

DIGITALIZATION

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MEASURING DIGITAGILITY

The Enabling Digitalization Index (EDI): Which Countries are Digital Friendly?

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The **Euler Hermes Enabling Digitalization Index (EDI)** measures the ability – and agility – of countries to help digital companies thrive and traditional businesses harness the digital dividend.

The EDI does not measure digital adoption or digital activity (the outcomes of digitalization) but rather **focuses on the conditions for companies to transform or thrive digitally**. It is the second edition of our index (a score from 0=worse to 100=best) and ranking. The score is made of 5 components : Regulation, Knowledge, Connectivity, Infrastructure and Size.

The US, Germany and the Netherlands make the top 3 of the 2018 EDI, out of 115 countries.

Best improvements from last year's ranking are seen in **Thailand**, which moved up 5 ranks to 45th, and **India** and **Indonesia** which edged up 4 ranks to 44th and 60th respectively. The Netherlands (3rd) replaced Switzerland (4th) on the podium this year.

We highlight **five strategies** (one per sub-score) for countries to boost digitagility :

1. Develop proactive digital regulation
2. Build human capital and digital capabilities
3. Use pivots (sectors, territories) for stronger connectivity
4. Bank on smart logistics
5. Reduce digital inequalities



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Five components to monitor

**Regulation, Knowledge,
Connectivity,
Infrastructure and Size**

MEASURING DIGITAGILITY

- **The Euler Hermes Enabling Digitalization Index (EDI) measures the ability – and agility – of countries to help digital companies thrive and traditional businesses harness the digital dividend.**
- **In our 2018 ranking, the US, Germany and the Netherlands are the top 3 *digitagile* countries across the world.**
- **Compared with last year's ranking, Thailand is up 5 ranks to 45th, and India and Indonesia are up 4 ranks to 44th and 60th respectively. The Netherlands (3rd) replaced Switzerland (4th) on the podium this year.**
- **Five options for countries to move up the EDI ranking: Develop digital regulation, build human capital, use pivots, bank on smart logistics, and reduce digital inequalities.**

Digitagility matters for companies

Digitalization is reshaping the economy.

It creates value (data, new services); it transforms the way we consume (online shopping); it changes how we produce (automation); it affects how we engage with each other (social networks). As a result, the user-contributor is king and the platform economy now represents close

to one third of total value creation worldwide.

In the US, retail e-commerce rose by +16% in 2017, compared to +4.4% for traditional retail; In China, online retail increase by +32% compared to +10% for traditional retail sales in 2017. Information and Communication Technologies (ICT) services exports – which include computer, communication and information

services – rose to 31.4% of total service exports in 2015, up from 20.7% in 1995, and 26.1% in 2004.

Companies are faced with short-term growth and profitability challenges and longer-term transformation ones. Euler Hermes decided to gauge which backdrop was conducive for enterprises to hack growth, and which business environments were not favorable.



We developed the Enabling Digitalization Index (EDI) to measure the digital friendliness of the country environment and understand the risks and opportunities associated with the digital dividend.

Some countries can be very *digitagile* (high EDI score and ranking), and thus attractive and transformative; while others lag behind and should make it a priority to gain a digital edge.

The Enabling Digitalization Index: Regulation, Knowledge, Connectivity, Infrastructure, and Size

The EDI does not measure digital adoption or digital activity (the outcomes of digitalization) but rather focuses on the conditions for companies to transform or thrive digitally.

It is the second edition of our index (a score from 0=worse to 100=best) and ranking.

The score is made of 5 components and 10 indicators.

1. Regulation.

A conducive business environment is a strong driver for financing, investment and entrepreneurship. We use the *Distance To Frontier* indicator from the World Bank Doing Business. The indicator is a proxy of regulation aspects which matter for *digitagility* (ease of getting credit, minority investor's protection).

2. Knowledge.

Developing, sharing and using knowledge is pivotal in the digital era. Clear knowledge drivers are human capital building and innovation potential. We use the *Higher education and training score* (secondary and tertiary enrollment rates, quality of the education system and the extent of employees training) and the *Innovation score* (R&D by corporates, collaboration between Universities and the private sector, Intellectual property laws) developed by the World Economic Forum.

