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2018 COFACE COUNTRY & SECTOR RISKS HANDBOOK

COFACE HANDBOOK
COUNTRY & SECTOR RISKS

ANALYSIS
AND FORECASTS
FOR 160 COUNTRIES
AND 13 SECTORS

2018

FOR SAFER TRADE

COFACE HANDBOOK

COUNTRY & SECTOR RISKS

ANALYSIS
AND FORECASTS
FOR160COUNTRIES
AND 13 SECTORS

2018

This handbook is intended for:

- Corporate executives with decisions to make in terms of export, project launches, or investment in high risk countries.
- Managers of risk or international operations in banking, multilateral financial institutions, and insurance or reinsurance companies (acting in a private capacity or on behalf of government).
- Government managers concerned with country and sector risks.
- Consultants and lawyers specialized in international business.
- Researchers, academics, and students interested in country and sector risks.

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Contents

XAVIER DURAND
CEO of Coface

WILL GLOBAL GROWTH REACH ITS CLIMAX IN 2018?

> Businesses are likely to experience greater supply constraints in 2018.

2017 saw an accumulation of pleasant economic surprises. Only twelve countries were in recession, which is almost half as many as in 2016 (23), and the lowest amount since 2007. In the United States, Germany, France, and a number of emerging countries (double-digit growth in Turkey!), activity was much stronger than expected in the third quarter of the year. This dynamic is in line with that of the first half, during which the main political risks feared in early 2017 did not materialize.

In the United States, the protectionist rhetoric of the new American president did not result in a significant number of concrete measures limiting international trade, although discussions with Mexico and Canada over NAFTA continue. In Western Europe, the results of the elections in the Netherlands and France have not destabilised or jeopardised the European project. However, not all political uncertainties have disappeared - far from it. The difficulties of forming a government in Germany following the elections in September 2017, the separatist desires of part of the Catalan population, and the upcoming elections in Italy are prime examples of this.

In the end, the political factor did not slow the development of European companies, who continue to benefit from a number of favourable factors: a very expansionary monetary policy resulting in a gradual recovery of credit to the private sector, continued low oil prices helping to maintain corporate margins at a relatively high level, and strong household consumption. In this context, business sectors benefit from the strength of household consumption and favourable financing conditions, such as construction and the automotive sectors, remained on a positive trend. Growth in business investment gained momentum in 2017. Growth levels are increasingly less disparate, while insolvency has continued to decline at a faster rate than we expected a year ago. This trend is expected to continue at least during the first half of the coming year. However, as of the second half of the year, companies are likely to gradually be subject to ever-increasing supply constraints, both in Germany (where the unemployment rate has been at a 37-year low), and in France, where business owners are experiencing increasing recruitment difficulties, despite the high level of unemployment.

This issue of overheating will also be relevant in the United States, where the plan to reduce corporate and household tax rates supported by the Trump Administration was finally voted in late last year by the Senate and the House of Representatives. While this should delay the end of the USA's expansion cycle (already the third-longest since the beginning of the twentieth century after those of 1960 and 1990), it will not be enough to accelerate US growth, as an increasing number of business sectors (such as automotive) are already experiencing supply constraints. Reaching 4.1% in November 2017, the unemployment rate was effectively the lowest since 2001, which is a sign that the US economy is close to running at full capacity.

In other words, the Trump Administration's stimulus package will partly benefit foreign companies exporting to the United States as local production structures are, to a large extent, unable to meet the resulting additional demand.

The historically low unemployment levels in many Central and Eastern European countries point to similar problems. Growth was very dynamic in 2017 but is set to slow in 2018, again due to supply constraints: strong wage pressures and labour shortages will limit the ability of companies to produce more. Those who fail to include these higher production costs in their selling prices will suffer from these supply constraints.

In the rest of the emerging world, recovery is expected to continue. In 2017, the gradual rise in oil prices gave a shot of adrenaline to countries dependent on oil-related revenues, particularly in Latin America, Russia, and other CIS countries. However, this slight rise in prices is not a cure-all: its scale remains largely insufficient to balance the government budgets in Saudi Arabia, Algeria, and Nigeria.

Furthermore, the rise in oil prices, like that of other commodities (notably several metals), had the merit of contributing to the rebound in international trade in 2017. Even if the latter tended to lose some strength at the end of last year, it encourages strong growth of Asian economies, whose businesses are internationally oriented (e.g. Korea, Taiwan, Singapore, and Hong Kong). However, in 2018, the favourable dynamics of Asian economies will continue to depend on protectionist risk - especially in the United States - and, above all, on the Chinese economy's resilience.

While, at first glance, the growth of the latter did not show any signs of weakness in 2017 (as in 2016), Chinese companies seem increasingly fragile: overcapacity continues to haunt sectors such as metals, chemistry, and construction. Corporate debt has risen considerably, notably in the form of bank credit but also via shadow banking, which is all the more worrying these services are charged at extortionate rates. Labour costs are increasing sharply, penalising businesses in sectors such as textile-clothing. Finally, businesses are facing a much reduced pace of activity compared to the previous decade. In this context, the banking risk is increasing significantly. Ultimately, only government intervention, notably through major public investments, allowed these structural weaknesses to be temporarily hidden in 2016 and 2017.

Lastly, note that this recovery in emerging countries could, in some cases, be nipped in the bud by the resurgence of political risks. Despite the recent upturn of activity, high social frustration has been created by increased income inequality, high unemployment, and corruption. Upcoming elections in several countries (including Brazil and Mexico as well as Russia and Egypt) this year will therefore all be risk factors to monitor.

Many other country and sector risks are discussed in the twenty-second edition of this annual report, published by Coface. I hope you enjoy reading the 2018 edition and that you find it of interest.

TOOLS FOR IDENTIFYING, ASSESSING AND MONITORING THE RISKS BUSINESSES ARE FACING

As a credit insurer, Coface's added value comes from its ability to proactively provide its clients with detailed risk analyses, allowing them to make the right decisions at the right time and prevent credit risks. Its analyses include country assessments for 160 countries, business climate assessments, and sector risks assessments for 13 sectors worldwide. Regular economic publications supplement these assessments developed by Coface.

Country Risk *

The country assessment provides an insight into the average payment incident level presented by companies in a country in connection with their short-term trading transactions. More specifically, this assessment measures the way in which company payment behaviour is influenced by a country's economic, financial, and political perspectives, as well as by the business climate. It is based on three pillars: macroeconomic, financial and political analysis, business climate assessment by Coface's entities across the world, and Coface's payment behaviour experience as recorded in its worldwide database. The country risk assessment covers 160 countries on an 8-step scale: A1, A2, A3, A4, B, C, D, E, in order of increasing risk.

Business climate assessment *

This makes it possible to see whether company accounts are available and reliable, whether the legal system ensures fair and effective protection of creditors, whether the country's institutions provide a favourable framework for B2B transactions and whether the domestic market is easy to access. The assessments are based on data from international organisations, but also, and primarily, on the experience of Coface's entities across the world. This assessment, integrated in the country assessment, covers 160 countries on an 8-step scale: A1, A2, A3, A4, B, C, D, E, in order of decreasing business climate quality.

Sector Risk*

Every quarter, Coface reviews the assessments of 13 sectors throughout 24 countries in 6 major regions of the world. In order to assess these risks, Coface relies on its own methodology based on four cornerstones: an estimate of corporate defaults (by country) for the four coming quarters, payment periods recorded by buyers (aggregated by sector), forecasted financial results for the four coming quarters (aggregated by sector), and payment experience recorded by Coface for each sector. The sector risk assessment is on a 4-step scale: low, medium high, very high, in order of increasing risk (see p. 15).

Company Default Rate Assessment

The DRA (Debtor Risk Assessment) measures the default rate of companies all over the world. It is calculated on the basis of indicators such as financial soundness, profitability, solvency, as well as the company's environment and management. The assessment scale ranges from 0 (company in default) to 10 (best possible rating). The DRAs are made available to Coface clients on a dedicated website: Cofanet.

Economic Publications *

Coface regularly publishes economic publications that deal with country risk, sector risk, and the risk of company insolvency.

* Assessments and studies available at http://www.coface.com/Economic-Studies-and-Country-Risks

DEFINITION OF COUNTRY ASSESSMENTS

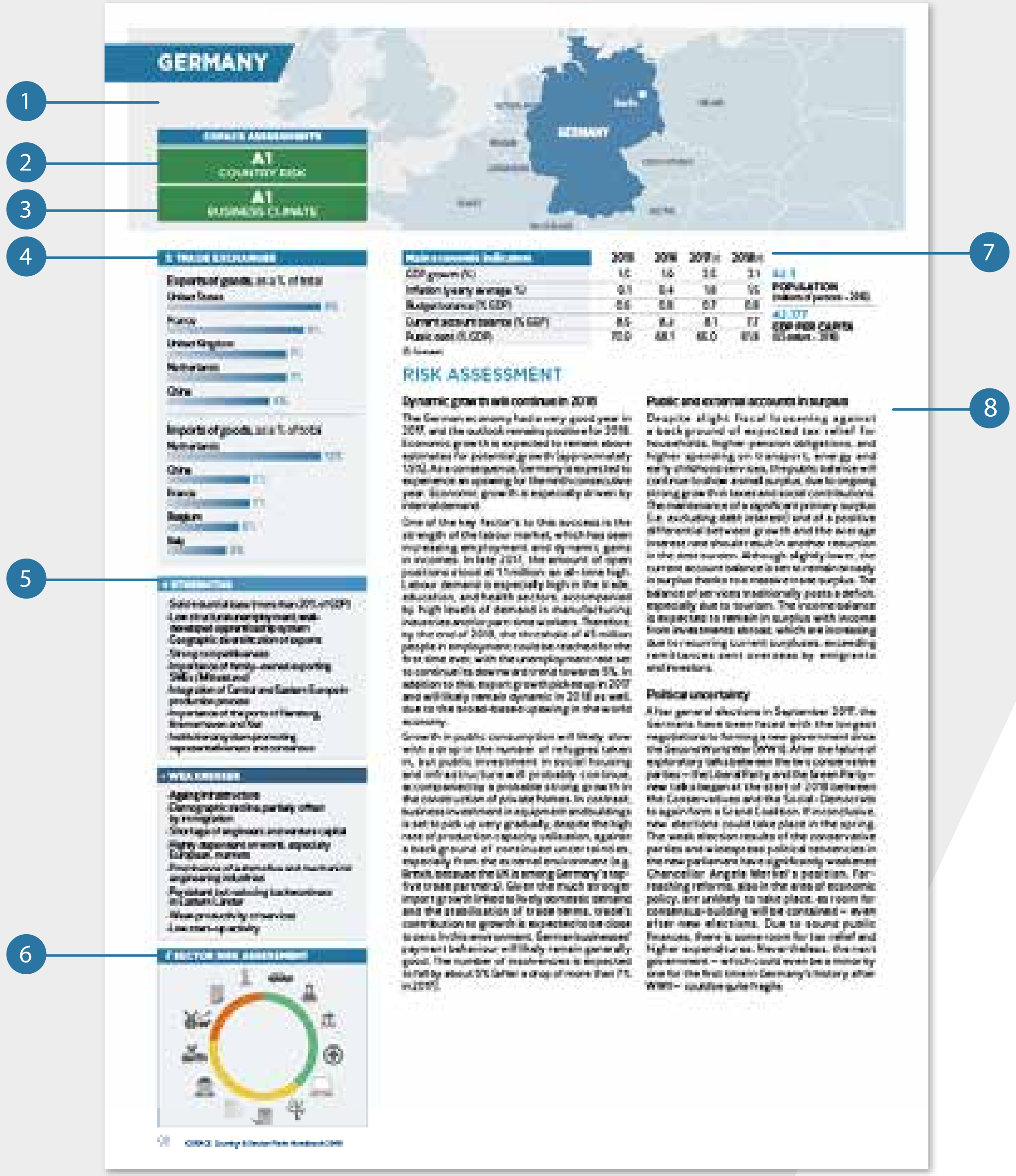
A1	Very good macroeconomic and financial outlook. Stable political context. High quality business climate. This environment positively influences companies' payment behaviour. The average probability of default is very low.
A2	Good macroeconomic and financial outlook. Generally stable political context. Overall healthy business climate. The average probability of default is low.
A3	Less favourable and/or volatile macroeconomic and financial outlook. Political context remains stable. Business climate may have some shortcomings. The average probability of default is satisfactory.
A4	Economic and financial outlook could be marked by some weaknesses. Political context could suffer from tension. Business climate may present significant deficiencies. The average probability of company default is reasonable.
B	Uncertain economic and financial outlook. Political context could suffer strong tensions. Business climate may present substantial deficiencies. The average probability of company default is fairly high.
C	Very uncertain economic and financial outlook. Political context could be unstable. Business climate has substantial deficiencies. The average probability of company default is high.
D	Highly uncertain economic and financial outlook. Very unstable political context. Very difficult institutional and business climate. The average probability of company default is very high.
E	Extremely uncertain economic and financial outlook. Extremely unstable political context. Extremely difficult institutional and business climate. The average probability of company default is extremely high.

DEFINITION OF BUSINESS CLIMATE ASSESSMENT

A1	Company reports are generally available and reliable. Effective debt collection. High quality institutions. Domestic market is almost perfectly open. Very satisfactory business climate.
A2	Company reports, when available, are reliable. Debt collection works reasonably well. Institutions generally perform well. Domestic market is widely open. Business climate relatively stable but could be improved.
A3	Company reports are not always available, but when they are, are relatively reliable. Debt collection and institutions can present some shortcomings. Domestic market is relatively open. Safe business climate but can present shortcomings.
A4	Company reports are not always available or reliable. Debt collection is not always effective and institutions have some inadequacies. Access to domestic market presents some constraints. Business climate is acceptable but has some weaknesses
B	Reliability and availability of company reports vary significantly. Debt collection is often difficult. Institutions display weaknesses. Domestic market is not very accessible. Business climate is unstable and underperforms.
C	Company reports are often unavailable and not very reliable. Debt collection is somewhat random. Institutions display numerous weaknesses. Difficult access to domestic market. Difficult business climate.
D	Company reports are often unavailable and unreliable. Debt collection is random. Institutions display significant weaknesses. Very difficult access to domestic market. Very difficult business climate.
E	Company reports are rarely available, and are rarely reliable when they are. The legal system makes debt recovery extremely uncertain. Critical institutional weaknesses. Nearly inaccessible domestic market. Extremely difficult business climate.

YOUR COFACE COUNTRY & SECTOR RISKS HANDBOOK 2018

This reference guide for the analysis of country risk in the world enables you to refer to 160 country assessments. It contains useful insights into the complex and changing economic environment we know. These assessments constitute a global analysis of corporate behaviour and business practices by country.



1 COUNTRY AND LOCATION
A map allows you to locate the country.

2 COUNTRY RISK ASSESSMENT
"Country Risk" indicates the average risk presented by firms in a country as part of their short-term commercial transactions.

3 COMMERCIAL CLIMATE ASSESSMENT
This assessment, which contributes to the Country Risk assessment, evaluates the quality of business climate in the country: reliability of business accounts, legal system, institutional and regulatory framework.

4 EXPORTS AND IMPORTS
Distribution of exports (or imports) by country of destination (or origin). The sources used are the 2016 IMF and UNCTAD statistics.

5 ANALYSIS OF STRENGTHS / WEAKNESSES
A summary of the country's strengths and weaknesses.

6 SECTOR RISK ASSESSMENT
This assessment indicates the level of short-term risk for thirteen sectors of the country's economy.

7 ECONOMIC INDICATORS
At a glance, see the major macroeconomic aggregates essential to understanding the economic environment in a country as well as forecasted changes.

8 RISK ASSESSMENT
Here you will find a macro and microeconomic analysis of the country and the most important upcoming matters for the current year.

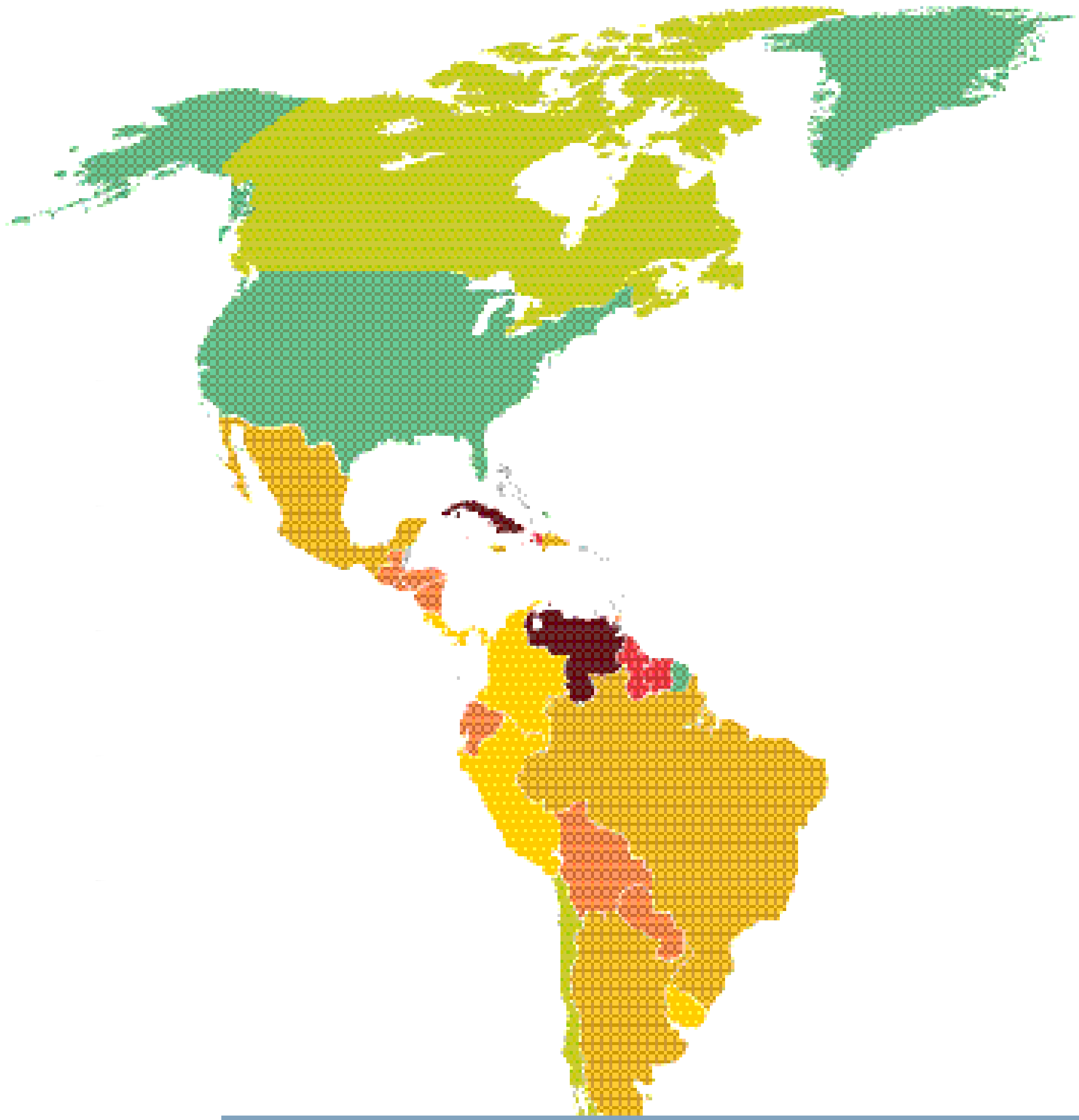
9 PAYMENT AND COLLECTION PRACTICES
This section is a valuable tool for corporate financial officers and credit managers. It provides information on the payment and debt collection practices in use in the country.

10 BUSINESS INSOLVENCIES
Total number of business insolvencies and its yearly growth rate.

COFACE COUNTRY RISK ASSESSMENT MAP

Coface assesses the average credit risk of companies in a given country. To achieve this, Coface uses macroeconomic, financial and political data. Its originality is to take into account Coface's payment experience recorded for the country's businesses, and its perception of the country's business climate.

Download the map (in PDF format): http://www.coface.com/fr/Etudes-economiques-et-risque-pays

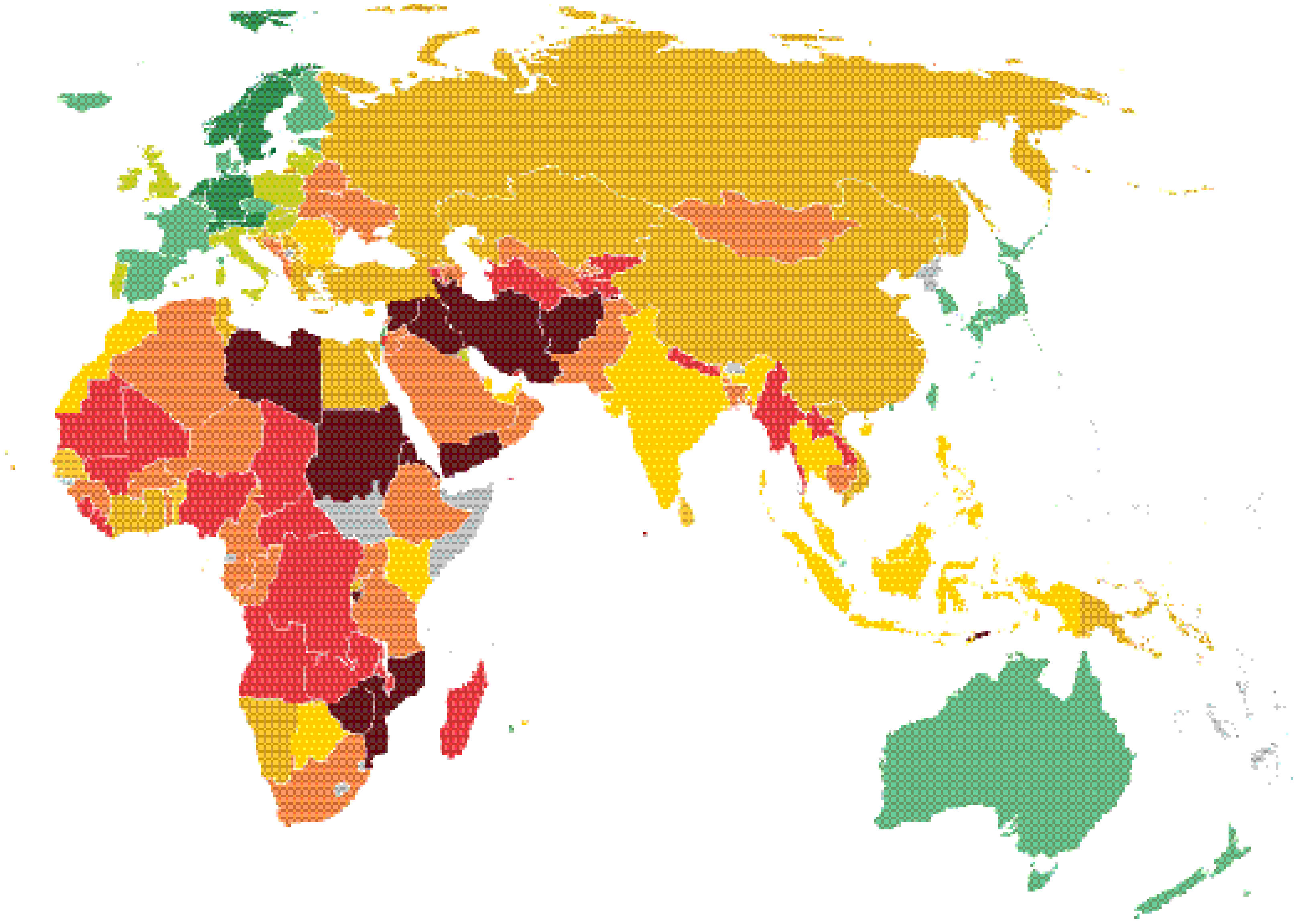


Business default risk

A1	Very low
A2	Low
A3	Satisfacto
A4	Reasonab
B	Fairly Hig
C	High
D	Very High
E	Extreme

Downgrades in

Upgrades in 201



AMERI

	COU RI	
Argentina	[illegible]	
Bolivia	[illegible]	
Brazil	[illegible]	
Canada	A3	A1
Chile	A3	A3
Colombia	A4	A4
Costa Rica	A4	A4
Cuba	E	E
Dominican Republic	B	C
Ecuador	C	C
El Salvador	C	B
Guatemala	C	C
Guyana	D	C
Haïti	D	E
Honduras	C	C
Jamaica	B	A4
Mexico	B	A4
Nicaragua	C	C
Panama	A4	A4
Paraguay	C	C
Peru	A4	B
Surinam	D	D
Trinidad and Tobago	C	B
United States	A2	A1
Uruguay	A4	A3
Venezuela	E	E

AFRICA

	COUNTRY RISK	BUSINESS CLIMATE
Algeria	C	C
Angola	D	D
Benin	B	C
Botswana	A4	A4
Burkina Faso	C	C
Burundi	E	E
Cabo Verde	B	C
Cameroon	C	D
Central African Republic	D	E
Chad	D	D
Dem. Rep. of the Congo	D	E
Djibouti	C	D
Egypt	B	C
Eritrea	E	E
Ethiopia	C	D
Gabon	C	C
Ghana	B	B
Guinea	C	D
Ivory Coast	B	B
Kenya	A4	B
Liberia	D	D
Libya	E	E
Madagascar	D	D

	COUNTRY RISK	BUSINESS CLIMATE
Malawi	D	D
Mali	D	D
Mauritania	D	D
Mauritius	A4	A3
Morocco	A4	A4
Mozambique	E	D
Namibia	B	A4
Niger	C	C
Nigeria	D	D
Republic of the Congo	C	D
Rwanda	B	B
Sao Tome-and-Principe	C	D
Senegal	B	B
Sierra Leone	D	D
South Africa	C	A4
Sudan	E	E
Tanzania	C	C
Togo	C	C
Tunisia	B	B
Uganda	C	C
Zambia	D	C
Zimbabwe	E	E

EUROPE AND CIS

	COUNTRY RISK	BUSINESS CLIMATE
Albania	C	C
Armenia	D	C
Austria	A1	A1
Azerbaijan	C	C
Belarus	C	C
Belgium	A2	A1
Bosnia and Herzegovina	C	B
Bulgaria	A4	A3
Croatia	B	A3
Cyprus	A4	A3
Czech Republic	A2	A2
Denmark	A2	
Estonia	A2	
Finland	A2	
France	A2	
Georgia		
Germany		

	COUNTRY RISK	BUSINESS CLIMATE
Greece	B	A4
Hungary	A3	A3
Iceland	A2	A1
Ireland	A3	A1
Italy	A3	A2
Kazakhstan	B	B
Kyrgyzstan	D	D
Latvia	A3	A2
Lithuania	A3	A2
Luxembourg	A1	A1

	COUNTRY RISK	BUSINESS CLIMATE
Portugal	A3	A2
Romania	A4	A3
Russia	B	C
Serbia	B	B
Slovakia	A3	A2
Slovenia	A3	A2
Spain	A2	A1
Sweden	A1	A1
Switzerland	A1	A1
Tajikistan	D	D

	COUNTRY RISK	BUSINESS CLIMATE
Bahrain	C	A4
Iran	E	D
Iraq	E	E
Israel	A2	A2
Jordan	C	B
Kuwait	A3	A4
Lebanon	C	C
Oman	C	A4
Palestinian Territories	D	D
Qatar	A4	A3
Saudi Arabia	C	B
Syria	E	E
United Arab Emirates	A4	A2
Yemen	E	E

ASIA

	COUNTRY RISK	BUSINESS CLIMATE
Afghanistan	E	E
Australia	A2	A1
Bangladesh	C	C
Cambodia	C	C
China	B	B
Hong Kong	A2	A1
India	A4	B
Indonesia	A4	B
Japan	A2	A1
Laos	D	D
Malaysia	A4	A3
Maldives	D	C
Mongolia	C	C

	COUNTRY RISK	BUSINESS CLIMATE
Myanmar	D	E
Nepal	D	C
New Zealand	A2	A1
Pakistan	C	C
Papua New Guinea	B	C
Philippines	A4	B
Singapore	A2	A1
South Korea	A2	A1
Sri Lanka	B	B
Taiwan	A2	A2
Thailand	A4	A3
Timor-Leste	E	C
Vietnam	B	B

COUNTRY ASSESSMENT CHANGES OF THE MAIN ECONOMIES

	2018 Jan.	2017 Sept.	2017 June	2017 March	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.	2012 Jan.	2011 Jan.
A1											
Austria	A1	A1	A1	A1	A1	A1	A1	A2	A2	A2	A2
Germany	A1	A1	A1	A1	A1	A1	A1	A2	A2	A2	A2
Netherlands	A1	A2	A2	A2	A2	A2	A3	A3	A2	A2	A2
Norway	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1
Sweden	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1
Switzerland	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1	A1
A2											
Australia	A2	A2	A2	A2	A2	A2	A2	A2	A2	A1	A1
Belgium	A2	A2	A2	A2	A2	A2	A3	A3	A2	A2	A2
Czech Republic	A2	A2	A2	A2	A3	A3	A4	A4	A3	A2	A2
Denmark	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
France	A2	A2	A2	A2	A2	A3	A3	A3	A2	A2	A2
Hong Kong	A2	A3	A3	A3	A3	A1	A1	A1	A1	A1	A1
Israel	A2	A2	A2	A2	A3	A3	A3	A3	A3	A3	A3
Japan	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1	A1
New Zealand	A2	A2	A2	A2	A2	A2	A2	A2	A2	A1	A1
Singapore	A2	A3	A3	A3	A3	A1	A1	A1	A1	A1	A1
South Korea	A2	A3	A3	A3	A3	A2	A2	A2	A2	A2	A2
Spain	A2	A2	A2	A3	A3	A4	A4	B	B	A4	A3
Taiwan	A2	A3	A3	A3	A3	A1	A1	A1	A1	A1	A1
United States	A2	A2	A2	A2	A2	A1	A1	A2	A2	A2	A2
A3											
Canada	A3	A3	A3	A3	A3	A2	A1	A1	A1	A1	A1
Chile	A3	A3	A3	A3	A3	A3	A2	A2	A2	A2	A2
Hungary	A3	A3	A4	A4	A4	A4	B	B	B	B	A4
Ireland	A3	A3	A3	A3	A3	A3	A3	A3	A4	A4	A4
Italy	A3	A3	A3	A3	A3	B	B	B	B	A4	A3
Kuwait	A3	A3	A3	A3	A3	A2	A2	A2	A2	A2	A2
Poland	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3
Portugal	A3	A3	A3	A4	A4	A4	B	B	B	A4	A3
Slovakia	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3
United Kingdom	A3	A3	A3	A3	A3	A2	A2	A3	A3	A3	A3
A4											
Botswana	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Bulgaria	A4	A4	A4	A4	A4	B	B	B	B	B	B
Colombia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
India	A4	A4	A4	A4	A4	A4	A4	A4	A4	A3	A3
Indonesia	A4	A4	A4	A4	A4	A4	A4	A4	A4	B	B
Malaysia	A4	A4	A4	A4	A4	A2	A2	A2	A2	A2	A2
Morocco	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Peru	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Philippines	A4	A4	A4	A4	A4	A4	A4	A4	B	B	B
Qatar	A4	A4	A4	A3	A3	A2	A2	A2	A2	A2	A2
Romania	A4	A4	A4	A4	A4	B	B	B	B	B	B
Thailand	A4	A4	A4	A4	A4	A4	A4	A3	A3	A3	A3
United Arab Emirates	A4	A4	A4	A4	A4	A3	A3	A3	A3	A3	A3
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4

	2018 Jan.	2017 Sept.	2017 June	2017 March	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.	2012 Jan.	2011 Jan.
B											
Argentina	B	B	B	B	B	C	C	C	C	C	C
Brazil	B	C	C	C	C	C	A4	A3	A3	A3	A3
China	B	B	B	B	B	A4	A3	A3	A3	A3	A3
Cote d'Ivoire	B	B	B	B	B	C	C	C	D	D	D
Croatia	B	B	B	B	B	B	B	B	B	B	A4
Egypt	B	C	C	C	C	C	C	C	C	C	B
Ghana	B	B	B	B	B	C	C	B	B	C	C
Greece	B	C	C	C	C	C	C	C	C	C	A4
Kazakhstan	B	C	C	C	C	B	B	B	B	B	B
Mexico	B	B	B	B	B	A4	A4	A4	A4	A4	A4
Russia	B	B	B	C	C	C	C	B	B	B	B
Senegal	B	B	B	B	B	B	B	B	B	B	B
Serbia	B	B	B	B	B	C	C	C	C	C	C
Sri Lanka	B	B	B	B	B	B	B	C	C	C	C
Tunisia	B	B	B	B	B	B	B	B	A4	A4	A4
Turkey	B	B	B	B	B	B	B	A4	A4	A4	A4
Vietnam	B	B	B	B	B	B	C	C	C	C	B
C											
Algeria	C	C	C	C	C	B	A4	A4	A4	A4	A4
Bolivia	C	C	C	C	C	C	C	C	C	C	C
Cameroon	C	C	C	C	C	C	C	C	C	C	C
Gabon	C	C	C	C	C	C	B	B	B	B	B
Oman	C	C	B	B	B	A3	A3	A3	A3	A3	A3
Pakistan	C	C	C	C	C	D	D	D	D	D	D
Saudi Arabia	C	B	B	B	B	A4	A4	A4	A4	A4	A4
South Africa	C	C	C	C	C	B	A4	A4	A3	A3	A3
Tanzanie	C	C	C	C	C	C	B	B	B	B	B
Ukraine	C	D	D	D	D	D	D	D	D	D	D
Uzbekistan	C	C	C	D	D	D	D	D	D	D	D
D											
Angola	D	D	D	D	D	C	C	C	C	C	C
Armenia	D	D	D	D	E	C	C	C	C	C	C
Haiti	D	D	D	D	D	D	D	D	D	D	D
Madagascar	D	D	D	D	D	D	C	C	C	C	C
Nigeria	D	D	D	D	D	C	C	D	D	D	D
E											
Iran	E	E	E	E	E	D	D	D	D	D	D
Iraq	E	E	E	E	E	D	D	D	D	D	D
Libya	E	E	E	E	E	D	D	D	D	D	C
Mozambique	E	E	E	E	D	C	C	C	C	B	B
Syria	E	E	E	E	E	D	D	D	D	D	C
Venezuela	E	E	E	E	E	D	D	C	C	C	C
Zimbabwe	E	E	E	E	E	D	D	D	D	D	D

The "E" rating was introduced into the Coface assessment scale in June 2016.

Downgrade
Upgrade

COFACE SECTOR RISK ASSESSMENTS

Every quarter, Coface reviews the assessments of 13 sectors throughout 24 countries in 6 major regions in the world (representing approximately 75% of global GDP). In order to better assess these, Coface has implemented its own methodology relying on four key cornerstones:

- corporate defaults (by country) for the four coming quarters,
- observed payment periods (aggregated by sector and country),
- projected financial results for the coming four quarters (aggregated by sector and country),
- payment experience recorded by Coface by sector and country.

Coface also reviews sectors risks of six geographical regions in the world. This assessment scales on four levels: low, medium, high or very high, in order of increasing risk.

Sectors	North America	Latin America	Emerging Asia	Central Europe	Western Europe	M. East & Turkey
AGROFOOD	Medium	High	Medium	Medium	Medium	High
AUTOMOTIVE	Medium	Medium	High	Low	Low	High
CHEMICAL	Low	High	High	Medium	Medium	High
CONSTRUCTION	Medium	High	Very High	High	Medium	Very High
ENERGY	Medium	High	High	Medium	High	High
ICT*	Medium	Medium	Medium	Medium	Low	High
METALS	High	High	High	Medium	High	High
PAPER	Medium	Medium	High	Medium	High	Medium
PHARMACEUTICALS	Low	Medium	Low	Low	Low	Medium
RETAIL	High	Medium	Low	Medium	Medium	High
TEXTILE-CLOTHING	High	High	High	Medium	High	High
TRANSPORT	Low	High	Medium	High	Medium	Medium
WOOD	Medium	High	High	Medium	Medium	High

* Information and Communication Technology

Low | Medium | High | Very High

COFACE REGIONAL SECTOR RISK ASSESSMENT

North America: medium

Latin America: high

Emerging Asia: medium

Central Europe: medium

Western Europe: medium

M. East & Turkey: high

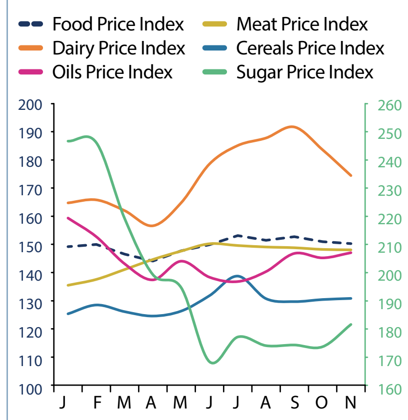
+ STRENGTHS

- Upward trend in prices which is expected to last in the long-term
- High demand worldwide from emerging countries (especially India and China)

- WEAKNESSES

- Sector subject to climatic fluctuations
- High cereal stocks

TRENDS IN COMMODITY PRICES IN 2017 (2002-2004 = 100)*



Source: FAO / *: Average of the three years

RISK ASSESSMENT

The United Nations Food and Agriculture Organisation (FAO) agricultural commodities price index rose sharply through to December 2016 (up 14%), after reaching a record low level in December 2015. Prices generally stabilised in 2017, rising only 0.7%. Cereal stocks totalled 704 million tonnes in 2017 – over 25% of production worldwide. In 2018, Coface expects a probable slowdown in the increase in cereal crop yields, which has been exceptionally high in recent years.

Sugar prices registered the steepest annual fall in 2017 (down 26%), demonstrating their high volatility once again. This was mainly due to the depreciation of the Brazilian real (Brazil is the world's leading producer) against the US dollar in May, and the end of sugar quotas in the European Union. Meat prices rose by 9% in 2017, due to two factors: a rising demand for pork from the European Union and China at the beginning of the year, and a reduction in beef production from Oceania at the end of the year.

In 2018

DEMAND

The demand for agricultural commodities should remain firm in 2017-2018 (up 1.2% according to FAO), given the population growth in the emerging countries.

In Asia, the sector should experience an upturn thanks to more favourable economic conditions in China, which will boost household consumption, especially for soybeans (up 7.8% according to the United States Department of Agriculture, USDA). Changing culinary practices should boost the consumption of wheat in place of rice. China and India, which account for 50% of world demand, should see their rice consumption increase slightly by 0.6% and 1.3% respectively in 2018. For cereals, the rise in China's demand for corn (up 3.4% in 2018, 22% of demand worldwide) will again be buoyant. In India, the policy of increasing taxes on imported vegetable oils (from 7.5% to 15% for crude palm oil, and from 15 to 25% for processed palm oil) will have a big impact on the market. Thus, households in the main consumer countries will see their purchasing power fall, as prices rise. Lastly, businesses in the sector that have exposure to the market in emerging Asian countries will benefit from the sustained growth in these countries' demand for dairy products.

In North America, the demand for corn (the cereal with the highest consumption worldwide) will be mainly driven by industrial ethanol processing. The demand for animal feed should remain stable.

South America is one of the areas where the demand for soybeans should continue to rise, according to the USDA (up 3.4% on average) in 2018, especially in Brazil and Argentina. Together, these two countries consume almost as much as China, 28% of demand worldwide, mainly for animal feed.

In Western Europe, consumption in the European Union (the leading consumer of wheat, with 17.3%), should remain buoyant, especially household consumption, which should increase 1.8% in 2018. The entire agrofood sector should remain weakened by the Russian embargo on food products (fruits, vegetables, meat, poultry, fish, milk and dairy products) from the United States and European Union, which Vladimir Putin has extended to the end of 2018.

SUPPLY

Production for all agricultural commodities is likely to rise slightly in 2018 (up 0.6%), sustained by the emerging and developing countries (up 4.1%), according to the FAO. In contrast, it should fall in the developed countries, affected by unfavourable weather conditions, especially the La Niña phenomenon in the United States. With regard to businesses, seed and fertiliser producers and equipment manufacturers should benefit from the increase in tractor orders and the rise in fertiliser prices. The upward trend in retail prices will benefit the agrofood giants (Nestlé, Danone, Unilever, Coca-Cola, PepsiCo).

In South-East Asia, the main rice producing region, the prospects for the 2018 harvest are positive in Myanmar and the Philippines. Globally, they should offset the fall in rice harvest yields in Madagascar and Bangladesh, hit by adverse weather conditions. In China, following the 19th Communist Party Congress, reforms in the sector should intensify and be marked by the disengagement of the State, reflected by a reduction in subsidies. Ultimately, this may have a negative impact on production. Supply in the sub-region's cereal sector will be affected by the Chinese government's elimination of the Minimum Support Price for corn. Chinese farmers might then increasingly turn to the more profitable soybean. The return of the rains, after two years marked by drought, will boost sugar production in India (second largest producer worldwide). According to Bloomberg, the country's farmers will increase the area farmed by 4.8% in 2018.

In North America, the United States, the world's largest producer of corn, should see a 3.8% drop in supply in 2018, reflecting the reduction in the planted surface and the adverse weather conditions, even though farm yields have risen. American farmers should benefit from the increase in foreign demand (especially European). In addition, rising transport costs in the Black Sea and a poor harvest have weakened the competition from Ukraine.

In Brazil, farmers should allocate a larger proportion of their harvest to ethanol production. 2017's exceptional crop yields (soybeans, corn) are unlikely to be repeated in 2018, due to the La Niña phenomenon that might affect the region.

In the EU, the sugar market was liberalised in October 2017, and the end of quotas means sugar prices can be indexed to global prices. However, the EU, the world's leading producer of sugar beet (50% of global production), will keep the sector's high import duties, which should minimise the policy's impact on producers. Production should rise, but will be subject to high price volatility.

AUTOMOTIVE

COFACE REGIONAL SECTOR RISK ASSESSMENT

- North America: medium
- Latin America: medium
- Emerging Asia: high
- Central Europe: low
- Western Europe: low
- M. East & Turkey: high

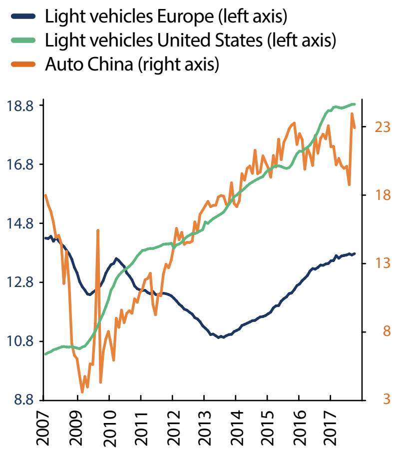
+ STRENGTHS

- Unprecedented period of innovation in the sector
- Recovery in demand in Europe
- Car manufacturers are among the largest investors in R&D worldwide

- WEAKNESSES

- Slowdown in China and the United States
- Situation in China with overcapacity and the ongoing rebalancing of its economy
- Increasingly restrictive anti-pollution standards requiring heavy investments
- Deteriorated credit risk in the United States and United Kingdom

SALES OF NEW VEHICLES, (YEAR-ON-YEAR)



Source: ACEA, Autodata, NBS

RISK ASSESSMENT

The global car market is heterogeneous, with the contrasts between the dynamic European markets and the constantly slowing US market. There is also the Chinese market which differs again as it is widely subsidised by the State.

The growth in car sales is slowing in China. The reasons behind this include notably the impact of the reduction in taxation on engines smaller than 1.6 litres, which enabled an upturn in the market. Competition between carmakers is also more intense, which has benefited the domestic ones, as well as the German groups thanks to their solid local presence.

In the United States, vehicle sales continue to slow. The light trucks segment which is holding up, allows the manufacturers to continue selling their production. There is a fall in the residual values of leased vehicles, which could have negative repercussions combined with the worsening credit risk.

In Western Europe, all the leading markets have been experiencing annual growth, with the exception of the United Kingdom, where the "success-story" could be facing challenges, mainly linked with the uncertainties surrounding Brexit.

In 2018

DEMAND

Demand around the world varies, with a slowdown in the United States and more positive outlooks in China and Europe.

In China, doubts are growing concerning sales expansion. The tax reduction on small engine is not expected to last into 2018. We are therefore expecting a slowdown or a fall in sales. Finally, electric and hybrid vehicles are likely to continue to benefit from the enthusiasm for these being shown by Chinese consumers. The government is promoting these vehicles with the aim of limiting the levels of pollution endemic across China, as well as creating national champions. This promotion even takes the form of quantitative objectives to be achieved: in 2019, between 4% and 5% of each maker sales carmaker will consist of electric or hybrid vehicles. This plan has however been received with only lukewarm enthusiasm by the leading players in the sector who highlight the difficulty on implementing it.

In the United States, the raising of interest rates in June 2017 pushed up the cost of borrowing: the rate has risen from 4.9% in December 2016 to 5.6% at the end of June 2017. The credit quality (90% of new vehicles are financed this way) is declining in part because the maturities are reaching up to seven years (84 months), taking these borrowers out of the market, and exacerbating the loss of residual value of the vehicles. In addition, despite the historically low level of unemployment, the rate of participation in the labour market at the end of October 2017 was 4 percentage points below that of January 2007. Median wages however were up 3.1% between 2016 and 2017.

According to Eurostat, the eurozone's unemployment rate was 8.8% at the end of October 2017, a decrease of 1 percentage point compared with October 2016. Whilst it is still at high levels in Southern Europe, vehicle registrations remain dynamic there, driven by car hire operators and companies renewing their fleets, to take advantage of models with lower maintenance costs. In 2017, interest rates are expected to remain low and thus encourage vehicle credit as well as more recent financing schemes such as lease purchase (LP). However, demand is not likely to remain as strong as seen up to now, even though confidence levels in European households are expected to continue positive.

SUPPLY

Sales in Western Europe would seem to heading towards a peak, whilst the Chinese market is expected to experience a number of wobbles.

Coface expects an increase in vehicle sales in mainland China of between 4% and 5% in 2018. The country is becoming a key player in terms of the production and sales of electric and/or hybrid vehicles. The central government is in effect strongly encouraging these technologies through tax rebates. Thus explaining the announcement by the Volkswagen group of the introduction of 25 new electric models in the country between 2020 and 2025, and its plans to invest USD 12 billion through its joint-ventures. The country is well prepared to hold on to its pole position in this field, via a committed policy of mobility, as well as through the acquisition of lithium producers in Latin America and in Australia.

In the United States, sales of new vehicles are likely to continue contracting in 2018. With the arrival of millions of ex-leased vehicles on the used car market, residual values are expected to fall 3% in 2018, according to the LMC Automotive economic intelligence consultancy, compared with 6% in 2017. On top of this there is increasing competition between carmakers, which is likely to shrink margins. Finally, the details of the NAFTA are the subject of intense renegotiations between Canada, the United States and Mexico. The proposals from the United States concerning the determination of the proportion of local production in each vehicle presents problems for the other two countries. It is calling for a higher level of equipment produced in the United States to be included, to the detriment of its partners.

Registrations in Western Europe are likely to increase in 2018. According to our calculations, the total sales of the leading carmakers and equipment manufacturers increased by almost 8% in the third quarter of 2017 year-on-year. However, the exiting by the United Kingdom from the EU, scheduled for March 2019, is likely to not only present risks for the UK car industry, but also lead to adjustments in the organisation of European production. Nevertheless, European carmakers and equipment manufacturers are at the forefront in the fields of driving assistance, as well as the reduction of particle emissions, thanks to the impetus given by public policy. In this latter field, the existence of a dense dealer network is likely to also help the European carmakers in resisting competition from the US carmaker Tesla.

CHEMICAL

COFACE REGIONAL SECTOR RISK ASSESSMENT

- North America: low
- Latin America: high
- Emerging Asia: high
- Central Europe: medium
- Western Europe: medium
- M. East & Turkey: high

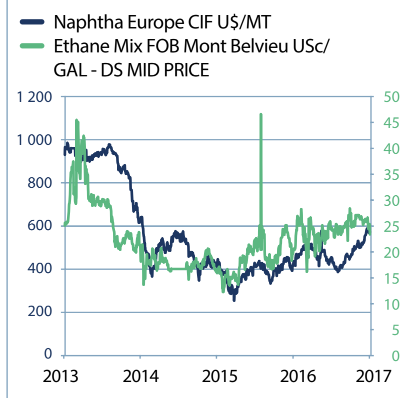
+ STRENGTHS

- Fall in prices of the main inputs
- Robust of US demand
- Specialty chemicals less dependent on the economic situation

- WEAKNESSES

- Strong dependence of base chemicals on the economic situation
- Overcapacity in China
- Increase in ethylene production capacity

PRICES OF NAPHTHA AND ETHANE



Source: Datastream

RISK ASSESSMENT

The prices of the main inputs for chemical production (Brent, natural gas, naphtha) increased throughout 2017, although remaining at historically low levels.

The relative weakness of prices for the principal raw materials, in particular for naphtha, offered some respite for European producers. Activity is however still below the sector's potential and has not reached the levels seen in 2006, a record for both output and consumption.

US petrochemical producers continue to benefit from access to cheap and plentiful natural gas. The fall in crude oil prices has however allowed European producers to make use of naphtha to restore their position, but without managing to reduce the competitive advantage of US producers.

A low naphtha price also helps Chinese producers. Nevertheless, the development of olefins via coal, which is abundant and cheaper, is very capital intensive and puts significant pressure on the environment, in a context of overcapacity in some chemical industry segments, such as PVC (polyvinyl chloride).

In 2018

DEMAND

Global demand for chemical products is expected to increase in 2018, thanks to the economic recovery in most of the regions we monitor.

In Western Europe, activity in the chemical industry has been expanding as a result of strong growth and improvements in the margins of companies in the sector. However, the political fallout from the ongoing negotiations on Great Britain's exit from the European Union could have negative repercussions for this trend. 75% of the industrial output of European chemical producers goes to its domestic markets. We expect that most of the chemical industry sub-sectors will experience positive growth, thanks to the recovery in two of its key sectors, which use industrial chemical products: the automotive sector and the construction sector. The automotive sector seems to be doing well, with rising new vehicle sales (approximately 4% at the end of October 2017 over one year). The construction sector was also resilient, with the building permits indices in the European Union (EU) countries reaching 110.3 in Q2 2017, against 100.6 the previous year.

The demand for chemical products in North America is expected to continue growing in 2018. Coface expects US GDP growth of 1.8% in 2018, with continued strong growth in retail sales. Automotive sales as well as construction activity in the US will have an impact on demand. Sales of new vehicles in 2018 will continue to decline, as a result of higher interest rates, and in a saturated market. Private housing starts were down approximately 3% in a year to the end of October 2017. Home builders are however optimistic, despite the difficulties of increasing access to land in the country. The US property index relating to future constructions, the NAHB HMI, reached 70 points, its highest since March 2017.

Demand in China for chemical products is likely to be restrained in 2018. We are expecting the Chinese GDP growth rate to be lower in 2018 (+6.2%) than in 2017 (6.5%) partly thanks to slowing housing sales in October 2017, dropping 3.4% on a year. Private sector debt in China sector is at a very high level; local property developers are no exception; with debt of as much as 30 billion dollars in 2018. In a context of restrictive monetary policy imposed by the authorities with the aim of bringing the property bubble under control; demand for chemical products within the Chinese construction sector is likely to remain limited. Vehicle sales however are holding up strongly and are likely to remain strong in 2018. At the end of October 2017, these were growing at an annual rate of around 6%, but were less dynamic than the average during the first half of 2017 (+13%). Industrial production was also down, by 0.4 points at the end of October 2017 against September.

SUPPLY

Crude oil prices which are at historic lows, have helped improving the margins for those chemical producers using naphtha, but without actually eliminating the comparative advantage of chemicals from natural gas.

In Europe in 2018, the recovery in economic growth, the historically low price of oil, in spite of a slight rise, could continue to have a positive effect on chemical production. In addition, prices for naphtha, the raw materials derived from crude oil and widely used in the European petrochemical industry, is likely to follow the same trend as for crude oil. In 2017, the output of chemical products was up 3.7% at the end of August and over eight months, benefiting in particular from an 8.5% growth in exports, together with an increase in sales of chemical products of just over 8%. European naphtha prices picked up in 2017 (473 USD/t in 2017 against 386 in 2016). We are not expecting naphtha prices to climb further; as a result, the cost of this input should not have a negative impact on profit margins for chemical industry companies in 2018 (the net margin for companies in the sector was estimated at 7.6% in Q3 2017 compared with 6.4% the previous year). In addition, "ex-factory" output prices were up 5.3% in the first eight months of 2017.

In the United States in 2018, domestic demand is likely to provide opportunities for US producers. The price of ethane, ex-pipeline in Mont Belvieu in Texas, was 24.75 cents/gallon in mid-November 2017, versus 23.38 cents/gallon in mid-January 2017, a 6% increase. This means that US petrochemical producers are competitive and especially in olefins. The ratio of crude oil (Brent) to Henry Hub natural gas began to recover as of January 2017 and was at 20.5 at the end of November 2017, still to the advantage of US petrochemical producers, and is expected to increase in 2018. Nevertheless, the segment is performing well in the United States, as the American Chemistry Council's activity index continues to rise, but at a slower pace.

China is suffering from overcapacity in petrochemicals, even though year-on-year production in this country was up 3.3% at the end of September. This was the case for polyethylene, PVC (where the capacity utilisation rate is around 60%), and methanol. In the medium term, the increase in production capacity in olefins, produced via coal, may dent the profitability of producers. Moreover, this technology requires significant consumption of water and capital and, above all, has serious environmental impacts, a sensitive issue in China. In 2017, close to three-quarters of the ethylene produced in China came from naphtha. The fall in crude oil prices has in turn been passed on to it, giving a boost to margins for companies in the sector. In 2018, the Chinese chemical industry will continue to suffer from overcapacity, resulting in poor profitability. These difficulties in the local market should drive producers to export, copying what has been done in the steel industry since 2015.

COFACE REGIONAL SECTOR RISK ASSESSMENT

North America	medium
Latin America	high
Emerging Asia	very high
Central Europe	high
Western Europe	medium
M. East & Turkey	very high

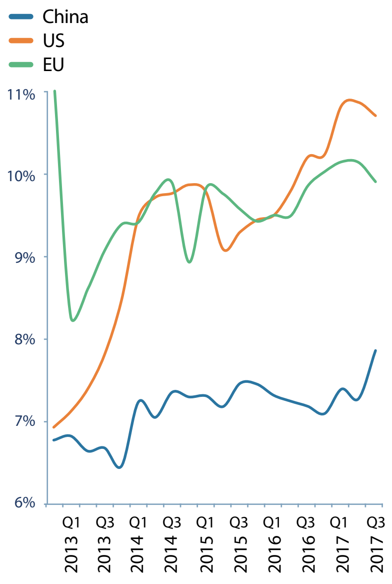
+ STRENGTHS

- Global population growth and urbanisation are driving housing demand
- Low interest rates in most major economies are facilitating borrowing

- WEAKNESSES

- Real estate prices remain overvalued in several OECD countries
- High household debt
- Overcapacity in China and high debt in real estate

SECTOR PROFITABILITY (EBITDA/TO, in %)



Source: Datastream, Worldscope

RISK ASSESSMENT

In 2017, the real estate market in advanced countries benefited from rising household incomes helped by relatively low inflation. Low interest rates played a catalytic role with outstanding real estate loans rising sharply.

In Europe, companies appear solid as shown by the decline in insolvency. This trend is expected to continue in 2018 with the exception of the United Kingdom which is expected to continue to suffer from uncertainties related to ongoing Brexit negotiations. The major decline in confidence of UK households, foreign investors, and the depreciation of the pound over most of 2017 has effectively increased the cost of imports which the sector depends on.

The ongoing tightening of the US monetary policy, with a further rate increase announced by the FED in December (+25 basis points) and uncertainties related to construction costs (timber, land prices), has had little effect on this sector in the United States so far.

The risks are higher in emerging countries. The sector is in difficulty in China. The authorities are trying to address the current real estate bubble and household debt is beginning to increase (47% of GDP in 2017). In Latin America, activity has been penalised by unemployment and inflation which is tending to improve, particularly in Brazil. In the Middle East, income losses related to low oil prices and security risks are penalising the sector.

In 2018

DEMAND

The situation of households seems resilient and prices will rise again in developed countries in 2017. However, this recovery comes at a time when real estate price over-valuations continue (New Zealand, United Kingdom, France, Canada, Sweden, and Belgium) and households remain highly indebted (United States, United Kingdom). Regarding emerging countries, Asian demand for housing remains strong as falling commodity prices have destabilised South American and Middle Eastern household incomes. By the end of 2018, average selling prices could return to their pre-financial crisis level in 2008.

In 2018, inflation will increase significantly in advanced countries (1.7%). As a result, key interest rates of some major central banks could continue to rise, particularly in the United Kingdom and the United States. The US economy is growing with historically low levels of unemployment which is likely to maintain demand for the sector. Infrastructure work could be supported by public works if President Donald Trump manages to find common ground on this subject with his majority and the Democrats in Congress. During his electoral campaign, one of President Trump's priorities was the modernisation of the country's ageing infrastructure, including transport.

In Europe, the sector is generally doing well despite a contrasting situation. In France, the sector recorded a clear recovery as a result of the demand for housing construction supported by public aid, the recovery in household confidence, and interest rates that remain low in the Euro zone. In Germany, the sector is also supported by demand for private housing and public orders which have been issued since 2015 to house the 1.2 million refugees. The Iberian Peninsula has also been rebuilding rapidly with a 24% increase in permits in Spain and 13% in Portugal in 2017. Investment in Southern Europe (expected GDP growth of 2.2% in Spain, 1.3% in Italy, and 1.8% in France) will also boost the sector.

We expect growth in the Chinese real estate sector to slow in coming years after a period of rapid development as the sector is in overcapacity. This should also be explained by the authorities efforts to address the real-estate bubble. A wider adjustment of the sector also seems increasingly likely. Coface's study on payment terms in China (March 2017) shows a very large number of late payments in the sector.

SUPPLY

In Europe, construction companies will benefit from well-directed demand to consolidate their cash position in 2018 after a long period of sluggish growth. In addition, the presence of multinationals in emerging countries will be less disabling than in 2018 because growth is expected to rebound (+5.9% in 2018).

As such, the LarfargeHolcim Group, a world leader in sales of building materials, recorded a turnover lower than that of the first three quarters of 2016 (-4,7%) at the end of the third quarter of 2017. Although the Group recorded a drop in its turnover in all regions, Latin America was the most resilient (+6%). It highlights the robustness of Mexico, Ecuador, and Argentina. However, the Group points out the stagnation of its business in Europe (-0.5%) related to the difficulties of the construction sector in the United Kingdom in particular. The latter is suffering from high household debt and a drop in real incomes. France is more resilient with strong cement sales after years of difficulties in the sector.

In the United States, production costs will need to be closely monitored in 2018, excluding cement and aggregates, which could slow the sector's activity in the medium-term. Lumber prices have effectively trended upward this year, which could be exacerbated by the imposition of tariffs on Canadian lumber. In addition, the shortage of skilled labour in construction is putting upward pressure on wages and, therefore, on prices. Nevertheless, the National Association of Home Builders (NAHB), seems optimistic about the sector's development in 2018. Buoyant building permit levels (+4%) in late October 2017 bode well for these professionals.

In China, the costs of materials increased significantly in 2017 (+7.4% at the end of November 2017 according to the Chinese National Statistical Office) but should slow in 2018, in particular, due to the Chinese government's policy to contain real estate prices in major cities. In addition, debts accumulated by real estate companies (of which 38 billion will mature in 2018) will weigh on construction activity if insolvencies occur.

COFACE REGIONAL SECTOR RISK ASSESSMENT

North America	medium
Latin America	high
Emerging Asia	high
Central Europe	medium
Western Europe	high
M. East & Turkey	high

+ STRENGTHS

- Resilience to price fluctuations by leading diversified companies
- Expected high demand in 2018, linked to high growth worldwide
- Efforts by oil companies to streamline their production

- WEAKNESSES

- High debt levels, especially among shale oil companies
- High volatility in crude oil prices
- Overcapacity of some oil & gas services companies

TRENDS IN PETROL & GAS SECTOR INVESTMENTS

Source: Datastream, Coface

RISK ASSESSMENT

The Organisation of Petroleum Exporting Countries (OPEC) and its partners - including Russia, the world's leading producer - extended the agreement to cap production for nine months through to December 2018. The declared goal is to reduce stocks to their five-year average, reducing production by 1.8 million barrels a day, or about 2% of production worldwide. This time, the agreement will include Libya and Nigeria, who should limit production to the highest 2017 level. As a result, Brent and "West Texas Intermediate" (WTI, the North American index also used as a benchmark for determining oil prices) reached high prices of USD 67 and USD 61 respectively in January 2018. The introduction of new-generation American pipelines, with improved capacity, should help close the USD 4 gap between Brent and WTI prices during the second half of 2018.

After reaching a record high in 2016, oil stocks remain very high (140 million barrels above the five-year average), but they are falling and should reach the five-year average during the second half of 2018. In addition, demand has been rising semester after semester, and bridged the gap with supply in the markets during 2017. Capital expenditure should rise slightly among the sector leaders (Chevron, ExxonMobil, Shell, Total, BP) operating over the entire value chain (exploration, production, refining, distribution), as they take advantage of their increased margins in 2017.

In 2018

DEMAND

According to the International Energy Agency (IEA), global demand for oil should reach about 98.9 million barrels per day in 2018, a slight rise of 1.3% compared to 2017 but well below the global economic growth of 3.7%. This trend highlights the increasingly efficient use of fossil fuels by the main consumer countries.

Demand in Europe is likely to be stagnant in 2018, at almost 15 million barrels/day. Consumption forecasts may be revised upwards if winter is harsher than the last two years, a scenario that seems probable. Refineries have taken advantage of the steep fall in oil prices since June 2014 to improve their margins (calculated using the NWE Brent cracking spread). However, crude prices still account for a significant proportion of their overall refining cost, up to 50%. In contrast, energy costs represent 28% of total expenditure for American refineries. The main effect of this will be to increase the vulnerability of European demand, which will be harder hit by price volatility. While recent years have been marked by a decline in European refinery capacity, the most recent investments (Total at Anvers, for example) show greater confidence in the future for the sector, especially for natural gas.

US demand for oil products should remain firm, with a 1% rise expected in 2018. Refinery margins should continue to stabilise, after reaching a peak of 29 dollars/barrel, following the hurricanes, which reduced supply due to the interruptions they caused. President D. Trump's tax reforms aimed at reducing corporate taxes will help the refineries. In addition, production capacity utilisation rates rose by 4 points in 2017 compared to 2016. This trend is explained by the combined effects of rising margins and an upturn in Brent oil prices, compared to WTI.

The rebalancing of the Chinese economy currently underway should lead to its growth slowing down in coming years. Coface is expecting real GDP growth in the Chinese economy of 6.5%, compared to 6.7% in 2017. As a result, Chinese energy consumption should grow slowly, by 2.7% according to the IEA. It is likely to import less oil and improve oil use efficiency. India will again be one of the main oil consumer countries in 2018, with a steep rise in demand (up 6.7% in 2018) .

SUPPLY

Despite the agreement, which is expected to freeze production levels in OPEC countries and Russia, supply should rise by 1% in 2018 to reach 100 million barrels/day, due to favourable prices for American shale oil producers. Capital expenditure forecasts (up 4.3% in 2018) in the sector are still insufficient and the oil & gas services companies will keep struggling.

According to the US Energy Information Administration (EIA), crude oil production in the USA should reach a record high of 10 million barrels/day in 2018. Shale oil players have managed to significantly lower their break-even point, as well as increasing productivity and reducing costs. The number of drill rigs in operation has doubled since mid-2016, reaching 915 (91% of which are horizontal drills). US production has been boosted by the increased productivity of the wells, although this remains well below levels reached in recent years. Another encouraging aspect is the decrease in bankruptcies in the exploration sector. According to international law firm Haynes and Boones, there were 64 in the first ten months of 2016 and just 20 in the same period of 2017. However, this has to be set against the fact that companies still have limited cash flow with total debt maturities in 2018 much higher than the previous year (115.8 billion, 172% higher). This could presage more bankruptcies in 2018. Prospects for shale oil investments will be limited by companies' financing requirements.

Western Europe has seen an upturn in the financial results of the leading companies, after a dismal 2016. The E&P segment has benefited from the higher Brent prices. The companies' slightly improved financial situation has helped boost prospects for European oil & gas services companies in 2018, which are dependent on investments. According to JPMorgan Chase & Co., in 2017 the average sectoral profit rose by 9% in Europe, vs. 6% in North America.

Chinese production should continue the downturn begun in 2016 and 2017, declining by 2.6% in 2018. This is due to a government industrial policy favouring natural gas. The government is thus seeking a gradual disengagement by privatising companies in the sector.

In Latin America, prospects for the sector were bolstered in 2017 by Brazil's return to growth, production from the Lula offshore field, and investments in the Libra field.

COFACE REGIONAL
SECTOR RISK ASSESSMENT

North America: medium
Latin America: medium
Emerging Asia: medium
Central Europe: medium
Western Europe: low
M. East & Turkey: high

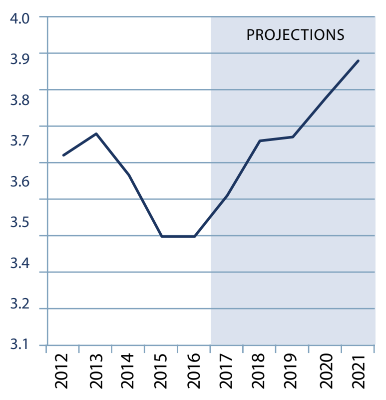
+ STRENGTHS

- Globalization of internet access and market penetration opportunities in developing countries
- Reduction in the cost of electronic equipment
- Dynamic deployment of 4G
- Strong growth in the African market
- Exponential growth of digital goods and services markets

- WEAKNESSES

- Saturation of some hardware markets (tablets, smartphones, PCs) in advanced economies
- Increased competitive pressures
- Long-term challenges in relation to rare mineral reserves

GLOBAL INFORMATION TECHNOLOGY SPENDING FORECASTS TO 2021 IN TRILLION US DOLLARS



Sources: Statista

RISK ASSESSMENT

According to the European IT Observatory (EITO), the sector represented USD 3.5 trillion in 2017, with growth of 2.5%; the United States and the European Union account respectively for 30.7% and 19.9% of the total market. As the sector matures, the credit risk increases. This context increases the competitive pressures on actors in the sector leading to consolidation and the erosion of the various actors' margins.

The growth in Internet traffic is supported by the democratization of access (lower prices, infrastructure development) as well as by the increase in online services (voice, video, payment). According to CISCO, the leading company in IT and network, the volume of data exchanged should triple by 2020, when one in two people in the world will be an internet user.

In 2017, the sector has continued to reshape the economy and raise macroeconomic level performance standards through the expansion of the Internet of things, robotics, IT security, virtual reality, and 3D printers. These fields are the sector's growth prospects with innovative products such as 3D printers, virtual reality, and autonomous vehicles.

In 2018

DEMAND

According to the International Data Corporation (IDC), global consumption should increase by 4.5% in 2017. This is a clear improvement over the 2.5% in 2016. This growth should hold steady at 4% in 2018. In addition, the demand for digital services should show growth of about 3% in 2017, then a little bit less than 3% in 2018.

Given the saturation of the advanced markets-tablet and computer sales fell 8% and 4% respectively in the United States in 2017, for a market of USD 19.5 billion - the Chinese and Indian markets will drive sales up with consumption increasing 10% in 2017. The Chinese market will represent a quarter of smartphone users in 2018. In addition, global spending for smartphones grew by 7% in 2017, an excellent performance compared to 1% in 2016, resulting from product innovation, value-added growth and the penetration of new markets. According to the IDC, despite the growing importance of innovative technologies, mobile phone and cloud sales continue to be the mainstays of ICT demand. Smartphone sales are estimated to have grown by 2% in 2017, reaching USD 55.6 billion according to the EITO and a third of the world's population. Cloud services consumption is still very well set with an annual growth of 12% up to 2020 according to supplier forecasts and the IDC.

Over half the population worldwide will use the internet in 2019, with approximately a 6% increase in 2017 and a downward trend in the growth of internet users. This democratization is a result of wireless internet access, and therefore 3G and 4G network infrastructure investment, which supports mobile demand. Connection costs are falling in advanced economies with market concentration. In addition, embedded payment systems are speeding up demand. The number of Near Field Communication (NFC) technologies installed to facilitate mobile payments is expected to triple between 2015 and 2018 according to IDATE, a European institute specialized in the digital economy.

SUPPLY

The sector is consolidating around giants: Google, Facebook, Apple, Amazon, Microsoft, Tencent and Alibaba represented a USD 4 trillion market in 2016. The sector's maturity has slowed sales growth and eroded margins for producers and distributors in 2017 – which is not yet the case on the Indian market. Given the competitive pressures, investment in innovation is expected to increase by 18% in 2018, especially in Asia Pacific and the United States.

The slowdown in phone sales is weakening manufacturers. Samsung confirmed its global leading position in 2017 with a fifth of sales, but recorded a 5% decrease in its telephony profits in comparison with 2016. In contrast, Apple recorded slight growth in profit, capturing some of Samsung's market share, thanks to new products and good performances in emerging countries. The number of Chinese players has significantly increased: eight of the twelve world leaders are Chinese and have cost-cutting strategies and innovative distribution channels that lower prices. The fifth leader, Huawei, plans to make an initial public offering (IPO[1]) in 2018 that could amount to USD 50 billion.

Android, Google's mobile operating system, has continued to maintain its global leadership on operating systems (80% market share in 2017) since 2010. Semiconductor competition is exacerbated by Chinese players. The turnover of the American leader Qualcomm is down since 2015. This group is also engaged in lawsuits against Apple for the use of its patents. In addition, in late 2017 its American competitor, Broadcom, began taking steps for a hostile takeover. The group aims at diversifying its offer with computer and automobile equipment and is focusing on technology (power and augmented reality).

Telecommunications are being jostled by the internet services provided by Google and Facebook that make their original business (voice and messaging) obsolete. Journalism is also struggling to reinvent its model: readers are less inclined to pay for information and advertising revenues are not only insufficient but also captured by 84% by Google and Facebook. Music streaming is expanding: the leader Spotify is expected to go public at USD 20 billion.

1 IPO: Initial Public Offering. The first sale of stock by a company to the public, via the capital market

COFACE REGIONAL
SECTOR RISK ASSESSMENT

North America: high
Latin America: high
Emerging Asia: high
Central Europe: medium
Western Europe: high
M. East & Turkey: high

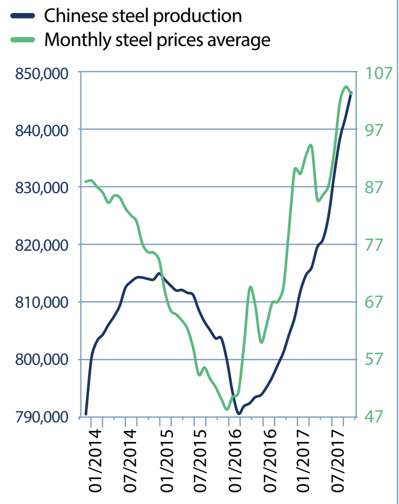
+ STRENGTHS

- Dynamic worldwide vehicle sales
- Growing use of electrical batteries (transport, connected devices)
- Restructuring of industries (nickel, rare earths, aluminium) and lower production costs

- WEAKNESSES

- Production capacity rates below pre-crisis levels
- Increased pressure from the Chinese authorities to reorganise the industry

TRENDS IN CHINESE STEEL PRODUCTION AND STEEL PRICES



Source: WSA, SteelHome

RISK ASSESSMENT

Prices for major metals were still geared towards an increase in 2017, mainly due to growth in the construction industry and infrastructures in China, and also to the closure of several mines throughout the world. Nevertheless, slowdown is looming in the sector, especially in steelmaking. Half of the world's steel is produced and consumed by China.

Chinese steel production increased slightly by 5.4% at the end of October 2017. Consequently, the monthly average for the SteelHome SHGSI main steel products index rose by 17% between January and November 2017. In addition to steel, prices for other metals have also risen. Aluminium saw its monthly average LME spot price per tonne increase by 17.4% year-on-year between January and November 2017, due to strong performance from the automobile sector in Europe and China, and also to the closure of some plants in China. The monthly average LME spot prices for nickel, zinc and copper followed the same trend, with sharp rises of 20%, 19% and 19% respectively.

Chinese steel exports continued to shrink, with a 29% year-on-year drop in exports of finished steel products at the end of October 2017. Increased customs tariffs in Europe and the United States, and the rise in domestic consumption, have spurred Chinese steelmakers to turn towards their domestic market.

In 2018

DEMAND

Global consumption of steel products should grow by 0.7% in 2018. The widespread adoption of measures, mainly by Europe and the United States, to impose duties on Chinese products risks disadvantaging the client sectors (construction and real estate, manufacturing, etc.) that benefitted from low-price steel imports.

China may experience a 1.6% fall in consumption in 2018, after the expected rise of 6.8% in 2016, according to the Australian Ministry of Industry. This would be due to poor economic conditions in the construction and public works industries in 2018, and to the high level of debt (USD 30 billion coming due during the year). A slowdown in real estate investment in the country's largest cities has led to a deterioration in the corporate financial situation, as shown in the March 2017 Coface Asian payments survey. Although we predict an increase in automobile sales in 2018, this will not be sufficient to counterbalance the ongoing reform effects on the country's construction and public works sector. India's consumption of steel products should grow by 5% in 2018. Public support for infrastructure projects and the manufacturing sector should continue to bolster domestic consumption.

Western Europe should experience a 1% growth in consumption in 2018. Therefore, the strong performance of the European automobile market will benefit domestic producers, better positioned with high added value steel. Registrations of new vehicles should rise, while favourable borrowing conditions and the improvement of household finances will continue to fuel an upturn in the construction sector in 2018. This sector should be strong, with the index of building and public works in European Union countries reaching 110.3 points in the second quarter of 2017 vs. 100.6 one year before.

Steel consumption in the United States should grow by 1.2% in 2018. Players in the construction sector, the primary customer for the steelmaking industry, appear optimistic. This was shown by the rise in the NAHB (construction companies) index, which reached 70 points in December 2017, its highest level since 2017. Moreover, the metals sector as a whole should benefit from President Donald Trump's plan aimed at infrastructure improvements, if this is carried out. Many civil engineering projects may require substantial construction work, which should boost the consumption of steel products.

SUPPLY

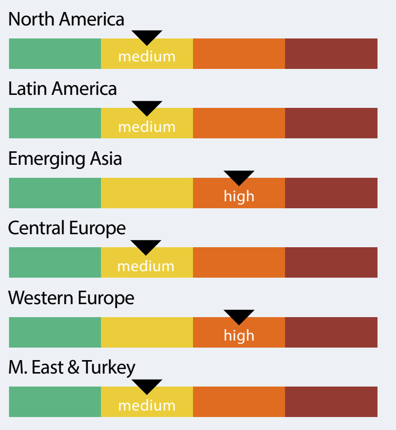
Global production should grow by 2% in 2018. Some highly polluting Chinese steelworks will be closed by the authorities to combat air pollution.

Chinese production should grow by 2-3% in 2018, after a 1% drop in 2017. The country is at the centre of controversy, accused of dumping several steel products. Chinese steelmaking is mainly oriented toward low added value products for the construction sector (almost 60% of opportunities for the steelmaking industry). In addition, it is largely decentralized and local provinces have little incentive to reduce this relatively major tax resource. Further, rising steel prices encourage local producers in producing more, while local consumption is likely to decline. Production in India should grow by 7% in 2018, well below the growth targets set by the government of 13% per year between 2015 and 2025. Prime Minister Modi's government hopes that, by this date, the country will be able to produce roughly 300 million tonnes of steel per year. Lastly, to continue protecting their steelmakers from foreign competition, the Modi government will continue to keep customs tariffs high for some products.

Steelmaking in Western Europe should grow by 3% in 2018, driven by France and Italy. The relatively robust performance of consumption has bolstered European production, and some high value added steelmakers have been able to benefit from niche markets, such as Voestalpine. European production has suffered in part from Chinese competition. However, the European steel sector should benefit from the measures taken by the European Commission in August 2017 after imposing customs tariffs on some products. In addition, the United Kingdom's exit from the European Union might, in the medium term, leave the field open for some countries to increase protectionist measures for European steel on Chinese products.

In the United States, steel production should grow by 2% in 2018, boosted by resilient economic growth. Domestic steelmakers are also benefitting from the federal government's decisions to continue imposing customs duties of 266% on steel from China (as well as Brazil, Russia, Japan, etc.). US steel may be widely used if President Trump's proposed large-scale infrastructure development plan is implemented.

COFACE REGIONAL SECTOR RISK ASSESSMENT



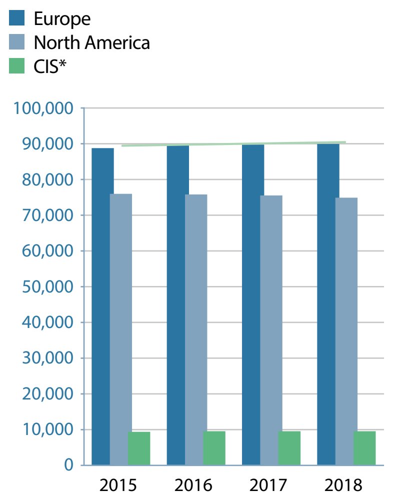
+ STRENGTHS

- Positive outlook linked to the strong demand for cardboard packaging and e-commerce booming activity
- Demand driven by Asia (despite China economy on- going rebalancing process).
- Paper is long-lasting and recyclable - an advantage during the energy transition in progress in the world's leading economies

- WEAKNESSES

- Upheaval in the traditional paper market due to technology
- Great elasticity in household demand for cardboard

APPARENT CONSUMPTION OF PAPER AND PAPERBOARD (in thousands of metric tonnes)



Source: UNECE 2017
*CIS = Commonwealth of Independent States

RISK ASSESSMENT

According to the Committee of Forests and the Forest Industry (COFFI), global paper and cardboard production could rise 0.8% in 2017 before falling 0.4% in 2018 in UNECE countries (the United Nations Economic Commission for Europe, regrouping Europe, North America and the Commonwealth of Independent States (CIS)). This increase in production is mainly due to a rise in household consumption. Paper and cardboard consumption trends vary worldwide, continuing to fall in North America since 2012 while rising slightly in Europe and Asia. The world market is also affected by tariff barriers: in 2016, 16% of paper and cardboard consumption in North America came from imports vs. 62% in Europe, thanks to the single market. This effect is confirmed by the 106% and 85% growth in paper and cardboard exports to Canada and Mexico, respectively, following the signing of the NAFTA agreement. South-East Asia continues to be the main market for American exports (27%).

The sector has undergone significant structural changes as digital technology becomes widespread, resulting in a stagnation in consumption (0.2% between 2015 and 2016) and in the production of coated and plain paper (down 0.1%) in Europe and in the CIS. In addition, the inclusion of ecological issues in production and consumption standards is reflected by a dynamic increase in the market share of recycled paper and by the need for innovation in production methods. Paper was the most recycled product worldwide in 2017: over 70% in Europe according to the Confederation of European Paper Industries (CEPI). This trend should benefit the sector in the long term, since paper can be used as an alternative to other materials, such as plastic. Cardboard packaging is considered more ecological and lighter, and enjoys tremendous innovation. Cardboard packaging also benefits from a dynamic e-commerce sector and the increasing packaging demand as a so-called "convenient" food supply.

In 2018

DEMAND

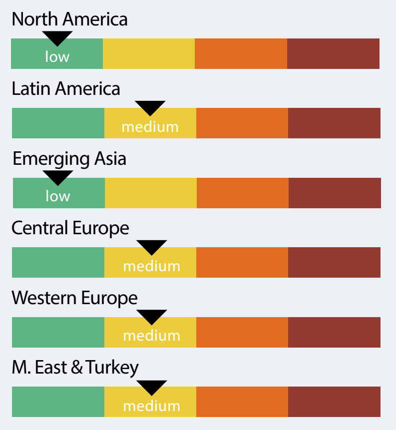
Overall, the falling demand for paper's traditional uses is offset by the growth in paper demand for cardboard packaging and for household and sanitary use. In 2017, average consumption in the UNECE regions still rose, in step with the growth in consumption worldwide. Germany will be the main European market in 2018 thanks to the strength of the demand for industrial packaging. In North America, where digital technology has had the greatest impact, paper consumption has continued to fall (down 1.1% in 2017 vs 1% in 2016). The United States is still, however, the main consumer of paper and cardboard (71 metric tonnes in 2015), mainly from national and Canadian production. Overall, growth is largely buoyed by the demand for cardboard packaging, in step with the enormous growth in online sales.

SUPPLY

In Europe, paper and cardboard production rose 1.0% in 2017 and should increase by 0.5% in 2018. In the CIS, the growth in production should remain at 0.5% for these two years. However, in North America paper production, after rising by 0.5% in 2017, should fall by 1.6% in 2018. This is mainly due to a continuing trend of the sector's companies rationalising production capacity to adapt to the competition and changes in demand. In general, the worst performing pulp, paper and cardboard mills are closing their doors, whereas the production of low-cost pulp, with chemical processes, and of paper tissues and packaging is growing.

Pulp production in UNECE countries should also rise, so as to meet the growing demand for sanitary paper and cardboard, and especially in response to China's growth. In Europe, the sector is largely driven by external demand; as a result, European countries have a 20% trade surplus for paper products. In France, turnover for paper and cardboard manufacturers was stable in 2016 and should rise 3% in 2017 according to Eurostat. In the United States, paper and cardboard production continued to fall in 2016 (down 0.3%) and this downward trend is likely to continue in 2017 according to UNECE (down 1%). In the United States and Canada, evolutions in paper production and recycling should be matched by a growth in the market.

COFACE REGIONAL SECTOR RISK ASSESSMENT



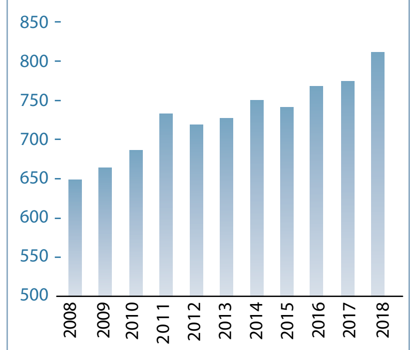
+ STRENGTHS

- Development of health insurance systems
- Robustness of US demand
- Demographic and lifestyle changes
- Pressure for access to innovation

- WEAKNESSES

- Quality problems with certain active ingredients in India and China
- Payers increasingly demanding in terms of costs and the real efficacy of new therapies

WORLD SALES OF DRUGS IN BILLIONS OF DOLLARS



Sources: IQVIA, formerly Quintiles IMS Health

RISK ASSESSMENT

Agencies in charge of health care provision (particularly the reimbursement of drug prices) face the approvals of high-cost treatments, while having to manage deficits arising from demographic changes.

In Western Europe (France, Italy, Spain, Germany and the UK) spending on prescription drugs is constantly growing. Accordingly, the deficits are increasing, e.g. those of the NHS in England and Wales. In France, the French health insurance deficit has narrowed slightly but nevertheless remains substantial (EUR 4.1 billion).

In the United States, drugs prices are on a regular upwards trajectory, in particular those linked with specialty medicines. Pharma groups saw their profits rise by 2.9% according to the Census Bureau. The authorities made numerous proposals to help curb this inflationary spiral ahead of the presidential election. The introduction of the Affordable Care Act (ACA, otherwise known as Obamacare) has led to increased healthcare spending, with the number of uninsured adults constantly falling since the enacting of this law.

The process of rebalancing the economy, now giving priority to domestic consumption, places an increased focus on meeting households' healthcare needs. The extension of the coverage for healthcare costs (although still partial) means the authorities need to keep a lid on costs, particularly those linked to drugs.

In 2018

DEMAND

The cost of new therapies forces payers to keep a lid on spending. In 2018, the price control measures in force in Western Europe will still apply, despite growing demand linked to population ageing and lifestyle changes. For example in France, the measures taken to reduce spending (+2.3% for 2018) should continue to affect pharmaceutical companies, via price cuts, and favour the emphasis placed on the use of generics. The approval of expensive specialty drugs for smaller populations, mean regulators need to make difficult decisions on reimbursement levels and conditions (oncology, orphan diseases, etc.). For instance, in the United Kingdom, the nivolumab (opdivo) therapy developed by BMS Pharmaceuticals: the NICE (National Institute for Care Excellence) managed to get an undisclosed price reduction to allow this drug to be prescribed on the NHS through the Cancer Drug Fund (CDF).

In the US, sharp increases in insurance premiums for 2018 (expected to be between 16% and 18% depending on the plan) highlight the need to make drugs available at affordable prices. Indeed, after the numerous drugs related scandals that marked 2015 (e.g. Daraprim), the ramp-up of Obamacare, combined with the need to control healthcare spending (close to 17% of GDP, versus 9-11% in Western Europe), provides the background to the attempts aimed at regulating drug prices. According to the Milliman consulting firm, the average annual cost of healthcare spending for a US household was USD 26,944 dollars in 2017, up 4.32%. Our projection for 2018 is USD 28,020, an increase of 4%. Close to 42% of this amount is covered by the household, with only 58% by the "sponsor" (whether a private company, the federal state, or a local authority). The approval of a number of specialty drugs over many years has driven this cost up. Again according to Milliman, the cost of drugs in 2017 increased by 8%. Whilst this rise was slower than the preceding two years, it is still high and in particular the middle classes as the subsidies linked with the ACA are removed by President Trump.

In China, since the end of the first half of 2015, drug prices are no longer determined by public authorities, leaving it up to "market forces". Nevertheless, this opening masks a public determination (enshrined in law) to force the providers to offer reasonable prices, via negotiations with the regulators. However, it is worth pointing out that public insurance does not cover the most serious and costly illnesses.

SUPPLY

Research & Development spending is expected to pick up in 2018 (2,5%) according to Evaluate Pharma. Sales of drugs are expected to increase by 4.8% in 2018. This increase, which applies to all major world economies, will be a reflection of the expanding market in drugs treating orphan diseases.

In 2018, Coface estimates that spending on prescription drugs is set to grow by 4% for the top five EU countries (Germany, France, the UK, Italy and Spain), to reach almost 126 million EUR. This is explained by the increasing presence of specialty drugs (more than a third of total sales), even though payers are reluctant to pay the pharmaceutical companies' list prices.

In the US, the Federal Drug Agency (FDA, in charge of approving new drug registrations) is thought to have approved almost 35 new molecular entities (NME) at end-October 2017 compared with 20 in the preceding year. The majority of these entities belong to the fields of oncology and orphan diseases, not forgetting treatment of cardiovascular diseases. Coface estimates that sales of drugs, whether associated with these new entities or not, should rise by 6% compared with 2017. In addition, the launch in the market of biosimilars (the "generics" of biological drugs) should also help slow the increase in drugs expenditure. Finally, there is the uncertainty surrounding the future of Obamacare, which could impact on the growth in healthcare spending.

In relation to the size of its population, Chinese spending on drugs as measured by IMS Health, which produces many analyses relating to healthcare and drugs, stood at around USD 119 billion in 2016. Coface estimates that sales should grow by 4% in 2017 and 2018 to reach USD 128 billion. There are however two major risks to note: the lack of transparency during public tenders and measures to control health spending in China. The health authorities would in fact like to limit prices of imported drugs (which are generally the most innovative), especially in oncology. Although 96% of the population has public health insurance, this regime does fully cover the most expensive treatments. In addition, public authorities have heightened their vigilance concerning the practices of pharmaceuticals companies, especially foreign ones.

RETAIL

COFACE REGIONAL SECTOR RISK ASSESSMENT

- North America: high
- Latin America: medium
- Emerging Asia: low
- Central Europe: medium
- Western Europe: medium
- M. East & Turkey: high

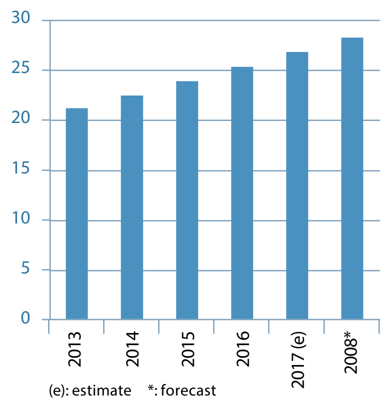
+ STRENGTHS

- Sustained retail sales growth since 2010
- Growth in the Chinese middle class
- Significant urbanisation in Asia and Africa, driving the sector

- WEAKNESSES

- Fierce competition in the sector
- Exponential growth of online shopping
- Vulnerable to economic downturns

GROWTH IN GLOBAL RETAIL SALES (IN TRILLIONS OF $US



(e): estimate *: forecast

Source: Statista

RISK ASSESSMENT

Driving the retail sector, household consumption is expected to benefit from the continued recovery in the global economy, mainly in Europe but also in the major emerging economies such as Brazil. Global retail sales, including online sales, are expected to continue to grow in 2018, reaching just over USD 28 trillion compared to around USD 26.8 trillion in 2017 (see graph). This growth is likely to be boosted by the rise in e-commerce, whose share of total global retail sales is steadily expanding.

The mass retailed products (Including fresh dairy products and self-service) online sales market share is expected to double over the next ten years in the most advanced markets. These should represent 30% of the market in South Korea, 15% in China and 10% in France. In 2025, this type of sale will represent 9% of the retail market, i.e. a turnover of USD 150 billion. The emergence of this new source of competition is putting pressure on the traditional players of the sector.

To cope with these challenges, traditional players are being forced to rethink their strategies, with in including greater segmentation of supply and a move towards concept stores to maximize the customer experience offer. Another underlying trend is the convergence (partly through buy-back operations) of online retailers and traditional sales groups.

In 2018

DEMAND

The continued recovery in the global economy, which according to Coface projections is expected to grow 3.2% in 2018, should prop up the sector. Household consumption patterns are undergoing major changes. In the advanced economies, these are showing a greater appetite for online purchases. In addition, the "customer experience" aspect is increasingly central to why consumers visit stores. In emerging economies, the growth of the middle classes, especially in China, is supporting demand in the sector.

In fact, despite the ongoing process of rebalancing its economy, Coface estimates that Chinese growth should reach 6.5% in 2018 against 6.7% in 2017. Demand in the sector should remain strong and feed a rapidly expanding middle class. Retail sales increased 10.3% year-on-year between September 2016 and September 2017. However, the increase in household debt, which was estimated at 45% of GDP for 2016, is still a factor to watch.

In Latin America, we note the improvement of the economic situation of the Brazilian giant, with Coface projecting growth at 2.3% in 2018 against 0.7% in 2017. A catch-up effect in household consumption has been observed after two years of recession, plus a recovery in the job market and a return to low inflation. This translates into sales increasing approximately 1.3% over the first nine months of 2017 year-on-year.

In North America, growth in the US economy, expected by Coface to be 2.3% in both 2017 and 2018, should benefit from the resilience in household consumption, in a context of high consumer confidence. Household consumption however is expected to slow in 2018, despite a historically low unemployment rate (4.1% in November 2017). In fact, the consequent increase in the cost of credit will mainly affect the poorest households and will impact their consumption. In addition, households' room for manoeuvre is particularly limited because of their level of indebtedness, which is still high despite having fallen since the subprime crisis (136% of Total Disposable Income, TDI in Q2 2017), and the fall in their savings rate in the last two years. This slowdown is likely to affect the traditional retail sector, which also suffers of overcapacity.

The economic context in the euro zone is encouraging household consumption and therefore solid demand in the retail sector, with 1.9% growth expected in 2018. This is combined with low interest rates and a high level of household and business confidence.

SUPPLY

The sector continues to be dominated by US world leaders; according to the 2017 ranking (based on 2015 revenue) in the Deloitte Global Powers of Retailing report on the retail sector. Wal-Mart Stores Inc., Costco Wholesale Corporation and Kroger Co (with revenues in USD millions of approximately 482, 116 and 110 respectively) were indeed the three biggest ones. Overall, companies are making significant changes to offerings in advanced economies in order to respond to changing consumer preferences, with in particular the development of "concept / experience stores" where there is an alliance between online retail players and traditional stores. In addition, we are seeing the development of a move towards product premiumization and a global increase in sales in specific segments such as animal products.

In the United States, the sound financial health of the market leader Wal-Mart (which has acquired five online retailers since 2016) masks a sector in great difficulty. Macy's, Nordstrom, Kohl's, JC Penny and Sears, which are among the country's leading brands, reported poor financial results in early 2017.

According to the 2017 Deloitte report, the German group Schwarz Unternehmenstreuhand KG and the French group Carrefour are the two European leaders, with revenues estimated at around USD 94 million and USD 85 million, respectively. Competition from online sales is fierce throughout the region, but the situation remains very mixed. In Italy, the retail trade volume index had increased 2.7% year-on-year comparing December 2017 to December 2016. Business insolvencies in France in the sector had decreased 4% year-on-year in September 2017. In Germany, the sector continues to face structural difficulties linked to low operator profitability and intense competition. It is likely that industry players will be reviewing their plans for expansion in the UK given the Brexit.

In Latin America, businesses in the sector should benefit from the better economic conditions in Brazil and Argentina. Carrefour, which has been operating in Brazil for 40 years, continues to benefit from positive financial results with an increase in revenue of 10% in Q1 2017. The other leading groups in the country are the Brazilian Via Viajero and the French group Casino.

China's retail sector landscape is very dynamic with some major local players alongside international leaders. Online sales are also very dynamic with Chinese and international giants like Alibaba. The high level of indebtedness in Chinese enterprises, which reached 145% of GDP in 2016, should however continue to be monitored.

TEXTILE-CLOTHING

COFACE REGIONAL SECTOR RISK ASSESSMENT

- North America: high
- Latin America: high
- Emerging Asia: high
- Central Europe: medium
- Western Europe: high
- M. East & Turkey: high

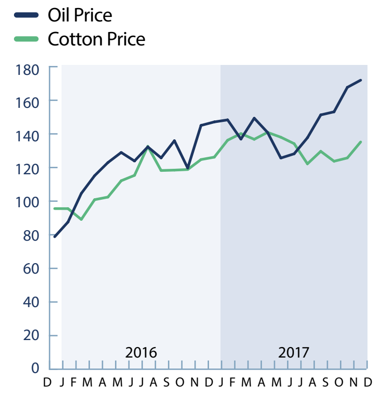
+ STRENGTHS

- Growth of the middle class in emerging countries
- Improving global growth prospects

- WEAKNESSES

- Substantial cotton stocks in China the clearance of which constrained demand on the world market
- Product with high elasticity of demand

TRENDS IN OIL AND COTTON PRICES (100= December 2015)



Sources: EIA, Thomson Reuters

RISK ASSESSMENT

World demand for cotton in 2017/2018 will remain marked by China's cotton import restriction policy implemented to reduce its domestic stocks. However, the low quality of Chinese cotton is likely to push local textile producers to rely on imports for high quality cotton, pushing up Chinese demand for cotton.

The textile sector will continue to be characterised by an ever-smaller share of cotton in the face of the increasing use of synthetic fibres in industry. Cotton accounted for only 43% of textile imports in the United States in 2016/2017 compared to 47% in 2011/2012 (USDA). Cheaper, easy to mix with other fibres, and having a limited impact on the environment compared to cotton, synthetic fibres concentrate the sector's technical advances. The sharp increase in cotton prices in 2016 (+42% in January and December) accentuated the greater competitiveness of synthetic fibres compared to cotton.

Global textile demand will be marked by improved growth prospects in the largest consumer markets (1.9% growth in the EU-15 zone in 2018 and 2.4% in the United States according to Coface estimates), pulling up household consumption. Finally, world textile supply will be characterised by the dynamism of South-East Asian economies (Bangladesh, Vietnam, Sri Lanka).

In 2018

DEMAND

World cotton consumption is expected to increase by 4% in 2017/2018 (season beginning August 1st 2017) to 25 million tonnes/year. The continuance of China's cotton import quota policy implemented to liquidate its domestic stocks is weighing on world demand for cotton. However, the low quality of Chinese cotton is expected to lead local textile producers to use higher quality imported cotton thereby increasing Chinese demand. The cotton trade is expected to be particularly dynamic while the countries with the strongest demand are non-producing countries (Bangladesh, Vietnam). US exports, for which Vietnam is the leading destination, should increase by 3.9% in 2017/2018 .

World textile consumption is expected to increase in a context of global macroeconomic recovery. After several years of more than disappointing growth, the EU and the United States have returned to greater growth path with respectively 1.9% and 2.4% growth in 2018 (Coface estimates). In particular, this recovery is reflected by a declining unemployment rate in Europe which previously slowed textile consumption with 8.8% of unemployment in October 2017 against 9.8% a year earlier. In particular, the unemployment rate among young people, who allocate more resources to textiles, is also decreasing, although still high, and was 16.5% for the under 25s in October 2017 against 18.3% in 2016.

Demand for textiles is also marked by a craze for "fast fashion" (phenomenon of production and sales of constantly renewed and generally cheap collections) on the Asian market. Responding to the demand of a growing middle class, key fast fashion brands (such as Uniqlo, Zara, and H&M) are entering these markets on the mid-range segment. The sector is expected to grow strongly, at around 9.5% average growth per year, over the next five years. Population growth in the region should reinforce this trend over the longer term.

SUPPLY

After two consecutive years of contraction, land under cotton is expected to rebound in 2017/2018 (11% growth to reach 32.5 million hectares) according to the International Cotton Advisory Committee. This increase in land under cotton in key producing countries is favoured by record prices (69.75 US cents/lb in May 2017), especially at the time of sowing. World cotton production should therefore experience a strong increase in 2017/2018 (+12% to 25.7 million tonnes) if good weather conditions continue. This dynamism in production, with more growth than demand, coupled with the clearance of Chinese cotton stocks, should put downward pressure on the price per pound of cotton. Prices should therefore decrease in 2018.

Textile supply will be characterised by the dynamism of South-East Asian countries in the face of a relative slowdown in Chinese exports The relative rise in labour costs in China as well as the sustainable development policies implemented have prompted many global textile manufacturers to move their production centres to other countries in the region; in particular Bangladesh, Vietnam, and Cambodia. Second largest supplier on the European market, Bangladesh experienced very strong growth in its textile and clothing exports in 2016/2017 (+14% in July-August 2017 compared to 2016) and is likely to overtake China on the European market by 2020. Similarly, Vietnam, which is the USA's second largest supplier, has experienced a strong growth in its textile exports to the US (+6.5% over the first nine months of 2017) while total US textile and clothing imports fell over the same period (-1.4%). Cambodia's exports (fifth largest supplier to the European Union) continue to grow but are subject to the risk of a possible revocation of its preferential status by the European Union after a European Parliament resolution in December in response to the political events of the fall.

Finally, recovery in demand is enabling textile companies positioned on the mid-range segment to relax a little after some particularly difficult years. An example of this is the company Vivarte (la Halle, Naf Naf, Kookaï, etc.) which, after several restructurings, finally seems to be afloat again around a smaller base of brands.

COFACE REGIONAL
SECTOR RISK ASSESSMENT

North America: low
Latin America: high
Emerging Asia: medium
Central Europe: high
Western Europe: medium
M. East & Turkey: medium

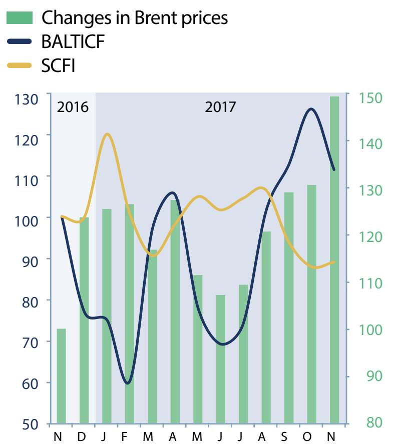
+ STRENGTHS

- The increasing use of air transport in Asia, thanks to the emergence of middle classes
- The continued global economic recovery, generating business

- WEAKNESSES

- Road sector: unequal demand
- Maritime cargo sector: overcapacity of the actors
- Air sector: highly competitive

CHANGES IN OIL PRICES,
AND CHANGES OF PRICE INDEXES
(BOTH BULK AND CONTAINER)
(BDI and SCFI indexes – Basis 100 11/2016)



Sources: EIA , Thomas Reuteurs/ SCFI: Shangai Shipping Freight Index

RISK ASSESSMENT

Just like Rickmers which declared bankruptcy on 1 June 2017 following the halving of Baltic Panama Index (BPI) prices between December 2016 and June 2017, small players have similarly suffered from the sustained drop in prices this year. The Baltic Dry Index (BALTICF) reached historically low levels in February 2016 thereby drastically reducing vessel hire costs. In addition, continuing low oil prices for most of 2017 has turned out to be a pitfall for shipping companies, which having made savings maintained shipping lines for a longer period of time and consequently boosted the transport offering. Major players have benefited from alliances and the consolidation of their offerings. Although the BALTICF index was still very volatile in 2017, it has seen an upward trend since early 2017 (see chart), in particular because of the rise in oil prices. In 2018, oil prices should remain at levels similar to those reached at the end of 2017 (according to Coface between USD 55 and USD 60 in 2018), which could help maintain overcapacity.

Global air traffic continued to increase in 2017, up 6% on 2016, which was already a record year. It reached 4.1 billion passengers. The strong demand for air transport contributes positively to global growth.

In 2018

DEMAND

The continued growth in global activity in 2018 (3% according to Coface projections) should boost demand in the maritime, rail and road transport sectors. After doubling over the last twelve years, the number of air passengers should again double by 2036 according to IATA . The sector continues to benefit from lower ticket costs, which have halved in 20 years (in real terms).

Western European road transport companies benefited from a rebound in traffic volumes in 2017 thanks to 2% growth in the euro zone. In France economic growth in 2018, which Coface expects to be 1.8% (vs. 1.6% in 2017), will be pushed up by household consumption and investment growth. The road transport activities should benefit from this rebound. In Latin America, growth should double (2% vs. 1% in 2017) and help road transport. However, transport infrastructure is still underdeveloped in this region, greatly increasing the cost of freight and mechanically reducing demand.

With regard to air transport, UK airlines could experience a sharp decline in the number of passengers ahead of the current uncertainties in the Brexit negotiations, according to a Reuters study. Post-Brexit, the study mentions an 11.5% decline in numbers in the long-term in the United Kingdom. In the United States, growth in the US economy, which Coface expects to be 2.3% in both 2017 and 2018, should benefit from the resilience in household consumption, even if the latter is likely to slow in 2018. In fact the consequent higher cost of credit will mainly affect the poorest households and will impact their consumption. However, the country's geography and air travel patterns are not expected to negatively impact the demand for air travel.

Latin American airlines are expected to continue to recover in 2018. They should see a net profit of USD 0.9 billion next year according to IATA, with passenger demand expected to increase by 8%. They should benefit from the continued economic recovery in Brazil. In Asia, the emergence of the middle classes is favourable for the aeronautical sector. In China for example, the number of households earning over USD 35,000 a year is expected to triple by 2022 and drive growth in the sector. In Asia-Pacific, airline performance is very mixed. The average profit per passenger in 2017 is estimated at USD 4.96, with higher fuel costs partly offset by improved freight markets, which is particularly important in this manufacturing region.

SUPPLY

Overcapacity in the maritime transport sector, which carries 80% of world trade, could continue to have a negative impact on small players in the sector in 2018. Airlines will continue to benefit from still low oil prices (even though these rose in late 2017). After generating record profits over the past three years, airlines will be more exposed to increases in labour and maintenance costs in 2018.

European airlines are benefiting from a sharp rebound in economic conditions on domestic markets, including in Russia. Added to this is a recovery in traffic after a slowdown in 2016 following the series of terrorist attacks and continued restructuring. The region has the highest passenger numbers in the world, in 2017 estimated at 84%. Net income is expected to reach USD 11.5 billion, up from 9.8 in 2017.

In 2018, North American airlines are expected to keep the title of world net-after-tax profits champions, projected at USD 15.6 billion in 2018 - generating more than half of the industry's global profits. This is due to market conditions that should continue to be very good with capacities up 3.4%.

Asian airlines should benefit from airport infrastructure investments, which between 2016 and 2020 will probably be the highest in the world. The aforementioned investments average levels are expected to be four times higher than in Europe. According to IATA, profits are expected to be USD 9 billion in 2018, supported in particular by an increase in cargo activity.

In 2018 road transport sector companies in Western Europe are expected to benefit from relatively weak fuel costs in relation to historic levels. In France, the introduction of a derogation in the agreement between the government and sector professionals in October 2017 (in line with the government's labour market reforms) aims to make the sector more competitive. According to the agreement, remuneration for night work, public holidays and Sundays will be an integral part of the hierarchical minimum wages, which cannot be negotiated through company agreements.

The shipping company Maersk Line and its partner Damco operated their first train between China and Europe in November 2017. The journey through seven countries was 20 days faster than by sea and reduced carbon dioxide emissions by 36% compared to a container ship.

COFACE REGIONAL
SECTOR RISK ASSESSMENT

North America: medium
Latin America: high
Emerging Asia: high
Central Europe: medium
Western Europe: medium
M. East & Turkey: high

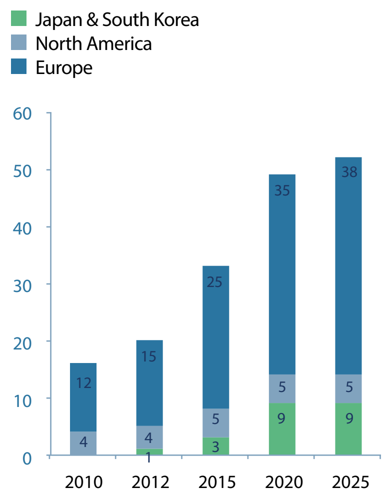
+ STRENGTHS

- Favourable economic environment in Europe for the construction sector, in favouring wood used for housing
- Positive outlook in demand for wood associated with increasing interest in biomass energy
- Tax benefits in Europe (France, Germany, etc.) on investments in the sector

- WEAKNESSES

- Dependant on state of housing and construction markets
- Constraints linked to compliance with environmental standards
- Sector highly exposed to weather conditions (storms, forest fires, etc.)

GLOBAL DEMAND FOR PELLETS
(In millions of metric tonnes)



Sources: Pöyry

RISK ASSESSMENT

Production of wood products in UNECE countries (countries in Europe, North America and the CIS), will be 1.7% higher in 2017, then 0.8% in 2018, a reflection of the slowdown in consumption in 2018. Demand varies depending on the construction and housing sector. Round wood will continue to dominate the market in 2018, for industrial applications, as well as increasingly as an energy source.

Unprocessed wood prices have been on a downwards trend since 2014. Prices of lumber however, most notably that from conifers, have been rising since 2016, thanks to the strength of demand, in particular for furniture.

The appreciation of the dollar and the changing market are challenging for US producers as their competitiveness declines. In this regard the United States and Canada have been, as of the end of 2017, engaged in a trade dispute concerning unprocessed wood which has led to the imposition of import taxes by the former, challenged by the latter. In the countries of the CIS, a weakened rouble has helped drive exports to record levels for all the main product categories.

Change is taking place throughout the market because of the emergence of new producers (emerging economies are winning markets that have historically been the reserve of UNECE countries) and developments in terms of outlets and demand.

In 2018

DEMAND

Consumption in UNECE countries was up +1.4% in 2017, according to the Committee on Forests and the Forestry Industry (COFFI). This growth will continue in 2018, driven by the strength of demand for wood pellets for biomass and for construction. The decline in demand for fibreboard in the CIS countries (-0.6% in 2017), will be offset in a positive economic context stimulating the housing market in a number of Western European countries. In addition, increasing concern in Europe and North America for environmental factors, is leading to changes in the legal framework and buying habits which are encouraging the use of wood products for construction and as an energy source. In 2017 wood accounted for one third of all renewable energy. This is split between two sub-markets, with the European Union being the main driving force for demand: industrial scale production of bioenergy and, at a household or commercial level, the production of electricity and/or heating.

In Europe, COFFI forecast a 1.6% growth in consumption for 2017, underpinned by the demand for pellets for insulation (+4.8% in 2016), for fibreboard for construction (+3.9% in 2016), and policies for implementing the energy transition. Demand in terms of housing construction will be 1.4% higher in 2017. This is mainly being driven by the sector in Eastern Europe where the potential per head growth in consumption is substantial, as it is still considerably below that in the mature markets (North America and Northern Europe). At the same time, whilst Spain and Italy continue to produce at levels below those before the crisis, this is not the case in France, German and the United Kingdom.

In North America, despite the uncertainties surrounding the reform agenda, Coface forecasts a rate of growth that will sustain demand in the wood sector, stimulated by construction (7% increase in starts during 2017) and the strength of demand for wood furniture.

Japan, China and India are key markets for European and North American wood exporters. In India, new prudential regulations and the downward revision in growth forecasts for 2017 have resulted in stricter conditions for access to credit and an overall dip in demand in the extremely dynamic housing sector.

SUPPLY

Worldwide production in 2017 will exceed its pre-crisis levels. Thanks to the construction sector, output of fibreboards will be 0.9% higher in 2017 and 1.3% in 2018 in UNECE countries. The United States has a large trade deficit for this product with half its imports coming from China. Russia, which has a quarter of all forestry resources, is continuing its investment plans to increase its added value supply in this sector. It is worth noting that Russian production of fibreboard is 3 to 4 times below that of North America and Europe; UNECE predicts a rate of growth in production in Russia of 20% in 2016, and 14% in 2017.

The production of wood pellets, in UNECE countries, will be 9.8% higher in 2017 and 4.7% in 2018. Whilst the Europeans are the leading producers (more than 60% of world output in 2017) and will remain so in 2018, supply will not meet demand for biomass use in this zone. Europe will import 15 million cubic meters of pellets in 2017, covering 63% of its consumption, according to COFFI. In North America on the other hand, supply will largely exceed supply, despite being 62% lower.

ECONOMIC ASSESSMENT AND 2018 OUTLOOK FOR 160 COUNTRIES

AFGHANISTAN

COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Pakistan 46%
- India 38%
- Iran 3%
- Turkey 2%
- Iraq 2%

Imports of goods, as a % of total

- Iran 19%
- Pakistan 18%
- China 17%
- Kazakhstan 9%
- Turkmenistan 5%

+ STRENGTHS

- Financial and military support from the international community, particularly the US
- Prospects for extraction of raw materials (gas, oil, minerals, etc.)

- WEAKNESSES

- Unstable security and geopolitical situation
- Poverty
- Corruption and weak governance
- Reliance on international aid
- Fragile banking system and low distribution of credit
- Heavy reliance on the agricultural sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.3	2.3	2.5	3.0
Inflation (yearly average, %)	-0.6	4.4	6.0	6.0
Budget balance (% GDP)	-1.4	0.1	0.4	-0.2
Current account balance (% GDP)	2.9	7.0	4.7	1.6
Public debt (% GDP)	9.2	8.0	7.6	6.9

(f): forecast

33.4
POPULATION
(millionsofpersons-2016)

582
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Security situation still a cause for concern

The security situation deteriorated in 2017 and is set to remain a cause for concern in 2018. The number of victims of the war in Afghanistan grew significantly over the year, especially among civilians. Attacks on the population are no longer limited to the areas of confrontation between government forces and anti-government militias (Islamic State, Al Qaeda, and the Taliban). The country's big cities were hit by several deadly attacks, with the central government controlling only 60% of the Afghan territory. Although recognised by the international community, President Ashraf Ghani, elected in September 2014, continues to suffer from a lack of legitimacy following the political crisis after his election, which is further weakening the central government. The parliament, whose term expired in June 2015, will probably be renewed in July 2018 with new parliamentary elections. However, a worsening conflict could compromise the political agenda. The increasing frequency of the confrontations led to a reinforcement of NATO troops in May 2017, and likewise to the sending of more US troops by the Trump administration in August 2017.

In addition to the worsening domestic security situation, relations with Pakistan are expected to continue to be marked by tensions. In 2017, border incidents led to the displacement of 111,000 Afghan refugees from Pakistan. Data from the Office for the Coordination of Humanitarian Affairs counted over 168,000 displaced persons over the first six months of 2017. Attempts at mediation by the US administration led to a bilateral summit in September 2017 between President Ghani and General Qamar Javed Bajwa, Pakistan's military chief, aiming to open talks between the two parties.

An economy still heavily dependent on the agricultural sector

Despite a difficult security situation, economic activity is expected to continue to grow in 2018 – albeit weakly, and without reaching the heights seen during the previous decade (average annual rate of 11.5% from 2007 to 2012). Growth will still depend to a considerable extent on the agricultural sector, which employs over 80% of workforce. Agricultural yields are likely to remain limited by climate conditions (drought), as well as by the lack of water supply infrastructure. Although illegal, opium cultivation is on an upward trend, gradually replacing agricultural land intended for cereal and market-gardening crops: twelve out of the 34 Afghan provinces have observed a rise in opium cultivation. Industry and services are also likely to see modest growth. Remittances from expatriate workers will sustain household consumption, the main contributor to growth, as will the return of some of the Afghan refugees from Pakistan and Iran (1 million in 2017). Greater political uncertainty, together with increased violence, will hamper investment by limiting inflows of foreign capital, especially in the mining sector, which nonetheless offers considerable economic opportunities in a largely dollarised economy.

Inflation, which sharpened in 2017, in part due to higher food prices, will remain high in 2018. The deteriorating security situation is disrupting food supplies, while the mass influx of refugees is heightening inflationary tensions. However, international aid helps keep foreign exchange reserves at a comfortable level, which will help stabilise the currency in the short term.

Large twin deficits financed by international aid

The public finances are still highly reliant on international aid, which keeps the public account in balance. This is because 70% of the budget depends on international aid, and the public deficit excluding grants amounts to about 10% of GDP. With the IMF's help, the Afghan authorities have embarked on an action plan aimed at improving basic infrastructure and strengthening the economy with the support of foreign donors. However, the plan's implementation could be compromised because of the worsening conflict with the Taliban. The authorities have managed to improve tax collection since 2016, despite weak activity, but these efforts are not sufficient to reduce the dependence on international aid. Budget spending is also expected to increase slightly. This increase largely reflects the fact that previous security spending defrayed by international partners will gradually be transferred to the budget.

The current account balance is expected to remain in surplus in 2018 thanks to continued flows of foreign aid. The trade deficit will still be substantial and close to 33% of GDP in 2018. This will be funded by foreign aid.

ALBANIA

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 72%
- Kosovo 7%
- Malta 3%
- China 3%
- Macedonia 3%

Imports of goods, as a % of total

- Euro Area 55%
- China 9%
- Turkey 8%
- Tonga 8%
- United States 2%

+ STRENGTHS

- Candidate for membership of the EU
- Youthful profile of the population
- Mineral (oil, chromium, copper, iron-nickel, silicates, coal) and hydroelectric potential
- Low energy deficit
- Coastline with several ports
- Strength of the currency, the lek, against the euro

- WEAKNESSES

- Size of the grey economy (30 to 40%)
- Poverty (per capita GDP = 30% of the European average), low priority given to education (3% of GDP)
- Dependence on rainfall: agriculture (23% of GDP and 45% of jobs) and hydroelectricity (95% of electricity production)
- Weak public investment and lack of infrastructure
- Ineffective and politicised court system and administration
- Corruption and organised crime

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.2	3.4	3.8	3.9
Inflation (yearly average, %)	1.9	1.3	2.3	2.8
Budget balance (% GDP)	-4.1	-1.8	-2.2	-1.6
Current account balance (% GDP)	-8.6	-7.6	-8.0	-8.0
Public debt (% GDP)	73.1	72.4	70.5	68.5

(f): forecast

2.9
POPULATION
(millionsofpersons-2016)

4,126
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth sustained by investment and consumption

Growth is expected to remain high in 2018. It will continue to benefit from continued foreign investment in infrastructure, especially in energy, with the ongoing construction of the Trans Adriatic Pipeline (TAP) transporting gas from Azerbaijan to Italy, and of the second plant (Moglice) of the Devoll river hydroelectric complex. The electrical network should, logically, be developed to ensure internal and external distribution of the expected additional production. These installations will take over from local oil production, which peaked in 2014.

Local investment, particularly regarding the construction or modernisation of roads and railways (Tirana-Durres line) will remain limited by fiscal consolidation and the wariness of banks. The banks, mostly subsidiaries of Italian, Austrian, and Greek banking groups, will continue to reduce the proportion of their non-performing loans (15% in July 2017 versus 21% one year earlier) and the proportion of the euro (around half) in their deposits and loans. Under these circumstances, the recovery of corporate credit should be modest, and the average interest rate on loans in lek and euro (respectively 6.6% and 4.7% in the second quarter of 2017) should remain high, despite a key rate of 1.25% since May 2016. Household consumption is expected to continue to recover due to the increase in transfers of expatriates from Italy, the increase in labour market participation linked to a shrinking of the informal economy and related employment, even if unemployment remains high (14%, 26% of young people). Construction, agriculture (23% of added value), and industry, with their exports benefiting from the Italian upturn, should post good performance figures.

Fiscal consolidation required to reduce the debt burden

After a short pause due to the June 2017 elections, fiscal consolidation will resume. Reserves have been set aside to cover the compensation claims for property expropriated during the Communist era. The cost of the electricity sector to the state is expected to disappear with the installation of meters, infrastructure modernisation, and the gradual end to subsidised tariffs. Pension and territorial administration reforms should also contribute. Tax collection is benefiting from a reduction in undeclared work and from computerisation, while improved management of investments has enabled the elimination of payment arrears to suppliers. This issue is all the more important given that the proportion of debt, although quickly decreasing, remains high: the proportion of domestic debt (53% of the total) is 37% in the short term and is held at 60% by commercial banks, accounting for 25% of their assets.

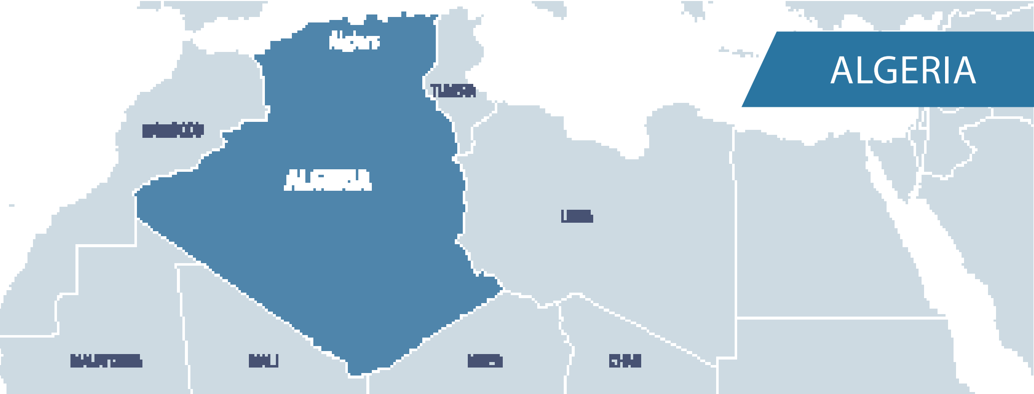
Substantial trade deficit financed by FDI

There is a very high trade deficit, which stood at 24% of GDP in 2016. This reflects the narrow productive base (textiles, shoes, oil, minerals, electricity, construction materials), which means the country has to import many of its consumer and capital goods. Over half of its exports go to Italy. In addition, the balance is sensitive to rainfall, which can cause hydroelectric power sales to fluctuate. There is a trade surplus in services of 7% of GDP thanks to tourism and outward processing arrangements in the clothing sector. Remittances from emigrants could grow, in line with the Italian economy, but represent around 8% of GDP. The current account deficit is primarily financed by FDI, which means that imports related to infrastructure are self-financing. Despite the importance of the non-debt-creating financing, external debt represented 71.5% of GDP at the end of March 2017. The fact that 80% of the debt is long-term and 56% corresponds to private sector loans, particularly linked with FDI, puts this into perspective.

Reforms are expected to continue

Prime Minister Edi Rama and the socialist party obtained an absolute majority in the June 2017 elections. Structural reforms will continue with a view to obtaining EU membership. In addition to the electricity market, the pension system has been reformed, notably to introduce better proportionality between contributions and benefits. The transcription into law of the 2016 constitutional reform aimed at increasing the independence and efficiency of courts will require the support of the former government partner, the Socialist Movement, for integration. This is crucial as much for accession to the European Union as for encouraging foreign investment. Much remains to be done to improve administrative efficiency, make local agencies accountable, and combat corruption, organised crime, and smuggling between Albania and Italy.

ALGERIA



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 56%
- United States 11%
- Brazil 6%
- Canada 4%
- Turkey 4%

Imports of goods, as a % of total

- Euro Area 41%
- China 18%
- United States 5%
- Turkey 4%
- Argentina 3%

+ STRENGTHS

- Significant oil and gas reserves especially in shale gas
- Potential in the fields of renewable energy and tourism
- Solid external financial position (very low external indebtedness, significant foreign exchange reserves)

- WEAKNESSES

- Highly dependent on hydrocarbons and problems using this income
- Dividing lines between those in power and the general population
- High youth unemployment
- Excessive weight of the public sector
- Bureaucratic red tape, weaknesses in the financial sector and problematic business climate

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3,7	3,3	2,2	1,5
Inflation (yearly average, %)	4,8	6,4	5,5	6,0
Budget balance (% GDP)	-15,7	-13,7	-11,5	-9
Current account balance (% GDP)	-16.5	-15,6	-13,0	-10,3
Public debt (% GDP)	8,8	20,6	17,9	17,7

(f): forecast

40.8
POPULATION
(millionsofpersons-2016)

3,902
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

A further decline in growth in 2018

State support for the economy has helped limit the impact of lower oil prices on the Algerian economy since 2014. However, Algerian growth slowed in 2017 due to the state's dwindling financial resources and public spending cuts. Although the oil sector posted strong growth during the year, it did not offset the slowdown in non-oil activity.

The economy is expected to continue to slow in 2018. The reintroduction of quotas in line with the OPEC agreement is expected to limit the growth of the oil sector, already adversely affected by a lack of investment and the maturity of some oil fields. A new law aimed at enhancing the sector's attractiveness for foreign investors by limiting the restrictions on foreign companies is due to be implemented in 2018, although its effects are unlikely to be visible in the short term. Non-oil activity is expected to show signs of cooling. The authorities want to continue to support consumption by increasing social spending, but this will be to the detriment of public investment. The impact of this measure on household purchasing power is likely to be limited by the rise in inflation. This is because, to finance the deficit, the Algerian government passed a new framework law in September 2017 allowing the state to borrow directly from the Bank of Algeria for five years. This financing method will lead to greater domestic inflationary pressures while import barriers will tend to increase prices for foreign products.

Sizeable twin deficits

The fiscal position will continue to suffer the consequences of lower oil prices. The public deficit fell slightly in 2017 but remained in double digits. The slight rise in the barrel price during 2017 helped boost tax receipts but spending only fell weakly. Although slightly lower, the public deficit is expected to remain significant in 2018. The finance law is a sign that the government is changing its fiscal policy following successive changes of prime minister over the previous year. The fiscal consolidation plan adopted in 2016 to allow the public deficit to be brought down over three years based on a cut in investment spending has been put to one side. The fiscal envelope allocated to investment has been increased by over 50% and is expected to help finance projects which have to date been frozen in the education and healthcare sectors and in land use planning. The amounts allocated to operating costs have been cut by half. Subsidies and social spending are unlikely to be cut, apart from a small reduction in the amount paid for fuel costs, which is expected to push up the price of gas and of petrol at the pump. While the slight increase in the barrel price to above USD 50 per barrel and the rise in exports are expected to boost revenues, they will not cover the government's expansionary policies. The public deficit is likely to be financed directly by borrowing contracted with the central bank. The public debt looks set to rise as a consequence, but the main risk of this policy is that of higher inflation. For the moment the public authorities have ruled out external borrowing.

External accounts have continued to run a large deficit since 2015. Algerian exports, chiefly comprising oil, rose slightly in 2017 and this increase, although weak, is set to continue in 2018. However, the gap between exports and the country's import needs remains. Foreign exchange reserves continue to decline and are expected to fall below the USD 100 billion threshold in 2018. The steps taken to reduce the import bill went some way to reducing imports in 2017 and new steps intended to limit the decline in foreign exchange reserves are due to be implemented in 2018. FDIs into Algeria are nonetheless expected to grow. The government is promoting a new investment law in a bid to increase the attractiveness of the oil sector.

Risk of social unrest

The May 2017 parliamentary elections, which took place amid the lowest voter turnout ever recorded, did not affect the country's political status quo and returned the governing coalition made up of the National Liberation Front and the National Rally for Democracy to power. However, government reshuffles have succeeded one another over the past year, the most recent one being the sacking of Abdelmadjid Tebboune in favour of Ahmed Ouyahia, brought back by President Bouteflika Prime Minister for a fourth term as prime minister. Algeria's deep economic downturn is starting to have impact socially, which will prompt the government to continue its generous policy of social transfers to the detriment of fiscal consolidation. However, Sonatrach's recent declarations regarding the exploitation of shale gas fields in parts of southern Algeria could trigger renewed pockets of protest.

ANGOLA

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 54%
- Euro Area 15%
- India 8%
- United States 6%
- South Africa 5%

Imports of goods, as a % of total

- Euro Area 32%
- United States 12%
- China 12%
- South Africa 7%
- Brazil 5%

+ STRENGTHS

- Significant oil production
- Launch of liquefied natural gas production facilities
- Significant economic potential: diamond, iron, gold, leather, agriculture, fishing, hydropower
- International financial support

- WEAKNESSES

- Vulnerability to the reversal of oil prices
- High unemployment (26%), strong social inequalities and regional disparities
- Infrastructure deficiency
- Fragile banking sector
- Control of politics and economy by a small elite
- Conflict with the separatists of the Cabinda enclave

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.0	-3.6	1.1	1.9
Inflation (yearly average, %)	10.2	32.1	32.0	20.3
Budget balance (% GDP)	-3.3	-6.0	-6.1	-5.5
Current account balance (% GDP)	-10.0	-6.4	-5.2	-4.5
Public debt (% GDP)	44.3	59.2	61.0	62.0

(f): forecast

27.4
POPULATION
(millionsofpersons-2016)

3,485
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Increased oil production supports a constrained rebound

Dependent on oil activity, growth rebounded weakly in 2017 thanks to the recovery of oil prices and the dynamism of the volumes exported, particularly to China. In 2018, the rebound should continue thanks to the commissioning of the Kaombo oil field (Total). Oil sales, which account for more than 90% of export earnings, could benefit from higher oil prices. However, the dynamics of Chinese demand, in a context of a slowing economy is a source of risk. Outside the oil sector, growth prospects remain weak. The budgetary imbalance should restrict public investment, particularly in the construction sector, despite the infrastructure development goals that will be presented in the 2018-2022 National Development Plan currently being drafted. Investment in expensive offshore projects is expected to stagnate as oil operators limit their spending on the development of new ones since the fall of prices in 2014. Excluding oil, the difficult business climate and corruption remain obstacles to increased foreign investment flows. An increase in the minimum wage decided in mid-2017, the first such increase since 2014, will not support household consumption in 2018. In fact, while its decline is expected to continue in 2018, inflation will remain high and thus continue to undermine household income. Moreover, while the Angolan external position remains precarious, price developments will remain vulnerable to a further devaluation of the local currency (kwanza) in 2018.

Budgetary and external imbalances still a threat

In 2018, fiscal consolidation efforts are expected to be stepped up. Progress in mobilizing non-oil revenue will be a priority. In particular, the increase of several consumption taxes and a review of tax exemptions are planned. However, the improvement in revenues should remain dependent on oil revenues (70% of revenues). Expected to increase in 2018 thanks to higher prices and increased production, these revenues would allow the government to regain a little more breathing room. Nevertheless, the fiscal space, still restricted, will force a significant increase in capital investment spending. The deteriorating financial situation of some public entities and the banking system will continue to weigh on the budget, while debt service is becoming increasingly important. The debt is related to the rapid rise in the debt burden. This increase, which is often on non-concessional terms, is 78% denominated in foreign currencies. The government intends to increase the share of local debt (mainly in kwanza) to finance the deficit.

The current deficit is expected to continue to decline in 2018, in line with oil prices. However, the surplus in the balance of goods will still be too small to compensate for deficits in services and income. Also, the external situation will remain extremely fragile, as FDI or portfolio investment will still remain weak and could push the country to finance itself through external debt. The intervention of the National Bank of Angola (BNA) to defend the kwanza peg to the dollar led to a deterioration of foreign exchange reserves in 2017. In the absence of devaluation in 2018, reserves could continue to be depleted as the difference between the official exchange rate and the parallel rate still indicates a lack of foreign currency liquidity.

Changing faces in the leadership of Angola

Unsurprisingly, the People's Liberation Movement of Angola (MPLA) won the August 2017 general election. However, after serving as leader of the country for 38 years, José Eduardo dos Santos (73), who remains president of the MPLA, gave up his seat to his former defence minister João Lourenço. Anxious to assert his authority, the new president made a name for himself by making several changes to the head of the state media, the BNA, and some of the national diamond companies (Endiama, Sodiam). One of the most notable changes is the ousting of Isabel dos Santos, daughter of the former president, as the head of the state-owned oil company (Sonangol). Nevertheless, despite these changes, the president's ability to implement economic and social reforms will be scrutinized. Indeed, the discontent of the population persists in the face of inequality and poverty, exacerbated by slow economic activity and inflation. The new president's focus on fighting corruption, improving governance and the business climate will need to be followed by reforms to unblock private investment. Although progress in electricity supply and the obtaining of building permits has allowed Angola to move up seven spots in the latest Doing Business 2018 ranking, the country remains at the bottom at both the regional and global level (175th out of 190); proof of a business climate that remains poor.

Relations with Congo (Kinshasa) may be tense after violence in the Kasai region has led to the influx of more than 30,000 refugees into Angola.

ARGENTINA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Brazil 16%
- Euro Area 12%
- United States 8%
- China 8%
- Vietnam 4%

Imports of goods, as a % of total

- Brazil 25%
- China 19%
- Euro Area 15%
- United States 13%
- Mexico 3%

+ STRENGTHS

- Natural agricultural, energy and mineral resources
- Improvement in the business environment
- Education level higher than the regional average
- Return of the country onto business market

- WEAKNESSES

- Weakened current account
- Dependency on agricultural commodity prices
- Sticky inflation
- Bottlenecks in infrastructure

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.6	-2.3	2.7	3.1
Inflation (yearly average, %)	28.4	41	26.9	17.8
Budget balance (% GDP)	-3.9	-5.9	-6.2	-5.6
Current account balance (% GDP)	-2.7	-2.7	- 4.2	- 3.5
Public debt (% GDP)	56.4	56.8	61.6	65.4

(f): forecast

43.6
POPULATION
(millionsofpersons-2016)

12,494
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Economy has resurged from economic recession

After contracting in 2016, the Argentinian economy rebounded in 2017. Both household consumption and gross fixed investments increased strongly. On the supply side, growth has affected all sectors. The construction sector has been the largest contributor, up 9.7% year-over-year (GA), essentially supported by increasing public investment. Agriculture, transport, and communication and financial intermediation have also recorded strong results, reaching respective peaks of 4.9%, 4% and 4.4% during the same period.

The success of the ruling coalition (centre-right Cambiemos) in the midterm elections of October 2017 is expected to further boost business confidence in 2018, improving prospects for private investments, with GDP growth expected to pick up over the next year. It is worth noting, however, that inflation remains a concern: while it slowed, the target range of 12-17% established for 2017 by monetary authorities has not been reached. In response, the central bank has implemented a tightening monetary cycle to try to accelerate the disinflation process. The unemployment rate eased from a peak of 9.3% in the first quarter of 2016 to 8.7% in the second quarter of 2017. The recovery of the job market should gain further strength this year, supported by the further consolidation of activity growth.

Twin deficits still a point of concern

The government attained the primary fiscal target of 4.2% of GDP in 2017. However, this fiscal outcome was highly supported by resources obtained from tax amnesty – a one-time source of funds. This scenario is unlikely to repeat itself in 2018, especially given that the following target requires a tighter fiscal discipline (3.2% of GDP). Following its strong victory in the midterm elections, the government is now set to reduce the fiscal support that has contributed to the rebound in activity. Policymakers will now focus on fiscal reforms to narrow the budget deficit (containing social and pension spending growth). The government has defended the establishment of a cap to the real growth of provincial and federal primary expenditures to zero.

During the same period, the current account deficit has widened, driven by the increase in domestic demand. While imports grew by 12% year-on-year during the first ten months of 2017, exports rose by 0.7% in the same period. The larger trade and current deficits have been so far predominantly financed by debt issuance abroad, as foreign direct investment remains weak (roughly 1% of GDP). Hence, the rising external vulnerability together with the still high inflation may cause a further weakening of the Argentinean Peso. A sharp rise of the US dollar would certainly take a toll on climbing foreign currency debt.

A strong showing for Cambienos in midterm elections, though a majority in Congress was not reached

Argentina held midterm elections in October 2017, with the dispute that renewed one third of the Senate and half of the Lower House being seen as a preview of the 2019 presidential race. President Mauricio Macri of the centre-right Cambiemos coalition assured an impressive showing at the elections (including the first most populous cities). The ruling coalition raised its nationwide vote share from the 2015 presidential elections and obtained over 40% of the national vote in both legislative houses. In the Senate, it gained an additional nine seats, taking its total to 24 (out of 72), and in the Lower House it gained an additional 21 seats, taking its total to 107 (out of 257).

Although an absolute majority was not achieved, the outcome left the fragmented opposition in disarray and without any strong leader (former President Cristina Kirchner came in second only in the race for a Senate seat in Buenos Aires). The result has strengthened President Macri's governability, which is critical to moving forward with his reform agenda, which consists of three pillars: reducing fiscal deficit, inflation and tax burden; reinvigorating job market and assuring a sustainable social security system; and institutional reforms (such as the electoral and judicial institutions). Despite the need to reach consensus with the opposition to pass the reforms, the government should benefit from a proposed schedule of implementation, its increased political capital and a fragmented opposition. Indeed, the government has so far moved quickly, and sent its tax and labour reforms to Congress a few weeks after the legislative elections.

PAYMENT AND COLLECTION PRACTICES IN ARGENTINA

Payment

The most common payment instruments in local commercial transactions are:
· Cash (for low-value retail transactions)
· Bank transfers
· Cheques (ordinary cheques, deferred payment cheques or other types).
  - In case of default, these cheques represent an executable legal document which facilitates a fast track legal proceeding.

For international commercial transactions, the most common payment instrument is Bank transfer via SWIFT. Since December 2015, restrictions on foreign exchange controls and fund transfers from Argentina have gradually been removed. At the time of writing, importers no longer require the approval of the Argentine Federal Tax Authority (AFIP) to make payments broad.

Debt collection

Amicable phase and out-of-court settlement:
Both of these options are always preferable to legal action. Negotiations are focused on the payment of the principal, plus any contractual default interest that may be added and accepted by the buyer. Argentinian regulations provide alternative dispute resolution methods, such as mediation, which is mandatory prior to the commencement of any judicial process aiming to reach an out-of-court agreement. The instrument to execute the agreement in this stage is a notarized acknowledgement of debt or a payment plan agreement. Such documents have to be signed by both the creditor and debtor, and must be notarized. At this stage, costs and fees incurred are borne by each respective party.

Legal proceedings:
Argentina is a federal republic (23 provinces and the Autonomous City of Buenos Aires (Federal District)), with two parallel judicial systems: federal courts (organised by the federal government) and provincial courts (organised by each province or federal district). The highest court in the country is the National Supreme Court of Justice. These courts have jurisdiction if:

I. The defendant resides in Argentina

II. The place of performance of any of the obligations is located in Argentina, or

III. Argentinian courts have been chosen as the applicable forum (subject to certain restrictions).

Regarding debtors abroad, Argentinian courts only have jurisdiction when debtors have assets in Argentina (in which case the insolvency proceedings will only involve such assets) or when their principal place of business is in Argentina.

The National Civil and Commercial Code of Procedure classifies proceedings into two types depending on their purpose: ordinary proceedings *(juicio ordinario)* and executory or fast-track *(juicio ejecutivo)*. Other types of proceedings apply only to particular cases. Each province has its own code of procedure.

Ordinary proceedings usually last between one and four years. If applicable, an appeal may be filled for the Court of Appeals to hear the case.

Executory processes are simplified and prompt proceedings that mainly consist of claimants' request for the execution of debtors' assets to obtain payment of a debt. They apply when creditor has documents known as executor titles (*titulos ejecutivos*), such as public instruments, private instruments signed by the concerned party (debtor or guarantor)and legally acknowledged, bills of exchange, checks or credit invoices. Contrary to ordinary proceedings, it is not necessary to provide proof of the debt. The judgment is delivered between approximately six months and two years.

Costs: court tax (3% of the amount in dispute to be paid by claimants upon commencing the proceeding), lawyers' fees. The prevailing party is entitled to recover its costs, including attorneys' fees (subject to court approval).

Documents: All documents (original or notarised copies) submitted to the court must be (i) apostilled (for members of the 1961 Hague convention), and (ii) authenticated by the Argentine consulate with jurisdiction over the issuing country. All non-Spanish documents must be translated by a certified translator registered in Argentina.

Enforcement of a legal decision

For local judgments, final decisions are initially acquiesced to be enforceable. However, if a decision has been appealed, it can be partially enforceable in relation to the part of the judgment that is final. In principle, any of the debtor's assets can be seized (including but not limited to property, trademarks, and accounts receivable from third parties and shares).

Insolvency proceedings

There are three insolvency proceedings:

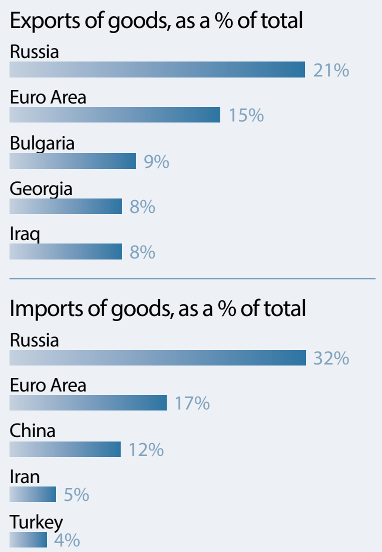
(i) Out-of court reorganization procedure (*acuerdo preventivo*): a proceeding in which the debtor and a majority of unsecured creditors enter into a restructuring agreement. This agreement must be submitted by the debtor to an Argentinian court for it to become enforceable. In practice, out-of-court agreements provide a series of conditions that must be complied with, including a minimum threshold of consenting creditors.

(ii) Reorganization proceeding (*concurso preventivo*):
A reorganization proceeding can be initiated voluntarily by an individual or entity, who must submit proof of their inability to pay their debts. Debtors must file a petition to the court requesting relief under bankruptcy law. The court will appoint a trustee. All creditors must file evidence of their proof of claim with the trustee (*verification de creditor*). Debtors must submit a proposal for reorganization and must obtain creditors' approval during an "exclusive period" of 90 days, with the possibility of an extension of 30 days based on the number of creditors. If the proposal is approved by the majority, the judge reviews the terms of the plan prior to approving it. Upon homologation by the court, the reorganization plan becomes effective to all unsecured creditors (even those who have not agreed to it). A special payment offer can only be proposed and approved for secured creditors. If the proposal is not approved by the required majority (51%), debtor bankruptcy may follow. The process generally takes between one and two years, depending on the volume and nature of debt being renegotiated and the size of the debtor.

(iii) Bankruptcy proceeding (*quiebra*):
This is initiated when a reorganization proceeding fails, either voluntarily (by the debtor) or involuntarily (by the debtor's creditors' request). The petitioner must show that the company is insolvent or that it has entered into a "suspension of payments" status. In case of an involuntary bankruptcy, after the petition has been filed with the relevant court and all necessary evidence is presented, the court will summon the debtor to provide an explanation of the reasons why payments of the obligations in favour of the petitioning creditor have not been made and to prove that the debtor is solvent. If the debtor is unable to do so, the court will declare the debtor bankrupt. Unlike reorganization, bankrupt debtors lose control of the administration of their assets. A trustee is appointed in order to preserve and administer the debtor's property. As a result, all payments to creditors and debtor must be made through court. All claims and proceedings against the debtor are automatically stayed as from the date of the order that determines debtor's bankruptcy. All creditors must submit their proof of claims for payment. Once the assets available and the amounts owned to each creditor are determined, the trustee liquidates the assets and proceeds with the distribution of repayment to creditors.

COFACE ASSESSMENTS
D
COUNTRY RISK
C
BUSINESS CLIMATE

TRADE EXCHANGES



+ STRENGTHS

- Significant mining resources (molybdenum, copper, gold)
- Significant support from international organisations and the diaspora
- Member of the Eurasian Economic Union (EAEU)

- WEAKNESSES

- Geographically isolated, aggravated by a lack of infrastructure
- Strong dependence on Russia (trade: 20% of exports and 30% of imports, FDI, loans, transfers of migrants)
- Persistently high level of unemployment
- High level of corruption
- Conflict with Azerbaijan regarding Nagorno-Karabakh

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.2	0.2	3.3	3.3
Inflation (yearly average, %)	3.7	-1.4	1.7	3.5
Budget balance (% GDP)	-4.8	-5.6	-3.3	-2.7
Current account balance (% GDP)	-2.6	-2.3	-3.8	-3.2
Public debt (% GDP)	48.7	55.1	56.1	57.0

(f): forecast

3.0
POPULATION
(millionsofpersons-2016)

3,533
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Recovery dependent on external factors

After a technical recession at the end of 2016, growth rebounded in 2017, supported by the recovery of activity in Russia and the slight rise in the price of commodities. In 2018, the pace of activity should be determined and constrained by these same factors, given the dependence on the economic health of Russia neighbour and world metal prices, and the weakness of domestic growth drivers. In effect, even a very slight growth recovery n Russia would favour exports (almost one quarter of Armenian exports are destined for Russia). It would also encourage household consumption through expatriate transfers (more than 15% of GDP, 70% of which are from Russia), which are set to return to 2007 levels after their fall in 2016. Industrial production, which is highly dependent on the metals sector (50% of exports and almost 10% of GDP, half of which is for copper), should continue to benefit from the moderate rise in world prices, even if the low prices compared to their pre-2014 levels would still constrain investment. The start of production of the Amulsar gold mine planned for 2018 could, however, promote industrial activity beyond its current growth rate.

For domestic determining factors, the degraded business environment, poor infrastructure and the competitive deficit will continue to weigh negatively on potential growth. Moreover, unlike other countries in the region, Armenia maintains an unemployment rate close to the level reached during the 2009 crisis (18.5%), despite a period of high emigration in 2011-2013. Low labour market pressures are holding back underlying inflation, which has been negative since 2016. Total inflation, however, should increase, driven by rising food and commodity prices, as well as continued monetary easing (interest rate cut from 8.75% to 6.0% between January 2016 and February 2017).

Continued budget consolidation and slight decrease in the current account deficit

The government should continue to reduce the budget deficit through the consolidation efforts undertaken since 2016 with the support of the IMF. The implementation of the new Tax Code in 2017 has already led to an increase in tax revenue of around 0.7 percentage point of the GDP, for an estimated potential of 2 percentage points of the GDP over the medium term. Submitted to the National Assembly in October 2017, the revision of the fiscal rule adopted in 2008 should make it possible to make the adjustment at a pace more adapted to the position of the economy in the cycle, and at the lowest cost for potential growth – a victim of cuts to infrastructure spending in recent years. Although the consolidation effort should be carried out at a more moderate pace in 2018, the government should nevertheless continue to introduce major structural reforms, both in terms of social protection and public enterprises: the pension reform adopted in 2014 should finally be implemented on a large scale, with the introduction of mandatory contribution for all employees in July 2018, while the reforms initiated in the utility sector (electricity and water) should reduce the losses associated with certain public enterprises.

Despite a slight improvement, the current account balance is likely to remain in deficit in 2018. After widening in 2017 – as a result of a recovery in domestic demand that ended a period of sharply reduced imports –, the deterioration is expected to only be partially reversed in 2018. In fact, the growth in export earnings and transfers would remain moderate.

Institutions change, but the pressures remain

The presidential elections will take place in April 2018. However, 2018 will be marked by the transition to a parliamentary system, in accordance with the constitutional amendments adopted at the end of 2015 via referendum. While President Serzh Sargsyan cannot run for a third presidential term, he could, however, occupy the office of prime minister given that his party (Republican Party of Armenia, PRA) won the parliamentary elections of April 2017 (58 seats won out of 105 in the Assembly). At the same time, pressures for social change are mounting, with unemployment concentrated in cities (four times higher than in rural areas) and among young people (twice as high as for the rest of the population), in addition to widespread corruption and regional inequalities.

At the geopolitical level, the dispute with Azerbaijan over the territory of Nagorno-Karabakh, officially Azeri but populated mostly by Armenians, has given rise to regular shootings since the Four Day War in April 2016. While the Russian military base in Gyumri seems to maintain and preserve the rest of the Armenian territory from overflowing conflict, security in the Nagorno-Karabakh region remains under threat in the medium term.

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 31%
- Japan 12%
- United States 6%
- Euro Area 6%
- South Korea 6%

Imports of goods, as a % of total

- China 23%
- Euro Area 14%
- United States 11%
- Japan 8%
- Thailand 6%

\+ STRENGTHS

- Firm resistance to the financial crisis as well as to the collapse in commodity prices and mining investment
- Reactivity of economic policy and exchange rate flexibility
- Geographic proximity to emerging Asia
- Attractive quality of life with immigration contributing to population growth
- Mineral resources
- Moderate level of public debt
- Tourism potential

\- WEAKNESSES

- Trade dependent on commodities (specifically iron ore, coal) and Chinese demand
- Substantial household debt (185% of gross disposable income)
- Shortage of skilled labour
- Shortage of infrastructure able to respond to vast territory
- Highly exposed to climate risks
- Disparity between the federal states

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.4	2.5	2.5	2.9
Inflation (yearly average, %)	1.5	1.3	2.0	2.2
Budget balance (% GDP)	-2.8	-2.6	-2.0	-1.6
Current account balance (% GDP)	-4.7	-2.6	-1.9	-2.5
Public debt (% GDP)	36.0	39.0	42.0	42.0

* 2018 fiscal year: from July 2017 to June 2018 (f): forecast

24.4
POPULATION
(millionsofpersons-2016)

51,737
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth close to long-term average

Activity is expected to pick up in 2018 with growth set proving steady and close to its long-term average. The decline in mining investment should bottom, while investment in other sectors (tourism, education, research and development) will rise and the construction of public infrastructure, both at Commonwealth and State level, will continue to advance. This should offset the sharp slowdown in house building, with house prices clearly stabilising in some cities against a background of tougher prudential rules on credit imposed by the Australian Prudential Regulation Authority and a slowdown in immigration. 50% of bank credit is linked to residential property. Despite continued employment growth, household consumption is expected to rise more moderately than before with little wage improvement and debt levels remaining very high - a quarter of households owe the equivalent of three or four years of earnings. Retail trade is, moreover, one of the rare sectors to lag behind, posting the highest level of bankruptcies ahead of construction. However, monetary policy will remain highly accommodative (central bank key rate at 1.5% in November 2017, unchanged since August 2016), at least if inflation remains below target (2-3%). Exports, 50% of which comprise gas, coal and iron ore, are expected to grow with the completion of several liquefied natural gas terminals. Since, at the same time, the moderation in household consumption and house building will put pressure on imports, trade's contribution to growth is expected to increase. This assumes that commodity prices will not collapse should there be a slowdown in the Chinese economy.

Reasonable budget and external position

The authorities are aiming for fiscal equilibrium for the whole Commonwealth, States and local authorities by 2020-2021. Equilibrium is also the aim for the structural balance, i.e. smoothed out for cyclical effects. They expect to achieve this, while developing infrastructure, education and training (especially for the indigenous communities) and encouraging SMEs to invest in order to transition the economy from one focused on commodities to one that is diversified and to increase labour market participation and boost productivity. Moreover, the government plans to invest USD 30 billion in defence over the next ten years. Despite the fall in revenues due to to falling commodity prices, the deficit has only widened a little and the debt burden has grown only moderately, accounting for only 20% of GDP in June 2017, net of receivables.

The current account balance traditionally shows a moderate deficit, which, despite growing diversification, varies primarily in line with sales of commodities, namely with the volumes and prices, which depend above all on Chinese demand. As with goods, trade in services also shows a slight deficit. Tourism income and registration fees paid by foreign university students, especially from Asia, will not match spending by Australian tourists or ocean freight rates paid to foreign companies. The income balance also shows a deficit, more significantly because of dividend repatriation by mining companies and interest payments on external debt, mostly private (mining companies, banks, property sector) and denominated in Australian dollars, accounting for 128% of GDP (63% net of foreign assets).

A weak government

Having won 76 out of 150 seats in the Chamber of Representatives, i.e. a loss of 15 seats compared with the previous term, the centre-right coalition led by Prime Minister Malcolm Bligh Turnbull and made up of liberals and nationalists was victorious but weakened after early elections in July 2016. Its tiny majority was then lost following the ruling that MPs with dual nationality were ineligible to sit in Parliament. Nor has the government majority in the Senate and the Liberal Party is riven by splits, further damaging the adoption of legislation. In these circumstances, government instability, which has prevailed since 2010 (five prime ministers in seven years), is therefore expected to last. There is little likelihood of this government holding on until the normal election date of November 2019, which could lead to a change in majority from 2018. However, this is unlikely to have much impact on the economy, given the convergence towards diversification.

Externally, Australia's policy is to align itself economically more closely with the Asia-Pacific region (especially China) and Europe, with which it has signed trade agreements while maintaining preferential relations with the United States. The authorities are paying greater attention to Chinese investments in the country, given the sectors concerned, as well as to immigration, which is not considered to sufficiently benefit the economy.

PAYMENT AND COLLECTION PRACTICES IN AUSTRALIA

Payments

Payment methods include:

a) Cash: widespread payment method used by consumers for low-value transactions (37% of all transactions in 2016). Entities providing a designated service under the Anti-Money Laundering and Counter-Terrorism Financing Act must report cash transactions over AUD 10,000 to AUSTRAC.

b) Personal cheques and bank cheques: used for domestic and international transactions. Cheque use has declined (-20% in 2016). In commercial transactions, they are generally bank cheques.

c) Credit cards: have replaced cash as a payment method – increasing by 57% between 2010 and 2015.

d) Electronic transactions: on its way to becoming the dominant payment process. This includes point-of-sale (POS) electronic transactions, as well as mobile apps, electronic funds transfer (EFR) and internet transactions.

e) EFT electronic funds and SWIFT bank transfers: the most commonly used payment method for international transactions. The majority of banks are connected to the SWIFT electronic network.

f) The Australian dollar is now also part of the Continuous Linked Settlement System (CLS), a highly automated interbank transfer system for processing both legs of foreign exchange transactions simultaneously.

Debt collection

Amicable phase

Parties are encouraged to negotiate and take "genuine steps" to settle commercial disputes prior to commencing certain legal proceedings in the Federal Court and Federal Circuit Court. Examples of such steps include notifying the debtor of the issues and offering discussions in view of resolving the dispute, and providing relevant information and documents to the other person in order to solve the dispute. These steps are largely dependent on the amount of the claim, with greater success seen in disputes where the value is less than about AUD 50,000. With larger matters involving debtor companies with more than one director, attempts by the creditor to enter into settlement negotiations are ultimately unsuccessful.

Legal proceedings

Australian law does not provide for fast track legal proceedings as such. If the amicable phase fails, ordinary proceedings will take place. However, the New South Wales (NSW) Supreme Court has a special list for commercial disputes: once a matter is identified as being appropriate for that list, it will be proactively managed by the court to try and ensure an efficient resolution. Similar lists also operate for commercial disputes in the Supreme Courts of Victoria, Western Australia and Queensland.

If a corporate debt remains unpaid and the creditor's claim is due for payment, uncontested, and over AUD 2,000, the creditor may issue a creditor's statutory demand for payment of debt demanding payment within 21 days. Unless the debtor settles the claim within the required timeframe to the creditor's satisfaction, or applies to the Court to have the statutory demand set aside, the creditor may lodge a petition for winding-up of the debtor's company, The latter is presumed insolvent three months following the company's failure to comply with the statutory demand. For individuals, the process is similar , but ,proceedings are required to be commenced in the Fed Circuit Court.

In NSW, under ordinary debt recovery proceedings, a statement of claim must be personally delivered and served to the debtor, who must then pay the debt, or file a defence on the creditor within 28 days. Failure to do so may result in a default judgment being entered against the debtor. It is worth nothing that there are different time frames for different states. If the debtor does not pay the debt and files a defence, orders will be made by the court to prepare the matter for hearing. This will ordinarily involve activities such as discovery and the preparation and exchange of evidence that will be relied upon at the hearing.

During the preliminary phase, the parties may request and exchange particulars of the claim or defence made by the other party. This may involve the exchange of documents referred to in the claim or defence, including copies of the relevant unpaid invoices and statements of account. If discovery is ordered, the parties will be required to exchange all documents that are relevant to their case. Otherwise, all documents which the parties wish to rely upon at the hearing must be included in the evidence of the parties. Before handing down its judgment, the court will examine the case and hold an adversarial hearing in which the witnesses of each party may be cross-examined by the other parties' lawyers. In most cases, straightforward claims are likely to be settled within two to four months but more disputed claims may last more than a year.

If a party is not satisfied with the judgment awarded by the court, it may appeal the decision. In general, appeals lodged against Supreme Court decisions are heard by the Court of Appeal in that state/territory. Any further appeal thereafter is heard by the High Court of Australia, the party seeking to appeal must seek leave and persuade the court in a preliminary hearing that there is a special basis for the appeal, as the High Court will only re-examine cases of clear legal merit.

Local Courts or Magistrates Courts (depending on the state/territory) hear minor disputes involving amounts ranging up to a maximum of AUD 100,000 (NSW, Victoria, South Australia, Northern Territory, Western Australia, and Tasmania), AUD 150,000 (Queensland) or AUD 250,000 (Australian Capital Territory). Beyond these various thresholds, disputes involving financial claims up to AUD 750,000 in NSW, Western Australia, South Australia or Queensland are heard either by the County Court or District Court. There is no County Court or District Court in Tasmania, Northern Territory or Australian Capital Territory.Claims greater than AUD 750,000 in NSW, Queensland, Southern Australia, and Western Australia are heard by the Supreme Court of each State. The Victorian County Court and Supreme Court have an unlimited jurisdiction. In the other states and territories, the Supreme Court hears claims greater than: AUD 100,000 in the Northern Territory; AUD 250,000 in Australian Capital Territory; and AUD 50,000 in Tasmania.

Enforcement of a legal decision

A judgment is enforceable as soon as it is rendered by the court. The plaintiff has up to fifteen years following the entry of judgment to pursue enforcement of an Australian judgment through Examination Notices, Garnishee Orders or Writs of Execution. Examination Notices force the debtor to provide information on its financial situation and assets, helping to establish a recovery strategy. It must be requested from the court after judgment has been entered. The Garnishee Order allows the creditor to recover its debt directly from the debtor's bank account or salary as well as from the debtor's debtors, until the principal and interest are paid off. Finally, the Writ of Execution orders a sheriff to seize and sell the debtor's property to the benefit of the creditor in payment of the debt (together with interest and costs) owing to the creditor. As for foreign awards, enforcement in Australia is governed predominantly by statutory regimes (Pt 6 of the Service and Execution of Process Act 1992 (Cth) for judgments given in Australia and *Foreign Judgments Act 1992* (Cth) for judgments given outside Australia) and common law principles, such as the exequatur procedure. Furthermore, recognition depends on whether a reciprocal recognition and enforcement agreement exists between Australia and the issuing country.

