COFACE COUNTRY & SECTOR RISKS HANDBOOK 2019

ANALYSIS AND FORECAST FOR 161 COUNTRIES AND 13 SECTORS

coface
FOR TRADE

COFACE
COUNTRY & SECTOR RISKS HANDBOOK 2019

ANALYSIS AND FORECASTS FOR 161 COUNTRIES AND 13 SECTORS

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 risk;

— Consultants and lawyers specialized in international business;

— Researchers, academics, and students interested in country and sector risk.

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WORLD GROWTH IS ON A PATH FULL OF PITFALLS

XAVIER DURAND
CEO OF COFACE

On January 22, 2018, US President Donald Trump announced the imposition of tariffs on US imports of washing machines and solar panels. What might initially have been viewed as a secondary issue went on to set the tone for the whole year. The US federal government followed through on several of its trade protectionist threats, placing tariffs on imports of various products, including steel and aluminium in March (June for the EU, Mexico, and Canada; August for Turkey) as well as Chinese products (USD 50 billion in July and a further USD 200 billion in September). In the first three quarters of 2018, trade restrictions were placed on 12% of US imports, while 8% of US exports were hit by retaliatory measures.

Aside from the sudden burst of protectionism, 2018 brought the first signs of a cooling in global growth. But for once the impetus did not come from the United States: unlike in previous reversals, particularly those of 2000/01 and 2007/08, Western Europe weakened first this time. As we predicted a year ago, the number of business insolvencies stopped falling in several European countries in 2018, including the United Kingdom and France. These two countries perfectly illustrate the changes taking place in Western Europe. In the first, increased credit risk for companies mainly reflects persistent political uncertainties, specifically regarding the terms of Brexit. In the second, signs of cyclical reversal – such as mounting supply constraints (high production capacity utilisation rates, recruitment difficulties due to employability issues for long-term job-seekers) – are to blame. Meanwhile, the rise in oil prices, while admittedly gradual, has not done any favours to companies that use oil to produce.

In 2019, the end of the economic cycle and elevated political risk will be prime concerns for Europe. Five consecutive years of positive growth and a one-third reduction in the eurozone unemployment rate have not been enough to quell social unrest and stem the rise of anti-European parties in many countries in the zone. The scale acquired by these new political forces, which oppose European integration to varying degrees, could be the catalyst for a new euro crisis in the near future. For example, the European elections in May 2019 could see the return of very fragmented Parliament featuring numerous anti-European MPs. Given this, we should keep in mind that the Parliament wields some important powers. First and foremost, it approves the European Union's budget. Although eurosceptic MEPs from Central and Eastern Europe are unlikely to block a budget in which their countries are the main beneficiaries (in particular through structural funds), there is a risk of obstruction. Parliament also has the power to propose a motion of non-confidence in the European Commission, which is due to be renewed in October 2019. Here again, while the motion must have the support of two-thirds of MEPs to be adopted, and confirmation requires a majority of the votes cast, there is another risk of impediment.

The political situation in Italy is, of course, another risk that will need to be monitored in 2019. In 2018, the formation of a coalition government comprising two eurosceptic parties, and the ensuing tensions with the European Commission over the outlook for the government deficit began to produce effects that bring back bad memories: rising sovereign rates, falling business confidence, mounting concerns about the strength of local banks, and falling GDP. The size of Italy's economy adds to the uncertainty, since Italian debt accounts for almost a quarter of the eurozone's total public debt, and is almost seven times

"The effects of the Chinese slowdown on the rest of the emerging world should be a focus of attention this year" — **Xavier Durand**

higher than that of Greece. Speaking of which, the Greek parliamentary elections scheduled for September 2019 will also be an area to watch. Compounding the situation this year, these political risks, which are now the norm, will be coupled with the lowest economic growth since the eurozone emerged from recession in 2014.

In China, the end of 2018 marked a turning point: until that moment, the slowdown in the Chinese economy had reflected the difficulties of companies in sectors constrained by excess production capacity and high debt, especially construction and metals. Now, however, household consumption is beginning to show signs of faltering. For the first time in 20 years, car sales flatlined in 2018 – a sign of market maturity, but also an indication that household debt is increasing. Moreover, China's economic slowdown no longer only concerns state-owned companies involved in major infrastructure investment projects: it is now hitting small and medium-sized companies, which have been hurt by the authorities' desire to rein in the more lightly supervised and riskier shadow banking sector. In 2019, the propensity of the government to accompany the economic slowdown, which is now no longer confined to a limited number of sectors and company categories, will have to be surveyed.

While many emerging economies, notably Argentina and Turkey, suffered in 2018 from capital outflows related to the unexpected strength of US growth and its impact on US Federal Reserve monetary policy, the effects of the Chinese slowdown on the rest of the emerging world should be a focus of attention this year. A harder than expected landing for Chinese growth would affect many countries through one of a range of transmission channels, including direct trade links, China's international investments and loans, world commodity prices, or even a global confidence shock on the financial markets.

Every year brings its surprises, and 2019 will be no different. However, it is hard not to see a continued upsurge in worldwide trade protectionism on the horizon. From the second half of 2019 onwards, as the US President gradually gears into an electoral campaign for his possible re-election in November 2020, against a backdrop of more fragile American growth and a labour market that has stopped improving, a lull looks unlikely for the United States – especially since fundamental strategic differences remain with China over issues such as Taiwan, the South China Sea, and the race for innovation in key sectors. Meanwhile, we must not forget that protectionism is not the exclusive preserve of the world's two leading economies. Many emerging countries are keen to protect industries weakened by international competition, which will continue to make them cautious about trade openness. Fortunately, other countries will look to compensate for trade losses by signing new trade agreements, such as the recent one between Japan and the EU.

Finally, as every year, elections could accelerate political change, especially in countries where social frustration is fuelled by high unemployment, income inequality and large-scale corruption. This could be the case for Turkey, Algeria, India, South Africa, Ukraine and Argentina, to name but the main potential candidates.

These and many other economic, political, financial and sector risks are discussed within the twenty-third edition of this annual handbook published by Coface. I hope you enjoy reading it.

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 and business climate assessments for 161 countries, as well as sector risk, and company assessments. Regular economic publications supplement these assessments developed by Coface.

Country risk assessment*

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 161 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 161 countries on an 8-step scale: A1, A2, A3, A4, B, C, D, E, in order of decreasing business climate quality.

Sector risk assessment*

Every quarter, Coface reviews the assessments of 13 sectors throughout 27 countries (representing approximately 87% of global GDP) 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) payment periods recorded by buyers (aggregated by sector), financial results entreprises (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. 11).

Assessment of company default rate

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 on http://www.coface.com/Economic-Studies-and-Country-Risks.

DEFINITION OF COUNTRY RISK ASSESSMENTS

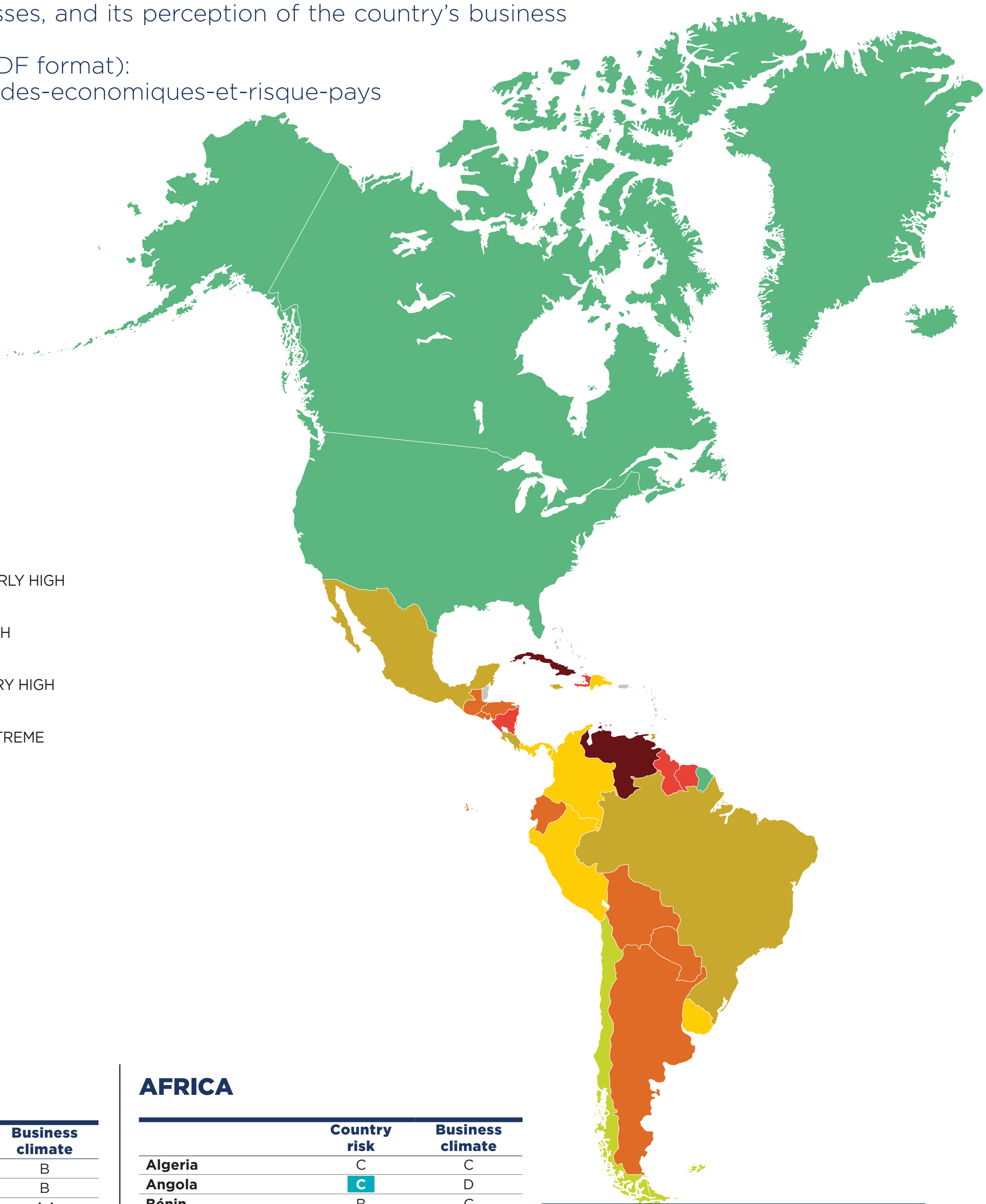
A1	Very good macroeconomic and financial outlook. Stable political context. Good quality business climate. This environment positively influences company payment behaviour. **The average probability of default is very low.**
A2	Good macroeconomic and financial outlook. Generally stable political context. Overall good 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 quite 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 ASSESSMENTS

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 shortcomings can arise.**
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 can pose problems.**
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.**

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.fr/Etudes-economiques-et-risque-pays



BUSINESS DEFAULT RISK

- A1 VERY LOW
- A2 LOW
- A3 SATISFACTORY
- A4 REASONABLE
- B FAIRLY HIGH
- C HIGH
- D VERY HIGH
- E EXTREME

- DOWNGRADES IN 2018
- UPGRADES IN 2018

AMERICAS

	Country risk	Business climate
Argentina	C	B
Bolivia	C	B
Brazil	B	A4
Canada	A2	A1
Chile	A3	A3
Colombia	A4	A4
Costa Rica	B	A4
Cuba	E	E
Dominican Republic	A4	C
Ecuador	C	B
Guatemala	C	C
Guyana	D	C
Haiti	D	E
Honduras	C	C
Jamaica	B	A4
Mexico	B	A4
Nicaragua	D	C
Panama	A4	A4
Paraguay	C	C
Peru	A4	A4
Salvador	C	B
Suriname	D	C
Trinidad and Tobago	B	A4
United States	A2	A1
Uruguay	A4	A3
Venezuela	E	E

AFRICA

	Country risk	Business climate
Algeria	C	C
Angola	C	D
Bénin	B	C
Botswana	A4	A4
Burkina Faso	C	C
Burundi	E	E
Cameroun	C	D
Cape Verde	B	C
Central African Republic	D	E
Chad	D	E
Congo (Democratic Republic of the)	D	E
Congo (Republic of the)	C	D
Côte d'Ivoire	B	B
Djibouti	C	C
Egypt	B	B
Eritrea	E	E
Ethiopia	C	D
Gabon	C	C
Ghana	B	B
Guinea	C	D
Kenya	A4	B
Liberia	D	D
Libya	E	E
Madagascar	D	D

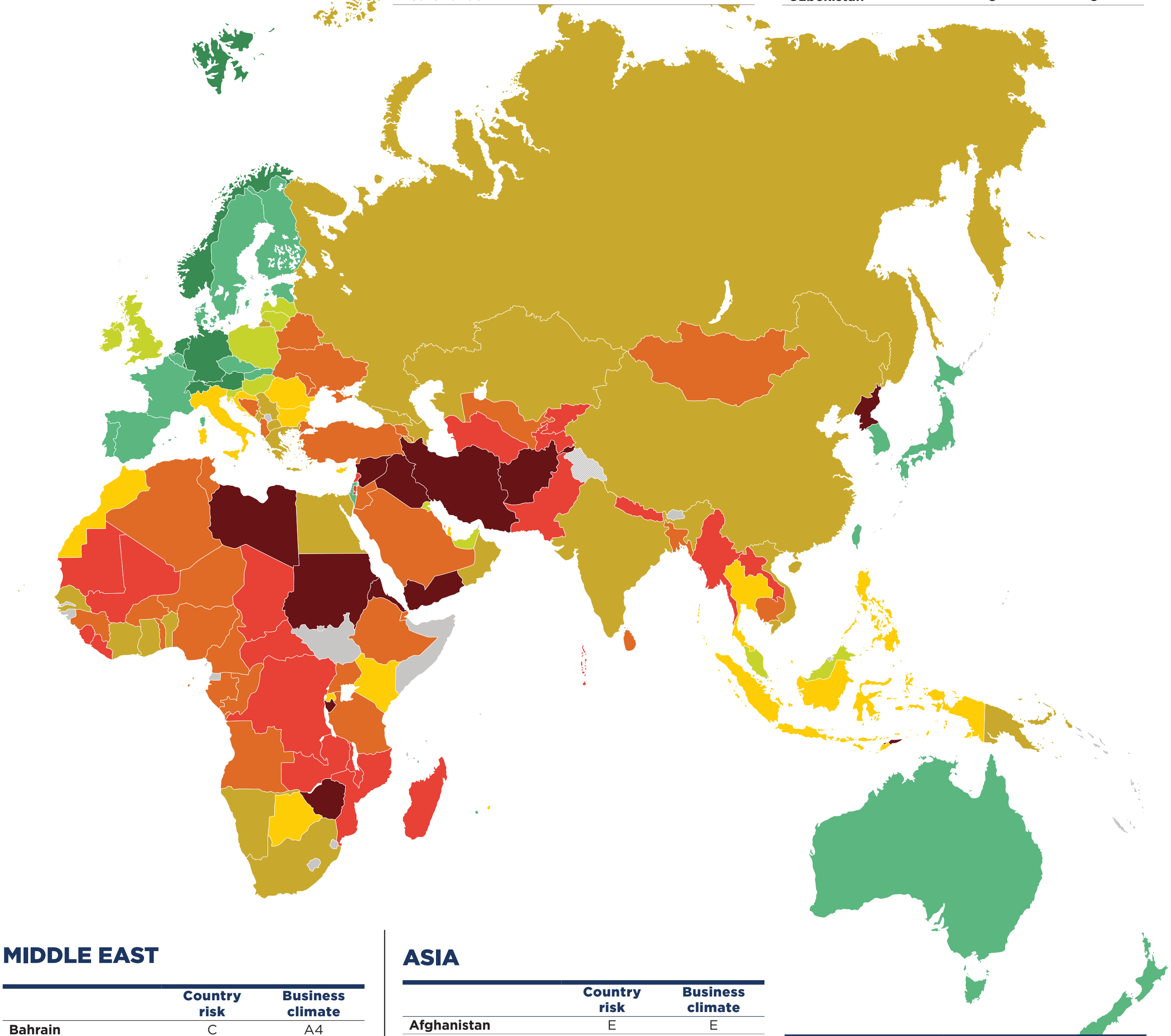
	Country risk	Business climate
Malawi	D	D
Mali	D	D
Maurice	A4	A3
Mauritania	D	D
Morocco	A4	A4
Mozambique	D	D
Namibia	B	A4
Niger	C	C
Nigeria	C	D
Rwanda	A4	A4
São Tomé and Principe	C	D
Senegal	B	B
Sierra Leone	D	D
South Africa	B	A4
Sudan	E	E
Tanzania	C	C
Togo	C	C
Tunisia	C	B
Uganda	C	C
Zambia	D	C
Zimbabwe	E	E

EUROPE AND CIS

	Country risk	Business climate
Albania	C	C
Armenia	C	B
Austria	A1	A1
Azerbaijan	B	C
Belarus	C	C
Belgium	A2	A1
Bosnia and Herzegovina	C	B
Bulgaria	A4	A3
Croatia	A4	A3
Cyprus	A4	A3
Czech republic	A2	A2
Denmark	A2	A1
Estonia	A2	A1
Finland	A2	A1
France	A2	A1
Georgia	B	A4

	Country risk	Business climate
Germany	A1	A1
Greece	B	A3
Hungary	A3	A3
Iceland	A2	A1
Ireland	A3	A1
Italy	A4	A2
Kazakhstan	B	B
Kyrgyzstan	D	C
Latvia	A3	A2
Lithuania	A3	A2
Luxembourg	A1	A1
North Macedonia (FYROM)	B	A4
Malta	A2	A2
Moldova	C	B
Montenegro	B	A4
Netherlands	A1	A1

	Country risk	Business climate
Norway	A1	A1
Poland	A3	A2
Portugal	A2	A2
Romania	A4	A3
Russia	B	B
Serbia	B	A4
Slovakia	A2	A2
Slovenia	A3	A2
Spain	A2	A1
Sweden	A2	A1
Switzerland	A1	A1
Tajikistan	D	D
Turkey	C	A4
Turkmenistan	D	E
Ukraine	C	C
United Kingdom	A3	A1
Uzbekistan	C	C



MIDDLE EAST

	Country risk	Business climate
Bahrain	C	A4
Iraq	E	E
Iran	E	D
Israel	A2	A2
Jordan	C	B
Kuwait	A3	A4
Lebanon	D	C
Oman	B	A4
Palestinian Territories	D	D
Qatar	A4	A3
Saudi Arabia	C	B
Syria	E	E
United Arab Emirates	A3	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	B	B
Indonesia	A4	A4
Japan	A2	A1
Laos	D	D
Malaysia	A3	A3
Maldives	D	C
Mongolia	C	C
Myanmar	D	D
Nepal	D	C

	Country risk	Business climate
New Zealand	A2	A1
Pakistan	D	C
Papua New Guinea	B	C
Philippines	A4	B
Singapore	A2	A1
North Korea	E	E
South Korea	A2	A1
Sri Lanka	C	B
Taiwan	A2	A2
Thailand	A4	A3
Timor Leste	E	C
Vietnam	B	B

COFACE COUNTRY ASSESSMENTS

RISK ASSESSMENT HISTORY
OF THE MAIN ECONOMIES

	2019 Jan.	2018 Sept.	2018 June	2018 March	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.	2012 Jan.
A1											
Austria	A1	A1	A1	A1	A1	A1	A1	A1	A2	A2	A2
Germany	A1	A1	A1	A1	A1	A1	A1	A1	A2	A2	A2
Netherlands	A1	A1	A1	A1	A1	A2	A2	A3	A3	A2	A2
Norway	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	A2	A1
Belgium	A2	A2	A2	A2	A2	A2	A2	A3	A3	A2	A2
Canada	A2	A3	A3	A3	A3	A3	A2	A1	A1	A1	A1
Denmark	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
France	A2	A2	A2	A2	A2	A2	A3	A3	A3	A2	A2
Hong Kong	A2	A2	A2	A2	A2	A3	A1	A1	A1	A1	A1
Israel	A2	A2	A2	A2	A2	A3	A3	A3	A3	A3	A3
Japan	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1
New Zealand	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A1
Portugal	A2	A2	A2	A2	A3	A4	A4	B	B	B	A4
Singapore	A2	A2	A2	A2	A2	A3	A1	A1	A1	A1	A1
Slovakia	A2	A2	A3	A3	A3	A3	A3	A3	A3	A3	A3
South Korea	A2	A2	A2	A2	A2	A3	A2	A2	A2	A2	A2
Spain	A2	A2	A2	A2	A2	A3	A4	A4	B	B	A4
Sweden	A2	A2	A2	A2	A1	A1	A1	A1	A1	A1	A1
Taiwan	A2	A2	A2	A2	A2	A3	A1	A1	A1	A1	A1
United States	A2	A2	A2	A2	A2	A2	A1	A1	A2	A2	A2
A3											
Chile	A3	A3	A3	A3	A3	A3	A3	A2	A2	A2	A2
Hungary	A3	A3	A3	A3	A3	A4	A4	B	B	B	B
Ireland	A3	A3	A3	A3	A3	A3	A3	A3	A3	A4	A4
Kuwait	A3	A3	A3	A3	A3	A3	A2	A2	A2	A2	A2
Malaysia	A3	A3	A3	A4	A4	A4	A2	A2	A2	A2	A2
Poland	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3
United Arab Emirates	A3	A4	A4	A4	A4	A4	A3	A3	A3	A3	A3
United Kingdom	A3	A3	A3	A3	A3	A3	A2	A2	A3	A3	A3
A4											
Botswana	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Bulgaria	A4	A4	A4	A4	A4	A4	B	B	B	B	B
Colombia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Croatia	A4	A4	B	B	B	B	B	B	B	B	B
Indonesia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	B
Italy	A4	A4	A4	A3	A3	A3	B	B	B	B	A4
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	A4	B	B
Qatar	A4	A4	A4	A4	A4	A3	A2	A2	A2	A2	A2
Romania	A4	A4	A4	A4	A4	A4	B	B	B	B	B
Thailand	A4	A4	A4	A4	A4	A4	A4	A4	A3	A3	A3
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4

	2019 Jan.	2018 Sept.	2018 June	2018 March	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.	2012 Jan.
B											
Brazil	B	B	B	B	B	C	C	A4	A3	A3	A3
China	B	B	B	B	B	B	A4	A3	A3	A3	A3
Côte d'Ivoire	B	B	B	B	B	B	C	C	C	D	D
Egypt	B	B	B	B	B	C	C	C	C	C	C
Ghana	B	B	B	B	B	B	C	C	B	B	C
Greece	B	B	B	B	B	C	C	C	C	C	C
India	B	B	B	A4	A4	A4	A4	A4	A4	A4	A3
Kazakhstan	B	B	B	B	B	C	B	B	B	B	B
Mexico	B	B	B	B	B	B	A4	A4	A4	A4	A4
Oman	B	B	B	C	C	B	A3	A3	A3	A3	A3
Russia	B	B	B	B	B	C	C	C	B	B	B
Senegal	B	B	B	B	B	B	B	B	B	B	B
Serbia	B	B	B	B	B	B	C	C	C	C	C
South Africa	B	B	B	B	C	C	B	A4	A4	A3	A3
Vietnam	B	B	B	B	B	B	B	C	C	C	C
C											
Algeria	C	C	C	C	C	C	B	A4	A4	A4	A4
Angola	C	D	D	D	D	D	C	C	C	C	C
Argentina	C	C	C	B	B	B	C	C	C	C	C
Armenia	C	C	D	D	D	E	C	C	C	C	C
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	C	B	B	B	B
Nigeria	C	C	C	C	D	D	C	C	D	D	D
Saudi Arabia	C	C	C	C	C	B	A4	A4	A4	A4	A4
Sri Lanka	C	C	C	B	B	B	B	B	C	C	C
Tanzania	C	C	C	C	C	C	C	B	B	B	B
Tunisia	C	C	C	C	B	B	B	B	B	A4	A4
Turkey	C	C	C	B	B	B	B	B	A4	A4	A4
Ukraine	C	C	C	C	C	D	D	D	D	D	D
Uzbekistan	C	C	C	C	C	D	D	D	D	D	D
D											
Haiti	D	D	D	D	D	D	D	D	D	D	D
Madagascar	D	D	D	D	D	D	D	C	C	C	C
Mozambique	D	E	E	E	E	D	C	C	C	C	B
Pakistan	D	D	C	C	C	C	D	D	D	D	D
E											
Iran	E	E	E	E	E	E	D	D	D	D	D
Iraq	E	E	E	E	E	E	D	D	D	D	D
Libya	E	E	E	E	E	E	D	D	D	D	D
Syria	E	E	E	E	E	E	D	D	D	D	D
Venezuela	E	E	E	E	E	E	D	D	C	C	C
Zimbabwe	E	E	E	E	E	E	D	D	D	D	D

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

Upgrade
Downgrade

HOW TO USE THE HANDBOOK

YOUR COFACE HANDBOOK
2019 SECTOR PROFILES

SECTORS

1

AGRI-FOOD

2

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	MEDIUM
NORTH AMERICA	HIGH
WESTERN EUROPE	MEDIUM

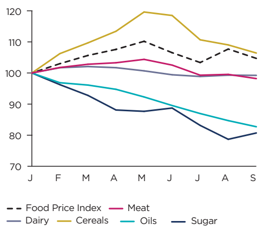
4

+
- Strong demand from emerging countries (notably China and India)
- Organic market growth in advanced economies

−
- Sector highly exposed to weather events
- Considerable uncertainty around the ongoing trade war

5

FOOD PRICE INDEX
(100 = JANUARY 2018)



Source : FAO

RISK ASSESSMENT

3

The United Nations Food and Agriculture Organisation (FAO) food price index fell by about 6% between September 2017 and September 2018. The decrease mainly reflected the fall in vegetable oil and sugar price indices, which fell by 21% and 20% respectively over the same period, chiefly because of high sugar production and Chinese tariffs on imports of US soybeans. The cereal price index was the only one to increase (by 9%), owing to decreased rainfall (and therefore production) in Australia and Canada – the leading global players, accounting for 22% of global wheat exports in 2017. However, it should be borne in mind that the soybean benchmark used in the FAO price index is US soybeans, whose price is falling due to the ongoing trade war between the United States and China. The price of American soybeans is therefore moving in the opposite direction to Brazilian soybean prices, which are climbing on the back of growing demand from China owing to the tension with the United States.

The sector is expected to be affected by weaker growth in advanced economies, mainly in Europe, and will likely continue to suffer in the United States from the US-China trade war, with China imposing a 25% import tax on American soybeans in retaliation for US protectionist measures. As soybeans are used to feed livestock, the trade war will also impact market players indirectly, over and above the import taxes imposed on US pork imports by China and Mexico of 62% and 20% respectively. The pork market will be further affected by the cases of African swine fever in China (50 cases between August and November) and Europe (more than 1,200 cases between July and November, most of them in Romania).

The organic market is seeing significant growth, particularly in advanced economies, with the share of arable land used for organic farming rising from 0.3% in 2000 to 1.2% in 2016. This trend is expected to continue in the coming years.

IN 2019

DEMAND

Global economic growth across all sectors is expected to decline slightly in 2019 (3% according to Coface).

In Emerging Asia, growth in activity is expected to slightly decline in 2019 to 5.7%, compared with 6% in 2018. China's tariffs on US soybean imports should reduce China's external demand for soybeans for the 2018/19 season* by 11% compared with 2017/18. Chinese imports accounted for 62% of US exports in 2017, but China will source soybeans mainly from Brazil and Argentina in 2019. Its imports of US soybeans were already down 95% in September 2018 year-on-year.

The pork market has been hit by the recent cases of African swine fever: the highly contagious and deadly nature of the disease has forced Chinese farmers to slaughter a large proportion of their livestock to prevent the disease from spreading. If the epidemic is not brought under control quickly, China could be forced to increase its pork imports, which will fuel inflationary pressure in the segment at global level.

Strong growth in North America, despite the slight slowdown expected in 2019 (2.8% and 2.1% growth for the United States and 2.1% and 2% for Canada in 2018 and 2019 respectively), will boost regional demand in the sector. However, the US agri-food sector is expected to be adversely affected by the trade war with China: American agricultural products are among the most targeted by Chinese retaliation measures. With China now sourcing almost exclusively from Brazil and Argentina, the United States is trying to find other buyers to compensate for the shortfall. Europe, which has agreed to buy soybeans mainly from the United States, will not be able to offset the decline in Chinese demand for American producers.

Demand in the sector in Western Europe should be negatively impacted by poor growth prospects for 2018 and 2019, while in Eastern Europe, external demand, particularly for meat, will benefit the sector.

In Latin America, the sharp depreciation of the Argentine peso in 2018 and the increase in soybean exports to China will boost Argentine agricultural exports, but the dim growth outlook for 2018 and 2019 is likely to negatively impact the agri-food sector. Increased Chinese demand for Brazilian soybeans, although a boon for producers, is a challenge for domestic consumers, as higher prices linked to increased demand hurt local consumers as well as livestock producers.

SUPPLY

6

World cereal production is expected to decline, with the 2017/18 and 2018/19 harvests down 2% compared with 2016/17, mainly due to adverse weather conditions and the El Niño phenomenon (which started at the end of 2018) mainly affecting Latin American countries – such as Peru, Brazil and Argentina – as well as Oceania. The US Department of Agriculture (USDA) forecasts world pork, poultry and beef production to increase by 2%, 4% and 3% respectively in 2018 compared with 2017 and by 1%, 2% and 1% in 2019 compared with 2018.

In the United States, growth in food production slowed slightly in the second quarter of 2018 compared with the first, growing by 2.4% after 3.3%. Soybean producers, who must already deal with the tariffs imposed by China in retaliation for the trade war started by the Trump administration, are also facing crop failures at the beginning of the 2018/19 season, with rainfall and hurricanes resulting in poor quality production.

In Europe, the sector as a whole continues to be weakened by the Russian embargo on food products from the United States and the EU, which is expected to continue until the end of 2018.

In Latin America, droughts in Argentina have impacted the sector: soybean production in 2017/18 was 31% lower than the previous season. Production may also be affected by El Niño, which is leading to higher-than-normal rainfall in Argentina. The Brazilian soybean harvest was 5% higher in 2017/18 than in 2016/17. Producers benefited from higher prices linked to firmer demand. Soybean prices on the Brazilian market are expected to continue increasing on strong demand from China in connection with the trade war. Meanwhile, Brazilian pig farmers are also facing higher prices for soybeans, which are used as a source of protein for livestock.

*The beginning of a season varies according to the geographical location and the product under consideration. The global production of a season for a given commodity is obtained by summing the production of the seasons of the countries producing this commodity.

COFACE COUNTRY & SECTOR RISKS HANDBOOK **2019** .17

1 Sector name

2 Coface Regional Sector Risk Assessments

This assessment indicates the risk presented by companies in the sector in regions around the world as considered by Coface in its quarterly sector assessments.

3 Risk Assessment

This section contains an analysis of economic and financial developments, as well as the main risks in the sector in terms of global trends.

4 Analysis of Strengths/Weaknesses

A summary of the sector's global strengths and weaknesses.

5 Sector Chart

This graph highlights one or more key aspects of developments in the sector.

6 Supply and Demand in 2019

These two columns present Coface's analysis of global trends within the sector, in terms of global supply and demand for the coming year.

Every quarter Coface reviews the assessments of 13 sectors throughout 27 countries in 6 major regions in the world (representing approximately 87% of global GDP). In order to better assess these, Coface has implemented its own methodology relying on four main pillars:

- anticipated insolvencies (by country);
- observed payment periods (aggregated by sector and country);
- financial result forecasts (aggregated by sector and country);
- payment experience logged by Coface by sector and country.

This assessment scales on four steps in order of increasing risk:
Low, Medium, High or Very High

LOW MEDIUM HIGH VERY HIGH

SECTORS	CENTRAL & EASTERN EUROPE	ASIA	LATIN AMERICA	MIDDLE EAST & TURKEY	NORTH AMERICA	WESTERN EUROPE
AGRI-FOOD	Medium	Medium	High	Medium	High	Medium
AUTOMOTIVE	Medium	High	High	High	High	Medium
CHEMICAL	Medium	Medium	High	Medium	Low	Medium
CONSTRUCTION	High	Very High	High	Very High	High	Medium
ENERGY	Medium	High	High	High	Low	Medium
ICT*	Medium	High	Medium	High	Medium	Medium
METALS	Medium	High	High	Very High	Medium	High
PAPER	Medium	Medium	Medium	Medium	Medium	High
PHARMACEUTICAL	Low	Low	Medium	Medium	Low	Low
RETAIL	Medium	Medium	Medium	High	High	Medium
TEXTILE-CLOTHING	Medium	High	High	High	Very High	High
TRANSPORT	High	Medium	High	Medium	Low	Medium
WOOD	Medium	High	Medium	High	Medium	Medium

*ICT: Information and Communication Technology.

SECTORS

COFACE SECTOR RISK ASSESSMENTS

AGRI-FOOD

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	MEDIUM
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MIDDLE EAST & TURKEY	MEDIUM
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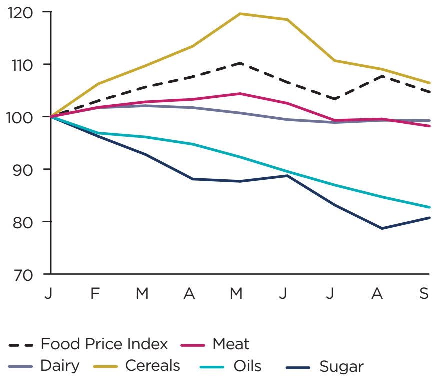

Source : FAO

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IN 2019

DEMAND

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SUPPLY

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AUTOMOTIVE

Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	HIGH
WESTERN EUROPE	MEDIUM

+

- Period of unprecedented innovation in the sector
- Car manufacturers are among the largest investors in R&D worldwide

−

- Deteriorated credit risk in several region across the world, including the United States and United Kingdom
- Increasingly restrictive anti-pollution standards requiring heavy investments
- High uncertainties notably due to knock-on effects of Brexit and the trade war on the global automotive supply chain
- Higher raw material prices impacting margins

VEHICLE SALES AND REGISTRATIONS IN CHINA, WESTERN EUROPE AND THE US

Sources: CAAM, Autodata and ACEA

RISK ASSESSMENT

Light vehicle sales in the United States dropped by less than 1% during the first 11 months of 2018, despite a strong emphasis toward light trucks (+9.8% year-on-year). The light trucks segment, which is holding up, is allowing carmakers to continue selling their production. Moreover, President Donald Trump threatened car and car parts imports with tariffs, which may pose a significant hurdle to foreign carmakers. It will also penalize domestic carmakers as a lot of specialized parts and steel products are made abroad.

Chinese car sales showed a tiny decrease (-0.1% year-on-year) at end November 2018. Chinese car sales are suffering from a sluggish consumer demand and a slowing economy. Competition between carmakers is also more intense, and might dent profitability. Moreover, Chinese authorities slashed duties on imported cars from 25% to 15%, which may foster foreign made cars sales.

Western Europe registrations experienced a tiny growth at end November 2018 (+0.8% year-on-year). Mixed results were posted across the region: +4.4% in France, +0.4% in Germany, -3.5% in Italy, +8% in Spain, and -6.9% in the UK. The European market is suffering from new testing rules, which have ignited bottlenecks in model homologations.

