GDP



Sources: IHS Global Insight, Euler Hermes

Africa and **Middle East**

GDP growth will remain below potential and recent long-term averages. In the Middle East, concerns relating to oil and gas market developments and geo-political factors (including civil war in Syria and sanctions on Iran) will limit growth to +2.4% in 2013 and +3.7% in 2014 (against a ten-year average of +5.2%). In Africa, overall growth will be limited by relative weakness in two of the top five economies (South Africa and Sudan), with overall GDP expanding by +4.1% in 2013 and +4.9% in 2014. Elsewhere in Africa, there will be pockets of continuing high growth and commercial opportunities as natural resource utilisation increases and inward investment continues to be strong.

113 USD

Forecast average price per barrel of crude oil in 2014

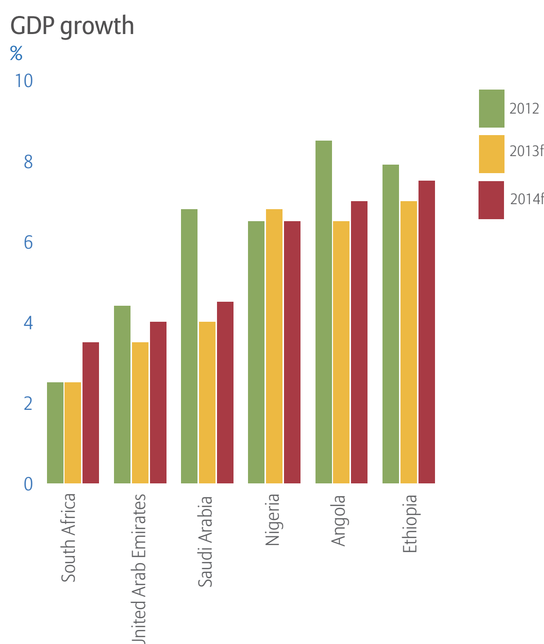
ANDREW ATKINSON

Saudi Arabia and South Africa

Saudi Arabia: Not based on shifting sands
GDP growth will be +4% in 2013 and +4.5% in 2014, compared with an average +6.9% in 2003-12. The outcome next year could be higher if current oil output levels are maintained to supply market shortages arising from production disruptions elsewhere and/or a stronger rebound in global energy demand.

South Africa : Digging deep
GDP growth will be +2.5% in 2013 and +3.5% in 2014, compared with an average +3.5% in 2003-12. However, there are downside risks to these forecasts relating, in particular, to the potential for mining output to be disrupted as the wage negotiation season continues and to the elections next year, again with possibilities that the focus on the build up to the polls and the elections themselves limit overall output.

GDP growth



Sources: IHS Global Insight, Euler Hermes forecasts

> Saudi Arabia
Strong wealth base provides considerable financial cushion

Combining the country's foreign exchange reserves and its sovereign wealth funds suggests that the country has around USD660 billion in financial assets, at least. With fiscal and current account surpluses likely to remain strong into next year, the asset base will also remain healthy. This allows the ruling regime to undertake considerable social and infrastructure spending, which will limit domestic dissatisfaction and also improve the country's stock of human capital and transport and communication networks, and thereby boost growth prospects.

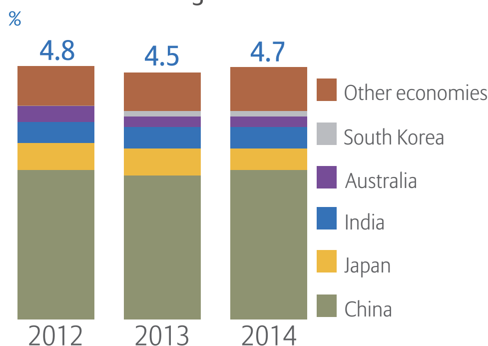
Improving international business perceptions

A recent feature of the economy is the improvement in the operational business environment, with international agencies reporting that conducting commercial operations in (and with) Saudi Arabia is becoming less complex and more transparent.