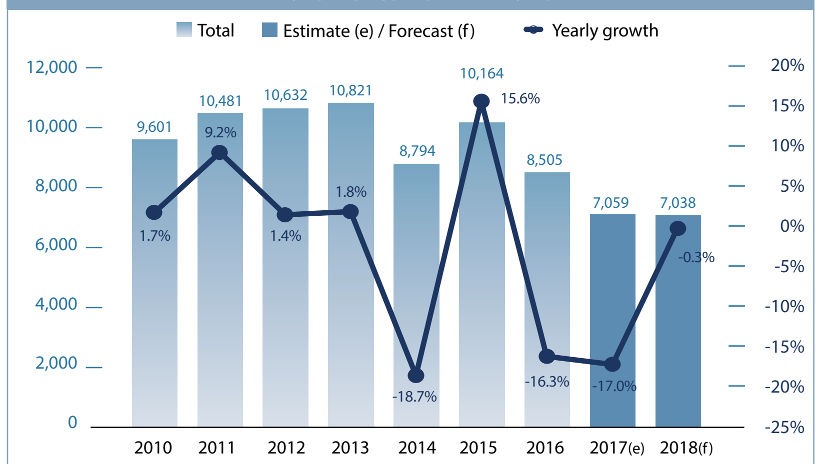
Insolvency procedures

Administration: A debtor company can be placed into administration by its directors, or by creditors that are owed money. The administrator will take full control of the company, and investigate and report to creditors as to the company's business, property, affairs, and financial circumstances. There are three options available to creditors: end the administration and return the company to the director(s); approve a deed of company arrangement through which the company will pay all or part of its debts; or wind up the company.

Receivership: A receiver is appointed by a secured creditor who holds security or a charge over some or all of the company's assets. His primary role is to collect and the company's assets to repay the debt owed to the secured creditor. If the process fails, a liquidation procedure may be initiated.

Liquidation: Creditors or a court may wind up a company, and appoint a liquidator who collects, protects, and realises the company's assets into cash, keep the creditors informed about the company's affairs and distribute any proceeds of sale of company assets. Upon completion of the liquidation, the company is then deregistered.

NUMBER OF CORPORATE FAILURES



Source: Australian Securities and Investment Commission, Coface

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 30%
- United States 6%
- Italy 6%
- Switzerland 6%
- Slovakia 4%

Imports of goods, as a % of total

- Germany 42%
- Italy 6%
- Switzerland 6%
- Czech Republic 4%
- Netherlands 4%

+ STRENGTHS

- Central location in Europe and attractive quality of life
- Industrial and tertiary diversification, high added value
- Solid current account surplus and low public deficit
- Low level of household and company debt, below the European average
- High level of employment and low youth unemployment (use of apprenticeships and flexicity)
- 30% of energy sourced from renewable supplies
- Major tourist destination (11th in world)
- High level of public R&D investment (3% of GDP)

- WEAKNESSES

- Reliance on state of German and Central and East European economies
- Banking sector with high exposure to Central and Eastern and South-east European countries
- Multiple layers of power and administration (federal, Länder, communes)
- Lack of competitiveness of public services and numbers of regulated professions

SECTOR RISK ASSESSMENT

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.1	1.5	2.7	2.4
Inflation (yearly average, %)	0.8	1.0	2.0	1.8
Budget balance (% GDP)	-1.0	-1.6	-1.0	-0.9
Current account balance (% GDP)	2.1	2.3	2.2	2.9
Public debt (% GDP)	84.3	83.6	78.6	76.2

(f): forecast

8.7
POPULATION
(millionsofpersons-2016)

44,233
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Continued strong growth in 2018

Strong household consumption, as well as external demand, will once again drive growth in 2018. Household confidence will be boosted by the falling unemployment rate, in particular among women and older workers, and rising real wages. Job creation, most notably in the digital field, will be rapid in order to meet the needs of companies in terms of production and technological progress. The construction and real estate sectors will benefit from the increasing demand due to immigration and refugees. At the same time, sustained foreign trade will add 0.8 point to overall growth. Manufacturing industry (20.8% of GDP), highly export-oriented and integrated into the German value creation chain, will be boosted by the growth in demand in the Central European and emerging countries. This momentum is expected to continue stimulating investment (23.1% of GDP in 2016) by Austrian companies in capital equipment, which achieved a utilisation rate of 86.9% at the end of 2017. The services sector will also grow, with the hotel, catering and retail sectors benefiting from the economic situation in German, from where almost 50% of foreign tourists come.

Inflation will remain above the European average because of the price levels in the services (particularly tourism), industrial goods, and agri-food sectors.

Gradual reduction of public debt and structural current account surplus

The public finances will benefit from the favourable economic situation and the deficit will be held at the government's target level (around 1% of GDP). The high levels of employment mean strong tax revenues, in particular income taxes and social security contributions. Revenues raised by VAT are also likely to increase, boosted by household consumption. On the other hand, receipts from tax on production will decline as a result of cuts in employers' contributions to the *Familienlastenausgleichsfond* (family allowance fund). The increase in public spending will continue to held in check. The measures approved in 2017, include increases in certain subsidies such as the reimbursement of 50% of employer social security contributions over the first three years following the hiring of a new employee. The cutting of financial support for refugees, the fall in the already very low cost of State debt and the reduction in spending linked with unemployment will help, partly, offset this increase. The debt will continue to shrink in 2018 with the sights set on achieving convergence with the European rate of 60%, which should be completed in ten years. The cost of the measures to support the banking sector, which was significant until 2015, will continue at a low level. Following the banking rescue operation completed in October 2016, with the restructuring of the debt held by HETA, the banking sector continued its weak recovery in 2017, reflecting increasingly strict requirements in terms of capital reserves and asset quality. Bank profitability is expected to improve in 2018, benefiting from the growth in demand for finance from companies and mortgage credit from households.

The current account surplus arises thanks to the surplus earned by services (3% of GDP in 2016), in particular those relating to tourism (31% of all services). The trade balance, slightly in the black in recent years, could shift into the red under the pressure of strong domestic demand. Exports and imports are concentrated in the same sectors (machines, transport equipment, chemical products and manufactured goods). The deficit (2.2%) in the income balance will remain because of immigrant workers' remittances and the repatriation of dividends by foreign owned companies.

Payment behaviour remains good. The number of insolvencies, already low, continued to fall in 2017 (-6.6% in the first three quarters) and company liabilities were down 54% over the same period. The sectors with greatest exposure are construction, machines and metallurgy.

A coalition of the right and far-right

The ÖVP, Christian-Democrat and conservative, won the 15th October 2017 parliamentary elections, for which there was a high turnout (80%). The ÖVP won 62 of the 182 seats in the Nationalrat, ahead of both the social-democrats of the SPÖ and the far-right FPÖ party (respectively 52 and 51 seats). Sebastian Kurz, 31, the leader of the ÖVP and Foreign Minister since 2013, was appointed Chancellor by the President, Alexander Van der Bellen, with the aim of forming a government. The next coalition will apparently be formed by the ÖVP and the FPÖ. This means the end of the ten-year long rule by the ÖVP-SPÖ coalition. The government's position with regard to the EU remains to be seen, bearing in mind the pro-European commitment of the ÖVP, which is the majority coalition partner, and the nationalist stance of the FPÖ. The terms obtained by this latter in joining the government include securing the borders, direct democracy and more restrictive policies relating to refugees. The modernisation of the civil service, investments in R&D and digitalisation will be among the government's priorities.

PAYMENT AND COLLECTION PRACTICES IN AUSTRIA

Payment

SWIFT and SEPA (within the European Union, EU) transfers are widely used for domestic and international transactions and offer a cost-effective, rapid, and secure means of payment.

Bills of exchange and cheques are neither widely used nor recommended, as they are not always the most effective means of payment. To be valid, bills of exchange must meet relatively restrictive mandatory criteria. This deters business people from using them.

Cheques need not be backed by funds at the date of issue, but must be covered at the date of presentation. Banks generally return bad cheques to their issuers, who may also stop payment on their own without fear of criminal proceedings for misuse of this facility.

Nevertheless, bills of exchange and, to a lesser degree, cheques are more commonly used as a means of financing or payment guarantee.

Debt collection

As a rule, the collection process begins with the debtor being sent a demand for payment by registered mail, reminding him of his obligation to pay the outstanding sum plus any default interest stipulated in the sales agreement or terms of sale.

Where there is no interest rate clause in the agreement, the rate of interest applicable semi-annually from the 1st August 2002 is the Bank of Austria's base rate, calculated by reference to the European Central Bank's refinancing rate, marked up by eight percentage points.

Fast-track proceedings

For claims that are certain, liquid and uncontested, creditors may seek a fast-track court injunction (*Mahnverfahren*) from the district court via a pre-printed form. The competent district court for this type of fast-tract procedure expedites the requisite action for ordinary claims up to EUR 75,000 (previously EUR 30,000).

With this procedure, the judge will issue an injunction to pay the amount claimed plus the legal costs incurred. If the debtor does not appeal the injunction (*Einspruch*) within four weeks of service of the ruling, the order is enforceable relatively quickly.

A special procedure (*Wechselmandatsverfahren*) exists for unpaid bills of exchange under which the court immediately serves a writ ordering the debtor to settle within two weeks. Should the debtor contest the claim however, the case will be tried through the normal channels of court proceedings.

If the debtor has assets in other EU countries, the creditor may request the Vienna Commercial Court to issue a European Payment Order for undisputed debts, enforceable in all EU countries (except Denmark)

Ordinary proceedings

Where no settlement can be reached, or where a claim is contested, the last remaining alternative is to file an ordinary action (*Klage*) before the district court (*Bezirksgericht*) or the regional court (*Landesgericht*) depending on the claim amount or type of dispute. Defendants have four weeks to file their own arguments.

With regards to the regional courts, defendants are expected to put forward their own arguments in response to the summons, and are allowed four weeks to do so.

A separate commercial court (*Handelsgericht*) exists in the district of Vienna alone to hear commercial cases (commercial disputes, unfair competition lawsuits, insolvency petitions, etc.).

During the preliminary stage of proceedings, the parties must make written submissions of evidence and file their respective claims. The court then decides on the facts of the case presented to it, but does not investigate cases on its own initiative. At the main hearing, the judge examines the written evidence submitted and hears the parties' arguments as well as witnesses' testimonies. An enforcement order can usually be obtained in the first instance within about ten to twelve months. The civil procedure code provides that the winning party at issue of the lawsuit is entitled to receive full compensation from the losing party of all necessary legal fees previously incurred.

Enforcement of a legal decision

A judgement becomes enforceable when it becomes final. If the debtor does not respect the court's judgement, the court can issue an attachment order or a garnishment order. Alternatively, the court can seize and sell the debtor's assets.

For foreign awards, circumstances may vary depending on the issuing country. For EU countries, the two main methods of enforcing an EU judgment are the European Enforcement Order or under the provisions of the 'Brussels I' regulations. For non-EU countries, judgments are recognized and enforced provided that the issuing country is party to an international agreement with Austria.

Insolvency proceedings

Out-of Court proceedings

Out-of court restructuring efforts and negotiations are usually antecedent to insolvency proceedings. They constitute a means to obtain recapitalization loans in exchange for a secured creditor status.

Restructuring proceedings

A pre-requisite for a restructuring proceeding is that the debtor files for the opening and at the same time submits a restructuring plan. This proceeding is either self-administrated or administrated by an administration. For self-administrated restructuring, the debtor must file an application of self-administration complemented by qualified documents and a restructuring plan that provides a minimum quota of 30%.

Liquidation proceedings

Liquidation proceedings aim to equitably realise the various creditors' rights. The proceedings are led by a trustee in bankruptcy which takes control of the business, sells the assets, and divides the proceeds among the creditors.

Retention of title

Similar to Germany, Retention of Title is a written clause in a contract which states that the supplier will retain the ownership over the delivered goods until the buyer made full payment of the price. This usually takes one of three forms:

- Simple Retention: the supplier will retain the ownership over the goods supplied until full payment is made by the buyer.
- Expanded Retention: the retention is expanded to further sale of the subsequent goods; the buyer will assign the claims issued from the resale to a third party to the initial supplier.
- Extended Retention: the retention is extended to the goods processed into a new product, and the initial supplier remains the owner or the co-owner up to the value of its delivery.

AZERBAIJAN

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 37%
- Turkey 12%
- Taiwan 9%
- Israel 7%
- India 5%

Imports of goods, as a % of total

- Russia 19%
- Euro Area 15%
- Turkey 14%
- China 8%
- United Kingdom 6%

+ STRENGTHS

- Well-endowed sovereign wealth fund thanks to oil production
- Significant gas potential in the Caspian Sea
- Prospect of gas exports to Turkey, then Europe
- Link in the connection between China and Europe

- WEAKNESSES

- Strong dependence on hydrocarbons and limited non-oil sector
- Decreased oil production (1/4 over the last six years)
- Weak banking system
- Risk of aggravation of the armed conflict with Armenia
- Governance problems and high level of corruption

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.1	-3.1	-1.0	1.5
Inflation (yearly average, %)	4.0	12.4	13.0	5.0
Budget balance (% GDP)*	-4.8	-1.1	-1.5	-0.5
Current account balance (% GDP)	-0.3	-3.6	3.0	0.0
Public debt (% GDP)	28.3	40.0	50.0	50.0

* With transfers from the oil fund (SOFAZ) (f): forecast

9.5
POPULATION
(millionsofpersons-2016)

3,956
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Timid recovery after two years of recession

The economy's adaptation to lower oil prices and the increase in gas exports to Turkey should favour a timid exit from recession in 2018. Household consumption (58% of GDP), down for three years, should start up again against a backdrop of rising incomes and falling inflation, as long as there are no further episodes of depreciation of the manat. While public investment in infrastructure and public building is expected to remain sluggish due to budgetary constraints, investments related to developing the Shah Deniz gas field in the Caspian Sea and the extension of the Trans-Anatolian Natural Gas Pipeline (TANAP) to the Greek/Turkish border, with the eventual goal of carrying gas from Azerbaijan to Europe, should accelerate in partnership with foreign partners. Private investment will continue to be affected by the high level of interest rates, intended to curb inflation and support the national currency, and the decline in credit associated with the weakness of the banking system. The contribution of foreign trade to growth should once again be slightly negative. The additional gas exports will only partially make up for the decrease in oil exports, which will still remain the main export (85%). Imports will grow more quickly due to increased consumption and investment. Apart from the hydrocarbon sector (43% of GDP), the rest of the economy should continue its 2017 momentum.

Balanced public and external accounts despite decreased oil revenues

In response to the decrease in budgetary revenues derived from hydrocarbons (50% of the total), the State has had to resort to the sovereign wealth fund and reduce its spending, particularly in investment, in order to limit the deterioration of the government balance. Given the unlikely rebound in oil revenues, it will be forced to rely on improved tax collection and a reduced non-oil deficit (27% of non-oil GDP) to regain room for manoeuvre. Despite this restrictive policy, the State has been unable to avoid increasing its debt burden. As a result of falling oil prices and the sharp depreciation of the manat, it has had to support public enterprises, particularly the country's leading bank: the International Bank of Azerbaijan (IBA). The State has offloaded its non-performing assets (USD 5 billion) by entrusting them to a public entity created for this circumstance with its guarantee, before taking over its external debt (USD 2.45 billion after restructuring) on which it defaulted. Despite the surge in its indebtedness, the State continues to have a largely creditor position thanks to assets held by the SOFAZ sovereign wealth fund (USD 35 billion in June 2017, or 83% of GDP). Debt is likely to increase further, because the State wishes to develop the gas potential and the pipelines to ensure the relay of oil. In addition, IBA's difficulties are not unique in the banking sector, which has seen the closure of numerous institutions and an increase in its non-performing assets: officially 13% in June 2017, but undoubtedly much more in reality. This weakness is accompanied by a decline in credit: banks, with 80% of their deposits in dollars, are only willing to lend in dollars in order to protect themselves against currency risk. Under such circumstances, borrowers prefer to resort to informal credit, even if the rates are usurious.

Despite the deficit in services and revenues, in return for the presence of foreign companies in the hydrocarbon sector, the current account balance was traditionally positive due to the impressive trade surplus generated by hydrocarbon sales. Volume erosion and falling prices have caused this surplus to vanish. In order to make sparing use of the reserves, which have fallen to the equivalent of four months of imports, the SOFAZ provides the central bank with sufficient funds to service the external debt of the company in charge of the TANAP and the State Oil Company of Azerbaijan Republic (SOCAR).

A well-established power

President Ilham Aliyev was re-elected for a third term in 2013. In 2017, he named his wife vice president. In the next election scheduled for 2018, he is expected to be re-elected, this time for a seven-year term thanks to the 2016 referendum. The Parliament, dominated by the president's party, The New Azerbaijan Party (YAP), plays a secondary role with regard to the executive. Despite low growth and widening inequalities caused by decreased oil resources, social and political stability should continue. Political opposition is weak, and the authorities do not hesitate to use repression.

Despite some progress, the country's governance (World Bank ranking) is still not as good as in the other two Caucasian States, but it is better than in most countries of Central Asia. A decline in freedoms can even be seen, which does not facilitate relations with the EU. However, despite shortcomings in handling insolvency and cross-border trade, the country ranks 65th out of 190 on the ease of doing business index.

Finally, the risk of a surged in the armed confrontation with Armenia regarding Nagorno-Karabakh and other occupied Azerbaijani territories by Armenia is limited by the strong joint influence exerted on the region by Russia, Turkey, and Iran. The situation in Nakhchivan, an Azerbaijani exclave between Armenia and Iran, is calm.

BAHRAIN

COFACE ASSESSMENTS

C
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Saudi Arabia 18%
- United Arab Emirates 17%
- United States 11%
- Japan 9%
- Qatar 5%

Imports of goods, as a % of total

- Euro Area 11%
- China 10%
- United States 9%
- United Arab Emirates 7%
- Japan 6%

+ STRENGTHS

- Relatively diversified and open economy (oil, gas, aluminium, petrochemicals, financial services, tourism)
- Presence of the main US naval base in the region (5th Fleet of the US Navy)

- WEAKNESSES

- Diminishing hydrocarbon reserves and exposed to fluctuations in hydrocarbon prices
- Acute socio-political tensions between the ruling Sunni minority and the majority Shiite population, fuelled by tense regional context between Iran and the embargo on Qatar.
- Dependence on foreign labour
- Very high public debt

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.9	3.0	2.5	2.0
Inflation (yearly average, %)	1.8	2.8	1.4	2.5
Budget balance (% GDP)	-13.5	-13.8	-10.2	-8.2
Current account balance (% GDP)	-2.5	-4.6	-4.3	-3.3
Public debt (% GDP)	65.0	75.0	83.5	92.0

(f): forecast

1.3
POPULATION
(millionsofpersons-2016)

24,146
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Renewed slump in growth in 2018

In 2017, Bahrain's economy was resilient to the oil market apathy thanks to a counter-cyclical expansionary fiscal policy. The GCC's commitment, given in 2011, to pay USD 10 billion in development aid over ten years, has enabled the government to limit spending while maintaining substantial investment, specifically, in the extension of Manama airport and the construction of a pipeline with Saudi Arabia, which should be operational in early 2018. But in 2018, demand will be dampened by new austerity measures. The drop in household and business confidence, due to the economic and political environment, will limit expansion of the private sector. However, significant private investment will continue to be attracted by the advantageous tax regime and will help modernise the aluminium industry (second leading export item after oil) and the tourism offer and stimulate the construction sector. The banking sector will maintain its vitality, contributing 16% of GDP. Adequate regulation and supervision of the sector have made it possible to ensure levels of capitalisation and liquidity. While Bahrain is particularly vulnerable to low bauxite and oil prices (price per barrel needed to balance the budget will be above USD 100), and while production is down because of the OPEC agreements, the non-oil economy is ensuring growth of 2%. Although weak demand and a strong dollar slowed inflation in 2017, the introduction of VAT at 5% across the GCC countries, scheduled for early 2018, and pressure from food and property prices will drive it upwards in 2018.

Public finances in a critical position

With oil revenues, representing almost 80% of state income, the economic situation is weakening Bahrain's public accounts, which unlike the other Gulf countries, have shown a deficit since 2009. In 2018, the deficit will remain substantial despite efforts at budget discipline. The State has begun a programme of privatising some public services (water and electricity) and of selling its shares in some large corporations. In 2018, it will raise taxes and duties for public service users. Despite cuts, subsidies will continue to represent 20% of the budget. The unstable socio-political context limits options for a more structural fiscal adjustment like that observed in other GCC countries. The government is attempting to get foreign residents to bear the brunt of the austerity measures. Civil service wages, a large proportion of public spending, are, therefore, unlikely to be cut significantly and investment in the building of social housing will be maintained.

The challenge for the Kingdom is to rebalance its finances while preserving growth, which is largely stimulated by public spending. To enable the State to finance its deficit and relieve the downward pressure on its foreign exchange reserves, the Kingdom issued USD 3 million in sovereign bonds in September 2017 and requested financial support from Saudi Arabia, the United Arab Emirates and Kuwait. While the sovereign bond is categorised as speculative, the success of the issue relies on investor confidence in the other GCC members intervening to make the peg to the dollar and the public debt sustainable, with the public debt burden increasing in 2018.

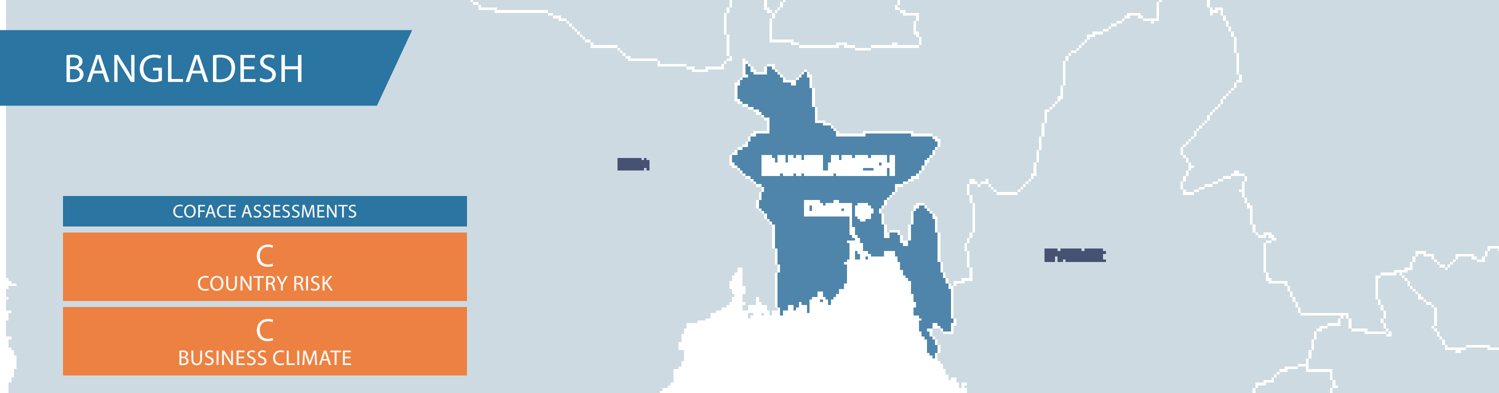
Slight decline in the current account deficit

The current account deficit will fall in 2018 following the expected rise in oil prices, as, despite efforts to diversify, oil represents half of export income. The deepening of the current account deficit, begun in 2014, has resulted in the loss of foreign exchange reserves, which represented 1.2 months of imports in late 2017. At a time when the Kingdom has the lowest foreign exchange reserves among the oil exporters, higher US key rates are, moreover, expected to increase speculative pressure on the US dollar peg. The peg will be maintained in 2018, given the government's affirmation and expected financial support from the GCC members. In addition, the country maintains an external debt/GDP ratio which is still very high and which will be about 130% of GDP in 2018.

Persistent socio-political tensions in a changing regional environment

The tensions, which pit the Shiite population against the governing Sunni elite, were sharpened following the suspension of two opposition societies, Al-Wefaq and then Wa'ad. Against a background of allegations of Iranian support for the Shiite majority, executions resumed in 2017 for the first time since 2010. The lack of a strong organised opposition means that the King can be expected to win the election of representatives for the lower chamber scheduled for November 2018. Weak public resources and austerity measures raise fears of political protests on top of the social protests. This situation adversely impacts the business climate, considered fairly favourable hitherto, because of the drive to improve local skills levels, stimulate the private sector, and attract more foreign investment.

BANGLADESH



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 33%
- United States 13%
- United Kingdom 9%
- Canada 3%
- China 2%

Imports of goods, as a % of total

- China 24%
- India 13%
- Euro Area 5%
- Singapore 5%
- Japan 4%

+ STRENGTHS

- Competitive clothing sector, thanks to relatively cheap labour
- Substantial remittances from expatriate workers, mainly living in the Gulf States
- International aid helping to cover financing needs
- Moderate level of national debt
- Favourable demographics: 45% of Bangladeshis are less than 15 years old

- WEAKNESSES

- Economy vulnerable to changes in global competition in the textile sector; to developments in the GCC States
- Very low per capita income
- Recurring and growing political and social tensions
- Business climate shortcomings, especially regarding infrastructure
- Recurring natural disasters (cyclones, severe floods) resulting in significant damage; loss of harvests

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.6	7.1	7.2	6.4
Inflation (yearly average, %)	6.4	5.6	5.7	5.7
Budget balance* (% GDP)	-3.9	-3.4	-4.4	-4.9
Current account balance (% GDP)	1.5	0.6	-0.7	-1.2
Public debt (% GDP)	33.9	33.0	33.7	34.7

* including grants Fiscal year runs from July to June (f): forecast

161.5
POPULATION
(millionsofpersons-2016)

1,414
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth momentum is expected to remain firm despite a slight slowdown in 2018

Activity remained steady in 2017, buoyed by higher public and private investment, while consumption was hit by a fall in remittances from expatriate workers. On the supply side, and despite reduced activity in the textile sector, industry was still the main driver of activity with growth below 9% - lower than the rate of 2016. Agriculture, which benefited from higher agricultural commodity prices and an increase in farmed land, grew by over 4%. Activity is expected to dip slightly in 2018, but should become more robust.

Household demand is expected to increase, despite higher inflation and lower agricultural incomes. These will be offset by more stable remittances from expatriate workers, who will benefit from recovery in the Gulf Cooperation Council (GCC) States, as well as from increased credit. The sums coming from the Gulf States represented about 57% of total transfers in 2017. Public investment will also boost growth, while private investment (especially foreign investment) will continue to be hit by an unconducive business climate and a tense political climate.

The National Development Plan (NDP) for the 2018 tax year should effectively lead to the implementation of almost 90 new projects in the transport, water supply, and education sectors, as well as several projects that are currently being finalised. The agricultural sector, which employs half the workforce, is likely to stall due to an expected fall in rice production during 2018. The pace of demand on the domestic market will continue to sustain both the local industrial and services networks. This will also lead to a significant rise in imports, reducing trade's contribution to growth. Inflation is set to increase, thanks to rising prices for agricultural products, but will remain close to the 6% target fixed by the central bank, who will stick to an accommodative monetary policy that will help support the lively pace of activity and help control the taka's exchange rate against the US dollar.

A widening public deficit, but sound external accounts

The public deficit is expected to fall slightly, but will remain above the 3% observed in 2014. The 2018 budget foresees a significant rise in public spending, and especially investment spending, which is set to rise by 1.3 GDP points. Under the National Development Plan, expenditure will be allocated to strengthening trade policies, to recapitalising the publicly-owned banks, and to ongoing investments in infrastructure – such as the Rooppur nuclear plant and the Padma railway project.

The slight downturn in activity is likely to limit the increase in government income expected by the authorities, who are expecting higher revenues from mandatory deductions. Income from both VAT, introduced in 2017, and import taxes will benefit from strong consumption. The public debt burden will remain moderate. The current account balance will continue to deteriorate but the deficit will remain low. Export growth is not expected to offset the rise in imports, resulting in a widening trade balance. This is because, despite expected oil price stability in 2018, the import bill is likely to rise significantly due to increased imports of capital goods and foodstuffs. Exports will remain vigorous, bolstered by dynamism in the ready-to-wear sector. However, the sector could be hit by stronger protectionist barriers on the US market, the leading ready-to-wear trade destination, and by consumer slowdown within the UK market. At the same time, competition from other low-cost production sites is rising.

The flow of remittances from expatriate workers should stabilise after contracting in 2017 (down from 8.5% to 6% of GDP) due to the downturn in construction activity in the GCC countries, the leading employer of the country's diaspora. The foreign exchange reserves, although slightly lower, will remain at levels deemed satisfactory (almost seven months of imports), thus substantially improving the country's ability to resist sudden capital flight. The banking system will remain weakened by high ratios of non-performing loans and the need to recapitalise the publicly-owned banks (30% of the banking sector).

The political situation has stabilised, but the country remains vulnerable ahead of the parliamentary elections in 2019

Despite a stable political system, Bangladesh is still vulnerable to spikes in tension between the Awami League, the ruling conservative Muslim party, and the Bangladesh Nationalist Party (BNP). Following the victory of the Awami League in the 2014 parliamentary elections, the country experienced waves of violent protests and major blockades. The situation has since stabilised, but there are fears of renewed tensions in the run-up to the parliamentary elections scheduled for early 2019. Although it boycotted the 2014 parliamentary elections, the BNP is expected to mobilise massively in 2018 so as not to be marginalised politically. Finally, the country is set to suffer from a particularly difficult business climate.

BELARUS

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Russia 47%
- Euro Area 15%
- Ukraine 12%
- United Kingdom 5%
- Poland 3%

Imports of goods, as a % of total

- Russia 55%
- Euro Area 13%
- China 8%
- Poland 4%
- Ukraine 4%

+ STRENGTHS

- Strategic location between Russia and European Union and well-developed transport system
- Relatively well-trained and skilled labour
- Large industrial sector
- Little inequality and rare poverty

- WEAKNESSES

- High energy, economic and financial dependence on Russia
- Sensitivity to prices of oil and its derivatives
- Omnipresent control by State over the economy (56% of added value, 70% of GDP)
- Weak governance (high level of corruption, legal system provides little protection)
- Shrinking working population
- Geographic *enclavement* (isolation) between NATO and Russia

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-3.8	-2.6	1.5	2.0
Inflation (yearly average, %)	13.6	11.8	9.0	7.0
Budget balance (% GDP)	1.9	-1.9	-1.8	-1.5
Current account balance (% GDP)	-3.4	-3.6	-3.2	-3.6
Public debt* (% GDP)	53.7	52.5	56.0	57.0

*Including guarantee of debts of public companies (f): forecast

9.5
POPULATION
(millionsofpersons-2016)

4,989
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth remains weak

Growth is expected to remain modest in 2018. Despite the persistence of a restrictive fiscal policy, including public tariff increases and aid reductions, household consumption (55% of GDP) is expected to improve. It would benefit, unless the local rouble depreciates significantly, from better control of inflationary pressures related to the establishment of monetary objectives by the central bank. In addition, the minimum wage and remuneration overall could grow more quickly. Exports (63% of GDP) should benefit from the recovery in Russia (by far the main trading partner), other CIS countries, and Ukraine, as well as the eurozone. The increase in Russian oil deliveries, a large share of which is re-exported after refining, will contribute greatly as the main export (30%). The manufacturing industry (25% of GDP), particularly with chemicals (potash fertilisers, plastic), food processing (dairy and meat products), trucks, construction and farming machinery, as well as the steel industry, will also benefit, just like agriculture (8% of GDP with livestock and cereals, which had a good harvest in 2017). Conversely, fiscal policy should continue to weigh on the investment of numerous state-owned companies as well as on building and public works.

A massive, inefficient public sector

Public debt has increased steadily, accounting for more than half of GDP. 89% of the total is in foreign currencies. The guarantees provided to public companies (source of one third of GDP) and public banks (66% of banking assets) by the central government or its local levels alone represent 10% of GDP, reflecting the confusion between the State and public companies. The commercial public sector must make do with a lack of efficiency and instructions from the State that are far from always being relevant. Cleaning up the public sector will be laborious because of budgetary constraints, especially since the State does not seem to have given up on influencing it. Privatisation and reorganisation projects, potentially costly in terms of employment and popularity, have been set aside, postponing the conclusion of a financial programme with the IMF. This attitude is facilitated by the limited recovery of growth and its cooperation with Russia, which has allowed financial resources to be obtained.

External accounts influenced by Russia

After Belarus's refusal to recognise the annexation of Crimea and accept a Russian military base, Russia used the pretext of the establishment of the Eurasian Economic Union in 2015 to raise gas prices, and then reduce its oil deliveries. An agreement was finally reached in early 2017, putting an end to the costly fall-out for Belarus's economy. Russia granted an increase in oil deliveries authorised for re-export, a refinancing of gas arrears for USD 700 million, permitted the release of USD 600 million by the Eurasian Fund for Stabilization and Development (EFSD), and promised a loan of USD 1 billion and an additional USD 600 million from the EFSD for 2018. The country was then able to issue euro bonds worth USD 1.4 billion, allowing reserves to be replenished and foreign debt to be serviced (75% of foreign debt, 30% for solely its public share in April 2017). This debt is the counterpart of a recurring current deficit resulting from a trade deficit not offset by the surplus of services linked to the transit activity, as well as the modesty of foreign direct investments, mainly Russian.

A president playing the confrontation between Russia and the West

President Alexandr Lukashenko, in power since 1994, was re-elected for the fifth time in 2015. Political opposition is anaemic. On the other hand, the social context, calm up to now, has grown more tense since the economic crisis of 2015, brought about by the quarrel with Russia and falling oil prices. Redistribution and increases in income were curbed, while unemployment grew. The reconciliation with Russia, satisfied to see Belarus maintain a certain distance with the West, allows the economic situation to recover to a certain extent, while reducing the social cost of reforms. However, the improvement remains fragile. The sharing with Russia of revenues from exports of oil products processed from oil sold below market price is regularly the subject of disputes, while the deterioration of relations between Russia and the West may complicate Belarus's balancing. China's increasing use of the country as a production and export base, as part of its "One Belt One Road" initiative, is a way to diversify the partners.

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 17%
- France 15%
- Netherlands 11%
- United Kingdom 9%
- United States 6%

Imports of goods, as a % of total

- Netherlands 16%
- Germany 14%
- France 9%
- United States 8%
- United Kingdom 5%

+ STRENGTHS

- Optimal location between UK, Germany and France
- Presence of European institutions, international organisations and global groups
- Ports of Antwerp (second largest in Europe) and Zeebrugge, canals, motorways
- Well-trained workforce through professional education, multilingualism
- Net external creditor position
- Excellent business climate

- WEAKNESSES

- Political and financial tensions between Flanders and Wallonia
- Complex institutional structure and multiple administrative levels
- Strong dependence on the Western European situation (goods and services exports = 82% of the GDP)
- Exports concentrated on intermediate products and the European Union
- High level of structural unemployment
- Heavy public debt
- Tight housing market
- Saturation of transport infrastructures

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.5	1.2	1.7	1.8
Inflation (yearly average, %)	0.6	1.8	2.2	1.4
Budget balance (% GDP)	-2.5	-3.0	-1.5	-1.4
Current account balance (% GDP)	0.4	-0.4	-0.4	-0.1
Public debt (% GDP)	105.8	105.7	103.8	102.5

(f): forecast

11.3
POPULATION
(millionsofpersons-2016)

41,248
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consolidation of growth in 2018

Growth accelerated in 2017. The components of demand, with the exception of the investment in housing, generally posted more dynamic growth than in 2016. Net exports, however, contributed only slightly to this recovery. While exports, which account for 85% of the GDP, benefited from strong growth in the Eurozone, imports rose, driven by rising energy costs and domestic demand. The recovery in growth should be consolidated in 2018. Household consumption will remain the main driving force. Purchasing power should benefit from an increase in disposable income as a result of tax cuts granted to households as part of the tax shift and lower inflation. The good performance of the labour market would continue to favour employment. Favourable financing conditions and declining employer contributions would support the rise in investment, while the rate of utilization of production capacity will remain above its long-term level. The wage moderation measures (index jump calculated on the basis of the health index) have also helped to improve the profitability of Belgian companies, but the latter should only progress slightly following the restoration of the index. Public investment is also expected to increase more rapidly than in 2017, driven by Flanders investment in the Oosterweel link (Antwerp ring road).

Exports should remain strong thanks to the expected growth of Belgium's three main trading partners, namely Germany, France and the Netherlands. However, they could suffer from the decline in their competitiveness because of the rising cost of labour. The contribution of net exports would remain low as domestic demand will continue to pull imports.

Slower decline in the structural public deficit in 2018

The fiscal deficit contracted in 2017 largely due to higher budget revenues that benefited from the economic recovery and low sovereign rates. However, it should stabilize in 2018 despite a more expansionary fiscal policy. In fact, the government plans to encourage activity by lowering taxes for households and businesses. Current spending is also expected to decline, but total spending would decrease to a lesser extent as a result of higher investment spending. The 2018 budget should result in a structural improvement of the budget balance of only 0.3% of the GDP at the risk of not meeting the requirements of the European Commission. Belgium has committed to reducing the structural deficit by 0.6% per year until 2019, which would eventually allow it to bring the public debt closer to 100% of the GDP threshold. The weight of the latter remains substantial and translates into an interest charge equivalent to more than 2% of the GDP. However, debt service would continue to contract as maturing government bonds will be refinanced at more favourable rates for the government. The resale of part of the state's stake in BNP Paribas will not, however, compensate for the progress of loans granted under the social housing policy.

The current account would remain in equilibrium. The trade surplus would fall slightly under the pressure of imports. Services will remain in surplus through IT, telecommunications, concession fees, transportation and trading.

The coalition remains in power

The federal government of Charles Michel is a centre-right coalition resulting from the federal elections of the 25th May 2014 and dominated by the Flemish parties. It includes Nieuw-Vlaamse Alliantie (N-VA), Christen-Democratisch en Vlaams (CD&V) and Open Vlaamse Liberalen in Democraten (Open VLD). The three Flemish parties of the coalition a few months earlier formed the same coalition within the Flemish government. As for the Reformist Movement, it is the only French-speaking party of the federal majority. The socialist party relegated to the opposition after 26 years of uninterrupted presence in the Belgian federal government, remains the top political force among Francophones. However, it seems to be weakened. The party has in fact been shaken by the proliferation of political scandals in 2017. At the beginning of this year, Wallonia was rocked by the Publifin affair, a public company that shares the management of local authorities (electricity, etc.) based in Liège, which has paid local elected representatives for services that have not been rendered. In May 2017, the Samu Sociale case triggered a controversy related to the management of its directors and resulted in the resignation of Yvan Mayeur, mayor of Brussels. These revelations should somewhat change the political landscape in Belgium, while 2018 should experience both a regional and municipal election. The results of these two deadlines should also give an overview of the electoral dynamics that should operate during the legislative elections of 2019.

PAYMENT AND COLLECTION PRACTICES IN BELGIUM

Payment

Bank transfers (SEPA & SWIFT) and electronic payments are the most commonly used methods of payment for businesses.

Cheques are rarely used and only in certain sectors (such as transport and in the wholesale of fruit and vegetables). As cheques no longer benefit from a guarantee from the issuing bank, the cheque issuer's account needs to contain sufficient funds in order to be for the cheque to be cashed. Issuing a cheque with insufficient funds is a criminal offence.

Bills of exchange are no longer used for payment in Belgium, except in certain sectors and in international transactions.

Payment defaults are no longer recorded in the *Moniteur Belge* (MB, Belgian Official Journal), but they can be consulted on the National Chamber of Bailiffs' website, where data is available to banks and professional organisations

Debt collection

Amicable phase

There are no special provisions for out-of-court debt recoveries between businesses. Creditors should attempt to gain payment from debtors by sending written reminders. Before commencing legal action against a debtor company, it is often worthwhile asking a lawyer to check the database of seizures.

Legal proceedings

Judgments are normally delivered within 30 days after closure of the hearings. A judgment is rendered by default in cases where debtors are not present, or represented, during the proceedings.

Fast track proceedings

This procedure is rarely used in B2B; and when the debt is disputed, it cannot be implemented. A 2016 law implemented a new set of procedural rules, creating an out-of-court administrative procedure for non-disputed debts. When an order of payment has been issued, the debtor has a month to pay the amount. If the debtor refuses, the creditor can request a bailiff to issue a writ of execution. Furthermore, under the new rules, lodging an appeal against a judgment will no longer suspend the enforceability of this judgment. Consequently, even if the debtor starts appeal proceedings, the creditor will be able to pursue the recovery of the debt.

Retention of title clause

This is a contractual provision stipulating that the seller retains title of goods until receipt of full payment from the buyer. Unpaid creditors can make claims on goods in the debtor's possession. It therefore follows that the retention of title clause is enforceable in all situations where creditors bear losses arising from insolvencies (see Bankruptcy/Judicial Reorganisation below), whatever the nature of the underlying contract. When goods sold under retention of title are converted into a claim (after a sale), the seller-owner's rights referring to this claim (the selling price) are known as real subrogation.

Ordinary proceedings before the commercial court

All disputes between companies can be tried by the Commercial Court in Belgium. In cases of cross-border claims using European legislation, a European execution for payment proceedings can be enabled. Claimants also have recourse to European Small claims proceedings.

Summon on the merits

Summon by bailiff, court date for the introduction of the case. If discussions do not take place, judgement will follow within four to six weeks. If there are discussions pending, parties need to put their intentions in written conclusions. After judgement, there is a possibility to appeal – if no appeal is filed, the execution will follow through the bailiff.

Attachment procedure

This judicial proceeding is conducted for the benefit of only one party *(ex parte)*. There are three essential conditions to proceed with an attachment:

1. Urgency of the measure
2. Prior authorisation of the judge is required to lay a conservatory attachment
3. The debt must be certain, collectable and liquid

A debtor may request the cancellation of the attachment if it has been unjustly imposed. However once an attachment has been imposed, it remains valid for a period of three years. Subsequently, a conservatory attachment may be transformed into an execution order.

Enforcement of a legal decision

A judgment becomes enforceable once all appeal venues have been exhausted. If the debtor refuses to execute payment, a bailiff can attach the debtor's assets or obtain payment through a third party (Direct Action). Foreign awards can be recognised and enforced in Belgium, provided that various criteria are met. The outcome will vary depending on whether the award is rendered in an EU country (in which case it will benefit from particularly advantageous enforcement conditions), or a non-EU country (for which normal exequatur procedures are applied).

Insolvency proceedings

Bankruptcy proceedings

Debtors can file for bankruptcy when they have ceased making payments for some time, or when the creditor's confidence has been lost. If bankruptcy is granted, creditors must register their claims within the time prescribed in the court's insolvency declaration. Failure to do so on the part of a creditor will result in the cancellation of their priority rights. The Court then appoints a trustee, or official receiver, to verify the claims. The retention of title clause can be cited by the creditor, in order to claim his property.

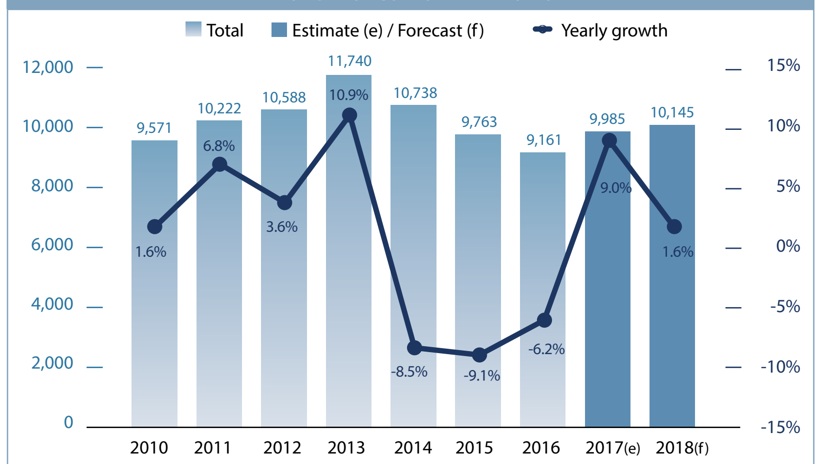
Since 2017, submissions of claims where bankruptcy procedures are involved must be made electronically, via the www.regsol.be website. This site is also a central register which records all bankruptcies over the last 30 years.

Judicial restructuring process *(reorganisation judiciaire)*

The judicial restructuring process is designed to reorganise a company's debts with its creditors. It can be granted by the court upon request of any debtor facing financial difficulties that threaten its continued business in the short or medium term. The debtor makes a reasoned application to the Registry of the Commercial Court in order to be granted an extended period to pay the debt. This extended period is normally set at six months, a period during which the debtor must propose a reorganisation plan to all of its creditors.

Outstanding creditors (those whose claims arose before the commencement of the extended period) cannot begin any execution procedure for the sale of real or personal property of the debtor, but can request enforcement of their retention of title clause. Nevertheless, the extended period does not prevent the debtor from making voluntary payments to any the outstanding creditors. In addition, the extended period does not benefit co-debtors and guarantors, who are still required to meet their commitments.

NUMBER OF CORPORATE FAILURES



Source: Statistics Belgium, Coface

BENIN

COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- India 14%
- Malaysia 12%
- Bangladesh 10%
- Belarus 7%
- China 6%

Imports of goods, as a % of total

- Euro Area 25%
- India 15%
- Thailand 12%
- China 8%
- Togo 7%

+ STRENGTHS

- One of the most stable democracies in Africa
- Significant financial support from donors (ODA, HIPC, MDRI)
- Strategic location (access to the sea for landlocked countries)

- WEAKNESSES

- High levels of poverty
- Narrow and volatile export base (dependent on fluctuations in cotton price)
- Erratic electricity supply
- Governance shortcomings
- Activity and tax revenues impacted by Nigeria's economic policy decisions
- Terrorist threat (Boko Haram) from neighbouring Nigeria

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.1	4.0	5.0	5.6
Inflation (yearly average, %)	0.3	-0.8	0.5	2.0
Budget balance (% GDP)	-8.0	-6.2	-7.9	-6.0
Current account balance (% GDP)	-7.6	-7.3	-7.2	-6.9
Public debt (% GDP)	42.4	49.5	54.3	54.4

(f): forecast

11.1
POPULATION
(millionsofpersons-2016)

771
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Continuation of favourable growth path

Growth is expected to continue on an upward trajectory in 2018, thanks to the moderate economic recovery in Nigeria and improved agricultural performance. Cotton production especially, in the absence of a major climate shock, is likely to rise, as is the cotton price. Growth will also be maintained by public and private investment, especially in connection with the government's action plan: "Benin Revealed", costing USD 15 billion over five years (2016-2021), i.e. 170% of GDP and focusing on infrastructure, energy, tourism and agriculture. The recently signed public-private partnership law should stimulate participation by the private sector. With the aim of making growth more inclusive and eradicating poverty, the government will continue programmes to reduce the isolation of the most remote regions, notably thanks to the completion of a railway line connecting Cotonou to Niamey, which will also boost activity at the Port of Cotonou. Private consumption trends will remain dynamic overall, while inflation in 2018 is expected to remain below the 3% threshold fixed by WAEMU, in a context of gradually rising domestic demand and higher prices for various import products (fuel, foodstuffs).

Gradual adjustment to the current account and fiscal deficits

While expansionary policies have put a considerable strain on deficit and debt in recent years, the government is expected to adopt a more restrictive approach in 2018 through a certain number of reforms aimed at rationalising spending and modernising the fiscal and customs regimes. Moreover, the IMF's approval in April 2017 of a three-year arrangement under the Extended Credit Facility for an amount of USD 151 million is expected to facilitate the reform programme and thus restore investor confidence.

The current account deficit is expected to persist, but will reduce in 2018 due to an improved trade balance. Exports (44% of which is cotton) are expected to increase significantly thanks to rising cotton production, accompanied by more dynamic external – particularly regional – demand, thanks to the Common External Tariff. Imports are likely to remain relatively as dynamic as before due to the considerable volume of imports of capital goods and domestic demand. Informal trade continues to occupy a predominate position, with transit trade and re-export trade to Nigeria representing 20% of GDP. Remittances from expatriate workers (of which almost half come from Nigeria) and aid should lead to a higher surplus in the balance of transfers. The current account deficit is mainly financed by concessional loans and by flows of FDIs associated with the activity of public-private partnerships for infrastructure services.

A commitment to reform by a president facing popular discontent

Businessman Patrice Talon won the presidential elections in March 2016. He has set out an ambitious programme of reforms, aimed, in particular, at restoring investor confidence; especially via prioritising an improvement in a business climate that is marked by corruption, patronage, red tape and a weak regulatory framework.

Despite some progress on business start-ups and insolvency resolution – the World Bank's Doing Business report ranks the country 155[th] out of 190 countries (153[rd] in 2016) – progress is slow, and his popularity amongst the public is crumbling in a context of rising popular discontent linked to the lack of social progress. Moreover, the rejection of the single-term presidency plan, although supported by President Talon, could result in him standing again in the next elections in 2021 despite having said he would abstain. Nonetheless, the new coalition formed in May 2017 and composed of 59 members of parliament brought together to form the BMP (majority bloc of parties in the National Assembly) supports the president, which could potentially speed up the implementation of the reforms.

BOLIVIA

COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Brazil 19%
- United States 14%
- Argentina 11%
- Euro Area 9%
- Colombia 9%

Imports of goods, as a % of total

- China 20%
- Brazil 18%
- Argentina 11%
- United States 10%
- Euro Area 8%

+ STRENGTHS

- Significant mineral (gas, oil, zinc, silver, gold, lithium, tin, manganese) and agricultural (quinoa) resources
- World's 15[th] largest exporter of natural gas
- Member of the Andean Community and Association Agreement with Mercosur
- Tourism potential

- WEAKNESSES

- Poorly diversified economy and dependent on hydrocarbons
- Poor development of private sector and heavy reliance on public sector
- Landlocked country
- Size of the informal sector
- Insecurity, drug trafficking and corruption
- Risk of social unrest

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.8	4.3	4.2	4.0
Inflation (yearly average, %)	4.0	3.6	3.2	5.1
Budget balance (% GDP)	-6.9	-6.6	-6.6	-6.3
Current account balance (% GDP)	-5.7	-5.7	-4.7	-4.7
Public debt (% GDP)	38.7	43.4	45.7	47.4

(f): forecast

10.9
POPULATION
(millionsofpersons-2016)

3,125
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth dependent on public sector

In 2018, growth will be sustained by dynamic internal demand, especially thanks to continued high levels of public spending in an economy dominated by the public sector. Public investment should continue to grow under an ambitious National Economic and Social Development Plan (*Plan Nacional de Desarrollo Económico y Social*, USD 48.6 billion between 2016 and 2020) first implemented in 2016 and built on an anti-cyclical stimulus objective in the face of falling commodity prices. Focused on the development of infrastructure and state-owned enterprises in the energy sector, this plan targets specifically the gas sector (29% of the country's exports in 2016) and the refining industry. Nevertheless, the results were below the objectives in 2017, due to a lack of skilled personnel, problems of corruption and priority given to the political agenda rather than the effectiveness of the projects. The level of private investment is expected to remain low, because of a business climate being more than inadequate (152[nd] in the Doing Business 2018 rankings, with the risk of nationalisation and discrimination against private investors in favour of state-owned enterprises) and dampening confidence. The manufacturing and mining sectors are likely to continue to be characterized by the lack of investment, worn down by structural problems, inefficiency and corruption. Agriculture (employing 32% of the workforce) should be robust provided good weather conditions prevail. Private consumption is expected to grow, in a context of controlled inflation thanks to the boliviano's dollar peg. Nevertheless, the non-payment of end-of-year civil service bonuses (bonuses subject to growth above 4.5%) could limit this rise. Finally, net exports will contribute negatively to growth. Higher gas exports, linked to the recovery observed in Brazil and Argentina (the two main destinations for Bolivian gas) are unlikely to offset the rise in imports linked to investment projects.

Persistent twin deficits

In 2018, there will still be a significant budget deficit despite the increase in energy royalties associated with rising hydrocarbon prices. The accommodative fiscal policy, under the five-year Investment Plan, as well as the considerable share of spending allocated to civil service wages and social programmes (28% and 19% of public spending respectively in 2016) limits deficit reduction. To finance its budget, Bolivia relies on external debt (bond issue for USD 1 billion in March 2017) and on the financial support of its strategic partners, including China in particular (USD 3.5 billion in loans for projects in 2016). The public debt will, therefore, increase but remain sustainable (external debt amounting to 37% of GDP in 2017).

From the perspective of the current account, the deficit is expected to remain large, burdened by a growing trade deficit. The rise in imports will be greater than that of exports, given the significant need for intermediate products for investment projects and competition from North American liquid gas. This deficit will be partially offset by remittances from expatriate workers (3.4% of GDP in 2016). Weak FDIs (0.5% of GDP in 2016) will force the government to finance it by drawing on declining foreign exchange reserves (14.2 months of imports in 2015, down to 11.6 months in 2016).

Heightened political tensions

In power since 2005, President Evo Morales, from the MAS Party (Movimiento al Socialismo), is exacerbating tension by trying to stand for a fourth term in the upcoming 2019 presidential elections. Written into the constitution, the two-term limit was scrapped by the Constitutional Court in November 2017 on grounds that it didn't respect the President's rights. This decision, taken following an appeal by MAS representatives, was seen as having been forced through by the President, after his defeat in the February 2016 referendum (51.3% against unlimited re-election). The appointment of judges to the Supreme and Constitutional Courts (December 2017), marked by 65% of blank or spoiled votes, is a sign of this growing defiance with regard to the government and the judiciary. The latter is criticised for its links to the executive. However, in response to this lack of satisfaction with the ruling party, the opposition is far from providing a convincing alternative, with support for opposition candidates even lower than for President Morales. Meanwhile, the government faces growing numbers of corruption cases involving state-owned enterprises and has been forced to intervene (arrest in June 2017 of top executives in the national gas company, YPFB, for peddling influence when awarding contracts). This further undermines an already mediocre business climate, given the relative legal insecurity (expropriations and nationalisations are still possible) and the ban on any recourse to international arbitration. The government's failure to meet the demands of diverse social groups is a potential source of popular protest.

BOSNIA AND HERZEGOVINA

COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 53%
- Croatia 10%
- Turkey 4%
- Hungary 2%
- Switzerland 2%

Imports of goods, as a % of total

- Euro Area 41%
- Croatia 10%
- China 7%
- Russia 4%
- Turkey 4%

+ STRENGTHS

- IMF financial aid
- Substantial immigrant workers' remittances
- Stabilisation and association agreement with the EU
- Tourist and energy potential

- WEAKNESSES

- Institutional, regulatory, ethnic, and economic fragmentation
- Weak public investment (transport, education, healthcare)
- Limited diversity and low added value of exports
- High unemployment (25%) and low participation in working life (43%)
- Inappropriate targeting of social protection
- Large size of the informal sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.1	3.1	2.9	3.2
Inflation (yearly average, %)	-1.0	-1.1	1.4	2.0
Budget balance (% GDP)	0.7	1.0	-0.6	-1.0
Current account balance (% GDP)	-5.7	-5.1	-4.5	-5.0
Public debt (% GDP)	42.0	41.0	40.0	40.0

(f): forecast

3.9
POPULATION
(millionsofpersons-2016)

4,298
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity sustained by consumption and exports

Despite a low-quality institutional and political environment, economic activity is expected to continue to grow moderately in 2018. Household consumption should be further improved by rising income, which will benefit from the vitality of immigrant workers' remittances (9% of GDP) and the tourism boom. Retail trade will benefit from this favourable trend, unless the problem of Agrokor's local distribution subsidiaries (Konzum and Mercator) is not resolved. Primary sector and industry exports, particularly mineral extraction, forestry, basic metallurgy, chemicals, shoes, and machinery, will grow thanks to the favourable economic situation of the main trading partners. The recent update of the commercial component of the Stabilisation and Association Agreement with the EU will contribute to this development. However, given that imports will increase with consumption at the same time, the contribution of trade to growth would be small. Public investment will depend on the IMF's release of additional funding as part of its expanded credit facility and, indirectly, funding from the EU. Their payment is conditional on the adoption of a number of reforms, particularly with regard to indirect taxation and bank deposit guarantees. This money would boost construction through the continuation of the construction of the "Corridor Vc" motorway, which is expected to cross the country between the Croatian border to the north and the Adriatic Sea. Both domestic and foreign private investment will remain modest because of the persistence of institutional weaknesses and a mediocre business climate not offset by the low cost of labour.

Suitable public accounts, but a high current account deficit

A slight loosening of fiscal policy, coupled with the non-renewal of Russia's repayment of Soviet debt in July 2017 for EUR 125 million, is expected to lead to the re-emergence of a slight public deficit in 2018. However, a small deficit and moderate growth will stabilise the proportion of public debt, the foreign share of which represents 29% of GDP, which was obtained under favourable conditions from public multilateral agencies and is denominated mainly in euros and the local currency, the mark, pegged to the euro. It is divided almost equally between the country's Bosnian-Croat and Serbian constituent entities, but, given the respective GDPs, the Serbian public debt is more burdensome (60% of GDP). While the public accounts situation appears to be adequate, their management fragmented between the central State and the two constituent entities, the blocking of multilateral payments forcing the acquisition of debt locally at a high rate, while the servicing of the debt already accounts for 5% of GDP, and the future cost of the pension and healthcare systems suggest a difficult future.

The current account deficit should remain high in 2018. The trade deficit should still represent about a quarter of GDP. Immigrant workers' remittances and the surplus of services related to tourism and transport will partially offset the trade deficit, as usual. FDI (3% of GDP), some financing from the EBRD, and the short-term indebtedness of the private sector will make it possible to balance payments, while keeping foreign exchange reserves at a comfortable level, equivalent to six months of imports. Despite the debt reduction of banks, foreign debt represents 76% of GDP, and its private share alone accounts for 46%.

A political environment marked by ethnic divisions and three coexisting governments

Following the 1995 Dayton Accords, Bosnia Herzegovina was divided into two distinct autonomous entities: the Federation of Bosnia-Herzegovina, predominately Bosniak (Muslim) and Croat, and the Serb Republic of Bosnia, to which the Brčko district managed by the central State is added. The central State is headed by a collegial Presidency that is representative of the three "constitutive peoples" with a presidency alternating every eight months. The Constitution grants only very limited powers to the central State: responsibility for foreign and monetary policy, customs duties, VAT, transport and defence. Even these competences are difficult to manage, because each ethnic component has a blocking minority within the Central Parliament. In addition, at both the central and entity levels, there is a great deal of government instability due to the fact that the nationalist parties fluctuate within government coalitions. At the central level, there is no longer a majority, preventing the adoption of texts influencing the resumption of multilateral financing and the candidature for the EU. It is likely that the general elections of October 2018, both at the central level and at the level of the two entities, will not improve the situation, with voters continuing to vote exclusively in favour of nationalist parties. The political instabilities will remain, with the Bosniak Muslim politicians attempting to increase the role of the central government, whilst Croat politicians, striving to establish their own autonomous entity, as well as the Serb politicians work to block the legislative process. Institutional complexity makes it difficult to correct inadequacies of justice, regulatory disparities, corruption, oppressiveness, and poor administrative efficiency.

BOTSWANA

COFACE ASSESSMENTS

A4
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 20%
- India 15%
- South Africa 14%
- Namibia 12%
- United Arab Emirates 10%

Imports of goods, as a % of total

- South Africa 64%
- Namibia 10%
- Canada 6%
- Euro Area 5%
- India 3%

+ STRENGTHS

- Abundant natural resources (especially diamonds)
- Sustainable level of public and external debt
- Substantial currency reserves
- Political stability and level of governance, placing the country among the leading countries in Sub-Saharan Africa and in the international rankings of the business environment.
- Member of SACU (Southern Africa Custom Union)

- WEAKNESSES

- Dependence on the diamond sector (more than 80% of exports)
- Insufficient infrastructure (production and distribution of water and electricity)
- Inequality and high unemployment
- Stagnation of poverty at a relatively high level

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-1.7	4.3	3.3	4.5
Inflation (yearly average, %)	3.1	2.8	3.4	3.9
Budget balance (% GDP)*	-4.7	-0.7	-3.6	-4.1
Current account balance (% GDP)	8.3	11.7	4.5	4.1
Public debt (% GDP)	16.4	15.5	15.5	15.0

*last fiscal year from April 2018 to March 2019 (f): forecast

2.2
POPULATION
(millionsofpersons-2016)

7,227
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consolidation of growth thanks to diamonds

Constrained in 2017 by the cessation of activity at both the copper and nickel mine (BCL) and the Lerala diamond mine, growth should resume in 2018. The acceleration of the pace of growth will be supported by the extractive industries sector (20% of GDP). The demand for diamonds, which collapsed in 2015, should see a gradual recovery and thus support Botswana's exports, with the latter also set to benefit from the first full year of production at the Mowana copper mine, which reopened in mid-2017.

Public investment, carried out under the economic stimulus package (adopted in 2015), and the eleventh national development plan will also support activity, particularly in the services sector. In particular, tourism, financial services, education, and health are targeted to promote economic diversification, which has long been promised but slow to materialize. The construction sector should benefit from investment in infrastructure. In the short term, however, the program is expected to provide only modest support for household consumption, due to persistently high rates of poverty and unemployment. Industries will continue to suffer from unreliable water and electricity supplies, as well as a lack of skilled labour. Despite a slight rise, inflation should remain contained, reflecting moderate domestic demand.

Public and external accounts burned by decreased SACU revenues

The expansionary positioning of the 2018/2019 budget to support growth should continue to widen the deficit. Investment capital expenditures, particularly in water and transport infrastructure, are set to have a large impact on the budget. Military and defence spending – defined as one of the government's priorities for the fiscal year beginning on the 1st April 2018 – should also contribute to the widening of the deficit. In the run-up to the 2019 elections, allowances and subsidies to public companies have also been revised upwards. Tax incentives for companies setting up in the Selebi Phikwe region – the location of the BCL mine, and hit hard by its closure – are notably planned. Progress in domestic revenue mobilisation and a likely increase in mining revenues will only partially offset the decline in SACU customs revenue.

The current account balance surplus is expected to continue to decline in the wake of deterioration in the transfers balance. Transfers from SACU would be the main contributors to this degradation. An increase in the price of diamond carats should support income from the export and re-export of diamonds. Close to non-existent after the closure of the BCL mine in the first half of 2017, exports of copper and nickel, bolstered by better prices of these base metals, should help maintain the trade surplus, while the services balance should benefit from a recovery of tourism.

Taking the external accounts situation into account, Botswana has comfortable foreign exchange reserves (more than ten months of imports of goods and services). The surplus reserves remaining after an assessment of the Central Bank are transferred to the Pula Fund, a sovereign fund created in 1994, which makes it possible to finance a large part of the budget deficit. In addition, recourse to domestic and external borrowing will remain limited: the debt should therefore remain low.

Ian Khama hands over the reins

In keeping with Botswana's political tradition, Ian Khama, re-elected president for a second term in 2014, is expected to resign in March 2018, and to hand over the reins to his Vice President, Mokgweetsi Masisi. After winning the presidential race of the Democratic Party of Botswana (BDP) in July 2017, he will assume the office of President until the general elections of 2019, when he will likely represent his party. In power since the independence of Botswana (1966), support for the BDP seems to have eroded in recent years: despite obtaining two-thirds of the seats, the party achieved only 47% of the popular vote recorded in 2014 – the weakest in its history, and for the first time below the symbolic 50% mark. Given the insufficient progress in economic diversification that could reduce unemployment, poverty, and inequality during Khama's term, an erosion of support for the BDP could again be seen in 2019. However, the divisions of the opposition coalition, the Collective for Democratic Change (UDC), symbolized by the split of the Botswana Movement for Democracy (BMD) and the formation of the Alliance of Progressives in September 2017, could work in favour of the BDP.

Regularly positioned among its sub-Saharan African peers in international rankings, Botswana still has some progress to make to improve its business environment and support private sector development.

COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 19%
- Euro Area 16%
- United States 13%
- Argentina 7%
- Japan 2%

Imports of goods, as a % of total

- Euro Area 19%
- United States 18%
- China 17%
- Argentina 7%
- South Korea 4%

+ STRENGTHS

- Varied and rich mineral resources and agricultural harvests
- Well diversified industry
- Improving institutional transparency following recent corruption scandals
- Strong internal reserves position (import coverage of roughly 30 months)

- WEAKNESSES

- Very sensitive fiscal position
- Bottlenecks in infrastructure
- Low investment level
- High cost of production (wages, energy, logistics, credit)
- Shortages of qualified labour; inadequate education system

SECTOR RISK ASSESSMENT

Key economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-3.8	-3.6	0.7	2.3
Inflation (yearly average, %)	9.0	8.7	3.7	4.0
Budget balance (% GDP)	-10.2	-9.0	-9.2	-7.6
Current account balance (% GDP)	-3.3	-1.3	-0.6	-1.6
Public debt (% GDP)	65.5	69.9	74.4	74.8

(f): forecast

206.1
POPULATION
(millionsofpersons-2016)

8,727
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity is gradually recovering

After two years of sharp recession, the economy rebounded in 2017, with GDP growing by 0.6% year-on-year during the first three quarters of the year. On the supply side, agriculture climbed by 14.5% year-on-year, driven by the favourable weather conditions that contributed to a record harvest. Industrial and services activities improved as well: industry rose by 0.4% year-on-year in the third quarter of 2017, while services grew by 1%. On the demand side, the rebound has been mainly driven by household consumption. The improvement is explained by more benign macro fundamentals, such as declining unemployment, low inflation level, and a strong easing monetary cycle since October 2016. On the other hand, investments have weakened as a result of political turmoil: gross fixed investments shrunk by 3.6% in the first nine months of 2017 year-on-year.

Activity is set to gain strength this year, driven by a stronger recovery of household consumption and by exports. A repressed consumption, a stronger job market and a faster pass-through from lower policy rate to the final interest rates will contribute to this movement. In addition, foreign trade should continue to benefit from a still solid global activity (particularly the recovery in Argentina). Despite the generally more positive perspective, investments are likely to remain undermined by upcoming presidential elections (October 2018).

Comfortable trade surplus diverges from a bleeding fiscal account

Brazil's current account has improved significantly in recent years. This shift has been mainly led by a record trade surplus. Weakened local demand versus the relatively higher global growth played a decisive role. The current account deficit is expected to marginally widen in 2018 as economic rebound gains traction. Nevertheless, the current account deficit will remain easily covered by direct investments received by the country (coverage of approximately eight times).

The fiscal aspect remains the Achilles's heel of the Brazilian economy. Gross public debt has increased significantly over recent years, leading the country to successive downgrades by rating agencies. The economic team of President Michel Temer took office in May 2016 and has since pursued a tightened fiscal policy. Improvements were achieved, such as the approval in Congress of a spending cap that limits the growth of government expenses by the previous year's inflation. A social security reform, which is a key to containing fiscal bleeding, was also sent to the Lower House in December 2016. However, the proposal – which requires 60% support in two rounds of voting in the Lower House and in the Senate – was delayed by new political scandals that came into light and threatened President Temer's government, which managed to weather two complaints imposed by the Attorney General, but not without consequences. The now-weakened government, with less political support in Congress, is running out of time to pass a softer version of the social security reform, which nonetheless might be unsuccessful due to the proximity of the legislative elections in October 2018.

Presidential elections of October 2018 will be closely watched

Former Vice President Michel Temer (centre-right PMDB party) became President in August 2016, after President Dilma Rousseff (leftist Labour Party) was impeached by the Congress. The case was triggered by the accusation that her government was hiding the size of the public deficit (breaking the Fiscal Responsibility Law). Her dismissal, however, gradually became more likely with the "Operation Car Wash" investigation approaching the heart of her party. This investigation, initiated in March 2014 and carried out by the Federal Police of Brazil, has revealed widespread corruption scandals within several of the country's political parties, and impacted President Temer in May 2017. The new turmoil was triggered by the content of the plea bargain of the chairman of Brazil's largest meat processing group. President Temer was able to survive two charges brought against him by the Attorney General, thanks to a mobilization that included the ostensive use of the state apparatus.

The presidential and legislative elections in October 2018 will be held in a challenging political environment. The population is both tired of the current government (only 5% considers the PMDB government good or very good) and angered by the widespread corruption. This scenario might create an opportunity for outsiders, but because the presidential candidates are not yet concretely confirmed, it is too early to try and predict the winner. However, former president Luiz Inácio Lula da Silva (Labour Party) and the extreme-right populist Jair Bolsonaro were doing well in the polls in late 2017. "Lula" is currently the frontrunner, but might not be able to run after being found guilty on corruption and money-laundering charges in July 2017. If his sentence is maintained on appeal, he will be prevented of running for elections.

PAYMENT AND COLLECTION PRACTICES IN BRAZIL

Payment

Bills of exchange (*letra de câmbio*) and, to a lesser extent, promissory notes (*nota promissória*) are the most common form of payment used in local commercial transactions. The validity of either instrument requires a certain degree of formalism in their issuance.

The use of cheques is relatively commonplace – often post-dated in practice and thus transformed into credit payment instruments – and their issuance requires comparable formalism.

Although the use of the above credit payment instruments for international settlements is not advisable, they nonetheless represent, an effective means of pressure in case of default, constituting an extra-legal enforcement title that provides creditors with privileged access to enforcement proceedings.

The *duplicata mercantil*, a specific payment instrument, is a copy of the original invoice presented by the supplier to the customer within 30 days for acceptance and signature. It can then circulate as an enforceable credit instrument.

Bank transfers, sometimes guaranteed by a standby letter of credit, are also commonly used for payments in domestic and foreign transactions. They offer relatively flexible settlement processing, particularly via the SWIFT electronic network, to which most major Brazilian banks are connected.

For transfers of large sums, various highly automated interbank transfer systems are available, e.g. since April 2002, the STR real time Interbank Fund Transfer System (*Sistema de Transferência de Reservas*) managed by Banco Central do Brasil or the RSFN / National Financial System Network (*Rede do Sistema Financeiro Nacional*) linking various financial operators in Brazil in real time.

Debt collection

Amicable Phase

Creditors begin this phase by attempting to contact their debtors via telephone and email. If unsuccessful, creditors must then make a final demand by a registered letter with recorded delivery, requesting that the debtor pay the outstanding principal increased by past-due interest as stipulated in the transaction agreement. In the absence of an interest-rate clause, the civil code stipulates use of the penalty interest rate imposed on tax payments, which is 1% per month past due.

When creditors are unable to reach their debtors by phone and/or email, a search of the company's contacts, partner businesses, and owners is conducted, in order to establish contact and enter into a settlement negotiation. If there is still no contact, this leads to an investigation of assets, an on-site visit, and an analysis of the debtor's financial situation so as to ascertain the feasibility of taking legal action. Considering the slow pace and the cost of legal proceedings, it is always advisable to negotiate directly with defaulting debtors where possible, and attempt to settle on an amicable basis, taking into consideration that a repayment plan may last for up to two years. If amicable settlement negotiation is unsuccessful, creditors may attempt to reclaim the money owed via the Brazilian judicial system.

Legal proceedings

The legal system comprises two types of jurisdiction. The first of these is at the state level. Each Brazilian state (26 states, plus the *Distrito Federal* of Brasilia), notably including a Court of Justice (*Tribunal de Justiça*) whose judgments can be appealed at the state level. Legal costs vary from state to state.

The second type of jurisdiction involves the Federal Courts. There are five regional Federal Courts (*Tribunais Regionais Federais,* TRF), each with its own geographic competence encompassing several States.

For recourse on non-constitutional questions, TRF judgments can be appealed to the highest court of law, the *Superior Tribunal de Justiça* (STJ) located in Brasilia.

Brazilian law provides a wide range of legal measures to be used in defence of the rights of creditor against debtor, and provides also a large number of appeals to debtor.

Monitory Action

The *ação monitória* is a special procedure that can be filed by any creditor who holds either a non-enforceable written proof, or any proof that is considered as an extrajudicial instrument recognized by the law as enforceable (even if it does not comply with all the legal requirements).

If the debtor's obligation is deemed certain, liquid and eligible, the Municipal Courts usually render payment orders within fifteen days. If the debtor fails to comply within three days, the order becomes enforceable. In cases of appeal, the creditor has to commence formal ordinary legal action. The difference between this procedure and the Enforcement Proceeding is in the legal requirements and in the possibility of questioning the merit of the obligational relationship by the debtor over the course of the suit.

The *ação monitória* is slower than a regular Enforcement Proceeding: if the debtor presents an objection in the court, the merits of the commercial relation will be thoroughly discussed in the same fashion as a Standard Lawsuit. The estimated period of this lawsuit is on average two years.

Ordinary proceedings are presided over by an interrogating judge (inquisitorial procedure), and require a scrupulous examination of evidence submitted by each party in conjunction with study of any expert testimony. The creditor must serve the debtor with a registered Writ of Summons, which the debtor must answer within fifteen days of receipt. The initial proceedings encompass an investigation phase and an examination phase. The final step of the process is the main hearing, during which the respective parties are heard. After this, a judgement is made by the court. The tribunal may render a default judgment if a duly served writ is left unanswered. It takes two to three years to obtain an enforceable judgment in first instance.

Enforcement of a legal decision

Of a Court decision

A final judgment is normally automatically enforced by Brazilian Courts. Since the reforms in 2005 and 2006, attachment of the debtor's assets is possible if the latter fails to obey a final order within three days. In practice, execution can prove difficult, as there are very few methods for tracing assets in Brazil.

Foreign awards can be enforced if they meet certain conditions:

- The homologation has to be concluded by the Superior Court to be enforced in Brazil
- The parties have be notified
- The award has to comply with all the requirements for enforcement (such as being translated from Portuguese by a public sworn translator).

Of an extra judicial instrument

The enforcement of extrajudicial instruments is a legal type of enforcement granted to the creditor in order to allow him to claim his rights against the debtor. This is the most direct and effective court vehicle to recover credits in Brazil. This lawsuit does not require prior guarantees from foreign creditors (as the bond in the monitory suit for example).

Moreover, Brazilian legislation renders some documents enforceable. These are separated in two main categories:

- Legal enforcement titles, including judgments made by a local Court recognizing the existence of a contractual obligation, and court-approved conciliations and arbitral awards
- Extra-legal enforcement titles, such as bills of exchange, invoices, promissory notes, *duplicata mercantil*, cheques, official documents signed by the debtor, private agreements signed by debtor, creditor and two witnesses (obligatory) – as an acknowledgement of debt, secured agreements, and so on
  - It is obligatory to submit the original versions of these documents – copies are not accepted by the court

On average and within the main states, it takes a year for a judgement to be made following the initiation of legal proceedings.

Insolvency proceedings

Out of Court restructuring

Debtor can negotiate a restructuring plan informally with their creditors. The plan must represent a minimum of 60% of the total debt amount. This plan must be approved by the court.

Judicial Restructuring Procedure

The objective of this procedure is to help companies overcome financial difficulties and to preserve the company, its employees and creditors' interests, with the goal of leaving it able to continue business once the procedure is completed.

The principal stages of this lawsuit are as follows:

- Debtors make a restructure to the request to the court, or request the conversion of a liquidation request to the court from their creditor(s)
- If the plan is accepted by the court, debtors typically have typically 60 days (though this period is not necessarily mandatory) to present a list with all debts from creditors, and a payment plan
- A judge schedules two creditors' meetings, with the second only occurring if the first one does not take place. During these meetings, the proposed plan must be accepted by a majority of creditors
- Payments start as decided in the approved plan.

The estimated period of this lawsuit is between 5 and 20 years

Liquidation

The objective of the liquidation process is to collect all of the incomes of debtors who are declared bankrupt. The principal stages of liquidation are as follows:

- Liquidation can be requested by either debtors (*auto-falência*), or any of their creditors if the debt totals more than 40 times the minimum wage
- The initiating party must prove the existence of a net obligation, overdue and defaulted by presenting protested enforceable title (special protest – personal notice of debtor);
- Upon analysis of a debtor's financial situation, the judge can decide that the company must be liquidated

All of the company´s assets have to be sold and the obtained amount is shared equally between creditors, respecting eventual privileges.
The estimated period of this lawsuit is between 7 and 20 years .

BULGARIA

COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 14%
- Italy 9%
- Romania 9%
- Turkey 8%
- Greece 7%

Imports of goods, as a % of total

- Germany 13%
- Russia 9%
- Italy 8%
- Romania 7%
- Turkey 6%

+ STRENGTHS

- Fixed parity against the euro (1 euro = 1.96 lev) backed up by significant foreign exchange reserves
- Diversified productive base
- Low production costs: good competitiveness
- Low public debt
- Many tourist assets

- WEAKNESSES

- Government instability, fragmented political landscape and close ties to the business community
- Corruption and organised crime
- Mediocre effectiveness of public services and legal system (influence of business circles)
- Poor use of European structural funds and mediocre infrastructure
- Supervision of banking sector still inadequate
- Lack of skilled workforce and high long-term unemployment (61% of the total)
- Low rate of participation in the labour market by rural workers, Roma community and older people
- Relatively poor (per capita GDP = 45% of EU average) and declining population

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.6	3.9	3.8	3.7
Inflation (yearly average, %)	-1.1	-1.3	1.1	1.6
Budget balance (% GDP)	-2.8	1.6	-0.4	-0.6
Current account balance (% GDP)	-0.1	4.2	2.4	1.9
Public debt (% GDP)	25.6	27.8	24.6	24.2

(f): forecast

7.1
POPULATION
(millionsofpersons-2016)

7,377
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth sustained by domestic demand

In 2018, household consumption will continue to be the main contributor to growth, despite slightly higher inflation. Households will benefit from higher wages resulting from the lack of a skilled workforce linked to inadequate training and emigration. A higher minimum wage and jobs growth will also provide a boost, with unemployment at a historic low (6.7% in October 2017). Meanwhile, higher bank profits and the decline in non-performing loans have helped consolidate the banking sector, weakened in 2014 by the collapse of the country's fourth largest bank. Combined with satisfactory stress test results and low interest rates, this will continue to encourage borrowing, both by households and businesses. Private investment will benefit from positive export trends as well as the recovery in residential property. Construction will also be buoyed by robust public investment, associated with better use of European structural funds. Tourism growth will be more modest, due to the stabilisation of the security situation in Turkey, as the country broadly benefited from Turkey's decline as a tourist destination. Nonetheless, exports of goods will continue to be underpinned by dynamic European Union demand (67% of exports). They are still competitive, as salaries remain low, despite outpacing productivity gains since 2013. The country exports a huge variety of products such as cereals, oilseed crops, tobacco, medicines, machinery, metals and electricity.

Sound public and external accounts

The 2018 budget provides for a substantial increase in spending on education (higher salaries for teachers), social protection (higher pensions) and defence. Public investments are expected to increase by 50%, thanks to the implementation of infrastructure projects with the assistance of European structural funds. Despite higher spending, the fiscal deficit will remain weak in 2018, due to the accompanying rise in tax receipts. These will be boosted by domestic demand, improved tax collection and the award of operating license for Sofia Airport, income from which is intended to shore up the heavily indebted national railway. Despite the bank rescue in 2014-2015, the public debt burden has remained modest. The increase in 2016 is explained by prefinancing used to boost government reserves. Thanks to the weak deficit and growth above average interest rates, the debt burden should ease.

Despite the favourable exports trend, the trade deficit will remain considerable (5.8% of GDP in 2017) because of lively internal demand and rising energy prices. This deficit will be more than offset by the services surplus (7.4%) generated by road transport and tourism on the Black Sea beaches, but which could decline as more Bulgarians travel abroad. Meanwhile, remittances from expatriate workers and European subsidies (3.4%) have exceeded dividend repatriation by foreign investors and the payment of external interest rates (2.3% of GDP, both taken together). The current account surplus, European funds and foreign direct investments all help to fuel foreign exchange reserves whose abundance (over 9 months of imports) ensures the credibility of the lev's peg to the euro. They also allow the gradual repayment of the external debt (70.7% of GDP), which is mainly private and a third of which alone is represented by intragroup loans.

The EU presidency will maintain precarious political stability

Following the defeat of the candidate he supported during the November 2016 presidential elections, Prime Minister Boyko Borissov stood down. His centre-right party, Citizens for the European Development of Bulgaria (GERB), nonetheless won 32.5% of the votes cast in the early elections held on 26 March 2017, while the Bulgarian Socialist Party almost doubled its 2014 share of the votes to reach 27%. Prime Minister Boyko Borissov was thus forced to form a coalition with the United Patriots, which won 9% of the votes by bringing together three ultra-nationalist parties, including the extreme right, pro-Russian Atalka. Achieved at the cost of fiscal concessions and vulnerable to splits on foreign policy, the very relative stability of the coalition is, however, expected to last at the expense of wide-ranging reforms, thus confirming the ongoing dependence of the two main parties on several small groupings. A tacit agreement between the different political alliances will help stabilise the political situation during the first half of 2018, which is the year in which the country will hold the Presidency of Council of the European Union. However, the frequency of early elections is a factor of instability, especially as electors are starting to express their frustration with their relatively low standard of living, the inequalities of a flat-rate tax of 10%, corruption, organised crime and vote buying.

BURKINA FASO

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 67%
- India 6%
- South Africa 5%
- Singapore 4%
- Euro Area 4%

Imports of goods, as a % of total

- Euro Area 26%
- China 12%
- Ivory Coast 8%
- Japan 8%
- India 4%

+ STRENGTHS

- Africa's leading cotton producer
- Gold exporting country (Africa's 5th largest producer)
- Member of the West African Economic and Monetary Union (which ensures the stability of the CFA franc, fixed parity against the euro)
- Low unemployment rate (4%)
- Supported by the international financial community (one of the first countries to have benefited from the HIPC initiative)

- WEAKNESSES

- Economy highly exposed to weather events
- Size of the informal sector
- Vulnerable to movements in cotton and gold prices
- Heavily dependent on foreign aid
- Weak electricity infrastructure
- Demographic pressures, high poverty rate, very weak human development index

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3,9	5,9	6,4	6,5
Inflation (yearly average, %)	0.9	-0.2	1.5	2.0
Budget balance * (% GDP)	-1.6	-2.4	-4.6	-3.6
Current account balance (% GDP)	-8,0	-6.8	-7.2	-7.1
Public debt (% GDP)	33.4	35.7	36.5	37.7

* Including grants (f): forecast

18.4
POPULATION
(millionsofpersons-2016)

658
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Strong growth associated with construction and mining activity

Growth recovered in 2016 and 2017, after two years of political instability, poor rainfall and relatively low commodity prices. Growth is set to remain high in 2018, boosted by gold production and public investment. The construction of a road linking the capitals of Ivory Coast and Burkina Faso (Yamoussoukro and Ouagadougou) is due to begin in 2018. The estimated cost of the project for Burkina Faso is CFA 1,200 billion (EUR 1.83 billion) and will probably be financed under a public/private partnership (PPP). Reforms enabling such contracts were introduced in 2017 and more public services are likely to be delivered by private companies in the years to come. In 2018, consolidation in the building and public works sector thus seems to be the order of the day and business owners in the sector are confident. Meanwhile, the AfDB has approved the 2017-2021 Country Strategy Paper, which is included in the National Plan for Economic and Social Development (PNDES) 2016-2020 and which focuses on growth by developing the energy and agriculture sectors. Agriculture will receive a boost from the start of operations at the agro-poles in Samendeni, Sourou and Bagre. The Zagtouli solar power plant, inaugurated in late 2017, financed thanks to loans from the African Development Bank (AfDB) and the Agence Française pour le Development (AFD) will enable the country to generate over 100 megawatts of electricity a year. Gold mining, the country's most vibrant industry, is expected to remain dynamic with positive results posted by new market entrants in 2017. Private consumption will be sustained by stable food prices, lower unemployment and higher real wages.

Inflation, which is very sensitive to variations in food prices, and accordingly, to weather conditions, is likely edge up in 2017, but will be contained thanks to WAEMU's monetary policy.

The sustainability of the fiscal deficit depends on foreign aid

The fiscal deficit is likely to widen and remain at a reasonable level in 2018, thanks to grants, which represented 18% of government revenues in 2016. Revenues are growing steadily, especially taxes on goods and services. Against this, current spending rose by 31.4% in the second quarter of 2017. This is a direct consequence of the implementation of law 081, which establishes a new civil service salary grid. The government is struggling to meet the WAEMU convergence criteria with regard to the fiscal deficit, wage bill and the tax burden. 74% of the deficit is financed via external debt, mainly through international creditors (AfDB, IMF, World Bank) as the domestic banking sector remains very precarious.

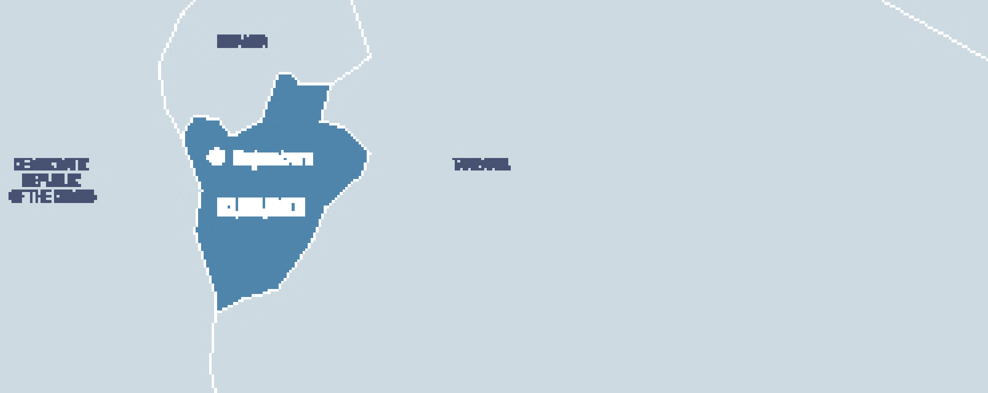
Despite the increase in orders for intermediate goods and equipment under the PNDES, the import bill is not expected to rise strongly as it is mostly dependent on the oil price and on the price of foodstuffs. Gold and cotton are the country's two main export items (64% and 16.1% respectively in 2016). The external public debt (23.2% of GDP in 2016) is still mainly financed by concessional loans from international creditors.

The post-Compaoré political transition faces a security challenge

In October 2014 the political scene was destabilised by a popular uprising (against a constitutional reform allowing the president to remain *ad vitam aeternam*) which brought down Blaise Compaoré, who had been in power since 1987. This was followed by an attempted military coup d'état against the transitional government in September 2015. Roch Marc Christian Kaboré was elected as president with 53.5% of the votes cast in late 2015. His party, the Movement of People for Progress (MPP), won the local elections in 2016. Because of the violence and unrest preventing smooth and fair elections in nineteen departments, partial elections had to be organised in 2017 to determine the distribution of 814 unfilled seats and this led to an increased lead for the MPP. However, the MPP's position remains vulnerable against a background of local ethnic tensions and in a country strongly affected by poverty, unemployment and corruption. Supporters of Mr Compaoré remain alert to the slightest false move by the government.

Poor-quality infrastructure, difficulty in accessing credit and a weak financial system make for a difficult business climate (146th out of 190 according to the World Bank's 2017 Doing Business rankings). Regional security remains one of the main challenges for the country, attacked several times since 2015, especially from the north. The latest attack was on a restaurant in Ouagadougou, which left eighteen dead and about ten injured in August 2017. The threat posed by Islamist groups in the Sahel is a challenge to political stability and an obstacle to overall progress on investment. In 2017, the G5 Sahel countries (Mali, Mauritania, Niger, Chad and Burkina Faso) decided to set up a counterterrorism force to combat Al-Qaeda in the Islamic Maghreb (AQMI). This joint force will benefit from training and logistical support from Morocco and from financial support from the European Union (EUR 50 million).

BURUNDI



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Congo DR	30%
United Arab Emirates	16%
Kenya	14%
Euro Area	8%
Sudan	5%

Imports of goods, as a % of total

Euro Area	14%
China	13%
India	12%
Tanzania	8%
Saudi Arabia	8%

+ STRENGTHS

- Natural resources (coffee, tea, gold)
- Cancellation of 75% of the external public debt in 2009
- Membership of the East African Community (EAC)

- WEAKNESSES

- Entrenchment of the political crisis which began in 2015
- Suspension of international aid following the political crisis
- Border tensions with Rwanda
- Poorly diversified economy, vulnerable to external shocks
- Geographic isolation
- Activity hampered by lack of infrastructure and limited access to electricity

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth(%)	-3.9	-0.6	-1.5	0.9
Inflation (yearly average, %)	5.5	5.5	15.7	13.2
Budget balance (% GDP)	-14.1	-9.1	-11.1	-11.8
Current account balance (% GDP)	-22.0	-17.1	-14.1	-14.2
Public debt (% GDP)	46.0	47.2	57.1	65.7

* excluding grants (f): forecast

9.6
POPULATION
(millionsofpersons-2016)

325
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Burundi's economy brought to its knees by political crisis

After three years of recession, the Burundian economy is expected to timidly resume growth in 2018. Nevertheless, political uncertainty and sanctions imposed by the European Union – the country's main financial donor – are expected to continue to put pressure on activity. A shortage of fuel at a national level in 2017, triggered by the depletion of foreign exchange reserves, shows an economy grinding to a halt. Rising prices, particularly for imported goods, are strangling household consumption, on which growth primarily depends. Inflation, although expected to benefit from a slowdown in the depreciation of the national currency, is likely to remain high in 2018 and continue to erode the meagre incomes of the Burundian people. The 2017/2018 harvest years for coffee and tea, the country's main export products (almost 48% of export income in 2016), are, admittedly, likely to be better than the previous years, but will not be sufficient to bring relief to a country whose population is among the poorest in the world (per capita GDP in 2016 was USD 325, according to the World Bank). The government's limited resources are primarily directed towards maintaining order, with public spending providing only minimum support for growth. The still high tensions will curb any rebound in private investment, thus adding to the gloomy assessment of the Burundian economy.

In the absence of international aid, the imbalances persist

The pressure on public accounts is expected to continue in 2018. Income flows are expected to remain weak: tax income remains steady only thanks to tax levels which sap Burundian households' purchasing power, while the collection of non-tax income, with donations cut, is expected to remain mediocre. Deprived of support from international donors, who were mainly responsible for financing infrastructure, capital spending will remain modest. Accordingly, it is current spending which will continue to put pressure on the overall balance.

The current account deficit, exacerbated by the suspension in aid from the European Union, will remain under pressure in 2018. Dependent on imports, Burundi suffers from a trade balance structurally in deficit which puts pressure on the current account deficit. In 2018, despite a probable increase in coffee and tea production, the value of exports is expected be hit by the unfavourable development in the price of these two commodities.

Under pressure from these twin deficits, the Burundian franc is set to depreciate further. Already weakened by low revenues, the dependence on international aid, and the weak export base before the political crisis, the country is all the more exposed to the risk of over-indebtedness. Financing its external debt and some of its fiscal deficit through borrowing, Burundi has seen its public debt ratios deteriorate. Domestic debt, mainly taken out with the Central Bank, is, in particular, rising very rapidly and now accounts for over 65% of the total outstanding debt, whereas it represented less than 50% at the end of 2013.

Political impasse continues

The tensions following President Pierre Nkrunziza's decision to stand for a third term in 2015 and his re-election, in breach of the constitution, have not disappeared. Despite government denials, reports of violence – which has become "more clandestine but just as brutal", according to a report published by the UN in 2017 – remain just as widespread. The United Nations and NGOs continue to denounce the human rights violations and the repressive system put in place by the ruling party (CNDD-FDD). Since April 2015 and the beginning of the crisis, almost half a million Burundians have fled the violence and the economic slump into which Burundi has sunk. Burundi's withdrawal from the International Criminal Court (ICC), which became effective in October 2017, in no way affects the preliminary investigations launched by this international body. The political crisis has negated the efforts made to improve the very challenging business climate.

Burundi's government flatly refuses to cooperate with any international partners, thus increasing the country's isolation. The current crisis exacerbates the diplomatic tensions, including those in the Great Lakes region where porous borders, political instability and ethnic conflicts regularly wreak havoc.

CABO VERDE

COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Australia	72%
Euro Area	25%
El Salvador	1%
Togo	1%
Turkey	1%

Imports of goods, as a % of total

Euro Area	75%
China	5%
Brazil	3%
United States	2%
Japan	1%

+ STRENGTHS

- Growth of tourist activity
- Fisheries' reserves
- Efficient banking and telecommunications services
- Stable, independent political institutions

- WEAKNESSES

- Very high level of public debt
- High unemployment (15%, 28.6% among young people)
- Poor infrastructure quality; lack of maintenance
- Food and energy wholly imported
- Dependence on external shocks, international aid, the diaspora, and tourism
- Exposure to climate change, volcanic and seismic events, cyclones

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.7	3.8	3.8	4.0
Inflation (yearly average, %)	-0.2	0.8	0.8	1.6
Budget balance (% GDP)	-3.8	-4.1	-2.8	-1.7
Current account balance (% GDP)	-4.3	-7.2	-8.8	-8.4
Public debt (% GDP)	127.9	133.8	134.6	133.0

(f): forecast

0.5
POPULATION
(millionsofpersons-2016)

3,086
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

A strong economic performance again in 2018

In 2018, Cabo Verdean growth should remain at the same level as in 2017, benefiting in particular from the activity of its European economic partners. There should be an increase in tourism revenue, predominantly via in accommodation and restauration. The growth of European countries – although moderate – should contribute to this growth, as they are the main source of tourists to Cabo Verde (81% in 2016). The number of British tourists (the United Kingdom is the main country of origin of Cabo Verde tourists) is expected to continue to grow, albeit at a slightly slower rate due to the initial effects of the Brexit referendum. Nevertheless, the structural constraints related to the lack of diversification of the economy remain significant. The dependence on tourism and public spending remains a dominant factor.

The government's fiscal policy of austerity is set to continue in 2018, and should result in a reduction of public investment spending in favour of private investment, particularly through foreign direct investments (FDI), mostly from the United Kingdom and China, in the tourism and real estate sectors.

Household consumption should grow slightly, benefiting from low inflation. It should also be favoured by the economic situation of Portugal, which is the main source of income inflow from workers abroad (11% of GDP). However, it may be negatively affected by the decline in consumer confidence.

Reduction of budgetary expenditure and a current account deficit mainly covered by FDI flows

The budget deficit is expected to continue to decline in 2018, as in the previous fiscal year. The government is expected to reduce its spending on investments, subsidies, and purchases of goods and services, as well as implement privatisation. However, payroll should not decline in 2018, given the lack of short-term flexibility. The decrease in public investment, from 10.3% of GDP in 2013 to 3.5% in 2016, could have a negative impact on growth in 2018. Recent tax reforms, particularly the tax exemption during the start-up period of a business, should encourage private initiatives. The public debt level is expected to stabilise, while remaining at a high level. The risk of default remains under control, mainly in the form of concessional loans from international organisations and long-term loans.

The current account balance, structurally in deficit due to the country's dependence on imports of consumer goods (40%), intermediate goods (25%), and energy (8%), could benefit from the appreciation of the escudo, Cabo Verde's currency. Given that this currency is pegged to the euro, its appreciation should contribute to declining prices of imports from non-European trading partners. Exports, dominated (81%) by fishing products (fish, seafood, and processed products), are expected to increase slightly due to foreign demand, which is also expected to grow slightly. The current account balance is therefore significantly in deficit for goods and in surplus for services. The current account deficit remains primarily funded by FDI (7.3% of GDP) and remittances from Cabo Verdeans in Europe (11% of GDP).

Given that the capital market and the financial market remain underdeveloped, the banking sector is the primary source of financing. It is dominated by European banks, particularly Portuguese banks. The central bank has taken measures over the past two years to improve its credit profitability, which, unlike its accessibility, is low. The microfinance sector should continue to develop in order to finance very small businesses.

Despite political stability, a slight deterioration of the business climate

Cabo Verde is an established democracy. The country is among the top-ranked countries in sub-Saharan Africa according to World Bank indicators, in particular on fighting corruption (44th out of 214 countries).

The Movement for Democracy Party won the legislative elections of March 2016, and its candidate, Jorge Carlos Fonseca, was re-elected to the head of the country for a second term during the first round of the presidential elections of the 2nd October 2016. The current government's priorities are to reduce the unemployment rate and the budget deficit. Recent changes in foreign policy are directed towards China: Chinese investment is constantly increasing and is expected to be concentrated in the sectors of tourismand real estate, as well as in the construction of a special economic zone. The main tool of this cooperation is the Africa-China Development Fund.

Cabo Verde's Doing Business ranking remains rather stable (129th out of 190 countries), and the country has one of the best business climates in sub-Saharan Africa. However, it suffers from the lack of infrastructure, especially electrical, and the absence of regulations governing insolvency.

CAMBODIA

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Euro Area	27%
United States	21%
United Kingdom	9%
Japan	8%
Canada	6%

Imports of goods, as a % of total

China	35%
Thailand	15%
Vietnam	11%
Singapore	4%
Taiwan	4%

+ STRENGTHS

- Dynamic textile industry and tourism sector with strong potential
- Offshore hydrocarbon reserves (oil and gas)
- Financial support from bilateral and multilateral donors
- Integrated into a dynamic, regional network (ASEAN)
- Young population

- WEAKNESSES

- Considerable share of agriculture in GDP and vulnerability to weather hazards
- Underdeveloped electricity and transport networks
- Lack of skilled workforce
- Dependence on concessional finance due to weak fiscal resources
- Significant governance shortcomings
- Poverty rate still high; low levels of spending on health and education
- Growing reliance on construction, clothing exports and tourism

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.2	7.0	6.9	6.9
Inflation (yearly average, %)	1.2	3.0	3.2	3.1
Budget balance (% GDP)	-1.5	-2.9	-3.2	-3.6
Current account balance (% GDP)	-9.3	-8.7	-8.6	-8.5
Public debt (%GDP)	32.5	33.0	33.6	34.3

(f): forecast

15.8
POPULATION
(millionsofpersons-2016)

1,278
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth is expected to remain dynamic in 2018

Growth is expected to maintain a steady pace in 2018. The Cambodian economy is set to continue to benefit from lively domestic demand supported by moderate inflation, rapid wage growth (both in the private and public sectors) and increased public spending. Private consumption, which represents 75% of GDP, is expected to receive a boost from higher household disposable income, even if the agriculture sector, which employs two thirds of the workforce, is still likely to suffer from weak agricultural commodity prices. Public investment will be directed mainly towards education, vocational training, agriculture and infrastructure. Meanwhile, exports of textile products, mainly consisting in clothes and shoes, will continue to benefit from the country's increasing integration in the regional value chain, as well as from the modest recovery in world trade. The construction sector is profiting from the booming property market and the development of tourism infrastructure. There has effectively been a rapid expansion in tourism, especially from Asia. Foreign direct investments are likely to remain high, especially in the textile sector, despite steadily rising wages and competition with neighbouring countries (Bangladesh and Myanmar, in particular).

Substantial deficits, generating a dependence on external financing

In 2018, the country's current account balance will continue to show a large deficit. The trade deficit will remain huge (17% of GDP), but will reduce due to strong exports associated with firmer global demand, even though the value of imports of capital goods and oil products will remain high. Tourism growth will help maintain the surplus in the balance of services. Moreover, high levels of international aid as well as remittances by expatriate workers will offset the repatriation of dividends by foreign companies, which dominate the textile sector. FDIs are rising steadily, especially those from China and Japan, and make it possible to finance the current account deficit. Foreign exchange reserves are, therefore, expected to continue to grow to reach almost eight months of imports.

With regard to the public accounts, the budget deficit is expected to widen slightly because of higher spending levels not offset by higher revenues associated with the dynamism of the economy. The government has introduced a fiscal consolidation policy aimed at improving tax collection. In this context, the public debt will remain stable. However, the public finances will continue to be highly dependent on external finance (in part concessional), mainly from China, Russia and the United States.

Meanwhile, credit is growing rapidly and the banking sector remains weak because of inadequate supervision and a concentration of risks in the property sector. At the same time, the economy is highly dollarised with foreign currency deposits accounting for almost all deposits, leaving very little space for the rial, the local currency, whose exchange rate is very tightly controlled. Accordingly, banks are heavily exposed to exchange rate risk.

Political and social tensions in the run-up to the parliamentary elections

Following the parliamentary elections, which were hotly contested by the opposition in 2013, the Cambodian People's Party (CPP) led by Prime Minister Hun Sen lost a large number of seats. The opposition benefited from a weariness regarding Hun Sen's reign (Prime Minister since 1998) and acute social tensions over wrongful expropriations and poor working conditions in the textile sector. The prime minister and his party (CPP) are, nonetheless, expected to remain in place after the parliamentary elections in July 2018, while the risk that they will hold onto power in the event of defeat appears increasingly likely. In the run-up to the elections, the ruling party seems to be intensifying its campaign of repression against its political opponents, the media and NGOs. The arrest in September 2017 of the leader of the opposition party (CNRP) on grounds of treason also seems to point to an authoritarian turn. Besides, the Supreme Court dissolved the CNRP in November 2017 saying it was conspiring with foreign governments to overturn the ruling party. As a result, 44 of the 55 parliamentarians have been replaced by members of the CPP. It is, therefore, unlikely that the upcoming elections will be free and fair and there may well be renewed mass protests.

The business climate is still marked by a lack of transparency and high levels of corruption. Political and social fragility prevent the economy from growing more quickly, while investments will remain constrained by the country's infrastructure shortcomings, notably as regards energy, as well as by the deficiencies in the education system.

CAMEROON

COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS ENVIRONMENT

TRADE EXCHANGES

Exports of goods, as a % of total

Euro Area	53%
India	11%
China	8%
United States	3%
Chad	3%

Imports of goods, as a % of total

Euro Area	27%
China	18%
Nigeria	12%
Thailand	5%
Togo	4%

+ STRENGTHS

- Agricultural, oil, gas and mineral resources
- Diversified economy, compared to those of other oil exporting countries
- Ongoing modernisation of infrastructures

- WEAKNESSES

- External and public accounts dependent on oil and gas
- Growth not very "inclusive" and business climate remains difficult
- Heightened political risk: insecurity in the far north of the country, uncertainty surrounding the succession to Paul Biya (85 and in power since November 1982) and increasing tensions between the English-speaking minority and the regime (mostly French-speaking)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.7	4.5	3.9	4.3
Inflation (yearly average, %)	2.7	0.9	0.6	1.1
Budget balance (% GDP)	-2.7	-6.2	-3.5	-2.7
Current account balance (% GDP)	-4.1	-3.6	-3.3	-3.2
Public debt (% GDP)	33.0	34.1	36.1	36.2

(f): forecast

23.7
POPULATION
(millionsofpersons-2016)

1,238
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Upturn in growth, driven by oil and gas and infrastructure spending

Following two years of slowdown in growth, mainly due to declining oil and gas production, the economy is expected to pick up pace in 2018. The start of production at the floating liquefied natural gas unit off the coast at Kribi should help boost exports. The reduction in oil production is likely, however, to continue, a result of the low level of investment since 2014 in costly offshore projects. A public investment programme will boost growth, especially in the construction and services sectors. The projects aimed at developing the country's hydroelectric potential will be drivers of this growth. As of 2018, the production from the Memve'ele dam will help sustain hydroelectricity generation. Manufacturing industries (textiles and cement production) are expected to perform well. Projects aimed at developing the agri-foods sector should also help boost agricultural production (wood, cocoa, cotton). Growth in the sector will however remain limited by the lack of protection for property ownership and limited access to credit. These obstacles reflect the continuing difficult business climate, which is holding back private investments. It could also suffer because of a worsening in the political and security context. Whilst likely to continue on its upwards trend, household consumption will continue to be restricted by the minimal incomes from subsistence agriculture and the low level of financial inclusion. Weak local demand and membership of the franc zone are likely to help limit inflationary pressures.

Efforts to rebuild the public and external accounts

Having suffered from the fall in oil and gas receipts, the public accounts are recovering, underpinned by work to consolidate the budget. Reductions in State expenditure, aimed at protecting social spending, will remain a priority. The rationalisation of capital investment spending should make it possible to concentrate on those projects having the greatest impact. Higher oil prices and increases in gas production will help sustain the rise in revenues. At the same time, work on improving the collection of non-oil and gas revenues will continue. The introduction of a 5% export tax on certain agricultural products will in particular help broaden the tax base. The reforms to improve revenue collection and the effectiveness of spending will be supported by the USD 666 million Extended Credit Facility granted by the IMF.

The current account deficit is expected to stabilise in 2018. Despite the growth in revenues from oil and gas and the efforts to diversify the export base (wood, cotton, cocoa), the deficit in the balance of goods is likely to persist as a result of demand for capital goods. Demand for technical services will continue to support the deficit in the balance of services. Interest due on debt held by non-residents will remain a drag on the income account, whilst the surplus in transfers will continue thanks to immigrant workers' remittances. The size of the deficit will probably require recourse, once again, to external borrowing.

Since the country's inclusion in the HIPC debt reduction initiative in 2006, its debt, mainly external (75% of debt stock at the end of 2015), has expanded rapidly. The reforms to reduce the volume of borrowing and the increased rate of completion of the projects agreed in the context of the triennial programme with the IMF, should help to restore control over the trajectory of the debt.

2018 elections in a worsening security context

Paul Biya (85) and in power since November 1982, has yet to declare whether he wishes to stand, in October 2018, for his seventh Presidential term of office. In the event that the President decides, or is obliged, to withdraw, there are no obvious replacement candidate within Mr Biya's party, the Cameroon People's Democratic Movement (RDPC). The opposition appears fragmented: even before the candidate of the leading opposition party (Social Democratic Front or FSD) has been announced, around ten candidates have already emerged. Akéré Muna 's candidacy, lawyer and sons of former Prime Minister Salomon Tandeng Muna, could weaken the FSD.

The outbursts of violence in the English-speaking regions since the end of 2016 have increased the stakes for the presidential and parliamentary elections next October. Unrest within a linguistic minority experiencing a growing sense of political and economic marginalisation represents a threat to political stability and security. This danger comes on top of that arising from the incursions, of Boko Haram, the Islamist terrorist group, in the north of the country, which remained a common occurrence in 2017. Whilst economic activity, mainly concentrated in the south of the country currently remains unaffected, the humanitarian situation is worrying. In addition, this increasing political risk could undermine perceptions of the economic climate which already suffers in an institutional and regulatory context that is not hugely favourable for the expansion of the private sector, as demonstrated by its 163rd (out of 190) place in the Doing Business 2018 ranking.

COFACE ASSESSMENTS

A3
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 76%
- China 4%
- Euro Area 4%
- United Kingdom 3%
- Japan 2%

Imports of goods, as a % of total

- United States 52%
- China 12%
- Euro Area 9%
- Mexico 6%
- Japan 3%

+ STRENGTHS

- Abundant and diversified energy and mineral resources
- World's fifth largest oil and gas producer
- Robust banking sector, well capitalised and rigorous supervision
- Serious nature of the budget
- Direct proximity with large US market
- All-out development of trade relations (CETA with the EU)
- Excellent business climate

- WEAKNESSES

- Dependent on US economy (half of FDI stock, integration of both countries' automotive industries) and on energy prices
- Loss of competitiveness by manufacturing enterprises associated with weak labour productivity
- Inadequate R&D spending
- Decrease in the labour force, just slowed down by large-scale selective immigration
- High levels of household debt (165% of disposable income) / very high house prices
- Weakening energy exports due to inadequate supply pipelines to the United States and the US's own resources

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.9	1.5	3.0	2.1
Inflation (yearly average, %)	1.1	1.4	1.5	1.9
Budget balance (% GDP)	-1.1	-1.9	-1.6	-1.5
Current account balance (% GDP)	-3.4	-3.3	-3.1	-3.1
Public debt (% GDP)	98.4	99.1	97.5	97.7

(f): forecast

36.2
POPULATION
(millionsofpersons-2016)

42,225
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Towards moderate growth

After progressing strongly in 2017, in connection with the boom in consumption and the recovery of business investment, activity is expected to settle at a pace closer to its growth potential estimated at 1.6%, with a significant gap remaining between the Atlantic provinces and the rest of the country. Household spending is expected to lose steam. Real disposable incomes and jobs will not rise as fast and the effects of income tax cuts and higher transfers to the middle and lower-income households in 2017 will dissipate. Settling property prices (excluding the regions of Vancouver and Toronto where prices will continue to rise) will dampen the wealth effect sparked by surging prices in the last two years. Credit, although still cheap, could get more expensive, if the central bank raises its key rate (1% in December 2017), which it could decide to do given the increased inflationary pressures and near full employment. Residential construction could taper off, especially because new prudential regulations are due to be adopted on credit in order to ease the pressure on the market and strengthen the banks. 45% of outstanding credit awarded by the six largest banks, which account for 93% of the banking industry's assets, relate to property and over half of borrowers are not insured. Against this, business investment is expected to remain robust due to growing capacity constraints, firm hydrocarbon prices and a still strong credit environment. The increase in corporate profits, even if slower than in 2017, should point in the same direction. Public investment in transport, renewable energy, housing, and early childhood is expected to remain firm in the context of a still fairly accommodative fiscal policy, especially since a public infrastructure investment bank has just been set up. The contribution of external trade to growth will be weak. While exports of energy (hydrocarbons and electricity), metals (gold, aluminium, copper, iron, nickel), agricultural products (oilseed crops, cereals, meat, legumes) and shellfish will continue on a steady upward trend, especially in terms of price, other exports (vehicles, engines, automotive components, planes, polymers, medicines, paper) are expected to benefit only moderately from healthy world demand and a Canadian dollar which has appreciated along with oil prices but is still relatively under-valued against the US dollar. This needs to be set against the loss of manufacturing competitiveness which coincided with the period of high oil prices. Meanwhile, timber exports will continue to be hit by countervailing duties applied by the United States. The end to renegotiations over NAFTA and the possible negative repercussions are unlikely to happen until 2019.

Low public deficit, significant trade deficit when excluding energy

While public debt (40% federal, 60% provincial or local) accounts for almost 100% of GDP, the modest nature of the public deficit, moderate growth and low interest rates will suffice to stabilise it. Moreover, thanks to its low cost due to its triple A rating, it is perfectly sustainable, especially as net of financial assets held by the federation and the Canada and Quebec pension funds, it accounts for just 28% of GDP. Quebec and Ontario are the two most indebted provinces, with 80% of net provincial debt and a share of their respective GDP of 47% and 38%. But they represent 60% of Canadian GDP and population and will maintain a cautious fiscal policy with a fiscal balance close to equilibrium.

Energy exports do not suffice to offset the significant deficit in trade of other goods (5% of GDP). The services deficit and investment income deficit (ca. 1% of GDP each) come on top of the trade deficit (1% of GDP). Given that investments abroad are higher than FDIs, financing the current account deficit relies on foreign portfolio investments. The result is growing external debt (115% of GDP in 2016), mainly contracted by banks and businesses - a reflection of inadequate domestic savings.

Proactive Prime Minister Justin Trudeau

Justin Trudeau was sworn in as Prime Minister of Canada following the October 2015 parliamentary elections, succeeding the Conservative Stephen Harper, who had been in post for almost ten years. Mr Trudeau's (centre-left) Liberal party won 184 of 338 seats in parliament, giving it an absolute majority. The focus was quickly put on inclusive growth with tax cuts for the middle classes, higher family benefits and the development of environmentally-friendly infrastructure. However, this did not prevent the government from supporting the Trans Mountain Pipeline Project between Alberta and the Pacific coast. Differences with the United States have multiplied on diplomatic and trade issues (timber, aeronautics, dairy products), resulting in a move to strengthen ties with other countries, as in the trade agreement between Canada and the EU, signed in late 2016. The Prime Minister also aims to reduce obstacles to trade between the country's ten provinces where non-tariff barriers are still hampering the circulation of goods, capital and people.

PAYMENT AND COLLECTION PRACTICES IN CANADA

Payment

A single law governs bills of exchange, promissory notes and cheques throughout Canada; however this law is frequently interpreted according to common law precedents in the nine provinces or according to the civil code in Quebec. As such, sellers are well advised to accept such payment methods unless where long-term commercial relations, based on mutual trust, have been established with buyers.

Centralised accounts, which greatly simplify the settlement process by centralising settlement procedures between locally based buyers and sellers, are also used within Canada.

SWIFT bank transfers are the most commonly used payment method for international transactions. The majority of Canadian banks are connected to the SWIFT network, offering a rapid, reliable and cost-effective means of payment, notwithstanding the fact that payment is dependent upon the client's good faith insofar as only the issuer takes the decision to order payment.

A real time electronic fund transfer system in operation since February 1999 – the Large Value Transfer System, or LVTS introduced by the Canadian Payments Association – facilitates electronic transfers of Canadian dollars countrywide and can also handle the Canadian portion of international operations.

The letter of credit (L/C) is also frequently used.

Debt collection

Canada's Constitution Act of 1867, amended in April 1982, divides judicial authority between the federal and provincial Governments. Therefore, each province is responsible for administering justice, organizing provincial courts and enacting the civil procedure rules applicable in its territory. Though the names of courts vary between provinces, the same legal system applies throughout the country, bar Quebec.

Within each province, provincial courts hear most disputes of all kinds concerning small claims, and superior courts hear large claims – for example, the Quebec superior court hears civil and commercial disputes exceeding CAD 70,000 and jury trials of criminal cases. Canadian superior courts comprise two distinct divisions: a court of first instance and a court of appeal.

At federal level, the Supreme Court of Canada, in Ottawa, and only with "leave" of the Court itself (leave is granted if the case raises an important question of law), hears appeals against decisions handed down by the provincial appeal courts, or by the Canadian Federal Court (stating in appeal division), which has special jurisdiction in matters concerning maritime law, immigration, customs and excise, intellectual property, disputes between provinces, and so on.

The collection process begins with the issuance of a final notice, or "seven day letter", reminding the debtor of his obligation to pay together with any contractually agreed interest penalties.

Ordinary proceedings

Ordinary legal action – even if the vocabulary used to describe it may vary within the country – proceeds in three phases.

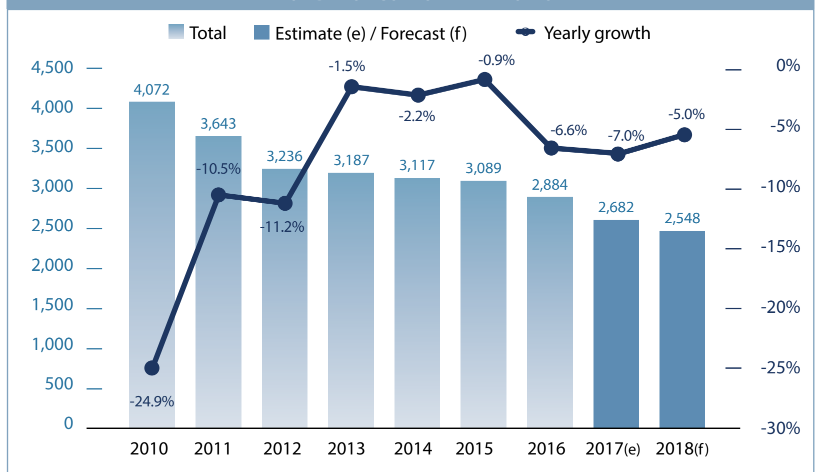
Firstly, the "writ of summons" whereby the plaintiff files his claim against the defendant with the court, then the "examination for discovery", which outlines the claim against the defendant and takes into account the evidence to be submitted by each party to the court and, finally, the "trial proper" during which the judge hears the adverse parties and their respective witnesses, who are subject to examination and cross-examination by their respective legal counsels, to clarify the facts of the case before making a ruling.

Enforcement of a legal decision

In most cases, except when the judge decides otherwise, each party is required to bear the full cost of the fees of his own attorney whatever the outcome of the proceedings. As for court costs, the rule stipulates that the winning party may demand payment by the losing party based on a statement of expenses duly approved by the court clerk.

The change precisely concerns institution of a standard "originating petition" (*requête introductive d'instance*), with the payment of judicial costs joined, introducing a 180-day time limit by which the proceedings must be scheduled for "investigation and hearings" (*pour enquête et audition*), delivery of a judgement on the content within a timeframe of six months after the case was heard and encouragement of the parties to submit to a conciliation stage during legal proceedings, with the judge presiding over an "amicable settlement conference" (*conférence de règlement à l'amiable*).

NUMBER OF CORPORATE FAILURES



Source: Statistics Canada (CANSIM), Coface

CENTRAL AFRICAN REPUBLIC

COFACE ASSESSMENTS

D
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Belarus 33%
- Euro Area 31%
- Chad 13%
- Cameroon 10%
- China 8%

Imports of goods, as a % of total

- Euro Area 30%
- Egypt 29%
- China 7%
- Cameroon 5%
- United States 4%

+ STRENGTHS

- Agricultural potential (cotton, coffee), forestry and mineral wealth (diamonds, gold and uranium)
- Significant international financial support

- WEAKNESSES

- Extreme poverty (over 76% of the population)
- Economy vulnerable to external shocks
- Poor transport infrastructure and inadequate power production capacity
- Geographic isolation
- Unstable political and security situation; presence of several armed foreign rebel groups

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.8	4.5	4.7	5.0
Inflation (yearly average, %)	4.5	4.6	3.8	3.7
Budget balance (% GDP)	-0.6	1.6	-0.3	0.6
Current account balance (% GDP)	-9.0	-9.1	-9.7	-6.5
Public debt (% GDP)	51.1	44.3	38.8	33.4

(f): forecast

4.9
POPULATION
(millionsofpersons-2016)

364
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth conditional on how the security situation develops

The country remains one of the poorest in the world and is still marked by the humanitarian and security crisis of 2013. Progress on the National Recovery and Peacebuilding plan (DDRR, Disarmament, Demobilisation, Reintegration and Repatriation) is very modest. The growth rate is forecast to accelerate slightly in 2018, thanks to recovery in farm activity (43% of GDP), as well as in mining and forestry – although this will take place in a security context that remains very tense. Activity will be buoyed by public spending thanks to international aid, which , notably funds the country's water and electricity infrastructure programmes (only 55% of health facilities are functional), under the Recovery and Peacebuilding plan. It will, nonetheless, still be hit by weak internal demand (taking into account the population that has gone into exile), even if inflation is on a downward trend, while remaining above the 3% target set by the Economic and Monetary Community of Central Africa.

Public finances bolstered by international aid

The country has shown progress on fiscal management, giving rise to the disbursement by the IMF of a second loan tranche in 2017 under the Extended Credit Facility arrangement (total aid amounts to almost 7% of GDP over three years) helping the country to pay its arrears and improve growth and social inclusion. The fiscal position should continue to improve thanks to contained fiscal spending and higher tax receipts on the back of stronger tax and customs administrations, even if progress is likely to be slow. The country will, however, still be highly dependent on international aid (IMF, EU, World Bank, BAD, etc.), and there is still a high risk of over indebtedness.

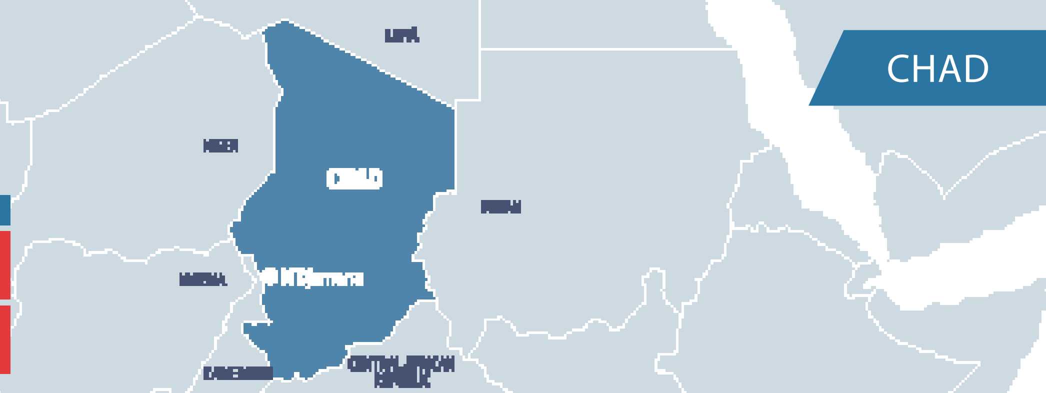
The current account deficit is expected to decline in 2018 thanks to a reduction in the trade deficit. A gradual recovery in diamond exports associated with the partial lifting of the embargo on Central African diamonds (suspension from the Kimberly process) is expected, as is a recovery in the exports associated with timber, coffee and cotton, which will continue to be hit by insecurity and the disruptions affecting the transport and logistics sector. Imports will remain significant given the country's reconstruction needs.

The president is struggling to rebuild the country against a background of persistent conflict

President Faustin-Archange Touadéra, who came to power in March 2016, is struggling to get the country back on its feet, despite his initial vow to make the CAR a united country by appointing opposition members to the government. The country is still in a very precarious position: civilians continue to be killed, and there is an ever increasing number of refugees (over 480,000 people or 10% of the population), most having fled from neighbouring countries (Cameroon, Chad, Democratic Republic of the Congo). Clashes between the Seleka militia, a majority Muslim armed group, and the majority Christian Anti Bakala militia continue, and many armed groups are trying to gain a foothold in the political landscape. The government is hampered by the international arms embargo and cannot, as a result, create a Central African army in order to protect its civilians from attack. Following the completion of Operation "Sangaris" in October 2016, the security forces were unable to take over and Minusca, the UN peace mission, does not have sufficient resources to protect civilians. The UN has flagged up "early warning signs of genocide" and believes that another large-scale humanitarian crisis is on the cards.

In this context of ongoing violence, the business climate will remain unstable and tense. According to the *Doing Business* index, which measures the ease of doing business, the country is ranked among the worst in the world (and the last with regard to new start-ups).

CHAD



COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 54%
- India 8%
- Euro Area 8%
- China 6%
- Japan 4%

Imports of goods, as a % of total

- Euro Area 37%
- China 16%
- Cameroon 15%
- India 6%
- United States 5%

+ STRENGTHS

- Exploitation of new oil fields
- Development potential of the agricultural sector

- WEAKNESSES

- Over-reliance on oil
- Business climate not conducive to thriving private sector; high level of corruption
- Geographic isolation
- Worsening security conditions at both national and regional levels (role of Boko Haram)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.8	-6.4	0.6	2.4
Inflation (yearly average, %)	4.1	-1.1	0.2	1.9
Budget balance (% GDP)	-3.1	-4.9	-0.7	-0.2
Current account balance (% GDP) (e)	-12.3	-9.2	-8.9	-9.1
Public debt (% GDP)	43.3	51.2	50.5	49.0

(f): forecast

11.9
POPULATION
(millionsofpersons-2016)

852
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slightly improved growth prospects

Activity is expected to pick up in 2018. The climate of insecurity linked to the activities of terrorist group Boko Haram will keep adversely impacting the agricultural sector in the west of the country. However, agriculture (12% of GDP) is expected to sustain growth, given the government's plans to support cotton production in order to diversify the economy. In its five-year development plan (2016-2020), the government shows its resolve to rebalance the economy by taking full account of the country's agricultural potential. This plan also includes sections on improving human capital, governance and social protection. Nonetheless, the government's ambitions will likely be constrained by weak public accounts. Tax receipts – 50% of which derive from oil production – will continue to be hit by ongoing difficulties in this sector, which has failed to reach its pre-2014 levels, notably due to reduced investment by Glencore. However, the oil industry remains dominant (one-fifth of GDP) and the exploitation of new oil fields in the south of the country will boost activity. Oil company investments are expected to continue to rise slightly in the form of foreign direct investments (3.2% of GDP in 2017 according to IMF estimates). Finally, private consumption will be hit by public spending cuts and rising inflation, even though the latter will be contained due to the CFA franc's fixed exchange rate against the euro.

The failure of debt restructuring negotiations weakens debt profile and public accounts

Budgetary income, half of which comes from oil revenues, is expected to increase, in line with the evolution of oil prices and the start-up of new oil fields. Fiscal assistance from various donors remains a significant source of income. The tax base is extremely narrow, and so the government has to raise its taxes on foreign investors – thus weakening the business climate. Moreover, regional unrest has led to higher spending on security, which prevents the government from allocating more spending to sustaining growth. Due to these fiscal difficulties, in the summer of 2017 the IMF approved a three-year USD 312 million arrangement to "restore macroeconomic stability and lay the foundation for robust and inclusive growth". About USD 49 million was immediately disbursed with the remaining amount due to be phased in over the duration of the programme. However, the next disbursement, which is contingent to the outcome of debt restructuring negotiations, is already delayed and could be suspended. Indeed, the talks over oil-backed debt with Glencore, which represents more than a billion dollars, are deadlocked and jeopardize the sustainability of the public debt. With over 80% of the debt service owed to the oil company, and as external arrears accumulates, default of payments looms if an agreement is not found in 2018.

The current account deficit is expected to widen. Despite weak domestic demand and, in particular, weak investment, imports are expected to increase slightly as economic activity picks up. The precariousness of oil production (almost 90% of exports) and terrorism in the Lake Chad region, which depends on agriculture, will hit exports of oil and agriculture

Strong regional tensions and a degraded business climate

Idriss Déby, president since 1991, was re-elected in 2016 for a fifth five-year term. After announcing in February 2017 that the parliamentary elections would be delayed because of insufficient public funds, the president said that they will be held in 2018. This electoral uncertainty coupled with weak economic performance could lead to further social discontent. In addition, regional tensions (Sudan, Central African Republic) have sharply increased the influx of refugees in the country, while attacks by Boko Haram have resulted in displacements of people within the country. The terrorist group has conducted a growing number of suicide attacks since 2015. The military co-operation among the four countries on the Lake Chad border (Cameroon, Niger, Nigeria, Chad) and France aimed at eradicating its influence remains strong. Chad is therefore very active diplomatically, as the country is also a founder member of the G5 Sahel and currently presides over the Central African Economic and Monetary Community (CEMAC).

The humanitarian situation in the country is an increasing cause for concern, with 3.5 million people affected by food insecurity in 2016, according to UN estimates. Finally, Chad is among the countries with the most difficult business climate (180th out of 190 countries in the World Bank's most recent *Doing Business* rankings). Corruption is endemic and does not appear to be improving, with the country ranked 159th on *Transparency International's* index (176 countries assessed).

COFACE ASSESSMENTS

A3
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total
- China 29%
- United States 14%
- Euro Area 10%
- Japan 9%
- South Korea 7%

Imports of goods, as a % of total
- China 24%
- Euro Area 15%
- United States 15%
- Brazil 9%
- Argentina 4%

+ STRENGTHS

- Mining (leading copper producer), agricultural, fishery and forestry resources
- Numerous free-trade agreements
- Flexible monetary, fiscal and exchange rate policies
- Favourable business climate, political and institutional stability
- International companies operating in distribution, air transport and paper
- Member of the OECD and the Pacific Alliance

- WEAKNESSES

- Small, open economy vulnerable to external shocks given the dependence on copper and Chinese demand, as well as exposure to climate and earthquake risks
- Weak budgetary resources: 20% of GDP
- Inadequate research and innovation
- Vulnerability of the road network and electricity grid; high energy price because of the country's geographic situation (long and narrow) long and narrow country
- Income disparity and poor education system

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.2	1.5	1.5	2.7
Inflation (yearly average, %)	4.3	3.8	2.2	2.4
Budget balance (% GDP)	-2.1	-2.7	-2.7	-2.1
Current account balance (% GDP)	-2.0	-1.4	-1.7	-1.2
Public debt (% GDP)*	17.4	21.3	24.3	27.0

* Central government debt (f): forecast

18.2
POPULATION
(millionsofpersons-2016)

13,576
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Stronger growth in 2018

Growth is expected to pick up in 2018. Following the rise in prices and production, copper exports (50% of total exports) are expected to rise. This upturn in mining should encourage investment in the sector, as well as jobs and wage growth. In this context, and with imported inflation moderated by the peso's appreciation, the contribution of household consumption (64% of GDP) to growth is expected to rise. Public consumption will perform at least as well. The non-mining sector is expected to benefit indirectly, even if construction could lag behind because of persistent overcapacity. Save for a climate disaster, the production of fruit, timber, paper pulp, wine and prepared fish will benefit from strong North American and European demand, as well as the improved regional economy. Nevertheless, confidence among business owners, hit by higher taxes introduced by the previous government, will influence investment and recruitment.

Gradual rebuilding of budget leeway

The robust initial position of the public finances and the fiscal easing have helped mitigate the negative impact of falling copper prices on activity without the deficit and the debt reaching significant levels. In order to rebuild room for manoeuvre, fiscal consolidation is expected to begin in early 2018, though at a measured pace so as to manage investment in healthcare, education and in road and energy infrastructure. Greater use of concessions, as well as higher income drawn from copper extraction and the completion of the 2014 tax reforms will make this easier. Nevertheless, it will not be enough to halt the increase in debt.

Low current account deficit and significant investment abroad

The current account deficit, already fairly low, is expected to fall thanks to improved trade terms in 2018. Higher copper exports will generate an increase in the trade surplus increase. An increase in imports linked to robust internal demand and the slight upturn in oil prices is likely to be dampened by the appreciation of the peso. The services deficit, broadly due to the reliance on foreign transport services will fall in a context of higher tourism income. Against this, the income deficit will rise in connection with higher dividend repatriation by foreign mining companies and higher payment of interest on external debt, which represented 63% of GDP at end September 2017, three quarters of which concerns the private sector, specifically in the context of FDIs. The flow of FDIs is, moreover, exceeded by Chilean direct investments abroad mostly by pension funds. It is therefore no surprise that Chile's foreign assets are almost as high as its foreign liabilities.

Opposing President and Parliament will co-habit

From the centre-right and supported by the business world, and a businessman himself, Sebastian Piñera (already president from 2010 to 2014) was elected in the second round of the presidential elections on the 17th December 2017 with over 54% of the vote and a participation rate of 48.5%, beating Alejandro Guillier, the centre-left candidate. He succeeds Michelle Bachelet, also from the centre-left. Bachelet, who was ineligible to stand for a second consecutive term, lost a good deal of popularity because of the economic downturn, corruption scandals involving high-profile figures and allies, as well as reforms deemed insufficient by her electorate but damaging by business leaders.

The new government, installed in March 2018, will have to co-habit with a parliament from the opposing side. This is because at the same time as the first round elections on the 19th November, the centre-right party Chile Vamos only won 73 seats out of 155 against 56 for the centre-left party Nueva Mayoria led by the unfortunate opponent, 20 for the Frente Amplio on the left and 6 for the independent centre-left candidates. In the Senate, half of whose members was renewed, Nueva Mayoria now has 22 seats out of 42. With a left-leaning parliament, Sebastian Piñera will find it difficult to go back on the reforms carried out by his predecessor on tax, social and education matters. The confrontation will focus on the pace of fiscal consolidation, the cancellation of the taxation hike for corporates and wealthy households, the extension of free education and reform of the private pension system. There will be little in the way of significant progress, which could make everyone unhappy. Internationally, the main problem remains the conflict with Bolivia over the re-establishment of Bolivian access to the sea.

PAYMENT AND COLLECTION PRACTICES IN CHILE

Payment

Promissory notes, cheques and bills of exchange are frequently used for commercial transactions in Chile. In an event of default, it offers creditors some safeguards, including access to the summary proceeding (*Juicio Ejecutivo*). Under a *juicio ejecutivo*, based on his appraisal of the documents submitted, a first instance judge (*Juzgado Civil)* may order a debtor to pay at the moment of the notification – if the debtor fails to do so, his property will be seized. These documents may need to be validated by court before becoming legally enforceable.

Bills of exchange that are guaranteed by a bank are widely accepted, though somewhat difficult to obtain. They limit the risk of payment default by offering creditor additional recourse to the endorser of the bill.

Cheques, which are used more often than bills of exchange or promissory notes, offer similar legal safeguards under *Juicio Ejecutivo* in the event of unpaid for a cause (*protesto*), uncovered cheques, or closed accounts. Checks and the other mentioned documents, if not paid on time, can be reported to a Credit Report Company called *Boletin Comercial*.

The same is true of the promissory note (*pagaré*), which - like bills of exchange and cheques – is an instrument enforceable by law and, when unpaid, may also be recorded at *Boletín Comercial*. The promissory note needs to be validated (*protestada*) by a public notary or in a judicial trial.

The "Boletín Comercial" is a company dedicated to conducting financial risk analysis. *It* provides to other information companies (such as Dicom, SIISA) information about the debts registered at national level for all kind of debtors. Boletín Comercial is the official and most important company, on this matter, at national level under the authority of the Santiago Chamber of Commerce (*Cámara de Comercio de Santiago*). Both, Companies and individuals, can be registered as debtors in the Boletin Comercial. The register provides key financial information that can be consulted by anyone who is interested in obtaining a picture of the financial behaviour of a Company or individual.

Electronic transfers via the SWIFT network, widely used by Chilean banks, are a quick, fairly reliable, and cheap instrument

Debt collection

Amicable phase

Collection begins with an amicable collection process where parties can agree on a payment settlement or other payment plan. The length of this amicable phase depends on the predefined term of the documents supporting the debt (cheque, invoice, promissory note, bill of exchange). A formal notice is sent by a recorded delivery letter inviting the debtor to pay.

If the parties did not include any specific clauses in the commercial contract, the applicable rate for delays on the payment is the conventional interest rate as defined by the Central Bank of Chile on a periodical basis.

Ordinary proceedings

When a settlement agreement cannot be reached with the debtor, the creditor will initiate a legal collection process ruled by local civil procedure which.

Besides the *Juicio Ejecutivo* creditors who are unable to settle with their debtors out of court may enforce their right to payment through the corresponding legal action ruled by the civil procedure. According to the local procedural laws, there are two kinds of judicial collection procedures; i), ordinary proceedings (*Juicio Ordinario*); ii) and abbreviated proceeding (*Juicio Sumario*) depending on the value of the sued amount and the type of documents that support the debt .

Claimant needs to explain the basis for their legal action and enclose all supporting documents (original copies) and evidence. After the first presentation in court, the judge will decide whether the legal action has basis or not. If the judge considers there are enough arguments and evidence, he will give course to the process.

All judicial action needs the presence of a barrister or solicitor (lawyer), whether taking place in front of a minor court (*Juzgados – primera instancia*) or superior court (*Corte Apelaciones o Suprema- segunda instancia*)

Debtors can dispute ruling with motivated arguments that law considers such as the *Código de Procedimiento Civil* (Civil Procedure Code, defences) such as payment of debt, prescription, compensation, etc. Judges will consider these arguments and will accept or reject the defence. It is important to note that, while the defences of the debtor are discussed by the parties in the trial, the steps relating to seizure of assets are not stayed. The idea of this is that the debtor cannot delay the procedure unnecessarily.

Trials can last from six months up to two years, depending on the document, the debtor's defence, and if an appeal is filed following the initial judgement.

Enforcement of a legal decision

Domestic judgments are enforceable when all appeals have been exhausted. If the debtor fails to comply with the decision, the court can order an auction of the debtor's assets. Collection from a third party owing to the debtor is not possible.

Foreign judgments may be enforced if the Supreme Court validates these through an exequatur proceeding. Chilean law only recognises foreign judgements on a reciprocity basis: the issuing country must have an agreement with Chile regarding recognition and enforcement of legal decisions. Proceedings can last from between one to two years.

Insolvency proceedings

Out-of court proceedings: Extra-judicial reorganization

The 2014 bankruptcy law recognizes agreements between creditors and debtors that are reached outside of a bankruptcy proceeding, whereby a court approves the agreement that was developed outside of the bankruptcy court. In order to be approved, two or more creditors whose claims represent at least 75% of the total claims corresponding to their respective group must accept the plan.

Chilean law distinguishes different categories of creditors during a bankruptcy process, e.g. employees owned money, creditors that have a mortgage (usually banks), etc. Creditors in these categories have preference for payment over others. If creditors do not meet the criteria to be part of these categories, they do not receive have any kind of preference for payment.

While considering the approval of said plan, the court stays the procedure and the legal actions against the debtor. However, during this time also, the debtor is prohibited from disposing of any of its assets. After approval, the plan has the same effect as a judicial reorganization.

Restructuring proceedings: Judicial reorganization

These agreements are more formal than extra-judicial agreements, and can only be filed by debtors, as they have to declare their insolvency to the court. The proceedings apply to both secured and unsecured creditors. Once debtors enter the judicial reorganization process, they must subsequently propose a reorganization plan, which requires the approval of at least two thirds of the total number of creditors.

Liquidation

Liquidation is organized through a single procedure initiated upon demand of the debtor or creditors. The latter can file for bankruptcy when a debtor defaults without appointing an administrator for its business. Once bankruptcy is declared, a trustee is given responsibility for the debtors' business and assets.

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 18%
- Hong Kong 14%
- Euro Area 11%
- Japan 6%
- South Korea 4%

Imports of goods, as a % of total

- Euro Area 11%
- South Korea 10%
- Japan 9%
- Taiwan 9%
- United States 9%

+ STRENGTHS

- Sovereign risk contained as public debt remains mainly domestic and denominated in local currency
- Reduced risk of external over indebtedness thanks to the high level of foreign exchange reserves and to the maintenance of a current account surplus
- Gradual move upmarket as part of China 2025 strategy to boost high-value added output
- Services and infrastructure developments

- WEAKNESSES

- Credit risks remain a cause of concern. High corporate indebtedness to impact growth potential
- Overcapacity concerns in certain industrial sectors will continue to drag on profits
- Exposure of banks to rising corporate debt levels and deterioration in asset quality
- Government's strategy is ambiguous on arbitrating between reform and growth
- Environmental issues
- Ageing population and gradual depletion of cheap labour pool

SECTOR RISK ASSESSMENT

Coface assessments	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.9	6.7	6.7	6.5
Inflation (yearly average, %)	1.4	2.1	2.0	2.2
Budget balance (% GDP)	-2.7	-3.0	-3.3	-3.5
Current account balance (% GDP)	2.7	1.7	1.4	1.2
Public debt* (% GDP)	41.1	44.3	47.6	50.8

Including central and local government debt (excl. financing vehicles) (f): forecast

1,382.7
POPULATION
(millionsofpersons-2016)

8,123
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Gradual deceleration in 2018

Chinese growth will continue to moderate in 2018. This moderation will be brought about by more restrictive policies aimed at curbing financial vulnerabilities and asset bubble risks. In particular, the authorities will ramp up efforts to reduce the vulnerabilities associated with corporate indebtedness. The People's Bank of China (PBOC) has resumed monetary policy tightening. The authorities have also stepped in to curb housing price speculation in major cities. The effects of a cooling property sector have yet to materialize into a slowdown in the real economy. This is expected to take place in 2018, especially as sluggishness spills over into second- and third-tier cities. Consumption, which accounts for two-thirds of GDP, has remained on target, supported by relatively low inflation. Fiscal policy was very accommodative in 2017. 2018 will see authorities oscillate between policy accommodation and tightening in order to manage a gradual slowdown. Rising levels of corporate indebtedness coupled with overcapacity concerns in some sectors (cement, aluminium, chemicals, ship building, etc.) will put pressure on profits. This will act as a drag on already slowing levels of private investment.

Current account surplus

Exports in US dollars increased by approximately 8% in the first ten months of 2017 compared to the same period in 2016. Exports have benefited from robust demand from developed markets as well as higher commodity prices. The yuan appreciated, which has helped to reduce capital outflows, but its appreciation has not yet been strong enough to erode export competitiveness. However, it is unlikely that any more yuan appreciation will be tolerated in 2018. The current account is expected to shrink slightly but remain in surplus in 2018.

In the first quarter of 2017, the Chinese financial account was in surplus for the first time in three years, with an upturn in net non-FDI flows, as a result of stricter enforcement of capital controls. Even if this surplus is good news, it does not reflect a significant increase in capital inflows. Authorities will continue to tighten the screws to avoid outflows while simultaneously attempting to attract more foreign investment. For example, stock and bond connects between Hong Kong and the two onshore financial centres Shanghai and Shenzhen were inaugurated in 2017.

Overall indebtedness in the Chinese economy remains extremely elevated (more than 260% of GDP at the end of 2016, compared with 160% in 2008). Most of the debt is held by corporates, a large proportion of which are state-owned enterprises. Many of these are "zombie" enterprises, struggling with high levels of debt and overcapacity, but which generate employment and output. In addition, corporate debt is difficult to assess due to the expansion of shadow banking; while public debt may be higher than reported if you factor in the surge in local government financing through local government financing vehicles (LGVFs). Moody's estimates that shadow banking assets grew by 21% in 2016, to reach 87% of GDP. The number of bond defaults increased in 2016 and 2017, and it is expected that the pace of defaults will continue as the authorities focus on removing implicit guarantees and reducing debt.

Uncertainties dissipate on the domestic and foreign political fronts

During the 19th National Congress of the Communist Party of China (CPC), all members of the Politburo Standing Committee – excluding President Xi Jinping and the Premier Li Keqiang – retired. The new line-up includes Li Zhanshu, Wang Yang, Wang Huning, Zhao Leji and Han Zheng. The future policy direction is expected to be announced at the inauguration of the new Politburo in March, albeit some details will likely be leaked before then. Xi Jinping did not announce a successor and it is unlikely that this will come from this list for two reasons: first of all, most members will be close to retirement age by the time President Xi steps down in five years; and second, not everyone on this list is a "Princeling" –a faction within the Communist Party comprised of descendants of prominent and influential communist officials, of which President Xi is a member. Most likely, a number of members will be groomed to become potential heirs from the extended 25-member Politburo, where Xi Jingping supporters abound.

On the foreign policy front, fears of a full-fledged trade war between the US and China have dissipated, but the new American administration will continue to impose anti-dumping charges on Chinese goods on a case-by-case basis. The crux of the question in the coming months will be to observe how the relations between China and the US evolve over tensions in the Korean peninsula. Some progress on this regards seems apparent following from U.S. President Donald Trump's visit to China in November 2017. Diplomatic tensions surrounding The Hague's decision to rule in favour of Philippines in a high-level case over China's activities in the South China Sea have also eased compared to a year ago.

PAYMENT AND COLLECTION PRACTICES IN CHINA

Payment

Cash is primarily used in face-to-face retail payments. It is mostly held by domestic companies and institutions. Only a small amount of cash flows from China to foreign countries.

Cheques can be used to withdraw cash and transfer funds, and are mainly used for making payments by governments and businesses. Cheques used in local areas are generally cleared by local clearing houses. If a cheque does not bounce within the required time, the issuing bank has to transfer the money to the beneficiary account.

Commercial acceptance drafts are a form of negotiable instrument issued by companies to entrust the payer to unconditionally pay the specified amount to the beneficiary on the date. Bank acceptance drafts are another type of negotiable instrument issued by the acceptance applicant, entrusting the acceptance bank to make unconditional payment of a certain amount of money to the payee or bearer on the designated date. Bank acceptance drafts are more widely used and accepted than commercial acceptance drafts.

Letters of Credit are one of the most popular payment methods used for large transactions. However, these are not always feasible for small businesses due to exorbitant bank charges, and complex procedures and paperwork.

SWIFT bank transfers are also among the most popular payment means as they are rapid, secure, and supported by a developed banking network, both internationally and domestically.

Debt collection

Amicable phase

The creditor begins the debt recovery procedure by addressing a letter to the debtor, who is informed of any existing debts towards the creditor. If the debtor is responsive, creditors and debtors can begin a negotiation process in order to obtain the payment in the shortest amount of time possible. If there is no dispute between the creditor and the debtor, the creditor can make a repayment plan according to the debtor's economic situation. If a dispute exists, parties can negotiate an agreement on the debt amount.

Legal proceedings

The Chinese court system is complex. It is divided into multiple tribunals at different levels. The basic People's Courts are at the lowest level with the County People's Courts or Municipal People's Courts. The basic People's Courts have jurisdictions over most cases of first instance. Intermediate People's Courts handle certain cases in first instance, such as major foreign-related cases, as well as appeal proceedings brought against decisions rendered by the basic People's Courts. At the Higher level, the High People's Courts decide on major cases in first instance. The Supreme People's Court is at the highest level, which handles interpretation issues, and has jurisdiction over cases which have a major impact nationwide.

<u>Fast-Track Procedure</u>

Creditors can apply for a repayment order against the debtor if three conditions are met: the debt is purely monetary, there are no other debt disputes between the creditor and the debtor, and the repayment order can be served on the debtor.

The court issues the order if the facts are clear and valid. The debtor has fifteen days to pay the debt. If the court rejects the application, the creditor may choose to litigate. Upon receiving the repayment order, the debtor must either pay or submit a defence. If he does neither, the creditor may apply for actual enforcement based on the repayment order. If the debtor submits a written objection, and the objection is supported upon examination, the people's court issues a ruling to terminate the procedure for urging debt repayment, and the order for repayment shall be automatically invalidated. Where an order for repayment is invalidated, the litigation procedure shall be initiated, unless the creditor disagrees to initiate an action.

<u>Ordinary Procedure</u>

The commencement of legal proceedings involves filing a Statement of Claim at the competent court, showing the basis and amount of the claim. Once acknowledged, a writ of summons is sent to the debtor. Generally speaking, in a month, a first hearing will be planned in which the Court will make a final attempt to amicably settle the matter through mediation. If the parties cannot reach an agreement, the lawsuit will continue and several other hearings (if necessary) will be arranged, in most cases during which the parties can exchange evidence. Eventually, a judgment will be rendered by the Court.

In theory, first instance decisions ought to be rendered within six months of acceptance of the case, but proceedings can be much longer when numerous creditors are involved. Furthermore, appeal proceedings must be terminated within three months after appeal acceptance. In practice, the proceedings can extend by up to two years before a decision is rendered – and even longer when a foreign party is involved.

Enforcement of a legal decision

Domestic judgments, once obtained, can be executed by, for example, seizing the debtor's bank accounts, property, or by a transfer of rights. The creditor can apply for enforcement with the People's Court or with an enforcement officer.

For foreign judgments, the recognition and enforcement is based on the provisions of an international treaty concluded or acceded to by both China and the foreign country or under the principle of reciprocity. In practice, enforcing foreign arbitral awards is easier than enforcing foreign court decisions in China, because over 150 countries including China have signed and ratified the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 10th June 1958).

Another method of enforcement is the "Arrangement on Reciprocal Recognition and Enforcement of judgments in Civil and Commercial Matters" (REJA) between China and Hong Kong. There are similar arrangements between mainland China and Macao, as well as between mainland China and Taiwan. It provides a legal basis for Chinese courts to enforcement judgments from Hong Kong, Macao, and Taiwan. It allows creditors to use courts from Hong Kong, Macao and Taiwan for cases in mainland China.

Insolvency proceedings

The 2007 Chinese enterprise bankruptcy law sets out three types of formal bankruptcy proceedings: bankruptcy, reorganization and reconciliation.

Out-of-court proceedings

Parties may agree debt restructuring arrangements without going to court. However, such arrangements must not jeopardize the interests of any other creditors – otherwise, they may subsequently be declared invalid in any court bankruptcy proceedings.

Restructuring proceedings

This prevents the bankruptcy of enterprises that have plentiful assets but are experiencing cash flow problems. Both the debtor and the creditors can apply to the People's Court for Restructuring. During the proceedings, the debtor may manage its property under the supervision of an administrator. A restructuring plan must be adopted by a majority of the creditors in each voting class (secured creditors, employees, etc.) present at the creditors' meeting representing at least two-thirds in value of total claims in that class. If the plan is adopted, the administrator or debtor must file an application to the court for approval within ten days from the date of adoption.

After the restructuring plan has been implemented, the administrator submits a supervision report to the court and his supervision duties end. If the court decides to terminate the procedure, the debtor can be declared bankrupt at the request of the administrator.

Reconciliation

The procedure aims for an enterprise to compromise and settle its liabilities with its creditors. The debtor applies directly to the court by submitting a compromise proposal after the court has accepted a bankruptcy petition against the debtor and before the court declares it bankrupt. On the approval of the proposal, the administrator will hand over the property and business to the debtor and report to the court on the performance of his duties. An approved compromise proposal is binding on the debtor and all its creditors who had no security when the court accepted the bankruptcy petition. If the debtor is unable or fails to implement the compromise proposal the court can at the request of the creditors bound by the compromise, terminate the procedure and declare the debtor bankrupt.

Bankruptcy

This aims to liquidate an insolvent enterprise and distribute its assets to creditors. The procedure commences by an application with the court, either filled by the debtor or a creditor. On accepting a bankruptcy petition, the court will appoint an administrator from the liquidation committee and will notify the debtor within five days of accepting a bankruptcy petition. The debtor must submit certain financial statements to the court within fifteen days of receipt of this notification. The administrator prepares a list of claims and submits it to the first creditors' meeting for verification. Once the final distribution is completed, the administrator reports this to the court, which will decide within fifteen days whether to conclude the proceedings.

COFACE ASSESSMENTS

A4
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 33%
- Euro Area 11%
- Panama 6%
- Ecuador 4%
- China 4%

Imports of goods, as a % of total

- United States 27%
- China 19%
- Euro Area 11%
- Mexico 8%
- Brazil 5%

+ STRENGTHS

- Ports on two oceans
- Large population (almost 50 million)
- Plentiful natural resources (coffee, oil and gas, coal, gold)
- Significant tourism potential
- Cautious economic policies
- Institutional stability
- Healthy banking system

- WEAKNESSES

- Sensitivity to raw material price movement and US economic situation
- Shortcomings in road and port infrastructures
- Problematic security situation due to drug trafficking
- Relatively undiversified economy
- Size of the informal sector (60% of jobs)
- Shortages of skilled labour and poor productivity
- Cumbersome legislative, judicial and administrative systems; corruption
- Structural unemployment, poverty and inequality, deficient educational and health care systems

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.0	1.9	1.7	2.8
Inflation (yearly average, %)	5.0	7.5	4.3	3.3
Budget balance (% GDP)	-3.4	-3.0	-3.2	-2.7
Current account balance (% GDP)	-6.4	-4.3	-3.8	-3.6
Public debt (% GDP)	50.6	50.2	48.5	48.6

(f): forecast

48.7
POPULATION
(millionsofpersons-2016)

5,792
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Upturn in growth in 2018 but remaining below potential

Following two years of weak growth, economic activity is likely to pick up again in 2018. The slowing of inflation, expected to fall below the target level set by the Central Bank (2-4%), should provide the bank with more room to continue its relaxation of monetary policy. This will help stimulate domestic demand – and household consumption in particular – thanks to low interest rates. An increase in public infrastructure investments is also expected to further add to growth. Under its Agenda 4G transport infrastructure program, the country is working towards rectifying its deficiencies in this area. Although behind schedule, these projects will help open up certain regions, particularly rural areas, taking advantage of the recent peace treaty signed with the guerrilla organisation Revolutionary Armed Forces of Colombia—People's Army (FARC-EP). These investments should benefit the construction sector, alongside the vitality seen in the agricultural sector that is being stimulated by rising coffee prices and favourable weather conditions. The financial sector is also expected to do well, bolstered by low interest rates. The trade balance is not expected to make any contribution to growth as the increase in coffee (volume and price) and oil (price) exports will not compensate for the increase in imports (strength of domestic demand). However, despite these improvements, the economy is still growing at a rate below its potential (currently estimated by the government at 3.9%), held back by low levels of confidence among investors and consumers, despite a slight improvement since the peace treaty.

A strict budget policy generating revenues

The 2016 tax reforms (VAT raised from 16 to 19%, extension of the tax base, and simplification of the tax regime) are beginning to bear fruit, resulting in increased receipts and a reduction in the deficit. The increased rate of growth in 2018 should make it possible to end the countercyclical fiscal measures implemented by the government to stimulate the economy. The central bank is likely to further relax its monetary policy following the surprise reduction of its key lending rate in October 2017 to 5%, made possible thanks to slowing inflation. Another cut to rates is expected in 2018, even if the reduction in the differential with US Federal Reserve key rates is likely to limit the scope of this. This same reduction in the differential rate, together with the degree of uncertainty surrounding the congressional and presidential elections scheduled for March and May 2018 respectively, is liable to drive the Colombian peso down. This is likely to limit any appreciation of the peso resulting from relative increases in oil prices.

In terms of the external account, the price of oil, which remains unfavourable, will continue as a drag on the balance of trade in goods and services (-4.7% of GDP in 2016) faced with rising imports (strength of domestic demand). The increase in remittances from expatriate workers, boosted by the relatively positive conditions in the United States, should help hold the current account deficit steady. This deficit is mostly being financed by foreign direct investments (3.2% of GDP in 2016) and other portfolio investments (1.6% of GDP).

Uncertainty in the political situation

The political situation is dominated by the disagreements arising from the peace treaty with FARC-EP, approved at the end of 2016. The legislative measures needed for its application have been held up in Congress, with the mutiny of former President Álvaro Uribe, who was opposed to the treaty. The scope for action by President Juan Manuel Santos is severely restricted as he approaches the end of his term of office in August 2018. The next presidential elections will be extremely fragmented (26 possible candidates). At the time of writing, Sergio Fajardo (centre-left, former Governor of Antoquia and Mayor of Medellin, running as an independent) and Vargas Lleras (Cambio Radical, Vice-President until March 2017) are leading the polls. The newly created FARC (*Fuerza Alternativa Revolucionaria del Comun*, a successor to the FARC-EP) party, led by Rodrigo Londoño, has published its list of candidates for the congressional elections (March 2018) for the seats allocated to it under the peace treaty. This announcement stirred up much debate as a considerable number of the candidates were former guerrilla members awaiting the outcome of legal action. In addition, negotiations with the National Liberation Army (ELN), the other guerrilla organisation, are ongoing following the implementation of a ceasefire last September – another area of uncertainty.

In terms of the business climate, there are many outstanding corruption cases, including the most recent ones of Francisco Ricuarte (Head of the Supreme Court between 2008 and 2012) and Bernardo "Ñoño" Elías (majority Senator). At the same time, security threats associated with drug trafficking and organised criminal gangs, are also undermining the business climate.

PAYMENT AND COLLECTION PRACTICES IN COLOMBIA

Payment

The invoice is the security title most frequently used for debt collection in Colombia. When a sale has been made, the seller ought to issue one original invoice and two copies. The original must be kept by the seller to be used for legal issues. One copy is then handed to the buyer, and the other is kept by the seller for accounting records.

Other means of payment used in Colombia are bills of exchange, cheques, promissory notes, payment agreements, bonds, bills of landing, or waybills. They are commonly used in domestic business transactions, and tend to be considered as debt recognition titles that can facilitate access to fast-track proceedings before the courts.

Bank transfers are rapidly developing in Colombia. SWIFT bank transfers are becoming a very popular payment method for international transactions. For transactions of high value, payments are made through a national interbank network called SEBRA (Electronic Bank of the Republic) It uses a system of real time settlement. SEBRA turns use two systems CEDEC (Check Clearing System) and CENIT (National Electronic IntTerbank Compensation.). For low-value payments, cash and cheque are primarily used.

Debt collection

Amicable phase

The creditor begins the amicable recovery process by reminding the debtor of the debt owed over the telephone. If this is unsuccessful, through an email or a registered letter the creditor subsequently requests immediate payment of the debt. If the debt is paid, the debtor will not bear the penalty interest, charges nor legal fees.

