



# Weekly Export Risk Outlook



EULER HERMES

5 May 2010

## In the Headlines

FIGURE OF THE WEEK: €110BN > GREECE'S EMERGENCY LOAN PACKAGE

### ▶ Greece: Rescue plan involves austerity measures

The EU/IMF €110bn package of emergency loans (€80bn from the EU and €30bn from the Fund) approved 2 May 2010 is designed to avoid a sovereign default by Greece, prevent a crisis of confidence spreading to other EU countries and insure the stability of the euro. This rescue plan involves new austerity measures, including cuts in public spending over three years to reduce public expenditure from 50% of GDP in 2009 to 7% in 2013. It aims to reduce the overall budget deficit from 13.6% of GDP in 2009 to below 3% by 2014 and will adversely affect domestic demand. Accordingly, the Greek economy could contract by 4% in 2010 (after falling 2% in 2009) and by a further 2.6% next year.

### ▶ USA: Q1 2010 GDP data suggest real demand growth

In a very positive Q1 2010 report, GDP grew at an annualised real rate of 3.2%, the third consecutive increase. Consumption posted a 3.6% gain, the best in three years, proving that the US consumer is still alive. Investment grew at a brisk 15% rate, following Q4 2009's blistering 46%. While net exports did increase slightly, growth in both exports and imports is still a positive for the global economy. Perhaps most importantly, the quarter's activity was not driven by a change in inventory, suggesting genuine demand in the economy. Other recent strong reports include personal consumption expenditures, ISM manufacturing, factory orders and pending home sales. This Friday's April employment report is critical. Consensus expectations are for an unemployment rate of 9.5%- 9.7% and about 200,000 new jobs.

### ▶ Thailand: PM calls early polls

In a fresh attempt to end more than seven weeks of anti-government protests that have paralysed parts of Bangkok and resulted in violence on 10 April, PM Abhisit this week outlined a reconciliation plan and offered to hold early elections in November. The red-shirt protesters have cautiously welcomed the plan, although they originally demanded snap elections within three months. However, they want more clarification and a fixed date for the dissolution of parliament. The latter is a prerequisite for setting an election date, which has to be done in any case by the electoral commission—not the PM. A peaceful end to the turmoil now seems possible, but do not expect a swift and full reconciliation of the underlying social divides within the country.

### ▶ Iran: Oil sector changes but unremitting overall stance

Last week's personnel changes in the oil sector, including the head of NIOC (the state oil company) increase the influence of the Islamic Revolutionary Guards Corps in the industry. They may also indicate some urgency in increasing oil output as capacity has stagnated at around 4mbpd because of limited foreign inputs. Expect further attempts to increase sanctions against Iran and for this to maintain energy shortages in the country, but also expect Tehran to be intransigent in relation to demands to curtail its nuclear activities and for this to maintain heightened regional and global tensions.

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



### ► **Mediterranean countries & Africa - *Mauritius: Parliamentary elections hold no threat to stability***

Today's parliamentary elections are unlikely to present an upset. PM Navin Ramgoolam and the ruling Labour Party (MLP) are likely to be returned to office and policy continuity should therefore be relatively assured. The MLP campaigned in alliance with the MSM, led by Pravind Jugnauth, which has been in opposition since the 2005 poll, and with the PMSD, which has been Labour's junior partner in government for the past five years. Expect Jugnauth to take over the finance portfolio in cabinet. Also expect investment in education and infrastructure as further diversification is pursued away from the current main economic drivers (sugar, textiles, tourism and financial services). In this relatively dynamic economy expect annual GDP growth of 4-5% in 2010-11 after around 3% in 2009.



### ► **Americas – *Venezuela: Good rains ease energy crisis***

Early rains have reportedly improved the water level in the Guri dam—source of around 75% of national electricity supply—and thereby eased the energy crisis, which results in periodic power blackouts. Nevertheless, expect continuing energy rationing, particularly as relatively high water retention is needed ahead of the forthcoming dry season in November-May. Power shortages will delay economic recovery and they are also likely to be a partial contributory factor behind the decline in approval ratings of President Hugo Chavez (now at the lowest in seven years). Congressional elections are scheduled for September and opposition parties are gaining ground. However, Chavez has proved adroit at managing electoral expectations, so it is too early to expect a change in political leadership.