3. Connectivity.

This relates to secure and accessible networks for the digital transformation. It is assessed using four indicators: internet user's ratio (the number of people using internet in % of population), mobile phone and fixed phones lines subscriptions per 100 people, and the number of secure servers per 100 people.

4. Infrastructure.

Good logistics is an enabler for digital attractiveness. We use the *Logistic Performance Index* (Doing Business) as a proxy of soft and hard logistic infrastructure.

5. Size.

A large and digital savvy customer base is essential for businesses. We measure it with the number internet users, and their income (captured by nominal GDP).

Note that we score 115 markets around the world. Each raw indicator is rescaled to a 0-100 points range.

We then aggregate the scores with a simple average into the five components, and the final score also is a simple average of the five components. We then rank the countries.

The US, Germany and the Netherlands are the best digital enablers

The US, Germany and the Netherlands are the top 3 of the 2018 edition of the EDI. T

he US leads by far as it benefits from its large market size, strong knowledge ecosystem and favorable business environment.

This does not come as a surprise: not only do American businesses thrive in the digitalization era – but US digital companies dominate many markets, from retail to tech and social networks.

Germany and Netherlands follow. In spite of fewer global market players, both countries exhibit robust fundamentals with especially solid infrastructure for trade, advanced connectivity and rich knowledge ecosystem.



woman-browsing-tumblr-on-her-laptop-picjumbo-com

Western Europe and Asia Pacific in pole positions

Western European countries have an edge in terms of business environment, trade infrastructure and innovation. The European Union has helped level the playfield and drive the focus around best-in-class regulation, trade infrastructure, standards, knowledge transfer, innovation and business practices. All of these have been instrumental to digital attractiveness. A few stylized facts within Europe are important to note:

- Firstly, the Nordics, namely Sweden (ranked 6th), Finland (11th), Denmark (12th), and Norway (15th) get their strength from a solid knowledge environment, thanks to a strong education system
- Secondly, small trade and financial hubs such as Switzerland (4th), the Luxembourg (14th) and Belgium (21st) stand out with solid trade infrastructure and a conducive business environment
- Thirdly, core markets such as the UK (5th), France (19th), Spain (27th) and Italy (29th) take advantage of a significant market size, in addition to competitive infrastructure and business environment.

Asia Pacific is the third best performing block with noteworthy champions: Japan (7th), Singapore (8th), Hong Kong (9th), South Korea (10th), and China (17th). The following trends should be noted:

- Japan and South Korea have started to specialize in Infor-

mation and Communication Technologies (ICT) in the late 90s and are now benefiting from their early bloomer status. Innovation was granted a central role in the country's development, and the necessary policies and environment to stimulate it were put in place. For instance, both countries allocate more than 3% of GDP to Research and Development (R&D) spending.

- Singapore and Hong Kong rank well in almost all sub-components but the market size. Business environment and trade infrastructure are strong, reflecting a specialization in trade and financing.
- China exhibits a less balanced profile. Its market size and unequal geographical development explains a relatively weak average connectivity indicator. Yet, for the same reason and due to solid logistic infrastructure, China exhibits great potential.

Latin America, Middle East and Africa: Emerging bright spots

In Latin America, weak connectivity, trade infrastructure and knowledge ecosystem have proved to be the main shortcomings:

- Chile (43rd) and Mexico (52nd) are the first two Latin American countries in the ranking. Their relatively favorable business environment explains their lead, despite a low or average connectivity quality. For Mexico, large market size (128mn population) is a significant asset, but

less favorable knowledge ecosystem drags the overall score down.

- Panama (54th) and Costa Rica (56th) follow. The former is a trade hub and hence stands out with the highest regional trade infrastructure score. Costa Rica's ranking reflects its above-average knowledge ecosystem.

In the Middle East, heterogeneity prevails:

- The United Arab Emirates (UAE) is the best performer (24th), thanks to an impressive trade infrastructure coupled with a supportive business environment. Israel follows on UAE's heels (25th), with the 7th higher knowledge score in the sample and despite a lower connectivity quality than Bahrain (38th). Israel spends more on R&D as a share of GDP than any other developed country and has a rich innovation ecosystem.
- By contrast, Saudi Arabia ranks 50th and Egypt 80th.

In Africa, South Africa (46th) leads the pack.

- It stands out with its infrastructure for trade, given its level of economic development and increasing role as a trade hub. Yet its connectivity quality remains below average. The second African country of the ranking is Kenya (70th), the East African trade platform.
- Nigeria ranks 100th out of 115 countries, despite a substantial market size score.

