DUE DATE

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Letter from the GM

LCI News

Insights

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Letter from the GM

From the desk of the General Manager

Challenging times ahead

In the current climate, we are channeling all of our efforts to navigate in the midst of uncertainty, facing new challenges every day. This year has no doubt, enhanced our risk management skills, as well as our understanding that regional and international developments are impacting the markets in which we operate.

Governments have been working on diversifying their national economies in order to steer away from dependency on one sector or another. Take for example the political and economic transformations taking place in Saudi Arabia, as the Kingdom heads towards 2030, decreasing the country's reliance on oil. Qatar on the other hand, was forced to reevaluate its growth strategy, when sanctions were issued against it by five countries in the MENA region. Qatar, prior to the sanctions and closing of its borders, relied on Saudi Arabia for around 80% of its food and agricultural requirements. The country was quick to implement a crisis management plan, strengthening ties with Iran to compensate for the food shortage.

Egypt, the most populous country in the MENA region, was greatly impacted by political and economic transformations. However, it is slowly inching towards rebuilding its economy, with an improved outlook and moderate annual growth of around 4%, projected until 2020.

The Levant too, has witnessed its share of market fluctuation, with an ongoing war in Syria and closed borders dampening trade in Lebanon. On a political front, Lebanon has had its share of instability, most recently with the unexpected resignation of its Prime Minister, which has challenged its already sluggish economy. Jordan on the other hand, has managed to maintain a sense of stability, in light of upcoming tax hikes, a refugee crisis that comes with growing international pressures, and the increase of oil prices.

These changes have altered the way businesses operate in the MENA region. Disruptions to trade have become expected and each day brings with it new challenges. Our efforts are focused on supporting companies in insuring their trade receivables to stay afloat in times of uncertainty and instability.
Enjoy the new version of Due Date.

We hope you have a wonderful month of December and best wishes for the new year!

Yours sincerely,

Karim Nasrallah

MENA Region

Trade & Growth Highlights

based on the most recent values

Petroleum still top leading export from MENA region

Across MENA region, countries continue to report negative growth

Egypt's exports neared 22,000USD million mark, with Saudi Arabia being top export market

UAE imports totaled $230,300,000,000 and Saudi Arabia recorded $127,800,000,000 in imports

The UAE has successfully diversified its economy, reducing portion of GDP from the oil and gas sector to 30%.

Political risks & trade

How to safeguard your business from political risks?

Reading recent news reports, one could conclude that no country is safe or immune to political or economic risks. The global context of doing business has changed and markets are more interconnected than ever before. In such situations, companies turn to solutions to protect their biggest assets, their domestic and export trade receivables.

Risks can be premeditated and businesses can put plans into place to protect their assets. Other risks however, can take a company by surprise and have proven to create business disruptions and impact a company's continuity. The types of risks that can impact any business include: defaulting clients that are unable to pay, as well as insolvency, supply chain disruptions, license cancellation and bankruptcy. Trade credit insurance includes a component of political risk insurance, which is an integral component for a company working in regional and international markets. Political risk entails any risk related to a foreign government's actions, brought on either directly or indirectly, that may impact a company's receivables or investments. This offering insures the risk of non-payment by foreign buyers, including risks related to war or the like, receivables unpaid, cancellation of license, contract repudiation, transfer risks, as well as losses due to delay of buyer.

As such, any company that sells goods or services to domestic buyers or exports to regional or global clients, needs to assess the level of risk exposure of their receivables. Some areas that companies can explore when studying this situation include whether their receivables are fully domestic or not, as well as what percentage of its receivables are derived from exporting to regional and international markets, whether they are spread over 3 or more countries. Typically, the lower concentration of countries (1 to 2), the higher their exposure to risk, should political or economic shifts unfold in those markets. in this regard, businesses need to evaluate the impact to balance sheets if political risk arises in the markets which the company exports to. And of course, timely tracking of payment and flagging any defaulting buyers, should be thoroughly conducted on an ongoing basis.

Whilst political and economic risks cannot be forecasted, precautions can be taken by companies to safeguard their receivables in order to avoid any disruptions to operations. Export credit agencies and private trade credit insurers are equipped to monitor global trends and track risks on behalf of their clients, in order to ensure minimal operational interruptions in a volatile global marketplace. Protecting a company's trade receivables is strongly recommended.

The Lebanese Credit Insurer s.a.l.
Sodeco Square Bloc B, 15th floor, Damascus Road, Beirut, Lebanon
Phone: +961 1 615 616 Fax: +961 1 611 044

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