### ► **Asia-Pacific – *Philippines: Elections scheduled for May***

Elections for the presidency, the vice-presidency, one-half of the Senate (upper house), all of the 250 seats in Congress (lower house) and some 17,000 local-government positions are due on 10 May. Benigno "Noynoy" Aquino, the son of a former president, Corazon Aquino, is the front-runner for the presidency. Crucially, computerised vote-counting will be used for the first time, and problems in the system that became evident in tests have already raised fears of miscounting or fraud. The Philippines has a history of elections marred by alleged vote-rigging and corruption, as well as violence. So expect some short-term political uncertainty as official results are likely to be delayed and defeated candidates may claim poll fraud, especially if the winning gap is narrow.



### ► **Europe - *Ukraine: Gas deal with Russia***

A deal that prolongs Russia's lease on the Black Sea Fleet base in Sebastopol for 25 years until 2042, in exchange for a 30% discount for Ukrainian gas imports from Russia until 2019, was ratified by both countries' parliaments last week. The discount should save Ukraine at least USD2bn this year, easing fiscal pressures and allowing a budget proposal that is likely to be acceptable to the IMF, which had suspended funding in November 2009. However, the deal is highly controversial politically—reflected in chaos in parliament during the debate—and could deepen differences between the EU-leaning west of the country (now in opposition) and the Russia-leaning east and south. Meanwhile, expect real GDP to grow modestly, by 2-3% in 2010 after -15.1% in 2009.

## Worth knowing

### ► **Australia**

The Reserve Bank of Australia (RBA) increased its target interest rate to 4.5%, the sixth upward adjustment in eight months.

### ► **Russia**

Encouraged by an 11-year low inflation of 6.5% yr/yr in March, the Central Bank cut its key policy interest rate by 25bps to a historic low of 8% last week, in order to spur the still fragile economic recovery.

### ► **Commodity Prices**

Benchmark Brent Oil: USD86/barrel; year average to date USD80/b (year average for 2009, USD63/b).

For more information, visit  
[www.eulerhermes.com](http://www.eulerhermes.com)

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



# Weekly Export Risk Outlook



EULER HERMES

12 May 2010

## In the Headlines

FIGURE OF THE WEEK: €750BN > EURO-ZONE SUPPORT PACKAGE

### ▶ Euro-zone: Support package unveiled

The EU has unveiled a huge EUR750bn financial package to stabilise the euro-zone and prevent seizure of financial markets. The package includes EUR440bn through a three-year emergency funding facility backed by loan guarantees from Euro-zone countries plus Sweden and Poland, EUR60bn through an EU-wide balance of payments facility and up to EUR250bn of IMF resources, available under existing facilities on a case-by-case basis. In co-ordination, the ECB has begun to purchase bonds and provide liquidity, while the US Fed has also provided support by re-opening swap lines with various central banks. The initial market response was very positive and the package should be sufficiently large to provide breathing space, though governments will still need to implement stringent deficit reduction measures where necessary.

### ▶ US: Jobs report confirms strengthening recovery


In perhaps the most significant sign of strength in the economy to date, the April jobs report contained plenty to demonstrate an accelerating recovery. Payrolls grew by 290,000 jobs, above expectations of 200,000. Revisions for the previous two months added another 121,000 jobs. This was the fourth consecutive month of job growth, and the fifth in six months. Although unemployment rose to 9.9% from 9.7%, there was good news here as well, as the improvement in hiring conditions was so strong that it encouraged 805,000 unemployed workers to start looking for jobs. The report provided further evidence that the economy is recovering quicker and with more certainty than expected. Friday, look for retail sales and industrial production data.

### ▶ China: Return of trade surplus

The trade balance returned to surplus in April, though it was much smaller at USD1.6bn than a year earlier. Exports were up 31% yr/yr and imports by 50% yr/yr. Inflation moved higher in April to 2.8% yr/yr, broadly in line with expectations, and can be expected to move higher in the next few months, but it is not taking off rapidly as yet. Bank lending rebounded after the sharp fall in March. The trade balance could strengthen arguments against exchange rate appreciation, but some form of slow upward movement still seems likely, partly for international reasons but also as part of what is likely to remain a cautious approach to policy tightening, with the emphasis for the time being on property prices.