>South Africa
Emerging market sell-off likely to be temporary, but still bad news

As an open economy and with a tradeable currency and readily accessible stock market, South Africa was at the forefront of a recent sell-off in emerging markets. The decision by the US Fed not to start its tapering operations (that will improve the interest rate differential in favour of the US and reverse previous capital flows into emerging markets) has provided some respite. However, recent events have highlighted some of South Africa's structural weaknesses, including fiscal and current account deficits. Despite a track record of relatively good economic management, it is unlikely that these flaws will be addressed effectively in the forecast period, particularly as elections next year could induce populist measures. ■

Asia-Pacific



Sources: IHS Global Insight, Euler Hermes

Growth in the Asia-Pacific region is forecast to slow to +4.5% in 2013 before accelerating slightly to +4.7% in 2014. The region is likely to continue to be held back by a lack of vigor in exports to developed countries, in particular the eurozone but also China, which is in the middle of a slowdown. Only Japan is expected to show vigor in the short term, spurred on by very favorable monetary and fiscal policies. In 2014, the regional growth engines should rebalance in favor of the other regional heavyweights, namely China (+7.6% versus +7.4% in 2013) and India (+5.5% versus +4.7% in 2013) as well as Australia (+2.8%) and South Korea (+3.5%). These economies should improve automatically on the back of an upturn in global demand, in particular in Europe and the United States. Japan should continue to buck the trend, with a -0.5 pp slowdown in growth to +1.5% following the beginning of fiscal consolidation.

MAHAMOUD ISLAM

+4.7%
Regional growth in 2014

Japan

Dynamic in 2013, resilient in 2014

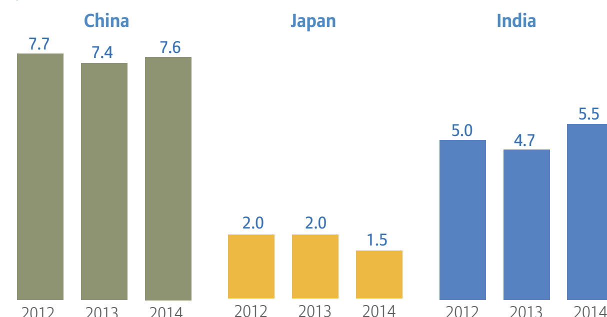
Growth is forecast to remain above the average recorded over the past ten years (i.e. +0.9% per year): robust in 2013 (+2%) and resilient in 2014 (+1.5%). In the short term, the main growth driver will be domestic demand (+1.8%), bolstered by (i) particularly robust household consumption (+2.1%) before the increase in the consumption tax, and (ii) increased public spending (+3%), reflecting the government's commitment to boost growth. In 2014, this driver will run out of steam under the effect of budgetary consolidation, in particular as a result of an increase in the VAT rate but also due to a reduction in public spending. Under these conditions, the main contributor to growth will be foreign trade.

Domestic demand will suffer from the VAT hike in 2014 despite the stimulus

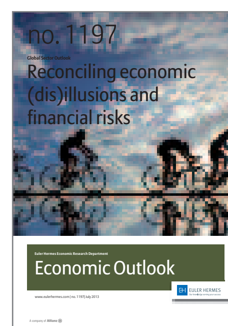
On October 1st, the Abe government officially announced its plans to increase the consumption tax from 5% to 8% in April 2014. This increase is expected to bring in JPY 8 trillion in revenue to rein in public finances (fiscal deficit at -9.9% in 2012 and forecast at -11.6% in 2013). At the same time, Abe announced a series of additional stimulus measures amounting to JPY 5 trillion with a view to limiting the effects of this hike on household demand, the main driver of growth. These measures include (i) financial aid for the least wealthy households, and (ii) a reduction in the tax burden on companies. While these announcements (already anticipated) were rather well received by investors (Tokyo's stock market rallied) and companies (the Tankan survey was positive), they pose many short-term risks particularly for growth. The last time the VAT rate was increased was not a happy episode for Japan. Introduced in 1997 (increase from 3% to 5%), the hike was followed by a contraction in household consumption of -3.5% q/q (slowdown to +0.9% in 1997 compared with +2.3% in 1996), traumatizing Japanese households. Also, although measures have been taken to stymie the effect of the increase in the VAT rate, household consumption should slow in 2014 (to +1% versus +2.1%) due to a -1.5% q/q contraction in Q2 2014 followed by a stabilization in the second half of 2014. This decrease is all the more likely as measures to cut public spending are expected to be announced for the next fiscal year, keeping in mind that Japan's public debt is colossal and that Abe has promised a JPY 17 trillion reduction over the next two years (i.e. 4% of GDP).

