



Weekly Export Risk Outlook



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In the Headlines

FIGURE OF THE WEEK: **-0.5%** > EUROZONE 2012 GDP CONTRACTION

▶ Eurozone: Q4 2012 GDP contracted

GDP decreased by -0.6% q/q in Q4 2012, slightly more than expectations of -0.4%, confirming the expected contraction in activity over the whole year (-0.5%, in line with EH forecasts). In Q4 2012, q/q contractions were widespread, including Germany (-0.6%), France (-0.3%), Netherlands (-0.2%), Belgium (-0.1%), Austria (-0.2%), Finland (-0.5%), Italy (-0.9%), Spain (-0.7%) and Portugal (-1.8%). In full year 2013, EH forecasts GDP to contract by -0.1% (compared with a consensus -0.2%) reflecting ongoing fiscal consolidation and a weak global economy. Business surveys in January continued to point to contraction in the coming months, although stabilising. EH expects this trend to continue, but with a gradual improvement in H2. Meanwhile, in **Italy** legislative elections are scheduled for 24-25 February. The latest polls show that the centre-left PD Bersani was leading with around 35.2% support, followed by centre-right PdL Berlusconi (28%), 5 Star Movement Beppe Grillo (15.9%) and the centre coalition led by Monti (14.8%). However, uncertainty regarding the election's outcome is high given the Italian electoral system and a high number of undecided /abstentions (30% of voters).

▶ US: Lacklustre data

The most recent four-week moving average of weekly jobless claims, at 353,000, is still not indicating a robust labour market. In addition, retail sales (ex-auto) were weak in January and over the year have grown only +1.7%, but auto sales expanded by a strong +7.6%. Industrial production slipped in January putting the y/y increase at only +2.1%. Meanwhile, automatic budget cuts of USD85 billion are due to start in 10 days, with accompanying concerns relating to the ability of the government to manage its finances. The cuts, representing less than 3% of the total budget, were delayed in August of 2011 until January 2013, and were then delayed again until 1 March.

▶ Germany: Record foreign trade levels in 2012

Despite challenging global economic conditions and a marked contraction in economic activity in Q4 2012, the external sector performed strongly last year. First (and provisional) official statistics show that merchandise exports were valued at a record EUR1,097 billion in full year 2012, representing an increase of +3.4% compared 2011, which had also been a record. Imports of goods increased moderately in 2012, by +0.7%, and also reached a new high, of EUR909 billion. The trade balance in 2012 registered a surplus of EUR188 billion, which was the second largest annual surplus since the introduction of foreign trade statistics in 1958. In 2012, exports of goods to the rest of the Eurozone declined by -2.1% but shipments to other EU countries increased by +3.3% and exports to countries outside the EU increased by +8.8%.

▶ North Africa: Transition update

Until recently, it was perceived that the transition in **Tunisia** had been relatively smooth compared with neighbouring **Libya** and with **Egypt**. Recent events, specifically the street response following the assassination of a leading political opposition figure, have brought that assessment into question. **Tunisia's** PM—head of a tri-partite coalition of Islamist and secular parties—resigned this week after failing to forge a new government of technocrats, largely because his al-Nahda party did not support this move. The president will now seek a new premier and a new government but the political environment has deteriorated, reflecting tensions within and between formal parties and social and religious groups. A regional theme is how to establish a new political environment, with stability and security, while a deteriorating economy fails to meet popular expectations of jobs and improved living standards. Expect the transitions to remain fragile across the region and to require international support.

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► Mediterranean, Africa & Middle East – *South Africa: Politics*

A new political movement, Agang (“to build”) is in the process of being registered as a party that may contest next year’s elections. The prime mover behind Agang is Mamphele Ramphele, with strong anti-apartheid, academic and international agency credentials. This is a positive move as a more competitive political environment would balance the ANC’s dominance. Although there appears to be growing disillusionment with the ANC’s ability to deliver a more equitable society and to increase jobs, it remains to be seen if Agang can garner sufficient grass-root support to make a challenge. Other opposition parties, including the DA and Cope, have yet to make an impact at a national level. Expect the ANC, although losing support, to remain the dominant political force for now.



► Americas – *Ecuador: Presidential elections*

Rafael Correa (first elected in 2006) was re-elected by a wide margin for another four-year term in the first round of the presidential polls held last Sunday. Preliminary indications from the National Electoral Council give Correa 57% of the vote, comfortably above the 50% or 40% with a 10pp margin over the next candidate needed for a first round win. With the opposition fractured, his nearest rival, Guillermo Lasso, who has conceded defeat, took 23% and third placed former president, Lucio Gutierrez, 7%. In legislative elections held at the same time, Correa’s Alianza PAIS movement so far has 51% of the vote for the 137-seat National Assembly, which points to the president having a working majority. Expect the president to continue and intensify his populist/interventionist “citizens’ revolution”.



► Asia-Pacific – *Thailand: Post-flood recovery*

Base effects boosted Q4 2012 real GDP growth to +18.9% y/y (+3.1% in Q3), taking full-year growth to +6.4% (+0.1% in 2011). Severe floods adversely affected the economy in Q4 2011, resulting in a GDP contraction of -8.9% y/y. Annual growth in 2012 was entirely driven by domestic demand, partly as a result of reconstruction spending. Private consumption expanded by +6.6%, government consumption by +7.4% and fixed investment by +13.3%. Inventories added +0.8pps to full-year growth. External trade activity moderated as a result of ongoing global weakness, with exports increasing by just +2.9% and imports by +6.2%, with net exports subtracting -1.5pps from overall growth. As base effects fade and external demand remains weak, expect GDP growth to ease to around +4% in 2013.



► Europe – *Central Europe: Weak 2012 GDP*

Hungary fell further into recession in Q4 2012, with real GDP contracting by -0.9% q/q and -2.7% y/y, with the full-year decline at -1.7%. The **Czech Republic** also remained in recession as GDP contracted by -0.2% q/q and -1.7% y/y in Q4 and by -1.1% in 2012 as a whole. **Romania** slipped back into contraction in Q3 but returned to growth of +0.2% q/q and +0.3% y/y in Q4, taking full-year growth to a meagre +0.2%. **Bulgaria** retained positive, although modest, growth throughout the year, with Q4 GDP expanding by +0.1% q/q and +0.5% y/y. The **Slovak Republic** lost momentum in Q4, with growth slowing to +0.2% q/q and +0.7% y/y, but full-year growth was comparatively solid at around +2%. Expect regional weakness to continue as a result of austerity and low external demand.

Worth knowing

► **Cyprus**

The centre-right DISY candidate Anastasiades won the first round presidential election last Sunday (45% of the vote) ahead of the AKEL candidate, Malas (26%). They face each other in the second round runoff on 24 February. Anastasiades has campaigned on concluding a bailout deal with the IMF/EU, which the incumbent AKEL president, Christofias, has continuously delayed since mid-2012.

► **Sovereign Ratings**

Iceland: upgraded to BBB by Fitch (stable outlook). **Slovenia:** downgraded to A- by S&P (stable outlook). **Tunisia:** S&P downgraded to BB- from BB.

► **Bulgaria**

The government surprisingly announced its resignation today, following days of mass protests against high energy prices.

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