### ▶ Nigeria: Death of President Yar' Adua

Following the death of Umaru Yar' Adua—largely absent from November 2009—acting president Goodluck Jonathan was sworn in as head of state, resolving some leadership concerns. However, though Jonathan has pledged to focus on electoral reform, limiting corruption and restoring stability in the oil-producing Niger Delta region, he is unlikely to be able to implement substantial reforms, given strong vested interests, particularly within the ruling PDP. Expect a Moslem northerner to be appointed deputy president—there is a power-sharing convention—in the government that will serve until May 2011 at the latest, when the unexpired presidential term ends. As yet, Jonathan has not expressed his intentions to run next year, but expect him to do so.

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



► **Mediterranean countries & Africa – *Morocco: Continued growth***

Q1 2010 real GDP growth was 4.6% yr/yr, with the non-agricultural sector providing the main stimulus (5.1%). Last year, the economy exceeded expectations by growing by a revised upwards 5.2%. Partly because of such evidence of resilience to adverse external effects, rating agency S&P this March upgraded its sovereign assessment to investment status. However, agriculture (16% of GDP and around 40% of the workforce) is largely rain-fed and output volatility feeds through to household incomes and private consumption. We expect a weak agricultural contribution to overall growth in 2010, but, nevertheless, even with relatively low growth in Europe—around 50% of Moroccan exports and source of important workers' remittances—GDP should grow by around 3.5-4% this year.



► **Americas – *Colombia: FCL and presidential elections***

The government has renewed its one-year USD3.5bn flexible credit line (FCL) with the IMF. The FCL is precautionary but provides a useful bulwark against further global financial stress and underscores the relatively sound policy framework (the FCL does not carry policy conditionality). The presidential election—first round 30 May—is very tight, as Antanas Mockus of the Green Party, a political outsider and former mayor of Bogota, has emerged as a leading contender. In contrast to expectations a few weeks ago that Juan Manuel Santos, the chosen successor of popular incumbent, President Uribe, who cannot run in this election, would win comfortably, recent polls show little between them. It remains to be seen if Mockus can maintain momentum, but a run-off in June looks likely.



► **Asia-Pacific – *Indonesia: Strong Q1***

Q1 real GDP growth was 5.7% yr/yr (5.4% Q4 2009) led by a strong 7.9% increase in investment and a solid 3.9% expansion of private consumption. Government spending dropped by 8.8%, as the fiscal stimulus in early 2009 provided a strong base. There was a small negative net foreign trade as soaring imports (22.6%) outstripped the surge in exports (19.6%). Inflation picked up to 3.9% yr/yr in April from 2.8% at end-2009 but the central bank kept its key policy interest rate on hold at 6.5% last week. The resignation of finance minister Sri Mulyani Indrawati, a credible fiscal reformer who will take up a senior position at the World Bank, could slow reform implementation, but do not expect a major policy shift.



► **Europe – *Estonia: Rate of contraction easing***

Real GDP contracted by 2.3% yr/yr in Q1 (advance estimate), an improvement from the 9.5% fall in Q4 2009 but still the ninth consecutive quarter of decline. Output increased in agriculture and most industrial sectors except construction, the sharp decline of which still caused the industrial sector as a whole to shrink by 1%. Value added contracted in all major service sectors other than real estate, renting and business-related services. Meanwhile, seasonally and working-day adjusted GDP shrank by 2.3% qtr/qtr in Q1, after growing at the same rate in Q4 2009. Following 10 months of deflation, consumer prices increased significantly by 1.7% yr/yr in March and 2.9% in April, partly due to higher energy costs.

Worth knowing

► **UK**

After the general election on 6 May left none of the major parties with an outright majority, a formal coalition-government—the first in peacetime for 70 years—of Conservatives and Liberal Democrats has taken office.

► **Philippines**

Benigno "Noynoy" Aquino, the favourite, leads by a wide margin in Monday's presidential election with about 80% of votes counted.

► **Latvia**

Q1 real GDP shrank 6% yr/yr (advance estimate), but grew by 0.3% qtr/qtr (seasonally adjusted) after eight quarters of decline.