Amicable phase is a recommended alternative to formal proceedings. Under Colombian law, conciliation or mediation hearings before commencing formal proceedings are mandatory. Pre-trial mediation must also be conducted in administrative litigation.

Legal proceedings

Fast-track proceedings

When the debt is certain and undisputed (such is the case for a bill of exchange), the creditor can initiate summary proceedings to obtain a payment order. The debtor must comply with the decision within ten days or submit a defence.

Ordinary proceedings

The debtor must be notified through a writ that the judge has authorized the proceedings. The debtor must then answer the claim within twenty days. If the debtor fails to do so, the judge can render a default judgment depriving the defendant from their right to appeal. Otherwise, the court will invite the parties to attend a mediation proceeding in order to reach an agreement. If an agreement cannot be reached, the parties will present their arguments and evidences. Afterwards, the court will render a decision.

In principle, first instance decisions ought to be rendered within a year, while Courts of Appeal will render these within an additional six months period of time. Nevertheless, in practice, Colombian courts are unreliable, taking up to five years to obtain a first instance ruling and ten years for a full disputed lawsuit.

Enforcement of a legal decision

Domestic judgments become enforceable when all venues of appeal have been exhausted. Compulsory enforcement occurs through the seizure and auctioning of the debtor's assets. Nevertheless, collection of the debt from a third party is possible through a garnishment order.

For foreign awards, domestic courts will normally enforce them provided that they have been recognized by the Supreme Court through the exequatur procedure. Colombian courts will not recognize foreign decisions issued in countries which do not recognize Colombian decisions.

Insolvency proceedings

Insolvency proceedings in Colombia are ruled by the 2006 Colombian Insolvency Act, which sets out reorganizations proceedings and judicial liquidation proceedings.

In cases of insolvency or bankruptcy, the process must be filed with the *Superintendencia de Sociedades* with the requirements of the law 1116 of 2006. The case will then be assigned to an agent or liquidator, according to the situation of the debtor company.

Out-of Court proceedings

Debtors may discuss debt restructuration agreements with their creditors before becoming insolvent. The final agreement must be validated by an insolvency judge.

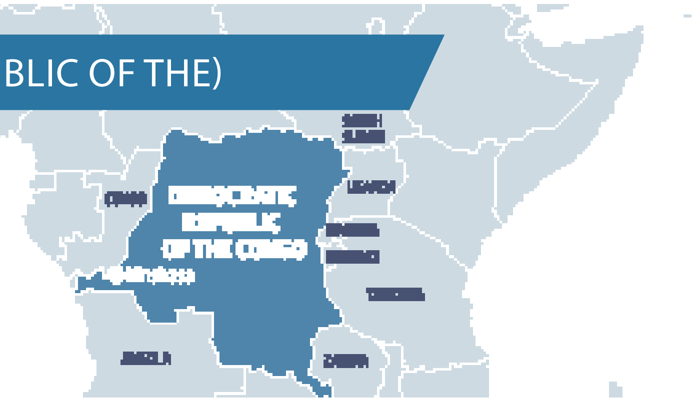
Reorganization proceedings

The proceedings start by filling of a petition by the debtor, one or more of the creditors, or by the Superintendent. If admitted, the debtor is deemed insolvent and all enforcement claims are stayed. The reorganization plan is submitted by the debtor, and the creditors and the judge must approve it. The court may designate a "promoter" in order to manage the business.

Liquidation proceedings

This occurs as a result of a failure to reach a reorganization compromise, or when the debtor has failed to abide by the negotiated terms. It can be requested by the debtor and the creditors. A liquidator is appointed to establish a list of creditors' claims and to manage the estate's liquidation.

CONGO (DEMOCRATIC REPUBLIC OF THE)



COFACE ASSESSMENTS

D
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 35%
- Euro Area 17%
- Zambia 17%
- South Korea 9%
- Saudi Arabia 8%

Imports of goods, as a % of total

- China 21%
- Euro Area 19%
- South Africa 16%
- Zambia 9%
- Tanzania 6%

+ STRENGTHS

- Plentiful mineral resources (copper, cobalt, diamonds. Gold and tin)
- Significant tourism potential
- International involvement and regional cooperation in resolving conflicts in the Great Lakes region
- Debt relief as part of the HIPC and MDR initiatives

- WEAKNESSES

- Tensions in the East of the country with the recurrence of rebellions
- Political crisis following the Supreme Court ruling to delay the presidential elections and lack of any political desire to organise them
- Extreme dependence on raw material prices
- Poor level of infrastructures (transport, energy, telecommunications) and weak governance
- High poverty levels

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.9	2.4	2.8	3.0
Inflation (yearly average, %)	1.0	18.2	49.8	44.0
Budget balance (% GDP)	0.9	0.1	-0.3	0.6
Current account balance (% GDP)	-3.9	-3.4	-4.6	-2.1
Public debt (% GDP)	16.1	16.8	17.0	15.8

(f): forecast

84.1
POPULATION
(millionsofpersons-2016)

467
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Fragile growth in an undiversified economy

The fall in raw material prices in 2016 led to a reduction in the country's rate of growth. Activity remains primarily dependent on the prices of cobalt and copper, as well as shifts in the political and security contexts. Copper production was up 9.3% in the first nine months of 2017, at the same time as that of cobalt increased 18% benefiting from its strong price performance on the international markets. The strength of world demand for cobalt, used in the manufacture of batteries, will be a driving force in what will be moderate growth in 2018. The National Strategic Development Plan (PNSD) could be implemented in 2018 (provide there is political logjam). As part of this plan, agreement has been reached with Chinese companies covering the financing of road infrastructures at a cost of 3 billion dollars, as well as electricity infrastructures in an amount of 660 million dollars with the aim of reducing the country's energy deficit, in particular with its Zambian neighbour. In addition, the operating agreement between Société Nationale d'Electricité and the largest South African electricity company is going to enable an increase in copper production, the most energy intensive industry in the country. According to the government, the increase in electricity supplies will eventually make it possible to increase copper production by 20%. The high level of inflation, together with the significant depreciation in the Congolese franc (all manufactured goods, as well as most foodstuffs, are imported), will have a serious downwards impact on the purchasing power of Congolese households, meaning that household consumption (74.8% of GDP in 2015) is expected to decline in 2018. With the aim of reducing the pressure on household purchasing power, the Central Bank raised its key interest rates from 7 to 14% in January 2017, then to 20% in June. These remain a long way below the rate of inflation.

Back to small budget surplus and reducing the current account deficit

The budget balance should be in slight surplus in 2018. Public expenditure in mostly (52%) allocated to wages. Compliance with the budget is essentially dependent on operating costs (28% of spending), which exceeded the budget forecasts by 152 percentage points in 2016 and by 52 points in the first nine months of 2017. Following the decision by President J. Kabila to remain in office, there could be a reduction in foreign grants as a result of possible sanctions. Nevertheless, public debt, significantly reduced thanks to the 83% debt write-off in 2010 as part of the IMF's HIPC initiative, remains viable and set to fall in 2018.

The current account deficit is expected to shrink in 2018 as exports increase, benefiting from higher raw material prices and growing demand for cobalt. At the same time, imports are likely to decline as the country no longer has the means to pay for them. Revenues at Congolese ports, the main entry points for goods, were already down 2017. As an example, revenues at the port of Goma dropped from 186 million Congolese francs in 2016 to 99 million in 2017. The Central Bank has only three weeks' worth of currency reserves for imports, after having used its currency reserves in an attempt to slow the depreciation of the Congolese franc. In this context, its sources of external finance, mainly FDI and grants, are likely to continue contracting.

Postponing of the presidential election exacerbates problems

The decision by the Supreme Court to postpone the presidential election, initially scheduled for December 2016, allowed the President, Joseph Kabila (in office since 2001, on the death of his father), to hang on to power. The Saint-Sylvestre Agreement between J. Kabila and the opposition for a peaceful handover of power and the holding of elections before the end of 2017 has not been respected. In April 2017, the President appointed a new Prime Minister, Bruno Tshibala, a minor opposition figure. On the 5th November 2017 the Electoral Commission (CENI) published a timetable setting the date of Presidential elections at 23 December 2018, thus allowing the President to continue in office until 2019. According to the regime, the lack of financial resources, as well as the impossibility of holding elections in certain regions (because of the level of violence) vindicated this decision. The elections would have cost in excess of 500 million euros, and foreign funding for the CENI is well below expectations. The leaders of the opposition rejected this timetable and Moise Katumbi, exiled in Belgium, plans to return to Kinshasa before 2018. The unrest has been particularly intense in the Kasai region, in the south, where the anti-Kabila insurrection since August 2016 has led to 5,000 deaths and 1.5 million displaced persons (half of whom returned as the situation calmed down at the end of 2017). In 2017 there were a number of attacks against the UNO mission in DRC (MONUSCO), resulting in the death of a number of blue helmets responsible for protecting civilians. With a strength of 18,000 and an annual cost of USD 1 billion, MONUSCO is the UN's biggest mission.

Political uncertainty, corruption and weak governance has created an extremely poor impaired business climate (182nd out of 190 countries in the *Doing Business 2018* ranking).

CONGO (REPUBLIC OF THE)

COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 40%
- Euro Area 19%
- Australia 7%
- Gabon 7%
- Angola 6%

Imports of goods, as a % of total

- Euro Area 27%
- South Korea 18%
- China 12%
- Norway 11%
- United Kingdom 3%

+ STRENGTHS

- Abundant natural resources (oil, iron ore, potash, phosphates, wood); agricultural potential
- Potential economic diversification with opening of free-trade zones

- WEAKNESSES

- Heavy reliance on oil and gas, and on China
- Lack of infrastructures; lag in poverty reduction
- Poor business climate and weak governance
- Lack of transparency in terms of its debts; uncertainties about interest payments

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.6	-2.8	-1.9	2.8
Inflation (yearly average, %)	2.7	3.6	1.8	1.2
Budget balance (% GDP)	-17.8	-20.5	-9.1	-4.5
Current account balance (% GDP)	-42.9	-70.1	-15.9	-6.0
Public debt (% GDP)	96.3	115.0	117.7	116.0

(f): forecast

4.2
POPULATION
(millionsofpersons-2016)

1,855
GDP PER CAPITA
(US dollars - 2016)

Growth still highly reliant on oil and gas and China

After two years of recession, growth is set to return in 2018 under the stimulus of increased oil and gas production, bolstered by higher prices. The increase in production from its two new Moho Project (Total & Chevron) and Banga Kayo (Wing Wah Petrochemical) oil and gas fields should bring output up to 300,000 barrels per day (b/d) in 2018 from 238,000 b/d in 2016. The launch of a free-trade zone in the Pointe-Noire region, financed by China and due to be inaugurated at the 2018 China-Africa Summit, is expected to improve the diversification of the economy around the petrochemical, tourism and agri-food products sectors. Growth will, however, continue to be limited by infrastructure deficiencies, including namely the rail connection between the economic capital, Pointe-Noire, and Brazzaville, which ended in late 2016 following the collapse of two bridges. China, the Congo's leading economic partner, is playing a principal role in infrastructure investments (new hydroelectric dam near Liouesso, inaugurated in May 2017).

The slowdown in growth in China itself could lead to a reduction in these investment flows, thereby limiting the financing options for the Congolese government, which is already subject to severe budgetary pressures. Looking at consumption, the government's efforts at budget consolidation, in the context of negotiations with the IMF, are likely to impact on domestic demand. Inflation is expected to hold relatively steady in 2018, continuing below the target rate of 3% set by the BEAC (Bank of Central African States).

Slow improvement in the twin deficits

The financial situation of the Congolese government has declined significantly over the last three years, hit by falling raw material prices: the main source of government income. The government's commitment to continue with its infrastructure investment programme, despite the sharp drop in its revenues, has resulted in a mushrooming of public debt. The deficit has been largely financed by drawing on foreign exchange reserves, which are now at a very low level (three and half weeks of imports in July 2017), undermining the country's ability to pay. Measures aimed at cutting current spending (exposure of fictitious jobs, controls on bonuses for ministers, restrictions on travelling) helped reduce the deficit in 2017. The current round of negotiations with the IMF, with the aim of enabling the Congo to join a new Fund programme, is grounds for hope for a further improvement in the public accounts in 2018.

There is continuing uncertainty, however, relating to the repayment of the debt following a temporary default by the Congo on its Eurobonds in July 2017. This default arose following a court-ordered freeze on funds allocated for interest payments, as part of a dispute between the Congo and the Commisimpex construction consortium. The company is claiming USD 1.1 billion against unpaid infrastructure work, and – if a settlement to the dispute is not reached –the danger of another freeze on the transfer of debt interest payments in the future remains.

In terms of external accounts, there is a large deficit (58% of GDP in 2016) in the balance of trade in goods and services. Increased oil and gas production in 2018 should stimulate exports and help achieve a substantial reduction in the current account deficit. This latter is being partly financed by indirect foreign investments and other net investments (10% of GDP in 2016).

President strengthens grip on power in context of serious social and security tensions

Following his re-election for a third term of office in 2016 in a challenged election, President Sassou-Nguesso's grip on power was strengthened in the parliamentary elections of July 2017. His party (Congolese Party of Labour) won 90 out of the 151 seats in the Assembly, in addition to the ten seats won by his allies. The opposition (Union Panafrican for Social Democracy, and the Union of Humanist Democrats) is split, and won a total of approximately ten seats.

The social context remains extremely tense, with protests by government employees triggered by late payments of wages. In addition, there has also been a renewed deterioration, since April 2016, in the relations within the Pool region, adjoining Brazzaville, between security forces and former rebel soldiers, who are supporters of Pastor Ntumi.

Relations with the neighbouring Democratic Republic of the Congo are likely to remain precarious as a result of rising political instability in the country. This political instability will likely have a negative impact on the business climate in the country, in a context of inadequate governance and an extremely high level of corruption.

COSTA RICA

COFACE ASSESSMENTS

A4
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 41%
- Euro Area 19%
- Panama 6%
- Nicaragua 5%
- Guatemala 5%

Imports of goods, as a % of total

- United States 37%
- China 14%
- Euro Area 8%
- Mexico 7%
- Japan 3%

+ STRENGTHS

- Democratic institutions (since 1949)
- Best social indicators in the region: education and health
- Services and cutting-edge industries (pharmaceuticals, microprocessors) – attractive for FDIs
- Diversified trade thanks to multiple trade agreements
- Tourism resources: hotels, national parks

- WEAKNESSES

- Exposed to natural disasters
- Inadequate transport infrastructure
- Economically (FDIs, exports) and financially (banks) dependent on the United States
- Weak public accounts
- Lack of skilled workforce / undeclared work
- High income inequalities

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.7	4.3	4.0	4.1
Inflation (yearly average, %)	0.8	-0.1	1.9	3.0
Budget balance (% GDP)	-5.6	-5.1	-5.1	-5.2
Current account balance (% GDP)	-4.5	-3.5	-3.8	-3.7
Public debt (% GDP)	40.8	43.7	46.7	48.8

(f): forecast

4.9
POPULATION
(millionsofpersons-2016)

11,836
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Stable growth sustained by domestic demand

Despite the ongoing monetary policy tightening, growth is expected to remain buoyant in 2018. Household consumption is expected to benefit from the wage growth in recent years, as well as the moderation in food prices, and the recent fall in unemployment (down from 9.7% to 8.5% between March 2016 and July 2017). Nevertheless, rising inflation – triggered by the earlier depreciation of the local currency, the colón – will put pressure on disposable income. Conversely, public investment is likely to be hit by funding constraints, forcing authorities to postpone or delay the completion of some infrastructure projects (as in the case of the Port of Moin). The government wants to attract foreign investors to sectors of tourism and infrastructure (construction of a new airport at San José), as well as cutting-edge technologies (microprocessors, electronics), by offering advantageous tax conditions in the country's free trade zones and by opening up the services sector. Public/private partnerships are being used increasingly frequently, especially to build transport infrastructure such as roads or railway lines. Despite the still underdeveloped tourist facilities, a dynamic tourism sector will sustain activity, benefitting the construction sector in particular. Improved trade terms, together with favourable financing terms, will continue to encourage exports (notably of bananas, pineapples and coffee), even though import growth will limit trade's contribution to growth.

Persistent public and current account deficits

Although fiscal consolidation has begun (better tax collection, operating savings), the country's fiscal position remains worrying. Higher financing costs, as well as a persistent public deficit will lead to another increase in public debt. Real improvement will depend on the adoption of a tax reforms to boost revenue (currently 13% of GDP) by replacing the current sales tax (13%) with a 15% VAT, and the abolition of tax exemptions. Nevertheless, adoption of the reforms is subject to the February 2018 election timetable and the difficulties in obtaining political consensus on implementation.

The current account deficit is expected to remain stable in 2018. The trade balance will widen slightly as the growth in exports of goods will not offset that of imports, mainly because of the modest oil price recovery (the 3rd most-imported item) and the dynamism of domestic demand. The income balance is also expected to remain in deficit due to dividend repatriation by the multinationals established in the country. However, the services surplus will increase slightly, boosted by the rise in tourist visitor numbers, notably from the United States. The current account deficit will be funded not only through inflows of FDIs, but also portfolio flows, particularly through bond issuance. Meanwhile, the strong dollarisation of credit will force the central bank to intervene so as to maintain the stability of colón, by drawing on foreign exchange reserves.

Continuity of reforms despite a change of government

The February 2018 parliamentary and presidential elections could result in a centre-left government led by the National Liberation Party (PLN). Like its predecessor, this new government is likely to be faced with fragmented parliamentary representation. The reforms, initiated by the previous government, are expected to continue, although with downwards-revised tax measure targets so as to arrive at a compromise. The fight against criminality and money laundering networks linked to drugs trafficking will, however, still be one of the new government's priorities.

The business climate will continue to be affected by infrastructure shortcomings (especially transport and telecommunications) and relatively high energy costs (electricity). In terms of international relations, the country has not yet decided whether or not to join the Pacific Alliance. Discussions with the OECD about the country's accession are still ongoing.

CROATIA

COFACE ASSESSMENTS

B
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Italy 13%
- Slovenia 12%
- Germany 12%
- Bosnia Herzegovina 9%
- Austria 6%

Imports of goods, as a % of total

- Germany 16%
- Italy 13%
- Slovenia 11%
- Austria 8%
- Hungary 7%

+ STRENGTHS

- Hydroelectric power covers 75% of electricity needs
- Tourist attractiveness and long coastline
- Oil and gas potential
- Kuna pegged to the euro
- High-quality infrastructure

- WEAKNESSES

- High private and public debt
- Lack of efficiency in administration and justice
- Uncertainty over resolution of Agrokor case, the country's largest company and employer
- Weak industrial development/lack of competitiveness
- Manufacturing exports (22% of GDP) of medium or low added value
- Poor absorption of European funds/ administrative complexity/corruption
- Low female employment rate and high youth unemployment
- Emigration taking away skilled workforce

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.2	3.0	3.1	2.8
Inflation (yearly average, %)	-0.3	-0.6	1.3	1.6
Budget balance (% GDP)	-3.3	-0.9	-0.9	-0.9
Current account balance (% GDP)	4.6	2.3	3.0	2.0
Public debt (% GDP)	85.4	82.9	80.0	78.0

(f): forecast

4.2
POPULATION
(millionsofpersons-2016)

12,165
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Buoyant activity

The economy is expected to post a third boom year in 2018, buoyed by domestic and foreign demand. Even if the effect of the tax cuts in 2017 are expected to fade, household consumption will benefit from firm employment and wage trends, the repayment of credit and tourism benefits. Public investment, especially in energy and transport, will benefit from improved absorption of European funds, while private investment will rise somewhat due to high corporate debt levels (80% of GDP), despite the resumption in credit and growing tourism requirements. Tourism (25% of GDP) will continue to benefit from the disaffection with several Mediterranean countries, while exports of goods (timber, underwear, shoes, electric transformers, engines, automotive parts, boats, medicines, electricity) will benefit from the conquest of strongly performing European markets. Moreover, to maintain competitiveness in the tourism sector, the central bank is expected to intervene on the markets to maintain the stability of the kuna and keep monetary policy in line with that of the ECB. However, trade's contribution to growth could be negative, as imports will be boosted by internal demand. Resolving the failure of Agrokor is not expected to have a significant impact, unless it unfolds in a disorganised and unsystematic way, in which case local suppliers and their employees could be affected.

Fiscal consolidation to be continued

The country exited the European excessive debt procedure. The public accounts are close to equilibrium and, if one excludes debt interest, are even showing a surplus (primary balance). Apart from better control of current spending, the improvement greatly relies on the beneficial impact of the return to growth on tax receipts. This relativises the improvement and introduces a cyclical fragility. The wage bill remains high and the national collective wage agreement means it is expected to rise in 2018. Likewise, social transfers, not sufficiently targeted to those who need them most, military pensions, spending on defence and healthcare will also rise. On the income side, the banks' cancellation of non-performing loans, let alone the final cost of a messy management of the collapse of Agrokor, will put pressure on income from corporation tax. Against this, the authorities are expected to benefit from greater absorption of European funds and higher social security contributions, as well as from lower borrowing costs. However, the primary surplus and growth are enough to bring about a slow easing of the heavy burden of debt, three quarters of which is denominated in euros and mostly held by domestic institutional investors, of which the banks, 90% of which are subsidiaries of Austrian and Italian groups. Progress is made difficult by the size of the informal economy (28%) and the many state-owned enterprises, often low-profit or unprofitable businesses, which employ 13% of the workforce.

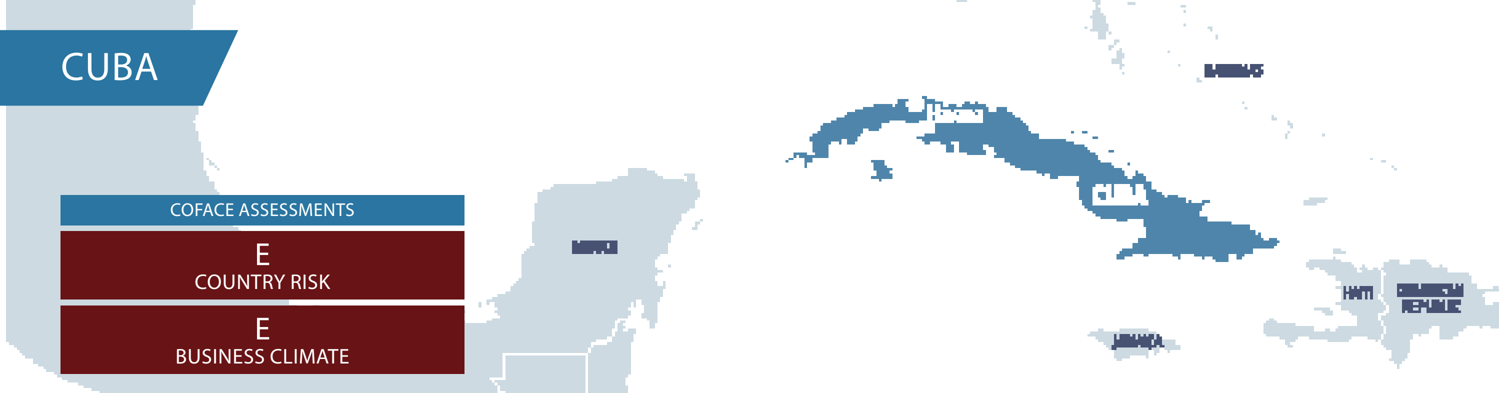
Tourism and European funds are essential

The current account balance has shown a surplus since 2013. This covers a large deficit (17% of GDP 2017) in the trade of goods offset by tourism income (20%). Nevertheless, the current account surplus is expected to decline in 2018. Strong export and tourism performance will be outweighed by rebounding imports associated with the problems local industry has in responding to demand and with the high import content of exports. Meanwhile, the sum of remittances from expatriate workers and European funds will be close to that of outgoing dividends and interest payments. Foreign direct investments, 4% of GDP in 2016, from the European Union, previously concentrated in the banking sector, will be directed to real estate, energy and chemicals in response to the development needs of tourism and for energy resources. External debt accounted for 78% of GDP at end July 2017. Primarily denominated in euro, it represents exchange rate risk for non-financial companies (40% of the total), the public sector (30%), as well as for the banks (8%, markedly declining). However, the risk is lessened by the kuna's peg to the euro, a counterweight to the economy's strong euroisation (almost 60%).

Strong opposition to reforms

Less than a year after voters went to the polls, early elections in September 2016 returned the coalition formed by the centre-right Democratic Union (HDZ) and the reformist party MOST (The Bridge). This coalition swiftly fell apart over the reform programme. The Prime Minister and leader of the HDZ, Andrej Plenkovic, has managed to form a new coalition with the liberals from the People's Party (HNS). With 78 seats (of which 61 for the HDZ) out of 151, it is weak. The programme of reforms aims to restructure the administration and public-sector enterprises (1/3 of jobs), if necessary through privatisation and job cuts, to review social security benefits and the pension system and to reform the hospital system. It is sparking opposition, not only from the social democrats in the SDP, but also within the HDZ. There is consensus over the refusal to accept the judgement of the Permanent Court of Arbitration granting Slovenia access to the sea through the Bay of Piran, the construction of the Peljesac bridge linking the northern and the southern coasts of Croatia by spanning Bosnia's only and narrow maritime access, as well as the management of the Agrokor case.

CUBA



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 26%
- Russia 23%
- Venezuela 15%
- Lebanon 4%
- Brazil 4%

Imports of goods, as a % of total

- China 28%
- Euro Area 28%
- Argentina 5%
- Brazil 4%
- Mexico 4%

+ STRENGTHS

- Tourism and mining (nickel, cobalt) sector and agricultural potential
- Agriculture, trade, hospitality and construction (over 200 trades) open to the private individual and co-operative sectors
- Skilled, relatively cheap workforce
- High quality medical and education sectors
- Fairly satisfactory social indicators
- Low crime rates and anti- corruption policy
- Political Dialogue and Co-operation Agreement with the European Union since 1st November 2017, already beginning regarding FDIs

- WEAKNESSES

- Vulnerability to external factors (climate, commodity prices, Venezuelan aid)
- Weak productivity in public sector and agriculture
- Low levels of investment and inadequate infrastructure
- Burdensome administrative processes and still very new trade regulations
- State control of wholesale trade, credit, foreign trade and foreign investment
- Subsidies for basic products (those featuring in the *libreta* or Supplies booklet) put pressure on public spending
- Limited access to external finance
- Exchange rate unrelated to reality upholding dualism of the economy, the black market, scarcity economy and the informal sector
- Lack of statistical transparency

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth(%)	4.4	-0.9	-0.4	1.3
Inflation (yearly average, %)	4.6	4.5	5.2	5.9
Budget balance (% GDP)	-5.5	-6.3	-11.0	-8.9
Current account balance (% GDP)	0.7	0.9	0.6	0.7
Public debt (% GDP)	39.7	42.5	48.2	51.2

Sources: EIU, government, Coface (f): forecast

11.5
POPULATION
(millionsofpersons-2016)

7,811
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity subject to external factors

Growth is expected to pick up only slightly in 2018 as it is still constrained by external factors. Poor economic and political conditions in Venezuela will continue to dampen Cuba's growth by limiting deliveries of crude oil, refinement of which is a major source of foreign currency. Renewed tensions between Cuba and the United States following allegations of sonic attacks on members of the US diplomatic corps led to the re-imposition of sanctions in November 2017. Individual tourist trips for US citizens are again limited and a blacklist of entities with links to Cuba's military service has been drawn up. The return of these restrictions has led one rating agency to change Cuba's sovereign rating outlook from positive to stable. The impact of the destruction linked to Hurricane Irma (late September 2017) is, on the other hand, expected to lessen and the tourism and agriculture sectors should pick up. In 2017 the number of visitors to the Island beat the 2016 record to total over 4 million visitors. The sector is expected to continue to grow, despite the new sanctions, as US tourists represented only 7% of the total in 2016. From the perspective of investments, the Cuban government has released an expanded annual foreign direct investment opportunities portfolio (396 projects in 2017). A special economic zone has even been set up at Mariel port to develop the biotechnology, agrofood and renewable energy industries. Household consumption is expected to benefit from the positive impact of tourism in the form of jobs and increased remittances from expatriate workers mostly living in the United States. Inflation should remain within the average of previous years, around 5%, as most prices and wages are controlled by the State. Finally, net exports will make a negative contribution to growth with still very low sugar prices, nickel below its historical levels and lower refined oil output.

External conditions influencing budget and current accounts

The explosion in the budget deficit observed in 2017 following hurricane Irma is expected to start to shrink in 2018. The cut in Venezuelan aid, the reduction in exported services (education, healthcare) to Venezuela, Angola and Brazil, as well as low sugar prices are putting considerable pressure on the public finances, at a time when spending is set to rise in the run-up to elections. The government is relying on the controlled development of the non-governmental economic fabric to increase tax receipts. The public debt has increased in recent years but there is a lack of data to analyse its structure.

The December 2015 agreement with the Club de Paris opened the way to bilateral reconstruction, following the 1986 default, through an arrangement to clear interest payment arrears and negotiate repayment of the principal on the initial debt by instalments over eighteen years, and a grace period for interest payments up until 2020. From the perspective of the current account, the trade balance shows a deficit, with the country very dependent on imports (of food and energy). The economic downturn in Venezuela is likely to weigh on exports obliging Cuba to buy oil at market prices for its refining industry. Nevertheless, higher nickel prices should partly offset this drop in oil income. Services are likely to show a surplus, enlivened by growth in the tourism sector. The influx of remittances from emigrants living in the United States is a major source of finance and a source of foreign exchange. Finally, the project to merge the two Cuban currencies, the convertible peso aligned with the US dollar (for tourists and worker remittances) and the domestic peso (24 CUP to 1 USD) in which wages and locally produced goods are denominated, remains uncertain.

Towards political and diplomatic handover

In 2018, the Cuban political class is expected to change following the results of the presidential elections in February, which will see Raoul Castro's step down as Head of State (new limit of two terms of office). The municipal elections of 27 November 2017 were a precursor to the handover, with particular attention paid by those in power to limiting the participation of dissident candidates so as not to interfere with the appointment of the new Head of State (elected by the parliamentary assembly whose members are appointed by local elected representatives, before being confirmed during parliamentary elections). The current vice-president Miguel Diaz-Canel is standing as successor to Raoul Castro who will continue to lead the Cuban Communist Party. The army remains omnipresent, both in the institutions as well as in the economy, limiting the risk of instability. Meanwhile, Cuba's diplomatic strategy has recently evolved and the country is looking for new allies in the face of Venezuelan default. The new agreement between Cuba and the European Union, which entered into force on 1 November 2017, will facilitate dialogue and co-operation between Cuba and Europe. Relations with Russia have also become closer, with the shipment of large quantities of crude oil and participation in energy and rail infrastructure projects.

CYPRUS

COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United Kingdom 12%
- Greece 10%
- Sweden 7%
- Liberia 6%
- Libya 5%

Imports of goods, as a % of total

- Greece 18%
- Germany 17%
- China 8%
- Italy 6%
- United Kingdom 5%

+ STRENGTHS

- At the crossroads of Europe, Africa and Asia
- Eurozone membership
- Tertiary sector: tourism, business and international finance hub, maritime transport and transhipment
- Skilled, English-speaking workforce
- Good quality transport and telecommunications infrastructure
- Offshore gas potential

- WEAKNESSES

- Island divided (since 1974) and tense relations with Turkey
- Small domestic market, isolated, remote and outside the centre of Europe
- Poor economic diversification (tourism, property, finance) and limited foreign customer base, with the United Kingdom and Russia providing 36% and 24% of visitors (2016)
- Regional geopolitical instability
- High levels of debt of all economic actors and dependent on external finance
- Huge banking sector, hyper-concentrated and burdened by non-performing loans
- Slow legal process

Main economic indicators*	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.0	3.0	3.5	3.0
Inflation (yearly average, %)	-1.5	-1.2	1.0	1.0
Budget balance (% GDP)	-1.2	0.5	1.1	1.4
Current account balance (% GDP)	-2.5	-4.9	-5.4	-6.2
Public debt (% GDP)	108.0	107.0	107.0	103.0

* Turkish Cypriot controlled territory excluded (f): forecast

0.8
POPULATION
(millionsofpersons-2016)

23,352
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth driven by internal demand and tourism

Private consumption (69% of GDP) will contribute strongly to growth, encouraged by lower unemployment, more jobs and higher wages, low inflation as well as the recovery in house prices (after a 30% slump since 2010). It will also be sustained by spending by three million tourist visitors to the Island, namely three times the local population. The construction of tourism facilities (marina, golf courses, ports and luxury residences) and offices will remain buoyant, thanks to external finance encouraged by the Citizenship-by-Investment scheme. National investment will remain hesitant because of household and corporate debt levels equivalent to 123% and 150% of GDP respectively (excluding Special Purpose Vehicles engaged in offshore activity) which does not encourage the banks to get credit flowing again. Against this, public investment will return thanks to the relaxation of budgetary constraints. Meanwhile, despite good performances by tourism, maritime transport, financial services and other sectors, trade's contribution to growth will remain negative due to robust imports associated with internal demand.

A convalescent banking sector

Following Cyprus's EU accession in 2004, the Cypriot banking sector swelled to six times GDP. The contraction in the local property market in late 2008 and the collapse of the Greek economy in early 2010, in which was heavily invested, were fatal resulting in the insolvency of its main players. Incapable of rescuing the sector alone, given the severe degradation of the public and external accounts and under pressure from the European Commission, the ECB and the IMF whose financial assistance was on condition that the sector is restructured, the authorities carried out a restructuring mainly paid for by creditors and depositors whom the authorities are planning to indemnify. Despite the bankruptcy of one of the largest banks, the sector, currently highly concentrated with three major institutions, is still very large (3.5 times GDP in June 2017, excluding offshore banks). With the gradual implementation of insolvency and foreclosure legislation approved in 2015, the scale of non-performing loans ratio is declining but still represents 46% of bank portfolios (60% in large institutions) and 135% of GDP (June 2017). Dealing with these is made arduous by poor registering, immunity for the main residence and the difficulty in valuing assets. Given this mess, neither households nor developers have an incentive to repay their loans, while banks are reluctant to commit to long procedures in respect of households and SMEs who are liable for 4/5 of these loans, preferring to wait until property prices rise. However, the increase in deposits recorded since 2016, the growth in new credit and the ending of recourse to central bank liquidity assistance are positive signs.

High levels of public and external debt

The public accounts surplus could increase with royalties on gas exploration. The primary surplus (i.e. excluding interest) and growth will ease the heavy burden, with 50% due to public-sector creditors (EU, Russia, etc.) mainly in euro and with medium to long-term maturities. The improvement derives to a great extent from good economic conditions, which is confirmed by the narrow equilibrium in the structural balance. However, the reduced influence of European institutions and the IMF since the end of the assistance programme in 2016 could lead to a relaxation of efforts in what is a long-haul struggle. So, while administrative reform (promotion, wage structure, mobility) is progressing, that of the management of public-sector entities and local authorities, as well as privatisations (telecommunications, electricity) is falling behind.

Poor manufacturing diversification (cheese, medications and electronics) explains the trade deficit (20% of GDP). Despite the services surplus (22%), the current account balance is negative because of outgoing dividends and interest payments. The current account is financed by FDIs in property and tourism and through bond issues. Meanwhile, significant sums come in from abroad (especially from Russia), but in the main only transit the country. Gross external debt represents seven times GDP. 89% is held by the private sector, of which 60% corresponds to commitments from the special purpose vehicles intended to finance ship-owners or businesses without any real local activity. Nonetheless, the share owed by local borrowers still accounts for more than three times the GDP.

A minority government

The May 2016 parliamentary elections confirmed the President's conservative Democratic Rally Party (Disy) as the largest party in parliament with 18 seats out of 56. With sixteen MPs from the Progressive Party of Working People (Akel, left-wing) on the opposition benches, President Anastasiades and his government need to find circumstantial majorities with the nine centrist members of the Democratic Party (Diko) and members of the five small parties by combining fiscal restructuring measures, with social measures such as the introduction of a national health system in 2019. Despite the failure of negotiations between the governments of the Island's Greek and Turkish communities aimed at ending the division of the country, the economic recovery should be enough to ensure the President's re-election in February 2018.

PAYMENT AND COLLECTION PRACTICES IN CYPRUS

Payment

Bills of exchange are used by Cypriot companies in domestic and international transactions. In the event of payment default, a protest certifying the dishonoured bill must be drawn up by a public notary within two working days of the due date.

Similarly, cheques are still widely used in international transactions. In the domestic business environment, however, cheques are customarily used less as an instrument of payment, and more as a credit instrument, making it possible to create successive payment due dates. It is therefore a common and widespread practice for post-dated cheques to be endorsed by several creditors. Furthermore, issuers of dishonoured cheques may be liable to prosecution provided a complaint is lodged under both Civil and Criminal procedures.

Instead of promissory letters or notes, which are not usually used as a security or payment method in Cyprus, a written acknowledgement of debt may be obtained, which can be used as essential evidence during the Hearing trials in a later stage to the Court.

SWIFT bank transfers, well-established in Cypriot banking circles, are used to settle a growing proportion of transactions, and offer a quick and secure method of payment. In addition, SEPA bank transfers are becoming more popular as they are fast, secure, and supported by a more developed banking network.

Debt collection

Amicable phase

Before initiating proceedings in front of the competent court, an alternative method to recover a debt is to try to agree with the debtor on a settlement plan. Reaching the most beneficial arrangement is usually achieved by means of a negotiating process.

The recovery process commences with the debtor being sent a final demand for payment by recorded delivery mail, reminding him of his payment obligations, including any interest penalties as may have been contractually agreed – or, failing this, those accruing at the legal rate of interest.

Interest is due from the day following the date of payment stipulated in the invoice or commercial agreement at a rate, unless the parties agree otherwise, equal to the European Central Bank's refinancing rate, plus seven percentage points.

Legal proceedings

Introduced in 2015, cases with small claims (no more than EUR 3,000) can follow a simplified and faster procedure. To engage such a procedure, the creditor must possess a written document substantiating the claim underlying his lawsuit, such as a Statement of Account, an acknowledgement of debt established by private deed, the original invoice summarising the goods sold and bearing the buyer's signature and stamp certifying receipt of delivery, or the original delivery slip signed by the buyer.

For all other claims, the usual procedure is followed. The creditor files a claim with the court, who serves the debtor within twelve months. The hearing would be set at least eighteen months later. Cypriot law allows the court to render a default judgment if the respondent fails to file a defence. The ruling issued by the judge allows immediate execution subject to the right granted to the defendant to lodge an objection. To obtain suspension of execution, the debtor must petition the court accordingly.

Enforcement of a legal decision

Enforcement of a domestic decision may begin once the final judgment is made. If the debtor fails to satisfy the judgment, the latter is enforceable directly through the attachment of the debtor's assets.

For foreign awards rendered in a European Union member-state, Cyprus has adopted advantageous enforcement conditions, such as EU Payment Orders or the European Enforcement Order. For decisions rendered by non EU countries, they will be automatically enforced according to reciprocal enforcement treaties. In the absence of an agreement, exequatur proceedings will take place.

Insolvency proceedings

Restructuring proceedings

This procedure aims to help debtors restore their credibility and viability, and continue their operations beyond bankruptcy, by aiming to negotiate an agreement between the relevant debtors and creditors. During this procedure, claims and enforcement actions against the debtor may be stayed, but the court will appoint an administrator to control the debtor's assets and performances. The reorganization process starts with the debtor's submission of a plan to the court, which conducts a judicial review of the proposed plan, while a court-appointed mediator assesses the creditors' expectations.

Liquidation

The procedure commences with an insolvency petition either by the debtor or its creditors. The court appoints an administrator as soon as the debts are verified. In addition, a Pool of Creditors (three members representing each class of creditors) will be given the responsibility of overseeing the proceedings, which terminate once the proceeds of the sale of the business' assets are distributed.

COFACE ASSESSMENTS

A2
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 32%
- Slovakia 8%
- Poland 6%
- United Kingdom 5%
- France 5%

Imports of goods, as a % of total

- Germany 31%
- Poland 10%
- China 7%
- Slovakia 6%
- Netherlands 5%

+ STRENGTHS

- Central geographic location at the heart of industrial Europe
- Tightly integrated in the international, especially German, production chain
- Preferential destination for foreign direct investments in Central Europe
- Significant industrial potential
- Robust public accounts and banking system
- Low reliance on external energy

- WEAKNESSES

- Small, very open economy: exports account for 84% of GDP
- Very dependent on European demand: 63% of exports are to the Eurozone, one third to Germany
- Automotive occupy large share of the economy
- Lack of rapid transport links with the rest of Europe
- Ageing population and shortage of skilled labour

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.3	2.6	3.9	2.8
Inflation (yearly average, %)	0.3	0.7	2.3	1.8
Budget balance (% GDP)	-0.6	0.6	0.5	0.6
Current account balance (% GDP)	0.2	1.1	0.5	0.1
Public debt (% GDP)	39.9	36.8	34.5	32.5

(f): forecast

10.6
POPULATION
(millionsofpersons-2016)

18,508
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Dynamic activity despite an economic slowdown

Following the outstanding performance of 2017 associated with the recovery of investment, growth in 2018 is expected to settle at a level in line with potential but will remain hampered by the shortage of a local workforce due to low unemployment (2.7% in October 2017). Private investment will continue to be the second most important contributor to growth, after private consumption, because of the high capacity utilisation ratio. Construction will continue to benefit from the return to normal of European structural finance, but will be hampered by the residential property downturn. This will suffer from more expensive credit linked to the central bank's monetary policy tightening. Automotive – which accounts for 28% of industrial production, 20% of exports of goods, and 10% of GDP – is expected to continue to prosper. This is because automotive exports will benefit from strong German consumption and performance, as well as the positive trend on the European market on which they greatly rely. Nonetheless, export momentum will be dampened by the appreciation of the koruna, reducing export competitiveness and trade's contribution to growth. Inflationary tensions will start to put pressure on household consumption. Nevertheless, household consumption will continue to be underpinned by robust employment figures and wages, as well as by the gradual appreciation of the krona, enabling a reduction in the cost of imported goods.

Excellent fiscal position and satisfactory external accounts

Despite some easing, the new government's fiscal policy is expected to remain cautious, helping keep the public accounts in equilibrium in 2018. Infrastructure spending will increase due to the necessity of using European funds awarded under the 2014-2020 programme, on pain of seeing the level reduced in future. Moreover, massive fiscal reforms are planned by the new government, which wants to take advantage of the strong increase in revenues generated by the lively pace of activity to finance the reforms without worsening the budget position. The reforms include a cut in VAT in the hospitality sector (from 21% to 15%), a reduction in employer contributions, as well as cuts to income and corporation tax. The reform programme will also be financed by cuts to current spending, allowing budget equilibrium to be maintained and debt reduction to continue. Despite the influx of foreign capital attracted by prospects for an appreciation of the koruna, 80% of the debt is still held by local investors. This success explains why 86% is denominated in koruna and issued at negative yields on short maturities.

The trade balance shows a structural surplus (5.6% of GDP in 2016) thanks to close integration in the European, especially German, production chain and for automotive. Engineering, household appliances and electrical equipment will also make a positive contribution. Nevertheless, the slight appreciation of the koruna, as well as robust domestic demand, will limit the trade surplus. Services also show a surplus (2.3%) thanks to tourism. The substantial income deficit (6.1%) is explained by the substantial FDI stock. This results in a small current account surplus, which could be jeopardised by a drop in the trade surplus, even if the potential for deterioration seems fairly limited. Moreover, external debt (74% of GDP) presents a low risk, as it mostly consists of intragroup liabilities, loans linked to FDIs, short-term commercial loans, and deposits by foreign banks with their local subsidiaries (87% of bank assets), which are by nature fairly fixed.

Formation of a minority government, weakened by allegations concerning the new Prime Minister

The ANO 2011 (centre-right) movement led by Andrej Babis, won the October 2017 elections by a large margin, obtaining 30% of the votes cast and 78 out 200 seats in parliament. Nevertheless, the traditional parties have refused to enter into a coalition with this party whose leader has been charged with the fraudulent use of European funds. The traditional parties received a historically low share of the votes, for example the Social Democratic Party (CSSD), to which the outgoing Prime Minister belongs, was relegated to sixth place with only 7% of the votes. Conversely, the rival parties have made significant progress with the Czech Pirate Party (10.8%) and the extreme-right Freedom and Direct Democracy Party (10.6%) able to profit from distrust of migrants and Euroscepticism. With nine parties represented, the fragmented parliament makes it difficult to form a majority government. Therefore, Andrej Babis will lead a minority government and will have his work cut out to win the parliamentary vote of confidence. He could win the vote if the far-right and far-left parties, which have given him their tacit support at the price of major concessions, were to abstain. If he fails, another less controversial member of his party could take over in order to reassure the traditional parties.

PAYMENT AND COLLECTION PRACTICES IN THE CZECH REPUBLIC

Payment

Czech law limits cash payments to a maximum of CZK 270,000 (approximately EUR 10,000). Purchasers who wish to make payments that exceed this limit must pay the entire sum via wire/bank transfer.

Bank transfers are by far the most widely-used means of payment. The SWIFT system is fully operable in the Czech Republic, and provides an easier, quicker and cheaper method for handling international payments. The Czech Republic is part of the SEPA system, simplifying bank transfers inside the European region.

Cheques for domestic transactions are not widely used. Bills of exchange and promissory notes are commonly used as a security instrument, which present the purchaser with the option to access a fast-track procedure for ordering payment by court (under certain legal conditions).

Electronic invoices are widely accepted.

Debt collection

To ensure the recovery of a debt in case of default, creditors should keep all documentation related to the transaction. This includes the original (written) contract, any documents related to the transaction (e.g. invoices and confirmed delivery notes, such as internal delivery notes, CMRs, CIMs, bill of lading, airway bills, packing lists, etc.), individual orders, and any other relevant documentation and/or correspondence.

The main factors influencing effectiveness in debt collection are the age of the debt (the earlier the start of collection, the larger the chance for a successful recovery) and the reason for non-payment.

The more typical reasons for non-payment, with their associated probability of successfully settling the debt, are as follows:

- administrative mistake (very high probability of successful collection)
- secondary payment inability (high probability of successful collection under condition that the debtor´s own outstanding will be paid by its customers (debtors)
- dispute (depends on mutual negotiations and solution)
- debtor´s intention not to pay (very low probability of successful collection, legal action recommended)
- insolvency as objective status (negligible probability of successful collection)

Amicable phase

Amicable debt collection is recommended, because it remains cheaper for creditor compared to legal proceedings. Amicable settlements are also enforceable in court.

Legal proceedings

The costliness and length of average legal proceedings is comparable to European standards.

Average court costs total 20 to 25% of the nominal value and include:

- A court fee of 5% and a minimum value of CZK 1,000
  - This is reduced to 4% and a minimum of CZK 400 when the plaintiff applies for an electronic payment order,
- Lawyers' fees of (approximately) 15%
- Other costs and other costs of (approximately) 3%
  - e.g. expert testimony, translation and interpretation

<u>Fast-track procedure / Order to pay (*platební rozkaz*)</u>

This is a practical and rather short procedure, outlined in sections 172 - 175 of the Code of Civil Procedure (*občanský soudní řád*, CCP).

The judge, convinced of the merits of the claim and without hearing the case, issues a payment order which is served to the defendant, who may either accept it or file a statement of opposition against it within fifteen days of its service.

If the debtor opposes the debt, then the process continues as standard court proceedings.

If the legal action duly described and substantiated the creditor's claim, the court can issue an order to pay, even if the creditor has not requested such an order. It takes on average three months for a decision to be made, ranging from a minimum of two months to a maximum of six months.

<u>Ordinary procedure</u>

Ordinary proceedings takes place after the defendant has disputed the claim during the *<u>platební rozkaz</u>* or by filing a dispute directly via the courts. Ordinary proceedings are partly in writing (parties filing submissions accompanied by all supporting case documents), and partly oral (both creditors and debtors present their cases during the main hearing). In practice, ordinary proceedings typically last from one to three years before the court renders a final and enforceable judgement.

On the 1st July 2009 onwards (Act No. 7/2009 Coll.), the CCP was amended to introduce more digital options in the justice process, so as to lessen the burden of judges and ensure the prevention of delays in proceedings. Since this amendment, all correspondence from Czech authorities to legal entities is delivered electronically via registered data boxes with special legal regulations (Act No. 300/2008 Coll., effective as of 1st July 2009).

Enforcement of a legal decision

Judicial enforcement is reserved only for matters specifically listed in the law, such as family law. All monetary claims stemming from business relationships are enforced by a judicial executor (*soudní executor*) under Act No. 120/2001 Coll. (*exekuční řád*, the Execution Act).

Enforcement by judicial executor is considered to be more effective, because the executor is a private-sector entity whose fees depend on a successful enforcement. A specific fees schedule applies based on the amount concerned by the execution.

As part of the European Union, enforcement of foreign awards issued by a European Union member state will benefit from advantageous enforcement conditions, such as the EU Payment Order or the European Small Claims procedure. Foreign awards rendered by non-EU countries can be recognized and enforced, provided that they have gone through the exequatur procedure under the Czech Private International Law and Procedure Act.

Insolvency proceedings

The insolvency act introduces new methods and faster process, with single proceedings where the court decides on three particular solutions:

- Reorganisation
- Bankruptcy
- Debt clearance (or in other words, discharge of debts)

An insolvency petition can be lodged by either debtors themselves or their creditors, but a creditor must provide unambiguous evidence to support its claim, with one of the following:

- An acknowledgement of debt (with the certified signature of the debtor or its representative)
- An enforceable judgement
- An enforceable notary act
- An enforceable executor´s act,
- Confirmation of auditor or expert witness or tax advisor

The creditor must in addition prove the existence of other creditors. Creditors are liable for damages caused by filing a bankruptcy petition where the conditions of insolvency were not met.

All insolvency petitions are recorded in an insolvency register (*insolvenční rejstřík*) kept by the Ministry of Justice, where all important information on insolvency proceedings is published (sections 419-425 of the Insolvency Act). This also allows for insolvency proceedings to remain transparent.

Reorganization proceedings

Reorganization is a method of resolving insolvency that aims to preserve the debtor's business, while granting satisfaction to creditors. Insolvent debtors may initiate proceedings, but debt restructuration proposals must be approved by the court, with periodical inspection of its fulfilment by the creditors. The management retains the right to manage the business.

Bankruptcy proceedings

Bankruptcy is a court-ordered method of resolving insolvency, whose aim is to monetize all assets of debtor and thus obtained yield to distribute between creditors who have lodged their claims into the proceedings. The authorization to dispose of debtor´s assets and to sell those assets is granted to a bankruptcy trustee who is appointed by court. At this point; the business declared bankrupt is no longer allowed to conduct business operations independently.

Debt clearance

Used mainly by individuals (non-entrepreneurs), this is a method of resolving insolvency which presents an alternative to declaring bankruptcy. The Insolvent debtor clears the debt, but under Court control he is obliged to pay only a reduced percentage of total debts.

Liquidation proceedings

The liquidation procedure begins once it is decided that a company is to be wound up. Either the management or the court appoints a liquidator in charge of liquidating the company's assets and collecting receivables. Creditors must register their claims within 90 days following publication of the court's decision, in order to get satisfaction during the liquidation proceedings. All claims of creditors must be fully satisfied in liquidation proceedings.

It is important to note that liquidation proceedings are not considered as a method of insolvency in Czech law: in the event that the liquidator finds there are not enough assets to satisfy all claims during liquidation, he is obliged to file a petition for insolvency. At this point, the liquidation turns into insolvency; a separate proceeding.

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 16%
- Sweden 12%
- United States 8%
- United Kingdom 6%
- Norway 6%

Imports of goods, as a % of total

- Germany 22%
- Sweden 12%
- Netherlands 8%
- China 7%
- Norway 6%

\+ STRENGTHS

- World's fifth largest shipping operator
- Energy self-sufficiency (oil in the North Sea and Greenland) and net energy exporter
- Niche industries (renewable energy/ biotechnology)
- Well managed public finances
- Large current account surplus

\- WEAKNESSES

- Small open economy sensitive to external demand
- Government instability linked to the fragmentation of Parliament
- Very high household debt levels (240% of disposable income)
- Public sector strongly represented in job market (30% of employees)
- Tensions over housing in certain cities

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.6	1.7	2.2	2.0
Inflation (yearly average, %)	0.4	0.3	1.0	1.4
Budget balance (% GDP)	-1.7	-0.6	-1.4	-0.8
Current account balance (% GDP)	9.1	7.8	8.3	8.0
Public debt (% GDP)	39.6	37.7	37.8	36.9

(f): forecast

5.7
POPULATION
(millionsofpersons-2016)

53,745
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Internal demand boosts activity

In 2018, growth will remain vigorous, buoyed by private consumption and investment. Private consumption will be sustained by historically low interest rates (key rate: 0%; interest on bank deposits with the central bank: -0.65% since February 2015), higher wages, as well as low unemployment (4.4% in September 2017). Moderate inflation will help significantly increase household disposable income, also sustained by lower income taxes in 2018 as agreed by the government. Moreover, households will benefit from the wealth effect associated with property prices, as well as more flexible credit conditions thanks to deleveraging since 2014, although household debt is still the highest in the OECD (240% of disposable income). Higher capacity utilisation, as well as the shortage of labour, will encourage private investment in the industrial sectors (pharmaceuticals, capital goods). The transport sector (50% of services) will benefit from the recovery in world trade, on which it is heavily reliant. Residential construction will be especially dynamic due to the recovery in property prices and the improved financial position of households. However, the energy sector (oil and gas) will represent a smaller and smaller share of the economy and will still be affected by weak commodity prices. Improved economic conditions in the main partner countries are expected to sustain exports, while the country's competitiveness remains satisfactory.

Low inflation means the central bank can maintain its very accommodative monetary policy, in line with that of the ECB and maintain the Danish krone's peg to the euro. This policy has enabled export competitiveness to be maintained while supporting domestic demand.

Large current account surplus and healthy public finances

The government is expected to maintain a cautious fiscal policy, in order to prevent the economy from overheating, given the low unemployment rate. The slight increase in spending is expected to be concentrated in two areas: security, by means of higher allocations to defence, and the recruitment of more tax administration staff following a scandal in 2017 over poor tax collection. New tax measures were also announced in the Strategic Plan (2017-2025). These comprise, specifically, cuts to income tax as well as twenty-two initiatives designed to foster long-term growth. All these measures will be financed by cuts in funding for the public rail company and by reducing social transfers abroad. As a result, the deficit and the public debt will remain broadly below the threshold set by the European Stability and Growth Pact (3% and 60% of GDP respectively).

There will still be a substantial current account surplus in 2018. Lively export momentum will help maintain a trade balance surplus (5.3% of GDP), even if imports will also rise, stimulated by consumption and investment. Exports of agricultural products (pork, milk) will be the least dynamic, especially those to Asian countries and Germany. Machinery and transport equipment will also be among the top exports, as will chemical products (biotechnology). Nevertheless, Brexit could have a negative impact on export items due to lower demand from the United Kingdom (4th biggest export market). External debt is still considerable (130% of GDP), even though it has fallen strongly since 2013. Two thirds of this can be attributed to the Danish financial sector because of the interconnection between the Nordic banking sectors.

A weak government coalition, dependent on the support of the extreme right

Prime Minister Lars Lokke Rasmussen has led a centre-right coalition government since 2016, made up of his party (Liberal Party), the Liberal Alliance (LA) and the Conservative People's Party (KF). This coalition is in the minority as it brings together only 53 MPs out of 179. However, it benefits from the support of the extreme right, the Danish People's Party (DF), which has 37 MPs but does not want to participate in government. Significant disagreements between the different coalition parties, combined with the demands of the extreme right-wing party (DF) leave the prime minister little leeway for reforming the country. Effectively, the implementation of the government's Strategic Plan (2017-2025) could be strongly compromised by these disagreements. The persistence of these splits could lead to early elections in 2018. Greenland's desire for independence (the Arctic is a region potentially rich in natural resources) will also be a major challenge, which Denmark will have to resolve in the medium term.

PAYMENT AND COLLECTION PRACTICES IN DENMARK

Payment

Denmark is in the process of becoming a cashless society and bank transfers are the most commonly used means of payment. All major Danish banks use the SWIFT network, as it is a rapid and efficient solution for the payment of domestic and international transactions. Denmark has also implemented the Single Euro Payments Area (SEPA) in order to simplify bank transfers in euros.

Cheques and bills of exchange are now seldom used in Denmark. Both are seen as an acknowledgement of debt.

Unpaid bills of exchange and cheques that have been accepted are legally enforceable instruments that mean that creditors do not need to obtain a court judgement. In cases such as these, a "judge-bailiff" (*Fogedret*) is appointed to oversee the enforcement of the attachment. Prior to this, the debtor is summonsed to declare his financial situation, in order to establish his ability to repay the debt. It is a criminal offence to make a false statement of insolvency.

Debt collection

Amicable phase

The amicable phase begins with the creditor, or his legal counsel (e.g. attorney, licenced collection agency, etc.), sending the debtor a final demand for payment by post, in which he is given ten days to settle the principal amount, plus any penalties for interest provided for in the initial agreement.

Once the ten days from the date of the letter of demand have expired, the creditor's legal counsel can charge the debtor for out of court collection costs (based on an official tariff) and present the debtor with a debt collection letter which gives them ten further days to pay. If this payment deadline is not respected, the debtor can be sent a warning notice which sets out the date and time of a visit. A third reminder can be sent and calls can be made.

When no specific interest rate clauses have been agreed by the parties (maximum of 2% per month),the rate of interest applicable to commercial agreements contracted after 1st August 2002 is either the Danish National Bank's benchmark, or the lending rate (*udlånsrente*) in force on 1st January or 1st July of the year in question, plus an additional 8%.

Legal proceedings

Fast-track proceedings

Since 1st January 2008, overdue payments which do not exceed 50,000 Danish kroner (DKK) or EUR 6,723 and are uncontested are handled via a simplified collection procedure (*forenklet inkassoprocedure*), whereby the creditor submits an injunction form directly to the judge-bailiff for service on the debtor. If there is no response within 14 days, an enforcement order is issued.

Ordinary proceedings

If a debtor fails to respond to a demand for payment, or if the dispute is more complex, creditors can obtain a judgement following an adversarial hearing or a judgement by default ordering the debtor to pay. This usually takes three months.

In the case of a judgement by default, the debtor can be ordered to pay the principal amount plus interest and expenses (including court fees and, where applicable, a contribution to the creditor's legal costs) within 14 days.

All cases, whatever the size of the claim and level of complexity, disputed or not, are heard by the court of first instance (*Byret*). The court is presided over by a panel of three judges, or one judge assisted by experts, who consider both written and orally-presented evidence.

Appeals on claims which exceed DKK 10,000 are heard by one of two regional courts - either the *Vestre Landsret* in Viborg (for the Jutland area) or the *Østre Landsret* in Copenhagen (for the rest of the country). Exceptional cases that involve questions of principle can be submitted directly to the appropriate regional court.

These proceedings involve a series of preliminary hearings, during which the parties present written submissions and evidence, and a plenary hearing, in which the court hears witness testimonies and arguments from both parties. Court costs depend on the value of the claim. The losing party generally bears the legal costs.

Denmark only has commercial courts in the Copenhagen area. These comprise a maritime and a commercial court (*Sø-og Handelsretten*) which are presided over by a panel of professional and non-professional judges. These judges are competent to hear cases involving commercial and maritime disputes, competition law, insolvency proceedings and cases involving international trade.

Enforcement of a legal decision

Domestic judgements become enforceable when all appeal venues have been exhausted. If the debtor fails to comply with the judgment within two weeks, the creditor can have it enforced through the bailiff's Court. Enforcement can take the form of a payment arrangement, or a seizure of the debtor's assets. Payment plans are normally agreed in court and the debtor's assets that can be seized are normally agreed at the same time. Courts normally accept payment plans of up to ten to twelve months depending on the amount.

As concerns foreign awards, the scenario can be more difficult if the decision is issued by an EU member, as Denmark does not adhere to the EU regulations on European Payment Order procedures. Decisions issued by non-EU members can be recognised and enforced, provided that the issuing country is part of a bilateral or multilateral agreement with Denmark.

Insolvency proceedings

Out-of-court proceedings

Non-judicial restructuring can take place through formal composition agreements, whereby the debts owed to the creditors are acknowledged and payment instalment agreed upon, without having recourse to a judge. Nevertheless, as Danish court are an efficient solution, out-of-court proceedings tend to be used as informal negotiation tools.

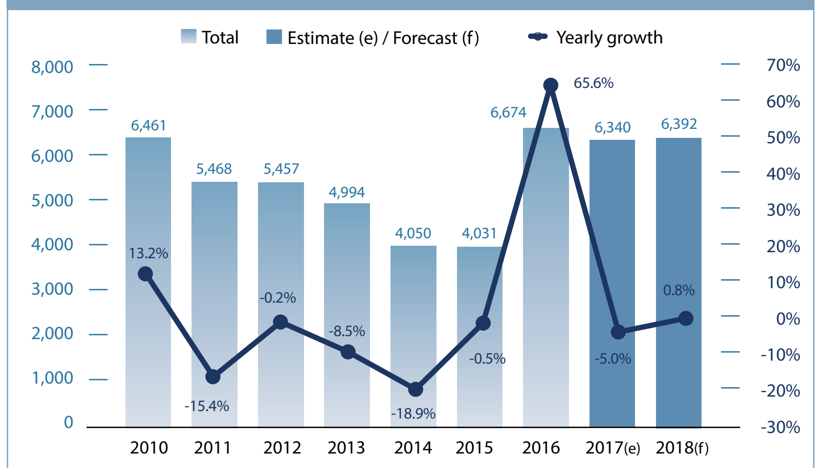
Restructuring proceedings

Restructuring procedures are based on decisions handed down by the bankruptcy court. The court examines the possibility of a compulsory composition and/or a business transfer. These proceedings can be initiated by the debtor, in cases of insolvency, or by the creditor (but only with respect to legal entities). The court then appoints a restructuring administrator. The debtor maintains control of his assets during the procedure but is not allowed to enter into transactions of material significance without the consent of the restructuring administrator. The outcome of the procedure depends on the administrator's proposal.

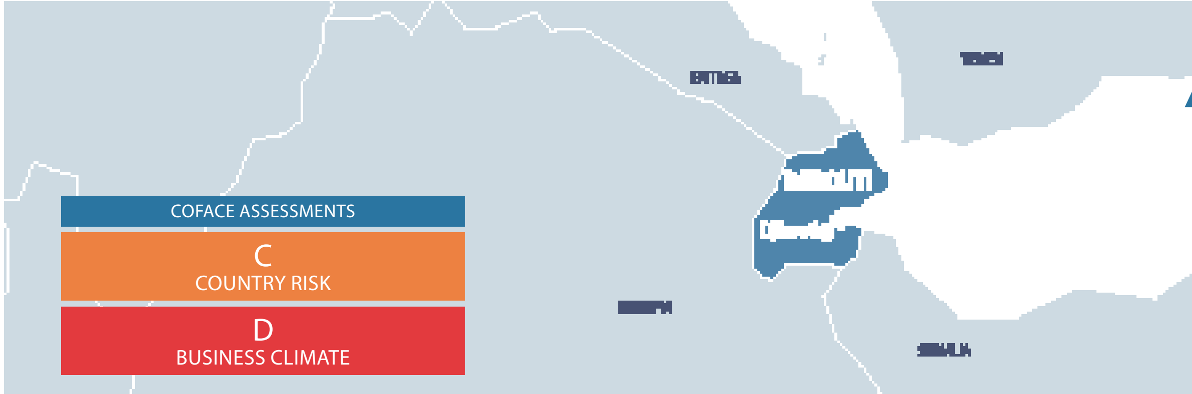
Liquidation

Liquidation procedures are based on bankruptcy orders issued by the Court, either at the request of the debtor or a creditor. The debtor must be insolvent. The Court appoints a trustee who is authorised to act in all matters on behalf of the bankrupt estate. His primary objectives are to liquidate the debtor's assets and distribute the proceeds between the creditors. Creditors need to file their claims with the trustee for assessment.

NUMBER OF CORPORATE FAILURES



Source: Statistics Denmark, Coface

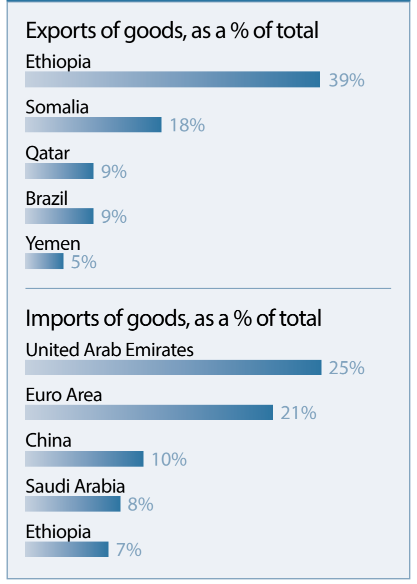


COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES



Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	6.5	6.3	6.9	7.0
Inflation (yearly average, %)	2.1	3.3	2.9	3.0
Budget balance (% GDP)	-21.7	-15.8	-1.5	-0.6
Current account balance (% GDP)	-31.8	-28.6	-21.6	-19.0
Public debt (% GDP)	72.1	86.6	88.1	87.5

* State guaranteed debt included (f): forecast

1.0
POPULATION
(millionsofpersons-2016)

1,903
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Ongoing infrastructure modernisation
- Country's emergence as a regional trading, logistics and military hub
- Substantial inflows of foreign direct investments
- Geostrategic position at the entrance to the Red Sea and supported by the international community

- WEAKNESSES

- High risk of over-indebtedness
- Increasingly dependent on Ethiopia and China
- Endemic poverty and unemployment
- Difficult business climate
- Dry climate

RISK ASSESSMENT

Growth, thanks to port activity, is enjoying the fruits of investment

In 2018, Djibouti's growth will likely continue to be driven by substantial investment, particularly in transport and public services, and the economic fruits of recently completed projects. With its strategic geographic location and deep-water port, the country intends to become a hub for intermodal transport in East Africa. Located on the second most heavily used shipping route in the world (20% of world exports; 10% of oil transit), the multipurpose Port of Doraleh – officially inaugurated in June 2017 after modernisation works amounting to USD 590 million – is set to help strengthen Djibouti's trading position in 2018. The Ports of Tadjourah and Goubet, inaugurated a few weeks after that of Doraleh, give the country the infrastructure it needs to accelerate exports of potash and salt.

This port infrastructure is connected to a transport network that notably includes the Djibouti-Addis Ababa railway line. With an expected completion date at the end of 2018, the construction of the Djibouti Silk Road Station, a free-trade zone financed by Chinese investment, is expected to stimulate private sector activity and FDI flows. Apart from transport, other tertiary sector industries stand out, including construction, which was boosted by infrastructure projects springing up in the field of renewable energy, such as the construction of a solar farm, and planned exploratory drilling starting in 2018 aimed at exploiting the geothermal potential.

Despite robust economic growth in recent years, poverty and unemployment remain endemic. Job creation has mainly benefited expatriate workers, as the local workforce lacks the necessary skills. In addition, with an economy primarily focused on transport and associated services, Djibouti is exposed to a slowdown in trade flows in the region – especially in Ethiopia, which uses Djibouti for 95% of its imports. The unstable security and political environment in Somalia, Eritrea, and Yemen further exposes Djibouti to this slowdown risk. Economic slowdown in China, which finances most of the country's investment projects, would also impact Djibouti's growth.

Inflation is expected to remain moderate in 2018, thanks notably to the pegging of the Djibouti franc to the US dollar.

Twin deficits and a legacy of over-indebtedness

Investments agreed for 2014-2016 have placed great strain on the national budget. However, the budget deficit ratios improved in 2017, partly thanks to controlled current spending, but above all due to a cut in capital investment spending. The latter, having reached a peak of almost 36% of GDP in 2015, is expected to be maintained at less than 8% in 2018, which will allow continued deficit reduction. Nevertheless, revenue collection, which is still unsatisfactory, will likely only increase modestly. Furthermore, higher debt-servicing costs will absorb a proportion of the increased income.

The current account deficit is expected to fall, thanks to exports rising faster than imports. This is because exports will benefit notably from the completion of the port projects, while imports of capital goods are expected to slow as capital investment spending slows.

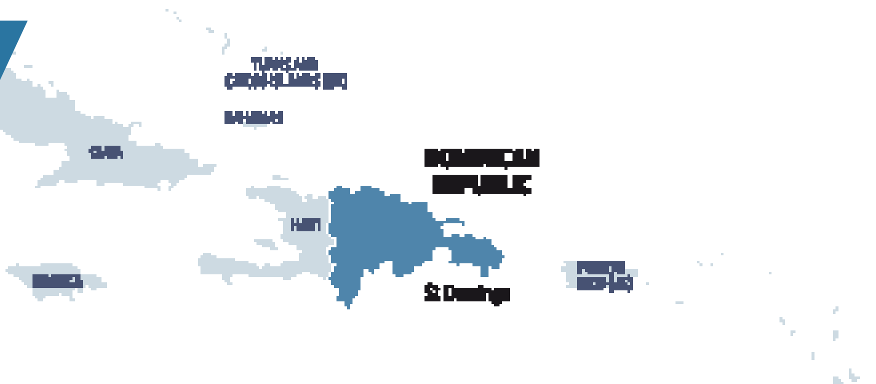
Investment projects – financed by non-concessional debt taken out mostly with China or the object of a PPP guaranteed by the State – have pushed all borrowing ratios into the red. The construction of the multipurpose port, the Djibouti-Addis-Ababa railway line, and the Ethiopia-Djibouti water pipeline mainly account for the increased debt burden, giving rise to a high risk of over-indebtedness.

Djibouti - outpost of the international fight against terrorism and piracy

President Ismail Omar Guelleh (IOG), who has maintained a tight grip on power since 1999, was re-elected in April 2016 in a landslide victory. Faced by a fragmented opposition subject to regular intimidation, his party – the People's Rally for Progress – is unlikely to be threatened by the parliamentary elections in February 2018. Accusations of patronage and corruption regularly levelled against IOG and his administration account only in part for the business climate, characterised namely by shortcomings regarding the fulfilment of contracts, access to credit, and investor protection.

Despite this, thanks to its strategic location, Djibouti enjoys the support of numerous international governments. China, in particular, set up its first foreign military base in Djibouti in 2017. China's military establishment present alongside military bases established by France, the United States, and Japan, among others. The strategic challenges posed by the Strait of Bab el-Mandeb, and its proximity to the regions in crisis of Africa and the Middle East, make Djibouti a key military outpost in the fight against piracy and terrorism.

DOMINICAN REPUBLIC



COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 49%
- Haiti 9%
- Canada 8%
- Euro Area 7%
- India 6%

Imports of goods, as a % of total

- United States 42%
- China 13%
- Euro Area 11%
- Mexico 6%
- Brazil 4%

\+ STRENGTHS

- Leading Caribbean tourist destination
- Remittances from its diaspora
- Free-Trade agreement with the United States (CAFTA-DR)
- Free-Trade Zones (51% of exports)
- Political stability

\- WEAKNESSES

- Dependence on US economy
- Dependence on gold prices
- Sporadic electricity shortages
- Deficiencies in education and health care systems
- High levels of poverty and inequality
- Drug traffic related crime
- Wide-spread corruption

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.0	6.6	4.8	4.6
Inflation (yearly average, %)	0.8	1.6	3.0	3.6
Budget balance (% GDP)	-0.2	-2.9	-2.5	-2.2
Current account balance (% GDP)	-1.9	-1.5	-1.6	-2.6
Public debt (% GDP)	33.0	34.9	36.7	37.9

(f): forecast

10.1
POPULATION
(millionsofpersons-2016)

7,114
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slowdown in growth to continue into 2018

The growth slowdown recorded in 2017 is set to continue in 2018, due to the reduction in public spending and investment, as part of the budget consolidation being implemented by the Dominican government. However, growth will likely remain strong, boosted by higher tourist numbers and sustained private consumption, thanks to strong inflows of remittances from expatriate workers given the relatively favourable economic situation in the United States. Manufacturing output (notably clothing) is expected to increase, with the United States being the leading export market for the Dominican Republic. In addition, the cut to the key lending rate by the Central Bank in July 2017 is likely to encourage an expansion in credit and therefore stimulate investment. In addition, the weakness of the Dominican peso, relative to other regional tourist destinations, will further enhance the competitiveness of its tourist sector, which is expected to attract significant foreign investments. Mainly focused on infrastructure, these investments are likely to provide a boost for the construction sector. The country's poor performance in terms of energy supply, however, remains an impediment to growth, and the political environment – dominated by cases of corruption – is unlikely to facilitate the implementation of the structural reforms needed to improve the situation.

As a result of the 20% increase in the minimum wage adopted in the first half of 2017, as well as rising fuel and food prices, inflation is likely to continue upwards in 2018. The bottom target range as defined by the Central Bank (4% +/- 0.5%) thus looks set to be reached, following a number years spent below this target.

Budget consolidation efforts but current account deficit deepens

The initial results of the budget consolidation efforts implemented by the government were seen in 2017, with an increase in public revenues, thanks to income tax collection improvements, and other taxes on goods and services. At the same time, the government brought the increase in its spending under control by ending subsidies within the transport and energy sectors. The public deficit is thus expected to shrink slightly in 2018, but with the approach of elections in 2020, doubts still remain regarding the latest reforms for continuing this consolidation. In terms of external accounts, manufactured exports should continue growing with the success of the free-trade zones and ongoing moderate growth in the US economy. The level of export earnings from gold is expected to hold steady. Energy imports are, on the other hand, likely to become more expensive, as a result of the moderate upturn in oil prices, and because demand for non-fuel imports is likely to grow given the country's dependence on imported finished goods. Consequently, this negative performance of the trade balance is likely to lead to deterioration in the current account balance in 2018. This deficit will be partly financed by the inflow of direct foreign investments (3.2% of GDP in 2016) in the tourist sector and of remittances from expatriate workers (7.0% of GDP). These foreign currency flows, together with the country's limited exposure to the financial markets, should allow for a moderate depreciation of the Dominican peso.

Weak institutions, and no effective opposition

President Danilo Médina, re-elected in 2016, retains a significant level of popular support. His Dominican Liberation Party (PLD) has an absolute majority in both parliamentary houses, as well as a considerable degree of influence over the judiciary. This context ensures political stability, but remains subject to the danger of negating the separation of powers in the absence of a strong and organised opposition (the PLD absorbed its traditional rival, the Dominican Revolutionary Party, leaving only the Modern Revolutionary Party as the opposition in a very minority role). The various corruption scandals associated with the Brazilian company Oderbrecht are, however, threatening this equilibrium, and triggering a rising tide of popular discontent. With the aim of containing this social restlessness, the president replaced the National Police Chief in August 2017 to revitalise the fight against crime.

In terms of international relations, following a period of serious tensions with Haiti arising from the large-scale expulsions of Haitians and trade reprisals (Haitian boycott of Dominican imports), the two governments resumed talks in mid-2017.

Institutional weaknesses and a lack of transparency weigh on the business climate, which is already undermined as a result of infrastructure failings (with the exception of telecommunications), and the problems in terms of electricity supplies, despite some progress being made in these areas.

ECUADOR

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 32%
- Euro Area 15%
- Chile 7%
- Vietnam 7%
- Peru 6%

Imports of goods, as a % of total

- United States 25%
- China 16%
- Euro Area 11%
- Colombia 9%
- Panama 5%

\+ STRENGTHS

- Significant mineral oil and gas potential
- Tourism potential (flora, fauna, heritage)
- Diverse climate allows for a wide range of crops
- Marine resources: leading exporter of shrimp
- Low risk of inflation due to fully dollarised economy

\- WEAKNESSES

- Economy dependent on oil
- Competitiveness subject to US dollar performance due to fully dollarised economy
- Large informal economy and poorly qualified workforce
- Legacy of sovereign default
- State interventionism
- Credit is expensive and underdeveloped; weakness of small banks
- Low levels of domestic and foreign private investment

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.2	-1.5	0.0	0.3
Inflation (yearly average, %)	4,0	1.7	0.6	0.7
Budget balance (% GDP)	-5.2	-8.4	-5.7	-4.4
Current account balance (% GDP)	-2.1	1.4	0.3	-1.5
Public debt (% GDP)	26.1	36.2	40.0	43.0

(f): forecast

16.5
POPULATION
(millionsofpersons-2016)

5,917
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Timid exit from recession

The economy is struggling to recover: public spending fuelled by oil revenues – its traditional driver – is anaemic. The dollarisation of the economy since 2000 has helped macro-economic stability, but low oil prices are exacerbating the country's weaknesses (low competitiveness, inefficient and expensive public services, rigid labour market). Internal demand is still performing weakly, and the slight upturn in household consumption seems to have fizzled out. While inflation will remain weak because of the fully dollarised economy, household income will likely continue to be affected by wage freeze (not counting the 10% cut in senior civil servants' salaries), as well as rising poverty rates and under-employment (only 39% of the workforce were in full-time employment in March 2017). In addition, the informal economy, which concerns 45% of jobs, means that many households do not benefit from the minimum wage or social benefits.

Public investment is expected to fall further. The government is making efforts to reduce the fiscal deficit, so as to prevent the debt from further hikes, and is prioritising politically important social spending rather than capital spending. Meanwhile, interventionism and the lack of competitiveness reduce private investor interest.

Exports might pick up slightly: oil sales are expected to benefit from firm prices, the slight upturn in production after the decision to no longer comply with OPEC's ceiling, and operations at the new oilfields in the Yasuni national park by the national company, Petroamazonas (78% of domestic production). Exports of bananas, shrimps, tinned fish, and flowers will likely benefit from the strong performance of the North American and European markets. In contrast, cocoa exports will continue to disappoint because of the drop in production and low prices caused by both a fall in quality and disease affecting the cacao trees. Other sectors (including textiles, chemicals, pharmaceuticals, leather, and wood) will continue to be disadvantaged by their lack of competitiveness outside the dollar zone. Given that imports will be overshadowed by weak domestic demand, trade's contribution to growth will be slightly positive.

Public debt requires supervision; external financing is fragile

Lenin Moreno, president since May 2017, has inherited a growing public debt burden, aggravated by the widening deficit. Declining oil revenues have not been matched by spending cuts, in large part due to reconstruction costs following the 2016 earthquake, the recession, and rising debt interest payments. In October 2017, the country once again issued ten-year bonds for USD 2.5 billion with a coupon of 8.875%. Following the public referendum scheduled for early 2018, steps will likely be taken in an attempt to sufficiently bring down the deficit so as to control the debt. This will be tough, as the president needs to find a compromise with the centre-right opposition, while also keeping those on the left of his party in line. This is compounded by poor prospects of a rapid rise in oil revenues, due to problems with the execution of construction contracts for a refinery, a gas liquefaction plant, and two oil pipelines. Meanwhile, production at fields awarded to the private sector is declining, reducing the benefits of increased output from fields operated by Petroamazonas.

Despite the restrictions on imports, the current account is likely to dip into the red again. Because of insufficient refinery capacity, the country has to import expensive oil products. In addition, accrued debt interest and profit repatriation exceed the value of remittances from expatriate workers. Finally, freight costs and oil sector service payments to foreign companies will exceed tourism income. Weak FDIs will not suffice to cover the deficit, so there will undoubtedly be a need to once more turn to external borrowing, potentially from China – who is already the country's main foreign creditor and investor. Foreign exchange reserves are low, despite tax incentives for companies to repatriate their foreign exchange and the tax on capital outflows. In this context, the IMF carried out another local inspection mission. Renewed relations, after being suspended for ten years, could bring down the cost of finance, but at the price of faster fiscal consolidation.

Pragmatism of the new president, Lenin Moreno

The President and his predecessor Rafael Correa disagree over policy and are competing for control of their party, the Allianza Pais (AP). Cutting a softer left-wing image, Lenin Moreno (77% approval rating in September 2017) plans to hold a referendum in early 2018, aimed at limiting presidential terms of office to two years (a return to the pre-2015 position) – thus preventing Correa from standing in 2021 –, at removing civil rights from persons convicted of corruption, and at reforming the *Consejo de Participacion Ciudadana y Control Social* which decides on the appointment of magistrates and is controlled by Correa's allies. Divisions within the party and across the political scene weaken the government. The AP's number of seats (74 out of 137) fell in favour of the centre and the right during the last 2017 elections.

PAYMENT AND COLLECTION PRACTICES IN ECUADOR

Payment

Cheques are still a frequently used means of payment for commercial transactions in Ecuador. Nevertheless, the use of cheques is declining, due to a growing preference for electronic payments for transactions of all values.

Credit transfers are used for both high-value and low-value payment transactions. High-value and urgent inter-bank transfers are usually cleared via the *Banco Central Ecuatoriano* (BCE). Inter-bank transfers can include capital, money and foreign exchange market transactions, as well as public sector and commercial payments. Transfer instructions can be submitted via paper-based instructions or through online systems such as SWIFT.

Cash is frequently used, particularly for low-value transactions.

Debt collection

Amicable phase

Amicable negotiations are a crucial step in successful debt collection management. These negotiations are highly detailed and cover aspects including the number of instalments, write-offs, guarantees, collateral, grace periods and interest.

Legal proceedings

Ecuador's judicial system comprises courts, administrative bodies, autonomous bodies and subsidiary bodies. The jurisdictional bodies responsible for administering justice are the National Court, regional courts, law courts, law tribunals and Justice of the Peace courts.

The Judicial Council is the governing body responsible for the administration, supervision and discipline of the judicial function. The judicial system also encompasses subsidiary bodies, such as notaries, auction services, foreclosure services, legal custodians and other bodies, as determined by law.

The *Código Orgánico General de Procesos* (COGEP), a new legal code which came into effect in May 2017, is expected to accelerate the resolution of trials.

Ordinary proceedings

Under the new legal code, trials can be in the form of Executive Judgments or Ordinary Judgments.

Executive proceedings are initiated by filing a written complaint with the Court. Supporting documents (such as the *pagaré* or *letra de cambio*) should be attached to the claim. Cases are assigned to a judge who then has 45 working days to decide whether the claim is complete. The judge then hands down precautionary measures within the following 60 days. The judge orders a single audience 90 days later, during which he delivers judgement.

Ordinary proceedings are initiated by filing a written complaint with the Court. The case is then assigned to a judge who has 45 working days to decide whether the claim is complete. The judge then issues a writ ordering the serving of the written complaint to the debtor. The debtor has 90 days to respond with a written defence. The judge then orders a single audience during which he will deliver judgment.

Enforcement of a legal decision

A domestic judgment becomes final and enforceable after any appeals have been exhausted. The judge of the court of first instance is responsible for enforcing judgments and issues a writ of execution ordering the relevant party to comply with the judgment within five working days. If the order is not complied with within the five-day period, the judge orders the seizure of the debtor's assets in order for them to be auctioned off.

The Ecuadorian Civil Procedure Code sets out the requirements for the enforcement of foreign judgments, in accordance with the appropriate treaties, international conventions and Ecuadorian law. The approval procedure begins with a phase of knowledge gathering (for ordinary trials) that is performed in the defendant's domicile court before admitting the execution. Ecuador has signed and ratified a number of international treaties for the recognition and enforcement of foreign judgments, including the Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards.

Insolvency proceedings

There are two phases in Ecuador's insolvency proceedings.

a) Conciliatory phase

The objective of this phase is to ensure that the debtor company can continue to operate, by putting into place signed agreements with all of its recognised creditors.

b) Bankruptcy

Bankruptcy proceedings entail the sale of the debtor company and its assets, with profits from the said sales being used to pay its debts to creditors.

COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 23%
- United Arab Emirates 15%
- United States 7%
- United Kingdom 6%
- Saudi Arabia 5%

Imports of goods, as a % of total

- Euro Area 23%
- China 8%
- United Arab Emirates 6%
- United States 5%
- Saudi Arabia 5%

+ STRENGTHS

- Tourist potential
- Manageable foreign debt
- Political and financial support of the Gulf monarchies and Western countries
- IMF Support Programme
- Large gas deposits

- WEAKNESSES

- Poverty (40% of the population) and high unemployment
- Recurrence of security issues in Sinai
- Twin deficits
- Banking system vulnerable to sovereign risk

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.3	4.1	4.5	4.9
Inflation (yearly average, %)	10.2	23.9	22.1	14.0
Budget balance (% GDP)*	-12.5	-10.8	-8.8	-7.1
Current account balance (% GDP)	-6.0	-5.8	-4.6	-4.0
Public debt (% GDP)	96.6	98.4	88.7	87.9

* Fiscal years from June to June (f): forecast

90.2
POPULATION
(millionsofpersons-2016)

3,685
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Increase of growth in 2018

With the support of the International Monetary Fund, Egypt embarked on an ambitious economic reform programme in 2016. Among the significant measures, the liberalisation of the Egyptian pound on the foreign exchange market was accompanied by a depreciation of 50% against the US dollar, and led to an increase in foreign exchange reserves of 80% during the year, mainly due to the influx of capital. The depreciation of the currency has increased the competitiveness of exports while the rise in the price of imports has raised inflation to more than 30% in 2017. Social transfer policies mitigated the effect of price increases on the poorest households, but consumption slowed. Inflation should gradually decrease in 2018 as the exchange rate impact is absorbed, but rising prices for intermediate goods and services will continue to cripple the purchasing power of average households. The entry into force of the law to promote investment, as well as the respect of the agenda of the reforms initiated with the support of the IMF, should reinforce the foreign investors' confidence. Foreign direct investment is expected to reach USD 10 billion in the 2017/2018 fiscal year, focusing on the hydrocarbon sector. The increase in gas production following the start of extraction of the giant Zohr deposit (discovered in 2015 by ENI), as well as the start of production of BP's West Nile Delta project, is expected to increase gas production while lowering the cost of energy bills. Despite a law encouraging industrial development, investment in the industry will likely remain constrained by the central bank's restrictive monetary policy, with interest rates rising by 700 basis points in 2017.

Continuation of budgetary consolidation

Budgetary consolidation efforts under the IMF programme should result in a gradual short-term reduction of the public deficit, which fell slightly in 2017/2018 but is expected to decrease more significantly in 2018. The increase of VAT from 13% to 14% in July 2017, as well as the rise in customs taxes, allowed a slight increase in budget revenues. Public spending remained controlled by the moderation of the wage bill with a de-indexation of bonuses for civil servants. Despite a drop in the state's participation in fuel financing (50% increase in the price of refined oil in June 2017), the elimination of subsidies planned for 2017 has been postponed to 2018, the government having made the choice to absorb the additional cost of the exchange rate impact on regulated and energy products. Although the primary deficit declined in 2017, the depreciation of the Egyptian pound and the rise in domestic interest rates led to an increase in debt service, which remains the third largest expenditure item. Characterised by short maturities, the debt remains mainly domestic. It could therefore be hindered by the tightening of the ECB's monetary policy. The IMF loan and the two global bonds issued in 2017 (USD 7 billion), however, contributed to an increase in the portion denominated in foreign currency. The pursuit of budgetary consolidation in 2018 should lead to a primary surplus of 0.4% and slightly reduce the trajectory of public debt, which remains high.

The transition to a floating exchange rate allowed for a reduction in the external imbalance after an adjustment period. Higher exports, tourism revenues, and expatriate remittances have resulted in lower current account deficits. The capital account surplus has increased due to an increase in foreign direct investment, in addition to portfolio investment. Private debt in foreign currency, held largely by the banking system, has been reduced, limiting the risk factors associated with external impacts. Exports are expected to continue to grow in 2018. Price competitiveness gains and increased production of gas and electricity should continue to generate a decrease in the current account deficit in 2018, via increased exports.

2018 election

The Egyptian presidential election is scheduled for May 2018. President Abdel Fattah Al Sissi has announced that he will not seek a third term, as the constitution allows only two successive four-year terms. However, no alternative successor seems to have emerged, Mr Sissi having eliminated all forms of opposition – Islamist as well as both secular and liberal. The president's security regime is often criticised for not respecting human rights, and for the repression of certain figures of the Egyptian revolution of 2011 in particular Nevertheless, Egypt remains a pivotal centre of both regional stability and the fight against terrorism, which enables it to play a leading role in the Middle East and maintain close relations with both Europe and the United States. Egypt has been the main mediator in the political reconciliation between Hamas and the Palestinian Authority. The country also sided with Saudi Arabia, one of its allies, in the Qatar crisis, becoming one of the Arab countries outside the Gulf Cooperation Council to boycott the Emirate.

EL SALVADOR

COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 48%
- Honduras 14%
- Guatemala 13%
- Nicaragua 7%
- Costa Rica 5%

Imports of goods, as a % of total

- United States 38%
- Guatemala 10%
- China 9%
- Mexico 8%
- Honduras 6%

+ STRENGTHS

- Relative economic diversification
- Free trade agreements with Central America and the United States (CAFTA-DR), as well as with Mexico and the EU
- Financial support from multilateral institutions
- Growing population

- WEAKNESSES

- High level of criminality and insecurity associated with drug trafficking
- Lack of natural resources
- Climatic and seismic vulnerability
- Inadequate infrastructures and investment
- Dependence on the United States (47% of exports, 90% of remittances and FDI)
- Structural fragility of public and external accounts
- Significant inequality and poverty

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.3	2.4	2.3	2.3
Inflation (yearly average, %)	-0.7	0.6	0.9	2.3
Budget balance (% GDP)	-3.2	-2.4	-2.5	-3.3
Current account balance (% GDP)	-3.6	-3.4	-3.7	-3.3
Public debt (%)	58.7	59.9	61.1	62.2

(f): forecast

6.3
POPULATION
(millionsofpersons-2016)

4,227
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Weak growth

In 2018, Salvador's growth is expected to be the weakest among the countries of Central America. Activity will likely continue to be hit by lacklustre US growth, to which the Salvadorian economy is strongly correlated. In addition, low levels of national savings and credit growth, as well as the ongoing restrictive fiscal policy, will impede growth, especially as the positive impact of the exceptional 2017 harvests dissipates. Despite this, agriculture, like the textile industry, will continue to be one of the key growth sectors.

Private investment is set to be hit by high crime levels and weak household purchasing power. Added to this are structural weaknesses (small size of the market, income inequalities, poor natural resources, corruption), which will further weaken the country's attractiveness as an investment destination, especially compared to neighbours such as Costa Rica. Moreover, the profitability of small businesses in El Salvador suffers from gang extortion rackets, which reduces their profits and ability to invest.

Consumption, the country's main growth engine, also suffers from the high crime rates and will be hit by rising inflation despite the stability of oil prices. Finally, the country is one of the four countries in Latin America that is the most vulnerable to climate and earthquake shocks, but low rates of investment undermine the ability to build the infrastructures needed to limit the consequences.

Worsening fiscal position

Given the modest growth and low levels of investment, the government's ability to mobilise tax instruments so as to increase revenues is limited. Moreover, political differences between President Salvador Sánchez Cerén's government (FMLN, on the left) and the National Assembly, dominated by ARENA (*Alianza Republicana Nacionalista*, on the right) are blocking the reforms needed to reduce the deficit, which is set to further deteriorate in 2018. Budget spending cuts are likely to remain limited, as almost half of the budget is devoted to social programmes and pensions, which are cherished by the population. The legislative paralysis prevented the government from obtaining the revenues needed to pay the due sums for local pension funds (USD 57 million) in April 2017, resulting in the country's first default in over twenty years. Payment was eventually made, but the growing tension between the two political parties is increasing the risks associated with servicing the public debt in 2018. With a deal between the FMLN and ARENA looking unlikely, and with external funding still limited, the country's financial situation will remain precarious. The persistence of the deficit is a factor in pushing the public debt to above 60% of GDP – a worrying level for a dollarised economy.

The current account deficit, which widened in 2017, is not expected to improve significantly. Dependent on the health of the US economy (48.2% of exports), exports will grow less rapidly than imports. Imports will likely continue to rise, notably with the progression, though moderate, of oil prices. The trade deficit should therefore remain substantial (19% of GDP). The trade deficit will continue to be hit by weak FDI, with foreign investors remaining wary of the high crime rate. By contrast, remittances from the Salvadorian diaspora, particularly from the United States, are expected to remain at high levels (18% of GDP).

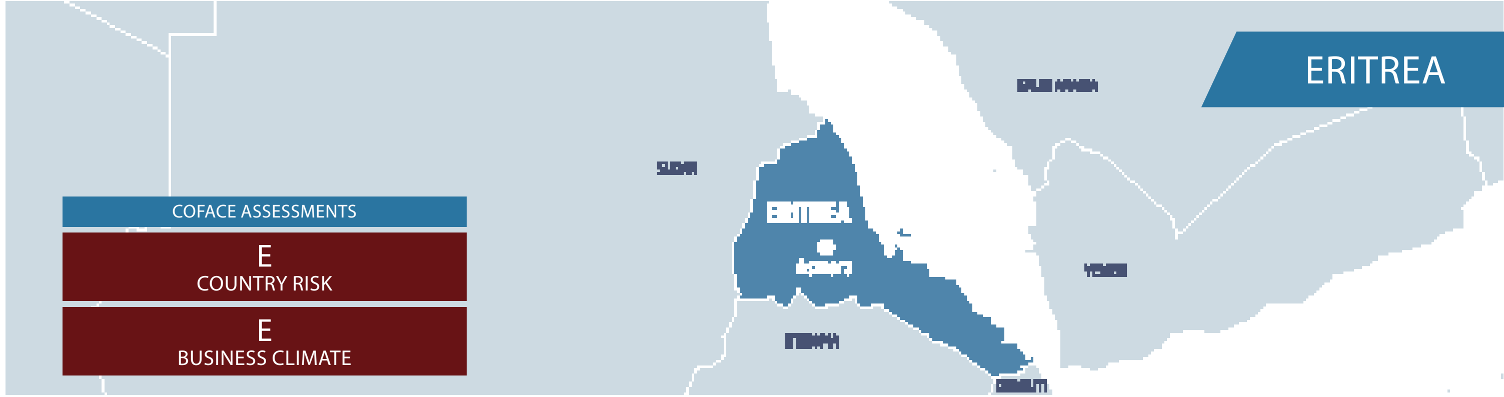
Legislative and structural difficulties

President Cerén, who is expected to remain in power until June 2019, cannot rely on a majority in the National Assembly, which is dominated by the opposition. His popularity is falling, giving rise to fears that he may be defeated at the parliamentary elections planned for March 2018, as urgent reforms will be needed if poverty and criminality rates are to be reduced in a context of weak growth.

Homicides linked to gangs are declining, notably thanks to the extraordinary measures introduced in 2016 and extended in February 2017 until 2018 (state of emergency declared in seven prisons where gang members are concentrated, deployment of the army in rural areas). Two of the large gangs (MS-13 and Barrio 18) have expressed their willingness to begin negotiations with the government, which has so far refused to engage. Salvador is still the world's most violent country not at war, and the business climate is therefore strongly degraded.

Even though the FMLN has historical links with the radical left-wing regimes in the region, the president is careful to maintain good relations with the United States, the country's leading trading partner.

ERITREA



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 25%
- United Arab Emirates 22%
- Euro Area 18%
- Brazil 8%
- Turkey 6%

Imports of goods, as a % of total

- China 18%
- United Arab Emirates 15%
- Euro Area 15%
- Saudi Arabia 14%
- Turkey 6%

+ STRENGTHS

- Extensive mineral resources (potash, copper, gold, silver, zinc)
- Strategic position on the Red Sea

- WEAKNESSES

- Large public and external deficits
- Critical level of debt
- Country has become an international pariah state
- Worrying human rights record
- Very difficult business climate

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.8	3.7	3.8	3.4
Inflation (yearly average, %)	9.8	11.8	14.0	11.5
Budget balance (% GDP)	-14.2	-14.0	-13.8	-12.6
Current account balance (% GDP)	-5.7	-4.7	-3.3	-3.0
Public debt (% GDP)	127.1	125.5	127.4	127.9

NB: The most recent official data was published in 2006. The availability of reliable economic data is also limited by the absence of relations with international institutions. (f): forecast

6.5
POPULATION
(millionsofpersons-2016)

823
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

The mining sector is the only island of activity

Growth will likely remain relatively subdued in 2018. Weak public resources are expected to continue to mainly benefit the army and will, therefore, provide only negligible support for growth. Flows of foreign investments, limited by a very degraded business climate, are unlikely to offset the public investment deficit. Mineral resources (copper, zinc, gold, silver, potash) are the only attraction for foreign, particularly Chinese, investment. The mining sector is thus almost the only driver of growth. Operations at the Koka (gold) mine since 2015 and the start of production at the Asmara mine (copper, zinc, gold) should help reduce dependency on the Bisha mine (copper, zinc, gold), which accounts for 40% of state revenues. This is especially necessary with the recovery rate of zinc and copper, with the latter expected to decline from 2018 until a scheduled cease in production in 2021. The Colluli Potash Project could, in future, take over from the Bisha mine, but it looks unlikely that production will start in 2018.

Private consumption is set to remain anaemic in a country that is among the poorest countries in the world. Despite substantial inflows of remittances from expatriate workers, household income – deriving mainly from rudimentary agriculture (the sector employs almost 80% of the workforce) – is low. This income is further eaten up by inflation, which is expected to fall only slightly. Insufficient agricultural output to meet the needs of the population puts pressure on food prices. Inflation, exacerbated by a shortage of foreign exchange, which impedes imports, is broadly responsible for the overvaluation of the nafka, pegged to the US dollar. This is reflected in a growing gap between the official exchange rate and the rate used on the parallel market.

Twin deficits increase the debt burden

The military budget, estimated at 25% of public expenditure, continues to burden the fiscal balance. The growth in mining income could help to slightly narrow this substantial deficit, but revenue mobilisation remains broadly inadequate. Financing the deficit by creating money is fuelling inflation. Money creation is also, at least in part, the reason for the build up of domestic debt, thus putting public debt at a worrying level. Highly strained relations with donors prevent Eritrea from benefiting from debt relief under the HIPC initiative.

The external accounts are expected to continue to develop in line with exports of mineral resources. With base metal prices expected to stabilise, led by those for copper and zinc, export revenues should hold up. The import bill is set to fall in connection with the drop in demand for capital goods needed for the development of mining projects.

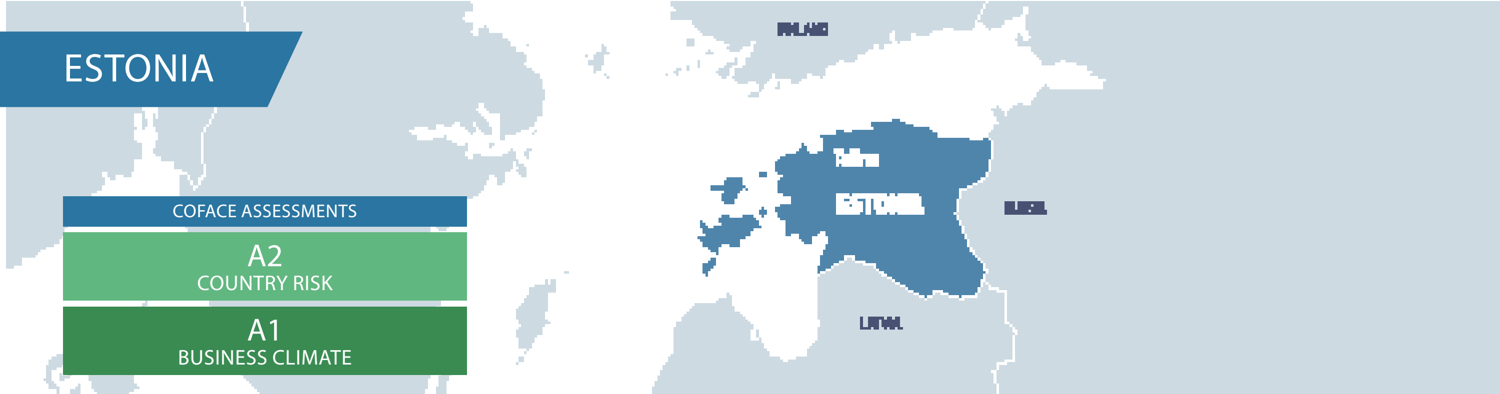
Isaias Afwerki's regime still ostracised by the international community

Since 1993, power has been concentrated in the hands of President Isaias Afwerki, supported by his People's Front for Democracy and Justice party - the only legally authorised party. Reports from the country suggest that most freedoms are suppressed and human rights violations are legion. Eritrean citizens are fleeing forced labour and also indefinite periods of military service introduced since the war against Ethiopia (1998-2000). Officials from the High Commission for Refugees thus make up almost 10% of the total population.

As a result, relations with the international community are particularly tense. In particular, Eritrea is, accused of supporting armed groups, such as Al Shabaab in Somalia, and rebel movements on the border with Ethiopia. Still benefiting from some aid from the European Union and strong relations with China, the country is not yet completely isolated. The regime's collaboration with Pyongyang could, however, justify tougher UN sanctions.

Although the country is no longer in last place in the 2017 *Doing Business* rankings, this is only because Somalia now occupies that position. The business climate thus remains an impediment to economic development.

ESTONIA



COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Sweden 18%
- Finland 16%
- Latvia 9%
- Russia 7%
- Lithuania 6%

Imports of goods, as a % of total

- Finland 13%
- Germany 11%
- Lithuania 9%
- Sweden 8%
- Latvia 8%

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.7	2.1	4.1	3.6
Inflation (yearly average, %)	0.1	0.8	3.8	3.3
Budget balance (% GDP)	0.1	0.3	0.1	-0.7
Current account balance (% GDP)	2.3	1.9	1.7	1.4
Public debt (% GDP)	10.0	9.4	8.7	8.8

(f): forecast

1.3
POPULATION
(millionsofpersons-2016)

17,786
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Balanced public accounts and low level of debt
- Membership of the euro zone and the OECD
- Close trading, financial and cultural links with Scandinavia
- Virtual energy self-sufficiency thanks to oil shale
- Expansion of high value-added sectors (electronics, IT services)
- Very favourable business climate
- Digitisation of administrative procedures
- Flexible economic policy

- WEAKNESSES

- Small open economy sensitive to external shocks
- Decline in the workforce; shortage of skilled labour
- Drop in competitiveness and profitability: labour costs rising faster than productivity
- Lack of land connections with the rest of the European Union
- Lack of innovation and high value-added production
- Income inequalities and persistent poverty rate, especially in the eastern, mostly Russian-speaking regions

RISK ASSESSMENT

Growth sustained by robust internal demand

The lively pace of domestic demand is expected to continue to sustain growth in 2018, thanks to rising private consumption – the traditional driver of activity – but above all thanks to strongly expanding (public and private) investment. Rapid wage growth, higher family allowances, and pension benefits will encourage household consumption. However, the steady decline in the workforce appears to be limiting new gains in terms of jobs. Additionally, wage rises will, in part, be eroded by higher inflation and higher indirect taxes on alcohol, tobacco, fuel, hospitality, and catering.

With the return of European funding in 2017, public infrastructure investment is set to continue to grow, along with private investment in equipment, due to the high production capacity utilisation rate in response to firm external demand, which absorbs 70% of industrial output. In addition, businesses are enjoying tax exemption on reinvested profits. Construction will likely benefit broadly from an increase in these investments.

Exporters have finally managed to process the impact of the Russian recession and counter-sanctions. Dairy products, fish, and alcohol – all popular in Russia – have found substitute markets in Scandinavia, and also outside Europe, helped by the depreciation of the euro. Moreover, the Swedish company Ericsson continues to buy Estonian telecommunications equipment. In contrast, rail and road transport has been hit by the drop in equipment transit to Russia, especially with Russia favouring its own ports.

Excellent public and external accounts

Even though higher current spending and steadily rising defence spending (2.1% of GDP forecast for 2018) will likely result in a small deficit, public finances are in an excellent position, supported by foreign exchange reserves, which, incidentally, exceed debt. Spending will be focused mainly on infrastructure projects, especially those relating to transport, and on improving public services (digitisation, innovation). The government is also keen to boost its small population base through an initiative to attract young talent from abroad.

The trade deficit (4.6% of GDP in 2016) is broadly offset by the services surplus, especially in the information technology, tourism, technology, and freight forwarding sectors (8.2% of GDP). Dividend repatriation by Swedish, Finnish, and Dutch investors – who are strongly present in the retail, real estate, and finance sectors, as well as in industry – is slightly above the returns on Estonian investments abroad. Remittances from expatriate workers equal those of foreign workers in Estonia. European structural funds intended for investment represent an annual average of 3% of GDP. The substantial foreign direct investments are balanced by no less significant Estonian direct investments and portfolio investments made abroad by Estonian pension funds. The external debt represented 85% of GDP at the end of July 2017, but as the public share is small, the balance is therefore made up of non-financial private sector debt. In addition, the debt is more than offset by foreign pension fund assets.

A sizeable Russian minority, but energy independence

Following a vote of no confidence in November 2016 after disagreements over economic and social policy, Taavi Rõivas and the centre-right, liberal Reform Party, in power since 2001, ceded power to a coalition formed around the leader of the Centre Party, Jüri Ratas. This coalition also includes the Social Democrats (SDE) and the conservatives of the Pro Patria and Res Publica Union (IRL), even though they were members of the previous government. This new coalition was made possible by the change of leadership within the Centre Party, the political representation of the Russian-speaking minority (one quarter of the population): the previous leader was seen as pro-Russian and anti NATO, and therefore unsuitable. Despite the coalition's small majority, it is expected to remain in place until the next elections in 2019, given the country's strong economic performance.

The pro-European policy and firmness towards Russia is set to remain in place. The country enjoys relative energy independence thanks to the exploitation of oil shale, of which the country is the world's leading producer, and which covers a large part of Estonia's electricity needs. In addition, although Russian gas meets only 10% of the country's energy needs, the country is connected with the Lithuanian gas terminal at Klaipeda, which covers almost 30% of its gas consumption. The business climate is favourable, although the resolution of insolvency proceedings can be cumbersome.

ETHIOPIA

COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Sudan 22%
- Euro Area 19%
- China 10%
- Switzerland 8%
- Somalia 7%

Imports of goods, as a % of total

- China 28%
- Euro Area 10%
- Saudi Arabia 10%
- India 7%
- Kuwait 5%

Main economic indicators	2015*	2016*	2017*(e)	2018*(f)
GDP growth (%)	10.4	7.6	9.3	8.2
Inflation (yearly average, %)**	10.1	7.3	10.2	14.4
Budget balance (% GDP)	-2.0	-2.4	-2.5	-2.6
Current account balance (% GDP)	-11.6	-9.9	-8.3	-7.4
Public debt (% GDP)	60.0	57.9	59.8	59.0

*Fiscal year, which runs from 8th July to 7th July ** Calendar year (e): estimate (f): forecast

91.2
POPULATION
(millionsofpersons-2016)

795
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Remarkable track record of growth and poverty reduction
- Public investments in infrastructures
- Economy diversification effort
- Strong hydropower potential

- WEAKNESSES

- Vulnerability to weather conditions and changes in world commodity prices
- Isolation of the country
- Insufficient level of foreign exchange reserves
- On-going difficulties in the business and governance environment
- Unstable regional context
- Exacerbated ethnic tensions

RISK ASSESSMENT

Rapid growth despite inflation and political risk

Despite the obstacles to growth (drought, ethno-political tensions), activity remained buoyant – and even rebounded – in 2016/2017. In 2017/2018, it is expected to remain robust but will likely stagnate, due to the constraints of inflation and political risk. The price increase following the 15% devaluation of the national currency (birr) will likely put pressure on household consumption and weigh on growth. Nevertheless, this devaluation should help to improve the competitiveness of exports, which was low. Exports should also rebound thanks to better agricultural production – coffee and oleaginous fruits (sesame) in particular – after being affected by drought conditions in 2016 and 2017. In addition, the opening of several industrial parks, including those of Hawala and Mekelle, should allow the country to increase its leather, footwear, and textile exports, and, thus, begin to realize the country's goal to position itself as a large manufacturing hub. Under Ethiopia's Growth and Transformation Plan II, public investment will also remain strong, particularly in the transport, telecommunications and energy sectors with the "Renaissance Dam" project with a production capacity of 6,000 megawatts. An effort will also be made with respect to social infrastructure (hospitals and schools). On the other hand, the growth of private investment remain hampered by the persistence of ethno-political tensions.

A sustainable fiscal policy, but persistent external imbalances

The budget deficit is likely to remain relatively low. The 2017/2018 budget is up almost 10% from the previous fiscal year. This increase is mainly directed towards capital expenditures in infrastructure projects. Revenues are expected to increase in line with GDP growth and thus allow the budget deficit to remain relatively stable. However, the increase in revenues will remain constrained by the collection of domestic receipts, which is still sub-optimal: tax revenues represent less than 14% of the GDP, compared with a relatively low average of around 20% in sub-Saharan Africa. This point has therefore been prioritised by the Ethiopian authorities in the 2017/2018 budget. The deficit is financed by foreign loans and grants (about 18% of the budget).

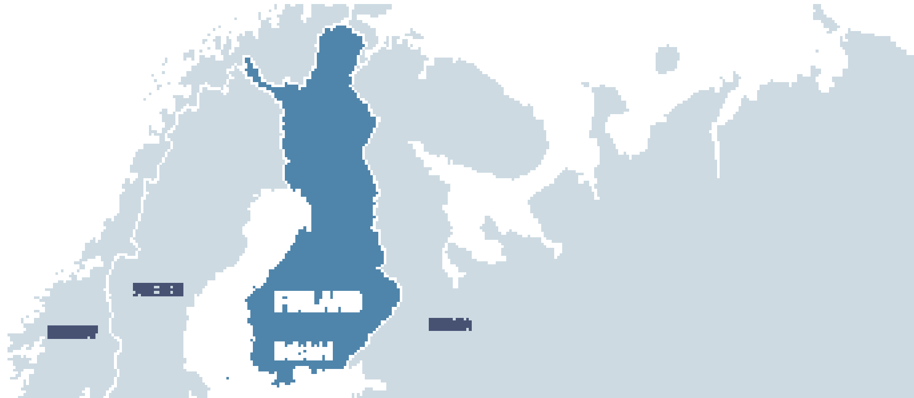
The current account deficit will likely remain high in 2017/2018, but the devaluation of the birr should reduce the pressure on external accounts. Indeed, the weaker currency should constrain the growth of imports and support the competitiveness of exports, especially manufactured goods and foodstuffs. Transfers by expatriate workers will remain a significant positive contribution in the current account. The favourable economic situation in Europe and the United States could have a beneficial effect on the flows of these transfers. Foreign direct investment flows, particularly in infrastructure and industry, should help finance the current account deficit. Strengthening Ethiopia's external position could help replenish some foreign exchange reserves, which remain at a low level (around two and a half months of import coverage).

Debt is still relatively high, but given the still large share of concessional loans (around 60% of the external debt stock), the associated risk remains moderate.

The lifting of the state of emergency does not relieve internal tensions

The coalition in power, the Ethiopian Peoples' Revolutionary Democratic Front, led by Prime Minister Hailemariam Desalegn and dominated by the minority ethnic Tigrayans, still faces significant ethno-political tensions. The latter have experienced a resurgence since November 2015, as well as demonstrations by Oromos, the ethnic majority. In October 2016, protests in Amharas, with people demanding more representation and political freedoms, led to 600 deaths, in large part due to a deadly melee launched by security forces. Subsequently, the government declared a state of emergency that was not lifted until August 2017. The security measures led to the arrest, under conditions challenged by human rights associations, of 29,000 individuals, allowing a relative lull in political unrest amongst the dissident areas of the Oromia region. However, clashes on the border between the Oromia and Somali regions still occur from time to time and continue to threaten the stability of the country.

The persistence of these ethno-politic issues could eventually lead to a deterioration of relations with its international partners. As one of only two guests from Sub-Saharan Africa at the "One Belt, One Road" Forum (with Kenya), Ethiopia has maintained an increasingly close relationship with China.



COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 13%
- Sweden 11%
- United States 8%
- Netherlands 7%
- Russia 6%

Imports of goods, as a % of total

- Germany 17%
- Sweden 16%
- Russia 11%
- Netherlands 9%
- France 4%

\+ STRENGTHS

- Prudent economic policies
- Skilled workforce and favourable business climate
- Cutting-edge industries
- High standard of living

\- WEAKNESSES

- High vulnerability to the international situation
- Industrial crisis and loss of competitiveness
- Dependence of the Finnish banking sector on the Swedish and Danish financial sectors, despite the return of a major institution in 2017
- Ageing population

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.0	1.9	2.8	2.2
Inflation (yearly average, %)	-0.2	0.4	0.8	1.1
Budget balance (% GDP)	-2.7	-1.9	-1.5	-1.2
Current account balance (% GDP)	-0.6	-1.1	0.4	0.4
Public debt (% GDP)	63.6	63.1	63.3	62.6

(f): forecast

5.5
POPULATION
(millionsofpersons-2016)

43,482
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Dynamic activity sustained by domestic demand and exports

In 2018, activity will slow down slightly, although growth will remain above potential. Private investment, although more moderate in 2018, will remain one of the main contributors to growth, due to low interest rates, coupled with dynamic domestic and external demand. Higher capacity utilization rate in the forestry and metallurgical industry would foster investment in these sectors. Investment in research and development will also be more dynamic following several years of decline due to the deterioration of mobile telephone services. Residential construction will support activity, due to strong housing demand, particularly in the Helsinki area. In addition, the expansion of tourism will continue, driven by a growing influx from Russia and Asia, attracted by preserved natural sites and the northern lights.

Exports will continue to benefit from the Competitiveness Pact, which reduced unit labour costs by 3.7% in 2017, although wages are expected to rise again in 2018. In addition, strong demand in the main partner countries (Sweden, the United States and Germany), as well as the economic recovery in Russia, would favour Finnish exports. The dynamism of orders in the shipbuilding industry and the completion in 2017 of the country's largest wood processing plant (paper, resin, bioenergy, etc.), will also support exports. Thus, the contribution of trade to growth will be positive in 2018.

Household consumption will be more dynamic, driven by a slight rise in wages, in a context of moderate inflation, and by decreased unemployment (7.3% in October 2017). Low interest rates will also favour consumption, even if the weight of the debt (129% of disposable income) will still weigh on the financial situation of households.

Conservative fiscal policy and small current account surplus

The government's priority in 2018 will remain the reduction of unemployment and the control of public spending, although many efforts have already been made in these areas. In addition, the government should continue lowering income tax (mainly for low income), which was the counterpart of the austerity measures of the Competitiveness Pact. The latter includes the extension of the annual working time, a transfer of part of the employer's contributions to the employee contributions and a wage freeze. The 2018 budget also provides for an increase in retirement pensions, as well as an increase in social transfers for the elderly and single-parent families. In addition, public investment will remain small, except for public transport. In addition, the country would progress in its decentralization process, giving more powers to the regions. The increase in expenses would nevertheless be offset by the increase in revenues, due to the favourable economic situation and the increase in property tax. Thus, the budget deficit would always remain below 3% and public debt will approach the threshold provided for by the European Stability and Growth Pact (60% of GDP). Nevertheless, in the absence of structural reforms, the rapid ageing of the population would threaten the social security system and the control of public accounts.

The current account balance will remain positive in 2018 owing to the maintenance of a small trade surplus linked to export growth. Nevertheless, the increase in imports would halt the improvement observed in the current account, due to a more dynamic domestic demand and a moderate increase in oil prices (2nd import station).

A government majority that is small but benefiting from the dynamism of the economy

In June 2017, the election of Jussi Halla-aho as the leader of the Finns Party (extreme right), resulted in the exclusion of this party from the government coalition, because it was considered too strict on immigration issues. The defection of more than half of the members of his party (19 out of 36) has formed a new coalition government, led by the Centre Party, also consisting of the National Coalition Party (centre-right) and the blue Reform Party, which was born from the split of the Finns Party. The ministerial posts remained unchanged as all the members of the Finns Party government had already joined the Blue Reform. In addition, the new coalition government seems more fragile since it has a smaller majority than the previous government (106 seats out of 200, instead of 124). However, the good economic performance should allow the government to remain in place until the next parliamentary elections in April 2019.

The business environment remains very favourable as the country ranks 13th out of 190 in the 2018 Doing Business report published by the World Bank, with particularly remarkable performance in insolvency settlement. In addition, the dynamism of activity has contributed to the reduction in the number of business bankruptcies since 2016.

FINLAND

PAYMENT AND COLLECTION PRACTICES IN FINLAND

Payment

Bills of exchange are not commonly used in Finland because they signal the supplier's distrust of the buyer. A bill of exchange primarily substantiates a claim and constitutes a valid acknowledgment of debt.

Cheques, also little used in domestic and international transactions, but only constitute acknowledgement of debt. However, cheques that are uncovered at the time of issue can result in the issuers being liable to criminal penalties. Moreover, as cheque collection takes a particularly long time in Finland (twenty days for domestic cheques or cheques drawn in European and Mediterranean coastal countries, 70 days for cheques drawn outside Europe), this payment method is not recommended.

Conversely, SWIFT bank transfers are increasingly used to settle domestic and international commercial transactions. Finns are familiar with this efficient method of payment. When using this instrument, sellers are advised to provide full and accurate bank details to facilitate timely payment, while it should not be forgotten that the transfer payment order will ultimately depend on the buyer's good faith. Banks in Finland have adopted the SEPA (Single Euro Payments Area) standards for EUR-denominated payments.

Debt collection

Amicable phase

The goal of the amicable phase is to reach a voluntary settlement between the creditor and debtor without begin legal proceedings. Finnish legislation obliges creditors to begin the amicable phase amicable phase via letters, followed up as necessary with a final demand for payment by recorded delivery or ordinary mail. This demand for payment asks the debtor to pay the outstanding principal increased by past-due interest as stipulated in the contract.

In the absence of an interest rate clause in the agreement, interest automatically accrues from the due date of the unpaid invoice at a rate equal to the Central Bank of Finland's (*Suomen Pankki*) six-monthly rate, calculated by reference to the European Central Bank's refinancing rate, plus seven percentage points.

The Interest Act (*Korkolaki*) already required debtors to pay up within contractually agreed timeframes or become liable to interest penalties.

Since 2004, the ordinary statute of limitations for Finnish contract law is three years.

Legal proceedings

Fast-track proceedings

For clear and uncontested claims, creditors may use the fast-track procedure, resulting in an injunction to pay (*suppea haastehakemus*). This is a simple written procedure based on submission of whatever documents substantiate the claim (invoices, bills of exchange, acknowledgement of debt, etc.). The court sets a time limit of approximately two weeks to permit the defendant to either respond to or oppose the petition. In addition, this fast track procedure can also be initiated electronically for cases of undisputed claims. The presence of a lawyer, although commonplace, is not required for this type of action.

Ordinary proceedings

Ordinary legal action usually commences when amicable collection has failed. A written application for summons must be addressed to the registry of the District Court, which then serves the debtor with a Writ of Summons. The debtor is given approximately two weeks to file a defence.

During the preliminary hearing, the court bases its deliberations on the parties' written submissions and supporting documentation. The court then convokes the litigants to hear their arguments and decide on the relevance of the evidence. During this preliminary phase, and with the judge's assistance, it is possible for the litigants to resolve their dispute via mediation and subsequently protect their business relationship.

Where the dispute remains unresolved after this preliminary hearing, plenary proceedings are held before the court of first instance (*Käräjäoikeus*) comprising between one and three presiding judges, depending on the case's complexity. During this hearing, the judge examines the submitted evidence and hears the parties' witnesses. The litigants then state their final claims, before the judge delivers the ruling – generally within fourteen days.

The losing party is liable for all or part of the legal costs (depending on the judgement) incurred by the winning party. The average time required for obtaining a writ of execution is about twelve months. Undisputed claims in Finland can normally last from three to six months. Disputed claims and the subsequent legal proceedings can take up to a year.

Commercial cases are generally heard by civil courts, although a Market Court (*Markkinaoikeus*) located in Helsinki has been in operation as a single entity since 2002, following a merger of the Competition Council and the former Market Court.

Enforcement of a legal decision

A judgment is enforceable for fifteen years as soon as it becomes final. If the debtor fails to comply with the judgment, the creditor may have it enforced by a bailiff, who will try to obtain an instalment agreement with the debtor, or enforce it through a seizure of assets.

For foreign awards, since Finland is part of the European Union (EU), it has adopted enforcement mechanisms applicable to court decisions issued by other EU members, such as the EU Payment Order and the European Enforcement Order. For judgments issued by non-EU members, the issuing country must be part of a bilateral or multilateral agreement with Finland.

Insolvency proceedings

Out-of-Court proceedings

Finnish law provides no specific rules for out-of-court settlements. Negotiations between creditors and debtors are made informally. If an agreement is reached, it must still be validated by the court.

Restructuring proceedings

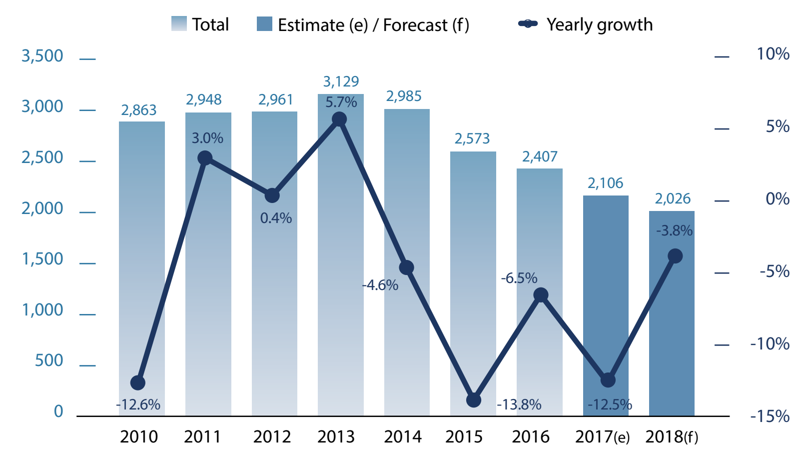
The goal of restructuring is to allow an insolvent company to remain operational through administration, with the view that if the company is able to continue its business, it will be able to repay a larger part of its debts than would have been possible in the case of bankruptcy of the company. The commencement of these proceedings triggers an automatic moratorium, providing the company with protection from its creditors.

The board of directors maintains its power of decision but the receiver is entitled to control certain aspects of the company's operations, including the creation of new debts and overseeing transfers of ownership.

Liquidation

When debtors are unable to pay their debts when due and this inability is not temporary, they are placed into liquidation. Upon acceptance of a liquidation petition by the court, the debtor is declared bankrupt. A receiver is appointed, and a time limit is established for any creditors to present their claims. The receiver then establishes a proposed distribution scheme, whilst creditors supervise the selling of the estate and the distribution of the sales' proceeds.

NUMBER OF CORPORATE FAILURES



Source: Statistics Finland, Coface

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 16%
- Spain 8%
- United States 7%
- Italy 7%
- United Kingdom 7%

Imports of goods, as a % of total

- Germany 19%
- Belgium 11%
- Netherlands 8%
- Italy 8%
- Spain 7%

+ STRENGTHS

- High-quality infrastructure and public services
- Skilled and productive workforce, dynamic demographics
- Powerful tourism industry
- Competitive international groups (aerospace, energy, environment, pharmaceuticals, luxury goods, agrifood, retail)
- Global agricultural leader
- High level of savings

- WEAKNESSES

- Insufficient number of exporting companies, loss of competitiveness and market share
- Weakening level of product sophistication, insufficient focus on innovation
- Low employment rate among younger and older workers
- Room for improvement in public spending
- High level of public debt, private debt on upward trend

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2017(f)
GDP growth (%)	1.1	1.2	1.8	1.8
Inflation (yearly average, %)	0.1	0.3	1.1	1.2
Budget balance (% GDP) *	-3.6	-3.4	-2.9	-2.8
Current account balance (% GDP)	-0.4	-0.9	-1.3	-1.1
Public debt (% GDP)	95.8	96.5	96.8	96.8

(f): forecast

64.6
POPULATION
(millionsofpersons-2016)

38,178
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Internal demand will continue to drive growth

Growth picked up in 2017, in particular thanks to accelerating business investment and a rebound in electricity exports and tourism. While household consumption slowed in 2017, following exceptional favourable events in 2016 – a particularly cold winter (heating, clothes purchases); the Euro football championship –, it is expected to bounce back in 2018 thanks to higher purchasing power. Real wages are expected to rise, because of incipient labour market tensions (growing number of companies declaring difficulties with recruitment). While job creation in the commercial sector (+300,000 in the first half of 2017 year-on-year) is expected to remain dynamic, the cut to one third of assisted jobs (-110,000 between 2017 and 2018) will slow the downward trend of the unemployment rate, which will remain at about 9%. High levels of confidence and particularly favourable credit conditions will continue to drive robust household consumption and investment, which will specifically benefit sectors such as automotive, retail, and construction (building permits up by 12% year-on-year at end October 2017). These same factors will encourage business investment, which should therefore remain dynamic in 2018. Competitiveness and Employment Tax Credit (CICE) and low energy costs have helped manufacturing companies to rebuild their margins (35.3% in 2016, highest level since 2002). Nevertheless, as investment is conducted largely through credit, corporate debt will continue to rise (72% of GDP in Q2, +2 percentage points year-on-year). Insolvencies will continue to decline in 2018 (-2% after -2.6% in 2016 and -8% year-on-year in November 2017) and business creation will grow (+6% year-on-year in November 2017).

The external contribution is likely to be less negative in 2018, thanks to accelerating exports in a context of strong demand from partners and cost/competitiveness gains recorded in recent years. With the effects of the terrorist attacks of 2015 and 2016 fading, tourism rebounded in 2017, and is expected to accelerate further in 2018. Hotel stays grew 4.8% year-on-year over the first nine months of 2017, thanks to the return of foreign tourists (+8.1%), a trend which should be confirmed in 2018. At the same time, imports will continue to be driven by capital goods needed for corporate investment and by higher oil barrel prices, which should nonetheless be offset by the slight appreciation of the euro.

Despite the fading effects of lower energy prices, inflation is expected to remain low, notably because of lower telecommunications prices (increased competition).

Heavy debt burden fuelled by twin deficits

The balance of goods runs a structural deficit, as France is a net energy importer. In contrast, the balance of services is in surplus thanks to tourism revenues. Since 2015, the goods and services balance excluding energy has become negative, as the manufactured products deficit has steadily widened due to the delocalisation of automotive production and of investments in machines. This deficit is partially offset by the income surplus (dividends of French subsidiaries abroad). The current account deficit is mainly financed by the issuance of debt securities held by non-residents.

Due to the limited leeway on the budget, although the 2018 finance law contains several tax cuts (30% flat-rate tax on financial income, replacement of net worth tax by a property tax, removal of employee contributions, cuts to council tax), these will be offset by a 1.7 percentage point rise in the CSG (General Social Security Contribution) and spending cuts totalling EUR 15 billion (housing, health, local authorities, assisted jobs). As a result, the public deficit should remain below the 3% threshold in 2018, but the public debt - one of the highest in the eurozone - will remain one of the few not to decline.

Continuation of reform agenda in 2018

President Emmanuel Macron, elected in May 2017, has an absolute majority in the National Assembly via his party, La République En Marche!. During the first months of his term, President Macron passed the aforementioned fiscal measures, as well as a reform aimed at making the labour market more flexible. Although the government announced reforms to unemployment insurance for 2018 and to vocational training, these will be much less far-reaching than the texts already passed. In contrast, reform of the pension system (removal of special regimes), which is due to be launched in 2018, could lead to significant union protests. Nevertheless, President Macron enjoys fairly high popularity ratings and strong legitimacy following his victories in the presidential and parliamentary elections, while the main opposition parties (Socialist Party on the left and Les Républicains on the right) are in the process of rebuilding. Although one of President Macron's commitments was to boost the building of Europe, any progress will depend on the political situation in Germany.

FRANCE

PAYMENT AND COLLECTION PRACTICES IN FRANCE

Payment

Bank cards are now the most commonly-used form of payment in France, although cheques are still widely used. In value terms, cheques and transfers are still the most popular forms of payment.

If a cheque remains unpaid for more than 30 days from the date of first presentation, the beneficiary can immediately obtain an enforcement order (without need for further procedures or costs). This is based on a certificate of non-payment provided by the creditor's bank, following a second unsuccessful attempt to present the cheque for payment and when the debtor has not provided proof of payment within fifteen days of receipt of a formal notice to pay served by a bailiff (article L. 131-73 of the monetary and financial code).

Bills of exchange, a much less frequently used payment method, are steadily becoming rarer in terms of number of operations – although in terms of total value they remain important. Bills of exchange are still an attractive solution for companies, as they can be discounted or transferred and therefore provide a valuable source of short-term financing. Moreover, they can be used by creditors to pursue legal proceedings in respect of "exchange law" (droit cambiaire) and are particularly suitable for payment by instalments.

Bank transfers for domestic or international payments can be made via the SWIFT electronic network used by the French banking system. SWIFT offers a reliable platform for fast payments, but requires mutual confidence between suppliers and their customers. France is also part of the SEPA network.

Debt collection

Unless otherwise stated in the general sales conditions, or agreed between the parties, payment periods are set at thirty days from the date of receipt of goods or performance of services requested. Interest rates and conditions of application must be stipulated in the contract – otherwise the applicable interest rate is that applied by the European Central Bank in its most recent refinancing operations. Throughout the first half of the year in question, the rate applicable is that in force on the 1st January and for the second half year in question, the rate applicable is that in force on the 1st July.

Amicable phase

During this phase, the creditor and the debtor try to reach an amicable solution via direct contact, in order to avoid legal procedures. All documents signed between the parties (such as contracts and invoices) are analysed. Where possible, the debtor can be granted an extended time period to pay his debts, with the period's length negotiated as part of the amicable settlement.

Legal proceedings

Order for payment *(injonction de payer)*

When a debt claim results from a contractual undertaking and is both liquid and undisputable, creditors can use the injunction-to-pay procedure *(injonction de payer)*. This flexible system uses pre-printed forms and does not require the applicants to argue their case before a civil court *(tribunal d'instance)* or a competent commercial court (with jurisdiction over the district where the debtor's registered offices are located).

By using this procedure, creditors can rapidly obtain a court order which is then served by a bailiff. The defendant then has a period of one month in which to dispute the case.

Fast-track proceedings

Référé-provision provides creditors with a rapid means of debt collection. If the debtor is neither present nor represented during the hearing, a default judgment can be issued. The court then renders a decision, typically within seven to fourteen days (though same-day decisions are possible). The jurisdiction is limited to debts which cannot be materially contested. If serious questions arise over the extent of the debt, the summary judge has no jurisdiction to render a favourable decision. Judgments can be immediately executed, even if the debtor issues an appeal.

If a claim proves to be litigious, the judge ruled competent to preside *(juge des référés)* over urgent matters evaluates whether the claim is well-founded. If appropriate, the judge can subsequently decide to declare himself incompetent to rule on the case. Based on his assessment of whether the case is valid, he can then invite the plaintiff to seek a ruling through formal court procedures.

Ordinary proceedings

Formal procedures of this kind enable the validity of a claim to be recognised by the court. This is a relatively lengthy process which can last a year or more, due to the emphasis placed on the adversarial nature of proceedings and the numerous phases involved. These phases include the submission of supporting documents, written submissions from the litigants, the examination of evidence, various recesses for deliberations and, finally, the hearing for oral pleadings *(audience de plaidoirie)*.

Proceedings are issued through a Writ of Summons (Assignation) which is served on the debtor fifteen days before the first procedural hearing. During this hearing, the court sets a time period for the exchange of pleadings and discovery. Decisions rendered do not necessarily have the possibility of immediate execution. In order to be executed, they must first be served on the debtor. They are also subject to appeal.

Enforcement of a legal decision

Unless the court decision is temporarily enforceable, enforcement can only commence if no appeal is lodged within one month and must occur within ten years of notification of the court's decision. Compulsory enforcement can be requested if the debtor does not comply with the judgment. Obligations to pay can be enforced through attachment (of bank accounts or assets) or through a third party which owes money to the debtor (garnishment).

France has adopted enforcement mechanisms for decisions rendered by other EU member countries. These mechanisms include the Payment Order under the European Enforcement Order. Decisions rendered by non-EU members can be recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with France. In the absence of an agreement, claimants are obliged to use the French exequatur procedure.

Insolvency proceedings

Court-Assisted proceedings

These can be either mandated Ad Hoc or conciliation proceedings. Both are informal, amicable proceedings, where creditors cannot be forced into a restructuring agreement and the company's management continues to run the business. These negotiations are governed by contractual law throughout their duration. The proceedings are conducted under the supervision of a court-appointed practitioner (a *mandataire ad hoc*, or a conciliator) in order to help the debtor reach an agreement with its creditors. Both of these types of proceedings are confidential but conciliation can eventually be made public if the debtor has the approval of the commercial court. Nevertheless, the terms and conditions of agreements remain confidential and can only be disclosed to signatory parties.

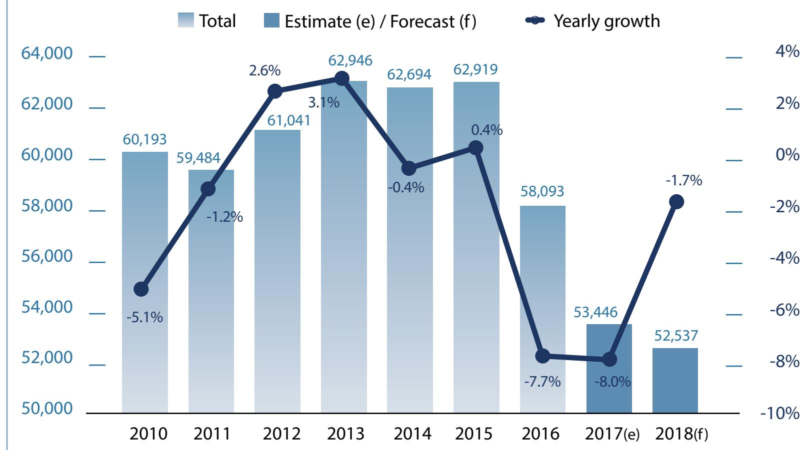
Court-Controlled proceedings

The four types of court-controlled proceedings are judicial reorganisation, judicial liquidation, sauvegarde, and Accelerated Financial Sauvegarde proceedings (AFS).

In all four proceedings, any pre-filed claims are automatically stayed. Creditors must file proof of their claims within two months of publication of the opening judgment, or four months for creditors located outside France. Debts which arise after proceedings commence are given priority over debts incurred beforehand. Certain types of transactions can be set aside by the court, if they were entered into by the debtor during a hardening period (before a judgment opening a judicial reorganisation or a judicial liquidation).

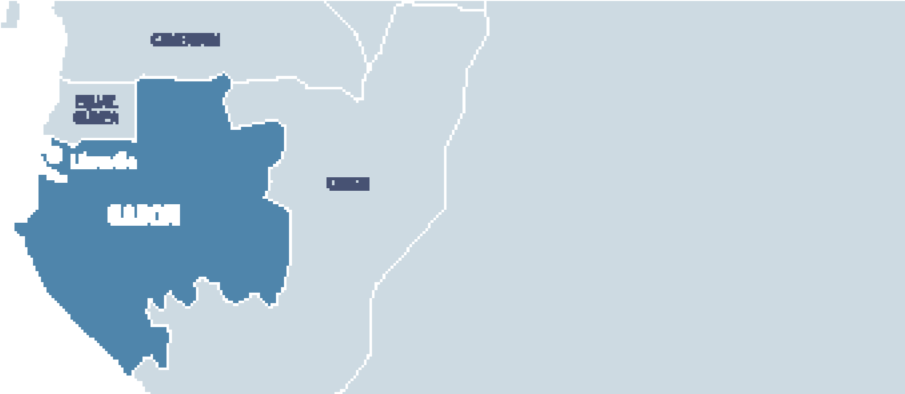
With Court-Controlled proceedings there can be variations in the extent of involvement of the court-appointed conciliator. The *sauvegarde* and AFS procedures are debtor-in-possession proceedings, but with judicial reorganisation, the court can decide whether to set aside the company's managers. The role of management is particularly reduced in cases of judicial liquidation, as the debtor company usually ceases to conduct business. Nevertheless, the court can decide for a business to continue operating, under a court-appointed liquidator.

NUMBER OF CORPORATE FAILURES



Source: Banque de France, Coface

GABON



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 46%
- Euro Area 20%
- China 15%
- South Korea 7%
- Australia 4%

Imports of goods, as a % of total

- Euro Area 48%
- China 13%
- Australia 7%
- United States 4%
- Thailand 4%

+ STRENGTHS

- 5th largest oil producer in Sub-Saharan Africa; 2nd largest African producer of timber; world's leading producer of highly coveted manganese
- Drive to diversify the economy undertaken under the Emerging Gabon Strategic Plan
- Stable CFA franc

- WEAKNESSES

- Economy highly dependent on oil sector
- High cost of production factors, linked to inadequate infrastructure (transport and electricity)
- Informal sector representing 40-50% of GDP
- High unemployment and endemic poverty
- Degraded political context, rampant corruption
- Accumulation of domestic and external arrears

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3,9	2,1	0,8	2,7
Inflation (yearly average, %)	-0,1	2,1	2,5	2,5
Budget balance (% GDP)	-1,1	-6,6	-3,6	-2,3
Current account balance (% GDP)	-5,7	-10,2	-9,3	-6,7
Public debt (% GDP)	44,7	64,2	59,0	59,0

(f): forecast

1.9
POPULATION
(millionsofpersons-2016)

7,453
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Fragile recovery in 2018 due to slow progress on diversification

Activity slowed in 2017 because of lower prices for oil, on which the Gabon economy strongly depends, and because of poor performance in the tertiary sector. Cash liabilities, as well as an unfavourable economic picture, have weakened the banking sector, which has issued less credit. The economy will remain delicate in 2018, even if recovery is likely following the increase in crude oil prices. The non-oil share of GDP is expected to grow, particularly that of the mining, agri-food and timber sectors. The authorities' goal under the Emerging Gabon Strategic Plan (EGSP) is to focus on the country's dependence on commodities, especially oil (27% of GDP in 2016). Under a public/private partnership, in 2017 the Singaporean company, Olam, opened the world's largest palm oil factory. The production of manganese will remain dynamic due to sustained demand, while the iron and cement sectors could rebound after the drop in orders in 2017. A special economic zone was created in Nkok to provide tax incentives for economic development and to attract FDIs. It is located close to the port of Olam at Owendo, which was inaugurated in October 2017 (EUR 276 million). A loan from the AfDB in late 2017 for EUR 100 million will support continued progress under the agricultural programme, GRAINE, to reduce Gabon's food imports.

Ongoing fiscal consolidation in 2018

The public accounts surplus fell gradually after 2009, because of increased public investment associated with the implementation of the EGSP. State revenues are, thus, closely linked to oil revenues (59% of tax receipts) and the fall in crude oil prices only pushed up the government's financing needs. Under the Economic Stimulus Plan (PRE, 2017-2019), the government's objective is to bring the deficit down below the 3% threshold. It is in this context that fiscal consolidation has helped reduce the public deficit from 2017 and this should continue in 2018 despite higher spending, specifically through investment in infrastructure for transport, water and electricity supply, and Internet access. Income is expected to rise with the strengthening of measures to mobilise tax receipts and customs revenues and the desire to integrate certain activities in the formal sector. Financing the deficit is mainly through concessional loans, notably via the IMF, which granted a 3-year Extended Credit Facility (USD 642 million, 4% of GDP) and the World Bank, which released USD 200 million to clear the country's trade arrears. Gabon has seen its borrowing costs on the financial markets rise, following a downgrade in its sovereign debt rating. In November 2017 Gabon issued CFA 100 billion (USD 180 million) in bonds at a yield of 6.5% on the regional financial market of the Central African Economic and Monetary Community (CAEMC) to finance its PRE projects.

Following a modest increase in the oil price, exports (79% dependent on black gold) are expected to increase in 2018. Against this, the import volumes are growing because of equipment and manufactured goods needed for investments under the EGSP. The trade balance, in surplus until 2015, will therefore remain in deficit as will the balance of services. The current account deficit will be financed by FDIs (about 5% of GDP) and new concessional loans.

Relative political stability following the serious post-electoral crisis of 2016

The contested re-election of Ali Bongo in August 2016 sparked violence between supporters of the opposition candidate, Jean Ping, who declared himself the victor, and the security forces (two days of riots, deaths and hundreds of arrests). The parliamentary elections, initially planned for July 2017, have been postponed until April 2018 by the Constitutional Court and could be postponed again. The argument put forward, qualified as force majeure, is that the reforms discussed as part of the national dialogue after the demonstrations of 2016, have been delayed. The project, which includes the review of 40 articles of the Constitution, was presented to the Council of Ministers on 28 September 2017. Jean Ping refused to take part of it. The measures comprise greater powers for the National Assembly compared to the Senate, as well as a two-round process for the national, parliamentary and presidential elections (compared with one round currently). Some amendments were rejected by the opposition on grounds that they would extend the president's powers. Nevertheless, the opposition is unlikely to be in a position to prevent the adoption of constitutional reform by the parliament, as Ali Bongo's Gabonese Democratic Party (PDG) has a majority in the house. In August 2017 the President announced the formation of a government which includes members of the opposition.

Despite the reforms, the business climate remains fragile (167th in the Doing Business 2018 rankings) because of infrastructure shortcomings, corruption, and difficulty in conducting business.

GEORGIA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 16%
- Russia 10%
- Turkey 8%
- China 8%
- Azerbaijan 7%

Imports of goods, as a % of total

- Euro Area 22%
- Canada 19%
- Turkey 14%
- Russia 7%
- China 6%

+ STRENGTHS

- Good resistance to the regional economic crisis (2014-2016)
- Agricultural, mineral, hydroelectric, and tourism potential
- International support, notably from the EU and the IMF
- Strategic geographic position (transit point for oil and gas from the Caspian Sea)
- Democratic political system

- WEAKNESSES

- Structural trade deficit, low diversification and valuation of exports
- Significant poverty due to unemployment, under-employment, and inadequate training
- Low productivity of agriculture: half of assets, but less than 10% of added value
- Poor transport infrastructures
- Low levels of education and innovation
- Relations with Russia weakened by the situation in Abkhazia and South Ossetia

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.9	2.7	4.0	4.5
Inflation (yearly average, %)	4.0	2.1	5.7	2.5
Budget balance (% GDP)	-3.7	-4.2	-4.0	-3.5
Current account balance (% GDP)	-12.0	-13.5	-12.0	-12.0
Public debt (% GDP)	52.3	55.5	57.0	58.0

(f): forecast

3.7
POPULATION
(millionsofpersons-2016)

3,872
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Investment and exports are strengthening growth

Domestic and foreign investment, both in infrastructure and in other areas, should progress even more quickly. Private players are supported by European Union Association Agreements and FTAs, as well as by the USD 285 million three-year Extended Credit Facility granted by the IMF in April 2017. Public investment programmes aimed at modernising and developing the country's infrastructure, such as the deep-water port on the Black Sea coast, are continuing. Exports (copper, wine, spirits, mineral water, ferroalloys, nuts, medicine) will benefit from the upturn expected in Russia and other countries in the region. Tourism revenue is expected to grow even further with the increased number of Russian visitors. Performance could be increased if an agreement is reached on the establishment of trade corridors with Russia across the secessionist regions of Abkhazia and South Ossetia. Household consumption is expected to grow moderately, while households are expected to benefit from the increase in immigrant workers' remittances (10% of GDP) – approximately 60% of which come from Russia – and a drop in inflation linked to the rise in the local currency, the lari. In addition, credit is expected to experience continued favourable growth. Banks report only 4% non-performing loans and held up well against sharp depreciation in the lari, despite strong dollarization (60% of loans and 70% of deposits). Even so, the authorities have embarked on the subsidisation of the conversion of dollar loans at a favourable exchange rate.

Start of fiscal consolidation, but ongoing massive current account deficit

The entry into a new agreement with the IMF is expected to be accompanied by fiscal consolidation. However, reducing the public deficit will still require considerable effort. Even though current expenditure should be better controlled, public investment (electrical network, roads, sanitation, water supply, irrigation) remains a priority and will continue to grow (partially financed by multilateral loans). Nevertheless, the increase in the domestic product and the rise in the lari should limit the increase in debt, 83% of which (46.1% of GDP at the end of 2016) is held by foreign creditors, mainly public, multilateral and bilateral, at a fixed rate, in US dollars or SDR. Due to the concessional terms, the annual service of the foreign public debt represents only 5% of GDP.

The current account deficit will remain high in 2018. This is explained by the massive trade deficit in goods (26% of GDP in 2016) related to the narrowness of the productive base, imports of capital goods, and the low valuation of exported products. Tourism revenue, Azeri hydrocarbon transit revenue, and immigrant workers' remittances ultimately limit the current account deficit to 12% of GDP. The financing of this deficit is ensured by foreign investment (12% of GDP), particularly in transport, real estate, telecommunications, and finance, as well as by foreign debt. Foreign debt represented 108% of GDP at the end of 2016, roughly evenly split between public and private debtors.

Ties with Russia, which is supporting the secessionist regions, and a decent business climate

Tensions remain at the borders of the regions, supported by Russia, that have unilaterally declared their independence (Abkhazia and South Ossetia, with 160,000 and 50,000 inhabitants respectively). However, Georgia and Russia have resumed trade relations, the former being an important source of beverages for the latter, and the latter being the source of significant immigrant workers' remittances and tourism revenue for the former. On the other hand, poor relations with the two secessionist regions are hindering land relations with Russia and complicating the management of the Enguri hydroelectric power station, with its dammed lake in Georgia and the plant in Abkhazia.

At the national level, Georgian Dream (RG), the party of President Guiorgui Margvelashvili elected in 2013, won the legislative elections of October 2016 with 115 seats out of 150, far ahead of his former partners in the previous coalition government and the United National Movement (UNM) of former president Mikheil Saakashvili (27 seats). This clear result may be favourable to the progress of reforms and cooperation with NATO and the EU. However, the concentration of power within one party may raise fears of abuse, as former Prime Minister and multi-billionaire Bidzina Ivanishvili remains very influential, even when compared to the current Prime Minister Giorgi Kvirikashvili. The draft of the new constitution has been criticised, as well as the draft electoral law intended to make more room for proportional representation, but which would not apply until 2024. A proposed ban on the purchase of agricultural land by foreigners could deter many foreign banks from lending to the agricultural sector. According to the World Bank, governance is poor with regard to rule of law and accountability of the authorities, but average for the fight against corruption, the quality of regulation, the effectiveness of public authorities, and the handling of insolvency.

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.5	1.9	2.5	2.1
Inflation (yearly average, %)	0.1	0.4	1.6	1.5
Budget balance (% GDP)	0.6	0.8	0.7	0.8
Current account balance (% GDP)	8.5	8.3	8.1	7.7
Public debt (% GDP)	70.9	68.1	65.0	61.8

(f): forecast

82.5
POPULATION
(millionsofpersons-2016)

42,177
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Solid industrial base (more than 20% of GDP)
- Low structural unemployment; well-developed apprenticeship system
- Geographic diversification of exports
- Strong competitiveness
- Importance of family-owned exporting SMEs *(Mittelstand)*
- Integration of Central and Eastern Europe in production process
- Importance of the ports of Hamburg, Bremerhaven and Kiel
- Institutional system promoting representativeness and consensus

- WEAKNESSES

- Ageing infrastructure
- Demographic decline, partially offset by immigration
- Shortage of engineers and venture capital
- Highly dependent on world, especially European, markets
- Prominence of automotive and mechanical engineering industries
- Persistent but reducing backwardness in Eastern Länder
- Weak productivity of services
- Low start-up activity

SECTOR RISK ASSESSMENT

RISK ASSESSMENT

Dynamic growth will continue in 2018

The German economy had a very good year in 2017, and the outlook remains positive for 2018. Economic growth is expected to remain above estimates for potential growth (approximately 1.5%). As a consequence, Germany is expected to experience an upswing for the ninth consecutive year. Economic growth is especially driven by internal demand.

One of the key factor's to this success is the strength of the labour market, which has seen increasing employment and dynamic gains in incomes. In late 2017, the amount of open positions stood at 1.1 million: an all-time high. Labour demand is especially high in the trade, education, and health sectors, accompanied by high levels of demand in manufacturing industries and for part-time workers. Therefore, by the end of 2018, the threshold of 45 million people in employment could be reached for the first time ever, with the unemployment rate set to continue its downward trend towards 5%. In addition to this, export growth picked up in 2017 and will likely remain dynamic in 2018 as well, due to the broad-based upswing in the world economy.

Growth in public consumption will likely slow with a drop in the number of refugees taken in, but public investment in social housing and infrastructure will probably continue, accompanied by a probable strong growth in the construction of private homes. In contrast, business investment in equipment and buildings is set to pick up very gradually, despite the high rate of production capacity utilisation, against a background of continued uncertainties, especially from the external environment (e.g. Brexit, because the UK is among Germany's top-five trade partners). Given the much stronger import growth linked to lively domestic demand and the stabilisation of trade terms, trade's contribution to growth is expected to be close to zero. In this environment, German businesses' payment behaviour will likely remain generally good. The number of insolvencies is expected to fall by about 5% (after a drop of more than 7% in 2017).

Public and external accounts in surplus

Despite slight fiscal loosening against a background of expected tax relief for households, higher pension obligations, and higher spending on transport, energy and early childhood services, the public balance will continue to show a small surplus, due to ongoing strong growth in taxes and social contributions. The maintenance of a significant primary surplus (i.e. excluding debt interest) and of a positive differential between growth and the average interest rate should result in another reduction in the debt burden. Although slightly lower, the current account balance is set to remain broadly in surplus thanks to a massive trade surplus. The balance of services traditionally posts a deficit, especially due to tourism. The income balance is expected to remain in surplus with income from investments abroad, which are increasing due to recurring current surpluses, exceeding remittances sent overseas by emigrants and investors.

Political uncertainty

After general elections in September 2017, the Germans have been faced with the longest negotiations to forming a new government since the Second World War (WWII). After the failure of exploratory talks between the two conservative parties – the Liberal Party, and the Green Party – new talks began at the start of 2018 between the Conservatives and the Social-Democrats to again form a Grand Coalition. If inconclusive, new elections could take place in the spring. The weak election results of the conservative parties and widespread political tendencies in the new parliament have significantly weakened Chancellor Angela Merkel's position. Far-reaching reforms, also in the area of economic policy, are unlikely to take place, as room for consensus-building will be contained – even after new elections. Due to sound public finances, there is some room for tax relief and higher expenditures. Nevertheless, the next government – which could even be a minority one for the first time in Germany's history after WWII – could be quite fragile.

PAYMENT & COLLECTION PRACTICES IN GERMANY

Payment

Bank transfer *(Überweisung)* remains the prevalent means of payment. All leading German banks are connected to the SWIFT network which enables them to provide a quick and efficient funds transfer service. SEPA Direct Debit Core Scheme and the SEPA Direct Debit B2B are the new forms of direct debit.

Bills of exchange and cheques are not used very widely in Germany as payment instruments. For Germans, a bill of exchange implies a critical financial position or distrust in the supplier.

Cheques are not considered as payment as such, but as a «payment attempt»: as German law ignores the principle of certified cheques, the issuer may cancel payment at any time and on any grounds. In addition, banks are able to reject payments when the issuing account contains insufficient funds. Bounced cheques are fairly common.

As a general rule, bills of exchange and cheques are not considered as effective payment instruments, even though they entitle creditors to access a "fast track" procedure for debt collection in case of non-payment.

Debt collection

Amicable Phase

The amicable collection is an essential step to the success of collection management. The collection process generally begins with the debtor being sent a final demand for payment, via ordinary or registered mail, reminding the debtor of their payment obligations.

According to the "Law for the acceleration of due payments" (*Gesetz zur Beschleunigung fälliger Zahlungen*) a debtor is deemed to be in default if a debt remains unpaid within 30 days of the due payment date and after receipt of an invoice or equivalent request for payment, unless the parties have agreed to a different payment period in the purchase contract. In addition, the debtor is liable for default interest and reminder fees upon expiry of this period.

Debt collection is recommendable and common practice in Germany.

Legal proceedings

Fast-track proceeding

Provided the claim is undisputed, the creditor may seek order to pay (*Mahnbescheid*) through a simplified and cost-efficient procedure. The creditor describes the details of their claim and is subsequently able to obtain a writ of execution fairly quickly via the Online-Dunning Service (*Mahnportal*), direct interfaces or (only for private individuals) pre-printed forms. Such automated and centralized (for each *Bundesland*, federal state) procedures are available all over Germany.

This type of action falls within the competence of the local court (Amtsgericht) for the region in which the applicant's residence or business is located. For foreign creditors, the competent court is the Amtsgericht Wedding (in Berlin). Legal representation is not mandatory.

The debtor is given two weeks after notification to pay their debts or to contest the payment order (*Widerspruch*). If the debtor does not object within this timeframe, the creditor can apply for a writ of execution (*Vollstreckungsbescheid*).

Ordinary proceedings

During ordinary proceedings, the court may instruct the parties or their lawyers to substantiate their claim, which the court alone is then authorised to assess. Each litigant is also requested to submit a pleading memorandum outlining their expectations, within the specified time limit.

Once the claim has been properly examined, a public hearing is held at which the court passes an informed judgement (*begründetes Urteil*).

The losing party will customarily bear all court costs, including the lawyer's fees of the winning party to the extent that those fees are in conformity with the Official Fees Schedule (the *Rechtanwaltsvergütungsgesetz* / RVG). In the case of partial success, fees and expenses are borne by each party on a pro rata basis. Ordinary proceedings can take from three months to a year, while claims brought to the federal Supreme Court can reach up to six years.

An appeal (*Berufung*) may be brought against the decision of the Court of First Instance if the objected amount in dispute exceeds EUR 600. An appeal will also be admitted by the Court of First Instance if a case involves a question of principle or necessitates revision of the law in order to ensure 'consistent jurisprudence'.

Enforcement of a legal decision

Enforcement may commence once a final judgement is made. If debtors fail to respect a judgment, their bank accounts may be closed and/or a local bailiff can proceed with the seizure and sale of their property.

For foreign awards, in order to obtain an exequatur, the creditor needs a notarized German translation of the decision which also has to be recognized, an enforcement order of this judgment, and an execution clause. Judgments of courts of member states of the European Union are recognized without further procedure – unless certain restrictions arising from European law are applicable.

Insolvency proceedings

Out-of Court proceedings

Debtors may attempt to renegotiate their debts with their creditors, which helps to protect debtors from early payment requests. However, the procedure is in the creditors' interest as it can be faster and tends to be less expensive than formal insolvency.

Sustainable restructuring

Following a petition filed before insolvency court on the basis of illiquidity or over-indebtedness, the court may open preliminary insolvency proceedings, where it appoints a preliminary administration aimed at exploring the chances of restructuring the company. If the administration authorizes this restructuration, it then initiates formal proceedings and nominates an administrator in charge of continuing the debtor's business whilst preserving its assets.

