



© Von Ivan Marc - shutterstock.com

ALLIANZ RESEARCH

BREXIT IN TIMES

OF COVID-19

12 January 2021

- 04 A (partially) done Brexit deal
- 05 How is Brexiting in times of Covid-19 different?



EXECUTIVE SUMMARY



Ana Boata, Head of Macroeconomic Research
+33 (0) 1 84 11 48 73
ana.boata@eulerhermes.com

Anita Poulou, Economic Research Assistant
anita.poulou@allianz.com

- **A (partially) done Brexit deal.** As expected, the EU and the UK reached a very last-minute compromise on Brexit, just seven days before the EU exit day. The deal is more advantageous than other FTAs as it offers zero tariffs for goods. However, non-tariff barriers could amount up to +10% due to the exit from the Customs Union. The transition period we expected due to the lack of customs declaration preparation on the UK side has been confirmed until the end of June 2021, while financial services and data adequacy are still waiting for an “equivalence status” from the EU, which could take longer than just six months.
- **How is Brexit in times of Covid-19 different?**
 - ◇ First, demand remains low and volatile because of the renewed tight sanitary restrictions. In the short term, the “hard lockdown”, notably in the UK, will worsen the contraction of private consumption and investment. This should keep trade disruption low at least until Spring 2021, buying time for the UK and EU governments to pursue more infrastructure investments to reduce the time spent at the border. However, for UK exporters, Brexit in times of Covid-19 could prove even harder because of the below-normal demand coupled with a +10% increase in non-tariff barriers. We forecast UK exporters to lose between EUR13.5bn and EUR27.3bn over the year (vs. EUR10bn for EU exporters in H2 2021) due to weak demand, higher bureaucracy and not much competitiveness from the sterling (-3% in 2021). This would translate into 0.6% to 1.1% annual loss in GDP. The top five hardest-hit sectors would be mineral and metal products, machinery and electrical equipment, transport equipment, chemicals and textiles.
 - ◇ Second, the “rule of origin” is likely to require supply-chain changes for a sectors such as wood, electrical equipment, metals, chemicals, pharmaceuticals, computer and electronics, transport equipment (incl. automotive) and machinery and equipment, given their high dependency on foreign inputs. The good news is that the Covid-19 crisis has already pushed many companies to rethink their supply chains and look for more domestic suppliers. In our recent [supply chain survey](#), the share of UK companies looking for domestic suppliers is higher compared to peers (35% vs. 17% in Italy). When asked about the reasons for considering changing the location of their suppliers, 35% of UK companies surveyed mentioned reducing delivery delays and better managing inventories among the top three reasons, vs. 21% on average in other countries.
 - ◇ Third, the impact of the Covid-19 crisis on prices could alleviate some of the upside impact of Brexit on some of goods in 2021. For UK importers, the trade disruption has been delayed to July 2021, when we expect import prices of goods to rise by +2% to +5% due to the additional paperwork and longer transportation time. These costs might be reduced by (i) the mutual recognition of “Trusted Trader Schemes”, (ii) the infrastructure investments the UK government will make to facilitate customs checks and (iii) the low pressure on prices due to disrupted demand amid the Covid-19 crisis.

- ◇ Fourth, pushing further with “smart industry” in the UK would be hard in times of Covid-19. The incoming labor force was already impacted in 2020 by the sanitary restrictions and Brexit will accentuate this, notably for EU workers, given the need for work permits. The total number of EU workers going to the UK has fallen by -15% since the 2016 referendum. Future labor shortages will put upside pressures on wages and make the substitution with domestic suppliers difficult.
- ◇ Fifth, the Covid-19 crisis provides some leeway for policy support to absorb the negative impact from Brexit, but we expect GDP to remain -2% below pre-crisis levels at end-2022. We expect additional spending of around GBP100bn (or 5% of GDP) on (i) infrastructure at the border and (ii) a VAT cut to limit the loss of purchasing power and the rise in inflation starting in H2 2021. However, the renewed strict lockdown until mid-February is expected to keep the UK in recession in Q1 (-5.5% q/q) as the closure of schools for six weeks will cut GDP growth by more than -3pp, while the closure of non-essential shops and the hospitality sector could cost -2.6pp. Hence, we keep our below consensus forecast of +2.5% for GDP growth in 2021, followed by more than +7.0% in 2022.