IN 2019

DEMAND

Demand around the world is less buoyant, with a contraction in the United States, gradual deceleration in China, and a slowdown in Europe. Consumer confidence has deteriorated since June 2018 as the current trade war, notably between the US and China, impacts economic prospects.
Accordingly, Chinese GDP growth is set to fall in 2019 (6.2%, from 6.6% in 2018). Lower online peer-to-peer lending, higher oil prices, and turbulences in the stock market have negatively impacted confidence. The causes of the current turmoil are unlikely to vanish in 2019, and are therefore likely to further push down consumer confidence. Electric vehicle demand is expected to hold in 2019, despite the government's to cut subsidies by 40%. A new scheme will start in 2019 giving credits to more appealing vehicle *via* better driving range.
In the United States, GDP growth is expected to slow to 2.3% in 2019, from 2.9% in 2018. Furthermore, raising interest rates in June 2018 have pushed up car loan borrowing costs to around 6%, and the average maturity length was nearly 66.5 months at end June 2018. Credit quality is declining, in part because new car prices are continuing their upward trend – the average cost of a new car was around USD 36,978 in November 2018, according to Cox Automotive –, exacerbating the loss of vehicles' residual resale value. With the deeply rooted shift toward expensive SUV and pickups, we expect new light vehicle prices to increase over time. Should the Trump Administration implement tariffs on car parts, information company Experian forecasts an additional cost per car ranging between USD 3,000 and USD 5,000.
Deteriorated economic prospects in the largest Eurozone economies, namely Germany, France and in Italy, together with political uncertainty in the UK; are likely to weigh on car registrations. Coface's GDP growth forecast for Europe is a drop to 1.8% in 2019 after 2.1% in 2018. Although the eurozone's unemployment rate has been constantly decreasing since 2016 (reaching 8.1% in October 2018, according to Eurostat), consumer confidence is contracting (-3.7 at end November 2018), notably due to deteriorated future global economic prospects. The risks ahead for auto industry, notably in Germany, is likely to have knock on effect on Central and Eastern Europe Region (CER) automotive sector. As Western Europe represents the bulk of CER auto exports, countries like Czechia, Slovenia, and Slovakia will bear the brunt of decelerating registrations. The new homologation (WLTP) is exerting downward pressure on registrations, and it will take time for the market to return to normal.

SUPPLY

The changing landscape is forcing automotive manufacturers to adapt. As they continue to face new regulations and competitors, doubts are growing over sales expansion in 2019.
New car sales in China decelerated at end November 2018 (-2%, year-on-year), and 2018 is the first year in decades to post a decrease in car sales. The market is highly dependent on government fiscal policies regarding vehicle tax, and despite predictions that the government will halve VAT on cars, as they have done in the past, slipping consumer confidence is likely to prevent a market comeback. The country is becoming a key player in terms of the production and sales of electric and/or hybrid vehicles, with the central government strongly encouraging these technologies through tax rebates, with the target 5% of all vehicles sales being New Electric Vehicles in 2019. Volkswagen's announcement to introduce 25 new electric models in the country between 2020 and 2025 and its plans to invest USD 12 billion through its joint-ventures reflects that perception.
Cox Automotives expects a 2.3% drop in light vehicle sales in 2019 in the United States. The shrinking market will enhance competition between carmakers, which is likely to shrink margins, as rising raw material and input prices (steel, aluminium, car parts, etc.) will continue to dent profitability. However, the fall in passenger cars sales is forcing them to close factories and redirect money to e-mobility R&D. Lastly the opening of investigation for national security motives, which is due to be completed by February 2019, is very likely to cause car prices to increase and reduce jobs as carmakers would protect already strained margins.
Registrations in Western Europe are likely to increase in 2019, but only by 1%, according to the market intelligence company, LMC Automotives. As per Coface's calculations, the net margin figures of leading carmakers and equipment manufacturers was relatively stable at the end of the third quarter of 2018 (5.8% vs 5.9 in the second quarter). However, the UK's departure 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 European production organisation, due to the deep industrial interaction. Moreover, President Trump has threatened to implement extra duties on car imports if European allies do not proceed with commercial concessions. This "sword of Damocles" is impacting German carmakers, who are already suffering from blows traded between the US and China. A difficult market both at home and in China – a major contributor to European carmakers profits – will inevitably push them to take hard choices, when considering the huge investment need for e-mobility.

CHEMICAL

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	MEDIUM
NORTH AMERICA	LOW
WESTERN EUROPE	MEDIUM

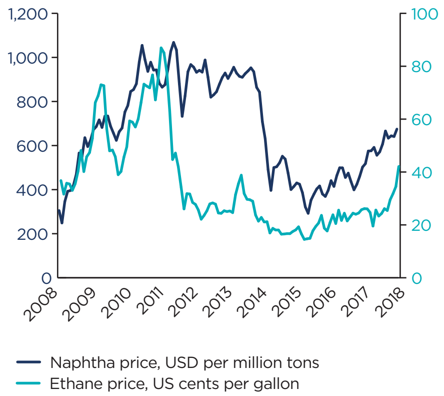
+

- Main input prices remain at historically low levels
- Robustness of US demand
- Specialty chemicals are less dependent on the economic situation

−

- Base chemicals performance strong dependence on the global economic cycle
- Overcapacity in China in some segments
- Increase in ethylene production capacity

NAPHTHA AND ETHANE PRICES



Source: Reuters

RISK ASSESSMENT

The prices of the main inputs for chemical production (natural gas, naphtha) increased throughout 2018, putting pressure on margins, despite naphtha reaching its lowest levels in the past eight years. The relative prices weakness for the principal raw material, naphtha, continues to offer some respite for European producers. As chemical activity is dependent on economic cycle evolution, it has been on the rise, but is expected to decelerate due to softening economic conditions in most regions globally.

US petrochemical producers continue to benefit from a relatively cheap natural gas access. Nevertheless, ethane prices in the United States are increasing (+115% at end September since the beginning of 2018) due to stronger demand from ethylene derived products.

Low naphtha prices are also helping Chinese producers. However, the development of olefins manufactured from coal, which was promoted by the Chinese government due to its cost advantage, comes at a heavy price for the environment due to higher pollution.

IN 2019

DEMAND

Global demand for chemical products is expected to increase in 2019, but at a slower pace due to slightly sluggish global economic prospects.
In Western Europe, activity in the chemical industry will expand slowly as a result of the moderate expected economic growth (1.9% in 2019 versus 2.2% in 2018). Turnover in the European chemical industry grew by 4% year-on-year at the end of August 2018, after growing by 7% a year earlier. Nevertheless, most subsectors of the chemical industry activity should remain steady, thanks the automotive sector despite its challenges.
The demand for chemical products in North America is expected to keep growing in 2019, despite Coface forecasts that US GDP growth will decelerate to 2.3% (from 2.9% in 2018). Both automotive sales and construction activity in the United States will have a negative impact on demand. Sales of new light vehicles in 2019 will likely experience a 1% drop, as a result of higher interest rates, higher car prices and less favourable credit conditions. Moreover, home builders are cautious about land access, rising input costs, and overall diminishing affordability. The FED is expected to continue raising rates in 2019, putting more pressure on car and home buyers and thus offering lower prospects for the chemical industry.
Demand in China for chemical products is likely to be restrained in 2019, with a lower GDP growth rate in 2019 (+6.2%) compared to 2018 (6.6%). Private sector debt in China amounted to 261% of GDP at the end of March 2018 according to the Bank of International Settlements. The construction sector is no exception and suffers from decreasing activity, which will continue throughout 2019. Moreover, the construction has the highest ratio of ultra-long unpaid amounts exceeding 2% of annual turnover, according to the Coface 2018 China Payment Survey. Another important client sector for the chemical industry in China, the automotive sector, is not performing well either, with vehicle sales decelerating: they reached only +0.6% at end September 2018, after hitting 4.46% a year earlier. The Caixin/Markit Manufacturing Purchasing Managers' Index (indicating China factories activities) at end September 2018 shows that growth in orders stalled as a result of a slowdown in export orders.

SUPPLY

Crude oil and natural gas prices evolutions, notably rising trends, may impact chemical producers' margins.
Lower European economic growth (+1.9% in 2019 after 2.1% during 2018) and higher expected average Brent price in 2019 (USD 75 per barrel) could adversely impact chemicals companies' margins. Monthly averaged naphtha prices at end September increased by 17% since the beginning of 2018 (USD 675 per ton *vs* USD 576/t). The aforementioned raw material price is strongly correlated to crude price since it is derived from it, and is widely used in the European petrochemical industry. European chemical producers' net profit margins reached 8.5% in 2018 (up from 7.7% a year earlier). However, petrochemicals fared better than their specialty chemical counterparts (products sold on the basis of their function rather than their composition), an indication that margins were spurred by low raw input prices, as with naptha. Furthermore, oil price volatility is high, which is translated into higher naphtha price volatility, adding complexity and risks to chemical companies' activities.
US domestic demand in 2019 is unlikely to provide opportunities for US ethane-based producers, as was the case in the past, as they are losing competitiveness compared to those using naphtha. Ethane price evolution at Mont Belvieu in Texas was 42 US cents per gallon in September 2018, versus 19.55 US cents per gallon at the beginning of the year: a 115% increase). US petrochemical producers are losing parts of their competitive edge they gained compared to European producers due to large access to cheap ethane coming from shale hydrocarbons. In addition, piling up of ethylene production capacity due to abundance of shale gas in the United States is exerting pressure to look for buyers overseas, notably China. At the same time, the current trade war is impacting a large swath of chemical products: China is applying tariffs ranging between 5%-25% to the majority of ethylene related products. US ethylene products will therefore likely head toward other regions such as Europe, Latin America or Southern Asia, as Chinese traders would buy more products from the Middle East or Singapore.
Chinese chemical production was down 1.9% YOY at the end of September 2018. Coface forecasts that Chinese economic growth rates will decelerate from 6.6% in 2018 to 6.2% in 2019. After reaching 7.3% in 2018, the net profit margin for Chinese companies is still lagging behind European figures (*vs* 7.6% a year ago). Many sub-sectors are crippled by overcapacities, which hamper their profitability. This is 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 continue to 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. However, central authorities seem to be reversing their former plan to foster this kind of technology due to polluting effects.

CONSTRUCTION

Sector risk assessments

ASIA	VERY HIGH
CENTRAL & EASTERN EUROPE	HIGH
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	VERY HIGH
NORTH AMERICA	HIGH
WESTERN EUROPE	MEDIUM

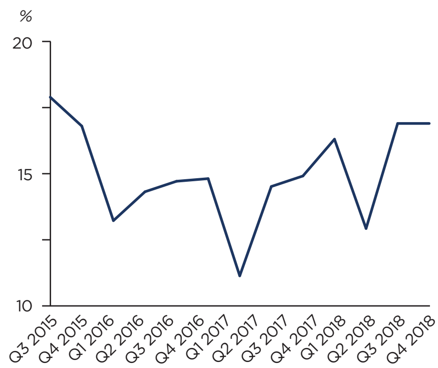
+

- World population growth
- Continued increase in urbanisation
- Major infrastructure projects expected

−

- Increased credit risk for companies in the sector in China with high debt levels and overcapacity
- Household debt levels remain high in the United States, Western Europe and several large emerging economies
- Upward trend in global interest rates
- Increase in input production costs

NET DEBT* OF CONSTRUCTION COMPANIES IN CHINA



* (total debt - cash flow) / (total assets)

Source: Reuters

RISK ASSESSMENT

The economic outlook for the construction sector in 2019 is dimming to varying degrees around the world against a backdrop of slowing global economic growth. In the European Union, where economic activity is poised to cool, growth is expected to reach 1.7% in 2019 against 2% in 2018. Credit risk will remain particularly high in the sector in China, where the gradual deceleration in growth is being combined with a more restrictive monetary policy (to tackle the housing bubble) and continuation of the strategy to rein in production overcapacity. Chinese companies in the sector remain highly indebted. Construction is expected to be one of the riskiest sectors in 2019 according to the analyses for the 13 sectors for which Coface publishes assessments (see page 11).

The global setting, featuring a trade war and higher production costs due in particular to forecast price increases for certain metals and lumber, will present additional difficulties for companies in the sector.

In the United States, the outlook for the sector is deteriorating, as the country faces more downbeat economic growth prospects in 2019. Coface expects growth to reach 2.3% in 2019 compared with 2.9% in 2018. This is in a context where the effect of the tax stimulus initiated by the government at the end of 2017 is fading and is being largely offset by the Federal Reserve's rate hikes.

In Latin America, credit risk for companies in the sector is expected to remain high, following numerous corruption scandals in the award of public contracts in this area, and the currency crisis in Argentina, which has led to fiscal austerity measures and very significant increases in interest rates. In Turkey, as in Argentina, last year's severe currency crisis and the economic recession that is now taking hold are likely to sustain the contraction in demand in the sector.

Further out, the prospects are expected to improve and will continue to be supported by global population growth and thus sustained structural housing demand, as part of an international trend towards increased urbanisation. A 2018 study by HNY Research, a consultancy, indicates that global demand for construction equipment is set to surge over the next five years, thanks to a market segment that is expected to grow by about 8% per year through to 2023.

IN 2019

DEMAND

Global demand in the construction sector will be affected in 2019 by the interest rate increases expected in many advanced economies – a process that has already begun in the United States and the United Kingdom. In the eurozone, the European Central Bank expects to hike interest rates by the summer of 2019, while central banks in Central and Eastern Europe have already begun to exit their accommodative monetary policies, with Romania and Czechia starting to take these steps in late 2017. Some Asian countries, including Korea, Indonesia and the Philippines, are taking similar action. More generally, demand in the sector will be depressed by the slowdown in the global economy, which we expect to expand by 3% in 2019 compared with 3.2% in 2018.

In the EU, Coface expects economic activity to falter, with growth expected to reach 1.7% in 2019 compared with 2% in 2018. The British construction sector was hit hard by uncertainties related to Brexit in 2018, through a loss of consumer confidence and higher interest rates. New orders, both in terms of infrastructure and private commercial activities, fell by 6.6% in the third quarter of 2018 compared with the first quarter in the United Kingdom. In the United States, the outlook for the sector is deteriorating as the country faces a less positive economic growth forecast for 2019. Coface expects growth to reach 2.3% in 2019 compared with 2.9% in 2018, making for a situation that will likely contribute further constrain demand, at a time when the effects of the corporate tax cuts introduced at the end of 2017 have been offset by successive rate hikes by the Federal Reserve.

In China, the gradual deceleration in expected economic growth (6.2% in 2019 compared with 6.5% in 2018) combined with the effects of the government's measures to tackle the housing bubble, should constrain demand.

Nevertheless, in the longer term, the global trend towards urbanisation coupled with the structural increase in the world population should limit to support demand in the sector.

SUPPLY

The construction sector around the world displays contrasting realities and varying prospects for 2019. The continued increase in production costs will have a negative impact on the sector's performance. The increase continues to be mainly due to higher prices for some metals that are widely used in the construction sector compared to historical trends, such as steel, as well as for lumber.

US indicators are deteriorating. Activity in the construction sector is contracting, with building permits and housing starts falling by 5.8% and 2.9% respectively year-on-year in October 2018. Both residential construction and spending project also showed signs of deterioration at the end of last year, and this trend is expected to continue in 2019.

One of the main risks for the US construction sector in 2019 will be related to the repercussions of the trade war started by the Trump administration. In particular, the administration has decided to introduce customs tariffs on a portion of steel (25%) and aluminium (10%) imports into the United States, which significantly increases production costs for construction companies. A development that could have a positive impact on construction in the United States would be the implementation of the major infrastructure projects proposed by President Trump during the presidential campaign. However, the scope and possible budgets of these projects remain uncertain at this stage. In Europe, the sector will be affected by the economic slowdown.

ENERGY

Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	LOW
WESTERN EUROPE	MEDIUM

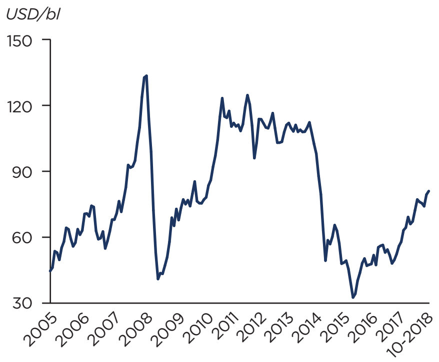
+

- Resilience to price fluctuations by leading diversified companies
- Continued dynamic demand overall expected in 2019, which may sustain oil prices averaging USD 75 per barrel
- Oil companies' efforts to streamline their production

−

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

MONTHLY AVERAGED BRENT SPOT PRICE: RISING TRENDS BUT STILL LOW BY HISTORICAL STANDARDS



Source: Reuters

RISK ASSESSMENT

Monthly averaged Brent prices at end October 2018 increased by 28% compared to end December 2017. Ongoing geopolitical concerns in the Middle East and in North Africa; coupled with higher consumption have caused prices to spike. The OPEC+ agreement on cutting oil production by 1.8 million barrel per day (mbpd) to rein in prices has been respected by members such as Russia and Saudi Arabia.

The number of active oil rigs in the United States was still growing at end October 2018 and stands at 870 (*versus* 741, +17.4% year-on-year). Accordingly, US Q3 crude oil and other liquids production increased by 24% YOY. The price hike has lured US oil producers to increase their cash flows.

US exploration and production bankruptcies rose in the first eight months of 2018: 22 filings, down from 15 in 2017. Moreover, the debt amount is up by 138% due to a high level of investment in shale basins. Nevertheless, US oil contractors saw their bankruptcy figures dropping: -70% for filings. The increased number of rigs alleviated the burden on them, who bore the brunt of low prices environment. Furthermore, global investment was up by 4% in 2017 in the upstream segment, according to the International Energy Agency (IEA): a slight rebound in an industry that saw its investments decreasing by 40% between 2014 and 2016.

IN 2019

DEMAND

According to the US Energy Information Agency (EIA), global oil demand should stand at 101.5 mbpd in 2019, a rise of 1.4% compared to 2018. Natural gas demand is expected to rise by 1.5% in 2019, around 3,886 billion cubic meters (bcm), stirred up by China, Thailand, Taiwan and Indonesia.
Demand in Europe is likely to stagnate in 2019, at almost 14.4 mbpd (+0.5%). Refineries benefitted from the steep fall in oil prices since June 2014 to improve their margins. European refineries capacity utilisation was stable in August 2018 y-o-y, but average Brent crack margins are losing momentum due to higher oil prices. Moreover, crude prices account for a significant proportion of their overall refining cost – up to 50% – and will add up with operational costs. In contrast, energy costs represent 28% of total expenditure for American refineries. Furthermore, competition from the Middle East will exert pressure on European refineries.
US demand for oil products should decelerate, with a 1.1% rise expected in 2019 due to soft economic prospects. Refinery margins should continue to decrease, after a peak of USD 24 per barrel in July 2015. September 2018 averaged USGC cooking margins reached USD 6.36/bl against USD 10.04/bl a month ago. President Trump's tax reforms aimed at reducing corporate taxes will help refineries, but higher oil prices and fluctuating demand will dent margins. Softening economic conditions in Latin America will not help US refiners.
Coface expects real GDP growth in the Chinese economy to reach 6.2% in 2019 due softening economic prospects abroad. As a result, annual Chinese energy consumption should grow at a slower pace (+3.4%), reaching 14.3 mbpd in 2019 from 13.8 mbpd, according to the EIA. Nonetheless, as the trade war is currently unfolding, Chinese trading companies are favouring Middle East crude over US's. Chinese refineries will continue to import crude from Iran despite US sanctions, due to the expansion of the Shanghai futures market, which provides contracts based on the renminbi – a currency not concerned by the US sanctions, which are only targeting US dollar based contracts. Moreover, the United States has granted temporary waivers to China when importing Iranian oil.
India will again be one of the main oil consumer countries in 2019 in terms of growth, but with a less steep rise in demand (up 4.6% in 2019 after 5.5% in 2018), bolstered by the growing numbers of automobiles. India will benefit from its time-limited Iranian oil imports waivers, granted by the US as the country is dependent on Iranian crude.

SUPPLY

According to the EIA, oil supply should rise by 2% in 2019 to 102 mbpd, after 2.4% in 2018. This is attributed to a better price environment for American shale producers, offsetting the OPEC+ production limitation agreement. Russia and Saudi Arabia are likely to agree on another production cut in 2019 to stabilise prices. EIA's investments estimates (+5% in 2018) in the sector are still below the pre-2014 levels. Oil companies are targeting less risky fields (two thirds of the capital expenditures amount), to compensate declining production wells. Natural gas supply is expected to rise in 2019 by 1.1% to 3,880 bcm, induced by greater US liquefied natural gas (LNG) production which is competing with Qatar gas.
According to the EIA, oil production in the United States should reach a record high of 12.08 mbpd in 2019, up from 10.09 during 2018 (+11%). Rigs number has doubled since mid-2016, reaching 864 (91% of which are horizontal drills). US production has been boosted by the higher wells' productivity (+20% production per rig at end June 2018 y-o-y). Prospects for shale oil investments will be limited by companies' financing requirements, as shown by the USD 50 billion of speculative bonds issued in the markets in 2018 (twice the 2016 total). According to a March 2018 Reuter's survey, nearly one third of respondents pledged to pay dividends in 2018 to attract investors, as oil prices edge upwards. Net margin for the US oil sector in 2018 Q3 stood at 6% against 1% a year ago, and this metric will likely reach 7% by the end of 2018.
Western Europe has seen an upturn in leading companies' financial results in 2018 after a dismal 2016. The E&P segment has benefited from the higher Brent prices: improved profits boosted prospects for European companies in 2018 Q3. Net margin reached 6.5%, a two percentage points increase YOY. European oil contractors are benefitting from higher oil prices, but the current levels are still too low to incentivise their customers to expand on expensive oilfields.
Chinese oil producers are lagging behind their Western rivals in terms of net margin: 2.4% at end 2018 Q3. Lower production volume and reserve write-downs have affected the sector. China's oil production in 2019 is expected to stagnate, according to the EIA: 4.8 mbpd versus 4.78 mbpd in 2018.

ICT (INFORMATION AND COMMUNICATION TECHNOLOGY)

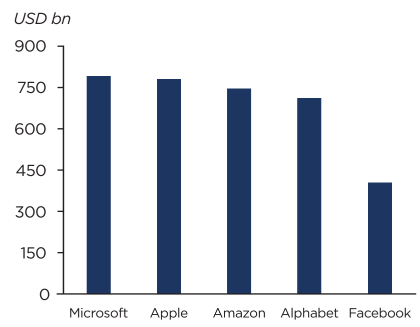
Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	MEDIUM
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	MEDIUM
WESTERN EUROPE	MEDIUM

- Globalisation of internet access and market penetration opportunities, notably in developing economies
- Strong innovation, with AI having a growing impact on all sectors and upcoming 5G technology
- Exponential growth of connected goods

- Saturation of some hardware markets (tablets, smartphones, PCs) in advanced economies
- Long-term challenges in relation to rare mineral reserves
- Tougher regulatory environment ahead for ICT giants, notably in terms of taxes and data protection issues, particularly in the EU

MARKET CAPITALIZATION OF GLOBAL TOP 5 LEADING IT COMPANIES (DECEMBER 2018)



Source : Reuters

RISK ASSESSMENT

Coface's sector assessment methodology for the ICT sector incorporates several segments: telecommunication goods and services, electronics, white goods and a final segment comprising computers, software, and IT equipment. Empirically, the boundaries are increasingly blurred between the product and service ranges offered by ICT companies and the firms' traditional business activities.

ICT is a concentrated sector featuring fierce competition, particularly between the giant US and Chinese firms that dominate the market, including America's FAANG (Facebook, Amazon, Apple, Netflix and Google – specifically Alphabet, its holding company) plus Microsoft, and China's BATX (Baidu, Alibaba, Tencent and Xiaomi). Market capitalization for these companies, notably the US ones (see chart), are among the highest in the world. The global trade war is exacerbating the already highly competitive environment. Many governments in advanced economies, and particularly the United States, are worried about the "Made in China 2025 Strategy", which China is planning to use to become the global leader in ten critical economic sectors that include ICT products, such as robotics and semiconductor production. These new technologies, and notably the swift development of artificial intelligence (AI), are likely to bring significant changes to means of production.

Looking forward, one of the key challenges, particularly for FAANG, will be the tougher regulatory environment ahead for data protection.

ICT sector prospects will remain contrasted across regions in 2019, while overall business performances will depend on economic conditions. Coface expects global economic growth to slow somewhat to 3% in 2019 from 3.2% in 2018. This is expected to result in a contraction in demand for ICT goods and services overall.

Moreover, internet access continues to grow around the world. Cisco, a leading IT and network company, expects the volume of data exchanged to triple by 2020, when one person in every two worldwide will be an internet user.

IN 2019

DEMAND

Global demand for ICT products and services is likely to be impacted by the downturn in world economic growth prospects. In Europe, we expect the economy to cool, notably in the eurozone, where we expect GDP growth of 1.6% in 2019, compared with 1.9% in 2018. This will compound the fact that the Western Europe market is reaching maturity in selected ICT products. However, according to the International Data Corporation (IDC), despite the growing importance of innovative technologies, global sales of mobile phones and cloud computing continue to be the mainstays of ICT demand. In 2019 and further out, connected products – such as watches, and wristbands – could stimulate consumer interest, and according to IDC, the rise of smart wearables will not just be in mature markets, but also in emerging markets.

A key risk for FAANG lies in reputational issues, notably related to the protection of consumers' private data, following a string of scandals. One such case involved Facebook and the Cambridge Analytica scandal, when the company was accused of sharing the personal data of more than 71 million people. This data was then used to manipulate public opinion, notably during the 2016 US presidential campaign. These scandals raised awareness among users of the risks associated with the potential misuse of their personal data. The scandals also occurred at a time when time when governments, companies, and the public are growing more and more concerned about cybersecurity issues. Additionally, in some countries, the tech giants are increasingly viewed as channels through which governments can spy on people.

Moreover, in the EU, the major US ICT firms are widely perceived as not fulfilling their social responsibilities. In particular, they are criticised for making huge profits while not paying enough taxes or using legal tricks to avoid paying. EU institutions are holding discussions on ways of imposing higher taxes on FAANG.

Overall, governments around the world, including in the United States, are now considering tougher data protection rules. For example, the EU introduced the General Data Protection Regulation (GDPR) in 2018, which aims to strengthen individuals' rights and facilitate business operations in the digital age.

SUPPLY

ICT is a concentrated market that has long been dominated by the US FAANG tech giants, whose market caps are among the highest in the world (see chart). They operate in various segments – such as media, e-commerce, internet provision and telecommunications – but are increasingly being challenged by China's own BATX giants. In the context of the current trade war, and as governments gain awareness of the strategic importance of this sector, competition between the Chinese and US tech giants is heating up even more. The Trump administration has made it clear that the "Made in China 2025 Strategy", through which China plans to become a global leader, notably in ICT, is perceived as a threat to US strategic economic interests and leadership. An emblematic illustration of this position was President Trump's decision to block Singapore-headquartered Broadcom's attempt to take over Qualcomm, a US company, for USD 117 billion in January 2018.

The telecommunications industry is forecast to continue to grow. The main upcoming innovation will be the arrival and implementation of 5G technology from 2019, which will enable faster internet access.

Semiconductors remain key materials for most ICT products, particularly given the rise of supercomputing. For example, China imports more semiconductors than oil. In 2017, China's semiconductor imports totalled USD 260 billion, compared with crude oil imports of USD 162 billion. Semiconductors are critical to developing AI tools and robots. Schematically, AI can be described as set of several complex technologies that require a combination of powerful computers and efficient software to function. AI extends the limits of what is currently possible, allowing machines to carry out tasks and jobs that people have performed until now.

Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	VERY HIGH
NORTH AMERICA	MEDIUM
WESTERN EUROPE	HIGH

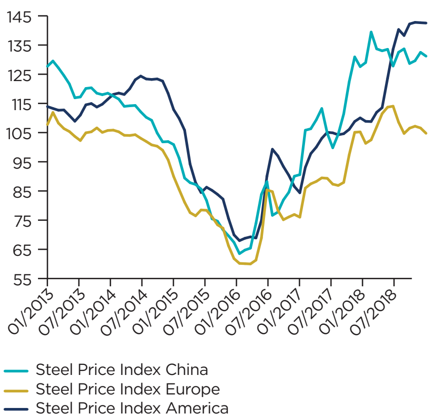
+

- On-going restructuring of key metal activities (nickel, copper, zinc, rare earths, aluminium)
- Lower production costs
- Products used in many industries across the world, notably a growing using of batteries

−

- Low production capacity rates across the world
- Increased pressure from the Chinese authorities to reorganise the steel and aluminium industries
- High dependence on Chinese economic policy
- Globally decreasing vehicle sales rates

STEEL PRICES INDICES IN CHINA, EUROPE, AND THE UNITED STATES



Source: SteelHome

RISK ASSESSMENT

The metal sector has been at the centre of the unfolding trade war. The United States' government has imposed import tariffs on steel (25%) and aluminium (10%) from several countries such as China – as well as on its allies (the European Union, Canada, Mexico, Japan). These extra tariffs, in addition to those already imposed, have sustained US steel prices. According to SteelHome, monthly US average steel prices increased by 31% between end-December 2017 and October 2018, while Chinese and European prices sent mixed signals (-5.9% and +2.2% respectively).

Elsewhere, on May 24, 2018, the European Commission (EC) opened an anti-dumping investigation into some Chinese steel products, after a complaint was lodged by EUROFER, the European Steel Association. In addition, European steelmakers fear the rerouting of steel products from the United States after the imposition of additional tariffs. However, the EC imposed safeguard measures, which took effect in July 2018. These measures affect imports above traditional levels by imposing extra customs duties.

Other base metals and alloys prices are experiencing mixed trends as well. Nickel grew by 6.6% over the December 2017-October 2018 period. Zinc, aluminium, cobalt and copper saw their prices shrinking (-16.5%, -2.5%, -16.8% and -9.3% respectively).

As steel is often viewed as a barometer of global activity due to its use in several industrial activities (including the construction sector, automotive and consumer goods such as household appliances), it is examined in further detail below.

IN 2019

DEMAND

Global steel product consumption is likely to stagnate by 0.2% in 2018, due to less buoyant and less synchronised economies. The metals for which consumption is set to increase in 2019 are aluminium (2.6%), copper (3.2%), nickel (5.7%), and zinc (3.5%). The fact that the US decision to impose tariffs on all steel and aluminium imported products came into force in June 2018 is likely to disadvantage client sectors, notably automotive and construction, the latter of whom has so far benefitted from low steel prices.

China's steel consumption is expected to decrease (-2.8%) in 2019 due to an anticipated softening of property investment growth this year, given the high level of indebtedness of companies in the sector (USD 55 billion of debt due during the year, according to Dealogic). A slowdown in real estate investment in the country's largest cities has led to deterioration in the corporate financial situation of the parties involved, as previously mentioned in Coface's March 2018 China Payment Survey. Moreover, car sales in 2019 are set to be sluggish compared to those of 2018. India's consumption of steel products is forecast to grow by 6% in 2018 due to strong public support for infrastructure projects, as well a manufacturing sector that has boosted domestic consumption, which is likely to continue in the medium -term.

Western Europe is set to experience a 1.2% growth in consumption in 2019. The forecast mixed results of the European car market are likely to threaten European steelmakers, despite being better positioned with their high added value steel products. Mixed trends in the European construction sector in 2019 are likely to impact the metal sector as well. Lower economic prospects for the eurozone will adversely impact demand for housing. Moreover, the expected end of the ECB quantitative easing will inevitably lead to an increase in interest rates. These developments will impact both the automotive and construction sectors, notably through the financing channel.

Steel consumption in the United States should grow by 1% in 2019. Players in the construction sector – the primary customer for the steelmaking industry – appear to be rather optimistic, despite being hit by hikes in steel product prices due to antidumping countermeasures and extra tariffs. 38,000 exemption demands were requested by US steel customers at end-August 2018, despite 17,000 objections from steel producers. The automotive sector in the United States is suffering from higher steel prices, which are denting profitability. The expected closures of some assembly plants associated with the tepid trends of the domestic car market are likely to weigh on steelmakers' bottom lines.

SUPPLY

Global steel production is set to contract marginally by 0.2% in 2019, following the heavy crackdown on polluting plants in China than a year ago. Also expected to grow is production of aluminium (2%), copper (2.6%), nickel (5.5%), and zinc (5%). Chinese production is likely to shrink in 2019 due to China's crackdown on pollution from its steel plants, as well as its decelerating economy. Chinese steelmaking mainly focuses on low added value products used in the construction sector, among others. In addition, it is largely decentralised and local provinces have little incentive to reduce this relatively major tax resource. However, decreasing domestic steel prices encourage local producers to produce less.

Steel production in Western Europe is forecast to grow by slightly more than 1% in 2019, compared to nearly 2% in 2018, impacted by lower economic prospects. The current environment of trade spats and tit-for-tat retaliatory measures has adversely affected investor confidence, among other factors. Nevertheless, the European steel sector should continue to benefit to a certain extent from the measures taken by the EC since August 2017, when they imposed customs tariffs on some Chinese products.

Some steelmakers in Central Europe, notably in Austria, will be able to manage the decelerating economy due to their positioning on high-value products, and their efficient production processes.

In the United States, steel production should grow by 4.3% in 2019, boosted by the Trump administration's measures to support the US steel industry *via* tariffs, but also by measures taken during former President Barack Obama's tenure to curb Chinese steel imports. According to the current trend, steel product prices are likely to hold up in 2019 and should encourage steelmakers to produce more. In addition, after their House takeover, the Democratic party seems willing to push for implementing an infrastructure program, which may benefit to domestic steel manufacturers.

PAPER

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	MEDIUM
MIDDLE EAST & TURKEY	MEDIUM
NORTH AMERICA	MEDIUM
WESTERN EUROPE	HIGH

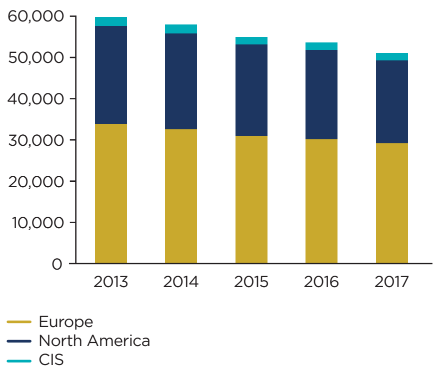
+

- Sustainable and recyclable
- Strong demand from Asia

−

- Demand for cardboard and packaging paper very closely linked to the economic situation
- Substitution of paper owing to increasing use of digital media

CONSUMPTION OF GRAPHIC PAPER (THOUSAND METRIC TONS)



Source : UNECE 2018

RISK ASSESSMENT

The production of paper and cardboard is divided into two categories: on the one hand, graphic paper (printing paper, newsprint, etc.) and on the other hand, cardboard as well as packaging paper. Paper and cardboard production declined by 0.4% in 2018 in the countries of the United Nations Economic Commission for Europe (UNECE), according to the Committee on Forests and the Forest Industry (COFFI) for the UNECE, which includes Europe, North America and the Commonwealth of Independent States (CIS). Overall, graphic paper production is decreasing due to the downward trend in consumption in favour of digital technologies, while cardboard and packaging paper production is increasing on higher demand reflecting greater access for people worldwide to computers and the internet, the rise of e-commerce and robust economic growth in recent years in most regions.

These aformentionned contrasting directions for paper and cardboard production are expected to continue in 2019. Paper and cardboard consumption in UNECE countries decreased by almost 1% in 2017 and by 0.5% in 2018; this decrease is expected to continue in 2019 as paper is gradually replaced by digital technology.

The sector is undergoing significant structural changes as digital technologies become firmly established, leading to decreased consumption and production of coated and plain paper in UNECE countries. In addition, consideration of environmental issues in production and consumption standards is reflected in strong growth in the share of recycled paper and in the need to innovate in production methods. In 2017, paper was the most recycled product overall: it was more than 70% recycled in Europe according to the Confederation of European Paper Industries (CEPI). This trend should benefit the sector in the long term because paper can be used as an alternative material to others, such as plastic: cardboard packaging is considered more environmentally friendly and lighter. It is also the focus of much innovation. Cardboard packaging is also benefitting from the strength of e-commerce and growing demand for "convenient" food packaging.

IN 2019

DEMAND

Paper consumption is on a downward trajectory overall, due to increasing use of digital technologies. The use of graphic paper fell by 15% in UNECE countries between 2013 and 2017 and by 4.8% between 2016 and 2017, with estimates indicating similar trends in 2018; the contraction in consumption is expected to continue in 2019. Economic growth prospects are weaker for 2018 and 2019 in Europe (1,7% in 2019 after 2.1% in 2018), so demand for packaging materials is expected to slow somewhat.

In North America, demand for graphic paper has been declining for many years and the trend continued, with demand shrinking by 0.8% in the second quarter of 2018 year-on-year in the United States. Meanwhile, demand for packaging materials has been on an upward trend over the same period.

For the CIS countries, paper and cardboard consumption remained stable in 2017 and 2018, declining by just 0.6% per year. Although consumption of graphic paper is expected to decrease as the use of digital technologies increases, consumption of cardboard and packaging paper is expected to benefit from stable growth in economic activity across the region: Coface forecasts 2.1% for the CIS in 2019, after 2.1% in 2018.

