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Press release

Solunion joint venture by Euler Hermes and MAPFRE launches Colombia activities; events highlight Columbia, Latin America trends

PARIS – 20 FEBRUARY 2014 - During the Bogota and Medellin, Columbia launch events of Solunion, the joint venture of Euler Hermes and MAPFRE, global economic trends and change drivers for 2014 were highlighted along with spotlights on the Latin American market and on Colombia as one of the region's "winning bets."

"As the global recession of 2008-2009 becomes history, central banks around the world have begun to adapt their monetary policies to the growth environment," said Ludovic Subran, chief economist at Euler Hermes. "Although 2014 will still be a complicated year, many economies will start to recover as the improved outlooks for advanced economies create a more uniform distribution of activity."

Although vulnerability continues to impact forecasts for the Latin American market, Subran said that growth is expected to pick up gradually in 2014 and 2015, after a year marked by sluggish world trade and falling raw material prices.

"The upturn in global demand, combined with strong domestic demand and the Pacific Alliance Free Trade Agreement (Chile, Colombia, Mexico and Peru), is expected to drive the region's economy," he said. "However, risks remain, linked to the still less favorable global financial conditions, the drop in international raw material prices, slower demand in China and weak forecasts for some of the region's largest economies (Brazil and Argentina)."

In a region marked by strong heterogeneity, Subran identified five key concerns:

1. A very wide gap in logistics standards remains among the various Latin American countries.
2. Given a reduction in global liquidity, the degree of vulnerability among the various Latin American economies is mixed. Some have significant reserves to ease the effects of a foreign capital shortage in the short term. The weight of history related to old sovereign debt defaults could hinder some countries, making it difficult for them to obtain external financing.
3. At the domestic level, local financial systems are generally still at the development stage. Major improvements are needed in order for the supply of financial services to provide greater coverage and be more affordable.
4. Some countries are finding it difficult to meet their inflation targets. These inflationary pressures are forcing their central banks to raise interest rates at the expense of a weak recovery.
5. Most countries avoided a second, steep exchange rate depreciation when the U.S. Federal Reserve announced the start of tapering, but the risk of new pressures remains. Most regional central banks are still able to protect their currency, with the exception of Argentina.

Colombia, a winning bet

Euler Hermes predicts that activity will gradually gather speed in Colombia, resulting in economic growth of 4.5% in 2014, followed by 4.6% in 2015. The increased economic activity should lead to a quasi-stabilization of insolvencies in 2014 and 2015.

Domestic demand is expected to be the main engine of growth, driven mainly by private consumption, against the backdrop of a positive job market (a low unemployment rate, a rise in employment) and higher household incomes. It should be noted that public finances are sound, which, together with private consumption, will help offset still-hesitant business activity.

Exports are expected to increase in 2014 and 2015. The Pacific Alliance markets should play a key role in offsetting the slowdown in China, while the recovery of the US and euro zone economies would be very positive for Colombian foreign trade. Energy would remain the main export sector, accounting for 62% of additional exports in 2014.

Despite this positive outlook, the economic situation in Colombia is not without risk. The gradual normalization of the U.S Federal Reserve's monetary policy could lead to financial tensions and impair Colombia's ability to access foreign capital. Colombia's currency could experience periods of strong volatility, forcing the central bank to continue to intervene in the currency market to ensure a more stable peso.

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Solunion Seguros de Crédito offers credit insurance solutions and services for companies in Spain and Latin America. Established in 2013 with initial activities in Spain and Argentina, it is a joint venture owned equally by MAPFRE, an international insurance company present on five continents, market leader in Spain and first multinational insurance group in Latin América, and by Euler Hermes, the global leader in trade credit insurance and a leader in bonding and collections. Solunion offers clients an international network of risk monitoring from which it analyzes the financial stability of more than 40 million companies. An extensive distribution network responds to the needs of companies of all sizes in a wide range of trade sectors.
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