10%

**Expected increase in non-tariff barriers
for UK exporters.**

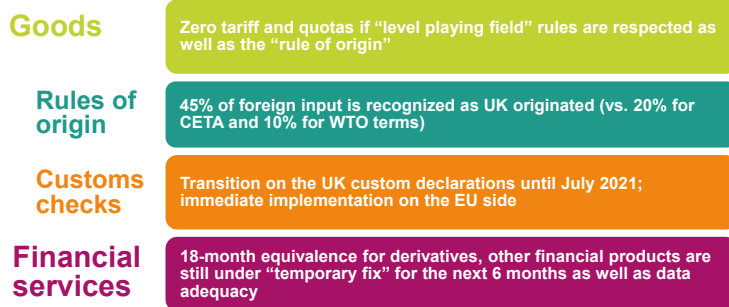
A (PARTIALLY) DONE BREXIT DEAL

After four and half years, three Prime Ministers and two general elections, Brexit finally took place on 31 December 2020 at 11pm. However, the deal with the EU is far from complete due to the lack of time for preparation, and lingering uncertainty has resulted in some disruption at the borders since 01 January 2021: many small firms have suspended EU imports and exports as they wait to see what Brexit-related changes would mean, according to the UK Federation of Small Businesses, and about one in five trucks have been turned away at channel crossings, partly because of Brexit paperwork, according to the UK Road Haulage Association.

On goods, as expected, no tariffs will apply if the level playing field conditions and rule of origins are respected (see Figure 1). Indeed, if the UK moves too far from EU rules, notably regarding subsidies – which have increased over the past few years, see Figure 2 – and if the EU considers that this distorts trade and harms its businesses, a “rebalancing mechanism” can unilaterally apply. This would mean tariffs are likely to be imposed in a similar way as the EU and the US implemented bilateral tariffs following their Airbus-Boeing dispute at the WTO. Financial services and data adequacy are still awaiting for equivalence from the EU and fall under a “temporary fix” of six months.

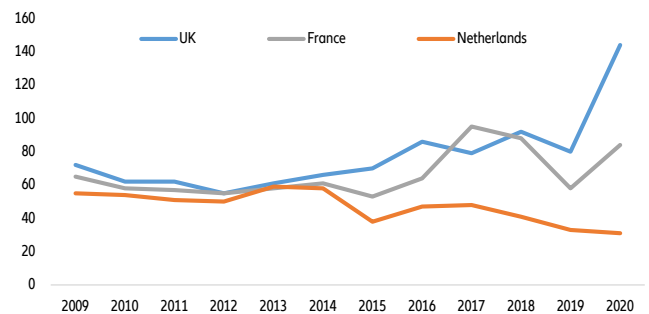
Cooperation on foreign policy, security and defense will be reduced below current levels, along with provisions for transport, energy and civil nuclear cooperation. Mobile roaming, mutual recognition of professional qualifications, access to legal services, digital trade and public procurement are other areas where cooperation will be downgraded. Indeed, both British and EU professionals wanting to practice abroad will need to get their qualifications officially recognized. Furthermore, while the EU and the UK have agreed not to require visas for travel, the free movement of people will end. That means EU citizens going to the UK, and vice-versa, will be subject to border screenings and no longer be able to use biometric passports to cross swiftly through electronic gates.

Figure 1: The Brexit deal in short



Source: Allianz Research

Figure 2: Number of harmful state interventions, i.e. number of domestic subsidies



Sources: GTA, Allianz Research

HOW IS BREXITING IN TIMES OF COVID-19 DIFFERENT?

For UK importers (and consumers), an immediate trade disruption has been avoided thanks to the six-month transition period for customs declarations. This protects EU exporters from losses at least in H1, but could translate into EUR10bn of export losses in H2 2021.

With a lack of preparation at the border (50,000 customs agents needed, 250 million customs declarations needed per year for trade with the EU) leading to longer transportations costs¹, as well as extra-paperwork and bureaucracy, we expect non-tariff barriers to reach a maximum of +10% on product value for imports coming from countries such as France, Germany or Spain, as they were part of the Customs Union and the Single Market, and around +5% on imports coming from Norway, a member of the Single Market but not the Customs Union. However, the UK government has decided to give a six-month grace period (until 30 June) for customs declarations for UK companies to allow time for preparation. This should allow for a status quo on import prices of goods in the UK. Beyond July 2021, these costs might be reduced by:

- (i) The mutual recognition of “Trusted Trader Schemes”, which will reduce the amount of paperwork required for such traders.
- (ii) The infrastructure investments the

UK government will make to facilitate customs checks.

