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

Bucharest, 2 July 2013

REVISED COUNTRY RISK ASSESSMENTS

A GLIMMER OF HOPE FOR SOME ADVANCED ECONOMIES: JAPAN, ICELAND, AND IRELAND CONTINUING SOCIO-POLITICAL RISKS IN SOUTH AFRICA AND TUNISIA

Coface has noted an improvement in a number of advanced economies. Growth in Japan is benefiting from the policy messages of Prime Minister Abe, helping boost activity, at least in the short term. Growth is becoming steadier in Ireland, a member of the Eurozone, as it gradually emerges from its financial crisis. Activity in Iceland is very dynamic. On the other hand, the contraction in activity, financial problems and above all growing political and social pressures are increasing risk in South Africa and Tunisia.

Improvements in advanced economies: Japan, Iceland and Ireland

- The negative watch has been removed from the **A1** assessment for **Japan**. The announced monetary and budgetary stimuli have had a tangible impact on household consumption. The depreciation of the yen since the end of 2012 has also helped boost Japanese exports which should continue to grow at over 3% in 2013. The Japanese economic climate is improving, in the short-term at least (GDP is expected to grow 1.4% in 2013) and, as a result, the number of company failures is holding steady.

- Whilst some economies are struggling to escape the Western European recession, others are succeeding. Growth in **Iceland** is vigorous (3.8% in the first quarter 2013, 2.3% forecast for 2013 as a whole), with a reduction in inflation and a stabilisation in unemployment. The country has been upgraded to **A3.**

- **Ireland** is slowly, but surely, emerging from its severe banking crisis. Growth was positive in 2012 and will remain so in 2013 (+0.9% for the two years). The country has a comfortable current account surplus, and domestic demand is gradually building. The reform and austerity packages supervised by the “Troika” have progressed without a hitch and should be successfully completed by the end of 2013. Confidence among investors has improved and the country can once again issue bonds on the international market. In this context, **Ireland’s A4** assessment has been adjusted to a **positive watch**.

Continuing social and political risks in emerging economies: South Africa and Tunisia, with the assessment for both countries downgraded

- In **South Africa**, downgraded to **A4**, growth has been gradually weakening and will be below 3% in 2013. Very high household debt, inflation and unemployment are holding back consumption. In addition, companies are losing competitiveness and suffering the repercussion of the recession in the Eurozone, a major trading partner. Social tensions remain high in the context of frustrated expectations among the population, and further strikes cannot be ruled out.

- **Tunisia**, subject to a downgrade to **B**, is experiencing increased political and social tensions, delaying the drawing up of its Constitution and the holding of legislative and presidential elections, in a society with growing social divisions. The external accounts and the level of currency reserves, with the decline in tourist income, are tight. The application of the latest IMF programme will therefore be a serious challenge for the government.

Emerging economies: a mixed situation

- **In Central Europe**, **the Czech Republic** and **Slovenia**, downgraded to **A4**, are suffering in particular under the impact of the contraction of activity in the Eurozone. In the Czech Republic, long-term unemployment now affects 37% of the active population. In Slovenia, companies, with huge debt levels (85% of GDP), are facing a rising tide of failures, exacerbated by a deficient banking sector and bad debts.
  Unlike its neighbours, **Poland** is not in recession and the slowdown is cyclical. Activity should by the end of 2013 see the benefits of the expansionary monetary policy, which is the reason for the removal of the negative watch on its **A3** assessment.

- **In Latin America**, good news comes from **Ecuador.** Coface has upgraded its assessment to **B**. Growth here is strong and steady. Public debt is much reduced and currently amounts to 22% of GDP. The political situation has been stabilised and the government seems to be more favourable towards foreign investors.

- In Emerging Asia, **the Philippines** have for the first time moved out of the B assessment range with an upgrade to **A4** thanks to its outstanding macroeconomic performance: growth at 7.8% in the first quarter 2013 (6.5% forecast for the year as a whole), sustained consumption and solid current surplus, buoyed by stable dynamic expatriate remittances, inflation under control, and ongoing improvements to the public finances.

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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.
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APPENDIX

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.

Assessment either upgraded, or removed from negative watch list or placed under positive watch list

Country	Previous CRA	New CRA
Japan	A1↘	A1
Iceland	A4↗	A3
Ireland	A4	A4↗
Philippines	B↗	A4
Ecuador *	C	B
Ivory Coast	D	D↗
Poland	A3↘	A3

Assessment either downgraded, or removed from positive watch list or placed under negative watch list

Country	Previous CRA	New CRA
South Africa	A3↘	A4
Czech Republic	A3↘	A4
Slovenia	A3↘	A4
Tunisia	A4↘	B