



P R E S S R E L E A S E

Paris, 25 March 2014

## **Updated country risk and business environment assessments**

### **United States one of best risks whilst major emerging economies struggle**

The upturn in the advanced economies (1.9% forecast for 2014, after 1.2% in 2013) is reflected in the upwards revision of the country risk assessments for the United Kingdom and the United States, which join the best risk category. The level of risk however has increased in the major emerging economies: the assessments for Brazil, Russia, Turkey and Venezuela have thus been downgraded or placed on negative watch.

The business environment remains variable in the emerging economies. A number of countries, including Ukraine and, again, Venezuela, have been downgraded. Others, such as Algeria, are progressing in terms of company regulations.

#### **United States and United Kingdom: Improvement in assessment based on solid fundamentals**

**The United States** joins the best risk category. Now with an A1 assessment, like Japan, Canada and Switzerland, the country is experiencing dynamic and balanced growth (forecast at 2.7% for 2014 by Coface), benefiting both from sustained household consumption and corporate resiliency. The profitability level of companies is now back at its pre-crisis level with a relatively low debt burden. Another contributory factor in the reassessment of the United States was the settling of the public debt ceiling crisis at the beginning of 2014.

**The United Kingdom**, after a two year break, has seen a return to its A3 positive watch assessment. Growth (forecast at 2.1% in 2014), driven so far by household consumption fed by easier credit access, will be further boosted this year by increased levels of investment. Confidence is improving among companies, even though some sectors, including manufacturing, are lagging behind others, such as financial services and construction.

## A number of major emerging economies under pressure

The slowing of growth due to supply issues continues in the major emerging economies. Two BRIC countries have been particularly hard hit by the dip in investments.

In **Brazil**, downgraded to an A4 assessment, growth potential has also been impacted by slowing consumption and by structural problems: inadequate infrastructure, a shortage of qualified labour and bureaucratic barriers.

In **Russia**, geopolitical tensions are aggravating an already weakened economy, leading Coface to place its B assessment on negative watch. The Ukrainian crisis, as well as the increase in capital outflows, will have negative consequences for an already slowing rate of growth (forecast at 1.0% in 2014, after 1.3% in 2013) with a decline in investment.

As political fragility is one of the criteria applied by Coface, the assessments of A4 for Turkey and C for Venezuela are placed on negative watch, reflecting the complex political crises.

In **Turkey**, the risks of political tension cannot be discounted ahead of the upcoming municipal and presidential elections (March and August 2014). Coface is expecting growth to slow to 2% in 2014, impacted by tighter monetary policy and high inflation. As for companies, the payment experience registered there by Coface has been deteriorating since December 2013.

In **Venezuela**, there is a recession and hyperinflation against a backdrop of social and political problems. The situation will remain fragile until the legislative elections in September 2015, in particular for companies running the risk of nationalisation and subject to import rationing and controls on prices and margins. Suppliers, both foreign and local, to the State and the oil and gas sectors are suffering long payment delays.

## An extremely varied business climate

Alongside the revisions of its overall country risks, Coface has carried out its annual review of its business environment assessments.

Among the improvements is **Algeria** where the negative watch on the B business environment assessment has been removed. The country is feeling the benefits of the changes to the business regulations introduced in the 2014 Finance Law, including an easing in the procedures for approval for foreign investment projects.

Conversely, among the downgrades, we find, not surprisingly, the business climate in **Ukraine**, downgraded to D. The situation in the country has significantly deteriorated in recent years in terms of control of corruption and regulatory quality. The high level of political instability is hindering the likelihood of any implementation of reforms.



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**About Coface**

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2013, the Group posted a consolidated turnover of €1.440 billion. 4,400 staff in 66 countries provide a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French state.

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## APPENDIX

**The Coface Country risk assessment** measures the average risk of non-payment by companies in a country in the context of their short term commercial transactions. Sovereign debt is not included in this. In forming the assessment, Coface brings together the economic, political and financial outlooks for the country, Coface's payment experience and the business environment of the country.

The country risk and business environment assessments are based on a scale with 7 levels: A1, A2, A3, A4, B, C, and D and can be combined with watch categories.

### Assessments either upgraded or removed from negative watch list or placed on positive watch list

Country	Previous	New
United States	A2↗	A1
United Kingdom	A3	A3↗

### Assessments either downgraded or removed from positive watch list or placed on negative watch list

Country	Previous	New
Brazil	A3↘	A4
Thailand	A3↘	A4
Turkey	A4	A4↘
Ghana	B	B↘
Russia	B	B↘
Venezuela	C	C↘



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**The Coface Business environment assessment** is a component in the overall country risk assessment and is published alongside this. It assesses the availability and reliability of data on companies and the legal protection for creditors and takes into account the quality of the institutional environment. The business environment assessments are measured on a scale of 7 levels A1, A2, A3, A4, B, C and D, with risk increasing as one descends down the scale, in the same way as the country risk ratings.

**Assessments either upgraded or removed from negative watch list or placed on positive watch list**

Country	Previous	New
UAE	A3↓	A3
Algeria	B↓	B
Indonesia	C↗	B
Rwanda	D	C

**Assessments either downgraded or removed from positive watch list or placed on negative watch list**

Country	Previous	New
South Africa	A3	A4
Tunisia	A4	B
Madagascar	C	D
Ukraine	C	D
Venezuela	C	D