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Euler Hermes: GCC Trade Credit Insurance Summit highlights a natural hub, solid financial and business fundamentals

DUBAI – 23 SEPTEMBER 2013 – Global economic trends, trade development and the key role played by the Gulf Cooperation Council (GCC) countries in the international markets, were highlighted today by Euler Hermes during the inaugural Trade Credit Insurance Summit underway in Dubai, UAE.

Massimo Falcioni, CEO, Euler Hermes GCC, said: "It is an honor to declare the region's first Trade Credit Insurance Summit open and welcome credit insurance, financial and government sector colleagues from Europe, GCC, the Middle East, North Africa, and the UAE. This event reflects the significant development achieved by the region's economy in the past three years, establishing it as leading global trading economy. As an example, the Dubai Chamber of Commerce reports that its members' exports of 145.2 billion AED in the first half of 2013 represented a +7% increase over the same period last year. Since the beginning of 2013, 7,000 new companies have registered with the Dubai Chamber – confirmation that, despite global uncertainties, a solid and effective vision will attract foreign investment and business."

According to Ludovic Subran, Euler Hermes chief economist, "World GDP growth by year-end will be lower than earlier forecast -- at +2.2% -- due to Eurozone contractions (-0.5%). There will be moderate growth in emerging countries (+4.4%). GCC countries, having experienced two years of sustained economic growth, are expected to slow to +4.0% in 2013 mainly due to the global demand slowdown (+2.2% in 2013). A global and delayed recovery is expected in 2014 (+3.1%). However, the overall growth deceleration will increase the momentum of global insolvencies (+8% in 2013; +2% in 2014)."

Presenting preliminary results of the Euler Hermes International Trade Observatory, focused on Mediterranean and GCC country economies, Subran highlighted several key themes:

GCC: Solid economic and financial fundamentals will boost growth

- In 2011 and 2012, the GCC countries posted strong economic growth (respectively 7.2% and 6.0%), but the pace is expected to slow in 2013 (+4.0%) and 2014 (4.3%). Saudi Arabia and the United Arab Emirates (UAE) - the two main contributors - are expected to grow by 4.0% and 3.5% respectively in 2013, and 4.5% and 4.0% respectively in 2014.

- Financial fundamentals remain satisfactory: current account surplus, fiscal balance and large foreign exchange reserves. GCC countries, with a strategic position as major global oil exporters, benefit from a strong commercial and budgetary position. The expected oil production decline in 2013, driven by lower U.S. demand due to the development of shale gas and China's slowing growth, will involve a slight budget surplus decrease, which should be partially offset by an increase in non-oil exports.

- Pro-active policies support growth. In Saudi Arabia, public spending will underpin 2013 and 2014 economic growth. The current five-year plan (2010-2014) aims at developing and improving infrastructure and investing in human capital through education and training. In addition, following the Arab Spring events of 2011, the Government announced two major programs to support housing and job creation. In the UAE, significant progress has already been made in infrastructure development and improved business climate, but much remains to be done in education.

- Diversification of the economy and business partners is underway. For over a decade GCC countries have made significant efforts to diversify their economies to reduce dependence on petroleum products. Saudi Arabia's share related to oil in total GDP decreased from 34% in 2000 to 21% in 2012, and declined from 47 % to 33% in the UAE. Dubai became the region's leading service center and Abu Dhabi is now based on manufacturing, petrochemicals and renewable energy. Similarly, these countries have diversified their trading partners by focusing increasingly on Asian markets, reducing the share of oil exports to developed countries and increasing non- oil exports. Considering the weakened Asian market forecast, opportunities may emerge from neighboring North African countries via Morocco and Turkey, whose prospects are expected to grow. Southern Europe should also represent solid opportunities for non-oil exports.

- Risks. Short-term risks include the deteriorating geopolitical situation (e.g., a worsening of the Syrian conflict), moderation of emerging markets demand and falling oil prices. In the medium term, economic diversification should involve an increasing share of the GCC countries in non-oil world trade and a more stable growth that is less sensitive to external shocks.

A Mediterranean sea of opportunities, but high tide, headwind and wave warnings still apply

Three-speed Mediterranean regional growth will be demarcated by “Old Europe”, future Arabic champions (“Abtal”) and “Asian Gateway” country clusters. In 2013, overall regional economic growth of +0.4% should strengthen to +1.8% in 2014, with diverging growth rates between “Old Europe” (-1.0% in 2013 and +0.4% in 2014) and the rest of the region (+3.0% and +4.1%). While advanced economies will remain the trade and logistics hubs for the region, growth dynamics, opportunities and risks vary markedly intra-region.