In China, paper and cardboard consumption increased by 4.6% in 2017 and is expected to be supported by robust growth in 2019 (6.2% after 6.6% in 2018). Consumption of graphic paper in India is the exception in the sector: as digitisation has not made much headway in India, the use of graphic paper is expected to increase in the short term. However, it will likely decline in the longer term with the development of digital technology. The growth of the Indian middle class and robust economic activity (forecast at 7.7% in 2019 after 7,3% in 2018) should buoy demand for cardboard and packaging paper.

Demand in South America seems to be moving in the same direction as in other regions of the world: while demand for cardboard is increasing with the recovery in economic activity, demand for graphic paper is decreasing.

SUPPLY

In Europe, paper production remained unchanged in 2018 and is expected to decline in 2019, partly due to lower economic growth. This contraction in paper production comes after several years of growth, mainly due to the increase in cardboard and packaging paper production as a result of the conversion of graphic paper machines. Closures and conversions of paper machines led to an overall decrease of 1.6% in the production of all graphic paper components (newsprint, coated and uncoated paper) in 2017. The process of closing and converting paper machines (mainly into cardboard machines) in response to the downturn in demand for paper and the upturn in demand for cardboard, driven in particular by the rise of e-commerce, is expected to continue in 2019, leading to a decline in paper production capacity, to the benefit of the cardboard sub-sector.

Graphic paper production in North America fell sharply in 2017, dropping by 6.5% following the conversion of machines to packaging, a higher-margin sector. This suggests that the decline in paper production will continue in 2019, due to lower paper demand, the development of e-commerce and continued robust GDP growth forecast for 2019 in North America, with Coface forecasting economic growth of 2.4% in 2019, after 2.7% in 2018 for the region as a whole.

Overall, the lower performing pulp, paper and cardboard mills are closing while the production of lower cost pulp, tissues and packaging is increasing. The outlook for graphic paper companies in the UNECE region in 2019 is gloomy: the higher prices caused by reduced supply may not be enough to offset the decline in demand and may even accelerate it by making digital media more attractive.

PHARMACEUTICALS

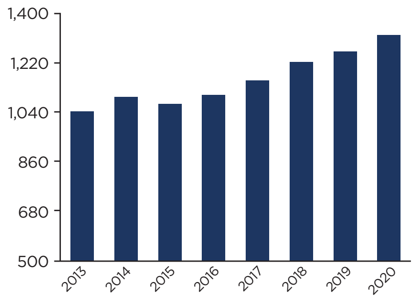
Sector risk assessments

ASIA	LOW
CENTRAL & EASTERN EUROPE	LOW
LATIN AMERICA	MEDIUM
MIDDLE EAST & TURKEY	MEDIUM
NORTH AMERICA	LOW
WESTERN EUROPE	LOW

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

−
- Quality problems with certain active principles in India and China
- Payers increasingly demanding in terms of costs reduction and the real efficiency of new therapies

GLOBAL MEDICINE SALES (USD BILLION)



Source : Fitch

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.

Western Europe spending on prescription-only drugs is constantly growing. However some governments, such as France are able to manage the deficit's level.

In the USA, drug prices are on a regular upwards trajectory, in particular those linked with specialty medicine. Local Pharma groups saw their profits rise by 43% according to the Census Bureau. The authorities made numerous proposals to curb this inflationary spiral by tying Medicare drugs prices to international average. The introduction of the Affordable Care Act (ACA or Obamacare) has led to increased healthcare spending, with the number of uninsured adults constantly falling.

The process of rebalancing the Chinese economy, prioritizing domestic consumption, places an increased focus on meeting households' health needs. The extension of the coverage for healthcare costs (still partial, but including some new cancer therapies) means the authorities need to keep a lid on costs, by promoting the use of generics.

IN 2019

DEMAND

The overall ageing population worldwide and lifestyle diseases are propping up the use of medicines in each of the six regions monitored by Coface. This situation has led authorities to pay greater attention to health spending and, in some cases, to rein in costs.

In 2019, the price control measures in force in Western Europe will still apply, despite growing demand. For instance, in France, the measures included in the Social Security Financing Act, implemented to limit spending growth (+2.5% for 2019), will likely continue to affect pharmaceutical companies *via* price cuts, and favour the emphasis on generics' use. Market access of expensive specialty drugs for smaller populations means regulators need to continue to make difficult decisions on reimbursement levels and access conditions. The English National Institute for Health and Care Excellence (NICE) rejected the reimbursement of Gilead Sciences' Yescarta due to its high cost. The cost of healthcare for an American family of four will still increase in 2019 by 4%, reaching USD 29,300; according to Coface calculations based on data from the Milliman consulting firm due to higher prescription drug costs and hospital services. 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 sales' approval of a number of specialty drugs over many years has driven this cost up: according to Milliman, the cost of medicine increased by 6% in 2018. While this rise was slower than the preceding two years, it is still high, notably for middle class. Moreover, there are disparities in insurance premia across states, as well as between urban and rural areas, due to varying levels of competition. This is notably the case for those insured under the ACA law, with rural inhabitants of Wyoming having to pays USD 700 a month *per capita*, while New Jersey premia are set to USD 290, according to data from the US Department of Health.

In China, since mid-2015, drug prices are no longer determined by public authorities, leaving it up to "market forces" to set the price levels. Nevertheless, these apparent free market rules mask a public determination (enshrined in law) to force providers to offer reasonable prices *via* negotiations. Similarly to last year, 2019 medicine prices are expected to continue on the same trends. The outcome of October 2018 negotiations between drug manufacturers and health authorities will come into force in 2019. This agreement plans to cut prices of expensive drugs up to 57%. Authorities in provinces are exerting pressure on pharmaceutical companies to reduce prices when bidding for drug procurement, making medicine affordable for hospitals.

SUPPLY

Research & Development spending in the sector increased around the world in 2018 by 4.2% and are likely to increase in 2019 (3.1%), according to Evaluate Pharma, who also expect drug sales to increase by 4.9% in 2019. This increase, which applies to all major world economies, will be a reflection of the expanding oncology market and orphan drugs for treating rare medical conditions.

In 2019, Coface estimates that spending on prescription drugs is set to grow by 2% for the top five Western EU countries, to reach almost €129 billion comparing to 126, last year. While the ever-increasing specialty drug prices will theoretically push health spending higher, reluctance from payers is likely to lower reimbursement prices. Moreover, with a lower expected growth in the region, health budgets will tighten, thus impacting sales prospects.

In the United States, the Federal Drug Agency (FDA) is thought to have approved almost 47 new molecular entities (NME) at end-October 2018, compared to 36 in 2017. The majority of these NME belong to the fields of oncology and orphan diseases, as well as treatment of cardiovascular diseases. Coface estimates that sales of medication will total USD 493 billion in 2019, *i.e.* a 5% rise compared with 2018 (USD 474 billion). The measures being implemented by health insurers, pharmacy benefit managers or the Federal State in the healthcare system, which aim to limiting the costs linked with the marketing of increasingly expensive drugs, should start to bear fruit. In addition, the launch in the market of biosimilars (the "generics" of biological drugs) should also contribute to somewhat slowing the increase in drug expenditure. The new Democrat-led House is likely to protect the future of the ACA from President Donald Trump's efforts to disband it.

Chinese spending on drugs stood at around USD 142 billion in 2018, according to Fitch. Coface estimates that sales should grow by 4% in 2019 to reach USD 148 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 (generally the most innovative ones), especially in oncology. Although 96% of the population has health coverage, this regime does not fully cover the most expensive treatments, as it depends on regional disparities and coverage scheme. In addition, public authorities have heightened their vigilance about the practices of foreign pharmaceutical companies.

RETAIL

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	MEDIUM
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	HIGH
WESTERN EUROPE	MEDIUM

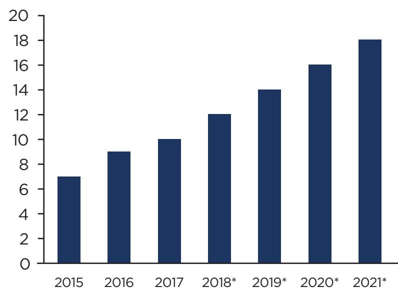
+

- Sustained retail sales growth since 2010
- Growth of the Chinese middle class
- Rapid urbanisation in Asia and Africa is driving the sector

−

- Fierce competition in the sector
- Weak growth prospects for advanced economies
- Physical points of sale struggling to respond to the growth of online commerce

E-COMMERCE SHARE OF TOTAL GLOBAL RETAIL SALES (%)



* Forecast
Source : eMarketer

RISK ASSESSMENT

Household consumption, which is the retail sector's main driver, is expected to suffer overall from softer growth in most advanced economies, especially in Europe. However, the situation is different in large emerging economies, such as Brazil, China and India, whose growth prospects should remain positive albeit muted for 2019. Global retail sales, including online sales, continued to grow in 2018, rising 3.4% to just over USD 28 trillion, compared with around USD 26.8 trillion in 2017, driven by the continued momentum of e-commerce, whose share in total global retail sales is steadily increasing.

The market share of online consumer goods sales is expected to double over the next decade in the most advanced markets and make up 9% of the retail market in 2025. The emergence of this new source of competition is putting pressure on traditional players in the sector. To meet these challenges, traditional firms are being forced to rethink their strategies, notably to include greater segmentation of supply. One key shift in this respect is the rise of product premiumisation. Another is the trend towards tie-ups between online and traditional retailers.

IN 2019

DEMAND

Global economic growth is expected to decline slightly in 2019. Coface forecasts growth of 3% in 2019, which should support the sector as a whole. Household consumption patterns are undergoing major changes: in advanced economies, there is a greater appetite for online shopping, and the rise of the middle classes in emerging economies, particularly in China, is supporting demand in the sector.
Coface estimates that Chinese growth should reach 6.2% in 2019 compared with 6.6% in 2018. Demand in the sector is expected to remain strong and feed the country's rapidly expanding middle class.
In Latin America, Brazil's economic situation has improved, with Coface projecting growth of 1.8% in 2018 and 2.8% in 2019, after a 1% growth in 2017. A catch-up effect in household consumption has been observed after two years of recession, plus a return to low inflation. This resulted in an approximate 3% increase in sales in August 2018 compared with the previous year. In Argentina, the outlook for the sector is significantly worse: Argentina has experienced a severe currency crisis. Coface estimate activity to contract by 2.4% in 2018 due to the high level of inflation (31.2% year-on-year increase in July 2018) and high interest rates (72.5% in October 2018), which are making it harder for households and companies to obtain credit. These indicators are likely to negatively impact the health of the Argentinian retail sector.
In the United States, high consumer confidence and disposable income and historically low unemployment (3.7% in September 2018) enabled retail sales to grow by 4.4% between January and September 2018 compared with the same period in 2017. However, we anticipate that the substantial increase in the cost of credit will mainly affect the poorest households and impact their consumption. In addition, households' room for manoeuvre is particularly limited due to their debt level, which remains high (77.3% of GDP in the second quarter of 2018), and the decline in their savings rate over the past two years.
The eurozone environment is unsupportive of household consumption economic: growth is expected to be 1.8% in 2019 after 1,9% in 2018, and the household confidence index was -2.9 in September 2018, down from -1.2 in September 2017. Business confidence, while still positive, fell by 3.2 points in one year to 4.6 in September 2018. Meanwhile, consumers in the United Kingdom have had to cut spending, with the savings rate at a record low and real wages increasing slowly.

SUPPLY

The sector remains dominated by the US world leaders: according to the 2018 Deloitte Global Powers of Retailing Report ranking (based on 2016 revenues), Wal-Mart Stores Inc., Costco Wholesale Corporation and Kroger Co were the top three, with revenues of USD 486 billion, USD 118 billion and USD 115 billion respectively. Overall, companies are making significant changes to their offerings in advanced economies to meet changing consumer preferences, including developing concept/experience stores that combine online retailers and traditional stores.
In the United States, the sound financial health of one of the leader – Wal-Mart – masks a sector in great difficulty. Retail sales grew by 6% year-on-year over the three months to July 2018, mainly due to e-commerce, which increased by 8.9% year-on-year. The Sears bankruptcy in October 2018 demonstrated the fragile state of the sector's companies and their difficulty in competing with e-commerce firms, such as global online retail giant Amazon, whose sales increased by 19% in 2016 compared with 2015.
The Deloitte 2018 report names German groups Schwarz Unternehmenstreuhand KG and Aldi and French firm Carrefour as the three European leaders, with estimated revenues of around USD 99 billion, USD 85 billion and USD 84 billion respectively. Online sales competition is intense throughout the region, but the situation remains very mixed. In the United Kingdom, industry players will likely be revising their expansion plans in light of Brexit. In addition, business insolvencies are on the rise in the sector, climbing 16.6% over one year in the second quarter of 2018 after climbing 7.8% in the first. If the UK leaves the EU without an agreement, Coface consider that retail will likely be one of the hardest hit sectors.
In Latin America, retail companies should benefit from the relatively better economic situation in Brazil. Carrefour continues to benefit from positive financial results in the country, recording 5.8% sales growth in the first half of 2018, despite the drop in food prices.
China's retail landscape is very dynamic, as are online sales, featuring Chinese and international giants such as Alibaba. However, the high level of indebtedness of Chinese companies, which reached 145% of GDP in 2016, remains a point to watch.

TEXTILE-CLOTHING

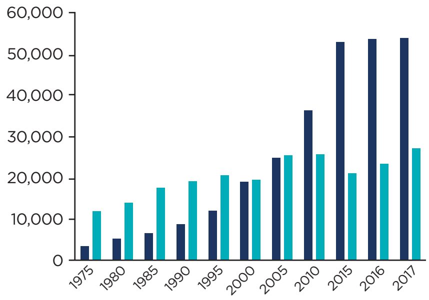
Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	VERY HIGH
WESTERN EUROPE	HIGH

+
- Growth of the middle class in emerging countries
- Interest in "fast fashion", especially in Asian countries

−
- Product with high price elasticity of demand
- Structure of selling prices very sensitive to fluctuations in commodity prices

GLOBAL PRODUCTION OF POLYESTER AND COTTON (THOUSANDS OF METRIC TONS): THE GROWING IMPORTANCE OF SYNTHETIC FIBERS



Source : Industrievereinigung Chemiefaser, USDA

RISK ASSESSMENT

Cotton production accounting for 77% of world production of natural fibres in 2017, this commodity is at the centre of the development of the textile-clothing sector.

Reduced Chinese demand for cotton is expected to impact global cotton demand in the 2018/2019 season through two main channels: China's policy of limiting cotton imports in order to reduce domestic stocks (which accounted for 62% of world cotton stocks in 2014/2015), and the customs duties imposed by China on US cotton exports in retaliation for the customs duties imposed by the United States on China since the beginning of last year, which now stand at 25%.

Sales in the global clothing market are expected to slow slightly in 2019: the McKinsey Global Fashion Index forecasts clothing sales to increase by between 3.5% and 4.5% in 2019 after an estimated rise of between 4% and 5% in 2018. The slowdown would be due to both the global economic slowdown and ongoing trade tensions.

The textile sector is evolving: while cotton has traditionally been widely used, the industry is seeing an increasing use of synthetic fibres. For example, cotton accounted for only 43% of textile imports in the United States in 2016/2017, compared with 47% in 2011/2012, according to the USDA. Less expensive, easy to mix with other fibres, and with a smaller environmental impact than cotton, synthetic fibres are a focus for technical progress in the sector. The sharp rise in cotton prices (+60% between January 2016 and June 2018) has made synthetic fibres even more competitive in relation to cotton. However, cotton prices fell 11% between July and December 2018, which could slow the continued transition to synthetic fibres. However, cotton prices seem unlikely to decline further, due to the increase in Chinese import quotas and the decrease in world cotton production in 2018/2019.

The development of e-commerce is having a major impact on the clothing market, especially in advanced economies and China: the share of online sales is constantly increasing and is undermining brick-and-mortar shops. In the United States, for example, online sales represented 27.4% of total clothing sales in 2017, a 6.7 percentage point increase over 2015.

IN 2019

DEMAND

World cotton consumption in 2018/2019 is expected to increase by 2.8% to 28 million metric tons. China's decision to raise its cotton import quota by 0.8 million tonnes will likely push up its imports to 1.52 million tonnes in 2018/2019 to meet growing demand driven by the rise of disposable income, living standards, population and urbanisation. The customs duties imposed by China on cotton imports from the United States will reduce US exports, which will be good for India, the world's leading producer and second largest exporter. However, the United States has benefited for several years from rising demand from Vietnam and Bangladesh (which, together with China, are the three largest importers), whose cotton imports from the United States increased at an average annual rate of 30% and 26% respectively between 2012 and 2017.

World textile consumption is expected to be affected by cooling economic growth in advanced economies, particularly in Europe. In the United States, growth prospects – with an expansion of 2.3% forecast for 2019 after 2.9% in 2018 – and the historically low unemployment rate (3.7% in October 2018) will continue to support clothing demand, which had a robust start to 2018. However, President Donald Trump's imposition of customs duties on imports of a basket of Chinese goods, including clothing, will dampen US consumption of clothing goods, since China manufactures 41% of the clothing consumed in the US. In Central and Eastern Europe, the economic performance of textile companies depends largely on their exports, mainly to the EU. They are therefore expected to be hit by slower growth in their main partner.

The clothing market reached a turning point in 2018 as, for the first time, sales outside Europe and North America accounted for more than half of global sales. This gap is expected to grow: by 2025, 55% of sales will likely be made outside Europe and North America.

In addition, demand for textiles has been boosted by the craze on the Asian market for "fast fashion", where retailers produce and market new fashion collections quickly, generally at affordable prices. Responding to demand from an expanding middle class, the leading fast fashion brands, such as Uniqlo, Zara and H&M, are entering these markets in the mid-range segment. The sector is set to expand strongly, with average annual growth of around 9.5% until 2022 in Asia. Population growth in the region is expected to bolster this trend in the longer term.

SUPPLY

The total area of land under cotton cultivation worldwide in 2017/2018 is expected to remain stable in 2018/2019 according to the USDA. However, world cotton production is expected to decrease slightly in 2018/2019, contracting by 1.5% to 26.4 million tonnes, linked to a 2.3% decrease in yield to 798 kilograms per hectare. The contraction will be largely due to poorer US harvests expected in 2018/2019 compared with the 2017/2018 season, partly as a result of the drought in the South-eastern United States early in the season. The decrease in the US cotton supply will be accompanied by a deterioration in crop quality compared to the previous season owing to bad weather conditions in 2018: the share of crops rated "very good" or "excellent", according to the USDA, fell by 18 percentage points to 42% while the share rated "bad" or "very bad" increased by ten points to 25%.

The relative rise in labour costs in China and the sustainable development policies put in place have led many global textile manufacturers to look to other countries in the region to establish their production centres. Accordingly, Bangladesh and Vietnam became the world's second and third largest suppliers in 2017. Bangladesh is likely to overtake China in the European market by 2020, helped by its preferential status. Similarly, Vietnam, the United States' second largest supplier, is experiencing strong growth in textile exports to the United States, reporting a 17% increase in the first half of 2018 compared with the same period the previous year. However, exports from Cambodia, the fifth largest textile supplier to the EU, are exposed to the risk that the country may lose its preferential status with the EU due to human rights violations.

TRANSPORT

Sector risk assessments

ASIA	MEDIUM
CENTRAL & EASTERN EUROPE	HIGH
LATIN AMERICA	HIGH
MIDDLE EAST & TURKEY	MEDIUM
NORTH AMERICA	LOW
WESTERN EUROPE	MEDIUM

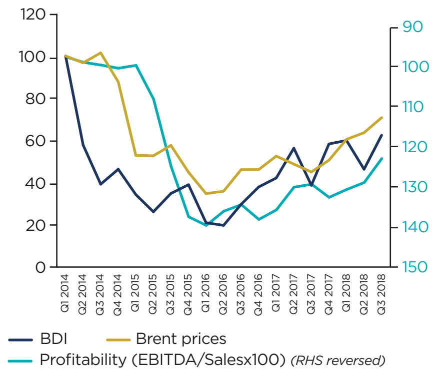
+

- Good growth prospects for the sector as a whole over the long term
- Increasing use of air transport in Asia, due to emerging middle classes
- Technical progress is reducing costs, particularly for air and maritime transport

−

- Sector dependent on oil price fluctuations
- Health of the sector closely tied to economic conditions

OIL PRICES, BALTIC DRY INDEX AND PROFITABILITY OF MARITIME AND AIR TRANSPORT COMPANIES (100 = Q1 2014)



Source: Reuters

RISK ASSESSMENT

Overall, the transport sector – including air, road, maritime, and rail – is expected to benefit from a positive outlook for 2019 and beyond, mainly due to the emerging middle classes in China and India and the lower costs associated with technological progress, particularly in air and maritime transport.

Global air traffic increased by 7% in 2018, slowing slightly compared with 2017 (8.1%) to reach its lowest growth rate since 2014. Air freight, measured in freight tonne kilometres, decelerated in 2018 compared with the five-year average, falling to 2.3% in September 2018 year-on-year compared with a five-year average of 5.1%. The container throughput index, which is an indicator of world maritime trade, rose by 1.5% in September 2018 year-on-year. This was its lowest increase since July 2016 and seems to indicate a stagnation in world maritime trade.

According to the International Air Transport Association (IATA), the long-term outlook for the sector is positive. The IATA forecasts that the number of air travellers will have doubled to 8.2 billion by 2037, mainly due to growth in the Asia-Pacific region, which is expected to account for half of the total number of passengers worldwide by that time.

In addition, companies in the maritime transport sector are using digitalisation processes to cut production costs.

IN 2019

DEMAND

After doubling over the last 12 years, the number of air passengers is expected to double once again by 2037, according to the IATA. This sector continues to benefit from the decline in ticket costs, which have halved in 20 years in real terms. However, the expected slowdown in economic activity (mainly in the Eurozone), the ongoing trade war between the United States and China, and higher oil prices are expected to dampen transport demand in 2019. In the United States, the trade war with China is expected to dampen freight demand. However, the US economic growth, forecast by Coface to reach 2.3% in 2019 after 2.9% in 2018, should somewhat cushion the decline in demand due to tensions with China.

In Europe, the decline in GDP growth (2.1% in 2018 and 1.7% in 2019, after 2.7% in 2017) is expected to weigh down household consumption, and subsequently freight demand. However, bright economic prospects for the United States and China, the European Union's main trading partners, should support freight transport in the region. British airlines could experience a sharp drop in passenger numbers connected with the uncertainties surrounding Brexit. UK air transport could be affected both by a hard Brexit and by a decrease in household consumption linked to lower British GDP growth (Coface forecasts rate of 1.2% in 2019). Large companies, including Airbus, have stated that they need more certainty to continue investing, and that they may have to leave the UK if the country opts for a hard Brexit.

In Latin America, Brazil's economic recovery, with Coface forecasting GDP to grow by 2.8% in 2019 after 1% in 2018, should be beneficial to companies in the sector. Moreover, increased Chinese demand for Brazilian soybeans owing to trade tensions with the United States will lift freight demand directed towards Brazil.

In Asia, the emergence of middle classes is a boon for the air transport sector. For example, in China, the share of households earning more than USD 35,000 per year is expected to triple by 2022 and drive growth in the sector.

SUPPLY

Oil prices, are expected to remain high in 2019. Coface is forecasting an average price of USD 75 a barrel for Brent in 2019. This would force companies in the sector to cut their margins initially, and then put up their prices. The increase in oil prices is reflected in particular in the BDI, an indicator of the cost of maritime freight, whose average value between January and October rose by 32% between 2017 and 2018. Since the profitability of air and maritime transport companies moves in the opposite direction to oil and the BDI (see graph), increases for the BDI and Brent should lead to a decrease in the profitability of companies in the air and maritime transport sector at global level.

In North America, US carriers are being hurt by higher oil prices and higher customs tariffs on imports of Chinese steel (25%) and aluminium (10%), which impact machinery construction costs. The IATA expects airline profits to fall by 18% in 2018 after an 8% increase in 2017 across the region as a whole. Truck freight transport in the United States, which accounts for 70% of domestic freight, is doing well: the American Trucking Association (ATA) estimates that road freight volumes increased by 3.4% per year between 2018 and 2017 and reckons that this trend will continue until 2023.

In Europe, the sector is expected to suffer from the decline in domestic GDP growth. Many businesses in the sector struggled in 2018. Irish company Ryanair, for example, had to downgrade its profit forecasts because of higher oil prices and strikes by company employees. European company Air France – KLM also had a tough year, reflecting the difficulties linked to fierce competition in the air transport sector. The rail transport sub-sector may feature a merger between two international groups, one founded in France (Alstom) and the other in Germany (Siemens). At the time of writing, the European Commission seemed to be having reservations about this merger, which would *de facto* reduce competition in the sector in Europe.

The emergence of middle classes in India and China is good for airlines. In China, the increase in *per capita* income is boosting domestic air transport. India's aviation sector is booming, with the IATA estimating that the number of passengers will grow by 6.1% per year over the next 20 years. Also in India, air freight transport grew by 16.9% in 2017.

Latin American airlines performed well in 2018: passenger transport increased by 5.1% year-on-year from January to September, and air freight, measured in freight tonne kilometres, rose by 8.7% over the same period. In Argentina, the sector was hit by an increase in costs, which jumped by 45% between January and September 2018 on currency depreciation and higher oil prices.

WOOD

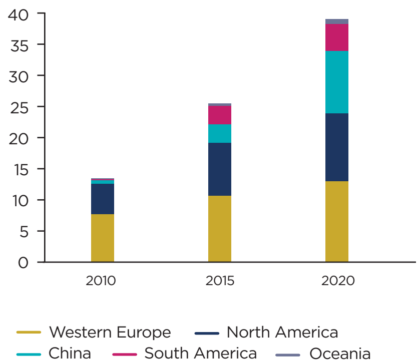
Sector risk assessments

ASIA	HIGH
CENTRAL & EASTERN EUROPE	MEDIUM
LATIN AMERICA	MEDIUM
MIDDLE EAST & TURKEY	HIGH
NORTH AMERICA	MEDIUM
WESTERN EUROPE	MEDIUM

- Positive outlook for wood demand linked to growing interest in biomass energy
- Tax incentives in Europe (France, Germany, etc.) to invest in the sector

- Dependent on the state of housing and construction markets
- Constraints related to compliance with environmental standards
- Highly exposed to weather conditions (storms, forest fires) and retaliatory measures in the context of the trade war

GLOBAL PRODUCTION OF WOOD PELLETS (THOUSANDS OF METRIC TONS)



Source: Pöyry

RISK ASSESSMENT

Demand for wood fluctuates according to the health of the construction sector, which is expected to be affected in the short term by the decline in global economic growth and higher lumber prices (4.2% increase in 2018 and 0.5% in 2019 after a 10.5% decline between 2015 and 2017), but which stands to benefit further out from demand from emerging countries as well as from major infrastructure construction projects. Wood production for heating and energy purposes will remain dependent on the variation in oil prices, (Brent expected to average USD 75 a barrel in 2019, according to Coface), especially as wood is increasingly being used as an energy source. The price of unprocessed wood increased by 3.3% in 2018, according to the latest estimates, after falling sharply in 2016 and 2017. Prices are expected to continue growing at an average rate of 2.5% per year between 2019 and 2030 according to the World Bank.

Overall, the market is evolving with the arrival of new producers – emerging economies are gaining market shares long held by countries of the United Nations Economic Commission for Europe (UNECE) – and changes in markets and demand.

IN 2019

DEMAND

Sawn wood consumption in UNECE countries is estimated to have increased by 1.9% in 2018, driven by the strength of wood pellet consumption, but is projected to soft in 2019 by 1%, according to the Committee on Forests and the Forest Industry (COFFI). In Europe and North America, environmental concerns are being reflected in changes to legal frameworks and buying habits that are encouraging the use of wood products in construction and as an energy source. In 2017, wood accounted for one third of all renewable energy. Two main sub-markets exist, with the European Union acting as the main driver of demand in each case: industrial-scale generation of bioenergy, and electricity and heating production at a residential or commercial level.

In Europe, consumption of wood-based products is expected to be affected by the slowdown in economic activity – Coface forecasts 1.7% in 2019 compared with 2.1% in 2018 – and softer demand for real estate. The region's demand for firewood is expected to continue to increase as the appetite for renewable energy grows.

In North America, the decline in demand for housing permits in the United States at the end of 2018 is expected to affect demand for wood in the country. China's tariffs on imports of US wood will also have a significant impact on external demand directed towards US wood producers, given that in 2017 Chinese imports accounted for 33% of US exports in the sector. However, President Trump's infrastructure renovation plan would be a boon for the domestic wood market, as wood is widely used for construction. It should be noted, however, that at the time of writing, we have no certainty about whether this project is actually going to be implemented or about its scale if it does go ahead.

Japan, China and India remain key markets for European and North American wood exporters. In China, demand for wood is closely linked to the real estate market and is therefore expected to decline as a result of the gradual deceleration in economic growth (6.2% in 2019 compared with 6.5% in 2018) and the effects of the government's measures to tackle the housing bubble. In Japan, demand for wood is expected to increase in 2019 in connection with construction of infrastructure for the Tokyo Olympic Games in 2020.

SUPPLY

Global wood production exceeded pre-crisis levels in 2017, and sawn timber production in UNECE countries, driven by export growth, particularly to China, is expected to grow by 2% in 2018. In the United States, production of wood-based products was brisk at the beginning of 2018 (5% increase year-on-year between May and July 2018 compared with 3.1% in the first quarter of 2018), but the retaliatory tariffs imposed by China on imports of US wood-based products in August 2018, in connection with the ongoing trade war, particularly between the two countries, could hurt US producers.

Wood pellet producers will benefit from growing interest in renewable energy production, since energy production is the main use of wood pellets: global wood pellet production is expected to reach 39 million tonnes in 2020, an increase of more than 50% between 2015 and 2020, half of which would be due to increased Chinese production, while energy production from wood pellets is set to double between 2018 and 2020 in Europe. In addition, the European Union aims to increase the share of renewable energy used in energy production to 32% by 2030. Moreover, the share of round wood production used as an energy source in UNECE was 17% in 2017, or 224 million m^3, a 9% increase on 2013. Wood pellet production in UNECE countries rose by 4% between 2017 and 2018 and is expected to increase by 6% between 2018 and 2019 according to the Food and Agriculture Organisation (FAO).

Growth in fibreboard production will slow to 1% in 2018 from 2% in 2017 in UNECE countries. The United States has a large trade deficit in this product, and half of its imports come from China. Russia, which holds a quarter of the world's forest resources, is pursuing investment projects to capture more value added in the sector.

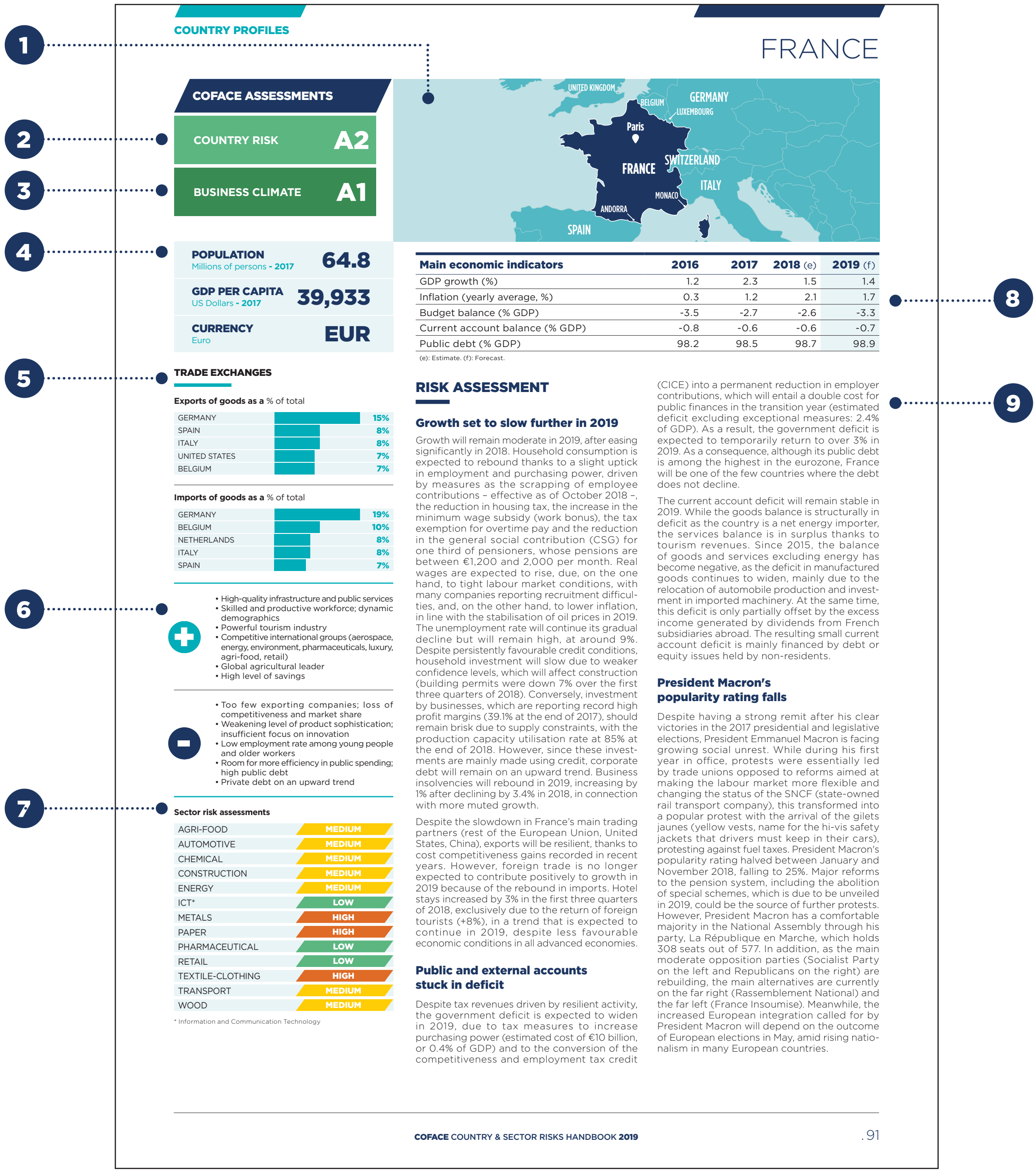
In Latin America, Argentina, which has lost competitiveness since 2005 and suffered a severe currency crisis last year, is trying to recover its past levels of timber exports: the latest estimates are 83,814 tonnes for 2018, 56% higher than in 2016 but still far from the 216,696 tonnes in 2005. In addition, very high inflation (47.5% in 2018 and projected at 32% in 2019 according to the International Monetary Fund) and high logistics costs are hampering the competitiveness of companies. However, the devaluation of the Argentine peso should allow timber exporters to regain some export price competitiveness. In Brazil, we expect a much better situation to continue in 2019: wood product production increased by 5.4% between September 2017 and September 2018, while wood panel consumption and exports increased by 5% and 2.3% respectively between January and September 2018 year-on-year.

In Asia, Japan, one of the largest plywood-importing countries, which sources mainly from Indonesia and Malaysia: two thirds of imports are tropical plywood and 93% of tropical plywood imports came from Malaysia and Indonesia in 2017. The increase in Malaysian and Indonesian plywood prices and the devaluation of the yen since April 2018 are encouraging substitutions in favour of locally produced conifer-based plywood.

HOW TO USE THE HANDBOOK

YOUR COFACE HANDBOOK
2019 COUNTRY PROFILES

This reference guide for the analysis of country risks in the world allows you to consult 161 country assessments. It contains information that is particularly useful in the today's complex and changing economic environment. These assessments are a global analysis of corporate behaviour and business practices on a country-by-country basis.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COUNTRY PROFILES

FRANCE

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	64.8
GDP PER CAPITA US Dollars - 2017	39,933
CURRENCY Euro	EUR

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
SPAIN	8%
ITALY	8%
UNITED STATES	7%
BELGIUM	7%

Imports of goods as a % of total

GERMANY	19%
BELGIUM	10%
NETHERLANDS	8%
ITALY	8%
SPAIN	7%

- High-quality infrastructure and public services
- Skilled and productive workforce; dynamic demographics
- Powerful tourism industry
- Competitive international groups (aerospace, energy, environment, pharmaceuticals, luxury, agri-food, retail)
- Global agricultural leader
- High level of savings

- Too few exporting companies; loss of competitiveness and market share
- Weakening level of product sophistication; insufficient focus on innovation
- Low employment rate among young people and older workers
- Room for more efficiency in public spending; high public debt
- Private debt on an upward trend

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	LOW
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	LOW
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.2	2.3	1.5	1.4
Inflation (yearly average, %)	0.3	1.2	2.1	1.7
Budget balance (% GDP)	-3.5	-2.7	-2.6	-3.3
Current account balance (% GDP)	-0.8	-0.6	-0.6	-0.7
Public debt (% GDP)	98.2	98.5	98.7	98.9

(e): Estimate. (f): Forecast.

