

Macroeconomic  
and Country Risk Outlook

# Economic Outlook no. 1226-1227 Summer 2016

[www.eulerhermes.com](http://www.eulerhermes.com)

## The Price of Growth

Global growth will slow down to  
+2.4% in 2016, its lowest level since  
the great recession

Economic Research

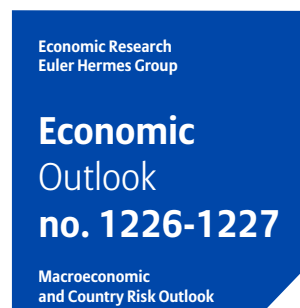


EULER HERMES

Our knowledge serving your success

A company of Allianz 

# Contents



The **Economic Outlook** is a monthly publication released by the Economic Research Department of Euler Hermes Group. This publication is for the clients of Euler Hermes Group and available on subscription for other businesses and organizations. 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:** Andrew Atkinson, Ana Boata, Stéphane Colliac, Mahamoud Islam, Dan North, Daniela Ordóñez, Manfred Stamer (Country Economists)

**Sector and Insolvency Research:** Maxime Lemerle (Head), Farah Allouche, Yann Lacroix, Marc Livinec, Didier Moizo (Sector Advisors)

**Support:** Laetitia Giordanella (Office Manager) Ilan Goren (Content Manager), Sara Abaid, Thomas Cardiel, Sabrina Delsert, Irène Herlea, Benedetta Scotti (Research Assistants)

**Editor:** Martine Benhadj

**Graphic Design:** Claire Mabilille

**Photo credits:** Images courtesy of Allianz, Image courtesy of viktor hanacek, picjumbo.com, Image courtesy of Pixabay, CC0 Public Domain, Arrows-1229848

For further information, contact the Economic Research Department of Euler Hermes Group at 1, place des Saisons 92048 Paris La Défense Cedex – Tel.: +33 (0) 1 84 11 50 46 – e-mail: [research@eulerhermes.com](mailto:research@eulerhermes.com) > Euler Hermes Group is a limited company with a Directoire and Supervisory Board, with a capital of EUR 14 509 497, RCS Nanterre 552 040 594

**Photoengraving:** Talesca Imprimeur de Talents – Permit May-June 2016; issn 1 162-2881 ■ July 20, 2016

## 3 EDITORIAL

## 4 OVERVIEW

### 4 Bumpy growth: Here to stay

### 5 In the near future, China, oil and nudges on the watch list

## 6 GROWING CHEAP

### 6 Where are we in the price cycle? Certainly not in sync

### 7 What if prices were low(er) for (almost) ever?

### 7 Price #1: Money for nothing

### 8 Price #2: For sale! Consumer, please consume more

### 8 Price #3: Priceless growth to cause a rise in insolvencies

### 8 Price #4: Trading at any price?

### 8 Price #5: Corporates are still hoarding cash

### 9 Price #6: What is in the house?

## 10 PRICE MAKERS, PRICE TAKERS, PRICE BREAKERS

### 10 Price maker #1: China's financial bandwagon is back. No need to try to jump on it

### 10 Price maker #2: Central banks in Advanced Economies, easier than easy?

### 11 There are happy price takers... and unhappy ones

### 11 Price breaker: Competitive devaluations, everywhere, at the same time

## 12 NAVIGATING THROUGH EMERGING MARKETS

### 12 Policy reaction in Emerging Markets: The importance of being earnest

### 13 Alive (and kicking) overcapacity in the Emerging World

## 14 COUNTRY RISK OUTLOOK

## 16 ECONOMIC OUTLOOK AND OTHER PUBLICATIONS

## 18 SUBSIDIARIES

## EDITORIAL

© Image Allianz 1196179167

# Price Tag

LUDOVIC SUBRAN

Remember how English singer-songwriter Jessie J howled and crooned that “*It’s all about the money*” at the 2012 Olympics closing ceremony? Her song, *Price Tag*, magically became the number one song, the Song of the Summer. The Song of the Summer is a fuzzy title, an award bestowed on a song simply for the fact that it dominates an entire season. It is as sticky as a Popsicle under the sun. It will assault commuters’ ears every time an Uber driver connects a phone to her car’s sound system. Turn on the radio, and there it is. Walk into a mall, and it will play. It is inescapable. Not that you want to escape it, not really. Well, maybe not until September.

As we enter the Olympics season once more, this time in Rio de Janeiro, Brazil, we thought we would search for the Song of Summer 2016, with a touch of economics. *Oops, [we] did it again* (Britney P. style), we sang our way through the economic forecasting exercise. We did deserve some gratuitous joy since the first half of the year was daunting. Mini crises – some of them still in the making – rattled almost every part of the world and global growth disappointed massively.

Why should *Price Tag* be the theme music of this outlook? Because a price (tag) is exactly what the global economy is missing. Priceless growth affects decisions, incentives and expectations around the world. So, to honor another summer of cheap growth, here is our playlist of another kind:

#1 David Bowie & Queen *Under pressure* because prices and turnovers are under pressure in today’s economy.

#2 Nancy Sinatra *These boo(s)ts are made for walkin’* because low prices continue to fuel consumption in Europe and the US.

#3 Beach Boys *Good Vibrations* because low interest rates (and cheaper building materials) are eventually driving a recovery of the construction sector in Europe and the US.

#4 Dire Straits *Money for Nothing* because negative interest rates became the norm in a growing number of countries thanks to accommodative Central Banks.

#5 Guns’n’Roses *Knocking on heaven’s door* because USD12trn of bonds are placed with negative yields.

#6 Sniff in the Tears *Driver’s seat* because China and the Fed are driving world commodity prices and world interest rates.

#7 I Monster *The backseat of my car* because most Emerging Markets are price takers.

#8 50 Cent *Get rich or die trying* because commodity exporters got richer over the past few years and are now suffering important output and wealth losses (and risking policy mistakes).

#9 Rod Stewart *Da ya think I’m sexy* because Emerging Markets which rebalanced their economy earlier than others are experiencing capital inflows.

#10 Antares *Ride on a meteorite* because corporate debt is strong and worrying in some countries, particularly China. Playahitty’s *The Summer is Magic* was in everybody’s Walkman back in 1994. This song never gets old. Let’s hope the summer washes away some of the concerns weighing on global growth. In the meantime, enjoy your holidays!

## OVERVIEW

# The Price of Growth

Global growth will slow down to +2.4% in 2016, its lowest level since the great recession

## THE MACROECONOMIC RESEARCH TEAM

- Global growth could slow this year to +2.4% and might accelerate marginally in 2017 (+2.7%).
- The slowdown in prices has pushed down nominal growth, turnovers, and trade both domestically and abroad.
- This priceless growth is set to cause a rise in insolvencies by +1% this year and in 2017: the first rise since the great recession. Two reasons: (i) first, the difficulty to deleverage while debt overhang is important in countries like Brazil and China and sectors such as utilities; and (ii) second, commodities-related sectors and countries are still at risk.
- Subdued prices (and yields) generate both winners and losers. Net consumers, importers, and debtors benefit from low prices, while net producers and exporters, savers and creditors are having a hard time.

## Bumpy growth: Here to stay

The global economy was hit by several shocks over the past quarters. These shocks erased positive effects that lower prices should have had on growth. Bumpy growth is here to stay and the global economy would expand by a humble +2.4% in 2016, the weakest growth rate since the great recession. 2017 (+2.7%) will be the sixth consecutive year under 3%. Whilst a prolonged period of lower oil prices is good for growth, the continued deflation at the producer prices level is both symptom and balm. The low pricing environment is a symptom of ailing overcapacity and a clear indication that turnovers will take longer to recover. Yet it is a balm for profits and investment costs, as long as incentives (and confidence) are well-oriented. Indeed, priceless growth could be a problem for sectors with high debt levels. Moreover, price variability translated into exchange rate volatility and blurred the price signal for corporates: at the end of the day, was it good or bad for growth? The high cash balances of households and corporates and the low yield environment in financial markets are two sides of the same coin: precautionary savings. Low confidence and low prices help explain why people and companies continue to hoard cash. Central bank balance sheets

# +2.4%

Real global  
GDP growth  
in 2016

have continued to increase thanks to the European Central Bank (ECB) and the Bank of Japan's (BoJ) bond-buying programs.