Foreign trade should come to the rescue in 2014

Exports continued to grow in Q2 2013 (+3% q/q) and leading indicators point to solid growth in the coming months. Q3 actually seems to have started well. Exports accelerated to +15% y/y in August compared with +12% in July, with an increase in demand from the United States and the eurozone in particular. In addition, confidence surveys in industry (manufacturing PMI) point to an improvement in export prospects, with a surge in order books (the biggest increase in the past 6 months). Last, Japan is expected to benefit from efforts to improve competitiveness thanks to the weakness of the yen (USD/JPY at 99 in September). Moreover, exports are forecast to accelerate to nearly +7% in 2014. On the other hand, the weak domestic demand expected in 2014 points to limited growth in imports (+2.4%). Foreign trade looks set to be the main growth driver (contribution of +0.8%). ■



Sources: IHS Global Insight, Euler Hermes



Already issued:

no. 1181	**Macroeconomic, Risk and Insolvency Outlook** A fog cannot be dispelled by a fan
no. 1182	**Special Report** Payment periods in Europe: wide gaps
no. 1183-1184	**Macroeconomic, Risk and Insolvency Outlook** Too much time wasted saving time
no. 1185	**Global Sector Outlook** Economic sectors put to the test
no. 1186	**Macroeconomic, Risk and Insolvency Outlook** In 2013, we take the same and start again
no. 1187	**Special Report** The Reindustrialization of the United States
no. 1188	**Special Report** The Reindustrialization of the United States
no. 1189-1190	**Macroeconomic, Risk and Insolvency Outlook** World heads for sixth year of crisis: something the Maya did not forecast! !
no. 1191	**Global Sector Outlook** Now where did global demand go?
no. 1192	**Special Report** Trade Routes: What has changed, what will change
no. 1193	**Macroeconomic, Risk and Insolvency Outlook** Europe: still looking for a second wind
no. 1194	**Business Insolvency Worldwide** Corporate insolvencies: the true nature of the Eurozone crisis
no. 1195-1196	**Macroeconomic, Risk and Insolvency Outlook** The world at a crossroads
no. 1197	**Global Sector Outlook** Reconciling economic (dis)illusions and financial risks
no. 1198	**Special Report** The Mediterranean: Turning the tide
no. 1199	**Macroeconomic and Risk Outlook** Half-baked recovery

To come :

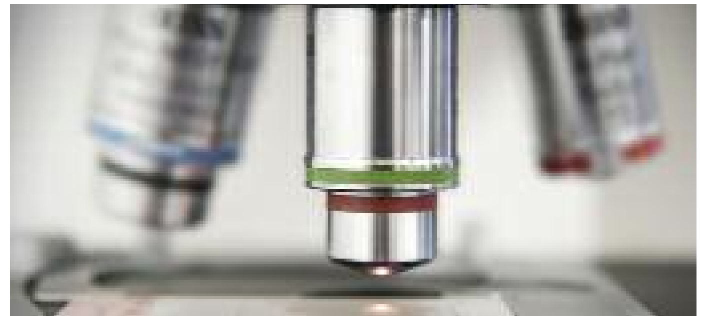
no. 1200	**Business Insolvency Worldwide**

Economic Research
Euler Hermes Group

Other available publications

Available
in French and/or English,
German version

Economic Insight



Back issues:

- **Hungary**: despite overall economic fragility, some sectors have retained strength ▶September 2013 *(En)*
- En France à fin juillet 2013, toujours aucun signe d'amélioration du côté des défaillances d'entreprises, bien au contraire ▶29 aout 2013 *(Fr)*
- **China**: Mini credit crunch for a mega economy? ▶August 19, 2013 *(Fr, En)*
- **The eurozone** needs a credit policy ▶ July 31st, 2013 *(Fr, En)*
- **Transatlantic Free-Trade Agreement:** More than just corn and foie gras? ▶ July 1st, 2013 *(Fr, En)*
- **Europe**: The scarring effects of youth unemployment ▶ July 1st, 2013 *(Fr, En)*
- **United States** : structural **unemployment** as a long-term impediment to growth ▶ June 25, 2013 *(En)*
- **En France**, la remontée des **défaillances** d'entreprises se diffuse à la grande majorité du tissu économique ▶ 24 juin 2013 *(Fr)*
- **Défaillances** : pourquoi cette crise est-elle différente de 2009 ? ▶ 6 juin 2013 *(Fr)*
- '**Greecovery**': Is there enough light at the end of the Greek tunnel ▶ June 4, 2013 *(En)*
- **Shale gas** : One country's meat is another country's poison? ▶May 29, 2013 *(En)*
- **Insolvency forecast germany** : Several sectors at insolvency risk in 2013 ▶ May 29,2013 *(De, En)*
- Plus de 61000 **défaillances l'an en France**, avec une envolée des procédures de sauvegarde ▶ 27 mai 2013 *(Fr)*
- **Heavy truck market** just ticking over: A highly cyclical sectorun ▶ May 20,2013 *(Fr, En)*
- Crisis in the **European petrochemical industry**? ▶ May 19, 2013 *(Fr, En)*
- **Construction**: The end of the Polish exception ▶ May 15,2013 *(Fr, En)*
- **California** : The Agrifood Valley at-risk ▶May 7, 2013 *(En)*