RISK ASSESSMENT

Growth set to slow further in 2019

Growth will remain moderate in 2019, after easing significantly in 2018. Household consumption is expected to rebound thanks to a slight uptick in employment and purchasing power, driven by measures as the scrapping of employee contributions – effective as of October 2018 –, the reduction in housing tax, the increase in the minimum wage subsidy (work bonus), the tax exemption for overtime pay and the reduction in the general social contribution (CSG) for one third of pensioners, whose pensions are between €1,200 and 2,000 per month. Real wages are expected to rise, due, on the one hand, to tight labour market conditions, with many companies reporting recruitment difficulties, and, on the other hand, to lower inflation, in line with the stabilisation of oil prices in 2019. The unemployment rate will continue its gradual decline but will remain high, at around 9%. Despite persistently favourable credit conditions, household investment will slow due to weaker confidence levels, which will affect construction (building permits were down 7% over the first three quarters of 2018). Conversely, investment by businesses, which are reporting record high profit margins (39.1% at the end of 2017), should remain brisk due to supply constraints, with the production capacity utilisation rate at 85% at the end of 2018. However, since these investments are mainly made using credit, corporate debt will remain on an upward trend. Business insolvencies will rebound in 2019, increasing by 1% after declining by 3.4% in 2018, in connection with more muted growth.

Despite the slowdown in France's main trading partners (rest of the European Union, United States, China), exports will be resilient, thanks to cost competitiveness gains recorded in recent years. However, foreign trade is no longer expected to contribute positively to growth in 2019 because of the rebound in imports. Hotel stays increased by 3% in the first three quarters of 2018, exclusively due to the return of foreign tourists (+8%), in a trend that is expected to continue in 2019, despite less favourable economic conditions in all advanced economies.

Public and external accounts stuck in deficit

Despite tax revenues driven by resilient activity, the government deficit is expected to widen in 2019, due to tax measures to increase purchasing power (estimated cost of €10 billion, or 0.4% of GDP) and to the conversion of the competitiveness and employment tax credit (CICE) into a permanent reduction in employer contributions, which will entail a double cost for public finances in the transition year (estimated deficit excluding exceptional measures: 2.4% of GDP). As a result, the government deficit is expected to temporarily return to over 3% in 2019. As a consequence, although its public debt is among the highest in the eurozone, France will be one of the few countries where the debt does not decline.

The current account deficit will remain stable in 2019. While the goods balance is structurally in deficit as the country is a net energy importer, the services balance is in surplus thanks to tourism revenues. Since 2015, the balance of goods and services excluding energy has become negative, as the deficit in manufactured goods continues to widen, mainly due to the relocation of automobile production and investment in imported machinery. At the same time, this deficit is only partially offset by the excess income generated by dividends from French subsidiaries abroad. The resulting small current account deficit is mainly financed by debt or equity issues held by non-residents.

President Macron's popularity rating falls

Despite having a strong remit after his clear victories in the 2017 presidential and legislative elections, President Emmanuel Macron is facing growing social unrest. While during his first year in office, protests were essentially led by trade unions opposed to reforms aimed at making the labour market more flexible and changing the status of the SNCF (state-owned rail transport company), this transformed into a popular protest with the arrival of the gilets jaunes (yellow vests, name for the hi-vis safety jackets that drivers must keep in their cars), protesting against fuel taxes. President Macron's popularity rating halved between January and November 2018, falling to 25%. Major reforms to the pension system, including the abolition of special schemes, which is due to be unveiled in 2019, could be the source of further protests. However, President Macron has a comfortable majority in the National Assembly through his party, La République en Marche, which holds 308 seats out of 577. In addition, as the main moderate opposition parties (Socialist Party on the left and Republicans on the right) are rebuilding, the main alternatives are currently on the far right (Rassemblement National) and the far left (France Insoumise). Meanwhile, the increased European integration called for by President Macron will depend on the outcome of European elections in May, amid rising nationalism in many European countries.

COFACE COUNTRY & SECTOR RISKS HANDBOOK 2019 .91

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 Business climate assessment

This assessment, which complements the country assessment, measures the quality of the country's business environment: overall reliability of company accounts, legal system, institutional and regulatory environment.

4 Population, GDP, and Local Currency

This box shows the population of the country in 2017, the GDP per inhabitant in 2017, and the local currency as well as its ISO code.

5 Exports and imports

Distribution of exports (or imports) by country of destination (or origin). The sources used are imf and unctad statistics for 2017.

6 Analysis of strengths / weaknesses

A summary of the country's strengths and weaknesses.

7 Sector risk assessment

This assessment indicates the level of short-term risk for 13 sectors of the country's economy.

8 Economic indicators

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

9 Risk assessment

In this section you will find a macroeconomic and microeconomic analysis of the country, as well as the most important prospective elements for the current year.

10 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.

11 Business insolvencies

Total number of business insolvencies and its yearly growth rate.

COUNTRY PROFILES

FRANCE

PAYMENT & DEBT COLLECTION PRACTICES IN FRANCE

10

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 15 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 they remain important in terms of total value. 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 January 1 and for the second half year in question, the rate applicable is that in force on July 1.

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

<u>Order for payment (injonction de payer)</u>

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.

<u>Fast-track proceedings</u>

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.

<u>Ordinary proceedings</u>

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 15 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

French insolvency law provides for six procedures to undertake restructuring or avoid insolvency. These are either assisted proceedings or proceedings controlled by the court.

Assisted proceedings

These can be either mandated *ad hoc* or *via* 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

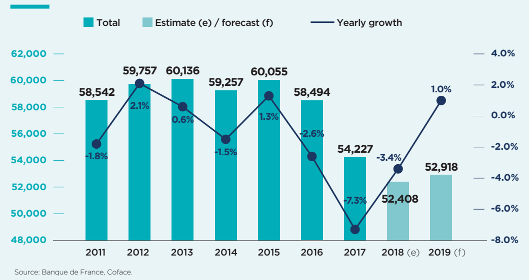
The four types of court-controlled proceedings are judicial reorganisation, judicial liquidation, sauvegarde, and Accelerated Financial Sauvegarde proceedings (AFS).

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 INSOLVENCIES

11



Source: Banque de France, Coface.

92. COFACE COUNTRY & SECTOR RISKS HANDBOOK 2019

COUNTRIES

ECONOMIC ASSESSMENT AND 2019 OUTLOOK FOR 161 COUNTRIES

AFGHANISTAN

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	35.5
GDP PER CAPITA US Dollars - 2017	570
CURRENCY Afghan afghani	AFN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	2.7	2.3	2.5
Inflation (yearly average, %)	4.4	5.0	3.0	4.0
Budget balance (% GDP)*	0.1	-0.6	-0.5	-0.8
Current account balance (% GDP)**	7.3	5.0	5.3	-1.1
Public debt (% GDP)	7.8	7.0	6.8	6.4

(e): Estimate. (f): Forecast. *Including grants. **Including official transfers.

TRADE EXCHANGES

Exports of goods as a % of total

PAKISTAN	44%
INDIA	35%
UNITED ARAB EMIRATES	11%
IRAN	3%
IRAQ	2%

Imports of goods as a % of total

IRAN	21%
CHINA	20%
PAKISTAN	14%
KAZAKHSTAN	11%
MALAYSIA	5%

+

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

−

- Unstable security and geopolitical situation
- Poverty
- Corruption and weak governance
- Reliant on international aid
- Fragile banking system and low distribution of credit
- Heavily reliant on the agricultural sector

RISK ASSESSMENT

A worrying security situation in a more uncertain political environment

The Taliban made a push across Afghanistan in 2018, carrying out deadly attacks throughout the country. The offensive on the capital of Ghazi province, which is home to a largely Hazara population (Shia minority), was repelled by government forces and their American allies in August, but Taliban forces still managed to seize part of the province. Control of this region is a key challenge for the Taliban, as controlling a non-Sunni region would prove their credentials as a political force that is capable of governing. Ghazi is also strategically located on the main road linking Kabul to the Taliban-run southern provinces, including Kandahar. The offensive reflects the weak position of the Kabul government, which in reality controls only 30% to 50% of the country. The Taliban has so far refused to negotiate directly with the government, but progress could be made through Russian diplomatic efforts. While the Taliban had agreed to sit at the negotiating table with the United States, the recent announcement by Donald Trump to pull about half of the 14,000 US troop in the country is likely to trigger domestic political realignments and further destabilise the country. The presence of the Islamic State is also becoming more visible, with deadly attacks targeting Shia localities and neighbourhoods in particular. The parliamentary elections in October 2018 saw a further upsurge in violence, with several hundred people killed and wounded according to a UN report. As the national results are yet to be announced, the lower house of parliament is likely to be particularly fragmented given the high number of independent candidates. The presidential elections scheduled for April will be the main challenge in 2019, increasing the uncertainty in this difficult security environment. Delays related to vote counting for the 2018 parliamentary elections could lead to a postponement of the elections for a few months, allowing for the emergence of new challengers to President Ashraf Ghani who stands for re-election. While the candidacy of Abdullah Abdullah, the Chief Executive under the government agreement in place since 2014, is still uncertain, former security adviser, Mohammad Hanif Atmar, has already announced his participation. Relations with Pakistan will remain strained, as the Kabul government accuses its neighbour of supporting the Taliban insurgency.

A persistently fragile agricultural economy

Growth is expected to remain weak in 2019, constrained by the difficult security situation. The effects of the severe drought that hit the country in the second half of 2018 are expected to start easing. However, the lack of seeds for future harvests may well have long-term consequences for the agricultural sector, which employs more than 80% of the workforce. With 2.2 million people affected, poor weather conditions displaced more people in 2018 than the conflict with the Taliban. Opium cultivation is expected to continue to fuel the illegal economy and is present in 30-50% of villages depending on the region (up to 85% in the southern provinces). Industry and services are also expected to grow moderately pending a mining sector development strategy, again constrained by the lack of infrastructure and the security situation. Private consumption will remain highly dependent on remittance flows from emigrants. Inflation is expected to rise as food prices increase due to adverse weather conditions. Political uncertainties and the security issue will all weigh on investor confidence, limiting the flow of private capital into the country.

Total dependence on international aid to finance twin deficits

With 51% of the state's revenue coming from grants, the balance of public finances is largely dependent on international aid, without which the government deficit would exceed 10% of GDP. As part of an IMF Extended Credit Facility, the government has been undertaking reforms to improve tax revenue collection since 2016. However, worsening security problems in connection with the upcoming elections is likely to dampen the extent of these efforts. As part of the partnership with the IMF, the government is also expected to boost its investment, particularly in the development of health and education infrastructure. However, the proportion of budget expenditures earmarked for civil servant salaries (48% in 2017) will squeeze the resources available for these investments, which will still be mainly covered by international donors.

The trade balance will remain largely negative (at 30% of GDP) in view of the country's low exports. This deficit will be financed by international donations. International assistance will also continue to support the country's foreign exchange reserves, which amounted to ten months of imports in mid-2018.

ALBANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**2.9**
GDP PER CAPITA US Dollars - 2017	**4,545**
CURRENCY Albanian lek	**ALL**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.4	3.8	4.0	3.8
Inflation (yearly average, %)	1.3	2.0	2.3	2.7
Budget balance (% GDP)	-1.8	-1.4	-2.0	-1.8
Current account balance (% GDP)	-7.6	-6.9	-7.0	-7.0
Public debt (% GDP)	73.2	71.8	71.0	69.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	70%
KOSOVO	8%
NORTH MACEDONIA	3%
CHINA	3%
MONTENEGRO	2%

Imports of goods as a % of total

EURO AREA	53%
TURKEY	8%
CHINA	8%
SERBIA	4%
SWITZERLAND	2%

- Candidate for EU membership
- Mineral (oil, chromium, copper, iron-nickel, silicates, coal) and hydroelectric potential
- Coastline with several ports
- Abundant and inexpensive labour
- Strength of the lek against the euro

- Large informal economy (30% to 40%)
- Poverty (GDP per capita: 30% of the European average); low priority given to education (3% of GDP)
- Dependent on rainfall: agriculture (25% of GDP for 45% of jobs) and hydropower (95% of electricity)
- Ineffective and politicised court system and administration
- Corruption and organised crime, in some cases linked to drug trafficking

RISK ASSESSMENT

Growth supported by domestic demand

Despite decelerating slightly since the second half of 2018, growth is expected to remain high in 2019. Household consumption will again receive support from falling unemployment, including among young people (from 34% to 22% since 2015), as well as from a rising participation rate linked to the decline in the informal economy and increased employment for both women and men. Economic activity will continue to benefit from ongoing foreign investment in infrastructure, particularly in energy with the continued construction of the TAP to transport Azeri gas to Italy, and the second plant (Moglice) of the Devoll river hydroelectric complex. As would be expected, the electricity grid is being developed to ensure internal and external distribution of the additional power that is expected to be generated. These facilities will take over from local oil production, which peaked in 2014. Conversely, local investment, including the building or upgrading of roads and railways (Tirana-Durres line), will be constrained by fiscal consolidation and prudent lending by banks. Banks, most of which are subsidiaries of Turkish (one third of assets), Italian, and Austrian groups, will continue to lower the percentage of doubtful loans in their portfolios (13% in August 2018 compared with 21% two years earlier), while also reducing the share of the euro (about half) in their deposits and loans. Under these circumstances, growth in corporate credit should remain low while the average interest rate on loans in lek and euro is expected to remain relatively high. Despite the strength of the lek and the stabilisation of energy prices, inflation is set to rise, fuelled by strong domestic demand. This would prompt the central bank to raise its key interest rate, which was lowered to 1% in June 2018 in order to ease the upside pressure on the currency. While all sectors are expected to perform well, electricity production, which is reliant on rainfall, is difficult to predict.

Fiscal consolidation necessary to reduce the debt burden

After a hiatus linked to the June 2017 elections, fiscal consolidation will slowly resume in 2019. The stakes are all the higher as the debt burden, while decreasing, remains high. Despite recent issues, including the EUR 500 million 7-year eurobonds with a coupon of 3.55% issued in October 2018, which are aimed at extending the maturity and lowering the cost of debt, two-fifths of the debt is still short-term. Moreover, 60% of the debt is held by local banks and makes up 25% of their assets. Refinancing the debt is estimated at 20% of GDP (2018). Adding to the debt burden, the state is responsible for up to €1 billion under contracts carried out in partnership with the private sector in areas ranging from roads and health to education. The objective is to achieve a primary surplus (*i.e.* excluding interest) sufficient to provide debt relief. The cost of the electricity sector to the state is expected to decrease with the installation of meters, infrastructure upgrades and the phase-out of subsidised prices. Pension and territorial administration reforms should also help in this regard. Tax collection is benefiting from the reduction of the informal sector and computerisation, while improved investment management has made it possible to eliminate arrears of payments to suppliers.

Large trade deficit financed by FDI

Goods trade will continue to show a large deficit (22% of GDP in 2018), despite a smaller increase in imports due to the completion of major energy projects. This reflects the narrow production base (textiles, footwear, oil, minerals, electricity, construction materials), which means the country has to import many capital and consumer goods. Half of Albania's exports are destined for Italy. In addition, the balance is sensitive to rainfall, which can cause hydroelectric power sales to fluctuate. The services surplus (9% of GDP) is expected to increase thanks to tourism and outward processing arrangements in the clothing sector. Remittances from emigrants (8%) could suffer as a result of poor economic conditions in Italy. The current account deficit is largely financed by FDI, which means that infrastructure-related imports are self-financing. Despite the importance of non-debt-generating financing, external debt represented 67% of GDP at the end of June 2018. It is denominated in euros, much of it is long-term (80%), and it is primarily due to public creditors or connected with FDI.

Reforms are set 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 EU membership, despite tension with the opposition. This is a condition not just for EU membership but also for encouraging foreign investment. Much remains to be done to improve the effectiveness of administrative and court systems, make local agencies accountable and fight corruption, organised crime and smuggling between Albania and Italy. The legislation is there and prosecutions are taking place, but this is not yet borne out in convictions. In addition, hydroelectric projects are increasingly opposed for their environmental impact.

ALGERIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	41.5
GDP PER CAPITA US Dollars - 2017	4,034
CURRENCY Algerian dinar	DZD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.3	1.6	2.5	2.3
Inflation (yearly average, %)	6.4	5.5	6.5	6.7
Budget balance (% GDP)	-13.6	-9.0	-6.9	-5.8
Current account balance (% GDP)	-16.7	-12.8	-8.8	-7.2
Public debt (% GDP)	29.3	23.9	31.3	34.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	55%
UNITED STATES	9%
BRAZIL	6%
TURKEY	4%
UNITED KINGDOM	4%

Imports of goods as a % of total

EURO AREA	38%
CHINA	18%
TURKEY	4%
UNITED STATES	4%
SOUTH KOREA	4%

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- Significant oil and gas reserves
- Renewable energy and tourism potential
- Strong external financial position (very low external debt, large foreign exchange reserves)

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- High dependence on hydrocarbons and problems in using this income
- Fault lines separating those in power from the people
- High youth unemployment rate
- Overly large public sector
- Red tape, financial sector weaknesses and problematic business environment

RISK ASSESSMENT

Moderate growth to continue in 2019

Higher oil prices allowed the Algerian economy to recover in 2018. Revenues from hydrocarbon exports, which represent 93% of exported volumes, have risen, easing the pressure on budget revenues and allowing the government to keep providing support to activity. However, export volumes shrank over the year due to the decline in production, which remains hobbled by the lack of investment and the maturity of the fields. To meet these challenges, the government is expected to put in place a new oil law that will be effective in 2019, aimed at attracting foreign investment. The second proposed course of action is to diversify production sources and methods with the development of offshore activities and the exploitation of non-conventional hydrocarbons. Sonatrach, an Algerian SOE formed to develop the country's hydrocarbon resources, has announced that shale gas drilling is expected to begin in 2019, which should give the sector a new lease of life. Despite a favourable oil market for hydrocarbon exporters, Algeria's economic activity is set to slow slightly in 2019. The government should have additional budgetary leeway, but on the eve of the 2019 presidential elections, this is expected to be put towards social measures. Social transfers are thus expected to increase, which should support household consumption, but public investment spending will slow. The economic slowdown outside the hydrocarbon industry, especially in sectors that are heavily reliant on public spending, coupled with an unfavourable business climate will be a drag on private investment. Inflation is expected to stabilise, but at a high level. The non-conventional financing policy (including the use of monetary creation) put in place in September 2017 will be continued to meet the government's financing needs.

Substantial twin deficits

Despite the government's expansionary fiscal policy, the improvement in the oil market led to a slight reduction in the government deficit in 2018. This trend is expected to continue in 2019 but the deficit remains significant. The Finance Act, which is based on a relatively conservative oil price forecast of USD 50, anticipates a slight increase in government revenues. Fiscal revenues should also benefit from the depreciation of the Algerian dinar, whose administered exchange rate is estimated to be DZD 118 per USD 1, compared with DZD 115 per USD 1 in 2018. The government does not plan to introduce new taxes and duties, and the budget allocated to subsidies, which represents 8% of GDP, will probably remain unchanged. Recurrent expenditure and social transfers (especially those in support of families) are expected to increase at the expense of capital expenditure. As in 2018, the government deficit will likely be financed directly by borrowing from the central bank. Public debt will increase accordingly, but will remain predominantly domestic. For the time being, the public authorities are ruling out the use of external debt.

The current account deficit narrowed significantly in 2018. Import control measures combined with an upturn in export earnings have led to a decline in the large trade deficit, which is expected to continue in 2019 despite a slight increase in imports. The import bans on a list of 851 products were replaced in September 2018 by a new tariff system. The provisional additional safeguard duty (DAPS), which will probably continue to be applied in 2019, sets additional customs duties ranging from 30% to 200% on a product list drawn up by an inter-ministerial commission. Foreign exchange reserves, which were equivalent to 16 months of imports in 2018, continue to shrink, but at a slower pace. Inward FDI should nevertheless increase, notably thanks to the new law on investment in the oil sector.

Presidential elections in 2019

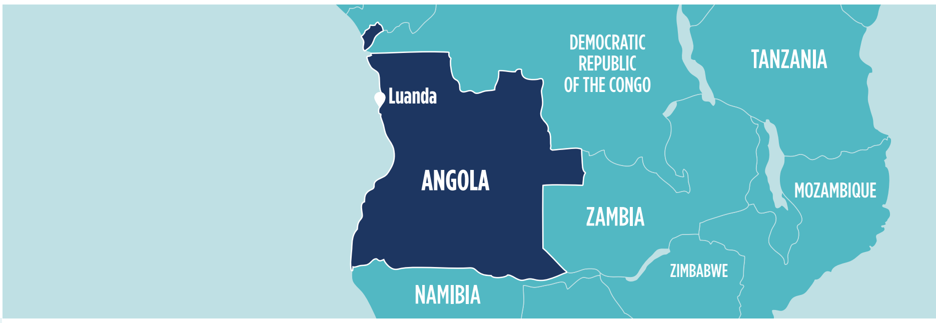
Campaigning for the presidential elections in April 2019 appeared to already be underway in 2018, although the political *status quo* does not look to be under threat. While he has yet to reveal his intentions, and despite poor health, President Abdelaziz Bouteflika will likely run for a fifth term. He will continue to be supported by a large swathe of the political class, which is calling for him to stand for re-election. Backers include his party, the Front de libération nationale (FLN, formerly the sole party), and its main allies: the Rassemblement national démocratique (RND), the Islamist Rassemblement de l'espoir de l'Algérie (TAJ) party, and the UGTA trade union. For now, the current head of state does not seem to have any opposition, but Algeria's period of slow growth is beginning to have social repercussions. Despite the implementation of a distributive policy at the expense of fiscal consolidation, protests are on the rise.

ANGOLA

COFACE ASSESSMENTS

COUNTRY RISK **C**

BUSINESS CLIMATE **D**



POPULATION
Millions of persons - **2017**
28.3

GDP PER CAPITA
US Dollars - **2017**
4,466

CURRENCY
Angolan kwanza
AOA

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-2.6	-2.5	-1.1	2.2
Inflation (yearly average, %)	30.4	30.4	19.6	15.9
Budget balance (% GDP)	-4.5	-5.8	-1.9	-1.2
Current account balance (% GDP)	-3.1	-0.5	-0.9	-0.7
Public debt (% GDP)	71.9	71.0	73.5	69.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	61%
INDIA	12%
EURO AREA	7%
SOUTH AFRICA	4%
UNITED STATES	4%

Imports of goods as a % of total

EURO AREA	34%
CHINA	13%
UNITED STATES	7%
SOUTH AFRICA	6%
BRAZIL	6%

+
- Significant oil production and liquefied natural gas producer
- Significant economic potential: diamonds, iron, gold, leather, agriculture, fisheries, hydropower
- International financial support

-
- Vulnerability to an oil price reversal
- High unemployment, high social inequalities and regional disparities
- Deficient infrastructure
- Fragile banking sector
- Conflict with separatists in the Cabinda enclave

RISK ASSESSMENT

A mild recovery after a long recession

After three years of contracting GDP, precipitated by falling oil prices and prolonged by declining production at mature oil fields, the country is expected to return to muted growth in 2019. The first of the two floating oil production and storage units for the Kaombo project was brought onstream in July 2018, and the second is expected to start up in summer 2019, which should help to stem the decline in crude production. As a result, oil exports, which make up more than 90% of the total, are expected to be less of a dampener on external trade's positive contribution to growth. External support, including China's new oil-backed credit facility, is expected to shore up public investment. In particular, the funds will be used to finance infrastructure projects (transport, water, communication, electricity) targeted in the 2018-2022 National Development Plan. Measures taken to reform the business climate, such as new laws preventing anti-competitive practices and ending local partnership requirements, could attract the interest of private investors. However, weak infrastructure, slow and inefficient institutions, and corruption will continue to constrain the private sector's contribution to gross fixed capital formation. Private consumption is expected to recover modestly as households and businesses benefit from the improved availability of liquidity following kwanza depreciation. However, inflation, which remains high, and the introduction of a VAT in July 2019 will continue to be a drag on household purchasing power.

Risk of over-indebtedness still significant

In 2019, continued fiscal consolidation efforts are expected to result in a reduction in the deficit. While oil revenues are set to increase slightly, it is mainly higher non-oil revenues that contribute to the deficit reduction, thanks in particular to the introduction of VAT. Expenditure will remain dominated by debt service, which is poised to absorb almost 50% of the revenues generated. Capital investment, after significant cuts in recent years, should be maintained. Expenditures on health, education, and agriculture is expected to increase at the expense of defence spending. Bilateral (China and Portugal in particular) and multilateral financing should make it possible to finance the deficit. Plans for full or partial privatisations, including of the oil company Sonangol, could also contribute to the financing. After peaking in 2018, mainly due to the depreciation of the kwanza, public debt – which is more than 50% denominated in foreign currency – is expected to decline in 2019. Nevertheless, the risk of over-indebtedness remains substantial.

In addition, the banking sector remains in precarious health, as the quality of assets has deteriorated after years of low activity.

The current account deficit should stay relatively stable in 2019, reflecting the small change in the trade surplus, as the moderate increase in export earnings is partially offset by imports of capital goods. The service and income deficits, largely related to oil activity, could shrink slightly, in line with activity levels in the sector, which remain moderate. Remittances by foreign workers based in Angola are expected to continue to contribute to the transfer deficit. A recovery in FDI and the use of foreign exchange reserves – which are still sufficient to cover more than six months of imports, despite falling by half between 2013 and 2018 – should make it possible to finance the current account deficit. Both the more flexible exchange rate system introduced by the central bank in January 2018 and the kwanza's more than 40% depreciation have helped to ease the pressure on the external accounts. The official and parallel market rates for the kwanza are expected to continue converging in 2019. The depreciation of the official rate and foreign exchange inflows (thanks to the oil sector) should allow foreign exchange reserves to be replenished in 2019.

Despite reforms, socio-economic challenges remain

Following the general elections of August 2017, unsurprisingly won by the Popular Movement for the Liberation of Angola (MPLA), João Lourenço became President, taking over from José Eduardo dos Santos, who had spent 38 years at the helm of the country. Also succeeding Mr dos Santos as head of the MPLA in September 2018, former Defence Minister Mr Lourenço initiated numerous reforms aimed at reducing the influence of the dos Santos family on the economy, improving the perception of the business climate and getting the country out of the crisis. However, while judicial investigations targeting the former President's children, Isabel and José Filomeno dos Santos, have sent a strong signal in the fight against corruption, the country will struggle to shake off its reputation for corruption. More generally, major socio-economic challenges remain. High inflation, the expected increase in VAT and the protracted economic crisis will continue to be sources of social unrest within a population suffering from poverty, persistent inequalities, and poor access to housing, education and health services. Economically, despite the reforms, the business environment remains extremely challenging, as evidenced by the country's 173rd place (out of 190) in the 2019 Doing Business ranking. In particular, insolvency proceedings remain time-consuming and cumbersome. Externally, the issue of refugees from the Kasai region will continue to affect relations with the Democratic Republic of the Congo.

ARGENTINA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	44.1
GDP PER CAPITA US Dollars - 2017	14,463
CURRENCY Argentine peso	ARS

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-1.6	2.9	-2.4	-1.0
Inflation (yearly average, %)	41.0	25.7	34.3	32.0
Budget balance (% GDP)	-5.8	-6.0	-5.6	-3.3
Current account balance (% GDP)	-2.7	-4.8	-4.4	-1.2
Public debt (% GDP)	50.9	55.1	86.3	76.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	16%
EURO AREA	12%
UNITED STATES	8%
CHINA	7%
CHILE	4%

Imports of goods as a % of total

BRAZIL	27%
CHINA	19%
EURO AREA	14%
UNITED STATES	11%
MEXICO	3%

+

- Agricultural, energy and mineral resources
- Education level higher than the regional average
- Improvement in the business environment
- Return of the country onto international financial markets

-

- Weak current and fiscal accounts, with high FX financing needs
- Dependency on agricultural commodity prices and weather conditions
- Sticky inflation with high anticipations
- Bottlenecks in infrastructure

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	VERY HIGH
CHEMICAL	HIGH
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	VERY HIGH
METALS	MEDIUM
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	VERY HIGH
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Economy set to remain in recession on the back of tight policy

Despite a strong improvement in GDP in 2017, the rebound was not sustained in 2018. The negative spillover effects of the worst drought in 50 years began to take a toll on agricultural activity in March 2018. Then, at the end of April, the country was hit by a change in foreign investors' mood towards emerging markets, which led to a long and massive sell-off of the peso during the following months. This latter move raised inflation pressures, leading the central bank to strongly raise interest rates. Moreover, the government had to speed up the pace of fiscal consolidation as part of its agreement with the IMF. These events had a clear impact on domestic demand, which manifested as a sharp decline in household consumption and in investments.

In 2019, the recovery of agricultural activity and a stabilising macroeconomic environment marked by some improvement in inflation (allowing the central bank to somewhat cut policy rates) should contribute to a relatively better economic performance. Exports should register stronger growth, driven by primary goods (thanks to a good crop) and stronger manufacturing exports to Brazil. Nonetheless, it is unlikely to sufficiently protect Argentina from a second consecutive year of recession, as domestic demand will remain weak due to still tight monetary and fiscal policies. Downside risks to this scenario are related to a possible new escalation in investors' fears towards emerging markets and to the domestic political landscape. Unfavourable market dynamics could arise, if there is a perception that the commitment with the IMF plan could be jeopardized after presidential elections.

Large twin deficits that triggered the currency crisis are expected to narrow

The economic recovery of 2017 raised the imbalance in current account as imports started to increase at a much faster pace than exports. This became particularly evident in 2018, when foreign sales figures started to be impacted by the weakening in agriculture exports. In parallel, the government took advantage of the then-abundant international liquidity to finance its large fiscal deficit. These two fundamentals were decisive for the run on the peso currency triggered in April 2018. The latter was only contained after the IMF approved the recalibration of Argentina's stand-by arrangement, bringing its total amount to USD 57 billion in end September 2018 (from the USD 50 billion agreed in July 2018). At that time, changes in economic policies were announced, such as the substitution of inflation targets by a monetary base target (set at zero growth from October 2018 to June 2019) and an exchange rate policy creating a non-intervention zone (ARS 34-44/USD).

The large twin deficits are expected to narrow in 2019. From the foreign account perspective, the decline in imports (due to the currency depreciation and weak internal demand) and the recovery of agricultural exports will contribute to reduce the imbalance in current account. On the fiscal front, the government is expected to deliver the challenging zero primary fiscal balance (before interest payments) set for this year. The bulk of this adjustment will come from the temporary re-introduction of export taxes (2019/20). In addition, policymakers also agreed to cut public investments by 80% in real terms as well as subsidies.

President Macri will struggle to be re-elected in October 2019

Pro-business President Mauricio Macri of the centre-right Cambiemos coalition faced a perfect storm in 2018, as Argentina started to face the headwinds of a more challenging global environment. While the economic reform plan aims to protect the most vulnerable people (*i.e.* through expanding the coverage of the government universal child allowances and of health plans for lower income), the episode was clearly not without consequences for Mr Macri's popularity. Moreover, his Cambiemos coalition does not hold a majority in Congress (108 out of 257 seats in the Lower House; 25/72 in the Senate). However, in mid-November 2018, the government was able to get the 2019 budget approved in Congress, which targets a zero primary deficit for the year. The approval also gave a signal to both investors and the IMF that the administration is committed to steep spending cuts. Mr Marci will run for re-election in 2019, when one third of the Senate and half of the Lower House will also be renewed. The ruling party task will however not be easy, as activity will further shrink. To Mr Macri's benefit, however, no opposition leader has so far been able to capitalize on this hardship. Indeed, his main opponent, former President Cristina Kirchner, is now facing a battery of corruption allegations. However, the apparition of a credible moderate Peronist candidate could represent a risk to President Macri's plans.

ARGENTINA

PAYMENT & DEBT 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. Currently there are no restrictions on foreign exchange and fund transfers from Argentina.

Debt Collection

Amicable phase

Out-of-court settlement negotiations are focused on the payment of the principal, plus any contractual default interest that may be added. Argentine regulations provide alternative dispute resolution methods, such as mediation, which is mandatory prior to commencement of any judicial process. At this stage, it is advised to obtain a notarised acknowledgement of debt signed by the debtor, or notarized payment plan agreement signed by both parties. Under amicable negotiation fees payable only apply to recoveries obtained.

Legal proceedings

Argentina is a federal republic with 24 independent judicial systems and national judicial system. The highest court in the country is the National Supreme Court.

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

The Argentine Civil and Commercial Code classifies proceedings into two types: ordinary proceedings (*juicio ordinario*) and executory or fast-track proceedings (*juicio ejecutivo*). Ordinary proceedings usually last between one and four years. If applicable, an appeal may be filed 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 enforceable instruments (*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 include a court tax (3% of the amount in dispute to be paid by claimants upon commencing proceedings), and lawyers' fees. The prevailing party is entitled to recover its costs, including attorneys' fees (subject to court approval).

All documents (original or notarised copies) submitted to the court must be (i) apostilled (for member countries of the 1961 Hague convention, which includes Argentina), and (ii) authenticated by the Argentine consulate in 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 considered 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:

Out-of court reorganization

Acuerdo preventivo extrajudicial (APE) is 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 Argentine 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.

Reorganization

Concurso preventivo is a reorganisation proceeding that 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 (*verificación de créditos*). 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. 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.

Bankruptcy

Quiebra 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.

ARMENIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	3.0
GDP PER CAPITA US Dollars - 2017	3,857
CURRENCY Armenian dram	AMD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.2	7.5	5.3	4.3
Inflation (yearly average, %)	-1.4	1.0	2.9	4.0
Budget balance (% GDP)	-5.6	-4.8	-2.7	-2.2
Current account balance (% GDP)	-2.3	-2.8	-3.8	-3.8
Public debt (% GDP)	56.7	58.9	56.9	55.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	24%
EURO AREA	14%
BULGARIA	13%
SWITZERLAND	12%
GEORGIA	7%

Imports of goods as a % of total

RUSSIA	28%
EURO AREA	17%
CHINA	11%
TURKEY	5%
IRAN	4%

+
- Major mining resources (molybdenum, zinc, copper, gold)
- Significant financial support from international organisations and the diaspora
- Comfortable foreign exchange reserves and relative flexibility of the dram's exchange rate
- Member of the Eurasian Economic Union (EAEU) and partnership agreement with the EU

−
- Geographical isolation aggravated by a lack of infrastructure
- Highly dependent on Russia (trade: 20% of exports and 30% of imports, FDI, credit, migrant remittances)
- Highly dollarised economy (60% of bank deposits)
- Persistently high level of unemployment
- 30% of the population below the poverty line
- Conflict with Azerbaijan over Nagorno-Karabakh and an uneasy calm on the border with the Azeri enclave of Nakhchivan

RISK ASSESSMENT

Brisk growth but dependent on external factors

Armenia's Velvet Revolution had little impact on growth in 2018. Despite low agricultural yields (16% of GDP), which depressed activity, domestic demand continued to be strong. Investment, as well as consumption, which benefited from expatriate remittances, remained buoyant. Exports were lifted by the increase in copper prices (28% of exports in 2017). Although still robust, activity is expected to decelerate in 2019. The stabilisation of the political situation and the central bank's continued accommodative monetary policy should encourage private investment. Despite the reassuring signals sent by the new government to promote foreign investment, particularly in the mining sector (50% of exports and nearly 10% of GDP, with copper accounting for one half of the total), the campaign by environmental protection groups since June 2018 to shut down the Amulsar gold mine could constrain FDI inflows.

Armenia also remains dependent on Russia, both for exports (a quarter go to Russia) and for expatriate remittances (more than 15% of GDP, including 70% from Russia). Accordingly, even modest growth in Russia, combined with favourable terms of trade, should boost exports and encourage household consumption. Despite the increase in wages, however, the impact of higher disposable income is expected to be mitigated by the unemployment rate, which remains close to the level reached at the time of the 2009 crisis (18.5%), as well as by rising inflation driven by higher food and energy prices.