(iii) The bilateral cumulation of origin between UK and EU goods, allowing for most manufactured goods to irreversibly acquire EU or UK-originating status even when their composition includes products from the other party, with limited exceptions.

(iv) The mutual recognition of product certifications (eg. for organic products) and Good Manufacturing Practice (eg. for medicinal products), which avoids a double inspection of manufacturing facilities by the UK and the EU.

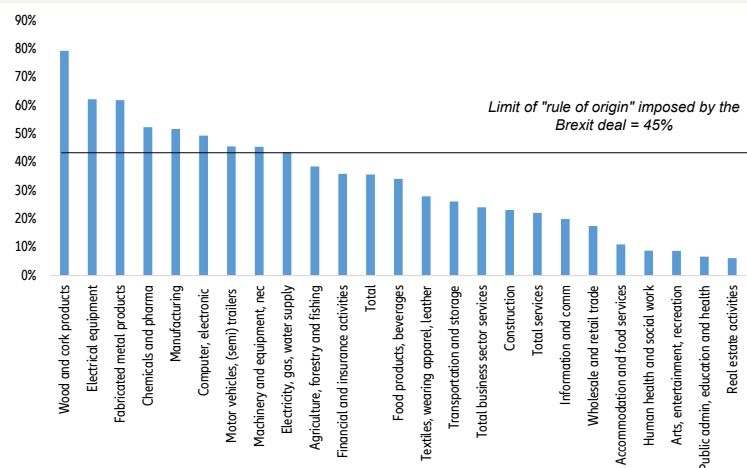
We initially forecasted that EUR18bn of EU exports could be lost in the first year following Brexit (see our recent [report](#)). The six-month transition period is expected to halve these losses to less than EUR10bn. Germany (EUR2bn), the Netherlands (EUR1.2bn), France (EUR0.9bn), Belgium (EUR0.7bn) and Italy (EUR0.6bn) would continue to be the hardest hit – even if the losses represent less than 0.5% of their total exports.

Companies producing wood, electrical equipment, metals, chemicals, pharmaceuticals, computer and electronics, transport equipment (incl. automotive) and machinery and equipment will need to readapt their supply chains, given their high dependency on foreign inputs.

For UK exporters, the “rules of origin” under the Brexit deal are more convenient compared to other FTAs. UK companies exporting to the EU will have to prove that their goods are produced in the UK by a certain determined share (in most of cases 55-60%). This compares to 80% for CETA and 90% for WTO terms. In addition to this more favorable threshold, traders can self-certify the origin of their goods. Mitigating this risk was important as around 150,000 UK companies trade exclusively with the EU. However, for some goods, there could be a rotation needed into a higher share of UK-produced goods. For example, the average car made in the UK purchases 44% of its components from UK suppliers. However, the proportion of this actually made in the UK is somewhere between 20% and 25%. All in all, foreign inputs for some products such as wood, electrical equipment, metals, chemicals, pharmaceuticals, computers and electronics, transport equipment (incl. automotive) and machinery and equipment go beyond 45%. The companies producing them will need to readapt their supply chains in order to avoid tariffs (see Figure 3).

¹ Estimates from Imperial College London point to the fact that two extra minutes of additional controls at the border (in addition to the current two minutes) would translate into 32km of queues, which would more than triple the existing queues. This would leave drivers waiting almost five hours on the route.

Figure 3: Foreign value added content of gross exports as a % of gross exports of final products



Sources: OECD TIVA, Allianz Research

To finish, some manufacturers will have to face another layer of red-tape beyond having to simply verify compliance with the rules of origin for the sake of applying preferential tariffs. For one thing, the EU Dual-Use Regulation, whereby the EU controls the export of goods used for both civilian and military purposes, no longer applies in Great Britain. The latter will call for the UK exporters of such goods to acquire special licenses in order to keep selling in the EU. Second, the UK having officially left the European Single Market announces a growing divergence between both sides when it comes to the agreement regarding goods standards, calling for standards compliance verifications at the border, and thus additional trade frictions such as rigorous sanitary checks on agrifood products, for example. However, the TCA warns against any unfair subsidy to trade from one of the two parties by making it a justified ground for retaliation from the other party, notably through tariff application. In this case, lower social, labor or environmental standards with the aim of unfairly boosting trade competitiveness could be perceived as such, and call for the agreement's provision to apply. Therefore, deviation between the UK and the EU as the former regains its sovereignty over product standardization should be cautiously undertaken and thus limited.