English version only

Country Risk Analysis

Back issues:

- Kenya ▶ Last review : 2013-09-19
- Romania ▶Last review : 2013-09-19
- India ▶ Last review : 2013-09-19
- Jordan ▶ Last review : 2013-09-19
- Egypt ▶Last review : 2013-09-19
- Malta ▶ Last review : 2013-09-19
- Angola ▶ Last review : 2013-09-19
- Azerbaidjan ▶ Last review : 2013-09-19
- Bangladesh ▶ Last review : 2013-09-19
- Cambodgia : ▶ Last review : 2013-09-19
- Hungary ▶ Last review : 2013-09-19
- Lebanon ▶ Last review : 2013-09-19
- Malaysia ▶ Last review : 2013-09-19
- Mozambique ▶ Last review : 2013-09-19
- Nigeria ▶ Last review : 2013-09-19
- Philippines ▶ Last review : 2013-09-19
- Poland ▶ Last review : 2013-09-19
- Qatar ▶ Last review : 2013-09-19
- South Africa ▶ Last review : 2013-09-19
- Sri Lanka ▶ Last review : 2013-09-19
- Uganda ▶ Last review : 2013-09-19

English version only

Weekly Export Risk Outlook

Subsidiaries

Registered office :
Euler Hermes Group
1, place des Saisons
92078 Paris La Défense - France
Tel. : + 33 (0) 1 84 11 50 50

www.eulerhermes.com

▶ Argentina
Solunion
Av. Corrientes 299 - 2° Piso
C1043AAC CABA,
Buenos Aires
Tel: + 54 11 4320 7157/77

▶ Australia
Euler Hermes Australia Pty Ltd
Agents Pty Ltd.
Level 9, Forecourt Building
2 Market Street
Sydney, NSW 2000
Tel: + 61 2 8258 5108

▶ Austria
Prisma Kreditversicherungs-AG
Himmelpfortgasse 29
1010 Vienne
Tel: + 43 5 01 02-0

Euler Hermes Collections GmbH
Sweigniederlassung Österreich
Handelskai 388
1020 Vienne
Tel: + 43 1 90 81 771

▶ Bahrain
Please contact United Arab Emirates

▶ Belgium
Euler Hermes Europe S.A. (N.V.)
Avenue des Arts — Kunstlaan, 56
1000 Bruxelles
Tel: + 32 2 289 3111

▶ Brazil
Euler Hermes Seguros de Crédito S.A.
Avenida Paulista, 2,421 — 3° andar Jardim Paulista
São Paulo / SP 01311-300
Tel: + 55 11 3065 2260

▶ Canada
Euler Hermes Services Canada, Inc.
1155, Boulevard René-Lévesque Ouest Bureau 1702
Montréal Québec H3B 3Z7
Tel: + 514 876 9656

▶ Chili
Euler Hermes Seguro de Crédito S.A.
Ave. Presidente Kennedy 5735
Of. 801, Torre Poniente
Las Condes
Santiago
Tel: + 56 2 246 1786

▶ China
Euler Hermes Consulting (Shanghai) Co., Ltd.
Unit 2103, Taipint Finance Tower, N°488
Middle Yincheng Road, Pudong New Area,
Shanghai, 200120
Tel: + 86 21 6030 5900

▶ Colombia
Euler Hermes Colombia
Calle 72 6-44 Piso 3 - Édificio APA
Bogota
Tel: +571 326 4640