Liquidation

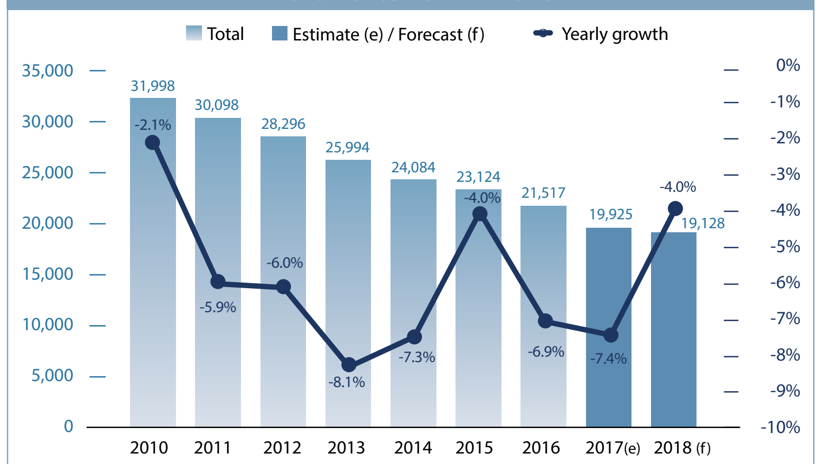
Liquidation may be initiated upon demand of either the debtor or the creditor provided that the debtor is unable to settle its debts as they fall due. Once recognized through a liquidation decision and once the company has been removed from the register, the creditors must file their claims with the liquidation administrator within three months of the publication.

Retention of title

Retention of title is a written clause in the contract in which the supplier will retain the ownership over the delivered goods until the buyer has made full payment of the price. There are three versions of this retention:

- Simple Retention: the supplier will retain the ownership over the goods supplied until full payment is made by the buyer.
- Expanded Retention: the retention is expended to further sale of the subsequent goods; the buyer will assign to the initial supplier the claims issued form the resale to a third party.
- Extended Retention: the retention is extended to the goods processed into a new product and the initial supplier remains the owner or the co-owner up to the value of his delivery.

NUMBER OF CORPORATE FAILURES



Source: Destatis, Coface

GHANA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 18%
- India 15%
- United Arab Emirates 13%
- Euro Area 12%
- China 9%

Imports of goods, as a % of total

- Euro Area 20%
- China 17%
- United Kingdom 10%
- United States 8%
- India 5%

+ STRENGTHS

- Significant mining and agricultural resources (gold, cocoa), as well as oil and gas resources
- Established democracy
- Attractive business climate, favourable for FDIs
- International financial support

- WEAKNESSES

- High level of public debt
- Infrastructure gaps (energy, transport)
- Dependent on commodity prices (gold, oil, cocoa)
- Weak public banks which affects entire banking sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.9	3.6	7.3	6.8
Inflation (yearly average, %)	17.2	17.5	12.3	9.8
Budget balance (% GDP)	-6.9	-8.7	-6.3	-5.4
Current account balance (% GDP)	-7.7	-6.7	-6.1	-5.4
Public debt (% GDP)	72.2	72.5	70.5	68.1

(f): forecast

27.6
POPULATION
(millionsofpersons-2016)

1,551
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Hydrocarbons, driving the rebound in growth

After posting a solid rebound in 2017, thanks to the hydrocarbon sector, growth is expected to consolidate in 2018. Increased production at the TEN (oil) and Sankofa (gas) hydrocarbon fields, which became operational in August 2016 and May 2017 respectively, will lift growth further. Exploitation of the Jubilee oil field, hampered by several technical incidents in 2016, should start to benefit from the development work undertaken in 2017. Meanwhile, although still impeded by weak credit growth and fiscal consolidation, non-hydrocarbon growth is expected to gradually regain momentum. The Bank of Ghana's accommodative monetary stance and the decline in inflationary pressures will sustain household consumption as well as services (telecommunications, financial services). Moreover, the improvements observed in electricity supply should help the industrial sector. In contrast, given the budgetary constraints, it will be difficult to implement the nearly 200 projects selected for 2018 under the One District, One Factory industrialisation programme, especially in agri-industry. Although on an upward trend, private investment is unlikely to focus on these activities while the outlook for the primary sector remains mixed. In particular, the drop in the price of cocoa and in the quality of beans from Ghana will continue to weigh on the agricultural sector.

Despite the recent easing by the central bank, monetary policy - which is still fairly tight - is expected to support disinflationary trends in 2018. Higher domestic demand is nonetheless expected to keep inflation at the top of the Bank of Ghana's target range (between 6 and 10%).

Falling twin deficits

In 2018, the fiscal consolidation efforts undertaken by the government following budget slippage in 2016 are expected to be continued and, accordingly, enable renewed deficit reduction. Efforts will continue to focus on rationalising current spending so as to protect capital investment spending. Tax administration reforms should help broaden the tax base. Revenue generated by the oil and gas bonanza should increase gradually and also contribute to higher receipts. Initially due to expire in April 2018, the IMF's ECF has been extended until December 2018 and its objectives have been reviewed. The IMF programme and the fiscal adjustment are aimed at restoring a primary surplus so as to bring the debt path back under control. The debt ratios, especially the external debt ratio (about 55% of the total debt stock), have increased very rapidly since the country benefited from the Multilateral Debt Relief Initiative (MDRI) in 2006. The development of a domestic capital market should, in particular, help reduce the use of external borrowings.

The country's external position is expected to continue to improve in 2016, thanks to the gradual reduction in the trade deficit. Hydrocarbon production, in particular, enabled Ghana to become a net oil exporter in 2017: a trend likely to be confirmed in 2018. In contrast, technical services for the oil and gas sectors are likely to cause the balance of services deficit to widen and profit repatriation by foreign companies will widen the income balance deficit. The contribution of expatriate remittances to the transfer balance will remain significant. Capital flows and FDIs will further help finance the current account deficit. Although the foreign exchange reserves, which cover about 3.5 months of imports, are being rebuilt, Ghana remains vulnerable to capital flight.

Democracy favours political changeovers

Winner of the December 2016 general elections, President Nana Akufo-Addo and his New Patriotic Party (NPP) succeeded the National Democratic Congress (NDC) led by former president John Mahama (2012-2016). The relatively peaceful political changeover at the end of 2016 has, in particular, helped confirm Ghana's democratic credibility. The country's stability is not especially threatened by the rivalry, sometimes hostile, between the two main parties. After several years of economic slowdown, the population still has high expectations of President Akufo-Addo. Established as priorities during the campaign, the objectives of reducing poverty and social help for the most vulnerable are now being put under the microscope.

Although the infrastructure deficit and a degree of red tape still impedes the development of the private sector, Ghana is well placed as regards the business climate and governance compared to its competitors in the region and sub-region. So, according to the Doing Business 2018 rankings, Ghana still enjoys the most favourable business climate in West Africa, but, with stagnation in all the areas assessed, has dropped 12 places compared with the 2017 Index. It has therefore seen the gap between itself and its competitors - Ivory Coast and Senegal - narrow.

GREECE

COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Italy 11%
- Germany 8%
- Cyprus 6%
- Turkey 5%
- Bulgaria 5%

Imports of goods, as a % of total

- Germany 11%
- Italy 9%
- China 7%
- Russia 6%
- Netherlands 6%

+ STRENGTHS

- Support from the international financial community and possibility of debt relief
- World leader in maritime transport
- Tourist destination

- WEAKNESSES

- Very high level of public debt
- Very poor quality of bank portfolio
- Weak public institutions, strong tax evasion
- Limited industrial base, low-technology exports (food, chemicals, metals, refined oil)
- Social tensions fuelled by fiscal austerity and mass unemployment

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-0.3	-0.2	1.4	2.0
Inflation (yearly average, %)	-1.1	0.0	1.2	1.8
Budget balance (% GDP)	-5.7	0.5	-0.9	-0.1
Current account balance (% GDP)	-0.2	-1.1	0.4	0.4
Public debt (% GDP)	176.8	180.8	177.9	172.8

(f): forecast

10.8
POPULATION
(millionsofpersons-2016)

18,049
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Tentative recovery in growth and gradual consolidation of the banking system

Activity resumed after several years of recession. Household and business confidence strengthened during the year, especially with the agreement reached in June 2017 with international creditors.

The recovery is set to be more marked in 2018. Household consumption is expected to strengthen thanks to improvements in the labour market. The unemployment rate is set to gradually drop to 20%, but wage growth will remain weak. Gross fixed capital formation should improve as a result of confidence building and better financing conditions. This recovery in investment could however be limited by the risk that still weighs on the banking system. Access to bank financing has increased, but the high level of bad loans continues to limit its contribution to economic activity. The question of bad debts is all the more crucial as the ECB, after rejecting the IMF's request for a new asset quality review, has postponed the date of its stress tests to the first half of 2018. Greek banks were well re-capitalised in December 2015, but the quality of their assets remains uncertain. Under the impetus of the Greek central bank, major banking institutions will be forced to accelerate the cleaning up of their balance sheet. The gradual stabilising of the banking system should favour a more sustained recovery of bank deposits, the growth of which has remained slow (+7% in 2017). The normalisation of the financial situation should, moreover, favour the gradual lifting of the capital control whose measures have been lightened for companies, but remain restrictive for households.

A primary surplus in line with its objectives, but a very heavy debt

The fiscal consolidation started in 2015, as part of the third financial assistance programme for Greece, should continue under the supervision of the European Stability Mechanism (ESM). The programme, which will end on 20 August 2018, has made EUR 86 billion available in exchange for significant tax and economic reforms, avoiding the country's payment default and the bankruptcy of the banking system. Since 2015, parliament has approved a number of reforms, the application of which will run until 2019, the most important being the controversial pension reform, the direct and indirect taxation overhaul (reform of VAT, anti-tax evasion rules, broadening of the tax base). The objective is, ultimately, to reach a primary surplus of 3.5% as of 2018 against 1.75% set in 2017. The fragile recovery and significant reduction in public spending resulted in a primary surplus of 2.1%, above the ESM target. In addition, in September 2017 the European Union (EU) symbolically announced the closure of the excessive deficit procedure opened since 2009. The 2018 budget plans to increase the primary surplus to 3.75% thanks to a stronger economic recovery, but the Greek government's estimates are based on an optimistic scenario. The IMF's primary surplus forecast is more pessimistic. The international institution agreed in principle in July 2017, has an assistance programme of EUR 1.6 billion, contingent upon European lenders participating in a debt relief scheme. The views of the IMF and European creditors differ on the sustainability of Greek debt, which is close to 179% of GDP. The option of debt relief in the form of reprofiling European loans via the ESM has been discussed without a final agreement between the different parties (IMF ECB, COM, ESM and the Greek Government). The validation of the second valuation review also allowed Greece to return to international markets with a bond issue of EUR 3 billion over five years at a rate between 4.875% and 4.75%. In 2018, the government intends to repeat the experiment and will proceed with several issues of Greek treasury bills to lay the groundwork for the mandatory refinancing of the country on the markets after the end of the assistance program, while rating agencies have positively re-evaluated Greece's sovereign rating.

The current account is expected to remain slightly in surplus in 2018. Tourism revenue and the export trend will more than offset the increase in the energy bill.

Alexis Tsipras: Between austerity and waning government popularity

Since the parliamentary elections of September 2015, the Syriza radical left coalition government led by Alexis Tsipras has been leading the country. Founded on a weak coalition with nationalists, the government, revamped in 2016 and under pressure from international donors, had to implement an austerity policy that is gradually reducing its popularity among voters. The gamble seems to have been a successful one, however, as the country prepares for the end of the third European financial assistance programme in 2018. Despite some redistributive measures made possible by the primary surpluses generated in 2016 and 2017 (EUR 617 million in measures aimed at the most disadvantaged households in 2017 and EUR 1.4 billion in 2017), Syriza has secured second place in the polls since early 2016 after the New Democracy party, which is the main opposition. While the reconfiguration of the political chessboard is taking shape for the 2019 legislative elections, early elections are not excluded.

PAYMENT AND COLLECTION PRACTICES IN GREECE

Payment

Bills of exchange, as well as promissory letters, are used by Greek companies in domestic and international transactions. In the event of payment default, a protest certifying the dishonoured bill must be drawn up by a public notary within two working days of the due date.

Similarly, cheques are still widely used in international transactions. In the domestic business environment, however, cheques are customarily used less as an instrument of payment, and more as a credit instrument, making it possible to create successive payment due dates. It is therefore a common and widespread practice for several creditors to endorse post-dated. Furthermore, issuers of dishonoured cheques may be liable to prosecution provided a complaint is lodged.

Promissory letters (*hyposhetiki epistoli*) are another means of payment used by Greek companies in international transactions. They are a written acknowledgement of an obligation to pay issued to the creditor by the customer's bank committing the originator to pay the creditor at a contractually fixed date. Although promissory letters are a sufficiently effective instrument, in that they constitute a clear acknowledgement of debt on the part of the buyer, they are not deemed a bill of exchange and so fall outside the scope of the "exchange law".

SWIFT bank transfers, well established in Greek banking circles, are used to settle a growing proportion of transactions and offer a quick and secure method of payment. SEPA bank transfers are also becoming more popular as they are fast, secured and supported by a more developed banking network.

In 2015, Greece imposed restrictions on flows of capital outside the country. All payments directed abroad follow a specific procedure, and are monitored by the banks and the Ministry of Finance, with restrictions placed on the amount and nature of the transfer.

Debt collection

Amicable phase

Before initiating proceedings in front of the competent court, an alternative method to recover a debt is to try to agree with the debtor on a settlement plan. Reaching the most beneficial arrangement can usually be achieved by means of a negotiating process.

The recovery process commences with the debtor being sent a final demand for payment via a registered letter, reminding him of his payment obligations, including any interest penalties as may have been contractually agreed – or, failing this, those accruing at the legal rate of interest. Interest is due from the day following the date of payment stipulated in the invoice or commercial agreement at a rate, unless the parties agree otherwise, equal to the European Central Bank's refinancing rate, plus seven percentage points.

Legal proceedings

Fast track proceedings

Creditors may seek an injunction to pay (*diataghi pliromis*) from the court via a lawyer under a fast-track procedure that generally takes one month from the date of lodging the petition. To engage such a procedure, the creditor must possess a written document substantiating the claim underlying his lawsuit, such as an accepted and protested bill, an unpaid promissory letter or promissory note, an acknowledgement of debt established by private deed, or an original invoice summarising the goods sold and bearing the buyer's signature and stamp certifying receipt of delivery or the original delivery slip signed by the buyer.

The ruling issued by the judge allows immediate execution subject to the right granted to the defendant to lodge an objection within fifteen days. To obtain suspension of execution, the debtor must petition the court accordingly.

Based on current competence thresholds, a "justice of the peace" (*Eirinodikeio*) hears claims up to EUR 20,000. Above that amount, a court of first instance presided by a single judge (*Monomeles Protodikeio*) hears claims from EUR 20,000 to EUR 250,000. Claims over EUR 250,000 are reviewed by a panel of three judges (*Polymeles Protodikeio*).

Ordinary proceedings

Where creditors do not have written and clear acknowledgement of non-payment from the debtor, or where the claim is disputed, the only remaining alternative is to obtain a summons under ordinary proceedings. The creditor files a claim with the court, who serves the debtor within 60 days. The hearing would be set at least eighteen months later. Greek law allows the court to render a default judgment if the respondent fails to file a defence. Since 2016, the lawsuit procedure has been changed, and is now based exclusively on documentation provided to support the claim.

Enforcement of a legal decision

Enforcement of a domestic decision may commence once it is final. If the debtor fails to satisfy the judgment, the latter is enforceable directly through the attachment of the debtor's assets.

For foreign awards rendered in an European Union member state, Greece has adopted advantageous enforcement conditions such as the EU Payment Orders or the European Enforcement Order. For decisions rendered by non EU countries, they will be automatically enforced according to reciprocal enforcement treaties. In the absence of an agreement, exequatur proceedings will take place.

Insolvency proceedings

Restructuring proceedings

This procedure aims to help the debtor restore its credibility and viability, and continue its operations beyond bankruptcy. The debtor negotiates an agreement with its creditors. During this procedure, claims and enforcement actions against the debtor may be stayed but the court will appoint an administrator to control the debtor's assets and performances. The reorganization process starts with the debtor's submission of a plan to the court made by specialists, which conducts a judicial review of the proposed plan whilst a court-appointed mediator assesses the creditors' expectations. The plan can only be validated upon approval by creditors representing 60% of the total debt. (60% is not always applicable, depending on the case and approval by the bank)

Liquidation

The procedure commences with an insolvency petition either by the debtor or the creditor. The court appoints an administrator as soon as the debts are verified. In addition a Pool of Creditors (three members representing each class of creditors) will be given the responsibility of overseeing the proceedings, which terminate once the proceeds of the sale of the business' assets are distributed.

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 33%
- El Salvador 11%
- Honduras 8%
- Euro Area 8%
- Nicaragua 6%

Imports of goods, as a % of total

- United States 38%
- Mexico 11%
- China 10%
- Euro Area 7%
- El Salvador 5%

+ STRENGTHS

- Financial support from the United States and multilateral lenders
- Free trade agreements with the United States and the EU
- Geographic proximity to the United States and Mexico
- High potential for tourism, agriculture, mining, hydroelectric and geothermal energy

- WEAKNESSES

- Social and political instability
- Poor infrastructure
- Vulnerable to external shocks (natural disasters and commodity prices)
- Low fiscal revenues
- Rural poverty, inequalities, under-employment, informal economy, ethnic divisions

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.1	3.1	3.2	3.4
Inflation (yearly average, %)	2.4	4.4	4.4	3.5
Budget balance (% GDP)	-1.4	-1.1	-1.5	-1.8
Current account balance (% GDP)	-0.3	0.9	0.5	-0.2
Public debt (% GDP)	24.2	24.5	24.6	24 .9

(f): forecast

16.6
POPULATION
(millionsofpersons-2016)

4,070
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity driven by external trade and private consumption

In 2018, growth is expected to remain moderate, driven, in particular, by robust external trade and private consumption. The latter should increase thanks to higher remittances from expatriate workers, boosted by US growth. For the same reason, manufacturing exports (especially textiles) are expected to climb, benefitting from preferential access to the US market. Inflation should be weaker in 2018, with an expected hike in the central bank's key rates reversing the trend in place since 2013.

The political climate, marked by large-scale corruption scandals, could put pressure on investments. The first signs of this can already be observed in the suspension of many public infrastructure projects due to corruption allegations and frequently postponed or unsuccessful (lack of interested parties) calls for tender. The cessation at the end of 2017 of gold mining activities at the Marlin mine (Goldcorp), after many years of protest by local Mayan communities, will trigger a drop in gold production in the absence of other large-scale projects. Meanwhile, the suspension of activity by the Canadian company Tahoe at the Escobal silver mine, following a judgement by the Supreme Court for failing to respect the right of indigenous people to be consulted, will reduce silver production. Uncertainty as to whether activity will recover is likely to affect the business climate in general, and the country will be less attractive as a result. Rising silver prices internationally should, however, encourage the government to come to an agreement with Tahoe.

Fiscal revenues still too weak in the absence of reforms

Guatemala's tax system is characterised by the lowest rates of the entire Latin American continent, restricting the resources available for public spending. The political context makes tax reforms in the immediate future unlikely. The cautious fiscal policy has been temporarily relaxed in a context of strong social protests. Social and capital spending is being prioritised to finance health and education infrastructures as is security spending to combat the high levels of crime. The public debt, on the weak side in relation to GDP, is substantial when compared to fiscal revenues, which represented only 11% of GDP in 2016.

Regarding external accounts, higher fuel prices will push up imports, while the appreciation of the Guatemalan quetzal will make textiles less competitive against production from Asia. The increased trade deficit is unlikely to be fully offset by higher remittances from expatriate workers; the current account balance is therefore expected to dip into the red in 2018.

A very tense political climate against a background of corruption

2017 was marked by an explosion of corruption inquiries involving President Jimmy Morales, elected under the slogan "Neither corrupt, nor a thief", and several members of the Guatemalan political class. In September 2017, the parliament rejected calls to lift the immunity of President Morales, and in October 2017, the Supreme Court ruled against investigating the president for receiving a bonus from the armed forces. Institutional risk appears to be contained at the moment, but President Morales's attempt to oust Iván Velásquez, the head of the UN Anti-corruption Commission, triggered huge protests. As a result, the Supreme Court invalidated the president's decision, allowing M.Velásquez to continue his work. Popular pressure remains strong and President Morales's future as leader of the country is still very uncertain, strongly increasing political risk in the country.

Meanwhile, the Guatemalan parliament is very fragmented. The president's party has only 11 seats out of 158 and the other parties are numerous and small in size. In this context, it is impossible to get a parliamentary majority, making any large-scale reform very unlikely. Finally, Guatemala is characterised by very high crime rates. This – on top of ineffective institutions, lack of reforms and high levels of corruption – puts considerable pressure on the business climate.

GUINEA

COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 24%
- Ghana 19%
- Euro Area 16%
- Switzerland 10%
- United Arab Emirates 8%

Imports of goods, as a % of total

- Euro Area 36%
- China 13%
- India 12%
- United Arab Emirates 5%
- Singapore 5%

+ STRENGTHS

- One third of the world's bauxite reserves
- Largely untapped deposits of iron, gold, diamonds, uranium and oil
- Significant hydroelectric potential
- Gradual improvement in the business climate thanks to reform efforts

- WEAKNESSES

- Reliance on prices of mining products and energy
- Inadequate infrastructure, especially in the electricity sector
- Difficult business climate

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4,5	6,6	6,7	6,9
Inflation (yearly average, %)	8,2	8,2	8,5	8,1
Budget balance (% GDP)	-8,9	-1,0	-1,8	-1,6
Current account balance (% GDP)	-15,1	-16,3	-15,1	-15,0
Public debt (% GDP)	53,0	52,6	50,3	49,1

(f): forecast

12.7
POPULATION
(millionsofpersons-2016)

670
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Private investment in the mining sector and public investment in the agricultural sector will encourage steady growth

After the shocks of the Ebola epidemic and the collapse in commodity prices, economic growth rebounded in 2016 and will reach 6.9% of GDP in 2018. The mining sector, especially the extraction of bauxite and gold, will sustain growth thanks to the stronger world demand, despite the Chinese economic slowdown, and a 50% rise in bauxite production in 2017 (propelling Guinea to fourth place in the world). The sector is also expected to benefit from international investment: the Chinese Simandou project, which gives access to one of the largest untapped deposits of high quality iron oxide in the world, and the Emirates (EGA) and UK (Alufer) projects aimed at boosting bauxite mine production. Meanwhile, agriculture and the manufacturing sector will continue as pillars of the country's economic activity. Public investment will also help boost growth momentum. In November 2017 under the 2016-2020 five-year plan, the National Economic and Social Development Plan (PNDES), President Condé succeeded in raising USD 20 billion of finance from other countries, notably China, international development banks and private investors. The IMF supports the initiative via an Extended Credit Facility. The State has plans to develop infrastructure (roads, Conakry-Bamako-Bobo Dioulasso railway line), to increase electricity generation by constructing dams and to boost agricultural productivity, as well as to expand the processing industries. These projects will help create jobs and therefore stimulate consumption, which will, however, continue to be hit by weak purchasing power further squeezed by inflation. Inflation is largely imported because of the strong depreciation of the Guinean franc in 2016, but also because of rising food prices, which represent 38% of the consumer price index.

Stable public and current account deficits

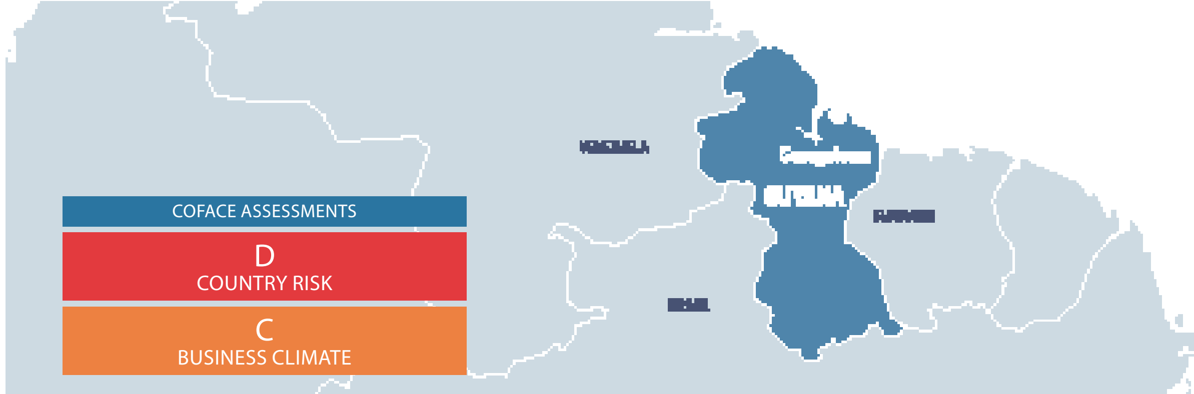
The fiscal deficit is expected to reduce slightly in 2018 thanks to improved tax collection, higher VAT and tax receipts generated by the mining sector. However, public revenues will struggle to reach 15% of GDP. The search for finance and public/private partnerships to assure public investment will effectively limit this deficit. The debt burden is thus expected to dip due to fiscal consolidation. Nevertheless, the risk of over-indebtedness still needs to be watched because of the country's vulnerability to external shocks, especially their effect on commodities.

The current account deficit is expected to remain stable in 2018. Good export performance, thanks to higher bauxite output and aluminium prices, will be offset by higher imports, triggered by the slight rise in energy prices, the significance of capital investments and the slight increase in private consumption. The services deficit will remain high because of elevated costs associated with imports, transport and insurance and growing demand for technical services (know-how, technology, R&D). Meanwhile, the primary account deficit will worsen as a direct consequence of increased dividend repatriation by mining companies. All in all, the deficit is also explained by worsening terms of trade since 2016.

Relatively stable political climate

2017 was marked by a degree of political instability. One of the government coalition parties joined the opposition in protest against delays in the organisation of local elections, leaving Alpha Condé without a parliamentary majority. The president finally managed to rally another party by offering its leader a position as presidential adviser. This reconfiguration and the splits within the opposition are expected to guarantee victory for Alpha Condé in the parliamentary elections scheduled for September 2018. Meanwhile, with 55% of the population living below the poverty threshold, daily power outages triggered social unrest and riots at the end of 2017.

The president has committed to a process of reforms aimed at achieving inclusive double-digit growth by 2020. The aim is to seize more added value from the processing of Guinea's abundant raw materials. The State intends to improve the business climate by reforming the mining and forest codes, as well as introducing new legislation on public/private partnerships and anti-corruption measures. In 2017, Guinea jumped ten places in the Doing Business rankings and is now in 150th place. Having been Chairperson of the African Union in 2017, Alpha Condé pushed through a wave of reforms to economic governance and transparency across the continent. Finally, the president is establishing diplomatic and commercial ties with the Persian Gulf States and China, underpinned by a series of Chinese and Emirates investments particularly in the mining sector.



GUYANA

COFACE ASSESSMENTS

D
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Canada 31%
- United States 21%
- Trinidad & Tobago 11%
- Euro Area 11%
- United Kingdom 4%

Imports of goods, as a % of total

- Trinidad & Tobago 29%
- United States 28%
- China 7%
- Suriname 5%
- Euro Area 3%

+ STRENGTHS

- Significant investment in infrastructure and telecommunications
- Attractive prospects for investors in mining, hydroelectric power and agriculture
- Exploitation of oil reserves off the coast of Guyana from 2020
- Member of CARICOM *(Caribbean Community and Common Market)*

- WEAKNESSES

- Reliance on exploitation of gold, bauxite, sugar, rice and timber
- Shortcomings in infrastructure, transport, education and health
- Sensitive to weather events (region strongly affected by hurricanes)
- Territorial dispute with Venezuela
- Reliance on international creditors
- Expansion of the informal economy
- High crime rate linked to drug trafficking against a background of poverty and corruption

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.1	3.3	3.5	3.6
Inflation (yearly average, %)	-0.9	1.5	2.6	2.7
Budget balance (% GDP)	-1,2	-4,4	-5,0	-4.9
Current account balance (% GDP)	-5.7	0.4	-2.0	-1.0
Public debt (% GDP)	47.9	48.3	53.3	56.4

(f): forecast

0.8
POPULATION
(millionsofpersons-2016)

4,475
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity dependent on gold and agricultural output while waiting for oil development

In 2018, GDP growth will stabilise at a comfortable level, driven by public investment (almost 17% of GDP). The main sectors concerned are transport (48% of loans from the Inter-American Development Bank in Guyana) and energy. The Minister of Public Infrastructure completed his Public Sector Investment Programme (PSIP) in late 2017, with a total investment of 10 million Guyanese dollars (EUR 41 million), which represents 2.5% of GDP. The project includes the building of roads, electrical installations, an international airport and a prison. The private sector has not been left behind, benefiting from a huge operating contract with investments estimated at USD 4.4 million (130% of GDP), between the State and a large US oil company following the discovery of the Liza oilfield off the Guyanese coast. The country will become an oil exporter by 2020 (120,000 barrels a day). The search for and exploratory drilling of potential oil fields will continue in 2018 at Liza II, Payara and Snoek. With much of the economy devoted to agriculture (30% of GDP in 2016) and mining, economic momentum still depends on weather conditions. After recovering in 2017, rice production will climb modestly while sugar production will decline further in 2018. More favourable weather conditions will encourage the expansion of gold production, which is destined exclusively for export.

Inflation, which remains dependent on agricultural and oil commodity prices, is expected to stabilise at a moderate level.

Fiscal reforms in the government's sights

The government is expected to introduce major fiscal reforms in 2018, consisting in the removal of exemptions for several industries, even if weak institutions and lobbying by businesses benefitting from these advantages could slow this process. Tax collection should increase thanks to oil drilling. Over 900 million Guyanese dollars generated by the oil industry were collected during the first half of 2017 and this income should continue to grow. On the other hand, spending will also rise with the weight of subsidies in the budget, especially those for the state-owned sugar producer, GuySuCo. Austerity will no longer be relevant to the government, as it wants to increase spending in anticipation of future oil income.

With regard to the external accounts, imports, mainly of oil, will fall in the medium term as the exploitation of offshore hydrocarbon fields materialises. Exports, mainly of gold (the country's gold output reached a historic high during the first nine months of 2017), will continue to grow. Remittances from Guyanese workers abroad (9.6% of GDP in 2016), the main source of incoming foreign exchange, could be affected by the new 2% tax on money transfers introduced in 2017 in the United States (almost 300,000 people of Guyanese origin live there, representing 40% of Guyana's population). The current account deficit, which is small, will help maintain foreign exchange reserves at a level equal to about four months of imports in 2017. The monetary authorities will continue with their generally flexible exchange rate policy, thus increasing the local currency's resistance to external shocks.

Difficult political reforms against a background of ethnic and border tensions

After over twenty years in power, the Indo-Guyanese People's Progressive Party/Civic (PPP/C) gave way to the multi-ethnic coalition led by the Afro-Guyanese Party A Partnership for National Unity and Alliance for Change during the 2015 general elections. The coalition won 50% of the votes cast which gives them a very small majority of one seat in Parliament. The coalition candidate, David Granger, won the presidential elections. Ethnic tensions remain and the PPP/C is expected to continue its policy of blocking constitution and institutional reforms with the aim of winning the 2020 elections. Nonetheless, the outlook for positive change is to be noted, with the holding of the first local elections in 2016 and constitutional reforms planned aimed at ending a political system with proportional representation based on ethnic origins. Despite some progress, Guyana's business climate remains difficult (126th out of 190 countries in the 2018 World Bank's *Doing Business* rankings).

Despite an international ruling fixing the current borders, Nicolas Maduro, President of Venezuela decided unilaterally in 2015 to affirm Venezuela's sovereignty over almost two thirds of Guyana's territory and maritime borders with the publication of an official decree. This came one week after the announcement of the discovery of an oilfield off the coast of Guyana, in the area disputed by Venezuela and rekindled a controversy that dates back over a century. The UN accordingly agreed to give the two countries time to negotiate (until end 2017). Following the failure of these negotiations, the dispute will return to the International Court of Justice (ICJ) in 2018.

HAITI

COFACE ASSESSMENTS

D
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 81%
- Dominican Republic 5%
- Euro Area 3%
- Albania 3%
- Mexico 3%

Imports of goods, as a % of total

- United States 20%
- China 20%
- Netherlands Antilles 15%
- Indonesia 10%
- Euro Area 7%

+ STRENGTHS

- Development and reconstruction programmes agreed with donors
- Membership of several regional organisations (Association of Caribbean States, Organisation of American States, CARICOM, CARIFORUM)

- WEAKNESSES

- Low level of development and extreme poverty (ranked 163rd out of 188 on HDI)
- Highly vulnerable to natural disasters (earthquakes, hurricanes, etc.)
- Fall-off in international aid since the 2010 earthquake (from 16.5% of GDP in 2011 to 5.6% in 2015)
- Inadequate infrastructures
- Political instability and insecurity
- Energy dependency
- Reliance on remittances from migrant workers abroad and on international aid
- Poor governance and difficult business climate

Main Economic Indicators	2015*	2016*	2017*(f)	2018*(f)
GDP growth (%)	1.2	1.4	1.0	3.0
Inflation (yearly average, %)	7.5	13.4	13.1	6.4
Budget balance (% GDP)**	-2.5	0	-2.6	-1.1
Current account balance (% GDP)**	-3.1	-0.9	-2.6	-2.4
Public debt (% GDP)	30.2	33.5	33.9	34.6

*Fiscal year from October 1st to September 30th ** Including grants (f): forecast

10.8
POPULATION
(millionsofpersons-2016)

759
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Improved growth prospects

Growth is expected to increase substantially, thanks to the recovery of the agricultural sector and a rise in remittances from expatriate workers. Nevertheless, it will still be impacted by political instability and high inflation. Even though inflation is falling, it will stay strong because of the gourde's depreciation, and will continue to affect consumers' purchasing power. Moreover, private consumption will still suffer from inequalities and poverty, with the population still suffering from food insecurity, the consequences of the 2010 earthquake and Hurricane Matthew in 2016, and the cholera epidemic that killed 10,000 people and infected over 800,000. In addition, these natural disasters destroyed many of the country's infrastructures. Industrial output will remain very weak, as manufacturing capacity is drastically reduced. Domestic investment, both private and public, will remain low, and foreign investment will continue to be discouraged by the political risk, internal unrest, and corruption. The textile sector will still be the main beneficiary of any investments, but a number of foreign companies have threatened to leave the country since the strikes called by workers in the sector in May 2017.

Ongoing twin deficits

The IMF monitored a new aid programme between June and December 2017, aimed at helping the new government of Jovenel Moise to implement its economic programme aimed at stimulating growth, in particular through better management of government revenues so as to fund public investment. The government's agenda is focused on reconstructing the centre of the capital city, Port-au-Prince, and its airport, and on implementing an effective healthcare system. Funding for these projects is still uncertain, but should be obtained through public/private partnerships and international aid. However, international funds allocated to the island's reconstruction are expected to decline further due to poor management. The budget is expected to continue to show a deficit in 2018 given the weak government revenues. Effectively, the fiscal position remains very complex, as budgets are rarely adopted by the Parliament, and when they are, the process is incomplete or comes too late. The public debt is expected to continue to rise.

Trade agreements with the United States will continue to boost the country's exports, which will benefit the textile sector in particular through the HOPE agreement (Hemispheric Opportunity Through Partnership Encouragement). Imports of food and inputs for textile production are expected to increase, reflecting the challenges the country faces in trying to diversify production. Moreover, Venezuela provides the country with cheap oil, but the economic and political situation in Venezuela raises fears that this preferential regime will be stopped, increasing the cost of imports. The current account balance is, therefore, unlikely to improve significantly.

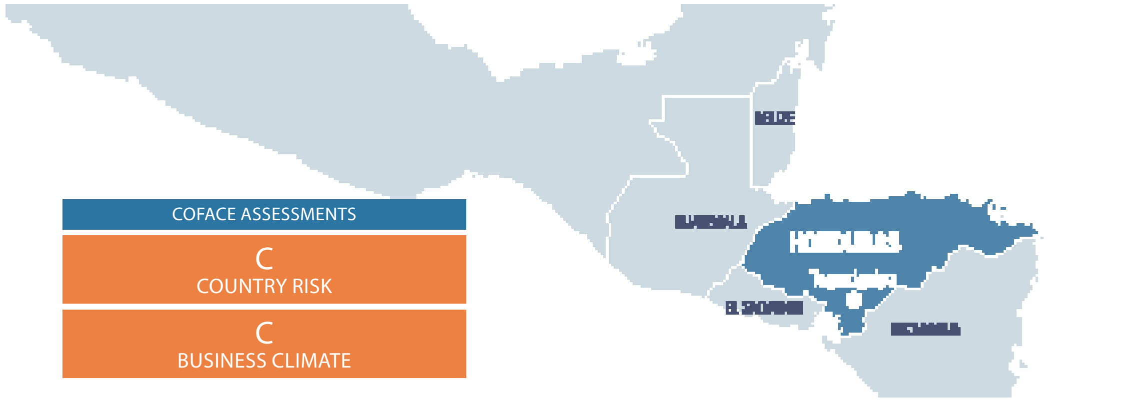
The new government faces numerous threats

The election of Jovenel Moise as President, chosen by the former Head of State, Michel Martelly, to succeed him as head of the Haitian Tet Kale (PHTK) Party, has admittedly reduced the level of political uncertainty since his investiture in February 2017, but it has not brought an end to instability. Accused of having been elected thanks to "dirty money", President Moise has little legitimacy, especially as the turnout for his election was only 21.7%. Nevertheless, the PHTK won the parliamentary elections that followed the February 2017 elections, giving Jovenel Moise 31 seats out of 119 in the Chamber of Deputies and 11 out of 30 in the Senate. This does not give him a majority and the reforms needed, notably to revitalise agriculture and tourism, will be difficult to implement.

Social tensions will continue to be significant, with 2017 marked by a resurgence in confrontations between armed gangs. The government would like to create a new army during the year with the mandate of United Nations Stabilisation Mission in Haiti (Minustah) – already extended several times to facilitate the process of political transition and reconstruction – expiring in October 2017. It will be replaced by the UN Mission for Justice Support in Haiti (Minujusth), made up of police rather than soldiers.

Diplomatically, Haiti opposed the suspension of Venezuela from the Organisation of American States (OAS). This political move pits the country against the United States, its main donor and investor, and against the other countries in the OAS. Relations with the Dominican Republic are expected to remain tense, despite a resumption of talks following the election of President Noise.

HONDURAS



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 38%
- Euro Area 22%
- El Salvador 9%
- Guatemala 6%
- Nicaragua 6%

Imports of goods, as a % of total

- United States 35%
- China 12%
- Guatemala 10%
- Mexico 7%
- Euro Area 6%

+ STRENGTHS

- Privileged relations with the United States (preferential trade agreements)
- Agricultural, mining and tourism resources
- IMF agreement

- WEAKNESSES

- Reliance on the US economy (exports, FDI and expatriate remittances)
- Dependency on imports of fuels and cereals (corn is the staple food)
- Strong crime and corruption against a background of poverty; drug trafficking
- High informality of the economy, affecting 70% of active workers

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.6	3.6	4.0	3.6
Inflation (yearly average, %)	3.2	2.7	4.0	4.2
Budget balance (% GDP)*	-1.0	-0.5	-1.2	-1.2
Current account balance (% GDP)	-5.5	-3.8	-4.1	-4.3
Public debt (% GDP)	41.2	42.5	43.0	44.1

* entire non-financial public sector (f): forecast

8.2
POPULATION
(millionsofpersons-2016)

2,609
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity remains resilient

Growth posted a good performance in 2017, supported mainly by private consumption and exports (sustained demand for tropical agricultural products). Growth drivers are expected to be the same in 2018. In particular, domestic demand is set to remain vigorous in a rather expansive budgetary context, as the budget provides for a 9% increase in spending (health, education, road infrastructure, electricity, etc.) in real terms. Household consumption should once again benefit from the dynamism of expatriate worker transfers. These transfers would likely be reduced in the event of a non-renewal of the TPS (Temporary Protected Status, implemented in 1998 in the aftermath of Hurricane Mitch to allow for Hondurans to legally stay in the US) by the US government in 2018 (six-month renewal in October 2017). Consumption is unlikely to be significantly affected by the moderate inflation accompanying the regular depreciation of the lempira (the national currency), the upward trend of oil prices, and recurring distribution problems. Public investment should continue to grow, notably in road infrastructure and with the construction of the new Palmerola International Airport. Exports from the agricultural and manufacturing sectors are likely to remain relatively strong thanks to continued growth in the United States and development of the productive system. The Honduras 2020 plan, while slow to implement, is stimulating investment in the manufacturing sector (textiles, agri-food), tourism, industry, real estate and call centres.

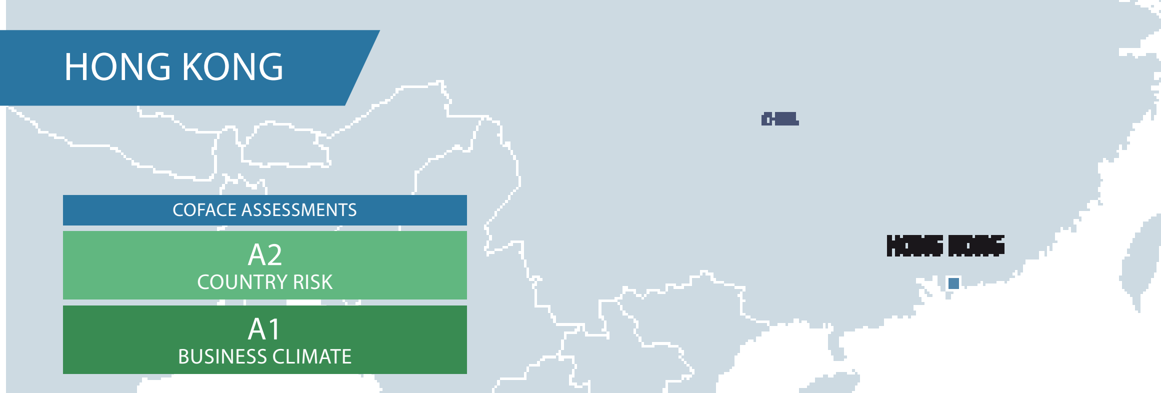
Healthy budget situation and balanced trade deficit with expatriate remittances

Since 2014, in the framework of the financial agreement with the IMF, the state has made significant efforts (efficiency of taxation and control of expenditure), without sacrificing social development and infrastructure. The tax liability law approved in 2016 sets a ceiling for the non-financial public sector deficit: 1% of the GDP by 2020. The government should achieve the 2017 target of a 1.4% deficit. An extension of the agreement with the IMF after its deadline of December 2017 could be envisaged, and would guarantee the maintenance of budgetary rigour. Restructuration of the struggling national electric company ENEE is ongoing, including the issuance of a USD 700 million bond in March 2017 to bail out the company, as well as the reduction of the wage bill and tariffs adjustments. This will weigh on public external debt service.

The current account deficit will slightly increase in 2018, as a result of the large trade deficit, due to significant imports of capital goods and food products (cereals), the repatriation of dividends by foreign investors, and payments to overseas service providers. Transfers of emigrated Hondurans, the main source of foreign exchange (20% of the GDP), and tourist revenues – limited by a high crime rate that makes the country less attractive – make it possible to limit the deficit considerably. This is comfortably financed by the reinvestment of profits made by foreign companies, as well as by the use of indebtedness with international donors and markets, facilitating the increase of foreign exchange reserves, which represent five months of imports. In 2018, the increase in agricultural exports (coffee, tropical fruits) and textiles (from *maquila* companies, manufacturers in special economic zones) – particularly to the United States, which is by far the largest market –, as well as that of funds sent by expatriates, should offset the increase in the oil debt.

Return of political tensions

The November 2017 presidential election was followed by violent protests, making the security situation more uncertain, despite the progress made (homicide rate lowered from 75 to 37 cases per 100,000 inhabitants since 2014). The two finalists, Juan Orlando Hernandez (National Party, whose candidature to the election was highly disputed) and Salvador Nasralla (Opposition Alliance against Dictatorship), both announced their victory. The Electoral Tribunal officially announced Mr Hernandez's victory after several unofficial proclamations, which had been highly criticized by international observers, with the OAS denouncing the lack of guarantees and transparency in the process. Mr Nasralla has refused to accept the results despite US pressures, calling for protests, while the violence has already claimed several victims. In this context, Honduras remains characterized by high poverty (39% of households living in extreme poverty; 25% with access to social security), significant violence associated with drug trafficking (the maras), as well as corruption (e.g. the Rosenthal family scandal in 2015 for narcotic money laundering) – all of which limit the country's development. The improvement of the business environment (strengthening of the PPP legal framework, public arrears auditing) is nonetheless recognised by international creditors.



COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 54%
- United States 9%
- Euro Area 7%
- Japan 3%
- India 3%

Imports of goods, as a % of total

- China 46%
- Taiwan 7%
- Singapore 6%
- Japan 6%
- United States 5%

\+ STRENGTHS

- Flexibility of the economy
- High-quality infrastructures
- First-rate financial centre, airlock between China and the rest of the world
- Healthy banking system
- Favourable business climate
- Anchoring of the currency to the US dollar
- Maintaining the "one country, two systems" principle between mainland China and Hong Kong

\- WEAKNESSES

- Vulnerability to the slowdown of the economy in mainland China
- Exposure to the US economy via the US dollar anchoring
- Industries fully relocated in mainland China
- High exposure to real estate conditions characterised by lack of housing
- Rise of inequalities
- Lack of transparency of financial information

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.4	1.5	3.3	2.4
Inflation (yearly average, %)	3.0	2.5	1.9	2.4
Budget balance (% GDP)*	0.6	1.5	1.5	1.3
Current account balance (% GDP)	3.1	3.3	3.6	3.2
Public debt (% GDP)	0.1	0.1	0.1	0.1

* 2018 fiscal year: 1 April 2018 – 31 March 2019 (f): forecast

7.4
POPULATION
(millionsofpersons-2016)

43,561
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity will slow down in 2018

2017 was the year of the strongest growth in six years, thanks to exports to Chinese and European markets, as well as domestic demand. Household consumption was the main driver, supported by a wealth effect due to the excellent health of the stock market. However, activity will slow down in 2018. The slowdown in the Chinese economy and new trade barriers in key markets, such as the United States, will negatively affect the exports of goods and services (200% of GDP, more than 50% of which goes to mainland China), especially tourism (Chinese representing over 75% of visitors). The Hong Kong dollar will remain anchored to the US dollar. The key rates have been adjusted to reinforce the anchoring. This will continue to weigh on competitiveness. In addition, China's anti-corruption policy and entry quotas initiated by the island will lead some Chinese tourists to focus on other destinations and spend less. In addition, Hong Kong port activity, a hub of Chinese trade is expected to continue to suffer from increasing competition from mainland China ports. However, the growth of financial services will remain dynamic.

In addition, even if real estate prices and rents hinder growth, consumption will remain well oriented thanks to the increase in disposable incomes and to an easing of the pressure on import prices through a depreciation of the renminbi against the Hong Kong dollar. It will be very vigorous in the luxury sectors (fashion, cosmetics and electronics) because of the concentration of income among the wealthy classes. However, the low unemployment rate – 3.1%, close to full employment –, regular wage growth and increased redistributive spending for the poorest and the elderly will help stimulate other sectors. Confident and attracted by a further 8.25% reduction in corporate taxes, foreign investors will finance projects in the new technology, transportation and real estate sectors. The latter, will remain a significant risk factor in 2018, despite measures to contain prices and prevent the bursting of a housing bubble.

Solid financial system

The budget balance will remain in surplus in 2018; the budgetary situation of the Special Administrative Region (SAR) is solid in view of large reserves, representing almost 23 months of expenditure. The public debt will remain virtually non-existent. Despite a slight decrease due to the increased imbalance in the trade balance, the current balance will remain largely in surplus. The significance of resident and company foreign investment income makes it possible to transition from a trade deficit in goods to the current account surplus. In this context, the level of foreign exchange reserves will remain satisfactory at 8.5 months of imports.

Banks should remain strong, even if the real estate bubble bursts, thanks to household debt limits and regular stress tests by supervisory authorities. The offshore non-resident yuan market is generating an offshore yuan bond market, which is expected to remain buoyant in 2018, making Hong Kong the world's financial centre for xeno-yuan. In addition, the connection between the Hong Kong and Shanghai stock exchanges since 2014 allows investors on the island to exchange listed securities in Shanghai and vice versa.

The new head of the executive power embodies continuity

In March 2017, Carrie Lam, former chief secretary of the Administration, was elected, for five years, head of the executive power by the Electoral College, in which the pro-Chinese are the majority. She won against two other candidates, also from the upper administration of the SAR and selected by a committee set up by Beijing. Her previous duties suggest that there will be no major change in political leadership. The main challenges will be the management of popular discontent, relations with the opposition and the Chinese central government. She will avoid the political controversies related to Chinese interference and the limits of the "one country, two systems" principle, focusing on the economy. She intends to integrate young people into civic life and introduce educational reforms. The "Umbrella Revolution" of 2014 and the rejection in 2015 by the pro-democracy parliamentarians of the voting system considered a "sham democracy", with Beijing retaining control over the candidates, confirm that identity and political tensions subsist. A free trade agreement between ASEAN and Hong Kong is under negotiation. Finally, despite a lack of transparency of financial information, Hong Kong enjoys a very favourable business climate.

PAYMENT AND COLLECTION PRACTICES IN HONG KONG

Payment

Bank transfers are one of the most popular payment instruments for international and domestic payments in Hong Kong, thanks to the territory's highly developed banking network.

Standby Letters of Credit also constitute reliable payment methods, as the issuing bank guarantees the debtor's credit rating and repayment abilities. Irrevocable and confirmed documentary letters of credit are also widely used, as the debtor guarantees that a certain sum of funds will be made available to the beneficiary via a bank, once specific terms agreed by the parties are met.

Cheques and Bills of Exchange are also frequently used in Hong Kong.

Debt collection

Amicable phase

During the amicable phase, the creditor sends one or more notice letters (summons) to the debtor, in an attempt to persuade them to pay the due debts.

The Practice Directions on Mediation, introduced in 2010, set out voluntary processes that involve trained and impartial third party mediators. This helps both parties involved in a dispute to reach an amicable agreement for repayment. Debtors and creditors are usually urged to pursue this process before resorting to legal action.

Legal proceedings

Ordinary proceedings

The judicial system in Hong Kong comprises three distinct courts:

- The Small Claims Tribunal handles relatively small cases (of up to HKD 50,000) in a fast and efficient manner. The rules of procedure are less strict than in those of other types of courts and no legal representation is permitted.
- The District Court has jurisdiction over more substantial financial claims, ranging from HKD 51,000 to HKD 1,000,000.
- The High Court deals with much larger legal disputes and is additionally charged with handling claims of over HKD 1,000,000.

Hong Kong's District court and High Court allow legal representation. Cases in these courts are initiated by issuing a Writ of Summons to the debtor, who then has fourteen days to file a defence. The creditor is also required to file a notarised Statement of Claim. If the debtor responds to the Writ and requests a payment plan, the creditor has two weeks to reply. If the parties find it impossible to enter into an agreement, a hearing will be called for by the judge, during which a judgment is normally made. If the debtor does not respond, a default judgment can be rendered.

Enforcement of a legal decision

A domestic judgment is enforceable once it becomes final (if no appeal is lodged within 28 days). If the debtor fails to comply with the judgment, the creditor can request an enforcement order from the court. This usually entails either a garnishee order (allowing the creditor to obtain payment of the debt from a third party which owes money to the debtor), a *Fieri Facias* order (which enables a bailiff to seize and sell the debtor's tradable goods), or a charging order (for seizing and selling the debtor's property to satisfy the debt).

Foreign judgments are enforced under the Foreign Judgments (Reciprocal Enforcement) Ordinance. Decisions issued in a country with which Hong Kong has signed a reciprocal treaty (such as France or Malaysia) only need to be registered and then become automatically enforceable. Where no such treaty is in place with a country, enforcement can be requested before the court, via an exequatur procedure.

An "Arrangement on Reciprocal Recognition and Enforcement of judgments in Civil and Commercial Matters" (REJA) was concluded with the People's Republic of China in 2006. This makes judgments rendered in Mainland China or in Hong Kong automatically enforceable by the courts of the other contracting party.

Insolvency proceedings

The only formal insolvency procedure under the Companies Ordinance Act is liquidation.

Out-of court proceedings

The law does not provide for formal procedures for restructuring company debts. Restructuring proceedings therefore need to take place through informal "workouts" or a scheme of Arrangement.

A workout is an out-of-court agreement made between a debtor company and its major creditors for the rescheduling of its debts. This proceeding can be initiated at any time. Restructuring plans are usually recommended by a committee which is chaired by a lead creditor. The courts are not involved and the process is entirely voluntary. Once a plan has been agreed, the company continues to operate and is managed under the terms of the arrangement. This procedure does not provide legal protection from creditors.

A scheme of Arrangement is a statutory, binding compromise reached between a debtor and its creditors. It must be accepted by all classes of creditors. A court reviews the plan, before sanctioning the convening of separate meetings with creditors. The scheme must be approved by the court, at least 50% of creditors in terms of number and 75% of creditors in terms of value of debts. An administrator is appointed to implement the scheme.

Liquidation

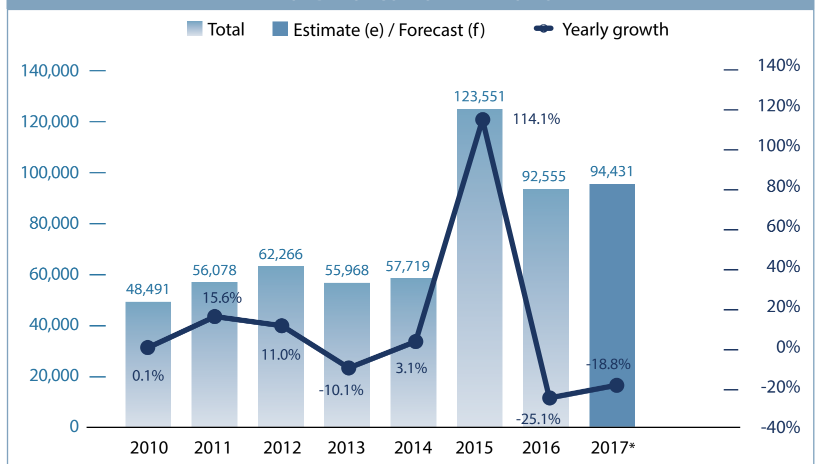
Liquidation can be voluntary or compulsory. It involves selling the debtors' assets in order to redistribute the proceeds to creditors and dissolve the company. Voluntary liquidation can be either a member's voluntary liquidation (MVL), or a creditors' voluntary liquidation (CVL). In both cases, company directors lose control and a court-supervised liquidator is appointed.

Creditors can initiate a compulsory liquidation by filing a winding-up petition with the courts on the grounds of insolvency. An MVL is a solvent liquidation process whereby all creditors are to be paid in full and any surplus distributed among the company's shareholders. CVLs are insolvent liquidations.

Regulatory Update on Insolvency regime

The Hong Kong Government Gazette's Companies (Winding Up and Miscellaneous Provisions) Ordinance 2016 ("Amendment Ordinance") entered into force on the 13th February 2017. These updates have been introduced in order to increase protection for creditors and to streamline and improve regulations under Hong Kong's corporate winding-up regime.

NUMBER OF CORPORATE FAILURES



Source: Census and Statistics Department - Hong Kong, Coface * 12 months ending in September

COFACE ASSESSMENTS

A3
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 28%
- Romania 5%
- Slovakia 5%
- Austria 5%
- France 5%

Imports of goods, as a % of total

- Germany 27%
- Austria 6%
- China 6%
- Poland 5%
- Slovakia 5%

+ STRENGTHS

- Diversified economy
- High quality infrastructures thanks to European funds
- Integrated within the European production chain
- Trained workforce
- Low corporate taxation
- Generally positive payment behaviour

- WEAKNESSES

- Ageing population, low birth rate, and high emigration
- Regional disparities; lack of mobility
- Shortfalls in vocational education and training
- Poor levels of innovation and R&D
- Limited room for manoeuvre in terms of the budget
- High debt level of companies, although falling
- Fragility of the banking sector (public and private)
- Energy dependence: 50% of needs imported; 40% from Russia alone

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.1	2.0	3.9	3.6
Inflation (yearly average, %)	0.1	0.4	2.9	3.2
Budget balance (% GDP)	-1.6	-1.8	-2.4	-2.5
Current account balance (% GDP)	3.1	5.0	3.5	2.8
Public debt (% GDP)	74.7	74.1	72.6	71.4

(f): forecast

9.8
POPULATION
(millionsofpersons-2016)

12,652
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consumption and investments take a lead on growth

Hungary experienced a significant contraction of investments in 2016 when, similar to other CEE countries, the economy suffered from a lower absorption of EU funds due to switching to the new European budget. However, an improvement was already seen in the first half of 2017, with a surge of fixed asset investments. These were mostly fuelled by a boost in EU co-financed projects, but other investments increased as well, including manufacturing industries (e.g. automotive, IT equipment). Further capacity upgrades are expected to be conducted.

On the consumer side, household spending continues to benefit from rising employment and higher wages. The unemployment rate dropped below 4% last year, and wages have increased, partly thanks to increases of both minimum wage and guaranteed minimum wages for skilled workers. The stimulus for wage rises comes from a tight labour market. Labour shortages have become an important constraint for many companies, particularly regarding skilled employees, with skill mismatches still present on the Hungarian labour market. An expected further tightening of labour market will trigger the ongoing rise of wages, and its pace is likely to exceed both productivity growth and Hungary's GDP growth. Despite this, the country still benefits from lower labour costs levels than in Western Europe, and attracts foreign investments. Rising wages increase inflationary pressure and the central bank will likely become less expansive.

The increase of compensations is partly offset by the reduction of corporate tax to 9%: the lowest rate in Europe. This measure mainly benefits mid-sized Hungarian and foreign-owned companies with more than EUR 2 million in revenue. Tax rates for large foreign multinationals in Hungary, especially German carmakers, had been already heavily reduced by subsidies and tax concessions. Small firms already benefited from a lower tax rate of 10%. Exports benefit from favourable perspectives of main trade partners, and the high share of the automotive industry in total exports is expected to strengthen, thanks to further improvements in manufacturing capacities.

Budget deficit widens on further spending

The budget has been consolidated over last years. However, since 2015, the general government deficit increased, reaching 1.8% in 2016. On the one hand, investment expenditures decreased and revenues benefited from growth of wage-related tax receipts, but on the other, government spending increased due to capital transfers and the public wage bill. Tax cuts and a further increase of expenditures, as elections approach, made the public deficit higher: it is expected to reach 2.4% of GDP in 2017 and then 2.5% of GDP in 2018. The deficit level is subject to the pace of inflow of funds from the EU, predominantly used for infrastructure building projects and other programmes. Spending on investments could be reduced as a result of delays in implementation, therefore making the deficit lower than expected. Elections scheduled for April 2018 contribute to a higher generosity of government with rising public sector wages, increased spending on infrastructure, and expenditure on tighter border security to curb unauthorised immigration.

Fidesz is expected to win the next parliamentary election

Prime Minister Viktor Orbán and his conservative Fidesz-Hungarian Civic Union (Fidesz) party were re-elected for a second four-year term in the 2014 elections. Facing competition from the far right Jobbik party, in third place behind the Socialist party, Fidesz maintains a nationalist policy that includes opposition to the European Union on the dispersal of migrants. The government implemented a number of sectorial taxes, which are expected to remain in place. Fidesz has led in the latest public opinion polls (October 2017), bolstering the party's position as the favourite to win the next parliamentary election, due in April 2018. Therefore, it is most likely that Fidesz will be elected for a third consecutive four-year term. The party has been targeting its core voter base with a fresh anti-immigrant campaign. The outlook for Fidesz has improved further with the decision of Laszlo Botka – the prime ministerial candidate of the main centre-left opposition force, the Hungarian Socialist Party (MSZP) – to withdraw his candidacy in October 2017. Jobbik remains a distant second in terms of popularity.

PAYMENT AND COLLECTION PRACTICES IN HUNGARY

Payment

Bills of exchange and cheques are not commonly used since their validity depends on compliance with several formal issuing requirements. Nevertheless, both forms of payment, when dishonoured or duly protested, allow creditors recourse to a summary procedure to obtain an injunction to pay.

The promissory note "in blanco" (*üres átruházás*, a blank promissory note) – which constitute an incomplete payment deed when issued – is not widely used in Hungary. This is because it qualifies as a negotiable document (securities), which may be transferred by endorsement plus transfer of possession of the document (subsequent to a blank endorsement, only delivery is needed).

Bank transfers are by far the most common payment method. After successive phases of privatisation and concentration, the main Hungarian banks are now connected to the SWIFT network, which provides low cost, flexible, and speedy processing of domestic and international payments. Furthermore, SEPA transfers are also a popular mean of payment because of the developing banking network.

Debt collection

Amicable phase

Where possible, it is advisable to avoid taking legal action locally due to the formalism of legal procedures and rather lengthy court proceedings: it takes one to two years to obtain a writ of execution.

Since 2014, interest is due from the day after the payment date stipulated in the commercial contract and, unless otherwise agreed by the parties, the applicable rate will be the base rate of the issuer in force on the first day of the reference half-year period, plus 8%.

It is advisable to seek an amicable settlement based on a payment schedule drawn up by a public notary, who includes an enforcement clause that allows creditors, in case of default by the debtor, to proceed directly to the enforcement stage; subject to acknowledgement by the court of the payment agreement's binding nature.

From 2009, considering trade companies, a mediation to solve an out-of-court settlement must be held by the parties prior to commencing legal proceedings.

Injunction of payment and European Injunction of Payment

When in possession of a due and payable debt instrument (acknowledgement of debt, unpaid bill of exchange, dishonoured cheque, etc.), creditors may obtain an injunction to pay (*fizetési meghagyás*), using a pre-printed form. This more efficient and less expensive summary procedure now allows the notary – if he considers the petition justified – to grant an injunction, without hearing the defendant. The defendant is then instructed to pay both the principal and legal costs within fifteen days of the serving of the ruling (or within three days for an unpaid bill of exchange).

When the debtor has assets in other European Union (EU) member states, a European Payment Order procedure facilitating the recovery of undisputed debts may be triggered.

This type of legal action has become mandatory for all claims up to one million Hungarian forints (HUF) – about EUR 3,400– and is conducted digitally from beginning to end as of 2010. As a result, ordinary proceedings cannot be started if the claim is purely monetary and inferior to this EUR 3,400 limit.

Since 2010, the injunction to pay is carried out by public notaries in order to reduce the workload of the courts. Although not mandatory, the presence of a lawyer is advisable for this type of procedure.

Legal proceedings

Ordinary proceedings

In case of objection by the debtor, the case is treated as a dispute and transferred to ordinary court proceedings. The parties will then be summoned to one or more hearings to plead their respective cases.

Ordinary proceedings are partly in writing – with the parties or their attorneys filing submissions accompanied by all supporting case documents (original or certified copies) – and partly oral, with the litigants and their witnesses presenting their cases during the main hearing.

As of 2011, cases exceeding a value of HUF 400 million (approximately EUR 1.6 million) must be swiftly handled by the courts via shortened legal processes. At any stage of such proceedings and where possible, the judge may attempt to achieve conciliation between the opponents.

It is relatively common practice to immediately issue a winding up petition against the debtor so as to prompt a speedier reaction or payment. This practice was sanctioned by the 2007 amendment to the Hungarian bankruptcy law, which authorised creditors to issue a winding up petition against a debtor only in they received no response nor payment from the debtor within 20 days of sending a formal notice.. In practice, however, it is simple to request the liquidation of a debtor, and creditors regularly use this as a tool in the negotiation process

Commercial disputes are heard either by the district courts (*járásbíróság*), set up in commercial chambers, or by legal tribunals (*törvényszék*), depending on the size of the claim. Payment claims up to HUF 30 million belong to district courts on first instance; above this rate, regional courts are the first instance for these cases. Insolvency procedures and enforcement belong to regional courts at first instance by default.

Enforcement of a legal decision

When all appeal venues have been exhausted, a domestic judgment becomes enforceable. It the debtor fails to satisfy the judgment, the creditor can either request an enforcement order from the court, or for a specific performance (payment) through a bailiff, who will implement the different measures necessary to enforce compliance (from seizure of bank accounts to foreclosing real estate).

Regarding foreign decisions, those rendered in an EU country will benefit from special enforcement conditions such as the European Enforcement Order when the claim is undisputed. Nevertheless, for decisions rendered in a non-EU country, Hungarian law provides for a reciprocity principle: the issuing country must be part of a bilateral or multilateral agreement with Hungary.

Insolvency proceedings

Out-of-court proceedings

Even though Hungarian law does not provide formal out-of-court proceedings, private and informal negotiations are held between creditors and debtors in order to avoid judicial insolvency proceedings. This constitutes a practical approach in order to avoid liquidation. If an agreement is reached, they can request the suspension of a judicial proceeding until the agreement is respected.

Restructuring the debt

Under Hungarian law, restructuring is not formally regulated, even though the Hungarian Bankruptcy Act regulates all insolvency processes, including specific deadlines, legal requirements, and rights and obligations for participants. Instead, both bankruptcy and liquidation proceedings offer a debtor company a chance of survival by restructuring its debt in a composition agreement in a ninety-day stay. It is extremely rare to conclude a liquidation process with a surviving company, as the aim of the proceedings is by nature not one of restructuring.

From this point onwards, the acts of the debtor are overseen by an administrator. The reorganization agreement must be validated by a majority of creditors and the court must also approve the plan. If a compromise is not reached, the court will terminate the proceedings and declare the debtor insolvent.

Liquidation

Proceedings may be initiated upon demand of either the debtor or the creditor, and a liquidator is subsequently appointed. Creditors must lodge their claim within 40 days of the commencement of the proceedings in order to be listed in the table of creditors and consequently receive a part of the proceeds. The liquidator will then assess the debtor's economic situation together with the claims, and then provide the court with recommendations on how the assets should be distributed.

All insolvency procedures are validated by court, but there are very few checks in place that prevent creditors from liquidating their companies, which makes it a very easy and common practice for failed businesses, hence the relatively high number of insolvencies in Hungary.

ICELAND

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 56%
- United Kingdom 11%
- United States 8%
- Norway 4%
- Denmark 2%

Imports of goods, as a % of total

- Euro Area 32%
- United States 10%
- Norway 9%
- China 7%
- Denmark 6%

+ STRENGTHS

- Stabilised banking sector
- Gradual decrease in public debt
- Abundant renewable energy (geothermal, hydroelectric)
- Oil and gas reserves
- Strong tourism potential
- Large currency reserves
- Strong household consumption

- WEAKNESSES

- Small economy
- Volcanic risks
- Limited supervision of banking system in a context of capital inflows and rising property prices
- Volatility of activity due to dependence on tourist numbers
- Risks associated with lifting of capital controls and household debt
- High foreign debt
- Concentration of production and exports (aluminium and seafood)
- Russian embargo against Icelandic seafood

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.1	7.2	5.2	3.4
Inflation (yearly average, %)	1.6	1.7	1.8	2.5
Budget balance (% GDP)	-0.8	12.4	0.8	1.3
Current account balance (% GDP)	5.3	6.0	7.0	5.7
Public debt (% GDP)	68.1	54.0	41.2	37.0

(f): forecast

0.3
POPULATION
(millionsofpersons-2016)

59,629
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth slowing in line with a more sustainable pace of tourism

Activity in 2018 is expected to slow but remain strong. This decline is mainly due to a more moderate growth in the key driving force in Icelandic economic activity since 2013: tourism. The sector suffered in 2017 because of the appreciation of the Icelandic krona, increasing the cost of local services for foreign tourists. Whilst the trend has been one of depreciation since mid-2017, prices will remain high for tourists, especially as the increase in VAT on tourist-related services (from 10% to 12%) will in large part offset this depreciation. At the same time, although the numbers of tourists will continue to increase, the actual rate of increase will likely slow, and the average spend per tourist will drop slightly. Investments in the tourism sector will, however, continue at a sustained level in order to make up for accommodation shortages. In addition, public investment will help alleviate the inadequacies of the transport infrastructures resulting from the rapid rise in visitor numbers since 2013. Residential construction will also experience growth, thanks to the rise in property prices, improving credit conditions and the reduction in household debt. The fishing and aluminium sectors are still major elements in the economy, and account for almost 75% of the country's exports. These will benefit from the depreciation of the krona and the upwards trend in external demand. However, the Russian embargo (fifth largest trading partner) will continue to have a negative impact on exports of fishing products, even though the producers have managed to find substitute market outlets since 2015.

Household consumption will remain as one of the growth drivers in Iceland's economic growth thanks to the rapid rise in wages, in a context of moderate inflation. In addition, the low level of unemployment (3.3% in July 2017) and increasing immigration will also help to further boost it.

A slight budget surplus and liberalisation of the capital account

The budget surplus should increase slightly in 2018. The growth in tax receipts, as a result of the favourable economic performance and higher VAT on tourist related businesses, will continue to be allocated to improving public services and reducing the debt. These additional receipts will also finance the planned infrastructure projects (hospitals, roads, ports, etc.), as well as increased social transfer to single people, pensioners, and young parents. The government is also expected to continue its efforts in terms of the environment through the protection of natural sites and increased taxes on carbon dioxide emissions.

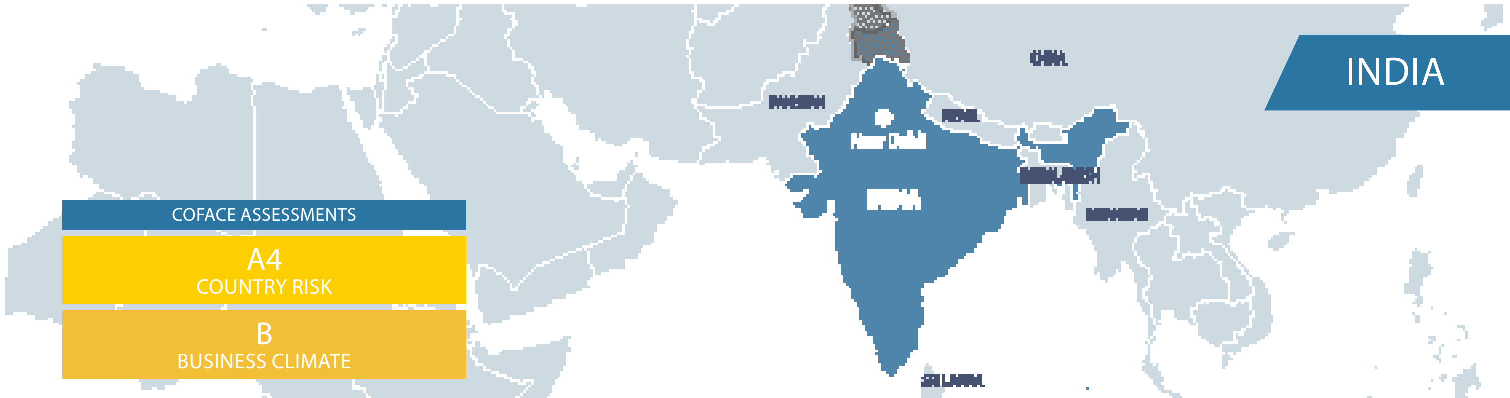
The current account surplus is expected to remain solid in 2018, thanks to the surplus in services (11.1% of GDP in 2016), linked with the tourism boom. The goods balance will continue with its large deficit (5.1%), reflecting the vitality of domestic demand, which will not be offset by the growth in exports.

In mid-August 2016, the Minister of Finance announced the gradual lifting of all capital control restrictions that had been imposed in response to the crisis in 2008. This liberalisation was completed mid-March 2017, with the removal of the final restrictions on incoming and outgoing capital flows. The country is not expected to experience major capital outflows in so far as it remains attractive thanks to higher interest rates (key interest rate at 4.25%) compared with other developed economies. The central bank's policy of monetary relaxation is unlikely to change this situation, unless any larger-than-expected interest rate cuts take place. In addition, the large current account surplus will allow further reductions in the external debt (95% of GDP in 2017) and the building of currency reserves, which will remain at a high level (nine months of imports), ensuring a stable return to the liberalisation of the capital account.

Formation of a heteroclite government

Following the withdrawal of the Bright Future (BF) party from the governing coalition in September 2017, early elections were called for the following month. Whilst the Independence Party (centre-right) received the most votes at 25.3% (16 seats out of 63), President Johannesson asked the Green Party, in second place (11 seats), to form a government. They were initially unable to agree on a coalition with the Social Democrats, the Pirate Party, and the Progressive Party. The coalition that was finally formed was somewhat unusual, consisting of the Green Party, the Independence Party and the Progressive Party. The new government will be led by Katrín Jakobsdóttir, of the Green Party, with the strategic ministries being allocated to the two other parties. The coalition is, however, looking slightly precarious, given how narrow its parliamentary majority is (35 seats out of 63) and bearing in mind the areas of potential disagreement, in particular on fiscal and environmental matters. There has also been further political fragmentation with the Centre Party's entry into parliament, taking the number of political parties to eight. This fragmentation translates into a high degree of ministerial instability, in a country that has already had three new Prime Ministers since April 2016.

INDIA



COFACE ASSESSMENTS

A4
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 16%
- Euro Area 13%
- United Arab Emirates 12%
- Hong Kong 5%
- United Kingdom 3%

Imports of goods, as a % of total

- China 17%
- Euro Area 9%
- United States 6%
- United Arab Emirates 5%
- Saudi Arabia 5%

+ STRENGTHS

- Diversified growth drivers
- High levels of savings and investment
- Efficient private sector in services
- Moderate level of external debt and comfortable foreign exchange reserves

- WEAKNESSES

- Lack of infrastructure and shortcomings in the education system
- Bureaucratic red tape and persistent political tensions
- Net importer of energy resources
- Rising level of private firm indebtedness
- Weak public finances
- Persistent uncertainties over the Kashmir issue

SECTOR RISK ASSESSMENT

Main economic indicators	2015*	2016*	2017*(f)	2018*(f)
GDP growth** (%)	7.6	6.9	7.0	7.5
Inflation (yearly average, %)	4.9	5.5	4.0	4.5
Budget balance*** (% GDP)	-6.9	-6.7	-6.4	-6.0
Current account balance (% GDP)	-1.1	-0.5	-0.5	-1.0
Public debt*** (% GDP)	69.6	69.5	67.8	66.5

*Fiscal year 2018: April 2018 - March 2019
**Changes to the methodology in February 2015
***Includes Central government debt and State governments debt (f): forecast

1,299.8
POPULATION
(millionsofpersons-2016)

1,742
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth is expected to rebound

Real GDP is expected to grow quicker in 2018, supported by strong performance in the services sector, after a slight slowdown at the end of FY 2016/17 due to the demonetisation decision of Modi's administration in November 2016 (withdrawal of the 500 and 1000 rupee notes). Household consumption was negatively affected by this measure, and its impact on the informal sector, although difficult to quantify, has been significant.. However, improved financial integration of the poorest households should support demand in the long term. Inflation reached a record low on June 2017, and remains below the central bank's target of 4%. A combination of lower commodity prices and a dip in key agricultural products contributed to this decline, enabling the central bank to lower rates in July. However, it is expected that inflation will increase in 2018, as the federal VAT system (Goods and Services Tax, GST), which was implemented on July, exerts upside pressure on prices.

The private sector should continue to benefit from the impact the Modi government's reforms, aimed at boosting India's manufacturing sector, attracting FDI, and reducing constraints burdening the economy. India jumped 30 spots to 100 in this year's "Ease of Doing Business" ranking by the World Bank. However, non-performing loans in the banking system have impacted the monetary policy transmission mechanism by keeping borrowing costs high. This has hindered domestic companies' willingness to borrow money and invest. Reforms aimed at cleaning up the banking system have been put in place, but these take time and could impact the supply of credit, despite the Reserve Bank of India's loose stance. Higher government expenditures in infrastructure (transport infrastructure and utilities) should offset this weakness.

Willingness to improve public finances

Fiscal deficit and public debt levels remain high, but the country has initiated plans to reduce them. The most notable of these initiatives is the introduction of the GST, which aims to boost fiscal revenues and make the economy more competitive in the long term, despite some disruption in the short term (higher prices). Fiscal consolidation efforts are facilitated by low energy prices, which remain subdued in line with global oil prices (India is a net importer). In addition, measures to demonetise a portion of outstanding bank notes should improve budget revenue by reducing the weight of the informal economy.

The current account deficit is expected to increase slightly. The increase in imports is partly due to the rising demand for gold after demonetisation. Deficits in the trade balance and income balance are likely to worsen, and the services surplus should also reduce.

The rupee is expected to remain relatively stable in 2018, but like other emerging currencies, it remains vulnerable to a rise in global risk aversion and a faster-than-expected rate of monetary policy tightening in the United States. Foreign exchange reserves are set to remain at comfortable levels (nearly ten months of imports in 2017), and FDI and portfolio investments are on an upward trend.

Narendra Modi supported by regional elections

Narendra Modi's party, the BJP (Bharatiya Janata Party), won the regional elections in March 2017, gaining 312 out of the 403 seats in the lower house in Uttar Pradesh. This is the most populated state and so is often considered a "popularity barometer" for the government. The victory helps to further strengthen Modi's position, two years ahead of the next national elections. Demonetisation seems to have weighed on household consumption, but was eventually perceived as a commitment to his campaign proposal to combat inequality and root out corruption. However, as the Congress Party continues to dominate the Upper House, the reforms long-awaited by the business community are delayed.

Kashmir remains a source of tensions between India, Pakistan and the separatists of the region. Diplomatic talks were suspended after an attack on an Indian base in Punjab on January 2016, and relations between the two countries have deteriorated in recent months. New tensions have emerged after the Indian army shot the leader of the main insurgent movement, Sabzar Ahled Bhat, in Kashmir on May 2017. However, an escalation of violence is unlikely as Pakistan and India both have an interest in maintaining the status quo.

PAYMENT AND COLLECTION PRACTICES IN INDIA

Payment

Due to the increasingly developed banking network in India, SWIFT bank transfers are becoming more popular for both international and domestic transactions.

Standby Letters of Credit constitute a reliable means of payment, as a bank guarantees the debtor's credit quality and repayment abilities. Confirmed Documentary Letters of Credit are also recognised, although these can be more expensive, as the debtor guarantees that a certain amount of money is available to the beneficiary via a bank.

Post-dated cheques, a valid method of payment, also act as a debt recognition title. They allow for the initiation of legal and insolvency proceedings in cases of outstanding payments.

Debt collection

Amicable phase

The practice of amicably settling trade receivables has proven to be one of the most productive solutions, as it allows the parties involved to deal with the underlying issues of the settlement in a more efficient and cost-effective manner. Average payment collection periods vary between 30 to 90 days following the establishment of contact with the debtor. Local working practices mean that debtors pay directly to the creditor, rather than to a collection agency. Indian law does not regulates late payments, or provide for a legal enforceable late payment interest rates. In practice, debtors do not pay interest on overdue amounts.

Major issues in the country currently mean that debtors are facing huge financial difficulties. The situation has deteriorated since demonetisation in November 2016 and the introduction of the GST unified tax structure (the Goods & Service Tax), in July 2017. The other main reason for payment delays is the complexity of payment procedures and approvals by banks for the restructuring plans of major players in the manufacturing sector. India is faced with a severe problem of bad loans and most of them have been declared as NPAs by the banks. This deteriorating asset quality has hit the profitability of banks and eroded their capital, thereby curbing their ability to grant much-needed loans to industries for their restructuring and revitalisation.

Legal proceedings

Indian companies have a preference for amicable recovery methods, as the country's judicial system is both expensive and slow. There is no fixed period for court cases, while the average length is from two to four years. The statute of limitations is three years from the due date of an invoice. The statute of limitations can be extended for an additional three years, if the debtor acknowledges the debt in writing or makes partial payment of the debt.

Legal proceedings are recommended after the amicable phase, if debtor is still operating and in good financial health, is wilfully resisting payment, disputing the claim for insignificant reasons, not honouring payment plans or not providing documentary evidence.

Type of proceedings

Arbitration: Arbitration can be initiated if mentioned in the sales contract - otherwise the case can be sent to the National Company Law Tribunal (the NCLT) for registered companies.

Recovery Suits: Recovery suits tend to become a long, drawn-out battle and are usually regarded as best avoided.

National Company Law Tribunal: The NCLT was created on 1st June, 2016. It has jurisdiction over all aspects of company law concerning registered companies. Its advantages are that it can hear all company affairs in one centralised location and that it offers speedy processes (taking a maximum of 180 days). It also reduces the work load of the High Courts. The NCLT recently enacted a new Insolvency and Bankruptcy Code. Decisions of the NCLT may be appealed to the National Company Law Appellate Tribunal (NCLAT). The NCLAT acts as the appellate forum and hears all appeals from the NCLT. Appeals from the NCLAT are heard by the Supreme Court of India.

Insolvency proceedings

The Insolvency and Bankruptcy Code, introduced in 2016, proposes two independent stages:

Insolvency resolution process (IRP)

The IRP provides a collective mechanism for creditors to deal with distressed debtors. A financial creditor (for a financial debt), or an operational creditor (for an unpaid operational debt) can initiate an IRP against a debtor at the National Company Law tribunal (NCLT). The Court appoints a Resolution professional to administer the IRP. The Resolution professional takes over the management of the corporate debtor and continues to operate its business. It identifies the financial creditors and holds a creditors committee. Operational creditors above a certain threshold are also allowed to attend meetings, but they do not have voting power. Each decision requires a 75% majority vote. The committee considers proposals for the revival of the debtor and must decide whether to proceed with a revival plan, or to liquidate, within 180 days.

Liquidation

A debtor may be put into liquidation if a 75% majority of the creditors' committee resolves to liquidate it during the IRP, if the committee does not approve a resolution plan within 180 days, or if the NCLT rejects the resolution plan submitted on technical grounds. Upon liquidation, secured creditors can choose to realise their securities and receive proceeds from the sale of the secured assets as a priority.

Under the current Insolvency and Bankruptcy Code, the highest priority is given to insolvency resolution process and liquidation costs. Thereafter, proceeds are then allocated to employee compensation and secured creditors, followed by unsecured and government dues.

COFACE ASSESSMENTS

A4
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 12%
- United States 11%
- Japan 11%
- Euro Area 8%
- Singapore 8%

Imports of goods, as a % of total

- China 23%
- Singapore 11%
- Japan 10%
- Euro Area 6%
- Thailand 6%

\+ STRENGTHS

- Diverse natural resources (agriculture, energy, mining)
- Highly competitive thanks to low labour costs
- Dynamic tourism industry
- Huge internal market
- Strong banking sector
- Sovereign bonds rated "Investment Grade" by the three main rating agencies

\- WEAKNESSES

- Low investment rate
- Exports of commodities increasingly dependent on Chinese demand
- Infrastructure shortcomings
- Persistent corruption and lack of transparency
- Very extensive archipelago with numerous islands and diverse ethnic groups and religions
- High unemployment and poverty rates sharpening inter-ethnic tensions

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.9	5.0	5.2	5.3
Inflation (yearly average, %)	6.4	3.5	3.7	3.6
Budget balance (% GDP)	-2.5	-2.5	-2.7	-2.5
Current account balance (% GDP)	-2.0	-1.8	-1.7	-1.9
Public debt (% GDP)	26.9	27.9	28.7	29.2

(f): forecast

258.7
POPULATION
(millionsofpersons-2016)

3,604
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth buoyed by internal demand

Growth is expected to remain lively in 2018, driven by dynamic internal and external demand. Private consumption (57% of GDP in 2016), the main source of economic growth, is stimulated by a growing population, ever growing urbanisation and a rise in per capita GDP enabling the emergence of a middle class. The moderation of inflation, now in the lower tranche of the central bank target of 4±1%, should sustain this private demand. Meanwhile, the infrastructure development programme launched by President Widowo's government in 2016 (225 priority infrastructure projects), as well as recent reforms to simplify administrative procedures, are expected to boost investment (32% of GDP). These reforms, aimed at improving the still poor business climate, have enabled Indonesia to jump 19 places in the Doing Business 2018 Index to occupy 72nd place. However, there is still a long way to go on the path to reform and conclusion of the projects remains uncertain (only 20 projects completed out of 225 in July 2017) for administrative reasons and because of a lack of finance (only half the projects were financed in autumn 2017). In addition, growth will remain constrained by a sluggish mining sector, which is yet to recover, despite the lifting of the ban on exporting unrefined ore in January 2017 (in place since 2014). This is partially explained by unrest at the Grasberg gold and copper mine in Papua. In conflict with the Indonesian government over the terms of a mining licence, the US company Freeport faced protests lasting over four months in 2017, then security threats from separatist rebels – 2 police officers killed in autumn 2017 - some of the many factors affecting production.

Finally, exports (19% of GDP) of commodities (oil and gas, palm oil, copra, lignite, and copper), as well as of electrical and IT components, automotives, paper, clothing, and jewellery are dynamic, but are offset by imports to meet internal demand.

Deficits under control

Constrained by a constitutional limit of 3% of the annual deficit, the Indonesian government has embarked on tax reforms aimed at controlling expenditure and increasing revenues. Subsidies (particularly on energy) have been cut so as to redirect public spending to infrastructure investments. On the income side, the increase associated with the repatriation of funds following the tax amnesty introduced in 2016 (+3.6% of income between 2015 and 2016) is unlikely to enable the government to achieve its aims. This shortage of income could lead to spending cuts. In this context of a controlled public deficit, the public debt is expected to remain low with interest rates falling after the three main rating agencies raised Indonesia's credit rating to Investment Grade. From the perspective of the current account, the trade balance shows a surplus (at 1.6% of GDP in 2016), thanks to the lowering of the oil bill, with oil making up 14% of imports in 2016. The balance of services shows a small deficit (-0.8% of GDP) but the main cause of the current account deficit lies in the income deficit (-3.3% of GDP), associated with the repatriation of dividends and debt interest payments. This current account deficit is largely financed by FDI flows (1.7% of GDP) and portfolio investments (2.0% of GDP), allowing the Indonesian Central bank to accumulate reserves. The latter conducts a monetary easing policy as illustrated by the surprise cut in the key rate in August 2017 to stimulate activity. The rupiah remains dependent on the influx of short-term capital, with 39.5% of rupiah-denominated sovereign bonds held abroad.

Joko Widowo put to the test by religious and ethnic tensions

In power since 2014, Joko Widowo, known as Jokowi, enjoys great popularity thanks to the economic progress made since the start of his term in office. However, his re-election at the next presidential election in 2019 is not yet assured, due to growing challenge from the opposition candidate, Prabowo Subianto (Gerindra Party), supported by ultra-conservative Muslims. The municipal elections in Jakarta in April 2017 highlighted the country's worsening religious and ethnic tensions. Basuka Tjahja Purnama (known as Ahok), the candidate supported by Jokowi and from the Chinese Christian population, was accused of blasphemy by the ultra-conservative Muslims, strongly discrediting him in favour of his rival Anis Basedwan, supported by Prabowo Subianto, who ultimately won through. The June 2018 local elections will be a new test for the president in regions accounting for 43% of the total population. Based on local issues, these elections are crucial for the political parties in the run-up to the presidential elections, with support for the "right" candidate determining voters' future loyalty. Finally, Indonesia's political landscape is dominated by a hardening anti-terror policy aimed at curtailing the spread of religious fundamentalism in the country.

PAYMENT AND COLLECTION PRACTICES IN INDONESIA

Payment

Standby Letters of Credit constitute a reliable means of payment because a bank guarantees the debtor's quality and repayment abilities. Furthermore, the Confirmed Documentary Letters of Credit are also considered reliable, as a certain amount of money is made available to a beneficiary through a bank.

SWIFT bank transfers are becoming more popular as an instrument of payment for both international and domestic transactions due to the well-developed banking network in Indonesia.

Debt collection

Amicable phase

The first step to recovering a debt is to negotiate the issue with the debtor to attempt to resolve the issue amicably. There is an inherent Indonesian culture and ideology (*Pancasila*) where amicable settlement is encouraged. Creditors usually issue a summon/warning letter to the debtor, which outlines a statement concerning the debtor's breach of commitment. The letter also calls for a discussion to determine whether the dispute should be settled through the court system. If the amicable phrase does not result in a settlement, the parties may trigger legal action.

Legal proceedings

The Indonesian judicial system comprises several types of courts under the oversight of the Supreme Court. Most disputes appear before the courts of general jurisdiction, with the Court of First Instance being the State Court. Appeals from these courts are heard before the High Court (a district court of appeal). Appeal from the High Court, and in some instances from the State Court, may be made to the Supreme Court.

Ordinary proceedings

Ordinary legal action may commence when the parties have been unable to reach a compromise during the amicable phase. The creditor may file a claim with the District Court, who is subsequently responsible for serving the debtor with a Writ of Summons. If the debtor fails to appear at the hearing to lodge a statement of defence, the court has discretion to organize a second hearing or to release a default judgment (*Verstekvonnis*).

Prior to considering the debtor's defence, as previously mentioned, the court must first verify whether the parties have tried to reach an agreement or amicable settlement through mediation). If the parties have undergone the mediation process, the panel of judges will continue the hearings and the parties' evidence will be examined. The judge will render a decision and may award remedies in the form of compensatory or punitive damages.

District Court will usually take from six months to a year before rendering a decision in the first instance. The proceedings may take longer when a case involves a foreign party.

Enforcement of a legal decision

When all appeal venues have been exhausted, a domestic judgment becomes final and enforceable. If the debtor does not comply with the judge decision, the creditor may request the District Court to commend execution by way of attachment and sale of the debtor's assets through public action.

Indonesia is not part to any treaty concerning reciprocal enforcement of judgments, making it highly difficult to enforce foreign judgments in Indonesia, or to enforce Indonesian court decisions abroad. Because foreign judgements cannot be enforced by Indonesian courts within the territory of Indonesia, foreign cases must therefore be re-litigated in the competent Indonesian courts. In such a case, the foreign court judgment may serve as evidence, but this is subject to certain exceptions as regulated by other Indonesian regulations.

Insolvency proceedings

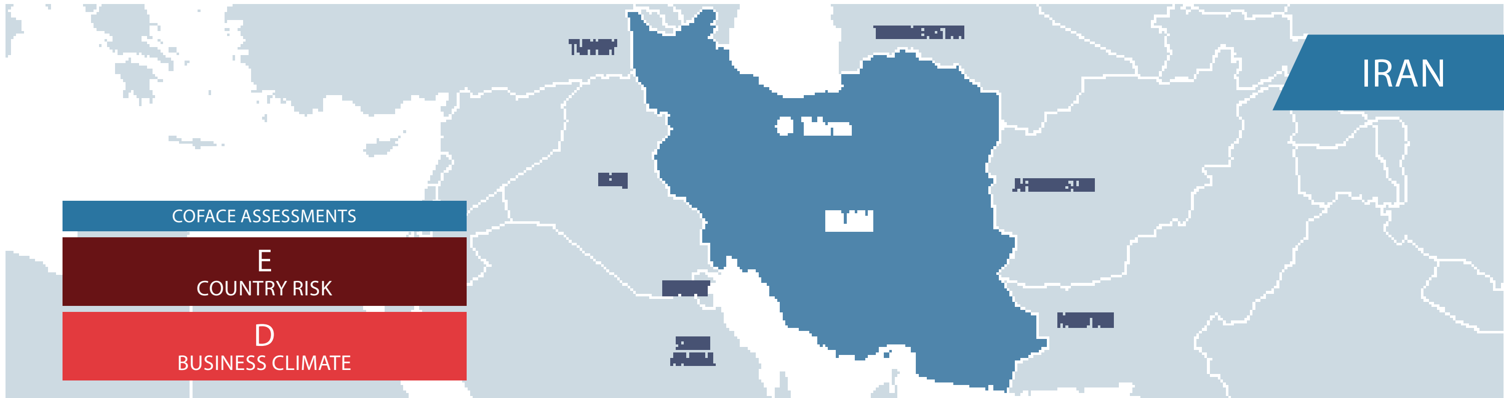
There are two main procedures for companies who are experiencing financial difficulties:

Suspension of payments proceedings

This procedure is aimed at companies that are facing temporary liquidity problems and are unable to pay their debts, but may be able to do so at some point in the future. It provides debtors with the temporary relief to reorganize and continue their business, and to ultimately satisfy their creditors' claims. The company continues its business activities under the management of its directors, accompanied by a court-appointed administrator under the supervision of a judge. The company must submit a composition plan for the creditors' approval and for ratification by the court. The rejection of the plan by the creditors or the court will result in the debtor's liquidation.

Liquidation

The objective of liquidation is to impose a general attachment over the assets of bankrupt debtors for the purpose of satisfying the claims of their creditors. It can be initiated by either the debtor or its creditors before the Commercial Court. Following the submission of the petition, the court will summon the debtor and its creditors to attend a court hearing. Once bankruptcy has been declared, the directors of the debtor company lose the power to manage the company, which is transferred to the court-appointed receiver who then manage the bankruptcy estate and the settlement of the debts. The debtor's assets will be sold by way of public auction by the appointed receiver.



COFACE ASSESSMENTS

E
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 30%
- India 17%
- Euro Area 11%
- South Korea 10%
- Turkey 9%

Imports of goods, as a % of total

- United Arab Emirates 27%
- China 13%
- Euro Area 11%
- Turkey 8%
- South Korea 4%

\+ STRENGTHS

- Large gas and oil reserves (respectively second and fourth largest in the world)
- Very low level of external debt
- Strategic location in the sub-region

\- WEAKNESSES

- High inflation
- Social tensions
- Unfavourable business climate

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-1.5	13.4	3.3	3.8
Inflation (yearly average, %)	11.9	9.0	11.5	10.9
Budget balance (% GDP)*	-1.8	-2.2	-2.1	-2.2
Current account balance (% GDP)	2.3	3.9	4.1	4.0
Public debt (% GDP)	42.3	34.5	32.1	30.8

* Iranian calendar year from March to March (f): forecast

80.5
POPULATION
(millionsofpersons-2016)

5,027
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Catch-up effect wanes

The catch-up effect that followed the lifting of international sanctions in 2016 gradually faded in 2017. Despite favoured treatment by OPEC, the increase in oil and gas exports was lower than in the preceding year. Growth was, however, maintained by the vitality of non-oil and gas activity – notably the manufacturing sector – and despite the continuing negative performances of the construction sector. This latter is nevertheless slowing less quickly, but is holding back investment growth, which made a negative contribution to activity.

The stabilisation of inflation has helped to sustain the level of household consumption, alongside increasing levels of employment. Growth is expected to increase slightly in 2018, driven by domestic consumption and investment, while inward foreign investment will fall. The decision by the US administration concerning the Iranian nuclear agreement and any sanctions that might be imposed as a result could limit FDI. The measures applied by the Central Bank to restore the health of the banking system will help the recovery in credit which has benefited from the cuts in interest rates in 2017. However, the level of uncertainty could result in the limiting of Central Bank support of the economic activity in order to halt the depreciation of the Iranian rial. In addition, the planned realignment of the official exchange rate with the market rate in 2018 would be postponed. Oil and gas production is expected to stabilise, with Iran committed to limiting any increase in its production to 90 thousand b/d. The rise in the price per barrel in 2018 will however benefit its export earnings.

An ambitious budget for 2018

The public accounts deficit continued in 2017. Oil and gas receipts were higher, but were still lower than had been expected by the government. Increased subsidies were also a burden on expenditure. The government's aim of balancing the budget in 2018 seems achievable, given that it was based on a growth hypothesis of 6%. The public accounts are most likely to remain in deficit through 2018. Oil and gas revenues will continue to reflect rising oil prices but the contribution from the non-oil and gas receipts will remain limited. Expenditure is expected to remain at a similar level to that of last year but will be allocated as a priority to the continuing restructuring of the banking sector and to a lesser extent to social transfers. The public deficit will be financed using Iranian Treasury Bonds issued on the domestic market. While the level of public debt remains low, the size of the total public debt, (including the debts of publicly owned companies), has not been defined, and could be larger than the amounts as stated by the government.

The rise in oil and gas exports seen in 2016 helped consolidate the current account surplus. Imports remain limited under the shadow of possible sanctions hanging over foreign, – especially European – banks. The restrictions on the use of dollars for trade transactions are also a limiting factor on any expansion in trade and these restrictions could be made stricter. The government's cooperation, policy however, remains extremely dynamic. The government, with the aim of diversifying its trading partners, is signing a range of cooperation agreements with countries in Eastern Europe and in Asia.

Popular uprising in Iran and risk of US sanctions

President Hassan Rohani was re-elected for a second term of office in the presidential elections held in May 2017. The electoral campaign was mainly focused on economic challenges. It found its post-justification in the large protest movement that started in the city of Mashhad in December 2017. Despite improved economic momentum driven by rural and working-class citizens who weakly benefited from the economic recovery, rallies denouncing fiscal austerity, the high cost of living, and corruption have multiplied throughout the country, and have been followed by a wave of arrests. In a context of slowing activity, the government's position has been weakened, and it is also torn between a repressive response characteristic of the regime and respect for the moderate electorate that brought Mr Rohani to power. The protests against the President should also strengthen the position of some conservatives opposed to the nuclear deal and weaken the moderate fringes of the political spectrum, especially as the latest statements of Ayatollah Ali Khamenei are in line with a growing mistrust of the outside world. By asserting that it wants to withdraw from the joint action plan, the US also threatens the permanence of the nuclear agreement. Finally, the indirect confrontation with Saudi Arabia is expected to have an impact on domestic and foreign policy, because an upsurge in tensions would pose an increased risk to the stability of the entire region.

IRAQ

COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

China	22%
Euro Area	21%
India	20%
United States	12%
South Korea	10%

Imports of goods, as a % of total

China	27%
Turkey	27%
Euro Area	10%
South Korea	5%
United States	4%

+ STRENGTHS

- World's fourth largest proven oil reserves
- Low oil extraction costs
- International financial support (IMF and bilateral loans)

- WEAKNESSES

- Undiversified economy and high dependence on oil and gas sector
- Severe tensions between the Shiite majority holding power and the rest of the population
- Tensions with autonomous Kurdistan and major contributor to the oil and gas sector
- Cost of reconstruction and aid to victims following armed conflicts
- Small size of non-oil and gas private sector in GDP
- Weak and limited banking sector
- Failings in the education, healthcare and social protection system

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.8	11.0	-0.4	2.9
Inflation (yearly average, %)	1.4	0.4	2.0	2.0
Budget balance (% GDP)	-12.3	-14.1	-5.1	-4.7
Current account balance (% GDP)	-6.5	-8.7	-6.3	-6.7
Public debt (% GDP)	55.4	66.7	63.8	65.3

(f): forecast

37.9
POPULATION
(millionsofpersons-2016)

4,533
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth stimulated by the improving security situation

Following a contraction in 2017, growth should return to the positive in 2018, driven by a slight increase in oil and gas production and an expansion in the non-oil and gas GDP. The recovery in oil prices, as well as the payment of part of the arrears by the State to the international oil companies, is expected to encourage a slight increase in oil production, to around 4.776 million barrels per day (mbpd) compared with 4.556 mbpd in 2017. The occupation by government forces of the oil fields in the Kirkuk province, until then controlled by the Kurds, should also enable a better control over production. This will however remain subject to limits because of the lack of investment in the sector and the OPEC agreement on the 30th November 2017 to reduce production, very likely to be extended in April 2018. The non-oil and gas sector should benefit from the improved security situation following the territorial gains from Daesh. The agricultural sector is also expected to benefit significantly following the liberation of the country's most productive provinces in the northeast. The improved security situation, together with the payment of USD 824.8 million by the IMF, as part of the USD 5.4 bn Stand-By Arrangement signed in July 2016, should help reassure investors. In addition the construction sector should benefit from the reconstruction effort in the recently liberated territories. In terms of demand, the easing of the security risks and the low rate of inflation should encourage household consumption, whilst infrastructures investments will drive up public spending. Finally, external demand is expected to make a positive contribution to growth, thanks to the volume and price effects of oil exports (94% of exports in 2016).

Persistent current account and public deficits

With 90% of budget revenues coming from oil, the rise in oil prices, together with the structural adjustment covered by the agreement with the IMF, should help to reduce the public deficit in 2018. Budgetary reforms, including a reduction in expenditure, in particular in terms of government employee wages (40% of public spending), with the curtailing on non-wage benefits and the non-replacement of retiring staff, together with an increase in revenues (higher indirect taxes). A drive to reduce payment arrears (5.5% of GDP at the end of 2016, 68% domestic) has been launched but remains constrained by weak revenues. The public deficit is financed through multilateral loans, which are driving up the public debt (66.7% of GDP in 2016 against 31% in 2013). The sustainability of the debt would seem to have increased thanks to a reduction in the bond yield rate (8.7% in July 2017 against 14% in February 2016) as oil prices recover and thanks to recent fiscal adjustments. Following the second IMF Review in August 2017, the government carried out a bond issue of USD 1 billion, without the need for an international guarantee. In terms of the current account, the trade balance is in surplus (0.7% of GDP, 2017 estimate), thanks to increased oil exports, whilst the services balance is in deficit (6.8% of GDP), as well as the income balance (0.9% of GDP, linked with the servicing of the debt). This deficit is partly financed by FDI (1% of GDP), as well as multilateral (USD 1.4 billion loan from the World Bank at the end of 2016) and bilateral loans. The funding deficit nevertheless amounted to 0.9% of GDP in 2017, financed from currency reserves (6.2 months of imports in 2017 against 10.8 in 2013). Finally, the downwards pressure on the Iraqi dinar is expected to weaken as the security situation improves and with rising oil prices, enabling the Central Bank to maintain the peg with the dollar.

Parliamentary elections scheduled in a security and political context that remains tense

2017 saw the recapture of Mosul by Iraqi national forces, with the support of the international coalition, Kurdish forces and various militias, and the defeat of Daesh in most of Iraq. The independence referendum (92% yes) in the Kurdistan autonomous region which contains a major portion of Iraqi oil reserves, was harshly dealt with by the Iraq government. It responded with the annexation of the Kirkuk region, held by the Kurds since 2014 and whose oil reserves are vital for the financing of an independent state. This handling of the Kurdish crisis and the victory over Daesh have strengthened the position of the Shiite Prime Minister, Haider al-Abadi, and his likelihood of winning the parliamentary elections in May 2018, over his rival Nouri el Maliki. The support of Osama al-Nujaifi, the highly influential Sunni leader in the Mosul region, for H. el-Abadi further increases his chances of winning. Nevertheless the situation in Iraq remains riven by ethnic and religious rivalries, with denominational militias continuing to hold sway in certain regions. There are more than 5 million refugees and internal displaced persons and the threat of terrorist attacks is a constant reality, with a large number of attacks. Finally, the business climate remains very poor, marked by a high level of corruption.

IRELAND

COFACE ASSESSMENTS

A3
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

United States	26%
United Kingdom	13%
Belgium	13%
Germany	7%
Switzerland	5%

Imports of goods, as a % of total

United Kingdom	29%
United States	16%
France	13%
Germany	10%
Netherlands	5%

+ STRENGTHS

- Flexible labour and goods markets
- Favourable business climate, attractive tax regime
- Presence of multinationals, in particular from the USA, providing a quarter of jobs, 15% of wages and 60% of non-finance market activity
- Presence (through multinationals) in high added value sectors (including pharmaceuticals, computing, medical equipment)

- WEAKNESSES

- Level of dependence on multinationals in terms of GDP, jobs and foreign trade: offshore activities, mainly in the form of contracted out foreign fabrication, account for ¼ of GDP
- Dependence on the economic situation and tax regimes in USA and Europe, in particular the United Kingdom
- Vulnerability to changes in the strategies of foreign companies
- Continuing high levels of public and private debt
- Banking sector remains vulnerable to shocks
- Uncertainties on Brexit terms and future relations with the United Kingdom, specifically Northern Ireland

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	25.6	5.1	4.9	3.9
Inflation (yearly average, %)	0.0	0.2	0.3	0.7
Budget balance (% GDP)	-1.9	-0.7	-0.4	-0.2
Current account balance (% GDP)	10.9	3.3	2.9	2.5
Public debt (% GDP)	76.9	72.8	69.9	69.1

(f): forecast

4.7
POPULATION
(millionsofpersons-2016)

64,782
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consolidation of growth in 2018

Irish economic activity is expected to remain dynamic in 2018, despite a slight slowing. The purely domestic market should gradually pick up the slack from the activity of the multinational firms that have domiciled some of their operations in Ireland in order to benefit from low corporate tax rates (maximum of 12.5%). Growth could, however, suffer as a result of the uncertainties arising from the United Kingdom's exit from the European Union. Domestic demand will remain the main driving force for the economy.

Household consumption, which grew at a slower rate than had been expected in 2017, will be bolstered by wage growth and increasing employment. Inflation, which was up slightly in 2017, continues to be kept low by falling prices for goods imported from the UK. This will rise gradually through 2018, driven by rising housing prices and the increase in the cost of labour. Investment, which made a significant contribution to activity in 2017, will continue to benefit from the solid health of the construction sector. The catch-up effect that began in 2016 will continue into 2018, with the rise in disposable household incomes helping to consolidate the demand for housing. Following weak growth in 2017, manufacturing investment is expected to stand still, while R&D investment will remain dependent on activity levels of multinational companies. The high levels of company indebtedness and non-performing loans still on the banks' balance sheets (15% of their portfolio, concentrated in mortgages and loans to the SME sector) will continue to impact on credit, for SMEs in particular. In terms of supply, the weak performances in the manufacturing sector will continue to be offset by the strength of activity in the services sector – most notably information technology and communications.

Near budgetary equilibrium and current account surplus

In 2017, the boost to service exports was largely counterbalanced by the slowdown in goods exports. The first impact of Brexit on the external accounts was in the form of an increase in imports under the combined impetus of strong domestic demand and the depreciation of the British pound. The current account surplus recorded in 2017 is expected to continue in 2018, but recent movements in exchange rates are likely to affect the competitiveness of Irish goods exports. However, the slowing in shipments to the United Kingdom will be made up for by higher levels of demand from its other trading partners, such as the European Union and the United States where demand remains strong.

The contraction in the public deficit is expected to continue in 2018 despite the expansionist budgetary policy. The favourable economic situation which will help boost budget revenues and the raising of certain taxes (commercial properties and sugar) will offset the slight reduction in income taxes and higher public spending. This increased spending will be focused on education and housing, with a specific allocation of EUR 1.83 Bn for the construction of social housing. The structural surplus will drop to 0.5% of GDP in 2018, in line with European recommendations. The public debt will continue to shrink but will remain large.

At the heart of Brexit negotiations

Following the long awaited resignation of Enda Kenny, the leader of Fine Gael, on the 17th May 2017, the Minister for Social Protection, Leo Varadkar, was elected to take over as leader of the party and as Prime Minister. His minority coalition government remains precarious. It includes members of his party and Independents. It relies essentially on an agreement with the second-largest party in Parliament, Fianna Fail, which has agreed to abstain on votes until the end of 2018. In December 2017, a scandal involving Deputy Prime Minister Frances Fitzgerald almost brought down the coalition. It survived with Ms Fitzgerald's resignation, thereby avoiding the collapse of the government and fresh elections just as the Brexit negotiations are taking place. Early elections (normally due to be held in 2021) cannot be ruled out in 2018, but would probably again result in a fragmented parliament.

The border with Northern Ireland, one of the two land borders between the EU and the UK, has become a critical element in the Brexit negotiations and has highlighted the tensions between the UK, the EU and Ireland. If the United Kingdom left the common market and the customs' union, this would imply the reinstatement of border controls. Beyond the economic implications of such an eventuality, with more than 30% of exports from Northern Ireland going to Ireland and 30,000 people crossing the border every day, the Irish question potentially imperils the 1998 peace agreement that brought to an end 30 years of civil war. Supported by the EU, Dublin rejects the reinstatement of a hard border and wants a special status that allows Northern Ireland to remain in the customs union. This puts the United Kingdom in a difficult position. Whilst the Northern Irish Republicans would seem to favour Dublin's proposed solution, the Unionists (DUP) upon whom the government of Theresa May is dependent, are firmly opposed.

PAYMENT AND COLLECTION PRACTICES IN IRELAND

Payment

Cheques are generally used for both domestic and international commercial transactions. However, for international transactions, the use of bills of exchange is preferred, together with letters of credit.

Bank transfers are common, with SWIFT transfers being utilised regularly. These are often seen as a quick and efficient method of payment.

Direct Debits and standing orders are also becoming more recognised as an effective method of making payment for regular and expected financial transactions, and are particularly useful for domestic transactions.

Assignment of invoice is accepted both pre-and post-supply of goods and/or services.

Debt collection

Amicable phase

The debt collection process usually begins with the debtor being sent a demand for payment, followed by a series of further written correspondence, telephone calls, and personal visits, and debtor meetings. If the two parties are unable to reach an amicable settlement, the creditor may begin legal proceedings.

Where there is no specific interest clause, the rate applicable to commercial contracts concluded after the 7th August 2002 (Regulation number 388 of 2002) is the benchmark rate, i.e. the European Central Bank's refinancing rate, in force before 1st January or 1st July of the relevant year, marked up by seven percentage points and applied to the contracts via a percentage calculated per day past due date.

For claims exceeding EUR 1,270, debtors may be threatened with a "statutory demand" for the winding-up (closure) of their business if they fail to make payment or come to acceptable terms within three weeks after they receive a statutory demand for payment (a "21-day notice").

Legal proceedings

If a defendant fails to respond within the allotted time to a court summons (either a plenary or summary summons before the High Court, a civil bill before the Circuit Court, or a civil summons before the District Court), the creditor may obtain a judgement by default based on the submission of an affidavit of debt without a court hearing.

An affidavit of debt is a sworn statement that substantiates the outstanding amount and cause of the claim. It bears a signature attested by a notary or an Irish consular office.

The claim amount at stake will determine the competent court: the District Court, then the Circuit Court, and, for claims exceeding EUR 38,092.14, the High Court in Dublin, which has unlimited jurisdiction to hear civil and criminal cases and to assess, in the first instance, the constitutionality of laws enacted by Parliament (*Oireachtais*).

Fast-track procedure

In any of the three courts, if the debt is certain and undisputed, it is alternatively possible to request a fast-track summary judgment from the competent court.

District Court: amounts up to EUR 6,348

For contested debts, a civil summons is served on the debtor, with the originating court proceedings setting out the claim and amount alleged owed. The debtor then files a Notice of Intention to Defend, indicating that he intends to contest the case, at which point the court fixes a hearing date. The case is heard before a judge, who decides whether to issue an order for judgment (a Decree).

Circuit Court: amounts from EUR 6,349 EUR to EUR 38,092

In this case, a civil bill is served on the debtor, who, in turn, will enter an Appearance (a formal document indicating that the debtor intends to answer the claim). A notice for particulars is then also filed by the debtor, in which he seeks further information about the claim to which the creditor sends replies. The debtor must deliver a defence within a prescribed period. The creditor then serves the defendant with a formal notice advising of hearing date. Each side presents its case and the judge makes a decision.

High Court: amounts over EUR 38,093

In front of the High Court, a summary summons is served on the debtor, who then files an Appearance. The creditor makes an application to the Master of the High Court for judgment by way of motion and grounded by sworn affidavit. The debtor can reply to the claim by sworn affidavit. If the Master is satisfied that the debt is due and owing, liberty to enter final judgment is granted. However, if the Master is satisfied that the debtor has a genuine dispute, the case is sent for a plenary hearing. During the plenary hearing, the merits of the case are heard either as oral evidence or affidavit. A High Court hears the case and makes a determination.

In 2004, a commercial court – a special division of the High Court – was created. The commercial court is competent to hear commercial disputes exceeding EUR 1 million, included in a commercial list or cases concerning intellectual property, and is able to provide a suitable and rapid examination of the cases submitted. At the discretion of the commercial judge, proceedings may be adjourned for up to 28 days to enable the parties to refer to alternative dispute resolution practices, such as conciliation or mediation.

Normally, obtaining a decision may take a year. However, this timeframe may be doubled if compulsory enforcement is required. Appeal claims brought before the Supreme Court may take an additional three years.

Enforcement of a legal decision

A judgment is enforceable as soon as it becomes final. If the debtor fails to satisfy the judgment, the creditor can request the competent court to order execution by way of attachment and sale of the debtor's assets by the Sheriff. There is also the possibility to obtain payment of a debt through a third party owing money to the debtor (garnishee order).

For foreign awards, enforcement depends on whether the decision is issued in a European Union (EU) member state or a country outside the EU. For the former, Ireland has adopted enforcement mechanisms; such as the EU Payment Order, or the European Enforcement Order when the claim is undisputed.

Insolvency proceedings

Out-of-court proceedings

Informal negotiations may take place, and any agreement must be unanimously adopted by all creditors.

Examinership

Examinership is an Irish legal process whereby court protection is obtained to assist the survival of a company; The company may then restructure with the High Court's approval. It provides a maximum 100 day period in which a court appointed official (the examiner) seeks to take control of the company and manage it so that the company may continue to trade. The procedure may be initiated by the company, its directors, or one of its creditors. Once the examiner has been appointed, no proceedings may be commenced against the company. Its functions are to examine the affairs of the company and to formulate proposals for its survival. The examiner must formulate proposals for a compromise or scheme of arrangement to facilitate the survival of the relevant body as a going concern. They can be accepted by the creditors but they must be validated by the court.

Receivership

The procedure arises in the context of secured creditors and provides a framework in which they may act so as to enforce their security interest. A receiver is appointed to a company by either a debenture holder or the court to take control of the assets of a company, with a view to ensure the repayment of the debt owed to the debenture holder, either through receiving income or realising the value of the charged asset.

Liquidation

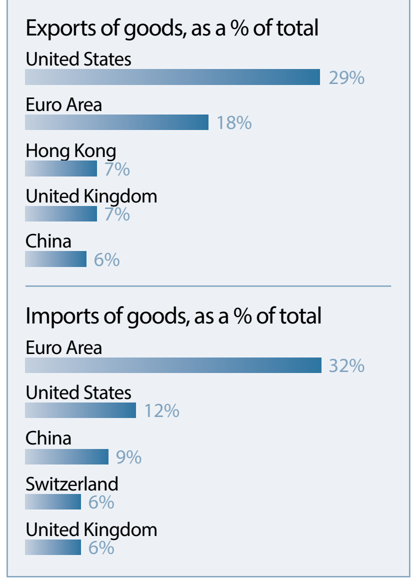
The terminal process by which a company is wound up and dissolved, this process is conducted by a liquidator who takes possession of assets and distributes the proceeds from their sale in accordance with the priority of repayment. The liquidator is also required to investigate the conduct of the directors of the company and prepare a report for the Office of the Director of Corporate Enforcement (ODCE). Dependent of its view, the liquidator may also be required to bring restriction proceedings against one or more of the directors. The procedure can be started by a competent court (court liquidation), the creditors (creditors' voluntary liquidation) or the debtors (members' voluntary liquidation).

COFACE ASSESSMENTS

A2
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES



+ STRENGTHS

- Industry dominated by high-tech products
- Highly skilled workforce
- Political and financial support from the United States and the diaspora
- Natural gas production since mid-2013 from significant offshore reserves

- WEAKNESSES

- Political fragmentation and fragile government coalitions
- Peace talks between Israel and the Palestinian Territories are at a standstill
- Fairly high public debt

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.6	4.0	3.1	3.5
Inflation (yearly average, %)	-0.6	-0.5	0.2	0.8
Budget balance (% GDP)	-2.1	-2.1	-1.8	-2.7
Current account balance (% GDP)	4.9	3.5	3.0	2.4
Public debt (% GDP)	64.1	62.3	62.2	62.2

(f): forecast

8.5
POPULATION
(millionsofpersons-2016)

37,192
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Private consumption and investment driving lively growth

After slowing in 2017, mainly because of an unfavourable base effect, activity should maintain its solid performance in 2018. Growth will be driven by robust private consumption, which accounts for 55% of GDP. With a very low unemployment rate (about 4%), rising participation in the labour market and real wages on the up, household confidence is on a high. Moreover, with higher tax receipts in 2017 and in the run-up to the parliamentary elections (2019), fiscal policy is likely to be more expansionary in 2018. As a result public investment is expected to grow. In addition to social security and health spending, infrastructure investment linked to the start of production at the offshore gas field Leviathan, in late 2019, will boost growth. To tackle the housing shortage, public policies could also be introduced to support the construction sector. The outlook for private investment remains positive, particularly thanks to the central bank's accommodative stance. The sector could benefit from opportunities offered under the USD 28 billion infrastructure modernisation plan, especially concerning transport, presented by the government in September 2017. On the other hand, higher imports and modest export growth in pharmaceuticals, innovation (ICT, electronics) and chemicals are expected to limit the contribution of external trade to growth. Indeed, a strong *shekel* is likely weigh on export recovery.

Robust internal demand, given rising wages and higher prices for imported goods, energy in particular, will contribute to positive, but weak, inflation.

Expansionary fiscal policy will widen the deficit

After reducing in 2017, in connection with an exceptional increase in revenues, the fiscal deficit will widen in 2018. This deficit increase can be put down to higher public spending. The areas of social security, healthcare and education are likely to receive a greater emphasis in the run-up to the elections. Infrastructure spending, especially on public transport and the electricity distribution system, will also contribute to the rise in the deficit. The one percentage point cut in corporation tax, bringing it down to 23%, together with the cut in income tax is expected to slow the growth in revenues. This deficit increase should stop the downward trend of the public debt observed over the past ten years. However, this should not threaten the country's capacity to borrow at relatively low rates on both the domestic and external market.

The current account balance is expected to continue to show a surplus in 2018, despite a worsening balance of goods. Imports, particularly of fuel and capital goods, are expected to rise more strongly than exports. The latter, having been hit by the appreciation of the *shekel*, should continue their modest recovery. The income balance is also likely to remain in deficit due to payments made to non-resident, notably Palestinian, workers. Nevertheless, the balance of services, thanks to tourism, and the balance of remittances, from the United States and the diaspora in particular, will push the current account balance into positive territory.

The status of Jerusalem threatens to reignite the Israeli-Palestinian conflict

Reappointed as Prime Minister following the parliamentary elections won by the Likud Party in 2015, Benjamin Netanyahu leads a coalition government made up of six parties. Directly or indirectly the target of several investigations over allegations of corruption and conflict of interests, the Prime Minister's position could be weakened in the run-up to the 2019 elections. Moreover, the issue of military service for the orthodox community, currently exempted, could create turmoil between the religious and secular parties in the coalition, after the Supreme Court ruled in September 2017 that the Knesset (Israeli Parliament) had one year to pass legislation to ensure that the principle of equality was being respected. In addition, an international effort, led by the Trump administration, to restart the Israeli-Palestinian peace process, could reawaken internal friction within a weak and disparate majority. The conclusion of a peace deal seems a very distant prospect, especially after the US decision, in late 2017, to recognise Jerusalem as the capital. This decision, rapidly followed by a call for Intifada by Hamas, threatens to escalate the Israeli-Palestinian conflict. Apart from the conflict, diplomatic relations are likely to be enlivened by convergence with the United States and Saudi Arabia over concerns about Iran's ambitions in the Middle East. Nevertheless, relations with Jordan, with whom a peace agreement was signed in 1994, are tense following a deadly incident at the Israeli embassy in Amman in July 2017.

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 13%
- France 11%
- United States 9%
- United Kingdom 5%
- Spain 5%

Imports of goods, as a % of total

- Germany 16%
- France 9%
- China 7%
- Netherlands 6%
- Spain 5%

+ STRENGTHS

- Reform effort (labour market, banking sector, insolvencies...)
- Manufacturing industry still important
- Renewed competitiveness and stronger export sector
- Improvement in the financial position of businesses
- High-quality infrastructure
- Considerable tourism potential

- WEAKNESSES

- Private and public debt levels still high, very negative net external position
- Duality of the labour market, high unemployment and high structural unemployment
- Significant proportion of small, under-productive enterprises
- Fragmented political landscape, unity of the country weakened by regions' push for autonomy
- Regional disparities
- Low administrative efficiency

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.9	1.1	1.5	1.3
Inflation (yearly average, %)	0.1	-0.1	1.4	1.2
Budget balance (% GDP)	-2.6	-2.5	-2.1	-1.8
Current account balance (% GDP)	1.5	2.6	2.5	2.5
Public debt (% GDP)	131.5	132.0	132.1	130.8

(f): forecast

60.7
POPULATION
(millionsofpersons-2016)

30,507
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consolidation of the recovery in 2018

Italy's economic recovery was confirmed in 2017, after several consecutive years of lacklustre growth. Favourable financing conditions and higher foreign demand have helped revive investment, especially in the manufacturing sector. Businesses have also benefited from the incentives under the Industrial Plan 4.0 aimed at accelerating investment in industrial innovation. Business failures are also declining, except in the construction sector. Household consumption benefited from the recovery in the labour market, but was less dynamic than in 2016, hit by long-term slower growth in purchases of durables. Growth is expected to slow slightly in 2018, but the economy will continue to show momentum. The contribution of cyclical effects are, however, likely to be less positive. The stronger euro will reduce the contribution of net exports to growth. Consumption will continue to slow, because of less sustained wage and job growth. Inflation will dip as a result of the stronger euro and lower energy costs. Tax incentives provided for in the 2018 budget will, however, drive investment. Positive growth should be observed in the construction sector after several quarters of downturn, thanks to a recovery in demand for residential housing and a slight increase in public investment.

The banking system is getting stronger but risk has not been eliminated

The health of the banking system improved sharply during the course of 2017 after the state recapitalised Monte di Paschi di Sienna Bank and wound up two large Venetian banks. The restoration of confidence in the banking system should facilitate access to credit for Italian businesses, which will continue to benefit from advantageous financing terms. But the very structure of the banking system, in which the medium-sized regional banks suffer from considerable exposure to non-performing loans remains problematic, especially as the ECB is expected to tighten its guidelines for banks regarding non-performing loans and to demand a ratio of 100% coverage for bad debts.

The upturn in activity in 2017 enabled Paolo Gentiloni's government to bring the public deficit down to 2.1% in line with the target set by the Stability Programme. Civil service wage moderation (salary freeze since 2010) and cuts to health spending have, moreover, helped reduce spending despite the EUR 10-billion bill for the bank bailout. Despite encouraging growth forecasts for 2018, the government has chosen to maintain the deficit target of 1.6% in 2018, compared with 1.2% fixed under the Stability Programme. It is, however, likely that growth will be slightly higher than expected. The slowdown in consumption and the postponement of the hike in VAT from 2018 to 2019 will limit revenue growth, while spending will remain unchanged. Italian public debt will remain high, but weak interest rates will be reflected in lower interest payments.

The current account surplus will be maintained in 2018 but the rise in imports generated by higher demand for foreign goods will outpace that of exports.

Parliamentary elections in 2018

Following the resignation of Matteo Renzi, Italy's centre-left leader, the Democratic Party (PD) appointed Paolo Gentiloni to manage current business while waiting for the parliamentary elections scheduled for spring 2018. Italy has meanwhile introduced a new electoral law in preparation for the elections. Passed in October 2017, the Rosatellum Law came out of an agreement between the PD and the two main right-wing opposition parties, Matteo Salvini's Lega Nord (Northern League) and Silvio Berlusconi's Forza Italia. The polarisation of Italian political life between the three blocs - namely the right, the left and the Five Star Movement (M5S) after the debacle of the PD during the referendum (over constitutional reform) would, under the former law, have sharpened institutional blockages. But the Rosatellum Law will give preference to a first-past-the-post method corrected by a measure of proportional representation with a minimum required threshold for entering parliament of 3% of the national vote for single parties and 10% for coalitions and will actually penalise the M5S. However, the populist party, founded by Beppe Grillo and led by Luigi Di Mario, is still climbing in the opinion polls, despite the setbacks experienced in some localities, and represents the second political force in Italy and is gaining ground on the socialists. The PD is in a weakened position in parliament despite good economic results. It is true that Matteo Renzi still has a hold over the Democratic Party, of which he took over the leadership in spring, winning the primaries, but defections within the centre-left are multiplying. The overwhelming favourite remains Berlusconi's Party, the Forza Italia, which is making a big comeback in Italian politics. The victory of the Italian right-wing in Sicily, with the support of the Lega Nord and the Fratelli de Italia, bolsters the former prime minister's lead, even though he has been caught up in and under investigation for various scandals.

PAYMENT AND COLLECTION PRACTICES IN ITALY

Payment

Trade notes (*cambiali*) are available in the form of bills of exchange or promissory notes. *Cambiali* must be duly accepted by the drawee and stamped locally at 12/1000 of their value, being issued and payable in the country. They are stamped locally at 9/1000, being issued in the country and payable abroad, and finally stamped at 6/1000 in the country if stamped beforehand abroad, with a minimum value of EUR 0.50.

In case of default, they constitute *de facto* enforcement orders as the courts automatically admit them as a writ of execution (*ezecuzione forzata*) against the debtor.

Signed bills of exchange are a reasonably secure means of payment, but are rarely used due to a high stamp duty, the somewhat lengthy cashing period, and the drawee's fear of damage to his reputation caused by the recording and publication of contested unpaid bills at the Chambers of Commerce.

In addition to the date and place of issue, cheques established in amounts exceeding EUR 1,000 and intended to circulate abroad must bear the endorsement *non trasferibile* (not transferable), as they can only be cashed by the beneficiary.

To make the use of cheques more secure and efficient, any bank or postal cheque issued without authorisation or with insufficient funds will subject the cheque drawer to administrative penalties and listing by the CAI (*Centrale d'Allarme Interbancaria*), which automatically results in exclusion from the payment system for at least six months.

Bank vouchers (*ricevuta bancaria*) are not a means of payment, but merely a notice of bank domicile drawn up by creditors and submitted to their own bank for presentation to the debtor's bank for the purposes of payment (the vouchers are also available in electronic form, in which case they are known as "RI.BA *elettronica*").

Bank transfers are widely used (90% of payments from Italy), particularly SWIFT transfers, as they considerably reduce the length of the processing period. Bank transfers are a cheap and secure means of payment once the contracting parties have established mutual trust.

Debt collection

Amicable phase

Amicable collection is always preferable to legal action. Demands and telephone dunning are quite effective. On-site visits, which provide an opportunity to restore dialogue between supplier and customer with a view to reaching a settlement, can only be conducted once a specific licence has been granted.

Settlement negotiations focus on payment of the principal, plus any contractual default interest as may be provided for in writing and accepted by the buyer.

When an agreement is not reached, the rate applicable to commercial agreements is the six-monthly rate set by the Ministry of Economic Affairs and Finance by reference to the European Central Bank's refinancing rate, raised by eight percentage points.

Legal proceedings

When creditors fail to reach an agreement with their debtors, the type of legal action taken depends on the type of documents justifying the claim.

Fast-track proceedings

Based on "*cambiali* notes" – bills of exchange, promissory notes – or cheques, creditors may proceed directly with forced execution, beginning with a demand for payment (*atto di precetto*) served by a bailiff, preliminary to attachment of the debtor's moveable and immoveable property (barring receipt of actual payment within the allotted timeframe). The resulting auction proceeds are used to discharge outstanding claims.

Creditors can obtain an injunction to pay (*decreto ingiuntivo*) if they can produce, in addition to copies of invoices, written proof of the claim's existence by whatever means or a notarized statement of account. A forty-day period is granted to the defendant to lodge an objection.

Ordinary summary proceedings (*procedimento sommario di cognizione*), introduced in 2009, are used for uncomplicated disputes which can be settled upon simple presentation of evidence. Sitting with a single judge, the court determines a hearing for appearance of the parties, and delivers a provisionally executory ruling if it acknowledges the merits of the claim; the debtor however has 30 days to lodge an appeal.

Ordinary proceedings

The creditor must file a claim with the court (*citazione*) and serve summons to the debtor, who will file a defence (*comparsa di costituzione e risposta*) within ninety days via a preliminary hearing. The parties then provide briefs and evidence to the court. When the debtor fails to bring a defence, the creditor is entitled to request a default judgment. The court will usually grant remedies in the form of declaratory judgments, constitutive judgments, specific performance and compensatory damages but it cannot award any damages which have not been requested by the parties.

Undisputed claims are typically settled within four months, but the timescale to obtain an enforceable court order depends on the court. Overall, disputed legal proceedings take up to three years on average.

The current civil procedure code is intended to speed up the pace of proceedings by reducing the procedural terms, imposing strict time limits on the parties for submitting evidence and making their cases, and introducing written depositions in addition to oral depositions.

Enforcement of a legal decision

A judgment becomes enforceable when all appeal venues have been exhausted. If the debtor fails to comply with a judgement, the court can order compulsory measures, such as an attachment of the debtor's assets or allowing the payment of the debt to be obtained from a third party (garnishee order) - although obtaining payment of a debt via the latter option tends to be more cost-effective.

For foreign awards, decisions rendered from a country in the European Union (EU) will benefit from special procedures such as the EU Payment Order or the European Enforcement Order. Judgment from a non EU country will have to be recognized and enforced on a reciprocity basis, meaning that the issuing country must be part of a bilateral or multilateral agreement with Italy.

Insolvency proceedings

Out-of court proceedings

The 2012 legal reform allows a debtor to file an application for composition by anticipation. Negotiation on an agreement commences 60 to 120 days prior to the initiation of judicial debt restructuration proceedings. The debtor retains control over the company's assets and activities. A new pre-agreed composition plan may be agreed with the approval of creditors representing 60% of the debtor company's debt.

Restructuring proceedings

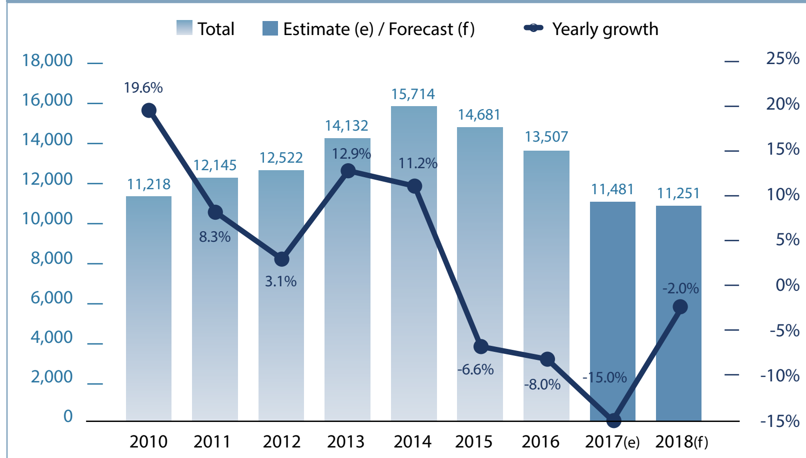
This settlement is a court procedure which allows a company in financial difficulty to propose a debt restructuration plan. The debtor files a proposal to the court to repay the total amount outstanding to the secured creditors. If the court admits it, a commissioner trustee is appointed, and if the majority of the unpaid creditors accept the proposal, the court will officially validate the proceedings.

Alternatively, a debt restructuring agreement (*accordi di ristrutturazione del debito*) aims to restructuring the debt so as to rescue the debtor company from bankruptcy proceedings. The debtor must file a report on its ability to pay the remaining creditors in full, who otherwise can challenge the agreement before a Bankruptcy court by requiring verification that their claims will be paid as normal.

Liquidation

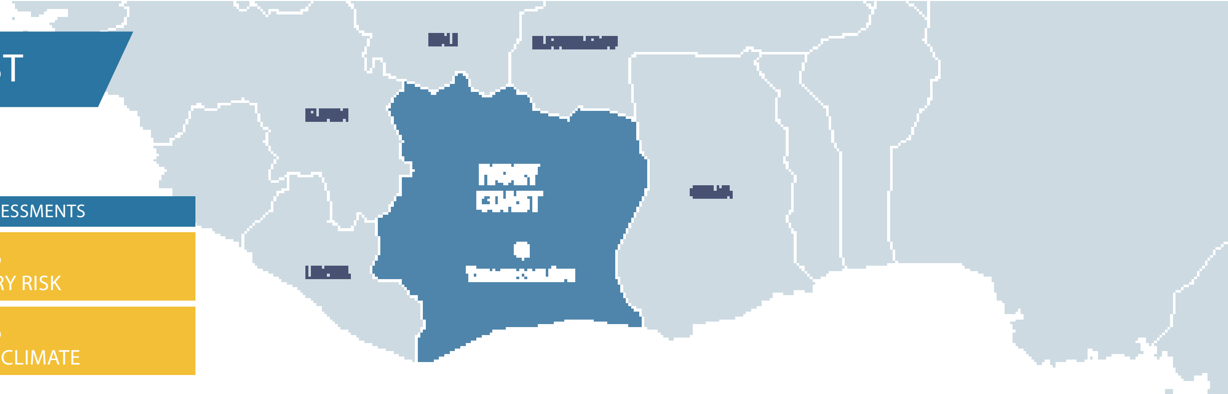
This procedure aims to pay out the creditors by realising the debtor's assets and distributing the proceeds to them. The status of insolvency justifies the adjudication of bankruptcy by the court, even where the insolvency is not due to the debtor's misconduct. The court hears the evidences of the creditors' claims and appoints a receiver to control the company and its assets. This receiver must liquidate all of the company's assets and distribute the proceeds to the creditors to have the proceedings formally concluded.

NUMBER OF CORPORATE FAILURES



Source: Cerved, Coface

IVORY COAST



COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Euro Area 36%
United States 7%
India 5%
Mali 5%
Burkina Faso 5%

Imports of goods, as a % of total

Euro Area 30%
China 12%
Nigeria 12%
United States 4%
India 3%

+ STRENGTHS

- Diversity of resources: hydrocarbons, ores (gold, copper, iron, manganese, bauxite) and agricultural wealth (world's largest producer of cocoa, coffee, sugar, cashew nuts)
- Infrastructures undergoing modernization
- Improving the business climate and governance
- Strengthening political stability

- WEAKNESSES

- Economy dependent on weather-related hazards and cocoa price evolution, main export product
- Gaps yet to be filled in public financial, infrastructure and the business environment management, despite the progress that has been made
- Slow progress on national reconciliation

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	8.8	8.2	6.7	7.2
Inflation (yearly average, %)	1.2	0.7	0.9	1.5
Budget balance (% GDP)	-2.9	-4.0	-4.5	-3.8
Current account balance (% GDP)	-1.4	-1.8	-2.8	-2.7
Public debt (% GDP)	47.8	47.8	48.7	48.3

(f): forecast

24.3
POPULATION
(millionsofpersons-2016)

1,466
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Strong growth despite some turbulence

In 2017, growth, while strong, was less robust due to lower oil production and lower cocoa prices. In 2018, investments will continue to drive growth. In particular, public investment will continue to be driven by the continuation of major public infrastructure works under the second National Development Plan (2016-2020 NDP). The construction, transport and energy sectors will continue to drive Ivorian growth. These public investments, combined with the various reforms undertaken to improve the business climate, should also support increased private investment. Agriculture, agribusiness, mining, manufacturing and services (telecommunication) will be the favoured activities. Eager to develop the oil and gas industry, the government, on the other hand, had difficulties stirring the interest of investors after several setbacks in the exploration phase. Firmer oil prices in 2018 could nevertheless encourage new hydrocarbon projects. After suffering in 2017, cocoa-related export revenues are expected to grow slightly, in line with the trend in brown gold prices. The entry into production of the Sissingué gold mine in the first quarter of 2018 could, on the other hand, be a welcome addition to the export basket. With some 6 million Ivorians being dependent on the cocoa sector, household consumption could suffer from low prices for the fruit of their labour. Nevertheless, growth prospects for private consumption remain positive, thanks in particular to price stability.

Falling brown gold prices precipitate fiscal adjustment

Compounded in 2017 by the difficult socio-economic conditions (lower cocoa prices, bonus payments to meet social demands), the budget deficit should be reduced in 2018. Controlling current expenditure will free up margins for capital investment planned for the achievement of the 2016-2020 NDP. The rationalization of certain tax exemptions and the improvement of tax mobilization should allow revenues to progress over the next fiscal year. Reforms to the tax system will be supported by the IMF under the three-year programmes of the Extended Credit Facility (ECF) and the Extended Credit Mechanism (MEDC), which has been in operation since the end of 2016. The level of public debt remains moderate, particularly below the WAEMU norm of 70%, and the sustainability and liquidity indicators show a measured risk of over-indebtedness. The accumulation of debt, particularly external debt, is framed by the debt management strategy in order to guarantee the sustainability of state financing.

The deterioration of the goods surplus, following the decline in export earnings, in the wake of cocoa prices, had the effect of deteriorating the current account deficit in 2017. In 2018, in a context of relatively weak cocoa prices, and despite vigorous production, the balance of goods is not expected to register significant improvement. The demand for imports will continue to thrive on rapid economic growth and the public investment programme. As in recent years, service, transfer and income accounts will remain in deficit. Despite the deterioration in the current balance, foreign direct investment and external borrowing, especially concessional borrowing, will finance the deficit.

Political stability remains fragile

The smooth re-election of Alassane Ouattara in 2015 made it possible to turn the page on the violence that followed the 2010 election. Nevertheless, despite the victory of the ruling bipartisan coalition (Rally of the Republicans - RDR) in the 2016 parliamentary elections, political stability remains fragile. A constitutional referendum boycotted by the opposition in the same year in particular recalled that the reconciliation among Ivorians is not yet complete. Mutinies in the armed forces in the first half of 2017 have also brought the subject of political stability back to the heart of the debate. The payment of the bonuses claimed by the mutineers to end the crisis could undermine the credibility of President Ouattara. Indeed, while the disconnect between the dynamism of growth and the stagnation of the standard of living fuels frustration, the agreement reached between the government and the mutineers, the details of which have not filtered, has not gone over well with a population that is still suffering from lack of work and the inadequate quality of public services. In addition, the grumblings of civil servants, which led to strikes in January 2017, could also resurface, since their representatives still believe that negotiations to obtain raises and the payment of wage arrears have not been successful. These sources of instability could be exacerbated, as the race for Alassane Ouattara's succession, who, according to the Constitution, must retire in 2020 after serving two consecutive terms, is intensifying.

JAMAICA

COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

United States 41%
Euro Area 13%
Canada 12%
Russia 6%
United Kingdom 4%

Imports of goods, as a % of total

United States 39%
Euro Area 7%
Trinidad & Tobago 7%
China 6%
Japan 6%

+ STRENGTHS

- Natural resources (bauxite, sugar, bananas, coffee) and tourism
- Financial support from multilateral institutions
- Substantial remittances from the diaspora
- Stable democratic framework

- WEAKNESSES

- Poorly diversified economy
- Vulnerable to external shocks (climate, US economic cycle, commodities)
- Very high public debt and debt interest payments inhibiting growth
- High rates of crime and poverty

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.9	1.5	2.0	2.4
Inflation (yearly average, %)	3.7	3.8	4.5	5.2
Budget balance (% GDP)*	-0.3	-0.9	-0.3	-0.1
Current account balance (% GDP)	-3.0	-2.7	-3.1	-3.2
Public debt (% GDP)*	120.2	115.1	108.6	102.7

*Fiscal year: 1st April 2018 to 31st March 2019 (f): forecast

2.8
POPULATION
(millionsofpersons-2016)

4,934
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Faster growth buoyed by domestic demand

Growth is expected to continue in 2018, thanks to more vigorous domestic demand and more favourable economic conditions in the United States, despite the Jamaican government's fiscal austerity policy. Households will benefit from the gradual fall in unemployment, tax cuts for the poorest households, and higher remittances from expatriate workers in the United States. Exports of bauxite and aluminium (44% of total exports) will sustain activity, buoyed by a moderate increase in metal prices. Strong performances in the agricultural sector, together with the depreciation of the local currency, will also help maintain the favourable trend of the country's exports. Meanwhile, there will be greater momentum in the tourism sector, thanks to the expected increase in the number of tourists from the United States, which is the country's main trading and tourism partner. Private investment will be concentrated mainly in this sector, as well as in transport infrastructure projects (roads, bridges), largely financed by Chinese investors. However, limited infrastructure expansion and low workforce productivity will still hamper private investment in other sectors. The central bank is expected, in accordance with the IMF's recommendations, to intervene in a limited manner on the foreign exchange market in order to build up foreign exchange reserves (currently five months of imports), enabling it to withstand any pressures on the local currency, the Jamaican dollar. Meanwhile, inflation is likely to increase, due to robust domestic demand and the moderate rise in oil prices, though remaining within the central bank's target range (4-6%). Nonetheless, the bank could tighten monetary policy if there is a significant increase in inflationary pressures.

Budgetary efforts rewarded, still under the watchful gaze of the IMF

The government, in place since February 2016, is pursuing its fiscal austerity policy, begun in 2013, in return for aid from the International Monetary Fund. As a result of the progress already made on stabilising the economy, the IMF approved a new stand-by arrangement in November 2016 for USD 1.64 million, valid for three years from 2017.

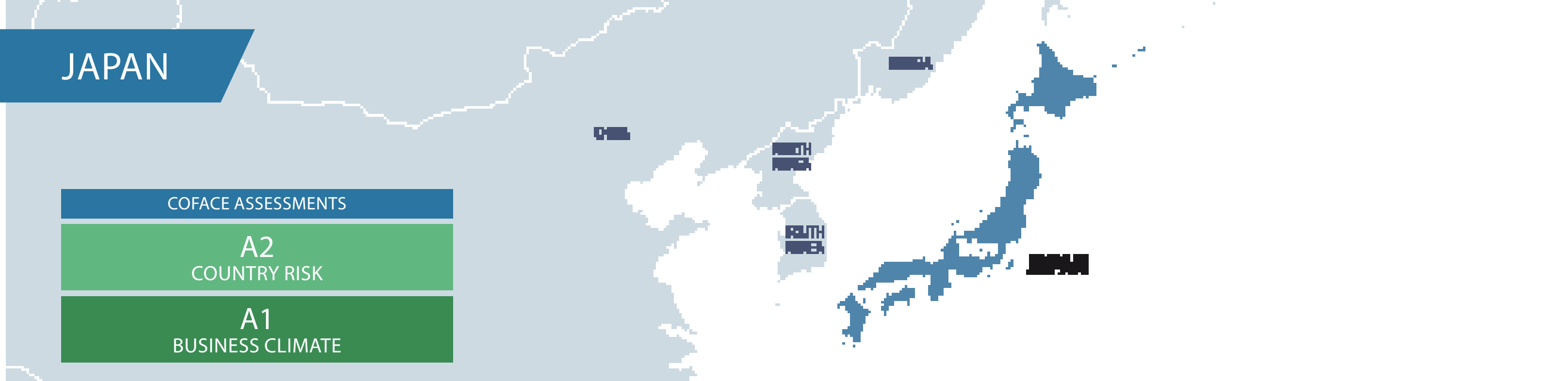
Apart from cutting operational spending, the consolidation covers the introduction of new indirect taxes (16.5% VAT, taxes on fuel, tobacco, and alcohol), in order to increase the weak fiscal revenues, linked to the large informal economy (40% of the population). While the government has generated a primary surplus of 7%, the debt interest burden means it is only just able to balance the budgetary accounts. Thanks to this policy, the government should be able to keep to its commitment to bring the public debt ratio to below 100% of GDP by 2019-20. Furthermore, half of this debt is denominated in foreign exchange, exposing it to exchange rate risk, especially as the Jamaican dollar is still steadily depreciating. The government's ability to issue more bonds on the domestic market will allow it to limit this risk, while the public debt will gradually decline.

Stable current account deficit dependent on remittances from expatriate workers

The current account deficit is likely to remain stable in 2018. The trade balance will continue show a large deficit (17% of GDP) because of the moderate increase in the oil price (most imported item) and rising imports triggered by reinvigorated domestic demand. The depreciation of the local currency against the dollar is expected to continue and to boost export competitiveness. The trade deficit will, to a great extent, be offset by increased remittances from expatriate workers, who are mainly United States residents, as well as by excellent tourism performance.

The Prime minister remains popular despite austerity

After narrowly winning the general elections held on the 25th February 2016 (33 seats out of 63), the Jamaican Labour Party (JLP) and the Prime Minister, Andrew Holness, remain popular. One of the reasons for this popularity is the delivery of his key campaign promise to abolish income tax on the lowest-income households, without losing the IMF's financial support. Nevertheless, austerity measures, high crime rates and the still significant unemployment rate are eroding this popular support. At the geopolitical level, the government is expected to prioritise relations with the United States, its main trading partner and source of remittances from expatriate workers. The government is also expected to concentrate its efforts on regional co-operation to fight against drug trafficking and high crime levels, which affect the business climate because of the resulting high costs to businesses.



COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 20%
- China 18%
- Euro Area 8%
- South Korea 7%
- Taiwan 6%

Imports of goods, as a % of total

- China 26%
- United States 11%
- Euro Area 10%
- Australia 5%
- South Korea 4%

+ STRENGTHS

- Privileged location in a dynamic region
- Very high level of national savings (around 23% of GDP)
- Public debt is 90% owned by local investors
- Advanced technology products and diversified industrial sector

- WEAKNESSES

- Difficulty of consolidating public finances and bringing an end to deflation
- Reduction of the workforce; increasing share of precarious workers
- Political instability
- Low productivity of SMEs

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.6	0.8	1.5	1.2
Inflation (yearly average, %)	0.8	-0.3	0.8	1.7
Budget balance (% GDP)	-5.4	-5.2	-5.2	-5.0
Current account balance (% GDP)	3.3	3.8	3.8	3.8
Public debt (% GDP)	238.1	239.3	240.3	240.0

(f): forecast

127.0
POPULATION
(millionsofpersons-2016)

38,883
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Cyclical recovery will slow in 2018

Japan benefitted from a combination of cyclical factors in 2017, enabling it to reach a higher than anticipated level of growth. However, the economy is still subject to structural headwinds, which are set to come into force again in 2018 and lead to a slowdown in activity. GDP grew robustly in 2017, driven by foreign trade, a surge in the industrial production, and – to a lesser extent – fiscal stimulus, but private consumption remains lacklustre, as real wages have not expanded – despite a tight labour market, with the unemployment rate sitting at 2.8% in April its lowest level since June 1994. Wage growth has been constrained by Japanese companies' sticky deflationary mind-set, which has resulted in insufficient efforts to redistribute profits. The structure of Japan's labour market, which features rigid permanent contracts as well as a growing number of temporary workers, has also played a role in keeping wages and productivity depressed.

Domestic demand has played a muted role in boosting inflation. The most pickup in inflation can be traced back to higher import prices – led by commodities – as well as a weaker yen. However, consumer price inflation remains below the Bank of Japan's (BoJ) 2% target. Private investment will likely remain sluggish as investors wait to see signs of a real pickup in domestic demand. Notwithstanding this caveat, corporate profits, liquidity, and financial conditions are still favourable.

Going forwards, the Tokyo Olympics and an extension of BoJ's ultra-accommodative monetary policies will continue to sustain economic momentum.

Consolidation of public finances remains a crucial issue

2017 saw a widening fiscal deficit in 2017, due to ongoing policy stimulus, the rebuilding of infrastructure after a series of natural disasters, and construction ahead of the Tokyo 2020 Olympic Games . However, there is less room to implement further fiscal stimulus going forwards: the increase in social spending significantly weighs on the state budget while revenues are insufficient. However, the government decided to postpone the next VAT rise (from 8% to 10%) until October 2019 for fear that another rate hike would cripple consumption. With a debt service burden representing 25% of GDP, the current trajectory of the debt accumulation does not appear sustainable, especially as costs continue to increase with the ageing population (health expenditure) and the 2020 Olympics (investment expenditure).

The current account is expected to remain in surplus in 2018. The yen has remained weak against the dollar, which has played a role in boosting exports in 2017. Robust demand from developed markets, a stabilization of the Chinese economy, and a pickup in global commodity prices, have also facilitated the increase in exports since the last quarter of 2016. However, this is not expected to continue considering the slowing demand from Japan's main trading partners (China, the United States and Eurozone countries) and signs of commodity price weakness. Imports are expected to increase as households adjust to the expectations of another sales tax hike in 2019. The trade balance is expected to remain slightly in surplus. The services account will continue its consolidation as a result of the rise of tourism – Chinese tourists, in particular and the income balance, which will remain significant.

Abe wins a majority, clearing the path for reforms

Prime Minister Shinzo Abe took advantage of favourable cyclical conditions and called a snap election on October 2017, stating he was seeking a fresh mandate amid threats from North Korea. As expected, his Liberal Democratic Party (LDP) managed to secure a majority, which gives him ample room to forge ahead with economic reforms, and reform Article 9 of Japan's pacifist constitution. The goal would be to increase military spending to 3% of GDP for defensive purposes. Prime Minister Abe has also stated that he is keen to revive the TPP, and on May 21st, trade ministers representing 11 of the 12 signatories met to revive the pact. Japan also wants to maintain close relations with the US so as to avoid being isolated in Asia, and is working on a bilateral trade agreement.

The North Korean threat continues to linger, posing a real security threat. The Korean neighbour has continued to forge ahead with its nuclear programme, despite reprimand from the international community. On August and September 2017, it flew ballistic missiles over Hokkaido, prompting Japanese authorities to sound alerts. Although global markets have so far heavily discounted the likelihood of a war with North Korea, a deterioration of investor sentiment could lead to the return of risk-off modes, triggering inflows into safe-haven assets such as the yen with a risk of derail ing the rebound in exports and impacting the profits of Japanese conglomerates.

PAYMENT AND COLLECTION PRACTICES IN JAPAN

Payment

Japan has ratified the International Conventions of June 1930 on Bills of Exchange and Promissory Notes, and of March 1931 on Cheques. As a result, the validity of these instruments in Japan is subject to the same rules as in Europe.

The bill of exchange (*kawase tegata*) and the much more widely used promissory note (*yakusoku tegata*), when unpaid, allow creditors to initiate debt recovery proceedings via a fast-track procedure, subject to certain conditions. Although the fast-track procedure also applies to cheques (*kogitte*), their use is far less common for everyday transactions.

Clearing houses (*tegata kokanjo*) play an important role in the collective processing of the money supply arising from these instruments. The penalties for payment default act as a powerful deterrent: a debtor who fails twice in a period of six months to honour a bill of exchange, promissory note, or cheque collectable in Japan is subsequently barred for a period of two years from undertaking business-related banking transactions (current account, loans) with financial establishments attached to the clearing house. In other words, the debtor is reduced to a *de facto* state of insolvency.

These two measures normally result in the calling in of any bank loans granted to the debtor.

Bank transfers (*furikomi*), sometimes guaranteed by a standby letter of credit, have become significantly more common throughout the economy over recent decades thanks to widespread use of electronic systems in Japanese banking circles. Various highly automated interbank transfer systems are also available for local or international payments, like the Foreign Exchange Yen Clearing System (FXYCS, operated by the Tokyo Bankers Association) and the BOJ-NET Funds Transfer System (operated by Bank of Japan).

Payment made via the Internet site of the client's bank is also increasingly common.

Debt collection

In principle, to avoid certain disreputable practices employed in the past by specialised companies, only lawyers (*bengoshi*) may undertake debt collection. However, a 1998 law established the profession of "servicer" to foster debt securitisation and facilitate collection of non-performing loans (NPL debts) held by financial institutions.

Servicers are debt collection companies licensed by the Ministry of Justice to provide collections services, but only for certain types of debt: bank loans, loans by designated institutions, loans contracted under leasing arrangements, credit card repayments, and so on.

Amicable phase

A settlement is always preferable, so as to avoid a lengthy and costly legal procedure. This involves obtaining, where possible, a signature from the debtor on a notarised deed that includes a forced-execution clause, which, in the event of continued default, is directly enforceable without requiring a prior court judgement.

The standard practice is for the creditor to send the debtor a recorded delivery letter with acknowledgement of receipt (*naïyo shomei*), the content of which must be written in Japanese characters and certified by the post office.

The effect of this letter is to set back the statute of limitation by six months (which is five years for commercial debts). If the debtor still fails to respond, the creditor must start legal action during that period to retain the benefit of interruption of the limitation period.

Legal proceedings

Fast-track proceedings

Summary proceedings, intended to allow creditors to obtain a ruling on payment (*tokusoku tetsuzuki*), apply to uncontested monetary claims and effectively facilitate obtaining a court order to pay (*shiharaï meirei*) from the judge within approximately six months.

If the debtor contests the order within two weeks of service of notice, the case is transferred to ordinary proceedings.

Ordinary proceedings

Ordinary proceedings are brought before the Summary Court (*kan-i saibansho*) for claims under JPY 1,400,000 and before the District Court (*chiho saibansho*) for claims above this amount.

Those proceedings, partly written (with submission of arguments and exchanges of type of evidence) and partly oral (with respective hearings of the parties and their witnesses) can take from one to three years as a result of the succession of hearings. These proceedings generate significant legal costs.

The distinctive feature of the Japanese legal system is the emphasis given to civil mediation (*minji chôtei*). Under court supervision, a panel of mediators – usually comprised of a judge and two neutral assessors – attempts to reach, by mutual concessions of the parties, an agreement on civil and commercial disputes.

In practice, litigants often settle the case at this stage of the procedure, before a judgment is delivered. While avoiding lengthy and costly legal proceedings, any transaction obtained through such mediation becomes enforceable once approved by the court.

Enforcement of a legal decision

A court judgment is enforceable if no appeal is lodged within two weeks. If the debtor does not comply with the decision, compulsory measures can be ordered through an execution against Real Property (an Examination Court issues a commencement order for a compulsory auction) or an execution against a claim (a compulsory execution is commenced through an order of seizure).

Japanese law provides for an exequatur procedure in order for foreign awards to be recognised and enforced. The court will verify several elements, such as whether the parties benefited from a due process of law, or if enforcement will be incompatible with Japanese public policy.

Furthermore, if the issuing country does not have a reciprocal recognition and enforcement treaty with Japan, the decision will not be enforced by domestic courts.

Insolvency proceedings

Restructuring proceedings

There are two types of restructuring proceedings. The first of these is corporate reorganisation proceedings (*kaisha kosei*), which are typically used in complex insolvency cases involving stock companies. They come with the mandatory appointment of a reorganisation trustee by the court and with a stay against enforcement by both secured and unsecured creditors. The court typically appoints a third-party *bengoshi* with substantial experience in restructuring cases.

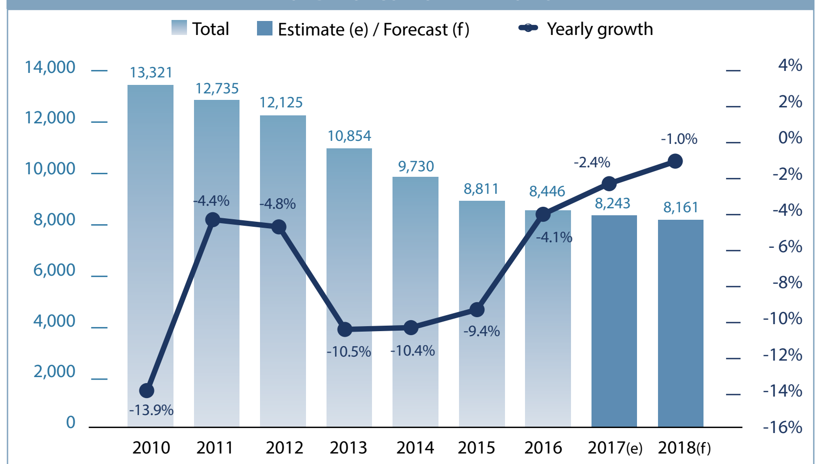
The second of these is civil rehabilitation proceedings (*minji saisei*), which are used to rehabilitate companies of almost any size and type. The debtor-in-possession (DIP) administers the rehabilitation under supervision of a court-appointed supervisor. Enforcement by secured creditors is not stayed in principle. The debtor must enter into settlement agreements with secured creditors in order to continue using the relevant collateral to conduct their business.