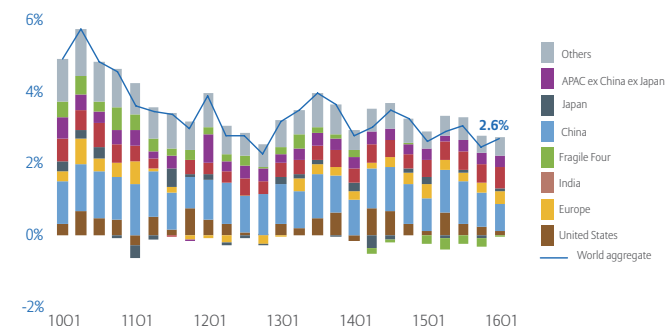
Yet this money does not trickle down, as a rising share of savers decides to keep it for a little longer instead of buying or selling it on a regular basis. The velocity of money is weakening and as a result nominal growth fails to speed up.

Two far-reaching consequences emerged:

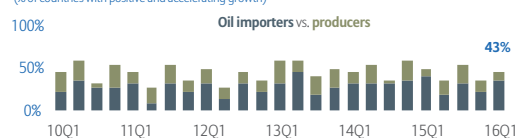
✓ Growth engines are upside down. Commodity importers and consumers accelerated while exporters and producers slowed down. Unfortunately, the former tend to be high income/low growth economies while the latter is middle income/high growth economies. This explains why global growth weakened (see Chart 1).

✓ A dollar recession cut world wealth in 2015. Exchange rate depreciations acted as a wealth shock for many emerging economies. Despite a price recovery, the shock is still generating pain as these economies are experiencing second-round effects: inflation pickup, rising insolvencies, and still tightening domestic

Chart 1: World growth q/q  
(Seasonally adjusted, annualized rate)  
Fragile Four=Brazil, Russia, Turkey and South Africa



Diffusion index  
(% of countries with positive and accelerating growth)



Sources: IHS, Euler Hermes



© Image Allianz 82561331

credit conditions. The reason: turnovers growth did not match debt growth in some sectors (commodities) or countries. Brazil and China are clear examples.

## In the near future, China, oil and nudges on the watch list

Three shocks have been shaping the economic landscape:

1. Fears of Chinese hard landing;
2. OPEC's decision to stick with its market share. Last December's decision sent oil prices tumbling, hitting record lows. The combination of this deliberate oversupply and the growing concerns over demand from China anchored the expectations of low for longer oil prices; and
3. Finally, the first round of Brexit effects nudged financial markets all over Europe and created a flight to quality as well as a collective dovish move among Central Banks.

Elevated risk levels – or apprehension thereof – depressed equity markets and created a flight to quality. The main market makers turned dovish. Monetary tightening was delayed in the US, the European Central Bank expanded its bond-buying program to corporate debt and China credit policy was eased during earlier this year causing growing discontent (and a divide) among Chinese policy-makers, some questioning more stimuli when previous rounds have not proven effective.

Doves came to the rescue. Emerging Markets benefited from capital inflows (USD25bn by month on average) in Q2 2016 for the first time in a year. Commodity prices and exchange rates recovered to some extent. The combination of a price recovery and easy money does not generate the appropriate signal to cut existing overcapacities. Future shocks seem likely because corporate debt is still too high in some Emerging Economies, namely China and the currency mismatch adds to the existing debt burden. In Advanced Economies, companies still have to find a balance between better business conditions (lower input costs, low debt cost) and the relatively high likelihood of another shock in the next quarters: from a new confidence crisis in China to the escalation of new risks in or close enough to home (vulnerability of the Italian banking sector, Turkey's normalization after the failed coup, safety risks) to a series of policy faux-pas in the US. ■

### Real GDP growth, annual change, %

	Weight*	2014	2015	2016f	2017f
<b>GLOBAL GDP</b>	<b>100</b>	<b>2.7</b>	<b>2.6</b>	<b>2.4</b>	<b>2.7</b>
<b>Advanced economies</b>	<b>62</b>	<b>1.8</b>	<b>1.9</b>	<b>1.7</b>	<b>1.8</b>
<b>Emerging economies</b>	<b>38</b>	<b>4.6</b>	<b>3.8</b>	<b>3.5</b>	<b>4.2</b>
<b>North America</b>	<b>24</b>	<b>2.4</b>	<b>2.3</b>	<b>1.8</b>	<b>2.1</b>
United States	22	2.4	2.4	1.9	2.0
Canada	2	2.5	1.1	1.3	2.2
<b>Latin America</b>	<b>8</b>	<b>0.3</b>	<b>-0.3</b>	<b>-0.7</b>	<b>0.3</b>
Brazil	3	0.1	-3.9	-3.5	0.2
<b>Western Europe</b>	<b>24</b>	<b>1.4</b>	<b>1.7</b>	<b>1.5</b>	<b>1.5</b>
United Kingdom	4	2.9	2.3	1.3	1.0
<b>Eurozone</b>	<b>17</b>	<b>1.0</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
Germany	5	1.6	1.4	1.7	1.7
France	4	0.7	1.2	1.5	1.5
Italy	3	-0.3	0.6	1.0	1.0
Spain	2	1.4	3.2	2.6	2.0
The Netherlands	1	1.0	2.0	1.4	1.4
Portugal	0	0.9	1.5	1.3	1.6
<b>Central and Eastern Europe</b>	<b>6</b>	<b>1.5</b>	<b>-0.1</b>	<b>1.2</b>	<b>2.1</b>
Russia	3	0.7	-3.7	-0.9	1.0
Turkey	1	3.0	4.0	3.6	3.5
Poland	1	3.3	3.6	3.3	3.2
<b>Asia</b>	<b>29</b>	<b>4.8</b>	<b>4.9</b>	<b>4.6</b>	<b>4.7</b>
China	13	7.3	6.9	6.5	6.4
Japan	6	-0.1	0.6	0.7	1.0
India	2	7.2	7.6	7.6	7.7
<b>Oceania</b>	<b>2</b>	<b>2.7</b>	<b>2.6</b>	<b>2.8</b>	<b>2.6</b>
Australia	2	2.7	2.5	2.8	2.6
<b>Middle East</b>	<b>4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.1</b>	<b>3.4</b>
Saudi Arabia	1	3.6	3.4	1.5	3.0
United Arab Emirates	1	4.6	3.4	2.0	3.0
<b>Africa</b>	<b>3</b>	<b>3.5</b>	<b>2.9</b>	<b>2.5</b>	<b>3.6</b>
Morocco	0	2.4	4.5	2.0	4.5
South Africa	0	1.5	1.3	0.5	1.5

\* Weights in global GDP at market prices, 2014

Sources: National sources, IMF, IHS, Euler Hermes forecasts

## GROWING CHEAP

Businesses across the world are still faced with low nominal growth: volumes pick up but without price effects. As a result, turnovers growth continues to be weak: +0.8% in 2015 in the Eurozone and still only +1.2% expected in 2016. There are two almost competing rationales behind priceless growth: first, unsynchronized price cycles around the world; and second, a structural softening of prices.

### Where are we in the price cycle? Certainly not in sync

Business cycles impact prices, and vice versa. Unfortunately, each part of the world is in a different phase of the price cycle (see Chart 2):

✓ **Phase 1** – Eurozone and India. Low prices fuel purchasing power and demand growth. Supply growth is sustainable, as it is driven by demand. There is no overheating risk and the growth cycle is in its early stage.

✓ **Phase 2** – The U.S. Then, as growth accelerates, prices are increasing. There are no more spare capacities in the economy and GDP is reaching its potential. Monetary tightening be-

came an issue and growth is losing momentum. In the US, core inflation is above 2% already and CPI inflation is kept very low mainly by food and energy prices. As a result, we expect lower growth this year +1.9%, and next +2%, from +2.4% in 2015.

✓ **Phase 3** – Turkey. The growth cycle may generate excesses. If prices keep increasing for too long, they become a drag on the purchasing power of households and companies. The growth cycle looks like a blind run, still growing, but in a less sustainable way.

