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

Bucharest, 22 January 2013

COUNTRY RISK CONFERENCE 2013:
THE CRISIS IN EUROPE IS FAR FROM OVER FOR CORPORATES

Warning: Coface country risk assessment measures the average level of payment defaults by companies in a given country within the framework of their commercial transactions **in the short term.** It does not pertain to sovereign debt. To determine country risk, Coface combines the economic, financial and political outlook of the country, Coface's payment experience and business climate assessment.
Assessments have a seven-level scale: A1, A2, A3, A4, B, C, D and can be watch listed.

Based on its day-to-day contact with companies worldwide, Coface has issued a cautious scenario for the global economy in 2013. The recovery of advanced countries is still in hostage to public and private debt. Furthermore, household and corporate confidence has not been restored given the worsening situation of labour markets and the incomplete institutional reforms in Europe.
The lack of visibility in U.S. budget policy may also impact American growth. Coface predicts a continued recession at -0.1% in the Eurozone, with a persistent contraction in activity in Southern Europe. Growth in the USA will slow down to +1.5%, whilst emerging countries will post growth that is both healthy and sustainable at +5.2%.

As for individual country assessments, Italy and Spain have been downgraded for the second time in a year, whilst the A1 rating of Japan has been placed under negative watch given the risk of falling exports, in particular to China. Among emerging countries, Coface has upgraded Indonesia which has demonstrated remarkable resistance to the recession in advanced countries. In contrast, the country risk assessment for India has been downgraded to A4 and the *Indian model* is being brought into serious question.

"The probability of a systemic crisis in Europe is increasingly remote, which is good news. However, activity in the Eurozone will continue to contract in 2013. Subdued consumption, budget austerity and downturn of the labour market, with companies significantly tested by the major recession in 2009, have led to many and costly insolvencies. Admittedly, the financial crisis is on the way to being resolved, but the crisis in the real economy illustrated by companies' persistent fragility, will not end in 2013", says **Jean-Marc Pillu**, Chief Executive Officer of the Coface Group.

European companies are still struggling

The situation is still a cause for concern for European companies, even though the risk of systemic crisis in Europe has lessened and exports have resumed encouragingly in Southern Europe. Insufficient progress in the reform of European institutions, the rapid downturn of the labour market and the weight of public and private debt are all sapping the confidence of real economy actors who have “pressed the pause button”, awaiting further clarification.

In light of this deteriorated situation, Coface has downgraded the assessments of **Italy and Spain to B**, following their downgrade to A4 a year ago and the negative watch implemented in July 2012. Activity in these two economies at the heart of the Eurozone will contract in 2013: -1% in Italy and -1.5% in Spain. Coface believes that another black year awaits Spanish and Italian companies which face an uninterrupted rise in the number of insolvencies and increasingly scarce bank credit.

Emerging countries weather the storm…

With risks in advanced countries deteriorating without let up since 2008, the gradual improvement in corporate risks in emerging countries is continuing. Coface attributes the new hierarchy of risks to the greater resistance of emerging nations to external crises as being the result of more responsive, but prudent, economic policies. Furthermore, economic growth in emerging countries benefits from the uninterrupted expansion of their middle classes.

Coface has accordingly upgraded the assessment of **Indonesia to B** and has placed the B grade for the **Philippines** under positive watch. With little correlation with the European recession, high growth and progress in public finances and in their banking sectors, risks have been significantly reduced in both economies.

… although risks have not been dispelled

However, Coface is continuing to warn companies of persistent risks in emerging countries. There is still political and social tension along with omissions in governance. A fully expanding middle class is more demanding in terms of law, anti-corruption measures, freedom and transparency. Political institutions in emerging countries are being challenged to adapt to the new situation.

- The A3 assessment for **South Africa** has been placed under negative watch owing to the risk of increasing social unrest which is incompatible with the very below-par growth rate compared to the emerging countries’ average.

- The slow pace of reform, deficiencies in infrastructure and government inability to respond to the middle class's new expectations along with growth well below its potential have combined to increase corporate debt levels. These factors have prompted Coface to downgrade the overall assessment for **India to A4** and the specific assessment for business environment to **B**.

- The **Czech Republic** and **Slovenia,** which are dependent on falling demand in Western Europe, have had their A3 assessment placed under negative surveillance. The less open **Poland** is beginning to be impacted by the European recession. The slowdown in activity and fragile construction sector has prompted Coface to place its A3 assessment under negative watch.

- Persistent political tension explains the removal of the positive watch on the D assessment for **the Ivory Coast.**

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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 2012, the Group posted a consolidated turnover of 1.6 BEUR. 4,400 staff in 66 countries provides a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of companies' payment behavior 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. Coface is a subsidiary of Natixis whose Core Tier 1 ratio is 10.2% end December 2011.

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PRESS RELEASE

APPENDIX

COUNTRY RISK ASSESSMENTS CHANGES		
DOWNGRADES		
COUNTRY	PREVIOUS ASSESSMENTS	JANUARY 2013 DECISIONS
ITALY	A4↘	**B**
SPAIN	A4↘	**B**
CZECH REPUBLIC	A3	**A3↘**
POLAND	A3	**A3↘**
SLOVENIA	A3	**A3↘**
JAPAN	A1	**A1↘**
INDIA	A3↘	**A4**
SOUTH AFRICA	A3	**A3↘**
IVORY COAST	D↗	**D**
UPGRADES		
ICELAND	A4	**A4↗**
INDONESIA	B↗	**A4**
PHILIPPINES	B	**B↗**
BUSINESS CLIMATE ASSESSMENT CHANGE		
DOWNGRADES		
INDIA	A4↘	**B**