Winding up proceedings

There are two winding up proceedings. In bankruptcy proceedings (*hasan*), the court appoints a lawyer as trustee to administer the proceedings. Enforcement by secured creditors is not stayed; rather, they can freely exercise their claims outside of the bankruptcy proceedings. The trustee will usually attempt to sell secured collateral with the agreement of the secured creditors and contribute a percentage of the sales proceeds to the estate. The debtor's estate is distributed to creditors in accordance with prescribed statutory priorities without any need for voting by the creditors.

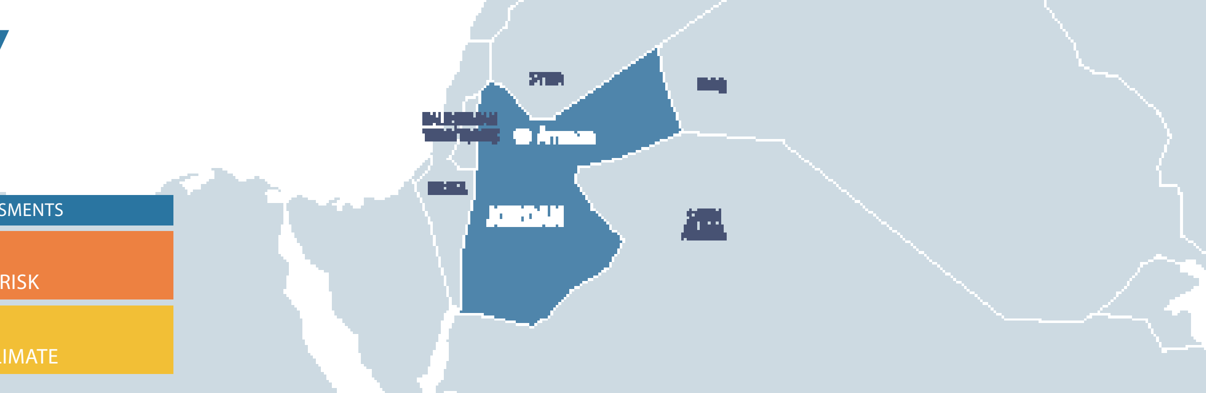
The second, special liquidation (*tokubetsu seisan*), is used for stock companies. A liquidator is appointed by either a debtor's shareholders or the court. Distributor of the debtor's estate to creditors has to be approved by creditors with claims to two-thirds or more of the total debt or by way of settlement. This procedure is used when the debtor's shareholders are confident that they will obtain creditors' cooperation for the liquidation process, and wish to control the liquidation process without involvement of a trustee.

NUMBER OF CORPORATE FAILURES



Source: Tokyo Shoko Research, Coface

JORDAN



COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 25%
- Saudi Arabia 14%
- India 8%
- Iraq 7%
- United Arab Emirates 6%

Imports of goods, as a % of total

- Euro Area 18%
- China 14%
- Saudi Arabia 12%
- United States 7%
- United Arab Emirates 4%

+ STRENGTHS

- Political and financial support from the Gulf monarchies and the West
- Significant phosphate and potash production
- Expatriate workforce and tourism - significant sources of foreign exchange
- Political stability, unlike neighbouring countries

- WEAKNESSES

- Shortage of natural energy resources and low productive base
- Vulnerable to international economic cycle and political instability in the Near and Middle East
- Public and external account imbalances leading to a dependence on foreign aid and foreign capital
- Very high unemployment rate (18%)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.4	2.0	2.3	2.5
Inflation (yearly average, %)	-0.9	-0.8	3.3	1.5
Budget balance (% GDP)	-5.3	-3.2	-3.5	-3.2
Current account balance (% GDP)	-9.1	-9.3	-8.4	-8.3
Public debt (% GDP)	93.4	95.1	95.6	93.5

(f): forecast

7.0
POPULATION
(millionsofpersons-2016)

5,549
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth limited by the consequences of conflicts in bordering countries

Momentum in the mining sector and higher phosphate prices gave economic activity a bit of a boost in 2017. Growth will remain moderate in 2018 because of instability in the region and the fallout from the Syrian crisis. Fiscal consolidation and the high unemployment rate will penalise private consumption, which represents 89% of GDP. The austerity measures, intended to deal with the very high debt burden, will hit low-income households, dependent on subsidies for essential goods (bread, sugar, electricity). Strong pressure will continue to bear on the property market, especially because of the presence of 1.4 million Syrian refugees, namely almost 15% of the total population. In 2018 the Jordanian economy could benefit from the reopening (on 30 August 2017) of the border with Iraq at Karameh-Tureibil. This is because until 2014, before the strengthening of the Islamic State Group's position in Iraq, 14% of Jordanian exports were destined for the Iraqi market. The banking and insurance sector is expected to continue as one of Jordan's growth drivers (+4.3% in the first half of 2017). Tourism activity is expected to recover, mainly stimulated by visitors from the Gulf countries and Europe. Remittances from expatriate workers in the Gulf Co-operation Council (GCC) countries could increase against a background of a rise in oil prices in 2017.

With regard to monetary policy, the central bank is expected to continue to maintain the dinar's fixed parity against the dollar.

Twin deficits at very high levels despite the reforms

Despite the budgetary reforms implemented during the extension, in 2016, of the IMF'S Extended Credit Facility (ECF, 2016-2019), the deficit and the public debt burden remain high. Fiscal consolidation is reflected in an over 50% drop in the public deficit between 2014 and 2016, but the level remained unchanged in 2017. With only 5% of households paying income tax, the State is heavily dependent on income from corporations. Tax paid by individuals represents only 3.2% of income. The government's plans to widen its tax base in 2018, especially by raising VAT, customs duties and corporation tax on companies in the banking, mining and telecommunications sectors. This is because tax revenues account for only 15.4% of GDP. The government will target improving the fight against tax evasion and remove exemptions for certain companies. To finance its deficit, Jordan will enjoy preferential rates from its European partners who in October 2017 approved a loan of EUR 100 million under the Macro-Financial Assistance programme (MFA).

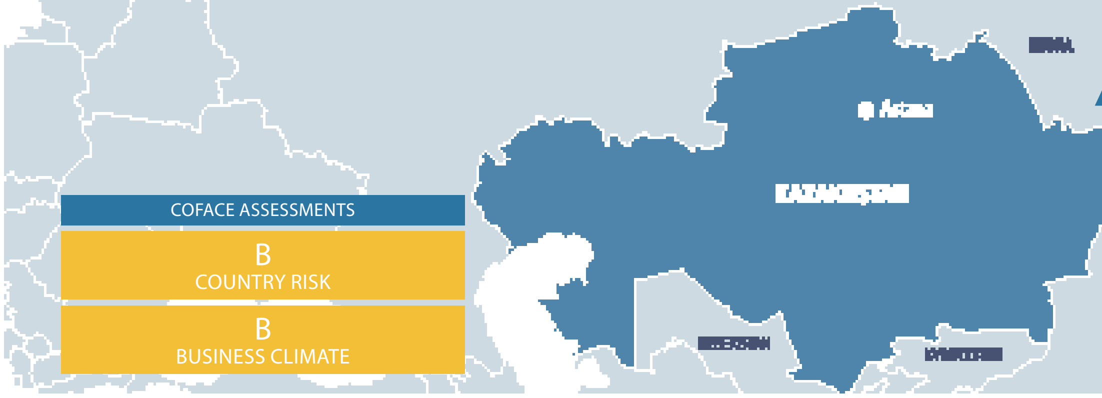
Jordan is a net importer of oil and gas. Imports are not expected to climb strongly as they depend mainly on movements in commodity and food prices. Exports will benefit from the opening of the border with Iraq and the "Jordan Compact" which includes a free-trade agreement with the European Union. In September 2017, foreign exchange reserves were at a comfortable level of USD 12.8 million, i.e. 7.2 months of imports.

Political stability under strain from regional conflicts and the refugee crisis

Despite the entry into force of a new electoral law aimed at weakening the advantage of non-partisan candidates in the national elections (only 17% of MPs are affiliated to a party), the parliamentary elections in September 2016 have only slightly modified Jordan's political landscape. Voter participation in the elections remained low, at 37%, despite participation by the Islamist Party, which is close to the Muslim Brotherhood (Islamic Action Front) and which boycotted the previous two elections in 2010 and 2013. The August 2017 municipal elections also saw low voter turnout (37%) and a considerable lack of interest by the political parties. The country has a border with Syria and Iraq and over half of the population is made up of refugees, mainly Palestinians and their descendants. Syrian refugees have been able to obtain a work permit since October 2017, a measure designed to reduce the size of the underground economy and integrate the Syrian population. The return of many Jordanians who had joined the Islamic State (after the group was defeated in Iraq and Syria) and potential ethnic tensions between communities pose a security challenge for the country.

Despite improving, (up from 118th place in 2017 to 103rd place in 2018 in the Doing Business rankings), the business climate is still affected by the unstable regional situation.

KAZAKHSTAN



COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 44%
- China 12%
- Russia 9%
- Switzerland 7%
- Uzbekistan 3%

Imports of goods, as a % of total

- Russia 37%
- Euro Area 18%
- China 14%
- United States 5%
- Turkey 2%

+ STRENGTHS

- Increased oil production
- High levels of foreign direct investment
- Net creditor position of the State
- Strategic location between China and Europe
- Increase in working population (67% of the total) thanks to a dynamic demography
- Relatively high level of training

- WEAKNESSES

- Economy reliant on commodities (oil, gas, uranium, and iron)
- Fragile banking system
- Continuing legal and institutional failings: corruption, administrative delays and obstacles to trade
- Inadequate road, port, and electrical infrastructures
- Danger of political instability because of lack of clear successor to President Nazarbayev
- Landlocked and low population density, particularly in the northern regions

Main economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.2	1.1	3.3	3.0
Inflation (yearly average, %)	6.7	14.6	7.5	6.5
Budget balance (% GDP)*	-9.0	-4.5	-7.0	-2.0
Current account balance (% GDP)	-2.8	-6.4	-4.5	-3.5
Public debt (% GDP)	22.0	21.0	22.0	22.0

* including transfers from the oil fund (NFRK) (f): forecast

17.9
POPULATION
(millionsofpersons-2016)

7,456
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Moderate growth and fragility of banks

The economy is expected to maintain moderate growth in 2018. Investment (25% of GDP) should continue to benefit from the development of public infrastructure, particularly road and rail and possibly as part of the Chinese "One Belt, One Road" initiative, supporting the construction sector. The site of Expo 2017 in Astana is set to be transformed into an international financial centre. However, despite the tax incentives and the creation of a stock exchange based on the partial privatisation of public companies, it will run into competition from the Almaty exchange and the reluctance of investors faced with institutional limitations. Exports, consisting of 57% oil and 16% metals (steel, iron, copper, uranium), should benefit from the modernisation of three refineries, the construction of a nickel plant, and the increased production of the Kashagan oil field. The country is expected to request a revision of its quota of 1.7m barrels per day (b/d) from OPEC. At the same time, imports of capital goods (half of the total) should also increase in connection with infrastructure development, which would ultimately maintain the slightly negative contribution of trade to growth. Household consumption (a little more than half of GDP) would continue to grow moderately due to significant inflation and credit remaining expensive and rare.

Since the abandonment of the pegging of the tenge to the dollar (August 2015) and its floating along with changes in oil prices, the central bank has focused on controlling inflation. Inflation is moderated by the lower expectations of economic agents, as well as the stabilisation of import prices related to the stabilisation of the tenge. Nevertheless, it should still exceed 6% in 2018. Moreover, despite costly new recapitalisations (5% of GDP) in 2017, the banking system continues to be weakened by the sharp depreciation of the tenge, which occurred while the 2008 crisis had not been completely absorbed. The percentage of non-performing loans – officially 10.7% as of July 2017 – is certainly much higher. In addition, the system is both scattered (33 institutions, often small in size) and concentrated, with one institution holding 37% of deposits. Lastly, while the share of deposits in dollars has dropped from its peak in 2016, it remained at 50% in August 2017. Many institutions are owned by influential personalities who are not easily pushed around in efforts to restore order, and who manage to obtain public funds to avoid liquidation. Given these conditions, interest rates on interbank loans would be close to 13%.

Deficits in decline and well-endowed sovereign wealth fund

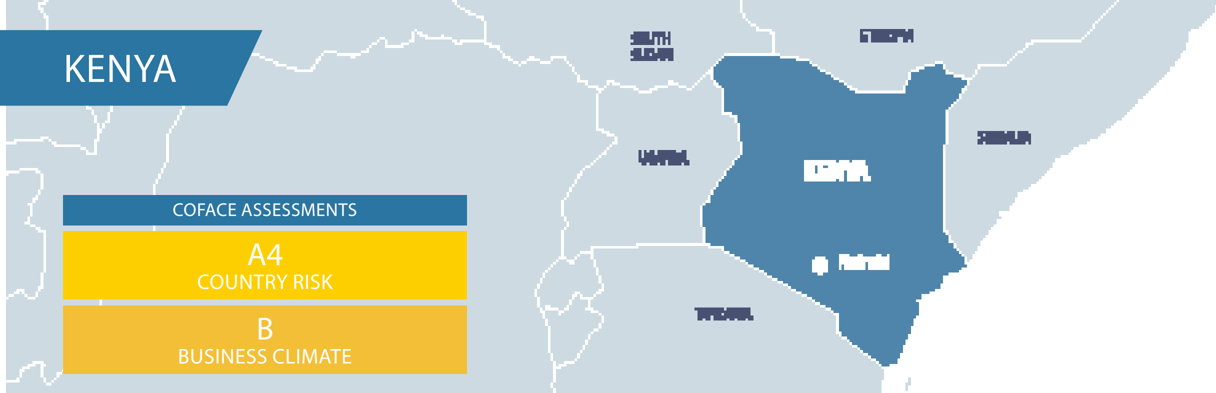
Despite the drop in oil revenues (from 50% to 35% of budgetary revenue), the increase in expenditures intended to support activity, the costly bank bailout, and the depreciation of the currency, public debt (half in foreign currencies) remains low. This is due to the use of the sovereign wealth fund. Once assets from this fund are subtracted, the State has a creditor position of 18% of GDP. Aside from a new banking bailout, the deficit is expected to drop significantly in 2018. The sovereign wealth fund, which represents almost two times the debt, even further tapped, would stabilise thanks to the increase in hydrocarbon production. There is room for improvement given the poor tax collection and the numerous exemptions. Such improvements would reduce dependence on oil revenue while increasing capital expenditure.

The current account deficit that emerged in 2015 is expected to decline. The trade surplus would go up with increased hydrocarbon production of the Kashagan, Tengiz, and Karachaganak fields. Subsequently, the start-up of new automobile and nuclear fuel plants to reduce dependency on hydrocarbons will contribute to this. The large growing stock of foreign investment concentrated in hydrocarbons will continue to generate significant revenue outflows. The leasing of the Baikonur Cosmodrome to Russia brings in little revenue. The indebtedness of banks and companies, mostly in foreign currencies, soared with the devaluation of the country's currency. It has come back down to 100% of GDP and is expected to ease further. In addition, half of the debt corresponds to intra-group commitments related to FDI. Lastly, the amount of the central bank's foreign exchange reserves (8.6 months of imports, excluding gold) and the foreign assets of the sovereign wealth fund (USD 62 billion in July 2017, or 42% of GDP) give the country a creditor position with regard to the rest of the world.

Uncertain succession of President Nazarbayev

Nursultan Nazarbayev, who has led the country since 1989, was re-elected for a fifth time in April 2015, with 98% of votes. Without any real opposition, his party (Nur Otan) easily won the parliamentary elections in March 2016 (over 80% of the vote). The constitutional reforms of 2017, increasing the powers of the parliament and the government, remain theoretical. Doubts around political stability within the country continue: if the president (77 years old at the time of writing) were unable to remain in office, the nomination of his successor presents a risk of conflicts between the different factions in power. Mass protests are rare, especially as security measures are reinforced by the fear of terrorism and Islamic fundamentalism.

KENYA



COFACE ASSESSMENTS

A4
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 14%
- Uganda 10%
- Tanzania 9%
- United States 8%
- United Kingdom 7%

Imports of goods, as a % of total

- China 24%
- Euro Area 12%
- India 11%
- United Arab Emirates 8%
- Japan 5%

+ STRENGTHS

- East Africa's leading economy
- Pivotal role in the East African Community, the leading African common market
- Diversified agriculture and expanding services sector (telecommunications and financial services)
- Improved business climate
- Dynamic demographic and emerging middle class

- WEAKNESSES

- Country dependant on hydroelectric power and rain-fed agriculture
- Persistent bottlenecks and skills shortages
- Terrorist threat
- Improving governance, but persistent corruption
- Ethnic divisions

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.7	5.8	4.8	5.2
Inflation (yearly average, %)	6.6	6.3	8.0	5.2
Budget balance (% GDP)*	-8.7	-7.7	-8.9	-8.3
Current account balance (% GDP)	-6.8	-5.2	-5.9	-5.7
Public debt (% GDP)	50.7	52.6	56.2	59.0

* last fiscal year 01 July 2017 to 30 June 2018 (f): forecast

45.5
POPULATION
(millionsofpersons-2016)

1,552
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Strong growth despite the political uncertainty and slow credit growth

Slowed by the drought, the slow progress of credit and political uncertainty in 2017, growth is expected to be strong in 2018. It will feel the benefits of the ending of the drought conditions which acted to restrict growth in the primary and secondary sectors (with the agri-industries). Cash crops (tea, coffee and horticulture) should therefore help redress the negative contribution to the balance of trade. Public investment will continue as driving force of growth, thanks mainly to the development of infrastructure projects. Start of work on the road between Malindi and Bagamoyo (Tanzania) will boost the construction sector. Completion of projects, such as the Nairobi-Mombasa rail link and the opening of the second container terminal at Mombasa port, will boost the transport sector. However, despite the range of initiatives attempted to improve the business climate, the inadequacies of the credit supply and the clashes triggered by the difficult electoral context in the second-half of 2017, could lead to a slowdown in private investment. The political situation could also impact on household consumption, although this should remain firm thanks to a fall in the rate of inflation. Consumption will also be the driving force for services, despite tourism, on an upwards trajectory, possibly suffering the negative perceptions of a worsening security situation. Whilst the pressures on food prices have eased, the removal of subsidies on foodstuffs and domestic demand mean that inflation is likely to remain around the middle of the Central Bank's target range (5% ±2.5%).

Cost of elections weighs down public accounts

After widening in 2017 as a result of increased current expenditure, mainly because of the organisation of two election, the budget deficit is expected to shrink in 2018. The removal of subsidies on corn, introduced to deal with the risk of food shortages, should reduce the level of current expenditure. Reducing this latter, which has been constantly growing in recent years, is a priority for the Treasury, with the aim of giving itself room for manoeuvre in increasing development spending. Strong growth and the reforms to the tax administration should help to further boost receipts. The deficit will once again be financed through a combination of domestic, the majority, and foreign borrowing. Whilst the external debt (52% of the total stock) is for the most part concessionary, the rapid escalation of indebtedness is of growing concern. The build-up of domestic debt may generate a crowding-out effect on the private sector.

The current account deficit should reduce slightly in 2018. The scale of the balance of goods deficit is however expected to continue weighing on the global balance The improvement in climatic conditions will allow increased exports of tea and horticultural products. Although the first barrels of crude should start being exported in 2018, the oil will not make a significant contribution to reducing the trade deficit before 2021. Imports of capital goods will continue at a high level, but with a rate of growth below that of exports. The balance of invisibles (services, transfers and revenues) will remain in surplus thanks in the main to tourism and remittances from expatriate workers. Despite the reigning political uncertainty, the country is still an attractive proposition for foreign capital, making it possible therefore to finance the deficit. In addition, its currency reserves, equal to 5 months of imports, will provide a buffer against potential external shocks, and help limit the volatility of the Kenyan shilling.

Political uncertainty undermining business climate

In 2017, President Uhuru Kenyatta was re-elected for a second term of office at the end of a contentious political process. The general elections on 8 August 2017, anxiously awaited given the country's history of political instability, led to an unexpected outcome. Following the announcement of the re-election of Mr. Kenyatta (54% of votes) and, notably, after Raila Odinga, the leading opposition candidate, had rejected the results produced by the Electoral Commission (IEBC), the Supreme Court cancelled the election result on the grounds of irregularities, for which the IEBC was held responsible, and called for the holding of a new election. Tarnished by a boycott by M. Odinga, who deemed the reforms of the IEBC inadequate, the victory of the outgoing president with more than 98% of votes, but with a very low turnout (39% against 79% in August), during the election on 26 October, was validated by the Supreme Court. Although Mr. Kenyatta was sworn-in, the rejection of the outcome by the opposition and the refusal to cooperate could hinder the restoration of normal governance. Alongside this political incertitude there is also the security environment and the ongoing threat from Shebabs, undermining the perception of the business climate. According to the Doing Business 2018 rankings, this has improved: the country simplified the business creation process, shortened the registration process with a dedicated office and set-up a platform allowing companies to submit tax declarations on-line. The country is thus in 80th place in the world rankings in terms of doing business, and in third place regionally.

KUWAIT

COFACE ASSESSMENTS

A3
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- South Korea 17%
- China 14%
- Japan 10%
- India 9%
- United States 7%

Imports of goods, as a % of total

- Euro Area 17%
- China 14%
- United States 11%
- United Arab Emirates 8%
- Japan 6%

+ STRENGTHS

- Large oil reserves (6% of world total)
- Accumulation of substantial public and foreign surpluses managed by Kuwait Investment Authority (KIA) sovereign funds

- WEAKNESSES

- Political obstacles to structural reforms
- Business climate and competitive context could be improved
- Uncertainties associated with the succession to the Emir and tensions between the Executive and Parliament
- Location in a region of geopolitical tensions, specifically proximity to Iran and Iraq

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.8	2.7	-1.1	3.1
Inflation (yearly average, %)	3.5	2.9	2.4	3
Budget balance (% GDP)	-0.7	-0.5	0.0	0.2
Current account balance (% GDP)	3.5	4.3	5.5	6.7
Public debt (% GDP)	10.7	18	27	30.5

Public balance excluding transfers to the Future Generations Fund (f): forecast

4.2
POPULATION
(millionsofpersons-2016)

26,245
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slight recovery forecast in 2018

The expansion in economic activity will strengthen in 2018. The oil and gas sector, accounting for 50% of national GDP, will remain positive thanks to slowly rising oil prices. The rate of growth could be limited with the renewal of the OPEC agreements, resulting in a cut in production of around 6% in 2017 against 2016. The State retains its central role in the national economy thanks in particular to its five-year development plan to increase the diversification of the economy – involving large scale public investment in infrastructures and a modernisation of the refineries. These investments will drive growth in particular in the transport, property and healthcare sectors. They will help boost confidence among consumers and investors, thereby helping consolidation within the non-oil and gas sectors and growth of 2.5% in 2018. Household demand will remain strong in 2018 given the levels of disposable income and despite the austerity measures. However, given the lack of a domestic manufacturing industry, this will tend to drive up imports. The Kuwaiti banking system remains profitable and resilient thanks to strengthened banking regulations imposed by the Central Bank: the defined capital adequacy ratio is much higher than that required under Basel III and the level of bad debt is shrinking. In addition, the sector is not expected to experience a tightening in liquidity as has been the situation in other countries in the region; with the increase in public deposits making it possible to offset the weak expansion in private deposits. The financial sector has proven buoyant given the fall in oil prices and continues to finance the economy as it is able to satisfy the strong demand for private sector credit. Inflation will be higher in 2018, pushed up by the imposition, at the beginning of the year, of VAT at 5% throughout the GCC and increases in the cost of energy and food.

Continued balance in public accounts

With oil receipts accounting for 88% of State income, the falls in the price per barrel since 2014 have forced adjustments to be made in current account spending, to maintain the equilibrium of the public accounts by means of a reduction in subsidies, in particular on electricity and water, and with limits being placed on government employee wages. Despite possible opposition from within Parliament, the Five-Year Plan is expected to remain on track. This capital expenditure will be covered by increased receipts following the moderate rise in oil prices, and fiscal reforms, namely the introduction of VAT and, potentially, through public-private partnerships. The transfer of 10% of State revenues to the Future Generations Fund will continue. This will generate a financing requirements as it creates a deficit of around 10% of GDP, which the authorities aim to cover using foreign debt, thereby avoiding the use of the national savings fund. Kuwait, subject to a highly rated sovereign risk by the three leading credit agencies, because of its substantial credit assets, raised $8 billion in March 2017.

Oil resources guarantee current account surplus

The gradual rise in oil prices in 2017, and that predicted for 2018, will allow Kuwait to improve its current account balance. This upturn will offset the rise in its import bill, reflecting higher prices for consumer goods. The balance of services will remain largely negative whilst the national tertiary sector remains unable to satisfy local strong demand. The current account balance will also be negative as a result of remittances sent by foreign workers living in the country. With currency reserves at 5.1 months of imports, Kuwait can guarantee the pegging of the Kuwaiti dinar to a US dollar weighted basket of international currencies.

Atmosphere of political tension surrounding royal family

The resignation of the government in October 2017, following a censure motion, makes the dissolution of Parliament and the calling of early elections in 2018 likely. The resignation came about in a context of recurrent tensions and impasses between the Parliament and the ruling Al Sabah family, the head of the Executive. The re-election of a Parliament at loggerheads with the government could lead to a political paralysis within the governing institutions and weaken the economy by undermining confidence in the household and private sectors, which determines the management of investments as part of the five-year plan. The issues within the ruling family concerning the Emir's succession are also clouding visibility on the political future of the country. On the diplomatic stage, the country is working to encourage a return to dialogue between the other members of the GCC and Qatar.

KYRGYZSTAN

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 45%
- Kazakhstan 11%
- Russia 10%
- Uzbekistan 9%
- Turkey 6%

Imports of goods, as a % of total

- China 38%
- Russia 21%
- Kazakhstan 16%
- Turkey 5%
- Euro Area 5%

+ STRENGTHS

- Major reserves of gold and other precious metals (including copper, uranium, mercury)
- Support from bilateral and multilateral donors
- Strategic pivotal position between Asia and Europe
- Membership of Eurasian Economic Union since 2015 (Russia, Belarus, Kazakhstan and Armenia)

- WEAKNESSES

- Poor diversification of the economy, which remains reliant on gold, agriculture, and remittances from expatriate workers
- Landlocked country with high energy dependency
- Difficult business climate
- Political and social instability associated with high poverty rate and inter-ethnic tensions
- Difficult relations with its neighbours (water management, borders...)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.9	3.8	3.6	3.8
Inflation (yearly average, %)	6.5	0.4	4.0	5.0
Budget balance (% GDP)	-1.2	-4.5	-3.4	-2.8
Current account balance (% GDP)	-16.0	-9.7	-12.1	-10.9
Public debt (% GDP)	67.2	61.4	62.8	63.9

(f): forecast

6.1
POPULATION
(millionsofpersons-2016)

1,073
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Dependence on remittances from expatriate workers, gold and agriculture

While there was a modest level of growth in 2017, private consumption took over from the fiscal stimulus policy introduced in 2016 to mitigate the negative impact of a degraded regional economic environment. The recovery in Russia, although slight, together with a simultaneous recovery in remittances from expatriate workers (one-sixth of the population, living mainly in Russia), is expected to provide greater support for household consumption and exports in 2018. However, the contribution of investment will remain limited, and investment financing will rely heavily on multilateral institutions – both for infrastructure projects financed by the ADB, as well as for the small and medium-sized enterprises receiving loans from the Russian-Kyrgyz Development Fund (RKDF) – thus weakening the impact of the expansionary monetary policy on bank credit and economic activity.

On the supply side, the rally in industrial production is expected to continue in 2018, thanks to production of gold (about one-third of total industrial output and 40% of exports), textiles and agri-food, as well as the performance of the construction and transport sectors. This is because infrastructure projects, like the construction of the North-South motorway, will help the country to diversify its sources of growth at a time when gold could lose its attractiveness for investors, and when its price could fall if world economic conditions improve. Agriculture – focused on cotton, tobacco, and livestock, and accounting for a third of GDP and half of jobs – will continue to play an important role.

Postponed until 2018, electricity price increases are expected to maintain the inflationary pressures observed in 2017, which were initially fuelled by higher prices for food and tobacco and the alignment of customs duties with Eurasian Economic Union norms.

Undermined by its twin deficits

Fiscal consolidation efforts will continue in 2018 thanks to contained public spending. The financing of the countercyclical fiscal policy through external borrowing conducted in 2016 has not pushed up the public debt ratio thanks to the som's appreciation against the US dollar. However, Kyrgyzstan's heavy public debt burden remains sensitive to exchange rate risks, and to an increase in the state's contingent liabilities; particularly in the energy sector, where structural reforms are expected to close the gap between the cost of the utility and the price passed on to users.

Higher private transfers – which account for about 30% of GDP – and an improved trade balance should help reduce the current account deficit slightly in 2018. However, considering the country's energy and food dependence and poor sectoral diversification of exports, it is likely to remain high. The foreign exchange reserves, equivalent to 4.1 months of imports of goods and services, may not be sufficient to withstand an external shock.

First democratic transfer of power since independence

Former Prime Minister Sooronbay Jeenbekov won the October 2017 presidential elections, supported by the outgoing President Almazbek Atambayev (ineligible to stand for a second term), gaining 54.3% of the votes cast compared with his 33.4% for main rival, businessman Omurbek Babanov who was also Atambayev's former Prime Minister. Despite the problems flagged up by the Organization for Security and Co-operation in Europe, this is the first democratic transfer of power in a country which has already experienced two revolutions since gaining independence. As his own Social Democratic party only holds 38 out of 120 seats, Mr Jeenbejov will have to work with a tripartite parliamentary coalition, Prime Minister Sapar Isakov, whose power was recently reinforced by a referendum, and the former president likely acting as figurehead.

The country benefits both from close co-operation with Russia (which has a military base in the country) as a member of the Eurasian Economic Union, of which Kyrgyzstan became a member of the Executive body in 2017, and from its strategic position on the Eurasian trade routes which China wants to develop as part of its "One Belt, One Road" project. However, the mediocre business climate, characterised in particular by high levels of corruption, is likely to continue to deter foreign investment, as will the arbitration proceedings on profit sharing currently being brought against the state by the Canadian company Centerra (the country's leading taxpayer, with turnover equivalent to 10% of GDP), which operates the Kumtor gold mine. Relations with neighbouring Kazakhstan remain conflictual.

LAOS

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Thailand 40%
- China 28%
- Vietnam 14%
- India 4%
- Euro Area 4%

Imports of goods, as a % of total

- Thailand 65%
- China 16%
- Vietnam 9%
- South Korea 2%
- Japan 2%

+ STRENGTHS

- Abundant natural resources: minerals (copper, gold, bauxite, iron, zinc), oil and agricultural commodities (maize, rice, sugar cane, rubber, manioc, soya, coffee)
- Expansion of the hydroelectric sector
- Foreign investment in the commodities and energy sectors
- Regional integration (ASEAN) and WTO membership

- WEAKNESSES

- Massive current account deficit
- Weak foreign exchange reserves
- Governance shortcomings and high poverty rate
- Weak banking sector
- Significant sovereign risk due to high debt stock
- Sensitivity to commodity prices and regional economic cycle

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.4	6.9	6.8	6.7
Inflation (yearly average, %)	1.3	2.0	2.3	2.7
Budget balance (% GDP)	-2.7	-5.9	-5.3	-5.2
Current account balance (% GDP)	-16.8	-17.0	-18.8	-19.1
Public debt (% GDP)	65.5	67.3	71.6	75.0

(f): forecast

6.6
POPULATION
(millionsofpersons-2016)

2,394
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth still firm but dipping again slightly

In 2018, activity should continue to slow slightly, although growth will remain robust. However, the Laotian economy is expected to benefit from the slight recovery in commodity prices, primarily those of mining products. Meanwhile, construction will benefit from the boom in the hydroelectric sector, which contributes nearly 20% of total exports. Thirty-five power plants are under construction, with several projects being launched at the end of 2016. Despite fiscal consolidation measures, infrastructure expansion continues.

The country, which is confronted by major infrastructure shortcomings, is involved in projects aimed at improving the country's rail and road connections with other countries in the region. These connections will enable the country to profit from its geographic position (borders with five other countries) to become a regional trade hub. In addition, a fifth airport is due for construction and the country is expanding its hotel capacity. Accordingly, growth in the number of tourists, especially from China, is expected to remain high. The tourist source countries will continue to be highly concentrated, with 80% of tourists coming from Thailand, China or Vietnam. The agricultural sector, although under-modernised, will continue to dominate: it represents 25% of GDP and employs over 70% of the workforce.

Household consumption is expected to remain firm and will benefit from the rise in the minimum wage, but could be hit by the consolidation measures and the slight rise in inflation. Moreover, robust mining and hydroelectric output, low urbanisation rates, as well as an inefficient banking sector, will continue to prevent households from benefiting from the country's strong growth.

The considerable public debt ratio and the dependence on external finance expose the country to external shocks

The fiscal deficit will remain high in 2018 despite the fiscal consolidation measures taken by the government. This is because tax collection (15% of GDP) is affected by high levels of corruption and low rates of tax. However, greater spending control by the different administrations has been observed, helping to improve expenditure effectiveness.

Despite the slight growth in exports of electricity and mining products, the current account deficit remains huge. This is because the country imports almost twice as many goods as it exports. Imports mainly consist of oil products and capital goods, notably for the hydroelectric and construction sectors. However, the country's exports should benefit from the development of electricity projects (80% of the electricity produced in Laos is exported) and the economic recovery in Thailand, Laos' main trading partner.

At the same time, the expansion of tourism should in part offset the repatriation of dividends by the foreign companies involved in the exploitation of natural resources. The country also receives remittances from expatriate workers and foreign aid. Furthermore, FDIs are booming because of major projects initiated by private, notably Chinese, companies, and the funds generated by these FDIs serve to fund the import of capital goods.

Nevertheless, the country has substantial foreign debt and depends on its neighbours (especially China) to fund its infrastructure projects. Meanwhile, the foreign exchange reserves are still inadequate, covering less than two months of imports and making the country and its currency, the kip – whose exchange rate is tightly controlled by the central bank – vulnerable to external shocks. Finally, the banking sector – especially public banks – remains fragile due to the lack of supervision and inadequate capitalisation. With regard to the sharp growth in credit in recent years, credit risk still needs to be watched.

Political stability despite major challenges regarding the development of governance

The presence of a single party, the communist-inspired Lao People's Revolutionary Party (PPRL), ensures the country's political stability. In April 2016, the transition of power to a new governmental team led by Thongloun Sisoulith ensured continuity. Nonetheless, the country remains underdeveloped, despite the strong economic growth observed in recent years. This situation is explained by the advent of an economy strongly oriented towards the external market and favouring FDIs (which enabled the country to join the WTO) but offering little benefit to the population, since the public authorities prioritise infrastructure spending over health and education spending. Meanwhile, despite some progress (especially on financial data), there are still significant governance shortcomings, as evidenced by the high level of corruption.

LATVIA

COFACE ASSESSMENTS

A3 COUNTRY RISK

A2 BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Lithuania 17%
- Russia 11%
- Estonia 11%
- Germany 7%
- Sweden 6%

Imports of goods, as a % of total

- Lithuania 17%
- Germany 12%
- Poland 10%
- Estonia 8%
- Russia 7%

+ STRENGTHS

- Membership of the euro zone (2014) and the OECD (2016)
- Financial system dominated by Swedish banks (85% of domestic credit)
- Reform of insolvency law and legal system
- Transit point between the European Union and Russia (coastline and its ports)
- Advanced digitisation of the country

- WEAKNESSES

- Decline in the workforce (low birth rate, emigration); high rate of structural unemployment
- Technological lag (R&D = 0.6% of GDP, EU average = 2%)
- Inadequate land links with the rest of the European Union
- Concentration of wealth in the capital; high income inequalities
- Heavy taxation of labour which hits those on low wages and encourages under-declaration
- Problem of corruption
- Declining competitiveness and profitability: wage increases above productivity gains
- Importance of non-residents' bank deposits (half of the total)

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2,7	2,0	3,8	3,9
Inflation (yearly average, %)	0,2	0,1	3,0	3,0
Budget balance (% GDP)	-1,5	-0,4	-0,7	0,0
Current account balance (% GDP)	-0,8	1,5	-0,3	-1,5
Public debt (% GDP)	34,8	37,2	35,6	33,2

(f): forecast

2.0
POPULATION
(millionsofpersons-2016)

14,063
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth buoyed by internal demand

Stronger growth is expected in 2018, sustained by internal factors. Private consumption will likely also help underpin activity, thanks to a rise in the minimum wage (up from EUR 380 to EUR 430 a month in 2018), as well as lower taxes on the less wealthy and gradually falling unemployment. However, any increase in disposable income will probably be limited by continuing high inflation. In addition, the shortage of labour due to the emigration of young skilled workers, as well as the mismatch of higher education and vocational training to needs, will continue to limit the reduction in unemployment.

Exports, particularly of food products, timber and furniture, telephones and screens, will benefit from stronger economic performance in the country's main markets: Germany, Poland, and the other Baltic countries. However, exports towards Russia will still be constrained by continuing Russian countersanctions. Sales of dairy products, fish, and beverages have been hit especially hard. The construction sector will benefit in turn from industrial momentum, as well as from the upswing in private and public investment, with the latter being boosted itself by increased European funds enabling the funding of numerous infrastructure projects, principally in the transport sector. Private investment will also be buoyant, though still constrained by worries over Russia. International road and rail transport, as well as warehousing, will depend on their use by Russia, which wants to foster its own ports.

A satisfactory fiscal position

The public accounts are set to be in balance in 2018. Higher spending on defence (from 1.4% of GDP in 2014 to 2% in 2018), infrastructure, education, and healthcare should be offset by higher incomes generated by stronger revenues, which result from combating tax evasion associated with the informal economy (24% GDP). Moreover, a wide-ranging fiscal reform was adopted by the parliament in August 2017 and will be implemented from 2018 onwards. It comprises, in particular, greater income tax progressivity (with the creation of tax brackets rather than a single 23% tranche) and higher corporation tax (rising from 15% to 20%) – although companies who reinvest their profits are fully exempt. The public debt burden, already moderate, will likely continue to ease in 2018, after peaking temporarily in 2016 in connection with the early refinancing of a repayment due in early 2017. Although mostly contracted with non-residents and denominated in euros, there is no exchange rate risk.

Contained current account deficit and substantial non-resident bank deposits

The current account deficit will widen because of a worsening goods balance. This is because imports, fuelled by the growth in domestic demand and poor diversification of production, will grow faster than exports. The services surplus, related to tourism and the transit of goods (to and from Russia) and remittances from expatriate workers, will largely offset this deficit. The current account deficit is funded by European funds and foreign investment, which is unaffected by the worsening relations with Russia. Gross external debt, although steadily declining, is still substantial (140% of GDP, but only 26% as net debt). A third is owed by Swedish bank subsidiaries to their parent companies, and this proportion is shrinking as local deposits increase. Another third corresponds to non-resident deposits, mostly Russian, in specialised banks.

Ministerial instability and fragmentation of the political scene

The October 2014 elections returned the traditional centre-right coalition – made up of the Unity Party, the Alliance of Greens and Farmers and the National Alliance Party – who now hold 61 out of 100 seats in the Assembly. However, disagreements between the coalition members and ministerial instability are rife: Maris Kucinsskis is the third Prime Minister during this parliamentary term. The upcoming parliamentary elections, scheduled for October 2018, could result in a change to the current coalition. This is because the Unity Party (22% of the votes cast in 2014) is not expected to achieve the 5% needed to get into Parliament, according to polls conducted in 2017. The collapse in popularity is accompanied by more intense competition at the centre, with two new parties since 2014, including the Movement For!, which is pro-European. The country's main political force remains the National Harmony Party, which is nonetheless expected to remain in opposition. This centre-left party (currently with 24 seats), which draws support from the Russian-speaking minority (27% of the population), is still unable to form a coalition because of the ethnic vote reinforced by the cooling of relations with Russia.

LEBANON

COFACE ASSESSMENTS

C COUNTRY RISK

C BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- South Africa 21%
- Saudi Arabia 9%
- Euro Area 9%
- United Arab Emirates 8%
- Syria 7%

Imports of goods, as a % of total

- Euro Area 33%
- China 11%
- United States 6%
- Egypt 4%
- Russia 4%

+ STRENGTHS

- Robust banking system which enjoys investor confidence
- Financial support from the diaspora and the international community
- Discovery of offshore deposits of natural gas

- WEAKNESSES

- Political divisions along religious lines and serious political differences over the Syria question
- Highly exposed to regional geopolitical tensions
- Very high public debt
- Political instability

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.8	1.7	1.8	2.0
Inflation (yearly average, %)	-3.7	-0.8	3.1	2.5
Budget balance (% GDP)	-7.6	-9.9	-7.3	-7.0
Current account balance (% GDP)	-18.7	-18.6	-18.0	-16.8
Public debt (% GDP)	142.2	148.7	152.3	156.1

(f): forecast

4.5
POPULATION
(millionsofpersons-2016)

11,295
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Persistent political uncertainty

After President Michel Sleiman stepped down in May 2014, Lebanon went through an institutional vacuum which lasted until the 31st October 2016, the day on which the parliament elected Michel Aoun (a Christian former general), a member of the "March 8 Alliance", named after the pro-Syrian rally held on that date in 2005 and mostly composed of Shiite (including Hezbollah and Amal) and Christian parties. On the 3rd November 2016, Saad Hariri, leader of the Sunni members of the Future Movement party - a bloc within the "March 14 Alliance" (named after the date of the rally against the Syrian presence that followed Rafik Hariri's assassination in February 2005 and formed mostly of Sunni and Christian parties united by their opposition to the March 8 Alliance - was appointed Prime Minister and formed a National Unity Government. During a visit to Riyadh on the 4th November 2017, Prime Minister Hariri decided to resign. This surprise declaration caused "devastation and chaos" in the country among all factions and, according to Mr Aoun, took place under pressure from the Saudi regime. On his return to Beirut on the 22nd November, Saad Hariri put his resignation on hold. The most plausible hypothesis is that he will stay in post until the next parliamentary elections scheduled for May 2018.

Fragile growth in 2018

After recovering in 2017, the Lebanese economy has once again proved its resilience due to the stability of its banking system whose assets represent 350% of GDP and to substantial remittances from the diaspora. Nevertheless, activity is constrained by political uncertainty and regional instability, exacerbated by the presence of almost a million Syrian refugees in the country (almost a quarter of the population). Following the discovery of offshore oil and gas deposits in the Mediterranean, the government set up a legal framework to cover the taxation and exploitation of oil and gas activities in January 2017 and launched calls for tender. It seems unlikely that the impact on the Lebanese economy will be observed as early as 2018, despite the authorities' avowed aim of beginning production from the beginning of the year as there is stiff competition with Israel over some fields. Tourism (15% of GDP in 2016) is likely to be only weakly affected by the call for nationals of Saudi Arabia (2.5% of tourists) and its allies in the Middle East to leave Lebanese territory.

Household investment is expected to benefit from the central bank borrowing rate of 1% (compared with the commercial bank rate of 8.4%). The rate is intended for low- and medium-income households in order to boost property sector growth, particularly in the Greater Beirut area. Regarding private investment, the law on public/private partnerships (PPP), passed in August 2017, is intended to facilitate involvement by private actors in infrastructure modernisation projects (Beirut International Airport, Khaldé-Nahr Ibrahim motorway). Private consumption, despite the political uncertainty, is expected to rise because of the arrival of Syrian refugees.

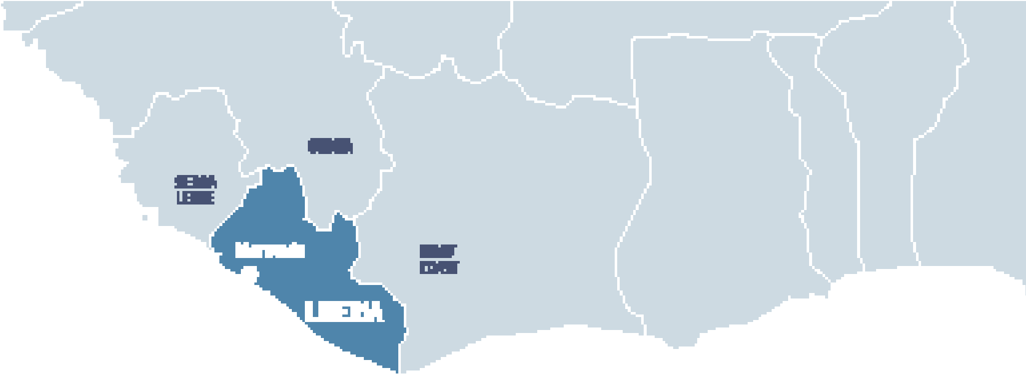
The central bank is expected to maintain the Lebanese pound's fixed exchange rate (since 1999) against the US dollar, a measure guaranteeing financial stability for investors in a highly dollarised economy. 60% of deposits on Lebanese accounts (which represent over twice the GDP), which are mostly held by the Lebanese diaspora, are in US dollars.

Significant twin deficits and growing debt

On the 9th October 2017, parliament approved its first budget since 2005. The draft budget included provision for a 16% increase in wages and pensions. Subsidies, especially those for the national electricity company Electricité du Liban (6% of total spending), continues to put pressure on the public accounts. To offset this rise in spending, VAT is expected to increase from 10% to 11%, corporation tax from 15% to 17%, tax on deposit interest from 5% to 7% and, finally, taxes on some products like cement or tobacco will also rise. All of these measures will contribute to deficit reduction. The primary balance will continue to show a surplus, with the large public deficit mainly due to payment of interest on the public debt (32% of spending in 2018), which is steadily increasing. The debt, which is at an exceptionally high level, is mainly held by Lebanese banks, with 60% of their assets in sovereign debt securities.

In 2018, the current account will still show a sizeable deficit due to the trade imbalance. Imports (34.5% of GDP in 2016) are expected to remain at high levels on the assumption of firm oil prices (21.2% of imports). Rising domestic demand for food and consumer goods, triggered by the population increase, will also encourage this trend. Exports to neighbouring Syria, which have never stopped despite the war, will increase following the defeat of IS, especially in the agricultural sector. The large current account deficit is financed by current transfers from the diaspora and by FDIs (16% and 5.5% of GDP respectively in 2016).

LIBERIA



COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 27%
- Poland 18%
- Switzerland 10%
- United States 6%
- South Africa 5%

Imports of goods, as a % of total

- South Korea 38%
- Singapore 18%
- China 16%
- Japan 11%
- Euro Area 6%

\+ STRENGTHS

- Diverse natural resources (rubber, iron, gold, diamonds, oil)
- Strong financial support from the international community
- Member of the Economic Community of West African States (ECOWAS)

\- WEAKNESSES

- Infrastructure shortcomings
- Dependent on commodity prices
- Significant levels of poverty and unemployment, shortcomings in education and healthcare
- Recent Ebola epidemic which could reappear
- Recent and fragile democracy, high levels of corruption
- Difficult business climate
- Dominant informal sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.0	-1.6	2.6	3.9
Inflation (yearly average, %)	7.7	8.8	12.8	10.0
Budget balance (% GDP)(*)(**)	-10.2	-5.3	-7.9	-5.9
Current account balance (% GDP)(**)	-35.2	-24.7	-26.7	-31.3
Public debt (% GDP)	39.5	45.0	50.8	56.2

(*)2018 fiscal year: from July 2017 to June 2018 (**)including grants (f): forecast

4.4
POPULATION
(millionsofpersons-2016)

478
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

A more favourable economic context

In 2017, Liberia exited a recession triggered by the Ebola epidemic, falling commodity prices and the phased withdrawal of the UN peacekeeping force (UNMIL). Growth prospects for 2018 are better. This momentum is fostered by recovery in the mining sector (mainly gold and diamonds). Mining production will be up by 15% in 2017 and investments in this sector will continue on an upward curve (+5% expected in 2018) to reach their pre-crisis levels. Nonetheless, iron prices could decline in 2018, which would discourage foreign investors. In contrast, investments are expected to rise in other sectors thanks to the agreement between the State and Tidfore Investment for the construction of the country's first steel plant for an estimated cost of USD 200 million (10.5% of GDP). With a view to diversification, the government's stated priority is to develop tourism activity as part of the National Export Strategy on Tourism (2016-2020). This will be implemented through infrastructure development, particularly thanks to the Road Fund paid into from fuel taxes and the contribution from the Millennium Challenge Corporation (MCC).

The Liberian dollar's depreciation against the US dollar (i.e. 20% during the first six months of 2017) is expected to slow slightly, reducing the inflationary pressures on private consumption. The central bank's tight monetary policy is not very effective because the economy is highly dollarised (90% of lending and 80% of deposits). Two currencies, the Liberian dollar and the US dollar are legal tender and compete against each other.

Deficits plugged with difficulty through foreign aid

State revenues fell significantly before the recession. The budget was only balanced thanks to international aid, even if its share in the budget is expected to gradually decline. The EU will pay EUR 65 million (3.4% of GDP) into an aid programme between 2016 and 2018. Likewise, the IMF's Extended Credit Facility mechanism (ECF), which completed in late 2017 (but is expected to be extended), will boost State revenues during the 2017-2018 tax year by USD 20.7 million. Current spending will represent 90% of the budget. Nevertheless, there has been a drive to reduce the wage bill, the main item of expenditure. The withdrawal of the UNMIL, which will complete in March 2018, will increase budget difficulties, as it is likely to drive up security spending. The public deficit is financed by bilateral and multilateral concessional loans.

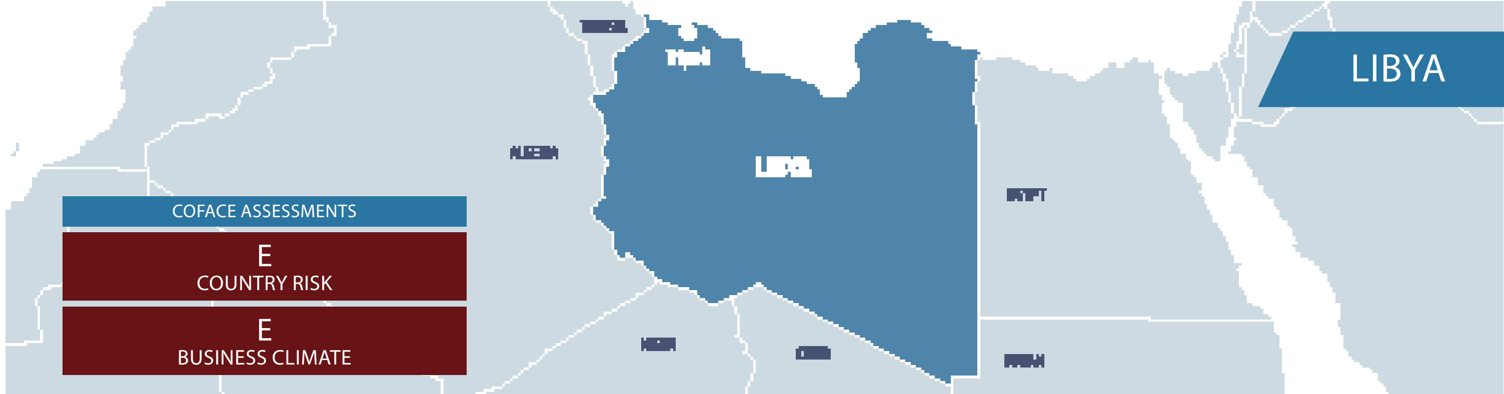
The huge current account deficit, due to the trade imbalance is expected to continue to widen in 2018. Exports consist above all of unfinished raw materials, of which rubber (34.6% of exports in 2016), iron (29.3%) and diamonds (17%) are the main components. The drop in prices for the first two of these will adversely impact trade terms. Only exports of palm oil are likely to see considerable growth thanks to investments in the sector. Imports are expected to rise, against a background of firm oil prices and the depreciation of the Liberian dollar. To finance the deficit, the country depends on remittances from expatriate workers (50% of GDP in 2016), particularly those in the United States due to historical links. Since December 2016, 25% of these funds are held by the central bank to mitigate the haemorrhaging of foreign exchange, which was equivalent to 2.5 months of imports in late 2017. The capital flight is, however, expected to trail off, if there is a democratic transition following the 2017 presidential elections in 2017. However, these revenues are insufficient, so FDIs (11% of GDP in 2016) and external loans will help offset the current account deficit.

Complicated democratic transition, even with the Ballon d'Or elected President

After two consecutive civil wars (1990-1997 and 1999-2003), which left over 250,000 dead or 8% of the total population, and a transition period (2003-2006), Ellen Johnson Sirleaf led the country for over 10 years. She contributed to the much-improved situation and helped bring calm to the political arena. After two terms in office, she was no longer eligible to stand in the presidential elections, the second round of which took place in December 2017. The first democratic and peaceful transfer of power from one elected president to another for 73 years represented a major challenge. This because neither candidate won an absolute majority in the first round, resulting in a second round contest between former footballer George Weah and Joseph Boakai, vice president since 2006. Initially set for 7 November, it was postponed *sine die* by the Supreme Court following an allegation of fraud (rejected on 20 November) by the candidate Charles Brumskine, who was third. Considerable uncertainty prevails as to the policies the new president George Weah will follow.

Despite the reforms undertaken by Ellen Johnson Sirleaf, the business climate remains difficult (172nd out of 190 in the *Doing Business* 2018 rankings), particularly because of the lack of adequate infrastructure and the absence of (non-customary) legal property rights.

LIBYA



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 53%
- Egypt 21%
- Croatia 5%
- China 4%
- Canada 4%

Imports of goods, as a % of total

- Euro Area 17%
- China 14%
- South Korea 13%
- Turkey 10%
- United States 3%

\+ STRENGTHS

- Large gas and oil reserves Very low level of external debt
- Strategic location on the Mediterranean near Europe

\- WEAKNESSES

- Country split in two: the west is well governed by the Tripoli government recognised by the international community, the east is controlled by the government in Al-Beïda supported by Field Marshal Haftar.
- The south of the country is suffering a proliferation in trafficking (human, weapons, drugs)
- High inflation
- Social tensions, political and tribal fragmentation
- Adverse business climate

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-10.2	-17.2	15.8	20.1
Inflation (yearly average, %)	9.8	27.1	32.8	32.1
Budget balance (% GDP)	-126.6	-102.6	-42.9	-23.3
Current account balance (% GDP)	-52.5	-22.3	1.7	9.8
Public debt (% GDP)	42.3	34.5	32.1	30.8

Iranian calendar from March to March (f): forecast

6.4
POPULATION
(millionsofpersons-2016)

3,205
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Recovery in oil and gas production

The expansion in activity is mainly due to the increase in oil and gas production following the securing of the oil fields in the west and the reopening of a number of production facilities such as Sharara. Oil and gas production reached its highest level since 2014, with the 1 million barrels a day mark being reached in 2017. The country is the subject of a preferential agreement within OPEC that allows it to increase its production outside the quotas. Despite the obsolescence and the destruction of some of its infrastructures, Libyan production is expected to continue in 2018 at a similar level to that of last year. Although foreign companies are cautiously showing signs of being ready to return, the ever-present security problems risk slowing any such trend meaning that the FDI flows will remain very limited unless the political situation is settled and peace restored to the country. In addition, the non-oil and gas economy continues to suffer from shortages of resources and the ongoing security issues. Problems with replenishment, foreign currencies shortage and the black market have resulted in high prices, exacerbated by the removal of food subsidies. Inflation however is expected to stabilise. The growth in oil and gas exports will help reduce the currencies shortage. Two central banks operate and implement parallel policies, one in Tobruk linked with the National Union government, the other based in Al-Beïda. Closer links between the various protagonists and the scale of deterioration of the economic fundamentals is probably likely to encourage a reunification agreement between the two bodies. The pegging of the Libyan dinar to the SDR rate is expected to continue but a devaluation of the currency is planned by the Tobruk central Bank. The recovery in the oil and gas sector should however have positive knock on effects for the non-oil and gas sector.

Huge twin deficits

The decline in oil and gas exports severely disrupted the economic balance within the country and created a public deficit and a current account deficit. The restarting of oil and gas production should help the gradual elimination of the deficits in the medium term but this will remain dependent on finding a settlement to the political crisis and the measures to follow this. Although they were higher in 2017, budget revenues cannot cover the major structural expenditure. The wage bill in effect accounts for 33% of GDP, on top of which there are the costs associated with the energy subsidies. In addition, given that Libya imports 80% of its domestic consumption, the growth in exports will not make it possible to offset the large trade deficit.

Unending Libyan crisis

After a number of unfruitful mediation attempts under aegis of the United Nations, the Libyan crisis again seems to have entered another impasse. Undermined by the political discord arising in the post-Gaddafi transition, Libya is a divided country, split between lawless regions, areas under the control of tribal allegiances and a range of militias. The progress made with the Skhirat agreement signed in Morocco in December 2015 which led to the establishment of a transition government, has not produced a way out of the crisis. The legitimacy of the government led by Faïez Sarraj is disputed by that of Al-Beïda supported by Field Marshal Haftar. Whilst the former is recognised by the international community, the latter whose major supporter is a Field Marshal and head of the Libyan Liberation Army, retains military control of Cyrenaica (east). Following a number of discussions between the two parties during 2017, the appointment of a new United Nations emissary, Ghassan Salamé, presents one possible route towards a solution. The task is, to say the least, a difficult one but the objective of the Libya plan as submitted by Mr. Salamé will be to revise the Skhirat agreement so as to find areas of potential compromise between the two key factions. There are thus three core components to the plan: the creation of a constitution approved in a referendum, the holding of elections and a process of national reconciliation similar to that carried out in Tunisia. The Special Envoy could also reintegrate Libyan institutions such as the Central Bank, split in two. In December 2017, the HNEC, the Libyan Electoral Commission, launched the electoral list registration process for elections in 2018. The challenge for this election process will be for it to be accepted by all the parties involved in the crisis: the two governments in Tripoli and Al-Beïda, as well as former Gaddafists and Royalists. For the UN mediator, this requires a prior agreement by the key parties to accept the results of the vote, failing which no consensus can be achieved following the elections. This has become all the more pressing as the Libyan question has returned to the international agenda with the revelations around the trafficking of Sub-Saharan migrants in the region in 2017. The African Union, with the support of the European Union and the United Nations, is working jointly with the IOM, the International Organization for Migration, to implement a plan for the evacuation and repatriation of Sub-Saharan migrants to their home countries.

LITHUANIA

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Russia 13%
- Latvia 10%
- Poland 9%
- Germany 8%
- Estonia 5%

Imports of goods, as a % of total

- Russia 14%
- Germany 12%
- Poland 11%
- Latvia 8%
- Italy 5%

+ STRENGTHS

- Membership of the eurozone since 2015
- Prospect of OECD membership
- Sound public and external accounts
- Banking system dominated by three Scandinavian banks
- Transit region between the European Union and the Russia/Kaliningrad enclave
- Diversification of energy supply (Klaipeda gas terminal, shale gas potential, electricity links with Poland and Sweden)

- WEAKNESSES

- Shrinking workforce (emigration of skilled young people)
- Large underground economy (26% of GDP)
- Wide income disparity between the capital and the regions, especially in the north-east where poverty persists
- High structural unemployment, even though it is coming down
- Limited added value of exports (mineral products, timber, agrifood, furniture, electrical equipment)
- Competitiveness eroded by insufficient productivity gains

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.8	2.3	3.5	3.3
Inflation (yearly average, %)	-0.7	0.7	3.5	2.5
Budget balance (% GDP)	-0.2	0.3	0.1	0.5
Current account balance (% GDP)	-2.3	-0.9	-1.1	-1.7
Public debt (% GDP)	42.7	40.2	37.5	35.1

(f): forecast

2.9
POPULATION
(millionsofpersons-2016)

14,893
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth still driven by internal demand

Growth is set to remain firm in 2018, buoyed by private consumption and the recovery of investment. After falling due to a gap between two European programmes, public infrastructure investment will grow strongly thanks to the return of European funds in 2017. Private investment also is also expected to perform better, sustained by robust external demand for local products. Exports (more than 70% of GDP), of which 60% are directed to the European Union, will benefit from more dynamic eurozone growth and Russia's exit from recession. Meanwhile, after the counter-sanctions and the Russian recession, substitute markets have been found for agri-food products, and for the road transport used for goods transit to Russia. Nevertheless, the contribution of external trade to growth will still be nil due to the simultaneous growth in imports associated with lively domestic demand. In addition, investment growth and rising industrial output will benefit construction.

Private consumption will also support activity in 2018, buoyed by solid wage growth, lower taxes on households, and falling unemployment (7.4% in September 2017). Higher wages demonstrate the country's declining population associated with the emigration of skilled workers, in part offset by greater resident worker participation brought about by the raise of the legal retirement age. However, higher consumption could be dampened by inflation, although at a more moderate pace in 2018.

Current account deficit and slight budget surplus

The position of the public accounts has improved considerably since 2009, when the deficit was in excess of 9%. In 2018, the fiscal balance should again be in positive territory. Higher tax receipts, linked to lively consumption and wage growth, should help offset the rise in defence spending, the index-linking of pensions, and the cuts to social security contributions all of which were implemented in 2017. The 2018 budget will focus on poverty reduction, by improving the health system and exonerating the lowest earners from tax obligations. The public debt burden (85% of which is held by non-residents and 37% of which is denominated in dollars) should gradually ease, especially as the structural balance (-0.1% forecast for 2017), adjusted for the influence of the economic cycle, has greatly improved since 2014.

The trade deficit (5.5% of GDP in 2016) could edge upwards in 2018 thanks to robust internal demand, which local manufacturing output meets only in part. The service surplus generated by road transport will almost completely cover this. Dividend and interest repatriation by foreign investors (4.2% of GDP in 2016) will continue to exceed remittances by emigrant workers (2.9%). In these conditions, the current account balance is expected to worsen slightly, but will show only a modest deficit. European structural funds, accounting for an annual average of 3% of GDP, will continue to finance transport and energy infrastructure, research, and innovation. Foreign direct investments will still come mostly from northern Europe and will benefit a diverse variety of sectors.. The external debt burden (83% of GDP at the end of September 2017) is slowly shrinking as the banks reduce the debt (15% of total debt) they owe to their parent companies.

Government fragility is not expected to threaten the continuity of reforms

In the October 2016 elections, the electorate – irritated by corruption, the new labour code, and a lower standard of living than the European average – confounded expectations and voted in the centrist Farmers and Greens Union (LVZS), which won 56 out of 141 seats in the Seimas, the local parliament. Putting an end to the alternating coalitions led by the conservatives and social democrats, Saulius Skvernelis (LVZS) formed a coalition government with the Social Democratic Party (17 seats). However, in September 2017, the latter decided to leave the government coalition, although some ministers chose to remain in place. This departure could lead to early elections in 2018, even though this is not expected to fundamentally change the country's policies, given the consensus within political circles on certain topics, such as the creation of a new social model aimed at reducing inequalities and poverty, and also convergence towards the other euro zone countries. Nevertheless, the many scandals linked to corruption among politicians will continue to cause distrust among the public. Moreover, the President Dalia Grybauskaitė is set to stick to her pro-European stance and firmness towards Russia because the country shares a border with the Russian enclave of Kalingrad – home to a major naval base. The Polish minority (7% of the population) will continue to be criticised because of its alleged collusion with Russia.

LUXEMBOURG

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 23%
- Belgium 17%
- France 15%
- Netherlands 5%
- Italy 4%

Imports of goods, as a % of total

- Belgium 29%
- Germany 24%
- France 10%
- United States 7%
- China 6%

+ STRENGTHS

- Budgetary stability
- Skilled multi-lingual workforce
- Quality infrastructures, business-friendly regulations
- Important international financial centre
- High standard of living

- WEAKNESSES

- Level of dependence on its very large financial sector
- Economy vulnerable to economic performance of the eurozone
- Long-term budgetary implication of its ageing population

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.9	3.1	3.4	3.8
Inflation (yearly average, %)	0.1	0.3	1.6	1.4
Budget balance (% GDP)	1.4	1.5	0.3	0.2
Current account balance (% GDP)	5.1	4.7	4.7	4.9
Public debt (% GDP)	21.6	20.0	23.5	22.7

(f): forecast

0.6
POPULATION
(millionsofpersons-2016)

104,095
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Further improvement in activity in 2018

There was a slight uptick in growth in 2017 which remained steady. Following a weaker first quarter resulting from the downturn in the services and construction sectors, activity in these two sectors gradually improved during the year. Information and communication services once again demonstrated their vitality, with double digit growth since the beginning of 2014. In terms of demand, household consumption remains buoyant, bolstered by the increase in purchasing power thanks to the tax reforms that allowed the indexing of wages to inflation in 2017 and the continued growth in the rate of employment in the country. Growth is expected to remain at a high level in 2018. Weaker inflation, the continuing strength of the jobs market and new measures for the indexing of wages expected for the middle part of the year should continue underpinning consumption. At the same time, the unemployment rate, relatively low, should remain at around 6%. Exports are expected to grow with the expansion of the financial sector, resulting in a further consolation of the external position. In addition, the relaxed monetary policy combined with a more expansionist budget are favourable for company investing.

Balanced public accounts and a solid external position

The budget surplus fell in 2017 and this trend should continue in 2018. This decline reflected the impact of the tax reforms of 1st January 2017 on budget revenues. Expenditure was also higher following the indexing of government employee wages with inflation, and the increase in investment spending. In 2018, the favourable economic context is expected to lead to higher tax revenues which will increase the room for manoeuvre for a more expansionist budget. The tax reforms should mean a reduction in taxes on households as the rate falls from 19% to 18%. The growth in expenditure should remain under control but the government will be trying to boost investment spending. A total package worth 4.1% of GDP will be allocated towards productive investments and improvements to certain infrastructures. Social spending, which accounts for 46.5% of total spending, will be held to a level of around 20% of GDP. The public debt remains one of the lowest in Europe (the assets held by the public sector exceed its liabilities). After having risen in 2017, the trajectory is likely to reverse in 2018. It will reach 22.7% of GDP and well below the 30% upper limit set by the authorities.

The current account will remain easily in surplus in 2018 despite the balance of trade deficit and that of the balance of income as a result of transfers by cross-border workers. These transfers are largely offset by the large surplus in the balance of services. Luxembourg is in effect the world's second-largest centre for investment funds, behind the United States, and remains a key central location for banks specialising in managing intra-group liquidity. It also hosts a large number of reinsurance companies. The level of exposure to the housing market of a number of the domestic market facing banks still needs to be watched.

Parliamentary elections in 2018

The early elections called in October 2013 led to the formation of a new coalition bringing together for the first time the Liberals, Socialists and Greens, headed by liberal Xavier Bettel. The coalition, already weakened by the massive rejection, in June 2015, of its proposed changes to the constitution, was further weakened following the local government elections of Sunday the 7th October 2017. Transformed into the opposition in 2013, the Christian-Social Party (CSV), gathered more than 30% of the votes throughout the Grand-Duchy, ahead of the Socialist LSAP (24%), the Liberal Parti Démocratique (DP, 18%) and the Ecologist Déi Gréng (16%). This vote, also open to foreign voters, was a test for Xavier Bettel a year before the Parliamentary elections. These elections must be held at the latest in October 2018. The new regulations do not in effect set a precise date, but define a five-year term of office with a vote to be held at the latest on the Sunday preceding the end of the term of office.

MACEDONIA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Euro Area 66%

Bulgaria 5%

Serbia 4%

Kosovo 4%

Romania 3%

Imports of goods, as a % of total

Euro Area 36%

United Kingdom 11%

Serbia 8%

China 6%

Turkey 5%

+ STRENGTHS

- Integrated into the German production chain
- Proximity to Central European factories
- Wage competitiveness
- Support from international donors
- High levels of immigrant workers' remittances (19% of GDP)
- Denar pegged to the euro

- WEAKNESSES

- High level of structural unemployment and training shortfalls
- Large informal economy
- Inadequate transport infrastructures
- Significant indebtedness of private sector (93% of GDP at end 2014)
- Conflictual political landscape
- Tensions between the Slavic majority and the Albanian minority

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.8	2.4	1.7	2.8
Inflation (yearly average, %)	-0.3	-0.2	1.2	1.8
Budget balance (% GDP)	-3.5	-2.6	-3.2	-2.9
Current account balance (% GDP)	-2.0	-3.0	-2.8	-2.7
Public debt (% GDP)	46.5	47.8	49.0	51.0

(f): forecast

2.1
POPULATION
(millionsofpersons-2016)

5,264
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Acceleration of growth

The stabilisation of the domestic political scene should put an end to two years of cyclical lows, and increase growth. Private investors, particularly from overseas, made cautious by the long political crisis, are expected to regain confidence. Public investment should retain its momentum with the construction of the motorway and rail infrastructure (corridor VIII between Albania and Bulgaria and Corridor X between Serbia and Greece) thanks to financing from the EIB and the EBRD. The industrial and construction sectors should benefit from this dynamic. Household consumption should remain strong, fostered by growth in jobs and immigrant workers' remittances. Household credit should continue to be favoured by accommodative monetary policy and the banking sector's good health. Lastly, exports of car components (cables, electronic circuits), chemical products, plastics, textiles, construction materials, and food-grade glass will feel the benefits of the European economic upturn. However, given that imports of capital goods related to the recovery of investment will increase at the same time, the contribution of trade to growth is expected to be fairly low.

Slow improvement of public accounts, but significant current account deficit

The August 2016 floods and the economic downturn halted the fiscal consolidation that is set to resume in 2018. Improvement will be slow. Revenues are burdened by tax evasion, the scale of the informal economy, and a single income and corporation tax rate of 10%. On top of this, with the aim of attracting and retaining foreign investment, these investors are offered 10-year tax exemptions and free access to public services. 80% of public expenditure concerns wages, pensions, social transfers, and debt interest, and offers little flexibility. The recurrent deficit and the sovereign guarantee of funds borrowed by public companies for the construction of infrastructures have led to significant and growing public debt, held at 69% by foreign creditors and denominated in euros, to which the local currency, the denar, is pegged.

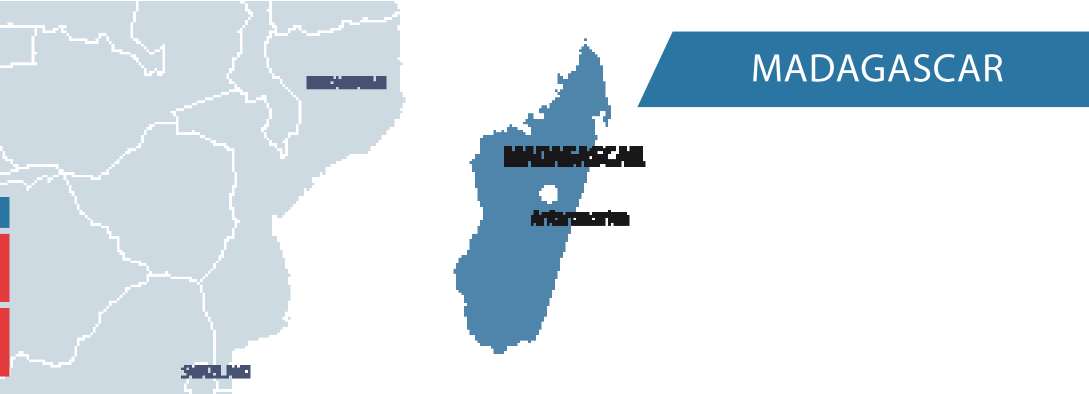
The trade balance deficit is expected to remain high (18.8% of GDP in 2016). The increase in exports by foreign companies related to the development of their local production capacities and the recovery in the Eurozone will be offset by the increase in purchases of capital goods and consumer goods. Remittances from expatriate workers (16% of GDP), surpluses of services, and, to a lesser extent, spending by visitors from Turkey, Bulgaria, and Serbia should partially cover the trade deficit and the deficit of foreign investment revenues. In total, the current account deficit will remain covered by foreign net investments. The private sector is responsible for two thirds of foreign debt (73.5% of GDP) particularly in connection with foreign investment. Its short-term share is only one fourth and is largely covered by foreign exchange reserves, which represent four months of imports.

A disturbed political scene that may put off investors

The early elections of December 2016 eventually led to the formation of a coalition government in May 2017, composed of the social democrats (SDSM) of the new Prime Minister Zoran Zaev, with 49 seats in Parliament out of 120, and of the parties representing the Albanian minority. This minority, which constitutes one quarter of the population and is concentrated in the north and the west, obtained from its partner an extension of the use of Albanian to the entire country; beyond the areas where it exceeds 20% of the population. Although holding 51 seats and the support of the Macedonian president, the conservatives of VMRO-DPMNE, led by Nicola Gruevski, ultimately had to accept defeat after eleven years in power, as their traditional Albanian ally, the TUI, failed them. This put an end to a period of political turmoil that began in spring 2015, with the broadcasting of audio recordings implicating members of the previous government coalition in election corruption and fixing, followed by demonstrations by the Albanian community, during which 22 people died.

The country will continue to face several challenges: the strength of the government coalition, increased ethnic polarisation of the society, and the process of the country's accession to the European Union and NATO. On this last point, Greece has given its support to this dual accession, although it was opposed to it because it refused to see its neighbour be called Macedonia, a name that refers to a Greek region. This situation is leading to caution among investors. Whilst within the Industrial and Technology Development Zones (duty-free areas), foreign companies benefit from significant tax advantages and low labour costs, they are faced with a shortage of skilled labour, inadequate infrastructures, insufficient resources allocated to R&D, the slowness of internal payments and the legal system, as well as corruption. The local entrepreneurial fabric, which remains underdeveloped, derived little benefit from the business of foreign companies, the origin of the majority of exports.

MADAGASCAR



COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Euro Area 41%

United States 13%

China 6%

Japan 5%

South Korea 4%

Imports of goods, as a % of total

China 21%

Euro Area 14%

India 6%

United Arab Emirates 6%

Saudi Arabia 5%

+ STRENGTHS

- Significant mineral (precious stones, nickel, cobalt) and oil reserves
- Agricultural sector potential - world's leading producer of vanilla
- Expansion of the tourism sector
- Public debt mostly on concessional terms

- WEAKNESSES

- Dependence on agricultural and mining output
- Inadequate road, hydraulic and electricity networks
- Dependence on foreign aid
- Chronic political instability

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.1	4.2	4.2	4.8
Inflation (yearly average, %)	7.4	6.6	7.8	6.8
Budget balance (% GDP)	-3.3	-4.0	-5.9	-5.2
Current account balance (% GDP)	-1.9	0.3	-4.7	-5.3
Public debt (% GDP)	41.3	38.7	41.5	43.5

(f): forecast

24.9
POPULATION
(millionsofpersons-2016)

401
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Following the political crisis, recovery, hampered by poor weather, resumes

Growth in 2017, hampered by the violent passage of the Enawo cyclone just when the island was struggling to recover from the drought brought on by *El Nino*, stagnated. Nevertheless, the momentum gained following the political crisis (2009-2013) is expected to pick up again in 2018. After two years of poor harvests, activity in the agricultural sector, which represents almost a quarter of GDP, is expected to be more productive. In the secondary sector, agri-industry will benefit, in particular, from the increased contribution of the Nosy Be and Morondava sugar refining mills. For its part, the textile industry should continue to benefit from Madagascar's reinstatement in the African Growth and Opportunity Act (AGOA). This sector is also set to be one of the main beneficiaries of the island's membership of the Afreximbank in June 2017.

The outlook for the tourism sector is also brighter, after it was hit by the bad publicity accompanying the political crisis, benefiting, in addition, from more positive growth dynamics in Europe (from where most tourists originate). Identified because of its potential in the National Development Plan (NDP) 2015-2019, tourism will benefit from public investment flows. Investment in the context of the NDP, aimed at infrastructure development, is therefore expected to continue to drive growth in the construction sector too. Activity in this sector will further benefit from reconstruction work after Cyclone Enawo. The island's membership of the Asian Infrastructure Investment Bank (AIIB) could also help support new projects.

In contrast, despite lower inflation, linked to the expected dip in food prices, household consumption is likely to remain limited. Still high, inflation will have an impact, with over 80% of the population living below the poverty threshold. Despite more positive prospects overall, rising tensions and political uncertainty in the run-up to the 2018 elections present significant risks in a country struggling to recover from a major political crisis.

Twin deficits still high

The public deficit, although remaining high, is expected to reduce in 2018. Public accounts will benefit from higher revenues, thanks to the pick-up in activity and further progress on tax collection. Higher levels of aid, which will be used, in particular, to finance infrastructure projects, are also expected to support an overall increase in revenues. Current spending, although still high, is expected to fall in 2018. This is explained by the fact that current spending was particularly high in 2017 due to the payment of subsidies, especially to the national water and electricity company (Jirama) as a result of the weather events. This drop in current spending will, however, be largely offset by a rise in capital spending, which could exceed 10% of GDP in 2018. In an electoral year, budget slippage that would widen the deficit cannot, however, be ruled out. The international institutions, which had suspended aid between 2009 and 2014, will be paying particular attention. This is true for the IMF, which supports the island to the tune of USD 305 million under its ECF arrangement. Public debt, given its primarily concessional nature, will continue on a sustainable path.

The current account deficit is expected to widen in 2018, despite IMF support and the probable rise in remittances from expatriates. The value of imports will still exceed that of exports, hit by a fall in export competitiveness. In particular, vanilla, of which Madagascar is the world's leading producer, is in crisis: bad weather not only resulted in disappointing harvests in 2016 and 2017 but also triggered a surge in prices (above USD 600/kg in March 2017 against USD 100/kg in 2015) for poor quality vanilla. The 2017-2018 harvest does not look very promising. The price of nickel, Madagascar's main export product, will remain relatively low. Dividend repatriation to non-resident companies, especially in the mining sector, will further impact the income balance.

2018 election tensions

The political agenda will be dominated by the presidential and parliamentary elections due to be held before December 2018. This will be the second presidential election after that of 2013 which brought an end to four years of political crisis triggered by a coup d'état in 2009. President Henry Rajaonarimampianina, who has often had to deal with rumbling social discontent in a country suffering from poverty, corruption and infrastructure shortcomings, will certainly fight to remain in office. The holding of presidential elections therefore presents a substantial risk: the thorny question of the eligibility of the potential candidates, Marc Ravalomanana and Andry Rajoelina, needs in particular to be settled and could engender controversy and protests. The government is considering postponing the elections until 2019, which could also spark a crisis. The business climate, suffering from government inefficiency and, above all, corruption, remains very poor.

MALAWI

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 19%
- Zimbabwe 13%
- Mozambique 11%
- South Africa 7%
- United States 6%

Imports of goods, as a % of total

- South Africa 20%
- China 14%
- India 11%
- United Arab Emirates 9%
- Euro Area 7%

+ STRENGTHS

- Natural resources (uranium, tea, coffee, tobacco)
- Rapidly expanding services sector
- Resumption of support by financial donors
- Member of the SADC *(Southern African Development Community)* and the COMESA *(Common Market for Eastern and Southern Africa)*

- WEAKNESSES

- Economy dominated by agriculture, vulnerable to weather conditions
- Food insecurity
- High inflation
- Infrastructure shortcomings (water, energy)
- Low foreign exchange reserves
- Increase in extreme poverty
- Diplomatic tensions with Tanzania and Mozambique

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.3	2.7	4.5	5.0
Inflation (yearly average, %)	21.3	21.8	12.9	10.6
Budget balance (% GDP)	-9.2	-10.0	-7.6	-5.4
Current account balance (% GDP)	-9.4	-13.9	-9.3	-8.2
Public debt (% GDP)	54.6	54.3	49.9	48.9

*excluding grants during the tax year (July to June) (f): forecast

18.6
POPULATION
(millionsofpersons-2016)

295
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth fuelled by agriculture

After two years marked by weather shocks and food shortages, growth has been stronger in 2017, thanks to increased agricultural production. Representing almost 30% of GDP, agriculture, if spared any further weather shocks, will still be the main engine of growth in 2018. Specifically, production of maize, tobacco, tea and sugar are expected to rise. With almost 65% of jobs in the sector, household consumption, boosted by higher revenues, is likely to benefit. Moreover, with household income eroded by inflation, inflationary pressures are expected to decline. As a result, trade activities, dynamic in 2017, are expected to continue to remain firm. More generally, the tertiary sector will benefit from the recovery in agricultural activity, as will demand for transport services which, for example, is expected to climb.

The government's efforts to restore investor confidence, shaken in 2013 by the misappropriation of public funds (the *Cashgate* scandal), could help stimulate growth through private investment. Like trade, private investment could also benefit from the double taxation treaty signed between Malawi and Zambia in 2017. Despite the need for fiscal adjustment, development spending is likely to be maintained and will sustain activity. Chiefly intended for infrastructure, this investment will support the energy and construction sectors. The start of the first development phase of the Kamwamba coal-fired power plant in 2018, will also contribute to the vitality of these sectors. Nonetheless, despite favourable prospects, growth, especially with regard to industry, will continue to be hampered by the lack of access to credit and an inadequate water and electricity supply.

Despite the downward pressures weighing on the Malawian kwacha, the disinflation process, begun in 2017, is likely to continue in 2018, thanks to the mitigation of rising food prices.

Improvement in the twin deficits

The fiscal deficit, at a worrying level following the *Cashgate* scandal and successive budget slippages, started to improve in 2016/2017. As in the previous tax year, the government's efforts to reduce the deficit will continue during the 2017/2018 financial year. More positive growth is expected to boost the collection of government revenues. Despite the fall in aid and dedicated donations, the reform of VAT and abolition of certain tax exemptions, adopted during the previous financial year in order to widen the tax base, will support the upward trend. The tax adjustment will apply mainly to current spending, which is expected to decline in real terms and as a percentage of GDP. Development spending, particularly on agriculture, is expected to be spared in order to sustain growth. The return of international donors, including USD 80 million of funding from the World Bank, will help to finance capital investment projects and to clear payment arrears without worsening the deficit.

After peaking in 2016 following a need for maize imports in order to contain the food crisis, the current account deficit is expected to continue on a downward trend in 2018. Higher agricultural output, which is the main source of export income, should help contain the structural trade deficit, which remains the main negative contributor to the current account deficit. The balance of transfers will continue to provide the main positive contribution. The gradual reduction in the current account deficit should help ease the pressure on the foreign exchange reserves, equivalent to three months of imports, and on the Malawian kwacha.

Despite a modest risk of over-indebtedness, Malawi's debt remains vulnerable to external shocks.

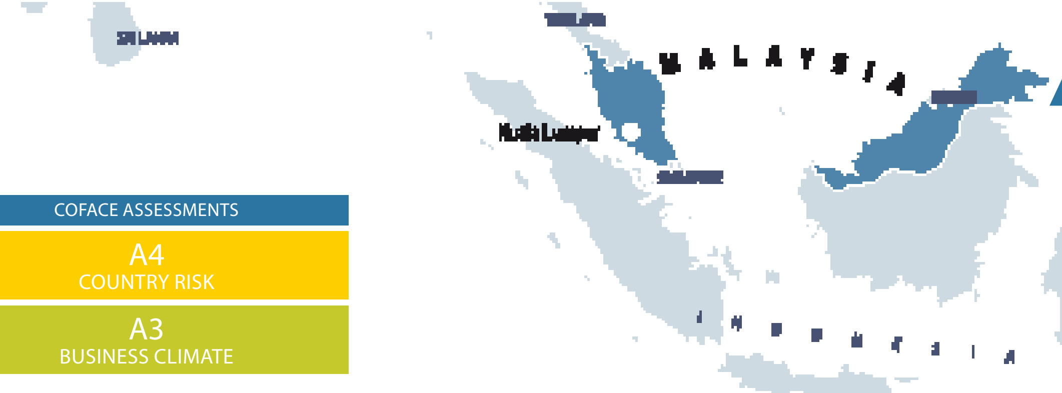
The 2019 elections cast a shadow over the country

Elected in 2014, President Peter Mutharika is preparing to stand as his own successor in the 2019 elections. Nevertheless, while there is still strong defiance towards institutions, corruption scandals continue to impede the effectiveness of Malawian governance. In February 2017, a new scandal forced Peter Mutharika to sack his Minister of Agriculture, George Chaponda, who he had considered a close ally. Dubbed "Maizegate" by the media, and an echo of "Cashgate", which cost Malawi the support of its financial backers between 2013 and 2016, this scandal has isolated the president within the Progressive Democratic Party (PDP), and has at the same time eroded its political capital with a population unhappy with recurrent governance deficiencies, repeated corruption scandals, endemic poverty and inadequate public services. Because it is disorganised, the opposition seems unable to capitalise on this social frustration, despite the weakness of the government coalition with the United Democratic Front (UDF). In addition, more vigorous growth, weaker inflationary pressures, the resumption of talks with donors and relative legislative stability could work in favour of the PDP and the UDF.

At the heart of the tensions with Tanzania which have existed for over 50 years, the division of the Nyasa/Malawi lake has become an even more sensitive issue since 2011, when Malawi handed out oil and gas exploration licenses. Illegal fishing in Lake Chiuta by Mozambican armed groups is poisoning relations with Mozambique.

The business climate remains poor despite the progress made.

MALAYSIA



COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Singapore 15%
- China 13%
- United States 10%
- Euro Area 8%
- Japan 8%

Imports of goods, as a % of total

- China 19%
- Singapore 10%
- Euro Area 8%
- Japan 8%
- United States 8%

+ STRENGTHS

- Diversified exports
- Dynamic services sector
- Good infrastructure, high R&D
- Investment supported by expansion of local financial market and broader access to FDIs
- Exchange rate flexibility
- High per capita income

- WEAKNESSES

- Economy reliant on external demand
- Budget income highly dependent on performances in the gas and oil sector
- Very high private debt levels
- Erosion of price competitiveness in the economy due to high labour costs
- Persistent regional disparities
- Ethnic and religious disputes

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.0	4.2	5.3	5.0
Inflation (yearly average, %)	2.1	2.1	3.7	2.9
Budget balance (% GDP)	-2.8	-3.0	-3.0	-2.7
Current account balance (% GDP)	3.0	2.4	2.5	2.3
Public debt (% GDP)	57.9	56.2	55.2	54.2

(f): forecast

31.6
POPULATION
(millionsofpersons-2016)

9,374
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth expected to remain strong

Already strong in 2017, growth is expected to maintain this pace in 2018. Activity will continue to be driven by internal factors, and also by good export performance (75% of GDP). Exports will benefit from robust external demand as well as the moderate recovery in hydrocarbon prices, which represent 20% of total exports. Moreover, the energy sector (liquefied natural gas and oil) will benefit in 2018 from the maturing of several projects, even if investment momentum has slowed due to ongoing low prices. The country also exports high value-added manufactured products, such as semi-conductors and other electronic products (39% of exports), for which there is strong world demand. Investment in this sector will be sustained by the good outlook for these products, especially as the country benefits from growing integration in the regional value chain. The sectors associated with tourism are expected to continue to expand, but will still suffer from the effects of Malaysia Airlines' two air disasters in 2014 and 2015, as well as from a less favourable security context than that of its local rivals like Thailand and Vietnam.

Despite high levels of household debt (88% of GDP), private consumption will continue to be the main contributor to growth. The gradual appreciation of the ringgit will help reduce the cost of imported goods and contain inflation, while the unemployment rate is still at its lowest. Households will also benefit from tax cuts as well as higher civil service wages. Meanwhile, a still accommodative monetary stance and higher public spending in a pre-electoral period will also support growth. The country's economy will, however, still be vulnerable to slowing demand from China, its main trading partner.

Fiscal consolidation underway and satisfactory external accounts

Fiscal consolidation remains one of the priority objectives of the government, whose ambition is to achieve a balanced budget in 2020. In 2018, the fiscal deficit is expected to continue to decline. Higher revenues, associated with better collection of taxes and duties (in particular, VAT introduced in 2015), growing mining revenues and robust domestic demand, will help offset the increase in some expenditure. The rise in expenditure will be directed towards higher infrastructure investment, as well as tax cuts for lower-income households, partially limited by the cut in subsidies. The improvement in the fiscal balance will help reduce public debt, which will remain high. This debt is essentially made up of sukuk (Islamic bonds), as well as of traditional bonds.

The current account surplus is expected to dip in 2018 due to the reduction in the trade surplus. This will be hit by the rapid increase in exports, associated with robust domestic demand, which will only be partially offset by renewed exports. The income balance will continue to show a deficit, because of profit repatriation by foreign companies. Likewise, the balance of transfers deficit is expected to endure because of remittances by foreign workers to their country of origin. The services deficit is expected to fall slightly in connection with the increasing of tourists.

The external debt is high (67% of GDP) and mostly denominated in foreign exchange. However, high levels of foreign exchange reserves (almost 7 months of imports) will help limit this risk, and enable the country to respond to any capital flight associated with a rapid tightening of US monetary policy. Meanwhile, the banking sector remains sufficiently capitalised and liquid, even if high household debt levels are a risk.

Despite the scandals, the Prime Minister is expected to remain in office

The general elections will take place in spring 2018, brought forward several months compared with the initial date set for August. The right-wing coalition, Barisan Nasional (BN), led by Prime Minister Najib Razak, is expected to remain in power, given the splits within the opposition. Effectively, despite numerous calls for co-operation, the centre-left coalition Pakatan Hrapan (PH) and the Malaysian Islamic Party (PAS), are expected to stand separately at the elections, reducing their chances of success. Moreover, the country's good economic performances are expected to consolidate the legitimacy of the Prime Minister, whose party has dominated the country's political life since independence in 1957. In advance of the elections, the government has also increased its aid for the country's ethnic minorities and lower-income households, especially in rural areas. The country is made up chiefly of Muslim Malays (64% of the population), but also of Chinese, Indians and indigenous communities (Orang Asli, Dayak, etc.). However, suspicions regarding the Prime Minister and his cabinet, alleged to have misappropriated a share of the assets in the country's sovereign fund (MD 1 billion) and placed them in their personal bank accounts, could be exploited by the opposition during the electoral campaign.

PAYMENT AND COLLECTION PRACTICES IN MALAYSIA

Payment

Bank transfers, cash, and cheques are all popular means of payment in Malaysia. The well-developed banking network allows for online payments. Letters of Credit are also commonly used.

As of 2017, the Central Bank requires that 75% of payments in foreign currencies are converted into the Malaysian ringgit automatically upon receipt. Payments for transactions within Malaysia are required to be made in ringgit.

Debt collection

Amicable phase

It is common for disputes and or debt to be settled amiably after negotiations. If there is no response from the buyer, a site visit and online searches are conducted to ascertain the operating status and legal status of the buyer. If the buyer continues to ignore and or neglect to settle the matter amicably, the supplier may begin legal proceedings to recover payments for goods sold and delivered. However, due diligence should be done to ensure that the buyer has sufficient assets to satisfy the debt before proceedings are initiated.

Malaysian court system

The hierarchy of courts in Malaysia starts with the Magistrates' Court at the first level, followed by the Sessions Court, High Court, Court of Appeal and the Federal Court of Malaysia. The High Court, Court of Appeal and the Federal Court are superior courts, while the Magistrates' Court and the Sessions Courts are subordinate courts. There are also various other courts outside of this hierarchy, e.g. Employment Admiralty, Shariah or Muslim matters.

Malaysian legal system

The Malaysian legal system is based upon the English common law system. Central to the Malaysian legal system is a written constitution based upon the Westminster model. The jurisdiction and powers of courts under the Malaysian hierarchy of courts are contained principally in the Courts of Judicature Act 1964 (Act 91) for the superior courts and in the Subordinate Courts Act 1948 (Act 92) for the subordinate courts.

Claims in Magistrates' court are limited up to MYR 100,000, whilst a Sessions Court may hear any civil matters where the amount in dispute does not exceed MYR 1,000,000. Where the amount claimed does not exceed MYR 5,000, a claim should be filed with the small claims division of the Magistrates' Court. However, legal representation is not permitted. The High Court has the jurisdiction to try all civil matters and monetary claims exceeding MYR 1 million.

Legal Proceedings

An unpaid debt normally has a six-year statute of limitation period. The creditor commences a writ action and serves the writ on the debtor within six months from the issue of the writ. When defendants are served with a writ, they have fourteen days after service of the writ (or 21 days if the writ was served outside Malaysia) to file a Memorandum of Appearance with the court to indicate their intention to appear in court and defend the suit.

Before a writ can be issued, it must be endorsed with a statement of claim or, with a general endorsement consisting of a concise statement of the nature of the claim made and the requisite relief or remedy. When the writ only has a general endorsement, the statement of claim must be served before the expiration of fourteen days after the defendant enters an appearance.

When the defendant has entered appearance, he is required to file and serve his defence on the plaintiff fourteen days after the time limit for entering an appearance, or after service of the statement of claim, whichever is later. A defendant may make a counterclaim in the same action brought by the plaintiff. A plaintiff must serve on the defendant his reply and defence to a counterclaim, if any, within fourteen days after the defence (and counterclaim) has been served on him.

Proceedings may be resolved and/or otherwise summarily terminated and/or determined and/or disposed of at an early stage before the trial of the action

Fast Track

Failure to enter an appearance may result in a plaintiff proceeding to enter a judgment-in-default against a defendant. Ordinarily, when a defendant has filed an appearance and also a statement of defence subsequent to other procedures of filing of documents in support, the matter would be set for trial. If the defendant has entered an appearance and filed a defence, but it is clear that the defendant has no real defence to the claim, the plaintiff may apply to court for summary judgment against the defendant. To avoid summary judgment being entered, the defendant has to show that the dispute concerns a triable issue or that there is some other reason for trial.

Enforcement of a legal decision

Writ of Seizure and Sale (WSS)

A WSS may be enforced against both movable and immovable property as well as against securities. When the property to be seized consists of immovable property or any registered interest, the seizure shall be made by an order prohibiting the judgment debtor from transferring, charging or leasing the property.

Garnishee Proceedings

A Judgment Creditor may garnish monies a Judgment Debtor is supposed to receive from a third party. If the garnishee does not attend court, then the order is made absolute. If the garnishee does attend, the court can either decide the matter summarily or fix the matter for trial.

Judgment Debtor Summons

The objective of this summons is to give the judgment debtor an opportunity to pay the judgment debt in instalments to commensurate his means. Debtors themselves can apply for such a procedure. Alternatively, under Order 14 the defendant can admit the plaintiff's claim and propose to pay by instalments, which the court can subsequently order if the plaintiff accepts the proposal.

Bankruptcy Proceedings

If the total judgment of debt exceeds MYR 30,000, bankruptcy proceedings can be triggered if the judgment debtor has not complied with the judgment or order made against him. Once a debtor has been adjudged bankrupt, other creditors are also entitled to file the Proof of Debt form and Proxy in order to be entitled to share in any distribution from the estate of the bankrupt. The distribution of the estate is according to the priority of the creditors' claim.

Enforcement of / Reciprocal Enforcement of Judgments (Order 67 Rules of Court 2012)

The Reciprocal Enforcement of Judgments Act 1958 (REJA 1958) applies to judgements given in the superior courts of reciprocating countries specified in the first schedule to the Act (section 3). REJA 1958 applies to foreign judgments or order given or made in any civil or criminal proceedings for payment of a sum of money in respect of compensation or damages to the injured party and in the case of Commonwealth countries or territories, includes an arbitration award (section 2). A judgment is deemed final and conclusive even if there is an appeal pending against or if it is subject to appeal. The fact of registration does not transform the judgment into a Malaysian judgment so that the court may sit to inquire into its regularity or validity for certainty or the want of it. If the judgment debtor wishes to impeach the judgment for uncertainty or irregularity or non-conformity with the rules of court, he should proceed to do so in the original court. When the judgment debtor has no assets in Malaysia, leaving the judgment creditor unable to enforce his judgment in Malaysia, the creditor may be able to enforce it in a country where the debtor does have assets. He might do so by beginning new proceedings or, if possible, by registering his Malaysian judgment in the foreign country (on the basis of reciprocity of enforcement between the two countries). Any decision rendered by a foreign country must be recognized as a domestic judgment in order to become enforceable through an exequatur procedure. Malaysia has reciprocal Recognition and Enforcement Agreements with some countries, including Hong Kong, India, and New Zealand.

Insolvency proceedings

There are several insolvency and restructuring procedures available. Under the Companies Act, the available insolvency proceedings include:

- Compulsory and voluntary winding-up of companies
- Appointment of receivers and managers
- Restructuring mechanisms

Winding-up

In a compulsory winding-up, the court can wind up a company on a number of grounds under the Companies Act. The most common of these is the company's inability to pay its debts. The creditor initiates this process by filing a winding-up petition with the court. If an order is made, the court will appoint a liquidator to oversee the liquidation process.

A voluntary winding-up can be either a members' or creditors' winding-up. In a members' winding-up, the shareholders can voluntary wind up their own company if their company is solvent. Shareholders appoint a liquidator, at which point the directors' powers cease and any transfer of shares or any alteration in the statutes of members will be void. If the liquidator discovers that the company is insolvent, he must convert the members' voluntary winding-up into a creditors' winding-up.

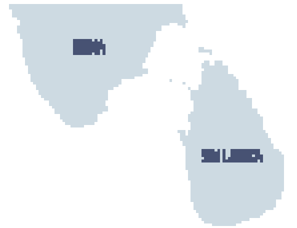
Appointment of receivers and managers

Court-appointed receivers will either manage the company's operations as normal, or take custody and possession of the assets of the company. Alternatively, receivers appointed by debenture holders based on the terms of the debenture agreement (privately-appointed receivers), may take possession of the company's assets subject to the floating charge that has since crystallized in the debenture.

Restructuring mechanisms

There are three restructuring mechanisms:

- Scheme of arrangement: A company can enter into a scheme of arrangement with the approval of 75% of the creditors in value and a simple majority. After creditors approve the scheme, the court must sanction it before it can be implemented. Debtors can apply for an order restraining all proceedings against it while it develops its scheme.
- Special administration: it involves the appointment of a special administrator. The appointment must serve the public interest.
- Conservatorship: The Malaysia Deposit Insurance Corporation takes control of a non-viable financial institution or acquires and takes control of non-performing loans that are outstanding between the financial institution, borrowers and security providers.



COFACE ASSESSMENTS

D
COUNTRY

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Country	%
Thailand	34%
Euro Area	30%
Sri Lanka	10%
United States	9%
United Kingdom	4%

Imports of goods, as a % of total

Country	%
United Arab Emirates	16%
Singapore	14%
China	13%
India	13%
Euro Area	7%

+ STRENGTHS

- Growing bilateral relations with China and Saudi Arabia
- Growth of tourist activity on uninhabited islands
- Airport infrastructure
- Support from the World Bank and the Asian Development Bank (ADB)

- WEAKNESSES

- Dependence on the international economy due to the scale of tourism in the national economy
- Insularity
- Chronic budget deficit and growing dynamic of public debt
- Political instability
- Vulnerability to natural disasters and the negative effects of climate change

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.3	3.9	4.6	4.7
Inflation (yearly average, %)	1.4	0.8	3.5	0.9
Budget balance (% GDP)	-9.5	-10.3	-8.0	-7.2
Current account balance (% GDP)	-7.3	-19.6	-16.7	-14.8
Public Debt (% GDP)	72.0	65.0	69.4	72.2

(f): forecast

0.4
POPULATION
(millionsofpersons-2016)

11,984
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Increased growth through tourism and infrastructure projects

Economic growth, highly dependent on that of the tourism sector (24% of the GDP), should stabilize at a fairly high level in 2018. It will likely be supported by the increase in the number of visitors from European countries (largest regional market, 49%), but it will also depend on the situation in China (largest national market, 21.5%).

The tourism drive will be supported by the massive investment in dedicated infrastructure. The project for an international terminal at the country's main airport has been awarded to a Saudi company, and accounts for almost 10% of the GDP. It will accommodate more than 7 million passengers per year compared to the current 1.5 million. The construction of a bridge linking Malé, the capital, to the airport has been financed by a loan from China, and it should be operational in mid-2018. The construction sector is therefore expecting a strong increase in activity, and more than 75% of business leaders plan to increase their workforce, which should have a positive effect on domestic consumption. Nevertheless, payment deadlines in the sector remain lengthy, which can discourage companies. The fishing sector, a major source of employment in the archipelago, remains archaic.

Inflation is expected to be very low in 2018 and is expected to return to the rate seen in previous years, fuelled by quota and tax policies on imported products.

Public and current account deficits fuelled by investments

The public investment programme is expected to keep the budget deficit high in 2018. Tax revenues are expected to increase in 2018, driven by tax reforms on imported products, as well as the payment of an airport tax by tourists since June 2017. Subsidies, particularly on electricity and food products, are set to be phased out, and spending by the *Asandha* social security system should fall.

The current account deficit is likely to remain large. The country's lack of a manufacturing industry compels it to massively import, and places a strain on the balance of trade (pertaining to goods). Imports are expected to increase with increasing demand for building materials as part of new investment. The share of commodities in imports is also expected to grow, and the extent of the current account deficit will be determined by their market prices, notably that of oil.

Exports, mainly fish, are expected to increase slightly, driven by growth in the frozen tuna trade, which in turn should offset the decline in fresh tuna trade. Tourism revenue, which enters in the balance of services, constitutes the main positive contribution to the current account balance. Thus, the archipelago has a need for significant external financing, which makes the country dependent on the support of international donors. Nevertheless, reserves have moderately increased thanks to tourism growth and large FDI flows (10% of the GDP). These two sources help reduce the pressure on the Maldivian currency, the rufiyaa, and therefore the risk of a currency crisis.

Increasingly significant demonstrations and anti-democratic measures

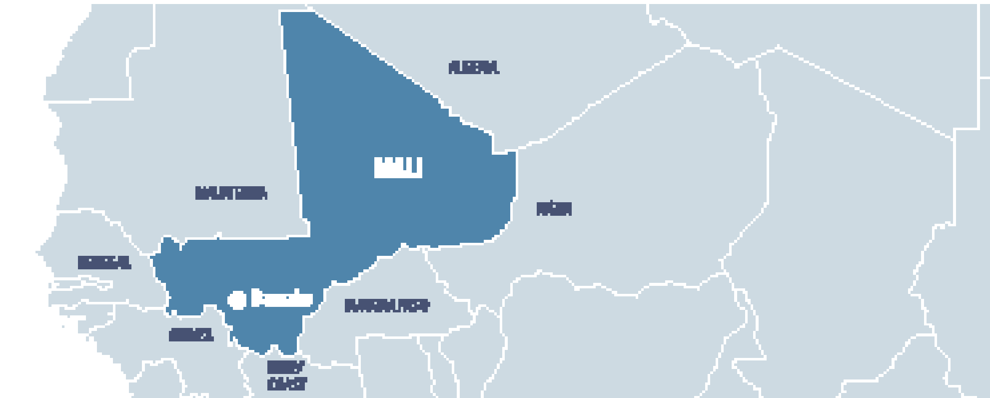
Since the election in 2013 of President Abdullah Yameen, half-brother of former President Mamoon Gayoom (from 1978 to 2008), the regime has become more and more authoritarian. Many arrests have taken place, which has led to many citizens' demonstrations, which are firmly repressed. Even the judiciary is not spared: 56 lawyers have been suspended from their activity for demanding respect for the rule of law.

The president is now able to employ the army to face the opposition. As a result, in July 2017, the military blocked access to the Majlis, the Maldivian parliament, to prevent a vote on censorship concerning an individual close to the head of state. The elections in late 2018 will be opposed by the two main political forces of the country: the Progressive Party of the outgoing president, and the Democratic Party of the Maldives, led by exiled dissident Mohamed Nasheed (who has requested political asylum in the United Kingdom after having been sentenced in the Maldives). If the electoral process is properly carried out, it seems that it would be difficult for the current president to remain in power.

With the exception of tourist islands, which Maldivians are barred from visiting, the safety situation in Malé and other islands could become worrisome in 2018 with the threat of terrorism and demonstrations of the opposition.

The business climate in the country seems to be deteriorating continuously due to, among other aspects, growing instability, corruption, and the authoritarianism of the regime. The country was demoted by more than 100 places out of 190 in the Doing Business ranking of the World Bank over ten years, falling from 31st to 135th place).

MALI



COFACE ASSESSMENTS

D COUNTRY RISK

D BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- South Africa 47%
- Switzerland 15%
- Ivory Coast 6%
- Burkina Faso 4%
- Bangladesh 3%

Imports of goods, as a % of total

- Euro Area 21%
- Senegal 19%
- China 16%
- Ivory Coast 10%
- South Africa 3%

+ STRENGTHS

- Significant natural resources: agriculture (cotton, rice, maize), mining (gold, bauxite, iron)
- Stabilisation of the political situation; drive to restructure the economy
- International aid

- WEAKNESSES

- Economy vulnerable to weather and to commodity price fluctuations
- Geographic isolation
- Precarious security situation
- Dependence on international aid

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.0	5.8	5.3	5.0
Inflation (yearly average, %)	1.4	-1.8	0.2	1.2
Budget balance (% GDP)	-1.8	-3.9	-3.4	-3.3
Current account balance (% GDP)	-5.3	-7.1	-7.0	-5.5
Public debt (% GDP)	30.7	35.9	34.7	35.5

(f): forecast

18.3
POPULATION
(millionsofpersons-2016)

768
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Relatively dynamic economy

Despite a difficult security situation, activity in Mali is expected to remain firm in 2018, buoyed by public investment spending, agricultural and gold production, and international aid. Gold output is expected to be particularly dynamic, due to the start of operations at two new mines, and the extension of mine life at two others. The country is Africa's third leading producer of this mineral and its exports account for almost 70% of GDP. Public investment is expected to continue at a more sustainable pace and will be concentrated mainly on defence equipment and transport infrastructure. Furthermore, the agricultural sector, which contributes over a third of GDP, will continue to be one of the country's main contributors to growth. Food crops (rice, maize) and cotton (second most important export commodity) are performing much better due to an increase in land under cultivation, as well as equipment modernisation. However, agricultural potential is largely under-exploited, and the lack of local processing plants for farming products or for the cotton sector is hindering the development of a powerful industrial fabric.

Household consumption is set to remain firm and should only slightly affected by the slight upturn in inflation, as the growth in agricultural revenues – on which almost two thirds of the workforce depends – will largely offset the higher prices.

Despite favourable prospects, the economic situation will still be exposed to the risks associated with the precarious security situation and agricultural production's vulnerability to weather events. The country is counting on eventually diversifying its economy thanks to its oil potential and reserves of iron ore and bauxite. Progress in this regard could, however, be slow because of infrastructure shortcomings, weak commodity prices and a difficult business climate.

Vulnerability of the external and public accounts

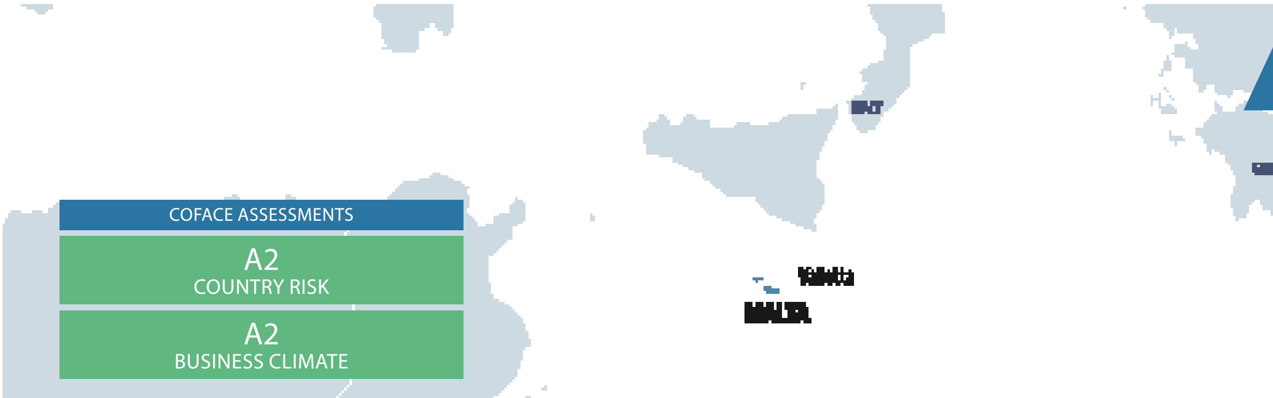
The draft 2018 finance law aims to stabilise the fiscal deficit, with a sharp increase in spending that will be offset by higher revenues. This includes, notably, income tax hikes, higher taxes on goods and services, and better tax collection. Spending will increase substantially on the back of higher security expenditure, the implementation of the peace agreement, and the organisation of presidential elections in late 2018. The fiscal deficit is mainly funded through recourse to the internal and regional markets, and an IMF contribution in the form of an Extended Credit Facility. A gradual reduction in the deficit towards the 3% target by 2019 will allow authorities to maintain public debt at a sustainable level, several years after the country benefited from substantial debt relief under the HIPC and MDRI initiatives.

The current account deficit is expected to fall in 2018, but will remain relatively high. Higher imports of capital goods associated with the development and reconstruction projects currently underway – with a slight rise in the oil bill and the bill for foodstuffs – will be offset by export growth. Exports of gold and cotton are set to climb, thanks to higher production and a slight upturn in prices. High levels of public transfers and private remittances (from migrants) will limit the extent of the current account deficit, which is mainly funded by foreign aid, official loans, and – to a lesser extent – foreign direct investments. Nevertheless, changes in the current account balance depend on gold and cotton exports, which are highly exposed to fluctuations in world prices.

Security environment still very fragile

President Ibrahim Boubacar Keïta, elected in August 2013 after the recapture of the northern half of the country from Islamist groups thanks to French military intervention and the mobilisation of the international community, is expected to remain in power until the next presidential elections scheduled for late 2018. However, the security situation remains very fragile: the Jihadist groups did not sign up to the June 2015 peace agreement, and continue to clash with the United Nations forces (Minusma) and the Malian army, while also carrying out attacks against civilians in the north and centre of the country. Moreover, the implementation of the agreement is threatened by quarrels within the member groups of the Coordination of Movements of Azawad (a separatist rebel group fighting for the independence of the northern Mali), as well as by repeated violations of the agreement by these groups and the Self-Defence Group of Imghad Tuaregs and Allies (GATIA). Ongoing insecurity could, over time, hit the confidence of consumers, businesses and financial backers. Meanwhile, the implementation of governance-related reforms is slow, especially as regards the fight against corruption.

MALTA



COFACE ASSESSMENTS

A2 COUNTRY RISK

A2 BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 27%
- Germany 14%
- France 8%
- Singapore 6%
- Japan 5%

Imports of goods, as a % of total

- Italy 22%
- Canada 10%
- Germany 6%
- United Kingdom 6%
- France 4%

+ STRENGTHS

- At the crossroads of the eastern and western Mediterranean regions
- Eurozone membership
- Public and external accounts in surplus
- Public debt held by residents
- Tourism (2 million visitors a year for 430,000 inhabitants) and port activities
- Low taxation
- Productive, English-speaking and growing workforce

- WEAKNESSES

- Inadequate higher education provision, shortage of highly qualified workers, R&D and innovation
- Road infrastructure still inadequate
- Small, isolated country resulting in close relationship between public authorities and business
- Slow legal process, favouritism, corruption
- Potential impact of EU adoption of a consolidated, common tax base for companies
- Potential impact of Brexit on number of visitors from the United Kingdom (29%)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.1	5.5	5.8	5.0
Inflation (yearly average, %)	1.2	0.9	1.5	1.9
Budget balance (% GDP)	-1.1	1.1	1.3	0.7
Current account balance (% GDP)	5.2	7.0	9.0	9.0
Public debt (% GDP)	60.3	57.6	55.0	52.0

(f): forecast

0.4
POPULATION
(millionsofpersons-2016)

25,329
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth still strong

As in 2017, growth will be driven by internal demand. Private consumption (50% of GDP) will benefit from good labour market performance as well as higher wages due to the scarcity of labour. Moreover, household incomes will benefit from the indexation of wages to inflation (Cost of Living Allowance or COLA). Public investment will be sustained by ongoing road works, construction of tourist or education facilities and social housing. Investment is expected to profit from the start of operations at the Malta Development Bank, which, alongside the financing of major infrastructures, also has to finance SMEs. Exports of electronic, electrical and optical components, the archipelago's main manufacturing output, as well as generic medicines and seafood products, should benefit from the upturn in the European economy. Tourism (27% of GDP and 27.8% of jobs in 2016 including related activities) will continue to benefit from Malta's competitiveness (price/quality ratio, security and health conditions) compared with other Mediterranean destinations for European visitors, in particular from the UK and Italy (29% and 11% of spending respectively). Income from online gaming (e.g. poker) via the Internet and digital TV, and from database management is rising. Finally, port activity is benefitting fully from the country's optimal position at the crossroads of Mediterranean routes and especially its position half-way between the Suez Canal and Gibraltar. The contribution of trade in goods and services (290% of GDP) is expected to remain positive.

Consolidated public accounts

Fiscal consolidation has not been a top priority for the Labour party, back in power under the leadership of Prime Minister Joseph Muscat since 2013 (re-elected with 37 out of 67 seats in the early elections of June 2017, triggered by allegations of corruption against the Prime Minister) after fifteen years of rule by the centre-right National Party. However, a budget responsibility law was passed in 2014 and the public accounts posted a surplus as early as 2016. The improvement is down to strong growth, structural measures like improved tax collection, and tax hikes on tobacco, construction materials and other products. The surplus is expected to drop in 2018 due to the impact of the new collective wage agreement in the public sector and the introduction of a basic pension. Moreover, the income from the Individual Investor programme allowing any foreigner with more than a year's residence to claim Maltese nationality by contributing EUR 675,000 and owning a residence worth EUR 350,000 for five years can vary. Finally a new bailout for the national airline, Air Malta, cannot be excluded. The primary surplus (excluding debt interest) and growth help bring down the considerable level of public debt (to which should be added the State guarantee for publicly-owned enterprises representing 10% of GDP), which is held by residents, specifically the local banks.

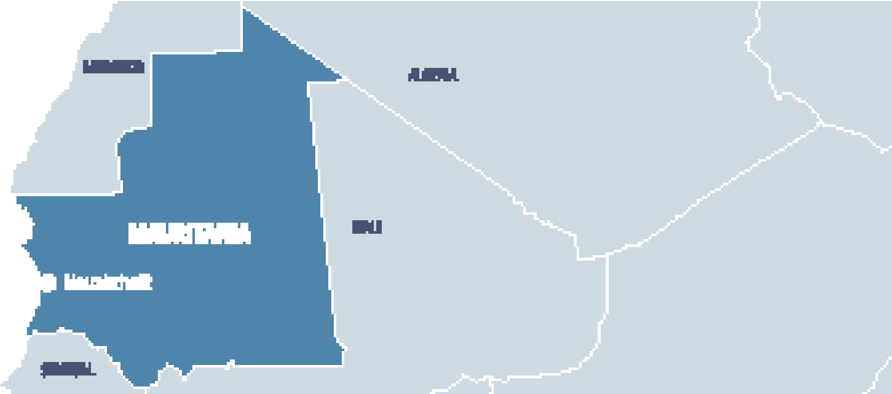
The trade deficit is broadly offset by the services surplus

Despite huge deficit in the trade in goods (19% of GDP in 2017), due to the shortage of energy resources, poorly diversified manufacturing output and the strong import component of consumer goods, the country runs a current account surplus. This due to the positive balance on services associated with tourism, online electronic gaming and the duty-free port at Marsaxlokk. This port is used for the transhipment of cargoes from high-tonnage vessels to smaller vessels suited for smaller capacity Mediterranean ports and vice versa. The port of Valetta retains the other port operations.

A large offshore financial centre

The banking sector manages assets equivalent to 468% of GDP and contributes about 15% to public revenues. The truly local banks, chiefly Bank of Valletta, HSBC and Mediterranean Bank manage assets representing 245% of GDP. They hold a third of sovereign debt and are very involved in mortgage loans to households, which are rising as houses become more expensive. The lack of competition ensures good profits, even if non-performing loans represent 10% of the portfolio of loans to non-financial companies. The other share of the assets (223% of GDP and falling) is held by subsidiaries of foreign, especially UK, German and Turkish, groups looking for advantageous tax arrangements. They operate with non-resident resources, invest only abroad and employ few local staff. Their services, and also online games, database management and the citizenship acquisition programme are under closer surveillance in a context marked by allegations of corruption against the whole political class.

MAURITANIA



COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 37%
- Euro Area 20%
- Switzerland 14%
- Japan 8%
- Russia 5%

Imports of goods, as a % of total

- Euro Area 33%
- United States 13%
- United Arab Emirates 12%
- China 9%
- Morocco 6%

+ STRENGTHS

- Supported by donors and international organisations
- Rich in minerals and fisheries resources
- Energy potential (gas, renewables)

- WEAKNESSES

- Persistent political and security instability
- Poorly diversified economy, vulnerable to commodity price fluctuations
- Growth not very inclusive with high unemployment, especially among young people
- Limited formal economy

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.9	1.7	3.8	3.2
Inflation (yearly average, %)	0.5	1.5	2.9	3.6
Budget balance (% GDP)	-3.4	-0.3	-0.6	-2.1
Current account balance (% GDP)	-19.7	-14.9	-15.3	-12.4
Public debt (% GDP)	77.8	78.3	77.7	80.8

* excluding passive debt due to Kuwait, currently under negotiation (f): forecast

3.8
POPULATION
(millionsofpersons-2016)

1,247
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

The end to ambitions for the oil industry is hampering the recovery

Hard hit by the drop in mineral prices in 2014, the economy, sustained by the fishing and construction sectors, confirmed its recovery in 2017. Nevertheless, growth is expected to stall in 2018, curbed by the ceasing of production at the Chinguetti oil field. After almost ten years of oil production, the persistent lack of profitability at the site for operators has finally put paid to this only offshore field in production. Elsewhere, the extractive industries are expected to confirm, in 2018, the modest progress made in 2017. Iron production is set to continue to increase, while gold production will receive a boost from the expansion of the Tasiast mine. The Tijirit gold mine projects and the Ahmeyim and Guembeul offshore gas fields, on the border with Senegal, continue to offer favourable longer-term prospects for the extractive industries. In addition, activity in the secondary sector is expected to continue its recovery, buoyed by public investment which will mainly benefit the manufacturing and construction industries. The drive to develop fishing and agriculture, in order to diversify the economy, should manifest via growth in the primary sector. The services sector should remain firm, particularly thanks to transport and telecommunications activity. The depreciation of the ouguiya is likely, however, to affect prices, more especially those of basic foodstuffs, thus penalising trade.

External imbalances persist despite efforts to improve them

Improved mobilisation of tax revenues and control of expenditure have made it possible to almost completely eliminate the fiscal imbalances triggered by the collapse in commodity prices. Close to equilibrium in 2017, the fiscal balance is, however, expected to go back into deficit in 2018 because of increased public investment aimed at supporting growth. Constrained by the explosion in the external borrowing ratios following the shock to the trade terms and the depreciation of the ouguiya, the authorities will therefore attempt to contain current spending, especially since income is unlikely to rise much in 2018, despite the reforms undertaken, as they are still limited by weak revenues from the extractive industries.

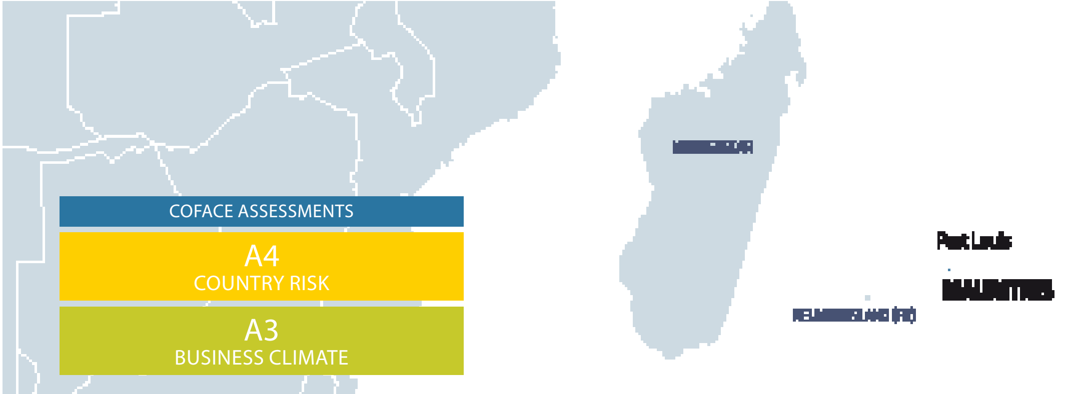
In contrast, the current account deficit is expected to be lower in 2018 thanks to a reduced trade deficit. Income from exports of gold and fish products will make a positive contribution. Driven by spending linked to the public investment programme, imports are, nonetheless, expected to remain stable, thanks to the fall in imports of capital goods destined for the extractive industries. Showing deficits, the balance of services and of income is unlikely to change much in 2018. The balance of transfers surplus is also expected to be maintained. Despite a less significant deficit, the external accounts imbalance continues. These accounts remain vulnerable, therefore, to a new shock. The official foreign exchange reserves, estimated at four months of imports (excluding the oil and mining industries), will therefore remain under pressure and are expected to continue to fall in 2018.

Tense political climate

The executive, represented by President Mohamed Ould Abdel Aziz, re-elected for five years in 2014, after gaining power following a coup d'état in 2008, is expected to emerge from 2017 stronger than before, at the cost of a very tense political climate. The President's use of a referendum to push through constitutional reform, initially rejected by the Parliament, is apparently weakening the institutions even further, at a time when they are far from being well-established. Boycotted by the opposition, the August 2017 elections were tarnished by accusations that the voter turnout figures had been manipulated. An ugly campaign, at times marred by violence, deepened the identity, community, social and economic divisions of Mauritanian society. Aiming, in particular, to change the Mauritanian national anthem and flag, in order to pander to nationalist passions, this referendum had, above all, the power to abolish the Senate and replace it with regional councils and a High Council for Fatwa. Despite the president's denials, the opposition sees this referendum as a move to enable Abdel Aziz to stand for a third term in 2019. A few days after the election, the arrest, irrespective of procedures, of one of the main opponents of constitutional reform, Mohamed Ould Ghadda, supports the hypothesis of a shift to authoritarian rule. The risk of political and social unrest cannot, therefore, be ruled out in a country still ravaged by poverty, unemployment and inequalities. In addition, slavery, though abolished is still a scourge: the 2016 Global Slavery Index stated that over 43,000 people (1% of the population) were affected by slavery. President Aziz also faces persistent rumours of complacency with regard to certain Islamist groups such as Al-Qaida in the Islamic Maghreb (AQMI), symbolised by the declassification of documents attributed to Osama Bin Laden, showing evidence of a non-aggression pact signed in 2010 between the Jihadists and the Mauritanian government. Although spared from terrorism since 2011, Mauritania, like other members of the "G5 du Sahel", remains exposed to the terrorist threat, given the porous nature of the border with Mali.

The country is continuing its efforts and progress on improving the business climate with the aim of attracting foreign investment.

MAURITIUS



COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 35%
- United Kingdom 12%
- United States 11%
- South Africa 8%
- Madagascar 7%

Imports of goods, as a % of total

- Euro Area 19%
- China 18%
- India 16%
- South Africa 7%
- Japan 3%

+ STRENGTHS

- Strong tourist activity
- English/French bilingualism
- Solid banking system
- Democratic institutions and effective governance

- WEAKNESSES

- Commercial and economic dependence on Europe (tourism, construction)
- Infrastructures failing in certain regions
- Lack of skilled workers

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.6	3.8	3.9	4.0
Inflation (yearly average, %)	1.3	1.0	3.6	3.8
Budget balance (% GDP)*	-3.6	-3.7	-3.5	-3.9
Current account balance (% GDP)	-4.9	-4.4	-5.8	-6.2
Public debt (% GDP)	63.6	64.5	64.7	65.0

*last fiscal year from July 2017 to June 2018 (f): forecast

1.3
POPULATION
(millionsofpersons-2016)

9,613
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Robust growth despite weak exports

In 2018, growth should be in line with that observed in 2017. The weakness of exports, particularly to the key markets of France and the United Kingdom, will continue to be a drag on the expansion of activity in the manufacturing sector (especially textiles) and agriculture. In particular, the sugar sector could suffer from the end, in October 2017, of production quotas in the European Union, the main destination of Mauritian sugar. Tourism and financial services will continue to drive growth in 2018 but are expected to grow at a slightly slower pace than in the past. The amendment of the provisions of the non-double taxation agreement with India could compromise the status of Mauritius as a preferential investment vehicle to India and thus constrain the financial sector. Public investment will support construction and should offset weak exports. Although still constrained by the weakness of some export sectors, household consumption should be driven by the return of confidence.

Relatively dynamic domestic demand, changes in the price of imported oil, as well as the easing of the monetary policy in September 2017, should keep inflation at a high level. The lowering of the central bank's key interest rate, to its lowest historical level (3.5% at the end of 2017), is aimed in particular at counteracting the appreciation of a rupee, deemed overvalued by exporters, against the greenback (50% of export earnings are in dollars).

Widening deficits

Relatively expansionary fiscal policy should be maintained in order to support growth. However, the increase in capital investment spending should slow, while the authorities will try to contain the growth of current spending through tax administration reforms. A $500 million credit line granted by India is expected to finance part of the capital investment. The introduction of negative income tax, help for the poorest households, should contribute to widen the deficit. Many tax deductions introduced in the 2017/2018 budget, especially for businesses, will weigh on revenues. Since the budget is financed mainly by concessional loans and domestic debt, the risk of over-indebtedness remains low.

The current account is expected to continue to deteriorate in 2018 following a worsening in the trade deficit. The modest demand, particularly from the United Kingdom and France, for textile and sugar exports will be felt, in particular, on the balance of goods. Surpluses in the balance of services, mainly thanks to tourism, and income account, thanks to the repatriation of profits of the many offshore companies established in Mauritius, should not make it possible to offset the widening deficit on the balance of goods. Foreign direct investment and capital flows will finance this current account deficit.

Mauritian stability challenged by repeated scandals

Since its victory in the 2014 legislative elections, the governing Lepep Alliance has changed its faces many times, damaging the image of stability enjoyed by the country. In December 2016, the tripartite coalition in power was notably weakened by the defection of one of the constituent parties of the Alliance, the Mauritian Social Democratic Party. The month following the decision of Prime Minister Sir Anerood Jugnauth (86), who had already held this office (1982-1995 and 2000-2003) and that of President (2003-2012), to withdraw for the benefit of his son Pravind Jugnauth sparked the opposition's ire, as well as many demonstrations. In addition, many scandals have pushed some ministers to resign in recent months. In September 2017, Attorney General Ravi Yerrigadoo was embroiled in a money laundering case. Named in the Paradise Papers revelations, Mauritius also sees its name associated with some suspicious fund investments. These scandals could mar the reputation of one of the highest ranking countries in sub-Saharan Africa according to the World Bank's governance indicators. Mauritius enjoys a favourable business climate that allows it to rank 25th (out of 190) in the 2018 Doing Business Guide as well as attract foreign investment.

COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

United States 81%

Euro Area 4%

Canada 3%

China 1%

Japan 1%

Imports of goods, as a % of total

United States 46%

China 18%

Euro Area 9%

Japan 5%

South Korea 4%

+ STRENGTHS

- Geographic proximity to the North American economy
- Membership of NAFTA, OECD, the G20 and the Pacific Alliance
- Substantial industrial base
- Recent improvement in fiscal position

- WEAKNESSES

- High dependence on the United States economy; vulnerable to changes in the NAFTA agreement
- Rising criminality rate
- Infrastructure and education weaknesses
- Oil sector undermined by years of underinvestment

SECTOR RISK ASSESSMENT

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.6	2.3	2.2	2.2
Inflation (yearly average, %)	2.7	2.8	5.9	3.0
Budget balance (% GDP)	-3.5	-2.6	-1.5	-2.4
Current account balance (% GDP)	-2.5	-2.2	-1.4	-1.6
Public debt (% GDP)	53.7	58.4	53.3	52.4

(f): forecast

122.3
POPULATION
(millionsofpersons-2016)

8,562
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Continued subdued growth in 2018

As in 2017, economic activity is likely to remain subdued in 2018. In 2017, GDP growth contracted in the third quarter (the weakest outcome since the fourth quarter of 2015), partly due to the effects of the damages caused by the two major earthquakes that hit Mexico City and nine of the country's states. Oil activity and services were particularly affected. In 2018, activity is expected to benefit from reconstruction work and by the generally positive fundamentals of domestic demand. The latter should be driven by a relatively strong job market and by the expected deceleration of inflation (6.4% in 12 months accumulated until October 2017). Moreover, manufacturing output has also benefited from a strong US industrial activity.

However, some downside risks will weigh on activity. Investment growth is set to remain weak, due to the pending presidential elections and the doubts brought by the extension of the NAFTA renegotiation talks (to be concluded in early 2018). Despite the difficulties of reaching an agreement, the most likely scenario is that NAFTA will make only small changes to the current treaty. Monetary policy is expected to ease once uncertainties regarding the Mexican economy have ceased (probably during the second half of 2018).

Budget deficit is expected to remain sustainable

Fiscal policy has remained prudent, despite the slump in oil prices. Oil revenues account for roughly a third of government revenue. As such, the drop in its prices has prompted a tightening of the fiscal policy that has been well executed. Fiscal deficit improved to 2.6% of GDP in 2016, from 3.5% in 2015, and is set to reach 1.5% of GDP by the end of 2017 at the time of writing. As recognition of the efforts done, Standard & Poors raised its outlook on Mexico's credit rating to stable from negative, arguing that it doesn't expect a material worsening in the country's debt levels. They praised Mexico's prompt reaction to recent negative shocks, such as the depreciation of the currency in late 2016. They expect the country to be able to diminish the rapid pace of debt accumulation seen in previous years, helping to stabilize the government's debt burden.

Presidential elections will ensure a heated political environment in the first half of 2018

Mexico will hold presidential elections in July 2018. Mexicans will have to choose the successor of unpopular President Enrique Peña Nieto (Institutional Revolutionary Party, PRI). After taking office in December 2012, President Peña Nieto signed an agreement with the two main opposition parties (PAN and PRD) to promote political cooperation. Called the "Pact of Mexico", the agreement allowed the government to pass an ambitious constitutional reform agenda, including reforms for both energy and telecommunications. The reforms aimed to substantially boost the potential GDP. However, the results have been disappointing, and the GDP annual growth rate is expected to average at only 2.3% during President Peña Nieto's five-year term.

However, the president's feeble popularity is not only related to sluggish activity: the population is angry about widespread corruption and rising violence. The extension of the NAFTA talks may also disturb the PRI's presidential campaign in 2018. This scenario creates opportunities for non-traditional candidates in the presidential elections. Although candidates have not yet been officially confirmed, late 2017 polls portray left-wing populist candidate Andrés Manuel López Obrador (MORENA party), also known as ALMO, as the frontrunner. In addition, the candidate Margarita Zavala resigned from the PAN after 35 years to run as an independent. This decision may split the PAN votes and, as the country does not have run-off, a more divided centre-right could benefit AMLO. However, a tactical vote cannot be ruled out: voters may choose to support the candidate who has the best chance of beating AMLO.

PAYMENT AND COLLECTION PRACTICES IN MEXICO

Payment

The most commonly used methods of payment in Mexico are cheques, wire transfers and - in some special cases - credit cards.

In Mexico, the documents most frequently related to commercial transaction are invoices, promissory notes, and cheques. Promissory notes and cheques also serve as certificates of indebtedness. Once buyers possess the relevant information, they can proceed to make payments by wire transfer or cheque, with both methods taking approximately ten to fifteen working days. Wire transfers are more common, as cheques can be post-dated, thus presenting the risk that buyers will issue cheques that they cannot finance.

Promissory notes are unconditional promises, in writing, to pay a person a sum of money. In Mexico, this document is normally used as a guarantee of payment from the buyer. It is signed by the legal representative of the buyer - and hence, the debtor – for an amount which is superior to the total amount of the debt.

Corporate payment processes are governed by companies' internal policies. Most companies request supporting documentation from the other party before proceeding with a transaction (e.g. the company's articles of incorporation, or its tax identification, known as the Registro Federal de Contribuyentes).

Invoices

Invoices are commercial documents issued by sellers to buyers, which list the goods sent or services provided, along with a statement of the sum due. In terms of debt collection, original invoices act as proof of the acceptance of the debt and the establishment of a commercial relationship between the parties. According to commercial and civil laws, the commercial agreement is sealed by two elements: an object (in this case the product or the service), and the price of the object as agreed by the parties. Even in the absence of a written agreement, an invoice provides both of these elements. Invoices are therefore the most effective form of proof in a lawsuit situation, as they show that the parties made a sale agreement and have a reciprocal obligation to pay the price agreed and to deliver the goods or provide the service.

In 2014, the Mexican Tax Authorities (*Servicio de Administraci Servicio de Administración Tributaria*, SAT) ruled that all invoices must be electronic, with an XML file. They must also be verified by the tax authority system in order to be validated. The tax authority also requests electronic confirmation when the creditor receives payment, along with a receipt in an XML file as legal confirmation. These new requirements entered into force in December 2017. The goal of these changes is to limit the amount of fraud cases and ghost companies, both of which are prevalent in Mexico.

Debt collection

Amicable phase

Before entering into legal proceedings in Mexico, creditors normally attempt to contact their debtors via telephone. If this is unsuccessful, a written letter is sent to the debtor, in which the debtor is notified of the amount of the debt and the creditor's intentions to negotiate payment terms.

The next step is a visit to the debtor by a collection specialist. During this visit, the collection specialist will attempt to develop a more detailed perspective on the debtor's situation. The specialist will endeavour to ascertain if the company is still in business and if it has assets (such as real estate, merchandise or other rights) that could be seized in the event of a legal process. The main purpose, however, of such a visit is to understand why debtors did not pay their invoices within the allotted time frame.

Due to the increasing complexity of Mexico's financial situation, particularly during 2017, amicable settlements have become less and less successful. When creditors initiate collection actions with an amicable phase, it is common for debtor companies to disappear altogether. This means the discontinuation of commercial activities which could potentially enable the payment of sums due. This scenario intensified further towards the end of this year.

When entering into commercial export relationships, companies are advised to ensure that all documentation conforms to Mexican law. A lack of correct information and documentation opens exporters up to the possibility of fraud committed by Mexican companies and reduces the likelihood of successful debt recovery during an amicable phase.

Legal proceedings

There are three types of proceedings which can be initiated against debtors:

Pre-Legal Process (*Medios Preparatorios a Juicio Ejecutivo Mercantil*)

This pre–legal process takes place when there is an invoice as a proof of the pending payment and of the commercial relationship. Creditors request that the judge obtains a citation from the debtor or its legal representative. He then obtains the confession and acceptance of debt from the debtor, as well as the pending payment. As the confession before the judge is an executive document, the creditor is then able to initiate the 'Summary Business Proceeding' legal process.

This pre–legal process takes approximately two or three months.

Summary Business Proceeding

This legal process takes place when there is a Certificate of Indebtedness (promissory notes, cheques or legal confessions before the judge by the debtor or its legal representative). The process begins with the phase of citation, when the creditor initiates the lawsuit by requesting that the debtor pays the total amount of the debt due. If the debtor does not have sufficient funds, the creditor can request that some of its assets be seized. These assets can include real estate, merchandise, bank accounts, industrial property rights and trademarks, to be used as a guarantee against the total amount of the debt.

Once the assets are seized as a guarantee of the debt, the legal process continues until the judge renders his final resolution. Then, if there is no negotiation or payment, the creditor can initiate the auction of assets to recover the debt.

This legal process takes approximately six to eighteen months, although this can vary from case to case.

Ordinary Business Proceeding

Ordinary Business Proceedings are the most time consuming procedure in Mexican commercial law. They can take place in the absence of a Certificate of Indebtedness, which means that the only proof of a commercial sale between the parties is the commercial agreement with invoices. In this type of process, assets can only be seized as a guarantee of the total amount of the debt when the judge has rendered his final sentence condemning the debtor to make payment. This legal process takes approximately one to two years.

Oral Proceedings

Oral proceedings take place when the total amount of the debt does not exceed EUR 31,856.68. As with 'Ordinary Business Proceedings', assets can only be seized as a guarantee of the total amount of the debt when the judge has rendered his final judgment condemning the debtor to pay the amount due. This process, which was established under commercial law on 11 January 2013, takes approximately four to six months.

On the 2nd May 2017, Mexican congress made a modification which ruled that all commercial disputes be processed through Oral Proceedings, with no limitations on amounts, with effect from the 25th January 2018.

Enforcement of a legal decision

A judgment is enforceable as soon as it becomes final. If the debtor does not comply with the judgment, the creditor can request a mandatory enforcement order from the court, in the form of an attachment order, sale of specific assets, or liquidation of the company. This takes between six months to two years.

Foreign judgments can be enforced through exequatur proceedings. The court will verify that certain requirements are fulfilled, prior to recognising the foreign decision. The court establishes whether the foreign court had jurisdiction to decide on the issue and whether enforcing the decision will not conflict with Mexican law or public policy.

Insolvency proceedings

Out of court proceedings

Debtors with the approval of creditors holding 40% of the debt can constitute a 'pre-packaged' reorganisation agreement. This enables the court to issue an insolvency declaration and declare the company in *concurso mercantile*.

Liquidation

Liquidation can only be requested by the debtor itself, but the debtor can be placed into liquidation as a result of its failure to submit an acceptable debt restructuration proposal to its creditors through the *concurso mercantile* proceedings. A liquidator is appointed and given the responsibility for managing the company, selling its assets and distributing the proceeds to the creditors according to their rank.

MOLDOVA

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 26%
- Romania 26%
- Russia 12%
- United Kingdom 6%
- Belarus 5%

Imports of goods, as a % of total

- Euro Area 25%
- Romania 14%
- Russia 13%
- China 10%
- Ukraine 10%

+ STRENGTHS

- Agricultural potential (wine, fruits, vegetables, wheat)
- Small, open economy which attracts foreign investment
- Fairly cheap labour
- Very low unemployment rate (4.2% in 2016)

- WEAKNESSES

- The poorest country in Europe
- Size of the informal sector
- Dependence on remittances from expatriate workers
- Political instability and social tensions
- Corruption, weak governance and patronage
- Secessionist ambitions in Transnistria

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-0.4	4.1	3.2	3.7
Inflation (yearly average, %)	13.0	6.4	6.5	5.3
Budget balance (% GDP)	-2.3	-2.1	-3.2	-3.0
Current account balance (% GDP)	-5.0	-3.8	-4.0	-4.0
Public debt (% GDP)	44.8	43.2	41.3	40.5

(f): forecast

3.6
POPULATION
(millionsofpersons-2016)

1,907
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth to remain firm in 2018, but below potential

The Moldovan economy was hit by a banking scandal in 2015 involving the embezzlement of over USD one billion (15% of GDP), the collapse of three major banks and a considerable downturn in economic activity. Since 2016, the consolidation of the financial sector, as well as the positive shock of external demand mainly from the European Union and Turkey, helped restore growth, which should remain satisfactory in 2018. Private consumption, which accounts for 86% of GDP, should increase, benefiting from low unemployment, higher real wages and disposable household income. This is because remittances from Moldovan workers abroad, concentrated in Russia, are likely to continue to benefit from the Russian economic recovery (remittances up 9.5% in the first six months of 2017). The country depends on these flows, which represented 20% of GDP in 2016. Inflation is expected to continue to fall in 2018, but this will probably be accompanied by a tighter monetary policy. The manufacturing industries are struggling to expand and the retail and agrifood sectors are the main drivers of activity. Meanwhile, Moldova depends on the primary sector (14% of GDP and 33% of jobs in 2016). Weather conditions were favourable for the 2016-2017 harvest. Accordingly, agricultural production climbed 103% during the first 9 months of 2017 compared with 2016. Foreign investment, which fell in 2015, is picking up again gradually though is hampered by political instability.

Slow improvement in the public accounts

The IMF's Extended Credit Facility Mechanism (ECFM) and the Extended Credit Facility (ECF) are delivering USD 178 million (3% of GDP) over the period 2016-2019 and are mainly intended for restructuring the financial sector and boosting public revenues. It is in this context that numerous reforms have been implemented to improve the supervision of banks and their activities, as the government is keen to comply with Basel III agreements. However, the ratio of non-performing loans is still high, at almost 17%. The IMF's requirements have led to a policy of fiscal consolidation which will require strong increases in tax receipts (especially VAT) and diversification of income sources. Public investment spending will also rise, but more modestly.

The current account deficit is expected to remain fairly high in 2018, because of the huge trade deficit (29% of GDP in 2016) despite remittances from expatriate workers. Demand from European countries is expected to continue to stimulate exports following the entry into force of the free-trade agreement with the EU in 2016. Moldova's main trading partners are its neighbours (Ukraine, Rumania), but exports to Western European countries are growing fast (+20% to Germany, +12% to Italy in 2017). Exports mainly comprise agricultural products, electric cables and clothing ensembles. Moldova will benefit from the drop in import prices following the 14.5% appreciation in the lev against the dollar during the first ten months of 2017. However, this will not be enough to offset the rise in commodity prices, especially those of oil and gas imported from Russia. To finance its current account deficit, the country makes use of concessional loans from the IMF and the World Bank. Foreign exchange reserves remain at a comfortable level of USD 2.5 billion or almost 7 months of imports.

Tensions in the run-up to the 2018 parliamentary elections

The 2015 banking scandal led to a loss of confidence in the political class. The first presidential election conducted by universal suffrage took place in November 2016 and resulted in a victory for Igor Dodon, from the Party of Socialists of the Republic of Moldova (PRSM), elected for a four-year term. The Head of State, from a pro-Russian coalition, has to cohabit with a majority pro-European government, led by Pavel Filip (Democratic Party). So, the balance will remain fragile and tensions will remain high until the next parliamentary elections scheduled for November 2018. They will allow the 101 seats in the single-chamber parliament to be filled and the favourite in the polls is the PRSM. However, there is a possibility of foreign policy leaning towards Russia. This will be the first election following the entry into force of a divisive electoral code, which was met with protests. There has been a shift from a proportional system to a mixed system within which MPs will be elected at both local and national level. The polarisation of political life into two camps - pro-Russian and pro-European - is behind the tensions in the run-up to the elections. So, in response to a government request, the Constitutional Court decided to temporarily suspend the president for rejecting all government nominations for the vacant post of Minister of Defence.

Moldova is in the grip of separatist ambitions involving the eastern Russian-speaking region of Transnistria, which enjoys autonomous status and which unilaterally declared independence under the name of the Dniester Moldovan Republic in 1992. A referendum (not recognised by the central government) took place in 2006 and the *de facto* leader of the region issued a decree in 2016 to join Russia.

MONGOLIA

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 79%
- United Kingdom 16%
- Euro Area 2%
- Russia 1%
- Singapore 0.3%

Imports of goods, as a % of total

- China 31%
- Russia 26%
- Japan 10%
- Euro Area 8%
- South Korea 6%

+ STRENGTHS

- Exploitation of colossal mining resources (coal, copper, gold)
- Strategic geographic location between China and Europe (New Silk Road development project)
- Potential to diversify production, specifically agri-business (dairy products, meat, cashmere) and tourism

- WEAKNESSES

- Economy vulnerable to commodity price variations
- Highly exposed to Chinese economy
- Internal political disputes
- Alarming level of corruption and risks associated with rising inequalities due to non-inclusive mining development

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.4	1.0	3.0	4.0
Inflation (yearly average, %)	5.9	0.6	4.4	6.0
Budget balance (% GDP)	-8.3	-17.0	-8.7	-7.4
Current account balance (% GDP)	-4.0	-6.3	-4.9	-8.7
Public debt (% GDP)	59.5	87.6	94.9	101.3

(f): forecast

3.0
POPULATION
(millionsofpersons-2016)

3,660
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth stimulated by mining investment

Recovery is expected to continue in 2018, stimulated by greater investment in the mining sector and higher mineral prices. The second phase of expansion at the Oyu Tolgoi mine (one of the largest gold and copper reserves in the world, operated by the Rio Tinto corporation via its Turquoise Hill subsidiary) is set to attract substantial foreign direct investments. This project should have a beneficial effect on investor confidence, and stimulate investments overall. Mining development is expected to boost the construction sector, not only regarding mining infrastructure, but in terms of accommodation construction – a consequence of the country's growing urbanisation, with an influx of labour attracted by the mining boom.

However, growth is expected to remain below the average observed between 2010 and 2014 (11.3%), while waiting for the full utilization of mining resources, and will be limited by Chinese demand (90% of the country's exports). In addition, subsistence agriculture focused on livestock remains vulnerable to climate shocks and pandemics. Meanwhile, public demand is likely to be dampened by the fiscal consolidation measures put in place by the government. Household consumption is expected to receive a boost from the benefits of mining sector development – provided, however, that there is a more egalitarian distribution of the profits. Finally, inflation too is expected to rise. This has been triggered by higher fuel prices and growth in money supply with foreign investment flowing into the mining sector.

The country's financial position will remain precarious.

With the implementation of an Extended Credit Facility under the aegis of the IMF in early 2017, the government moved to implement fiscal consolidation measures to reduce its deficit. The 2018 budget foresees a new reduction of the deficit, creating grounds for social discontent within the population (e.g. teacher protests calling for wage rise). The president (from the opposition party) tried to veto the proposal (cancelled by a Parliamentary vote), judging the consolidation efforts to be inadequate. A new draw on the IMF USD 5.5 billion loan should allow the government to meet the next interest payment on a significant portion of its debt (USD 500 million and USD 160 million due in January and June 2018, respectively). Other payments due will be financed by the issuance of sovereign bonds by the central bank as well as bilateral (Japan) and multilateral (ADB) loans. This should reassure investors about Mongolia's capacity to repay its debt.

The reduction in the current account deficit observed in 2017, thanks to increased mineral exports, is unlikely to continue. Effectively, imports of capital goods are expected to rise alongside new investments in mining. This rise is unlikely to be fully offset by the growth in exports, which is stimulated by higher mineral prices but limited by weakening Chinese demand. After a period of strong depreciation of the tugrick, the local currency, the trend is expected to reverse in 2018, as growth recovers and political uncertainties lessen. This should allow the central bank to cut its key rates again in 2018, after a two-percentage-point cut in June 2017.

The political situation is expected to stabilise

After the victory of the Mongolian People's Party (PMD) in the June 2016 parliamentary elections (65 out of 76 seats in parliament), the presidential elections of June/July 2017 were won by the opposition candidate, Khaltmaagin Battulga (Democratic Party). Following this defeat, infighting resurfaced within the parliamentary majority, resulting in the dismissal of Prime Minister Jargaltulga Erdenebat in September 2017, on allegations of corruption. The appointment of Khurelsukh Ukhnaa as new Prime Minister in October 2017 is likely to help stabilise the situation, although renewed rounds of infighting cannot be ruled out.

With regard to the business climate, the composition of the new parliament, which is much more favourable towards foreign operations, is expected to encourage foreign investment and help implement more cautious economic policies under the IMF programme. The arrival of President Battulga , whose campaign focused on more egalitarian wealth distribution and the fight against corruption, should encourage the implementation of good governance practices and improve the business climate, which have been inadequate to date.

MONTENEGRO

COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Serbia 25%
- Euro Area 19%
- Hungary 11%
- Bosnia Herzegovina 8%
- Kosovo 6%

Imports of goods, as a % of total

- Euro Area 35%
- Serbia 22%
- China 9%
- Bosnia Herzegovina 5%
- Croatia 5%

+ STRENGTHS

- Tourism potential (sea, mountains, and climate)
- Hydroelectric potential
- Use of the euro
- Negotiations for membership in the EU
- Good-quality education and healthcare

- WEAKNESSES

- Small market
- Dependence on tourism, construction, and energy
- Electrical production relying largely on subsidised coal
- Inadequate road and electrical networks
- Structural unemployment (14%) and shortage of qualified workers
- Size of the ethnic vote and political impasse
- Mediocre business climate
- Large black-market economy (39% of GDP) and low labour market participation rate (54%)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.4	2.9	4.0	3.0
Inflation (yearly average, %)	1.5	0.9	2.4	2.6
Budget balance (% GDP)	-8.3	-3.7	-6.0	-4.0
Current account balance (% GDP)	-13.3	-18.0	-18.0	-17.0
Public debt (% GDP)	73.7	71.4	74.0	78.0

(f): forecast

0.6
POPULATION
(millionsofpersons-2016)

6,707
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Activity supported by investment

Although lower, growth is expected to remain comfortable in 2018, continuing to be driven by investment. Investment will be supported notably by the continued construction of the 41 km long first section (Podgorica – Mateševo) of the Bar-Boljare motorway project, which will eventually link the Port of Bar to Boljare, on the Serbian border. Foreign investment in tourism infrastructure is set to continue, further developing a sector that already contributes 10% to GDP. However, the construction of a second coal-fired power station in Pljevlja seems to be compromised by tighter European environmental standards. Consumption, both private and public, will contribute little to growth, in connection with the fiscal consolidation. The contribution of foreign trade will be negative due to the increase of imports related to the construction of the motorway.

Consolidation of public and foreign accounts linked to the completion of the motorway construction project

Although diminished, the public deficit will remain high, leading to a further increase in debt (78% of GDP at the end of 2016, 60% of GDP for its foreign portion alone). However, the consolidation of the budget will intensify. Indirect taxation, which already represents 67% of tax revenue, will be further increased. The ordinary VAT rate will thus increase from 19% to 21% in early 2018. Levies on tobacco, sodas, and alcohol will rise. Control will be facilitated by the widespread use of connected cash registers. The exceptional 2% increase of the tax on high incomes (single rate of 9%) is expected to be extended. The action on current expenditure (social benefits and salaries mainly), which is equivalent to 80% of total expenditure, will be smaller. Salaries of senior civil servants will be further cut, while the increase will not exceed 1% for others. Faced with this, the pension deficit borne by the State and mainly due to early retirement represents more than 3% of GDP. The tax cuts designed to attract foreign investments in tourism, such as the application of a reduced VAT rate of 7% for luxury hotels, are costly. However, the critical obstacle is the construction of the motorway, without which the budget would be balanced. The cost of the first segment represents one quarter of GDP. The construction by China Road & Bridge, 30% of which is local subcontracted, is 85% financed by a 20-year loan in dollars from Exim Bank at a rate of 2% with a grace period of six years. The country is responsible for the remaining cost. Construction should be completed in 2019, allowing the balance to become positive and the debt to fall quickly as of 2020. It seems certain that the construction of the remaining 136 km, for an equivalent cost, will not be possible without obtaining concessional funding. Nevertheless, subject to construction of the Serbian portion, this route would improve commercial and tourist trade with Europe through Serbia, as it would replace a dangerous road often closed in winter.

The current account deficit will remain substantial in 2018 due to the abyssal trade deficit in goods (45% of GDP). Exports, mainly metals (aluminium from Kombinat Aluminijuma in Podgorica and steel from the Toscelik steel mill in Nikšić) and electricity, which are very sensitive to international economic conditions and rainfall, are largely offset by imports of equipment for road infrastructure, but also by imports of food and oil products. Tourism generates a surplus representing 20% of GDP. Russians, who constitute one quarter of the summer arrivals, have not been sensitive to the country's alignment with the Western position on Ukraine or the country's accession to NATO. In the end, half of the current account deficit is financed by FDI, and the balance is financed by debt and undeclared capital inflows invested in secondary residences. Foreign debt represented 167% of GDP at the end of 2016. Its recent growth is due to the growth in its public share (one third), a consequence of the external financing of the public deficit and the disbursement of the Chinese loan for the motorway.

Frozen political scene

The Democratic Party of Socialists (DPS) - formed from the former Communist party and dominators of the political scene since 1991 - came out on top in the October 2016 legislative elections, winning 36 out of 91 seats. Thanks to the withdrawal of the DPS's historic leader, Milo Djukanovic, and the parliamentary boycott by the opposition dominated by the Democratic Front (pro-Russian) – which still disputes the results –, Duško Marković, vice-prime minister in the previous government, took the lead of a coalition government uniting the DPS and the minority ethnic parties. The government has completed the NATO accession process and is working to obtain European Union (EU) membership. Corporate life is complicated by corruption, the politicisation of the legal system (harming the performance of contracts and the handling of insolvency), organised crime, an inaccurate land register, and slow administrative procedures. However, EU accession negotiations are leading to improvements in the business climate. In 2016, Montenegro was in 51st place out of 190 in the World Bank's Doing Business survey and 77th out of 138 in the Global Competitiveness Report.

MOROCCO

COFACE ASSESSMENTS

A4
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 59%
- United States 3%
- India 3%
- Turkey 3%
- United Kingdom 3%

Imports of goods, as a % of total

- Euro Area 49%
- China 9%
- United States 6%
- Turkey 4%
- Russia 2%

+ STRENGTHS

- Favourable geographic position, close to the European market
- Strategy to move to high-end market and diversify industrial production
- Political stability and commitment to reforms
- Growing integration in African market

- WEAKNESSES

- Economy very dependent on performances in the agricultural sector
- Significant social and regional disparities. Although falling, the poverty rate remains high
- Weak productivity and low competitiveness
- High unemployment rate and low female participation in the labour market
- Political tensions with regional neighbours

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.5	1.2	4.3	2.9
Inflation (yearly average, %)	1.8	1.6	1.0	1.6
Budget balance (% GDP)	-4.2	-4.0	-3.8	-3.5
Current account balance (% GDP)	-3.1	-4.3	-3.9	-5.3
Public debt (% GDP)	63.7	64.7	64.9	65.3

(f): forecast

34.5
POPULATION
(millionsofpersons-2016)

3,004
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slight downturn in 2018

Growth in Morocco is correlated to that of the agricultural sector, which, although on a trend towards greater diversification, is still concentrated around cereal production, which is sensitive to weather conditions. 2016, characterised by a period of drought, was followed in 2017 by heavy rains pushing agricultural GDP up by 15.1% and total GDP up by more than 4%. From a sector perspective, manufacturing industries continued their upturn begun in 2016, as has the services sector, buoyed by the recovery in tourism. Construction is still on a downward trend, evidence of the downturn in the residential property market since 2016. In 2018, growth is likely to be more muted mainly because of the underlying effect associated with a slowdown in agricultural GDP growth. However, the economy, excluding agriculture, is expected to continue perform well, buoyed by still resilient internal demand. Household consumption, although benefiting from moderate inflation, will be slightly penalised by falling agricultural incomes. Investment is expected to remain firm, thanks to the ongoing pursuit of an expansionary public investment policy based on major projects, chiefly oriented towards port projects (Tanger-Med 2, the Nador West-Med port complex) and robust private investment encouraged by a policy of tax incentives (exemption from registration fees for new businesses, lower tax rates on certain sectors). Exports, on the way up in 2017, are expected to continue the same positive trend in 2018 with recovery consolidating in the markets of the Kingdom's main trading partners.