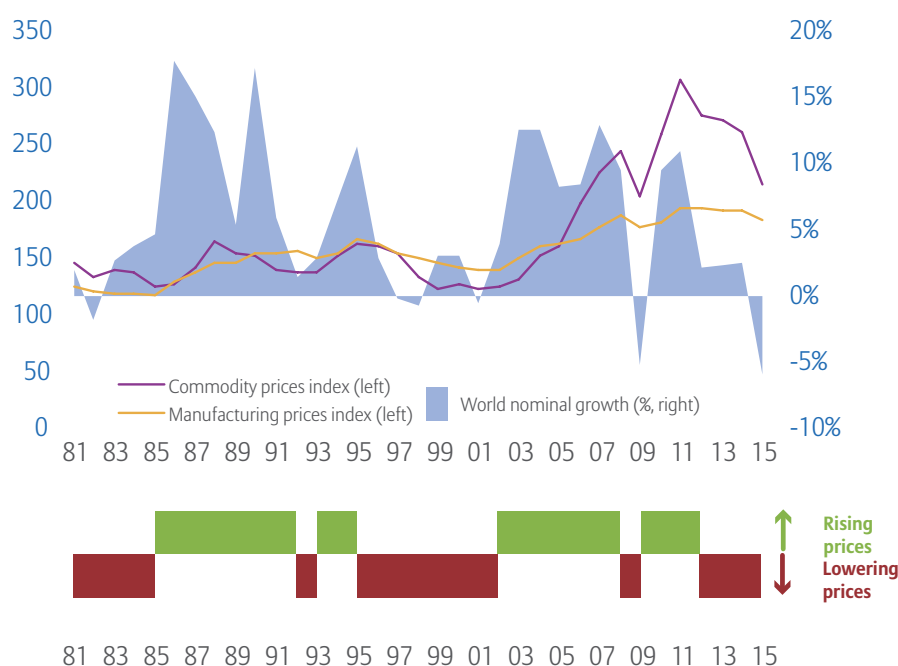
✓ **Phase 4** – China. Bubble-like growth has created spare capacities. Deflation becomes a risk, but policy support is still avoiding a hard landing. In China, growth is eroding at a slow pace to +6.5% in 2016, from +6.9% in 2015.

✓ **Phase 5** – Brazil, Russia, South Africa. In some countries, policymakers are unable or unwilling to support the economy. Debt becomes less sustainable and borrowers must rush to deleverage precipitating supply cuts and recessions.

The problem is that to achieve full recovery, the world needs to ignite all its engines, at the same

time. As the bigger Emerging Markets are still in adjustment mode, growth can only pick up in some regions (Eurozone, India) but not globally. Prices and nominal growth will recover at some point. A short-term price upswing is possible, but a sustained recovery will have to wait for the final countdown on price adjustment, as some shocks are still likely, especially in the emerging world.

Chart 2: World growth and world prices  
1977 = 100



Sources: IIF, Euler Hermes



Image courtesy of viktor hanacek, picjumbo.com

2. Productivity growth almost disappeared in advanced economies and was cut by one-third in Emerging Economies. In China, for instance, productivity is expected to grow by +6.5% y/y in 2016, from +10% in 2010.

3. Crowding-out effects and servitization are increasing. On the one hand, there are stronger incentives to move down the value chain to meet the growing demand from emerging markets which basically consist of raw materials (China e.g.). On the other hand, sectors with lower productivity, such as services, represent a larger share of the economy. A good example is the share of financial services in overall profit by car manufacturers. Servitization, defined as the delivery of a service component as an added value when providing products, is a permanent change with little pricing power on the manufactured goods (so far).

4. Investment lags weakened growth potential. Indeed, the legacy of recent crises led to record low investments and affected labor productivity. Secular disinflation is not irreversible. Some emerging economies, particularly China, will enter a new phase of development. Indeed, China income level (GDP per capita) only reached one third of the one in Advanced Economies. China spends on an annual basis, 2% of its GDP in R&D and is expected to close the gap with the US by 2020. In the meantime, low prices and low-in-

terest rates do create an upside down situation, with new winners and losers, and a different call to action for companies and households alike. Understanding how this cheap growth phenomenon translates into six key macroeconomic variables is an important first step.

### Price #1: Money for nothing

2016 marked the first year in an uncharted territory of negative interest rates. The zero lower bound no longer holds. Some Central Banks already took the plunge in the past, but it was in 2016 that negative yields became a mass market. Decisive steps came from the ECB and the Bank of Japan. Each shock serves as an argument to become more risk averse and to expect more dovishness from Central Banks.

One of the results of Brexit, the last tremor in a series, was a new rush to safe havens. Central Banks' issued proactive statements in an effort to avoid contagion and financial volatility. Consequently, monetary policy expectations are even more dovish, including in the UK.

A rising share of the sovereign bond market now has negative yields and stands at USD11.7trn end-June, or 32% of the bond market (see Chart 3). 10-year interest rates are negative in Germany and in Japan, and yields hit fresh lows in the US (1.36%) and in the UK (0.77%). ▶

## USD11.7trn

Worth of sovereign bonds  
at negative yields  
(+USD8.5trn  
since end-2015)

Chart 3: Government bonds with negative yields on the secondary market  
(USD trillions)



Sources: BIS, Bloomberg, Euler Hermes

## Price #2: Cheap to consume

Low prices are good news for consumers, especially those whose income has nothing to do with commodity-related sectors. This explains why consumers in Advanced Economies are still the main winners, while their peers in emerging commodity-exporting economies are suffering. As the major shocks might be over, so could be the first-round effects in Advanced Economies. Second-round positive effects are likely, as investment is already picking up in some economies. These should arise from the positive impact of private investment on unemployment and are still in the making. In France, unemployment fears reached their lower level since 2008 and drove consumer confidence to its 2007-peak: a long-awaiting, yet fragile U-turn.

## Price #3: Priceless growth to cause a rise in insolvencies

Producer prices are still declining worldwide (fourth year in a row in Asia and Germany). As a result, input costs have decreased and industrial production strengthened (almost +6% y/y in Q1 in China). Everything would be under control if we did not see a negative price effect on

the balance sheet especially for companies with strong liabilities. Since turnovers did not grow as much as needed to repay debts and that pricing power is limited, vulnerabilities have increased in many industrial sectors. Limited sales and little deleveraging can explain why insolvencies should rise again in 2016 by +1% (see Chart 4). The main culprit will be the deterioration in some oil-related, industrial metals & coal sectors and countries. In these cases, the pair commodities-debt can create havoc: +22% increase in insolvencies in Brazil in 2016; +20% in China.

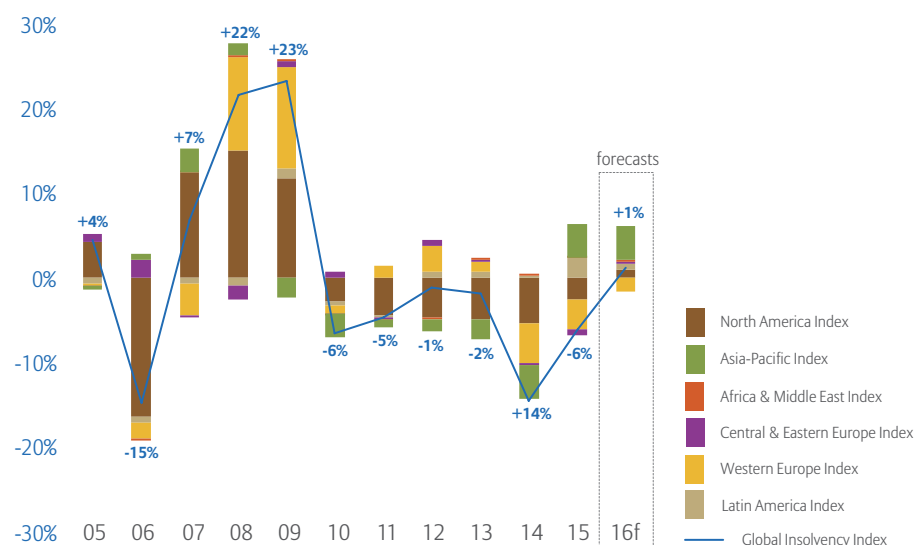
## Price #4: Trading at any price?

Global trade volumes kept growing by +3% in 2015, but trade value decreased by -10.4%. In 2016, we expect trade value to slide by -2% more and trade volumes will probably grow by +2.2%. This is a record low for volumes since the great trade collapse of the Great recession.

Trade value losses were the main trigger behind exchange rate depreciation in Emerging Markets, with limited effect. Very few countries benefited and the so-called currency war ended up in a no-win situation for global trade, including new protectionist measures. As commodity prices have recovered by 50% from their January 2016-low and returned to their mid-2015 level, trade value growth is supposed to gain momentum. It will be meaningful next year (+5.7%).

Chart 4 Euler Hermes Global Insolvency Index and regional indices

Yearly level basis 100 = 2000



Sources: National figures, Euler Hermes forecasts



# +1%

Business insolvencies worldwide, 2016 forecast

## Price #5: Corporates are still hoarding cash

Corporates have had to cope with multiple shocks over the last years. As a result, they preferred to pile rather than spend vast amounts of cash. Total cash piling amounts for USD7trn (see Chart 5). This precautionary savings situation comes from limited opportunities in the real economy in a subdued growth situation, as well as worries on classic shocks on companies from higher taxes to exchange rate variations to capital controls. It is important to note that faced with fading organic growth, cash-rich companies have spurred a real M&A wave which started in 2015 and has continued in 2016. Yet, corporate investments have not picked up as much as returns on these investments are questioned by too-constrained turnover growth.