For more information, visit  
[www.eulerhermes.com](http://www.eulerhermes.com)



# Weekly Export Risk Outlook



EULER HERMES

19 May 2010

## In the Headlines

FIGURE OF THE WEEK: **1.22** > EUR/USD

### ▶ Euro-zone and EU: Q1 growth

Euro-zone real GDP increased, but only slightly, during Q1 2010 according to first estimates published last week, posting 0.2% growth qtr/qtr (0% in previous qtr). The EU27 also grew by 0.2% (+0.1% Q4 2009). Both were poor performances, driven mainly by exports while investment and consumption remained weak. GDP accelerated more strongly in Italy (+0.5%), but modestly in Spain (+0.1%)—now technically out of recession—and Belgium (+0.1%). The qtr/qtr pace was unchanged in Germany (+0.2%) and lost momentum in France (+0.1% after +0.5%), UK and Netherlands (both +0.2% after +0.4%). On a yr/yr basis, Q1 still appears weak, albeit better than the Q4 2009 performance, as GDP increased only by +0.5% in EMU and 0.3% in the EU27, compared with +2.5% for the US and +11.9% for China.

### ▶ US: More strong data

U.S. economic data indicates a rapidly recovering economy. Strong retail sales in the past two months resulted in an 8.8% y/y gain in April. Industrial production rose for the 9<sup>th</sup> time in 10 months to a 5.2% gain y/y, with manufacturing up 6.5% y/y. Housing starts jumped 5.8% in April, resulting in a spectacular 41% y/y growth rate. Permits plummeted 11.5%, but this was probably the result of homebuilders pausing to let the home-buying tax incentive expire (y/y permits are still up 16%). The housing market index rose to its highest level in 2.5 years. Producer prices fell 0.1% in April—while the headline is rising at a 5.4% y/y rate, the core is only up 1.0%, indicating little inflationary pressure.

### ▶ Thailand: Political protests

Today the army stormed the barricaded encampment of the red-shirt anti-government protesters in central Bangkok and several protest leaders, according to reports, have surrendered. The operation followed six days of clashes—triggered by army attempts to seal off the camp—which culminated in the worst political violence in nearly two decades. Although some hard-line protesters reportedly have not yet given up fighting, this looks likely to be the end of the siege and the paralysis of parts of the commercial district in the capital Bangkok. However, there is no obvious resolution to the underlying problem—the entrenched political struggle between the two sides of the now deeply divided society. Expect continued political instability.

### ▶ Brazil: Policy tightening

With consensus growth expectations of 6.3%—supported by recent strong data on retail sales (March up 1.6% mo/mo) and employment—and inflation consistently above target, the government last week announced public spending cuts of Rs10bn. Taken together with measures in March this is expected to reduce spending by 1% of GDP this year. Expect further policy tightening to head off overheating, but probably focused more on monetary policy—the policy interest rate was raised for the first time since late 2008 in April this year—as fiscal tightening is likely to be tempered by elections in October. In the presidential election recent polls Dilma Rousseff, the government candidate, backed by incumbent president, Lula da Silva, has edged ahead of her closest rival Jose Serra.

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



### ▶ Mediterranean countries & Africa – *Equatorial Guinea: Natural gas reserves revised upwards*

According to a government announcement last week natural gas reserves are now 4.5 trillion cubic feet, (against 1.3 tcf in a previous projection) and the country aims to become a regional gas export hub. A tripling of gas reserves provides scope for construction of a second LNG train and a second methanol plant, subject to interest from foreign investors. The revision is timely, given that oil reserves from the country's ageing fields are dwindling—annual crude oil output appears to have peaked at 373,000 barrels per day in 2005 and is currently around 318,000bpd. However, increased investments in the gas sector are unlikely to show up in GDP data in the ST, so expect economic growth of only 1-3% in 2010 and around 5% in 2011.



### ▶ Americas – *Dominican Republic: Election gains*

President Leonel Fernandez' ruling PLD will have an increased majority in congress after a strong showing in mid-term elections last weekend. The PLD has 31 of 32 seats in the Senate and, though official results are not yet available, is expected to increase the number in the lower house from 96 to above 100 (of 178). The PLD also won 90 of 155 municipalities. The PRD, the main opposition, were the biggest losers. The results are a strong endorsement of President Fernandez' policies in the global crisis—growth was 3.5% in 2009—but could also now facilitate more effective structural reform implementation and pave the way for a PLD candidate win in the 2012 presidential election. (President Fernandez is not allowed to stand for consecutive terms.)