Ongoing fiscal consolidation

The fiscal consolidation begun in 2013 has led to a gradual stabilisation of the public deficit. Rising internal demand pushed up revenues from indirect taxes, particularly VAT, and from direct taxes. Spending remained contained, despite there being no government from November 2016 to April 2017. In 2018, public spending is likely to edge upwards, boosted by an increased investment drive by public-sector companies, but also by higher operating expenditure associated with the rise in the number of civil servants in the national education system. Financed primarily on the domestic market on preferential terms, the public debt is expected to remain stable in 2018, so debt interest payments look set to remain moderate.

The deepening trade deficit puts pressure on the external accounts. The combination of temporary factors like the increase in purchases of capital goods associated with infrastructure projects and the higher energy bill resulting from the rebound in the oil market has pushed imports higher. However, this increase obscures the dynamism of agri-food, automotive, and aeronautical exports. Phosphate sales have also risen, driven by increased demand from emerging markets despite a fall in world prices. In 2018, firm oil prices will continue to adversely affect the cost of imports, but to a lesser extent than in 2017, while the expected increase in investment will continue to sustain imports of capital goods. In contrast to 2017, the growth in remittances from expatriate workers driven by more favourable economic conditions in European countries, improved tourism income and higher FDIs will help consolidate foreign exchange reserves at a satisfactory level of just over five months of imports. Following the announcement of a move to a floating exchange rate, these reserves came under downward pressure from the massive purchase of hedging products by domestic economic players and from central bank interventions aimed at stabilising the dirham's exchange rate. The reform, which is intended to result in greater flexibility for the dirham, has been postponed to a later date.

Increased social risk

Although he won the 2016 parliamentary elections, the leader of the JDP (Justice and Development Party), Abdelilah Benkiran, failed to capitalise on his victory in the polls by building a coalition able to form a government. After 5 months of impasse, a new prime minister, also from within the ranks of the JDP was appointed by King Mohammed VI to replace him. Saâdeddine El Othmani took up his post as head of the government in April 2017, after concluding an agreement with five other parties. Among the challenges the new government will face is the uprising affecting the landlocked regions in northern Morocco. The Hirak movement is campaigning for greater social justice and action to address the regional disparities penalising the Rif region. Street demonstrations intensified in July 2017 following the arrest of the movement's main leaders now facing serious charges. The police response was not the only response by the Moroccan authorities. In October 2017, King Mohamed VI announced the sacking of several ministers and secretaries of state. This reshuffle came after several speeches by the king strongly denouncing the administration's ineffectiveness and its inability to meet the demands of its citizens. Morocco is strengthening its economic and political presence on Africa by becoming a key player in the region after its reintegration into the African Union on the 30th January 2017, as well as its accession to ECOWAS.

PAYMENT AND COLLECTION PRACTICES IN MOROCCO

Payment

Cheques are still commonly used as instrument of payment and also constitute efficient debt recognition titles: debtors may be prosecuted if they fail to pay the amount owed. Bills of exchange also constitute an attractive means of payment, because they are a source of short-term financing by means of discounting, instalment, or transfer.

Promissory notes are used to record the financial details of personal debts, business debts and real estate transactions. They are legally binding contracts that can be used in a court of law if the debtor defaults. A promissory note acts as solid evidence of an agreed payment, and subsequently debt in case of dispute.

Nevertheless, bank transfers are becoming the most popular means of payment for both domestic and international transactions.

Debt collection

Amicable phase

Debt collection must begin with an attempt to reach an amicable settlement. Creditors attempt to contact their debtors through different means (telephone calls, written reminders such as formal letters, emails or extrajudicial notifications, etc.). Amicable settlement negotiations can be intense, and cover aspects such as the number of payment instalments, write-offs, guarantees/collateral, and grace period interest. Moroccan law states that a lawyer can acknowledge the signature of the debtor via payment plans, which are signed, certified, and legalized by the competent authorities in Morocco. The creditors' lawyer can subsequently use this payment agreement as debt recognition in case of legal action.

Legal proceedings

Morocco has a dual legal system that consists of secular courts based on French legal tradition and courts based on Islamic traditions. The appointments in brackets are written in French because they are the own appointments of different courts in Morocco.

Secular courts includes proximity courts (*juridictions de proximité*) in charge of settling disputes between individuals, Courts of First Instance (*tribunaux de première instance*) dealing with all civil matters, Commercial Courts dealing with business disputes, Appellate Courts (*Cours d'Appel*) dealing with civil and administrative matters, and a Court of Cassation (*Cour de Cassation*).

There are 27 Sadad Courts, which are courts of first instance for Muslim and Jewish personal law.

Fast-track proceedings

The order to pay is available when the debt has a contractual cause or the obligation is of a statutory origin. It is characterized by a petition form sent to the relevant clerk of the court. The debt must be certain, liquid (i.e. clean and clear), due, and uncontested. An enforceable order to pay is obtained within an average delivery time of six months, unless the defendant lodges an opposition against the ruling. In the defendant opposes the order within one month of being served, the case is referred to ordinary proceedings.

Ordinary proceedings

A writ of summons is sent by the creditor's representative to the relevant court and served by a bailiff to the debtor, who may subsequently obtain legal representation in the period prescribed by the judge and file a counter claim. Several hearings may be required for the exchange of written submissions, transmissions of documents and to produce the relevant evidence.

The main hearing is set by the judge to hear the presentation of the pleadings. Discussions and pleadings are conducted by the judge during the public hearing. The case is then taken under deliberation to allow judges to discuss the means, grounds, and pronouncement that make up the content of the judgment. After the sitting of the judges, a reasoned judgment is rendered. It can usually be obtained within an average delivery time of one year.

Enforcement of a legal decision

Once all appeal venues have been exhausted, a judgment becomes final and enforceable. Garnishee orders are normally efficient for seizing and selling the debtor's assets.

According to Moroccan law, commercial courts are obliged to recognize judgments rendered abroad, even if there is no convention signed for this purposes with the issuing country. In order to be recognized and enforced, the original copy of the foreign judgment must be provided to the court with a certificate of non-appeal.

When a foreigner gets final judgment that they want to enforce in Morocco and, if not, when seeking enforcement of a Moroccan judgment abroad, they must follow exequatur procedures.

There are two enforcement procedures. The first is uniquely Moroccan, whereas the second is fixed by judicial bilateral agreement between Morocco and other countries, including Germany, Belgium, the United States of America, the United Arab Emirates, Spain, France, Italy and Libya

Insolvency proceedings

Insolvency proceedings are regulated by Book V of the Commercial Code. It provides for prevention of difficulties (alert procedure and amicable settlement procedure) as well as formal insolvency procedures (judicial rehabilitation proceedings and judicial liquidation proceedings).

Alert procedure

Businesses are compelled to work towards the internal prevention of their financial difficulties and recovery with the aim of maintaining their activity. The alert procedure is initiated by a business' auditors or partners (external auditors hired by the company to rectify the financial situation), who are required to notify the manager of the business of any opportunities to redress the situation within eight days. If no steps are taken to remedy the situation within fifteen days, a general assembly must be convened to take a decision on how to redress the situation based on the auditor's report.

Amicable settlement procedure

Amicable settlement procedures can only be implemented by a commercial company, trader, or artisan, who is experiencing financial difficulties but is not yet cash flow insolvent. Once initiated, the debtor is placed under the supervision of the Court. The Court subsequently appoints an external mediator for a limited period of three months to assist the debtor in reaching an agreement with its creditors. A settlement can be reached with all creditors or the debtor's "main creditors". Creditors are entitled to their entire claim, but the mediator may propose an arrangement or creditors may assign a portion of the debt if they so wish. Once approved by the Court, all judicial proceedings relating to debts covered by the agreement are suspended for the duration of the amicable settlement agreement.

Judicial rehabilitation proceedings

This insolvency procedure is only available for debtors that have become insolvent (*état de cessation de paiement*), but whose financial situation is not irreparably compromised. An insolvency judge and an office holder (the person appointed by the court as part of an insolvency or liquidation; also acts as the syndicate) are appointed by the court. During the process, the debtor and its management remain in possession of the company's assets and the debtor continues its business. The rehabilitation procedure can result in either the reorganization of the debtor's business or its liquidation. The office holder is required to prepare a report on the situation of the company within four months from the opening of the proceedings. In his report, the office holder will either recommend a rehabilitation plan for the debtor, the sale of the business, or liquidation. The court is then required to reach a decision on the fate of the debtor, based on the report. There is no direct vote by the creditors on the options available to the debtor during the procedure.

Judicial liquidation proceedings

The judgment initiating the procedure makes all the debts immediately due and payable, the creditors within a period of two months must present their claims. Moroccan creditors have two months to submit their declarations; creditors residing abroad have a period of four months. Liquidation proceedings may terminate prematurely before a distribution in liquidation if:

- the debtor has no more debt, or
- the office holder has sufficient funds to pay all the creditors in their entirety, or
- the debtor does not have enough assets to cover the costs of the liquidation procedure.

Under Moroccan law, there are no specific rules on the priority of claims in the event of insolvency. Nevertheless, there are some privileged creditors such as: the employees, the public treasury, the social agencies, the creditors of a collective conciliation, finally the unsecured creditors.

COFACE ASSESSMENTS

E
COUNTRY RISK

D
BUSINESS CLIMATE

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.6	3.8	3.5	4.8
Inflation (yearly average, %)	2.4	19.2	17.5	10.5
Budget balance (% GDP)*	-7.2	-5.7	-4.8	-4.5
Current account balance (% GDP)	-40.3	-38.2	-42.2	-39.6
Public debt (% GDP)	94.7	127.5	128.1	125.6

* Including grants (f): forecast

28.8
POPULATION
(millionsofpersons-2016)

392
GDP PER CAPITA
(US dollars - 2016)

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 40%
- India 15%
- South Africa 15%
- Singapore 3%
- China 3%

Imports of goods, as a % of total

- South Africa 36%
- Euro Area 19%
- China 11%
- Bahrain 5%
- United Arab Emirates 4%

\+ STRENGTHS

- Favourable geographic location: long coastline, proximity to southern African markets
- Significant mineral (coal), agricultural and hydroelectric resources
- Huge offshore gas field discovered in 2010
- Support from donors and foreign investors (FDI) to finance mining and gas infrastructures (suspended since November 2016)

\- WEAKNESSES

- Lack of diversification; dependence on raw material prices (aluminium, coal)
- Lack of suitable transport and port infrastructures limiting country's raw material export capacity
- Scale of grey economy (40% of GDP)
- Banking system constrained by the government's financing needs
- Poor governance
- Problematic climatic conditions with frequent flooding

RISK ASSESSMENT

Faster growth underpinned by the mining sector

Although growth in 2018 will be faster, it will continue to suffer because of the crisis resulting from the suspension of multilateral aid following the revelation, in April 2016, of hidden (1.4 billion dollars, approximately 10.7% of GDP) being concealed by the government. The result is that the government's funding needs will take priority over the many, constantly delayed, infrastructure projects such as the Maputo-Catembe bridge initially planned for 2017. The scale of the State's financial requirements will also dominate the banking sector, to the detriment of providing finance for the private sector. However, the mining sector, in particular coal and aluminium, will help drive economic growth, thanks to the vitality of incoming FDI and a moderate upturn in prices. Increasing demand for precious stones, as well as the start of production in 2017 of the country's first graphite mine, will help improve the diversity of the country's exports. The exports of the extractive industry will also feel the benefits of the increase capacities of the rail line linking the mines in the centre of the country with the port of Nacala, where the specialised coal terminal has been expanded. The vitality of external demand, in particular in the eurozone (40% of exports), will also help boost exports. The continuation of the ceasefire between the armed faction of the main opposition party (Renamo) and the government will, if it lasts, enable the farmers in the centre of the country to once again ship their products around the country and abroad. Agriculture will in fact continue to be a key sector for Mozambique, as it accounts for 21% of GDP and employs almost 75% of the workforce. Finally, household consumption is expected to receive a boost from the stronger performances of the agriculture sector, but it will be limited by the continuing high rate of inflation, despite a clear drop.

Major efforts to bring public finances under control in the context of reduced financing

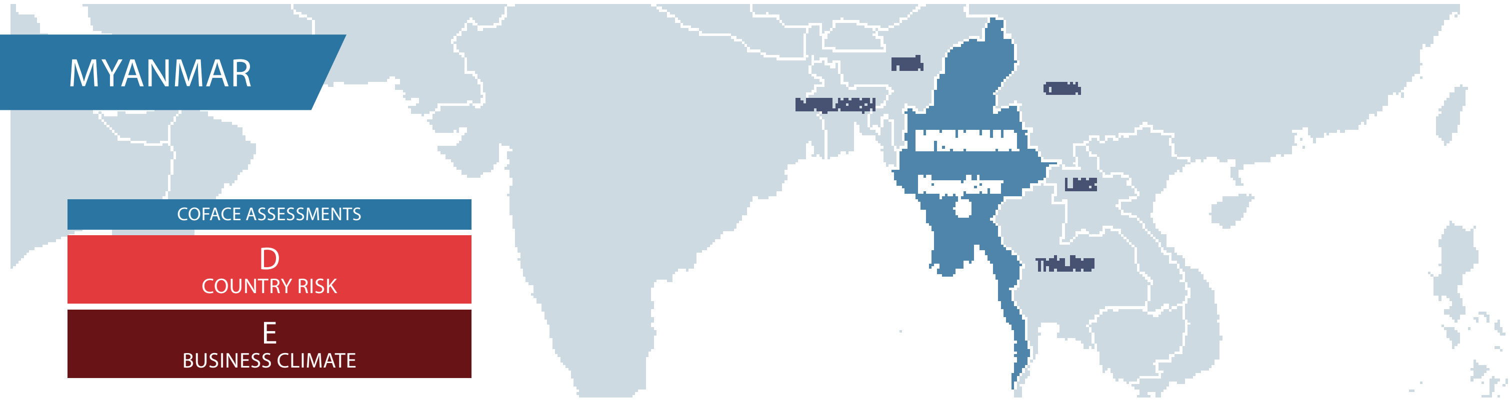
Since the sharp worsening of the budget balance in 2014, the government has continued its policy of fiscal consolidation. This fiscal position could prove hard to maintain because of the ongoing suspension of international aid, which funds 20% of State spending. The implementation of measures aimed at broadening the tax base and improving tax collection services as well as the efforts in terms of expenditure, will nevertheless still not be enough to significantly improve the budget balance. In addition, the holding of local election in 2018 will make it difficult to reduce current expenditure. This means that investment spending could be cut instead. At the same time, public indebtedness (mostly external) has reached a record level, with a government debt interest payment default in January 2017. The hoped for restructuring of this, naturally dependent on the implementation of more severe fiscal consolidation measures, will prove salutary for the country, which also lost its access to the international markets. Although talks with the donors have restarted, the guarantees provided by the government against the borrowings of public sector companies has increased the risk of a sovereign default.

The current account deficit, linked with the scale of imports the country needs to be able to improve its infrastructure (gas, transport), is likely to remain high in 2018. The vigour of mining sector (aluminium and coal) exports will still not be enough to reduce the very large trade deficit. The current account deficit will however be funded thanks to massive FDI inflows in the mining sector, further increased thanks to the opportunities arising from future production of liquefied natural gas, expected in 2022. The Central Bank is also likely to continue its interventions in the markets to try and maintain the managed float of the metical to the dollar, supported by a slight increase in its currency reserves (2.3 months of imports), thanks to these FDI flows.

A fragile political situation and governance weaknesses

As of the parliamentary elections in October 2014, Frelimo, in power since 1994, has had to deal with a vigorous opposition from the leading opposition party, Renamo, both within parliament and on the ground in the form of guerrilla actions in certain provinces in which it is firmly installed and wants to exercise local political power. It would however seem likely that a peace agreement could be signed between the two factions, in so far as Renamo appears to want to take advantage of the declining popularity of President Nyusi in order to win seats in the local elections in 2018, followed by the presidential election in 2019. The scale of social discontent within the country remains a source of political instability, because of continuing high inflation, alongside widespread corruption. The business climate in Mozambique remains difficult. Its performances as measured by the World Bank's governance indicators are generally below those of its neighbours (with the exception of Zimbabwe). The country has dropped in the rankings, in particular those concerning the rule of law (176th place out of 209 countries in 2016 against 129th in 2010), combating corruption and political stability.

MYANMAR



COFACE ASSESSMENTS

D
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

China	41%
Thailand	19%
India	9%
Singapore	8%
Japan	6%

Imports of goods, as a % of total

China	34%
Singapore	14%
Thailand	12%
Japan	8%
India	7%

+ STRENGTHS

- Ongoing democratic transition and opening of the economy
- Strategic geographical location, between India and China
- Abundant raw materials (rice, jade, minerals, gas and oil)
- Significant hydroelectric potential
- Proximity to vibrant economies (India, China, Thailand)
- Huge tourist potential
- Potential of the primary sector (agriculture, arable land)
- Youthful profile of the population

- WEAKNESSES

- Extreme ethnic tension between the Muslim Rohingya minority and the Buddhist majority
- International condemnation of the discriminatory policy against minorities
- The role of the Central Bank not yet really defined
- Undiversified economy
- Underdeveloped financial sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.0	6.1	7.2	7.6
Inflation (yearly average, %)	10.0	6.8	6.5	6.1
Budget balance (% GDP)	-1.2	-3.2	-4.8	-4.6
Current account balance (% GDP)	-5.2	-5.9	-6.6	-6.6
Public debt (% GDP)	32.0	32.0	32.2	32.8

(f): forecast   fiscal year (April 2018 to March 2019)

52.3
POPULATION
(millionsofpersons-2016)

1,232
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth will remain very strong

Myanmar's economic growth is set to remain one of the region's highest in 2018. Activity benefited from the democratic transition and the arrival to power of the National League for Democracy (NLD) in April 2016. Nevertheless, the dynamism will be relatively dependent on the establishment of a clear economic agenda by the government in 2018, institutional reform, and the resolution of the crisis of the Rohingya population – a Muslim minority in a Buddhist majority country, in the state of Rakhine (western part of the country).

The agricultural sector, which benefited from favourable climatic conditions in 2017, will continue to develop in 2018 notably due to large water collection from dams. Burmese production is expected to benefit from relatively high demand for rice, both domestic and external (rice being the main export of the primary sector).

Public and private (especially foreign) investment in infrastructure is increasing. The construction sector should be the first to benefit from this, with a predicted growth of 16.4% in 2018. Chinese companies have built a 771-kilometre gas pipeline, operational since 2017, and have seven major infrastructure projects in the Irrawaddy Valley, the country's main river.

The development of tourism should also continue despite the lack of hotel accommodation. Although poverty remains widespread, private consumption (50% of GDP) will likely continue to support growth in 2018, benefiting from the increase in the level of wages and transfers from Burmese residents abroad. This reflects a household savings rate which remains very low. Inflation will remain high as a result of expansionary economic policies, rising wages, housing prices, and growth in domestic demand.

Dual deficits but increase in FDI

Efforts to bring the budget deficit under control are expected to continue in 2018. Public expenditure accounts for nearly 15.6% of GDP, of which 31% is military expenditure. Nevertheless, social and educational spending will remain at a high level. The state will invest mainly in the construction of new economic zones in Thaliwa, Dawei and Kyaukpyu. At the same time, with revenues being restricted by weak natural gas prices, the government wants to push ahead with reforms aimed at increasing the tax base, which would help boost budget revenues. In fact, Myanmar's tax collection is the smallest of the ASEAN countries (8% of DP). The right of transit of gas and oil between extraction sites and China will yield USD 13 million annually. The government is set to continue to rely less and less on the use of loans from the central bank to finance its deficit. The goal is to go from 40% of the deficit in 2017 to 20% in 2018.

In terms of external accounts, the current account deficit should remain stable in 2018. Exports will continue to increase, boosted to China (largest trading partner), boosted by the construction of the gas pipeline (gas is the most exported product – 39% of total exports). Imports will increase further, including transportation and construction materials. The current account deficit will be offset by very strong FDI inflows.

To improve the economy's resilience to external shocks, authorities are likely to move towards a floating exchange rate of the kyat in 2018.

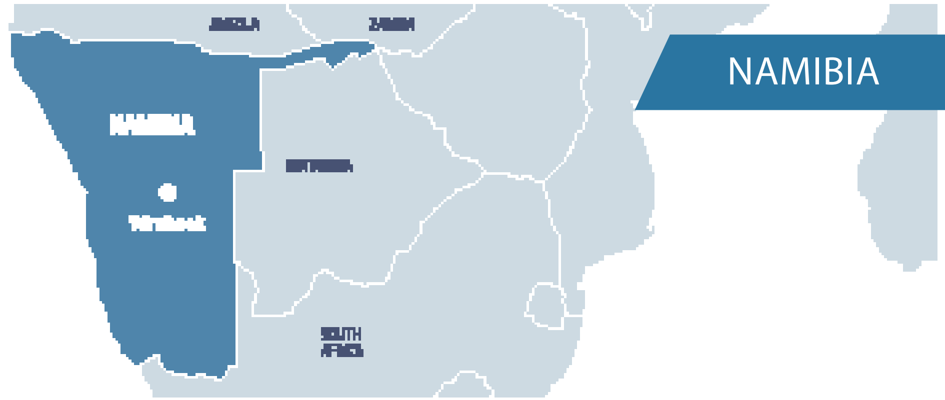
Democratic transition in a context of inter-ethnic conflict

In political terms, the country has seen an unprecedented period of liberalisation. Partial parliamentary elections were held in April 2012, the first elections in which all elements of the opposition had taken part since 1990. The National League for Democracy (NLD) won 43 of the 45 seats up for election, enabling its leader Aung San Suu Kyito become an MP. In the general election of 8 November 2015, the NLD won over 80% of the vote, and subsequently entered into office in April 2016. Htin Kyaw was elected President by Parliament and Aung San Suu Kyi was appointed "State Counsellor" – a role specifically devised for her as the Constitution prohibits her from becoming President because of her foreign family links. The partial legislative elections of April 2017 maintained the position of the NLD, which lost only one of the 255 seats it held.

European and US sanctions could return in 2018 if the Rohingya situation does not improve. Following attacks on police stations, the Myanmar army's campaign of repression against the Rohingya population in the state of Rakhine, led to the departure of more than 500,000 Muslims, who mostly moved to Bangladesh. At the end of 2017, Bangladeshi authorities planned to begin the process of repatriating the Rohingya population, although the latter are not citizens of Myanmar following a decision by the Burmese army in 1982 not to grant them this status. The UN refers to this situation as "ethnic cleansing".

Lastly, the business environment remains very precarious and Myanmar is one of the poorest ranked countries in the world according to the World Bank's Doing Business index (170 out of 190).

NAMIBIA



COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Switzerland	20%
Euro Area	18%
South Africa	17%
Botswana	15%
Zambia	7%

Imports of goods, as a % of total

South Africa	57%
Botswana	7%
Euro Area	5%
Zambia	4%
China	3%

+ STRENGTHS

- Plentiful mineral (diamonds, uranium, copper) and oceanic fishery resources
- Tourist potential
- Good transport infrastructure

- WEAKNESSES

- Dependence on the mining sector (almost 50% of exports)
- Agriculture sector subject to climatic hazards
- Dependence on South Africa
- Very high unemployment (28%) and extreme inequality

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.0	1.1	-0.6	2.5
Inflation (yearly average, %)	3.4	6.7	6.3	5.8
Budget balance (% GDP)*	-8.2	-6.3	-5.9	-4.6
Current account balance (% GDP)	-12.6	-14.2	-8.1	-7.6
Public debt (% GDP)	39.6	40.9	42.2	42.9

* Last fiscal year from April 2018 to March 2019   (f): forecast

2.3
POPULATION
(millionsofpersons-2016)

4,709
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Limited upturn in growth

Impacted by drought and lower raw material prices, the Namibian economy continued to suffer in 2017, with reduced public expenditure. However, following two consecutive years of slowing economic activity, punctuated by a recession in 2017, growth is expected to start recovering in 2018. Any upturn in the rate of growth will be essentially driven by further increases in agricultural and mining production, which has already helped limit the downturn in growth in 2017. Badly impacted by the extended drought, and made worse by the effects of the *El Niño* climate pattern in 2016, the agricultural sector is set to continue the improvement that began in 2017. The raising of the minimum wage for agricultural workers - reflecting this upturn in an economic sector that employs (directly or indirectly) almost 70% of the population – should have a beneficial knock-on for household consumption.

Following its recovery in 2017 from three years of contraction, a revival in the mining sector is also likely to stabilise in 2018. With the increased production from the Husab uranium mine, where operations began at the start of 2017, the country (currently the world's fifth leading producer) should climb the rankings of uranium producers (behind Kazakhstan and Canada). The Otjikot copper and Tschud gold mines, active since 2015, are also expected to contribute to the level of activity. Launched in June 2017, the world's largest deep-water diamond exploration and sampling vessel should further help the diamond sector consolidate its recovery. The decline in public consumption, which has been a drag on growth, is also expected to be reversed with the upturn in revenues generated from the extraction of mineral resources in the country. The agricultural production processing industries could be particular beneficiaries of this.

However, with continuing tight budgetary limitations, the recovery in 2018 will likely be somewhat restrained. The increase in levels of private investment could be slowed as a result of the rhetoric of radical operational environment changes which are part of the New Equitable Economic Empowerment Framework (NEEEF). Reflecting the downwards dynamic of inflation seen in South Africa, prices are expected to continue gradually slowing through 2018, while still remaining vulnerable to the volatility of the rand (to which the Namibian dollar is linked).

Gradual budget consolidation

Increased revenues from the recovery in customs duties paid by the SACU, as well as from mining sources, helped reduce the deficit for the 2017/18 fiscal year. The situation for the following year is expected to be slightly comparable, thanks to further increases in mining sector revenues, which will help offset the expected reduction in payments from the SACU. In terms of expenditure, the government is planning a slower rate of consolidation, already tempered over the last two tax years. The government is thus planning a reduction in spending of 1% of GDP in 2018/19. Despite the planned reduction, the deficit is expected to remain at a high level, and there is a possibility of budgetary slippage in the run up to the 2019 elections. In order to finance the deficit, debt is set to continue increasing, although at a slower rate than in recent years. As a result of the country's worsening budget situation and debt ratios, Moody's downgraded Namibia's bond and issuer status to "junk" in August 2017. The cost of debt is therefore likely to rise over the coming months.

Thanks to a favourable shift in the balance of trade, the current account deficit is expected to fall in 2018, while remaining in deficit. Increased mineral exports will likely be the biggest contributor to this, with the weakness of economic activity – and most notably the construction sector – making itself felt in terms of the levels of imports. The customs duties paid to Namibia as part of the SACU, which were critical in boosting the transfers balance surplus and thus in reducing the current account deficit in 2017, are expected to remain static, however. A loan from the ADB, granted in June 2017, helped Namibia maintain a better level of currency reserves, and so it should be able to sustain parity with the rand.

Swapo set for the 2019 elections

Having consolidated his position as leader of Swapo in November 2017, despite internal divisions, President Hare Geingob now has a clear run at re-election in 2019. Swapo, having held power since independence (1990), is expected to once again reassert its total domination of the political stage. There could, however, be signs of waning support for Namibia's leading party, as levels of inequality and unemployment remain extremely high in a context of slowing economic activity. At the same time, the relatively poorly-organised opposition is unlikely to threaten the Swapo hegemony.

Thanks to its regular progress in terms of enforcing contracts, Namibia brought to an end its ten year-long unbroken decline in the Doing Business rankings. In the 2018 rankings, the country has thus progressed from 108th to 106th (out of 190 countries). While the country is therefore among the ten highest-ranked countries in Sub-Saharan Africa, the lack of any new reforms lies behind Namibia's decline in competitiveness when compared with its competitors in the SADC.

NEPAL

COFACE ASSESSMENTS

D
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- India 57%
- United States 11%
- Euro Area 9%
- Turkey 4%
- United Kingdom 3%

Imports of goods, as a % of total

- India 70%
- China 10%
- United Arab Emirates 3%
- Euro Area 2%
- Thailand 1%

+ STRENGTHS

- Remittances from expatriate workers sustain consumption, the main driver of growth
- Dynamic services sector, especially tourism
- Financial and technical support from India and China
- Considerable international solidarity

- WEAKNESSES

- Heavily dependent on the agricultural sector and vulnerable to weather events
- Isolated and difficult access to many of the country's regions
- Vulnerable to natural disasters
- Economy strongly affected by the earthquakes of April and May 2015
- Weak productivity in the secondary sector
- Infrastructure shortcomings, recurrent electricity and fuel shortages
- Recurrent political difficulties and violence

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.3	0.4	5.5	4.5
Inflation (yearly average, %)	7.6	10.4	6.5	7.5
Budget balance* (% GDP)	0.7	1.4	-1.1	-1.2
Current account balance (% GDP)	5.0	6.3	-0.3	-1.3
Public debt* (% GDP)	25.2	27.3	25.7	23.2

*Fiscal year from 15 July: 2018 budget data corresponds to the period July 2017-June 2018 (f): forecast

28.9
POPULATION
(millionsofpersons-2016)

733
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth expected to benefit from reconstruction efforts

Despite its impact on dividend repatriation and wage conversion by expatriate Nepalese workers, India's demonetisation of notes – representing 87% of the money in circulation (November 2016) – did not prevent the Nepalese economy from growing strongly in 2017. The government's ambitious objective of 7.2% growth during the 2017/18 tax year notwithstanding, the Nepalese economy is expected to slow in 2018. Consumption will continue to be the main growth driver (76.2% of GDP for the 2016/17 tax year) and it should continue to benefit from significant remittances from expatriate workers (27% of GDP). Growth momentum will however be limited by the inflationary tensions associated with high transport costs and by the high prevalence of poverty.

The Nepalese government launched its "Vision 2030" programme to reduce the poverty rate from 23% to 5% by 2030. However, it will take a long time to implement, given the persistent political instability and uncertainty, and with the government still vague about the details. Furthermore, the reconstruction efforts following the 2015 earthquakes are expected to continue. These efforts are focused on transport infrastructure, severely damaged by the disaster, in order to improve the still weak connectivity of this isolated country. Investments will also be directed towards hydroelectricity, which is largely underexploited. However, progress is slow, with project implementation often hampered by bureaucratic inefficiency. Following the almost total interruption of bilateral trade triggered by disagreements with India over the new 2015 constitution, the resumption of trade with India (65% of Nepal's external trade) should, as in 2017, benefit growth. Finally, at the sector level, activity will benefit from favourable, but output from the agricultural sector, which represents a third of GDP and employs 68% of the population, will remain low.

Slight worsening of the fiscal and current account balances

The budget for the 2017/18 tax year continues the spending plans from the 2016/17 budget, whose implementation was hampered by the structural weaknesses of the country's administration. This is because the parallel operations of the National Planning Committee and the Ministry of Finance make budget implementation tricky: a substantial proportion of spending takes place at the end of the year, and as a result, budget implementation is poorly organised and of a poor quality. Spending, which is likely to represent 25.3% of GDP by the end of 2018, should still be focused on hydroelectric projects and transport infrastructure. Rising revenues will not offset these reconstruction efforts and the fiscal balance is set to continue to show a slight deficit for the second year in a row. However, the public debt burden will continue to ease. The country will still benefit from financial support from the international community, and donations (12% of state income during tax year 2016/17) will help limit the use of borrowing.

With regard to external accounts, Nepal will remain strongly dependent on China and India, as two thirds of its total imports come from these two neighbours. The country has a significant trade deficit due to the pervasiveness of imports of numerous products. Despite substantial remittances by expatriate workers and the substantial rebound in tourism revenues, higher imports of capital goods needed for the reconstruction effort and the weak competitiveness of Nepalese products on the international market are expected to result in a worsening current account balance.

Slow political stabilisation

After another period of political instability, a new coalition was formed in August 2016 between Pushpa Kamal Dahal (Communist party), Prime Minister for the first nine months, and Sher Bahadur Deuba (Nepalese Congress, centre-left), Prime Minister since June 2017. The two parties must organise local, provincial and central elections by the end of 2018, which raises hopes of greater political stabilisation. However, the power sharing arrangements are fragile and subject to tensions between the parties. Political equilibrium in the country will, therefore, remain precarious, and the risk of another period of instability and violence cannot be ruled out, especially with several minorities denouncing the decision to split up some provinces under the 2015 Constitution. The business climate is therefore still poor.

With regard to external relations, the aid sent by China and India after the earthquake reflects the rivalry between the two powers for influence over Nepal. Tensions in 2015 with India seem to have lessened, but could be revived over the question of the Nepalese Madhesi minority, which opposes the 2015 Constitution and is supported by India because of its cultural and historical proximity.

NETHERLANDS

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 24%
- Belgium 11%
- United Kingdom 9%
- France 9%
- Italy 4%

Imports of goods, as a % of total

- Germany 15%
- China 14%
- Belgium 8%
- United States 8%
- United Kingdom 5%

+ STRENGTHS

- Port activity (Rotterdam, leading European port)
- Good competitiveness indicators
- Diversified exports and external accounts in surplus
- High quality infrastructure
- High levels of household savings: net financial assets = 200% of GDP

- WEAKNESSES

- Economy reliant on European economic cycle
- Exposure to the UK; Brexit-related risks
- Households and banks reliant on property market
- Concentration of wealth in housing and pension funds; lack of liquidity
- Ageing population; high cost of healthcare
- High taxation of labour

SECTOR RISK ASSESSMENT

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.3	2.2	3.1	2.6
Inflation (yearly average, %)	0.2	0.1	1.3	1.4
Budget balance (% GDP)	-2.0	0.4	0.6	0.9
Current account balance (% GDP)	8.6	8.5	10.0	10.0
Public debt (% GDP)	64.6	61.8	57.4	54.2

(f): forecast

17.0
POPULATION
(millionsofpersons-2016)

45,658
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth driven by internal demand and by expansionary fiscal policy

Activity is expected to continue to grow at a very dynamic pace in 2018, and is expected to be higher than 2% for the fourth consecutive year. The biggest growth contributions will likely be delivered by private consumption and investment, followed by public consumption. These trends are supported by an expansionary fiscal policy package, which was agreed on by the new four-party government. This package includes lower income taxes and higher expenditures in the areas of social affairs, defence, and education, and aims to attract higher private expenditures as well.

Household consumption is notably driven by very dynamic growth in employment, with an approximate 4% decrease of unemployment over the course of 2018. Investment outlays by corporations are driven by the fact that capacity utilisation rates reached their pre-crisis levels again. One key issue to observe carefully is the Dutch property market in liaison with the development of private household debt: House prices went up by more than 20% from mid-2013 and are back to their pre-crisis level. Despite the dynamic increase in house prices, this trend is probably not debt-driven, as total mortgage debt is hardly growing. Furthermore, household debt as a percentage of net disposable income is on a downward trend. According to OECD data, this ratio stood at 270.1% in 2016. Admittedly, this is a very high level in terms of international comparison, but it is almost 24 percentage points less than in 2010. The very good macroeconomic environment is reflected in the strong downward pressure on business insolvencies. Coface forecasts a fifth decrease in a row in 2018. Bankruptcies are expected to fall by 10%, after a decrease of more than 20% in 2017.

General government and current account balance in surplus

The Dutch economy is very open regarding trade, with exports of goods and services accounting for more than 150% of GDP, and the country being among the top ten exporters in the world. It mainly supplies agrofood products (plants, flowers, dairy products, meat, fruit and vegetables), chemicals, medication and medical equipment, refined oil, IT and telephone equipment, natural gas, agricultural and construction machinery, electrical and electronic components, equipment for printing and semi-conductor manufacture. However, half of these sales are re-exports, as the country acts as a hub for European trade. Although import growth is picking up due to dynamic growth in Dutch incomes, the trade surplus will likely remain above 10% of GDP. As perspectives for world trade improved significantly in 2017, Dutch exports have been boosted as well. Trade in services, together with transport, tourism, royalties, and services to businesses, will likely remain slightly in negative figures. The net financial account balance is negative, although FDIs in the Netherlands increased over the last two years. On the other hand, Dutch investment abroad was even higher. Finally, the current account surplus is expected to increase into double-digit area. Thanks to recurrent current account surpluses, the country can post a net creditor position equivalent to about 70% of GDP. Fiscal policy stance has been loosened with the formation of the new government, but despite planned higher government expenditures from 2018 onwards, the general government balance is expected to remain in surplus. As a consequence, general government gross debt decreased below the Maastricht threshold of 60% in 2017.

After long negotiations, a four-parties coalition was built up

Seven months after the general elections, the re-elected Prime Minister Mark Rutte was able to build a new government, comprised of his liberal VVD party, the left-liberal party D66, and the two Christian parties: CDA and Christenunie. This coalition has a majority of only one seat in the parliament in The Hague; and combined with wide-spread political interests across the four-party government, a premature break-up is within the realms of possibility. In such a difficult political environment, far-reaching reforms are highly unlikely.

PAYMENT AND COLLECTION PRACTICES IN THE NETHERLANDS

Payment

In the Netherlands, bank transfers are the most common payment method for both domestic and export business-to-business transactions. All Dutch banks are linked to the SWIFT electronic network, which provides low-cost, flexible and rapid processing of international payments. Direct debit and different centralised local cashing systems are also widely used.

Online sales are increasingly popular - as most companies now use digital banking software and due to the introduction of the Single Europe Payment Area (SEPA) within the European Union. As a result, cash and other payment methods are gradually disappearing.

Bills of exchange are not standard business practice and are rarely used in the Netherlands. They are generally perceived as a sign of wariness on the part of the supplier and thus incompatible with the climate of trust needed to maintain a healthy business relationship.

Cheques are rarely used. As they can only be cashed if they are covered, they are an unreliable means of payment. Issuing an uncovered cheque is not a criminal offence, but payees on the receiving end of bounced cheques do incur high bank charges. Under Dutch law, bills of exchange and cheques mainly serve to substantiate the existence of debt.

Debt collection

Amicable phase

A debt collection process usually begins and ends by sending the debtor a registered letter of demand for payment of the principal claim, accrued interest and extrajudicial costs. If the interest rates and/or costs have not been agreed by contract, Dutch law regulates the limits for both. If amicable actions do not result in full payment, the creditor can initiate legal action, in accordance with Dutch civil law.

Fast-track procedures

In urgent cases, claims can be submitted for a fast track procedure (*kort geding*). These proceedings resemble those of the regular civil court but, if convinced of the plaintiff's arguments, the judge (ruled by the President of the district court) delivers a verdict within a very short period of time - usually between 2 to 4 weeks. Using this somewhat simplified procedure, the judge often makes a temporary or provisional ruling for more urgent matters. If, subsequent to this provisional decision, the parties do not reach a final settlement on all issues, they then need to obtain a final judgement in a 'regular' civil suit (*bodemprocedure*).

The fast track procedure in the Netherlands differs from the (European) payment order procedure used in many other European states. It always requires the assistance of a lawyer and personal appearances by all parties before the judge. As this makes the fast track procedure rather expensive, it is seldom used in regular collection cases.

Ordinary proceedings

The regular civil court procedure is the most frequently used recourse of action. Claims of EUR 25,000 or less are heard in a cantonal court, while claims in excess of EUR 25,000 are presented before a civil law judge. The main difference in the civil law sector is that both the plaintiff and the debtor have to be represented by a lawyer, whereas in the cantonal sector, parties are permitted to argue their own cases. Both types of procedures begin with a bailiff serving the debtor with a writ of summons. In most cases, debtors do not contest the claim or appear in court. This results in a judgment by default being given, usually within four to six weeks. If the debtor does appear in court, the judge sets a date for them or their lawyer to prepare a written statement of defence (*conclusie van antwoord*). However, when appearing before a cantonal sector judge, debtors can represent themselves and plead their cases verbally. After the first plea, it is standard procedure for the judge to schedule personal appearances by both parties to obtain more information and to see if a settlement is possible. If not, the court can either pass judgement immediately or, in more complex cases, give the plaintiff the opportunity to deliver a replication (*conclusie van repliek*). The defendant can then reply by rejoinder (*conclusie van dupliek*). These proceedings take, on average, six to twelve months.

In addition to legal action or claiming retention of title (if stipulated), a seller of goods can often exercise his right of reclamation (*recht van reclame*) for unpaid goods. This requires the sending of a registered letter to the debtor in which this right is invoked and the contract is terminated. Ownership of the goods at stake is then legally returned to the creditor. This type of action necessitates the goods being in their original state. The letter must be sent within 6 weeks of the claim being due and within 60 days following delivery of the goods.

Winding-up proceedings

A third (and often effective) procedure for collecting payment is by filing a winding-up petition at the district court. This type of petition must be filed by a lawyer and the applicant needs to submit evidence of a payment default on an undisputed debt and of the existence of at least one other creditor having an undisputed claim of any kind (for example, commercial debt, outstanding alimony or taxes). The debtor is then formally notified by a bailiff that legal action has been initiated.

To avoid bankruptcy, the debtor can choose to appear in court to dispute the claim (or the fact that there are other creditors), or propose an out of court settlement. As most debtors try to reach a settlement, these proceedings are often cancelled before the date of the court hearing. Otherwise, and if there is sufficient evidence, the debtor is then declared bankrupt. Approximately 95% of all bankruptcies result in no payment being received by non-preferential creditors.

Retention of title and right of reclamation

Besides initiating legal action or claiming retention of title (if stipulated), sellers of goods can often exercise their right of reclamation (*rencht van reclame*) for unpaid goods. This entails sending the debtor a registered letter which invokes this right. The contract is thus terminated and by law, ownership of the goods returns to the creditor. This recourse of action does however required the goods to be in their original state. The registered letter must be sent within 6 weeks of the claim being due and within 60 days of the goods being delivered.

Enforcement of a legal decision

If a debtor does not voluntarily comply with a court decision, the creditor can initiate actions to enforce the judge's ruling. As most court decisions become effective immediately, creditors do not need to wait for the three month period of appeal to expire. Enforcement laws lay down statutory rules on coercive measures and how these measures can be applied. In the Netherlands, only bailiffs are authorised to levy enforcements and are instructed by the creditor. Two conditions need to be met before coercive measures begin. The bailiff must be in possession of a writ of execution (an original and enforceable judgment) and the party on which the enforcement will be levied must have prior official notification of the writ.

Court decisions rendered by other EU countries benefit from specific enforcement mechanisms, including the EU payment Order and the European Small Claims procedure. Decisions issued by non-EU countries can be recognised and enforced on a reciprocal basis, provided that the issuing country is part of a bilateral or multilateral agreement with the Netherlands. In the absence of such an agreement, an exequatur procedure can be carried out in the Dutch courts.

Insolvency proceedings

Restructuring proceedings

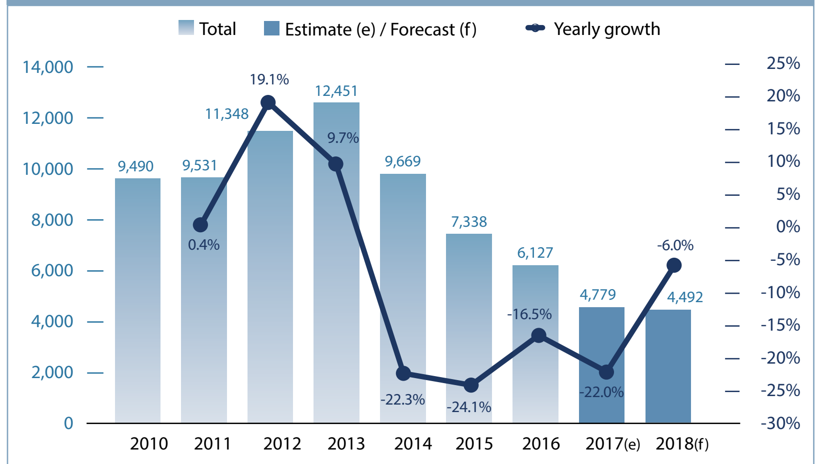
Corporate debt restructuring entails using the suspension of payments (*surseance van betaling*) procedure. The debtor is granted temporary relief from creditors, in order to allow them to reorganise, continue with business operations and ultimately satisfy their creditors' claims, all under the supervision of a court-appointed administrator. A plan is proposed and must be approved by two-thirds of the creditors representing three-quarters of the total outstanding debt.

Winding up proceedings

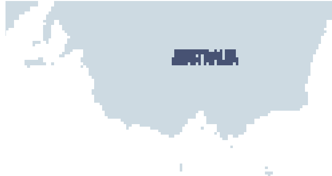
The debtor's assets are liquidated by the court-appointed trustee. This procedure commences when the debtor has ceased payments and the District court has declared the debtor bankrupt. If a creditor makes a request for the debtor to be declared bankrupt, there must be at least two creditors with overdue claims. However, when liquidation is requested by the debtor, evidence of additional creditors is not mandatory.

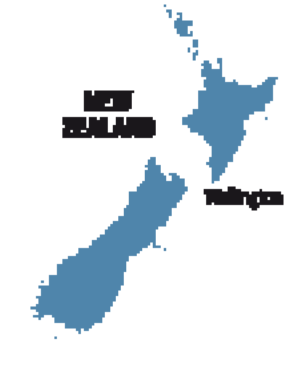
The trustee establishes a list of creditors, the debtor's assets are auctioned and the proceeds then distributed between the creditors.

NUMBER OF CORPORATE FAILURES



Source: Statistics Netherlands (CBS), Coface





COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 19%
- Australia 17%
- United States 11%
- Japan 6%
- Euro Area 6%

Imports of goods, as a % of total

- China 20%
- Euro Area 13%
- Australia 13%
- United States 11%
- Japan 7%

+ STRENGTHS

- Proximity to Asia and Australia
- Tourist appeal and large agricultural sector
- Small public debt; balanced public accounts
- Dynamic demographics thanks to immigration
- Quality of life

- WEAKNESSES

- Economy dependent on foreign investment
- High household and corporate debt levels (particularly in the agriculture sector)
- Dependence on demand from China
- Shortages of skilled labour
- Housing shortage
- Weakness in R&D

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.2	3.6	2.8	2.9
Inflation (yearly average, %)	0.3	0.6	2.2	2.0
Budget balance (% GDP) *	0.6	0.9	0.1	-0.1
Current account balance (% GDP)	-3.4	-2.8	-3.6	-3.8
Public debt (% GDP)	29.5	29.2	26.4	23.7

* 2017/2018 fiscal year (1 July to 30 June) (f): forecast

4.7
POPULATION
(millionsofpersons-2016)

38,278
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Dynamic growth despite continuing dangers of the housing market

Sustained by domestic demand, activity, is expected to remain firm in 2018. Household consumption will likely be boosted by higher wages, falling unemployment (4.6% in October 2017), and continuing low interest rates (1.75% in November 2017). In addition, lower income households will receive increased family allowances, a 5% increase in the minimum wage, and a reduction in income tax. Public spending is expected to help sustain economic activity through investments in infrastructure and social welfare.

Exports are set to be revitalised, thanks to the improving terms of trade linked with rising milk prices (one-quarter of exports), and by firm external demand. The arboriculture (apple and kiwi) and wood sectors are also likely to perform better. However, the level of indebtedness among farmers is high due to the need to offset losses caused by persistent low prices, which means that they are vulnerable to price movements and any major climate shocks (e.g. droughts, earthquakes). The tourism sector is also expected to perform strongly, although its contribution to growth will likely be smaller.

The monetary policy imposed by the central bank is likely to be less accommodating in 2018, due to the goal of maintaining inflation at its target level (1-3%). The slowdown in the property market and in credit will help limit the risks associated with higher financing costs. The housing market is expected to contract because of the reduction in demand linked with the excess cost of housing, the high levels of household indebtedness (170% of disposable income) and the reduction in immigration. The construction sector is likely to feel the effects of this slowdown, and also to suffer from a labour shortage.

Strong budget situation and current account deficit under control

The budget is expected to be very close to balance. Spending on social and health care is set to continue to be the main expenditure item, especially as these are due to rise under the "Family Income" programme. This covers income tax exemptions for those on very low incomes, as well as increases in family allowances. Substantial infrastructure investments are also expected, notably with the reconstruction of the roads and railways damaged in the November 2016 major earthquake. The increase in spending should be limited, however, and offset by a slight increase in revenues. Public debt, already low, will likely fall, but will continue to be held by non-residents. In addition, the country will have to find a way of dealing with an increasing deficit in its social security system (ageing population).

The current account is expected to worsen slightly in 2018. This is subject to a structural deficit due to the income balance deficit (3% of GDP in 2016) linked with the repayment of external debt (90% of GDP), the low domestic savings rate, and the outward transfer of profits by foreign firms. Moreover, the balance of trade is set to remain in deficit (1% of GDP), as the growth of exports will still not cover that of imports. The balance of services, however, should be in surplus (1.8% of GDP), mainly thanks to tourism.

The New Zealand banking sector is essentially well capitalised, although the low household savings rate means that banks have to borrow on the financial markets and are thus exposed to their volatility. The level of concentration in the sector –just four key banks (mainly subsidiaries of Australian banks) – and high household debt levels are also potential areas of vulnerability.

A new and fragile coalition government

In the September 2017 parliamentary elections, the conservative National Party, in office since 2008, lead the vote at 45% (56 seats out of 120), but failed to obtain an absolute majority and thus form a government. Following five weeks of negotiations, the centre-left Labour Party (second place with 45 seats) formed a coalition government with the support of the populist New Zealand First party (9 seats) and the Green Party (8 seats). Led by the new Prime Minister, the Labour Party's Jacinda Ardern, the government's policies are expected to be less welcoming in terms of immigration and foreign investors, and to be more expansionist regarding the budget. Nevertheless, disagreements between the coalition member parties could derail the coalition, especially as the National Party will be a powerful opposition force in Parliament.

In economic terms, the reduction in business failures looks set to continue, and the business climate is strongly positive, with the country situated at the top (out of 190 countries) of the World Bank "Doing Business 2018" rankings.

PAYMENT AND COLLECTION PRACTICES IN NEW ZEALAND

Payments

The primary payment methods are card (debit card and credit card) and electronic credit or debit (direct debits and credits, automated bill payments and electronic transfers). There is a rapid growth in the use of contactless payments, mobile phone-based applications and on-line payments. Although cash remains important, its use is rapidly reducing and cheque usage halved between 2013 and 2016. Wire transfers and SWIFT bank transfers are the most commonly used payment methods for domestic and international transactions. Most of the country's banks are connected to the SWIFT network.

Debt collection

General process

The debt collection process begins with the serving of a letter of demand, in which the creditor notifies the debtor of his payment obligations - including any contractual interest due – with a time limit to make the payment.

Summary judgment proceedings

If the creditor does not receive any payment following the letter of demand, summary judgment proceedings can be issued. This procedure is intended for situations where the debtor has no real defence against the claim. An application can be made to the District Court or High Court, depending on the value of the claim. A statement of claim must be filed, along with a notice of proceedings, an application for summary judgment and a supporting affidavit by the creditor (or in the case of an entity, an individual with personal knowledge of the facts), which sets out the facts of the claim. A summary judgment typically involves a hearing, which lasts around one day (if the matter is defended), with evidence given by way of affidavit rather than requiring witnesses. If the application is successful, the Court may enter a judgment in favour of the creditor. If the application is undefended, judgment may be entered by default in favour of the creditor, without the need for a hearing. If the defendant is able to show an arguable defence, the Court may decline summary judgment and direct the matter to be heard as an ordinary proceeding.

Ordinary proceedings

Ordinary proceedings are initiated by filing a notice of proceeding and a statement of claim. Depending on the value of the claim, these proceedings can take place in the District Court (up to NZD 350,000) or the High Court (claims of a higher amount). Unlike summary judgment, an ordinary defended proceeding may involve additional processes, such as discovery, hearing of evidence and interlocutory applications.

Appeals

The High Court determines appeals from the District Court. The Court of Appeal has jurisdiction to hear appeals from the High Court, but this is generally restricted to appeals on questions of law. Appeals to the highest appellate court in New Zealand, the Supreme Court, can only be heard with leave of the Court. Leave will be granted if the Court is satisfied that it is necessary in the interests of justice to hear the appeal.

Enforcement of a legal decision

If the Court enters judgment in favour of the creditor, there is no appeal, or all appeal avenues have been exhausted, the creditor can apply to the High Court, or District Court (depending on the value of the claim), to seek enforcement action, which can include a deduction from the debtor's wages or benefits (if the debtor is an individual), seizure of property, garnishee proceedings, or placing a charge on the debtor's property. Foreign judgments must first be recognised by the Court under the Reciprocal Enforcement of Judgments Act 1934, or common law.

Insolvency proceedings

Bankruptcy

If the creditor does not receive payment after obtaining judgment and the debtor is an individual, the creditor can issue a bankruptcy notice. Failure to comply with a bankruptcy notice is an act of bankruptcy.

Statutory demand

If the debtor does not make payment pursuant to the letter of demand and the debtor is a company, a further potential step is for the creditor to prepare and serve a statutory demand for the amounts outstanding. A statutory demand can only be issued if there is no substantial dispute over the debt. Once served, the debtor has 15 working days to pay the debt, or to enter into an arrangement for payment which is agreed by the creditor. If the debtor company does not make payment pursuant to the statutory demand, the creditor has a further 30 working days begin to liquidation proceedings against the debtor company, due to non-compliance with the statutory demand as evidence of the debtor's inability to pay its debts. However, a debtor company can make an application to set aside a statutory demand within 10 working days of being served with it. The Court may set aside the statutory demand if there is a substantial dispute on whether or not the debt is due, if the debtor company has a counterclaim, set-off or cross-demand, or if there are other adequate grounds.

Liquidation

Liquidation involves the realisation and distribution of a debtor company's assets when the company is insolvent, or does not expect to remain in business. A liquidator is appointed who takes over the management of the company, realises its assets, pays its creditors and distributes the remainder to its shareholders.

Creditors' compromise

Another option is to enter into a creditors' compromise with the debtor. A creditors' compromise is a binding agreement between a debtor company and its creditor(s) regarding the payment of its debts, with terms and conditions that are less exacting than the strict legal rights of creditors. A compromise may involve payments over time, deferred payments, or accepting a lesser sum in full and final settlement of the debt. Once a creditors' compromise is approved by the required majority of creditors, or the Court, the compromise binds all creditors.

Voluntary administration

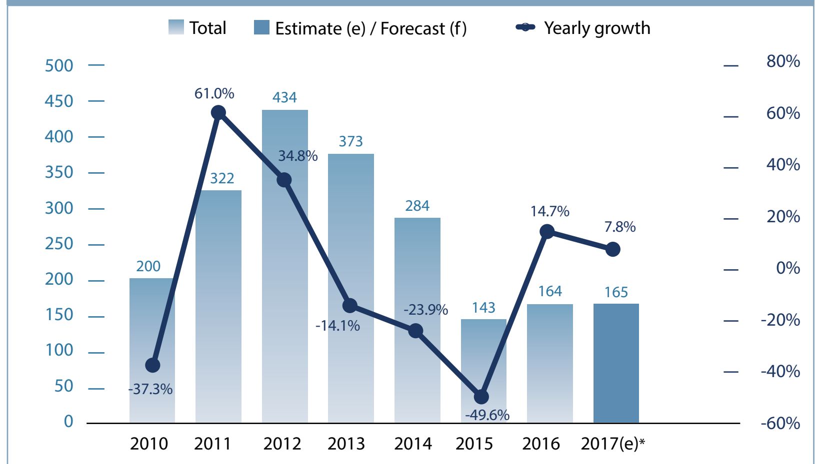
The debtor company may go into voluntary administration to maximise the chances of an insolvent company continuing to operate, or if that is not possible, to allow for a better return for creditors than immediate liquidation. It enhances the existing creditors' compromise procedure as an alternative to liquidation, by imposing a moratorium on creditors taking steps to enforce their debts.

Other alternative processes

The Disputes Tribunal conducts an informal and confidential process run by a referee to encourage both sides to reach an agreement, or make a binding decision if both sides cannot agree. This can be a less costly option, as it avoids lawyers. The Disputes Tribunal can only hear claims for disputed debts of below NZD 15,000 or, if both parties agree to extend the financial limit, to up to NZD 20,000.

Arbitration or mediation (often less expensive than court proceedings) may be used to resolve disputes and obtain more rapid out-of-court settlements.

NUMBER OF CORPORATE FAILURES



Source: Ministry of Business Innovation and Employment, Coface * 12 months ending in October

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Country	%
United States	52%
Mexico	14%
El Salvador	6%
Venezuela	6%
Euro Area	5%

Imports of goods, as a % of total

Country	%
United States	20%
China	15%
Mexico	10%
Costa Rica	8%
Guatemala	7%

+ STRENGTHS

- Mineral (gold) and agricultural (coffee, sugar, meat) resources
- Membership of Central America/United States and Central America/EU free trade zones
- Cautious economic policy
- Stable financial system
- Supported by the international community
- Low crime rates compared with other countries in the region

- WEAKNESSES

- Highly vulnerable to natural disasters (cyclones, earthquakes)
- Healthcare and education shortcomings and persistent poverty rate
- Inadequate infrastructure (energy, transport)
- Structurally large current account deficit
- Dependence on international aid, particularly from Venezuela
- Institutional failings: concentration of power within the executive and the Sandinista party, corruption

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.9	4.7	4.5	4.3
Inflation (yearly average, %)	4.0	3.5	4.0	5.0
Budget balance* (% GDP)	-2.2	-2.4	-2.3	-2.2
Current account balance (% GDP)	-9.0	-8.6	-8.5	-8.5
Public debt (% GDP)	40.7	41.9	41.5	40.0

* Including grants (f): forecast

6.2
POPULATION
(millionsofpersons-2016)

2,151
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth still performing well

Nicaragua is still characterised by relatively high growth; above the average for Latin America. In 2018, growth is expected to remain resilient, against a background of recovery in the agricultural and tourism sectors, still buoyed by robust domestic demand. It will above all be sustained by private consumption, thanks to higher incomes, in particular due to inflows of remittances from expatriate workers and lower unemployment – even if purchasing power will decline slightly because of higher inflation. This is expected to rise, not only because of internal dynamics, but also because of higher energy prices and the controlled devaluation of the cordoba (intended to improve the country's competitiveness). Investment in the public sector (infrastructure projects) is expected to continue to boost productivity and attract FDIs, which are also favoured under the law on PPPs of 2016, but will be less dynamic due to budget cuts. External demand is likely to weaken, because of modest growth in the United States and loss of competitiveness of the *maquiladora* industry.

By contrast, with Nicaragua's highly dollarised economy (almost 90% of the banking system is in foreign exchange) financial conditions could tighten due to an expected strengthening of the dollar as US monetary policy becomes more restrictive,

Budgetary policy neutrality and exposure to American politics

The budget deficit is expected to remain stable. This is because, despite the growing need to fund the social security system (INSS) and the reduction in financial flows from Venezuela – which have notably been used to finance certain social programmes (housing subsidies) – the government looks set to benefit from rising revenues, thanks to strong economic performance and cuts in investment spending aimed at controlling the deficit. Even if the public debt is considered sustainable, the developments in public finances remain exposed to economic changes in Venezuela. Moreover, if the NICA Act is approved (Nicaragua Investment Conditionality), the United States will make all future loans to Nicaragua conditional on the country's respect of democratic principles, which would have a major impact on the public finances and would send a negative signal to investors.

The current account deficit is likely to remain substantial but stable. Imports (manufactured products, oil, food) are set to continue to grow as domestic demand grows, while exports (food, textiles, machinery and equipment) will bounce back only weakly, given the modest growth momentum in the United States in a context of the growing risk of protectionism (risk of uncertainty regarding the ALEC free-trade agreement). The financial flows from Venezuela will continue to decline further, while access to official multilateral loans, highly concessional in nature, could reduce (cf. NICA Act). By contrast, the transfer balance will be sustained by the still substantial remittances from Nicaraguans working abroad. However, these will still be exposed to a potentially more restrictive US immigration policy, which could result in a reduction of these payments (50% of which are from the US).

Stronger interventionist policy and worsening business climate

President Daniel Ortega of the Sandinista Liberation Front party (FSLN) won a third consecutive term in the November 2016 elections and remains very popular. His position was reinforced following the November 2017 municipal elections. FSLN's victory was recognized by international observers, despite post-electoral violence that claimed several victims. The opposition, which is divided, has little influence on the political scene and State interventionism continues, with the desire for reform remaining weak. The country faces numerous challenges. Despite a favourable security climate, the country's performance with regard to the business climate is the worst in Central America (127 out of 190 according to the Doing Business 2017 rankings).

Externally, relations with Costa Rica and Columbia are still characterised by tensions, especially with Costa Rica due to differences over the maritime and land borders, and the situation is unlikely to change much.

NIGER

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 33%
- Thailand 12%
- Malaysia 11%
- Nigeria 9%
- Mali 6%

Imports of goods, as a % of total

- Euro Area 35%
- China 16%
- United States 8%
- Nigeria 6%
- Thailand 6%

+ STRENGTHS

- World's fourth largest producer of uranium
- Net exporter of oil products and gold
- Drive to invest in agriculture and infrastructure
- Member of the West African Economic and Monetary Union
- Financial support from multilateral lenders

- WEAKNESSES

- Economy vulnerable to weather events and to fluctuations in commodity prices
- Economy still largely dependent on subsistence agriculture
- Inadequate system for collecting tax and customs duties
- Porous borders, favouring illegal immigration and trafficking
- Rapid population growth and high rate of poverty
- Deteriorating security situation and terrorist threats

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.0	5.0	5.1	5.2
Inflation (yearly average, %)	1.0	0.2	1.0	0.7
Budget balance (% GDP) *	-9.1	-6.2	-5.4	-5.0
Current account balance (% GDP)	-18.0	-15.5	-18.6	-18.3
Public debt (% GDP)	41.0	46.3	51.5	52.8

*Grants included (f): forecast

18.2
POPULATION
(millionsofpersons-2016)

412
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth stimulated by infrastructure investments despite a difficult security situation

Growth in 2018 will likely be stimulated by infrastructure investments, higher agricultural productivity, as well as relative rises in the price of uranium which will boost production.

The implementation of an Extended Credit Facility arrangement with the IMF in January 2017 (DTS 100 million over three years) will help stimulate investment in infrastructure, reassure investors and provide a framework for development aid. Focused chiefly on energy (Kandaji Dam; the Agadem oil pipeline project to connect with the existing Chad-Cameroon pipeline) and transport (Niamey interchange), these different projects should help fill the infrastructure gaps and, at the same time, attract more investment and boost production capacity.

Higher uranium prices (31% of exports in 2015) should attract new investment and stimulate production, especially with the rise in yields from the Madaouela (GoviEX) mine, which is due to become fully operational in late 2018. However, business climate failings put pressure on the implementation of these projects and threaten their completion. Meanwhile, agricultural infrastructure development projects, associated in particular with the 3N Initiative (Nigeriens Nourish Nigeriens), should help boost agricultural productivity.

Domestic demand is expected to remain firm, stimulated by fairly stable public spending and private consumption, associated with strong demographic growth and price stability, with inflation still below the 3% target set by the WAEMU central bank. However, these growth prospects are still subject to security, climate, and humanitarian risks in a country that already has one of the highest poverty rates in the world.

Investment projects putting a strain on the public and current accounts, but the restructuring drive underway

Contributions from international donors have helped reduce the public deficit (from 11.0% to 6.2% of GDP in 2016). Higher revenues, thanks to the growth in commodities exports, will probably only partially offset the strong rise in public spending on investment and security. Nevertheless, the drive to collect taxes and customs duties under the aegis of the IMF should facilitate continued deficit reduction. In this context the public debt is likely to continue to increase, as three quarters of it is held by foreign public-sector creditors and is mostly concessional. However, because Niger belongs to the WAEMU (West African Economic and Monetary Union) and the CFA franc exchange rate is fixed against the euro, depreciation is unlikely and Niger's debt is, therefore, not significantly exposed to exchange rate risk.

With regard to the external accounts, the balance of goods and services is largely in deficit (19.7% of GDP in 2016). Niger's poor economic conditions will continue to weigh heavily on activity. Higher exports of commodities will not be sufficient to offset the increase in imports associated with infrastructure projects. Remittances from expatriate workers and foreign budget aid are set to help bring the current account deficit down to 15.5% of GDP. This deficit is financed primarily by FDIs (7.6% of GDP), as well as by grants and loans intended for project financing (6.8% of GDP).

A degraded security situation

Niger's political situation is characterised by President Mahamadou Issoufou's (Nigerien Party for Democracy and Socialism) control over various institutions since his party's victory in the presidential and parliamentary elections in February/March 2016. Although marginalised, the opposition is very critical of the president's repressive actions, and could catalyse public discontent. However, the main threat lies in the highly degraded security situation: terrorist groups in the region (Boko Haram, AQMI, Al-Murabitoun) find Niger to be fertile territory for recruitment (high poverty rate and few prospects), and its porous borders favourable to their campaigns.

International cooperation should continue to strengthen among the Sahel G5 countries (Mauritania, Mali, Niger, Chad and Burkina Faso) attempting to stem the unrest observed in neighbouring countries (especially Nigeria). This international action is, however, under threat after the death of four US soldiers in October 2017, which could prompt Donald Trump to review his cooperation policy. This uncertain security situation is putting pressure on the business climate, in which the risk of abduction targeting foreign nationals is still high.

NIGERIA

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- India 34%
- Euro Area 20%
- United States 9%
- South Africa 6%
- Canada 5%

Imports of goods, as a % of total

- China 20%
- Euro Area 19%
- United States 8%
- United Kingdom 4%
- India 3%

+ STRENGTHS

- Leading African power in GDP terms and the most populous country in Africa
- Significant hydrocarbon resources and considerable agricultural potential
- Fairly low public and external debt

- WEAKNESSES

- Heavy reliance on oil revenues (90% of exports, two thirds of tax receipts)
- Insufficient energy production/ distribution capacity
- Ethnic and religious tensions
- Insecurity and corruption putting pressure on the business climate

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.7	-1.6	0.8	2.0
Inflation (yearly average, %)	9.0	15.7	16.4	14.4
Budget balance (% GDP)	-3.4	-4.7	-5.0	-4.5
Current account balance (% GDP)	-3.2	0.7	1.0	0.8
Public debt (% GDP)	13.2	17.6	21.3	22.8

(f): forecast

183.6
POPULATION
(millionsofpersons-2016)

2,208
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

A weak recovery

After exiting recession in 2017, the tentative recovery should be confirmed in 2018, chiefly underpinned by the oil sector. This is because, affected by the sabotage of petroleum infrastructure and the collapse in the price per barrel in recent years, the sector is expected to continue the recovery begun in 2017. Firmer prices will sustain revenues provided production is spared any new disruptions. However, the sabotages by rebel groups in the Niger Delta have eroded private investor confidence. More generally, the climate of insecurity, political uncertainty, the complexity of the exchange rate system and ongoing high interest rates (14% since July 2016) will put pressure in private investment. Public investment's contribution to growth will still be curtailed because with almost 60% of state revenues used for debt interest payments, implementation of the ambitious infrastructure programme under the Economic Recovery and Growth Plan (ERGP 2017-2020) will be constrained. Recovery in the construction sector will, therefore, be slow at best. Erratic electricity supply will continue to be an obstacle to growth in the manufacturing industries. The rains, expected later in 2018, could impact agricultural yields. As a result, household consumption, dependent on this sector of activity, already hit by high inflation, poverty and unemployment, will expand only moderately, which could, however, sustain services amid a favourable base effect.

Inflation, if it continues to fall, will remain high because of consistently high food prices.

Ongoing budgetary pressures

The draft 2018 budget provides for a 16% increase in spending on infrastructure investment. While stabilisation at production level is confirmed, the reduction in the fiscal deficit will be mainly down to oil revenues boosted by firmer oil prices. However, as in the 2017 budget, forecasts for non-oil revenues seem very ambitious, given the weak levels of economic activity. As in previous years, once implemented, projects could be slowed for lack of revenues. The sale of certain state assets could help resolve the financing concerns, especially as interest payments on domestic debt have increased rapidly. The government thus intends to make more use of external concessional loans to finance its deficit in 2018. The pressure on financing the deficit has led to a deterioration of the debt profile which nonetheless remains stable.

Still showing a surplus, the current account balance is expected to worsen slightly, despite increased receipts from oil exports. This is because demand for imports is set to grow more rapidly as growth recovers, however sluggishly. Transport is likely to continue to put a strain on the balance of services deficit, while profit repatriation by foreign companies will widen the income balance deficit. Remittances from expatriate workers will make a positive contribution.

The introduction of a currency window for investors and exporters in April 2017 has helped stimulate capital flows and take the pressure off the foreign exchange reserves. Nonetheless, these could start to diminish again as there is still a significant gap between the official rate of the naira and that of the parallel market. A devaluation of the naira in 2018 is still a possibility. This decision could increase the vulnerability of a banking system weakened by the deteriorating quality of its assets.

Growing political and security tensions

The political capital enjoyed by Muhammadu Buhari and his party, the All Progressives Congress (APC), in power since the 2015 elections is gradually being eroded. This is because while the economic environment remains difficult, the slow pace of reforms is resented by a population exasperated by imperceptible progress on living standards. Specifically, in 2017 the reforms were delayed by President Buhari's six-month medical leave. The president's ability to govern is a source of growing concern at a time when the country is dealing with renewed ethnic and separatist tensions. 50 years after the unilateral declaration of Biafra's independence, which sparked a violent civil war (1967-1970), separatist tensions have resurfaced in the southeast of the country. Moreover, militants in the Niger Delta, responsible for the attacks on oil infrastructure since 2016 in their search for a greater share of the country's resources, declared an end to the ceasefire in November 2017. They are again threatening oil production as well as political stability and security. Activity by the Islamist Boko Haram movement is still a major threat as evidenced by the numerous attacks carried out in the northeast of the country in 2017.

This political and security environment is affecting perception of the business climate, despite the efforts made following the setting up of a Presidential Council in July 2016 to improve the business climate. The country has, in particular, jumped 24 places in the Doing Business 2018 rankings (145th out of 190) thanks to progress on getting credit and starting a business.

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 45%
- United Kingdom 21%
- Sweden 7%
- United States 4%
- Denmark 4%

Imports of goods, as a % of total

- Euro Area 35%
- Sweden 12%
- China 11%
- United States 7%
- Denmark 6%

+ STRENGTHS

- Current accounts and public finances sustained by oil and gas despite fall in world prices
- Discovery of new oil fields
- Broad political consensus
- Well capitalised banking system
- Large sovereign fund

- WEAKNESSES

- Budget deficit excluding oil and gas revenues
- High household debt and high housing prices
- Significant wage costs
- Shortage of skilled labour in certain sectors

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.6	1.0	1.9	2.4
Inflation (yearly average, %)	2.2	3.6	2.1	2.0
Budget balance (% GDP)	5.9	3.1	4.5	4.6
Current account balance (% GDP)	8.7	4.9	5.5	5.7
Public debt (% GDP)	29.2	33.1	34.8	35.9

(f): forecast

5.3
POPULATION
(millionsofpersons-2016)

70,553
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth supported by local demand

In 2018, activity would be boosted by private consumption and investment. Private consumption will benefit from the gradual decline in unemployment (4% in October 2017). Household disposable income is expected to increase due to higher wages, combined with lower income taxes and low inflation. The slight appreciation of the Norwegian krone in 2017 will help contain it, thanks to the drop in the price of imported goods. In addition, residential investment will be negatively affected by the significant indebtedness of households (221% of disposable income) and the stabilisation of real estate prices, due to the rapid increase in the housing supply and the rising rates on property loans (change of legislation). Investment outside the oil and real estate sectors should be particularly dynamic due to a higher utilization rate of production capacity, as well as loan conditions which are still very favourable (rate of interest at 0.5%). The industrial sectors will benefit greatly from this improvement, especially the pharmaceutical sector, fisheries, metallurgy and forestry. The energy sector (mainly oil and gas), which accounts for 20% of GDP, 30% of investments and 55% of total exports, will improve in 2018. The moderate rise in oil prices will encourage investment in the development of oil fields that have already been discovered, such as Johan Sverdrup, whose entry into production is planned for early 2019. On the other hand, low hydrocarbon prices would still weigh on investments in the exploration of new deposits. The dynamism of external demand, especially from the euro zone, will lead to trade having a positive contribution to growth. However, the slowdown in UK activity (23% of exports) could limit this contribution.

A very comfortable budget and external situation

Fiscal policy will remain focused on improving competitiveness and diversifying the economy, in order to reduce the country's dependence on the energy sector. Nevertheless, the 2018 budget will be less expansionary than the previous ones, making it possible to clear a very comfortable surplus. In fact, most of the exceptional measures taken in 2016, aimed at redirecting the jobs destroyed in the oil industry towards construction, will be abolished due to the low unemployment level. In addition, public investment will be limited to transportation infrastructure (roads, public transportation and rail networks). However, the government will maintain its investment attraction policy by pursuing the reduction of corporate tax (from 27% to 24% between 2015 and 2018). Remaining tax measures, including lower income tax, will be financed by an increase in VAT on food and tourism-related activities (from 10% to 12%). The fiscal rule limiting withdrawals from the sovereign fund to 3% of its value again will be respected. Nevertheless, the non-oil deficit will amount to 7.8% of GDP in 2018, illustrating the country's dependence on oil revenues and dividends from its sovereign fund. The public debt should increase slightly, while remaining very sustainable insofar as the country has one of the largest sovereign funds in the world in terms of assets (nearly $1 trillion under management).

The current account surplus is expected to remain strong in 2018, reflecting the improvement in the balance of goods and income. The dynamism of exports will offset that of imports. The surplus of the primary revenue balance, thanks to the increase of the interest collected in connection with foreign investments, will be offset by the deficit of the transfer balance, related to the contribution of the country to the European budget, as well as to the aid granted to developing countries.

Government renewed but weakened by dissension within the coalition

After the parliamentary elections of September 2017, the centre-right coalition, in power since 2013 and composed of the Conservative Party, the Progress Party, the Christian Democrats (KrF) and the Liberals, has a sufficient number of seats to maintain a majority in Parliament (88 seats out of 169). Although the centre-left parties won the popular vote, they do not have a majority in Parliament, as the electoral system gives rural areas proportionally more seats than densely populated regions. Nevertheless, the formation of the new government was made difficult by the reluctance of the KrF and the Liberals to renew their support for the government, even though they did not already have any posts. Negotiations have therefore been postponed until early 2018, after the vote on the budget. It therefore seems likely that Erna Soldberg's government will include members of both parties in order to avoid any potential political deadlock.

PAYMENT AND COLLECTION PRACTICES IN NORWAY

Payment

Bills of exchange and cheques are neither widely used nor recommended, as they must meet a number of formal requirements in order to be valid. In addition, creditors frequently refuse to accept cheques as a means of payment. As a rule, both instruments serve mainly to substantiate the existence of a debt.

Conversely, promissory notes (*gjeldsbrev*) are much more common in commercial transactions, and offer superior guarantees when associated with an unequivocal acknowledgement of the sum due that will, in case of subsequent default, allow the beneficiary to obtain a writ of execution from the competent court (*Namrett*).

Bank transfers are by far the most widely used means of payment. All leading Norwegian banks use the SWIFT electronic network, which offers a cheap, flexible and quick international funds transfer service.

Centralising accounts, based on a centralised local cashing system and simplified management of fund transfers, also constitute a relatively common practice.

Electronic payments, involving the execution of payment orders via the website of the client's bank, are rapidly gaining popularity.

Debt collection

Amicable phase

The collection process commences with the debtor being sent a demand for the payment of the principal amount, plus any contractually agreed interest penalties, within 14 days.

Where an agreement contains no specific penalty clause, interest starts to accrue 30 days after the creditor serves a demand for payment and, since 2004, is calculated at the Central Bank of Norway's base rate (*Norges Bank*) in effect as of either the 1st January or the 1st July of the relevant year, raised by seven percentage points.

In the absence of payment or an agreement, creditors may go before the Conciliation Board (*Forliksrådet*), a quasi-administrative body. To benefit from this procedure, creditors must submit documents authenticating their claim, which should be denominated in Norwegian kroner (NOK).

The Conciliation Board then allows the debtor a short period to respond to the claim lodged before hearing the parties, either in person or through their official representatives (*stevnevitne*). At this stage of proceedings, lawyers are not systematically required. The agreement therefore reached will be enforceable in the same manner as a judgement.

Legal proceedings

Ordinary proceedings

If a settlement is not forthcoming, the case is referred to the court of first instance for examination. However, for claims found to be valid, the Conciliation Board has the power to hand down a decision, which has the force of a court judgement.

A case which is referred to the higher court will commence with a summons to appear before the municipal or District Court. The summons will be served on the debtor with an order to give the court notice of intention to defend if he so wishes.

Where a defendant fails to respond to the summons in the prescribed time (about three weeks) or fails to appear at the hearing, the Board passes a ruling in default, which also has the force of a court judgement. The length of proceedings varies from one court to another.

More complex or disputed claims are heard by the court of first instance (*Byret*). The plenary proceedings of this court are based on oral evidence and written submissions. The court examines the arguments and hears the parties' witnesses before delivering a judgment.

Norway does not have a system of commercial courts, but the Probate Court (*Skifteret*) is competent to hear disposals of capital assets, estate successions, as well as insolvency proceedings.

Enforcement of a legal decision

A domestic judgment is enforceable for ten years if it has become final. If the debtor does not comply with the judgment, the creditor can request compulsory enforcement of the judgment from the enforcement authorities, which will then seize the debtor's assets and funds.

Even though Norway is not part of the EU, for awards issued by EU countries, particular and advantageous enforcement mechanisms will be applied, such as EU payment orders or the European Enforcement Order, under the "Brussels Regime". For decisions rendered by non EU members, they will be enforced on a reciprocity basis, provided that the issuing country is party to a bilateral or multilateral agreement with Norway.

Insolvency proceedings

Out-of court proceedings

Private non-judicially administered reorganizations are common in Norway; even though there are not regulated by law. Debtors and creditors are free to make any kind of arrangements, but in practice the Debt Reorganization and Bankruptcy Act is often applied. A third party (a lawyer or an accountant) can handle the process if the parties wish it so.

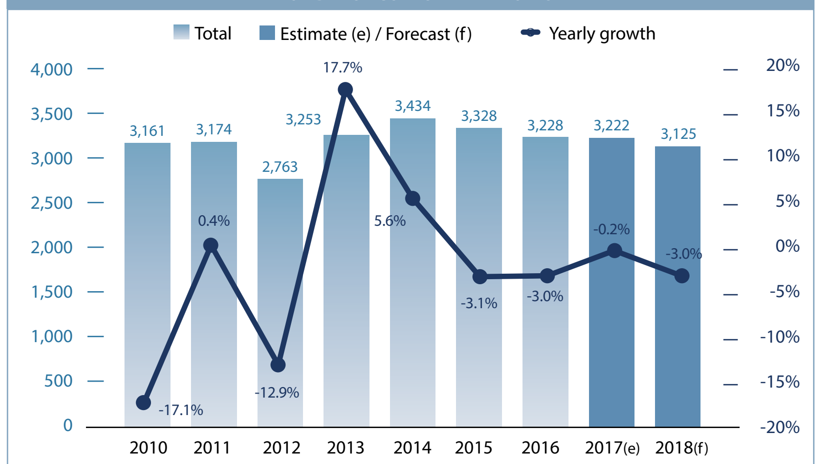
Restructuring the debt

This procedure can only be initiated by a wiling debtor. His financial situation is assessed with a court-appointed supervisory committee and a composition proposal is prepared. If the Court agrees, a composition committee as well as a court appointed trustee will manage the debtors' operations and formulate a composition agreement. A debt settlement proceeding may result in a completed debt settlement, composition or the commencement of a bankruptcy proceedings.

Bankruptcy proceedings

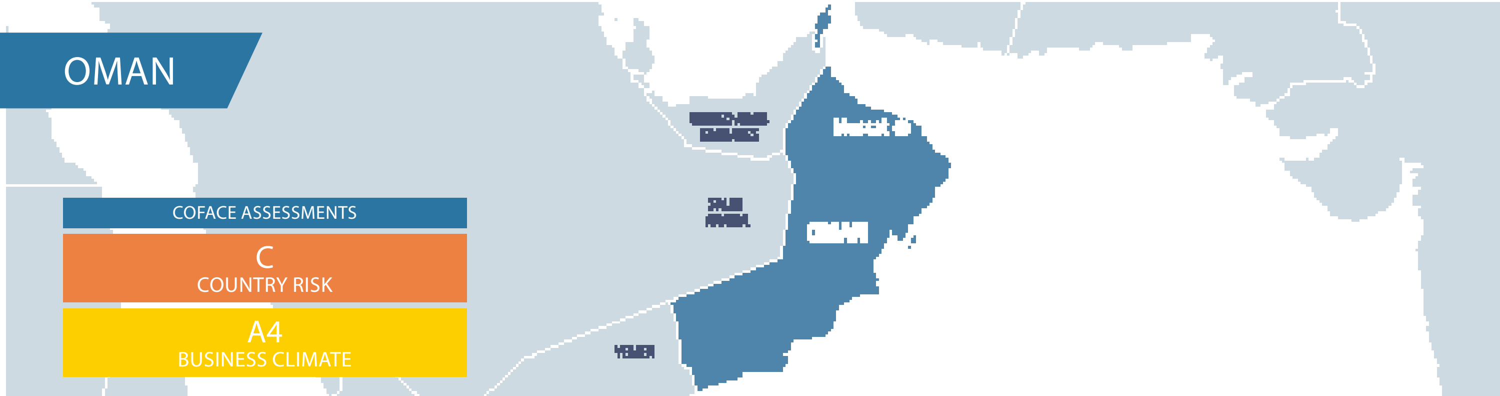
Proceedings can be opened by court decision either from the debtor or creditor. The latter must guarantee for expenses related to the proceedings. The court will appoint a trustee and assess the need for a creditor committee prior to issuing a bankruptcy order and given the creditors time to file their claim (three to six weeks). All of the debtor's assets are confiscated, the debt is evaluated and a list of claims is established.

NUMBER OF CORPORATE FAILURES



Source: Statistics Norway (SSB), Coface

OMAN



COFACE ASSESSMENTS

C
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 42%
- United Arab Emirates 11%
- South Korea 7%
- Saudi Arabia 4%
- Japan 4%

Imports of goods, as a % of total

- United Arab Emirates 49%
- Euro Area 7%
- China 5%
- India 5%
- United States 5%

+ STRENGTHS

- Strategic location on the Strait of Hormuz
- Increasingly diversified economy (petrochemicals, port operations, tourism)
- Solid banking system and openness to foreign investments
- Significant tourism potential

- WEAKNESSES

- Exposure to oil price fluctuations; production cutbacks
- Shortages of qualified local labour, leading to 20% youth unemployment and reliance on imported external expertise
- Ongoing uncertainties around succession to Sultan Qaboos
- Income inequalities exacerbated by cuts to social subsidies

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.2	3.0	-0.3	3.8
Inflation (yearly average, %)	0.1	1.1	1.6	3.2
Budget balance (% GDP)	-15.7	-21.6	-13.0	-12.0
Current account balance (% GDP)	-15.5	-19.0	-14.3	-13.2
Public debt (% GDP)	15.3	33.6	44.0	50.0

(f): forecast

4.0
POPULATION
(millionsofpersons-2016)

16,535
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Towards a return to growth

Low oil prices and the commitment to a 5% cut in production, as agreed with OPEC, have not been offset by the 2.5% growth in the non-oil and gas sectors, leading to a virtual standstill in growth in 2017. Growth is, however, expected to be positive in 2018, thanks to an upturn in the oil and gas sector, and the continuation of a moderate growth rate in other sectors. The slight upwards movement in barrel price, investments aimed at reducing the breakeven point for oil production – which is the highest of the Gulf producing countries at USD 73 per barrel -, and, above all, the Khazzan Project managed by BP and Oman Oil Company Exploration & Production that is set to boost the country's gas output by 25%, will together likely offset the restrictions on oil production. Exports should improve with the restarting of trade with Iran, and the ongoing Qatar diplomatic crisis could help Oman recover market share in the trade and tourism industries.

However, the rate of growth in the non-oil and gas sectors is largely dependent on public spending. The reduction in oil revenues, which in 2016 accounted for 70% of State revenues, necessitated the implementation of budgetary consolidation measures:

- a reduction in energy subsidies, in public employee wages, and in security and defence spending and pension;
- the scheduled imposition of VAT in 2018, jointly with all the other Gulf Cooperation Council, and an increase in corporation tax (from 12 to 15%).

These measures will likely have a negative impact on investment and household consumption. In addition, the introduction of a 5% VAT rate, as well as the slow rise in the price of oil and in basic commodities, is set to stimulate inflation, increasing the pressure on the pegging of the Omani rial to the dollar. As part of the ninth five-year plan (2016-2020), huge investments have been made in education and the creation of public sector jobs (a plan to create 25,000 jobs was announced in October 2017) as part of the fight against unemployment (17.5% at the end of 2016) and a dependence on foreign labour. The Tanfeedh Program, launched in 2016 with the aim of enhancing economic diversification, focuses on developing tourism, industrial manufacturing, and logistics. The reforms are thus aimed at attracting foreign investment and improving bureaucratic processes.

Scale of twin deficits generating risk of instability

The fall in oil revenues caused a worsening in public deficit to the worrying level of -19% at the end of 2016, compared with a budget surplus that was almost 5% before 2014. The budget consolidation, together with increased tax revenues, will likely make it possible for the Sultanate to reduce the deficit, but not to achieve the target of 10% of GDP in 2018. These factors have placed question marks against public investment projects, as well as the state's ability to provide aid to the banks, which could face liquidity pressures and an increase in credit risks because of the budget consolidation. As a result, the three leading credit rating agencies have downgraded Oman's rating to one level above "junk", with a negative outlook. Part of the finance for the deficit comes from currency reserves (28%) and the rest through increased recourse to international bank loans (67%).

The current account deficit reflects the country's overexposure to fluctuations in oil and gas export revenues. The balance of trade highlights the level of dependency on oil and gas to offset imports of consumer and capital goods. The country's currency reserves have improved, following a number of years of decline, and should hold steady in 2018 at around eight months of imports, which is adequate to support the balance of trade and guarantee the dollar pegging. Although there remains a risk of speculation, and despite the decision not to apply the uplift in the key lending rate by the US Federal Reserve in June 2017, monetary policy will remain restrictive (rates are expected to be raised gradually) and the pegging of the Omani rial to the dollar will continue in 2018.

Fragile political stability in a menacing external context

Although there are no immediate political dangers, there are genuine concerns around the stability of the Sultanate. The fragile health of Sultan Qaboos, the keystone of the regime, is again generating questions regarding his succession. The context of economic slowdown and budget consolidation also gives rise to dangers in the social arena, echoing the raised social expectations of 2011, with youth unemployment at 20% in a country in which 40% of the population is under 25. On top of this, the country is in an increasingly hostile regional situation, with the worsening of events in Yemen constituting a direct threat to its internal security.

PAKISTAN

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 23%
- United States 16%
- China 8%
- United Kingdom 7%
- Afghanistan 7%

Imports of goods, as a % of total

- China 29%
- United Arab Emirates 13%
- Euro Area 8%
- Indonesia 4%
- United States 4%

+ STRENGTHS

- Large internal market buoyed by dynamic demographics
- Substantial remittances from expatriate workers
- Inexpensive and plentiful labour
- Positive outlook for economic corridor with China
- Important provider of Islamic finance

- WEAKNESSES

- Very tense geopolitical environment and high degree of domestic insecurity (terrorism)
- Widespread informal economy (40% of GDP) and weak fiscal resources (16% of GDP)
- Energy dependency
- Inadequate sanitation, agriculture and education infrastructure
- Province of Balochistan is lagging far behind on development as is the countryside generally
- Frequent shortages of electricity and water
- Underdeveloped financial system
- Poor sectoral diversification and concentration in a few low value-added sectors
- 40% of labour force works in agriculture and thus depends on the weather and on world prices

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.0	4.5	5.2	5.5
Inflation (yearly average, %)	4.5	2.9	4,1	4,8
Budget balance (% GDP)*	-5.3	-4.4	-5.6	-5.4
Current account balance (% GDP)	-1.0	-1.7	-3.9	-4,9
Public debt (% GDP)	64.1	67.5	67.9	68.6

*2018 fiscal year: from July 2017 to June 2018 (f): forecast

193.6
POPULATION
(millionsofpersons-2016)

1,441
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

One of the most dynamic economies of South Asia

Economic momentum should be maintained in 2018 thanks to still dynamic domestic demand. Despite the fall in remittances from expatriate workers in 2017, because of the slowdown in construction in the GCC countries, which accounts for 62% of the total, consumption was still the main contributor to the economy (92% of GDP). In 2018, the recovery of growth in the UAE (22% of flows) should lead to firmer growth. Investment also picked up in 2017, benefiting from renewed business confidence following completion of the IMF assistance programme at the end of 2016. FDIs increased despite a tough business climate and should continue to increase in 2018. The China-Pakistan Economic Corridor (CPEC) set up between the Chinese region of Xinjiang and the Port of Gwadar (southwest Pakistan) is expected to bring in substantial flows of Chinese investment thus improving transport infrastructure and electricity generation. This is reflected not only in strong momentum in the construction sector, but also in services (60% of GDP) and industry. Inflation will edge upwards but will continue to depend on fluctuations in the rupee and oil prices.

Weak public and external accounts

Thanks to the measures recommended by the IMF, the budget position improved markedly during the period of the latest financing agreement between 2013 and 2016. The fiscal deficit (excluding grants) fell from 8.5% to 4.6% of GDP. However, this trend has reversed. This is explained by a less sustained increase in tax receipts (both at federal and provincial level) linked to higher spending in the run-up to the impending parliamentary elections. This could be temporary with fiscal efforts likely to resume after the elections. The public debt, mainly domestic and denominated in the local currency, will remain high in 2017-18 and continue to put pressure on the banking system leading to a crowding out of private business investment.

The current account deficit deepened in 2017 because of an increase in the trade deficit. While exports declined, imports of oil and goods needed for implementing the Economic Corridor increased. The current account deficit is expected to widen again in 2018. The trade deficit remains the main contributor to the imbalance. This is explained by weak Pakistani exports (less than 10% of GDP), of which more than half are comprised of textile products (home linen, clothing, cotton), the rest broken down between agricultural products (cereals) and a small share of manufactured products. Increased competition from low cost countries in the region has led to slow export growth, which comes on top of strong Pakistani economic demand resulting from growing economic activity and investments associated with the CPEC. However, remittances from expatriate workers will continue to offset the trade deficit. The remaining deficit, associated with services and outgoing dividends and interest payments, is financed through borrowing, drawing on reserves (down by the equivalent of two months of imports in late 2017) and, increasingly, by FDIs linked to the Economic Corridor.

Persistent insecurity on the eve of elections

2017 was marked by heightened political uncertainty following the dismissal of Prime Minister Nawaz Sharif by the Supreme Court and that of the Finance Minister on suspicion of corruption. The Prime Minister was replaced by Shahid Khaqan Abbasi, also from the Pakistani Muslim League-Nawaz (PML-N). This climate of uncertainty is expected to continue until the September 2018 elections. The election results will depend on the performance of the Nawaz government, which strengthened by a comfortable parliamentary majority, will need to defend its record. The elections will take place in a climate marked both by terrorist attacks by the Pakistani Taliban and the rise in Islamic fundamentalism. This was illustrated in late November 2017 by the resignation of the Justice minister following the blockade of Islamabad by several thousand Islamist militants unhappy with the change to the oath taken by all election candidates. It is also reflected in the success in the mid-term elections of the parties close to Islam and the outbidding between the traditional parties (PML-N, Pakistan Movement for Justice or Tehreek-e-insaf led by Imran Khan and the Pakistan People's Party). The army, which has stepped in several times in the past, remains the ultimate arbiter, while the external situation remains precarious. Although relations with India will remain tense over Kashmir, China will continue to be the main economic partner with a growing number of projects included under the China Pakistan Economic Corridor. In the west, relations with Afghanistan are characterised by flare-ups in tension, as in 2017 following Pakistan's mass expulsion of Afghan refugees.

PALESTINIAN TERRITORIES

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total
- Israel 90%
- Jordan 5%
- United States 1%
- Euro Area 1%
- United Kingdom 1%

Imports of goods, as a % of total
- Israel 58%
- Euro Area 11%
- Turkey 8%
- China 8%
- Jordan 3%

+ STRENGTHS

- Observer State status at the UN since late 2012
- Very young population
- Substantial remittances from the diaspora

- WEAKNESSES

- Lack of geographic, political and economic unity
- Very high unemployment rate
- Restrictions on movement in the West Bank imposed by Israel, and blockade of the Gaza Strip by Egypt and Israel
- Stalemate in the peace process with Israel

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-0,2	4,3	3,5	3,4
Inflation (yearly average, %)	-0.2	1,4	1,1	1,5
Budget balance (% GDP) *	-11,4	-8,1	-9,7	-9,4
Current account balance (% GDP) **	-9,9	-13,1	-13,2	-13,4
Public debt (%)	40,4	36,1	36,9	38,9

* Excluding grants ** Including grants (f): forecast

4.8
POPULATION
(millionsofpersons-2016)

2,781.5
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Weak growth in 2018

After a recession in 2014 and 2015 because of the war in Gaza, the Palestinian economy is recovering. In 2018 the growth rate is expected to be the same as in 2017 - the Palestinian economy continuing to suffer the consequences of the war. The unemployment rate in Gaza is 42%, whereas the national average is 27%, evidence of the strong disparities between the West Bank and Gaza. Economic growth in the south is mainly driven by reconstruction efforts while in the West Bank the main component of economic activity is private consumption (+5% expected in 2018), which benefits from easier access to credit (+22% in 2017) for individuals. Assuming the peace process will still be blocked in 2018, restrictions on trade as well as on access to resources will still apply. Since April 2017, the population has had only limited access to electricity and water treatment stations are only partially operational. The agricultural sector is in decline and the situation is unlikely to improve in 2018 This is because only 21% of cultivable land is in use due to structural problems relating to irrigation, Israeli restrictions on the import of fertilisers and subsidised Israeli competition. Public investment remains weak, at a level close to 2% of GDP according to the UN, and depends almost exclusively on international aid. Private investment is higher, even if the level remains stable (16% of GDP in 2015 and 2016), mainly driven by reconstruction activities. Inflation is expected to remain weak in 2018, thanks to the appreciation of the Shekel.

The public and external accounts remain fragile

The Palestinian Authority's (PA) public finances remain dependent on relations with the Israeli government. Spending on wages is high, accounting for 59% of total spending in 2017. The drive to rationalise spending will continue in 2018, but the PA has less room for manoeuvre in a chaotic humanitarian situation. Moreover, international aid, a major source of finance, is likely to remain at relatively low levels, having fallen by 38% between 2014 and 2016 and by 12% in 2017. Nevertheless, the fiscal deficit is expected to stabilise in 2018, thanks to the major contribution made by weak spending on electric power (Gaza Strip). In 2018, the PA is expected to finance a growing proportion of its deficit by borrowing from domestic banks.

The external accounts remain dependent on Israel's economic cycle. The reason is that trade with Israel accounts for over 70% of imports and 80% of exports. Palestine exports mainly very low value-added products such as stone (for construction) and agricultural products. The trade deficit, one of the largest in the world, is explained by the difficulty the agricultural and industrial sectors have in penetrating the external market as well as the difficulties resulting from Israeli and Egyptian restrictions. The lack of a national currency creates a dependency on Israeli monetary policy and the Shekel's appreciation in recent years has reduced the very low price competitiveness of Palestinian producers. The 18% drop in FDIs in the first half of 2017 means it will not be possible to offset the current account deficit.

Towards status quo in 2018

Re-elected in November 2016, Mahmoud Abbas (82 years), president of the PA and of the Palestinian Liberation Organisation PLO), controls the West Bank while Hamas, led by Ismail Haniyeh has controlled the Gaza strip since being democratically elected in 2007. In April 2017, the PA decided to no longer pay for Gaza's electricity because of its disagreement with Hamas, resulting in a serious humanitarian crisis. In September, the leaders of Hamas were ready to negotiate a peace deal with Rami Hamdallah's government in order to break the deadlock after a decade of tension between the two main political forces. Following a meeting in Cairo, in October, Hamas agreed to stop managing public affairs in Gaza and talks aimed at reconciliation and the establishment of a government of national unity were launched. The Israeli government then declared that it was not prepared to negotiate with the Palestinians until Hamas had laid down its arms and recognised the Jewish State.

The *status quo* is therefore expected to prevail in 2018, as the Fourth Netanyahu government is opposed to the creation of a Palestinian State and a resolution of the conflict is not a priority for US President Donald Trump who is not committed to a two-state solution.

Regarding the business climate, according to the World Bank's Doing Business 2017, the Palestinian Territories are ranked 140th (out of 190).

PANAMA

COFACE ASSESSMENTS

A4
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total
- Euro Area 25%
- United States 21%
- Costa Rica 6%
- China 6%
- Taiwan 4%

Imports of goods, as a % of total
- United States 26%
- Euro Area 10%
- China 9%
- Mexico 5%
- Costa Rica 4%

+ STRENGTHS

- Interoceanic canal and related infrastructure (ports, airports, roads, railway tracks)
- Fully dollarised economy and financial stability
- Colón Free Trade Zone, world's second-largest import-export platform
- Regional banking and financial centre served by excellent telecommunications
- Tourism potential

- WEAKNESSES

- High exposure to North and South American economies
- Deficiencies in education and vocational training
- Wide disparity between the canal zone and the rest of the country
- Corruption and nepotism; bureaucracy

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.8	4.9	5.6	5.7
Inflation (yearly average, %)	0.1	0.7	1.6	2.0
Budget balance* (% GDP)	-2.3	-2.2	-1.7	-1.3
Current account balance (% GDP)	-7.3	-5.6	-5.5	-4.0
Public debt* (% GDP)	38.8	38.8	38.0	36.5

* Excluding the Panama Canal Authority (f): forecast

4.0
POPULATION
(millionsofpersons-2016)

13,670
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

An acceleration based on the new canal's activity

Panama has the most dynamic economy in Latin America, and remains an attractive destination for financial and transport services. Growth should continue to be supported by local demand. Household consumption should remain dynamic due to the continuing and very favourable job market, the country's first participation in the football World Cup, and the development of credit, in a context where inflation remains moderate. Nevertheless, this credit dynamic is expected to weaken due to the continued tightening of monetary policy related to the rise in US rates. The Panamanian banking system, acting as the effective financial sector for the region, should prove resilient. Private and public investment (45% of GDP) should perform well, although to a lesser extent than in the past (completion of the canal's expansion) thanks to the activity generated by the construction of subway lines, a fourth bridge over the canal, the completion of the airport, and the development of a copper and gold mine. In addition, the canal's activity should be favoured by the resumption of foreign trade resulting from the economic recovery in Latin America, and world trade more generally. This should be accompanied by a development of financial, logistics, and tourism services.

Deficits should fall thanks to the canal's expansion and the recovery of world trade

The public finance situation should continue to improve, remaining within the framework of meeting the budgetary targets defined by the by the budget and social responsibility law. The 2018 draft budget, presented in July 2017; shows a 7.9% increase compared to 2017, which represents an increase in revenues of 6.9% (related in particular to canal toll revenues) and expenses of 4.2%: almost 50% of the budget has been allocated to social programs, but significant investment expenditures are planned, particularly for the completion of lines 2 and 3 of the subway. Debt should thus remain moderate and continue to decrease.

The current account deficit should fall in 2018 due to the canal's activity, boosted by its expansion and the recovery of world trade. Latin America's strongest growth should promote exports, despite the moderate dynamism of the United States and the appreciation of the US dollar, the currency used in Panama. In addition, exports are set to further diversify with the opening of a new copper mine. Nevertheless, imports should remain significant taking into account the content of imported investments. FDI (consisting mainly of reinvested profits) should remain dynamic and finance the current account deficit, but would be vulnerable to a change in United States (US) corporate tax rules. The income balance will remain negative because of interest payments on debts held by foreign lenders and the outflow of dividends taken by foreign companies.

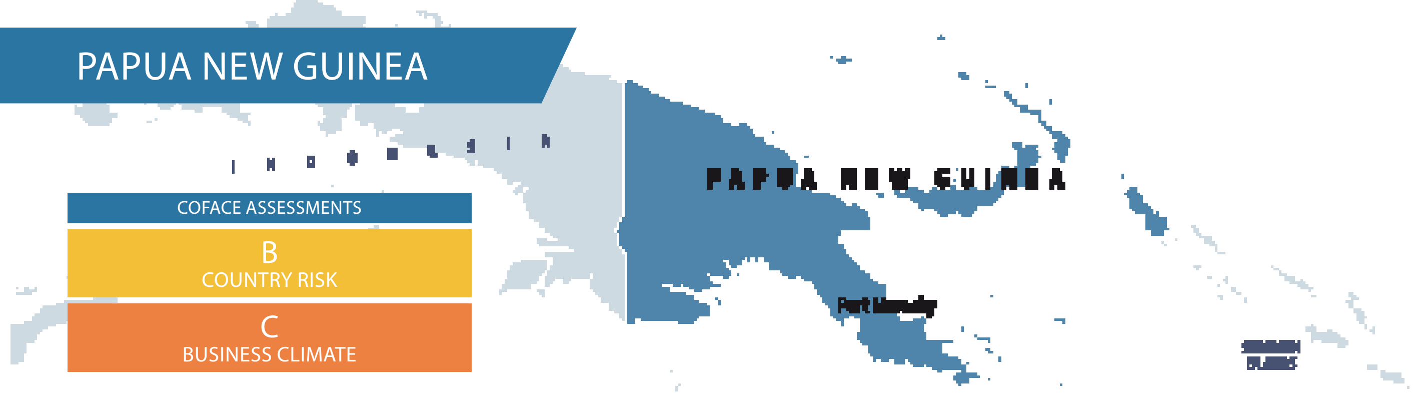
A fragile parliamentary majority and progress in terms of transparency post-"Panama Papers"

President Juan Carlos Varela of the centre-right Partido Panameñista (PP), in power since 1st July 2014, was obliged to reach an agreement with the centre-left Partido Revolucionario Democrático (PRD) opposition party, and subsequently obtained a parliamentary majority with 49 seats out of 71. The president's popularity is declining, and the next legislative and presidential elections will take place in May 2019 (outgoing presidents are ineligible for re-election). Income inequalities are very strong, and redistribution is hampered by the scarcity of budget incomes (9% of GDP).

From an external perspective, whereas the "Panama Papers" scandal of April 2016 sparked many international reactions to the Panamanian tax system, the reputation risk does not seem to have significantly affected the country's attractiveness, given the significant number of multinationals that have set up their regional headquarters in the country in connection with the exempt status of multinational regional headquarters (MRH). The country has increased financial transparency and the fight against tax fraud, notably by signing the convention on mutual administrative assistance (MAA). As a result of this progress, Panama was removed from the OECD's list of uncooperative countries in June 2017, and the country is now included in the category of countries that "largely meet the criteria" required by the organisation. However, the standards of contract enforcement and insolvency management are not satisfactory according to the World Bank's surveys.

Furthermore, Panama – one of the most competitive countries in Latin America – Panama has signed numerous free trade agreements (Peru, US, Canada, Colombia, EFTA area, Mexico) as well as the important EU-Central America association agreement. A materialisation of the protectionist risk could nevertheless have a significant impact on the economy.

PAPUA NEW GUINEA



COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Singapore 23%
- Australia 22%
- Japan 13%
- China 11%
- Euro Area 7%

Imports of goods, as a % of total

- Australia 36%
- China 15%
- Singapore 8%
- Malaysia 7%
- Japan 4%

+ STRENGTHS

- Abundant natural resources: minerals (copper, gold, nickel, cobalt), hydrocarbons (oil, gas) and agricultural products (wood, coffee, cocoa, palm oil)
- Construction of liquefied natural gas production facilities
- Foreign investment in raw materials sector
- Financial support from multilateral institutions

- WEAKNESSES

- Highly exposed to natural disasters
- Poor infrastructure network
- Low literacy rate
- Lack of skilled workforce
- Significant governance shortcomings
- Rapid growth of private sector external debt

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	9.2	2.4	3.0	3.2
Inflation (yearly average, %)	6.3	7.0	7.5	6.0
Budget balance (% GDP)	-5.1	-4.4	-2.7	-2.4
Current account balance (% GDP)	19.6	15.3	15.9	14.2
Public debt (% GDP)	30.4	33.5	33.1	33.0

(f): forecast

7.9
POPULATION
(millionsofpersons-2016)

2,589
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slightly improved growth prospects

Growth is expected to rally slightly in 2018, but, hit by weak mining product and hydrocarbon prices, will remain below the levels observed up to 2015. Foreign trade will still be the main growth driver, with higher exports of oil and liquefied natural gas (LNG). Nonetheless, this dependence on foreign trade makes the country extremely sensitive to world price movements and demand from its trading partners. Moreover, investment is expected to bounce back, especially in the oil and LNG sectors, where new projects are under way. However, they will not significantly improve the country's infrastructure deficit, especially in terms of transport. This is because resources are limited by low levels of national savings, inefficient public spending programmes and public-sector companies, and the ongoing political risk affecting the country's attractiveness for foreign investors. The agricultural sector, hit by poor weather conditions in 2016 and 2017, is expected to rebound, but will still be largely informal with low productivity and providing only subsistence agriculture for the population. Household consumption, representing only 48% of GDP, is expected to suffer from a continued high level of unemployment, especially among young people, and ongoing high inflation. Effectively, even if it comes down with the depreciation of the kina coming to an end, inflation will stay above the central bank target of 5%. The central bank's ability to intervene remains constrained by its lack of independence and political interference.

Fragile current account surplus in the face of weak commodity prices

The current account balance has shown a large surplus since 2015 with the start of operations at new facilities for the exploitation of natural resources such as LNG. However, the drop in exports of mining products substantially reduced the current account surplus in 2016, and this position is unlikely to change in 2018, given the low momentum in commodity prices. Additionally, the current account surplus will decline slightly, affected by steady capital flight, slower Chinese growth, high consumption of raw materials, and still high imports, with the country dependent externally for many goods. The services and income balance is expected to continue to show a deficit.

Ongoing improvement in the public accounts

In 2017, the country was hit by a drop in budgetary resources associated with low commodity prices. Nevertheless, the fiscal deficit is expected to narrow further, as a result of the government's drive to cut spending. The government is not set to significantly increase its revenues, in large part due to ineffective tax collection. In addition, LNG export income was lower than expected because of low LNG prices. There are risks of budget slippages, as during the parliamentary campaigns in summer 2017, Prime Minister Peter O'Neill committed to increasing public spending on the sectors prioritised for expansion (education, healthcare, infrastructure projects, and support for small- and medium-sized enterprises). Finally the public debt, though limited, is not expected to fall significantly.

Social and political tensions with the re-election of Peter O'Neill

Peter O'Neill (People's National Congress) was re-elected to the position of Prime Minister by Members of Parliament in August 2017, after his party won the legislative elections that took place between June and July 2017. Allegations of fraud during these elections dealt a blow to the Prime Minister's already declining popularity. There are likely to be many anti-government demonstrations, and political stability remains fragile. Given this enduring situation, the government could try to use the police and the army to strengthen its position, at the risk of triggering deadly clashes between the population and the law enforcement agencies as in July 2016.

The country still suffers from significant governance shortcomings and failings regarding the separation of powers. While he has committed to fighting corruption since coming to office in 2012, the Prime Minister was himself involved in a corruption scandal in 2014. The country was ranked 136th out of 176 countries on the corruption perception index, established by Transparency International in 2016, and the business climate remains poor. Finally, social tensions remain high, fuelled by inequalities and poverty.

PARAGUAY

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Brazil 35%
- Argentina 10%
- Euro Area 10%
- Russia 8%
- Chile 6%

Imports of goods, as a % of total

- China 27%
- Brazil 24%
- Argentina 14%
- United States 7%
- Euro Area 7%

+ STRENGTHS

- Well-developed agricultural sector (soya and beef)
- Abundant hydroelectric resources
- Prudent fiscal and economic policies

- WEAKNESSES

- Inadequate infrastructure (river transport, roads, electricity power lines)
- Dependent on the agricultural sector and a small number of trading partners (in particular, Brazil and Argentina)
- Weak governance (corruption and patronage)
- Large informal market (40% of GDP)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.0	4.1	4.1	3.9
Inflation (yearly average, %)	3.1	4.1	4.0	4.1
Budget balance (% GDP)	-1.3	-1.0	-1.2	-1.1
Current account balance (% GDP)	-1.1	0.6	1.2	0.1
Public debt (% GDP)	24.0	24.7	25.8	25.1

(f): forecast

6.9
POPULATION
(millionsofpersons-2016)

4,003
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Resilient growth in 2018

Activity is expected to remain firm in 2018, buoyed by domestic demand and agricultural exports. The latter will benefit from the improved economic situation in both Brazil and Argentina, the country's main trading partners, as well as from the moderate rise in the price of soya (42% of exports). Nevertheless, the contribution of external trade to growth will be limited because of the lively pace of imports. The healthy state of the agricultural sector will benefit the industrial sector, mainly centred on processing agricultural products like soya (oil, flour) or beef (mainly leather). The dynamism of the automotive parts assembly and textiles segments within the country's maquilas (foreign-built factories, typically in free zones) and of the construction sector should help support private consumption by creating jobs. Households will also benefit from the higher minimum wage. Higher public spending will underpin activity, but political disagreements could delay the implementation of some infrastructure projects (roads, metro, airports). Private investment will be limited by the still underdeveloped infrastructure, despite an attractive fiscal policy for foreign investors. Inflation is expected to settle in the middle of the central bank's target range (2-6%). The central bank will tighten monetary policy if there are strong inflationary pressures, particularly on food prices. It will also intervene to stabilise the guarani, the local currency, if it depreciates too strongly following a fall in the price of soya or an increase in the price of oil. Meanwhile, the banking system remains fragile, as it is highly dollarised and heavily dependent on the agricultural sector, which represents most of the loans granted.

Prudent budget policy and balanced external accounts

The government is expected to continue with the implementation of the budget reforms approved at the end of 2013, which include a law on fiscal responsibility, limiting the deficit to 1.5% of GDP, tax reforms, and a framework permitting public/private partnerships (PPP). In 2017, the budget deficit remained below the limit fixed by law and this position is expected to last until 2018. The lively pace of economic activity should help boost tax receipts and offset the increase in public spending, mainly on infrastructure. However, the country is expected to widen its tax base, one of the narrowest in Latin America, in order to more easily reach its fiscal deficit targets, while developing its infrastructure. Given the fiscal prudence, the public debt is expected to remain contained, even if financing it will still broadly be through external finance, in particular via the issuance of dollar-denominated bonds.

Economic recovery in Brazil and Argentina is expected to stimulate agricultural and energy (mainly hydroelectric) exports, excluding any negative weather events. The trade surplus (5% of GDP) will be moderated by strong import growth associated with dynamic private consumption and infrastructure investments. Meanwhile, changes in terms of trade will continue to be a key factor in the current account balance. Under these conditions, FDI flows, chiefly in the agricultural and infrastructure sectors, will help maintain foreign exchange reserves at a satisfactory level (seven months of imports).

Political difficulties in advancing the reforms

The next presidential and parliamentary elections are due to be held on the 22nd April 2018 and are expected to be won by a member of the Colorado party, the party of the current president, Horacio Cortes, who is ineligible to stand having withdrawn his proposed amendment to the Constitution allowing for presidential re-election. This proposal hampered the implementation of reforms, as it was heavily contested by the opposition, as well as by members of the Colorado Party. Several members of the Colorado Party (PC) also criticised President Cortes' reform programme, which was based on opening up the capital of state-owned enterprises to private participation and the multiplication of infrastructure projects in private/public partnerships. It is therefore likely that the new government will be more reluctant to raise funds from the private sector to finance infrastructure developments, which could adversely impact FDI flows. Meanwhile, the business climate remains difficult, particularly because of corruption and the size of the informal economy.

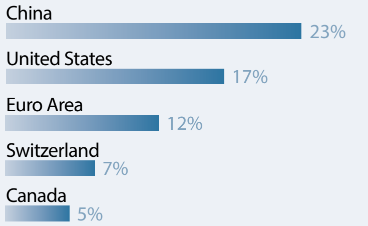
COFACE ASSESSMENTS:

A4
COUNTRY RISK

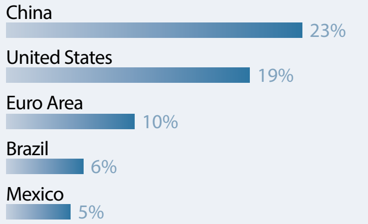
B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total



Imports of goods, as a % of total

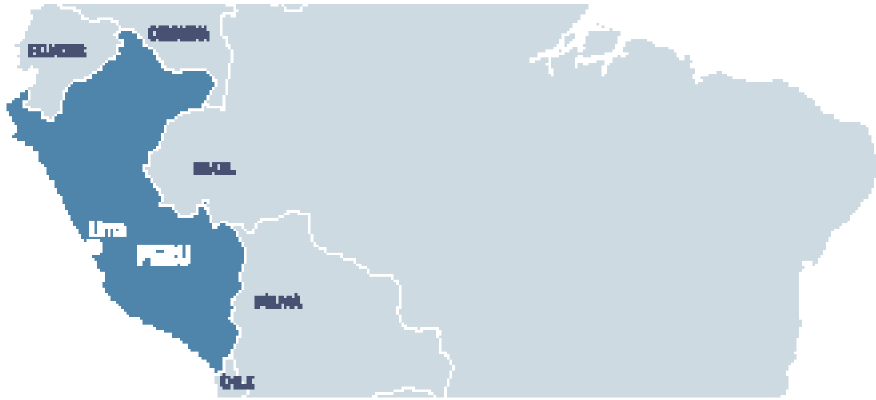


\+ STRENGTHS

- Membership of the Pacific Alliance
- Mineral, energy, agricultural, and fishery resources
- Low level of public debt
- Independence of its central bank; strong banking sector
- Tourist destination
- Youthful profile of the population

\- WEAKNESSES

- Dependence on raw materials and demand in China
- Exposure to climate shocks; seismic events
- Underdevelopment of credit (40% of GDP)
- Inadequate infrastructure, health care, and education systems
- Huge informal sector (70% of jobs) which impedes training and productivity
- Regional disparities (poverty in the Andean and Amazonian regions)
- Scale of coca growing and cocaine production



Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.3	4.0	2.6	3.8
Inflation (yearly average, %)	3.5	3.6	3.1	2.5
Budget balance (% GDP)	-2.1	-2.6	-2.9	-3.4
Current account balance (% GDP)	-4.8	-2.7	-1.6	-1.7
Public debt (% GDP)	24.0	24.4	26.0	28.0

(f): forecast

31.5
POPULATION
(millionsofpersons-2016)

6,204
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Recovery in activity in 2018

Activity in 2017 suffered partly as a result of the floods, landslides, and disruption to the communications infrastructure triggered by the 2016-2017 El Niño costero weather events phenomenon, and partly due to the suspension of public investment in the light of the Odebrecht corruption scandal. A sharp recovery in domestic demand is expected in 2018, in a context of a continuation of the positive economic policy. Construction work, such as the building of the gas pipeline in the south of the country, is expected to resume.. Construction of the second Lima subway line and the infrastructure for the hosting of the Pan-American Games in Lima in 2019 will likely also continue, alongside the modernisation of the Talara refinery by Petroperu. With the recovery – albeit slow – in raw material prices, investment in mining is starting to pick up. In addition, a three-year plan for the rebuilding of damaged roads, bridges, housing, and schools was approved in September 2017.

Household consumption is expected to feel the benefits of the new jobs created as investment increases, as well as the slowing in inflation resulting from slower rises in food prices, and the expected slight depreciation of the sol. Reduced inflationary pressures will make it possible for the central bank to hold the key lending rate (3.5% at the end of October 2017) just above inflation. Exports are set to increase, but at a slower rate than in the previous two years. This will apply to copper (29% of sales), gold (19%), oil and gas (6%), zinc (5%) and lead (4%), which benefited in 2017 from a (weak) recovery in prices and increased production. Sales of seafood, fruit (grapes, avocados, pineapples, mangoes, berries, etc.), as well as fish-meal (5%) are expected to do well, excluding any extreme climate events. However, as imports will increase in line with the strength of domestic demand, the contribution of trade to growth could be slightly negative.

Comfortable budget margins and current account deficit financed by FDI

The government is expected to continue its relaxed budget policy in 2018, with a particular focus on infrastructures, education, healthcare, access to drinking water, and sewage systems. However, the government does seem to have – at least temporarily – abandoned tax cuts for companies whose goal was to incite small and mid-sized companies to submit the necessary declarations, with the aim of reducing the scale of the economy's informal sector and increase fiscal revenues (23% of GDP). The authorities have triggered the hardship clause in the budget regime. This approach is made easier thanks to the small relative size of the debt, which remains below the legal ceiling of 30%. The 1% deficit target for 2021 remains achievable.

The current account deficit will likely continue at a moderate level. The trade surplus – generated notably by metal sales – expatriate worker remittances and tourist income are set to partly offset the repatriation of profits by foreign investors and foreign transport services. This deficit is well-funded thanks to foreign investments, which enables the central bank to increase its already substantial currency reserves (around fifteen months of imports) which give it the ability to intervene to prevent excess volatility in the sol. Although in decline, dollarisation still covers 45% of deposits and 30% of outstanding credit. A sharp depreciation would endanger what is otherwise a solid banking system.

Reforms being held up in struggle between the Executive and Legislature

In 2016, Pedro Pablo Kuczynski of the centre-right Peruvians for Change party won a narrow victory in Peru's Presidential elections (50.1% of votes) over his rival Keiko Fujimori – daughter of imprisoned former President Fujimori, of the conservative Fuerza Popular (FP) Party. President Kuczynski's programme includes both social inclusion and the encouragement of private (foreign) investment, (including within areas that are traditionally public) via the loosening of administrative formalities and deregulation of the labour market, alongside fiscal incentives – all the while, maintaining the essential equilibrium. His party has only 17 out of the 130 seats in congress, meaning the government has to rely on the support of the FP (77 seats).

In September 2017, the government was defeated in a motion of censure relating to changes to the status of teachers. The President formed a new Council of Ministers, headed by Mercedes Aráoz and comprising six of the nineteen previous ministers, which got a vote of confidence in October. In the event of another motion of censure, the president will have the right to call fresh elections – a possibility clouded with uncertainty, both for the FP, whose leader may be implicated in the Odebrecht scandal, and the President, who narrowly survived an impeachment vote over corruption charges related to the same affair in December 2017. Given the weakness of the executive and the FP's sensibility to interest groups, reforms will be hard-fought. Nevertheless, the task would be facilitated if the head of the Council of Ministers was granted special powers by Congress to speed up the process. It is with this method that some progress has already been achieved relating to administrative matters. There is now an anti-corruption decree that prohibits anyone involved in any corruption from being employed in a national, provincial or local public body.

PAYMENT AND COLLECTION PRACTICES IN PERU

Payment

Cheque use in Peru is in decline due to the increasing preference for electronic payment for both high-value and low-value transactions. Post-dated cheques are commonly issued in Peru.

Credit transfers are used for both high-value and low value payment transactions. There is a minimum transfer amount for high-value transactions (PEN 5000 or USD 2000) for third party transfers. The majority of low-value electronic credit transfers in Peru continue to be made between accounts in the same bank, known as intrabank or "on-us" transactions.

Bills of exchange are a commonly used payment instrument for debt collections.

Debt collection

Legal proceedings

The Peruvian judicial system is structured hierarchically. The *Corte Suprema* (Supreme Court) is the highest court, followed by courts that specialise in civil law, criminal law, constitutional law and labour law. These sit above the *Corte Suprema* in each judicial district, which deal with civil and commercial law cases. The *Juzgados Especiales* (specialised judges) are located in major cities in the country and deal with matters concerning, among others, civil and commercial law. Following this is the professional *Juzgados de Paz* (peace judges), located in major cities in the country, and in charge of low economic value cases and other minor issues. Finally, *Cortes de Paz* (peace courts) are located in cities with lower populations, comprised of one judge who may or may not have the status of lawyer.

Amicable phase

The amicable phase in Peru is characterised by phone calls, written reminders, visits, and meetings, with the goal of settling the debt between two parties without triggering legal proceedings.

Conciliation Proceedings

Prior to judicial proceedings, Peruvian law requires the initiation of a conciliation process in order to reach a debt settlement agreement. The process constitutes two hearings, to which both parties are summoned, with the aim of reaching an agreement. If an agreement cannot be reached, the proceeding ends, and both parties have to sign a conciliation act, which is then presented at the beginning of the judicial process.

Fast-track proceedings

The below text makes reference to the *Unidad de Referencia Procesal* (Unit of Procedural Reference), which is a reference value according to Peruvian law: each *Unidad de Referencia Procesal* is 10% of the *Unidad Impositiva Tributaria* (UIT), which can be used in tax regulations to determine tax bases, deductions, limits of affectation and other aspects of taxes that the legislator deems appropriate. It may also be used to apply sanctions, to determine accounting obligations, register in the register of taxpayers and other formal obligations. In Peru, the UIT is set at the beginning of the year by the Economic Ministry.

Two fast-track proceedings are available in Peruvian law:

Simplified proceedings (*proceso sumarisimo*) concern to cases provided by Peruvian law and for cases which the value is below 100 *Unidades de Referencia Procesal. Juzgados de Paz* have jurisdiction for amounts between 50 and 100 Units. Defendants have five days to file a dispute after they received the notification from the judge. Within ten days, the judge organises hearing for discovery, conciliation, evidence and judgment.

According to Peruvian law, shortened proceedings (*proceso Abreviado*) concern cases in which the value is between 100 and 1,000 *Unidades de Referencia Procesal. Juzgados de Paz* have jurisdiction for amounts between 100 and 500 Units and *Juzgados Civiles* have jurisdiction in cases for amount above 500 Units. The defendant has ten days to file a dispute from the admission of the petition by the judge. Discovery and conciliation will be examined during one hearing. If the conciliation was not successful, the judge mentions the disputed points and evidence to be provided or updated. Within 50 days of the conciliation hearing, the judge sets up an evidence hearing.

Executive proceedings

When creditors are owed an undisputed and certain debt, they can start executive proceedings. The debtor has five days from the notification to submit his defence. The judge will render a judgment, after which each party has up to three days to file an appeal.

Ordinary proceedings

Ordinary proceedings apply to cases whose value is over 1,000 Units of Procedural Reference. The plaintiff sends a written petition to the court. The defendant can file a defence expressing the facts on which he intends to argue, within 30 days from the service of the writ. If the claim is complete (i.e. includes all the relevant information), the judge sets up a hearing for conciliation. If the parties reach an agreement, it has the same effect as a judgment. If an agreement is not reached, the judge organises a hearing within 50 days of the conciliation hearing. The proceedings end when the judge delivers his or her decision.

The length of proceedings depends mainly on the nature of the conflict, the number of parties involved, the complaints that occur, and the caseload of the judge in charge of the process. Based on these criteria, a first-instance judgment in a typical commercial litigation case may take approximately twelve to eighteen months.

Enforcement of a legal decision

A domestic judgment becomes final and enforceable once all venues for appeal have been exhausted.. The first instance judge is in charge of enforcing judgments, and will issue a writ of execution ordering the relevant party to comply with the judgment within five working days. If the order is not complied with during the five-day period, the judge must order the seizure of the debtor's assets in order to sell them at auction.

For foreign awards, creditors located in Peru must file a claim before the Superior Court located in the debtor's place of domicile. The Court will consider whether the foreign judgment is compatible with Peruvian law and any international treaties between the two countries.. If it is found to conform, the judge shall authorize the enforcement of the judgment in the Peruvian Jurisdiction.

Insolvency proceedings

Peru's insolvency law allows for involuntary or voluntary liquidation proceedings as well as for reorganization. The *Instituto Nacional de Defensa de la Competencia y de la Proteccion de la Propriedad Intelectual* (INDECOPI) is the specialized administrative agency that deals with insolvency proceedings.

Out-of-court proceedings: preventive proceeding

Preventive proceedings aim to provide a forum for debtors to reach a consensual restructuring agreement with their creditors. It is intended to be a fast track process that only debtors can initiate.

Reorganisation

If creditors decide to allow their debtors to restructure, they will be asked to approve a reorganisation plan within 60 days from the decision to proceed with reorganization. Both the decision to reorganise and the organisation plan must be approved by more than 66.6% of the allowed creditor claims. During the process, creditors decide whether to allow the debtor's management, to continue operating the business, or to replace the debtor's management. Once the reorganisation plan is approved and all the pre-publication claims are paid according to their terms, then INDECOPI grants a decision declaring the formal conclusion of the reorganization proceeding.

Liquidation

If the creditors decide to liquidate, then a liquidator will be appointed at the Creditors' Meeting from the list registered with INDECOPI. The will be asked to approve a liquidation plan for the debtor and decide whether the debtor should be authorized to continue its business during the liquidation. Whether voluntary or involuntary, the liquidator must follow a mandatory order in the payment claims.

To conclude the liquidation process, the liquidator files a petition before the Public Registry in order to register the extinction of the company. However, if creditors remain unpaid, then the liquidator must file a petition before a civil judge to obtain a judicial bankruptcy declaration.

PHILIPPINES

COFACE ASSESSMENTS

A4
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Japan 21%
- United States 15%
- Hong Kong 12%
- China 11%
- Euro Area 10%

Imports of goods, as a % of total

- China 17%
- Japon 11%
- United States 8%
- Thailand 7%
- Euro Area 6%

+ STRENGTHS

- Large population that is young, qualified, and has a command of English
- External accounts in balance
- Diverse geographic and sectoral origin of remittances from expatriate workers (10% of GDP)
- Thriving Business Process Outsourcing (BPO) sector

- WEAKNESSES

- Low rates of investment and outdated infrastructures
- Governance shortcomings: bureaucracy and corruption
- High levels of income inequality
- Problematic security situation in the Muslim regions of the South
- Strict bank secrecy and casinos facilitate money laundering

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	6.1	6.9	6.8	6.5
Inflation (yearly average, %)	1.4	1.8	3.2	3.6
Budget balance (% GDP)	0.6	-1.5	-2.0	-2.0
Current account balance (% GDP)	2.5	0.2	-0.2	-0.2
Public debt (% GDP)*	44.8	42.8	41.2	41.0

* central government (f): forecast

104.2
POPULATION
(millionsofpersons-2016)

2,927
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth expected to remain strong

In 2018, the economy is expected to maintain its momentum, buoyed above all by domestic demand. Household spending (70% of GDP) will again be the main growth driver, as it will benefit from significant remittances from expatriate workers, mainly in the United States and the Gulf States. The depreciation of the peso and the creation of the Overseas Filipino Bank – which will not deduct a commission – are set to boost the value of these remittances. Moreover, the income tax payment threshold will be raised. Finally, credit will likely continue to grow strongly, as the central bank will maintain its accommodative monetary policy with inflation still in the centre of its target. Investment (25% of GDP) is expected to grow moderately. Businesses will be under pressure to invest because of the high production capacity utilisation rate, but will favour continued caution because of political risk and uncertainties over reforms. While infrastructure levels remain inadequate, the government has reaffirmed its intention to increase public spending on infrastructure to 6% of GDP. This should help to boost the country's growth potential.

Exports, 70% of which are towards Asia, are expected to perform well, especially exports of electronic components (19% of the total), business services (16% including notably call centres and content control for the American internet giants), IT equipment (5%) and timber (5%). Exports will likely be driven by favourable economic conditions in core markets. However, as internal demand and depreciation simultaneously drive up the import bill, trade's contribution is expected to remain slightly negative. Business process outsourcing (BPO), tourism, and trade will continue to be the main beneficiaries. Industry is another beneficiary as regards construction materials (cement, glass, metals and wood), agrofood, furniture, telecommunication devices, transport, and office equipment.

The country's financial position remains sound

The central government deficit is expected to stay close to 3% of GDP (2% for the whole public sector) in 2018. However, spending is expected to rise by 12%, with a focus on infrastructure (roads, bridges, railways, health, and education) and social programmes (child vaccinations, assistance to poor families, extension of health insurance cover, primary education). The deficit is unlikely to increase, as revenues will grow thanks to a series of tax reforms announced by the government in 2017. These include levying excise duties (fuel, automotive products, alcohol and tobacco), broadening the VAT base, and implementing higher tax rates for higher income brackets. Despite growing government spending, strong growth should help stabilise the public debt to GDP ratio. Most of this debt, around 67% of the debt held by domestic creditors.

Externally, the current account balance should be close to equilibrium in 2018. The trade deficit (above 10% of GDP) is driven by strong domestic demand and imports for use by industry, especially electronics and IT outsourcing. This deficit is covered by the services surplus (business process outsourcing, tourism), remittances from expatriate workers and yields on Filipino investments abroad. Foreign direct investments are limited and almost equal to those by Filipinos abroad. This reluctance to invest is the consequence of both restrictions and political uncertainties. In total, the balance of payments shows a slight surplus, which explains the low level of external debt (24% of GDP), exceeded by Filipino assets abroad, the weak depreciation of the peso and foreign exchange reserves equivalent to nine months of imports.

Presidential promises facing reality check

Rodrigo Duterte was elected to the presidency in May 2016 for a term of six years, succeeding Benigno Aquino. His ethos is twofold: law and order, and combatting inequalities. Like his predecessor, he intends to introduce universal healthcare (currently 93%) and free education from pre-school up to basic university degree level. Combating drug trafficking, maritime piracy and Islamist terrorist groups (Abu Sayyaf and Maute groups) is the other priority. In this regard, the country is building closer ties with its neighbours, Indonesia and Malaysia. Relations with China have improved significantly under Mr. Duterte, but some tensions remain surrounding disputes in the South China Sea. In November 2017, the army ended a 6-month siege in Marawi on the southern Island of Mindanao by groups close to Islamic State, killing their leaders. Moreover, the peace process with the Moro National Liberation Front (MNLF) and the Moro Islamist National Liberation Front (MILF) who have long battled with government forces on Mindanao and in the chain of islands towards Borneo.

Despite these successes, the president's high popularity ratings have tumbled (50% in approval ratings from late 2017) following the drug-related extrajudicial executions carried out by the armed forces, allegations of corruption against allies of the president and the slow pace of reforms.

Socio-economic circumstances make it necessary to boost State revenues (14% of GDP) failing which there will be a worsening of the public accounts.

POLAND

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 27%
- United Kingdom 7%
- Czech Republic 7%
- France 5%
- Italy 5%

Imports of goods, as a % of total

- Germany 28%
- China 8%
- Netherlands 6%
- Russia 6%
- Italy 5%

+ STRENGTHS

- Market of 38 million people
- Proximity to West European markets
- Price competitiveness / qualified and cheap labour force
- Integrated into the German production chain
- Leading beneficiary of European structural funds
- Diversified economy (agriculture, variety of industries, services)
- Resilient financial sector
- Coal reserves

- WEAKNESSES

- Inadequate level of investment / Domestic savings rate too low
- Weakness in R&D
- Developmental lag of Eastern regions
- Rigidity of the labour market encouraging informal economy
- Structural unemployment and low level of female employment

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	3.9	2.9	4.3	3.6
Inflation (yearly average, %)	-0.7	-0.2	1.9	2.3
Budget balance (% GDP)	-2.6	-2.4	-2.5	-2.7
Current account balance (% GDP)	0.1	0.2	-0.6	-1.2
Public debt (% GDP)	51.1	54.4	54.6	55.2

(f): forecast

38.0
POPULATION
(millionsofpersons-2016)

12,361
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

The growth peak has been passed

Although Poland is expected to record a solid growth rate in 2018, it will likely be a slower expansion than that of 2017. A rebound of investments experienced last year was gradual. This has so far been predominantly fuelled by higher public investments, especially at the municipal level.

Household consumption remains the main growth driver, thanks to the buoyant labour market. The unemployment rate is the lowest in 27 years, wages are set to keep growing at fair rates, the central bank's rate is at its lowest point in history, and consumer sentiment indicators have broken new heights. Exports (automobiles, machines, white goods, consumer electronics, food and furniture) are expected to benefit from the continued recovery in global trade and higher demand in the country's leading markets (Eurozone countries). However, as imports – driven by increased consumption – will increase faster than exports, the contribution from foreign trade to growth is likely to be negative.

Although the labour market situation is beneficial for households, companies have perceived it as a constraint. Labour shortages have become a barrier in current business activity and its further expansion, and have been reported by an increasing number of companies across all sectors. A lack of workforce is especially evident in the construction sector, which means that its gradual recovery is likely to be limited. The tightness of the labour market will continue to affect businesses in Poland, and it remains one of factors making a further boost of growth impossible. In addition, the insolvency law enacted in 2016 has favoured the increase in business insolvencies in 2017.

Social measures are expected to widen the budget deficit

After having narrowed to 2.4% in 2016 – its lowest level since 2007 – the general government deficit has remained stable in 2017, supported by reduced investment activity of public entities in a period of switching to a current EU financial perspective. Although improved tax collection has brought sizeable and positive effects to the Polish budget balance, this has been offset by costly social measures, such as child benefits and the lowering of the statutory retirement age in 2017. An extension of higher VAT rates' validity has generated additional revenues, but the government is likely to look to implement further measures. The introduction of the retail distribution tax, revised downwards under pressure from the European Commission, was initially delayed until 2018 and then to 2019. The government has also expressed intent to abolish the upper limit on pension contributions and therefore increase revenues of the Social Security Fund. Nevertheless, the public deficit is not likely to break the 3% threshold, and avoiding falling within the remit of the European Excessive Deficit Procedure remains a priority.

Deterioration of the political and social situation

The conservative Law and Justice (PiS) party won a majority of seats in the *Sejm* (the lower house of Polish parliament) in the legislative elections of October 2015, with 37.6% of votes, ahead of Civic Platform, the main opposition party. Its leader, Jarosław Kaczyński, gave the post of Prime Minister to Beata Szydło – moderate in image, but with significant influence over the government agenda. Since taking office, the PiS conducted a series of disputable reforms that have undermined the country's democratic institutions and worsened the relationship with the EU. The European Commission has triggered Article 7 of the Union Treaty which could provide for the suspension of certain rights, including the right to vote, in case of a clear risk of serious violation of the rule of law. Such actions have also generated social discontent within segments of the population, and have polarized public opinion. In December 2017 Deputy Prime Minister Mateusz Morawiecki, who had been in charge of finance and development policy, was nominated to become the Prime Minister, replacing Beata Szydło. The switch has not yet resulted in a change of political or economic course of the government.

Although the current government has successful achieved a higher collectability of taxes, the political climate is relatively gloomy. It has contributed to a higher level of uncertainty compared to previous years, and has also affected investors' attitudes. On the other hand, stable fundamentals, the Polish integration into Western European chains, and attractive yields have convinced foreign entities to not withdraw their investments from Poland. Nevertheless, the increased volatility of exchange rates confirmed that political instability and policy deterioration have worsened the external perception of Poland.

POLAND

PAYMENT AND COLLECTION PRACTICES IN POLAND

Payment

Standard bills of exchange and cheques are not widely used, as they must meet a number of formal issuing requirements in order to be valid. Nevertheless, for dishonoured or contested bills and cheques, creditors may resort to fast-track procedures resulting in an injunction to pay.

There is, however, one type of bill of exchange that is commonly used - the *weksel in blanco*. This is an incomplete promissory note bearing only the term "*weksel*" and the issuer's signature at the time of issue. The signature constitutes an irrevocable promise to pay and this undertaking is enforceable upon completion of the promissory note (with the amount, place and date of payment), in accordance with a prior agreement made between the issuer and the beneficiary. *Weksels in blanco* are widely used, as they also constitute a guarantee of payment in commercial agreements and the rescheduling of payments.

Cash payments were commonly used in Poland by individuals and firms alike, but under the 2004 Freedom of Business Activity Act (*Ustawa o swobodzie działalności gospodarczej*), companies are required to make settlements via bank accounts for any transaction exceeding the equivalent in złotys of EUR 15,000, even when payable in several instalments. This measure has been introduced to combat fraudulent money laundering.

Bank transfers have become the most widely used payment method. Since phases of privatisation and consolidation, leading Polish banks now use the SWIFT network, which offers a cost effective, fast and flexible solution for the transfer of domestic and international funds.

Debt collection

Amicable proceedings

Amicable debt collection is the first step of the debt recovery procedure in Poland. These actions include reminders or/and demands for payment. These communications usually serve to obtain repayment of outstanding debt, to warn the debtor of further official actions, to obtain acknowledgment of the debt, to conclude an agreement between the creditor and the debtor based on the acknowledgement of its debt and to obtain a commitment to the repayment agreed.

As since 2004, interest can be claimed as from the 31st day following delivery of the product or service, even where the parties have agreed to longer payment terms. The legal interest rate will apply from the 31st day until the contractual payment date. Thereafter, in the case of late payments, the tax penalty rate will apply. This is very often greater than the legal interest rate, unless the contracting parties have agreed on a higher interest rate.

A bill to implement the 2011/7/EU directive of 2011 on "combating late payment in commercial transactions" provides the contracting parties with maximum payment terms of 60 days. Similarly, default interest is due the day after the deadline, without the need for a formal notice.

By implementing the EU Directive, Poland introduced new rules regarding compensation for payment defaults in commercial transactions. These rules oblige debtors to pay the costs of recovery when the payment term expires. The defined amount is a lump sum of 40 euros – but it is possible to demand a larger amount if the costs of recovery prove to be higher.

Legal proceedings

Fast-track proceedings

Creditors can seek an injunction to pay (*nakaz zapłaty*) via a fast-track and less expensive procedure, provided they can produce positive proof of debt (such as unpaid bills of exchange, unpaid cheques, *weksels in blanco*, or other acknowledgements of debt). If the judge is not convinced of the substance of the claim – a decision he alone is empowered to make – he may refer the case to full trial.

As since 2010, the district court of Lublin has jurisdiction throughout Poland to handle electronic injunctions to pay when claims are indisputable. The clerk of the court examines the merits of the application, to which is attached the list of the available evidence. He then, using an electronic signature, validates the ruling granting the injunction to pay. This procedure appears, at first glance, to be fast, economic and flexible, but in reality the sheer number of cases mean that this process can be slow and drawn out.

Ordinary proceedings

Ordinary proceedings are partly written and partly oral. The parties file submissions accompanied by all supporting case documents (original or certified copies). Oral pleadings, with the litigants, their lawyers and their witnesses are heard on the main hearing date. During these proceedings the judge is required, as far as possible, to attempt conciliation between the parties.

Standard court procedures can be also fast and effective when the creditor can provide documents which clearly show the amount of debt and the confirmation of delivery of goods (or proper performance of services), especially if the documents have been signed by the debtor.

The court issues an order for payment which states that the debtor should pay the amount of the debt in two weeks, or return a written argument within the same period of time. However, in standard procedures, it is quite easy for the defendant to postpone the case. When the defendant argues the order of payment during this kind of procedure, it can take a long time to obtain the final verdict, due to the lack of judges and large backlog of cases.

Enforcement of a legal decision

When all appeal venues have been exhausted, a judgment becomes final and enforceable. If the debtor does not comply with the judgment, the creditor can request that the court orders a compulsory enforcement mechanism of the decision, through a bailiff.

For foreign awards rendered in an EU country, specific enforcement mechanisms such as the EU Payment order or the European Enforcement Order can be used for undisputed claims. Awards rendered in non-EU countries are recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with Poland.

Insolvency proceedings

Restructuring proceedings

The 2015 reform on polish insolvency law introduced four new types of restructuring proceedings which aim to avoid the bankruptcy of insolvent or distressed businesses. The "arrangement approval proceedings" is available to debtors who are able to reach an arrangement with the majority of creditors without court involvement and where the sum of the disputed debt does not exceed 15% of total claims. The debtor will continue to manage its estate but it will be required to appoint a supervisor, who will prepare a restructuring plan. The creditors approve the proposal through a vote.

The second type of restructuring proceedings is the Accelerated arrangement proceedings. These are also available if the sum of the disputed claims does not exceed 15% of total claims. The procedure is simplified in relation to the allowance of claims carrying voting rights. Creditors can only make reservations via a list of claims prepared by the court supervisor or administrator. The debtor's estate will continue to be managed by the debtor-in-possession, but a court supervisor will be appointed to supervise its management.

The "standards arrangement" proceeding is available for disputed debts exceeding 15% of the total claim. With these proceedings, the court secures the debtor's estate by appointing a temporary court supervisor.

Finally, "remedial" proceedings offer the broadest restructuring options and scope of protection of the debtor's assets against creditors. The appointment of an administrator to manage the debtor's estate is mandatory.

Bankruptcy proceedings

Bankruptcy proceedings can only be declared when a debtor has become "insolvent". There are two test of insolvency - the liquidity test and the balance sheet test. Both aim to liquidate the estate of the bankrupt company and distribute the proceeds among its debtors. The entire procedure is court-driven, although the 2015 reform has given creditors holding major claims a right to influence the choice of (or a change to) the court-appointed trustee.

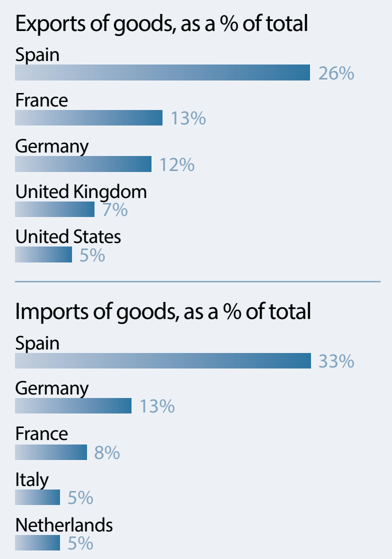
PORTUGAL

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES



+ STRENGTHS

- High-quality infrastructures
- Tourist destination
- Beginning of sectoral and geographic diversification of exports, research and innovation capacities
- Lower labour costs and reforms implemented

- WEAKNESSES

- Limited size of its manufacturing industry, specialisation in low and medium added value areas (fuels, food products, chemical products, vehicles, clothing and metals)
- High levels of public and private debt
- Inflexibility of labour market and lack of internal competition, low levels of investment
- Decline in the quality of bank portfolios
- Youth unemployment rate at 25%
- Slow-functioning legal system

Main economic indicators	2015	2016	2017(p)	2018(f)
GDP growth (%)	1.8	1.5	2.6	2.1
Inflation (yearly average, %)	0.5	0.6	1.6	1.9
Budget balance (% GDP)	-4.4	-2.0	-1.4	-1.4
Current account balance (% GDP)	0.1	0.7	0.4	0.3
Public debt (% GDP)	128.8	130.1	126.4	124.1

(f): forecast

10.3
POPULATION
(millionsofpersons-2016)

19,821
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Slight slowing of growth in 2018

The positive eurozone economic situation continues to help boost the Portuguese economy, which benefited from increased external demand and a recovery in investment in 2017. Companies have replaced capital equipment in order to satisfy the growth in demand, while the production capacity utilisation rate returned to close to that of 2008. The growth in exports was confirmed during the year and there was an increase in the market share captured by equipment exports. Exports of services were in turn boosted by a rise in the numbers of tourists. These two growth drivers have made up for the reduced contribution to growth from household consumption which, whilst positive, has tended to slow since 2016.

Activity will likely gradually slow during 2018. The increase in employment and the reduction in taxes on middle class households will help sustain consumption, while investments by companies will be restrained by higher corporation taxes. Public investment is, however, expected to take the strain: the 2018 budget forecasts a +0.4 GDP point increase in this. Despite the slowdown expected in the United Kingdom and Spain, exports should remain strong, – notably automotive exports, which will be boosted by the increase in production capacity at Autoeuropa. The company should reach a production capacity of 200,000 units in 2018 (85,000 in 2016). Unemployment should continue downwards to reach 8.6% in 2018.

The uptick in growth in 2017 was positive in terms of company insolvencies, which - despite recording a significant reduction – remain at pre-crisis levels. The deleveraging process for the private sector is continuing, but the level of company indebtedness is no lower (137% of GDP in September). The banking sector is also extremely fragile. Low profitability, as a result of the high level of bad debt, will continue to slow the internal recapitalisation of the banks. This will restrict their abilities to lend to viable companies. While the credit situation for companies remains weak, with companies preferring self-financing, the situation for households is improving.

Continuation of budgetary consolidation

The improved economic situation, the reduction in the cost of servicing the debt, and reduced public investments made it possible to reduce the public deficit to 1.4% in 2017, 0.6 percentage points below that in 2016. With the public accounts under control, the country was able to officially end the excessive debt procedure initiated by the European Union in 2009. In addition, the favourable market borrowing conditions and investment spending below the level forecast in the budget enable the government to make an early reimbursement of an instalment of USD3bn to the IMF. In 2018, budget policy is expected to be more expansionary which earned the Portuguese government a rebuke from Brussels with the presentation of the budget. The government plans to cut taxes for middle income households and raise taxes on companies. The differential will also be made up by means of new taxes on consumption (taxes on cured products). Capital expenditure is expected to rise whilst current spending should contract. The public deficit will stabilise whilst remaining above the 2% mark. Although the primary balance is expected to remain in surplus, the reduced cost of debt made possible thanks to low interest rates (2.8% in 2018) should help reduce the cost of the debt servicing.

As a consequence of the upgrading of the country by Standard and Poor's (S&P) from "BB+" to "BBB-", Portugal was taken out of the "junk" investment category in which it had been placed back in January 2012 and should see a reduction in the yields of government bonds. The level of the public debt however remains high but is on a downwards trajectory that is expected to accelerate in 2018 and reach 124.1% (6 pp less than in 2016). In addition, whilst under control, the scale of the debt gives rise to concerns about its viability which depends in part on its eligibility for the European Central Bank's purchase programme. The announcements from the Central Bank seem to be indicating a gradual reduction in the volume of asset purchases. In 2018, this should drop from EUR 60 bn to EUR 30 bn.

The current account balance will remain at equilibrium, underpinned by the vitality of manufactured exports and tourism which will offset the increase in energy and capital goods imports.

The leftist coalition holds firm

The municipal elections of 2017 confirmed the strength of the Portuguese left following a difficult year for the government of António Costa. The leftist coalition which includes the Socialist Party, the Communist Party and the Green Party, was shaken by a number of scandals involving several of the government's Secretaries of State. The Galpgate scandal named after the oil company that had invited three Secretaries of State to Paris to watch European Championship football matches brought about a ministerial reshuffle. At the same time, the tragedy of the Pedrogão fire that resulted in the death of 64 people and more than 250 injured, also damaged the government's popularity. The Prime Minister has however so far succeeded in managing people's expectations by ending the austerity programme, whilst continuing to comply with the commitments made to the European Commission, although his political are pressing for a negotiated debt reduction, which could make the job of the executive much more complicated.

PAYMENT AND COLLECTION PRACTICES IN PORTUGAL

Payment

Cheques are frequently used in Portugal and it is common practice to establish payment plans with post-dated cheques which are payable on presentation. If the bank account is not sufficiently provisioned, they are borne by the bank, up to a maximum amount of EUR 150. In the case of bounced cheques, an individual person or a company is prohibited from receiving or issuing further cheques for a maximum term of two years (or eventually six years, if there is a court decision).

Bills of exchange are commonly used for commercial transactions in Portugal. In order to be valid, they are subject to stamp duty, the rate of which is set each year in the national budget. At the time of writing, the rate of stamp duty is 0.5% of the amount of the bill, with a minimum value of one euro.
A bill of exchange is generally deemed independent of the contract to which it relates.

In the event of a payment default, creditors are not required to issue a protest notice before bringing an action to court, but such a notice can be used to publicise the matter and thus put pressure on debtors to honour their obligations, albeit belatedly.

Cheques, bills of exchange, and promissory notes offer effective guarantees to creditors against defaults, as they are legally enforceable instruments which entitle debt holders to initiate "executory proceedings". Under this process, creditors can petition the court to issue a writ of execution and notify the debtor that this has been done. When debtors still fail to settle their debts, the creditors may request that the court officer issues an attachment order against the debtors' property.

Electronic transfers via the SWIFT network are widely used by Portuguese companies and are a quick, reliable and economic means of payment. If the buyer fails to make a transfer, the legal recourse is to institute ordinary or summary proceedings, based simply on an unpaid invoice.

Debt collection

Amicable phase

Amicable collection begins with the debtor being sent four demands for the payment of the principal amount. Interest on the principal can be requested - but this is normally difficult to collect in Portugal. Payment agreements subsequently made between creditors and debtors can include guarantees to ensure payments will take place as agreed.

Interest rates are set by the Treasury Department. The rates are published in the *Diário da República* during the first fortnight of January and July each year, and are applicable for the following six months. These interest rates are applied by default, unless the parties involved in a commercial agreement have contracted otherwise.

Legal proceedings

Fast-track procedure

The order to pay procedure (*Injunção*), which is applicable to uncontested commercial claims, was established in March 2003. These proceedings, whatever the amount involved, are heard by the court in whose jurisdiction the obligation is enforceable, or the court where the debtor is domiciled. Since September 2005, these injunctions can also be served electronically.
The National Injunctions Office (*Balcão Nacional de Injunções, BNI*) has exclusive jurisdiction throughout the country for the electronic processing of order to pay procedures.

Ordinary proceedings

In cases of disputed claims, creditors can initiate formal, but more costly, "declarative proceedings" (*acção declarativa*), to obtain a ruling which establishes their right to payment. Once the claim is filed with the court and the debtor notified, a defence can be filed within 30 days. Failure to reply entitles the court to deliver a default judgment. If the judge rules in favour of the creditor, the court may order damages, if requested by the demanding party. They then need to initiate "executive proceedings" (*acção executiva*) to enforce the court's ruling.

Under the revised Code of Civil Procedure, any original deed established by private seal (i.e. any written document issued to a supplier) in which the buyer unequivocally acknowledges his debt, is deemed to be an agreement which is enforceable by law. Since 2013, when the most recent revision of the Code of Civil Process was made, written signed payment plans can only be used to initiate "executory proceedings" when they have been recognised by a notary.

In the scope of the recent restructuring of Portuguese courts which has been ongoing since 2014, more courts specialising in commercial issues have been created. The number of Courts of First Instance has been reduced to 23 (in each district capital), while there are now 21 sections specialising in commercial issues *secção de Comercio (Secções de Competência Especializada)*. These sections deal specifically with insolvencies and commercial company matters. During this same period, 16 sections specialising in Enforcement Procedures (*Secções Especializadas*) have also been created.

Legal actions in Portugal can take several years, depending on the complexity of the case. Enforcement proceedings can be faster, depending on the existence of assets.

Enforcement of a legal decision

Once all avenues of appeal have been exhausted, a judgment normally becomes final and can be enforced. If the debtor fails to comply with the decision, the creditor can request compulsory enforcement mechanisms before the Court – either through an Attachment Order, or by allowing payment of the debt to be obtained from a third party which owes money to the debtor (Garnishee Order)

Foreign awards rendered in other EU countries benefit from specific enforcement mechanisms, such as the European Enforcement Order (which can be used if the claim is undisputed), or the European Small Claims Procedure. Awards rendered in non-EU countries must be party to a bilateral or multilateral agreement with Portugal on the recognition and enforcement of court decisions.

Insolvency proceedings

Out-of court

A special extrajudicial administrative procedure ("RERE – Regime Extra Juditial de Recuperação de Empresas") came into effect on 1 July 2017. This procedure for restructuring company debts is carried out by specialised mediators. It has been designed to enable creditors and debtors to reach a compromise, in a confidential and consensual manner.

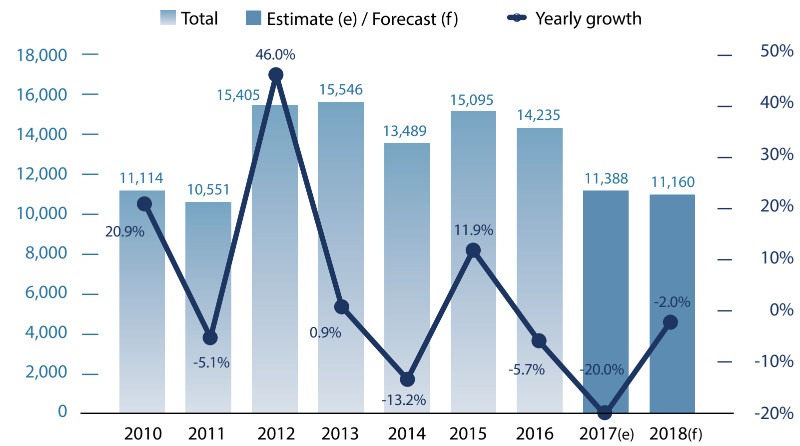
Restructuring proceedings

The reforms implemented in 2012 included the introduction of a special rescue procedure (*Processo Especial de Revitalização*, PER). The aim of this new procedure is to ensure the recovery of debts from debtors that are in a 'difficult economic situation' without starting an insolvency procedure. The management is obliged to request permission from the provisional judicial administrator in order to perform "particularly relevant acts". During this process, the administrator prepares a recovery plan which must be approved by the creditors and a judge.

Bankruptcy

Insolvency law in Portugal also provides for insolvency proceedings (*Processo de Insolvência*). The main goal of these proceedings is to obtain payment for the company's creditors through the implementation of an insolvency plan. Insolvency plans can be established under which the company is restructured and can continue to operate. Should this prove unfeasible, the insolvent's estate is liquidated, and the subsequent proceeds are distributed among the creditors.

NUMBER OF CORPORATE FAILURES



Source: Racius, Coface

COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Japan	19%
South Korea	16%
India	13%
China	8%
United Arab Emirates	7%

Imports of goods, as a % of total

Euro Area	21%
United States	14%
China	10%
United Arab Emirates	9%
Japan	7%

+ STRENGTHS

- Third largest gas reserves in the world
- World's leading exporter of liquefied natural gas (LNG)
- Development of non-oil sector thanks to the diversification strategy
- Hosting of World Cup 2022 that sustain infrastructure and construction activities
- Huge financial buffers

- WEAKNESSES

- Limited flexibility of the monetary policy due to the currency peg regime
- Dependence on foreign labour
- Possible negative impacts of longer-than-expected diplomatic rift
- Rising geopolitical turmoil

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.6	2.7	3.4	3.0
Inflation (yearly average, %)	1.8	2.7	0.9	4.8
Budget balance (% GDP)	5.6	-3.9	-1.0	0.5
Current account balance (% GDP)	8.4	-4.9	2.3	1.0
Public debt (% GDP)*	34.9	56.5	54.4	54.4

*General government gross debt (f): forecast

2.6
POPULATION
(millionsofpersons-2016)

59,514
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Negative impacts of the diplomatic rift contained so far

The Qatari economy posted a disappointing growth figure in the second quarter of 2017. Real GDP increased by 0.6% year-on-year in the second quarter – a slowdown from the 2.4% year-on-year recorded in the first quarter. However, this decline in growth performance was mainly due to the floundering oil sector and subdued energy prices. The mining and quarrying sector, which accounted for almost half of GDP on constant prices, shrank by 2.7% year on year in the second quarter of 2017, following a contraction of -0.4% year on year during the first three months. The OPEC agreement, which includes production cuts by major oil producers, has negatively affected the sector. Non-oil sectors showed a growth of 3.9% year-on-year in the second quarter of 2017, decelerating from 5.2%.

On a quarterly basis, non-oil activity remained flat, indicating that the economy has been affected by the Gulf crisis. Nevertheless, impacts have remained under control so far as the government stepped in to support the economy. It has deposited billions of dollars into the local banking system to prevent liquidity from drying up, as Gulf residents have started to withdraw their deposits. It also reorganized supply chains in cooperation with other regional and international actors. On the other hand, Qatari banks have showed resilience since the start of the crisis, mainly thanks to rising public funds. Banks also enjoy funding from regions outside the Gulf Cooperation Council (GCC), such as Asia and Europe, which is helping them to offset sanctions.