The exit from the Customs Union would be equivalent to between EUR13.5bn and EUR27.3bn of annual export losses for UK companies.

Taking into account a rise in non-tariff barriers equivalent to +10% due to controls at the border for UK exporters, and two scenarios for the GBP/EUR: -3% in 2021 (our baseline) and stability, we forecast UK exporters would lose between EUR13.5bn and EUR27.3bn in 2021. The top five hardest-hit sectors would be mineral and metal products, machinery and electrical equipment, transport equipment, chemicals and textiles (see Figure 4).

The services surplus is likely to shrink in the absence of mutual recognition and the UK's financial model will need to evolve away from "classical financial products".

Until now, the UK has had a high surplus in services trade (see Figure 3), which will be reduced by the fact that there is no mutual recognition of professional qualifications, which limits the provision of services to the Single Market by, for instance, business and financial firms. For financial services, after losing the passporting rights to offer services across the EU, cross-border business moves to an equivalence regime² by which the EU grants

permission on a case-by-case basis. For central clearing of derivatives contracts, for example, equivalence has already been conceded for the next 18 months, given the heavy reliance of the EU financial system on UK central counterparties (CCPs). For the UK, much is at stake: a quarter of the financial services sector's annual revenue comes from business related to the EU. EU business is particularly important in banking and investment, with over 40% of UK exports in these areas heading to the EU. Looking at other equivalence systems (Switzerland, US, Japan), we understand that the process can be laborious, as each financial activity needs to be screened by the EU. In addition, the equivalence status can be withdrawn unilaterally, at any time, by the EU, as was the case for Switzerland equity securities, which lost their right to be traded on stock exchanges in the EU in summer 2019. In 2015, the European Court of Justice found data equivalence with the US to be invalid following a challenge by an Austrian citizen through the Irish High Court. A new – more restricted – equivalence decision was put in place by the EU shortly after this. Thus, to avoid the uncertainty of the equivalence regime, most London-based financial services providers set up subsidiaries within the EU and moved capital (but not many jobs) into the EU in order to continue to service their EU clients.

² Equivalence refers to a decision by one state to recognize another state's legal requirements for regulating a good or service, even though they may not be exactly the same. In practice, this means that a trader need only comply with one set of requirements in both states. This usually applies in a very specific area – for example, it is most often used in relation to aspects of financial services regulation.

