{ INSIGHT }

MOZAMBIQUE TO GROW FASTEST OVER THE NEXT DECADE

Mozambique will be the fastest-growing economy in the world over the next decade, according to a new report by research provider Business Monitor International (BMI).

The southern African country is expected to have cumulative real GDP growth of 158.8% over a 10-year forecast period to 2022, almost double the 80.6% expansion that BMI foresees in China. Meanwhile, India, another fêted emerging market, is predicted to experience GDP growth of 84.3% over the coming decade.

Besides Mozambique, the other nations to secure top five positions in BMI's fastest-growing list are Tanzania, Iraq, Mongolia and Uganda.

Out of the 15 fastest-growing markets over the next 10 years, eight are in Africa, but the list also features five nations from Asia. Turkmenistan is the only European country named.

"While many people look no further than China and the BRICs, there are a whole host of emerging markets growing much faster," said David Snowdon, head of econometrics at BMI. "Many of these economies are commodity plays," he added, "where significant opportunities also exist for infrastructure, engineering firms and companies targeting a growing consumer sector."

Mozambique's nominal GDP has grown by an average of 15.4% per annum between 2000 and 2009. But it remains one of the poorest countries in the world, despite poverty reduction being the central plank of the government's medium-term economic programme.

THE STATS

{ KEY FINDINGS OF BUSINESS MONITOR INTERNATIONAL'S REPORT *FIFTEEN MARKETS THAT WILL GROW FASTER THAN CHINA OVER THE NEXT 10 YEARS* }

158.8%
Mozambique's predicted cumulative real GDP growth rate between 2013 and 2022

$4,786
Vietnam's predicted GDP per capita by 2022

114.6%
Iraq's predicted cumulative real GDP growth rate between 2013 and 2022

6
how many times wealthier the developed world will be compared with the emerging world in 2022

80.6%
China's predicted cumulative real GDP growth rate between 2013 and 2022

54.6%
the proportion of the world's GDP that will be generated by the emerging markets by 2022

{ AROUND THE WORLD IN 30 DAYS }

CORPORATE BONDS, CREDIT RATINGS AND SAUDI SUKUK

Corporate bonds perform, says EDHEC
Corporate bonds are an attractive addition to investors' performance-seeking portfolios, according to a new paper by Paris-based EDHEC-Risk Institute. This is because corporate bonds help with asset-liability management through the improvements in hedging benefits they provide. They come with a less-than-proportional reduction in performance compared with equity-dominated portfolios. "Bonds are useful ingredients in the speculative component of investors' portfolios, where they bring excess performance with respect to cash, and diversification benefits with respect to equities," the paper said.

Dagong downgrades US
Chinese rating agency Dagong expressed its disapproval over the US debt ceiling fiasco by downgrading the US to A- from A, while maintaining a negative outlook on the sovereign's credit. The agency expressed concern that fiscal debt in the US continues to outpace GDP growth. "The government is still approaching the verge of default crisis, a situation that cannot be substantially alleviated in the foreseeable future," said Dagong. Rating agency Fitch has also put the US's AAA rating on negative watch.

Almarai issues first SAR sukuk
Premium food group Almarai has issued the first-ever Saudi riyal corporate perpetual sukuk. The issuance, which raised SAR 1.7bn ($453.2m), was also the first corporate hybrid in the Gulf Cooperation Council.

Detailed structuring and documentation of the sukuk began in July and it was completed by the end of September. Almarai obtained 100% equity accounting treatment for the transaction. The company hired BNP Paribas Investment Company KSA, HSBC Saudi Arabia, Saudi Fransi Capital and Standard Chartered Capital Saudi Arabia as joint lead managers and bookrunners for the issuance.

READERS' MAIL

{ CORPORATE FINANCIAL MANAGEMENT }

FINANCIAL SERVICES FINED £154M FOR BAD BEHAVIOUR

Regulators have fined UK businesses and executives over £166m for business misconduct since the start of 2013, with the majority of offences committed by financial services personnel.

More than three-quarters (76%) of all investigations and 93% of the fines identified in the past six months were directed at financial services firms and personnel, resulting in over £154m in fines to the sector.

These are the findings of research undertaken by EY's fraud investigation and dispute services team. The firm analysed data from 74 separate investigations over the past 12 months using information from the Office of Fair Trading, Serious Fraud Office and Financial Services Authority (FSA)/ Financial Conduct Authority (FCA). In addition to the penalties issued this year, over £222m of fines were imposed in the latter half of 2012.

Regulators' focus on financial institutions does not appear to be waning in the wake of the FSA issuing its largest fine ever when it fined UBS £160m over its role in the Libor scandal at the end of 2012. This year, the FSA fined the Royal Bank of Scotland £87.5m for Libor rigging, while the FCA fined JPMorgan Chase £137.6m for failing to supervise its traders effectively.

John Smart, head of EY's UK fraud investigation and disputes services practice, said: "This research clearly shows that there has been no let-up in regulator activity with regards to investigations into fraudulent activity and business misconduct."

{ LETTERS TO THE EDITOR }

THE CORPORATE INSURANCE PROGRAMME

Michael Claydon's article in last month's issue of The Treasurer *(see page 32, October 2013) provided a useful overview of the reasons and method for conducting an insurance broker review. As a former group treasurer, a former CEO of insurer RSA, a former president of the ACT and a current non-executive director of insurance governance group Mactavish, I concur with his point that treasurers can bring an "analytical rigour" that is all too often lacking when it comes to business insurance.*

But Michael, whom I knew well as one of the better brokers, skirts over the critical current problem in the insurance market in his piece. This is the rarity of insurance policies today being properly constructed and arranged so that they can be relied upon to pay out as expected following a large loss. The Law Commission has recently proposed a wide-ranging reform of insurance law (for the first time in over a century), and Mactavish and others have put together reams of evidence detailing the many unfair means available to insurers to avoid paying claims, or certainly to avoid paying them quickly or in full.

Challenging financial conditions for insurers and decades of passive acceptance from buyers and their brokers have created a woefully weak contracting basis, which fails routinely when faced with the increased complexity of businesses and their risks today – undermining the whole value of insurance. This is far too often a problem that is unrecognised by business leaders and boards until it is too late.

The traditional 'broker outsourced' approach to insurance is ineffective and outdated, and buyers (including many under treasury control) must not just look to tender services, but actively define exactly what they need from their insurance providers, and rigorously monitor delivery – just as they would do with other providers. For reasons that remain unclear, where insurance is involved this often remains neglected.

As a non-executive director sitting on the audit committees of major UK companies, how often have I looked at the risk register and seen the mitigation is insurance and pointed out that the mitigation is practically worthless?

Paul Spencer CBE
Formerly group FD and then UK chief executive of RSA. Currently chairman of Hermes asset management and non-executive director of Mactavish, he also holds other board positions

The Treasurer welcomes letters to the editor. Please note that published letters may be edited to fit. Please email **editor@treasurers.org**