▶ Czech Republic
Euler Hermes Europe S.A.
organizacni slozka
Molákova 576/11
186 00 Prague 8
Tel: + 420 266 109 511

▶ Denmark
Euler Hermes Danmark, filial af
Euler Hermes Europe S.A. Belgium
Amerika Plads 19
2 100 Copenhague O
Tel: + 45 88 33 3388

▶ Estonia
Please contact Finland

▶ Finland
Euler Hermes Europe S.A.
Suomen sivuliike
Mannerheimintie 105
00280 Helsinki
Tel: + 358 10 850 8500

▶ France
Euler Hermes France SA
Euler Hermes Collections
Euler Hermes World Agency
1, Place des Saisons
92 048 Paris La Défense
Tel: + 33 1 84 11 50 50

▶ Germany
Euler Hermes Deutschland AG
Friedensallee 254
22763 Hambourg
Tel: + 49 40 88 34-0

Federal Export Credit Guarantees
Friedensallee 254
22763 Hambourg
Tel: + 49 40 88 34 90 00

Euler Hermes Collections GmbH
Zeppelinstr. 48
14471 Postdam
Tel: + 49 331 27890-000

▶ Greece
Euler Hermes Emporiki SA
16 Laodikias Street & 1-3 Nymfeou Street
115 28 Athènes
Tel: + 30 210 69 00 000

▶ Hong Kong
Euler Hermes Hong Kong Services Ltd
Suites 403-11, 4/F - Cityplaza 4
12 Taikoo Wan Road
Island East
Hong Kong
Tel: + 852 3665 8901

▶ Hungary
Euler Hermes Europe S.A
Magyarrorszagi Fioktelepe
Kiscelli u. 104
1037 Budapest
Tel: +36 1 453 9000

▶ India
Euler Hermes India Pvt.Ltd
5th Floor, Vaibhav Chambers
Opposite Income Tax Office
Bandra Kurla Complex- Bandra (East)
Mumbai 400 051
Tel: +91 22 6623 2525

▶ Indonesia
PT Asuransi Allianz Utama Indonesia
Summitmas II. Building, 9th Floor
Jl. Jenderal Sudirman Kav 61-62
Jakarta 12190
Tel: +62 21 252 2470 ext. 6100

▶ Ireland
Euler Hermes Ireland
TAllianz House
Elm Park
Merrion Road
Dublin 4
Tel. : +353 (0)1 518 7900

▶ Israel
ICIC
2, Shenkar Street
68010 Tel Aviv
Tel: +97 23 796 2444

▶ Italia
Euler Hermes Europe S.A.
Rappresentanza generale per l'Italia
Via Raffaello Matarazzo, 19
00139 Rome
Tel: + 39 06 8700 1

▶ Japan
Euler Hermes Deutschland AG, Japan Branch
Kyobashi Nisshoku Bldg 7th floor
8-7, Kyobashi, 1-chome,
Chuo-Ku
Tokyo 104-0031
Tel: + 81 3 35 38 5403

▶ Kuwait
Please contact United Arab Emirates

▶ Latvia
Please contact Poland

▶ Lithuania
Please contact Poland

▶ Malaysia
Euler Hermes Singapore Services Pte Ltd., Malaysia Branch
Suite 3A_13A, Level 13A, Block 3A
Plaza Sentral, Jalan Sentral
Jalan Stesen Sentral 5
50470 Kuala Lumpur
Tel. : +603 2264 8556 (or 8599)

▶ Mexico
Euler Hermes Seguro de Crédito S.A.
Torre Polanco
Calzada Mariano Escobedo No. 476, Piso 15
Colonia Nueva Anzures
Delegación Miguel Hidalgo
Mexico DF C.P. 11590
Tel. : +52 55 5201 7900

▶ Morocco
Euler Hermes Acmar
37, bd Abdelatiff Ben Kaddour
20 050 Casablanca
Tel: + 212 5 22 79 03 30

▶ The Netherlands
Euler Hermes Nederland NV
Pettelaarpark 20
5216 PD's-Hertogenbosch
Tel: + 31 73 688 9999

▶ New Zealand
Euler Hermes New Zeland Ltd
Level 1, 152 Fanshawe Street
Auckland 1010
Tel: + 64 9 354 2995