Further fiscal consolidation; current deficit maintained

The new government is set to continue the fiscal consolidation efforts undertaken since 2016. Budgetary revenues are expected to continue to benefit from a favourable economic environment and improved tax collection following the implementation of the new Tax Code in 2018. The code has already boosted tax revenues by around 0.7 percentage points of GDP and may eventually raise revenues by the equivalent of 2 percentage points of GDP. The fight against tax evasion, which is one of new government's priorities, and the 38.5% reduction in the budget allocated to the Presidency of the Republic in 2019, should also help to narrow the deficit. However, public spending is expected to go up by 12% in 2019, mainly due to the increase in the military budget, which is expected to rise by 25% to reach a quarter of total expenditure. The increase will also go towards financing civil servants' salaries, major structural reforms and the coverage of losses associated with certain state-owned companies in the energy (electricity) and water sectors.

The current account deficit is expected to remain in place in 2019. Increased imports linked to sustained domestic demand and continued high oil prices will be offset by higher export revenues and expatriate remittances. The deficit is financed by FDI, government debt and FDI-related borrowing. Given its largely concessional nature, servicing the public external debt (half of total external debt estimated at 90% of GDP) does not represent a heavy burden.

The Velvet Revolution gets electoral confirmation

Massive peaceful demonstrations in April and May 2018 forced Prime Minister Serge Sarkissian to relinquish the power he had held since 2008. People were unhappy that he had circumvented the two-term limit on presidential terms of office by taking advantage of the switch from a presidential regime to a parliamentary system, which was adopted at the end of 2015 after a referendum, to hold onto power by running for the post of Prime Minister. Following the "Velvet Revolution", in June, the leader of the protests, former journalist Nikol Pachinian, was placed at the head of a new government comprising representatives of the opposition and qualified individuals. After he resigned in order to trigger snap parliamentary elections, his "My Step" coalition, which includes the Civil Contract Party that he leads, won an overwhelming victory, taking 70% of the votes and allowing Mr Pachinian to secure a sufficiently large majority in Parliament (88 out of 132 deputies) to make constitutional changes. The coalition's programme focuses on fighting corruption and the informal economy, addressing the porous boundaries between the business world and politics, and ending the monopolies controlled by people close to the former leader. Mr Pachinian has secured the benign neutrality of Russia, which has a military presence in the country (on the Turkish and Iranian borders) as well as an economic presence, by providing assurance that foreign policy will stay unchanged. He will have to manage an expectant population that is impatient for change. This is especially true among young people, for whom the unemployment rate is four times higher in urban areas than in rural areas and whose overall employment rate is twice as high as that of the rest of the population.

On the geopolitical level, the armed conflict with Azerbaijan persists over the self-proclaimed independent enclave of Nagorno-Karabakh, which is officially Azeri but overwhelmingly populated by Armenians, and the adjacent Azeri territories occupied by Armenian-backed independence fighters. The ceasefire on the border with the Azeri enclave of Nakhichevan is fragile, with security in the region primarily dependent on the balance between the combatants maintained by Russia, and, to a lesser extent, Turkey and Iran.

AUSTRALIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	24.8
GDP PER CAPITA US Dollars - 2017	55,693
CURRENCY Australian dollar	AUD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.5	2.2	3.0	3.0
Inflation (yearly average, %)	1.3	1.9	2.1	2.3
Budget balance (% GDP)	-2.6	-0.5	-1.0	-0.8
Current account balance (% GDP)	-2.6	-2.6	-2.8	-3.0
Public debt (% GDP)	39.0	40.8	40.5	40.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	33%
JAPAN	15%
SOUTH KOREA	7%
INDIA	5%
HONG KONG	4%

Imports of goods as a % of total

CHINA	23%
EURO AREA	13%
UNITED STATES	11%
JAPAN	8%
THAILAND	5%

+

- Proactive economic policy and exchange rate flexibility
- Geographic proximity to booming economies in Asia
- Attractive quality of life with immigration contributing to population growth
- Rich endowment of mineral resources
- Moderate levels of public debt
- High tourism potential

-

- Exposed to commodity price volatility (specifically iron ore and coal)
- Economy remains dependent on Chinese demand
- Substantial household debt (185% of gross disposable income)
- Shortage of infrastructure relative to the country's vast territory
- Disparity between federated states

RISK ASSESSMENT

Growth close to long-term average

Activity is expected to remain stable in 2019, remaining close to Australia's long-term average of 3%. The decline in mining investment has bottomed out, while the construction of public infrastructure will continue to contribute to growth. This should help to offset the sharp slowdown in real estate investment and housing construction activity, with house prices now clearly falling in most cities. A decline in housing prices was brought about by tougher rules imposed by the Australian Prudential Regulation Authority, a slowdown in immigration, and weaker capital inflows from China. Risks are palpable in the financial sector, as 50% of bank credit is linked to residential property. The increase in domestic consumption is set to be more gradual than expected owing to stagnant wage growth. Household debt levels remain very high, which should further drag on consumption. For this reason, retail trade will continue to perform poorly (highest level of bankruptcies). The sector is also subject to other headwinds, including increased competition from online retailers. In order to mitigate the impact of headwinds to domestic consumption, the Reserve Bank of Australia (RBA) is likely to keep monetary policy accommodative throughout 2019, leading to a wider interest rate differential with the United States and the Australian dollar's depreciation. This could lead to higher inflation, although the latter is expected to remain below RBA's target (2-3%). A weaker Australian dollar would boost Australia's terms of trade. Mineral exports (gas, coal and iron ore) will also benefit from completion of several LNG terminals, and fiscal stimulus in China, Australia's largest export market. The moderation in domestic consumption and real estate investment will put pressure on imports, leading to a wider trade surplus.

Low public deficit and moderate current account deficit

The authorities are aiming for fiscal equilibrium for the whole Commonwealth, states, and local authorities by 2020/21. Equilibrium is also the aim for the structural balance, *i.e.* smoothed out for cyclical effects. They expect to achieve this while developing infrastructure, investing on education and training (especially for the indigenous communities) and encouraging SMEs to invest. This should enable the economy to transition from one focused on commodities to one that is diversified, with better labour market participation rates and productivity. Moreover, the government plans to invest USD 30 billion in defence over the next ten years. An increase in commodity prices helped to cushion the widening of the deficit and keep public debt levels moderate, with gross government debt reaching 40% of GDP in 2017.

The current account balance traditionally shows a moderate deficit, which, despite growing diversification, varies primarily in line with the price and demand for commodities, especially Chinese demand. While there was a narrow trade surplus in 2018, the trade in services reflected a deficit. Tourism income and registration fees paid by foreign university students, especially from Asia, do not match spending by Australian economic agents abroad. The income balance is more significant than the trade balance, and is in deficit largely due to dividend repatriation by mining companies and interest payments on external debt, mostly private (mining companies, banks, property sector) and denominated in Australian dollars. The net international investment position equated to -54% of GDP in 2017 according to figures by the IMF, but most liabilities are denominated in Australian dollars.

Political turmoil remains a threat

2018 was a politically volatile year. Former Prime Minister Malcolm Turnbull was defeated during a second leadership spill on August 24, paving the way for Scott Morrison to become leader of the Liberal Party and new Prime Minister. Some factors point toward a continuation of political instability going forward. In particular, Prime Minister Morrison's stance towards a series of issues surrounding immigration and offshore detention facilities in the Island of Nauru are bound to drive the existing divide within the Liberal Party even wider. If the Wentworth by-election is reflective of broader trends, it is possible that the Liberal Party might lose seats during the next Australian federal elections in 2019, leading to a minority government and further political fragility.

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 & DEBT COLLECTION PRACTICES IN AUSTRALIA

Payment

Payment methods include:

- cash: Personal cheques and bank cheques: used for domestic and international transactions;
- credit cards;
- electronic transactions: includes point-of-sale (POS) electronic transactions, as well as mobile apps, electronic funds transfer (EFR) and internet transactions;
- 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;
- the Australian dollar (AUD) is now also part of the Continuous Linked Settlement System (CLS), an interbank transfer system for processing 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 proceedings in the Federal Court and Federal Circuit Court. Examples of such steps include settlement nego-tiations and informal settlement conferences with the other party.

Legal proceedings

If the amicable phase fails, proceedings will commence. The New South Wales (NSW) Supreme Court has a special list for commercial disputes, where it will proactively manage them to ensure an efficient resolution. Similar lists also operate for commercial disputes in the Supreme Courts of Victoria (Vic), Western Australia (WA) and Queensland (Qld).

If a corporate debt is overdue, 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 payment or an application to set it aside is made to the Court in this time, the company is presumed insolvent. The creditor may lodge a petition for winding-up of the debtor's company. The presumption of insolvency lasts for three months following service of the statutory demand. For individuals, the process is similar, but proceedings are required to be commenced in the Fed Circuit Court or Fed Court.

In NSW, in debt recovery proceedings, a statement of claim must be personally served on the debtor, who must then pay the debt, or file and serve a defence on the creditor within 28 days (NSW), failing which default judgment may be entered against the debtor. 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 including discovery and the preparation and exchange of evidence that will be relied upon at the hearing.

During this phase, the parties may request and exchange particulars of the claim or defence made by the other party in the form of documents referred to in the claim or defence (*e.g.* 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 their evidence. Before handing down judgment, the court will hold an adversarial hearing in which the witnesses of each party may be cross-examined by the other parties' lawyers. Typically, straightforward claims may be completed within two to four months but 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. 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 up to a maximum of AUD 100,000 (NSW, Vic, South Australia (SA), Northern Territory (NT), WA, and Tasmania (Tas)), AUD 150,000 (Qld) or AUD 250,000 (Australian Capital Territory (ACT)). Beyond these thresholds, disputes involving claims up to AUD 750,000 in NSW, WA, SA or Qld are heard either by the County Court or District Court. There is no County Court or District Court in Tas, NT or ACT.Claims greater than AUD 750,000 in NSW, Qld, SA, and WA 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 NT; AUD 250,000 in AC; and AUD 50,000 in Tas.

Enforcement of a Legal Decision

A judgment is enforceable as soon as it is entered 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. The Garnishee allows the creditor to recover its debt (with interest and costs) directly from the debtor's bank account or salary as well as from the debtor's debtors,. Finally, the Writ orders a sheriff to seize and sell the debtor's property in payment of the debt (together with interest and costs) owing to the creditor. As for foreign awards, enforcement in Australia is governed 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. Recognition depends on whether a reciprocal recognition and enforcement agreement exists between Australia and the issuing country.

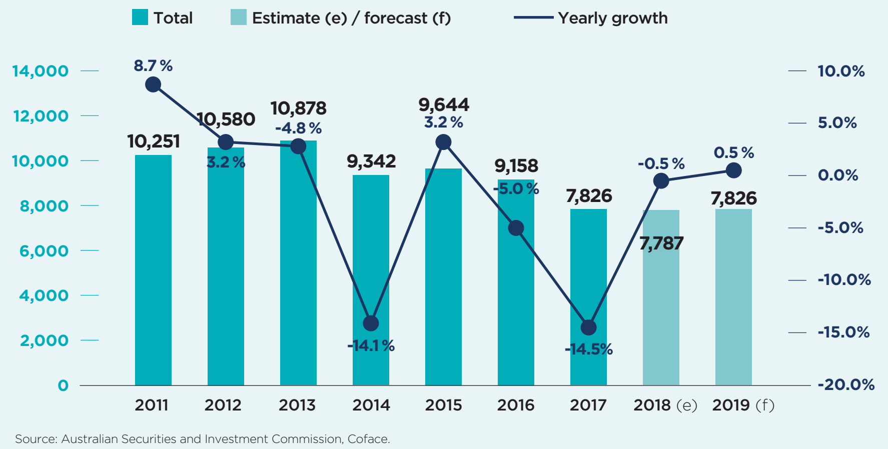
Insolvency Proceedings

Administration: a debtor company can be placed into administration by its directors, or by creditors that are owed money. The admi-nistrator 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 to collect 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 INSOLVENCIES



Source: Australian Securities and Investment Commission, Coface.

AUSTRIA

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	8.8
GDP PER CAPITA US Dollars - 2017	47,347
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.5	2.6	2.7	2.0
Inflation (yearly average, %)	1.0	2.2	2.1	2.1
Budget balance (% GDP)	-1.6	-0.8	-0.3	0.0
Current account balance (% GDP)	2.1	2.1	2.0	2.2
Public debt (% GDP)	83.6	78.3	74.5	71.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	29%
UNITED STATES	6%
ITALY	6%
SWITZERLAND	5%
SLOVAKIA	5%

Imports of goods as a % of total

GERMANY	42%
ITALY	6%
SWITZERLAND	6%
CZECHIA	4%
NETHERLANDS	4%

+

- Industrial and tertiary diversification; high added value
- Comfortable current account surplus and balanced government budget
- More than 30% of energy sourced from renewable supplies
- Major tourist destination (12th in the world)
- High public expenditure on R&D (3% of GDP)

-

- Dependent on the German and Central/Eastern European economies
- Banking sector exposed to Central, Eastern, and South-Eastern European countries
- Multiple layers of power and administration (federation, Länder, municipalities)

Sector risk assessments

AGRI-FOOD	LOW
AUTOMOTIVE	MEDIUM
CHEMICAL	LOW
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	LOW
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth weakened by the external environment

Austrian economic growth is expected to mark time in 2019. Domestic demand will remain robust, thanks to lively private consumption, which will benefit notably from the increase in household disposable income resulting from a tax cut for families (Familienbonus, or "the family bonus"), as well as the resilience of investment, linked to sustained levels of business confidence and high production capacity utilisation (88.7% in the third quarter 2018). Nevertheless, external demand is expected to be more sluggish, which will affect manufacturing industry. This export-oriented sector could suffer, in particular, from the expected growth slowdown in Germany, the destination of 30% of Austrian exports. In this context, a possible escalation in protectionism would also hinder export growth. However, the services sector is expected to be more resilient, relying more heavily on domestic demand. The same will apply to construction, also helped by immigration, which will continue to boost Austrian real estate. Following the bank bailout that ended in October 2016, with the restructuring of HETA's debt, the banking sector will continue to recover, notably thanks to tighter capital and asset quality rules. Bank profitability should improve further in 2019, lifted by swelling demand for corporate financing and household mortgages.

In 2019, inflation is expected to remain stable, close to the ECB's 2% target and the European average. Domestic demand will continue to exert upward pressure on the price level, while the stabilisation of oil prices should limit the increase.

Improving public and external accounts

The government will maintain its policy of improving the public accounts and is expected to achieve its objective of a balanced government budget in 2019. In fact, expenditure is not expected to increase significantly and its GDP share is forecast to decline. This will be achieved *via* limited growth in the public sector wage bill and efficiency gains within government, among other methods. Nevertheless, spending on research and development and technological equipment is set to increase. At the same time, revenues, mainly from taxes (27% of GDP in 2017), are expected to increase by more, leading to a further reduction in the public debt burden.

The current account surplus is expected to increase slightly in 2019 on the back of tourism revenues, evidenced by the surplus in the balance of services (2.8% of GDP in 2017). While the income surplus could improve, the goods balance – which was slightly positive in 2018 – will be hurt by domestic demand (which favours imports) and slower export growth. Imports and exports alike will remain concentrated in the same sectors, namely machinery, transport and chemicals. However, the current account surplus will be absorbed by foreign investments, especially in the form of portfolio investments (net flow equivalent to 5% of GDP in 2017).

Austria continues its shift to the right

The Austrian People's Party (ÔVP) – a conservative, Christian democrat party – won the October 2017 parliamentary elections with more than a third of the seats in the Nationalrat. Following these elections, President Alexander Van der Bellen appointed Sebastian Kurz, former Minister of Foreign Affairs and leader of the ÔVP, as Chancellor. At the age of 32, Mr Kurz leads his government, a coalition between the OVP and the Freedom Party of Austria (FPÔ). The rapprochement with this nationalist party and the rightward shift in immigration policy, in particular by cutting benefits for asylum seekers, are resonating in a country that saw substantial inflows of migrants during the 2015 migration crisis. Austria's tightening of migration policy has led to disagreements with many EU countries. A new law (which is set to enter into force in 2019) to index family allowances to the standard of living in workers' home countries if they have left their children behind could create tensions, because it would contravene European law. However, the government remains pro-European and has ruled out a referendum on leaving the Union. Austria also held the Presidency of the European Council in the second half of 2018.

PAYMENT & DEBT COLLECTION PRACTICES IN AUSTRIA

Payment

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

Bills of exchange and, to a lesser degree, cheques are most commonly used as a means of financing or payment guarantee. Nevertheless, neither are widely used nor recommended, as they are not always the most effective means of payment., bills of exchange must meet relatively restrictive mandatory criteria to be valid, which deters business people from using them. In parallel, cheques need not be backed by funds at the date of issue, but must be covered at the date of presentation. Banks normally return bad cheques to their issuers, who may also stop payment on their own without fear of criminal proceedings for misuse of this facility.

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 August 1, 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 €75,000 (previously €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. However, should the debtor contest the claim, 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

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

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

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	9.8
GDP PER CAPITA US Dollars - 2017	4,141
CURRENCY Azerbaijan manat	AZN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-3.1	0.1	1.5	3.5
Inflation (yearly average, %)	12.4	13.0	3.5	3.5
Budget balance (% GDP)*	-1.2	-1.5	3.7	1.2
Current account balance (% GDP)	-3.6	4.0	6.6	8.1
Public debt (% GDP)	50.7	54.1	48.4	46.0

(e): Estimate. (f): Forecast. *Including transfers from SOFAZ.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
TURKEY	12%
ISRAEL	6%
RUSSIA	5%
CZECHIA	5%

Imports of goods as a % of total

RUSSIA	18%
EURO AREA	15%
TURKEY	15%
CHINA	10%
UNITED STATES	8%

+

- Well-endowed sovereign wealth fund thanks to oil production
- Significant gas potential in the Caspian Sea
- Increased prospect of gas exports to Turkey, then Europe
- Link in the connection between China and Europe; development of rail corridors with Iran, Turkey and Georgia
- Favourable business environment (25th in Doing Business 2019)

-

- Heavily dependent on hydrocarbons; limited non-oil sector
- Declining oil production (25% reduction over the last six years)
- Weak banking system
- Risk that the armed conflict with Armenia could worsen
- Governance problems (corruption, repression, offshore money laundering)

RISK ASSESSMENT

Dependent on hydrocarbons, but diversification efforts are underway

Growth, driven by the performance of the hydrocarbon sector (44% of GDP and 76% of industrial production), should benefit from high oil prices and the development of gas production. In 2019, the country should also be rewarded for its diversification efforts with a more than 3% expansion in its non-oil and gas economy. The resulting increase in income should have a positive impact on households, whose consumption (52% of GDP) will continue to increase vigorously. Public investment (2/3 of the total) will be directed towards the energy sector (Shah Deniz gas field in the Caspian and completion of the Trans Anatolian TANAP pipeline) and economic diversification (cotton, tourism, fruit and vegetables, as well as automotive with Iran Khodro), as favourable economic conditions set the stage for significant public spending thanks to increased revenues. The revival of credit should also allow growth in private investment, which will remain mainly foreign (FDI). The contribution of trade to growth is expected to be slightly negative. Additional gas exports will only partially offset the decrease in oil exports due to well depletion, but together they will remain the main export item (90%). Imports will increase more rapidly, reflecting more positive trajectories for consumption and investment.

Current account and government surplus due to hydrocarbons

The transfers from the sovereign wealth fund (SOFAZ) will more than cover the initial deficit of 2.5% of GDP. Revenue growth since 2016, first through the development of the non-oil sector, then through the recovery in hydrocarbon prices (57% of budget revenues) and the expansion in gas production, is expected to slow (3% increase). Against this backdrop, a new fiscal rule has been adopted to reduce dependence on the oil cycle by controlling spending when prices are high. Specifically, the government has set the threshold above which additional revenue can be spent at USD 60, which is USD 5 more than in 2018. Even so, spending will continue to grow at a sustained rate in 2019 (15%). This is particularly true of investment spending, which will represent one third of total expenditure, with current expenditure increasing to a lesser extent (under 6%). After increasing because of assistance provided to state-owned companies struggling in the wake of major devaluations – in particular the International Bank of Azerbaijan (IBA) –, public debt is expected to be reduced, but remains vulnerable owing to its high sensitivity to external shocks (fall in oil prices, depreciation) and guarantees granted by the state. IBA's troubles are not unique in the banking sector, which continues to be affected by numerous bank closures, non-performing assets (25%), and low profitability. Despite all this, credit is expected to rebound slightly: banks – 80% of whose deposits are in US dollars – are only willing to lend in that currency in order to protect themselves against exchange rate risk. Accordingly, borrowers prefer to use informal credit, even if the rates are usurious. The policy of interest rate cuts (from 15% to 9.75%) initiated by the central bank in 2018 might continue, but will be tightened if there is pressure on the exchange rate, since currency stability is its main objective.

The current account should still be largely positive thanks to the structural trade surplus (20% of GDP) linked to hydrocarbons, despite the continued services deficit (8%) and income deficit (6.5%, but improving), which reflect the presence of foreign companies in the hydrocarbon sector. With the central bank's reserves dwindling to the equivalent of four months of imports over recent years, SOFAZ provides the central bank (the two had combined reserves of USD 45 billion at the end of 2018, an increase of 9% in one year) with sufficient funds to service the external debt of the company in charge of the TANAP pipeline and the state oil company (SOCAR). The country's total external debt, half of which is public, represents 45% of GDP.

A well-established regime

In April 2018, President Ilham Aliyev was re-elected for a fourth term, this time for seven years, taking 86% of the vote in an election marked by irregularities and an opposition boycott. He has reappointed his wife as Vice-President. The Parliament, dominated by the President's Party (YAP), plays a secondary role vis-à-vis the executive. With growth resuming and despite deep inequalities, stability is expected to persist. The political opposition is weak, and the authorities are not afraid to use repressive measures. Despite some progress, governance as measured by the World Bank ranking remains poor. Some freedoms are actually being curtailed, which is not facilitating relations with the EU. Conversely, the country's business environment has improved dramatically, jumping 40 places in the Doing Business ranking. Finally, the risk of an escalation in the armed confrontation with Armenia over Nagorno-Karabakh and other adjacent Azeri territories occupied by Armenian forces is contained by the strong joint influence of Russia, Turkey and Iran over the region. However, Nakhchivan – an Azeri enclave trapped between Armenia and Iran, which had seemed calmer – has seen a resurgence of Azeri military activity coinciding with the political upheaval in Armenia.

BAHRAIN

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	1.5
GDP PER CAPITA US Dollars - 2017	24,326
CURRENCY Bahraini dinar	BHD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.2	3.9	3.2	2.6
Inflation (yearly average, %)	2.8	1.4	3.0	4.8
Budget balance (% GDP)*	-17.6	-14.3	-8.9	-8.2
Current account balance (% GDP)	-4.6	-4.5	-2.5	-2.3
Public debt (% GDP)	81.3	88.5	88.4	91.7

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	22%
SAUDI ARABIA	14%
UNITED STATES	11%
OMAN	8%
CHINA	7%

Imports of goods as a % of total

EURO AREA	16%
CHINA	13%
UNITED ARAB EMIRATES	10%
UNITED STATES	7%
SAUDI ARABIA	7%

- Oil and gas potential
- Diversification efforts (petrochemicals, financial services, tourism)
- Policy to attract foreign companies (Ikea, Mondelēz International)
- Financial support from GCC countries
- Discovery of hydrocarbon deposits that could compensate for depleting oil reserves
- Presence of the main American naval base in the area (5th Fleet of the US Navy)
- Low unemployment rate

- Economy and public finances exposed to hydrocarbon price fluctuations
- Acute sociopolitical tensions between the ruling Sunni minority and the majority Shia population fuelled by the regional context featuring tension with Iran and the embargo on Qatar
- Dependent on foreign labour
- Public debt, particularly external debt, is very high

RISK ASSESSMENT

Slower growth despite robust investment

Despite exploration for offshore oil and gas deposits estimated at 80 billion barrels, oil sector growth – which was negative before 2018 – is expected to remain weak in 2019, and will not be sufficient to prevent a further slowdown in overall growth. However, ongoing international assistance, particularly from the GCC, should enable the government to maintain a significant investment drive. In October 2018, this led to completion of a pipeline to transport oil from Saudi Arabia to Bahrain Petroleum Company refinery, the country's national oil company. This infrastructure should lead to an increase in Bahrain's processing capacity. In addition, the favourable tax regime will continue to attract private investment. In 2019, aluminium production is expected to rebound thanks to the launch of a new potline by Aluminium Bahrain. This should boost exports, since aluminium is the second largest export after oil (24% of exports in 2017). Nevertheless, the political and social context could constrain demand.

Household consumption (43% of GDP in 2017) is expected to be hampered by further fiscal austerity measures. Rising inflation, fuelled by the introduction of a GCC-wide VAT, as well as rising house and food prices, is also expected to have a dampening effect.

Difficult to reduce the public balance

As part of its five-year fiscal programme (2018-2022), the government will pursue a policy of fiscal consolidation. The programme includes balancing the accounts of the Electricity and Water Board, reducing current expenditure, introducing a voluntary pension scheme for civil servants, and increasing non-oil revenues. To this end, a 5% VAT will be introduced in January 2019. These efforts will also be undertaken to receive the USD 10 billion in aid over five years promised by Saudi Arabia, Kuwait, and the United Arab Emirates. However, a further reduction in subsidies (18% of expenditure) and in the wage bill (38% of expenditure) – which will have to be introduced if the government intends to achieve its objective of a balanced budget by 2022 – will not be easily accepted in the tense social climate. In addition, public finances depend mainly on the oil sector, which generates 75% of revenues. The rise in oil prices in 2018 thus played a major role in curbing the government deficit. Nonetheless, since the price required for a balanced budget is USD 113 per barrel, the deficit will remain substantial. In order to finance it, the kingdom will continue to rely on debt. The increase in public debt, which is divided between domestic and foreign creditors and which has doubled in the space of four years, coupled with the downgrade in Bahrain's sovereign rating to speculative grade have pushed up the cost of debt. At the same time, the decline in investor confidence will remain limited due to the intervention of other GCC members to maintain the dinar's dollar peg and debt sustainability.

A stable current account deficit but the external financial situation remains fragile

In 2018, the current account deficit narrowed considerably, due to the rise in the price of oil, which accounted for more than half of export earnings. In 2019, the trade balance, which has been slightly positive since 2018, is expected to decline slightly, while the services surplus (10% of GDP in 2017), linked to tourism and insurance activity, is set to grow significantly. However, profit repatriation by foreign companies and transfers by foreign workers are expected to put more pressure on the current account deficit. The increase in that deficit following the fall in oil prices in 2014 resulted in a decline in foreign exchange reserves, which stood at only three weeks of imports in September 2018. The expected rise in US policy rates will increase the speculative pressure on the dollar peg. In addition, external debt, which is mainly private (76% of the total), has increased sharply, climbing from 154% in 2014 to 179% in 2017.

Internal sociopolitical tensions exacerbated by the regional environment

Tensions between the predominantly Shia population and the Sunni ruling elite will remain high. The political and social marginalisation felt by the Shia community is at the root of the unrest. The situation is exacerbated by the rivalry between Saudi Arabia, which supports the kingdom, and Iran, which is accused of supporting Shia opposition groups (al-Wefaq and Waad). Legislative and municipal elections held in December 2018 handed victory to independent candidates loyal to the king. In fact, many Shia militants heeded the call from al-Wefaq to boycott the elections, meaning that the opposition will remain weak. The tense social context has had a negative impact on the business environment, which has been quite favourable until now, thanks to efforts to attract foreign investors and develop the private sector.

BANGLADESH

COFACE ASSESSMENTS

COUNTRY RISK C

BUSINESS CLIMATE C

POPULATION Millions of persons - 2017: **163.2**

GDP PER CAPITA US Dollars - 2017: **1,603**

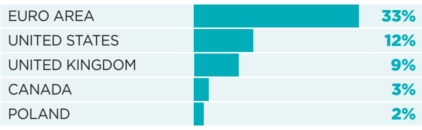
CURRENCY Bangladeshi taka: **BDT**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	7.1	7.1	7.0	7.0
Inflation (yearly average, %)	-3.4	5.6	6.0	6.1
Budget balance (% GDP)	5.6	-3.3	-4.3	-4.5
Current account balance (% GDP)	0.6	-2.0	-3.2	-2.7
Public debt (% GDP)	33.0	33.0	33.4	33.7

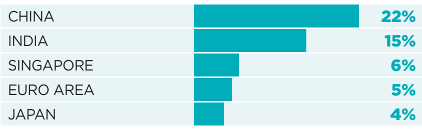
(e): Estimate. (f): Forecast. *Fiscal year 2019 from July 1 2018 – June 30 2019 (Budget balance includes grants).

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Competitive garment 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: 35% of Bangladeshis are under 15
- Improving financial inclusion thanks to microfinance and mobile services

−

- Economy vulnerable to changes in global competition in the textile sector and to developments in the GCC States
- Very low per capita income and low female participation despite progress
- Recurring and growing political, religious, and social tensions
- Business climate shortcomings and lack of infrastructure
- Recurring natural disasters (cyclones, severe floods, landslides) resulting in significant damage and harvest losses

RISK ASSESSMENT

Growth will remain strong in 2019

GDP will continue to grow fast in 2019, mainly driven by private consumption and gross fixed investment. Consumption (around 70% of GDP) is increasing fast (around 10% annually) from a low base, and thanks to increasing real wages. It relies on the sizeable expatriate remittances and on the performances of the manufacturing and agricultural sectors. It will not be weighed on by the high inflation, which is due to demand-side pressures, poor harvests, and global commodity prices. The external sector's output is limited by infrastructure shortcomings and low value added productions. The ready-to-wear clothing segment (nearly 70% of exports) should benefit from the disruption in global value chains caused by the trade wars, as Bangladesh is a good substitute for Chinese export industries, especially thanks to the availability of cheap labour force. However, good performances in the export sector will not contribute to GDP growth, as import will grow faster than exports (because of higher oil prices and imports related to infrastructure projects). FDIs remain very low (below 1% of GDP each year), although the government intends to attract more, along with international aid via a PPP program and investment agreements (no or low interest loans and grants). The National Development Plan (NDP) will continue to oversee these investments to target shortcomings in transport, education, water, and energy, such as the Dhaka subway, financed by Japanese development aid and the Bangladeshi government. Development will also benefit from growing domestic financial inclusion, via bank account dissemination but also the arrival of PayPal in the country. However, the banking sector is challenged by the high share of NPLs (above 10% of all loans in FY 2018), with the share being much higher in state-owned banks.

Widening but sustainable twin deficits

The budget deficit will continue to widen as spending over investment programs increases quicker than revenue. The income tax base is narrow (fiscal revenues below 10% of GDP) and most of the government revenue comes from indirect taxes (customs and excise duties). Expenditure will be allocated to strengthening trade policies, recapitalising the publicly-owned banks, and ongoing investments in infrastructure – such as the Rooppur nuclear plant, the Padma railway project or the Dhaka subway. International aid represents 17% of revenues or 31% of the deficit (2017-2018), but the reliance on aid is moderate as it only represents 2% of GDP. The public debt level remains sustainable; approximately one third of it is externally held and denominated in foreign currency. High growth and a small primary deficit (*i.e.* excluding interests) explain its steady ratio to GDP.

The current account deficit will continue to deteriorate because of growing trade imbalances linked to imported inputs for infrastructure investments, as well as rising energy imports, such as LNG (compensating for declining national production) and oil imports that are not offset by the rise in oil and gas exports. Moreover, the deficit of the primary income balance will increase with profit repatriation by foreign investors, while the secondary income balance will show a strong surplus thanks to remittances. The current account deficit will remain financed by FDIs and public debt. Foreign exchange reserves offer a satisfactory safety net, equalling around 6.5 months of imports, in a global context of monetary tightening that is raising capital flight risks.

Vulnerable political stability even if continuity at the head of the state is ensured

The country endured several military coups since the creation of the state in 1971. Political stability is vulnerable to tensions between the Awami League (AL), the ruling party since 2009 and the Bangladesh Nationalist Party (BNP). These could translate into religious frictions between the Islamic majority of the population and minority religious groups, while risks of labour strikes and terrorist attacks remain. The AL is associated with the independence and a more secular ideology than the BNP, connected with the heritage of the military dictatorship and with a stricter traditional Islamic stance. The leader of the BNP, Khaleda Zia, is currently in prison on corruption charges. The AL won 288 out of 300 seats in the Parliamentary elections of December 2018. International observers, as well as the BNP, contested the fairness of the electoral process given the lack of freedom for political campaigns for the opposition and questioning election results. The elections took places in a very tense climate, as violent outbreaks between opposing factions caused over a dozen deaths. The enduring risk of social unrest in the country contributed to the erosion of the business climate in Bangladesh (176/190 in the World Bank's 2019 Doing Business ranking).

Poverty and development remain the major governance challenges. Moreover, the Rohingya refugee crisis will remain a challenge. Internationally, Bangladesh will continue to concentrate on relations with China and India, even if claims over the Teesta River and migration issues will weigh on relations with the latter.

BELARUS

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	9.5
GDP PER CAPITA US Dollars - 2017	5,727
CURRENCY Belarussian ruble	BYR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-2.5	2.4	3.3	2.5
Inflation (yearly average, %)	11.8	6.0	5.0	6.0
Budget balance (% GDP)	-1.7	-0.3	-2.4	-3.0
Current account balance (% GDP)	-3.5	-1.7	-2.5	-4.0
Public debt* (% GDP)	53.5	53.4	56.0	57.0

(e): Estimate. (f): Forecast. *State-Owned Enterprises debts guarantees included.

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	44%
EURO AREA	14%
UKRAINE	12%
UNITED KINGDOM	8%
POLAND	4%

Imports of goods as a % of total

RUSSIA	57%
EURO AREA	13%
CHINA	8%
POLAND	4%
UKRAINE	4%

- Strategically located between Russia and the European Union with a well-developed transport network
- Relatively well trained and skilled workforce
- Large industrial sector
- Low inequality and rare poverty

- High energy, economic and financial dependence on Russia
- Sensitive to the price of oil and its derivatives
- State plays a massive role in the economy (56% of value added, 70% of GDP); exchange controls
- Poor governance (high corruption, weak legal system)
- Shrinking labour force
- Geographically isolated between NATO and Russia

RISK ASSESSMENT

Moderate growth

After peaking in 2018, growth is expected to revert to a moderate level in 2019. Household consumption, which accounts for 55% of GDP, could be less robust: while wage increases are set to continue, they will be partly offset by inflation fuelled by higher food prices, as well as by higher service prices resulting from wage growth. In addition, regulated prices are likely to rise again. As a result, retail trade may be less driven by economic conditions. Exports (63% of GDP) of chemicals (potash fertilizers, plastics), agri-food products (dairy, beef and veal), agriculture (livestock and cereals), steel, trucks and construction machinery are also likely to flag. While Russian demand is likely to stay the same, demand in the eurozone, Ukraine and Poland could well be less buoyant. Furthermore, poor harvests will automatically affect sales to Russia, which is by far Belarus' largest trading partner.

A massive and inefficient public sector

Public debt has steadily increased to represent more than half of GDP, with 89% of the total amount denominated in foreign currencies. Guarantees from central or local government to state-owned companies (which account for one third of GDP) and banks (which hold 66% of banking assets) are equivalent to 10% of GDP. The agricultural sector (8% of GDP) is almost entirely state-controlled. The public commercial sector has to cope with inefficiency and government instructions that are not always relevant. Consolidation of the public sector will be difficult due to budgetary constraints, especially with the government continuing to wield its influence, notably by directing credit. Privatisation and reorganisation projects, potentially costly in terms of employment and popularity, have been shelved, delaying the conclusion of a financial programme with the IMF. The government's attitude has been facilitated by the return to growth and rapprochement with Russia after the deep recession of 2015/16.