Figure 4: Expected UK export losses per year by GBP/EUR scenario

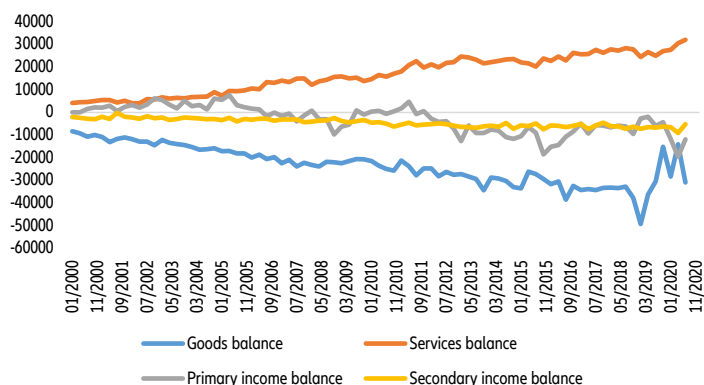
GBP depreciates by -3% in 2021	EURbn	GBP remains stable in 2021	EURbn
Mineral products	-2.7	Machinery and electrical equipment	-4.6
Machinery and electrical equipment	-2.0	Mineral products	-4.4
Transport equipment	-1.9	Transport equipment	-3.8
Chemicals	-1.6	Chemicals	-3.3
Base metals	-0.9	Pearls, precious stones and metals, metals clad, imitation jewelry, coins	-1.8
Textile materials	-0.8	Base metals	-1.7
Plastics and rubber	-0.8	Plastics and rubber	-1.4
Musical, optical, photographic, cinematographic, measuring, checking, medical or surgical instruments, clocks and watches	-0.5	Textile materials	-1.4
Food and beverages, alcoholic beverages, vinegars, tobacco	-0.4	Musical, optical, photographic, cinematographic, measuring, checking, medical or surgical instruments, clocks and watches	-1.2
Miscellaneous goods	-0.3	Food and beverages, alcoholic beverages, vinegars, tobacco	-0.8
Paper or cardboard	-0.3	Paper or cardboard	-0.6
Pearls, precious stones and metals, metals clad, imitation jewelry, coins	-0.3	Miscellaneous goods	-0.6
Footwear, headgear, umbrellas, whips, riding-crops, feathers, artificial flowers	-0.2	Animal products and live animals	-0.4
Animal products and live animals	-0.2	Footwear, headgear, umbrellas, whips, riding-crops, feathers, artificial flowers	-0.3
Articles of stone, plaster, cement, asbestos, mica, ceramic products, glass and glassware	-0.2	Objects of art, collection or antiques	-0.3
Products of the plant kingdom	-0.1	Articles of stone, plaster, cement, asbestos, mica, ceramic products, glass and glassware	-0.3
Leather, furskins, saddlery, harness, travel goods, handbags	-0.1	Products of the plant kingdom	-0.2
Wood, charcoal, cork, articles of straw and plaiting materials, basketware	0.0	Leather, furskins, saddlery, harness, travel goods, handbags	-0.1
Animal or vegetable fats, oils and waxes	0.0	Wood, charcoal, cork, articles of straw and plaiting materials, basketware	-0.1
Arms and ammunition	0.0	Animal or vegetable fats, oils and waxes	0.0
Objects of art, collection or antiques	0.0	Arms and ammunition	0.0
Total	-13.5	Total	-27.3

Sources: ITC, Allianz Research

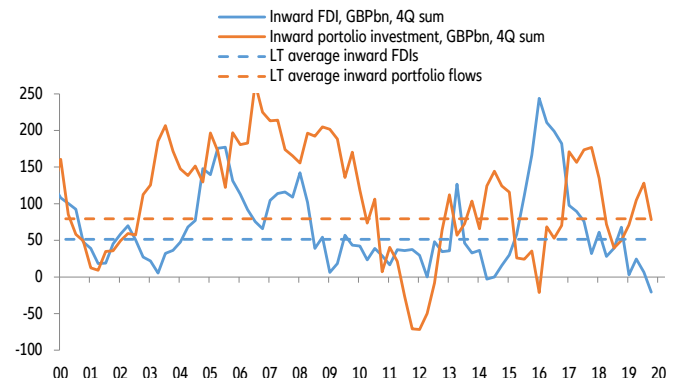
The end of free movement will also affect the UK's transportation services, whose exports to the EU stand at close to EUR1bn. The deal has allowed the

recognition of each other's licenses and permits, allowing drivers to cross multiple countries (to a maximum of two journeys inside the EU). However, it has

reduced cabotage rights (the deal gives drivers the right to stop only once, for drop-off / pick-up, in the EU against three time before).

Figure 5: Current account balance decomposition, GBPmn

Sources: ONS, Allianz Research

Figure 6: UK balance of payments (latest data point Q3 2020), GBPbn

Sources: Refinitiv, Allianz Research

The Covid-19 crisis provides some leeway for policy support to absorb the negative impact from Brexit, but we expect the UK's GDP to remain -2% below pre-crisis levels at end-2022.

Starting on 01 July 2021, when the Brexit deal will be fully enforced on the UK side, we expect import prices to increase by close to +5% following the rise in non-tariff barriers (+10%) and the -3% GBP depreciation against the EUR (see Figure 7). However, these forecasts could change depending on the size and speed of the UK government's policy response. We expect spending of around GBP100bn (or 5% of GDP) on (i) infrastructure at the border and (ii)

measures to limit the loss of purchasing power and the rise in inflation starting in H2 2021. The rise in import prices is equivalent to GBP5bn for consumption goods (see Figure 7). The government has two options: (i) cut the VAT tax rate (around -1 to -2pp) or (ii) subsidize part of the increase as usually done for energy imports. The BoE will continue to remain very accommodative until the end of 2022 after having announced an increase of GBP150bn of QE purchases last November, which should continue to support the increase in bond sovereign issuances.

