PRESS RELEASE

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Updated country risk assessments

A slow recovery but a recovery nonetheless in the Eurozone, political and financial instability in large emerging countries

World growth recovering, slowly but surely

The world economy has entered into a confirmed, but slow and uneven, recovery phase. Several factors explain the laborious nature of the post-crisis upturn. These include high levels of public and private debt, a credit dynamic below pre-crisis rates, a new risk of deflation in the eurozone and weakened long-term confidence amongst the economic players.

Coface forecasts global growth of 2.8% for 2014, a rise of +0.1 points compared to 2013. This is the first increase since 2010, although its level remains below that of pre-crisis growth levels (between 4 and 4.5% in 2006 and 2007). The advanced economies have become the main driver of this acceleration (accounting for 1.6%, which is +0.3 points higher than in 2013), whereas emerging countries have registered a slowdown of an equivalent size (4.3%, down by -0.3 points). 2015 will see the overall acceleration gradually continue, with global growth of 3.2%.

The country risk map that Coface is currently updating is in line with this rebalancing of growth. The majority of the assessments reviewed upwards concern advanced countries. Emerging countries incorporate all the assessments downgraded by Coface this quarter.

In the eurozone, despite disappointments, the country risks continue to improve

While, after an external shock in the first quarter, the United States has revived with solid growth (forecast at 2% in 2014), the European landscape is distinguished by a sharp disparity with regards to recovery. Its growth is revised slightly downwards, to 0.9%, due to less favourable outlooks for Germany (1.6%), France (0.4%) and Italy (-0.2%). In the eurozone we observe a fall in the confidence of business in the second quarter, fuelled by geopolitical tension in the Ukraine and deflation risks.

In **Spain**, the virtuous dynamic of the recovery is confirmed, with growth forecast at 1.2% for 2014 and 1.7% for 2015. The resurgence of domestic demand, the improvement in the financial situation of companies, dynamic exports and the fall in insolvencies (down by 30% at the end of June over one year) fuel the drop in Spanish risks. These improvements have led Coface to raise its B assessment, under positive watch since last June, to A4.

The A3 assessment of **the Netherlands** (0.7% forecast in 2014) and in **Belgium** (1% forecast in 2014) is now accompanied by a positive watch. In both countries, growth has returned, buoyed by exports, and we observe an upturn in investment and a fall in company insolvencies.

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

Faced with the challenges of macro-financial and political shocks, Russia, Turkey and Venezuela are downgraded

In reaction to recent changes in the political and social context and taking into account their impact on corporate activity, Coface has announced three major downgrades.

The country assessment for **Russia** is downgraded to C. The Ukrainian crisis has certainly had a negative impact on growth (forecast at 0% in 2014), principally due to the fall in investments and deceleration in consumption. Moreover, investment difficulties were already perceptible in 2013 and illustrate the Russian economic players' lack of confidence in the business climate. The large outflows of capital from Russia since 2008 are testament to this. We also take into account the fact that Russian companies are massively indebted in terms of currencies. With limited access to markets due to the current sanctions and some affected by the fall in the rouble, companies are facing major repayment deadlines in a year from now.

Turkey has had its assessment downgraded to B. While the economic activity in Turkey is showing a certain resilience (3.3% forecast in 2014), on the corporate side, foreign debt remains high, which increases exposure to foreign exchange risk. The lira has proved to be very volatile and sensitive to changes in the Fed's monetary policy. Indeed, Coface's payment experience concerning Turkish companies has sharply deteriorated. On a political level, growing tensions on the country's borders are likely to affect internal stability.

Venezuela is now placed in D category. The country has sunk into recession (-2.5%) and hyperinflation (64% in 2014), fuelled by a shortage of goods and against the backdrop of political and social tensions. The risk of nationalisation and, above all, the rationing of imports and control of prices and margins, have cast a shadow over a very difficult business environment for companies.

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

About Coface

The Coface Group, a worldwide leader in creditinsurance, offerscompaniesaround the globe solutions to protectthemagainst the risk of financial default of their clients, both on the domesticmarket and for export. In 2013, the Group, supported by its 4,440 staff,posted a consolidated turnover of €1.440 billion.Presentdirectly or indirectlyin 98 countries, itsecures transactions of over 37,000 companies in more than 200 countries.Each quarter, Coface publishesitsassessments of country risk for 160 countries, based on its unique knowledge of companies' paymentbehaviour and on the expertise of its 350 underwriterslocated close to clients and theirdebtors.
In France, Coface manages export public guarantees on behalf of the French State.

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In the **UK and Republic of Ireland** Coface has been a leading provider of credit management services since 1993 - its objective being to enable businesses to trade securely at home and overseas. Operating from offices in London, Dublin, Watford, Birmingham, Manchester and Cardiff allows Coface to provide a local service.

The company's credit insurance offer integrates credit assessment, collection services and cover for unpaid debts. Multinational businesses can protect their worldwide subsidiaries through Coface's international network.

The company also provides access to domestic and international business information and a collection network at home and overseas. Coface is also a recognised operator in the London political risk market.

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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
Belgium	A3	A3↗
Netherlands	A3	A3↗
Spain	B↗	A4
Cambodia	D	D↗

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

Country	Previous	New
Turkey	A4↘	B
Ghana	B↘	C
Russia	B↘	C
Lebanon	C	C↘
Sierra Leone	C	C↘
Venezuela	C↘	D