External accounts influenced by Russia

After Belarus refused to recognise the annexation of Crimea and to have a Russian military base, Russia used the pretext of the establishment of the Eurasian Economic Union in 2015 to raise the price of gas and then reduce its oil deliveries. An agreement was finally reached in early 2017, ending a costly dispute for the Belarus economy. Russia has granted an increase in oil deliveries allowed for re-export, refinanced gas arrears and granted new loans. As a result, Belarus was able to issue euro bonds, both to replenish its reserves, which stood at 2.4 months of imports and 75% of short-term debt as of June 2018, and to consolidate its external debt service (70% of GDP). This debt results from a recurring current account deficit, mainly related to the payment of debt interest. The deficit in trade in goods (5.3% of GDP in 2017) is offset by the surplus in services linked to the transit of goods and gas between Russia and Western Europe. The current account deficit is financed by foreign direct and portfolio investment. The deficit is likely to widen, not only because of increased debt interest, but also because of the change in Russia's approach to hydrocarbon taxation from 2019. By 2023, customs duties on hydrocarbon exports will be phased out, offset by an increase in the tax collected at the extraction level. As Belarus's imports of Russian petroleum products are exempt from these customs duties, the switchover could prove costly for the country. In the absence of adjustments, which are currently under negotiation, the cost would amount to USD 300 million (0.5% of GDP) for 2019 alone. Conversely, the forthcoming completion by Rosatom of the Astraviets nuclear power plant, one of whose two reactors will come online at the end of 2019, should be accompanied by a decline in imports of gas and capital goods. The Belarus rouble, which operates under a managed float against a basket of currencies (the rouble, the US dollar and the euro), is not immune to weakness, particularly against the Russian rouble.

A president maintaining the balance between Russia and the West

President Alexandr Lukashenko, in power since 1994, was re-elected for the fifth time in 2015. The political opposition is anaemic. However, the social climate, which deteriorated following the economic crisis of 2015/16 caused by the dispute with Russia, could become tenser again if an agreement is not reached to mitigate the negative impact of Russia's new approach to taxing hydrocarbons. The question of sharing revenues with Russia from the export of petroleum products processed using oil sold below market prices is the subject of regular disputes, while souring relations between Russia and the West may complicate Belarus's balancing act. China's growing use of the country as a production and export base under its Belt and Road initiative, along with increased use of Chinese financing, offer a way for Belarus to diversify its partners.

BELGIUM

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	11.4
GDP PER CAPITA US Dollars - 2017	43,488
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.5	1.7	1.5	1.3
Inflation (yearly average, %)	1.8	2.2	2.3	2.1
Budget balance (% GDP)	-2.4	-0.9	-1.0	-1.0
Current account balance (% GDP)	-0.4	0.9	1.2	1.1
Public debt (% GDP)	106.1	103.4	102.3	100.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	17%
FRANCE	15%
NETHERLANDS	12%
UNITED KINGDOM	8%
ITALY	5%

Imports of goods as a % of total

NETHERLANDS	17%
GERMANY	14%
FRANCE	9%
UNITED STATES	7%
UNITED KINGDOM	5%

- Optimal location between the United Kingdom, Germany and France
- Presence of European institutions, international organisations and global groups
- Ports of Antwerp (second largest in Europe) and Zeebrugge, canals and motorways
- Well-trained workforce through vocational education, multilingualism

- Political and financial tensions between Flanders and Wallonia
- Complex institutional structure and multiple administrative levels
- Highly dependent on the Western European economy (exports of goods and services = 82% of GDP)
- Exports concentrated on intermediate products
- High structural unemployment
- Heavy public debt
- Tight housing market
- Saturated transport infrastructure

RISK ASSESSMENT

Growth to mark time in 2019

Belgium's economic expansion faltered slightly in 2018, echoing the performances of other eurozone countries. Domestic demand remained buoyant, driven by resilient household consumption and increased investment. Unlike in 2017, exports made a small contribution to activity. Growth is expected to stagnate again in 2019, with domestic demand still the main driver. A less supportive European environment and weaker business confidence are expected to cause private investment to moderate. At the same time, the increase in public investment observed following the 2018 municipal elections is expected to be temporary and this will be only slightly compensated for by the measures contained in the Investment Pact. Following the government's collapse in December 2018, some of the investments announced by Prime Minister Charles Michel will likely be withdrawn. Indeed, the caretaker government will only be enabled to deal with projects that have been approved by the former coalition, such as the completion of the RER rail project. However, consumption is expected to take over. Household disposable income is poised to continue growing, boosted by a buoyant labour market and tax cuts for households. However, consumption could be somewhat depressed by continued high inflation resulting from increased domestic production costs due to tight labour market conditions, on the one hand, and from energy prices, which refuse to go down, on the other. External demand is expected to make a less robust contribution due to the slowdown of Belgium's main eurozone partners. At the same time, export competitiveness will likely continue to fall due to the rise in domestic wages and euro appreciation against the US dollar.

Slight deviation from the medium-term budgetary objectives

After falling in 2017, the government deficit stabilised in 2018. Budgetary expenditures and revenues fell by 0.3 and 0.2 percentage points of GDP respectively. The drop in revenues is attributable to the slight slowdown in activity but also to the reduction in compulsory levies as part of the tax shift. Increases in capital expenditure at the municipal level were offset by a larger than expected decrease in federal spending. However, the structural balance declined compared with 2017 to reach 1% of GDP. The government deficit is expected to stabilize in 2019. The fall of Charles Michel's government and the appointment of a caretaker government will likely cancel the reforms planned in the 2019 budget. In fact, as the prerogatives of the new government are limited, the state's budget is divided into provisional twelfths, *i.e.* one-twelfth of the previous year's budget for each month of the financial year. As nominal growth is expected to remain higher than interest rates, public debt should continue to decline in 2019, despite an unchanged primary balance.

The current account should remain in balance. The trade surplus is expected to fall slightly under import pressure. Services will remain in surplus thanks to IT, telecommunications, royalties, transport and trading.

Government falls on the eve of an election year

Given that the country has just entered an election year, the political crisis that shook Belgium in December 2018 is likely to lead to a long period of political uncertainty. Following a disagreement over the ratification of the Marrakech Global Migration Pact, the Nieuw-Vlaamse Alliantie (N-VA), the main Flemish majority party, left the government. The new government of Charles Michel, a minority government, had only 52 deputies out of 150 in the House of Representatives and was forced to rely on Parliament to endorse its decisions. Faced with the risk of a motion of no confidence from the opposition (socialist and ecologist), Charles Michel submitted his resignation to King Philippe on December 18, 2018. The King ruled out the possibility of holding early elections but asked the Prime Minister to lead a caretaker government until the next election deadline. Federal parliamentary elections are expected to be held on May 26 together with regional and community (elections of representatives of regional and community parliaments) and European elections. As supporters of confederalism begin to make their voices heard, it is highly likely that the federal elections will lead to a fragmented Parliament that reflects the divisions that are undermining the country. Acting as a test, the communal and provincial elections confirm two trends that were already perceptible: on the one hand, the gap between Flemish and Walloon people is widening, and on the other hand, the major political parties are weakening in favour of more radical movements. Thus in Wallonia, the Socialist Party was unable to limit the breakthrough of the Belgian Labour Party (PTB), a radical left-wing formation, and in Flanders, the N-VA recorded a slight decline in the cities where the far right is making progress.

PAYMENT & DEBT COLLECTION PRACTICES IN BELGIUM

Payment

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

Cheques are seldom used and only in certain sectors (*e.g.* transport, fruit and vegetable wholesale). 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 beginning 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 neither present nor represented during the proceedings.

Fast track proceedings

This procedure is rarely used in business-to-business cases, and cannot be implemented when the debt is disputed. 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. Moreover, 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, 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

The bailiff assigns the debtor a 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:

- urgency of the measure;
- prior authorisation of the judge is required to lay a conservatory attachment;
- 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 venues of 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.

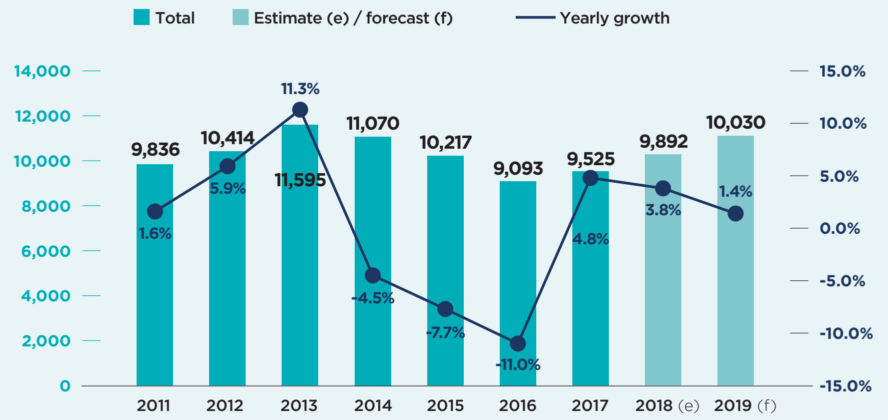
Since 2017, submissions of claims where bankruptcy procedures are involved must be made electronically, *via* the Central Solvency Register (www.regsol.be), which records all bankruptcies over the last 30 years.

Judicial restructuring process

The judicial restructuring process (*reorganisation judiciaire*), designed to reorganise a company's debts with its creditors, 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, 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 INSOLVENCIES



Source: Statistics Belgium, Coface.

BENIN

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **C**

POPULATION Millions of persons - **2017**	**11.1**
GDP PER CAPITA US Dollars - **2017**	**831**
CURRENCY CFA franc (BCEAO)	**XOF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.0	5.6	5.9	6.1
Inflation (yearly average, %)	-0.8	0.1	0.8	1.1
Budget balance (% GDP)	-6.0	-5.9	-4.7	-2.7
Current account balance (% GDP)	-9.4	-11.1	-10.8	-9.2
Public debt (% GDP)	49.5	54.6	56.8	55.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

BANGLADESH	23%
INDIA	11%
UKRAINE	9%
CHINA	8%
NIGER	7%

Imports of goods as a % of total

EURO AREA	21%
THAILAND	18%
INDIA	16%
CHINA	7%
TOGO	6%

+

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

-

- High poverty
- Narrow and volatile export base (dependence on cotton price fluctuations)
- Erratic electricity supply
- Governance gaps
- Impact on activity and tax revenues of Nigeria's economic policy decisions
- Terrorist threat (Boko Haram) from neighbouring Nigeria

RISK ASSESSMENT

The "Revealing Benin" program is boosting growth

Growth in 2019 is set to continue on its favourable trajectory, supported in particular by the continued implementation of the "Revealing Benin" development plan, which foresees investments worth USD 15 billion over five years (2016-2021). Flagship projects, such as the new international airport of Glo-Djigbé or the extension of the port of Cotonou, will continue to drive public investment. Private sector participation in investment is also set to be enhanced *via* the adoption of a PPP law (2017) and reforms to improve the business environment, such as the restructuring of the Investment and Export Promotion Agency and a new Investment Code (2018). Cotton production, which accounted for more than 50% of export earnings in 2017, is expected to continue to increase in 2019, benefiting from reforms in the sector, efforts to improve yields, and favourable international prices. More generally, higher agricultural yields are expected to continue to boost export flows, which should also continue to benefit from the (modest) recovery of neighbouring Nigeria. In addition, the flow of expatriate workers from Nigeria, also expected to increase, will likely maintain the momentum of private consumption. Another contributing factor is low inflation: despite a likely increase in the price of imported products, forecasts indicate it will remain below the 3% threshold set by WAEMU.

Approaching compliance with the WAEMU convergence criteria

In light of the WAEMU deficit convergence criteria of 3% of GDP, the government is likely to continue its efforts to reduce the budget deficit in 2019. Fiscal consolidation efforts should be continued in line with the Benin authorities' commitments under the ECF programme provided by the IMF in April 2017. These efforts include the further rationalisation of current expenditure, to enable the government to continue to support economic growth through capital investment spending. However, these will be accompanied by a programme to improve the efficiency of public investment, which is expected to continue in 2019. The elimination of certain fiscal exemptions and the modernisation of the tax administration should improve revenue collection. Fiscal consolidation should also help to curb the rapid increase in public debt, particularly in the regional market, which has been used to finance public investment in recent years.

The current account deficit is expected to continue to decline in 2019, supported by a reduction in the large trade deficit. Exports are expected to continue to grow thanks to the rapid increase in cotton production and dynamic external demand, particularly from China. Nevertheless, the trade balance is expected to remain in deficit, burdened by a large import bill due to demand for capital goods. The transfer balance is also expected to contribute modestly to this reduction in the current account deficit: remittances from expatriate workers are expected to increase in line with the more favourable economic situation in Nigeria. Concessional borrowing will continue to finance the deficit, but FDI flows, through efforts to stimulate investment, and portfolio investment, buoyed by interest on Beninese debt, could also play a larger role in financing the external deficit.

Social and political tensions are increasing in the run-up to the parliamentary elections

In March 2016, businessman Patrice Talon won the presidential elections through distinguishing himself by his commitment to addressing issues of corruption and ineffective governance. Despite the implemented reforms, which aimed to improve the business environment, the popular discontent is rising, as evidenced by the numerous demonstrations and strikes by civil servants in 2018. Slow progress in the fight against poverty and unemployment, especially among young people, is also a recurrent grievance against Mr Talon and could lead to an erosion of support for the President in the March 2019 parliamentary elections. The controversy surrounding an electoral code that tightens the conditions for standing as a candidate in legislative and presidential elections is worsening a tenser political and social climate. The 2019 legislative elections could thus provide the first tangible indications of the popularity of the government's and the President's actions before the 2021 presidential elections.

BOLIVIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**11.1**
GDP PER CAPITA US Dollars - 2017	**3,413**
CURRENCY Boliviano	**BOB**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	4.2	4.3	4.1
Inflation (yearly average, %)	3.6	2.8	3.2	4.1
Budget balance (% GDP)	-7.2	-7.8	-7.5	-7.0
Current account balance (% GDP)	-5.7	-6.3	-5.3	-5.1
Public debt (% GDP)	44.9	49.0	50.6	52.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	18%
ARGENTINA	16%
EURO AREA	9%
SOUTH KOREA	8%
UNITED STATES	7%

Imports of goods as a % of total

CHINA	22%
BRAZIL	17%
ARGENTINA	13%
EURO AREA	8%
UNITED STATES	8%

+

- Substantial mineral resources (gas, oil, zinc, silver, gold, lithium, tin, manganese) and agricultural resources (quinoa)
- World's 15th largest exporter of natural gas
- Member of the Andean Community and associate member of Mercosur
- Tourist potential
- Currency pegged to the US dollar

-

- Economy is under-diversified and dependent on hydrocarbons
- Private sector is underdeveloped; high dependence on public sector
- Landlocked country
- Large informal sector
- Insecurity, drug trafficking, corruption
- Risk of social unrest

RISK ASSESSMENT

Stable, demand-driven growth

Domestic demand will drive growth again in 2019, thanks in particular to maintained high public spending. Public investment should continue growing under the nation's broad investment plan, the *Plan Nacional de Desarrollo Económico y Social*. Worth USD 48.6 billion over 2016-2020 (116% of GDP in 2018), the plan was introduced in 2015 as part of a counter-cyclical recovery strategy in response to weaker commodity prices. Focused on developing infrastructure and state-owned companies in the energy sector, the programme targets the gas sector, which accounted for 35% of Bolivia's exports in 2017, and refining. Meanwhile, to reverse the downturn in hydrocarbon production due to insufficient private investment in recent years, since late 2017 the government has signed several memoranda of understanding with foreign oil companies for hydrocarbon exploration and exploitation, including Repsol, Shell and Pan American Energy (USD 900 million), Petrobras (USD 700 million), Kampac Oil (USD 500 million), Milner Capital (USD 2 billion) and Gazprom (USD 1.2 billion). However, these investments will not translate into an effective increase in production until 2020 or even 2021. Although President Evo Morales has stressed that these private investments point to an improving environment, the business climate remains problematic (Bolivia placed 152nd in the Doing Business 2018 ranking, with a high risk of nationalisation and discrimination of private investors in favour of state-owned companies) and continues to influence investment decisions in the country. Agriculture, which accounts for 27% of jobs, is expected to remain strong, barring adverse weather conditions. Private consumption is set to slow as inflation rebounds. At the same time, inflation should remain measured thanks to the boliviano's peg to the dollar US. The failure to pay end-of-year bonuses in the public and private sectors (conditional on GDP growth of 4.5%) will limit the increase in purchasing power. Moreover, despite the strong increase in imports due to investment projects, external trade should make a positive contribution to growth, with exports expected to pick up on continued high hydrocarbon prices. Brazil and Argentina, which receive 98% of Bolivia's gas exports, will remain the main markets for hydrocarbon sales.

Twin deficits still substantial despite slight improvement

The government deficit should continue to shrink gradually in 2019 on strong energy-related revenues, but it will remain substantial as the government pursues its accommodative fiscal policy under its five-year investment plan. President Morales has also announced the introduction of universal social security in 2019 (0.7% of GDP). Generally speaking, in an election year, spending on civil servants' salaries and social programmes (29% and 21% of public spending respectively in 2017) is unlikely to go down. Public debt will thus continue to grow, while remaining sustainable (external share equivalent to 24% of GDP in August 2018).

The current account deficit will remain substantial despite a slight improvement. The balance of goods and, above all, services is in deficit because of the intermediate goods needed for investment projects. However, strong exports – chiefly of gas, gold and minerals such as zinc – should help to narrow the trade deficit, which will be partially offset by remittances from expatriate workers (4% GDP in 2017). Unless FDI accelerates sharply (2% of GDP in 2017), the government will finance the deficit by continuing to draw on foreign exchange reserves (nine months of imports in September 2018, compared with 12 in 2016 and 14 in 2015).

2019 general elections: President *vs* former President

President Evo Morales of the Movimiento al Socialismo (MAS) party, who has been in power since 2005, will stand for a fourth term in the October 2019 elections. Despite being rejected in the February 2016 referendum – 51.3% of people said they were against unlimited re-election – the two-term limit enshrined in the constitution was abolished by Bolivia's constitutional court in November 2017. Mandatory primary elections for political parties, initially planned for 2024, will now take place in January 2019. The incumbent's main opponent may be Carlos Mesa, President between 2003 and 2005. Because the new law prevents candidates from running without a party, Mesa is representing Comunidad Ciudadana, a centre-left coalition. Mr Mesa, who had been accused of unduly expelling a Chilean company during his term of office, was pardoned by President Morales in exchange for support in the case brought by Bolivia against Chile over access to the sea, which was rejected by the International Court of Justice in October 2018. While the election result is uncertain, polls conducted a year before Bolivians place their votes show Mr Morales and Mr Mesa, at 29% and 27% respectively, far ahead of the rest of the opposition, which includes Óscar Ortiz, of the centrist coalition Bolivia dice No.

BOSNIA AND HERZEGOVINA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**3.5**
GDP PER CAPITA US Dollars - 2017	**5,181**
CURRENCY Bosnia and Herzegovina convertible mark	**BAM**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.2	3.0	3.2	3.5
Inflation (yearly average, %)	-1.1	1.2	1.4	1.7
Budget balance (% GDP)	0.3	2.1	1.5	0.2
Current account balance (% GDP)	-4.9	-4.8	-5.7	-6.2
Public debt (% GDP)	44.0	39.4	39.0	38.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	51%
CROATIA	12%
TURKEY	4%
HUNGARY	2%
SWITZERLAND	2%

Imports of goods as a % of total

EURO AREA	40%
CROATIA	10%
CHINA	7%
RUSSIA	5%
TURKEY	4%

+

- IMF financial assistance
- Large transfers from expatriate workers
- Stabilisation and Association Agreement with the EU with pre-accession funds
- Potential for tourism (11% of employment and 9.6% of GDP) and hydroelectricity, which already accounts for 34% of electricity produced

−

- Institutional, regulatory, ethnic, economic and regulatory fragmentation
- Lack of public investment (transport, education, health)
- Low diversity and low value added of exports
- Inappropriate targeting of social protection
- Large informal sector, low labour force participation (43%) and high youth unemployment

RISK ASSESSMENT

Activity supported by consumption

Despite a low-quality institutional and political environment, economic activity is expected to remain strong in 2019. Higher wages, strong remittances from expatriates (9% of GDP), and more visitors from neighbouring countries are set to increase revenues, boosting household consumption. Reported employment will likely increase as the informal sector shrinks and jobs are created across all sectors. Credit will continue to grow vigorously, with doubtful loans (9% of outstanding loans) declining further. Retail trade will benefit from this positive trajectory. Conversely, exports of ores, wood, metals, chemicals, and footwear could slow as their main markets cool. However, agri-food and electricity sales stand to benefit from trade liberalisation with the EU and Russia. Public investment in infrastructure and administration will depend on the IMF releasing additional financing under the ECF, and, in turn, on the EU (€315 million over 2018-2020) and the EBRD (€700 million over 2018-2020 in partnership with the private sector). Payment of these funds is conditional on progress in implementing the Reform Agenda adopted in 2015, but also on institutional and administrative performances. This money will boost construction by supporting continued construction of the Corridor Vc motorway, which will cross the country between the Croatian border in the north and the Adriatic, as well as in the energy sector. Private investment, both domestic and foreign, will remain modest as low labour costs fail to offset persistent institutional weaknesses and a mediocre business environment.

Public accounts are in adequate shape, but the current account deficit is high

Bosnia-Herzegovina is expected to continue loosening fiscal policy slightly, while maintaining a balanced budget in 2019. Revenues, a 40% share of which is attributable to VAT, represent 43% of GDP and are growing in line with activity. Salary expenditures are contained, although this is less true for the Serbian entity. This balance, along with moderate growth, will be sufficient to stabilise the share of the country's modest public debt, which is mainly denominated in euros (86%) and the local currency, the mark, which is pegged to the euro. Foreign creditors, half of which are multilateral public bodies, hold 68% of this debt. The debt is divided roughly equally between the country's constituent Bosnian-Croat and Serb entities, but, taking into account the respective GDPs, the Serbian public debt is higher (60% of GDP). While the public accounts look to be in acceptable shape, the way that their management is fragmented between the central government and the two entities, the future cost of pension and health systems and poor governance at state-owned companies could cause nasty surprises going forward.

The current account deficit may widen further in 2019. However, the trade deficit is expected to fall below a quarter of GDP. Expatriate remittances and the services surplus (7% of GDP) related to tourism and transport will, as usual, partially offset the trade deficit. International financing and FDI (2% of GDP) will help to bring the balance of payments into equilibrium, while maintaining foreign exchange reserves at the comfortable level of seven months of imports. Despite the reduction in bank debt, external debt accounts for 53% of GDP, divided equally between public and private debtors.

Ethnic divisions and the coexistence of three governments

The 1995 Dayton Agreements divided Bosnia and Herzegovina into two distinct autonomous entities: the Bosnian (Muslim) and Croat-dominated federation of Bosnia-Herzegovina and the Serb Republic of Bosnia, plus the district of Brčko managed by the central government. The central government is led by a collective presidency representing the three "constituent peoples", which rotates every eight months. The constitution assigns very few powers to the central government, which is responsible for foreign and monetary policy, customs duties, VAT, transport and defence. Even these powers are difficult to manage, since each ethnic component has a blocking minority in the central Parliament. Muslim Bosnians are trying to strengthen the role of the central government, while Croats, who want their own autonomous entity, and Serbs, who are tempted to join Serbia, hope to derail the legislative processes. The October 2018 presidential and parliamentary elections again played out along ethnic lines, putting nationalist parties in control of the assemblies. The only surprise came when Zeljko Komsic of the Democratic Front beat his rival Dragan Covic of the Croatian Nationalist Party (HDZ) to win the position reserved for Croats in the collective presidency. Lengthy negotiations are expected to be required to form government coalitions, which will slow down the adoption of reforms needed for the resumption of multilateral financing and the process of applying to join the EU. The country's institutional complexity does not make it any easier to deal with judicial deficiencies, regulatory disparities, corruption, oppressiveness and low administrative efficiency.

BOTSWANA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	2.3
GDP PER CAPITA US Dollars - 2017	7,584
CURRENCY Botswana pula	BWP

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	2.4	4.6	3.6
Inflation (yearly average, %)	2.8	3.3	3.8	4.0
Budget balance (% GDP)*	0.7	0.2	-3.7	-3.0
Current account balance (% GDP)	13.7	12.3	8.7	7.7
Public debt (% GDP)	15.6	14.0	13.2	13.5

(e): Estimate. (f): Forecast. *Last fiscal year from April 2019 to March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	23%
INDIA	19%
UNITED ARAB EMIRATES	15%
SOUTH AFRICA	10%
SINGAPORE	8%

Imports of goods as a % of total

SOUTH AFRICA	64%
CANADA	9%
NAMIBIA	7%
EURO AREA	4%
INDIA	4%

\+

- Abundant natural resources (especially diamonds)
- Low public and external debt
- Substantial currency reserves
- Political stability and level of governance put the country in the top tier of sub-Saharan African countries in international business environment rankings
- Member of the Southern Africa Custom Union (SACU)

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- Dependent on the diamond sector (more than 80% of exports)
- Insufficient infrastructure (production and distribution of water and electricity)
- Inequality and high unemployment. Poverty stuck at a relatively high level

RISK ASSESSMENT

Growth driven by the mining industry and public investment

Although set to slow, growth will reach a comfortable level in 2019, mainly driven by the extractive industries (20% of GDP), which are expected to perform well thanks to new initiatives. In this regard, Canadian company Lucara Diamond (which operates the Karowe diamond mine), and the state-owned Morupule coal mine have announced production increases. Conversely, agriculture, could have a dampening effect on economic activity, after the severe drought of 2018. Other sectors of activity, including infrastructure construction, will be supported by public investment, the second largest driver of the economy.

The government aims to pursue its policy of economic diversification and will continue to spend on education, health and the construction of roads and electricity infrastructure. As part of this, Botswana Railways (BR), a state-owned company, is to build an additional 520 km of rail network in the country (to improve connections with South Africa and Zambia), while the Botswana Power Corporation (BPC), which is also state-owned, will extend its power lines to the northeast of the country.

Private investment will continue to be supported by an accommodative monetary policy, including a borrowing rate that has been at a record low 5% since 2017. Household purchasing power, however, could be affected by the uptick in inflation on higher commodity prices, but especially by substantial unemployment (18% in 2017), which will impact private consumption.

Fiscal imbalance and current account surplus

The public accounts will still show a deficit in 2019, owing to the continuation of an expansionary fiscal policy. However, mining-related revenues (about one third of total revenues) will increase with production and exceed the decline in customs revenues paid by the SACU (also equivalent to one third of the total), resulting in a lower government deficit than in the previous year. Rather than raise tax collection to balance the budget, the government will allow its deficit to persist until the 2019 general elections, so as not to lose popularity.

Turning to the external accounts, the structural current account surplus is expected to decline due to a larger trade deficit. Diamond exports are set to increase at a slower pace (due to cooler US demand) than capital goods imports. The trade deficit is the only negative contribution to the current account and will be largely offset by the surplus in the balance of tourism-related services (4.5% of GDP in 2017) and SACU transfers (6.3% of GDP). Because of this favourable situation, Botswana boasts substantial foreign exchange reserves (more than ten months of imports in 2017). The remaining reserve surplus, after the central bank has withdrawn what it needs for its activity, is transferred to the Pula Fund, a sovereign wealth fund created in 1994. The Pula Fund is used to finance a large part of the budget deficit. As a result, Botswana will continue to make limited use of domestic and foreign debt: the country's debt – and its external portion (15% in 2017) – should therefore remain low.

Awaiting the October 2019 general elections

President Mokgweetsi Masisi, who came to power in April 2018 following the resignation of Ian Khama, will represent the Botswana Democratic Party (BDP) in the general elections scheduled for October 2019. Although the BDP has been in power since the country's independence in 1966, support for the government seems to have been waning for several years. This trend has become more pronounced since the 2016 closure of the state-owned company Bamangwato Concessions Limited (BCL), which employed a significant proportion of the local population. In a context of high poverty and persistent unemployment, this move revived criticism of the government for making insufficient headway in economic diversification, which was supposed to address these two chronic problems. However, the opposition, represented by the Collective for Democratic Change (UDC), a coalition of four parties (BNF, BCP, BPP and BMD), is plagued by internal conflicts and struggles to offer a credible alternative to the BDP. The disorganisation of the opposition, the increase in pre-election budget spending and President Masisi's stated resolve to boost job creation could favour the BDP and offset the ruling party's declining popularity.

Botswana is consistently well placed among its sub-Saharan African peers in international rankings (86th out of 190 countries in the World Bank's Doing Business ranking). However, progress still needs to be made in terms of improving the business environment and supporting private sector development.

BRAZIL

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	207.7
GDP PER CAPITA US Dollars - 2017	9,896
CURRENCY Brazilian real	BRL

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-3.3	1.1	1.3	2.5
Inflation (yearly average, %)	8.7	3.4	3.7	4.2
Budget balance (% GDP)	-9.0	-7.8	-7.1	-6.0
Current account balance (% GDP)	-1.3	-0.5	-0.8	-1.2
Public debt (% GDP)	70.0	74.0	77.2	78.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	22%
EURO AREA	14%
UNITED STATES	12%
ARGENTINA	8%
JAPAN	2%

Imports of goods as a % of total

CHINA	18%
EURO AREA	18%
UNITED STATES	17%
ARGENTINA	6%
SOUTH KOREA	3%

+
- Varied and rich mineral resources and agricultural harvests
- Well-diversified industry
- Improving institutional transparency following recent corruption scandals
- Strong foreign exchange reserves (import coverage of roughly 26 months)

−
- Very sensitive fiscal position
- Infrastructure bottlenecks
- Low level of investment
- High cost of production (wages, energy, logistics, credit) harming competitiveness
- Shortages of qualified labour; inadequate education system

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	MEDIUM
CHEMICAL	HIGH
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Activity expected to gain some strength

The economy registered a second year of mild recovery in 2018. Household consumption contributed positively to GDP, as inflation remained well anchored, the policy rate reached historical minimum, and the unemployment rate continued to improve (despite remaining high). Moreover, exports benefited from better terms of trade (oil and manufacturing prices). Nevertheless, a strong rebound in gross fixed investments failed to materialise, as idle capacity remained elevated, and political uncertainties were high in light of the October 2018 presidential elections. Activity was also hit by a 10-day lorry drivers' strike, which paralysed the economy in the last days of May.

A relatively higher economic momentum is expected in 2019, as political uncertainties dissipate and job market recovery continues (supporting stronger household consumption). Inflation will remain close to the central bank's target (4.25% for 2019). Some monetary tightening might be implemented in the second half of the year, as advanced economies (notably the United States) raise their policy rates. Downside risks are related to an escalation of the US-China trade war, the latter the main destination of Brazil's exports. Moreover, the continuing crisis in Argentina (Brazil's third-largest export partner) will continue to hamper the performance of manufacturing exports in 2019. Domestically, a failure to address the pension system reform this year could jeopardise the stronger economic momentum.

Sound foreign positions diverges from the challenging fiscal stance

In 2018, the country's current account deficit reported a marginal widening, underpinned by a large trade surplus. FDI (mainly in manufacturing industries like coke, oil derivatives and biofuels, automotive, and food) cover more than three times the external deficit. In 2019, although the current account deficit is likely to further deteriorate as economic activity improvement raises imports, the worsening should be moderate.

The framework is much different when it comes to the fiscal stance. The country has registered primary fiscal deficits (before interest payments) for the last five years in a row. This imbalance is mainly attributed to social security expenses, which have increased exponentially, reaching a deficit of roughly 2.8% of GDP. The new government, which took office on January 1, 2019, will focus on a social security reform. Nevertheless, even if the fiscal deficit is expected to narrow in 2019, the government's campaign promise to reduce the imbalance to zero this year is not feasible.

A far-right President takes office

As widely anticipated, the far-right candidate Jair Bolsonaro from the Social Liberal Party (PSL) won the race runoff presidential elections at the end of October 2018. Mr Bolsonaro is a former military officer that has been a member the Chamber of Deputies since 1991, and was the most-voted congressman in the state of Rio de Janeiro in 2014. He will need to deal with a much polarised country that is facing a rising violence, and where the scars of the deep 2015/16 recession – when GDP dropped by 7% – remain visible (there are still roughly 12 million unemployed people in the country). Moreover, he won the presidential elections with the highest rejection rate since Brazil came back to democracy (approximately 39%). This pushback against Mr Bolsonaro among part of the population – and even outside the country – is underpinned by the controversial speeches that have marked his political career.

The initial economic response to his victory has been positive, mainly due to Paulo Guedes, who took office as the new Minister of the Economy. Mr Guedes is a well-known Brazilian liberal economist who defends the formal independence of the central bank, the privatisation of state-owned companies (using the resources to reduce public debt), and proposes a capitalisation system for social security. In terms of foreign policy, Mr Bolsonaro intends to focus on bilateral trade deals, as well as making Mercosur more agile and allowing its members to negotiate free trade agreements bilaterally. It is worth nothing, however, that this honeymoon with the financial market could prove short-lived if the new administration fails to address the social security reform. The new economic team committed to this task will need to prove its ability to negotiate in a highly fragmented Congress and create coalitions. Although PSL registered a stronger than expected showing in the legislative elections (52/513 seats in the Lower House and 4/81 in the Senate), it failed to reach majority. Constitutional amendments (such as the pension reform) require 308 votes in the Lower House and 49 in the Senate to be approved.

PAYMENT & DEBT 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.* the STR real time Interbank Fund Transfer System (*sistema de transferência de reservas*) or the National Financial System Network (*rede do sistema financeiro nacional,* RSFN).

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. 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.

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.

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 lies 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

Ordinary proceedings are presided over by an interrogating judge (inquisitorial procedure), and require 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 15 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

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

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, and the award has to comply with all the requirements for enforcement (such as being translated from Portuguese by a public sworn translator).

Extrajudicial Instruments

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) and extra-legal enforcement titles, which includes 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.

Insolvency Proceedings

Out of Court restructuring

Debtors 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

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 60 days to present a list with all debts from creditors, and a payment plan. A judge then 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. Once accepted, payments start as decided in the approved plan. The estimated period of this lawsuit is between 5 and 20 years.

Liquidation

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

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	7.1
GDP PER CAPITA US Dollars - 2017	8,077
CURRENCY Bulgarian lev	BGN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.9	3.8	3.6	3.4
Inflation (yearly average, %)	-1.3	1.2	2.5	2.5
Budget balance (% GDP)	1.6	1.1	0.8	0.6
Current account balance (% GDP)	2.6	6.7	2.9	1.0
Public debt (% GDP)	27.4	23.9	23.3	22.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	13%
ITALY	8%
ROMANIA	8%
TURKEY	8%
GREECE	6%

Imports of goods as a % of total

GERMANY	12%
RUSSIA	10%
ITALY	7%
ROMANIA	7%
TURKEY	6%

- Diversified productive base
- Low public debt
- Tourism potential
- Low production costs and good price competitiveness

- Corruption and organised crime
- Inefficient public services and judicial system (influence of the business community)
- Unstable government and fragmented political landscape
- Lack of skilled labour
- Declining and relatively poor population (GDP per capita = 50% of the EU average)
- Informal economy (estimated at 20% of GDP)

RISK ASSESSMENT

Domestic demand will remain the chief growth driver

After a slight slowdown, Bulgarian growth is expected to stabilise in 2019. As in the past, domestic demand will remain the main driver of growth – even if it will increase less vigorously than in 2018. It will benefit from the high level of household confidence and rising wages in both the public and private sectors, against a backdrop of skill shortages. The historically low unemployment rate (5.3% in July 2018) and the 10% increase in the minimum wage planned for 2019 will also have a positive impact. Despite their low absorption rate, European Structural Funds, together with increased capacity utilisation (77% in the third quarter of 2018), will stimulate investment (21% of GDP in 2017). In addition, consolidation of the banking sector – which began in the wake of the 2014 banking crisis – will continue, with a reduction in non-performing loans and an increase in credit. The textile sector (10% of exports) will continue to expand, helped by the competitiveness of the Bulgarian workforce. However, exports could suffer from more muted growth in some European Union countries (65% of exports) and Turkey (8%).

After increasing in 2018, partly due to higher energy and fuel prices, inflation is expected to hold steady in 2019, again supported by household consumption.

Public and external accounts still in balance

The small government surplus is expected to change only slightly in 2019. However, expenditure is set to surge due to increases in the minimum wage and in public sector salaries. More spending is also ahead for social policies (50% more than in 2018), as well as in health and defence. With the help of European Structural Funds, the implementation and continuation of infrastructure projects will lead to an increase in public investment. This is not expected to lead to a significant reduction in the government surplus, as revenues will also go up: as revenues are mainly derived from taxes (62% of revenues in 2017), collection will be favoured by lively economic activity. Despite the bank rescue in 2014/15, the burden of public debt remains moderate and is expected to continue to decline in 2019, thanks to the preservation of the government surplus.

