

Bucharest, 2nd July

Quarterly updated country risk assessments

Downgrade for China. Economies affected by the fall in oil prices placed on negative watch.

Many countries are facing the full brunt of the decline in oil prices, especially emerging countries for which Coface has revised growth forecasts to 4% for 2015 (compared to 4.2% in March 2015). Meanwhile, developed economies (2% growth forecast for 2015 and 2016) are benefiting from the slight recovery taking shape in the eurozone (1.5% in 2015).

Economic recovery continuing in Eurasia

The Czech Republic, Portugal and Vietnam were all placed under positive watch in January 2015. They are continuing on the right track, with their economies driven by consumer spending.

- **The Czech Republic** is benefiting from the economic recovery in Western Europe (more specifically, the European automotive market) and has been upgraded to A3.
- Reassured by satisfactory payment experience, Coface has upgraded **Portugal** to A4 and confirms the continued positive corporate momentum, especially among export companies.
- **Vietnam**, upgraded to B, is seeing acceleration in private consumption due to low inflation and improved consumer confidence. External risk has been reduced, the current account is in surplus and exchange reserves are improving.

Canada, Algeria and Gabon are suffering from the effects of lower oil prices

Hydrocarbon-exporting countries are suffering from the consequences of their dependency on the oil sector:

- **Canada's** A1 country assessment has been placed under negative watch, given the consequences of the decline in oil prices on investment, the risks weighing on the property sector and the context of negative growth during Q1 2015.
- **Algeria's** A4 assessment has also been placed on negative watch. The decline in oil prices has had a negative impact on public accounts and the country's current account. If prices do not pick up, activity in the country is set to remain sluggish.

- **Gabon's** B assessment has been placed on negative watch. The country's high dependence on oil is set to result in a slowdown in economic activity to 4% in 2015 (compared to an average of 5.4% in recent years).
- **Tanzania** is suffering from the rapid decline in its exchange rate against the US dollar. The shilling's depreciation is causing concern and companies could suffer considerably. The country's growth is slowing while public deficit is deepening. Coface has placed its B assessment on negative watch.
- Finally, the economy in **Madagascar** is suffering from continued political instability. Its C assessment has also been placed under negative watch.

The level of corporate debt in the Chinese economy is a cause for concern

Placed under negative watch in January 2015, **China's** assessment has been downgraded to A4. The country's level of private debt is increasing, primarily because of companies. It stood at 207% of GDP in 2014, compared to 130% in 2008 (according to the IMF). This level is considered worrying and is far higher than the levels noted in other emerging countries. As such, the solvency of companies in fragile sectors could be affected. The cement, chemicals and steel segments associated with infrastructure spending are weakened by their overcapacity.

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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 2014, the Group, supported by its 4,406 staff, posted a consolidated turnover of €1.441 billion. Present directly or indirectly in 98 countries, it secures transactions of 40,000 companies in more than 200 countries. 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.

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APPENDIX

ASSESSMENT EITHER UPGRADED, OR REMOVED FROM NEGATIVE WATCH LIST OR PLACED UNDER POSITIVE WATCH LIST

Country	Country risk previous	Country risk new
Czech Republic	A4↗	A3
Portugal	B↗	A4
Vietnam	C↗	B

ASSESSMENT EITHER DOWNGRADED, OR REMOVED FROM POSITIVE WATCH LIST OR PLACED UNDER NEGATIVE WATCH LIST

Country	Country risk previous	Country risk new
Algeria	A4	A4↘
Bahrain	A4	A4↘
Canada	A1	A1↘
China	A3↘	A4
Gabon	B	B↘
Madagascar	C	C↘
South Africa	A4	A4↘
Tanzania	B	B↘