Table 1 Enabling Digitalization Index and sub-components score (100 = best). Top 30 markets – for full ranking see appendix A

Country	Regulation	Knowledge	Connectivity	Infrastructure	Size	EDI 2018	EDI 2018 ranking	EDI 2017 ranking
US	92.8	100.0	69.5	90.1	82.6	87.0	1	1
Germany	86.4	92.6	79.4	100.0	17.9	75.3	2	2
Netherlands	81.1	95.7	92.2	98.4	3.9	74.3	3	4
Switzerland	80.9	99.5	96.9	89.9	2.8	74.0	4	3
UK	92.2	82.0	78.9	93.4	13.4	72.0	5	5
Sweden	90.5	89.1	76.7	99.1	2.5	71.6	6	6
Japan	80.5	84.8	73.9	89.2	25.4	70.8	7	7
Singapore	96.4	93.9	63.8	96.5	1.3	70.4	8	8
Hong Kong	94.4	76.4	83.7	93.4	1.6	69.9	9	9
South Korea	95.3	75.8	89.0	78.4	8.9	69.5	10	10
Finland	88.9	98.8	67.7	87.1	1.2	68.7	11	11
Denmark	95.5	88.3	75.0	82.6	1.5	68.6	12	12
Austria	85.6	83.3	76.9	94.6	1.9	68.4	13	13
Luxembourg	68.5	71.9	97.1	99.7	0.2	67.5	14	14
Norway	92.1	85.4	75.4	79.1	1.6	66.7	15	15
Canada	87.0	79.2	67.7	87.5	8.0	65.8	16	18
China	61.8	59.9	30.2	76.1	100.0	65.6	17	20
Iceland	85.5	79.4	100.0	62.7	0.1	65.5	18	16
France	81.3	78.2	68.9	86.2	13.0	65.5	19	17
Australia	88.5	78.2	69.3	81.7	6.2	64.8	20	19
Belgium	73.3	83.9	65.3	95.0	2.4	64.0	21	21
New Zealand	100.0	81.8	69.7	64.5	1.0	63.4	22	22
Ireland	87.4	80.6	61.2	81.7	1.3	62.4	23	23
UAE	86.0	69.5	63.7	88.0	1.9	61.8	24	24
Israel	72.8	91.8	56.7	76.0	1.7	59.8	25	25
Estonia	89.7	67.1	67.3	63.5	0.1	57.5	26	26
Spain	82.9	58.7	56.2	78.9	7.3	56.8	27	27
Czech Republic	81.5	61.5	58.1	76.6	1.3	55.8	28	28
Italy	75.1	59.8	47.7	80.1	9.2	54.4	29	29
Malaysia	85.4	68.7	46.2	66.1	3.0	53.9	30	31

Sources: World Bank, WEF, Euler Hermes

Five strategies to move up the ranking

In this section we highlight five strategies (one per sub score) for countries to boost *digitagility* based on the lessons learnt from digital attractiveness champions and focus groups with companies.

Strategy #1: Develop proactive digital regulation

First, clarify industrial competition laws for new digital products and services. The rise of the on-demand economy (Airbnb, Uber) has disrupted traditional sectors such as hospitality and transports. Regulators have tried to adapt laws but pockets of uncertainties remain especially regarding licensing rules. Uber has lost license in London, and some segment of its services (Uberpop) are not allowed in countries such as France and Germany.

Second, make it easier for digital entrepreneurship. This could come with easier administrative procedures to create limited companies or the establishment of a supportive fiscal and tax framework. Small markets in Asia such as Hong Kong and Singapore are usually cited as example with an ease of setting up business and highly attractive tax regime.

Third, remove barriers to entry for new digital players. One benefit would be the introduction of greater competition that could benefit to both consumers and corporates. While China's great firewall has probably favored the emergence of tech giants in China, the next step which could be to open the market and create a consumption based economy will likely hinge on the reduction of barriers. Another benefit is the creation of innovative industries. The Monetary Authority of Singapore Fin Tech Regulator sandbox is an encouraging example of barrier removal as it encourages the development of new financial products and services in a defined framework (space, duration).