The renewed strict lockdown until mid-February is expected to keep the UK in

recession in Q1 (-5.5% q/q) as the closure of schools will cut GDP growth by more than -3pp while the closure of non-essential shops and the hospitality sector could cost -2.6pp. Hence, we keep our below consensus forecast of +2.5% for GDP growth in 2021, followed by growth of more than +7.0% in 2022. In the medium run, productivity trends will be key for potential growth. Lower migration from the EU, which accounted for 4.6% of the total UK active population in 2019 (see Figure 6), is likely to reduce headline GDP growth along with lower levels of inward investment. Overall, Brexit could result in an average reduction in the long-term level of GDP of 4%.

Figure 7: Increase in import tariffs by type of product (% and GBPbn)

NTBs of 5 to 10%; GBP/EUR depreciation of -3%	Product type	Import price change	Impact in GBP, bn
	All products	4.9%	22
Agricultural products	6.6%	2	
Non-agricultural products	4.8%	20	
Capital goods	4.5%	4	
Intermediate goods	5.1%	13	
Consumption goods	5.4%	5	

NTBs of 5 to 10%; No GBP depreciation	Product type	Import price change	Impact in GBP, bn
	All products	1.9%	8
Agricultural products	3.5%	1	
Non-agricultural products	1.7%	7	
Capital goods	1.5%	1	
Intermediate goods	2.0%	5	
Consumption goods	2.3%	2	

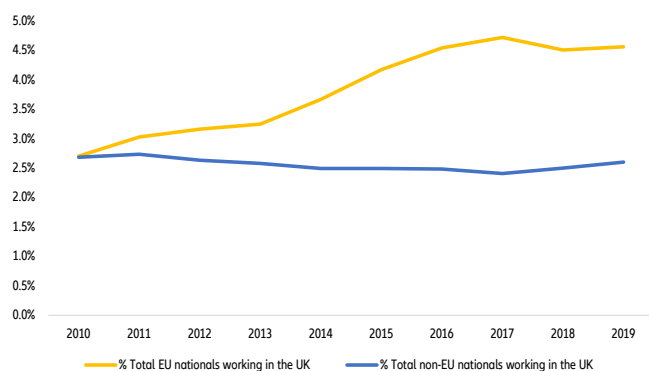
Sources: various, Allianz Research

Figure 8: UK forecasts

	Soft Brexit with very-last minute compromise and full FTA implementation by mid-2021		
	2020	2021	2022
GDP growth, %	-11	2.5	7.8
Consumer spending, %	-13	5.7	8.9
Total investment, %	-16	4	8.3
Exports, %	-14	1.5	7.3
Inflation	0.9	1.8	2.2
Unemployment rate	4.5	6.8	6
Business insolvencies, number (2019 = 22,078)	15,410	15,000 - 20,000	~25,400
GBP/EUR, annual change	-1	-3	-2
Monetary policy	Status quo after the increase of GBP150bn announced in November		
Fiscal policy	5% of GDP in 2021 (after only 1.5% in 2020) mainly focused on infrastructure spending and tax cuts		
10y GILT expectations and equity strategy	10y GILT at 0.2% (eoy) FTSE100 at -14.3%/yoy (eoy)	10y GILT at 0.6% (eoy) FTSE100 at 10%/yoy (eoy)	10y GILT at 0.8% (eoy) FTSE100 at 5%/yoy (eoy)

Sources: various, Allianz Research

Figure 9: Total EU and non-EU nationals working in the UK, % of active population



Sources: ONS, Allianz Research

OUR TEAM

Chief Economist of Allianz and Euler Hermes



Ludovic Subran
Chief Economist
ludovic.subran@allianz.com

Head of Economic Research, Euler Hermes



Alexis Garatti
alexis.garatti@eulerhermes.com

Head of Capital Markets Research



Eric Barthalon
eric.barthalon@allianz.com

Head of Insurance, Wealth and Trend Research



Arne Holzhausen
arne.holzhausen@allianz.com

Macroeconomic Research



Ana Boata
Head of Macroeconomic
Research
ana.boata@eulerhermes.com



Katharina Utermöhl
Senior Economist for Europe
katharina.uterhoehl@allianz.com



Selin Ozyurt
Senior Economist for France
and Africa
selin.ozyurt@eulerhermes.com



Françoise Huang
Senior Economist for APAC
francoise.huang@eulerhermes.com



Manfred Stamer
Senior Economist for Middle East
and Emerging Europe
manfred.stamer@eulerhermes.com