### ▶ Asia-Pacific – *Malaysia: Double digit growth*

Q1 real GDP growth accelerated to 10.1% yr/yr from 4.4% in Q4 2009, driven by domestic demand and some base effects. Private consumption increased by 5.1%, government spending by 6.3% and investment by 5.4% while the change in inventories boosted total domestic demand growth to 16.2%. Total exports expanded by 19.3% while imports surged by 27.5%. On the supply side, manufacturing led the way (up 16.9%) but output grew also strongly in construction (8.7%) and services (8.5%). Even though inflation has remained subdued at an average 1.3% yr/yr in Q1, the central bank raised its key policy interest rate by 25 bps to 2.5% last week, aimed at keeping domestic demand in check. Expect 6%+ growth in calendar 2010.



### ▶ Europe – *Romania: Agreement on Stand-by review*

The economy remains in recession as seasonally-adjusted real GDP shrank by 0.3% qtr/qtr in Q1 after contracting by 1.5% in Q4 2009. On a yr/yr basis, the pace of decline eased to 2.6% from 6.6% in Q4. Last week, the authorities and IMF staff agreed on the fourth review of the Stand-By Arrangement, including a revision of the 2010 fiscal deficit target to 6.8% of GDP from 5.9% previously. Nonetheless, achieving the new target requires further action by the government, which has opted to reduce public sector wages by 25% and pensions and social assistance by 15% from June. Expect these cuts—a pre-requisite for the next IMF disbursement of EUR0.9bn—to hit consumer spending and growth which is likely to be flat in 2010.

## Worth knowing

### ▶ Iran

The US has announced a new set of draft sanctions, which have the support of the key permanent members of the UN Security Council, notwithstanding the agreement on nuclear fuel between Iran, Turkey and Brazil announced the day before.

### ▶ Other Q1 Real GDP

Hong Kong: Up 8.2% yr/yr and 2.4% qtr/qtr (seasonally adjusted), the fourth consecutive quarterly expansion.

Czech Republic: Up 1.2% yr/yr and 0.2% qtr/qtr (advance estimates; seasonally and working-day adjusted).

Chile: Up 1.1% yr/yr, down 1.5% qtr/qtr (seasonally adjusted), reflects the impact of February's earthquake)

For more information, visit  
[www.eulerhermes.com](http://www.eulerhermes.com)

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



# Weekly Export Risk Outlook



EULER HERMES

26 May 2010

## In the Headlines

FIGURE OF THE WEEK: **13.3%** > TAIWAN'S Q1 GDP GROWTH

### ▶ Taiwan: Rapid Q1 growth, but from low base

In Q1, real GDP growth was even stronger than expected at 13.3% yr/yr, up from 9.1% yr/yr in Q4 2009. The official projection for 2010 was increased to 6.1% from 4.7% previously, although this still looks on the low side as it implies GDP will contract over the next three quarters. Even if growth remains flat, full year growth should exceed 7%. However, the very rapid y/yr pace in Q1 is largely a result of the low base from a year earlier and is likely to moderate quite quickly, as the rapid pick up in investment fades and wages remain under pressure and temper private consumption growth. Nonetheless, industrial production growth in April, although slowing, remained strong in key export sectors such as electronics.

### ▶ Mexico: Export-led growth

Real GDP increased by 4.3% yr/yr in Q1. Output declined marginally on a seasonally adjusted qtr/qtr basis by 0.35%, but this followed two relatively strong growth quarters (2.42% and 1.93%). Exports appear to be leading a recovery in manufacturing, but domestic demand still remains weak—unemployment continued to rise in April, by more than had been expected. Unsurprisingly, the central bank left policy interest rates unchanged again last week, at 4.5%, probably helped by a decline in inflation in the first half of April. Nonetheless, services continue to show signs of recovery, which may point to some increase in domestic consumption. With US growth expected in 2010, exports should continue to provide momentum and real GDP should grow by around 4% this year.

### ▶ Kuwait: Fiscal strength based on oil

The budget surplus for FY 2009/2010 (ending 31 March) was USD28.2bn (around 20% of GDP), representing the 11th consecutive year of windfall. Total revenues of USD61.8bn included USD58.1bn (94%) from oil and were over 120% higher than initial projections, which were made on the assumption of an oil price of only USD35/barrel (around one half the actual average for the year). Expect fiscal conservatism to prevail going forward. Also expect the current exchange rate regime of a peg to a basket of currencies to be maintained and GDP to expand by 3-4% this year, after contraction of 1-2% in 2009.