Nevertheless, the country's external situation is not as robust. The current account surplus is set to shrink once again. Although it will be offset by the surplus in services (6.2% of GDP in 2017), linked to tourism and road transport, the trade deficit (2.4% of GDP in 2017) is expected to widen in 2019, as domestic demand stimulates imports. The balance of transfers will remain in surplus (2.5% of GDP in 2017), thanks to European subsidies and expatriate transfers. The current account surplus and inward foreign investment (other than FDI) will make it possible to build up foreign exchange reserves, which are equivalent to nearly nine months of imports. These reserves are needed to maintain the credibility of the lev's peg to the euro.

Fragile political stability

Following early parliamentary elections in March 2017, which allowed the Bulgarian Socialist Party (BSP) to double its seats in Parliament, Prime Minister Boiko Borissov of the centre-right Citizens for the European Development of Bulgaria Party (GERB) was forced to form a coalition in order to maintain a parliamentary majority. He concluded an agreement with the United Patriots, itself an alliance of three nationalist political parties, allowing him to obtain 122 of the 240 seats in the legislative body. Since then, the opposition has tried to overthrow the government through motions of censure, all of which have been rejected, in a sign of relative political stability. However, this stability is likely to be further weakened by tensions within the coalition, particularly between the three parties forming the United Patriots alliance.

In August 2018, the government approved a reform programme with a view to joining the European Exchange Rate Mechanism 2 (ERM II) and the European Banking Union by the end of summer 2019, in order to prepare the country for entry into the euro area. These reforms relate, in particular, to the procedures to be followed in the event of company bankruptcies, the management of state-owned companies and the independence of the National Bank of Bulgaria. Although the country was removed from the list of nations with excessive economic imbalances in March 2018, and although the ECB and the European Commission confirmed that – with the exception of ERM II accession – Bulgaria fulfilled the Maastricht criteria, its social progress seems less clear-cut. The country has one of the highest poverty rates and the highest level of income inequality in the European Union.

BURKINA FASO

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	19.2
GDP PER CAPITA US Dollars - 2017	655
CURRENCY CFA franc (BCEAO)	XOF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.9	6.4	6.0	6.0
Inflation (yearly average, %)	-0.2	0.4	1.3	2.0
Budget balance* (% GDP)	-3.4	-7.7	-5.0	-3.1
Current account balance (% GDP)	-7.1	-7.9	-8.6	-7.5
Public debt (% GDP)	38.3	38.3	41.0	41.3

(e): Estimate. (f): Forecast. *Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	44%
INDIA	14%
SOUTH AFRICA	10%
COTE D'IVOIRE	7%
EURO AREA	6%

Imports of goods as a % of total

EURO AREA	20%
CHINA	13%
COTE D'IVOIRE	10%
UNITED STATES	8%
THAILAND	8%

+

- Major producer of gold (4th in Africa in 2017) and cotton (2nd in Africa in 2018)
- Member of the West African Economic and Monetary Union (which ensures the stability of the CFA franc, fixed parity against the euro)
- Supported by the international financial community (one of the first countries to have benefited from the HIPC initiative)

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- 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

RISK ASSESSMENT

Public investment is fueling growth with little diversification

The third year of implementation of the National Economic and Social Development Plan (PNDES) is expected to foster dynamic growth in 2019 through public investment, aimed at addressing the infrastructure deficit. The gold sector, another economic driver of the country (12% of GDP and more than 60% of exports), will experience an increase in its production in 2019, in particular thanks to the launch of commercial production at the Boungou mine in September 2018. Largely financed and operated by foreign private investors (Canadian SEMAFO for Boungou), the sector could, however, suffer from the fragile security environment (frequent kidnappings from mines), as well as from possible gold price fluctuations in 2019. Cotton production (the second largest export) is expected to increase by about a third (200 thousand tonnes), after the country lost its status as the leading African producer (to Mali) in 2018 due to harsh weather conditions. The sector is expected to benefit from higher prices resulting from lower production and rising global demand, as well as from the quality of its (GMO-free) cotton fibre. PNDES investments also aim to develop the agri-food and textile sectors with the aim of moving the country's economy, mainly production-oriented, towards the processing of agricultural raw materials, with a processing target of 25% by 2020. With this in mind, the artisanal cotton processing plant in Bobo-Dioulasso is expected to open in 2020, thanks to the mobilisation of a PPP. This method of financing responds to the government's desire to increase the contribution of private investment to growth in 2019. The increase in agricultural income (80% of the working population), as well as inflation control, should allow private consumption (more than half of GDP) to grow.

The desire to consolidate the public accounts in the face of cyclical risks

The budget deficit is expected to continue to decline in 2019 in order to move closer to the WAEMU convergence criteria, which sets a maximum of 3%. The slight increase in the amount of tax revenue will be due to the increase in certain taxes (tobacco, beverages), the increase in the tax burden rate to 20.2% presented in the budget, and the introduction of more efficient collection methods, among other measures. However, the high level of investment and current expenditure linked to the economic situation (fight against terrorism, social crisis) generates a high level of public expenditure (around 28% of GDP, IMF estimates for 2019) despite an expected slight decrease, jeopardising compliance with budgetary commitments.

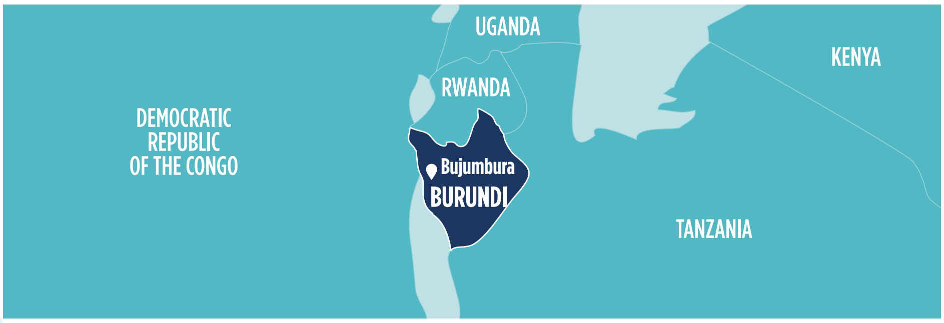
The increase in gold and cotton production, as well as the increase in the latter's price, should offset the rise in oil prices (15% of imports), leading to a reduction in the trade deficit, which is highly dependent on commodity prices. At the same time, the services deficit (-7.2% of GDP in 2017) and remittances from expatriates (3.5%) are expected to remain at levels broadly similar to those of 2018. As a result, the current account deficit is expected to improve slightly, partly financed by the extended credit facility of €135 million granted by the IMF in March 2018. The improvement in the current account and the increase in grants should allow a slight reduction in the external public debt (24% of GDP).

A fragile security context and a tense social situation

Security will remain the main challenge facing President Kaboré and his government in 2019. The year 2018 saw an increase in attacks by Islamist terrorists, including that of Ouagadougou on March 2, which killed 30 people. The slow establishment of the G5 Sahel force, and its difficulty in financing, suggest that the unrest will not be resolved in 2019. In 2017, the government launched the Sahel Emergency Plan, which will run until 2020. The objective of this program, which costs around €700 million, is to provide a social response by developing public infrastructure (schools, administration, etc.) in the regions affected by terrorism, which are the poorest. In addition, the country has launched a new business environment steering and monitoring committee to improve poor performance (151st in the "Doing Business", down three places compared to 2018) and the government hopes to see the first benefits as early as 2019.

With this hostile situation, the constitutional referendum of March 2019, which includes an amendment to limit the length of a presidential term to two consecutive terms of five years (10 years in total), will constitute a full-scale test for the executive as the next presidential elections in 2020 approach, when Roch Marc Christian Kaboré will run for his own succession. In addition, in May 2018, the country definitively severed its diplomatic ties with a historical ally: Taiwan. As a result, China reopened its embassy in Ouagadougou, which has been closed for 24 years. This augurs an increase in "political, diplomatic and economic" relations according to the Minister of Foreign Affairs, starting with an increase in trade and the release of funding for the G5 Sahel force.

BURUNDI



COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	**10.9**
GDP PER CAPITA US Dollars - 2017	**312**
CURRENCY Burundi franc	**BIF**

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	25%
CONGO DR	16%
EURO AREA	12%
PAKISTAN	9%
SWITZERLAND	5%

Imports of goods as a % of total

INDIA	14%
CHINA	14%
EURO AREA	12%
SAUDI ARABIA	9%
TANZANIA	7%

+

- Natural resources (coffee, tea, gold)
- Member of the East African Community (EAC)
- World's second largest nickel reserve with 6% of the total

−

- Entrenchment of the political crisis that began in 2015
- Suspension of international aid following the political crisis
- Border tensions with Rwanda
- Poorly diversified economy; vulnerable to external shocks
- Geographically isolated
- Activity hampered by lack of infrastructure and limited access to electricity
- Decrease in the labour force as the political crisis has forced people to flee the country

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-0.6	0.5	1.9	2.3
Inflation (yearly average, %)	5.5	16.1	10.3	11.4
Budget balance* (% GDP)	-6.9	-4.5	-3.8	-4.4
Current account balance (% GDP)	-11.5	-11.3	-10.1	-8.6
Public debt (% GDP)	48.4	51.7	58.4	63.5

(e): Estimate. (f): Forecast. *Grants included.

RISK ASSESSMENT

Fragile and undiversified growth

Despite the ongoing political crisis, which has now spread to the social sphere, in 2019 Burundi is expected to experience its highest growth rate since 2014, the year before the difficulties began. With favourable weather conditions, higher agricultural yields will allow the primary sector to expand. The population, which is largely dependent (90% of jobs) on agriculture (30% of GDP), will then benefit from the resulting increase in incomes, generating a positive growth contribution from private consumption (83% of GDP), although this will be mitigated by high inflation. Exports of tea and coffee, the main outlets for agriculture, are expected to grow on the back of increased production, but at a slower pace than in 2018 as a result of softer world prices. Inflation in the price of imports, mainly manufactured products and oil, will push up the import bill, which could lead trade to contribute negatively to growth. Prompted by its determination to do a better job of harnessing Burundi's mining potential, particularly in nickel, the government has taken positive measures, such as granting operating licences, to encourage private investment that will make up for the shortfall in public investment due to lack of resources. The positive effects observed in 2018 are expected to continue, albeit on a smaller scale, with investment growth of 5.3% in 2019 (down from 11.7% in 2018) forecast by the World Bank. However, political instability will continue to be a cause of concern for investors, and the strong growth in investment over 2018/19 is largely the result of a correction after two years of drastic decline after the onset of the political crisis in 2015.

Large public and current account deficits despite efforts

According to the Finance Act passed by Parliament in June 2018, the budget deficit is expected to decrease over 2018/19 compared with 2017. The increase in expenditure, particularly current expenditure, but also capital expenditure to a much smaller extent, is expected to be less significant than that of revenue, particularly tax revenue. As the country has no access to international capital markets, the government will finance itself through the central bank and on the domestic market, by issuing treasury bills and bonds (more than 80% of the total), which will fuel inflation. In 2018, 70% of public debt was domestic debt, comprising 40% from the central bank and the rest from commercial banks, while the other 30% was external debt, 77% of which was from multilateral partners.

The current account deficit is expected to continue to shrink in 2019, despite the decline in expatriate and official remittances. Structurally in deficit due to large imports of manufactured products (60% of the total) and oil (20%), the trade balance has deteriorated owing to depreciation of the currency and its impact on import prices. This deterioration will be contained by an uptick in mining and agricultural exports. The low level of external aid will be insufficient to finance the current account deficit. Increased FDI, thanks to government support, should also contribute to the financing while reducing the use of the central bank's foreign exchange reserves (1.5 months of imports), which will continue to decline despite everything, accentuating the depreciation of the Burundian franc and the lack of liquidity in the economy.

Fading hopes of resolving the political and diplomatic crisis

President Pierre Nkurunziza's announcement that he would not run for a third term in 2020 – a move that would not have been authorised by the constitution – failed to ease the tensions created when he announced his candidacy in 2015. The UN, which had called for talks between the government and the opposition in order to organise the 2020 elections in a transparent manner, had its Human Rights Mission expelled from Burundi at the end of 2018 at the request of the government. This will further complicate the country's relations with the international community, which has already expressed its concerns about the fate of political opponents. The International Criminal Court (ICC), from which the country withdrew in 2017, is investigating alleged crimes against humanity, including murder and torture, and there have been media reports of torture camps for opponents of the regime. Burundi also refused the African Union's request to send human rights observers and military experts to the country. Negotiations orchestrated by the East African Community (EAC) ended in failure after President Nkurunziza pulled out of the Arusha Summit, citing timing issues. Since the crisis began in April 2015, nearly half a million Burundians have fled the violence and economic stagnation in Burundi. The political crisis has undermined efforts to improve the business environment (168th in Doing Business 2019) and governance, which remains among the weakest in the world according to World Bank indicators, particularly in the areas of political stability (201st) and the rule of law (194th).

CABO VERDE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	0.5
GDP PER CAPITA US Dollars - 2017	3,301
CURRENCY Cabo Verde escudo	CVE

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.7	4.0	4.2	4.0
Inflation (yearly average, %)	-1.4	0.8	1.0	1.6
Budget balance (% GDP)	-3.1	-3.0	-2.1	-1.9
Current account balance (% GDP)	-2.4	-6.2	-9.1	-10.0
Public debt (% GDP)	127.6	125.8	129.9	130.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	95%
TURKEY	1%
UNITED STATES	1%
OMAN	0%
AUSTRALIA	0%

Imports of goods as a % of total

EURO AREA	76%
CHINA	5%
BRAZIL	3%
JAPAN	1%
THAILAND	1%

+

- Growth of tourist activity
- Fishery reserves
- Efficient banking and telecommunications services
- Stable, independent political institutions
- Exchange rate cooperation agreement with Portugal, guaranteeing convertibility and a fixed rate with the euro, and a credit facility

−

- 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
- Dependent on external shocks, international aid, the diaspora and tourism
- Exposed to climate change, volcanic and earthquake events, and cyclones

RISK ASSESSMENT

Comfortable growth linked to external demand

Cape Verdean growth is expected to stabilise at a comfortable level in 2019 thanks to a favourable external environment. Economic activity is mainly linked to the supply of services (73% of GDP in 2017), and more specifically to tourism activity, which is expected to continue amid strong demand from European countries. In addition to providing the country's main source of tourists, European countries are also Cabo Verde's principal trading partners. The strength of tourism could spread to other sectors of the economy, especially industry (20% of GDP), where foreign investment looks set to increase (construction of new hotels), providing a channel for construction and creating jobs. Conversely, public investment is expected to remain weak due to the restrictive fiscal policy still in place, which could have negative effects on growth, but should be offset by rising domestic consumption thanks to better access to credit. Agriculture (10% of GDP), which contracted in 2018 due to a severe drought, could recover if weather conditions are favourable. Inflation is expected to slightly accelerate in line with rising energy and food prices, but should remain under control.

Continuation of the fiscal consolidation required by the exchange cooperation agreement with Portugal

Controlling debt sustainability, particularly its external share (75%), remains the government's priority and justifies continuation of the restrictive fiscal policy. Fiscal consolidation will take the form of a reduction and improvement in the allocation of expenditure. With this in mind, the government plans to reform the management of state-owned enterprises, particularly the three making the heaviest losses: TACV (airline), IFH (real estate) and Electra (water and electricity). This will lead to some operations being reassigned to other more efficient state-owned enterprises, a renegotiation of debts to creditors to reduce them by half (TACV's debts alone represent 6% of GDP), and, eventually, the privatisation of these companies. As a result, the budget deficit is expected to decline, and debt should stabilise while remaining at a high level. Nevertheless, the risk of default remains under control, with much of the debt in the form of concessional loans from international organisations and long-term loans. Interest payments on the debt represented 3% of GDP in 2017.

Regarding the external accounts, the current account deficit is expected to widen due to increased imports of capital goods, driven by the start and continuation of construction projects, while fish and shellfish exports are expected to remain stable. The increase in the services surplus (17% of GDP in 2017), thanks to the growth in tourism, and the surplus in the balance of transfers (15% of GDP) will not offset the trade deficit (37% of GDP). Increased FDI (6% of GDP in 2017) from European countries will likely finance the current account deficit.

In the absence of pressure on prices and the exchange rate, the monetary authorities plan to maintain an accommodative policy and, with comfortable foreign exchange reserves (six months of imports in 2017), will manage to maintain the fixed rate between the euro and the national currency.

Structural reforms to foster sustainable and inclusive growth

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

The Movimiento para a Democracia (MDP) won the March 2016 parliamentary elections, and its candidate, Jorge Carlos Fonseca, was re-elected as leader of the country for a second term in the first round of the presidential elections on October 2, 2016. Aware of the country's exposure to exogenous shocks, inequality, poverty and unemployment, the government aims to implement structural reforms in line with the Strategic Plan for Sustainable Development (2017/21) to foster more sustainable and inclusive growth. The programme's objectives include transforming the country into a hub for air and maritime transport, improving access to basic public services (health, education, housing, water and electricity), making the labour market more flexible and conducting administrative reforms that promote transparency. The country has one of the best business climates in sub-Saharan Africa, but still suffers from inadequate infrastructure, particularly electrical, and a lack of insolvency regulations, resulting in a drop of two places in the World Bank's Doing Business ranking (131 out of 190 countries).

With regard to its foreign policy, the country will continue to maintain its ties with China, whose investment in the country is constantly increasing and is expected to be concentrated in the tourism sector, infrastructure and the construction of a special economic zone. The Africa-China Development Fund is the main tool being used to take this cooperation forward.

CAMBODIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	16.0
GDP PER CAPITA US Dollars - 2017	1,379
CURRENCY Cambodian riel	KHR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	7.0	6.9	6.9	7.0
Inflation (yearly average, %)	3.0	3.0	3.0	3.3
Budget balance (% GDP)	-2.9	-1.8	-3.9	-4.7
Current account balance (% GDP)	-8.7	-8.5	-10.8	-9.9
Public debt (% GDP)	33.0	30.4	31.7	33.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	28%
UNITED STATES	21%
UNITED KINGDOM	9%
JAPAN	8%
CHINA	7%

Imports of goods as a % of total

CHINA	34%
SINGAPORE	13%
THAILAND	13%
VIETNAM	10%
JAPAN	4%

+

- Vibrant textile industry
- Dynamic tourism sector with strong potential
- Offshore hydrocarbon reserves (oil and gas)
- Financial support from bilateral and multilateral donors
- Integrated into a regional network (ASEAN)
- Young population (65% of the population under 30)

-

- High share of agriculture in employment and GDP makes the economy vulnerable to weather conditions
- Underdeveloped electricity and transport networks
- Lack of skilled workforce
- Dependent on concessional finance due to weak fiscal resources
- Significant governance shortcomings, high levels of corruption
- Poverty rate still high; low levels of spending on health and education

RISK ASSESSMENT

Growth is expected to remain dynamic in 2019

Growth is expected to continue to benefit from lively domestic demand supported by increased public spending and rapid wage growth (thanks to increases in the minimum wage), with private consumption representing 75% of GDP. Household disposable income will increase, even if the agriculture sector, which employs a quarter of the workforce, is still likely to suffer from weak agricultural commodity prices. Inflation will remain contained as the economy is largely dollarised, thus somewhat indirectly shielded from imported inflation in addition to inflation being moderated by US monetary policy tightening. Public investment will mainly target education, agriculture and infrastructure. Private investment is higher than public. China will remain a major investor in the country through PPP, but also fully Chinese projects. Other FDI are expected to continue to grow, especially in the textile sector, but to subsequently lose momentum in the medium-term because of rising wages and competition with neighbouring countries (especially Bangladesh and Myanmar) and uncertain access to the European Single Market. Manufacturing exports (over 90% of total exports), especially clothes and shoes, will continue to grow steadily. However, the external sector's contribution to growth will be negated by the surge in imports. The services sector will continue to expand, thanks notably to the strong growth of the tourism sector and the casino gaming industry. The construction sector will also contribute to growth, thanks to Chinese investments, the booming property market, and the development of tourism infrastructure.

Substantial deficits, generating a dependence on external financing

The budget deficit is expected to widen because of higher spending. It will not be offset by revenues growth associated with the dynamism of the economy and the gradual improvement of tax collection. With the ruling party holding all seats in Parliament, the budget expansion was voted unanimously. It plans to expand the defence budget by 10% and social spending by 16%. The increased spending will largely rely on external financing; bilateral grants and concessionary loans, mainly from China and Russia, represent around 8% of public revenue. Consequently, the public debt burden will continue to increase. Almost completely externally held (half of it is owed to China) and denominated in foreign currency, it will remain sustainable in 2019 as it is largely based on concessional terms. Foreign exchange reserves are adequate, covering around six months of imports, or almost all of the external debt level.

Credit continues to grow rapidly, especially for real estate and construction. Meanwhile 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 accounting for almost all deposits, significantly exposing banks to exchange rate risks.

The current account deficit will remain large, mainly due to the continued rise in the trade deficit as the cost of imports of capital and intermediate goods and oil products increases faster than export prices. Tourism growth will help maintain a surplus in the balance of services. High levels of international aid and remittances by expatriate workers will offset the repatriation of dividends by foreign companies. Steady FDI inflows, especially from China and Japan, will make it possible to finance the current account deficit.

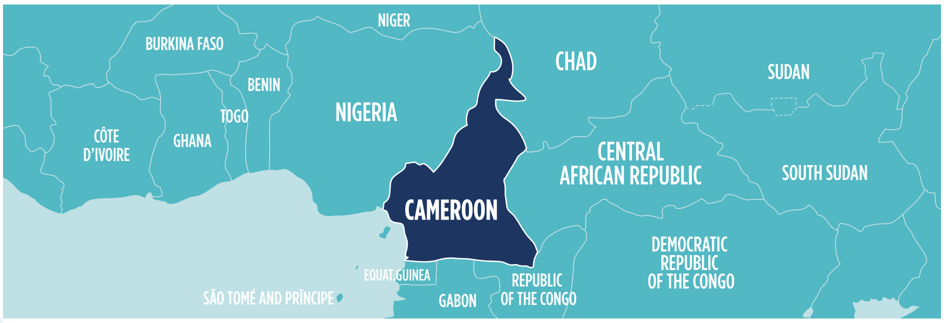
Ruling party wins all parliamentary seats in a sham of democracy and stability

Following the parliamentary elections of July 2018, the ruling Cambodian People's Party (CPP) regained all seats in Parliament. The elections were largely perceived by international monitors, the United States and European countries, as unfair and anti-democratic. The opposition had benefited from a weariness regarding Hun Sen's reign (Prime Minister since 1998) and acute social tensions over expropriations and poor working conditions in the textile sector. However, before the election, the government had dissolved the National Cambodia Rescue Party (CNRP), the main opposition party, banned 118 of its members from politics for five years, and imprisoned its leader on treason charges. Repression also targeted the media and NGOs. Later in 2018, Prime Minister Sen liberated some members of the opposition in a move that was perceived as a concession to critiques of the regime's values – but even so, the EU announced a revision of Cambodia's preferred access to the Single Market. Meanwhile, ties with China are strengthening, with the country becoming as a diplomatic ally and major investor in Cambodia.

CAMEROON

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D



POPULATION Millions of persons - **2017**	**24.3**
GDP PER CAPITA US Dollars - **2017**	**1,441**
CURRENCY CFA franc (BEAC)	**XAF**

Main economic indicators	**2016**	**2017**	**2018** (e)	**2019** (f)
GDP growth (%)	4.6	3.5	3.9	4.4
Inflation (yearly average, %)	0.9	0.6	1.0	1.2
Budget balance (% GDP)	-6.1	-4.6	-2.7	-2.4
Current account balance (% GDP)	-3.3	-2.7	-3.2	-3.0
Public debt (% GDP)	33.3	38.2	38.7	39.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	54%
CHINA	12%
INDIA	7%
VIETNAM	3%
BANGLADESH	2%

Imports of goods as a % of total

EURO AREA	28%
CHINA	17%
THAILAND	6%
TOGO	5%
NIGERIA	5%

+

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

−

- External and public accounts dependent on hydrocarbons
- Growth not very "inclusive"; difficult business environment
- Heightened political risk: insecurity in the Far-North of the country and increasing tensions between the English-speaking minority and the regime (mostly French-speaking)

RISK ASSESSMENT

Gas supports the pick-up in activity

Growth is expected to increase in 2019, thanks in particular to the ramp-up of liquefied natural gas (LNG) production at the floating liquefaction unit (Hilli Episeyo) off Kribi. LNG production is expected to offset the gradual decline in crude oil production, due to lower investment in new projects since 2014. The secondary sector should also benefit from the strong performance of construction, driven by investments in projects such as the extension of the deep-water port of Kribi and the construction of the Nachtigal dam. Nonetheless, after the country was stripped of its role as host of the 2019 African Cup of Nations (CAN) football tournament, some investments are expected to be delayed, although road and sports infrastructure projects will likely continue in order to organise the tournament in 2021. Progress in electricity supply, thanks to the commissioning of several hydroelectric dams (Lom-Pangar, Memve'ele), should support manufacturing industries, particularly wood processing and agro-industry. The latter will in turn support agricultural production, which is also set to benefit from efforts to improve the sector's productivity. Nevertheless, weak protection of land rights and limited access to credit, will continue to weigh on primary sector growth. Coffee and cocoa production, which is concentrated in the English-speaking regions, will likely continue to suffer from political instability. It is also expected to dent consumer and business confidence in these regions, constraining service sectors, which are otherwise likely to remain dynamic in 2019.

Persistent fiscal challenges

Cameroon is expected to continue lowering its budget deficit in 2019, thanks to efforts to improve the collection of non-oil revenues. Collecting property taxes through electricity bills and reducing tax exemptions appear to be key priorities as the country seeks to generate additional revenue. Increased LNG production could also support an increase in government revenues. The authorities additionally plan to continue reducing government spending. Measures to improve budget execution, including legislation establishing a code of transparency and good governance, could help to contain recurrent budget overruns. Security spending related, in particular, to the ongoing conflict in the English-speaking regions should nevertheless continue to put pressure on the budget. Low tax revenue generation and the use of non-concessional external debt to finance some projects have worsened the debt risk profile.

The current account deficit will persist in 2019. In particular, imports of capital goods needed to carry out projects will continue to affect the trade balance, which will remain negative despite the expected progress in LNG and wood exports. The deficit in the services account, is expected to continue to be impacted by technical services. The income account will also show a deficit, due to interest payments on the debt. The surplus in the balance of transfers will depend largely on fluctuations in remittances from expatriate workers. Despite FDI flows, debt will likely still be needed to finance the current account deficit. IMF support under a USD 666 million ECF is also helping to address external financing needs. The IMF's agreements with the majority of CEMAC countries, coupled with the rise in oil prices, have helped to ease pressure on foreign exchange reserves at the regional level.

The "Sphinx" faces a crisis in English-speaking regions

In power since 1982, Paul Biya was re-elected for a seventh consecutive term in the presidential elections of October 7, 2018, securing more than 71% of the vote. Despite accusations of fraud and disputed results, Mr Biya, nicknamed the "Sphinx of Etoudi" for his discreet public profile, retains his grip on power. Even so, the drop in voter turnout to less than 54%, 14 points lower than in 2011, reflects the country's growing fragmentation: for example, fewer than 10% of voters cast their ballots in the English-speaking regions in the Southwest and Northwest of the country. The low turnout is the result of the deteriorating political and security situation in these regions since the end of 2016. Clashes between separatists and the army intensified in 2018 and continue to be a source of destabilisation in the country. Stability is also being undermined by the activity of Boko Haram, an Islamist terrorist group, in the Far-North. The withdrawal of the 2019 CAN, due to these growing security concerns and delays in the preparation work, furher undermines, both domestically and internationally, the image of Paul Biya.

The business climate suffers from a cumbersome and complex institutional and regulatory environment, as evidenced by the country's 166th place (out of 190) in the Doing Business 2019 ranking, and the prevalence of corruption.

CANADA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	36.7
GDP PER CAPITA US Dollars - 2017	45,095
CURRENCY Canadian dollar	CAD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.5	3.0	2.1	2.1
Inflation (yearly average, %)	1.4	1.6	2.3	2.0
Budget balance (% GDP)	-1.1	-1.1	-0.8	-0.9
Current account balance (% GDP)	-3.2	-2.9	-3.1	-3.0
Public debt (% GDP)	97.8	93.8	93.0	92.8

(e): Estimate. (f): Forecast.

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	13%
EURO AREA	9%
MEXICO	6%
JAPAN	3%

+

- Abundant and diversified energy and mineral resources
- Fifth largest oil and gas producer in the world
- Strong, well-capitalised, and well supervised banking sector
- Serious budgeting
- Close proximity to large US market
- Developing trade relations with multiple partners (CETA with the EU)

-

- Dependent on US economy (1/2 of FDI stock, integration of the two countries' automotive industries) and energy prices
- Loss of competitiveness of manufacturing companies due to low labour productivity
- Insufficient R&D expenditure
- Decrease in the labour force, just slowed down by largescale selective immigration
- High household debt (170% of disposable income); house prices very high, although stabilising
- Energy exports weakened by inadequate supply pipelines to the coasts and the US, and by the US's own resources

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	VERY HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	LOW
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Growth still solid

Growth is expected to remain solid in 2019, despite the slowdown in domestic demand. Household consumption will show resilience thanks to the fall in the unemployment rate (5.8% in October 2018, the lowest in four decades) and the substantial wage increases boosted by growing recruitment difficulties. However, the wealth effect associated with the recent surge of house prices will be mitigated by their subsequent stabilisation. In addition, credit will continue to become dearer, reflecting the increase in the central bank's key interest rate (1.75% in October 2018, compared with 1% at the end of 2017), which is set to converge towards its neutral long-term level of between 2.5% and 3.5% amid almost full employment. As a result, residential construction, also affected by recent prudential rules aimed at limiting the risks associated with real estate loans, is expected to remain sluggish. Despite growing supply constraints, business investment will slow after a particularly dynamic 2018. It may even stagnate in the energy sector, particularly after the courts froze the USD 5.8 billion Trans Mountain pipeline expansion project on the west coast. As fiscal policy is less accommodative, the contribution of public consumption will be significantly reduced. Conversely, the contribution of foreign trade to growth should become positive. On the one hand, imports will follow investment in slowing. On the other, exports are expected to accelerate with the signing of the USMCA deal (renegotiated NAFTA) in September 2018, which ended uncertainty about future trade relations with the United States – a crucial partner, since it accounts for 76% of total exports. Conditions will remain unchanged for most sectors, with the exception of dairy products, where Canada has opened up 3.6% of its market to the United States. Despite this agreement, the United States' decision to maintain customs duties on imports of steel (25%) and aluminium (10%) will continue to affect metallurgy in 2019, even though the sector will benefit from the safeguard measure (import control) that came into force in October 2018. Timber exports will also remain constrained by the 20% customs duties applied by the United States in January 2018. Other export sectors, such as energy, agriculture and automotive, are expected to rebound, despite the slowdown in the United States.

Prudent fiscal policy and significant current account deficit

The government will continue its prudent fiscal policy in 2019, despite it being an election year. The additional measures to promote business competitiveness are of limited scope (CAD 5.2 billion, or 0.2% of GDP). Meanwhile, revenues will remain supported by brisk activity. As a result, public debt will continue to decline slightly. Although higher than 90% of GDP, public debt (two thirds of which is provincial or local) is sustainable, particularly thanks to its low cost linked to the country's AAA rating. Excluding the assets held by the Canada and Quebec Pension Plans, net public debt is only 28% of GDP. The most indebted provinces are Ontario and Quebec (49% and 30% of total net provincial debt respectively). However, when compared against their economic weight, this debt remains limited (38% and 47% of GDP respectively).

The current account will remain in deficit in 2019, although less so than in 2018, thanks to the smaller trade deficit. For several years, the balances of goods, services and income have been consistently in deficit. Excluding periods of soaring oil prices, as in 2014, energy exports only partially cover the substantial trade deficit in other commodities (4% of GDP), due to the sharp appreciation of the real exchange rate in the 2000s, which has been only partially corrected since. The current account deficit is financed by large foreign portfolio investments. The substantial external debt (105% of GDP in June 2018) is mainly contracted by banks (43% of the total) and companies (38%).

Prime Minister Trudeau expected to be re-elected

Justin Trudeau, who has been Prime Minister since the 2015 parliamentary elections, in which his centre-left Liberal Party won an absolute majority (184 seats out of 338), will stand for re-election in October 2019. With less than a year to go before the elections, polls indicate a pattern relatively similar to 2015: just under 40% of the votes for the Liberal Party, which should have a good chance of maintaining an absolute majority. His main opponent will be Andrew Scheer, elected in May 2017 as leader of the right-wing Conservative Party, which governed between 2006 and 2015 and whose support in the polls remains at around 30%. The left-wing New Democratic Party, led since October 2017 by Jagmeet Singh, is expected to remain the third largest political force on 15% of the votes after losing a little ground to the Green Party. Prime Minister Trudeau is therefore the favourite to win, even though his popularity rating has fallen during his time in office and stood at 48% in October 2018 compared with 64% two years earlier. At the regional level, growing differences with the United States have led to stronger ties with other countries, including the EU nations, with the CETA trade agreement signed in late 2016.

PAYMENT & DEBT 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.

The Large Value Transfer System (LVTS) –introduced by the Canadian Payments Association in February 1999 – is a real time electronic fund transfer system that 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

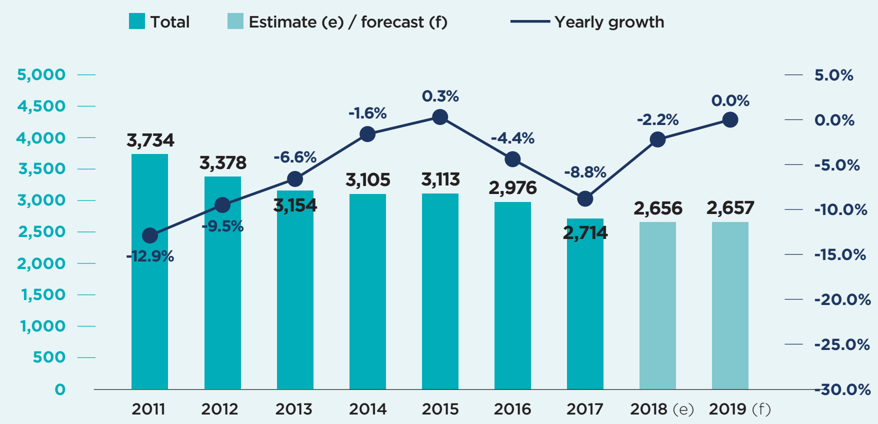
In most cases, except when the judge decides otherwise, each party is required to bear the full cost of the fees of his own attorney whatever the outcome of the proceedings. As for court costs, the rule stipulates that the winning party may demand payment by the losing party based on a statement of expenses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

Insolvency Proceedings

The two primary pieces of insolvency related legislation in Canada are the Companies' Creditors Arrangement Act (the CCAA) and the Bankruptcy and Insolvency Act (the BIA). The BIA is the principal federal legislation in Canada applicable to bankruptcies and insolvencies. It governs both voluntary and involuntary bankruptcy liquidations as well as debtor reorganisations. The CCAA is specialized companion legislation designed to assist larger corporations to reorganise their affairs through a debtor-in-possession process.

NUMBER OF CORPORATE INSOLVENCIES

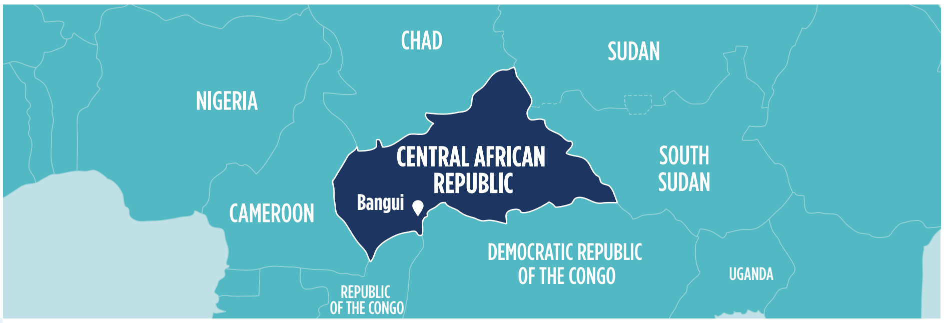


Source : Statistics Canada (CANSIM), Coface.