▶ Norway
Euler Hermes Norge
Holbergsgate 21 P.O. Box 6 875
St. Olavs Plass
0130 Oslo
Tel: + 47 2 325 6000

▶ Oman
Please contact United Arab Emirates

▶ Philippines
Please contact Singapore

▶ Poland
Towarzystwo Ubezpieczen
Euler Hermes S.A.
ul. Domaniewska 50 B
02-672 Varsovie
Tel: + 48 22 363 6363

▶ Portugal
COSEC Companhia de Seguro de Créditos, S.A.
Avenida da República, nº 58
1069-057 Lisbonne
Tel: + 351 21 791 37 00

▶ Qatar
Please contact United Arab Emirates

▶ Romania
Euler Hermes Europe SA Bruxelles
Sucursala Bucuresti
Str. Petru Maior Nr.6
Sector 1,
011264 Bucarest
Tel: + 40 21 302 0300

▶ Russia
Euler Hermes Credit Management OOO
Office C08, 4-th Dobryninskiy per., 8,
Moscou, 119049
Tel: + 7 495 98128 33 ext.4000

▶ Saudi Arabia
Please contact United Arab Emirates

▶ Singapore
Euler Hermes Singapore Services Pte Ltd
3 Temasek Avenue 03-02 Centennial Tower
Singapour 039190
Tel: + 65 6297 8802

▶ Slovakia
Euler Hermes Europe SA, poboka poist'ovne z ineho clenskeho statu
2012: Plynárenská 7/A
82109 Bratislava
Tel: + 421 2 582 80 911

▶ South Africa
Please contact Italia

▶ South Korea
Euler Hermes Credit Underwriters (HK) Ltd. Korea Liaison Office
Rm 1411, 14/F, Sayong - Platinum Bldg
156, Cheokseon-dong,
Chongro-ku,
Seoul 110-052,
Tel: + 82 2 733 8813

▶ Spain
Solunion
Avda. General Perón, 40
28020 Madrid
+34 902 400 903
www.solunionseguros.com

▶ Sri Lanka
Please contact Singapore

▶ Sweden
Euler Hermes Sverige filial
Klarabergsviadukten 90 - P.O. Box 729
101 64 Stockholm
Tel: + 46 8 55 51 36 00

▶ Switzerland
Euler Hermes Deutschland AG, Sweigniederlassung Zürich
Tödistrasse 65
8002 Zürich
Tel: + 41 44 283 65 65
Tel: + 41 44 283 65 85 (Reinsurance)

▶ Taiwan
Please contact Hong Kong

▶ Thailand
Allianz C.P. General Insurance Co., Ltd
323 United Center Building, 30 th Floor
Silom Road.
Bangrak, Bangkok 10500
Tél. + 66 2638 9000

▶ Tunisia
Please contact Italia

▶ Turkey
Euler Hermes Sigorta A.s.
Maya Akar Center
Buyukdere Cad. No:100 K:7,
34394, Esentepe / Istanbul
Tel : +90 212 2907610

▶ United Arab Emirates
Euler Hermes
c/o Alliance Insurance (PSC)
Warba Centre, 4th Floor - Office 405 - PO Box 183957
Dubai
Tel: + 971 4 211 6005

▶ United States
Euler Hermes North America Insurance Company
800 Red Brook Boulevard
Owings Mills, MD 21117
Tel: + 1 410 753 0753

Euler Hermes UMA Inc. (Trade Debt Collections)
600 South 7th Street
Louisville, KY 0201-1672
Tel: +1 800-237-9386

▶ United Kingdom
Euler Hermes UK
1 Canada Square
Londres E14 5DX
Tel: + 44 20 7 512 9333

▶ Vietnam
Please contact Singapore

Euler Hermes Economic Outlook
is published monthly by the Economic Research Department
of Euler Hermes Group
1, place des Saisons, 92048 Paris La Défense Cedex
E-mail : research@eulerhermes.com - Tel. : +33 (0) 1 84 11 50 50

This document reflects the opinion of the Economic Research Department of Euler Hermes.
The information, analyses and forecasts contained herein are based on the Department's current hypotheses and viewpoints and are of a prospective nature. In this regard, the Economic Research Department of Euler Hermes has no responsibility for the consequences hereof and no liability.
Moreover, these analyses are subject to modification at any time.

www.eulerhermes.com

Le Bulletin
Économique