- For “Old Europe” countries, export is the key to growth regeneration in France, Italy and Spain. Strengths include strong R&D capabilities, skilled labor forces, value-added industries, and established trading infrastructures and institutions. However, supply and demand and business confidence all remain depressed, partially because these countries continue to de-industrialize.
- Among Arabic-speaking countries in the Mediterranean basin, Algeria, Morocco and Tunisia stand out among the “Abtals”. Significant natural resources and major middle-class growth are enhanced by competitive labor costs and increased industrialization.

Better quality maritime trade infrastructure - including ports and infrastructure - and the adoption of international business financing standards are central to sustainable intra-regional trade growth. Moroccan economic resilience underpins its potential as the initial champion short-term.

- Among the "Asian Gateway" countries, Saudi Arabia, the UAE and Turkey are best positioned to leverage traditional and recently-increased Asian trading ties. Strengths include ongoing industrialization coupled with rising middle class demographics. Private sector trade opportunities are driven by a competitive labor market (Turkey) and stable financing (GCC). Risks in this sub-region include vulnerability to high capital flows, social and political stress (Turkey), and a high dependency on energy prices (GCC).

"The Mediterranean and GCC countries represent an ideal business location," said Massimo Falcioni. "Maritime opportunities and an adequate export infrastructure (construction of ports, improved logistics) are an advantage in terms of international trade. And could become assets for sustainable growth. In 2013-2014 intra-regional trade is expected to strengthen, with GCC the top exporter/importer €19bn and 22€bn per respective year - clearly a trade basin of significant opportunity."

The Trade Credit Insurance Summit, of which Euler Hermes is the lead sponsor, is the first Middle East and North Africa (MENA) event dedicated to the trade credit insurance and political risk sectors. The two-day conference presents a unique 360-degree perspective on their dynamic growth across the region. The wide range of stakeholders attending include corporations, government representatives, multilateral and export-import banks, financiers, and trade and export credit insurance, re-insurance, broker and legal professionals.

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Appendix:

Risk levels & GDP forecast

	Country risk		**GDP forecast**	
	Long term Risk	*Short term Risk*	*2013*	*2014*
France	AA	Low	0.2	0.6
Italy	AA	Sensitive	-1.8	0.3
Spain	AA	Sensitive	-1.4	0.1
Turkey	C	Sensitive	3.3	4.0
Saudi Arabia	BB	Low	4.0	4.5
U.A.E.	BB	Low	3.5	4.0
Egypt	D	High	2.5	4.0
Greece	AA	High	-4.2	-0.3

Algeria	C	Sensitive	3.5	4.5
Qatar	BB	Low	4.5	5.0
Kuwait	BB	Low	4.0	3.0
Morocco	B	Medium	4.5	4.5
Libya	D	High	-5.0	5.0
Oman	BB	Low	5.0	6.0
Croatia	C	High	-0.5	1.0
Syria	D	High	-14.0	-10.0
Slovenia	AA	Sensitive	-3.0	-0.5
Tunisia	B	Sensitive	3.0	4.0
Lebanon	D	High	2.0	3.5
Bahrain	B	Sensitive	3.5	3.5
Cyprus	AA	High	-8.5	-4.5
Albania	D	High	1.8	2.5
Malta	AA	Medium	1.0	1.2
Montenegro	D	High	0.7	2.0

Source: Euler Hermes

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Euler Hermes is the worldwide leader in credit insurance and one of the leaders in the areas of bonding, guarantees and collections. With 6,000+ employees in over 50 countries, Euler Hermes offers a complete range of services for the management of B-to-B trade receivables and posted a consolidated turnover of €2.4 billion in 2012.

Euler Hermes has developed a credit intelligence network that enables it to analyse the financial stability of 40+ million businesses across the globe. The Group insured worldwide business transactions totalling €770 billion exposure end of December 2012.
Euler Hermes, a company of Allianz, is listed on Euronext Paris. The Group is rated AA- by Standard & Poor's.

Euler Hermes established operations in Dubai in September 2007, sponsored in the UAE by Alliance Insurance PSC, whose chairman of the board is HH Sheikh Ahmed Saeed Al Maktoum. With operational offices in Jeddah and Riyadh, Euler Hermes is also present in Bahrain, Kuwait, Oman and Qatar.

For more information visit www.eulerhermes.com or follow us on Twitter:@eulerhermes loss events, including from natural catastrophes and including the development of loss expenses, (iv) persistency levels, (v) the extent of credit defaults, (vi) interest rate levels, (vii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (viii) changing levels of competition, (ix) changes in laws and regulations, including monetary convergence and the European Monetary Union, (x) changes in the policies of central banks and/or foreign governments, (xi) the impact of acquisitions, including related integration issues, (xii) reorganization measures, and (xiii) 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 company assumes no obligation to update any forward-looking statement.