Strategy #2: Build human capital and digital capabilities

First, develop digital education and training. This consists in fostering the acquisition of STEM (science, technology, engineering and mathematical) competencies but also improving key digital skills such as coding. In order to allow a widespread development, countries could benefit from the development of new education tools (massive open on-line courses).

Such policy has been recommended by the EU in January this year.

Second, develop critical mass for research and development. Markets such as Hong Kong or the United Arab Emirates are currently engaging on the path. Hong Kong released a pro-innovation budget this year, promising USD6.4bn worth of investment in research and development. Public Private Partnerships are essential when looking at the size of the challenge and the need to structure actors and financing. France and Singapore for instance are known to subsidize R&D at the firm level for both gradual and disruptive innovation.

Strategy #3: Use pivots (sectors, territories) for stronger connectivity

First, bank on your sector fortes. In some markets that have relied on high value added industries, stronger competitiveness helped gain exports market share and contribute to growth. High value added industries suppose that corporates spend more on R&D and on skilled labor which create a favorable knowledge ecosystem.

For markets with a larger industrial base, a stronger ICT sector and an already available connectivity grid are sine qua none conditions to embark even distant companies on the digital journey.

It is particularly the case for economies such as Japan, South Korea, Singapore, Hong Kong and more recently China.

Second, build digital hubs. Skills-intensive markets, with strong trade-oriented sectors, have also been able to showcase a strong performance in specific occasions. For example, the US has been able to leverage on strong human capital and innovative platforms (e.g. Silicon Valley) to foster the digitalization of companies and allow digital companies to grow.

Digital and tech hubs are the new free trade zones and countries with difficult environments should build such front-runners to kick start the digital efforts.





photo by Andy Kelly on Unsplash

Strategy #4: Bank on smart logistics

Spread Supply chain 4.0 and TradeTech. The former refers to the application of Industry 4.0 innovations (e.g. Internet of Things or IoT, cloud) to supply chain management. The latter to a forceful segment of FinTech related to internationalization of companies.

With IoT, physical devices could exchange data.

A widespread usage could have a positive impact on soft logistic infrastructure such as tracking, warehouse monitoring or customs clearance.

It ensures transparency in logistics, helps reduce costs and generate revenues with efficient supply chain management.

With supply management software providers moving to cloud computing systems, efficiency gain could be tremendous thanks to real time inventory, real time pricing and effective management of resources.

For instance, Chinese customs officials in Xiamen introduced a fully automated Internet of Things system in 2015 in order to reduce procedural times for exports and imports of goods.

As for TradeTech, the ability of young digital native companies to trade safely (often in services) with the rest of the world is a major booster for digital attractiveness. B2B trade is still old-fashioned and cumbersome for small and medium enterprises (SMEs).

Countries (Singapore, the UK, the US) with a focus on lifting the hurdles for trade financing are enabling the platform sector. Block chain is a promising technology for both.

Strategy #5: Reduce digital inequalities

Foster digital connectivity for all. The ability of authorities to make it affordable to allow a greater usage is paying: Digital literacy is a major driver for companies to find ready customers (sales driver) and future employees for their growth.

Note that an efficient use of the internet and digital tools is necessary to build the digital savvy middle class, but not sufficient to be *digitagile*.

**Mahamoud Islam, Georges Dib
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Appendix A

Enabling Digitalization sub-components score, overall index (100 = best), and ranking