Georges Dib
Economist for Latin America, Spain,
Portugal and Trade
georges.dib@eulerhermes.com



Dan North
Senior Economist for North
America
dan.north@eulerhermes.com

Capital Markets Research



Jordi Basco Carrera
Fixed Income Strategist
jordi.basco_carrera@allianz.com



Michaela Grimm
Senior Expert, Demographics
michaela.grimm@allianz.com



Lina Manthey
Equities Strategist
lina.manthey@allianz.com



Markus Zimmer
Senior Expert, ESG
markus.zimmer@allianz.com



Patrick Krizan
Senior Economist for Italy and
Greece, Fixed Income
patrick.krizan@allianz.com



Patricia Pelayo Romero
Expert, Insurance
patricia.pelayo-romero@allianz.com

Sector Research



Maxime Lemerle
Head of Sector Research
maxime.lemerle@eulerhermes.com



Aurélien Duthoit
Sector Advisor for Retail, Technology and Household
Equipment
aurelien.duthoit@eulerhermes.com



Marc Livinec
Sector Advisor for Chemicals,
Pharmaceuticals, Transportation,
Agrifood and Transport Equipment
marc.livinec@eulerhermes.com



Ano Kuhanathan
Sector Advisor and Data Scientist
ano.kuhanathan@eulerhermes.com

RECENT PUBLICATIONS

18/12/2020	'Dear Santa': Our economists' wish list for 2021
18/12/2020	2021-2022: Vaccine economics
15/12/2020	US & EMU Corporate Spreads: There is only so much QE can do
10/12/2020	Global Supply Chain Survey: In search of post-Covid-19 resilience
09/12/2020	Wanted: Public borrowers of last resort
03/12/2020	ECB: Another EUR1.6tn in QE to reach the light at the end of the tunnel
02/12/2020	France: Improved confidence will boost consumer spending by EUR10bn in 2021
01/12/2020	French and German savers: the unequal twins
26/11/2020	Global sovereign debt market: not seeing the trees for the forest
25/11/2020	U.S. & Eurozone sectors: hunting for the weak links
24/11/2020	Europe: One in four corporates will need more policy support in 2021 to avert a cash-flow crisis
20/11/2020	Saving Christmas: a EUR18bn challenge for French non-essentials retailers
19/11/2020	Financial and risk literacy survey: resilience in the time of Corona
17/11/2020	EU carbon border adjustments and developing country exports: saving the worst for the last
17/11/2020	RCPE: common rule of origin could boost regional trade by around USD90bn annually
16/11/2020	Emerging Europe: The balance of risks is tilted to the downside
11/11/2020	Zero interest rates: redistribution through the backdoor
10/11/2020	Emerging Markets: heading for a China-less recovery?
09/11/2020	Joe Biden's victory: reconciliation economics
06/11/2020	The U.S. elections turn into a judiciary battle: What's next?
05/11/2020	Delayed but not derailed: The Eurozone recovery after "lockdown light"
03/11/2020	Consumers and climate policy: Wash me but don't get me wet
29/10/2020	Dual circulation: China's way of reshoring?
28/10/2020	Healthier tomorrows? Sporting goods a rare bright spot in Covid times

Discover all our publications on our websites: [Allianz Research](#) and [Euler Hermes Economic Research](#)

Director of Publications: Ludovic Subran, Chief Economist
Allianz and Euler Hermes
Phone +33 1 84 11 35 64

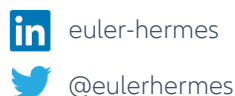
Allianz Research
https://www.allianz.com/en/economic_research

Königinstraße 28 | 80802 Munich |
Germany
allianz.research@allianz.com



Euler Hermes Economic Research
<http://www.eulerhermes.com/economic-research>

1 Place des Saisons | 92048 Paris-La-Défense
Cedex | France
research@eulerhermes.com



FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, 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. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) 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.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.