



Weekly Export Risk Outlook



3 May 2012

In the Headlines

FIGURE OF THE WEEK: **2.2%** > US QTR/QTR Q1 GDP GROWTH

▶ US: Mixed economic data

Economic data are continuing to give contradictory pointers. GDP growth was a disappointing 2.2% qtr/qtr in Q1 but personal consumption increased by a stronger 2.9% qtr/qtr. Real disposable personal income growth, however, was markedly weak at 0.4% qtr/qtr in Q1, pulling the consumers' savings rate down to 3.8% of disposable personal income from 4.7% as recently as December. Residential construction increased 19% qtr/qtr but building of non-residential structures declined by 12% qtr/qtr. The four-week moving average of weekly jobless fell for a third consecutive week, boding badly for the April employment report. Yet, auto sales were relatively good and the Institute of Supply Management's (ISM) manufacturing report was very strong, both overall and in the critical components of new orders, employment and production. Overall, the outlook remains uncertain.

▶ Euro-zone: Disappointing start to Q2

PMI data for the EZ as a whole posted a further monthly decline in April, for the third consecutive period, according to Markit, suggesting that overall activity continues its phase of contraction dating from September 2011, despite a temporary rebound in January 2012. Survey details point to weakness in both services—with Germany the principal exception—and manufacturing. Indeed, the latter registered its lowest level in almost three years. Deterioration in manufacturing PMIs was evident across all the big-five economies (Germany, France, Italy, Spain and the Netherlands). Meanwhile, overall European bank credit growth to the private sector appears to have ground to a halt, as credit to business in the three months to March fell by 3% on the previous three months, and unemployment increased by 160,000 in March to a record high of 17.365mn, equivalent to an EZ unemployment rate of 10.9%. Expect the EZ to remain a leading drag on the global economy.

▶ Taiwan: Q1 GDP growth

The economy returned to growth in Q1 as real GDP increased by 0.3% qtr/qtr sa, after two consecutive quarters of shallow contraction in the second half of 2011 (official advanced estimate). On a yr/yr basis, GDP was up just 0.4%, after 1.9% in Q4, continuing the downtrend evident through 2011. Net exports continue to be the main driver of growth, but in Q1 both exports and imports fell on a yr/yr basis—in contrast to Q3 and Q4 2011 when exports increased and imports contracted—as demand from both Europe and Mainland China was weak. Fixed investment continued to fall sharply, but private and government consumption remain supportive. Expect the economy to pick-up some momentum through 2012 and full year growth of around 3%, down from 4% in 2011.

▶ Germany: Labour costs

In a comparison of labour costs within the EU, private sector wages in Germany in 2011 were approximately one-third higher than the group average. According to the latest official results by Destatis (Federal Statistics Office), German hourly wage costs (including non-wage labour costs) were an average EUR30.1 in 2011, ranking seventh among the 27 EU states. German wage costs were 32% above the EU average of EUR22.8 and 50% higher than comparable costs in the UK (EUR20.1, ranking 13th), but 12% less than in France (EUR34.2, fourth) and 23% below the level in Belgium (EUR39.3, first). However, looking at the ten-year period from 2001, private sector labour costs in Germany increased by 19%, a far slower pace than elsewhere in the EU.

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, Africa & Middle East – Sudan and South Sudan**

Tensions between the two Sudans escalated after South Sudan invaded the Heglig oil field north of the country's border. Sudan subsequently recaptured the area but mutual antipathy remains high and both countries accuse each other of supporting rebel factions in the other's territory. In addition to border demarcation disputes, other divisive issues include allocation of oil revenues—most oil is in the South but pipelines go through Sudan—and citizenship problems. There has been a build up in military activity and action. The UNSC adopted a unanimous resolution calling for a ceasefire and respect of border integrity. Even if outright war is avoided, expect economic damage—oil production has all but ceased. Do not expect a quick resolution to the conflict, which may yet spill over into other countries.



► **Americas – Dominican Republic: Presidential elections**

The first round of presidential elections will be held later this month (20 May) with a second round if necessary on 24 June. The two leading candidates are Danilo Medina of the ruling PLD and Hipolito Mejia of the PRD (a re-run of the 2000 election). The incumbent, President Fernandez, is not permitted to stand for a third consecutive term. Latest polls put Medina, with President Fernandez' wife as his running mate, comfortably ahead of Mejia and a first round win is possible, but it is a close call at this stage. The economy expanded by an annual average of more than 6% during Fernandez' term of office, although growth could slip below 4% in 2012. Structural problems, especially electricity supply, continue to be a constraint and the external balance remains fragile.



► **Asia-Pacific – South Korea: Q1 GDP growth**

Advance estimates show Q1 real GDP growth accelerated to 0.9% qtr/qtr sa from 0.3% in Q4 2011. The rebound was largely driven by domestic demand, although this is likely to be a correction to the previous quarter's decline. Private consumption increased by 1% qtr/qtr sa in Q1 (-0.4% in Q4), government spending by 3.1% (-0.8% in Q4) and fixed investment by 3.7% (-1.5% in Q4). Exports expanded by 3.4% qtr/qtr sa in Q1 (-2.3% in Q4) while imports grew by 4.5% (-3% in Q4). In yr/yr terms, Q1 GDP growth was more balanced between domestic and external demand but moderated to 2.8% from 3.3% in Q4 2011, partly a result of a strong base in Q1 2011. The Consumer Sentiment Index, at 104 in April, continued its uptrend from a low of 98 in January. Expect full-year 2012 growth of around 3%.



► **Europe – Romania: New government**

Following some defections and the loss of support of several independent MPs in a no-confidence vote over its privatisation plans for natural resources, the centre-right coalition government led by the PDL of Prime Minister Ungureanu fell last week. This came less than three months after the previous centre-right government under Emil Boc (also PDL) resigned after weeks of protests against years of austerity measures following an IMF/EU-led bailout in 2009-2011. Nominated by President Basescu, opposition leader Victor Ponta named a new centre-left coalition cabinet that is likely to be endorsed by parliament next week. However, Ponta will have little room to manoeuvre in fiscal policy terms. Expect ongoing political uncertainty until the next legislative election—scheduled for November 2012.

Worth knowing

► **Other Q1 real GDP growth**

Georgia: 6% yr/yr (8.8% in Q4 2011). **Lithuania:** 3.9% yr/yr (4.4% in Q4) and 0.8% qtr/qtr sa (1% in Q4). **Serbia:** -1.3% yr/yr (+0.6% in Q4). **Ukraine:** 1.8% yr/yr (4.7% in Q4) and -0.3% qtr/qtr sa (+0.6% in Q4).

► **Interest rates**

Australia: key policy rate cut by 50bps to 3.75%. **Mexico** and **Colombia:** both countries left their key policy rates unchanged, Mexico at 4.5% and Colombia at 5.25%.

► **Inflation rates**

Kenya: The rate of increase in consumer prices fell in April for the fifth consecutive month, to 13.1% yr/yr (15.6% March). **Uganda:** The CPI was up 20.3% yr/yr in April (21.1% March). **Algeria:** The CPI for Algiers was up 10.4% yr/yr in February (7.5% January). **Sri Lanka:** The CPI was up 5.5% yr/yr in March (2.7% February).

For more information, visit
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.