**+2.2%**

Growth in  
global trade volume,  
but **-2%** in value  
in 2016

prices have skyrocketed, especially in London while household indebtedness in the UK stands among the highest among the G7 countries, close to 140% of disposable income. Brexit caused collateral damage including panic among large commercial real estate funds. As capital flight and negative wealth effects for households take center stage, prices should decline and bankruptcies in the construction sector rise.

Second, China, where the construction sector is important both locally and globally: Chinese cement production was 62% of total world output in 2015. When housing prices recovered, investments and global metal prices did too (+20% between January and June 2016). Chinese households were waiting for the end of the housing prices slowdown (mid-2014 to mid-2015) to buy cheaper houses. A price recovery last year, driven by lower inventories, was the starting point of a new cycle. The Chinese cycle should unfortunately not last for long, as Chinese asset prices typically overheat, a bubble-like behavior. ■

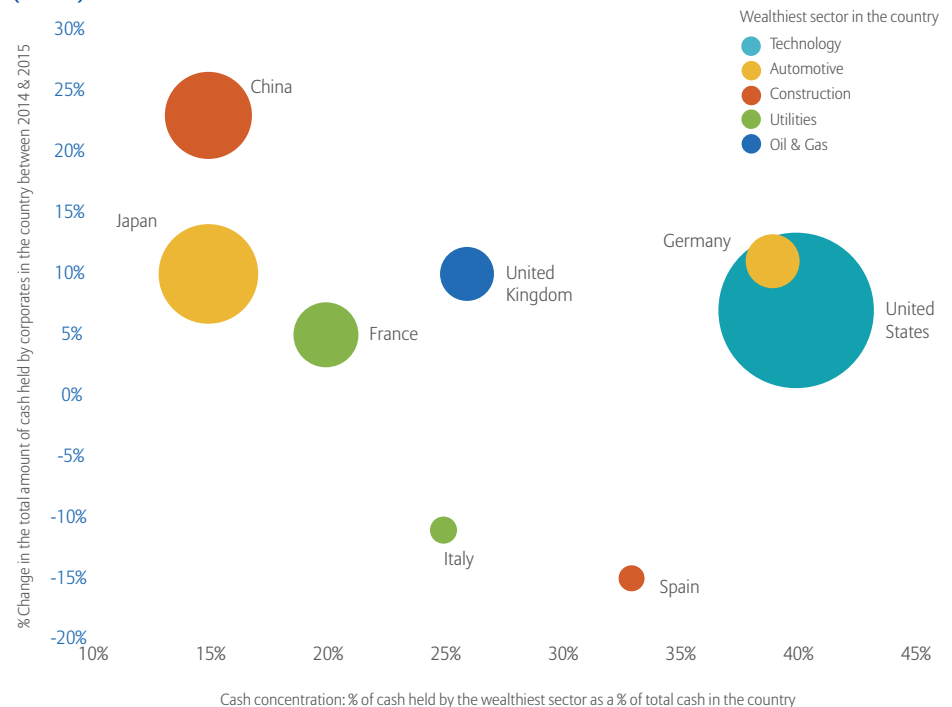
This unspent cash also explains, in part, why interest rates are so low since savings remain stronger than investment. The global savings glut is alive and kicking. If disinflation pressures are transient, companies might be waiting for cheap and profitable opportunities. But the hidden structural softening of prices may be a stronger determinant of further cash hoarding. In Japan, where the liquidity trap is obvious, the cash pile is among the highest. In China, companies' debt levels are record high (115% on average for listed companies) but net gearing (debt – cash to equity) is below 100%. The cash on balance sheets has grown by +23% in 2015. Corporates have to grow their liquid assets in order to repay the debt – and face turmoil on the renminbi.

## Price #6: What is in the house?

Household investment fundamentals recently improved in key economies and housing prices grew by +3% in the Eurozone in Q1 2016, the best performance since 2007. This good news comes after years of painful recovery for the construction sector. Low-interest rates, higher purchasing power and subdued costs of construction material have been supportive in the US and the Eurozone. Yet, there are two cautionary tales worth mentioning.

First, the UK where the Brexit vote caused tremendous pressures on the real estate sector, proving that it takes only a small nudge to prick a bubble. Confidence in the sector was fragile even before the vote and fell below 50 in June, for the first time since mid-2013. Residential

**Chart 5: Concentration and variation of cash held by non-financial corporates in selected countries (USD tn)**



Sources: Bloomberg, Euler Hermes

## PRICE MAKERS, PRICE TAKERS, PRICE BREAKERS

Fading policy support in price-making economies, particularly China and the US, was a key driver behind the vanishing growth momentum in Emerging Markets. Many economies are price takers nowadays, sitting in the back seat and adjusting their policies to avoid any counterproductive spillover. Fortunately, price makers have turned more and more dovish, making life easier for the back-seaters.

### Price maker #1: China's financial bandwagon is back. No need to try to jump on it

China's rising market share in global trade and demand for commodity made both its financial and real economic cycles pivotal for world wealth creation and redistribution. Chinese growth is strongly correlated with world terms of trade, namely the ratio between commodity prices and manufacturing prices (see Chart 6). A negative growth surprise in China hit both the wealth and growth rate of commodity exporters, including those who have no direct trade relationships with China. Fortunately, Chinese growth probably accelerated during 2016 Q2, backed by a credit stimulus: new credit flows increased by +33% in Q1 2016.

The country's unprecedented stimulus back in 2009 supported world trade (Chinese imports grew by +40% in 2010), commodity prices and the currencies of commodity producers. As a result, commodity producers decided to increase output but the resulting too-high exchange rate hampered competitiveness of the manufacturing sector: a Chinese-born Dutch disease. De-industrialization became obvious in other BRICS economies such as Brazil, Russia & South Africa. In Brazil, for instance, the share of the manufacturing sector in total value-added went from 27% of GDP in 2011 to less than 23% in 2015. China went under additional scrutiny (with known consequences on market fears lately) for a good reason: it became even more meaningful for these countries.

Since then, China became more parsimonious, even in the face of the Eurozone crisis, as cor-

porate debt skyrocketed as a corollary to the large stimulus; since then world GDP, trade and commodity prices have remained subdued. China's growth decline is a long-landing process. Short-term accelerations are possible, which was the case in the Q2 2016, creating a mini-momentum for commodity prices. Yet this recent good news is also debt-prone pointing to a time-bound Chinese boost. The question will again be whether China can manage an even harder soft landing – oxymoron intended.

### Price maker #2: Central banks in Advanced Economies, easier than easy?

Each shock that rattled the world economy exposed the ongoing structural nature of price adjustment. Market long-term expectations are increasingly conservative and nominal long-term yields have been declining ever since, with no real reason for them to pick up in the near to medium term. Central Banks have thus adapted their monetary policy stance, being somehow stuck in the dovish corner, and should continue to do whatever it takes to fight not only the risk full-fledged deflation but the reputational risk of being the next crisis-maker.

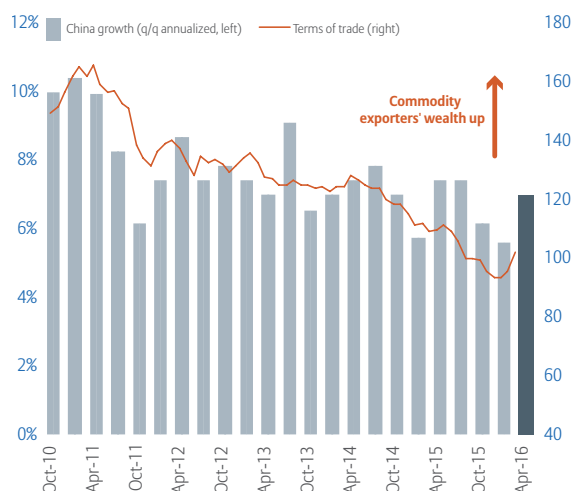
As a result, the Fed hiked a humble 25 basis points in December 2015. More integration of capital markets caused the Fed to care more for China's growth momentum. It explained the postponed hike from September 2015 to December and will explain other delays in the future. In addition, the Fed could not ignore that

other key players are still in easing mode. The Bank of Japan - whose balance sheet is above 80% of GDP - and the European Central Bank are clear examples. A too-hawkish-too-soon Fed would have caused stronger capital inflows to the US and harder USD appreciation. Next hike

# +33% y/y

New credit flows in China Q1 2016. Nominal GDP growth was (only) +7%

Chart 6: China growth and terms of trade  
Terms of trade = commodity prices/manufacturing prices  
Dark grey=forecast



Sources: IHS, Euler Hermes



# -53%

Nigerian Naira depreciation against the dollar since the beginning of the year

will come, eventually, in H2 2016 but it will nonetheless be the slowest tightening in recent history.