Country	Regulation	Knowledge	Connectivity	Infrastructure	Size	EDI 2018	EDI 2018 ranking	EDI 2017 ranking
US	92.8	100.0	69.5	90.1	82.6	87.0	1	1
Germany	86.4	92.6	79.4	100.0	17.9	75.3	2	2
Netherlands	81.1	95.7	92.2	98.4	3.9	74.3	3	4
Switzerland	80.9	99.5	96.9	89.9	2.8	74.0	4	3
UK	92.2	82.0	78.9	93.4	13.4	72.0	5	5
Sweden	90.5	89.1	76.7	99.1	2.5	71.6	6	6
Japan	80.5	84.8	73.9	89.2	25.4	70.8	7	7
Singapore	96.4	93.9	63.8	96.5	1.3	70.4	8	8
Hong Kong	94.4	76.4	83.7	93.4	1.6	69.9	9	9
South Korea	95.3	75.8	89.0	78.4	8.9	69.5	10	10
Finland	88.9	98.8	67.7	87.1	1.2	68.7	11	11
Denmark	95.5	88.3	75.0	82.6	1.5	68.6	12	12
Austria	85.6	83.3	76.9	94.6	1.9	68.4	13	13
Luxembourg	68.5	71.9	97.1	99.7	0.2	67.5	14	14
Norway	92.1	85.4	75.4	79.1	1.6	66.7	15	15
Canada	87.0	79.2	67.7	87.5	8.0	65.8	16	18
China	61.8	59.9	30.2	76.1	100.0	65.6	17	20
Iceland	85.5	79.4	100.0	62.7	0.1	65.5	18	16
France	81.3	78.2	68.9	86.2	13.0	65.5	19	17
Australia	88.5	78.2	69.3	81.7	6.2	64.8	20	19
Belgium	73.3	83.9	65.3	95.0	2.4	64.0	21	21
New Zealand	100.0	81.8	69.7	64.5	1.0	63.4	22	22
Ireland	87.4	80.6	61.2	81.7	1.3	62.4	23	23
UAE	86.0	69.5	63.7	88.0	1.9	61.8	24	24
Israel	72.8	91.8	56.7	76.0	1.7	59.8	25	25
Estonia	89.7	67.1	67.3	63.5	0.1	57.5	26	26
Spain	82.9	58.7	56.2	78.9	7.3	56.8	27	27
Czech Republic	81.5	61.5	58.1	76.6	1.3	55.8	28	28
Italy	75.1	59.8	47.7	80.1	9.2	54.4	29	29
Malaysia	85.4	68.7	46.2	66.1	3.0	53.9	30	31
Lithuania	88.0	58.4	47.5	74.8	0.3	53.8	31	30
Portugal	82.6	61.6	52.8	65.4	1.3	52.7	32	33
Qatar	61.0	70.5	56.7	73.4	0.7	52.5	33	32
Poland	83.4	51.4	55.7	66.1	3.9	52.1	34	34
Slovenia	80.0	64.5	56.9	55.9	0.2	51.5	35	35
Malta	60.8	59.8	78.7	51.0	0.0	50.1	36	37
Latvia	86.9	48.6	50.8	61.9	0.2	49.7	37	36
Bahrain	66.9	54.6	64.8	61.4	0.2	49.6	38	38
Hungary	74.6	43.4	53.3	66.2	1.0	47.7	39	40
Slovak Republic	79.1	45.3	48.9	62.3	0.6	47.2	40	39
Cyprus	73.2	50.3	59.9	48.0	0.1	46.3	41	45
Russia	80.2	55.3	51.4	29.9	14.0	46.1	42	43
Chile	72.5	55.5	41.6	58.6	1.8	46.0	43	42
India	53.7	53.8	15.2	65.9	40.8	45.9	44	48
Thailand	83.6	47.6	33.2	58.9	4.1	45.5	45	50
South Africa	61.1	46.5	33.8	80.9	3.6	45.2	46	41
Greece	66.7	48.3	51.1	58.2	1.2	45.1	47	44
Turkey	68.7	47.9	33.0	66.0	6.6	44.4	48	47
Croatia	73.3	39.7	48.9	54.9	0.4	43.4	49	46
Saudi Arabia	56.8	55.0	44.4	54.7	4.1	43.0	50	52
Kazakhstan	80.0	44.1	48.2	37.5	1.6	42.3	51	49
Mexico	74.4	41.5	32.5	52.9	10.0	42.2	52	51
Oman	65.2	42.8	42.7	58.0	0.5	41.8	53	53
Panama	61.8	40.5	39.7	62.4	0.3	40.9	54	54
Romania	75.4	40.3	38.1	47.8	1.6	40.6	55	55
Costa Rica	68.7	57.0	43.3	33.2	0.4	40.5	56	59
Serbia	75.9	42.3	45.7	38.0	0.5	40.5	57	57
Bulgaria	73.7	46.1	39.9	39.9	0.5	40.0	58	56
Argentina	48.9	50.3	45.9	46.5	4.5	39.2	59	60
Indonesia	63.9	55.1	20.5	47.4	8.8	39.1	60	64
Uruguay	55.9	43.6	47.7	47.0	0.4	38.9	61	58
Brazil	45.9	39.7	37.7	51.8	17.1	38.4	62	62

