

Dynamic island economy



General Information

| | |
|---------------------------|--|
| Form of state | USD11.3bn (World ranking 126, World Bank 2011) |
| Population | 1.29 millions (World ranking 155, World Bank 2011) |
| Form of state | Parliamentary Democracy |
| Head of government | Navinchandra RAMGOOLAM |
| Next elections | 2015, legislative |



Strengths

- Well-developed and stable political system with regular peaceful transfers of power.
- Sound track record with regard to policy implementation.
- Few ethnic/religious tensions, despite significant cultural diversity.
- Strong inward FDI inflows, reflecting supportive general business environment.

Weaknesses

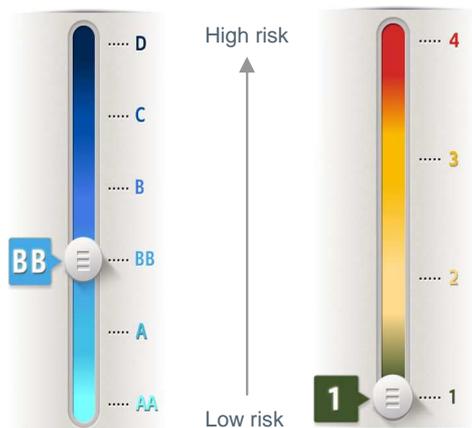
- Subject to adverse weather conditions (including periodic cyclones).
- Small island state dependent on external trade and therefore vulnerable to external shocks.
- Unemployment is high (currently estimated at 7.6%).
- Fiscal deficits have been reduced but current account deficits remain large and require careful management.

Country Rating

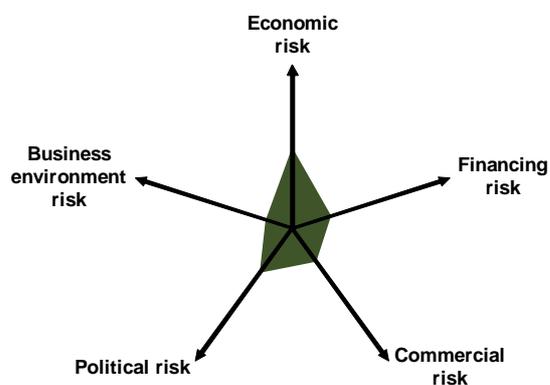
BB1

Country Grade

Country Risk Level

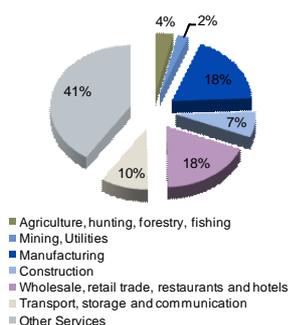


Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2010)

By destination/origin

| Exports | Rank | Imports |
|----------------|-------|-----------------|
| United Kingdom | 21% 1 | 27% India |
| France | 17% 2 | 10% China |
| United States | 10% 3 | 9% France |
| Italy | 8% 4 | 7% Singapore |
| South Africa | 8% 5 | 6% South Africa |

By product

| Exports (% of total) | Rank | Imports (% of total) |
|--|-------|---|
| Articles of apparel & clothing accessories | 40% 1 | 19% Petroleum, petroleum products and related |
| Fish, crustaceans, molluscs and preparations thereof | 15% 2 | 6% Fish, crustaceans, molluscs and preparations thereof |
| Sugar, sugar preparations and honey | 14% 3 | 6% Textile yarn and related products |
| Miscellaneous manufactured articles, n.e.s. | 5% 4 | 5% Road vehicles |
| Textile yarn and related products | 5% 5 | 4% Non metallic mineral manufactures, n.e.s. |

Economic Forecasts

| | Average 2000-08 | 2009 | 2010 | 2011 | 2012f | 2013f | 2014f |
|----------------------------|-----------------|------|------|-------|-------|-------|-------|
| GDP growth (% change) | 4.5 | 3.0 | 4.0 | 4.1 | 3.5 | 3.5 | 4.0 |
| Inflation (% end-year) | 6.2 | 1.5 | 6.1 | 4.9 | 4.0 | 4.1 | 3.9 |
| Fiscal balance (% of GDP) | -4.5 | -3.6 | -3.2 | -3.2 | -0.3 | -0.6 | -0.2 |
| Public debt (% of GDP) | 49.7 | 50.7 | 50.6 | 50.9 | 50.9 | 51.7 | 52.2 |
| Current account (% of GDP) | -2.2 | -7.4 | -8.2 | -12.6 | -12.0 | -11.6 | -11.1 |
| External debt (% of GDP) | 14.3 | 11.1 | 12.6 | 12.7 | 29.1 | 31.8 | 32.9 |

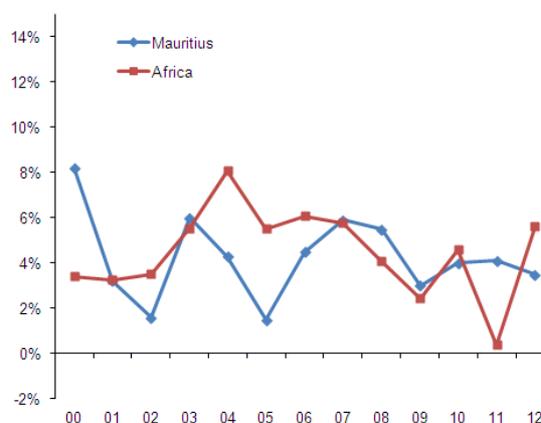
Sources: IHS Global Insight, National sources, Euler Hermes

Economic Overview

Reflecting the size of the country and its geographic location (island status), the economy is vulnerable to external shocks because of its relative openness and requirement to import a high proportion of its food and energy requirements. In addition, economic growth is dependent on the vibrancy of the export sector, which is oriented towards developed markets in Europe and North America. Growth of GDP is estimated at +3.5% in 2012, down from +4.1% in 2011 and compared with a long-term annual average of +4.5%.

EH forecasts GDP growth of +3.5% and +4% in 2013 and 2014, respectively. Economic growth will continue to be subdued by a lacklustre rebound in exports, reflecting the global environment, and key tourism and textile sectors will continue to be adversely affected by relatively weak European markets.

GDP growth (annual %)



Sources: IHS Global Insight, Euler Hermes

Fiscal deficits have been reduced but current account shortfalls, reflecting export-dependency, require careful management. In this respect, current account deficits, which recorded an annual average of -2.2% of GDP in 2000-08, turned to double-digit levels in 2011. EH forecasts a deficit of -11.6% of GDP for the current account in 2013, although shortfalls of this magnitude are covered by the continuing buoyancy of inward FDI flows. Foreign debt levels and ratios are relatively low (debt/GDP of 29% in 2012), although they have been increasing in recent years. Payment obligations on external debt are not onerous. Foreign exchange reserves currently cover over three months of imports.

Governments of all political persuasions espouse a market-oriented policy framework and this will continue in 2013 and 2014. A business-friendly environment is seen as key to investment promotion, given the economy's small size and the country's geographic location. The pragmatic stance in relation to economic management is a positive in attracting foreign investment, partly reflecting the country's status as a gateway into Sub-Saharan Africa markets. Accordingly, in recent years, inward investments have been particularly strong from India and China.

DISCLAIMER

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.