Interestingly enough and in spite of the many Cassandras, financial excesses are absent in advanced economies. There is no overvaluation of the equity market and no housing price bubble (including in the US). Risks associated with easy money remain acceptable, and Central Banks have no reason to stop the lifeline too early.

A counter example to this risk-free landscape will come from the UK, where house prices rose sharply (+10% y/y in Q1 2016). Brexit did affect confidence and nudged real estate funds while hitting capital flows to the UK. Portfolio inflows (GBP60bn each quarter in 2015) turned to outflows during Q1 2016 (-GBP12bn). The Bank of England stepped up to avoid any liquidity

drought and eased interest rates. Next step could include swap lines, with an unlimited amount, between Central Banks if needed. This is yet another move into experimental monetary policy-making to offset Governments' mistakes.

## There are happy price takers... and unhappy ones

Thanks to cheap growth, households and companies alike gained purchasing power. Life has also become easier for Sovereigns, especially across Emerging Markets. Interest rates have decreased, including in countries like Brazil where the 10-year rates dropped from 16% in January 2016 to 12% in June 2016, in spite of growing political defiance. However, some price backseaters still suffer from negative second-round effects emanating from past policy shocks. Credit conditions are still worsening for the private sector in important economies such as Brazil, Turkey, and South Africa. Banks in these countries cope with diminishing returns and rising non-performing loans.

Past depreciations also coincided with a painful labor market adjustment and brought about stagflation (simultaneously rising inflation and unemployment) in many commodity exporters in Latin America and Sub-Saharan Africa. Social discontent is on the rise and the road to reforms is now bumpier. There is a risk that profligacy in

sensitive countries, particularly where fixed exchange rates are in place, like Venezuela for example, generates even more second-round effects. The introduction of a flexible exchange rate regime in Nigeria, was good news although depreciation has already boosted inflation (+16% y/y in Q1 2016) and hit consumers. As a consequence, Nigeria, Africa's largest economy is heading towards recession this year.

Going forward, we expect more exchange rate volatility as the Federal Reserve hikes once more this year and imbalances remain. There will be critical pressures on countries running large current account deficits to show resilience and transparent monetary and fiscal policies to understand how these pressures translate on the banking sector, companies, and households.

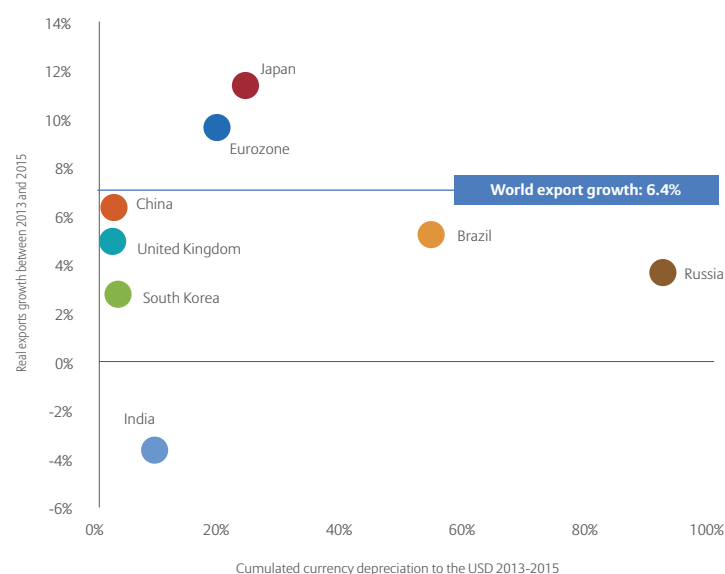
## Price breaker: Competitive devaluations, everywhere, at the same time

As mentioned above, key economies have seen their exchange rate depreciate. Only a few countries like Sweden depreciated on purpose. However, so far, it has been almost impossible to see any positive effect of lower exchange rates on exports (see Chart 7). There is no J curve effect. Worse than that, global (and somehow structural) price adjustments often mean that depreciations are causing more wealth loss (see terms of trade in Chart 6) than enhanced price competitiveness for exporters. It is difficult to gain market share when global trade is lazy. ■



© Image Allianz 1312213135

Chart 7: Currency depreciations and real exports growth



Sources: IHS, Euler Hermes

## NAVIGATING THROUGH EMERGING MARKETS

Emerging Markets have been in the eye of the storm for the past year. This has happened to a large extent because as price-takers, they have had a hard time managing domestic and international pressures at the same time.

Still, there is a myriad of opportunities to seize. Many Emerging Markets, particularly in Asia, self-insured against shocks with structural external surpluses (in South Korea it accounts for 9% of GDP) and high foreign exchange reserves. Remember, when the driver hits the brakes, backseaters are safer with a fastened seat belt. Some emerging markets are even ready to change gear if needed to be meaningful growth engines in this priceless road to global recovery.

## Policy reaction in Emerging Markets: The importance of being earnest

In the face of many shocks from China's weaker demand and the end of a super accommodative Fed to the fear of (sovereign) debt and growing political risks, some emerging economies did their homework to return to sustainable growth, while others are still adjusting (without much growth as a consequence). As a result, there are five broad clusters of emerging countries for investors and companies to base their decisions (see Chart 8):

**1. Already balanced.** Many Asian economies, such as South Korea. Growth weakened as the exports boost faded away. Yet these economies kept on growing, as there was no external financing issue. South Korea will grow by +2.7% in 2017, a good performance for a high-income economy.

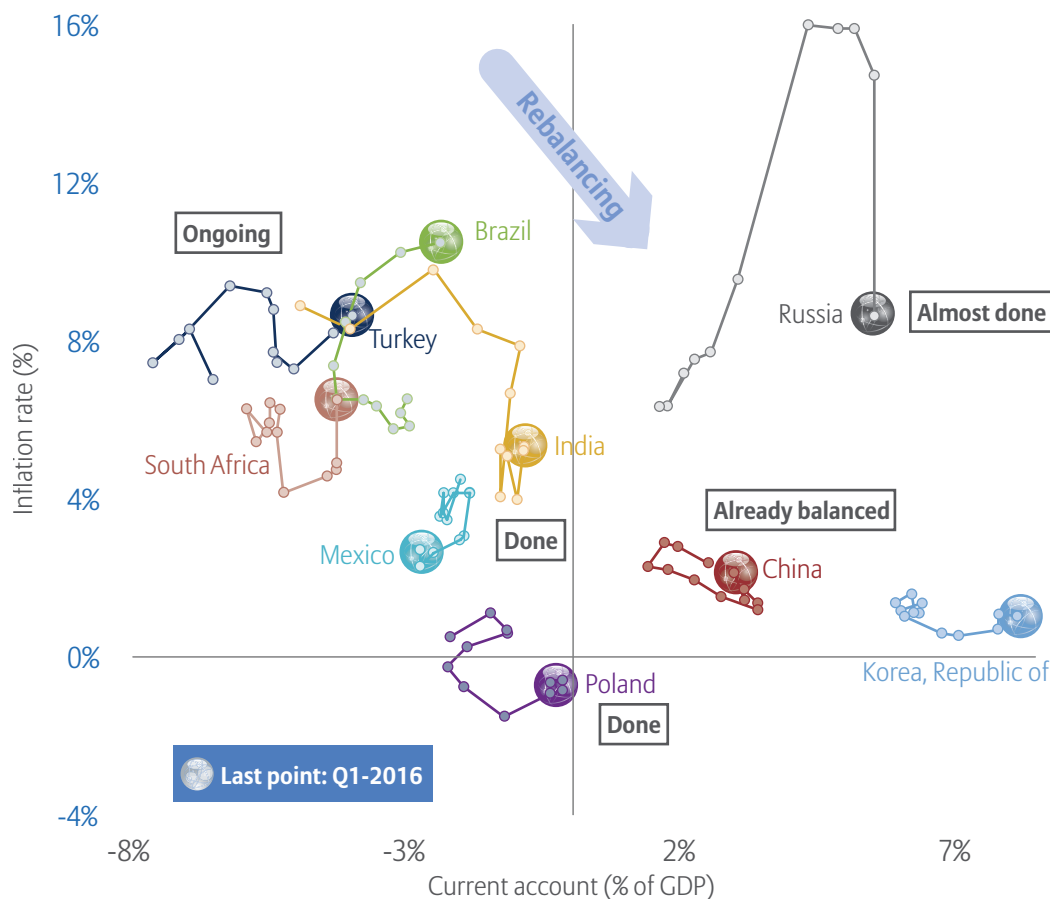
**2. Newly balanced.** India and Eastern European economies such as Poland. These countries were hit by a growth shock very early and reacted on time. Marginal external deficit and low

inflation are key assets and growth surprised on the upside. India will grow by +7.6% in 2016.