### ▶ Lebanon: Continuing recovery, but still fragile

Positive economic data in Q1 (remittances and inflows up 65% yr/yr, aggregate number of tourists up 32% and exports up 12%) suggest that GDP growth will be 5-6% this year, after 6-7% in 2009, driven largely by the service sector and inward investment. In turn, this indicates an easing in domestic political tensions and in regional concerns. Nevertheless, the economy remains hampered by a large annual fiscal deficit (8-10% of GDP) and public debt (130-150% of GDP) and by the high cost of credit. Moreover, regional risk factors continue to weigh heavily on medium- to longer-term outlooks.

A company of Allianz 

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.



### ▶ Mediterranean countries & Africa – *Ethiopia: Clear electoral victory for the ruling EPRDF, but unease at the process*

Final results from the federal and regional elections on 23 May have yet to be released. However, according to electoral officials, the ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) already has 499 out of 536 seats so far declared, compared with 372 seats in the previous 544-seat legislature. Although international monitors declared the polls as peaceful—around 200 died in violence related to the 2005 elections—and well organised, allegations of electoral malpractice were widespread. Incumbent PM Meles Zenawi is unlikely to introduce radically-different policies during his next term. Expect western powers to remain supportive, including financial aid, as Ethiopia is a key regional ally in the fight against militant Islamism, particularly in neighbouring Somalia.



### ▶ Americas – *Trinidad & Tobago: Snap election defeat*

In a snap election—called two years before necessary—PM Patrick Manning and the ruling People's National Movement (PNM) were defeated by a five-party opposition coalition, led by the UNC. Preliminary results give the opposition coalition 29 of 41 seats, a comfortable majority, following a very large swing on what seems to have been a high turnout. The new PM will be UNC leader Kamla Persad-Bissessar, who will also become the first woman to lead the country, and will have a clear mandate to implement policies, although broad continuity can be expected. PM Manning's decision to go to the polls early, seemingly in an attempt to wrong-foot the opposition, has backfired and it remains to be seen if he will remain as party leader.



### ▶ Asia-Pacific – *Pakistan: Inflationary pressures*

Consumer prices increased by 13.3% yr/yr in April. This suggests that interest rates will not be eased in the ST—the main policy rate was left unaltered at 12.5% at a 24 May meeting—as the central bank previously announced that cuts will not be made until inflation falls below 10%, which now seems unlikely as wholesale prices have been increasing more rapidly than consumer prices and will filter through the system. Additionally, the government is committed under its IMF support programme to reduce the budget deficit after over-running in FY2009/10 (around 5.2% of GDP) and VAT is scheduled to be introduced in mid-year, thereby exacerbating inflationary pressures. Reducing the fiscal deficit is required to maintain IMF support—the Fund recently released a further USD1.1bn tranche.



### ▶ Europe – *Slovak Republic: Upturn ahead of elections*

The economy returned to yr/yr growth in Q1 as real GDP increased by 4.6%, according to “flash” estimates. Growth was also positive on a qtr/qtr basis for the second consecutive month, although it slowed to 0.8%. Exports (in nominal terms) also continued to rise rapidly in March at 19% yr/yr, a faster pace than imports, which were up 14.5%. These data are consistent with growth forecasts of around 2.5% for 2010. Meanwhile, parliamentary elections scheduled for 12 June are drawing closer and, despite a sharp economic contraction in 2009 of -4.7%, recent opinion polls give incumbent PM Robert Fico and his party, SMER, a strong lead, although he will still most probably need to form a coalition government.

## Worth knowing

### ▶ Other Q1 Real GDP

**Japan:** +1.2% qtr/qtr (the fourth consecutive quarterly expansion) and +4.2% yr/yr (seasonally adjusted).

**Venezuela:** -5.8% yr/yr, with the oil sector down 5%. Imports fell sharply as tightened currency controls rationed dollars.

### ▶ North Korea

Tension escalated following retaliatory action by South Korea against the alleged sinking of a ship by N. Korea, but UN action is more likely than outright bi-lateral military conflict.

For more information, visit  
[www.eulerhermes.com](http://www.eulerhermes.com)

A company of Allianz

**These assessments are, as always, subject to the disclaimer provided below.**

**Cautionary Note Regarding Forward-Looking Statements:** Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz SE's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The Group assumes no obligation to update any forward-looking information contained herein.