Ukraine	36	36.9	62.6	52.3	2.3	38	63	63
Jordan	40.7	46.2	53.4	49	0.6	38	64	65
Kuwait	47	54.5	54.5	32.8	0.6	37.9	65	61
Montenegro	48.2	21.8	76	43	0	37.8	66	66
Vietnam	27.8	47.1	66.6	39.6	4.3	37.1	67	67
Moldova	46	31.7	75.7	30.1	0.2	36.7	68	70
Colombia	34.6	31.6	69.2	44	3.3	36.6	69	68
Kenya	12.7	62.1	61.6	44.3	1.3	36.4	70	71
Georgia	34.2	20.6	91.9	31.5	0.2	35.7	71	72
Peru	27.7	43.5	69.3	33.3	1.9	35.1	72	73
Botswana	28.3	50	61.2	35.2	0.1	34.9	73	69
Philippines	28.8	42	50.1	46.2	5.8	34.6	74	74
Armenia	37.1	14.4	74.8	43.7	0.2	34	75	75
Rwanda	9	47.5	76.4	34.8	0.2	33.6	76	78
Morocco	31.8	33.9	66.5	31.4	2.1	33.1	77	76
Lebanon	42	36.1	42.7	43.9	0.5	33	78	77
Jamaica	28.1	22.6	65.4	43.8	0.1	32	79	80
Egypt	23.9	55.9	45.5	28.4	4.2	31.6	80	83
Ecuador	29.7	38.7	48.4	35.7	1	30.7	81	79
Mongolia	17	27.1	68.5	40	0.1	30.6	82	81
Tunisia	30.1	26.7	58.7	36.4	0.6	30.5	83	82
Dom. Rep.	31.4	32.3	54	30.3	0.8	29.8	84	84
El Salvador	24.7	35.6	63.8	21.9	0.2	29.2	85	85
Bhutan	20.9	19.3	63.6	37.8	0	28.3	86	89
Ghana	22.2	33.7	47.4	36.3	0.9	28.1	87	86
Namibia	20.2	37.2	52.2	29.9	0.1	27.9	88	87
Guatemala	22.9	25.9	54.4	33.2	0.7	27.4	89	88
Paraguay	27.3	29.5	50.8	23	0.3	26.2	90	90
Kyrgyz Republic	23.3	12.3	62.6	29.7	0.2	25.6	91	91
Algeria	25.8	38.3	28.4	32.9	2	25.5	92	93
Pakistan	7.8	44.8	37.3	28.1	3.4	24.3	93	94
Honduras	17	25.3	49.6	28.1	0.3	24	94	92
Cambodia	17.2	39.6	42.4	19.9	0.4	23.9	95	95
Tanzania	6.6	47.6	41.6	21.5	0.7	23.6	96	96
Tajikistan	14.5	8.3	46.7	46.3	0.1	23.2	97	97
Nepal	14	21.6	52.2	24.3	0.5	22.5	98	101
Nicaragua	18	28.2	44	19.8	0.1	22	99	99
Nigeria	12.5	32.3	38	21.6	5.3	21.9	100	98
Senegal	14.8	19.6	39.9	34.5	0.3	21.8	101	102
Mali	10.7	27	39.6	25.6	0.2	20.6	102	100
Lesotho	16.3	6.8	53.1	20.6	0	19.4	103	104
Mozambique	7.6	34.7	41.5	11	0.4	19.1	104	105
Venezuela, RB	35.1	22.2	0	34.3	2.3	18.8	105	103
Guinea	6.2	20.9	34	30	0.1	18.2	106	111
Benin	7	23.8	35.2	24.5	0.1	18.1	107	106
Cameroon	12.2	12.1	29.4	32.3	0.6	17.3	108	108
Bangladesh	9.1	33.8	18.2	21.6	3.3	17.2	109	107
Ethiopia	5.4	21.6	30.4	22.8	1.5	16.4	110	109
Burundi	0.7	27.3	28.8	14.6	0	14.3	111	110
Madagascar	0	12.2	30.2	22.7	0.1	13	112	112
Liberia	5.1	14.3	22.8	13.6	0	11.2	113	113
Mauritania	10.2	0	35.9	0	0	9.2	114	114
Chad	0.2	12.6	13.3	8.3	0.1	6.9	115	115

Sources: World Bank, WEF, Euler Hermes

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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.

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