**3. Rebalancing almost done.** Russia is the epitome of this group. The country was the hardest hit by the combination of the oil shock and international sanctions. A strong rebalancing effort was made by the private sector and the public sector managed to keep public debt low (18% of GDP end of 2015) and the sovereign wealth fund unscathed (11% of GDP). The rebalancing was strong. Despite adverse price changes, the current account surplus rose from 1.5% of GDP in 2013 to more 5% currently. Should sanctions be lifted and the world agrees to partake in financing Russia's growth, it may surprise on the upside.

**4. Rebalancing still ongoing.** This is the case for Brazil and South Africa to name a few. These economies were badly hit by the unwinding commodity super-cycle. The needed adjustment in the private sector was worsened by crowding-out effects, as the public sector let fiscal deficit rise. Net private savings increased by more than 10% of GDP in Brazil between 2013 and 2016. Public debt worsened and could reach

Chart 8: Inflation and Current account balance dynamics over the past three years (quarterly data)



# +7.6%

GDP growth in India in 2016, above China for the second year in a row

Sources: IHS, Euler Hermes

90% mid-2017 or earlier if contingent liabilities arise from the corporate sector. State-Owned Enterprises (SOEs) in the commodity and financial sectors are a particular source of concern. In these countries, the fast depreciation of the currencies worsened the inflation outlook and stagflation hit the consumer as labor market deteriorated and created social and political tensions such as the recurrent strikes in South Africa.

5. Partial rebalancing. The Turkish economy rebalanced along with a price effect. As a commodity importer, Turkey benefited from the low oil price. The external deficit decreased and the same might happen with inflation. However, there was no evidence of a more structural rebalancing as the trade balance in volume is almost unchanged. Growth was hit by external shocks and will certainly be from the recent failed coup attempt, but the country was never in recession.

We continue to expect sizeable growth in 2016 at +3.6%. In addition, low oil prices and supportive policies (public debt only at 33% of GDP end 2015) will continue to support growth if needed. However, the private sector already experiences high corporate debt levels (75% of GDP, accounting for domestic and external debt) and reacts strongly to volatility of the Turkish lira. Restoring confidence will be pivotal to reaching growth targets as tourism revenue disappoint; political risk needs extra monitoring.

# 170%

Corporate debt in GDP terms in China

© Image Allianz 114115009

## Alive (and kicking) overcapacity in the Emerging World

Among Emerging Economies middle-income ones (BRIC and MIST e.g.) face many challenges. They will have to revamp their economic model to keep growing and cope with growing public debt.

A long-term fix will come from value-added growth and jobs coming from consumer- and services-related sectors. A shorter-term one could still come from policy-makers in using

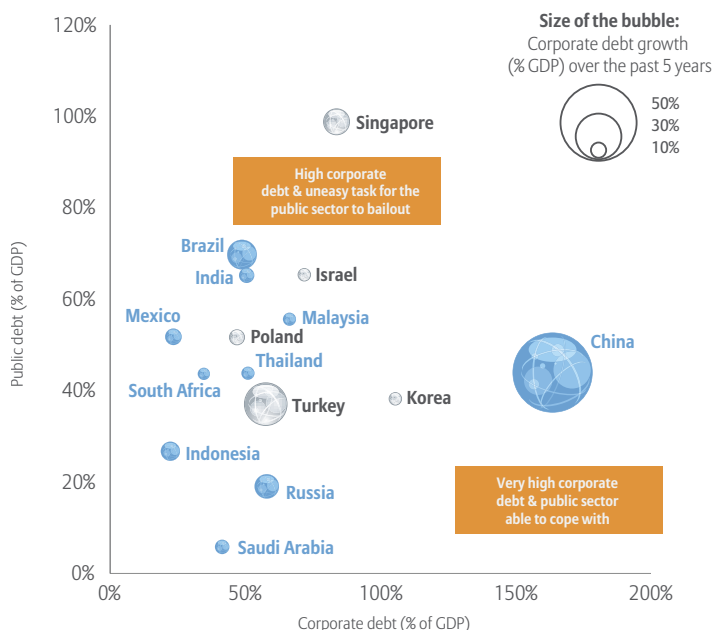
their toolbox to avoid a hard landing. China did not choose between the short- and the long-run remedies yet and will continue to wander between these two solutions for years to come. The political will to support corporate sector balance sheets can be strong, even more so when companies are partially state-owned and labor intensive. Once more, China comes to mind (see Chart 9). China has over 250,000 State-Owned Enterprises (SOEs) and most of them are the legacy of a planned economy. A handful of the largest ones known as the State-owned Assets Supervision and Administration Commission (SASAC; 106 largest SOEs) have fueled oversupply. The long-due adjustment in the metals, construction and commodity segments could come quite abruptly and raise insolvencies. Tolerance of SOEs debt will eventually decrease as its fiscal costs increase.

The implicit guarantee behind public corporates' debt could spark a confidence crisis if market expectations are not met. Such mechanism contributed to the sovereign debt crisis in the Eurozone: unmet expectations regarding an automatic guarantee for Greek, Irish or Portuguese public debt led to strong capital outflows. Policymakers in Emerging markets will have to recognize more nonperforming loans without creating a confidence shock.

The tricky and crucial part is to avoid policy mistakes. As some key economies are still walking on a tightrope, there is not much room for big errors. In the meantime, growth acceleration will have to wait. ■