Prolonged crisis may weaken growth dynamics

So far, the main impacts of the crisis have been felt in the construction, retail trade, and transportation sectors which contracted on a quarterly basis by 4.1%, 2.6%, and 7% respectively over the April-June period. A continued crisis will drag down the pace of growth, as it will negatively weigh on consumer and investor confidence. The fact that headline inflation has remained subdued so far can be considered as a positive development but further increase in prices would result in a reluctance of consumers from spending further.

Certain non-hydrocarbon sectors, such as tourism and transportation, will particularly suffer from the sanctions. Expansion of the crisis would result in higher costs for Qatar, which would impede growth in the construction sector, and would push prices up due to the higher costs of building materials. Growth in the tourism sector is expected to slow as well, as nearly 40% of tourist arrivals into the country originate from the Gulf region. Any decline in energy prices will also drag down growth performance. Additionally, rate hikes from the US Federal Reserve is expected to force Qatar's central bank to tighten its monetary policy due to the currency peg regime.

The liquidity of the Qatari banking system will continue to be an important topic to monitor. Banks are likely to rely more heavily on government funding and extra regional funds. This could represent a challenge, as international investor confidence could rapidly be hurt by higher volatility in energy prices or an escalation in diplomatic uncertainties. Qatar's substantial financial buffers should be able to help mitigate these risks, but it should be noted that Qatari authorities have already warned banks to tap international markets for raising funds, rather than over-relying on public funding.

Domestic political scene remains stable

Tensions within the GCC should not represent a major risk in terms of domestic political scene in Qatar as long as growth momentum continues and living conditions remain the same. With the government efforts to support the economy through its huge financial assets, a possible public discontent would be unlikely. So far, Qatar has responded to the quartet's (Saudi Arabia, UAE, Bahrain and Egypt) demands by enforcing its relations with Iran instead of curbing them. Although the country is expected to remain politically stable in the upcoming period, higher regional turmoil may undermine this stability through the emergence of new alliance and conflicts in the region.

COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Country	%
Germany	22%
Italy	12%
France	7%
Hungary	5%
United Kingdom	4%

Imports of goods, as a % of total

Country	%
Germany	21%
Italy	10%
Hungary	8%
France	6%
Poland	5%

\+ STRENGTHS

- Large domestic market
- Significant agricultural potential: wheat, barley, colza, etc.
- Limited energy dependence (23%) thanks to coal, oil, gas and uranium
- Large-scale renewable electricity production (37%)
- Diversified and competitive industry thanks to cheap labour
- Leu stable against euro

\- WEAKNESSES

- Demographic decline: low birth-rate and emigration of educated youth
- Serious regional disparities in terms of education, vocational training, healthcare and transport; rural regions lag behind
- Low participation rate for Hungarian and Roma minorities, young people and women in the economy
- Large informal economy (28%)
- Inefficient agricultural sector (11% of GDP)
- Slow bureaucratic and legal processes, corruption
- Weak public revenues and tax evasion

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.9	4.8	6.0	4.5
Inflation (yearly average, %)	-0.4	-1.1	1.2	3.1
Budget balance (% GDP)	-0.8	-3.0	-3.1	-3.0
Current account balance (% GDP)	-0.6	-2.4	-2.8	-2.9
Public debt (% GDP)	38.0	37.6	39.5	40.6

(f): forecast

19.8
POPULATION
(millionsofpersons-2016)

9,493
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Lively domestic demand

After increasing to a buoyant level in 2016, GDP growth strengthened even further in 2017. The main driver of growth continues to be domestic demand, with household consumption (70% of GDP) as the leading element: private consumption increased by nearly 10% over the first three quarters of 2017 compared to the same period in 2016. Once again, households are set to benefit from employment increases, increases in wages and pensions – both in the private and public sectors –, and from falling tax rates.

Although set to remain the main growth driver, consumption is, however, likely to slow this year because of the declining impact of the tax cuts and the return of inflation, which is connected to the overloading of existing production capacities. Wages are being driven by the increasing scarcity of labour, which is a result of emigration and an aging population, despite the financial incentives being used to encourage mobility among the unemployed and reduce long-term unemployment. Labour shortages remain a concern for companies and trigger further compensation increases.

Investment (24% of GDP) has been relatively stable. However, a gradual recovery of the projects co-financed by the EU funds is taking shape, given the context of low interest rates and positive growth prospects. These will likely be supported by construction, telecommunications and IT. Investment aid (0.52% of GDP) is favourable to SMEs. Despite weak demand, due to bureaucracy and administrative failures at the local level, European funds will help maintain moderate growth in public investment, but will not be enough to fill infrastructure gaps. In addition, the large labour deficit in the construction sector could hinder the growth of capital investment and, hence, the full recovery of the sector. The government will continue to vouch for half of all new buyer loans to encourage credit and lower costs. Given the high percentage of bad loans (8.3% in the second quarter of 2017), which shows a gradual decline, and difficulties to put collateral in place, caution is still required within banks, of which 90% are subsidiaries of an Austrian, Dutch, French or Greek group. These will continue to repay their debts to parent companies while constituting a national deposit base. Exports (39% of GDP) will probably increase at a reasonable pace, but lower than that of imports in the face of strong domestic demand. Sales of cars (Dacia and Ford) and tires (a quarter of exports), as well as wood, fertilizers, metals, drugs, machinery and clothing will benefit from any increase in European demand. Exports of grains and oilseeds will depend on harvests.

Twin deficits

Costly fiscal measures resulted in a significant widening of budget deficit. Cutting the standard VAT rate by an additional one percentage point, abolishing the extra excise duty on fuel, and the special construction tax – led to an even higher deficit in 2017. Moreover, additional wage hikes in the public sector will contribute to this as well. Nevertheless, in late 2017, the government announced its intent to keep the general government deficit below 3% of GDP. Measures have included cutting public expenditures for investments, as well as a request for transferring state-owned companies' profits to the treasury. The government will strive to ensure that the 3% deficit threshold is not exceeded, so as not to come within the scope of the European Excessive Deficit Procedure.

The trade and current account deficits widened further in 2017, Exports increased strongly but imports surged even higher. Wage increases, which have surpassed productivity growth, are a threat for the country's competitiveness position – however, labour costs levels still remain significantly lower than those in Western Europe.

Political tensions

The December 2016 elections brought to an end the transitional technical government installed in November 2015, following the resignation of Social-Democrat Prime Minister Romania Victor Ponta, implicated in a corruption scandal. The Social-Democrats of the SDP won 46% of the votes – a victory over the Liberals – and retained their majority in Parliament. However, the conflict related to the fight against corruption, which led to street protests in early 2017, contributed to the replacement of the Sorin Grindeanu cabinet after just six months in office. In June 2017, Mihai Tudose became the prime minister of the new cabinet led by the Social Democratic Party (PSD), although the real power still lies in the hands of party leader Liviu Dragnea. The latter cannot participate in the government due to a suspended two-year sentence for ballot-rigging. In November 2017, Mr Dragnea has been indicted for alleged fraud of EU funding, which is the third file opened by the National Anti-Corruption Directorate (DNA) against him.

PAYMENT AND COLLECTION PRACTICES IN ROMANIA

Payment

Bank transfers are becoming the most common payment method in Romania. The main Romanian banks are now linked to the SWIFT electronic network, which provides low-cost, flexible and rapid processing of domestic and international payments.

Professionals often choose to use cheques as a payment method for the equivalent value of purchased and received goods and services. Although cheques are considered to be a secure method of payment, the beneficiary of the cheque can only present it to the bank and cash-in the amount designated.

While promissory notes are mainly used as a means to guarantee a professional's trade debts, in practice they are often used as a payment method. In Romanian law, promissory notes represent a credit instrument under private signature, created by the issuer as debtor, by which the issuer promises to pay a fixed amount of money on a certain date, or upon presentation to another beneficiary acting in the capacity of a creditor.

Both cheques and promissory notes become enforceable titles once signed by both parties. If they are not cleared due to the absence of cash, forced execution proceedings can be initiated against the debtor.

Debt collection

Fast-track proceedings:

Summons for payment (art. 1013-1024 NCPC)

This procedure applies to certain liquid and eligible debts with a value exceeding RON 10,001 (approx. EUR 2,200), resulting from a civil contract. These include contracts concluded between a professional and a contracting authority, with the exception of debts registered in a statement of affairs, within an insolvency procedure. The debtor will be summoned to pay the due amount within 15 days of receipt. The ordinance is enforceable even if a request for cancellation is brought against it. Nevertheless, the debtor may raise an appeal against enforcement, under common law.

Summons of a lower value

This procedure was designed as an alternative to common law proceedings and to the ordinance procedure. Its aim is to enable a fast resolution to patrimony litigations, when the value does not exceed RON 10,000 and does not refer to matters excepted by the law. The procedure entails the use of standard forms, approved by Minister of Justice. These include the request form, the form for completion and/or rectification of the request form and the response form. Romanian legislation expressly states that only documents can be presented as evidence.

The decision of the court can be submitted to appeal within 30 days under common law, except for requests relating to debts with a maximum amount of RON 2,000. By way of derogation from the common law however, the exercise of appeal does not suspend the enforcement procedure.

Ordinary proceedings

Common Law procedure

The judge orders the communication of the request to the debtor, who must submit a statement of defence within 25 days of the petition. The creditor is obliged to submit an answer within ten days, while the debtor must acknowledge the answer. Within three days of the date of the answer to the statement of defence, the court establishes the first trial date, where both parties will be summoned within a maximum period of 60 days. This process is somewhat lengthier, as further evidence is considered such as accounting expertise, cross-examination of the parties involved and hearing the witnesses). Following these deliberations, the court renders a legal decision. Appeals can be made to the upper court within 30 days of the decision being rendered. Extraordinary remedies are the appeal, the appeal for annulment and revision.

Enforcement of a legal decision

The enforcement procedure implies the existence of a valid and legally rendered enforceable title. It necessitates the failure of the debtor to execute its obligations, the existence of an enforcement procedure request formulated by the rightful creditor to a bailiff and finally the fulfilment of conditions within the execution procedure. The enforcement procedure commences at the request of a creditor through various means such as sequestration and sale of tangible or non-tangible assets

For judgments rendered in EU countries, special enforcement mechanisms are at the creditor's disposal. These include EU Payment Orders and the European Enforcement Order. Awards issued by non-EU members are normally recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with Romania. If this is not the case, exequatur proceedings will ensue in front of domestic courts, as stated under Romanian private international law.

Insolvency proceedings

Out-of-Court proceedings

According to the 2014 insolvency law, the *concordat preventiv* consists of an agreement with the creditors whereby the debtor proposes a business recovery plan, which includes a payment scheme for the creditors 'receivables. By signing this agreement, the creditors confirm their support in helping the debtor to overcome its financial difficulties. The procedure is managed by a special receiver, who draws up an offer to the creditors. This must be approved by at least 75% of the creditors within 60 days from the date when they receive it. It is also subject to the approval of a syndic judge.

Insolvency proceedings

This is a preliminary procedure, which can be followed by a reorganisation procedure, or a bankruptcy procedure.

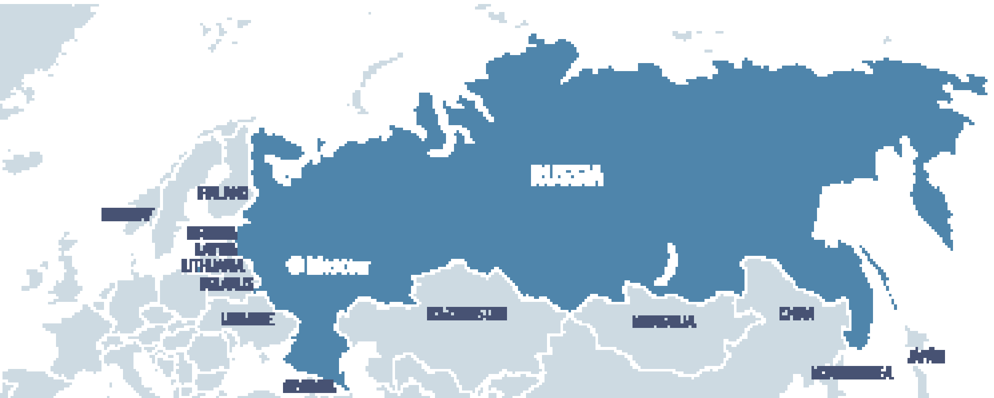
Reorganization proceedings

The judicial reorganization procedure requires the drafting, approval and implementation of a reorganization plan aimed at the debtor successfully redressing its activity and performing the repayment of its debts, in accordance with an agreed payment schedule.

The plan can provide for the financial or operational restructuring of the debtor's activity, corporate restructuring by modifying the share capital structure, or selling assets. The reorganisation plan is subject to the approval of the general meeting of creditors. During this period, the debtor is represented by a special administrator.

Bankruptcy proceedings

In the event that no reorganisation agreement is reached, the debtors will enter bankruptcy. The purpose of bankruptcy proceedings is to convert the debtor's assets, for the repayment of creditors' receivables. During this procedure, the debtor is represented by the judicial liquidator. The latter will perform the clearance of all the assets of the debtor and the sums obtained will be distributed to the creditors, based on the priority ranking as documented in the final consolidated debt table.



COFACE ASSESSMENTS

B
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 36%
- China 10%
- Belarus 5%
- Turkey 5%
- South Korea 4%

Imports of goods, as a % of total

- Euro Area 29%
- China 21%
- United States 6%
- Belarus 5%
- Japan 4%

+ STRENGTHS

- Abundant natural resources (oil, gas and metals)
- Floating exchange rate of the ruble since November 2014
- Political stability
- Trained workforce
- Low public debt, comfortable foreign exchange reserves and current account surplus
- Ongoing purge of the banking sector with reduction in the number of institutions
- Maintained regional and energy power

- WEAKNESSES

- Dependence on the price of hydrocarbons
- Declining demography, except in major cities
- Absence of commercial agreements beyond its immediate neighbours
- Dependence on foreign capital goods and technology
- Weak infrastructure aggravated by lack of investment
- Regional disparities despite redistribution
- American and European sanctions
- Mediocre business climate

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-2.8	-0.2	1.8	1.8
Inflation (yearly average, %)	15.5	7.0	3.8	3.5
Budget balance (% GDP)	-1.5	-3.7	-2.3	-1.5
Current account balance (% GDP)	5.0	1.9	2.4	2.2
Public debt (% GDP)	15.9	16.3	15.6	15.0

(f): forecast

143.4
POPULATION
(millionsofpersons-2016)

8,946
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Confirmation of modest recovery

Modest recovery has been taking place since the end of 2016 in connection with the positive influence of the rise in oil prices on confidence and domestic demand. Household consumption will again be the main contributor to growth in 2018. Households will maintain confidence, benefiting from higher incomes, the revival of credit and moderation of inflation based on food prices and the stabilisation of the ruble. For the same reasons, the investment should remain well oriented. The rise of the ruble, which accompanied that of oil prices, makes the importing of capital goods cheaper. However, shortcomings in the business environment and the weight of sanctions on external financing will hinder growth in some sectors. If inflation remains below the 4% target, the central bank could continue to lower its key rate (8.5% in November 2017). Nevertheless, higher wage growth than productivity and high inflationary expectations will encourage caution. In addition, while bank profitability, which fell to zero in 2015, is on the rise, private banks (slightly less than half of the assets, but the largest number of institutions) are lagging behind. Moreover, the increase in oil revenues should allow a slight relaxing of the fiscal policy at the social programme level, even if public consumption is still expected to stagnate. Finally, the contribution of trade to growth may no longer be negative if the catch-up effect in imports of consumer goods and equipment recedes. The manufacturing sector (agri-food, chemistry/ pharmaceuticals, automotive) should benefit from the proper orientation of domestic demand.

In the absence of progress in resolving the Ukrainian conflict, Western sanctions targeting leading figures and the energy, defence and finance sectors through restrictions on travel, trade, investment and financing should continue. This will maintain the lack of investment, hampering the development of offshore fields and innovation, likely to offset the maturation of many fields and increase the growth potential estimated at 1.5%.

Low budget and current account deficits

The public deficit is expected to fall to 1.5% in 2018, and to 7% of the GDP excluding hydrocarbon revenues. The 2017-2019 triennial budget provides for a 1% annual decrease in the non-oil deficit. Dividends paid by public companies will reach half of their profits, excise duties on tobacco and alcohol will increase, as will taxation on extractive businesses. Expenditure control will be more difficult given the indexing of pensions and wages to inflation, as well as the desire to maintain transfer payments and subsidies. In 2019, a new fiscal rule will come into effect. It stipulates that primary expenditures (in other words excluding interest) cannot exceed the sum of oil revenues calculated on the basis of USD 40 per barrel and non-oil revenues. Surplus oil revenues will go into the Reserve Fund, which has been heavily depleted between 2015 and 2017, keeping public debt at a low level. Combined with those of the National Provident Fund, assets account for just over 5% of the GDP.

The current account surplus could remain above 2% of the GDP in 2018. It is based on the considerable trade surplus linked to hydrocarbon exports (60% of total exports) which largely offsets the deficit in services and revenues (oil and gas engineering expenses, Russian stays abroad, foreign corporate dividends, transfers of foreign workers). The increase in hydrocarbon sales does not translate into an increase in the surplus, as the domestic economic upturn is reflected in an increase in imports. Despite the efforts made since the application of sanctions, the substitution of domestic products for imports has had little success, except in the agri-food sector. The financial account is negative, as the Russian private sector makes financial and real estate investments abroad, while new foreign investment in Russia is low. However, funds are coming back to Russia in the form of foreign loans, often by those who have put money in there. For this reason, private external debt (35% of the GDP) must be put in perspective, especially since reserves represent more than 16 months of imports.

Political stability but deficient business environment

The crisis in Ukraine, sanctions and aggressive international activism have strengthened the popularity of Vladimir Putin, who can, in addition, claim economic recovery. Vladimir Putin, who has been in power for seventeen years, is expected to win the March 2018 presidential election in the face of weakened opposition, boosted by controlled media and the Internet, and whose main figure, Alexei Navalny, is under fire for various legal proceedings and cannot run. Ksenia Sobchak, a media personality and daughter of a former mayor of St. Petersburg, could capitalize on her novelty. The issue of the election will lie more in participation. Reforms are likely to occur after the election, which would improve a poor business environment marked by state interventionism, the random execution of contracts, favouritism, relative respect for property rights and administrative delays.

PAYMENT AND COLLECTION PRACTICES IN RUSSIA

Payment

Bank transfers in Russia are among the most popular instruments used for non-cash payments, for both international and domestic transactions. This is because they are fast, secure, and supported by a developed banking network.

Despite this, cash is still one of the most widespread payment instruments used by both businesses and individuals.

Debt collection

Amicable phase

Amicable settlement between debtors and creditors allows for funds to be repaid without pursuing extensive legal action. The phase begins with the creditor contacting the debtor, either via written correspondence or phone calls. If an agreement is reached, a payment plan can be offered to the debtor.

Charging interest is legally allowed but hard to enforce unless an agreement to pay said interest currently exists between the debtor and the creditor. Any such agreement must be additional to any standing agreement between the parties.

Legal proceedings

The Russian judicial system is comprised of three branches:

- the regular court system
- the arbitration court system, headed by the Supreme Court
- the Constitutional Court: a single body with no courts under it.
  - In Russian constitutional law this function is known as "constitutional control" or "constitutional supervision", and deals with a certain number of disputes where it has original jurisdiction

The regular courts have a four-tier hierarchy and are responsible for civil and criminal cases:

- The Supreme Court of Russia
- Regional Courts
- District Courts
- Magistrate Courts

Arbitration courts review cases dealing with a wide matter of contractual issues, such as rights of ownership, contract changes, performance of obligations, loans, bank accounts and bankruptcy.

The highest court of appeal is the Supreme Court of the Russian Federation.

<u>Fast-track proceedings</u>

Russian law provides for simplified proceedings for certain types of cases, in which the creditor seeks to recover no more than RUB 300,000 from a legal entity or RUB 100,000 from an individual entrepreneur.

Under Russian law, judges are to consider cases through simplified proceedings within a maximum of two months form the day when the *Arbitrazh* court receives the statement of claim or application. Once the deadline for submissions of evidence has passed, cases are reviewed on their merits by judges, without the parties being called to appear.

<u>Ordinary proceedings</u>

Proceedings are initiated when a creditor files a statement of claim with the competent *Arbitrazh* court. The court must decide within five working days whether to accept the statement, and subsequently schedule a preliminary hearing.

Debtors are usually notified of claims when they are served with a copy of the statement of claim, which includes the data of the initial hearing. There is no specific time frame during which defendants must submit their defense, but it must generally be done before the hearing on the merits). The court can set a deadline for submitting a statement of defense – if this is not submitted, the court will consider the case on the basis of the available materials. The preliminary preparation period ensures that the case can be resolved on its own merits during one court hearing. Cases must generally be resolved on their merits within three months after the respective statement of claim is received by the court. More complex commercial disputes can take considerably longer. The courts will normally award remedies in the form of compensatory damages or injunctions but punitive damages are not available.

Enforcement of a legal decision

A judgment is enforceable for three years provided that is has become final. If the debtor fails to satisfy the judgment, the creditor can request compulsory enforcement of the judgment from the court's bailiff services.

Foreign judgments must be recognized as a domestic decision by the *Arbitrazh* Court through the Russian exequatur procedure. Although Russia has signed a small number of reciprocal recognition and enforcement agreements with foreign countries, domestic courts are reluctant to recognize foreign jurisdiction clauses.

Insolvency proceedings

Supervision

Commercial Courts initiate the supervision process to evaluate the debtor's financial situation and to secure the debtor's property. After examining a filed insolvency claim, the court initiates the supervision process. The debtor can autonomously request a court to initiate supervision if settling some creditors' claims would make it impossible for the debtor to fulfil other obligations, if execution on the debtor's property means the debtor's business has to cease, or if the debtor's business is insolvent. A receiver is appointed, known as a temporary manager, who must approve certain transactions during the supervision, such buying or selling more than five percent of the accounting value of the debtor's property.

Financial rehabilitation

The aim is to carry out any necessary measures to restore debtors' solvency and settle their debts. The court and the creditors control the process. The application must include a rehabilitation plan that ensures the debtor's obligations will be met. The court appoints a receiver to be the administrative manager, who supervises and controls the debtor's affairs during the period of the financial rehabilitation. The administrative manager examines the debt repayment schedule and monitors any financial restructuring plans.

At least one month before the period of financial rehabilitation expires, the debtor must provide the administrative manager with a report on the results of the financial rehabilitation. Once report examined, the manager must prepare an opinion on the extent to which debts have been paid and the financial restructuring plan has been achieved. The opinion is submitted to the court, which examines the results and either ends the proceedings, orders external administrator to manage the company, or declares the debtor bankrupt.

External administration

The objective is to restore the debtor's solvency by applying special measures under an external administration plan, and to replace the debtor's chief executive officer (CEO) with an independent external manager. Once the procedure begins, the court appoints a receiver known as the external manager, who must draft an external administration plan setting out the measures necessary to restore the debtor's solvency within the period of the external administration procedure. At the end of the period, the manager prepares and submits a report to the creditor's meeting, together with a proposal of one of the following four options:

- to either end judicial proceedings, if all creditors have been settled)
- extend the period
- end external administrator, as the debtor is now solvent
- enter administration and file for bankruptcy.

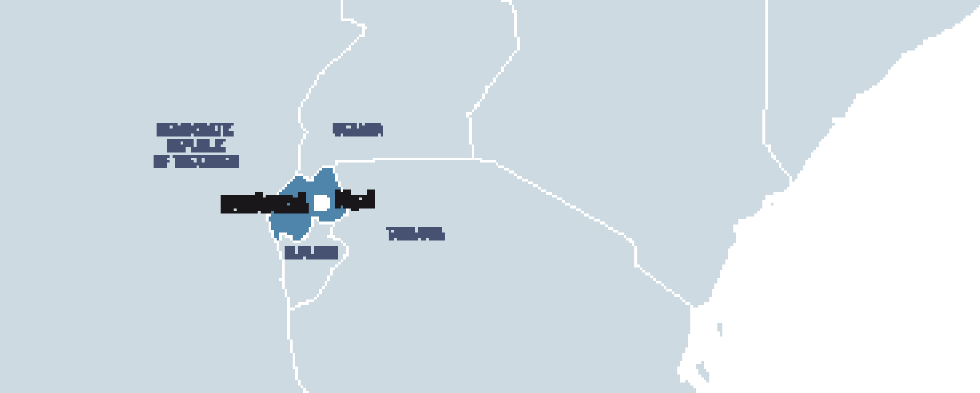
Amicable arrangement

Debtors and creditors may make an amicable arrangement to adjust debtors' liabilities on negotiated terms during any rescue procedures. Generally, an amicable arrangement ends the powers of court-appointed receivers. If a debtor fails to comply with terms of an amicable arrangement, creditors are entitled to ask for a bailiff to execute the agreement.

Insolvency

The purpose of insolvency is to sell the debtor's property and use the proceeds to pay creditors' claim in proportionate amounts. The court may initiate the process during supervision, financial rehabilitation, or external administration. It appoints a receiver (insolvency manager) to replace the debtor's CEO. The court and the creditors control the activity of the insolvency manager, who must provide progress reports. At the end of the proceedings, the court reviews the list of satisfied and unsatisfied claims. If they are fully satisfied, the court rules the proceedings complete and the debtor is liquidated. If they are not satisfied, proceedings are terminated, the debtor company is dissolved, and unsatisfied creditor's claims are to be written off.

RWANDA



COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Kenya 22%
- United Arab Emirates 21%
- Switzerland 13%
- Congo DR 10%
- Euro Area 6%

Imports of goods, as a % of total

- China 21%
- Uganda 11%
- Euro Area 11%
- Kenya 8%
- India 7%

+ STRENGTHS

- Geological potential: cassiterite, coltan, gold
- Tourism potential
- Skilled labour, good infrastructure
- Significant progress on governance and the business climate

- WEAKNESSES

- Heavily dependent on commodity prices (tea, coffee) and international aid
- Geographically isolated and exposed to geopolitical tensions in the Great Lakes region
- Strong demographic pressure and population density among the highest in Africa

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	8.9	5.9	5.1	6.3
Inflation (yearly average, %)	2.5	5.7	5.3	4.8
Budget balance (% GDP) *	-5.3	-3.8	-4.3	-3.9
Current account balance (% GDP)	-13.4	-14.4	-10.2	-11.2
Public debt (% GDP)	36.4	44.5	45.7	47.1

* * Last fiscal year from July 1st 2017 to June 30th 2018 (f): forecast

11.5
POPULATION
(millionsofpersons-2016)

729
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Solid growth outlook

Hit by drought conditions at the beginning of the year and the completion of major projects driving the construction sector, growth, although still firm, moderated in 2017. Activity is expected to pick up again in 2018, bolstered, primarily, by more favourable weather conditions. A better harvest should support the increase in exports of tea and coffee (almost 25% of exports) and, accordingly, enable these items to make a larger contribution to growth in 2018. Private as well as public investment in infrastructure projects, including that of Bugesera airport, should help the construction sector resume momentum after several consecutive quarters of contraction. These investments will also contribute to the expansion of manufacturing industries and to the strength of the services sector, which accounts for almost 50% of GDP. Finally the resumption of credit growth, buoyed by a relatively accommodative monetary policy is expected to result in a rebound in household consumption, which will also benefit from moderate inflation, below the 5% target fixed by the National Bank of Rwanda. But high unemployment (about 17%) and still low incomes from agriculture will limit the growth of private consumption.

After peaking in February 2017, inflation fell sharply during the year due to the mitigation of the effects of the drought on food prices and weak internal demand. Prices are, however, expected to rise at a more sustained pace in 2018, under the combined effects of the central bank's accommodative stance and higher energy prices.

Ongoing fiscal and external budget adjustments

The more cautious fiscal policy adopted since the 2016/17 budget year is set to be continued in order to achieve the goals set by the IMF under its Economic Policy Support Instrument (PSI) programme. The public finances will continue to rely heavily on grants (over 20% of net revenues), despite a net decline in recent years. Efforts to broaden the tax base are likely to be hampered by the tax incentives introduced in support of the "Made in Rwanda" policy. With the Economic Development and Poverty Reduction programme (ESDRP II) maturing at the end of 2018, capital investment spending is expected to fall. The fiscal deficit is, therefore, expected to narrow gradually.

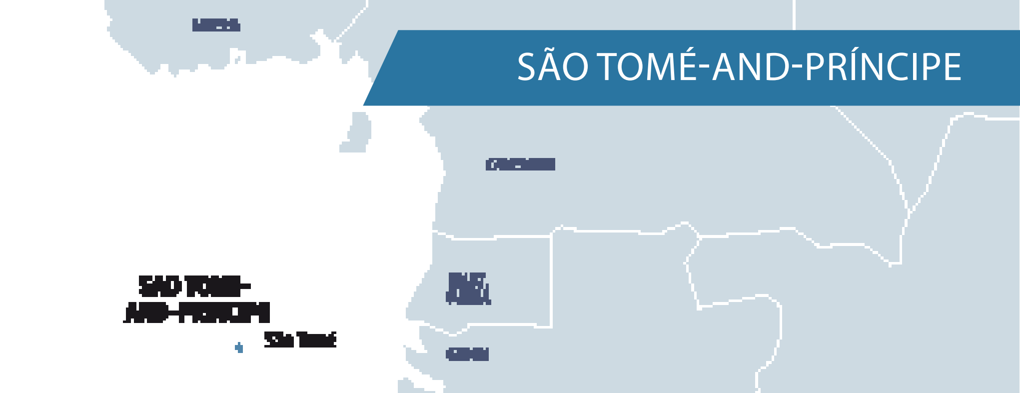
Despite efforts to reduce the budgetary imbalance, the current account deficit is expected to widen in 2018. This development will mainly be down to movements in the trade balance, as increased coffee and tea exports will not offset the higher import bill for capital goods needed for the construction of Bugesera airport. By excluding these imports linked to Bugesera airport, the import substitution policy with products "Made in Rwanda" should help bring the bill down. This policy is an integral part of Rwanda's strategy to reduce external imbalances in the years ahead. Financed for many year with international donor assistance, the current account deficit is now also financed by FDIs and borrowing. Investments agreed by the government in recent years have led to a rapid increase in this deficit. However, the risk of over-indebtedness remains limited and adjustments to the budget and external accounts are intended to guarantee future debt sustainability.

Attractive business climate despite regional tensions

President Paul Kagamé secured a third consecutive term in office in August 2017, officially winning almost 99% of the votes cast. Silencing all dissent and having lifted all constitutional obstacles beforehand, the regime of Paul Kagamé and the Rwandan Patriotic Front (FPR), attacked in July 2017 in an Amnesty international report for violations of political freedoms, ensured an election result that came as no surprise. Nonetheless, the poll reaffirmed the hold Mr Kagamé and the FPR have on the country. Often criticised by the international community for the lack of political freedom, Rwanda nonetheless stands out in Africa for its attractive business climate. Ranked 41st (out of 190 countries) in the World Bank's 2018 *Doing Business* report, jumping 15 places in one year, the country is singled out in the report as having implemented the most reforms in the past 15 years. The country has, in particular, risen to second in the world as regards registering property and sixth for getting credit.

Tensions in the Great Lakes region continue to be a potential source of instability. Skirmishes between the M23, an armed militia group operating in the Kivu region (western Congo) and the armed Rwandan group, the FDLR (Rwandan Liberation Front) make for fraught relations with neighbouring Congo-Kinshasa. Meanwhile, the government of Congo continues to allege Rwandan support for the M23 combatants. Relations with Burundi have also deteriorated since the outbreak of the Burundian political crisis in 2015.

SÃO TOMÉ-AND-PRÍNCIPE



COFACE ASSESSMENTS

C
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 49%
- Taiwan 9%
- Angola 7%
- South Korea 5%
- Dominican Republic 5%

Imports of goods, as a % of total

- Euro Area 65%
- Angola 15%
- China 5%
- Japan 2%
- United States 2%

+ STRENGTHS

- Considerable oil potential
- Prospects for expansion of the tourism sector
- Supported by international donors
- Links developed with Portugal and Portuguese-speaking countries (Angola, Brazil)
- Dobra pegged to the euro

- WEAKNESSES

- Heavily dependent on public aid
- Economy still dominated by agriculture and fishing
- Poor business climate
- Underdeveloped and weak banking sector (non-performing loans ratio of 30%)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3,9	4,0	4,5	4,9
Inflation (yearly average, %)	5,2	5,4	3,2	3,0
Budget balance (% GDP)	-6,2	-2,8	-5,4	-4,6
Current account balance (% GDP)	-12,9	-7,9	-8,5	-6,7
Public debt (% GDP)	82,2	92,8	97,1	96,0

(f): forecast

0.2
POPULATION
(millionsofpersons-2016)

1,689
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Tourism and infrastructure projects as drivers of activity

Activity is expected to pick up momentum in 2018, buoyed by investments in the tourism sector and public infrastructure projects, even if this will not be enough to significantly improve the population's living conditions:, the IMF considers that 6% growth is needed to have an impact on the poverty rate.

Private consumption is likely to be sustained by the development of tourism, which will bring down unemployment and boost household income, and by moderate inflation. Nonetheless, the rise in household disposable income will be limited by the introduction of new taxes (in particular VAT) and by cuts to civil service salaries. Public spending will be concentrated on infrastructure (transport, energy) as well as on other sectors like tourism or agriculture, in order to foster employment and competitiveness and accordingly reduce the poverty rate. Tourism will also benefit from the modest increase in activity in the euro zone, the country's leading trading and tourism partner. The country's economic activity is, however, likely to be curbed by its insularity and limited natural resources.

Inflation is expected to remain stable thanks to the stabilisation of oil prices forecast for 2018. It will also remain well below previous levels (16% in 2010), especially thanks to the pegging of the dobra to the euro, introduced in 2010.

Large twin deficits despite international aid

Although remaining very high, the budget deficit is expected to decline in 2018, because a better performing tax system will help boost revenues. However, weak government revenue means there will still be a need for international aid, authorised in the form of donations (notably from Asian countries) or concessional loans (IMF, World Bank). This aid will represent almost half of total government revenue. The government was also forced, in July 2007, to accept an austerity plan proposed by the IMF aimed at reducing a proportion of public spending, namely by cutting civil service salaries and pensions. Public debt will fall very slightly after several years of climbing sharply, but will remain at very worrying levels given the share of foreign debt (90% of the total), even though the foreign debt is mainly concessional.

The current account deficit will continue to decline gradually, even though the country remains highly dependent on imports and suffers from a lack of export diversification. The reason is that the strong fall in cocoa prices (the main export product) at the end of 2016, is still weighing on the trade balance, with only a modest price rise expected in 2018. The trade balance will continue to show a large deficit in connection with higher commodity prices and dynamic capital goods imports. The improvement in the services balance, through tourism, will be the main factor behind the reduction in the current account deficit.

Meanwhile, the reasonable level of foreign exchange reserves (5.1 months of imports) will help maintain the dobra's peg to the euro in the short term.

A favourable political context but with diplomatic tensions

The absolute majority obtained by the IDA (Independent Democratic Action) in the October 2014 elections brought political stability. Prime Minister Patrice Trovoada could, therefore, with his party, be the first government leader to complete his term of office (in 2018) since 1990. Further, the July 2016 presidential elections confirmed this stability, as it was Evaristo Carvalho, a member of the IDA, who was elected to lead the country. In this semi-presidential regime, the fact that the Prime Minister and the President are from the same party gives the government plenty of leeway to reform the country. During the upcoming parliamentary elections in 2018, the IDA is expected to hold on to its majority in Parliament, even though it will be narrower due to the unpopular austerity measures and the growing strength of the opposition.

Diplomatic relations with Taiwan (the country's main donor) were broken off because of a port project due to be delivered in 2019 (total cost estimated at USD 800 million or 2.4 times GDP) which will be partly funded with financial support from China to the tune of USD 120 million. In April 2017, the country even signed a co-operation agreement with China, which committed funding over 5 years for infrastructure projects in the country worth USD 146 million in exchange for recognising the One-China policy to the detriment of Taiwan.

SAUDI ARABIA

COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Japan 14%
- China 14%
- India 10%
- South Korea 10%
- United States 9%

Imports of goods, as a % of total

- Euro Area 20%
- United States 15%
- China 14%
- United Arab Emirates 5%
- Japan 5%

\+ STRENGTHS

- One quarter of world oil reserves and leading producer in OPEC
- Major regional economic and political player
- Increasing economic diversification advanced by Saudi Vision 2030 programme
- Solid financial situation thanks to low debt levels and sizeable assets
- Solid banking system

\- WEAKNESSES

- Level of dependence on oil and gas sector, poor job creator, and growing domestic energy demand
- High unemployment rate of local population
- Governance failings undermining business climate
- Unstable geopolitical context
- Low rate of participation of women in labour market
- Economy dependent on public spending

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.1	1.7	-0.5	1.2
Inflation (yearly average, %)	2.2	3.6	0.2	4.9
Budget balance (% GDP)	-15.8	-17.1	-8.6	-7.6
Current account balance (% GDP)	-8.7	-4.2	0.6	2.4
Public debt (% GDP)	5.8	13.0	17.0	20.6

(f): forecast

31.7
POPULATION
(millionsofpersons-2016)

20,365
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Weak recovery in 2018

The combined effects of reduced oil production oil, as a result of the OPEC agreement, and budgetary consolidation drove the Saudi economy into recession in 2017. Saudi Arabia agreed in November 2016 to reduce its oil production by 400,000 barrels, as defined in the Vienna Agreement. This latter, covering both OPEC member and non-member countries, is expected to be renewed in 2018 applying the same quotas. This means that there will only very limited growth in the volume of production from the Kingdom. In the context of the challenges facing the Saudi economy, the Heir Apparent, Prince Mohamed Ben Salman, launched the Saudi Vision 2030 programme in 2016, which started to bear fruit in 2017. This huge modernisation programme has three major elements: the creation of a Public Investment Fund (PIF) financed with the privatisation of state owned companies, including 5% of Aramco, the national oil company; the National Transformation Plan (NTP); and the 2020 Budget Adjustment Plan. This latter includes a freeze on bonuses and wages for government employees (67% of the Saudi workforce), reduced energy subsidies and cuts to public investments. These measures have had a negative impact on demand. Despite an inflation rate hovering around zero, those sectors linked with household consumption, such as retail and leisure (8% of GDP) and those dependent on public expenditure (construction: 4.7% of GDP) recorded negative performances. Although the reintroduction of bonuses for the public sector had only a limited impact in boosting consumption in the second-half of the year, they should prove more useful in 2018 as purchasing power increases. Whilst the increase in oil prices will give the authorities more room for manoeuvre for a more expansionary budget policy, the rise in inflation following the imposition of value added tax will work to limit the positive effects of increased public spending on the level of activity. The recovery in the non-oil economy is expected to continue gradually in 2018, at the same time as certain sectors, such as construction, should quickly start feeling the benefits of the restarting of investment projects. Measures aimed at boosting employment among the Saudi population should help bring down the unemployment rate from its level of 12.8% in 2017. Credit will be less constrained by the contraction in liquidity in the money markets with the slowing of public debt issues on the domestic market. The improvement in financing terms will help boost the weak recovery in the private sector.

Continued budget consolidation and return to current account surplus

Given the scale of the public deficit since 2014, the Saudis authorities launched a major budget consolidation programme in 2017. Its aim was to restore budget equilibrium within a three year target with a focus on three elements: a rationalisation of public spending, the gradual removal of subsidies and increasing non-oil budget revenues. Although it resulted in a significant reduction in the size of the large deficit, the negative effects of the measures in terms of economic activity forced the authorities to revise their strategy for 2018. The application of VAT across all countries in the GCC and the widening of the tax base are nevertheless likely to be enforced. The reduction in subsidies will however become more gradual with an objective of 100% of the prices indexed against world market prices in 2023. Spending linked with the wage bill and investment is likely to rise. The financing of the public debt is likely to continue in the form of bond issues in the international market in order to avoid the soaking up of all liquidity within the banking system and slow the fall in the reserves of the SAMA.

The rise in the value of exports thanks to oil prices and the reduction in imports and foreign worker remittances as a result of the slowing in economic activity led to a significant fall in the size of the current account deficit in 2017 with a diminishing in the risk linked with the pegging of the rial to the dollar. The continuation of these elements in 2018 should help return the accounts to surplus.

Emergence of new strongman

Palace revolution or structural transformation of the regime, 2017 was a turning point in Saudi political history. Mohamed Ben Salman was designated on 21 June 2017 as first in the line of succession by King Salman and the royal family's Allegiance Council to replace his cousin Mohammed ben Nayef. This nomination with the heir apparent holding power in all economic and security matters since 2015 highlights the profound transformations taking place in the Kingdom's political configuration from an adelphic monarchy to an hereditary regime. The fight against corruption that led to the arrest of more than 200 people including businessmen and members of the royal family sent a strong signal to Saudi society as well as to the opposition, whether tribal, clerical or business. In terms of foreign policy the recent rapprochement with the United States has encouraged the Kingdom in playing a more active role in regional politics and in particular its opposition to the Iranian Republic. Tensions between the two countries are constantly increasing with repercussions throughout the region, working to undermine the fragile political equilibrium of the whole of the Middle-East.

SENEGAL

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Mali 18%
- Euro Area 13%
- Switzerland 11%
- India 8%
- Ivory Coast 5%

Imports of goods, as a % of total

- Euro Area 36%
- China 10%
- Nigeria 8%
- India 8%
- United Arab Emirates 3%

\+ STRENGTHS

- Economic momentum linked to the implementation of major investment projects
- Supported by international donors under the Plan for an Emerging Senegal
- Progress on business climate and governance
- Solid track record for political stability
- Significant offshore oil and natural gas reserves

\- WEAKNESSES

- Growth and exports subject to weather events and movements in commodity prices
- Inadequate infrastructure (energy, transport)
- Significant twin deficits
- Low per capita wealth, unemployment and regional disparities

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.5	6.6	6.8	7.0
Inflation (yearly average, %)	0.1	0.8	1.5	1.6
Budget balance (% GDP)	-4.8	-4.2	-3.7	-3.5
Current account balance (% GDP)	-6.9	-6.1	-7.1	-6.2
Public debt (% GDP)	56.9	59.1	61.0	61.4

(f): forecast

15.6
POPULATION
(millionsofpersons-2016)

943
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

The Plan for Emerging Senegal still supports growth

Year 3 of the Plan for an Emerging Senegal led to higher economic growth in 2017. In 2018, the consolidation of economic performance is expected to continue thanks to the completion of energy and infrastructure projects and the implementation of reforms aimed at improving the business climate and stimulating private investment. Private investment could, in particular, be catalysed by the creation of the Dakar International Integrated Economic zone (DIIEZ), a logistics and industrial hub located near the Blaise Diagne airport (inaugurated in late 2017). Apart from the construction and energy sectors, the extractive and chemicals industries are also expected to contribute positively to growth, supported by the recovery of Industries Chimiques du Senegal, enabling phosphate production to be maintained at a high level. In contrast, the promising prospects for hydrocarbons, with projects still at the exploration phase, are unlikely to be reflected in the growth figures before 2019-2020. In 2018, higher agricultural output, buoyed by investments in key sectors (rice, groundnuts, horticulture) and the programme for the Acceleration of Senegalese Agriculture, will be one of the main growth factors. Services will also be robust thanks to trade and transport.

Debt control - a priority for managing public resources

Ongoing budget restructuring under the IMF-backed Policy Support Instrument is expected to result in further fiscal deficit reduction. The strength of the economy combined with progress on tax collection will boost revenues. This will help to partially finance the investment drive under the Plan for Emerging Senegal. Debt interest payment, which has been higher in recent years (rising from 13.5% of fiscal revenues in 2006 to almost 35% in 2017), will continue to put pressure on spending. Efforts to rationalise public spending are expected to result in a controlled increase in current expenditures. Budget restructuring is aimed at controlling the debt ratio, which has been rising rapidly in recent years. Accordingly, there is likely to be less recourse to credit in 2018. The government hopes to reverse the trend in the debt ratio from 2019.

The current account, which widened in 2017 due to the worsening trade balance and repatriation of corporate profits, is expected to continue to show a large deficit in 2018. The trade balance and income balance deficits are expected to stabilise. Transport and tourism, stimulated by investment in airport infrastructure, could help reduce the services balance deficit. The transfer balance, thanks to remittances from expatriate workers, should make a positive contribution to the current account balance. Increased FDIs will help finance a proportion of this external deficit, which apart from grants and loans to the public sector, is also financed by external debt. Senegal's vulnerability in the event of an external shock is heightened by falling foreign exchange reserves, which covered 3.5 months of imports in 2017 compared with 4.6 in 2015, in the WAEMU.

The legislative elections were the starting gun for the presidential elections in 2019

Often considered a model of stability and democracy in Africa, Senegal partly confirmed its reputation during the 2017 parliamentary elections. Marked by the return of ex-president Abdoulaye Wade (2000-2012), the campaign was marred by violence and tensions. Winning 125 seats (out of 165), the United in Hope (BBY) coalition, which supported the president in office, Macky Sall, was deemed to have an absolute majority. However, with no fewer than 13 parties represented and fewer than 3,000 votes separating the winning side from Khalifa Sall's list in Dakar, the victory was not as big a landslide as the results suggest. While the significant growth rates are slow to materialise in the form of social progress for the population, dissatisfaction with the president is growing. He could, therefore, find himself in a precarious position in the run-up to the 2019 presidential elections. With no fewer than 47 lists for the parliamentary elections, the opposition could however find it hard to get itself sufficiently organised to topple the president at the polls.

Political stability continues to be an argument in Senegal's favour when assessing the business climate. The efforts made, particularly in the context of the Business Climate and Competitiveness Reform Plan, have been rewarded with a seven-place jump in the Doing Business 2018 rankings. With progress made on starting a business and enforcing contracts, Senegal (140th out of 190) is consolidating its position above the regional average and is now hot on the heels of Ivory Coast.

Islamist terrorist groups continue to pose a significant threat of destabilisation. In 2017, attacks perpetrated in Mali, Mauritania and Burkina Faso resulted, in France and the United States, in particular, issuing recommendations to their nationals to be more vigilant.

SERBIA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 43%
- Bosnia Herzegovina 8%
- Romania 6%
- Russia 5%
- Montenegro 5%

Imports of goods, as a % of total

- Euro Area 42%
- China 8%
- Russia 8%
- Hungary 5%
- Poland 4%

+ STRENGTHS

- Public sector reform in coordination with the IMF and EU
- EU accession process under way
- Natural resources (carbon, bauxite, copper, zinc, gold) and food self-sufficiency
- Modern automotive industry
- Remittances from expatriate workers

- WEAKNESSES

- Massive and inefficient public sector
- Country isolated due to inadequate transport infrastructure
- Sensitivity to weather events (agriculture, energy)
- Low productivity in extractive and manufacturing industries (excluding in the automotive sector)
- Ongoing high non-performing loan ratio (15.6% in September 2017), putting pressure on the banks, 3/4 of which are foreign-owned
- Strong euroisation of credit (67%)
- Large informal economy and low female participation in the labour market

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.8	2.8	2.0	3.3
Inflation (yearly average, %)	1.4	1.1	3.3	3.3
Budget balance (% GDP)	-3.7	-1.4	0.5	-0.3
Current account balance (% GDP)	-4.7	-4.0	-5.0	-5.5
Public debt (% GDP)	74.6	72.5	65.0	64.0

(f): forecast

7.1
POPULATION
(millionsofpersons-2016)

5,348
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth sustained by internal demand

After a disappointing year in 2017, during which growth was adversely affected by a tough winter and then drought that successively hit construction, agriculture and electricity generation, 2018 should see regained momentum. It will, in particular, be driven by consumption. Households will benefit from rising wages, both in the private and public sector, a 5% increase in pensions on 1st January, more jobs and growth in credit, which is expected to get cheaper with key rates cut by 3.5% in October 2017. Thanks to budgetary margins, the administrations are expected to increase their purchases of goods and services. Public investment in the road, rail and irrigation networks will also benefit. While foreign investment in industry, construction and trade will continue, private domestic investment should finally benefit from the resumption of lending to businesses, even if credit will remain limited by the still high non-performing loan ratios, especially at the publicly-owned banks. Exports are expected to pick up momentum on their well-oriented markets, even if there are some concerns over future competitiveness due to the juxtaposition of the strong dinar and significant inflation. The central bank, aware of the economy's strong euroisation, will maintain the dinar's stability, preventing imported inflation from adding to the pressures generated by strong domestic demand and the robust labour market, as well as by higher energy prices. At the same time, imports will be fuelled by vigorous internal demand, cancelling out trade's contribution to growth.

Fiscal consolidation to be continued

Under the three-year agreement signed with the IMF in February 2015, the authorities have succeeded in consolidating the budget resulting in balancing and easing the debt burden. They have been helped by the return to growth, which mechanistically boosts receipts. Benefitting from the margins thus generated, they will increase investment, pensions and civil service wages by up to 10% in education, healthcare, justice, the army and government finance, partially offsetting the cuts implemented in 2014. The expiry of the IMF agreement in early 2018 will raise questions about the long-term sustainability of the results, with much still to be done. Despite civil service staff cuts, the wage bill remains large. The budget balance rule is dated. The restructuring of many publicly-owned enterprises operating in the transport, energy, extraction and petrochemical sectors, in some cases prior to their privatisation or winding-up in the worst cases, is delayed. The workings of the administration leave much to be desired. Although the debt burden has eased, it is still significant with 75% denominated in dollars and in euros and 60% held by non-residents, over half of which are public sector creditors who have offered favourable terms. The authorities have moved to reduce the proportion held in foreign currencies by successfully refinancing it with dinar-denominated bond issues.

Current account deficit financed by FDIs

Trade in goods is running a deficit amounting to 9% of GDP (2016). Exports are dominated by automotive, agricultural products, metals and a wide variety of median to low value-added manufactured products for export primarily to the neighbouring Balkan countries. A large portion of the deficit is explained by imports associated with investments. Dividend and interest repatriation by foreign investors represents about 6% of GDP. The rise in these payments in 2018 plus higher imports will lead to a slight widening of the current account deficit. The services surplus (almost 3% of GDP, with tourism) and, in particular, remittances by emigrant workers (9%) will offset this in part. The remaining current account deficit is financed by foreign direct investments, in industry (e.g. Fiat plant in Kragujevac, two thirds of which is owned by the State, employs 10,000 people, provides 8% of exports and 3% of GDP) and in transport and energy infrastructure (China, Russia). Foreign exchange reserves represent 6 months of imports (September 2017) and together with a Swap agreement with China, guard against an exchange rate crisis, which would weaken an economy still heavily indebted in euro, despite the dinarisation underway. The external debt burden is easing (71% of GDP in late June 2017), as is that of public sector debt which accounts for 57% of the total.

Good relations with the West and with Russia

Early elections (as in 2014) in April 2016 returned the Progressive Party (SNS) to office with 57% of the seats. Aleksandar Vučić was replaced as Prime Minister by Ana Brnabic in July 2017, after his election as president. He continues to lead the SNS. In October 2017, there was talk of holding new early elections in early 2018, to coincide with the local elections, especially those being organised in Belgrade where the SNS has been losing ground. They will probably be won by the SNS against a disunited opposition. The business climate remains hampered by red tape, corruption and political interference. Negotiations regarding EU accession will continue, even if the normalisation of relations with Kosovo is delayed and those with Bosnia Herzegovina are complicated by the attitudes of the Bosnian Serbs. In addition, the country wants to cultivate good relations with both NATO and Russia.

SIERRA LEONE

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Ivory Coast 32%
- United States 28%
- Euro Area 22%
- China 7%
- Belarus 3%

Imports of goods, as a % of total

- Euro Area 17%
- China 12%
- United States 10%
- India 8%
- Senegal 6%

+ STRENGTHS

- Significant mineral resources (iron, diamonds, rutile, gold)
- Coffee, rice and cocoa production
- Tourism potential
- International financial support
- Significant port activity that is set to expand

- WEAKNESSES

- Vulnerable to weather events
- Highly dependent on commodity prices
- Corruption; inadequate protection of property rights
- Risk of renewed Ebola outbreak
- Inadequate infrastructure; failing healthcare system
- Difficult for small and medium-sized enterprises to access credit
- Extreme poverty and high unemployment

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-20.5	6.1	5.6	6.1
Inflation (yearly average, %)	6.7	10.8	17.2	10.8
Budget balance* (% GDP)	-4.5	-8.6	-6.4	5.9
Current account balance (% GDP)	-17.5	-19.9	-21.8	-18.9
Public debt (% GDP)	45.3	55.9	59.2	60.8

*including grants (f): forecast

6.4
POPULATION
(millionsofpersons-2016)

577
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

The upturn in the economy is confirmed

Economic momentum was held back by high inflation in 2017, following the twin shocks of the Ebola outbreak and the collapse of iron ore prices, but growth is now expected to resume its upward trend in 2018. It will notably be buoyed by dynamic development in the extractive industries. In particular, iron ore production, supported by the Tonkolili mine and investment from Chinese businesses, is expected to perform more strongly. The prospects are equally favourable for diamonds, with production at the Tongo and Tonguma mines due to start in mid-2018 under a joint project signed between Octea Mining and Stellar Diamonds in April 2017. The increase of rutile production is also likely to continue into 2018.

Public capital investment spending should benefit other economic sectors, starting with agriculture, energy, transport and construction. Growth in the construction sector is expected to be sustained by reconstruction work following the August 2017 landslide, which killed 500 people in Freetown and caused material damage estimated at USD 30 million. In 2018, despite an easing of upward pressures, inflation will still be high and will continue to dampen household consumption; specifically consumption by the +70% of Sierra Leonians who live on less than one US dollar a day. Fuelled by the spectacular depreciation of the leone in late 2016 and early 2017, as well as higher fuel prices at the pump, inflation could eventually threaten growth prospects in 2018, especially if the most recent fuel subsidies are removed.

Reduction in twin deficits at the heart of the three-year programme with IMF support

Initiated in 2017, the reduction in the fiscal deficit will continue in 2018. Sierra Leone, which has been involved in a new three-year programme with the IMF since April 2017 under an Extended Credit Facility arrangement for USD 224 million, has embarked on reforms aimed at achieving a primary deficit objective of 2% of GDP in 2021 (4% in 2017). As agreed with the IMF, efforts will be concentrated on boosting revenues as a way of reducing the deficit. Measures include the removal of tax loopholes, the application of a mining tax based on market prices, and the introduction of a customs duty of 20% on luxury vehicles. These steps are included in a new draft tax administration law submitted to parliament in 2017, aimed more generally at improving the efficiency of tax collection. The country is also committed to containing current spending, so as to be in a position to accelerate capital investment spending, which sustains growth. Flows of aid from multilateral and bilateral partners following the landslide and flooding in the country should help cover repair costs. The unpopular liberalisation of fuel prices at the pump, promised as part of the earlier agreement with the IMF, is unlikely to be implemented before the presidential elections of March 2018, putting pressure on spending. Tax slippage cannot, however, be ruled out in the run-up to this major electoral event.

The current account, mainly hampered by a sizeable trade deficit, is still expected to show a large deficit, despite the expected increase in exports of mining and agricultural products. The value of exports should, nonetheless, increase faster than that of imports, which are accelerating in connection with the rise in capital investment spending. Combined with the surplus balance of transfers, this should help reinforce the country's external position.

Fragmented opposition opens up the presidency to the APC

After two consecutive terms, and contrary to persistent rumours that he intends to circumvent the Constitution and stand for a third term, President Ernest Bai Koroma will not be standing for the presidency in March 2018. He will step aside to allow his successor, Dr Samura Kamara, the current Minister of Foreign Affairs, to stand as the All People's Congress (APC) candidate. While the battle for Mr Koroma's succession could have opened the way to power for the opposition candidate, divisions within the Sierra Leone People's Party (SLPP) have reduced the likelihood that Julius Maada Bio will assume the presidency. In addition, the recent emergence of the Alliance Democratic Party, led by Mohamed Mansaray, could scatter the opposition votes, rather than threaten the candidacy of the APC.

The climate in which the elections will be held will be closely observed, at a time when living conditions have become tougher due to high inflation. Poverty, unemployment and corruption are still widespread, and provide grounds for social frustration. Any potential liberalisation of fuel prices – which impacts on prices generally – could, for example, be explosive in a country that is among the poorest on the continent.

The poverty rate is explained, in particular, by a very poor business climate, which continues to act as a brake on investment and job creation. In recent years, structural and governance reforms have been slow to materialise.

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 13%
- Hong Kong 13%
- Malaysia 10%
- Indonesia 8%
- Euro Area 8%

Imports of goods, as a % of total

- China 14%
- Malaysia 11%
- United States 11%
- Euro Area 11%
- Taiwan 8%

+ STRENGTHS

- Significant non-price competitiveness
- Development of high added value sectors (new technologies, finance, chemicals, pharmaceuticals)
- Major regional and international trading hub and for the financial sector
- Large FDI inflows thanks to the advantageous tax regime, political stability and an excellent business climate
- Leading exporter of capital in Asia through the Temasek and Government of Singapore Investment Corporation (GIC) sovereign funds

- WEAKNESSES

- Economy dependent on exports
- Shortages of skilled labour
- Ageing population
- Vulnerability to slowdown in the Chinese economy

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.9	1.5	2.7	2.5
Inflation (yearly average, %)	-0.4	-0.2	0.6	1.0
Budget balance (% GDP)	2.0	1.5	1.3	0.4
Current account balance (% GDP)	18.1	19	19.9	19.7
Public debt (% GDP)	103.2	112.9	112.7	111.7

(f): forecast

5.6
POPULATION
(millionsofpersons-2016)

52,961
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Stable Singaporean economy

Economic growth in Singapore in 2018 should hold steady despite a slowing in exports to China. It will be sustained by world economic demand, in particular in the new technologies sector, with the upturn in exports of semi-conductors that started in 2017, in financial services and retail sales. The slight rise in oil prices will benefit exports as Singapore is the world's third largest refining centre. The slow rise in energy prices, a slight upturn in household consumption and the government's expansionary budget policy (increased redistributive spending) will give a boost to inflation. Household confidence will however be kept buoyant thanks to the stability of the Singapore dollar (pegged to a mainly US dollar weighted basket of currencies) and a falling unemployment rate. In addition public investments will make a positive contribution to growth in this context, in particular through infrastructure projects such as the high-speed rail link between the City-State and Kuala Lumpur, as well as "future economy" programmes which, in 2017, involved $8 billion (approximately 2.5% of GDP), to improve productivity and stimulate innovation in the 23 industries which are already growth hubs. The aim is to achieve growth of 2% to 3% a year for the next 10 years by improving the competitiveness of companies and the workforce. In addition, the advantageous tax regime will continue to attract significant foreign direct investments, equal to 19% of GDP in 2018.

Confirmed resilience of financial situation

The budget situation for Singapore will remain very sound. In 2018, thanks to increased receipts by the sovereign funds, the country will continue to record a budget surplus whilst maintaining its expansionary budget policy. In addition, whilst there is a high level of public debt, this is more than made up for by the size of the financial assets held by the sovereign funds. The bond issues are not used to finance the public debt but to develop a local State bond market and to support the Central Provident Fund, the leading Singaporean pension fund.

In 2018, the current account balance will run a large surplus. Whilst the surplus in the balance of trade will increase, in particular thanks to the slight uplift in energy prices, this trend will be counterbalanced by a deterioration in the balance of services and income. In addition the opening of the City-State, and the matching role as a regional and international trading hub, explains why the downwards trends in exports are mirrored by fluctuations in imports, and thus the constancy of the current account balance. In this context, the level of foreign currency reserves will remain high (at around 7 months of imports in 2018).

Whilst the banking sector is exposed to property market risks, its granting of mortgages has been cautious and remains in line with the regulatory requirements: the rapid expansion of credit, combined with very high property prices, is not expected to present a risk for 2018. Singaporean banks are also exposed to risks associated with the high level, although deemed sustainable, of household indebtedness (the equivalent of 75% of GDP in 2017), the slowdown in the Chinese economy through trade finance operations, and the pressures associated with low oil and gas prices. However, the levels of capitalisation and liquidities, the stabilising of bad debt levels, as well as strong performances in the resistance tests carried out by the Singaporean financial authorities would indicate that the banking sector will be resilient in 2018.

Stability on political stage

The Prime Minister, Lee Hsien Loong, who comes from the People's Action Party (PAP), which has held power since independence in 1965, was elected in mid-2017 for a term of office ending in 2021. Politics in Singapore are symbolised by stability and continuity with the PAP successfully maintaining its domination of national political life, credited with careful supervision of the active economic policies and the tranquil nature of the social milieu. Governance in the country is also excellent, thanks to its effective legal system which facilitates debt collection, helping to underpin the business climate, near the top of world rankings. In 2018, Singapore will hold the Presidency of the Association of South East Asian Nations (ASEAN) and intends, in this context, to work to improve regional security, reinforce economic integration to increase the attractiveness and competitiveness of the region and to promote collaboration in terms of innovation, and this in particular in the new technologies sector. Finally, Singapore diplomatic efforts have been working towards improving relations with Malaysia.

PAYMENT AND COLLECTION PRACTICES IN SINGAPORE

Payment

Cheques, cash and bank transfers are all frequently-used means of payment within Singapore. Bank transfers, fast and secure, are widely used for international transactions. Standby Letters of Credits and Irrevocable Letters of Credit are often used in export transactions.

Debt collection

Amicable phase

The amicable phase begins with the seller contacting buyers in writing, by telephone and, where permissible, by visiting the buyer's business premises. If there is no response from the buyer, a site visit and online searches are conducted to ascertain the operating and legal status of the buyer. If the buyer does not make attempts to settle the matter amicably, legal proceedings can be used to recover payments for goods sold and delivered in Singapore. It is, however, prudent to ensure that the buyer has sufficient assets to satisfy the debt before proceedings are initiated.

Legal proceedings

Singapore is a common law jurisdiction. Its laws are principally governed by Supreme Court of Judicature Acts, State Court Acts, other statutes which have procedural application (or contain procedural provisions), the Rules of Court, practice directions, case law and the court's inherent powers.

Singapore's courts comprise State (Subordinate) Courts and the Supreme Court. The Supreme Court is composed of the High Court and the Court of Appeal (the final appellate court). The High Court is a court of first instance, generally used for claims beyond the jurisdiction of the State Courts (although the High Court is a court of unlimited jurisdiction and may hear any claim.

Ordinary proceedings

The amount of the debt claim decides which court judges the case.

Unpaid debts normally have a six-year limitation period. A writ action is initiated by the creditor and a summons served on the debtor within six months from the issue of the writ. The defendant has eight days from service of the writ (or 21 days, if the writ was served out of jurisdiction) to enter an appearance, by filing a Memorandum of Appearance with the court. This indicates his intention to defend the suit.

Before a writ can be issued, it must be endorsed with a statement of claim. If there is no statement of claim accompanying the writ, there can be a general endorsement, which consists of a concise statement on the nature of the claim made and the remedial solution desired. If the writ only has a general endorsement, an accompanying statement of claim must be served within fourteen days of the defendant's entering of an appearance.

Defendants who have entered an appearance are required to file and serve their defence on the plaintiff within fourteen days of entering an appearance, or after service of the statement of claim (whichever is the later). A defendant may make a counterclaim in his defence. The plaintiff must serve the defendant with his reply and defence to any counterclaim, within fourteen days of the defence and counterclaim being served on him.

<u>Default Judgment</u>

If a defendant fails to enter an appearance or fails to file a defence within the time specified in the writ, the plaintiff may enter default judgment against him. This can be a final judgment or an interlocutory judgment, depending on the nature of the claim.

<u>Summary Judgment</u>

If the defendant has entered an appearance and filed a defence, but it is clear that the defendant has no real defence to the claim, the plaintiff can apply to court for summary judgment. To avoid summary judgment being entered, the defendant must show that the dispute concerns a triable issue, or that there is some other reason for trial. An application for summary judgment must be filed within 28 days of pleadings being concluded (unless the court orders otherwise).

Enforcement of a legal decision

Writs of Execution

A judgment can be enforced by a variety of writs of execution. These include a Writ of Seizure and Sale of movable and immovable property, a Writ of Delivery and a Writ of Distress. These writs authorise court officials to take appropriate measures to give effect to the judgment.

Garnishee Proceedings

This can be an appropriate solution when the debtor is owed a debt by a third party (the garnishee). When the creditor garnishes the debt, the garnishee must then make payments due to him, rather than to the debtor. To collect these debts, the creditor must first apply for a garnishee order *nisi*. This can be filed without the involvement of other parties and leads to "show cause" proceedings. If the garnishee confirms that there are monies due and owing to the judgment debtor at this stage, the Registrar may proceed to make the garnishee *nisi absolute*.

Registration of Judgment

If the creditor is not able to enforce his judgment in Singapore, he may be able to enforce it in a country where the debtor holds assets. This can be done by commencing fresh proceedings, or by registering the Singapore judgment in the foreign country (on the basis of reciprocity of enforcement between the two countries).

Insolvency proceedings

Schemes of Arrangement

Schemes of arrangement begin with an application to court, for an order summoning one or more meetings of the creditors, members of the company, or shareholders of the company. If the court agrees to the order, a proposal must then be tabled before the relevant meetings and approved by the requisite majority (unless the court orders otherwise) of the creditors, class of creditors, members or class of members, shareholders, or class of shareholders.

The majority required is three-quarters. To allow the relevant parties to exercise their votes in an informed manner, every notice summoning the meeting must contain a statement explaining the effect of the compromise or arrangement. In particular, it must state any material interests of the directors and the effect on them of the compromise or arrangement, should it be different from the effect on other parties involved. If this procedure is not followed and the creditors and members do not have sufficient information on which to make an informed decision, the court may, at any stage, refuse to approve the scheme, even if it has been approved by the requisite majority.

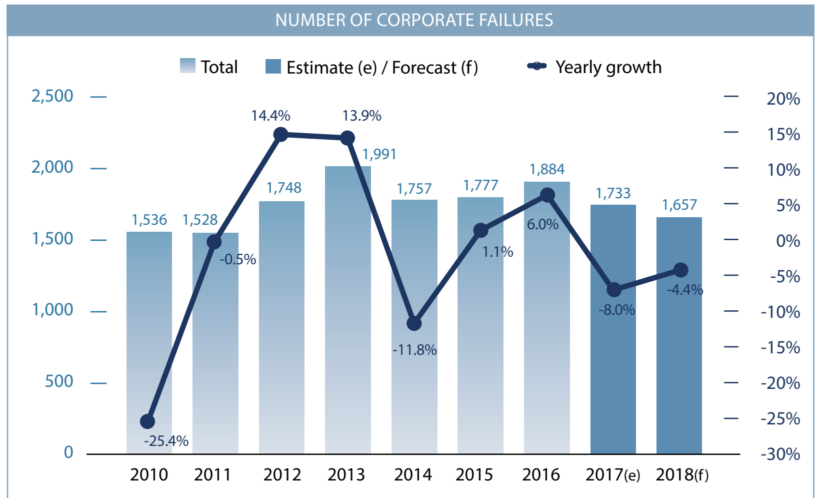
Schemes are only binding once they have been approved by the court. These approvals may be subject to any alterations or conditions that the court deems appropriate. Court approval ensures the integrity of voting outcomes at scheme of arrangement meetings, as well as the fairness of the proposed scheme.

Judicial Management

When a company is in financial difficulty but has reasonable prospects of being rehabilitated, or if preserving all or part of its business as a going concern (or even that the interests of creditors would be better served than by resorting to a winding up), the company or its creditors can apply to court for an order that the company be placed under the judicial management of a judicial manager.

Insolvency Proceedings

If an insolvent company is unable to overcome its difficulties, it can be dissolved. This enables the liquidation of its assets, so that creditors can be repaid, at least in part. This process is known as winding up or liquidation. A healthy company can also be subject to winding up if its members no longer wish the business to continue. When a company is wound up, its assets or proceeds are first used to pay off any creditors. Following this, any balance remaining is distributed pro rata amongst shareholders.



Source: Statistics Singapore, Coface

SLOVAKIA

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Country	%
Germany	22%
Czech Republic	12%
Poland	8%
France	6%
United Kingdom	6%

Imports of goods, as a % of total

Country	%
Germany	20%
Czech Republic	17%
Austria	10%
Poland	6%
Hungary	6%

+ STRENGTHS

- Eurozone membership
- Production platform for European automotive and electronics industry
- Satisfactory public and external accounts
- Robust financial system dominated by foreign groups

- WEAKNESSES

- Small economy dependent on European investment and markets
- Strong sectoral concentration of exports: automotives and consumer electronics
- Dependent on Russia for 70% of its energy (gas, oil, uranium)
- Regional development inequalities/the east lagging behind (infrastructure and training)
- Insufficient research and development
- Shortage of skilled labour and high long-term unemployment

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.8	3.3	3.3	4.0
Inflation (yearly average, %)	-0.3	-0.5	1.2	1.8
Budget balance (% GDP)	-2.7	-1.7	-1.2	-0.9
Current account balance (% GDP)	0.2	-0.7	0.3	0.2
Public debt (% GDP)	52.5	51.9	50.9	49.7

(f): forecast

5.4
POPULATION
(millionsofpersons-2016)

16,499
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Lively growth based on internal demand

In 2018, growth will receive a boost from investment (private and public) although household consumption is still the main growth contributor. Households are expected to benefit further from jobs growth and lower unemployment, which will drive up wages. The latter will also be driven up by the growing shortage of skilled labour in the automotive and IT sectors in the west and centre of the country as well as increase to the minimum wage (up from EUR 435 to EUR 480). Moreover, low levels of household debt (70% of disposable income), together with low interest rates will help sustain the residential property sector. Nonetheless, the rise in disposable income will be slowed by higher inflation fuelled by higher food and energy prices. Public investment will be boosted by greater use of European funds, insofar as the country has used only 5.3% of the EUR 15 billion available under the 2014-2020 programme. The construction sector will benefit broadly from the increase in infrastructure projects, as well as good performance by the residential property market. Moreover, private investment will continue to be driven by FDIs in automotive and energy sectors, with the construction of a Jaguar Land Rover plant in the west of the country and the extension of PSA, Kia and VW plants. Exports will be buoyed by strong demand from the main trading partners and by the country's growing integration in the European value chain. Accordingly, trade's contribution to growth will remain positive and will increase as production capacity rises.

Satisfactory public and external accounts

The public deficit, already modest, is expected to continue on a slow downward path. The effort will be modest and will chiefly rely on higher tax receipts. In the first instance, these will benefit from growth and should also benefit from the fight against tax evasion with the introduction of a tax on company delocalisation, as well as on Slovaks domiciled abroad. Against this, personal income tax and corporation tax deductions (particularly for R&D spending) will be increased. Moreover, spending is expected to rise modestly despite the recovery in public investment and another significant increase in civil service wages. In this context, the public debt burden will remain significant, but below the target threshold set by the Growth and Stability Pact (60% of GDP). The debt is denominated in euro and so is not vulnerable to exchange rate risk. The strength of the banking sector, dominated by Austrian and Italian groups, and whose resources comprise local deposits, helps keep borrowing costs low.

The current account balance is expected to continue to show a slight surplus. Despite the substantial increase in imports resulting from lively internal demand, the trade balance will remain in surplus thanks to momentum in sales of vehicles and automotive parts, electronic, IT and electrical equipment and in road transport. Nevertheless, poor diversification of export products and destinations will expose the trade balance to reversal in the automotive sector and Eurozone demand (60% of exports). Interest and dividend repatriation, a consequence of the strong presence of foreign investors, especially in the automotive sector, is likely to be only partially offset by remittances from Slovak emigrants. The external debt is high, representing 90% of GDP in 2017 with a third owed by the state and another third associated with FDIs. These investments, long-term by nature, limit the risk of massive capital flight.

An eclectic coalition government faced by a divided opposition

Robert Fico has led the government since 2012. However, after the March 2016 elections, he and his centre-left party, SMER-SD (European Socialist Party member), lost their absolute majority in parliament and had to form an alliance with the conservative National Party and the centre-right Most (Bridge) Party. This coalition has a narrow majority (79 seats out of 150). Moreover, during the summer of 2017, the National Party threatened to leave the government, prompting a renegotiation of the coalition pact. This new agreement, which remains secret, could slow the government's centre-left policy, especially the slow fiscal consolidation based on higher taxes on high incomes and the regulated sectors. In addition, the many differences (welcome afforded to refugees, on Europe, etc.) threaten the coalition's stability and will force the SMER to find a compromise. Nevertheless, even if the popular support enjoyed by the SMER has fallen (25% of the votes cast in 2017 compared with 44% in 2012), the other parties (seven parties in parliament in addition to the SMER) do not seem to be in a position to offer an alternative, at least in the short term. Corruption and the wide inequalities between regions are major challenges, as they are among the most marked in the Eurozone. However, the business climate remains satisfactory.

SLOVENIA

COFACE ASSESSMENTS

A3
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

Country	%
Germany	19%
Italy	10%
Austria	7%
Croatia	7%
Hungary	4%

Imports of goods, as a % of total

Country	%
Germany	17%
Italy	13%
Austria	10%
Croatia	5%
China	5%

+ STRENGTHS

- Eurozone membership
- High level of political and social development
- Diversified economy
- Integrated in European production chain
- Current accounts in surplus

- WEAKNESSES

- Small domestic market
- Ageing population and demographic growth at a standstill
- Dependent on regional economy and on automotive industry
- Heavy debt burden
- Inefficient public-sector enterprises
- Convalescing banking sector
- Slow administrative and judicial procedures

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth(%)	2.3	3.1	4.1	3.1
Inflation (yearly average, %)	-0.8	-0.2	1.5	1.9
Budget balance (% GDP)	-2.9	-1.8	-0.8	-0.2
Current account balance (% GDP)	5.1	6.7	5.9	5.4
Public debt (% GDP)	82.5	78.4	75.5	74.0

(f): forecast

2.1
POPULATION
(millionsofpersons-2016)

21,668
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Vigorous growth limited by the size of the market

Growth reached its highest level in ten years in 2017 thanks to growing employment levels and rising real wages, which stimulated domestic demand. Slower momentum in investment and private consumption could reduce growth in 2018. Growth is still broadly dependent on exports and integration in European value chains. The over-indebtedness preceding the 2013 banking crisis will continue to put pressure on this sector, despite gradual restructuring and low interest rates. Robust foreign investment is limited by an ambivalent attitude on the part of the authorities towards the privatisation of state-owned enterprises and cumbersome regulations. Despite everything, investments are expected to increase, thanks to vigorous internal and external demand, especially in the consumer goods and construction industries. They will also be buoyed by European financing in 2018. Like at the European level, inflation is influenced by oil price movements. It will be slightly positive in 2018, thanks to modest underlying pressure on prices and the gradual closing of the output gap.

Public sector restructuring under way

Fiscal restructuring has prompted renewed financial market confidence: Moody's and S&P have upgraded Slovenia's credit rating. The fiscal effort will continue in 2018 via new cuts in current spending and welfare spending, taking into account the ageing population. The deficit will continue to narrow thanks also to higher tax receipts and social security contributions, as well as lower interest rates. These efforts already led to a primary budget surplus in 2017. The low rates and the ECB's monetary easing help reduce the public debt burden, which despite everything remains above the target 60% of GDP. The recovery in growth relied on the restructuring of indebted state-owned enterprises, reform of the banking sector and on attracting foreign investment in a huge privatisation programme. In the financial sector, the banks have been recapitalised and restructured at considerable cost following the banking crisis of 2012-2013. The creation of a bad bank has, since 2016, helped halve the ratio of non-performing loans. However, in order to complete the restructuring of the industrial and banking sectors, of which the State controls about 50% and 44% respectively, privatisation should accelerate: the government had committed to the European Union to sell half its holdings in NLB, Slovenia's largest bank, but ultimately refused an offer considered to be too low. No further privatisation is expected before the 2018 elections. Almost 54% of the public debt, namely 40% of GDP, is held by foreign creditors and the country continues to be characterised by an external export debt ratio above 120%. However, most of this debt is long-term, is 70% denominated in euros, and corresponds to private commitments.

The current account surplus will remain significant

The economy remains broadly dependent on its impressive trade surplus based on European demand and tourism. 90% of exports, which represent 80% of GDP, go to neighbouring countries. Integration in German and Austrian production chains, thanks to the competitiveness of the automotive, electrical and electronics equipment, pharmaceuticals and domestic appliances sectors is behind half of all exports. In 2018, the current account surplus will continue on a downward trend because of rising imports driven by internal demand and increases in the import bill for basic and intermediate products.

A fragile coalition government

Miro Cerar, founder of the Modern Centre Party in 2014, leads a government based on a fragile coalition but which is expected to survive until the parliamentary elections scheduled in April or May 2018. The fiscal consolidation the government is committed to seems to have rendered the three parties forming the coalition unpopular. This political environment is likely to slow the pace of economic reforms in 2018. However, according to voting intentions figures, a new multi-party coalition is more likely than a single-party government. Persistent income inequalities between the capital and the rest of the country continue to be a central issue in these elections. The political challenges of reforming the public healthcare system and the pension system will continue into 2018. The country enjoys the advantages of being in the EU and in the Eurozone, tokens for fiscal and economic stability at times of political ups and downs.

COFACE ASSESSMENTS

C
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 18%
- China 9%
- United States 7%
- Botswana 5%
- Namibia 5%

Imports of goods, as a % of total

- Euro Area 24%
- China 18%
- United States 7%
- India 4%
- Saudi Arabia 4%

+ STRENGTHS

- Regional/continental economic and political power
- Rich in natural resources (gold, platinum, carbon, chromium…)
- Advanced services sector (especially financial)
- Legislative environment provides protection for investors

- WEAKNESSES

- Poverty and inequality are sources of social risk (crime, strikes and demonstrations)
- High unemployment (27.7%, 54.3% for those aged 15-24) and shortage of skilled labour
- Infrastructure shortcomings (transport, energy)
- Dependent on volatile flows of foreign capital

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.3	0.3	0.8	1.2
Inflation (yearly average, %)	4.6	6.2	5.4	5.2
Budget balance (% GDP) *	-3.4	-3.3	-4.3	-3.9
Current account balance (% GDP)	-4.4	-3.3	-2.3	-2.6
Public debt (% GDP)	49.3	51.7	53.7	55.6

* last fiscal year from April 1st 2018 to March 31st 2019 (f): forecast

55.6
POPULATION
(millionsofpersons-2016)

5,302
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Constrained recovery

In 2018, the economic recovery, brought about by a bumper harvest following the drought in 2016 and a rebound in the mining sector, underpinned by more favourable commodity prices, should continue at a moderate pace. While these two sectors are expected to continue to sustain exports thanks to more positive world economic conditions, their respective contributions to growth will moderate. In particular, mining could suffer from the implementation of a controversial new mining charter. As a result, investments in the sector will be slow, at least until the judicial review at the end of February, which will decide on whether it can be implemented. More generally, with business confidence still low, operational costs high and further downgrades on the sovereign ratings at the end of 2017, private investment is expected to remain weak, continuing to put pressure on the secondary sector. Nonetheless, a modest recovery is expected after the conference to elect a new ANC leader in December 2017 provided greater political certainty. Public investment will be bit by a degraded budget profile. Unemployment and high levels of inequality will continue to impact on household confidence, but the moderation in inflation and higher real wages should sustain private consumption. By supporting trade, consumption will help bring about a cautious rebound in services, which saw anaemic growth in 2017. With inflation back within the central bank target range (between 3% and 6%), the bank will benefit from greater flexibility and thus have more scope to ease its monetary policy in 2018 so as to support activity.

Debt trajectory threatened by a degraded budget profile

Caught up in an economic slowdown and low rates of tax collection, the budget outlook is worsening. The growing burden of debt interest payments, which use up almost 14% of State revenues, on spending is notably the reason for this deterioration. In 2017/18, the financial rescue of state-owned enterprises (*South African Airways* and the *South African Post Office*) resulted in a huge overspend. The 2018/19 budget measures, which have still not been fully signed off, are expected to include a combination of budget cuts and higher taxes. Nevertheless, any consolidation before the 2019 elections will be cautious. In connection with this fiscal deficit, the debt burden is likely to continue to climb in the next few years, thus increasing sovereign risk. On top of this, country's local currency debt was hit by a rating downgrade to "speculative" status by rating agency S&P in late 2017. As a result, the cost of credit is expected to continue to climb.

The current account deficit is expected to worsen slightly in 2018, in connection with the surplus on the balance of goods, which is expected to reduce. This is because even though the global economic picture should support a rise in exports, the economic recovery and higher oil prices will lead to faster import growth. The slight services deficit is not expected to wipe out the trade surplus. The current account will, however, continue to show a deficit, as it will be hit by the impact of significant levels of profit repatriation by foreign companies holding South African assets on the income balance. To a lesser extent, outgoing transfers in the context of the South African Customs Union (SACU) will also be a strain on the accounts. While capital flows could be hit by successive downgrades to the country's credit rating, the external position is unlikely to be at risk in the short term. However, fluctuations in the influx of capital mean the rand will still be volatile.

The credit rating downgrades could put pressure on the banking sector, given the banks' significant sovereign exposure. However, the sector, which is still well capitalised, remains sound.

Cyril Ramaphosa will need to rebuild confidence

Returned to power in 2014 after the ANC's (*African National Congress*) victory in the general elections, President Jacob Zuma has suffered a loss of authority within his party and declining popularity with the public. Perceptions that corruption is growing under a president, who is also the subject of allegations of misappropriation of funds and collusion with the business community, are fuelling a loss of confidence among foreign investors. Mr Zuma, who is due to step down in 2019, will leave behind a record marked by slower economic activity, rising levels of unemployment, poverty and inequalities. These sources of political and social instability remain, even after the ANC conference in December 2017 appointed Cyril Ramaphosa to succeed Jacob Zuma as leader of the party. In addition, this does not resolve all of the ANC's internal turmoil. Externally, if the current vice-President actually succeeds Jacob Zuma as President of the "rainbow nation" in 2019, rebuilding investor confidence will also require the implementation of structural reforms able to restore governance credibility.

The country, ahead of its peers in Sub-Saharan Africa regarding the business climate ten years ago, continues to fall in the *Doing Business ratings, dropping from 32nd in 2008 to 86th* in the 2018 Index, especially because of the lack of reform to tackle red tape.

PAYMENT AND COLLECTION PRACTICES IN SOUTH AFRICA

Payment

Electronic Funds Transfers (ETF), including SWIFT payments and international transfers, are used for payments in foreign currencies. Cheques are rarely used, outdated, expensive to process, and vulnerable to fraud. Cheque payments are also subject to a clearing period of ten working days. The majority of businesses no longer use them. Cash payments do still occur but have the same disadvantages. Letters of credit are issued between banks and serve as a guarantee for payments made to a specified person under specified conditions, including imports and exports. In most cases, irrevocable credits and confirmed irrevocable credits are issued. The terms and conditions can be onerous and should be fully understood before acceptance of these letters. Parties can sometimes secure payment on delivery via bank guarantee. Monies are deposited into a bank account and the bank, in turn, issues a guarantee for payment on confirmation of delivery. This type of payment is mainly used in matters pertaining to property transfers.

Debt collection

Amicable phase

The "National Credit Act" states that the creditor must try to contact the debtor via a phone call, before issuing a formal letter of demand (outlining the outstanding obligation, and sent via email, registered post, or delivered by hand). Once this is done, the parties attempt to negotiate a settlement over an acceptable period of time. As creditors are not obliged to accept payment in instalments, they can opt to proceed with legal action to secure a full one-time payment. This phase is much less costly than immediately proceeding with legal action. This phase also provides greater insight for preparing for the litigation phase. Depending on the nature and value of the claim involved, it is sometimes possible to skip this phase and proceed immediately to litigation.

Legal proceedings

The administration of justice and application of law in South Africa is carried out by the civil and criminal courts. The ordinary courts are the district and regional magistrates' courts, the provincial divisions of the High Court and the Supreme Court of Appeal. The Constitutional Court is the highest court for constitutional matters. Specialist courts have been established for various legal sectors, including Labour Courts, the Land Claims Court, Special Income Tax Courts, and the Electoral Court.

Determining whether to proceed in a lower court or in the High Court will depend on the type and value of the claim. Decisions of the lower courts can be passed for review or brought to appeal in the higher courts. Some types of cases can only be heard by the High Court, regardless of the quantum of the claim. As a general rule, a court will exercise jurisdiction on the basis that the defendant is resident or domiciled in the area of the court, or if the cause of action arose in that area.

Proceedings in the Magistrates and Regional Courts generally involve a trial (action) process. Motion (by way of affidavit) proceedings are limited to certain cases only. The High Court can hold both trial (action) and motion (application) proceedings. In action proceedings, the process commences with a summons and is concluded with a trial stage, where witnesses give testimonies. With application (motion) proceedings, the matter will be determined with reference only to written documents and, as a general rule, no oral evidence is permitted. Evidence is set out in affidavits and cannot be contested by cross-examination. Although motion proceedings were generally quicker and cheaper than actions, applications can now end up costing more than action proceedings. When the court is faced with an application in which it is evident that there is a material dispute of facts between the parties, it will then refer the matter to trial.

The alternative to court proceedings is to refer the dispute or claim to arbitration, although few parties are willing to agree the required costs. Arbitration can be faster than court processes and the costs of proceedings are divided equally between the parties. Disputes or decisions at the arbitration hearing can be reviewed through an application to court. Arbitrations can be made an order of court by application, for the purposes of execution.

Enforcement of a legal decision

The High Court deals extensively with execution against property, whether movable or immovable. The rules of the Court provide for the attachment and sale of property in order to satisfy the judgment made on the debt.

Foreign judgments are enforced in South Africa by way of provisional sentence proceedings. They are not directly enforceable. The courts which pronounced the judgment must have had the necessary jurisdiction required to entertain the case, according to the principles recognised by South African law on the jurisdiction of foreign courts.

Insolvency proceedings

Creditor compromise procedure

A compromise can be initiated by a resolution of the board of directors, or by direction of a liquidator. They can propose a compromise to all creditors, or a specific class of, creditors and must notify the Companies and Intellectual Property Commission (CIPC) of the proposal. A receiver is appointed to supervise the process. The proposal must be approved by a majority of at least 75%, in value, of the relevant creditors or proxies present at the meeting. If the proposal is accepted, it can be presented to court for confirmation. Once confirmed, the order must be filed by the company with the CIPC within five days.

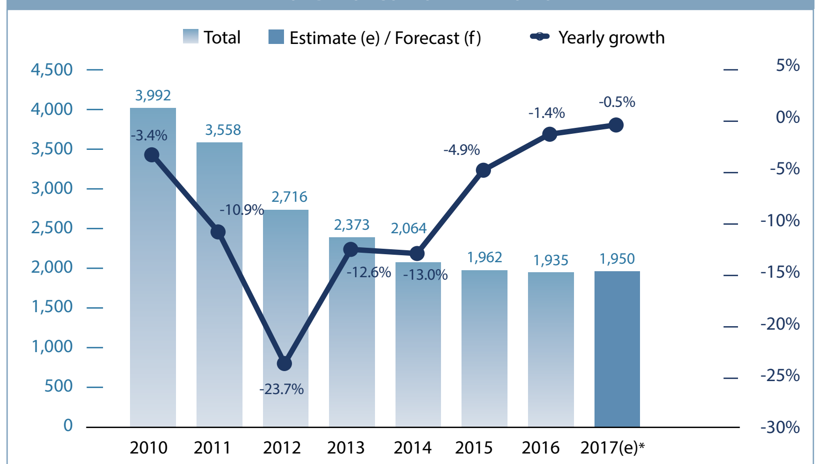
Business rescue

The objective of a business rescue is to allow financially distressed companies to restructure and reorganise, in order to avoid insolvency. A business rescue is initiated by a resolution of the company's board, adopted by a simple majority. Supervision and control is conducted by a business rescue practitioner, appointed by the company and licensed by the CIPC. The process concludes when either the court sets aside the resolution or order that initiated the proceedings; the court converts the business rescue into liquidation proceedings; the practitioner files a notice of termination of business rescue proceedings; the business rescue plan is rejected, or the business rescue plan is adopted and a notice of substantial implementation is filed.

Liquidation

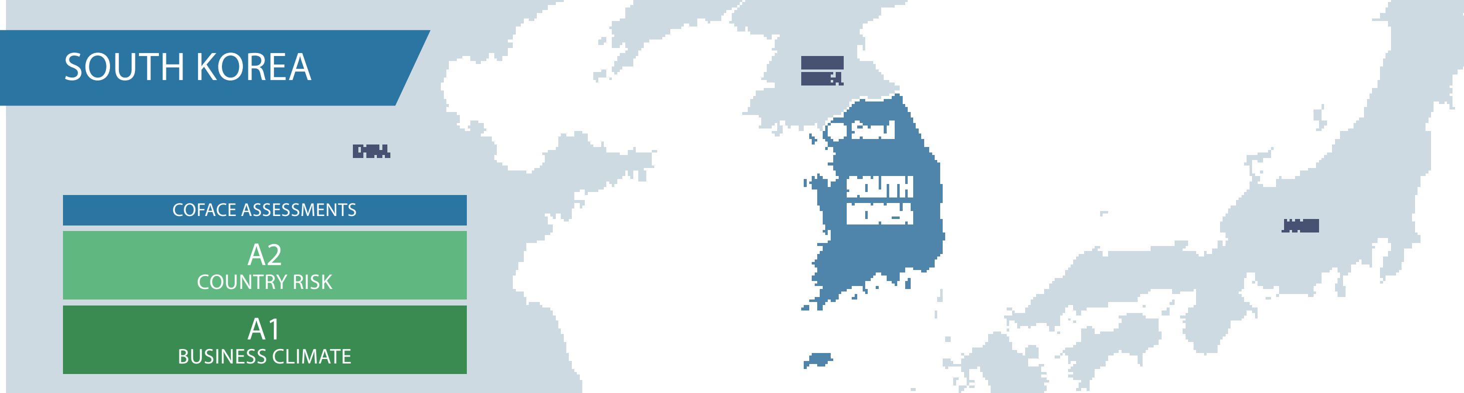
Liquidation proceedings for a company begin with either a court order on the request of any persons and on the grounds set out in the Companies Act 2008, a request for voluntary liquidation, or an application to court by the shareholders, the creditors, or the company for liquidation (when the company is insolvent). A liquidator is appointed to wind up the company. The liquidator collects all the assets and claims due to the company, sells them and distributes the proceeds amongst the creditors. It is essential that the creditor lodges its claim with the liquidator, regardless of whether it has a judgment or a court order. Once all the proceeds have been distributed, the liquidator files its final liquidation and distribution accounts and makes any payments set out within it. The liquidator then advises the Master of the High Court that the administration of the estate is complete.

NUMBER OF CORPORATE FAILURES



Source: Statistics South Africa, Coface * 12 months ending in September

SOUTH KOREA



COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 25%
- United States 13%
- Hong Kong 7%
- Vietnam 7%
- Euro Area 6%

Imports of goods, as a % of total

- China 21%
- Japan 12%
- United States 11%
- Euro Area 10%
- Taiwan 4%

+ STRENGTHS

- Diversified industrial base
- Leader in high-end electronics
- Highly successful educational system
- High public R&D spending
- Increased Korean investment in China, Vietnam and India

- WEAKNESSES

- Steel, textile and shipbuilding industry affected by Chinese competition
- Weight of commodities imports
- High level of household and small business indebtedness
- Ageing population
- High youth unemployment despite successful education system
- Unpredictability of the North Korean regime
- Weight of chaebols in the economy

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.8	2.8	3.1	2.9
Inflation (yearly average, %)	0.7	1.3	1.9	1.9
Budget balance (% GDP)	0.0	1.0	0.7	0.4
Current account balance (% GDP)	7.7	7.0	5.6	5.5
Public debt (% GDP)	37.8	38.3	39.6	39.6

(f): forecast

51.2
POPULATION
(millionsofpersons-2016)

27,535
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Exports and fiscal stimulus support growth momentum

Although down slightly, growth is expected to remain robust in 2018 thanks to exports and budget support. The demand for semiconductors should continue to push exports, thus the secondary sector and South Korean industrial conglomerates (*chaebols*). The Olympic Winter Games in Pyeongchang, as well as an agreement on improving diplomatic relations with China, has the potential to boost tourism receipts. The contribution of exports could nevertheless be lower than in 2017 with the slowdown of activity in China. Stricter regulation on mortgages should weigh on investment in construction. In addition, despite the opportunities offered by the ICT sector, rising labour costs, especially if not accompanied by productivity gains, and corporate taxes could lead to a deceleration of private investment. Nonetheless, the more expansionary fiscal policy should promote growth. An increase in public employment, the minimum wage and social spending is expected to support consumption that will remain constrained by the weight of household debt (155% of disposable income) and low employment growth, particularly among the youth.

Inflation is expected to stabilise around the central bank target (2%). This logic underpins the decision of the latter, in November 2017, to increase by 25 basis points its key interest rate, the first hike since 2011. The monetary policy is expected to remain accommodative in 2018, to avoid strangling the consumption of highly indebted households. Rising tensions with North Korea, which would erode consumer and business confidence, pose a risk to growth.

The budget surplus persists despite stimulus

The budget surplus is expected to shrink as a result of the expansionary policy. The government's payroll is expected to swell with the hiring of 9,500 additional civil servants. The increase in the minimum wage, various subsidies to reduce inequalities and financial support to SMEs will also weigh on spending. The growth of this spending in the social field will be partially offset by a decline in infrastructure spending. In order to respond to the North Korean threat, the defence budget is also rising. The maximum corporate tax rate, up from 22% to 25% will contribute to higher tax revenues. Public debt, which is lower than that of its OECD peers, is expected to remain stable and low risk. On the other hand, household debt, which continued to rise in 2017, is a source of concern.

In 2018, the current account surplus is expected to stabilise. The balance of goods is likely to remain in surplus, although export growth would be slightly lower than that of imports. The steadying of relations with China is expected to allow the flow of tourists to stabilise after having plummeted in 2017. The service deficit is not anticipated to widen in 2018 and could even be reduced thanks to the Winter Olympic Games. Negligible, the primary and secondary income balance should not weigh on the evolution of the current account.

Foreign exchange reserves will remain at a comfortable level, while the rise in the central bank's key interest rate should help mitigate the risk of depreciation induced by capital flight, following the tightening of the Fed's monetary policy.

Moon Jae-in facing the North Korean threat

Following the dismissal in March 2017 of Park Geun-hye, embroiled in a corruption scandal, Moon Jae-in (Democratic Party) was elected President with an economic programme to stimulate growth, initiate social reform and reduce the influence of the *chaebols*. After nearly 10 years of a Conservative presidency, and despite the circumstances of the election, the transition was smooth. However, with only 40% of seats in the National Assembly, the President may encounter difficulties in passing some laws.

The aggressive attitude of North Korea, which was marked by new nuclear tests in 2017, will be the chief risk to political stability. Despite Moon Jae-in's calls for dialogue, the threats of the Pyongyang regime against Seoul continue to fly. While visiting South Korea in November 2017, President Trump reaffirmed the bilateral security alliance between the United States and South Korea. The deployment of the US THAAD anti-ballistic missile defence system, completed in September 2017, illustrates the importance of this support and the worsening of the North Korean threat. Highly criticised by China, the installation of this system has been at the origin of a deterioration of diplomatic relations with the Middle Kingdom. However, even though China's position on THAAD has not changed, they have been in the process of normalising since the meeting between the Chinese and Korean Foreign Ministers at the end of October 2017. A few weeks later, South Korea's refusal to conduct a military exercise alongside the United States and Japan appeared to be a sign of South Korea's desire to improve relations with China.

SPAIN

COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- France 15%
- Germany 11%
- Italy 8%
- United Kingdom 8%
- Portugal 7%

Imports of goods, as a % of total

- Germany 15%
- France 12%
- China 7%
- Italy 7%
- Netherlands 5%

+ STRENGTHS

- Reform measures (labour market, banking sector, insolvency, etc.)
- Improved competitiveness and strengthened export sectors
- Improvement in the financial position of companies
- High-quality infrastructures
- Significant tourism potential

- WEAKNESSES

- High levels of private and public debt, very negative net external position
- Duality of labour market, high level of structural unemployment
- Large number of relatively unproductive small companies
- Fragmented political landscape, unity of the country threatened by separatist movement in Catalonia

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.4	3.3	3.1	2.2
Inflation (yearly average, %)	-0.6	-0.3	2.0	1.3
Budget balance (% GDP) *	-5.3	-4.5	-3.1	-2.6
Current account balance (% GDP)	1.1	1.9	1.7	1.6
Public debt (% GDP)	99.4	99.0	98.4	96.6

(f): forecast

46.4
POPULATION
(millionsofpersons-2016)

26,565
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Gradual slowing in activity

Spain was again one of the most dynamic of the Eurozone countries in 2017 despite the threat of secession by Catalonia. Growth was driven both by internal and external demand. Household consumption, which grew at a slower rate than in 2016, remained strong thanks to the continued vitality of the jobs market. There is however likely to be a gradual slowing in the level of activity in 2018. The post-crisis recovery is gradually running out of steam. Consumption will increase less quickly, despite the low level of inflation, as the impact of the catching up by households with previously delayed consumer durable purchases begins to wane. Investments however are expected to continue growing and most notably among exporting companies but these could suffer as a result of increasing uncertainties and, specifically, political. The construction sector will remain on its positive track in a context of robust demand and rising prices. Exports will benefit in part from the vigour within the Eurozone economies but given the expected strengthening of the euro against the dollar, this will have an impact on the competitiveness of exports outside the EU as will the negative consequences arising with the slowdown in the United Kingdom.

Despite the relaxed financing conditions, the growth in credit will remain sluggish in a context of ongoing debt reduction within households and companies. The weak state of the credit market in a context of low interest rates will nevertheless continue to undermine the profitability of the banking sector even though its creditworthiness and the quality of its portfolios have improved. Following the adsorption of Banco Popular Español S.A. by Banco Santander for one symbolic euro when it failed the July 2016 stress tests, Spanish banks need to get ready in 2018 for a fresh round of banking stress tests based on a more stringent methodology (IRFS9).

Exiting from the excessive deficit procedure predicted in 2018

The public deficit will continue its slow contraction since 2016. The improvement in the public accounts can be attributed to an increase in revenues and a slight reduction in public spending (lowered social contribution, limited investments and lower interest costs). Unless there is a political consensus following the Catalan crisis making it possible to approve the 2018 budget, the 2017 budget agreed in May 2017 with the support of the Basque minority party, should be duplicated in 2018. There will be a slowdown in budget revenues but spending will continue to be held in check. The reduction in social transfers and the freeze on government employee wages in 2018 will allow for a small increase in public investments. The favourable debt ratio will help contribute to a reduction in the debt servicing burden. If the budget is applied as planned, the public deficit should fall below the 3% threshold in 2018 and allow Spain to terminate the excessive deficit procedure initiated in 2009.

Exporting companies have enhanced their competitiveness since the 2009 crisis thanks to reductions in their labour costs and the restoration of their profitability that has enabled them to win increased market shares. The solid rate of growth in the Eurozone is also expected to help sustain activity but the slowdown in the United Kingdom, Spain's fourth largest trading partner, could present a threat to those sectors exposed to UK demand, such as the automotive sector (11% of the sector's exports) and the production of capital goods. The low level of debt interest payments and the cost of energy should also help to maintain the current account surplus.

Risk of Catalan secession because of fragmented parliament

After two consecutive parliamentary elections, the Spanish political landscape was seriously fragmented. The Spanish government formed at the end of October 2016 and led by the conservative Mariano Rajoy has a fragile base. Mariano Rajoy was only able to win a confidence vote in parliament and to bring an end to Spain's longest governmental crisis thanks to abstentions by a number of socialist Deputies. The commencing of the Catalan crisis with the calling of what was deemed by the Madrid government of an illegal referendum by the Catalan separatists on 1st October 2017, could lead to a realignment of the polarisation of the political chessboard, with the nationalist parties adopting a united front. Following the "yes" vote and faced with the determination of the Catalan authorities under the leadership of Carles Puigdemont to declare independence, the region was placed under central government rule. The enacting of this exceptional provision in the Spanish constitution was followed by the calling of early regional elections, in which the central protagonists for independence, and despite being the subject of legal action, stood and obtained the majority again. This victory is likely to prolong the Catalan crisis, which in view of the results of the PP could occur at the national level. The agreement between the PP, PSOE and Ciudadanos on the Catalan question is not going to eradicate the dissensions within the Cortes (the Spanish parliament). With the government struggling to obtain a majority to approve the 2017 budget, it seems that the inflexibility of its position concerning the Catalan question will in future cost it the votes of Deputies in the small regional nationalist parties. Mariano Rajoy is no longer safe from a censure motion.

PAYMENT AND COLLECTION PRACTICES IN SPAIN

Payment

Bills of exchange are widely accepted for commercial transactions in Spain. In the event of defaults, they offer creditors certain safeguards, including access to special collection proceedings with instruments for negotiation under the civil procedures code (*juicio cambiario*). Bills of exchange which have been guaranteed by a bank can be somewhat difficult to obtain, but they do limit the risk of payment default by offering creditors recourse to the endorser of the bill of exchange.

Cheques are widely used for corporate transactions in Spain. They offer similar legal safeguards under the *juicio cambiario* in the event of default. The same is true of promissory notes (*pagaré*), which, like bills of exchange and cheques, are instruments enforceable by law. If unpaid, they are recorded in the registry of unpaid acceptances (RAI, *Registro de Aceptationes Impagadas*).

Attached to the Centre for Interbank Cooperation, the RAI is the country's most important registry. It records all commercial payment defaults of over EUR 300, thus allowing banks and other deposit institutions to verify a company's payment record before extending credit.

Electronic transfers via the SWIFT network, widely used by Spanish banks, are a fast, fairly reliable and cheap payment instrument, provided the purchaser orders payment in good faith. If the buyer fails to order a transfer, the legal recourse is to institute ordinary proceedings, or summary proceedings, based on the unpaid invoice. Banks in Spain have also been implementing SEPA standards for euro-denominated payments.

Debt collection

Unless there are special clauses included in the commercial contract, the applicable rate of interest is that applied by the European Central Bank in its most recent refinancing operation (performed prior to the first calendar day of the half year concerned), with an additional seven percentage points. The rate is published by the Finance Minister every six months, in the *Boletín Oficial del Estado*.

The statute of limitations for ordinary claims is five years, following the introduction of *Ley 42/2015* on the 5th October 2015.

Amicable phase

There are no formalities or conditions for the dispatch of a reminder to the debtor, but it is advisable to send a claim to the debtor first (a *burofax*, which is an official fax which has legal value). The creditor can obtain guarantees for the payment of the debt. Unless both parties reach an agreement, no interest or penalties can be charged for late payments at this stage.

Legal proceedings

If no settlement agreement is reached with the customer, the creditor can initiate a legal collection process, using civil procedure law (*ley de Enjuiciamento civil*).

Exchange proceedings

Exchange proceedings are used for claims based on bills of exchange, promissory notes and cheques. A judge of the first instance (*juzgado de primera instancia*) verifies that the 'exchange title' has been correctly implemented and then orders the debtor to make payment of both the principal amount and the late interests and costs, within ten days. The judge will also order a seizure for security (*embargo preventivo*) on the debtor's assets, equivalent to the outstanding amount. The debtor has ten days to dispute the ruling.

If there is no payment received or opposition within the prescribed time, the judge will order enforcement measures. If necessary, the judicial representative will carry out attachment.

When claims are contested, a court hearing is held to examine both parties' arguments and a judgement should be handed down within ten additional days. Although this is time frame that is prescribed under Spanish law, it is rarely adhered to by the courts.

Ordinary proceedings

In addition to the *juicio cambiario*, creditors unable to reach a payment settlement out of court can enforce their rights through a civil procedure (*juicio declarativo*). Civil procedures are divided into ordinary proceedings (*juicio ordinario*) for claims of over EUR 6,000 and oral proceedings (*juicio verbal*) – a more simplified system – for smaller claims. Both proceedings are initiated with a lawsuit served on the debtor, who is obliged to present their defence in front of the court.

The claimant is required to explain the facts of his claim and provide all supporting documents – either originals, or copies that have been certified by a public notary - on filing its initial petition. Prior to the investigation of the case, the judge will summon the parties during a first hearing (*audiencia previa*), using ordinary proceedings, to encourage a conciliation. If this is unsuccessful, the lawsuit will be pursued. The court can then order specific measures to clarify issues or facts that remain unclear, before passing judgment.

Monitory proceedings (Juicio monitorio)

For monetary, liquid and overdue claims, whatever the outstanding amount (previously limited to up to EUR 250,000), creditors can now benefit from a more flexible summary procedure. This process does not require the presence of a barrister, or solicitor. The filing of a *petición inicial*, prepared with a pre-printed form, is directly submitted to the judge of first instance (*juzgado de primera instancia*) where the debtor is located. After reviewing the supporting documents, the judge can order the debtor to pay within twenty days.

If the debtor does not respond, the judicial representative will inform the judge and request confirmation of the decision in favour of the initial request. The judicial representative then hands down a ruling confirming the conclusion of monitory proceedings, which is transmitted to the creditor. This allows the creditor to contact the Enforcement Office for the next phase. If the debtor disputes the ruling and provides motivated arguments for this within a written statement signed by a barrister and a solicitor, a full trial on the case will be instigated.

Enforcement of a legal decision

When all appeal venues have been exhausted, domestic court decisions become enforceable. If the debtor fails to satisfy the judgment within twenty days, the Court Clerk, upon request, can seek out the debtor's assets and seize them.

Decisions on foreign awards rendered by EU countries benefit from particularly advantageous enforcement conditions, such as EU Payment orders and the European Enforcement Order. Judgements rendered by non-EU countries are recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with Spain. If no such agreement is in place, Spanish exequatur proceedings will be followed.

Insolvency proceedings

Out-of-court proceedings

A debtor has the possibility of negotiating a formal refinancing agreement (*acuerdo de refinanciacion formal*) with his creditors. This agreement must be signed by the court. Within this agreement, the parties are free to write off as much of the debt as they deem necessary.

Restructuring proceedings

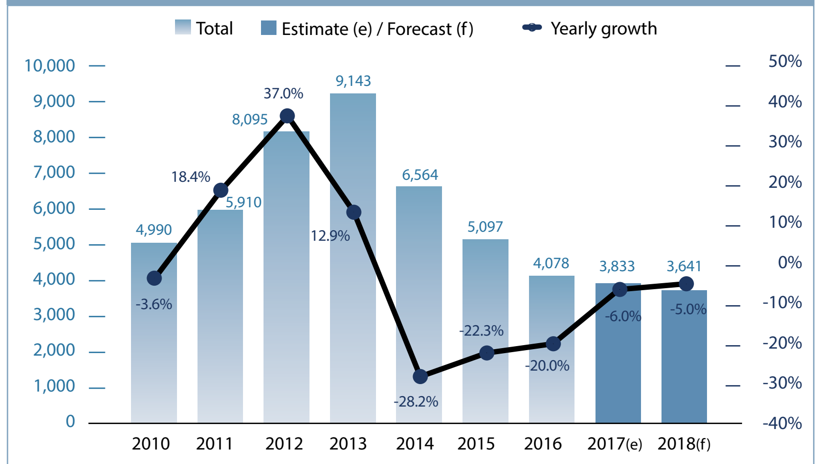
Restructuring proceedings are launched by filing a petition for an insolvency order. After examination of the petition, the judge makes an insolvency order. Creditors are expected to notify their claims within one month of publication of the insolvency order. The court appoints an insolvency manager, who examines the debtor's financial situation and establishes a report on its debts. If there is no opposition to the report, the insolvency manager submits the final version to the judge. The judge subsequently orders the commencement of the arrangement phase with its repayment schedule, viability plan and alternative proposals for repayment.

Liquidation

Liquidation in Spain aims to divide the company's assets once all of its obligations have been satisfied. During this phase, the company retains its legal persona. Liquidators are appointed to execute the process and they can also take over the function of administrative body and company representative.

The liquidator cannot redistribute the company's assets among its associates until all of its creditors have been paid and payment demands against the company have been settled. Aggrieved creditors can contest transactions that they believe may have taken place illegally during the allocation of the assets. These proceedings can last up to seven years.

NUMBER OF CORPORATE FAILURES



Source: National Statistics Institute Spain (INE), Coface

COFACE ASSESSMENTS

B COUNTRY RISK

B BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 28%
- Euro Area 19%
- United Kingdom 10%
- India 5%
- United Arab Emirates 2%

Imports of goods, as a % of total

- China 22%
- India 20%
- Euro Area 7%
- United Arab Emirates 6%
- Singapore 5%

+ STRENGTHS

- Diversified agricultural production (tea, rice, coconut, rubber)
- Strategic location at the centre of trade routes between Asia and the Middle East
- Indian, Chinese and Japanese interests
- Tourism in strong growth

- WEAKNESSES

- Vulnerability of agricultural production to climate disasters
- Low levels of capital public spending because of burden of debt servicing
- Vulnerability related to reliance on short-term external financing
- Lack of infrastructure

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.8	4.4	4.7	4.8
Inflation (yearly average, %)	2.2	4.0	6.0	5.0
Budget balance (% GDP)	-7.0	-5.4	-5.2	-4.7
Current account balance (% GDP)	-2.4	-2.4	-2.5	-2.3
Public debt (% GDP)	77.6	79.3	77.6	74.8

(f): forecast

21.3
POPULATION (millionsofpersons-2016)

3,789
GDP PER CAPITA (US dollars - 2016)

RISK ASSESSMENT

Growth should remain strong

Growth is expected to remain strong in 2018. A recovery is likely in the agricultural sector, which was heavily affected by the droughts and floods that hit the country in the first half of 2017. These episodes weighed on household consumption in 2017, as the shortage caused a temporary rise in inflation. This inflation is expected to slow down in 2018 against the backdrop of tighter monetary policy by the central bank in response to the gradual rise in key interest rates of the US Federal Reserve. Tourism should also benefit from better weather conditions.

The growth of the industrial sector is set to strong, stimulated by the reinstatement of the generalized system of preferences with the European Union (EU) since May 2017. This disappearance of tariffs for nearly 1,200 Sri Lankan products (including tea and other agricultural products, as well as various textile products) should greatly benefit the manufacturing sector, for which the EU is the largest export market. Uncertainties about Brexit conditions and its implications for UK growth, however, are expected to affect the sector, with the United Kingdom accounting for 30% of Sri Lanka's exports to the European Union. The construction sector, meanwhile, will be boosted by government support for infrastructure projects and the positive impact of the takeover of the Hambantoa port by the Chinese company CMPort in July 2017. This major investment project, combined with the government-led fiscal consolidation reforms under the auspices of the IMF and the relatively stable political climate, should reassure foreign investors and stimulate investment.

Public finances still fragile despite gradual improvement

Engaged in a process of fiscal consolidation with support from the IMF, the Sri Lankan government is continuing its efforts to reduce the deficit and debt. The priority of the reforms is to improve tax collection in particular. Foreign investments, such as those related to the Hambatoa port, make it possible to generate revenues that are then used to reduce the debt. Nevertheless, the large share of some hard-to-reduce positions, such as the salaries of civil servants (representing 25% of government expenditures), will prevent the government from reversing this trend in the immediate future.

In terms of external accounts, the current account balance is expected to remain in deficit in 2018, with remittances from expatriate workers and tourism revenue only partially offsetting the deficit in the trade balance. The latter should nevertheless be reduced, with an increase in exports, and a decrease in fossil energy imports linked to a lower demand for thermal energy. In addition, despite expected growth, FDI would remain low compared to neighbouring countries. As a result, the rupee is likely to remain under pressure.

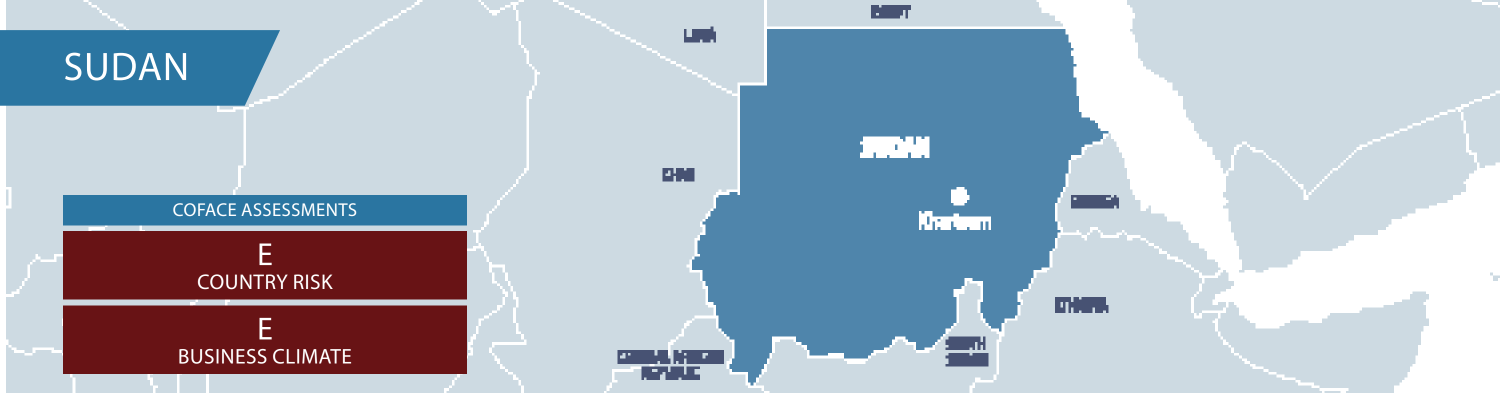
Relative political stability in the face of persisting destabilizing factors

Since the 2015 elections, the political stability of the country has seemed assured. However, there is considerable tension between President Maithripala Srisena (Freedom Party) and his prime minister, Ranil Wickremesinghe (United National Party), making their alliance fragile. Discussions on the constitutional reform project that was launched in March 2016 are therefore difficult, and the oncoming local elections in January 2018 - initially planned for mid-2017 – presents a factor of instability.

Furthermore, tension remains between the Buddhist majority and the Muslim minority (9% of the population) . In addition, Sri Lanka faces international pressure under the auspices of the United Nations Council, pending the government's recognition of human rights violations, and the adoption of recommendations to sustain reconciliation between the Tamils and Sinhalese.

Improving the business environment is one of the government's priorities, but accusations of favouritism and corruption are sometimes directed against leaders.

SUDAN



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United Arab Emirates 43%
- Saudi Arabia 19%
- Egypt 16%
- Macao 6%
- Euro Area 4%

Imports of goods, as a % of total

- Macao 50%
- United Arab Emirates 15%
- India 11%
- Egypt 10%
- Euro Area 10%

+ STRENGTHS

- Strategic position between the Middle East and West Africa
- Easing of sanctions imposed by the United States in 1997
- Relative stabilisation of diplomatic relations with South Sudan thanks to the oil agreement
- Adjustment efforts under the IMF monitoring programme

- WEAKNESSES

- Unsustainable external debt
- Lack of investment in infrastructure
- Significant business climate and governance shortcomings
- Continuing high levels of human and food insecurity
- High rates of unemployment (especially among young people) and poverty
- Less activity in South Sudan, which is reducing outlets for Sudanese products
- Claims for citizenship of South Sudan in the oil regions of the South and tensions in the Darfur region

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.9	3.0	3.6	3.8
Inflation (yearly average, %)	16.9	17.8	30.5	16.0
Budget balance (% GDP)	-1.9	-1.8	-2.5	-2.8
Current account balance (% GDP)	- 7.8	- 5.8	- 4.7	-4.2
Public debt (% GDP)	72.9	64.2	55.2	50.1

(f): forecast

39.6
POPULATION
(millionsofpersons-2016)

2,304
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Modest growth, dependent on agriculture and extractive industries

Since the shock triggered by the secession of South Sudan in 2011, efforts have been made to re-establish macro-economic stability and restore growth. Significant imbalances, linked to the loss of three quarters of oil exports following the secession (and the corresponding income), continue to limit growth prospects, as do the difficult business climate, the lack of exchange rate flexibility, over-indebtedness, armed ethnic conflicts, and the lack of integration in international trade.

2018 harvests are expected to remain at their usual level after recovering from torrential rains in 2016. These should contribute to a modest pick-up in growth, which is largely reliant on agriculture and the extractive industries, as well as on public spending. The slight upturn in the barrel price should enable modest oil-related GDP growth, triggered by a cut in energy subsidies.

Slower monetary expansion should reduce inflation in 2018, even though it will remain very high due to rising oil (of which the country is a net importer despite surplus crude oil production) and food prices.

The easing of US sanctions is likely to have a limited impact in the short term, but over the longer term could encourage economic diversification and growth through the resumption of international financial transactions, helping to alleviate the pressure on the banks, and to restore FDIs and technology transfers.

Twin deficits proving hard to eliminate

The fiscal deficit will remain stable thanks to the cut in energy subsidies, which will, however, continue in turn to dull internal demand. Despite the efforts made to contain current spending and boost tax receipts, which would enable infrastructure investment and greater redistribution, the public deficit remains at a level requiring central bank financing – a financing method which encourages inflation.

The public and external debt ratios are high, and most of the external debt is in arrears. Because of the quasi closing of access to international markets, Sudan has to resort to financing in the form of grants and concessional loans, and continues to work towards debt relief under the HIPC initiative. This should be made easier by the lifting of sanctions.

In 2018, the current account deficit will continue to improve because of the depreciation in the exchange rate, which will help reduce imports while boosting the growth of non-oil exports (livestock and sesame). International prices have boosted gold exports (which doubled in value in 2017) and oil exports. The easing of US sanctions should result in more trade partners in 2018, and also stimulate exports in general. However, foreign investment will not be enough to cover the deficit: substantial foreign aid is needed to avoid a fall in the foreign exchange reserves, which are already at very low levels (about six weeks of imports). Greater flexibility regarding the Sudanese pound, which is still considerably overvalued, will attract these investments.

A very difficult political context

Because of progress in the fight against terrorism and the management of internal conflicts, the United States has lifted almost all of the sanctions imposed in 1997. At the same time, the country has kept Sudan on its terrorism blacklist, and maintained sanctions relating to human rights violations in Darfur.

Coming to power after the coup d'état in 1989, President Omar al-Bashir is well placed to win the 2020 elections; the opposition remains fragmented and is too disorganised to present a credible alternative. In early 2017, the President reinstated the post of Prime Minister – a role that had been absent since the coup d'état – and formed a new government following a National Dialogue for «consensus». However, these demonstrations of a rebalancing in the distribution of power were not convincing in 2017, and social tensions persisted, fuelled by the regime's failure to stem rising prices and to ensure the distribution of basic necessities.

Although the shared economic challenges associated with the production and supply of oil has led Sudan and South Sudan to co-operate, armed conflict persists in the Sudanese regions of South Kordofan and Blue Nile: the people in these regions identify more strongly on an ethnic level with the people of South Sudan and are demanding to become part of the country. However, their demands face repression by the Khartoum regime, which wants to maintain control over the oil resources in said regions. In 2003, economic and social marginalisation of ethnic minorities led to the outbreak of conflict in the Darfur region, where the population also face repression by President Al-Bashir due to the presence of oil resources. Since 2016, unilateral ceasefire declarations by the Sudanese government have helped reduce national insecurity and the scale of population displacement linked to these conflicts.

SURINAME

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United Arab Emirates 33%
- Switzerland 30%
- Euro Area 14%
- Guyana 5%
- Trinidad & Tobago 5%

Imports of goods, as a % of total

- United States 26%
- Euro Area 20%
- Trinidad & Tobago 16%
- China 6%
- St. Lucia 4%

+ STRENGTHS

- Mineral resources and agricultural potential
- Financial support from international donors and foreign investors

- WEAKNESSES

- Dependence on oil, gold and aluminium
- Poorly diversified economy
- Size of the informal economy (30% of GDP) with casinos, gold mining and smuggling
- Difficulties with the management of public-sector companies
- Inadequate transport infrastructure (roads, ports)
- Difficult business climate; ineffective justice system

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-2.7	-10.5	-1.2	1.1
Inflation (yearly average, %)	6.9	55.5	22.3	9.3
Budget balance (% GDP)	-9.9	-7.1	-6.3	-4.9
Current account balance (% GDP)	-16.3	-2.8	9.4	6.1
Public debt (% GDP)	42.6	68.8	63.1	66.1

(f): forecast

0.6
POPULATION
(millionsofpersons-2016)

6,430
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

En route to recovery in 2018

In 2018, Suriname is expected to exit from three years of recession, which started with falling commodity prices and was then fuelled by the devaluation of the currency, hyperinflation, fiscal austerity, and high interest rates. Economic recovery will likely be supported by buoyant mining output and exports, in part due to the completion of significant investments in 2017. Output is set to be boosted by the opening of the Merian gold mine, the expansion of the Staatsolie oil refinery, as well as by the resumption of bauxite production. The moderate rise in commodity prices (gold, aluminium, oil) will also boost state revenues and FDIs in the energy and mining sectors. The construction sector will benefit from these new investments, especially after the discovery of new gold reserves close to the Gross Rosebel mine. In addition, exports (excluding commodities) will continue to benefit from the depreciation of the local currency, which increases their competitiveness.

Public investment is likely to remain modest, due to financing constraints and a fiscal consolidation policy. Austerity measures (higher taxes on fuel, gradual removal of subsidies on water and electricity) will contribute to the weakness of private consumption. In addition, inflation, although markedly declining, will remain high and put pressure on household purchasing power. A tighter monetary policy will help lower inflation as will the fading impact of the devaluation of the Suriname dollar on the price of imported goods.

Ongoing fiscal consolidation and current account surplus

Higher mining revenues, together with fiscal consolidation, will help to gradually reduce the fiscal deficit, mostly financed by international donors. Fiscal austerity, in place since 2016, comprises a freeze on civil service wages, the introduction of VAT at 10% in 2018, cuts in subsidies on water and electricity, and cuts in operating expenditure. This was written into a stand-by arrangement with the IMF, which has allowed the disbursement of USD 478 million over two years. In May 2017, the government cancelled this agreement, judging that it no longer needed IMF aid, while pursuing its reform programme. As a result, the deficit will be funded through international loans (specifically from the Inter-American Development Bank, the Caribbean Development Bank, and the World Bank), as well as by issuing debt on international markets. However, the country's fiscal position remains worrying – especially in the event of another depreciation of the local currency, which would put pressure on the substantial level of public debt, mostly denominated in foreign exchange. Moreover, the parliament has approved the creation, from 2018, of a sovereign wealth fund managed by the central bank to save mining revenues, in order to mitigate the future disappearance of this income source and the volatility of prices.

The current account surplus is expected to fall in 2018, but should still remain relatively high. It will mainly be supported by rising exports of gold and oil associated with increased production capacity. In addition, exports of non-oil products (rice, wood) will be more competitive due to the earlier depreciation of the local currency. Nevertheless, the trade surplus will likely fall as a result of more expensive imports. Monetary policy is expected to remain cautious, while the central bank's room for manoeuvre will continue to be limited by the weakness of the foreign exchange reserves (less than two months of imports). However, these are expected to increase thanks to the current account surplus and the removal in May 2016 of the United States currency peg.

A government which is losing popularity

President Désiré Bouterse, leader of the National Democratische Partij (NDP), is expected to pursue his reform programme so as to maintain the support of international donors, despite the large-scale protests in 2017 against austerity (especially the hike in electricity and water prices). Despite his growing unpopularity and his legal problems (resumption of proceedings for murder during the coup d'état in 1982), President Bouterse is expected to remain in post until his term of office ends in 2020. Internationally, President Bouterse's relations with the Netherlands and the United States will remain tense. Over the past five years, the former dictator is alleged to have secretly supported drug trafficking and money laundering.

Restricted access to credit, underdeveloped infrastructure, and a lack of skilled labour will continue to impact the business climate.

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Germany 11%
- Norway 10%
- United States 7%
- Denmark 7%
- Finland 7%

Imports of goods, as a % of total

- Germany 19%
- Netherlands 8%
- Norway 8%
- Denmark 8%
- China 6%

+ STRENGTHS

- Open, diversified and competitive economy
- Specialisation in high-tech products and the green economy
- Sound public finances
- Increasingly dynamic demographics

- WEAKNESSES

- Tensions on the real estate market
- Substantial household debt
- Highly concentrated banking sector

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	4.1	3.2	3.1	2.4
Inflation (yearly average, %)	0.7	1.1	1.8	1.6
Budget balance (% GDP)	0.2	1.1	0.9	0.7
Current account balance (% GDP)	4.7	4.5	3.9	3.7
Public debt (% GDP)	44.2	42.2	38.8	36.5

(f): forecast

10.0
POPULATION
(millionsofpersons-2016)

51,125
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth will be weaker in 2018, but still dynamic

The Swedish economy is expected to continue its dynamic growth path in 2018, albeit at a slower rate. Headline growth is set to be more in line with the economy's potential rate, which is estimated at around 2%, according to the OECD. As in 2017, the largest growth contributions will be delivered by private consumption and investment. Consumers' propensity to buy is boosted by growing employment, increased social transfers, low interest rates, and marginal tax cuts. Real disposable incomes will likely expand at a moderate pace, albeit slightly higher than in the previous years. Driven by a build-up in domestic demand, inflation is expected to stabilise close to the 2% target of the central bank (Riksbank).

Buoyant investment growth in 2017, driven by the upswing in residential investment since 2013, is expected to cool down, because of labour shortage and a lack of constructible land. Nevertheless, the construction sector will continue to fuel growth, while the risks of overheating in real estate activity are reducing. In 2018, government consumption will likely receive a slight boost from a more expansionary fiscal policy. In addition to higher transfers and some tax relief, there will likely be higher expenditures for public employees and for supporting improvements in the social and health sectors. Net exports should marginally support growth.

As a very competitive small and open economy, Sweden will be favoured by a better global macroeconomic environment. Given that global demand for investment goods picked up strongly in 2017, it should remain high in 2018 as well. Hence, Swedish exports are expected to grow by more than 4% again, although this will likely be offset by dynamic import growth. Growth contribution of net exports will therefore be positive, but low. In spite of robust growth, filed bankruptcies are expected to keep increasing, especially in the construction and retail sectors.

Sound public finances, large current account surplus, but high private debt

Despite a more expansionary fiscal stance in 2018, with an expected fiscal package of about SEK 40 billion (Swedish krona), the budget balance will remain in positive territory. Nevertheless, the surplus in structural budget will shrink slightly due to these discretionary measures. With the economy growing rapidly, and the general government sectors being a net lender for years, public gross debt is expected to continue shrinking. In 2017, the debt-to-GDP-ratio, which fell below 40% for the first time since 2012, will probably approach the 30% threshold.

The sustaining of the current account surplus is one clear indicator of the favourable competitiveness of the economy. To some extent, Swedish specialised exports are less dependent on fluctuations in the exchange rates: high quality goods such as machinery (roughly 14% of exports), cars and parts (13%) and electronics (7%) dominate the export basket. Risks from the upcoming Brexit are contained, since UK's share amounts to just 6% . The primary income, mostly thanks to investment income, contributes positively to the current account balance. The latter's surplus is expected to decrease slightly because of a somewhat weaker trade surplus.

One key risk for the Swedish economy is the high level in debt of private households. According to Riksbank's data, private debt-to-disposable income-ratio has risen fast: in mid-2017, it stood at almost 183%, with indebtedness growing faster than disposable incomes. A severe setback in property markets could therefore hamper the highly indebted private household sector, as well as the banking system. The Swedish banking sector is well capitalised but highly concentrated: the country's four major banks hold about 85% of deposits and loans. Approximately 85% of lending to households consists of mortgages, and almost half of lending to corporates goes to real estate-related operations.

General elections in September 2018

Sweden will probably be ruled by a left-green minority government until the next general elections (September 2018). Although the populist Swedish Democrats party is expected to perform better than in the last elections in 2014, they lost some support, as the refugee crisis has not been as acute as in 2015 and 2016. Therefore, the two biggest parties could win voters' support back, according to polls conducted in autumn 2017. Furthermore, the Swedish Democrats are quite isolated in the Swedish parliament, meaning that the upcoming Swedish government will likely proceed with an EU-friendly and consensus-based policy stance.

Sweden has one of the most friendly business environments in the world. It notably ranks tenth in the 2018 *Doing business* ranking.

PAYMENT AND COLLECTION PRACTICES IN SWEDEN

Payment

Bills of exchange and promissory notes are neither widely used nor recommended as they must meet a number of formal requirements in order to be considered as legally valid.

Just as the rules for issuing cheques have become more flexible, the sanctions for issuers of uncovered cheques have been relaxed over the years. The use of cheques has subsequently become almost non-existent.

Conversely, use of the SWIFT electronic network by Swedish banks provides a secure, efficient, and fairly cheap domestic and international fund-transfer service. Payments are dependent on the buyer's good faith. Sellers are advised to take great care to ensure that their bank account details are correct if they wish to receive timely payment.

Direct debits represent about ten percent of non-cash payments in Sweden and are quickly growing in popularity. There are two types of direct debit in Sweden: *Autogiro Foretag* (AGF) for B2B transactions and *Autogiro Privat* (AGP) for B2C payments. They can both be used for single or recurring payments.

Debt collection

Amicable phase

Amicable settlement aims to recover the debt without transferring the case into a trial procedure. The debtor is informed (either orally or via writing, with written correspondence being preferred) about the debt, the payment deadline and the consequences of not paying the debt. If debtor agrees to pay the debt, both parties may settle on instalment payments through an official document that sets out the contractual terms of the agreement.

Where there is no specific interest clause in the contract, the rate of interest applicable since 2002 is the six-monthly benchmark rate (*referensräntan*) of the Central Bank of Sweden (*Sveriges Riksbank*), plus eight percentage points.

Under the Swedish Interest Act (*räntelag*, 1975, last amended in 2013), interest on damages is awarded from the 30th day following the day on which the creditor addressed a written claim for damages to the defendant, if the plaintiff so requests. In any event, interest may be awarded from the date of service of the summons application.

Legal proceedings

Fast-track proceedings

Where claims meet some basic requirements (e.g. payment is overdue, mediation was attempted), creditors can obtain an injunction to pay (*Betalningsföreläggande*) via summary proceedings through the Enforcement Service. The application has to be made in writing and clearly express the grounds of the claim. No further proof needs to be submitted.

This Enforcement Authority (*Kronofogdemyndigheten*) orders the debtor to respond within a period ten days to two weeks. If the debtor fails to reply in time or acknowledge the debt, a verdict will be rendered on the merits of the original application.

While formal, this system offers a relatively straightforward and quick remedy in respect of undisputed claims, which has greatly freed up the courts. Creditors are not required to hire a lawyer but, in some circumstances, would be well advised to do so. On average, the process takes two months from application to decision. The decision is immediately enforceable.

Court proceedings

If the debtor contests the debt, the creditor has the decision of either turning to the District Court (the first instance, *Tingsrätten*) or to terminate the process.

Proceedings involve a preliminary hearing in which the judge attempts to help the parties reach a settlement after examining their case documents, evidence and arguments. It is up to the parties themselves to decide what evidence they wish to submit.

If the dispute remains unresolved, the proceedings continue with written submissions and oral arguments until the main hearing, where the emphasis is on counsels' pleadings (defence and prosecution) and examination of witnesses' testimonies.

In accordance with the principle of immediateness, the court bases its decision exclusively on the evidence presented at the trial. Barring exceptional circumstances, the judgement is customarily issued within two weeks thereafter.

As a general rule, the code of civil procedure requires the losing party to bear all legal costs considered reasonable, as well as the attorney fees incurred by the winning party beyond a given threshold claim amount (about SEK 22,250, approximately EUR 2,585).

It takes up to twelve months (in exceptional cases more) to obtain a writ of execution in first instance, bearing in mind that there is a widespread tendency in Sweden to appeal against judgements. However, the Government's target for 2013 is for 75% of the civil cases at district court level to be determined within seven months.

Enforcement of a legal decision

As soon as a domestic judgment becomes final, it is enforceable. If the debtor does not comply, comply, the creditor can request the court's enforcement authority to seize and sell the debtor's assets.

For awards rendered in a European Union member-state, special enforcement conditions are provided. When the claim is undisputed, the creditor may apply to the European Enforcement Order, or when the claim does not exceed EUR 2,000 EUR, the creditor may start a European Small Claim Procedure. For awards issued in non EU countries, the *Svea Hovrät* Court of Appeal must recognize an award in order to enforce it, provided that a recognition and enforcement agreement has been signed between the non-EU country and Sweden.

Insolvency proceedings

Out-of court

Swedish law does not formally regulate out-of court arrangements. Nevertheless, creditors and debtors can enter into voluntary negotiations in order to negotiate the debt and reach an agreement.

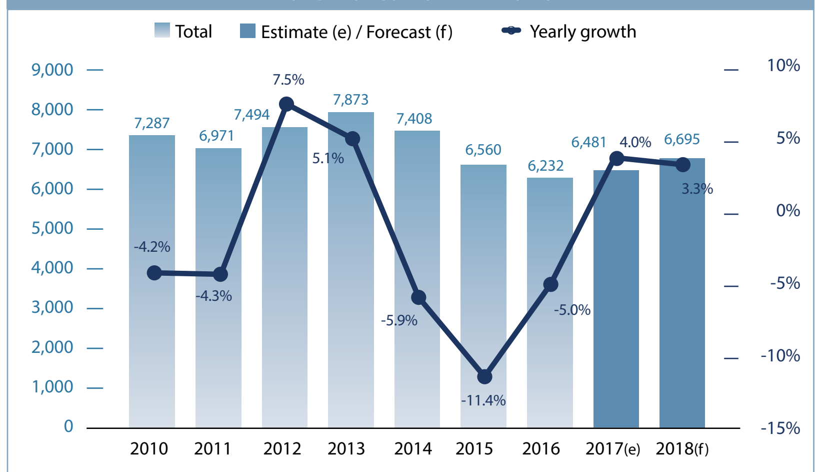
Restructuring

The aim of restructuring is to find a financial solution for an insolvent company that is deemed to have sustainable long-term business prospects. It can apply for a restructuring with the local court. If approved, the court will appoint a *rekonstruktör* to manage the restructuring. The latter will investigate the financial situation of the company, before establishing and implementing a restructuring plan under which up to 75% of the debt may be written off.

Bankruptcy

Proceedings are initiated as a consequence of a company becoming permanently insolvent. They aim to wind down an insolvent company by selling its assets and distributing any income to creditors. Either the debtor or the creditor can file a petition before the local court. After the court has declared a company bankrupt, it appoints an administrator that independently takes control over the company's assets with the main task of realising such assets and repaying the debts of the bankruptcy estate in accordance with the creditors' statutory ranking.

NUMBER OF CORPORATE FAILURES



Source: Statistics Sweden (SCB), Coface

COFACE ASSESSMENTS

A1
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 35%
- United States 12%
- United Kingdom 11%
- China 9%
- Hong Kong 6%

Imports of goods, as a % of total

- Euro Area 46%
- United States 9%
- United Kingdom 7%
- United Arab Emirates 6%
- China 5%

\+ STRENGTHS

- Stability and political, economic and social consensus, linked with direct democracy
- Close relations with the European Union, except for agriculture
- Balanced public accounts despite relatively low taxation
- Limited sensitivity of exports to exchange rates; high technology, quality
- Strength of external surpluses
- Low unemployment and diversified labour
- European crossroads with excellent communication network

\- WEAKNESSES

- Small, open and landlocked economy
- Overvalued Swiss franc seen as a safe-haven, sensitivity to global economy
- Level of dependence on commodity trade, financial services and the presence of multinational companies
- House prices and high level of household debt (almost 200% of disposable incomes)
- Presence of systemic banking establishments
- Ageing demographic offset by immigration (foreign labour makes up 30% of the workforce)

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.2	1.4	0.9	2.0
Inflation (yearly average, %)	-1.1	-0.4	0.3	0.5
Budget balance (% GDP)	0.1	0.3	0.3	0.3
Current account balance (% GDP)	11.4	9.5	9.8	10.0
Public debt (% GDP)	46.6	45.7	44.9	43.2

(f): forecast

8.3
POPULATION
(millionsofpersons-2016)

80,346
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Economy benefiting from European upturn and weakening franc

In 2017, the economy succeeded in adapting to the strong franc and achieved moderate growth. Thanks to productivity improvements and cost reductions, companies have largely restored their margins that had contracted as a result of the price cuts made to try and offset the appreciation of the Swiss franc following the lifting of the exchange ceiling by the Swiss National Bank (SNB) in January 2015. 2018 should see a sharp upturn. The business and consumer confidence indexes at the end of 2017 point towards this. Both domestic demand and foreign trade will contribute towards this. Despite the slow rate of growth in wages, the gradual improvement in the jobs market will help sustain household consumption. Investment is expected to rise, that by companies and households helping boost that by the Federation, the Cantons and Communes which is flagging. Thanks to the strong market outlook and with the production capacity utilisation rate in October 2017 reaching its highest level since 2012, there should be a strong upturn for equipment. Research and development, which also suffered following the appreciation of the Swiss franc, should also feel the benefits. To a lesser extent, cheap credit will also help boost construction, in particular residential. Exports are also likely to benefit from the positive movement in European, US and Asian economies, as well as from the drop in the real effective exchange rate since the second half of 2017. Pharmaceuticals (30% of exports) and engineering, not overly sensitive to prices, and thus to the franc, will remain strong. Machines, and industry in general (precision instruments, in particular medical, agri-food, electrical equipment, chemicals), financial services, commodity trading, tourism and transport are expected to perform better. The recovery will be less visible for watch making (11% of exports) which will again suffer with the slowdown in the Chinese economy. The outlook will remain difficult for retail trade, facing competition from foreign supermarkets in the border regions, and hotel and catering sectors, despite the gradual return of foreign customers, as well as for metallurgy, wood, paper, printing and clothing. Given these conditions, the number of company insolvencies, on the rise since 2014, should, at the least, stabilise, despite a rate of insolvency that will remain high in the construction, hotel, catering and retail sectors.

External accounts in surplus and accommodative monetary policy

There is a sizeable current account surplus. This consists of a surplus for goods (7.9% of GDP in 2016), as well as a surplus for services (2.9%) mainly generated by finance, licences and patents, exceeding the remittances of foreign workers (3.8%) which have increase significantly as the numbers of foreign workers have grown (in excess of 300,000). Even after removing the trade in commodities (3.9%), the surplus is still 4%. In addition, the recurrence of surpluses has enabled the creation of sizeable assets abroad to the extent that the net external credit position is equal to 130% of GDP.

In order to prevent any further appreciation in the franc, the SNB will have to continue its very flexible policies. Its key lending rate will continue to be negative (-0.75% in November 2017), as will the three-month LIBOR (range of -0.25 to -1.25%). However, the weakening on the franc should remove the need for the SNB to buy assets in foreign currencies, the balances of which are in excess of the GDP. The exposure of the banking system to property will continue at a high level as 80% of domestic lending is in this sector. The fact that only 45% of households are home-owners reveals how high the debt levels of borrowers must be. Households do however have assets that are equal to three times their debts and non-performing loans account for less than 3% of the total. In addition, the applicable prudential regulations have been and will be strengthened. Two establishments hold half of domestic assets within the sector, alongside Cantonal, cooperative and small private establishments. Whilst maintaining close external links, they have significantly reduced their balance sheets since the crisis with a focus on managing assets for third parties.

Solid public accounts

In compliance with the budget rule approved in 2003 by the Federation and replicated by most Cantons, a structural equilibrium has been enforced for the public accounts. In the event of significant worsening in local economic conditions, the Federal and Cantonal authorities, by a vote of the representative assemblies, would have significant expansionary budgetary discretion. The public debt is split equally between the Federation, on one hand, and the Cantons and Communes, on the other. The cost of this is very low with a zero or negative yield on bonds of 10 year or less (October 2017). Budgetary policy will remain uncontentious. The three parties on the right and centre-right (Democratic Union of the Centre, le Christian-Democratic People's Party and the FDP-Liberal Party) will dominate the Federal Assembly and the National Council (executive of 7 members with a rotating annual presidency) until the next elections scheduled for 2019. The Socialist Party has two seats on the Council. The major areas of debate will remain immigration, relations with the EU, as well as reforms to pensions and corporate taxation.

PAYMENT AND COLLECTION PRACTICES IN SWITZERLAND

Payments

Bills of exchange and cheques are not commonly used in Switzerland, due to prohibitive banking and tax charges. The stamp duty on bills of exchange is 0.75% of the principal amount for domestic bills and 1.5% for international bills.

Commercial operators are particularly demanding regarding the formal validity of cheques and bills of exchange as payment instruments.

Domestic and international payments are commonly made by bank transfer - particularly via the SWIFT electronic network to which the major Swiss banks are connected. SWIFT provides rapid and efficient means of processing of payments, at low cost.

Debt collection

The Swiss legal system presents technical specificities, notably:

- The existence of an administrative authority "Enforcement and Bankruptcy Office" (e.g. *Office des poursuites et des faillites / Betreibungs und Konkursamt / Ufficio di esecuzione e fallimenti*) in each canton, with several offices at local government level which are responsible for executing court orders. Their functions are regulated by federal law. Interested parties can consult or obtain extracts from the Office's records.
- A new, unified civil procedure code, created by a commission of experts and approved by the Federal Council, became effective in 2011. This code entailed the repeal of the 26 cantonal procedure laws which were hampering the efficiency of the judicial system. Nevertheless, lawsuits require the assistance of a lawyer who is familiar with the court organisation in the jurisdiction where the case is has been initiated, as well as with the language to be used in the litigation process (French, German or Italian).

Amicable phase

The debt collection process commences with the issuing of a final notice, preferably by recorded delivery (making it possible to accrue overdue interest). The notice requests the debtor to pay, within two weeks, the principal amount due, along with overdue interest calculated at the legal rate of 5% (unless otherwise agreed by the parties).

Legal proceedings

If payment is not forthcoming, the creditor can submit a signed and completed petition form (*réquisition de poursuite*) to the Enforcement and Bankruptcy Office. This Office then serves the debtor with a final order to pay within twenty days, effective from the date of notification of the petition.

While very easy to use by creditors, this procedure nonetheless permits debtors to oppose the order within ten days of being served, without having to specify grounds. In such cases, without unconditional proof of debt to cancel the debtor's opposition, the only recourse for creditors is to seek redress through a formal legal action.

Before commencing formal legal action, it is mandatory to proceed to mediation or conciliation before a Justice of Peace. This excludes disputes falling within the jurisdiction of the Commercial Court of Zurich, or cases where both parties have agreed to ignore these proceedings and the claim is higher than CHF 100,000.

Legal proceedings entail initiating a formal (and now unified) procedure, comprising written and oral phases, with the possibility of examining witnesses during a court hearing. These procedures can last from one to three years, depending on the canton.

Conversely, where a creditor holds unconditional proof of debt signed by the debtor (any original document in which the buyer recognises his debt – such as a bill of exchange or a cheque), he may request the temporary lifting of the debtor's opposition (*main levée de l'opposition*), without having to appear before the court. This is a simplified procedure, which is quick and relatively easy to obtain, and in which the court's decision is based upon the documents submitted by the seller.

Once this lifting order has been granted, the creditor has twenty days in which to refer the case before the judge to obtain the debt's release (*libération de dette*) and subsequently obtain an executory order.

Once the court hands down a final ruling, the Enforcement and Bankruptcy Office delivers an execution order or a winding-up petition (*commination de faillite*).

This winding-up petition enables the creditor to send the court a request for bankruptcy. Upon receipt of this request, the court will fix a hearing and send a written notice to attend to both parties.

If no payment is effected by the debtor and the creditor does not withdraw his request, the court will declare the debtor company bankrupt.

Either a court of first instance or a district court hears legal procedures. Commercial courts, presided over by a panel of professional and non-professional judges, exist in four Germanic cantons: Aargau, Berne, Saint-Gall, and Zürich.

Once an appeal has been lodged with the cantonal court, as a last resort for claims exceeding 30,000 Swiss francs (CHF), cases are heard by the main federal judicial institution - the Swiss Federal Court (*Tribunal fédéral Suisse / Schweizerisches Bundesgericht / Tribunale federale svizzero*), which is located in Lausanne.

Enforcement of a legal decision

Domestic judgments are enforceable once final. The court typically awards compensatory damages and orders to seize and sell assets. Punitive damages are not granted.

Switzerland's domestic courts rapidly enforce court decisions falling under the scope of bilateral or multilateral reciprocal recognition and enforcement treaties - such as those issued in EU countries or under the Lugano Convention (which concerns Norway, Denmark & Iceland). Decisions rendered outside Europe are obliged to follow Swiss exequatur proceedings.

Insolvency proceedings

Restructuring proceedings (Nachlassverfahren)

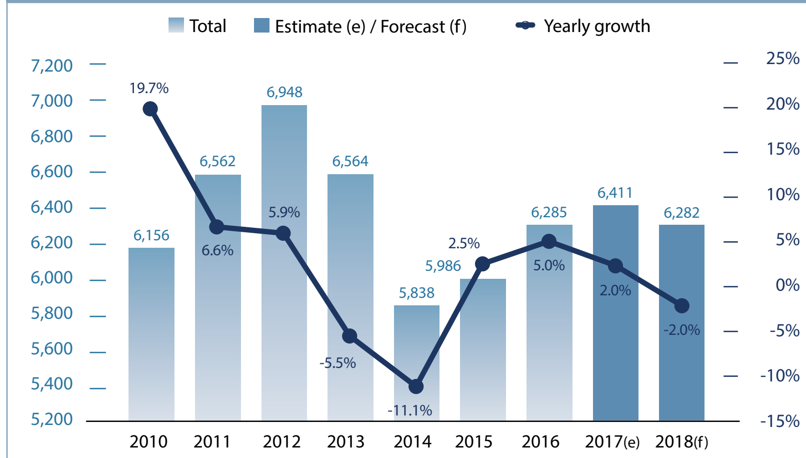
Restructuring proceedings can be initiated either by the debtor or the creditor. The administrator takes the necessary measures to prepare for the creditor and court approval of the composition agreement. An inventory is then taken, where all assets are valued. Approval of the agreement requires the affirmative vote of a quorum of either a majority of creditors representing two-thirds of the total debtors, or a quarter of the creditors representing three-quarters of the total debt. Once approved, the agreement must be confirmed by the Court. It then becomes valid and binding on all creditors of claims subject to the agreement.

Bankruptcy proceedings

A company may be declared bankrupt by the court and placed into bankruptcy proceedings if a creditor has successfully requested this, following a debtor's declaration that it is insolvent. The court will determine whether summary or ordinary proceedings should be applied, or whether bankruptcy proceedings will go ahead (if the assets are insufficient to cover the expected costs of proceedings). The Receiver then draws up an inventory. Summary proceedings are ordered if the proceeds of the assets are unlikely to cover the costs of ordinary proceedings. In this case, there are no creditors' meetings and the bankruptcy office will proceed to the liquidation and realisation of the assets, without the participation of the creditors.

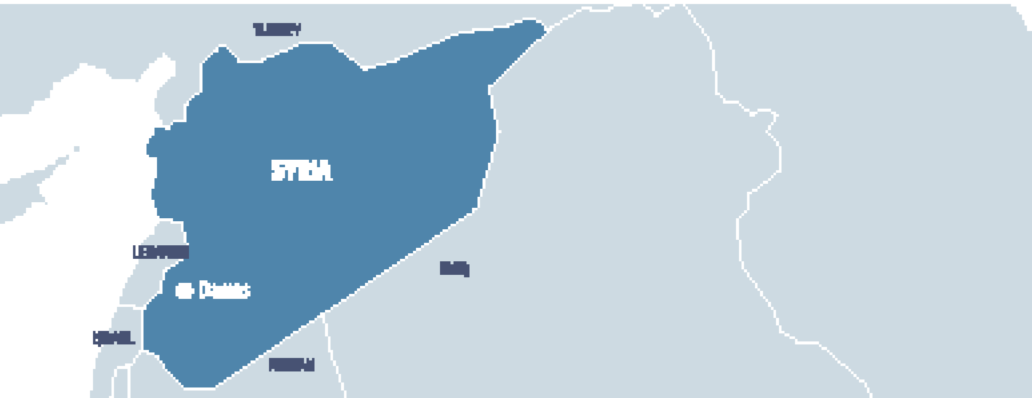
If ordinary bankruptcy proceedings apply, the receiver publishes a notice of bankruptcy instructing all creditors and debtors to file their claims and debts within 30 days. This notice invites creditors to a first meeting (where they may appoint a private receiver instead of the state bankruptcy office) and a creditors' committee. A second meeting will be convened for the commencement or continuation of claims against third parties and to agree the method for realisation of the assets belonging to the bankruptcy estate.

NUMBER OF CORPORATE FAILURES



Source: Swiss Economic Institute (KOF), Coface

SYRIA



COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Lebanon 34%
- Jordan 11%
- Iraq 11%
- China 9%
- Euro Area 9%

Imports of goods, as a % of total

- Russia 22%
- Turkey 20%
- China 11%
- Euro Area 8%
- Taiwan 4%

+ STRENGTHS

- Strategic geographical position
- Energy transit country
- Oil potential

- WEAKNESSES

- Civil war since 2011, 320,000 dead, destruction of many infrastructures
- Fragmentation of the territory between different groups of influence
- Oil production is reduced to nothing

18.6
POPULATION
(millionsofpersons-2016)

RISK ASSESSMENT

Relative calming of fighting and annihilation of the Islamic State (IS)

The Syrian conflict that crystallizes local, regional and international interests appears unlikely to end in the near future, with additional players entering the confrontation between the regime of President Bashar El Assad and Sunni opponents that has been ongoing since 2011. On the one hand, Saudi Arabia, Turkey, and the other Gulf Cooperation Council (GCC) member states – Sunnis – were the first supporters of the opposition. On the other hand, both Iran and Lebanese Hezbollah – Shiites – see the Alawite regime in Damascus as a regional ally to be preserved (Syria remains an important crossing point for weapons equipment sent from Tehran to Hezbollah). Russia, Hezbollah soldiers and the Pasdaran (Guardians of the Iranian Revolution) offer military and logistical support to the Syrian army, which is crucial to maintaining the regime. An international coalition, composed mainly of Western and Arab countries, was formed in 2014 with the main objective of curbing the expansion of Islamic State terrorist organisations and the Al-Nusra Front, close to al-Qaida. The United Nations estimates that half of the Syrian population has been displaced since April 2011, including 4.9 million refugees abroad and 6.3 million internally displaced people in Syria. The Syrian humanitarian crisis has spread to neighbouring countries (Lebanon, Jordan, Turkey), who now host the largest number of conflict-related refugees

After proclaiming the "caliphate" four years ago, the Islamic State group is currently in ruins in Syria. The last outbreak of fighting ended in late 2017 on the last two main fronts of the IS. In Raqqa, the self-proclaimed capital of the IS, the "caliphate" soldiers were defeated mainly by the Syrian Democratic Forces (SDF) – composed of mostly Kurdish soldiers – who were, supported by the aerial bombardments of the international coalition. In Deir-Ezzor, regime soldiers and their Iranian counterparts, supported by Russian bombing, won a strategic victory in September 2017 in an oil-rich region.

In 2018, there should be a decrease in the intensity of hostilities and an accentuation of territorial fragmentation. The Astana talks, which bring together the emissaries of the regime and those of the opponents at the initiative of Russia, Turkey, and Iran, should lead to the creation of so-called "de-escalation" zones. However, the IS would no longer be a major player in the conflict. In order to maintain their military bases in the country, the Russians will support the regime of President El Assad, who is likely to remain in power in 2018. The Turks, militarily involved in the conflict, will have the main objective of slowing down the progressive autonomy of Syrian Kurdistan along their border while preventing the Iranian stranglehold on the country and the Idlib zone. Israel bombed Hezbollah's strategic positions in Syria in 2017, seeing it as a threat and a vector of Iran's advance towards the Israeli-Syrian border. The Kurds will want to take advantage of the fall of the IS to build a state. Nevertheless, the reluctance of the Syrian, Iraqi, Turkish and Iranian states would make the process very long.

A chaotic economic situation

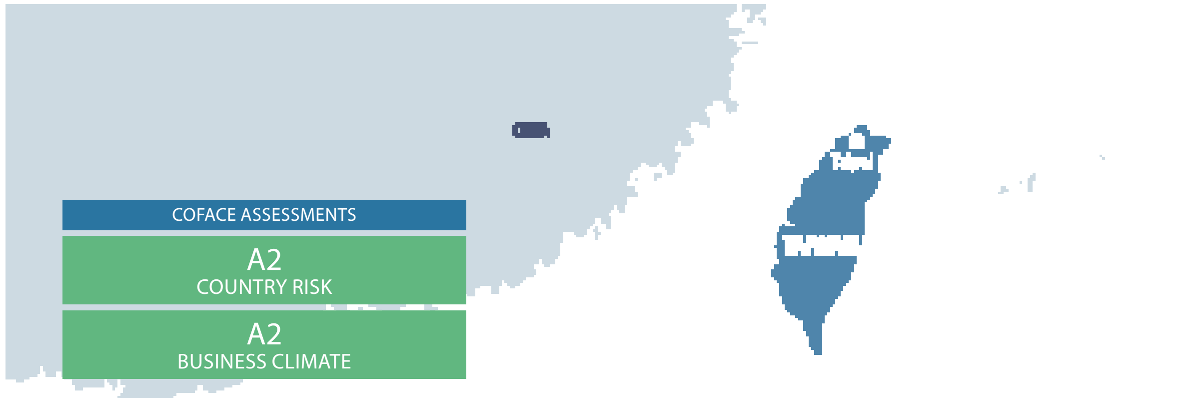
According to a World Bank estimate, the Syrian GDP has shrunk by nearly 63 percent in the 2010-2016 period. The decrease in the GDP is mainly due to the decline in oil production. Oil GDP fell drastically by 93%, while non-oil GDP fell by 53% due, in particular, to the destruction of infrastructure. Industries have been hit hard, physical damage is high, and economic sanctions make it impossible to export and access financing. The country remains fragmented between different areas of influence, and the continued fighting and bombing of the coalition and Russia continue to cause infrastructure destruction. Following the destruction of numerous houses, rent prices in safe areas rose by 500 to 1000%. Most electrical installations are no longer functional, and the first sources of electricity in conflict zones are car batteries. The majority of schools in the country have been destroyed, which will have a structural impact on human capital. Private investment, which accounted for 12% of the GDP in 2010, represents only 4%. Household consumption is strongly penalized by the downward trend of the Syrian pound, high inflation, and the low number of jobs. If the situation calms down in 2018, oil exploitation could resume, which would improve the country's catastrophic economic situation. The reconstruction effort, estimated at USD 200 billion, will be at the heart of the negotiations. The countries of the international coalition will condition their participation to take into account their concerns.

Deepening twin deficits

Public finances have steadily deteriorated with the intensification of the conflict. The public deficit would have reached 20% in 2015, and could continue to widen. Falling oil revenues and tax cuts resulted in a contraction in government revenues that would have accounted for less than 7% of the GDP in 2015. In addition, public spending has increased significantly under the weight of the increase in military spending. Public debt has become unsustainable, accounting for more than 150% of the GDP in 2015.