Chart 9: Corporate and Public debt in selected Emerging Markets

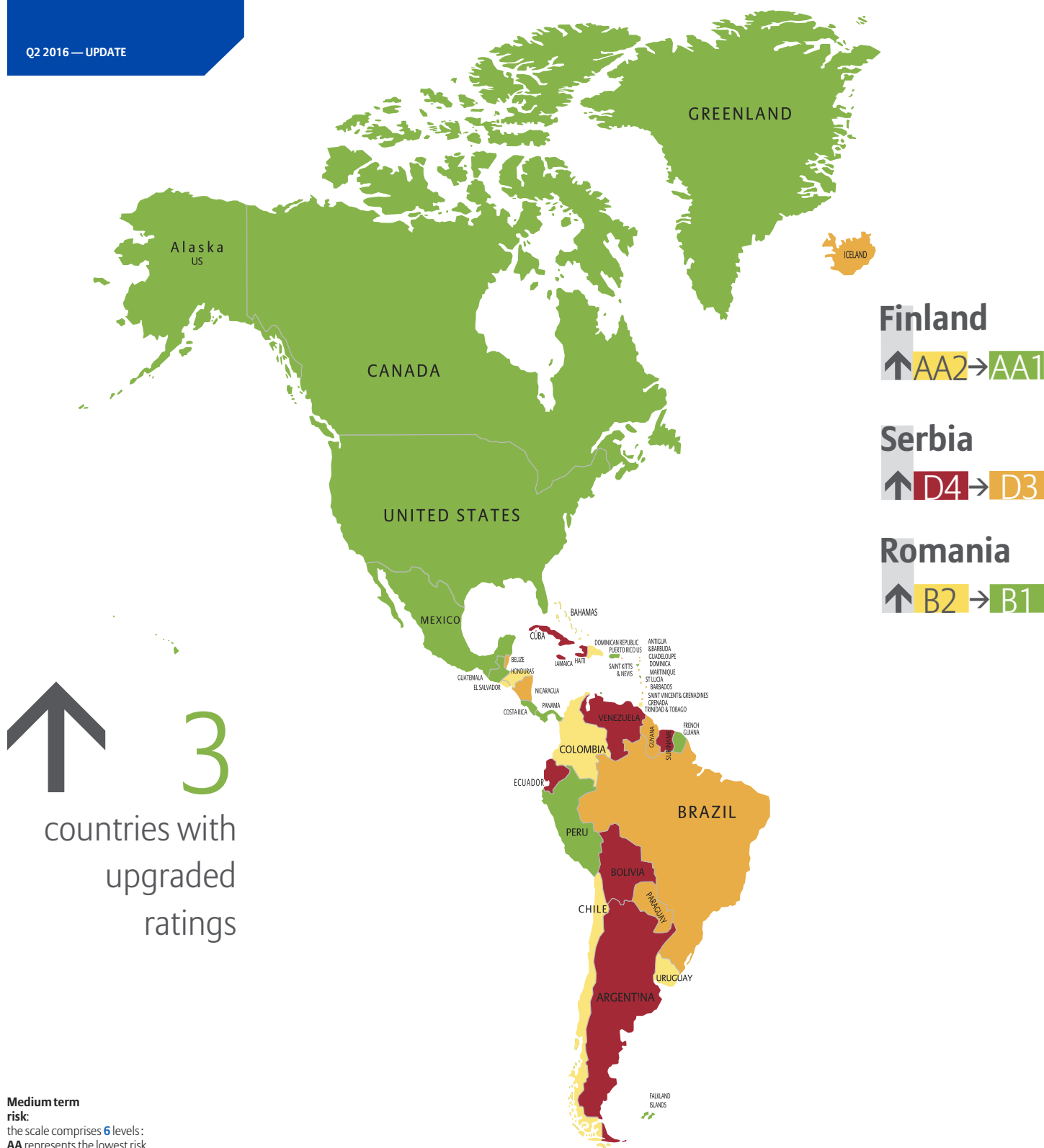
Blue = Mostly SOE debt for this country



Sources: IHS, Euler Hermes

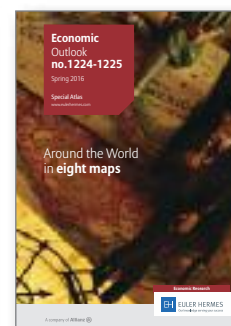
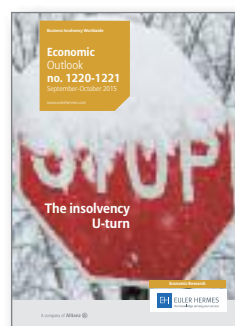
# Country Risk Outlook 2016

Q2 2016 — UPDATE



## MACROECONOMIC RESEARCH AND COUNTRY RISK TEAM





### Already issued:

no. 1207

no. 1208-1209

no. 1210

no. 1211-1212

no. 1213

no. 1214

no. 1215

no. 1216

no. 1217-1218

no. 1219

no. 1220-1221

no. 1222

no. 1223

no. 1224-1225

no. 1226-1227

### To come:

no. 1228-1229

#### ■ Business Insolvency Worldwide

Insolvency World Cup 2014: Who will score fewer insolvencies?

#### ■ Macroeconomic, Country Risk and Global Sector Outlook

Growth: A giant with feet of clay

#### ■ Special Report

The global automotive market: Back on four wheels

#### ■ Business Insolvency Worldwide

A rotten apple can spoil the barrel  
Payment terms, past dues, non-payments and insolvencies:  
What to expect in 2015?

#### ■ Special Report

International debt collection: The Good, the Bad and the Ugly

#### ■ Macroeconomic and Country Risk Outlook

Overview 2015: Not such a Grimm tale but no fabled happy ending

#### ■ Special Report

Global trade: What's cooking? Introducing twelve countries' recipes for boosting exports

#### ■ Macroeconomic, Country Risk and Global Sector Outlook

Focus on the signal and ignore the noise

#### ■ Macroeconomic, Country Risk and Global Sector Outlook

Riding into risks or recovery?

#### ■ Special Report

Auto market - a live wire

#### ■ Business Insolvency Worldwide

The insolvency U-turn

#### ■ Macroeconomic and Country Risk Outlook

The 7 dwarfs of global growth

#### ■ Global Sector Outlook

Let the Sector games begin

#### ■ Special Atlas

Around the World in eight maps

#### ■ Macroeconomic and Country Risk Outlook

The Price of Growth

#### ■ Special Report

## The Economic Talk



[youtube.com/user/EulerHermesGroup](https://www.youtube.com/user/EulerHermesGroup)

## Weekly Export Risk Outlook



[www.eulerhermes.com/economic-research](http://www.eulerhermes.com/economic-research)

## Economic Insight



[www.eulerhermes.com/economic-research](http://www.eulerhermes.com/economic-research)

- Worldwide DSO: Paying the penalty for low growth ► July 2016
- Brexit: What does it mean for Europe and the world? ► May 2016
- Brazil did not need more drama right now ► May 2016
- Insolvencies are back: Keep an eye on the domino effect ► April 2016
- Why is global growth a FLOP(s)? ► April 2016
- Switzerland: Modest export restart in 2016 while survey signals further growing export risks ► April 2016
- Oil prices: Time for (nasty) second-round effects? ► March 2016
- Payment Behavior Index (PBI) shows deteriorating conditions ► February 2016
- China: MONKEY forces for the Year of the Monkey ► February 2016
- Brexit me if you can: Companies to suffer the most ► February 2016

## Country Report



June 2016 updates

[www.eulerhermes.com/economic-research](http://www.eulerhermes.com/economic-research)

- |                     |                  |                   |
|---------------------|------------------|-------------------|
| ■ United Kingdom    | ■ Czech Republic | ■ Senegal         |
| ■ Finland (upgrade) | ■ Germany        | ■ Slovak Republic |
| ■ Romania (upgrade) | ■ Hungary        | ■ South Korea     |
| ■ Serbia (upgrade)  | ■ Japan          | ■ Tanzania        |
| ■ Bulgaria          | ■ Kuwait         | ■ UAE             |
| ■ Burkina Faso      | ■ Morocco        | ■ Uruguay         |
| ■ China             | ■ New Zealand    | ■ United States   |
| ■ Congo DR          | ■ Nigeria        | ■ Vietnam         |
| ■ Costa Rica        | ■ Peru           |                   |
| ■ Cote d'Ivoire     | ■ Portugal       |                   |

## Industry Report



[www.eulerhermes.com/economic-research](http://www.eulerhermes.com/economic-research)

- US Oil ► February 2016
- US Retail ► January 2016
- US Household equipment ► February 2016
- France agrifood ► November 2015
- US agrifood ► November 2015
- Germany agrifood ► October 2015
- Construction in Germany ► October 2015
- US Auto Industry Outlook ► September 2015
- US Steel Industry Outlook ► July 2015

## Global Sector Report



February 2016

[www.eulerhermes.com/economic-research](http://www.eulerhermes.com/economic-research)

- |  |                         |
|--|-------------------------|
| ■ Aeronautics                              | ■ Machinery & Equipment |
| ■ Agrifood                                 | ■ Metal                 |
| ■ Automotive                               | ■ Paper                 |
| ■ Chemicals                                | ■ Pharmaceuticals       |
| ■ Construction                             | ■ Retail                |
| ■ Energy                                   | ■ Textile               |
| ■ Household Equipment                      | ■ Transportation        |
| ■ Information & Communication Technologies |                         |

## Subsidiaries

Registered office:  
Euler Hermes Group  
1, place des Saisons  
92048 Paris La Défense - France  
Tel.: +33 (0) 1 84 11 50 50

[www.eulerhermes.com](http://www.eulerhermes.com)

### ►Argentina

Solunion  
Av. Corrientes 299  
C1043AAC CBA,  
Buenos Aires  
Phone: +54 11 4320 9048

### ►Australia

Euler Hermes Australia Pty Ltd  
Allianz Building  
2 Market Street  
Sydney, NSW 2000  
Tel.: +61 2 8258 5108

### ►Austria

Acredia Versicherung AG  
Himmelpfortgasse 29  
1010 Vienna  
Phone: +43 5 01 02 1111

Euler Hermes Collections GmbH  
Zweigniederlassung Österreich  
Handelskai 388  
1020 Vienna  
Phone: +43 1 90 22714000

### ►Bahrain

Please contact United Arab Emirates

### ►Belgium

Euler Hermes Europe SA (NV)  
Avenue des Arts — Kunstlaan, 56  
1000 Bruxelles  
Phone: +32 2 289 3111

### ►Brazil

Euler Hermes Seguros de Crédito SA  
Avenida Paulista, 2.421 — 3° andar  
Jardim Paulista  
São Paulo / SP 01311-300  
Phone: +55 11 3065 2260

### ►Bulgaria

Euler Hermes Bulgaria  
2, Pozitano sq.  
"Perform Business Center"  
Sofia, 1000  
Phone: +359 2 890 1414

### ►Canada

Euler Hermes North America Insurance  
Company  
1155, René-Lévesque Blvd West  
Suite 2810  
Montréal Québec H3B 2L2  
Phone: +1 514 876 9656 / +1 877 509 3224

### ►Chile

Solunion  
Av. Isidora Goyenechea, 3520  
Santiago  
Phone: +56 2 2410 5400

### ►China

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

### ►Colombia

Solunion  
Calle 7 Sur No. 42-70  
Edificio Fórum II Piso 8  
Medellin  
Phone: +57 4 444 01 45

### ►Czech Republic

Euler Hermes Europe SA  
organizacni slozka  
Molákova 576/11  
186 00 Prague 8  
Phone: +420 266 109 511

### ►Denmark

Euler Hermes Danmark, filial of  
Euler Hermes Europe S.A. Belgien  
Amerika Plads 19  
2100 Copenhagen O  
Phone: +45 88 33 3388

### ►Estonia

Please contact Finland

### ►Finland

Euler Hermes SA  
Suomen sivuliike  
Mannerheimintie 105  
00280 Helsinki  
Phone: +358 10 850 8500

### ►France

Euler Hermes France SA  
Euler Hermes Collection  
Euler Hermes World Agency  
1, place des Saisons  
F-92048 Paris La Défense Cedex  
Phone: +33 1 8411 5050

### ►Germany

Euler Hermes Deutschland  
Niederlassung der Euler Hermes SA  
Friedensallee 254  
22763 Hamburg  
Phone: +49 40 8834 9000

Euler Hermes Aktiengesellschaft  
Gaastraße 27  
22761 Hamburg  
Phone: +49 40 8834 9000

Euler Hermes Collections GmbH  
Zeppelinstr. 48  
14471 Potsdam  
Phone: +49 331 27890 000

Euler Hermes Rating GmbH  
Friedensallee 254  
22763 Hamburg  
Phone: +49 40 8 34 640

### ►Greece

Euler Hermes Hellas Credit Insurance SA  
16 Laodikias Street & 1-3 Nymfeou Street  
Athens Greece 11528  
Phone: +30 210 69 00 000

### ►Hong Kong

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

### ►Hungary

Euler Hermes Europe SA  
Magyarországi Fioktelepe  
Kiscelli u. 104  
1037 Budapest  
Phone: +36 1 453 9000

### ►India

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

### ►Indonesia

PT Asuransi Allianz Utama Indonesia  
Allianz Tower 32nd floor  
Credit Insurance Division  
Kawasan Kuningan Persada  
Super block 2  
Jln. H.R. Rasuna Said,  
Jakarta Selatan 12980  
Phone: +62 21 2926 8888

### ►Ireland

Euler Hermes Ireland  
Allianz House  
Elm Park  
Merriem Road  
Dublin 4  
Phone: +353 (0) 1 518 7900

### ►Israel

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

### ►Italy

Euler Hermes Europe SA  
Rappresentanza generale per l'Italia  
Via Raffaello Matarazzo, 19  
00139 Rome  
Phone: +39 06 8700 7420

### ►Japan

Euler Hermes Japan Branch Office  
10th Fl., New Otani Garden Court,  
4-1 Kioi-cho, Chiyoda-ku,  
Tokyo 104-0094  
Phone: +81 3 35 38 5403

### ►Kuwait

Please contact United Arab Emirates

### ►Latvia

Please contact Finland

► **Lithuania**

Please contact Finland

► **Malaysia**

Euler Hermes Malaysia Branch  
Level 28, Menara Allianz Sentral  
Jalan Tun Sambanthan,  
50470 Kuala Lumpur  
Phone: +603 22721387

► **Mexico**

Solunion  
Torre Polanco  
Mariano Escobedo 476, Piso 15  
Colonia Nueva Anzures  
11590 Mexico D.F.  
Phone: +52 55 52 01 79 00

► **Morocco**

Euler Hermes Acmar  
37, bd Abdelatif Ben Kaddour  
20 050 Casablanca  
Phone: +212 5 22 79 03 30

► **The Netherlands**

Euler Hermes Nederland  
Pettelaarpark 20  
P.O. Box 70751  
5201CZ's-Hertogenbosch  
Phone: +31 (0) 73 688 99 99 / 0800 385 37 65

Euler Hermes Bonding  
De Entree 67 (Alpha Tower)  
P.O. Box 12473  
1100 AL Amsterdam  
Phone: +31 (0) 20 696 39 41

► **New Zealand**

Euler Hermes New Zealand Ltd  
Tower 1, Level 11  
205 Queen Street  
Auckland 1010  
Phone: +64 9 354 2995

► **Norway**

Euler Hermes Norge  
Holbergsgate 21  
P.O. Box 6875  
St. Olavs Plass  
0130 Oslo  
Phone: +47 2 325 60 00

► **Oman**

Please contact United Arab Emirates

► **Panama**

Please contact Solunion Mexico

► **Peru**

Please contact Solunion Colombia

► **Philippines**

Please contact Singapore

► **Poland**

Towarzystwo Ubezpiecze  
Euler Hermes SA  
Al. Jerozolimskie 98  
00-807 Warsaw  
Phone: +48 22 363 6363

► **Portugal**

COSEC Companhia de Seguro de  
Créditos, SA  
Avenida da República, nº 58  
1069-057 Lisbon  
Phone: +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  
Phone: +40 21 302 0300

► **Russia**

Euler Hermes Credit Management OOO  
Office C08, 4-th Dobryninskiy per., 8  
Moscow, 119049  
Phone: +7 495 981 28 33 ext.4000

► **Saudi Arabia**

Please contact United Arab Emirates

► **Singapore**

Euler Hermes Singapore Services Pte Ltd  
12 Marina View  
#14-01 Asia Square Tower 2  
Singapore 018961  
Phone: +65 6589 3700

► **Slovakia**

Euler Hermes Europe SA, poboka  
poist'ovne z ineho clenkeho statu  
2012: Plynárska 7/A  
82109 Bratislava  
Phone: +421 2 582 80 911

► **South Africa**

Euler Hermes – South Africa  
The Fris  
32A Cradock Avenue  
Rosebank 2196  
Phone: +27 10 59348 01

► **South Korea**

Euler Hermes Korea  
Rm 1700, 17/F Jongro Tower Building, 6,  
Jongro 2-Ga, Jongro-Gu  
Seoul 110-789  
Phone: +82 2 733 8813

► **Spain**

Solunion  
Avda. General Perón, 40  
Edificio Moda Shopping  
Portal C, 3ª planta  
28020 Madrid  
Phone: +34 91 581 34 00

► **Sri Lanka**

Please contact Singapore

► **Sweden**

Euler Hermes Sverige filial  
Döbelnsgatan 24  
Box 729  
101 34 Stockholm  
Phone: +46 8 555 136 00

► **Switzerland**

Euler Hermes SA  
Zweigniederlassung Wallisellen  
Euler Hermes Reinsurance AG  
Richtiplatz 1  
8304 Wallisellen  
Phone: +41 44 283 65 65  
Phone: +41 44 283 65 85 (Reinsurance AG)

► **Taiwan**

Euler Hermes Taiwan Services Limited  
Phone: +886 2 5550 0590

► **Thailand**

Allianz C.P. General Insurance Co., Ltd  
323 United Center Building  
30<sup>th</sup> Floor

Silom Road

Bangrak, Bangkok 10500  
Phone: +66 (0)2 264 8612

► **Tunisia**

Please contact Italy

► **Turkey**

Euler Hermes Sigorta A.S.  
Büyükdere Cad. No:100-102  
Maya Akar Center Kat: 7 Esentepe  
34394 Şişli / Istanbul  
Phone: +90 212 2907610  
► **United Arab Emirates**  
Euler Hermes  
c/o Alliance Insurance PSC  
501, Al Warba Center  
P.O. Box 183957  
Dubai  
Phone: +97142116000

► **United Kingdom**

Euler Hermes UK  
1 Canada Square  
London E14 5DX  
Phone: +44 20 7 512 9333

► **United States**

Euler Hermes North America  
Insurance Company  
800 Red Brook Boulevard  
Owings Mills, MD 21117  
Phone: +1 877 883 3224

► **Uruguay**

Please contact Argentina

► **Vietnam**

Please contact Singapore

## Euler Hermes **Economic** Outlook

is published monthly by the Economic Research Department  
of Euler Hermes Group

1, place des Saisons, F-92048 Paris La Défense Cedex

e-mail: [research@eulerhermes.com](mailto:research@eulerhermes.com) - Tel.: +33 (0) 1 84 11 50 50

This document reflects the opinion of the Economic Research Department of Euler Hermes Group. 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 Group has no responsibility for the consequences hereof and no liability. Moreover, these analyses are subject to modification at any time.

[www.eulerhermes.com](http://www.eulerhermes.com)

Economic  
Outlook



Avec Ecofolio  
tous les papiers  
se recyclent.