The current account balance also has a significant deficit. The rate of openness of the Syrian economy has been drastically reduced and exports have decreased by almost 93% between the beginning of the conflict and 2015. Oil revenues plummeted from USD 4.7 billion in 2011 to USD 0.14 billion in 2015. Exports of the mining sector are now non-existent, whereas they were worth USD 4.7 billion in 2010. Foreign exchange reserves have been depleted, from USD 20 billion in 2010 to less than USD 1 billion at the end of 2015, to fund the external deficit.

TAIWAN



COFACE ASSESSMENTS

A2
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 26%
- Hong Kong 14%
- United States 12%
- Japan 7%
- Singapore 6%

Imports of goods, as a % of total

- China 19%
- Japan 17%
- United States 12%
- Euro Area 8%
- South Korea 6%

+ STRENGTHS

- Resilient external financial position
- Support for R&D by public expenditure
- Consensus on democratic gains
- 4th largest electronics producer in the world

- WEAKNESSES

- Foreign trade very vulnerable to the economic situation in mainland China and the United States
- Massive relocations undermining industrial employment
- Lack of competitiveness of the service sector
- Behind in terms of infrastructure compared to other advanced Asian economies
- Increasing isolation on the international diplomatic scene

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	0.7	1.5	2.7	2.5
Inflation (yearly average, %)	-0.3	1.4	1.3	1.9
Budget balance (% GDP)	-1.8	-1.6	-0.7	-1.0
Current account balance (% GDP)	14.6	13.7	13.1	11.7
Public debt (% GDP)	36.8	36.5	36.0	36.0

(f): forecast

23.5
POPULATION
(millionsofpersons-2016)

22,497
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth restricted by the Chinese slowdown

Economic activity will remain restricted by the weakening of demand in the main Taiwanese export markets (mainland China and Hong Kong). Nevertheless, exports will continue to contribute to growth in 2018, thanks to positive growth in advanced economies. Profits will be concentrated in electronics (accounting for 40% of exports), machinery and the chemical industry. Moreover, although the break in official relations since June 2016 has not prevented the People's Republic of China from maintaining its rank as Taiwan's main trading partner, it has been detrimental to the service industries in view of the ban on touristic travels organised for those hailing from mainland China. In addition, while public investment will increase slightly, the deterioration of the Chinese economic situation and the breakdown of relations will weigh on private investment, both domestic and foreign, because of the lower performance of exporting companies and decreased confidence. On the other hand, although stimulated by the depreciation of the New Taiwan dollar against the US dollar, inflation will be limited by modest growth in household consumption in 2018. In fact, despite the low levels of unemployment, the virtual stagnation of wages could undermine consumer confidence and lead to reduced spending. Although the probable raising of the minimum wage and the construction of social housing may help upgrade the purchasing power of the lower economic classes, given the concentration of disposable income growth in the affluent classes, demand will be particularly strong for the luxury sectors (fashion, cosmetics and electronics).

Its financial situation will remain strong

The implementation of the national infrastructure development plan (centred on the modernisation of the railway network, water distribution, the development of renewable energies, urban areas and innovation), started in 2017 and with expected completion in 2025, will slightly inflate public spending. On the other hand, the government will increase business and dividend taxes, and lower the income threshold from which the maximum tax rate applies. Despite these measures, the public deficit, albeit small, is expected to widen slightly. However, the public debt will remain at a moderate level, especially since it is almost entirely denominated in New Taiwan dollar and held by domestic investors. Moreover, the high level of private foreign debt (around 30% of GDP), which contracted notably in the context of financing trade, does not compromise the stability of the island's external position, because with a net external position representing 180% of its GDP, it is one of the world's leading creditors. In addition, it has substantial foreign exchange reserves (which are expected to represent more than 21 months of imports in 2018). The current account surplus is expected to decline due to the deterioration of the trade terms and weak Chinese demand, but it will remain at a high level. This is mainly thanks to a strong trade surplus but also a positive balance of services.

The challenge of broken dialogue with mainland China

The 2016 parliamentary and presidential elections brought the opposition party, the Progressive Democratic Party (DPP), and President Tsai Ing-wen to power. While the Kuomintang and the previous president favoured a policy focused on rapprochement with mainland China, the DPP has a harder position and refuses to adhere to the "1992 consensus" that drove relations between the two sides of the Taiwan Strait in addition to recognising the "one China" principle. This policy will remain unchanged, and official relations broken. In fact, most Taiwanese remain against any plans for reunification with the Beijing regime and are increasingly suspicious of the existence of a relationship of economic dependence. In this context, and despite the pressure exerted by Beijing to isolate Taipei diplomatically, the president seeks to boost diplomatic relations with countries that still recognize Taiwan as a sovereign country. It also intends to integrate the island into regional and global trade beyond the free trade agreements concluded in 2013 with Singapore and New Zealand, including discussions to integrate the Trans-Pacific Partnership. Moreover, the president, whose popularity has waned due to disappointing economic performances, is nevertheless preparing for the 2020 electoral campaign: she pushed for the resignation of her prime minister at the end of 2017, hoping that a new government could revive popular consent.

TAJIKISTAN

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Turkey 27%
- Russia 18%
- China 14%
- Switzerland 9%
- Euro Area 7%

Imports of goods, as a % of total

- Russia 35%
- Kazakhstan 18%
- China 10%
- Euro Area 7%
- Uzbekistan 5%

+ STRENGTHS

- Significant hydroelectric potential
- Wealth of raw materials (minerals, aluminium, cotton)
- Financial support from international donors, including China

- WEAKNESSES

- Fragility of the banking system
- Low level of foreign exchange reserves
- Dependence on remittances from expatriate workers
- Islamist terrorist risk against a backdrop of poverty and scarcity of jobs
- Neighbour of Afghanistan

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.0	6.9	5.0	4.0
Inflation (yearly average, %)	5.8	5.9	9.0	8.0
Budget balance (% GDP)	-1.9	-10.6	-6.5	-6.5
Current account balance (% GDP)	-6.0	-3.8	-3.5	-4.5
Public debt (% GDP)	34.1	35.3	48.5	56.0

(f): forecast

8.7
POPULATION
(millionsofpersons-2016)

800
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth is below potential and depends on public investment

After a marked slowdown in 2017 (although probably earlier, this was not reflected in the official figures), the Tajik economy is expected to decelerate further in 2018 as a result of fiscal consolidation and a decline in credit. Pace of growth will therefore remain relatively weak compared to past performance (growth often above 7% after 2011) and the objectives that have been set (8.8% in the National Development Plan for 2030).

While the recovery in Russia provides support for household consumption through remittances from expatriate workers, which represent about one third of GDP, non-membership of the Eurasian Economic Union will continue to limit the movement of Tajik workers into Russia. Since the growth of the services sector is hampered by the measured pace of household consumption, growth, which is dependent on public investment, will tend to be driven by the construction sector, and projects such as the construction of the Rogun hydroelectric plant.

However, bank weaknesses will curb both private investment and the financing capacity of the government, which had to support the recapitalisation of four banks in 2016 at an estimated cost of 7% of GDP. Restructuring the banking sector will be a key factor in Tajikistan's return to its potential growth rate, with credit supply being hit by the high ratio of non-performing loans – which has doubled since 2014 to reach almost 50% in late 2016 – and with demand for credit adversely affected by the numerous moves to tighten monetary policy in order to control inflation. While labour market tensions have eased slightly, inflation is nonetheless likely to be fuelled by more expensive imports following the somoni's devaluation against the dollar.

Budget fragility and external weakness

The government is expected to continue the fiscal consolidation begun in 2017, the goal of which was to improve the sustainability of public debt, which was damaged by both the substantial effort made to recapitalise the banking system, and by the inaugural USD 500 million international bond issue (7% of GDP) at a rate just over 7% so as to finance the Roghun complex. In 2018, despite the inefficient tax system, the slight rebound in activity should encourage higher tax revenues in addition to the controls on investment spending. However, public debt will remain exposed to the state's contingent liabilities, to exchange rate risk (as evidenced by the effect of devaluation on its weight in the past two years), and additional bank sector recapitalisation costs.

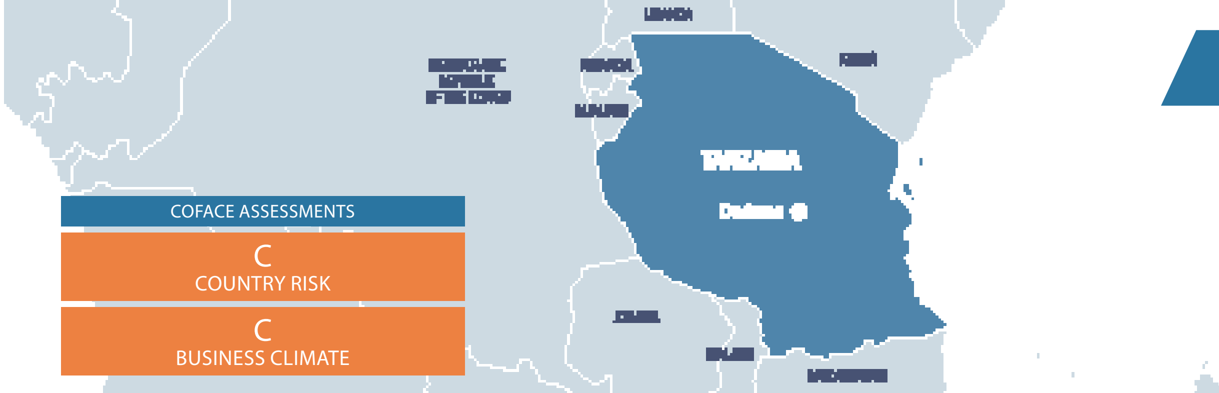
The considerable reliance on imports and weak export diversification will foster a substantial current account deficit, despite an increase in remittances from expatriate workers, the very moderate rebound in the prices of some commodities – particularly aluminium and cotton, which respectively account for 23% and 15% of exports – as well as the economic recovery in Russia (20% of exports), which both add a volume effect to the price effect. Exchange rate pressures remain, despite the somoni's sharp depreciation against the dollar in 2016 and early 2017, making the country vulnerable to external shocks. Capital control measures, including notably the obligation to deposit a proportion of remittances in roubles, is evidence of the special attention given by the central bank (NBT) to exchange rates in view of the high dollarisation of the economy (70% of loans are denominated in foreign currency). Low levels of foreign exchange reserves, which are struggling to stabilise at around three months of imports, leave the NBT little leeway to support its own currency.

Domestic and imported political and social fragility

Elected to the presidency for a fourth consecutive term in November 2013, Emomali Rahmon won popular support in a referendum in May 2016 to stay on as Head of State indefinitely. While his country is a significant supplier of jihadists, the president is stepping up measures aimed at combatting the radicalisation of the Muslim population, such as the restrictions on clothing. However, together with weak performance in the fight against corruption and drug trafficking, the high poverty rate (30% of the population live below the poverty threshold) continues to fuel social frustration and foster the development of jihadist groups.

With regard to external relations, tensions with Uzbekistan are easing, with the first direct flight between the two countries since 1992 taking place in February 2017, as part of the continuing easing of Uzbek opposition to the construction of the Roghun dam because of its supposed impact on its cotton fields' irrigation system. In contrast, problems with Kyrgyzstan regularly surface over borders, the sharing of water resources, and transport between the two countries. Likewise, the presence of the Taliban in northern Afghanistan is threatening the security of the border populations, even though the presence of the Russian army and US aid should prevent the conflict spilling into Tajikistan. Relations with China are deepening thanks to the completion of public infrastructure projects and to China's financial investment.

TANZANIA



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 15%
- India 14%
- South Africa 12%
- Euro Area 11%
- China 7%

Imports of goods, as a % of total

- China 21%
- India 18%
- Euro Area 8%
- United Arab Emirates 7%
- South Africa 6%

+ STRENGTHS

- Rich in mineral resources (gold, copper)
- Gas potential thanks to offshore reserves discovered in 2010
- Tourism potential (national parks, coastline)
- Regional co-operation strategy
- International support in form of concessional loans
- Development of monetary policy instruments

- WEAKNESSES

- Heavy reliance on gold price
- Dependent on the agricultural sector (21% of GDP and 65% of jobs) and on weather conditions
- Inadequate infrastructure, especially in the electricity and transport sectors
- Inconsistent industrial policy and business climate shortcomings
- Religious tensions between Zanzibar and the mainland

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	7.0	6.9	6.0	6.4
Inflation (yearly average, %)	5.6	5.2	5.4	5.0
Budget balance (% GDP) *	-3.3	-3.1	-3.4	-4.3
Current account balance (% GDP) *	-8.5	-5.6	-5.6	-6.5
Public debt (% GDP)	36.7	37.2	37.4	38.3

*2018 fiscal year: July 2017 to June 2018 (f): forecast

48.6
POPULATION
(millionsofpersons-2016)

980
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Sustained growth exposed to a business climate under pressure

Growth is expected to remain firm in 2018, stimulated by public infrastructure investment. Among the construction sites launched by the government under its industrialisation policy is the Tanzania-Uganda oil pipeline project, as well as the modernisation of the corridor railway project connecting the port of Dar-es-Salaam to neighbouring countries (Burundi, Zambia and DRC). However, progress on the work remains subject to obtaining adequate financing, so some delays are to be expected. Accordingly, work at Bagamoyo port has been temporarily halted after the Tanzanian government withdrew from the project, having failed to secure the finance needed to compensate landowners. The project is expected to continue with finance from China. Meanwhile, growth is likely to be constrained by sluggish activity in the mining sector, hit by new legal provisions curtailing profits. Specifically, in March 2017, the government introduced a ban on exporting raw copper and gold so as to favour the still-underdeveloped local processing industry. This measure comes on top of a new law on the mining sector, allowing the government to renegotiate contracts with mining and energy companies at any time, giving it a share of 16% in any project and making it impossible to access international arbitration. This new legal framework, as well as the still unresolved dispute with Acacia Mining (which was slapped with a USD 300-million fine for breaching the ban on exporting unrefined ores) is likely to put considerable pressure on mining production and investments in the sector. Nonetheless, foreign direct investments are expected to remain significant, focused on infrastructure projects and gas resources. Moreover, tourism is expected to continue to expand. Agriculture (21% of GDP) should benefit from credit growth, a consequence of monetary easing. Household consumption and retail trade are also likely to benefit. Consumption will also benefit from lower inflation thanks to lower food prices due to better harvests. Finally, net exports will make a negative contribution to growth because of demand for goods and capital imported to fuel the growth in private consumption and investments.

Growing fiscal and current account deficits

Finance for infrastructure projects plus the loss in income owing to lower mining output is putting pressure on the State budget, so increasing the deficit. Reforms are underway to improve tax collection (especially corporate tax) and boost receipts, which represent only 13% of GDP. Infrastructure-related spending is financed through external loans, divided equally between concessional and non-concessional, as well as by borrowing from domestic banks. However, the lack of a credit rating from the main credit rating agencies (to November 2017) limits access to the financial markets. Despite public debt mostly being external (78% in 2016/2017), risk remains low as it is made up primarily of multilateral loans at low rates.

From the perspective of the current account, the deficit is structurally high, with the country importing twice as much as it exports. Higher imports associated with infrastructure projects and the fall in mining exports are likely to increase the trade deficit. The balance of services is, in contrast, expected to show a surplus thanks to the growth in tourism revenues. The current account deficit is financed by FDIs (4.2% of GDP), loans and grants. Significant flows of FDIs are expected to mitigate the downward pressures on the shilling, whose depreciation should remain fairly moderate.

Political stability at the cost of suppressing all opposition

The traditional party of independence, Chama Cha Mapinduzi (CCM), victorious in the 2015 presidential and parliamentary elections, is strengthening its grip on the country. Under President John Magufuli, new laws have been adopted to silence opposition, including that expressed on social media. Those critical of the government's actions from civil society and the main opposition party, Chadema, have been arrested (over 400 Chadema members arrested since the 2015 elections), with the courts interpreting the concept of "threat to national security" very broadly. A degree of uncertainty is however coming from factional struggles within the CCM, between supporters of John Magufuli and those contesting his hegemony. On the semi-autonomous Island of Zanzibar, the opposition party Chadema has much more weight, which it is using to keep up the pressure on local CCM representatives. The latter is, however, very likely to stay in power after the 2020 elections, with voters generally attracted by his anti-corruption policy targeting the large corporations. A continuity of policies detrimental to investors is therefore to be anticipated, constraining the business climate (country down from 132nd place to 137th place in the 2018 Doing Business rankings). Finally the anti-corruption policy is expected to be pursued more vigorously after significant progress already made in 2016 and 2017.

COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

United States	11%
China	11%
Japan	10%
Euro Area	7%
Hong Kong	5%

Imports of goods, as a % of total

China	22%
Japan	16%
Euro Area	7%
United States	6%
Malaysia	6%

+ STRENGTHS

- Diversified and efficient production in fisheries, agriculture (40% of world production of natural rubber), industry (automobile, electronics, agri-foods) and services
- Regional crossroads open to its dynamic neighbours
- Strong external accounts
- Diverse exports: tourism, agri-food products (rubber, seafood, rice, cane sugar, fruits), electronic components, computers and organic chemistry
- High savings rate

- WEAKNESSES

- Uncertain political situation and antagonism between rural and urban areas
- Inadequate infrastructures
- Ageing population and shortages of skilled labour
- Mid-range positioning and lack of innovation
- Enduring links between private sector and political milieus (corruption), underground economy
- High level of household debt (79% of GDP)

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.9	3.2	3.5	3.5
Inflation (yearly average, %)	-0.9	0.2	0.6	1.2
Budget balance (% GDP)*	0.1	0.6	-1.4	-1.7
Current account balance (% GDP)	8.1	11.5	9.5	7.5
Public debt (% GDP)	42.7	42.5	42.0	42.0

* 2018 fiscal year: 1st October 2017 to 30 September 2018 (f): forecast

69.0
POPULATION
(millionsofpersons-2016)

5,902
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Steady and moderate growth in 2018

The National Strategic Plan (2017-2036) places the emphasis on competitiveness through the development of rail, road, airport, and electricity infrastructures. Although the government hopes to attract foreign investors – for the Eastern Economic Corridor in particular –the big public investments in 2018 will likely rely solely on the state. Private investment, whether national or foreign, is likely to remain cautious. Exports of goods and services (71% of GDP) are set to perform well, with the slowdown in China being offset by the economic upturn in other markets.. The automobile sector is set to continue as the second biggest exporting sector, behind tourism.

The contribution of trade to growth is expected to remain slightly positive, despite the increase in imports of capital goods, intermediate products, and raw materials associated with the dynamism of public investment and industrial exports. Household consumption (half of GDP) should remain strong, reflecting the levels of real disposable income, and despite high indebtedness. Slightly higher inflation will likely be counterbalanced by the favourable impact on pay of strong employment and activity in most sectors. In addition, households are also set to continue benefitting from a relaxed budget policy with, specifically, the maintenance of VAT at 7% instead of 10%, at least until the 30th September 2018. Finally, the central bank is expected to hold its key lending rate at 1.5%. In terms of supply, services (55% of GDP), such as hotels, catering, transports, and telecommunications, will benefit from growing numbers of foreign visitors, and agriculture (10% of GDP and 30% of jobs) from growth in external markets. The construction sector will likely gain from the launch of large-scale transport infrastructure projects, although the situation will be more mixed for industry.

Resilient financial situation

Vigorous public investment, and, more generally, the accommodating budget policy in the run-up to an eventual election, is likely to lead to a slight increase in the public deficit. There is, however, room for manoeuvre, as tax revenues only amount to 18% of GDP. Public debt, more than 95% held by residents, will remain well below the 60% ceiling defined in the Constitution.

In external terms, the decline in the goods and services surplus (10% of GDP in 2017), caused by increasing imports, will impact on the current account surplus – although this will still remain substantial, as the former will continue to largely exceed the income deficit arising from the repatriation of dividends. Thai investments in other countries (ASEAN, USA and Europe) – both portfolio and direct – in hotels, retail, agri-foods, chemicals, and finance, exceed foreign investments into the country. However the surplus on the balance of payments will probably be large enough to supplement the currency reserves, which amount to approximately ten months of imports, and are greater than the external debt (31% of GDP), which is mainly supported by the private sector. The Thai baht is expected to hold steady against the dollar.

Elections delayed by the military

Since the May 2014 coup d'état, the nineteenth since democracy was adopted in 1932, General Prayuth Chan-o-cha, Commander-in-Chief of the armed forces, heads the National Council for Peace and Order (the junta) and, as Prime Minister, an interim government consisting of a 35 member cabinet, a legislative assembly of 200 members, and a Reform Council of 250 members, dominated by the military. The adoption of a new Constitution in a referendum (61% of votes in favour) in August 2016 and its ratification in July 2017 by the new King Maha Vajiralongkorn could lead to parliamentary elections at the end of 2018 or in 2019, but not before the passing of ten organic laws. The new Constitution (twentieth since 1932) reduces the role of universal suffrage in the appointment of the Prime Minister. The Prime Minister will be appointed by an Assembly consisting of 500 elected members and a Senate of 250 members appointed by the military. He is then required to apply the National Strategic Plan which, in addition to improving infrastructures, includes strengthened security, the promotion of social equality, the development of human resources and those of the public sector. Royal powers have been increased – an illustration of the cooperation there is between the military and the king, who succeeded his father, Bhumibol Adulyadej, following a reign of over 70 years. Today, the king is a symbol of continuity and stability in a country that has lived through a large number of coups d'état. With the possible approach of elections, conflict – often used as a pretext by the army to intervene – between, on one side, (the "red shirts" (the rural population of the north, students and workers) and the "yellow shirts" (the royalists, nationalists and urban bourgeoisie of the south) could once again be ignited. The former are represented by the populist Pheu Thai Party, winner of all elections since 2001 and led in turn by the former Prime Ministers, Thaksin and Yingluck Shinawatra, brother and sister, removed in 2006 and 2014 and exiled to escape punishment. The latter are represented by the Democrat Party, conservative and liberal, generally unable to constitute a majority to form a government, but quick to foster street demonstrations in the capital.

PAYMENT AND COLLECTION PRACTICES IN THAILAND

Payment

Credit transfer is the main form of payment used by large companies in Thailand. The majority of credit transfers are made electronically and the popularity of this payment method is growing as clearing systems have become more developed.

Cheques are still a popular form of cashless payment in terms of value. They are used by companies and consumers to make a wide range of payments. Post-dated cheques are a common mean of short-term credit.

Nevertheless, cash remains the dominant payment method in Thailand.

Debt collection

Amicable phase

According to the 2015 debt collection Act B.E. 2558 (A.D. 2015), the debtor is an individual person or personal guarantor. The Act was created to regulate collection activities carried out by creditors, or by collection agencies in cases of consumer debt. Commercial debt collection houses are also expected to follow the practices set out within the Act. For example, during the amicable phase, creditors can only communicate with the debtor or other persons as authorised by debtor. Creditors or collection agencies are also limited to identifying themselves with the details of debt to the debtor.

Legal proceedings

Thailand's Judicial Court System comprises three levels:

- The Supreme Court. This is the highest court authority in the country. All of its decisions are final and must be executed. It hears appeals and contests against decisions made by the Courts of Appeal, Regional Courts of Appeals and Courts of First Instance.
- Courts of Appeal. These are divided into Courts of Appeal and Regional Courts of Appeal. Both handle appeals against the decisions or orders made by the lower courts.
- Courts of First Instance. These lower courts comprise the courts in Bangkok, courts in provinces, specialised courts and juvenile and family courts.

A preliminary stage of legal action can be conducted if there is failure to reach an amicable settlement with the debtor. This phase includes communications, negotiations, meetings with debtors, letters of demand and notifying the police in cases where there is a criminal penalty.

<u>Ordinary proceedings</u>

If the debtor fails to comply with demand notices, the creditor can file a claim with the Court, depending on the value of the debt:

- If the debt does not exceed THB 300,000 (Thai baht), the complaint must be lodged at the District or Provincial Court
- If the debt exceeds THB 300,000, the complaint must be filed at the Civil or Provincial Court.

Court policy is to screen unnecessary cases from court trial. Most Civil Courts have mediation centres for parties to negotiate and compromise on an arrangement. Once a case has been decided amicably, a compromise agreement is prepared and the court passes judgment in accordance. Each of the parties is responsible for documenting evidence and the burden of proof associated with their case. A judgement is made once the court has considered and weighed the evidence presented by both parties.

The time frame for proceedings with the Court of First Instance can take between one to three years.

Enforcement of a legal decision

If the debtor fails to comply with a domestic judgment, the creditor is entitled to apply for the execution of the judgment before the court. This can involve the issuance of an execution decree, delivery of an execution decree to the debtor, issuance of a writ of execution and the seizure and sale of property belonging to the debtor.

Thailand has no reciprocal recognition and enforcement agreements with other countries. Enforcing foreign judgments requires new legal proceedings, where the evidence will be considered and legal defence made available to both parties.

One exception is that Thailand is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1985). International arbitration awards by member countries of the Convention can be enforced if they are already final.

Insolvency proceedings

Thailand has legislation on bankruptcy and reorganisation proceedings (Bankruptcy Act B.E 2483).

Reorganisation Proceedings

<u>1. Limited Companies, Public Limited Companies and Financial Institutions (Large Enterprises)</u>

A petition can be filed against an insolvent corporate debtor who owes one or more creditors a known sum of THB 10 million (USD 333,000) or more. Once the court has accepted the petition for further proceedings, it appoints a planner to prepare and submit a reorganisation plan to the official receiver within three months. The court may extend this period up to a maximum of two times, for one month from the publication date of the court order appointing the planner. Secured and unsecured creditors must then apply for payment of debts within one month from the date of publication of the order for appointment of the planner.

Once the official receiver is in possession of the reorganisation plan, he will convene a meeting with the creditors to consider the proposal. If it is accepted, the court needs to approve it and confirm the appointment of the plan's administrator. The latter is then responsible for the debtor company's reorganisation, as set out within the plan.

<u>2. SMEs registered with the Office of SME Promotions or other government agencies for conducting business</u>

Petition can be filed against:

- insolvent individuals who owe one or more creditors a known sum of THB million Baht or more;
- insolvent limited partnerships, registered partnerships, non-registered partnerships, groups of persons or other juristic entities who owe one or more creditors a known sum of THB 3 million or more
- insolvent private limited companies owing one or more creditors a known sum of between THB 3 million and 10 million.

In cases such as these, the petitioner should file a petition, along with a proposed plan of not more than three years in length in execution.

Bankruptcy proceedings

A creditor can file a bankruptcy petition against a debtor if the latter is insolvent and owes one or more creditors a definitive sum of over THB 1 million (if the debtor is an individual), or owes more than two million Baht (if the debtor is a legal entity).

Once a petition for bankruptcy has been filed, the proceedings normally include hearing the witnesses, temporary receivership of the debtor's property, the appointment of an official receiver, filing of claims for debt payments by creditors within two months from the publication date of the permanent receivership order, a bankruptcy order against the debtor (if no agreement can be reached with the creditors, issuance of a permanent receivership order, seizure of property, sale of property by public auction and pro rata distribution of the sale proceeds to creditors.

TIMOR-LESTE

COFACE ASSESSMENTS

E
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Indonesia 29%
- United States 27%
- Euro Area 17%
- Australia 7%
- Sudan 6%

Imports of goods, as a % of total

- China 26%
- Vietnam 20%
- Malaysia 11%
- Singapore 7%
- Euro Area 5%

+ STRENGTHS

- Oil and gas reserves in the Timor Sea
- Supported by the Community of Portuguese-speaking countries
- Attractive tourist destination (protected natural sites, rich cultural heritage)

- WEAKNESSES

- Vulnerable to natural disasters (landslides, typhoons, floods)
- Underdeveloped infrastructure
- Human capital deficit
- Very heavily dependent on oil income (98% of exports)
- Almost half the population lives below the poverty threshold
- High unemployment among young people (40%)
- Weak bank intermediation

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth* (%)	4,1	5,0	4,0	6,0
Inflation (yearly average, %)	0,6	-1,4	1,0	2,7
Budget balance (% GDP)	3,6	-21,9	1,6	-22,9
Current account balance (%GDP)	7,7	-19,3	-5,6	-15,6
Public debt (% GDP)	0	0	0	0

*Excluding oil (f): forecast

1.2
POPULATION
(millionsofpersons-2016)

2,230
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Public investments support growth and economic diversification

In 2018, non-oil economic activity is expected to accelerate after slowing slightly in 2017. Growth will be driven by domestic demand and in particular by public investment. This is because the country is switching to a more diversified economy against a background of lower hydrocarbon production and reserves. This diversification takes place in the context of the Strategic Development Plan (2011-2030) built around four main pillars, namely health, infrastructure (telecommunications, energy, water supply and treatment), the high growth potential sectors (agriculture, tourism and petrochemicals) and the institutional framework so as to improve governance. The tourism sector has great potential in this country, endowed as it is with protected natural sites. Nonetheless, infrastructure shortcomings are still adversely impacting tourist visits. In this regard, the country can rely on its large oil fund (USD 16.9 billion in 2017). Moreover, these public funds are expected to stimulate a quasi-non-existent private sector, which is struggling to develop in a country where public spending represents almost 60% of GDP. The government is also seeking to attract foreign capital, as with the country's first public/private partnership in June 2016 (construction of the new Tibar Bay port). Private consumption will be sustained by infrastructure development, which should help create jobs in construction, with 65% of the workforce depending on the agricultural sector (27% of GDP). Meanwhile, inflation is historically volatile in Timor-Leste, because of the country's exposure to changes in food and oil prices. It is expected to rise in 2018, because of momentum in domestic demand and the modest rise in the oil price.

Large twin deficits

The 2017 fiscal balance was in positive territory due to a correction to the 2016 budget, to which a certain number of infrastructure investments were allocated. However, the fiscal deficit is expected to be very significant in 2018 as a result of the fall in oil revenues, as well as new massive public investments, especially in roads and other transport infrastructure (40% of total budget). As a result, withdrawals of capital from the oil fund are expected to increase, taking the fund from USD 17 billion in 2017 (four times GDP) down to 4 billion in 2021. The main risk is the wasteful funding of "white elephants" as with the new port now under construction. Meanwhile, the spending allocated to health and education (15% of the budget) and to welfare (14% of the budget) is not expected to increase substantially.

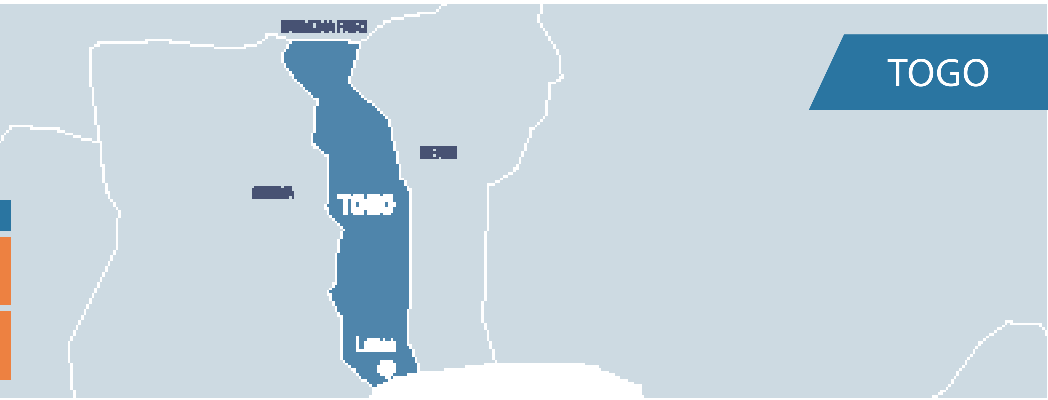
The current account balance is expected to show a large deficit linked to the deepening deficit in goods and services. Exports of goods, mainly coffee, and remittances from expatriates are expected to edge upwards in 2018, while imports are expected to grow strongly because of needs relating to infrastructure spending. In order to finance the current account deficit, the country is expected to continue drawing on its oil fund and benefitting from FDI flows.

A fragile government coalition facing a maritime dispute with Australia

The July 2017 parliamentary elections put the Revolutionary Front for an Independent East Timor (Fretilin) ahead with 29.7% of the votes, followed closely by the National Congress for Timorese reconstruction (CNRT) with 29.5%. This narrow victory resulted in the CNRT refusing to join a government led by the Fretilin, although a government coalition had been in place since 2015. An agreement with the Democratic Party helped to form a minority government led by Mari Alkatiri, already Prime Minister from 2002 to 2006. Nevertheless, the new government is facing stiff opposition to its investment programme (2017-2022) and could be toppled if its programme is rejected a second time, thus triggering early elections or the formation of a government by the CNRT. Meanwhile, the effectiveness of the government's actions is regularly challenged by the population, and poverty continues to be very significant. While the vast majority of Timorese still live in rural areas and depend on agriculture, the government has not succeeded in stimulating the private sector.

Externally, the country's relations with Australia are tense, because of the dispute over the maritime border in the Timor Sea. The previous agreement, which dates back to 2006 (valid for 50 years) was terminated in January 2017 by Timor-Leste, on grounds that the agreement on sharing the offshore oil fields was unfair. A more advantageous agreement could help delay the shortages the country will be facing and increase the country's oil fund revenues. While the two parties have come to an agreement in principle in September 2017, the outlines of this arrangement could take longer to negotiate.

TOGO



COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Benin 17%
- Burkina Faso 16%
- India 8%
- Mali 7%
- Niger 7%

Imports of goods, as a % of total

- China 29%
- Euro Area 26%
- Japan 4%
- Ghana 3%
- Ivory Coast 3%

+ STRENGTHS

- Mineral (phosphate, clinker) and agricultural (coffee, cocoa, cotton) resources
- With the only deep-water port in West Africa, has the potential to become a regional hub
- Public and private investment in infrastructure
- Structural reforms under way (public finances, banking system, phosphate and cotton sectors)

- WEAKNESSES

- Heightened socio-political tensions
- Difficult business climate
- High levels of poverty and unemployment
- Underinvestment in education and public health

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.4	5.0	5.2	5.3
Inflation (yearly average, %)	1.8	0.9	-0.6	1.6
Budget balance (% GDP)	-8.9	-9.6	-5.1	-2.6
Current account balance (%GDP)	-11.3	-9.8	-9.1	-8.4
Public debt (% GDP)	75.6	79.1	78.0	74.1

(f): forecast

7.5
POPULATION
(millionsofpersons-2016)

590
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Consolidation of growth

As in 2017, growth in 2018 is expected to continue to reap the benefits of the massive public investment programme during 2012-2016. The reforms negotiated with the IMF on the basis of an ECF programme will, in particular, help to consolidate growth. Activity will continue to be buoyed by the agriculture sector, which represents about 30% of GDP. The dynamism of this sector is attributable to the relatively successful implementation of the National Agriculture and Food Security Investment Programme (PNIASA). Launched in 2011, the PNIASA has, in particular, enabled farmers to adopt technology to improve yields. The ambitions for agricultural development are expected to continue to bear fruit in 2018 thanks to the setting up of the Agricultural pilot project in Kara. In the secondary sector, the start of phosphate mining operations by the Elenilto and Wengfu companies, which could in future generate 5 million tons output per annum, will help the sector to recover. The opening of the cement plant at Awandjelo in July 2017 will take annual cement production to over two million tons from 2018. The transport of goods will continue to contribute positively to growth, despite the expected drop in public investment intended to slow the rise in debt. This sector will, effectively, benefit from efficiency gains resulting from investment in improving the road network and the expansion of the port and airport of Lomé. Better infrastructure, together with the only deep-water port in West Africa at Lomé, will make Togo a preferred destination for private investment in the sub-Region in 2018. The port of Lomé is, however, likely to face emerging competition from the deep-water port of Kribi (Cameroon). Support from the Afreximbank should also help finance infrastructure projects, thus enabling support for the transport and construction sectors to be maintained. Private investment could, however, be hit by the worsening political climate.

In 2018, inflation is expected to rise but will remain moderate, in line with trends in other WAEMU countries.

Efforts to reduce the twin deficits supported by the international community

In 2018, the government is expected to continue with the fiscal adjustment begun in 2017 aimed at halting spiralling debt. The tax administration reforms, among which the creation of the Togolese Revenue Authority in 2015, should, in particular, help boost revenues. Above all, capital spending, which sustained growth during the 2012-2016 five-year cycle, should continue to fall back to a more sustainable level. The reforms undertaken and IMF support provided under the ECF worth USD 241.5 million, and by the EU with the payment of budgetary support worth EUR 10 million, could catalyse donations from international financial donors. In 2018, the public debt is expected to confirm the downward trend begun in 2017 and it is hoped that it will fall rapidly below the WAEMU minimum community rate fixed at 70%.

The current account deficit is expected to decline thanks to a fall in the trade deficit. In particular, exports of cement, clinker and phosphates are expected to rise. The sub-regional context, more favourable overall and recent investments in transport infrastructure will sustain re-exports. The drop in investment spending looks set to bring down the import invoice, thus offsetting the expected rise in oil prices. The transfer balance, chiefly transfers from expatriate workers, is likely to continue to make a positive contribution to the current account balance.

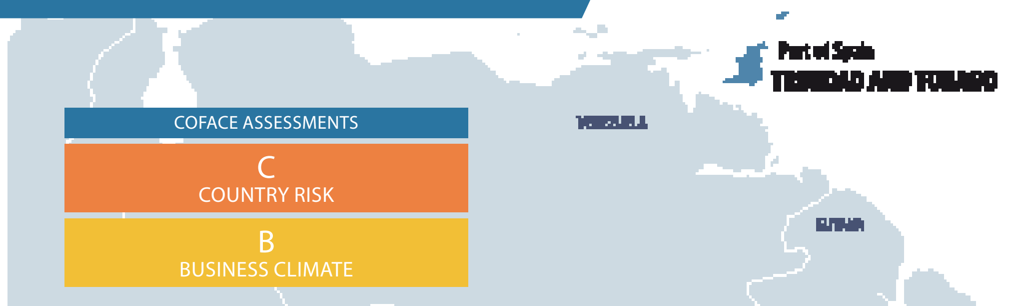
The streets are increasing pressure on Faure Gnassingbé's regime

In power since 2005 and after the death of his father Eyadéma Gnassingbé (president from 1967 to 2005), President Faure Gnassingbé, re-elected for a third term in 2015, still holds all the levers of power and can rest his legitimacy on solid economic performances and improved relations with international financial backers. Enjoying support from the army and the police, Faure Gnassingbé has been able to supress the growing calls for greater democracy against a background of social tensions which flare up sporadically and are heightened by widespread unemployment and poverty. In summer 2017, protests against the Faure Gnassingbé regime, sometimes violently put down, intensified. Constitutional reform, foreseeing a limit to the number of presidential terms and the introduction of two-round presidential elections, has failed to calm the protestors. Effectively, this non-retrospective text could potentially allow Faure Gnassingbé to stand for two extra terms.

With regard to foreign relations, Togo is benefiting from its WAEMU and ECOWAS membership status to establish itself as a regional hub. Involved in various AU/UN peace missions, Togo is also keen to play a role in improving security on the continent.

Despite the reforms undertaken and notable progress made, the business climate remains inadequate, especially compared with its WAEMU neighbours and competitors, for Togo to establish itself as a regional hub for business.

TRINIDAD AND TOBAGO



COFACE ASSESSMENTS

C
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 38%
- Argentina 13%
- Euro Area 8%
- Chile 3%
- Peru 3%

Imports of goods, as a % of total

- United States 32%
- Russia 15%
- Gabon 12%
- Euro Area 7%
- China 6%

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-0.6	-6.0	-3.2	1.9
Inflation (yearly average, %)	4.7	3.1	3.2	3.2
Budget balance (% GDP)*	-8.6	-12.7	-11.9	-10.8
Current account balance (% GDP)	3.9	-10.7	-8.5	-7.9
Public debt (% GDP)	27.9	39.4	47.2	54.7

*Fiscal year from October 2017 to September 2018 (f): forecast

1.4
POPULATION
(millionsofpersons-2016)

15,459
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- World's fifth largest producer of liquefied natural gas (LNG)
- Petrochemical industry (world's leading exporter of methanol and ammonia)
- Large sovereign funds and currency reserves
- Lead country in Caricom, the Caribbean community
- Well-trained and English-speaking workforce

- WEAKNESSES

- Small economy and reliant on oil and gas
- Undeveloped non-energy sector (including agriculture; tourism)
- Projected decline in energy resources
- Ineffective public initiatives
- Inadequate supervision of financial sector
- Inequitable distribution of wealth, drug traffic related criminality

RISK ASSESSMENT

Towards an upturn in activity in 2018

Growth is set to return to a positive state in 2018, following a slowdown of activity in the sector since 2014, due to low oil and gas prices, together with the depletion of a number of gas and oil fields, and chronic operational underinvestment. Growth is expected to come mainly from the energy sector (oil, gas and petrochemicals), which accounts for almost 35% of GDP and over 90% of export sales. The increase in gas production, thanks to the drilling of new wells, should also help boost activity and exports.

Nevertheless, continuing weakness in prices is likely to restrain investment in the sector, given that the most easily-accessible reserves are already in operation, and that extraction from the remaining available reserves will be increasingly costly. In addition, private investment in the non-energy sectors will be dependent on the ability of the government to introduce a legal context that is more favourable for companies. These sectors, together with households, will likely experience difficulties in accessing credit due to the scale of the government's financing requirements, which will be a burden on the domestic banking system. In addition, household consumption is expected to remain restrained as a result of higher unemployment and the government's continued budget consolidation policy. Inflation is likely to remain steady, reflecting continued sluggish domestic demand, but will nevertheless be subject to supply factors, and notably the volatility of foodstuff prices.

High public deficit, despite budget consolidation measures

The budget deficit will likely remain huge in 2018. The specific measures (sales of assets abroad, partial disposal of public sector companies), implemented by the government with the aim of making up for the decline in energy revenues, will not provide enough revenue to prevent budget overspending. The fixed portion of spending (wages and payments to government workers, transfers and subsidies required by law), which amounts to more than 60% of total spending, places a limit on adaptations to the state budget. The government has said that it will introduce a number of fiscal reforms aimed at increasing state revenues (raising corporation tax from 25% to 30%, higher taxes on alcohol and tobacco, reduced diesel subsidies, ending of discounted prices for public services used by public sector companies), but does not appear to have a medium-term strategic budget framework. The huge public deficit will be partly financed by drawing on the country's sovereign funds, as well as through loans from international donors (in particular the Inter-American Development Bank), and with loans from domestic banks. However, the overloading of the domestic banking sector will force the government to borrow on the international markets at very high interest rates, resulting in a further deterioration in the level of foreign debt.

Slight improvement in the current account deficit

The current account will, once again, be in significant deficit in 2018. The slow recovery in oil and gas prices and the expected increase in production will, however, help reduce the trade deficit. The income balance deficit should also contribute to improving the current account, as the level of profits shifted out of the country by foreign-owned companies operating in the energy sector will be lower. Nevertheless, the services deficit is likely to deepen as a result of a fall in tourist revenues. The country' currency reserves (nine-and-a-half months of imports in 2017) are expected to continue shrinking, in so far as foreign direct investments will not be enough to offset the scale of the current account deficit. In addition, the short-term measures (sales of public sector assets abroad, withdrawals from the sovereign fund), aimed at rebuilding reserves, will no longer be effective. This situation is likely to make the peg of the Trinidadian dollar to the US dollar difficult to maintain, leading to a probable devaluation in 2018.

The search for new growth opportunities

In power since September 2015, Prime Minister Keith Rowley of the People's National Movement (PNM) party is expected to continue with the process of consolidating the public finances despite his waning popularity. With a majority in Parliament (23 out of 41 seats), and aware of the very limited scale of economic diversification, the government has set itself the objective of enhancing the local productive fabric by attracting more investment in both energy (petrochemicals, in particular) and non-energy (tourism, agri-food, finance, etc.) sectors. However, institutional weaknesses, the high level of corruption, and the lack of infrastructure will continue to limit diversification in the economy. The country's geographic location makes it a transit point for drug trafficking, which brings with it a high level of criminality. The country will likely continue to play an active role within the Caribbean Community (Caricom) and in cooperative initiatives in the fight against crime and drug trafficking in partnership, notably with the United Kingdom and the United States.

TUNISIA

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 72%
- Algeria 5%
- Libya 3%
- United States 2%
- United Kingdom 2%

Imports of goods, as a % of total

- Euro Area 49%
- China 10%
- Turkey 5%
- Algeria 4%
- United States 4%

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.1	1.0	2.0	2.5
Inflation (yearly average, %)	4.9	3.7	5.1	5.0
Budget balance (% GDP)	-5.6	-6.1	-6.2	-5.9
Current account balance (% GDP)	-8.9	-8.9	-10.1	-8.3
Public debt (% GDP)	57.2	62.9	69.2	72.1

(f): forecast

11.2
POPULATION
(millionsofpersons-2016)

3,749
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Progressive political transition
- IMF extended credit facility
- Economy in the process of diversification and a fairly skilled workforce
- Proximity of the European market and association agreement with the EU
- Tourist potential
- Mining production (phosphates and oil)

- WEAKNESSES

- High social and geographical inequalities and informal economy (50%)
- High unemployment rate, mainly among young people
- Significant economic weight of agriculture
- Tourism sector facing political and security problems and increased competition
- Social tensions leading to the proliferation of demonstrations and social unrest, particularly in the mining sector
- Imbalance of structural public accounts and significant increase in foreign indebtedness

RISK ASSESSMENT

Weak growth in 2018

The recovery in 2017 driven mainly by the good performance of the agricultural sector and services should be consolidated in 2018. Activity was, however, negatively impacted by weak growth in the manufacturing sector and a decline in mining production. In 2018, the rise in foreign demand, supported by the expected growth of the European economies and the increase in competitiveness related to the depreciation of the dinar, is expected to favour the rise in manufacturing exports.

However, the rise in production prices could limit the growth of businesses heavily dependent on imports. Social tensions and the multiplication of strikes and social movements could, as in 2017, limit the expansion of the mining sector. The tourism and transport sectors will continue their recovery thanks to the efforts made by the authorities to improve security and the fight against the terrorism, in addition to the promotional effort generating a renewed interest in Tunisia as a tourist destination. On the domestic demand side, the increase in the general level of prices generated by the rise in VAT is likely to continue to constrain household consumption. Subsidy reform as well as wage increases combined with dinar pressures are prone to fuelling inflation, which is not expected to weaken in 2018.

Twin deficits and significant debt

The Tunisian fiscal situation has deteriorated sharply since 2011, recording substantial fiscal deficits and a significant increase in debt. Despite the support of the International Monetary Fund, authorities are finding it increasingly difficult to implement the reforms required to consolidate public finances. The public deficit has largely exceeded the target set in the 2017 finance law driven by a notable increase in current expenditure and interest on the public debt. The financing of the budget deficit was largely provided by external resources, including 2.423 billion Tunisian dinars from Qatar and 768 million Tunisian dinars from the European Union. The government plans to reduce the public deficit below the 5% mark in 2018, but this goal is ambitious. While payroll is one of the largest budget spending items, civil servants' salaries are expected to fall slightly in 2018. The government intends, in fact, to honour the agreement signed with the Tunisian General Labour Union (UGTT), the main central trade union of the country, by increasing wages, and to offset this increase by suspending public service recruitment, and the non-replacement of retired employees. Direct and indirect taxes are expected, however, to increase, including a 1% VAT increase. Still on the rise, the debt trajectory remains worrying, especially since foreign debt is growing. Debt service is the second budgetary spending item and the repayment of maturities with international donors weighs on the foreign exchange reserves, which corresponds to 101 days of imports in September 2017 (USD 5.385 billion), against 111 days in the previous year. The management of the exchange rate, through the interventions of the Central Bank of Tunisia, has only become more difficult. In 2017, the dinar exchange rate depreciated by 16.7% against the euro and by 4.1% against the US dollar.

The current account deficit widened in 2017. The strengthening of exports in 2017 did not lead to a contraction of the trade deficit, given the sharp acceleration of imports, energy imports in particular. The balance of services and revenues has, however, improved. Although the positive momentum for exports and tourism revenue will continue in 2018, the current account will remain largely in deficit.

A democratic transition that is running out of steam

After more than a year in power, the coalition led by Prime Minister Youssef Chahed appointed in August 2016 continues to face multiple challenges. Despite efforts to improve the security situation, the government is struggling to meet its economic and social commitments and is still faced with a growing number of strikes and protests. This deadlock situation resulted in the dismissal of the financial and education ministers, and led to Youssef Chaed reshuffling his cabinet in September 2017. He consulted with major political parties and trade unions beforehand, but it ultimately led to increased representation of the Nidaa Tounes (NT) party with the return of some figures from the old regime. Although Nidaa Tounes remains in the majority and the coalition with El Nahda is not challenged, the voices of the opposition and civil society fear a gradual return to a presidential regime. In fact, a constitutional revision was brought about by the head of state, President Beji Caid Essebsi, now 91 years old. The municipal elections that were intended to anchor the democratic process at the local level and initially planned for December 2017 have been postponed until 2018.

COFACE ASSESSMENTS

B
COUNTRY RISK

A4
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 31%
- United Kingdom 8%
- Iraq 5%
- United States 5%
- United Arab Emirates 4%

Imports of goods, as a % of total

- Euro Area 29%
- China 13%
- Russia 8%
- United States 5%
- South Korea 3%

+ STRENGTHS

- Demographic vitality
- Large population with rising middle income class
- Strategic geographic location
- Well-developed industrial base
- High capacity of creating employment

- WEAKNESSES

- Domestic and geopolitical instability
- High dependence on external borrowing
- High import reliance of the industry
- Security risks

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	6,1	2,9	5,5	4,9
Inflation (yearly average, %)	7,7	7,8	10,9	9,3
Budget balance (% GDP)	-1,0	-1,1	-2,0	-1,9
Current account balance (% GDP)	-3,7	-3,8	-4,6	-4,3
Public debt (% GDP)*	27,5	28,1	28,5	28,5

*EU-defined general government's debt stock (f): forecast

79.8
POPULATION
(millionsofpersons-2016)

10,817
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Solid growth buoyed by fiscal measures, domestic demand and exports

Turkey is expected to record strong growth rates in 2018 after experiencing several shocks – such as a failed coup attempt, sharp depreciation of the lira, and security issues – in 2016 and 2017. Growth is set to be stimulated by government support, private consumption, investments, and exports. However, rising inflationary pressures, a weaker lira, and tax hikes are likely to weigh on domestic demand, which in turn may impact domestic-driven sectors' performances. In early 2017, the government decided to increase the size of the credit guarantee fund (CGF) to ease small and medium companies' access to financing. The size of the fund has been raised to TRY 250 billion (USD 63 billion, nearly 7% of GDP). Rising capacity utilisation and improving business sentiment are expected to sustain private investment, yet the pace of growth may lose some momentum as the impacts of the CGF fade away.

Exports are set to remain strong in 2018 on the back of the steady growth in Western Europe, Turkey's main trading partner. A continued depreciation of the lira will admittedly help boost exports, but remains the main risk for Turkey's import-dependent economy in the upcoming period. Non-financial private sector's short-term foreign currency denominated debt stood at USD 44 billion as of the second quarter of 2017. Any additional weakness of the lira will increase the debt burden and the costs of imported inputs for the manufacturing sector. A likely rate hike process from the central bank to counter the currency weakness and inflationary pressures would, on the other hand, add to borrowing costs. This scenario would deteriorate cash flow management of Turkish companies, who suffer from a structural undercapitalisation.

Twin deficits: a cause for concern

While promoting banks' lending, the government's CGF programme pushed the banking sector's loan to deposit ratio as high as 125% in the second quarter of 2017. This situation increases currency risks and dulls the rebalancing of the current account deficit. The widening of the budget deficit was related to higher interest expenditures, capital transfers, and current transfers. In total, non-interest expenditures rose by 17.8% year-on-year in the first seven months of 2017, while interest expenditures increased by 11.8%. Further widening of the deficit was prevented by a recovery in revenues.

The higher fiscal deficit also raises the treasury's borrowing requirements. Between January and September 2017, the treasury's total eurobond issuance reached USD 9.1 billion, although the planned annual amount was only USD 6 billion. Domestic debt roll-over ratio of the treasury rose to 154.6% in September 2017 from 90.6% annually in 2016. Off-balance sheet stimulus measures may represent upside risks to debt levels if they are realized, as the government may need to assume liabilities mostly due to the public guarantees given under the Public Private Partnership (PPP) projects. Although expansionary fiscal policy is likely to be gradually scaled back in 2018, the average fiscal deficits may continue to remain high ahead of the elections in 2019, compared to previous periods. Further deterioration of fiscal dynamics may weigh on investors' sentiment and interest rates.

The structural lack of savings will likely continue to be the economy's Achilles heel in 2018. The current account deficit is expected to decrease somewhat on the back of slower GDP growth, but the recent recovery in energy prices will increase the import bill further. Against this backdrop of significant current account deficit, the economy remains dependent on volatile and short-term external financing, and continues to be vulnerable to exchange rates' volatility and exit strategies of major central banks. Indeed, FDI – still deterred by regional geopolitical tensions – are not significant enough to offset the current account deficit.

Lower political noise, rising geopolitical tensions

Following the April 2017 referendum regarding a vote on constitutional amendments that would transform the country from a parliamentary democracy into a presidential system, political noise has eased in Turkey. Additionally, improving relations with Russia, Iran, and Iraq's central government have allowed the country to strengthen its regional cooperation and commercial flows. However, the uncertain relationship between Turkey and the European Union, as well as recent tensions with the United States, should be monitored closely, as they may have economic impacts if tensions rise. Turkey has planned three elections for the near future, with the first – local elections – set to take place in March 2019. If domestic political tensions increase ahead of this, then the economy may be negatively impacted, as it would increase risk aversion against Turkish assets.

PAYMENT AND COLLECTION PRACTICES IN TURKEY

Payment

Traditional credit payment instruments are still in common use in Turkey's domestic market, as they not only constitute a means of payment, but also often serve as negotiable instruments.

This is the case for promissory notes, a solution regularly used by smaller and medium-sized companies for commercial transactions. Similarly, post-dated cheques are another commonplace practice, as they serve as both a title of payment and a credit instrument. Cheques circulate in the domestic market as negotiable instruments until their maturity date.

The most recent law concerning cheques, which came into force in December 2009, focuses on the protection of the rights of cheque holders (beneficiaries). The law covers three categories of cheques – cheques for business users, cheques for consumers, and pre-printed bearer cheques – with the aim being to optimise tracking of cheques as a payment instrument and combat the underground economy.

Although banks are now required to exercise greater vigilance with regard to the profiles of their clients, the law also provides for large financial sanctions, which are payable by the drawer of the cheque in cases of non-payment. An amendment, which came into effect on 15 July 2016, imposes a punitive fine on the person responsible for a "dishonoured transaction". If the fine is not paid, the punitive measure can be transformed into a prison sentence of up to 1,500 days. In such cases, neither settlement nor prepayment are executed. In addition, the drawer of a dishonoured cheque is subsequently banned from drawing cheques or opening cheque accounts for ten years, by order of the court (an administrative, rather than a penal sanction).

For rapid and secure processing of bank transfers, the SWIFT electronic network is well-established in Turkish banking circles and constitutes the most commonly used instrument for international payments.

Debt Collection

There are three separate procedures in Turkey for pursuing debt payments:

1. Amicable Procedures
2. Debt Execution Procedures (provided by an Administrative Body)
3. Litigation Procedures (examined by the Court)

1. Amicable Procedure

Out of court settlements are always preferable to taking legal action. Amicable procedures, which involve the sending of a formal notice to pay, followed by repeated telephone calls, remain a relatively effective method. On-site visits can also pave the way for restoring communications between suppliers and customers, thereby enhancing the chances of completing successful negotiations. Points of negotiation include the number of instalments, guarantees, collaterals, grace periods and interest. The civil procedure code specifically states that the judge may at any time during legal action encourage the amicable settlement of the dispute, provided that it results from a real desire by the parties to seek an out-of-court settlement via a negotiated transaction.

The "Law on Mediation in Civil Disputes" stipulates that mediation shall be applied only in the resolution of private law conflicts (including those with an international element) arising from acts or transactions of interested parties who have the capacity to settle such conflicts.

The parties involved design their own solutions in an environment conducive to mutual understanding. Mediation relies on a process of communications, via meetings and negotiations. While the parties create their own solution framework, an impartial and independent third party (a mediator) enables them to establish communications, hold meetings and generally develop better understanding of each other. The parties are free to apply to a mediator at any time, in order to continue, finalise or abandon the process. The parties can also apply to a mediator before filing a lawsuit, or while a lawsuit is pending. The court may also advise and encourage the parties to apply to a mediator.

Depending on the debtor's solvency, the terms of the transaction can range from payment in full, to repayment by instalments, to a partial payment as final settlement. In the absence of a voluntary settlement, the threat of a bankruptcy petition (*iflâs*) is a frequently employed tactic to elicit a response from the debtor and prompt them to pay the arrears.

2. Debt Execution Procedure, via an Administrative Body

There are particular advantages for creditors who use negotiable instruments such as bills of exchange, promissory notes and cheques – provided they have been duly established and that any legal action is taken within the legal limitation period. These instruments enable creditors (without obtaining a prior ruling) to directly approach the enforcement office (Icra Dairesi) for serving the debtor with an injunction to pay. They can then, if necessary, proceed with the seizure of the debtor's assets.

Seizure is a process that begins with filling an order for payment, which is then served to the debtor. If there are no objections to the order, the assets of the debtor are liquidated to cover the claims. If the order is not accepted by the debtor, he has the possibility to request that the creditor proves the claim in court.

The debtor has ten days to settle the arrears in question, or five days to approach the enforcement court and oppose payment on grounds that, for example, the signature on the document is not his own, or that the debt no longer exists. If the opposition is deemed to be abusive, the debtor is liable to large penalties.

3. Litigation Procedure, examined by the Court.

If the pre-legal procedures for the collection of the debt from the partner/supplier fail, a lawsuit can be brought against the debtor before commercial courts. The commercial court (*asliye ticaret mahkemeleri*), which is a specialised chamber of the court of first instance, is competent to hear commercial disputes and insolvency proceedings. Commercial courts exist in the main Turkish cities.

In cases where the validity of the claim is disputed, the only recourse is to initiate ordinary proceedings, via a summons, to appear in court.

If Turkey has not signed a bilateral treaty or a reciprocity treaty with the plaintiff's country, the plaintiff is required to put up a surety bond, *judicatum solvi*, with the competent local court. This amount represents approximately 15% of the claim. The same pertains to Turkish applicants with no permanent residence in Turkey. At the end of the litigation procedure, the security deposit is refunded to the creditor by the court. The reason for the surety bond is to protect the debtor against potential damages by foreign entities during the procedure.

The plaintiff is also obliged to put up one quarter of the court fees, which are proportional to the amount of the claim, at the commencement of the proceedings. In addition, notarised documents must be presented to the court, including the contract signed between the parties (if available) and the invoices due (translated into Turkish by a certified translator, if the documents are drafted in a foreign language).

Claims need be filed with details including the name of the court, the names and addresses of the creditor and the debtor (along with the details of their attorneys or legal representatives), the amount due, the circumstances of the claim, the content of the demand, public taxes and costs, the power of attorney (if necessary) and the signature of the person making the claim.

Ordinary proceedings are organised into three phases. The first involves position statements from each party (a statement of claim and a statement of defence). In the second and lengthier phase, the court investigates the case and examines the relevance of the evidence submitted, to see whether it is conclusive or discretionary evidence. Finally, in the main hearing that constitutes the third phase, the court hears both parties and their lawyers before issuing a ruling.

The new civil procedure code, effective since 1st October 2011, was designed to accelerate and simplify proceedings, in order to combat lengthy lawsuits and reduce the workload for courts. The parties need to submit their defence arguments, counter claims and available evidence at the commencement of the trial. These documents are reviewed by the court during a preliminary hearing, during which the parties will be encouraged to reach a compromise.

The examination and cross examination of the litigants is now conducted by lawyers, in order to discharge judges who previously had a strong tendency to resort to expert opinions to assist them with their judgments. The new code also limits the list of technical and scientific experts that can be registered with the Ministry of Justice.

TURKMENISTAN

COFACE ASSESSMENTS

D
COUNTRY RISK

D
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- China 70%
- Euro Area 7%
- Turkey 5%
- Afghanistan 4%
- Russia 4%

Imports of goods, as a % of total

- Turkey 25%
- Euro Area 21%
- Russia 12%
- Japan 8%
- South Korea 8%

+ STRENGTHS

- Fourth largest natural gas reserves, but tenth largest producer
- Significant currency reserves
- Low debt ratio

- WEAKNESSES

- Small landlocked economy
- Porosity of border with Afghanistan, while military resources are weak
- High dependence of the economy on the hydrocarbon sector (mainly gas) and on China, a quasi-exclusive export market
- State interventionism and gaps in governance (corruption, authoritarianism)
- High unemployment (60%) and rural self-sufficiency

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.5	6.2	5.0	5.5
Inflation (yearly average, %)	7.4	3.6	8.0	5.5
Budget balance (% GDP)	-0.7	-1.3	-0.7	0.2
Current account balance (% GDP)	-14.0	-21.0	-13.0	-12.0
Public debt (% GDP)	19.4	23.9	24.0	27.0

(f): forecast

5.5
POPULATION
(millionsofpersons-2016)

6,622
GDP PER CAPITA
(US dollars - 2016)

RISK APPRECIATION

Growth based on gas exports to China

Gas exports (53% of GDP) are expected to benefit from China's increased demand for this fuel. Volume growth is expected to outweigh any further price decline. Investment (half of GDP), both public and foreign, and concentrated in hydrocarbons, should maintain its momentum, and is set to benefit from the construction of a gas pipeline to Pakistan and India through Afghanistan (TAPI), and eventually that of a third conduit to China. Public consumption (9% of the GDP) stagnated in 2017 due to the need to reduce public spending following the exorbitant cost (USD 8 billion) of investments made to host the Asian Indoor Sports and Martial Arts Games. It should resume timidly in 2018.

Household consumption (11% of the GDP) was heavily affected in 2017 by several factors: the elimination of the free supply of gas, electricity, and water in force since 1993, the increase in the price of basic food products (fruits and vegetables, rice and sugar), a decline in public salaries, and lay-offs in the public sector. Despite this, household consumption should also resume in 2018. However, a further devaluation of the manat (the local currency), possible given its strong overvaluation (in October 2017, its exchange rate with the dollar on the black market was twice the official rate), would cause a new surge of imported inflation, especially for food products, unfavourable to consumption.

Maintaining a balanced budget at the cost of savings

The decline in the price of gas, which generates 80% of budget revenues (12% of the total GDP), and the successive defections of buyers from Russia and Iran, were largely offset by the increase in Chinese demand, forced the Turkmenistan government to reduce the state's expenses in order to safeguard the balance of its accounts. The adjustment was all the more severe, as spending on hosting the Asian Games took a heavy toll. The cuts made concerned subsidies, wages, and public sector employment, and also investments to promote the diversification and substitution of domestic production for petrochemical, mining and agri-food imports. The sale of public companies, which are inefficiently managed, could encompass petrochemical complexes, shopping centres, textiles, livestock and the dairy industry. The assets of the Stabilization Fund, the amount of which is not communicated by the authorities, give the State a certain level of flexibility, at least in the short term, especially as the public debt remains low.

Despite the trade surplus, a current account deficit is difficult to finance

Thanks to hydrocarbon sales (80% of total exports, ahead of cotton/textile and oil, each at 10%), the country has a trade surplus equivalent to 17.8% of the GDP (2016). 80% of gas sales are destined for China, meaning that there is an extreme sensitivity to the price of gas and Chinese demand. Imports, which are concentrated in capital goods destined for the hydrocarbon sector, are traditionally inferior, and are further affected by the postponement of certain investment projects, lower consumption, and the reintroduction of customs duties. However, imports of services for the exploitation of hydrocarbon fields, as well as the outflow of dividends from foreign investors, are leading to a current account deficit, financed in part by FDI centred on hydrocarbons. A withdrawal from the reserves will likely be made to finance the balance. In order to reduce the drain, authorities are trying to restrict non-essential imports by increasing taxation, controlling access to foreign exchanges, and reducing liquidity and the place of cash in the economy. However, there comes a time when the only way out, if the government wants to avoid the use of external debt (22% of the GDP), is to devalue.

Precarious security situation at the Afghan border

The security situation is fragile at the border with Afghanistan because of the presence of the Taliban. President Gurbanguly Berdymukhamedov was re-elected for a third term on the 12th February 2017, with 98% of the vote. The multi-party system introduced in January 2012 did not change the grip of his party (Democratic Party) in the legislative elections at the end of 2013. In September 2016, President Berdymukhamedov (60 years old) endorsed a constitutional amendment that allows him to remain at the head of the country without an age limit (previously set at 70 years of age), and to extend the term of office of the President from five to seven years. Lower subsidies may increase public discontent, but a very strict security policy limits the risk of large-scale movements.

According to the World Bank's governance indicators, Turkmenistan is one of the worst-ranked countries in the CIS. The country ranks 192nd (out of 205) in the fight against corruption, and ranks 205th in terms of the quality of regulations. The business climate remains very difficult due to the dominance of the public sector and its monopolies over the formal economy, control over trade and prices, and the difficulty associated with obtaining reliable data.

UGANDA

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Kenya 19%
- Euro Area 17%
- United Arab Emirates 13%
- Rwanda 8%
- Congo DR 8%

Imports of goods, as a % of total

- China 18%
- India 17%
- Kenya 10%
- United Arab Emirates 9%
- Euro Area 8%

+ STRENGTHS

- Significant natural resources: fertile land, oil and gas reserves, hydroelectric potential
- Work on diversification in particular in the agri-food sector
- International support for infrastructure projects
- Debt mostly subject to concessionary conditions

- WEAKNESSES

- Poverty, inequality
- Lack of infrastructures
- Insecurity in the border regions (DRC and South Sudan)
- Slow progress in terms of governance (particularly control of corruption)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	5.6	2.5	4.4	5.3
Inflation (yearly average, %)	5.4	5.5	5.9	5.3
Budget balance (% GDP) *	-4.4	-4.9	-3.8	-5.0
Current account balance (% GDP)	-6.7	-3.4	-4.4	-4.7
Public debt (% GDP)	33.2	36.9	38.6	40.1

* Last fiscal year from 1 July 2017 to 30 June 2018 (f): forecast

36.6
POPULATION
(millionsofpersons-2016)

692
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Easing of monetary policy to boost growth

Slowed by the burden of the high cost of credit and the drought, growth should continue to improve in 2018. The return of more normal weather conditions should enable agricultural production, and of coffee in particular, to continue improving. The improved performance of the agriculture sector should also help boost the household consumption of those dependent on the health of that sector. With the Central Bank's (BoU) key lending rate cut from 17% in January 2016 to 9.5% in December 2017, this should boost the use of credit in the private sector, while also helping to boost growth in household consumption. Services (almost 50% of GDP), starting with retail trade, are expected to feel the benefits of this vitality. The increasingly favourable credit conditions will help boost private investment, attracted in particular by prospects for the exploitation of oil and gas reserves (production expected as of 2020). The secondary sector should see rapid growth thanks to the uplift as a result of public investment as part of the second National Development Plan. There will likely be projects for the construction of the oil and gas industry infrastructures, as part of public-private partnerships, in addition to those of recent years covering transport and energy (hydroelectricity). Under the pressure of capital goods import demand, the contribution of exports to growth will however remain negative, despite improved coffee exports. The growth outlook, positive overall, could suffer in the event of any worsening in the country's political and/or security context.

The inflation forecasts are for stabilisation around the BoU target rate (5%), after the price pressure under the impact of the drought on food prices eased.

Budget execution undermining public accounts

The budget deficit in 2016/17, under the impact of lower domestic receipts and the slow rate of execution of the infrastructures projects, was reduced. Similarly to the problems encountered during the preceding fiscal year, the extension of the tax base is unlikely to make much progress in 2017/18. The deficit is thus expected to increase, reflecting the increase in spending on capital investment in the context of developing infrastructures and the oil and gas sector. Progress in the delivery of these projects is however subject to constant delays, leading to budget overspends. The recurrence of this scenario cannot be ruled out, at the same time as the increase in current expenditure might not be enough for the allocation of the resources necessary for the planned investments. These issues have tended to be behind some of the delays, and even cancellations, of the concessionary external financing on which a large proportion of the investment spending is dependent. In addition, the increasing use of domestic borrowing to finance the deficit has resulted in an increase in interest rates, which is in danger of generating a crowding-out effect on the private sector. With this large scale utilisation of borrowing, the debt has increased rapidly and could, at the current rate, undermine its sustainability.

The current account balance will likely worsen in 2018, dragged down by the balance of goods. The increase in exports, and of coffee in particular, is expected to be slower than that of capital goods. The import bill could also be swollen by the increasing firmness of oil prices in 2018. Transport services will continue to be a burden on the balance of services, while the repatriation of profits will be a further drag on the income balance. Remittances from expatriate workers will once again be the leading positive contribution to the current account balance. The size of investment inflows, mainly from China and India, should help to finance the deficit.

Deterioration in the internal political climate, unstable external environment

Yoweri Museveni (72), in office since 1986, was re-elected in the general elections in 2016, after his party (National Resistance Movement, NRM) won a majority. In October 2017, a draft amendment to the constitution to remove the age limit for presidential candidates (75 years old), and which would therefore allow Mr. Museveni to stand in the 2021 elections, triggered violent demonstrations. These mounting tensions have also brought attention to the issue of his succession, which remains unresolved. They are also feeding into the rising tide of discontent surrounding the level of corruption and the lack of progress in improving standards of living. Alongside these sources of political instability, there is also ongoing fragile security situation in Uganda's border regions. The instability in South Sudan and the Democratic Republic of the Congo is a particular source of concern. As the leading supplier of troops to the AU mission in Somalia (AMISOM), the country remains a potential target for Islamist terrorism – specifically, El Shebab, which continues to plague Kenya.

These areas of instability have a negative impact on assessments of the operational environment, despite a business climate that is relatively favourable compared to those of its Sub-Saharan African peers. Without any significant progress in 2017, the country has nevertheless dropped seven places in the *Doing Business 2018* rankings (122nd out of 190).

UKRAINE

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Euro Area 22%
- Russia 10%
- Egypt 6%
- Poland 6%
- Turkey 6%

Imports of goods, as a % of total

- Euro Area 28%
- Russia 13%
- China 12%
- Belarus 7%
- Poland 7%

\+ STRENGTHS

- Strategic location between Russia and the European Union
- Significant agricultural potential
- Huge iron ore and manganese reserves
- Skilled and low-cost workforce
- International financial support

\- WEAKNESSES

- Conflict with Russia and Russian-speaking populations in the east with threats to territorial integrity
- Political and social instability due to widespread poverty, corruption, and an oligarchy
- Limited economic diversification: metallurgy, cereals
- High levels of public and foreign debt
- Banking system weakened by non-performing loans

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-9.8	2.3	1.8	3.0
Inflation (yearly average, %)	48.7	13.9	14.0	11.0
Budget balance (% GDP)	-1.2	-2.2	-2.2	-2.5
Current account balance (% GDP)	-0.3	-4.1	-4.0	-4.0
Public debt (% GDP)	79.3	81.2	85.0	83.0

(f): forecast

42.4
POPULATION
(millionsofpersons-2016)

2,199
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Recovery in economic activity in 2018

After being hit in 2017 by the suspension of trading relations with its eastern regions (Donetsk and Lougansk), controlled by Russian-supported separatists, the Ukrainian economy should grow at a faster rate in 2018, driven by both domestic and export demand. Household spending is once again set to be the biggest contributor. With elections scheduled for 2019, wages are likely to rise strongly, echoing the doubling of the minimum wage in 2017. The basic pension was also raised by 10% in October 2017. Finally, real income levels will likely also benefit from a slowing in inflationary pressures, linked with a slower depreciation of the hryvnia (the local currency), although higher charges for certain public services (heating, electricity), as well as the prices of imported goods, will continue to add to rising prices.

The vitality of consumption should boost the retail, logistics and construction sectors. Agri-food exports (45% of the total), including cereals (wheat, maize) in particular, will be boosted thanks to a favourable 2017 harvest and the upwards trend in prices. Sales of iron and steel (25%), hit hard by the blocking of trade with the eastern regions (in which more than half of the production capacities are located), will feel the benefits of higher prices and growing European demand. This upturn is, however, at the price of increased imports of coking coal, previously available from the east of the country. These new imports, in addition to those of capital and consumer goods generated by the vitality of consumption, are likely to limit the contribution of trade to growth. Private investment will likely continue to be curbed by political and economic uncertainties, while public investment will be targeted on modernising and extending the (poor quality) road network. Any upturn on activity in 2018 will continue to be contingent on the stability of the situation in the country's eastern provinces and relations with Russia.

High level of public and foreign debt

With public debt amounting to more than 80% of GDP (49% of which is foreign), and the cost of servicing this rising with the depreciation of the hryvnia (75% denominated in foreign currency), public finances are in a fragile state. The agreement signed in 2015 with the IMF included a USD 17.5 billion package in return for reforms. By October 2017, only half of this had been released.

The arrival of elections, and the fifteen year 7.4% USD 3 billion Eurobond issue in September 2017 to cover the budget and refinance debt, have encouraged the authorities to postpone or dilute the reforms. The increase in domestic gas prices appears to have been pushed back to the second half of 2018 (if a compromise can be reached with the IMF on the calculation formula), or until after the elections in 2019. The pension reforms to deal with an annual deficit equal to 5% of GDP were approved in October 2017. This includes an immediate increase in the number of years of contributions required from 15 to 25 (then gradually up to 35), an increase in these contributions, and the minimum pension. This may not be enough to enable the release of further tranches of the IMF loan. The elimination of the pension deficit will increase the primary surplus, hasten the reduction in the debt, and free up resources for investment, while in parallel military expenditure could reach up to 6% of GDP in 2018. There might also be a need, once again, to rescue the banking system, with a rate of non-performing loans at around 40%.

The trade deficit is expected to fall to around 4% of GDP in 2018. The growth in agri-food exports and the recovery in mineral, metals, and machinery, both to the EU and the CIS, will also have an impact. Revenues from road transport and remittances from expatriate workers in Russia and Poland will offset Ukrainian tourist spending and the repatriation of dividends. The current account deficit will be financed through FDI (reduced because of political uncertainties), multilateral loans, and possibly IMF loan payments and the markets. Currency reserves covered around four months of imports in October 2017. Foreign debt amounts to approximately 110% of GDP, with half owed by the public sector and 71% denominated in dollars. The depreciation of the hryvnia is likely to continue, with the extent depending on the speed of reforms and the situation in the eastern provinces. Restrictions on capital movements will likely remain in force.

Uncertainty surrounding reforms and fighting in the east

Petro Poroschenko was elected President in May 2014, following the removal of Viktor Ianoukovitch, triggered by the protest movements (*Maïdan*), at the end of 2013. The two pro-western parties (Petro Poroschenko Bloc-BPP and the People's Front-PF) dominate parliament. However, the government – facing the oligarchy, with upcoming elections and a population anxious about the economic and geopolitical crises – does not have a coherent and stable majority to be able to fight corruption, speed up the rate of reform, or make progress in resolving the separatist problem. The Minsk II Agreement, signed at the beginning of 2015, reduced the level of clashes between the Ukrainian army and the pro-Russian separatist movements, but without ending the conflict. The situation remains resolutely unstable, overshadowed by the constant fear of a sudden escalation.

UNITED ARAB EMIRATES

COFACE ASSESSMENTS

A4
COUNTRY RISK

A2
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- India 10%
- Iran 9%
- Japan 9%
- Switzerland 8%
- Oman 6%

Imports of goods, as a % of total

- Euro Area 12%
- China 8%
- United States 8%
- India 7%
- Japan 4%

\+ STRENGTHS

- Political stability
- Diversified and business-friendly economy
- Liberal trade regime
- Financial hub position for the region
- Strong financial buffers

\- WEAKNESSES

- Limited flexibility of the monetary policy due to the currency peg regime
- Lack of transparency of the quasi-public entities
- High import reliance of the industry
- Still dependent on hydrocarbon revenues in terms of fiscal performance

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	3.8	2.7	2.0	3.8
Inflation (yearly average, %)	4.1	1.8	2.8	3.7
Budget balance (% GDP)	-3.4	-4.1	-3.7	-2.2
Current account balance (% GDP)	4.7	2.4	2.1	2.1
Public debt (% GDP)*	18.7	20.7	20.7	20.8

*General government gross debt (f): forecast

9.9
POPULATION
(millionsofpersons-2016)

35,384
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Improved growth perspectives for 2018

The UAE economy remains one of the most diversified economies in the Gulf Cooperation Council (GCC) region. This diversity has made it an outperformer in the region, and has prevented its economy from falling into recession in the current era of lower energy prices (since 2014). The UAE will also benefit from big international events, such as the Dubai Expo 2020 and the Qatar 2022 World Cup, as they will increase tourism in the region. Further increases of oil prices, coupled with easier fiscal consolidation, are set to help the economy register higher growth rates in 2018.

In Dubai, investments related to Expo 2020 – which is expected to attract more than 25 million visitors from 180 countries – play an important role in the development of the tourism, hospitality, real estate, construction, transportation, and infrastructure sectors. Business confidence figures indicate that operating conditions in the non-hydrocarbon sector continue to improve as well. Government-supported construction activities are also set to contribute to investments, which will likely inch up over the coming quarters.

Private consumption will likely remain among the main growth drivers in 2018, sustained by household consumption and higher international tourism. The introduction of a VAT in 2018 is not expected to represent a significant drag on growth. However, subdued oil prices will likely prevent the economy from recording growth rates as high as pre-2014 levels. The UAE is affected by production cuts as agreed with OPEC and non-OPEC countries. In particular, Abu Dhabi's economy – which relies on the hydrocarbon sector for around half of its GDP – has been affected by the output cap. As of September 2017, the UAE's oil production has declined by 2.5%, compared with its level in 2016. A slower hydrocarbon sector impacts the whole economy – not only through production, but also through government expenditure and investors' sentiment. Meanwhile, non-oil sectors look more positive: recent recovery in oil prices has led to some recovery in consumer and business sentiment, driving non-hydrocarbon investments.

Fiscal improvement in the horizon

Lower oil revenues have weakened the UAE's fiscal and external positions. The government has therefore introduced certain fiscal tightening measures, such as removing fuel subsidies, raising electricity and water tariffs, and postponing transfers to government-related entities (GREs). Via these measures, the government has tried to maintain fiscal sustainability, despite persistently low oil prices. Indeed, the government has been seeking to remain committed to its 2021 Vision, which includes a set of national indicators in education, healthcare, economy, government services, security, etc. With solid financial buffers, authorities are able to use withdrawals from these funds to finance the budget deficit. As of August 2017, the UAE's central bank had AED 335.4 billion dirhams (Emirati dirham; USD 90.6 billion) as net international reserves. The Abu Dhabi Investment Authority (ADIA) is believed to have USD 828 billion as of June 2017.

With the slow recovery in oil prices since early 2017, the budget deficit will start to narrow. This is set to result in higher spending on infrastructure, construction, and investment, as the government should ease fiscal consolidation to sustain economic activity. The budget is expected to be balanced in 2021 and start to produce small surpluses afterwards. The government also uses external borrowing through bond issuance in international financial markets. Higher non-oil exports, thanks to rising global trade volume and tourism revenues, will help to sustain the current account surplus as well. The appreciation of the US dollar on the US Federal Reserve rate hikes would also help the dirham to appreciate, as it is pegged to the US dollar. This may affect the competitiveness of non-oil exports.

Political stability

The UAE stands apart from the region's instability and is considered as a "safe haven" for investments. The country participated in the Qatar boycott, which began in June 2017. The longer the crisis continues, the more investment appetite and bilateral trade flows will be affected negatively in the region. On the other hand, in the short term, the country will benefit from arrivals of GCC tourists who would normally visit Qatar, but will now visit the UAE instead. The country should remain attractive for investors thanks to its political stability.

PAYMENT AND COLLECTION PRACTICES IN UAE

Payment

The most common methods of payment in the United Arab Emirates (UAE) are cash, credit and debit cards, Open Accounts, Letters of Credit, Documentary Collections, and cheques. Cheques are the most common and preferred method of payment in the United Arab Emirates (UAE), especially in commercial transactions, as there are no costs involved with issuing cheques, unlike transactions that are backed by a Letter of Credit or any other type of a bank guarantee. Cheques constitute a reliable debt recognition title that may be enforced directly before a judge. In addition, UAE criminal law states that a person who delivers a cheque in bad faith without sufficient consideration may be imprisoned.

UAE banks are part of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), which is used when transferring money between banks, particularly for international wire transfers.

Debt collection

Amicable phase

Debt collection begins with the amicable approach, during which the debtor receives a notice for payment, followed by a phone call from the creditor or an agency, with the goal of reaching a payment agreement.

Legal proceedings

The UAE Courts are comprised of:
· The Court of First Instance
· The Court of Appeals
· The Abu Dhabi Supreme Court

Located in each Emirate, courts of first instance have general jurisdiction and include a Civil Court, a Criminal Court and a Shariah Court. Following a judgement from one of these courts, the concerned parties have the right to appeal to the Court of Appeals on factual and/or legal grounds. Following this, aggrieved parties have the right to appeal to the Supreme Court on matters of law only. Shariah Court handles civil matters between Muslims.

Fast-track proceedings

An order of payment is a procedure where a party applies to the courts for summary judgment against a defendant for commercial debts, substantiated by a valid but unpaid commercial instrument such as a bill of exchange, promissory note or cheque. If a defence is filed, the dispute must be solved via an ordinary lawsuit before the court of first instance.

Ordinary proceedings

Proceedings start by filing a plaint (complaint) in the relevant court. It must meet procedural requirements, and include both the debtor's information and the details of the debt. The court issues a summons to be served to the defendant, which includes an endorsed hearing date.

Once an answer has been filed by the debtor, the trial process is adjourned to allow the creditor to respond. Further adjournments are given so that memoranda can be submitted by both parties. Once the court believes that the case has been sufficiently pleaded, it reserves the matter for judgment. The entire proceeding is based on written submission supported by documentary evidence. The court will issue remedies in the form of specific actions and compensatory damages. Injunctive relief is not generally available and attachment orders are difficult to obtain.

Enforcement of a legal decision

A court judgment becomes enforceable once it is finalised. If the debtor fails to comply with the court's decision, the creditor may request enforcement mechanisms before the judge, such as an attachment order, or even the imprisonment of the debtor.

Any foreign awards must first be recognized as a domestic judgment. When bilateral or multilateral reciprocal recognition and enforcement treaties exist, this requirement is simply a formality. In the absence of such agreements, an exequatur procedure is provided by domestic private international law.

Insolvency proceedings

On the 4th September 2016, the final draft of the Federal Law on Bankruptcy was approved. The new insolvency law proposes three new insolvency procedures:

Financial Reorganization Procedure

An out of court, private conciliation process that is applicable to entities who have not yet formally entered the zone of insolvency, which has the aim of achieving a consensual, private settlement between parties. An independent mediator with bankruptcy expertise is appointed by the commission for a period of up to four months to oversee discussions between the debtor and its creditors.

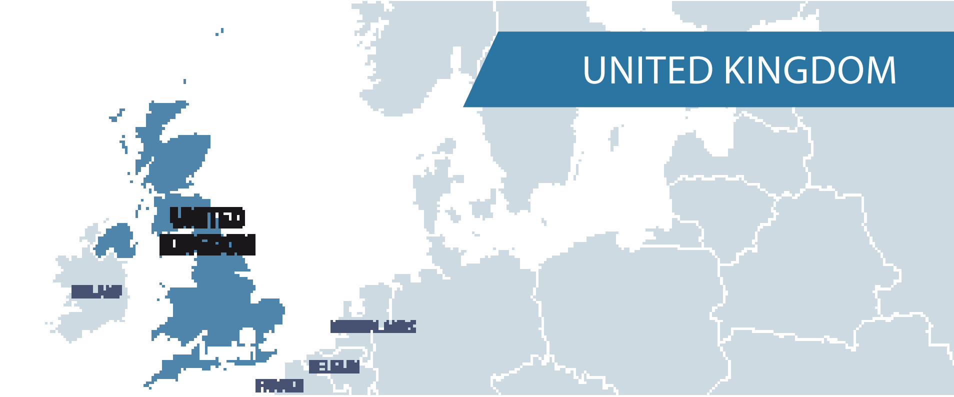
Protective Composition Procedure (PCP)

A debtor that is (a) experiencing financial difficulties, but is not yet insolvent; or (b) has been in a state of over-indebtedness or cessation of payments for less than 45 days, proposes a compromise with its creditors outside of formal bankruptcy proceedings. The PCP includes a moratorium on creditor action (including enforcement of secured claims) and places the debtor under the control of an office holder appointed from the Commission's (the government agency that has the authority to oversee the insolvency proceedings) roll of experts, for an initial observation period of up to three months.

Other key tools of the PCP process include the ability to raise debtor-in-possession (DIP)-style priority funding, which may be secured on unsecured assets or take priority over existing security, and ipso facto previsions that prevent the invocation of insolvency-linked contractual termination provisions – provided the debtor performs its executor obligations. The debtor is given time to file a plan, which is then voted on by creditors.

Bankruptcy

The procedure is split into two elements:
i. a rescue process within formal bankruptcy proceedings, which is procedurally similar to the PCP (including an automatic moratorium and the ability to raise DIP funding)
ii. a formal liquidation procedure



COFACE ASSESSMENTS

A3
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total
United States 15%
Germany 11%
France 6%
Netherlands 6%
Ireland 6%

Imports of goods, as a % of total
Germany 14%
United States 9%
China 9%
Netherlands 7%
France 5%

+ STRENGTHS

- Hydrocarbon production covering three quarters of energy needs
- Cutting-edge sectors (aeronautics, pharmaceuticals, automotives)
- Financial services
- Competitive and attractive fiscal regime

- WEAKNESSES

- Uncertainty over the implementation and consequences of the decision to leave the EU
- High levels of public and household debt (140% of disposable income)
- Low productivity and lack of training not conducive to innovation
- Regional disparities with London and the Southeast and the rest of the UK, especially regarding transport and energy infrastructure

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	2.3	1.8	1.5	1.2
Inflation (yearly average, %)	0.0	0.7	2.7	2.5
Budget balance (% GDP)	-4.3	-2.9	-2.4	-2.1
Current account balance (% GDP)	-5.2	-5.9	-4.6	-4.7
Public debt (% GDP)	89.0	89.3	86.9	87.2

(f): forecast

65.6
POPULATION
(millionsofpersons-2016)

40,050
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Decline in activity continues

Growth, still suffering from the uncertainties associated with Brexit, is expected to weaken in 2018. Household consumption, which represents over 60% of GDP, is set to continue to slow. Indeed, while inflation, following the depreciation of the British pound sterling after the referendum, is outstripping nominal wage growth, the pressure on household disposable income will persist, leading to an erosion of consumer confidence. However, the drop in consumption's contribution to growth will be gradual if households continue to reduce their savings (4.8% of disposable income in 2017 compared with 9.2% in 2015). The slowdown in domestic demand has already impacted the automotive sector, which posted a fall in new registrations in 2017. The contribution of private investment is expected to fall, with businesses choosing to delay their investment decisions due to political uncertainty. The fear of a post-Brexit slowdown and the rising cost of credit, following the hike in the benchmark interest rate, will continue to weigh on the construction sector. Despite a more accommodative fiscal policy, the contribution of public consumption will likely remain weak. Buoyed in 2017 by a devalued pound and by robust demand in EU partner economies, exports should continue to contribute positively to growth in 2018. The effect of sterling's depreciation on export competitiveness is, however, likely to ease, reducing the contribution of exports to growth. The economic slowdown could be reflected in a rise of about 8% in bankruptcies.

The increase in consumer prices is expected to moderate slightly, benefiting from the weakening effects of the sterling's devaluation on imported goods and a less pronounced increase in energy prices. After the Bank of England raised its benchmark interest rate – for the first time since 2007 – to 0.5% in November 2017, a second intervention to raise rate by 25 basis points in 2018 to bring inflation down towards the 2% target cannot be ruled out.

Slower fiscal consolidation

While the economy is facing a less favourable context and is still struggling to overcome certain structural weaknesses, such as anaemic productivity growth, the pace of fiscal consolidation is expected to ease. In particular, cuts to current expenditures are expected to be smaller than initially foreseen. Rising spending on the National Health Service (NHS) and measures to "repair" the property market imbalances were announced in the budget statement in November 2017. Capital spending is expected to rise only moderately. Although these measures are unlikely to stop the downward path of the deficit in 2018, financing them is expected to push up the debt ratio, which came down due to an accounting change in 2017.

The current account balance will continue to show a large deficit in 2018. After benefiting from a buoyant global trade environment and the pound sterling's depreciation in 2017, the balance of goods deficit is expected to increase slightly in 2018. This will not be offset by the services surplus. Even if it could recede, the income balance deficit, which has widened since the start of the decade in connection with the decline in investment income, will continue to impact the current account balance. Transfers, which make a low contribution, are not expected to influence the current account overall balance. Even though the UK has recorded the biggest current account deficit of the G7, and political uncertainty presents certain threats, the country is expected to be in a position to finance its current account deficit thanks to investment flows.

Thorny Brexit negotiations on the agenda of a weakened government

After triggering Article 50 of the EU treaty governing the EU withdrawal process in March 2017, Theresa May, Prime Minister since July 2016, called early general elections so that she could begin Brexit negotiations from a position of strength. However, during the June 2017 elections, even though Theresa May's Conservative party won, it lost its absolute majority in the House of Commons - a significant setback. Only a fragile alliance with the Democratic Unionist Party (DUP), a conservative protestant party from Northern Ireland, enabled Mrs May to remain in position at the head of government. From its weakened negotiating position, on the 5th December 2017 the government nonetheless managed to conclude the first phase of talks with the European Commission, reaching agreement on the EU divorce terms. This compromise, earned after drawn-out negotiations, marks a rare positive moment for the government. The Irish issue will return in the next round of negotiations. The second phase, covering future relations with the EU, will be even more complicated, with the effective exit date of 29th March 2019 looming. An amendment adopted thanks to the rebellion of some Conservative MPs providing for any final deal to be ratified by Westminster exposed Mrs May's weakness and her reduced room for manoeuvre to find an agreement that will satisfy her majority.

PAYMENT AND COLLECTION PRACTICES IN THE UNITED KINGDOM

Payment

Cheques are frequently used for domestic and international commercial payments, although bills of exchange and letters of credit are preferred for international transactions. Bank transfers – particularly SWIFT transfers - are also often used and are viewed as a fast and reliable method of payment. Direct Debits and Standing orders are also recognised as practical solutions for making regular or anticipated payments and are particularly widely used in domestic transactions. It is acceptable to issue invoices both before and after the supply of goods or services.

Debt collection

Amicable proceedings

The debt collection process usually begins with the debtor being sent a demand for payment, followed by a series of further written correspondence, telephone calls and (if the value of the debt permits), personal visits and debtor meetings. The collection process has been designed as a progression of stages, beginning with an amicable (pre-legal) collection phase and escalating up to litigation, should the debtor fail to meet his obligations.

Legal proceedings

The County Court only has civil jurisdiction. Judges handle claims for debt collection, personal injury, breach of contract concerning goods or property, land recovery and family issues (such as divorce and adoption). Cases valued at less than GBP 25,000 (or under GBP 50,000 for personal injury cases) must have their first hearing in the county court.

The High Court is based in London, but also has provincial districts known as "District Registries" all over England and Wales. It has three divisions: the Queen's Bench Division, the Chancery Division, and the Family Division.

The Court of Appeal has two divisions – the Civil Division and the Criminal Division

The Supreme Court is composed of a president, a deputy president, and twelve professional justices

Fast-track proceedings (Summary Judgments)

In order to apply for a summary judgment, the claimant must obtain an Application Notice Form from the court. This should be supported by a Statement in which the claimant sets out why he believes that summary judgment should be given - either because the defendant has no real prospect of successfully defending the claim, or because there is no reason why the case should be decided by a full trial.

A copy of this statement is served on the opponent seven days before the summary judgment hearing. The opponent also has the opportunity of presenting a statement, but this must be sent no later than three days before the hearing. The claimant cannot apply for summary judgment until the debtor has either returned an acknowledgment of service form, or has filed a defence. If the court agrees with the claimant, it will return a favourable judgment. The application will be dismissed if the court does not agree with the claimant.

Ordinary proceedings

There are now identical procedures and jurisdictions for the County Court and the High Court. A number of litigation "tracks" have been created, each with their own procedural timetables. Claims are allocated to a track by a procedural judge, according to their monetary value. There are transaction processes that need to be followed before initiating a court action. These processes have been designed to encourage the parties concerned to settle disputes without the need for court proceedings, thus minimising costs and court time.

Proceedings formally commence when the claimant (formerly "the plaintiff") files a Claim Form with the County Court or the High Court. Full details of the complaint are set out in the Particulars of Claim, which is usually a separate document which supports the Claim Form. The Claim Form must be served on the defendant by the court, or by the claimant. The defendant can then respond to the claim form within 14 days of service. A time extension of 28 days is agreed for the debtor to file a defence and/or a counter-claim. Once these formal documents have been exchanged, the court orders both parties to complete an "Allocation Questionnaire".

Freezing order (formerly Mareva Injunction)

A freezing order (or freezing injunction) is a special interim order which prevents the defendant from disposing of assets or removing them from the country. One of the conditions attached to the granting of such an order is often that the applicant will pay full costs to the person against whom it was made, if it turns out to be inappropriate. A typical commercial dispute can take 18-24 months to reach a judgment, starting from the time legal action is first initiated.

Enforcement of a legal decision

A number of enforcement mechanisms are available. These include the Warrant of Execution (which allows a County Court Bailiff to request payment from the debtor) and the Writ of Fieri Facias for debts exceeding GBP 600, under which a High Court Enforcement Officer can make a levy on goods to the equivalent value of the judgment debt (for subsequent sale at auction and offsetting against the amount due).

As a member of the European Union, the UK has adopted several enforcement mechanisms for decisions rendered in other EU countries. These include EU payment orders which are directly enforceable in domestic courts and the European Enforcement Order, for undisputed claims. Judgments issued in non-EU countries are recognised and enforced if the issuing country has an agreement with the UK. If no such agreement is in place, an exequatur procedure is provided by English Private International Law.

Insolvency proceedings

Administration

Administration is intended as a rescue mechanism which enables companies (wherever possible) to continue with their business operations. The procedure is initiated either by applying to the court for an administration order, or by filing papers with the court documenting the out-of-court appointment of an administrator.

Company Voluntary Arrangement (CVA)

The CVA is an informal but binding agreement, between a company and its unsecured creditors, in which the company's debts are renegotiated. It can be used to avoid or support other insolvency procedures, such as administration or liquidation. It provides for a restructuring plan which imposes the support of dissenting creditors.

Creditor's Scheme of Arrangement

The Creditor's Scheme of Arrangement is a court-approved compromise or arrangement, between a corporate debtor and all classes of its creditors, for the reorganisation or rescheduling of its debts. It is not an insolvency procedure and does not include a moratorium on creditor action. It can, however, be implemented in conjunction with formal insolvency proceedings, (administration or liquidation). It can also be implemented on a standalone basis by the debtor company itself.

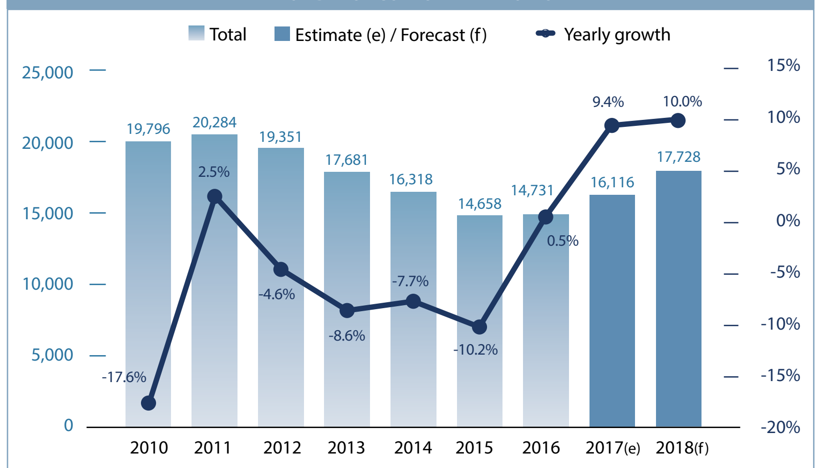
Receivership

There are three types of receivers. The first of these is a receiver appointed with statutory powers. The second type of receiver is one who is appointed under the terms of a fixed charge or a security trust deed. The third category is an administrator (who is appointed under the terms of a floating charge over all, or a substantial share, of the debtor company's property.

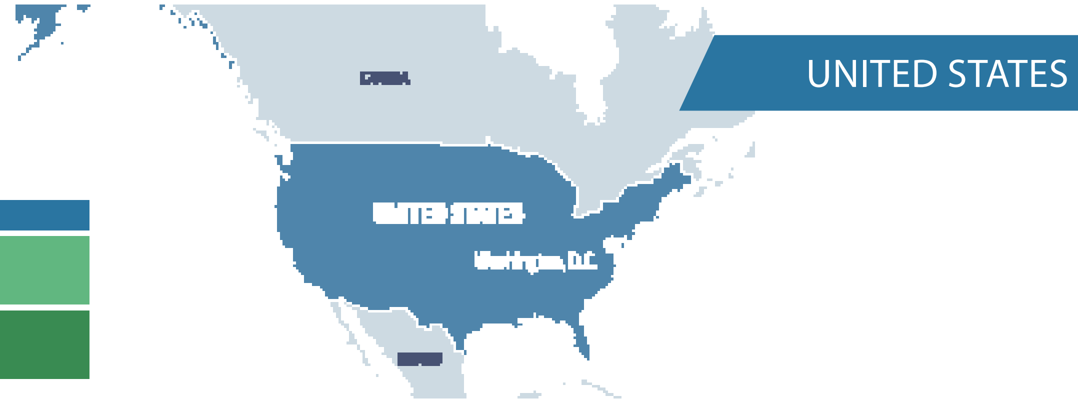
Liquidation

A company can enter voluntary or compulsory liquidation. Voluntary liquidations can be either a "members' voluntary liquidation" or a "creditors' voluntary liquidation". Both of these proceedings are initiated by the company itself, by passing a resolution during a meeting of members. The company then ceases trading and a liquidator collects the company's assets and distributes the benefits to the creditors so as to satisfy, as far as possible, the company's liabilities.

NUMBER OF CORPORATE FAILURES



Source: The Insolvency Service, Coface

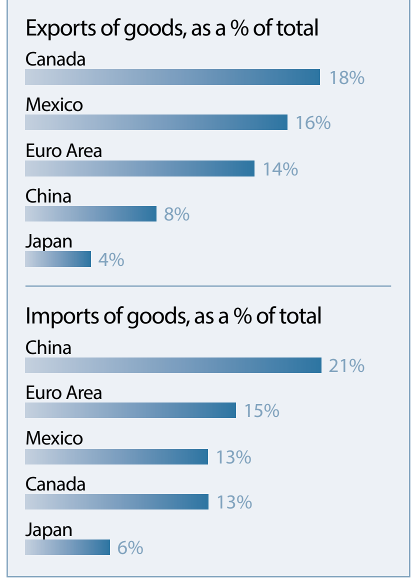


COFACE ASSESSMENTS

A2
COUNTRY RISK

A1
BUSINESS CLIMATE

TRADE EXCHANGES



+ STRENGTHS

- Flexibility in the labour market
- Full employment is also one of the objectives of the Federal Reserve
- The predominant role of the dollar in the global economy
- Nearly 60% of public debt held by residents
- Attractive market: leader in research & innovation, huge market
- Reduced corporate tax rates
- Increasing energy self-sufficiency

- WEAKNESSES

- Low labour force participation rate
- Low geographic flexibility of households
- Polarisation of political landscape
- Lower fertility rate
- Obsolescence of many infrastructure
- Increasing inequalities

SECTOR RISK ASSESSMENT

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	2.9	1.5	2.3	2.3
Inflation (yearly average, %)	0.1	1.3	1.7	1.9
Budget balance (% GDP) *	-3.5	-4.4	-4.3	-4.4
Current account balance (% GDP)	-2.4	-2.4	-2.4	-2.6
Public debt (% GDP)	105.2	107.1	108.1	108.5

(f): forecast

323.3
POPULATION
(millionsofpersons-2016)

57,608
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Tax reforms to delay the slowdown in growth

Although President Donald Trump was unable to make any progress with any major measures between January and November 2017, activity picked up strongly thanks to the resilience of household consumption and the recovery in housing investment, in a context of high levels of confidence among agents. Growth is expected to remain robust in 2018, mainly because of acceleration in company investments, bolstered by the significant cut in corporation tax from 35% to 21% in President Trump's tax reforms. Conversely, growth in household consumption is likely to slow, despite the historically low rate of unemployment (around 4%), significant increases in real wages, and the wealth effect generated by rising housing prices. The impact of the reduction in income tax – which will mainly benefit the most wealthy (maximum tax rate cut from 39.7% to 37%) – will be partly offset by a continued tightening of monetary policy, with the Fed planning on three further rises in its key interest rate in 2018. The consequent increase in the cost of credit will mainly be felt by lower income households, with an impact on their consumption. In addition, households' room for manoeuvre is very limited due to their levels of indebtedness – stable but very high (136% of GDI in Q2 2017) – and the reduction in their savings rate over the last two years (3.2% in October 2017, down -3.1 points in two years). This slowing in demand will mainly hit the retail, clothing, and transport sectors. However, the energy sector will feel the benefits of raising oil prices. This, combined with the growth in wages, is expected to lead to a slight upwards shift in inflation, which will come closer to the Fed's target (2%). Whilst it is expected to slow at the end of the year, the economy will continue to grow and company insolvencies are expected to be 4% lower in 2018.

With the tax reforms driving up the public deficit, debt will continue on its upwards slope

According to the Congressional Budget Office (CBO), despite the removal of local tax deductions for federal taxes, the tax reform being instituted by President Trump will amount to USD1.4 trillion over ten years – around 7% of GDP. At the same time, the government will also cut social expenditure, notably healthcare (removal of fines for those not having health insurance, which is likely to lead to a fall in the numbers of insured citizens), in order to make savings. The scale of the tax reform will, however, result in an increase in the deficit in 2018, despite any slight associated increase in growth (estimated at 0.25% of GDP). The US public debt, among the largest in the world, should therefore continue to grow.

A large trading deficit financed by foreign savings

The balance of goods is in substantial deficit due to imports of consumer and capital goods. This deficit is partly offset by the surplus in the balance of services and the balance of income, the dividends from US investments in other countries being greater than the transfers of foreign investors and workers. The large current account deficit is currently financed by FDI and portfolio investments. The result is that the external position is a net structural deficit (USD7,935 billion in Q2 2017, approximately 45% of GDP).

While President Trump has a distinct wish to increase protectionism – as can be seen with the abandoning of the Trans-Pacific Partnership (TPP) and the renegotiation of the free-trade agreement with Canada and Mexico (NAFTA) – the external deficit is expected to worsen in 2018 due to the upwards pressure on the dollar – linked with the tighter monetary policy of the Fed – which will reduce the competitiveness of US exports, and the continued buoyancy of imports in the wake of domestic demand, notably from investment.

Critical mid-term elections following the first legislative victory for President Trump

The December 2017 vote on tax reforms was the first legislative victory for President Trump, who has so far experienced considerable difficulties in implementing his programme. This victory was vital for President Trump with the upcoming mid-term elections to be held in November 2018, during which all the seats, in the House of Representatives, as well as one-third of Senate seats will be up for election. Despite a Republican majority in both Houses of Congress, President Trump is already facing a rebellion within the Republican party. A change in the majority during the mid-term elections would make any further reforms almost impossible. The victory of the Democrat candidate in the Senatorial election in Alabama (a traditionally solid Republican State) in December 2017 would seem to indicate that the Democrats could at least win back the Senate.

PAYMENT AND COLLECTION PRACTICES IN THE UNITED STATES

Payment

Exporters should pay close attention to sales contract clauses on the respective obligations of the parties and determine payment terms best suited to the context, particularly where credit payment obligations are involved. In that regard, cheques and bills of exchange are very basic payment devices that do not allow creditors to bring actions for recovery in respect of "exchange law" (*droit cambiaire*) as is possible in other signatory countries of the 1930 and 1931 Geneva Conventions on uniform legal treatment of bills of exchange and cheques.

Cheques are widely used but, as they are not required to be covered at their issue, offer relatively limited guarantees. Account holders may stop payment on a cheque by submitting a written request to the bank within fourteen days of the cheque's issue. Moreover, in the event of default, payees must still provide proof of claim. "Certified checks" offer greater security to suppliers since the bank certifying the cheque thereby confirms the presence of sufficient funds in the account and makes a commitment to pay it. Although more difficult to obtain and therefore less commonplace, "cashier's checks", cheques drawn directly on a bank's own account, provide complete security as they constitute a direct undertaking to pay from the bank.

Bills of exchange and promissory notes are less commonly used and offer no specific proof of debt. The open account system is only justified after a continuing business relationship has been established.

Transfers are used frequently especially via the SWIFT electronic network, to which most American banks are connected, and which provides speedy and low-cost processing of international payments. SWIFT transfers are particularly suitable where real trust exists between the contracting parties, since the seller is dependent on the buyer acting in good faith and effectively initiating the transfer order.

For large amounts, major American companies also use two other highly automated interbank transfer systems – the Clearing House Interbank Payments System (CHIPS), operated by private financial institutions and the Fedwire Funds Service System, operated by the Federal Reserve.

Debt collection

Amicable phase

Since the American legal system is complex and, especially as regards lawyers' fees, costly, it is advisable to negotiate and settle out of court with customers wherever possible or else hire a collection agency.

Legal proceedings

The judicial system comprises two basic types of court: the federal District Courts with at least one such court in each State and the Circuit or County Courts under the jurisdiction of each State.

Fast-track proceedings

If the debt is certain and undisputed, American law provides for a "summary judgment" procedure, where a motion for "summary judgment" is based upon a claim by one party that all necessary factual issues are settled or that no trial is necessary. It is appropriate when the court determines there are no factual issued remaining to be tried, and therefore a cause of action or all causes of action in the complaint can be decided without a trail. If the judge decides that there are facts in dispute, the court will deny the motion for summary judgment and order a trial.

Ordinary proceedings

The vast majority of proceedings are heard by State courts, which apply state and federal law to disputes falling within their jurisdictions (i.e. legal actions concerning persons domiciled or resident in the State).

Federal courts, on the other hand, rule on disputes involving State governments, cases involving interpretations of the constitution or federal treaties and claims above USD 75,000 US between citizens of different American States or between an American citizen and a foreign national or foreign State body or, in some cases, between plaintiffs and defendants from foreign countries.

A key feature of the American judicial system is the pre-trial "discovery" phase whereby each party, before the main hearing, may demand evidence and testimonies relating to the dispute from the adversary before the court hears the case. During the trial itself, judges give plaintiffs and their lawyers a considerable leeway to produce pertinent documents at any time and conduct the trial in general. This is an adversarial procedure, where the judge has more the role of an arbitrator, ensuring compliance with the procedural rules, although more and more practice enhances the part of the judge in the running of the case.

The "discovery phase" can last several months, even years, and entail high costs due to each adversary's insistence on constantly providing pertinent evidence (argued by each party), and involve various means – like examinations, requests to provide supporting documents, the testimony of witnesses, and reports by detectives – before submitting them for court approval during the final phase of the proceedings.

In civil cases, the jury determines whether the demand is justified and also determines the penalty to impose on the offender. For especially complex, lengthy or expensive litigation, as in the case of insolvency actions, courts have been known to allow creditors to hold as liable the professionals (e.g. auditors) who have counselled the defaulting party, where such advisors have demonstrably acted improperly.

Enforcement of a legal decision

Domestic judgments, in the United States, give the creditors additional rights such as the seizure and selling of the debtor's assets or the garnishment of their bank account. As a federal State, decisions rendered in one of the country's states may be executed in another state's court, provided that the enforcing court considers that it is competent to enforce any judgement.

For foreign awards, each state has its own legislation. Nevertheless, they must be first recognized as domestic judgments. If a reciprocal recognition treaty exists, the requirement is fulfilled. However, in the absence of one, exequatur proceedings aim at ensuring enforcement in domestic court, after verifying the judgment meets certain criteria provided by the state law.

Insolvency proceedings

Out-of court proceedings

Different State laws can propose out-of court proceedings in order to avoid any formal judicial proceedings, such as the Assignment for the benefit of creditors in the state of California, where a company turns over all of its assets to an independent third party, who liquidates and distributes them to all creditors in an equitable fashion.

Restructuring proceedings: Chapter 11

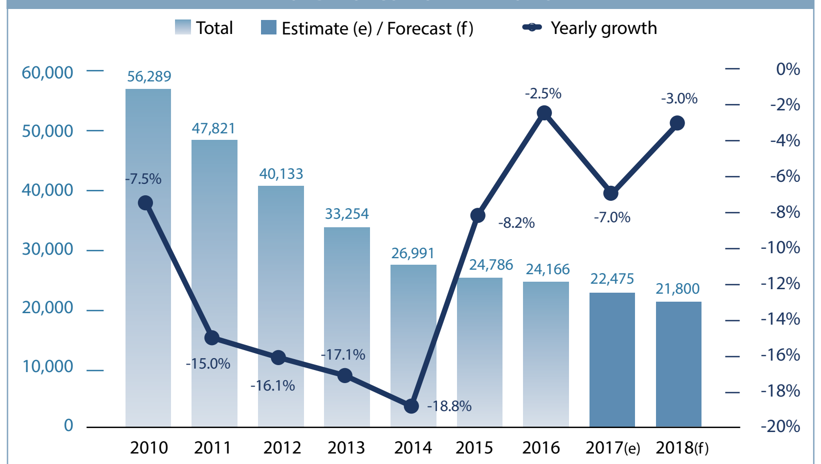
Chapter 11 of the American Bankruptcy Code provides a distressed entity with the opportunity to preserve its business as a going concern while implementing an operation of financial restructuring. The debtor can seek to adjust its debt by reduction the amount owed or extending repayment terms. The debtor entity and its management continue to operate the business as the debtor-in-possession. The Bankruptcy court supervises the proceedings.

Liquidation under Chapter 7

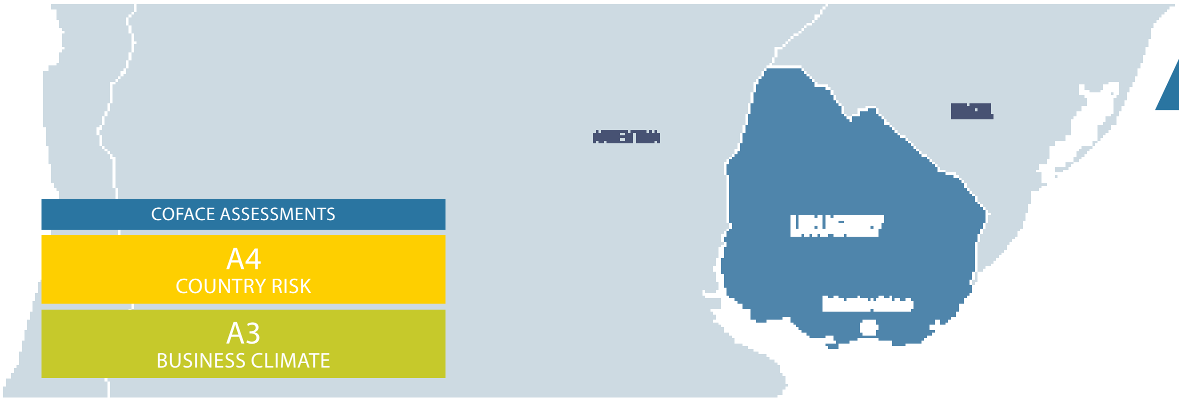
The purpose of these proceedings is to implement an orderly liquidation of the distressed entity. The court-supervised process involves a trustee selling assets and distributing the proceeds to creditors in accordance with the statutory priorities provided in the Bankruptcy Code as well as pursuing available causes of action. The US Trustee appoints an independent interim trustee to administer the case. The interim trustee holds a meeting of creditors after the petition is filed. He is responsible for liquidating the estate's assets and distributing the proceeds to the creditors. The Court supervises the proceedings.

State law can also provide different mechanism for liquidation of a debtor's assets such as receivership.

NUMBER OF CORPORATE FAILURES



Source: Administrative Office of the United States Courts, Coface



COFACE ASSESSMENTS

A4
COUNTRY RISK

A3
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Brazil 17%
- China 13%
- Euro Area 11%
- United States 6%
- Argentina 6%

Imports of goods, as a % of total

- China 19%
- Brazil 18%
- Argentina 13%
- Euro Area 13%
- United States 7%

+ STRENGTHS

- Abundant agricultural and forestry resources
- Social homogeneity and political stability
- Active reform policy (business climate, public finances, social security)
- Substantial foreign direct investments
- Member of Mercosur, preferential trading relations with the EU and the US

- WEAKNESSES

- Economy vulnerable to commodity price movements (soya, meat, dairy products)
- Dependence on economic cycles in Argentina, Brazil and China
- Inadequate transport infrastructure
- Competitiveness reduced by strong inflation
- Public debt (mitigated by long maturity and increasing share of local currency-denominated)

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	1.0	1.5	3.4	3.2
Inflation (yearly average, %)	8.7	9.6	6.1	6.7
Budget balance (% GDP)	-3.5	-4.0	-3.4	-3.1
Current account balance (% GDP)	-2.1	-0.1	-0.4	-0.8
Public debt (% GDP)	64.6	61.9	59.8	61.3

(f): forecast

3.5
POPULATION
(millionsofpersons-2016)

15,062
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

New found strength in the wake of regional circumstances

In 2017, Uruguayan growth rebounded after two years in the doldrums. Activity was sustained by exports and household consumption. The economy benefited from the resumption of growth in Brazil and Argentina, as well as the rebound in agricultural export prices (soya, meat, dairy products). Internally, consumption regained some momentum thanks to lower inflation, which fell back to within the target range (3%-7%) fixed by the central bank.

Activity is expected to remain buoyant in 2018, with growth being driven by all sectors. Investment is thus expected to rebound after a sluggish year, thanks to the Ferrocarril Central railway infrastructure project, which aims to facilitate the transport of goods (especially wood) to the port of Montevideo (public/private financing estimated at USD 1 billion). This project is specifically the subject of negotiations with the Finnish UPM group regarding the potential construction of a third pulp mill, which is set to be the largest private investment project ever undertaken in Uruguay (USD 4 billion). Consumption is expected to slow because of the jump in inflation as a result of the peso's devaluation against the dollar after a year of stability. However, inflation will remain around the upper limit fixed by the central bank, thanks to more modest wage rises, which themselves are largely due to the gradual indexing of wages to sectoral activity rather than to inflation. Externally, the strengthening economic recovery in Brazil, the country's main client for exports of goods, and in Argentina, principal source of FDIs and tourists, should also sustain growth.

Gradual fiscal consolidation and slight deterioration of the current account balance

After public accounts were hit by weak activity in 2016, the government pursued a more restrictive fiscal policy in 2017. The government has accordingly implemented the fiscal consolidation programme set out in its five-year finance act of 2015, aimed at achieving a 2.5% public deficit by the end of President Tabaré Vázquez's presidential term in 2019. The government's strategy relies notably on higher tax revenues, thanks to the economic momentum gained through VAT, as well as higher income taxes in particular (between four and six points, depending on the tax band) that came into force in 2017. In 2018, in order to finance the increased education budget, set to reach 5% of GDP, the government decided to raise one of the taxes levied on imports: Consular Duty or *tasa consular*. While the public debt burden remains considerable, the authorities have gradually increased the share denominated in local currency and held by residents (over 55% at the second quarter of 2017, compared with just 30% in 2007) and extended the average maturity (fourteen years), thus lessening its vulnerability.

Meanwhile, in 2017, the current account deficit widened slightly, due to rising imports resulting from the recovery in internal demand. While exports also rebounded, thanks to the aforementioned improved economic prospects, they only partially offset the rise in imports. In 2018, Uruguayan exports are expected to continue to be driven by stronger growth in its main partner markets. At the same time, imports are expected to remain buoyant thanks to the resilience of consumption and the recovery in investment. After a sharp rise in the number of tourists (mainly from Argentina) in 2017, the services balance looks as if it will take a hit in 2018 from the ending of tax benefits at the end of March (partial or total VAT exemption depending on the service) reserved for tourists. The current account deficit is, therefore, expected to grow slightly.

The governing coalition faces divisions and allegations of corruption

President Tabaré Vazquez is facing allegations of corruption concerning the previous government, related to his centre-left coalition Frente Amplio (FA), and in particular his vice president, Raul Sendic, who stepped down in September 2017. Moreover, President Vazquez is facing a sharp drop in his popularity (around 30% approval ratings in mid-2017). A sign of his fading popularity is that the right-leaning opposition party (Partido Nacional) was ahead in the polls in mid-2017 for the first time since 1994. Meanwhile, the governing coalition is characterised by sharp divisions between the Communist wing and President Vazquez's moderate wing, as evidenced by the latter's decision to vote in favour of the temporary exclusion of Venezuela from Mercosur in August 2017. The divisions within the coalition also concern the free-trade agreement on services signed in October 2016 with Chile, to which the left wing of the Party is opposed, and which Parliament still hasn't ratified one year on. Uruguay remains a particularly stable country politically.

Despite there being significant room for progress on financial transparency, Uruguay is a preferred destination for FDIs in the region, thanks to the favourable business climate overall.

UZBEKISTAN

COFACE ASSESSMENTS

C
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 35%
- China 20%
- Russia 9%
- Turkey 9%
- Kazakhstan 7%

Imports of goods, as a % of total

- China 22%
- Russia 21%
- Euro Area 16%
- South Korea 10%
- Kazakhstan 10%

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	8.0	7.8	5.7	6.0
Inflation (yearly average, %)	8.5	8.0	12.0	13.0
Budget balance* (% GDP)	0.8	0.4	0.5	1.0
Current account balance (% GDP)	0.7	0.7	1.0	0.5
Public debt (% GDP)	10.7	16.3	17.0	17.0

*including disbursements from the Fund for Reconstruction and Development (f): forecast

31.3
POPULATION
(millionsofpersons-2016)

2,133
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Abundant and diversified natural resources (gas, gold, cotton, hydroelectric potential)
- Low level of debt and comfortable foreign exchange reserves
- Ambitious public investment programme
- Population of 32 million inhabitants
- Strategic position between China and Europe (New Silk Road)

- WEAKNESSES

- Poor economic diversification and dependence on commodity prices
- Low competitiveness
- Underdeveloped banking sector; practice of directed credit
- State interventionism; difficult business climate
- Autocratic regime

RISK ASSESSMENT

Growth sustained by investment

Uzbekistan is set to remain one of the most dynamic economies in the CIS in 2018, even if official data tends to overestimate growth. Public investment, aimed at improving industrial performance and infrastructure, especially in the fields of gas, hydroelectricity, and roads, should continue to sustain activity, particularly in construction. The state could also be bolstered by multilateral donors and foreign private investors, whose confidence has been boosted by the measures taken by the new Head of State – notably the liberalisation of exchange rates and the creation of a special economic zone (Urgut district). Industry (machines, automotive equipment, agrifood) and services (almost 45% of GDP) are also likely to perform well.

The contribution of exports (almost 20% of GDP) could be improved by steady increases in export prices (for gas, cotton, and gold – the top export product). External demand might increase slightly (especially from China, Russia and Kazakhstan). However, as imports of capital goods and metals for infrastructure projects and industrial facilities will increase substantially, the net contribution of trade is likely to be nil.

Household consumption (over 50% of GDP) is expected to be sustained by the moderate rise in social spending and wages in the large public sector, as well as by the ongoing recovery in remittances from expatriate workers in Russia and Kazakhstan (likely to total about two million), offsetting the negative impact of higher prices on real incomes. Inflation is set to remain high, driven by the ongoing depreciation of the Uzbekistanti so'm (the local currency), strong credit growth, and periodic increases in the price of utilities (water, gas, electricity) that aim to align them to market prices, as well as by higher food costs generated by disrupted food production and distribution mechanisms.

Public and external accounts show a slight surplus

In 2018, the government is expected to continue its policy of stimulating activity via increased public spending. However, the public balance will continue to show a small surplus, and the public debt burden will remain weak thanks to withdrawals (amount unknown) from the Sovereign fund made since the drop in hydrocarbon prices and the recession in Russia in 2014. Nevertheless, higher revenues from the export sectors should help gradually reduce these withdrawals, as will the reforms aimed at increasing the effectiveness of public spending.

The trade balance will remain close to equilibrium. The increase in exports will more or less offset that of imports, while higher remittances from expatriate workers should help maintain a slight current account surplus. The recurrence of the surplus accounts for the comfortable level of foreign exchange reserves (about 24 months of imports, inclusive of gold) which protects the country from financial tensions.

The underdeveloped banking system is tightly controlled by the state, particularly regarding its loan policy, which weakens the quality of its portfolios. Nevertheless, it could benefit from the removal, of the so'm's peg to the dollar in September 2017, the key to this being its 50% depreciation and its alignment to the black market rate. If trust builds in the future management of the currency, the economic actors will continue to go to the banks to convert their foreign currency assets, which can no longer be used for domestic payments, thus facilitating the de-dollarisation of the economy. Whatever happens, the sector will be supported by the government if difficulties arise.

An authoritarian regime but anxious to attract foreign investors

The death of Islam Karimov in September 2016, president since the country's independence in 1991, resulted in Prime Minister Shavkat Mirziyoyev becoming the Head of State after a comfortable election victory (89% of the votes) in December 2016. Like his predecessor, he is expected to maintain a strong state. However, putting an end to a decade of isolationism, he has moved to establish closer relations with neighbouring countries, in particular Kirghizstan and Tajikistan, with which agreements on water management, communication channels, the electricity network, and border disputes have been concluded or are currently being negotiated. Likewise, relations with Russia are now closer, but are not expected to overshadow relations with the West or the healthy relationship with China.

The key priority is economic development. Indeed, the president seems to favour economic reforms aimed at attracting investors. This is evidenced by removing the so'm's dollar peg and most of the foreign exchange control measures. However, economic openness is still tentative. Removing the peg does not predict how foreign exchange will be managed in the future. State-owned enterprises continue to dominate, despite their inefficiency. Red tape and difficulties due to customs persist, and performance in terms of corruption, regulation, and government effectiveness remains poor. The risks linked to the rise of Islamist groups is likely to endure. Meanwhile, poverty, unemployment and restrictions on freedoms provide fertile territory for protests by a very young population (almost half of which is under 25 years old), which the government will do everything to control.

VENEZUELA

COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 35%
- India 17%
- China 14%
- Netherlands Antilles 8%
- Singapore 5%

Imports of goods, as a % of total

- United States 22%
- China 14%
- Euro Area 9%
- Brazil 7%
- Colombia 6%

Main economic indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-6.2	-16.5	-12.0	-6.0
Inflation (yearly average, %)	111.8	254.4	652.7	2,349.3
Budget balance (% GDP)	-17.7	-17.8	-18.5	-18.7
Current account balance (% GDP)	-6.6	-1.6	-0.4	-1.3
Public debt (% GDP)	32.1	31.4	22.9	19.7

(f): forecast

31.0
POPULATION
(millionsofpersons-2016)

7,620
GDP PER CAPITA
(US dollars - 2016)

+ STRENGTHS

- Significant oil reserves along the Orinoco river and potential offshore gas fields
- Geographic proximity to the United States, the leading market for Venezuelan oil
- Assets (including in the United States) of the State oil company, PDVSA
- Growing workforce

- WEAKNESSES

- In default on its sovereign and quasi-sovereign debt
- Economy heavily dependent on oil and gas sector and loans from China and Russia
- Hyperinflation
- Shortages of currency and goods (basic foodstuffs, medicines)
- Opaque and informal management of oil and gas revenues
- Length of payment time in business
- Serious political insecurity
- Criminality (homicides), corruption, trafficking of all types, black market

RISK ASSESSMENT

Acute and far-reaching crisis

The economy, in crisis since 2014, is expected to remain in recession in 2018, under the impact of galloping inflation and declining oil and gas production. Despite the slow rise in oil prices, oil and gas production is likely to continue falling (-13.5% between October 2016 and October 2017) due to the lack of investment. As oil accounts for 90% of exports, 50% of budget revenues, and almost all of currency earnings, this decline in production is expected to worsen the existing macroeconomic imbalances. The non-oil economy is expected to contract further, suffering from a lack of investment, following years of neglect in favour of the oil and gas sector. The difficulty of obtaining intermediate products and capital goods is undermining industrial output, because the private sector depends on the state for access to foreign currency. This decline in productive capacities is taking place in a context of hyperinflation. The monetisation of the public deficit because of the decline in oil revenues has caused inflation to soar, exacerbated by the fall of the Venezuelan bolivar and rocketing import prices. In this context, household purchasing power continues to be seriously diminished. The shortage of everyday essentials is becoming increasingly severe, under the pressure of the government's policy to drive down imports. Investment is likely to continue its decline in a business climate that is being undermined (arbitrary expropriations, intrusive checks, government inspections) and in a context of widespread political insecurity.

Fragile budget and external positions

The decline in oil revenues, together with the real-term reduction in non-oil revenues, has resulted in a rocketing of public deficit. However, the government has not reduced social spending in the same proportion. The deficit is largely being financed through monetisation, as well as via Russian and Chinese loans, subject to "loan against oil" terms. With Venezuela in default on its sovereign and quasi-sovereign (PDVSA) debts as of the 2nd November 2017, it is facing the need to restructure its debt in order to maintain its access to finance. Russia has granted a restructuring covering USD 3.15 billion relating to payments due over the next six years. However, achieving a more comprehensive restructuring appears to be more difficult following an unfruitful first round of meetings with its creditors. The existence of US sanctions against certain Venezuelan officials – including lead negotiator Tareck El Aissami, accused of drug trafficking – will prevent any US creditor from taking part in these negotiations.

In terms of the current account, the balance of trade should be slightly in surplus. This is a reflection of the contraction in imports (from USD 33.3 to USD 15.5 billion between 2015 and 2017) and a relatively stable level of oil exports, thanks to the recovery in oil prices. This surplus will not offset the deficit in services, linked with the collapse in tourism and the cost of oil industry engineering services, nor the high cost of debt servicing (USD 120 billion). The very low level of FDI and any bilateral loans will not be enough to bring the balance of payments into equilibrium. Currency reserves will continue to decline (USD 9.9 billion in November 2017, including gold), with any rebuilding being limited by the repayment in kind of Chinese and Russian loans, which leaves very little oil for sale to bring in enough foreign currency. This financing deficit is likely to continue to pull down the bolivar, further aggravating the gap between the official rate (VEB 10 for USD 1), used only for public transactions involving staples, and the parallel rate (VEB 103,000 for USD 1 at the end of 2017).

Tense political situation

2017 was a year of rising political tensions, an indication of the inability of the government to find a way out of the economic mess. The election of a Constituent Assembly in August 2017 was preceded by three months of conflict between government forces and supporters of the opposition, resulting in over a hundred deaths. This new assembly, which favours Nicolas Maduro (Partido Socialista Unido de Venezuela , PSUV) because it was boycotted by the opposition, has been trying to take power away from the opposition (Mesa Unitaria Democratica, MUD) dominated Congress, with an announcement of the dissolution of the latter in August 2017. The wave of international outrage following this and demonstrations within the country forced the government to step back, but without actually defusing the situation. Elections of regional governors in October 2017, largely won by the governmental party, strengthened the hand of President Maduro by highlighting divisions within the opposition. The decision by four governors, members of MUD, to be sworn in by the Constituent Assembly generated considerable disagreement within the coalition, as the vast majority of its members claim the Assembly is without any legitimacy. The victory of the PSUV in the municipal elections in December 2017, boycotted by the opposition, further exacerbated these tensions. Negotiations between the government and the opposition started in November 2017, with the government agreeing to intensify the fight against corruption, and the arrest of senior oil industry executives. With a divided opposition and an increasingly repressive use of power, the danger of political and social upheavals will continue at a high level until at least the next presidential election at the end of 2018.

VIETNAM

COFACE ASSESSMENTS

B
COUNTRY RISK

B
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- United States 20%
- Euro Area 14%
- China 14%
- Japan 8%
- South Korea 6%

Imports of goods, as a % of total

- China 25%
- South Korea 17%
- Japan 8%
- United States 6%
- Taiwan 5%

+ STRENGTHS

- Quality and inexpensive labour
- Strong agricultural potential and natural resources
- Development strategy based on openness, upscaling and diversification of the economy
- Economy not affected by Chinese slowdown

- WEAKNESSES

- Shortcomings in the business climate
- Lack of infrastructure
- Reform of the incomplete public sector
- Increased inequality
- Fragile banking system
- Publicly inefficient and heavily indebted enterprises

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	6.7	6.2	6.3	6.5
Inflation (yearly average, %)	0.6	2.7	4.4	4.0
Budget balance (% GDP)	-6.2	-6.6	-5.8	-5.8
Current account balance (% GDP)	-0.1	4.1	1.3	1.4
Public debt (% GDP)	57.3	60.7	61.4	63.6

(f): forecast

92.7
POPULATION
(millionsofpersons-2016)

2,172
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth will remain solid

Growth is likely to remain robust in 2018, supported by domestic demand and exports of manufactured goods. Export sectors will likely continue to benefit from FDI, the country's participation in a growing number of free trade agreements, and offshoring from China. The country is also moving its exports upmarket, including electronics, with the production of some parts for smartphones and tablets (16% of total exports). In addition, the textile sector is set to remain dynamic due to low labour costs, despite an expected increase in wages. The good health of the manufacturing sector will benefit the construction sector, as well as the increasing urbanization of the population and the rapid development of tourism. The latter should also benefit from the implementation of an electronic visa system in 2017, but will remain limited by infrastructure deficiencies. Private investment will largely depend on FDI inflows, while public investment is still constrained by funding limitations. The agricultural and oil sectors are likely to be less dynamic, due to the reorientation of the economy and workers towards the manufacturing and service sectors.

Household consumption is expected to continue to grow, predominantly thanks to inflation control, wage growth, and expatriate remittances. In addition, the development of the middle class and the growth of household credit will support domestic demand.

Public accounts remain poor

The budget deficit will likely remain high in 2018, and the public debt is set to continue to grow slightly, approaching the ceiling set by Vietnam's parliament (65% of the GDP). It will remain vulnerable to currency risk, as it is largely denominated in foreign currencies (around 40%) – although this share is starting to decrease. Nevertheless, the privatization programme of public enterprises would gradually make it possible to clear margins of budgetary flexibility. The government is also counting on the influx of FDI to finance part of their infrastructure projects (notably in transport and energy), which are necessary for the country's development. In addition, in July 2017, Prime Minister Nguyễn Xuân Phúc announced his desire to speed up the liberalization of the services, telecommunications, and finance sectors, by easing restrictions on foreign capital. New tax reforms are also envisaged, including the increase of VAT (from 10% to 12%) and tobacco taxes, as well as the reduction of corporate tax.

The current account surplus will probably remain steady in 2018. The dynamism of exports of manufactured goods should contribute to improving the trade balance, despite the concomitant rise in imports of intermediate goods. The income balance would remain heavily in deficit, but offset, in part, by the increase in expatriate transfers, mainly from the United States. In addition, the services surplus would benefit from the growing influx of tourists.

Despite the growth in foreign exchange reserves, resulting from the current account surplus and FDI, they remain insufficient (two months of imports). The Vietnamese đồng, whose exchange rate against the US dollar is managed by the central bank, will remain exposed to fluctuations in global risk aversion, particularly related to the tightening of US monetary policy. The banking system will likely remain fragile because it is not capitalized and heavily dollarised. The monetary policy should therefore be more restrictive in 2018, in order to contain inflation and credit risk, which still seems high (especially in construction), despite the creation of a defeasance structure. In addition, the high exposure of public banks to public companies constitutes an additional factor of fragility.

Growing geopolitical tensions

The sovereignty dispute between Vietnam and China over the China Sea will likely continue to weigh on diplomatic relations between the two countries. Since 2014, Vietnam have made multiple attempts at oil exploration in the region, before falling back under the pressure – sometimes military – of China. In July 2017, Vietnam began drilling in disputed waters in partnership with a Spanish company. China warned that it was ready to attack the facilities if they were not dismantled, leading to the end of the explorations. While military escalation seems unlikely, tensions between the two countries seem to have been revived. Vietnam will likely continue to strengthen its bonds with the United States, as well as with the main regional forces (Japan, India and Australia). In addition, despite the withdrawal of the United States from the TPP (Trans-Pacific Partnership), the country should continue to strengthen its trade integration at both the multilateral and bilateral levels.

The Communist Party continues to control the entire political, economic and social life of the country. Governance constitutes a risk in terms of attractiveness for foreign investors, given the high level of corruption.

YEMEN

COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Oman 31%
- Egypt 20%
- Saudi Arabia 13%
- Malaysia 7%
- Thailand 5%

Imports of goods, as a % of total

- United Arab Emirates 13%
- China 12%
- Saudi Arabia 8%
- Turkey 8%
- Indonesia 7%

+ STRENGTHS

- International humanitarian and financial support
- Geostrategic importance of Yemen at the entrance of the Red Sea
- Architectural and cultural heritage
- Gas reserves
- Youthful profile of the population

- WEAKNESSES

- Civil war accompanied by a humanitarian and economic crisis, as well as the division of the country
- Poorest country in the Arabian Peninsula
- Heavy reliance on international aid
- Poor business environment (bureaucracy, corruption, destroyed or non-existent infrastructure)
- Explosion of the underground economy

Main Economic Indicators	2015	2016	2017(f)	2018(f)
GDP growth (%)	-28.0	-9.8	-0.8	8.6
Inflation (yearly average, %)	39.4	5.0	21.0	15.0
Budget balance (% GDP)	-10.6	-13.5	-6.0	-2.1
Current account balance (% GDP)	-5.5	-5.6	-4.2	-3.1
Public debt (% GDP)	66.7	85.3	77.3	59.0

(f): forecast

29.1
POPULATION
(millionsofpersons-2016)

938
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Critical political and security situation

Since 2015, Yemen has been in the throes of a war between Houthi rebels – Shiites – and the government forces of President Abdrabbuh Mansur Hadi, supported by Iran and by a coalition of ten Arab countries led by Saudi Arabia. With the military intervention of the Sunni Arab coalition, the conflict has taken on a new dimension around the tensions between the Shiite and Sunni communities, exacerbated by regional rivalry between Saudi Arabia and Iran. Three years later, the fighting continues, with missiles entering Saudi territory from Yemen. The Houthis control the capital, Sanaa, and northwest Yemen (the most populated region) since 2014, while government forces are grouped in the southeast. Former president Ali Abdallah Saleh was killed by Houthis in December 2017, two days after having ended his alliance with them. The search for solutions to the Yemeni stalemate is expected to be adversely affected by the rivalries between several Gulf countries and Qatar, which reinforce fractures in Yemeni society, forcing the various local factions to choose sides. The antagonistic geopolitical ambitions of Saudi Arabia and Iran will make it difficult to negotiate a solution or an end to the crisis in 2018.

A worsening humanitarian crisis and an economy destroyed by war

Prior to the start of the war in 2015, Yemen was already the poorest country in the region. The UNO estimated that 13 million Yemenis – half the population – were living below the poverty line. Since then, the situation has worsened and the country is suffering a humanitarian crisis of the utmost severity. Humanitarian organisations estimate that 80% of the population is in need of emergency humanitarian aid. Imports of food (and medical) products have been severely limited, resulting in a scarcity of basic goods. More than half of the population will likely be at risk of starvation. On top of this, because the sanitation system has not been operational since April 2017, the difficulty of accessing drinking water and the build-up of waste has resulted in a further deterioration of sanitary conditions, and some 700,000 people are likely to be affected by a cholera epidemic. The intervention of the coalition in 2015 led to an intensification of the fighting and an increase in human casualties. The death toll is estimated at 10,000. In addition to this, 300,000 have been injured and there are over 3,000,000 refugees.

While oil and gas exports accounted for 80% of all exports in 2014, these have since declined significantly. Foreign trade represented almost 80% of the country's GDP in 2006, but only amounted to 26% in 2015. Bombardments by the coalition have further damaged the already degraded s infrastructures, many of which were suffering from obsolescence, thus destroying a large part of the productive system. Investment, public and private, remains almost non-existent. The UN Disaster Assessment Report puts the cost of destruction at USD 19 billion, the equivalent of 50% of the 2013 GDP.

In 2018, the Yemeni economy will likely continue to be undermined by the consequences of the conflict. Combined with the destruction of both public infrastructure and a part of the electricity system, there are also problems associated with shortages of drinking water, which make any reconstruction more difficult. Inflation, boosted by the depreciation of the Yemeni rial, will likely weigh on private consumption in 2018. In addition, failures in international aid distribution channels and the rise in unemployment are likely to result in reduced disposable household income. However, access to perishable foods is improving with the lifting of the blockade on the country's main ports, and the price of foodstuffs is beginning to stabilise, which should benefit the minority of Yemeni households that still have a capacity to consume.

External and public accounts in dire straits

The current account balance is expected to continue to run a deficit in 2018, given the low oil revenues. The deficit should nevertheless contract in 2018, due to severe import restrictions and the destruction of the port infrastructure. The port, which is a strategic access point to the Yemeni market of Hodeidah, is under Houthi control and has thus seen a significant reduction in traffic. Current account deficit financing is through expatriate cash transfers (150% increase in the last ten years) and foreign aid.

The public accounts are also in a difficult state. International aid, multilateral and bilateral, is the main source of funding for the state. Yemen relies heavily on Saudi aid, making it vulnerable to the political agenda of the neighbouring kingdom. Civil servants have not been paid for more than a year. The majority of essential public services are no longer guaranteed. The central bank, transferred from Sanaa to Aden, is no longer effective. Within the conflict zones, humanitarian associations have replaced the state.

ZAMBIA

COFACE ASSESSMENTS

D
COUNTRY RISK

C
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- Switzerland 40%
- China 19%
- Congo DR 7%
- South Africa 6%
- Singapore 6%

Imports of goods, as a % of total

- South Africa 32%
- Congo DR 13%
- China 8%
- Kuwait 7%
- Euro Area 5%

+ STRENGTHS

- Mineral wealth (copper: leading producer in Africa, cobalt, uranium, gold, diamonds, manganese)
- Agricultural wealth (maize, tobacco)
- Significant hydroelectric potential
- International financial support

- WEAKNESSES

- Dependence on copper; poorly diversified economy
- High degree of dependency on China, largest client for copper
- Landlocked and dependent on communication routes of neighbouring countries
- Inadequate electricity generation, reliant almost exclusively on hydroelectricity; unreliable transport networks
- High levels of inequality; healthcare, education and administrative failings

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	2.9	3.4	4.0	4.5
Inflation (yearly average, %)	10.1	17.9	6.8	7.4
Budget balance (% GDP) *	-9.3	-5.8	-8.0	-7.8
Current account balance (% GDP)	-3.9	-4.4	-3.6	-2.8
Public debt (% GDP)	61.4	60.5	55.6	60.0

* including grants (f): forecast

16.7
POPULATION
(millionsofpersons-2016)

1,257
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

A recovery supported by copper prices

In 2018, growth will accelerate, spurred by higher copper prices, in turn leading to greater investment in the mining sector. A number of mines (Konkola Copper Mines - Vendata Resources, Chambishi mine - NFCA) are expected to expand, thus boosting production and encouraging new investment. The agricultural sector is also expected to contribute the recovery, with more favourable weather conditions enabling higher maize output (second largest non-traditional export item, after tobacco). Growth in these two sectors should spread to the whole economy, thus reducing unemployment. This, combined with inflation within the central bank's target range of 6-8% and a softer monetary policy, should boost household purchasing power and provide impetus to internal demand. Demand-elastic sectors, such as retail, are expected to benefit. Economic activity is also likely to benefit from improved hydropower energy, thanks to better weather conditions. If a loan agreement with the IMF were to be signed in 2018, this would reassure investors as to the direction of economic policy, which should encourage greater FDI flows. However, the attempt to diversify the economy by taxing gross output in order to stimulate the processing industry could dissuade some investors. Finally these growth prospects remain limited by a banking and financial sector under pressure: the number of non-performing loans has doubled (12.1% in late 2016 compared with 6.1% in 2014) because of the fall in growth in 2015 and rocketing interest rates (interest on bank loans at 29% in late 2016), and local banks are heavily called on to finance the fiscal deficit.

Laborious fiscal consolidation, but an improved current account balance

With a view to obtaining an IMF loan, the Zambian government has set about reducing its deficit, specifically by launching the Zambia Plus programme (Economic Stabilization and Growth Program, 2017-2019). The 2018 budget appears overly ambitious, with an overestimation of copper-related income in the context of ever growing expenditure. Effectively, the cuts in subsidies on energy prices are unlikely to offset the increased civil service wage bill following the recent round of recruitment. Public debt has risen sharply (60% in 2016, compared with 35% of GDP in 2014), driven by the growth in external debt (60% of public debt at end 2016) and the sharp depreciation of the Zambian kwacha in 2015. Nevertheless, higher copper prices will help reduce the risks relating to the sustainability of the public debt in the short term, although it will still be subject to fluctuations in the kwacha.

Regarding the current account, the balance of goods is expected to remain positive in 2018, thanks to increased exports of copper (volume and price effects) and maize (lifting of the export ban on exports following favourable yields in 2017) and a drop in imports (lower government demand resulting from the fiscal consolidation). In contrast, the balance of services will remain negative. The deficit will be offset by grants (0.8% of GDP in 2017), private remittances (1% of GDP) and FDIs (6.3% of GDP).

Worsening political situation over the long term

Since the contested elections of 2016, won by Edgar Lungu (Patriotic Front), the political situation in the country has deteriorated. The arrest in April 2017 of the opposition leader Hakainde Hichilema (United Party for National Development) (UPND) on grounds of treason, following his repeated accusations of fraud during the 2016 elections, has culminated in tensions between the government and his supporters. The unilateral decision by Mr Lungu to drop these charges in August 2017 has calmed the situation. However, uncertainties remain regarding Mr Lungu's insistence on standing in the 2021 elections, with debate raging over the legality of his standing again (the Constitution limits the number of terms to two and Mr Lungu was interim president following the death of former President Sata). The decision is likely to be referred to the Supreme Court in a climate marked by a concentration of powers in the hands of Mr Lungu.

With regard to the business climate, relations with China are becoming increasingly tense due to popular anti-Chinese sentiment running high. These tensions are linked to conflicts between Chinese employers and local workers, especially regarding labour conditions, which were recently denounced in a report by Human Rights Watch. Finally, the country's performance in terms of the government's effectiveness and the fight against corruption is still poor.

ZIMBABWE

COFACE ASSESSMENTS

E
COUNTRY RISK

E
BUSINESS CLIMATE

TRADE EXCHANGES

Exports of goods, as a % of total

- South Africa 79%
- Mozambique 9%
- United Arab Emirates 4%
- Zambia 3%
- Euro Area 2%

Imports of goods, as a % of total

- South Africa 47%
- Zambia 24%
- United States 3%
- China 3%
- Botswana 2%

+ STRENGTHS

- Abundant mineral resources (platinum, gold, diamonds, nickel)
- Agricultural wealth (maize, tobacco, cotton)
- Tourism development potential
- Member of the SADC (Southern African Development Community)
- Normalisation of relations with the international community

- WEAKNESSES

- Economic and financial position damaged by long period of hyperinflation
- Shortage of cash
- Underinvestment in infrastructure (particularly energy)
- Precarious food and healthcare situation: majority of the population depends on international aid
- One of the highest rates of AIDS infection in Africa and in the world

Main economic indicators	2015	2016	2017 (f)	2018 (f)
GDP growth (%)	1.4	0.6	2.8	0.8
Inflation (yearly average, %)	-2.4	-1.5	2.5	9.5
Budget balance (% GDP) *	-1.0	-10.0	-11.9	-9.8
Current account balance (% GDP)	-10.7	-9.2	-7.6	-7.1
Public debt (% GDP)	51.9	69.6	70.6	71.1

(f): forecast

14.5
POPULATION
(millionsofpersons-2016)

1,112
GDP PER CAPITA
(US dollars - 2016)

RISK ASSESSMENT

Growth strangled by shortage of cash

Growth, largely dependent on agricultural production, recovered in 2017 due to favourable weather conditions, which resulted in an exceptional harvest after two years of drought. Maize production reached 2.1 million tonnes, increasing agricultural GDP growth by 20%. However, activity is expected to slow sharply in 2018. Rainfalls for the 2017/2018 agricultural season are expected to be lower than those in 2017, impacting on activity. Gold exports are expected to continue to benefit from the stability of world prices. Nevertheless, manufacturing will suffer from the shortage of foreign exchange, which will hamper imports. Since 2016, the economy has been paralysed by a liquidity crisis whose roots lie in the government's decision in April 2009 to abandon the Zimbabwean dollar in favour of a basket of currencies, making the US dollar the monetary system's reference currency. The widening current account deficit, weak inflows of capital and the crisis of confidence have resulted in a limit on the quantity of dollars in circulation, pushing the banks to limit withdrawals to 50 dollars a day. The rise in dollar-indexed bond notes introduced in November 2016 by the central bank following the award of a USD 500 million loan by the Trade Finance Bank for Africa (Afreximbank), together with the use of electronic payment methods has helped mitigate the decline in liquidity to some extent. The growth of money in circulation observed in 2014 took the country out of the deflationary spiral in which it had been trapped since 2014. However, inflation (probably underestimated in official figures), particularly of imported goods, continues to rise rapidly, rekindling fears of hyperinflation.

Unsustainable twin deficits

The public deficit deepened in 2017. Higher tax receipts, associated with a more favourable economic context, were not enough to offset the spending commitments made by the authorities and allocated mainly to debt interest payments and civil service wages. In 2018, the government aims to reduce the public deficit by half, to 4% of GDP, but this already unlikely scenario suffers from the government's inability to reduce spending. With almost 90% of spending allocated to the wage bill in 2018, the government's room for leeway on the budget will remain limited. Moreover, the slowdown in activity and the organisation of the 2018 presidential elections will adversely affect revenues as well as spending. The public debt will continue to rise in the absence of fiscal reform and consolidation. Authorities will continue to make use of the domestic market, thus weakening the banking system and credit growth. Arrears with international institutions limit the country's ability to make use of international aid. Although the country repaid a share of the arrears due to the IMF in October 2016, it still owes USD 1.6 billion to the African Development Bank and the World Bank.

Higher metal prices are expected to encourage export growth in 2018, but the reduction in the current account deficit will still be mainly attributable to the contraction in imports. As in 2017, the shortage of dollars is expected to put pressure on imports and increase the likelihood of depreciation in the bond notes on the black market. The pressure on this substitute currency will continue in 2018, in the absence of action by the central bank and new inflows of foreign exchange.

The "Crocodile" succeeds Robert Mugabe after 37 years in power

On the 21st November 2017, after 37 years as Head of State, Robert Mugabe (93), was forced to step down. This came a week after the army, denying a coup d'état had taken place, seized control of several institutions in Harare and held Mr Mugabe and his wife under house arrest. The bloodless intervention was triggered by the dismissal of Vice President Emmerson Mnangagwa a few weeks earlier, with the intention of opening a route to power for Mr Mugabe's wife, Grace Mugabe. The democratic transfer of power, with the assistance of the army, thus enabled Mr Mnangagwa, nicknamed the "Crocodile", to succeed Mr Mugabe. The interim president has already been selected to stand for the general elections in 2018 to shore up his position as leader of the country. A long-time ally of Robert Mugabe and from the ranks of ZANU-PF, the ruling party since independence, the Crocodile is not expected to make any radical changes to the way politics operate in the country. Nevertheless, while massive unemployment and the shortage of cash are fuelling popular discontent, the new president is expected to quickly find solutions to the economic crisis. To do this, dialogue with international donors and bilateral partners could be resumed to allow the country to benefit from aid, which has become indispensable. The president also intends to win back the confidence of foreign investors who fled the country, mostly because of Mr Mugabe's management. The 2018 elections promised by Mr Mnangagwa, and the conditions under which they will be run, could therefore be a test for the firmness of the Crocodile's commitments.

GLOSSARY

A

ACA: Affordable Care Act (also known as Obamacare)

ADB: Asian Development Bank

AfDB: African Development Bank

Afreximbank: African Import-Export Bank

AFTA: ASEAN Free Trade Area

AGOA: African Growth and Opportunity Act - allows sub-Saharan African Country that are part of the scheme to export duty-free on the American market.

AIIB: Asian Infrastructure Investment Bank - multilateral financial institution created in 2014 to address infrastructure needs in Asia, which has since expanded to include members on all continents.

AMISOM: African Union Mission in Somalia

APEC: Asia-Pacific Economic Cooperation

AQIM: Al-Qaeda in the Islamic Maghreb

ASEAN: Association of Southeast Asian Nations

AU: African Union

B

B2B: Business-to-Business

BALTICF: Baltic Exchange Dry Index (BALTICF) - Maritime transport price index that takes into account 3/4 of ore and 1/4 of loose agricultural products flow

BEAC: Banque des Etats de l'Afrique Centrale (Bank of Central African States)

C

CAFTA-DR: Dominican Republic-Central America FTA

CAR: Central African Republic

CARICOM: Caribbean Community and Common Market - Organisation bringing together 15 Caribbean states or dependencies with the aim of economic integration

CARIFORUM: Caribbean Forum of African, Caribbean and Pacific states (ACP) linked to the European Union

CBO: Congressional Budget Office

CDF: Cancer Drug Fund

CEMAC: Central Africa Economic and Monetary Community

CETA: Comprehensive Economic and Trade Agreement (EU-Canada)

CICE: Crédit d'impôt pour la compétitivité et l'emploi (Competitiveness and Employment Tax Credit)

CIS: Commonwealth of Independent States

CLS: Continuous Linked Settlement System

COFFI: Committee on Forests and the Forestry Industry

COLA: Cost of Living Allowance

CPEC: China-Pakistan Economic Corridor

CSG: Contribution Sociale Généralisée (Generalised Social Contribution)

E

EAC: East African Community

EBRD: European Bank for Reconstruction and Development

ECB: European Central Bank

ECF: Extended Credit Facility - IMF programme that provides financial assistance to countries with protracted balance of payments problems. The IMF's main tool for providing support to low-income countries, created under the PRGT

ECOWAS: Economic Community of West African States

EEU (or EAEU): Eurasian Economic Union

EFSD: Eurasian Fund for Stabilization and Development

EFTPOS: Electronic Funds Transfer at Point of Sale

EIA: US Energy Information Administration

EIB: European Investment Bank

EITO: European IT Observatory

EMU: Economic and Monetary Union

EU: European Union

F

FAO: United Nations Food and Agriculture Organisation

FARC: Fuerzas Armadas Revolucionarias de Colombia (Revolutionary Armed Forces of Colombia)

FDA: US Federal Drug Agency

FDI: Foreign Direct Investment

Fed: Federal Reserve of the United States

FOMC: Federal Open Market Committee

FTA: Free Trade Agreement

G

G5 Sahel: Institutional framework for development and security cooperation regrouping Burkina Faso, Mali, Mauritania, Niger and Chad

G20: A group of the heads of state or of government, finance ministers and central bank governors of 19 countries: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the European Union. The G20 was officially created in September 1999

GAFTA: Greater Arab Free Trade Area

GCC: Cooperation Council for the Arab States of the Gulf, known as the Gulf Cooperation Council

GDP: Gross Domestic Product

GNP: Gross National Product

GRAINE: Gabonaise des Réalisations Agricoles et des Initiatives des Nationaux Engagés (Gabonese Initiative for Achieving Agricultural Outcomes with Engaged Citizenry)

GST: Goods and Services Tax

H

HDI: Human Development Index created by the UN

HIPC: Heavily Indebted Poor Countries (Initiative) - initiated jointly in 1996 by the IMF and the World Bank to provide debt relief and low interest loans to reduce to the external debt burdens of these countries to a sustainable level.

HOPE (act): Hemispheric Opportunity through Partnership Encouragement.

I

IATA: International Air Transport Association

ICC: International Criminal Court

ICJ: International Court of Justice

ICSID: International Centre for Settlement of Investment Disputes

ICT: Information and Communication Technology

IMF: International Monetary Fund

L

LNG: Liquefied Natural Gas

London Club: Informal group of private bank creditors that deals with public sector debt

M

MDRI: Multilateral Debt Relief Initiative

MERCOSUR (or MERCOSUL): South American Common Market - includes Argentina, Brazil, Uruguay, Paraguay and Venezuela.

N

NAFTA: North American Free Trade Area

NAHB HMI: National Association of Home Builders Housing Market Index

NATO: North Atlantic Treaty Organisation

(El) Niño/(La) Niña: Large-scale oceanic phenomena in the equatorial Pacific, affecting wind regimes, sea temperature and precipitation. At the global level, the average temperature tends to be abnormally high in the years concerned by these episodes.

O

ODA: Official Development Assistance

OECD: Organisation for Economic Cooperation & Development

OPEC: Organisation of Petroleum Exporting Countries

OSCE: Organisation for Security and Co-Operation in Europe

P

Pacific Alliance (Alianza del Pacifico): Trade agreement including Chile, Colombia, Peru and Mexico

Paris Club: Official creditor's informal grouping

PDVSA: Petróleos de Venezuela, S.A. (Petroleum of Venezuela) - Venezuelan state-owned oil and natural gas company

Petrocaribe: Energy cooperation agreement between Caribbean countries and Venezuela enabling the former to buy oil on preferential terms

PPP: Public-Private Partnership

PRGT: Poverty Reduction and Growth Trust - IMF's special low-interest lending programme for poor countries with structural balance of payments difficulties

PVC: Polyvinyl Chloride

R

R&D: Research and Development

S

SACU: South African Customs Union of five southern African countries (South Africa, Lesotho, Botswana, Namibia, Swaziland), created in 1969

SADC: Southern African Development Community

SCFI: The Shanghai Shipping Freight Index reflects the export rate of the containers transportation. It includes freight rate (Shanghai) indices of 15 maritime roads and a composite index (Freight indices reflect the maritime freight and other maritime road taxes payable in cash)

SDR: Special Drawing Right

SEPA: Single Euro Payments Area

SME: Small- and Medium-sized Enterprises

SOCAR: State Oil Company of Azerbaijan Republic

SOFAZ: State Oil Fund of Azerbaijan

SWIFT: Society for Worldwide Interbank Financial Communication - an organisation with a system for the electronic transfers of funds between member banks in Europe and North America

T

TANAP: Trans-Anatolian Natural Gas Pipeline

TAP: Trans Adriatic Pipeline

TPP: Trans-Pacific Partnership

TTIP: Transatlantic Trade and Investment Partnership

U

UK: United Kingdom of Great Britain and Northern Ireland

UN: United Nations

UNASUR: Union of South American Nations

UNECE: United Nations Economic Commission for Europe

UNMIL: United Nations Mission in Liberia

US(A): United States (of America)

USDA: United States Department of Agriculture

V

VAT: Value Added Tax

W

WAEMU: West African Economic and Monetary Union

WB: World Bank

WTO: World Trade Organization

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