CENTRAL AFRICAN REPUBLIC

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E



POPULATION Millions of persons - 2017	**5.0**
GDP PER CAPITA US Dollars - 2017	**389**
CURRENCY CFA franc (BEAC)	**XAF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.5	4.3	4.3	5.0
Inflation (yearly average, %)	4.6	4.1	4.0	3.4
Budget balance (% GDP)*	1.6	-1.1	0.9	0.7
Current account balance (% GDP)*	-5.5	-8.4	-8.9	-8.4
Public debt (% GDP)	56.0	53.4	48.6	44.4

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	39%
BURUNDI	15%
CHINA	11%
CAMEROON	9%
VIETNAM	4%

Imports of goods as a % of total

EURO AREA	33%
UNITED STATES	12%
INDIA	11%
CHINA	8%
SOUTH AFRICA	7%

+

- Agricultural (cotton, coffee), forestry and mining (diamond, gold, uranium) potential
- Substantial international financial support

−

- Extreme poverty (75% of the population lives below the poverty line)
- Vulnerability of the economy to external shocks
- Weak transport infrastructure and energy production capacity
- Geographically isolated
- Unstable political and security situation (presence of many foreign armed rebel groups)

RISK ASSESSMENT

Growth hampered by the security situation

After stabilising in 2018, growth is expected to pick up again, driven by forestry, agriculture and mining. It will also be supported by the international aid mobilised for infrastructure projects, particularly in the water and communications sectors. The CAB project, which will enable the country to have a fibre optic network in 2022 and which is mainly financed by the AfDB, is a prime example. However, the country remains one of the world's poorest, and still bears the scars of the 2013 humanitarian and security crisis. Growth will suffer in this fragile context, with the agricultural sector – which accounted for 42% of GDP in 2017 – affected by regular outbreaks of violence in rural areas. Despite this, the wood sector is expected to continue its development, generating nearly half of exports, ahead of gold, coffee and cotton. Diamond exports are expected to continue recovering, thanks to the partial lifting of the embargo in 2016. Domestic demand will remain weak, affected by the large numbers of people fleeing the country.

While staying above the CEMAC's 3% target, inflation is expected to continue to decelerate in 2019. It will again be fuelled by oil prices, which are set to remain high, and occasional supply disruptions connected with the security situation. As the CFA franc is indexed to the euro, inflation will also remain impacted by movements in the euro-US dollar exchange rate.

Public finances bolstered by international aid

The country, which is committed to the IMF under an Extended Credit Facility, is striving to push on with fiscal reforms. These efforts led to the disbursement of the fourth loan tranche by the IMF in July 2018 and are expected to result in a small budget surplus once again in 2019. Revenues are expected to go up, driven by both domestic revenues and budget support, as the country remains dependent on international assistance from the IMF, AfDB, EU and others. The ratio of public debt to GDP is expected to decline further as arrears are paid off, but the country remains exposed to a high risk of over-indebtedness.

Despite remittances from international partners and expatriates, which together accounted for 10% of GDP in 2018, the current account, mainly linked to the trade deficit (16% of GDP in 2018), is still expected to show a large deficit. The expected increase in exports will be offset by growth in imports, which will be exacerbated by high oil prices. In addition, exports will suffer as insecurity impacts their supply. Subsidised loans from international organisations, whether project-related or not, will finance the current account deficit. In addition, foreign exchange reserves, pooled among CEMAC countries, have begun to rebuild, reducing the risk of a balance of payments crisis.

A president faced with a tense security and political context

President Faustin-Archange Touadéra is struggling to manage the country's ethnic and religious conflicts, despite his initial vow to build a united republic. The country remains unstable, with ongoing clashes between the Seléka militia, a majority Muslim armed group, and the mainly Christian Anti-Balaka militia. Many other armed groups are taking advantage of this instability to try to impose themselves on the political scene. As of June 2018, the country had more than 600,000 internally displaced persons, representing nearly 13% of the population, and almost as many refugees in neighbouring countries, including Cameroon, Chad, the Democratic Republic of the Congo and the Republic of the Congo. The United Nations, which is present in the country as part of its Minusca peace mission, appears to lack sufficient resources and is suffering losses in its ranks. In addition, the President also faces dissension within his own political circles: in July 2018, the President of the National Assembly, Abdoul Karim Meckassoua, was accused of planning a *coup d'État*.

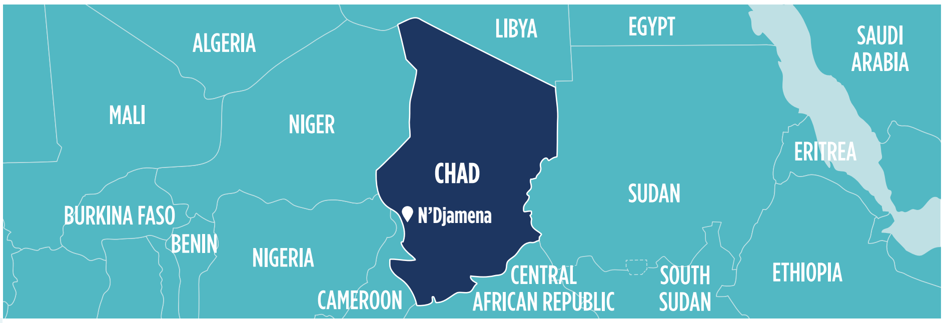
Against this backdrop, Bangui is maintaining close ties to Moscow. In August 2018, the two countries signed a military agreement, including the training of Central African soldiers. Russia also provides security for President Faustin-Archange Touadéra and has delivered weapons to the national army after obtaining an exemption from the UN embargo, an exemption that has been denied to China. This position allows the Kremlin to consolidate its influence in the region and reflects its interest in Central African mining resources.

As a result of this unstable environment, the business climate will remain mediocre. The Central African Republic is one of the lowest placed countries in the Doing Business ranking, coming 183th out of 190 countries.

CHAD

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E



POPULATION Millions of persons - 2017	12.2
GDP PER CAPITA US Dollars - 2017	810
CURRENCY CFA franc (BEAC)	XAF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-6.4	-3.1	3.5	3.6
Inflation (yearly average, %)	-1.1	-0.9	2.1	2.6
Budget balance (% GDP)	-2.0	-0.2	1.3	0.6
Current account balance (% GDP)	-9.2	-5.6	-4.2	-5.5
Public debt (% GDP)	52.4	52.5	49.2	45.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	40%
EURO AREA	18%
CHINA	17%
INDIA	7%
BANGLADESH	4%

Imports of goods as a % of total

EURO AREA	28%
CAMEROON	22%
CHINA	19%
UNITED STATES	5%
SENEGAL	4%

+
- Exploitation of new oil fields
- Development potential of the agricultural sector (50% of GDP)

−
- Very high poverty rate (40% of the population in 2019 according to the World Bank)
- Over-reliant on oil (about 20% of GDP and 60% of exports)
- Business climate not conducive to thriving private sector; high level of corruption
- Geographically isolated
- Worsening security conditions at both national and regional levels (role of Boko Haram)
- Worrying drought of Lake Chad, with negative effects on cotton, fishing and the environment.

RISK ASSESSMENT

Growth and structural efforts

Chad experienced a series of positive events in 2018, the benefits of which should continue to be felt in 2019 with the consolidation of the economic recovery. The high price of oil, which the country exports, will continue to contribute to growth in 2019. Looking to take advantage of the upbeat economic conditions and the extra fiscal leeway gained in 2018 through the rescheduling of the debt owed to the Glencore mining company, the country has decided to maximise the sector's potential by financing seven new oil projects in addition to those already underway, including the Rig-Rig refinery, which should start production in 2019. To restore its public finances, as requested by the IMF, the government has agreed to sell CotonTchad, a state-owned cotton company in serious financial difficulty, to Olam International, a Japanese Singaporean company. The purpose of this sale is also to revive a flagging sector whose production hit a 75-year low in 2017 (25,000 tonnes of seed cotton), with a target of 300,000 tonnes in 2023. The cotton sector and, more generally, agriculture, which has been affected by the rapid drying-up of Lake Chad, are at the heart of the Five-Year Development Plan (2017-2021). Increased agricultural production and yields are expected to contribute to the recovery of the economy through private consumption channels (75% of the working population works in agriculture and 85% of the total population depends on it) and exports, which are expected to expand for a second year, thanks in particular to the slight improvement in the Nigerian economy, which has boosted external demand.

Debt rescheduling and IMF financial assistance are helping to ease fiscal pressure

For the second year running, the public accounts will show a surplus in 2019, again providing debt relief. Oil revenues are expected to increase, benefiting from global economic conditions and rising production. These revenues, which until now have been 90% used to service the debt (USD 1.36 billion) owed to Glencore, may be used to finance investment, notably thanks to the debt rescheduling obtained in early 2018. Shortly after the rescheduling, the IMF, reassured by the easing of fiscal pressure, decided to release disbursement of the next stage of funding under the ECF negotiated with the country in 2017. In return, the government was asked to continue fiscal consolidation reforms, including better management of the wage bill, which resulted in the sale of CotonTchad.

The current account is expected to deteriorate slightly. Although the trade balance is structurally slightly positive thanks to oil, livestock and cotton exports, it is largely offset by the deficit in services (particularly oil-related), which is much larger, at close to 20% of GDP. The deterioration in the current account balance should be mitigated by the continued high level of transfers (10% of GDP in 2017), mainly by expatriates, and by the positive impact on the income balance of the debt rescheduling with Glencore. A strong performance from net FDI (4% of GDP) should ensure that financing is provided for this small deficit. Foreign exchange reserves, while continuing to increase, will remain at the low and potentially risky level of about 2.5 months of imports.

Fighting insecurity is the top priority

The parliamentary elections, which were due to be held in November 2018, after being cancelled in 2017 due to lack of financial resources, were again postponed to May 2019.

The social and security situation remains extremely fragile. The terrorist group Boko Haram, which rebuilt itself after its military defeat, remains very active in the west of the country, killing 17 farmers in June and six in September 2018. These attacks have triggered internal population movements, in addition to inflows of migrants from surrounding conflict-struck countries, including Sudan and the Central African Republic. The country has therefore decided to step up in the fight against terrorism by participating in the G5 Sahel force and by making insecurity a central theme of its presidency of the CEMAC from 2017 to 2022. Increased security spending, combined with demands for IMF budgetary efforts, have led to delays in payment of civil servants' salaries, resulting in strikes and protests in 2018. The situation could therefore continue to worsen in 2019 if budgetary pressure returns.

These uncertainties about the social and security situation are having a significant impact on the business environment, with the country coming 181th out of 190 in the Doing Business 2019 ranking.

CHILE

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - **2017**	**18.4**
GDP PER CAPITA US Dollars - **2017**	**15,068**
CURRENCY Chilean peso	**CLP**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.3	1.5	3.8	3.5
Inflation (yearly average, %)	3.8	2.2	2.5	3.0
Budget balance (% GDP)	-2.7	-2.8	-1.9	-1.7
Current account balance (% GDP)	-1.4	-1.5	-2.1	-2.4
Public debt (% GDP)	21.1	23.6	24.8	26.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
UNITED STATES	14%
EURO AREA	11%
JAPON	9%
SOUTH KOREA	6%

Imports of goods as a % of total

CHINA	24%
UNITED STATES	18%
EURO AREA	13%
BRAZIL	9%
ARGENTINA	4%

\+

- 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
- Member of the OECD and the Pacific Alliance

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- Small, open economy vulnerable to external shocks given the dependence on copper and Chinese demand
- 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 / stretched country
- Income disparity and poor education system

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	LOW
CHEMICAL	HIGH
CONSTRUCTION	HIGH
ENERGY	LOW
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	LOW
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Still fair, but decelerating, growth in 2019

After having reported an average annual growth rate of only 1.7% through the 2014/17 period, GDP observed a sharp improvement in 2018. The stronger performance was mainly underpinned by relatively higher copper prices and the rebound in business confidence since the election of the business-friendly President Sebastián Piñera. These factors also contributed to a rebound in investments after four consecutive years of contraction. A low inflation level and an accommodative monetary policy have also contributed to boosting household consumption. In 2019, while investments should remain robust, household consumption could observe some deceleration. This is in part due to the side effects of inflation moving back to the 3% target (driven by a low comparison base and by recent exchange rate depreciation), and the central bank implementing a tightening monetary cycle (a first hike was announced in end October 2018: 25 basis points to 2.75%). Moreover, employment figures have disappointed in light of a growing labour force. Downside risk to the activity outlook comes mainly from an escalation of the US-China trade war, which could hurt global growth as well as copper prices. China and the United States represent the main destinations of Chile's exports, representing 28% and 14% respectively of total exports in 2017. Additionally, copper accounts for 10% of the country's GDP, 25% of its fiscal revenues, and 50% of its export earnings.

Two deficits expected to remain moderate and manageable

The current account deficit widened in 2018. The relatively weaker outcome is mainly explained by the trade balance, as imports (driven by higher energy prices) rose at a faster pace than exports (copper prices lost momentum along the year due to the global trade protectionist rhetoric). As copper and energy prices should remain at similar levels in 2019, no big changes in balance are expected. It is worth noting that despite the relatively higher current account deficit, foreign direct investments are enough to ensure the external balance. In addition, the country holds foreign exchange reserves worth roughly 14% of GDP, or seven months of import coverage, in addition to sovereign wealth funds estimated at around 9% of GDP. However, Chile is not totally immune to shifts in foreign investors' mood towards emerging economies. The country holds an external debt of 60% of its GDP, over 70% of which is owed by the private sector (21% banks and financial institutions, 79% non-financial institutions). In late 2018, Congress approved a general banking law to move towards the Basel III standard. Regarding the fiscal balance, the robust initial position of the public finances has helped mitigate the negative impact of sluggish activity in 2014/17. In the wake of rebounding activity, the government was able to reduce the fiscal deficit in 2018. In 2019, fiscal consolidation is expected to gain further momentum, in line with the goal of reducing the structural deficit by 0.2 percentage point per year, until reaching a deficit of 1% in 2022.

With no majority, the government is trying to pass more reforms

The incumbent President Sebastián Piñera from the centre-right Chile Vamos alliance took office in March 2018. Mr Piñera was elected thanks to his pledges to reduce mining regulations, to make adjustments to President Michelle Bachelet's (2014/18) labour reform, to simplify tax rules, to reduce some corporate taxes, and to narrow the fiscal deficit. Nonetheless, neither his party nor the main opposition holds a congressional majority (hence the necessity to build consensus to pass reforms), and he will struggle to find support among the opposition for measures such as reducing labour unions' strength and mining regulations.

In early June 2018, Mr Piñera announced that he would not cut the corporate tax rate that Mr Bachelet's government raised to 27% – a step back on a campaign promise. He argued that maintaining the rate would help solve the fiscal imbalance and fund social reforms needed for the education, health, and pension systems. Subsequently, at the end of October 2018, Mr Piñera presented a pension reform. The country holds a highly privatised pension system that was introduced in the 1980s under the Pinochet dictatorship. Nevertheless, over the years, the combination of an ageing population, insufficient pension contribution rates, poor-paying jobs and high unemployment rates have contributed to low pay-outs. Although the proposal goes in direction of the opposition in some areas, the government might need to make some adjustments to the initial proposal in order to pass the bill through Congress.

PAYMENT & DEBT 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* (see below). 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.

Aside from 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.

The 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 contains at 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 and the amounts to recover decrease because it is not possible to request the restitution of taxes paid to the treasury, which national companies can require.

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

Restructuring processes carried out without a formal bankruptcy process are also carried out through a court trial at the request of the creditor(s). In the event that the debtor is not able to reorganize his debt through any agreement or negotiation, creditors may request the liquidation of the company.

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.

CHINA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	1,390.1
GDP PER CAPITA US Dollars - 2017	8,643
CURRENCY Yuan Renminbi	CNY

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.7	6.9	6.6	6.2
Inflation (yearly average, %)	2.1	1.6	2.3	2.5
Budget balance (% GDP)	-3.0	-3.7	-3.7	-4.0
Current account balance (% GDP)	1.7	1.3	0.8	0.3
Public debt (% GDP)	44.3	47.0	50.0	54.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	19%
HONG KONG	12%
EURO AREA	12%
JAPAN	6%
SOUTH KOREA	5%

Imports of goods as a % of total

EURO AREA	11%
SOUTH KOREA	10%
JAPAN	9%
TAIWAN	8%
UNITED STATES	8%

+

- 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
- Gradual move up global value-chains as part of China 2025
- Dynamic services sector, led by e-commerce trends
- Good level of infrastructure

-

- High corporate indebtedness to impact growth potential
- Current account surplus expected to narrow and eventually turn into deficit
- Exposure of banks to rising corporate debt levels
- Government strategy is ambiguous on arbitrating between reform and growth
- Ageing population; gradual depletion of cheap labour pool
- Environmental issues
- Weight of SOEs in the economy

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
ICT*	HIGH
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Gradual deceleration in 2019

China's economic growth is set to slow to around 6.5% in 2018. This moderation will likely continue into 2019. This weaker activity has been brought about by policies aimed at curbing both financial vulnerabilities and asset bubble risks. Corporate indebtedness remains the main risk in the Chinese economy. Adding to these headwinds, an escalation of trade tensions between the United States and China is expected to start to affect growth in 2019. Tariffs on USD 250 billion worth of Chinese exports were implemented in 2018, and it is possible that more will come in 2019. Moreover, the effects of a cooling property sector are expected to impact the real economy in 2019. Household consumption, which accounts for two-thirds of GDP, has remained on target, supported by relatively low inflation and rising wages. Signs are less positive on the private investment front, as it is set to slow as a result of lower business sentiment and lower earnings – however, this decline will be offset by higher public spending. Fiscal policy will turn expansionary in 2019 to buffer the economy from external risks. The People's Bank of China (PBOC) maintains a "prudent" stance. Monetary policy will arbitrate between accommodation and tightening in 2019, with the goal to manage the gradual slowdown and trade war impact.

Current account surplus to deteriorate

Exports in CNY terms increased by 7.9% year-on-year in the first nine months of 2018, compared to an expansion of 10.8% year-on-year in 2017. This is consistent with a softening in global trade. Slower external demand is set to continue in 2019. US tariffs will likely add to existing pressures. For these reasons, exports will likely expand at a slower rate going forwards. Although the yuan's significant depreciation in 2018 helped to improve China's terms of trade, it also led to a decline in foreign exchange reserves. Policymakers will likely intervene in forex markets to avoid overshooting depreciation expectations, as these could trigger outflows once again; even if capital controls remain firmly in place. While the current account returned to a surplus in the second quarter of 2018, lower export and faster import growth will likely result in a narrowing of China's current account, which shall nevertheless remain in surplus. FDI increased, but will likely decline once headwinds to growth begin to blow.

Overall indebtedness in the Chinese economy remains extremely elevated (more than 260% of GDP). Most of the debt is owed by corporations, a large proportion of which are State-Owned Enterprises (SOEs). Many of these are "zombie" enterprises: those that are struggling with high levels of debt and overcapacity, but are kept afloat because they generate employment and output. In addition, corporate debt is difficult to assess due to the expansion of shadow banking. Moody's estimates that shadow banking assets peaked at 87% of GDP in 2016, although they fell to 73% at the end of June 2018. The figure could be higher when taking into account other types of financial intermediation by banks, including Wealth Management Products (WMPs). The government has been trying to curb this type of lending, leading to overall higher levels of loans on bank's balance sheets. This is positive from a macro-prudential standpoint. However, curbing shadow banking activities has had a negative impact on the financial conditions of SMEs. Finally, public debt may be higher than reported if the surge in local government financing through local government financing vehicles (LGFVs) is factored into the calculation.

Entering unchartered territory

During the 19th National Congress of the Communist Party of China (CPC) in October 2017, 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. Xi Jinping did not announce a successor – he instead abolished presidential limits, paving the way for an extended tenure, and consolidating even more power under a series of executive bodies directly under his supervision. "Xi Jinping Thought", a political theory, was also written into the constitution, setting a clear departure from previous party consensus, which favored decentralisation of power. On the foreign policy front, fears of a fully-fledged US-China trade war have materialised. This is expected to have an impact equivalent to at least 0.5% of GDP, although this could be as much as 1% if the United States forges ahead with 25% tariffs on all Chinese imports. External threats are sizeable enough to justify an appropriate policy response. This raises questions as to what direction policy will take following the annual plenary sessions of the People's Congress and the Chinese People's Political Consultative Conference in March 2019.

PAYMENT & DEBT COLLECTION PRACTICES IN CHINA

Payment

Cash payment is usually used for face-to-face domestic retail transactions. Due to tight capital controls imposed by the authority, an indilvidal can only purchase up to USD 50,000 each year. Furthermore, when a Chinese company makes an international payment in a foreign currency, the company must submit a foreign currency payment application with the local bank, along with suporting documents like sales contracts and invoices. The whole process can be quite lengthy and it is possible that the bank will reject the transaction.

Commercial Acceptance Drafts (CAD) and Bank Acceptance Drafts (BAD) are both common methods of payment for Chinese companies. These are two negotiable instruments: whereas CAD is issued by companies to entrust the payer to unconditionally pay the specified amount to the beneficiary on the date, BAD is 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. In pratice, BAD is regarded as safer and therefore more accepted than CAD.

Letter of credit and cheques are also used, but are less popular in China. The use of letters of credit is typically confined to big companies; and cheques are used infrequently by both individuals and companies.

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

Debt Collection

Amicable phase

The creditor makes phone calls and sends letters of collection to chase the debtor for payment. If debtor is responsive and acknowlegdes the debt, the two parties will negotiate payment plans to try to have payment settled. In the existence of a dispute, both parties need to come to an agreement or offer discount on 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.

Fast-Track Procedure

If 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 creditor can apply for a repayment order against debtor with the court. The debtor has 15 days to repay the debt after the order is issued; otherwise, he must submit a defence before the payment deadline. If debtor fails to do either, the creditor can apply for enforcement. However, if debtor's written defence or objection is approved by the court and the ruling for terminating the debt payment order is issued, the debt payment order will be invalidated and the creditor can choose to pursue legal action. In practice, creditors do not usually use the fast-track procedure and will immediately initiate legal proceedings when the amicable phase fails.

Ordinary Procedure

Legal proceedings commence with the creditor lodging the case and submitting statement of claims with the court with corresponding jurisdiction. Once the case is accepted, court summons will be delivered to parties involved. Usually within one month, the first hearing will be arranged and the court will make a final attempt to reach a payment agreement between creditor and debtor *via* mediation. If no agreement can be reached, the litigation continues with several rounds of hearings, before a judgement is rendered by the court.

In theory, a first instance ruling could be rendered within six months after the case's acceptance, but in practice, proceedings can last longer as the complexity of the case increases (for example, when there is more than one creditor, or when a foreign party is involved). In some cases, the whole process can last to one to two years. Furthermore, appeal proceedings must be terminated within three months after appeal acceptance.

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, June 10, 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

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.

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

Restructuring proceedings

This can prevent a company with plentiful assets while experiencing cash flow difficulties from entering bankrptcy. Either debtor or creditor can apply with the court for Restructuring, which allows debtor to manage its properties under an administrator's supervision. A restructuring plan should be approved by a majority of creditors in each voting class (secured, creditors, employees...) at creditor's meetings, then sent to the court for approval within ten days from the date of adoption.

After the implementation of the restructuring plan, the administrator will supervise and submit report on debtor's performance with the court. The administrator or debtor must file an application to the court for approval within ten days from the date of adoption.

Reconciliation

This procedure allows the company to settle its liabilities with its creditor prior to the court declaration of debtor' s bankruptcy. The debtor directly submits a payment proposal to the court and upon receiving court's approval on compromise payment proposal, the debtor will recover its properties and business from the administrators. The administrator will supervise debtor's performance and report to the court. If the debtor fails to implement the compromise proposal, the court will terminate this procedure and declare debtor bankrupt as requested by the creditors.

Bankruptcy

The procedure has the purpose to liquidate an insolvent company and distribute its assets to its creditors. The bankruptcy request should be applied with the court and the request can be sent both in the name of debtor and a creditor. Once accepting the bankruptcy petition, the court will appoint an administrator from the liquidation committee and debtor will be notified within five days and is required to submit financial statement to court within 15 days. The administrator will verify the claims and distribute the assets to creditors. After the final distribution is completed, the court will receive administrator's report and decide whether to conclude the proceedings within 15 days.

COLOMBIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2017**	**49.3**
GDP PER CAPITA US Dollars - **2017**	**6,380**
CURRENCY Colombian peso	**COP**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.0	1.8	2.7	3.3
Inflation (yearly average, %)	7.5	4.3	3.2	3.4
Budget balance (% GDP)	-4.0	-3.6	-3.1	-2.7
Current account balance (% GDP)	-4.3	-3.3	-3.0	-2.7
Public debt (% GDP)	46.0	47.4	47.6	47.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	29%
EURO AREA	12%
PANAMA	8%
CHINA	5%
MEXICO	4%

Imports of goods as a % of total

UNITED STATES	26%
CHINA	19%
EURO AREA	12%
MEXICO	8%
BRAZIL	5%

+
- Ports on two oceans
- Large population (almost 50 million)
- Plentiful natural resources (coffee, oil and gas, coal, gold)
- Significant tourism potential
- Institutional stability

−
- Sensitivity to raw material price movement; the US economic situation
- Relatively undiversified economy (in terms of manufacturing)
- Shortcomings in road and port infrastructures, due to historically low levels of investment
- Problematic security situation due to drug trafficking
- Structural unemployment, poverty and inequality; deficient educational and health care systems

RISK ASSESSMENT

Activity is expected to gain some further strength in 2019

After three years of decelerating activity due to the collapse in oil prices since mid-2014, GDP improved in 2018 thanks to a rebound in prices. Growth was also underpinned by an improvement in exports and household consumption due to the deceleration in inflation and an expansionary fiscal policy. Nevertheless, investments disappointed, with infrastructure investments suffering from some delays due to challenges in achieving financial closure.

The forces present in 2018 should persist in 2019. Private investments should also report higher momentum with the end of the electoral period (pro-business President Ivan Duque took office in August 2018) and with the rise observed in capital goods imports. Nonetheless, possible downside risks are related to the possibility of an escalation in protectionist global trade war and a deepening of the recent sell-off in emerging markets. Moreover, the relatively higher global risk aversion in 2018 prompted some depreciation of the Colombian peso (a movement that is likely to persist in 2019). As inflationary pressures arise from the improvements in domestic demand, some tightening to the monetary cycle will likely be observed this year.

While external deficit narrows, fiscal account remains under close watch

After hitting its worst point in 2016 in the wake of the collapse in oil prices, the current account deficit has since narrowed. In parallel, while oil prices registered a strong improvement during part of 2018, the positive spillover effect on the external account was partly offset by higher imports and by the widening of income deficit (higher profits registered by foreign energy companies). Moreover FDI have comfortably covered this deficit. Nevertheless, there are some risks to be monitored in case of a strong shift in investors' mood toward emerging markets. Colombia counted with an external debt of 37% of GDP as of July 2018. Moreover, foreign capital funds are major holders of the domestic public debt bonds (for instance it held roughly 27% of the TES bond by the end of 2017). In this regard, in order to contain this contagion risk as well as the risk associated with the possible end in 2020 of the IMF Flexible Line Agreement of USD 11.4 billion, the government announced in September 2018 a program of buying dollars to improve reserves (sit at roughly 15% of GDP in October 2018). The fiscal deficit has slightly improved in the last two years, following a tax reform in December 2016 and rebounding oil prices (oil revenues, which represented 3.3% of GDP in 2013, dropped to roughly 0.6% in 2016, and are estimated to reach 1.2% of GDP in 2019). While the country should be able to continue reducing its deficit in 2019, the long term sustainability of public debt is subject to a new tax reform.

The new right-wing President should assure the pro-business environment in the country

Iván Duque, from the centre-right Democratic Center, took office on August 7, 2018. Business-friendly, Mr Duque is a US-educated lawyer who previously worked at the Inter-American Development Bank, and also served as a Senator for Bogotá. He is politically affiliated to former President Álvaro Uribe (2002-10), who is one of the loudest critics of the peace agreement signed between the Colombian government and the former guerrilla group Revolutionary Forces of Colombia (FARC). Mr Duque has inherited several challenges, including bringing economy back to potential growth, leading on the necessary fiscal consolidation, fighting a record level of cocaine production and rising crime rates, as well as a fragile peace process with the FARC. He must also deal with the wave of Venezuelans fleeing from the crisis in their country: UN figures indicate that over 1.6 million Venezuelans have migrated to Colombia since 2015. According to Colombian figures, this wave costs the country roughly 0.5% of its GDP per year.

Mr Duque has pledged to focus on structural reforms, notably for taxes and pensions. In mid-December 2018, after weeks of discussion, Congress approved a revised version of the tax reform. The approved project will increase revenue by COP 7.8 trillion (approximately 0.7% of GDP), almost half of the COP 14 trillion (1.3% of GDP) needed to cover the budget deficit of 2019. In this way, the government will need to freeze spending to meet its fiscal target for 2019. The leaner reform makes it more likely that another tax overhaul will be needed in the coming years.

PAYMENT & DEBT 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 payment methods 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 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.

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.

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 10 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 20 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, and it can take 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

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.

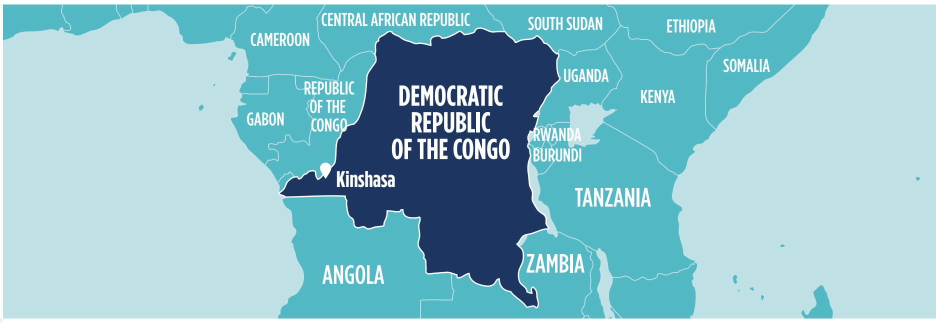
Liquidation

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

COUNTRY RISK	D
BUSINESS CLIMATE	E



POPULATION Millions of persons - 2017	**86.7**
GDP PER CAPITA US Dollars - 2017	**478**
CURRENCY Congolese franc	**CDF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.4	3.7	3.8	4.1
Inflation (yearly average. %)	5.9	40.8	23.2	13.5
Budget balance (% GDP)	-0.9	0.4	-0.2	0.3
Current account balance (% GDP)	-3.6	-3.1	-3.0	-2.8
Public debt (% GDP)	19.3	18.2	20.9	19.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	35%
SOUTH AFRICA	31%
UNITED ARAB EMIRATES	9%
SOUTH KOREA	6%
TANZANIA	6%

Imports of goods as a % of total

CHINA	23%
SOUTH AFRICA	18%
EURO AREA	11%
ZAMBIA	7%
TANZANIA	5%

+

- Abundant mineral resources (copper, cobalt, diamond, gold, tin)
- Significant hydroelectric potential
- International involvement and regional cooperation in resolving conflicts in the Great Lakes re-gion
- Debt relief under the HIPC and MDR initiatives

-

- Tensions in the east of the country, where there are many armed groups, including Forces Dé-mocratiques de Libération du Rwanda, Allied Democratic Forces and the Mai-Mai militia
- Precarious humanitarian situation in the Kasai region, leading to tensions with Angola
- Unsolved political crisis since the Supreme Court's decision to postpone the 2016 presidential elections
- Extremely dependent on commodity prices
- Weak infrastructure (transport, energy, telecommunications)
- Poor governance and weak institutions
- High level of poverty

RISK ASSESSMENT

The mining sector masks weakness in domestic demand

Growth is expected to continue to increase in 2019, mainly driven by the mining sector. Ore exports, particularly copper and cobalt, should continue to grow, in line with production trends. However, the temporary closure of the Kamoto mine, due to problems with uranium content in the cobalt hydroxide produced by the facility, will likely limit production gains in 2019. At the same time, the shut-down should support cobalt prices, which have fallen from a record high in March 2018. The mining sector should also continue to attract private investment, although implementation of a new mining code, which is of concern to firms in the sector, could dampen investments. Among other things, the new code increases taxes and royalties, requires at least 10% of mining companies' capital to be held by Congolese citizens, and prohibits, unless otherwise agreed, the export of unprocessed minerals under new mining permits. Thanks to the increase in mining revenues, but also thanks to external financing under the National Strategic Development Plan, public investment, particu-larly in infrastructure development, should also increase. A severe deterioration in the political and security situation in the country following the elections could, however, have an impact on external financing. The contribution from private consumption is expected to remain sluggish due to the many conflicts, the Ebola epidemic in the east, and persistently high inflation, in a country where nearly 75% of people live in poverty.

A fragile external position

After being burdened by the organisation of elections in 2018, the budget balance is expected to return to a small surplus in 2019. Still largely dominated by a heavy wage bill, spending is set to increase, particularly in security, health (to contain Ebola), and infrastructure. The increase in taxes and royalties in the mining sector (about 30% of total revenues) should nevertheless make it possible to absorb this increase in expenditure. As debt is still at a low level and largely concessional, the risk of over-indebtedness remains limited.

The current account is expected to remain in deficit, pulled down by the services and income balances, which remain in deficit owing to mining services and profit repatriation respectively. The current account deficit is expected to narrow slightly, supported by the increase in the trade surplus, thanks to mining exports, and with import growth limited by weak domestic demand. FDI, which is mainly directed towards the mining sector, finances the deficit, but remains exposed to any deterioration in the security and political situation, or to a drop in commodities prices. Foreign exchange reserves, which represent just over a month of imports, would be insufficient to prevent a sharp depre-ciation of the Congolese franc.

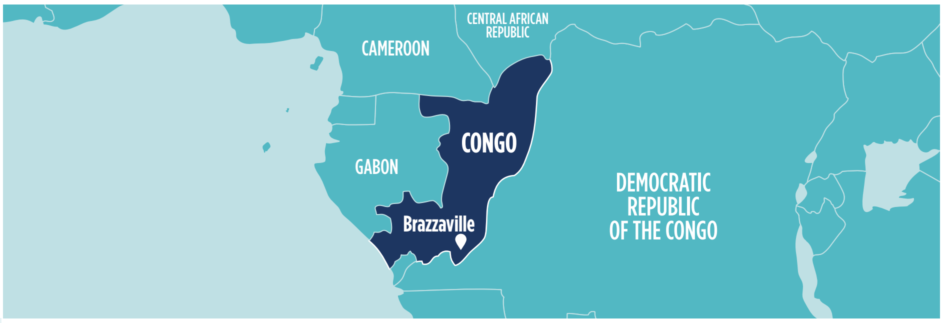
A critical political, security and humanitarian situation

After two years and a week of heated postponements, following Joseph Kabila's (in power since 2001) refusal to resign from the presidency at the end of his second and constitutionally last term, the presidential, legislative, and provincial elections were finally held on December 30, 2018. Marked by numerous dysfunctions and the postponement of the vote in some constituencies (Béni, Butombo and Yumbi), the results of the election – supposed to be the first peaceful transfer of power since the country's independence (1960) – have yet to be delivered at the time of writing. Emmanuel Ramazani Shadary, designated as heir apparent by Mr Kabila (who does not intend to withdraw from political life and could run again in 2023), and opponents Martin Fayulu and Félix Tshisekedi have all declared themselves winners. Given that UN assistance and certain international observers were rejected prior to the vote, the electoral commission is already accused of favouring Mr Shadary. Suspicions of fraud were reinforced by the authority's decision to cut off the internet after the vote. In an already critical security and humanitarian context in some parts of the territory, this chaotic electoral process could increase fears of a period of instability and an outbreak of violence, particularly if Mr Shadary is announced as victor. The situation in Kasai, where the Kamwina Nsapu insurgency against the central government had plunged the region into violence in 2016 and 2017, could flare up again. In addition, the many armed groups in the eastern part of the country (Kivu) are continuing their exactions. Already fragile due to violence and population displacements, these regions are also affected by the Ebola virus, which has been responsible for more than 300 deaths, and is difficult to contain due to the aforementioned conflicts. Despite the work of the UN Mission for the Protection of Civilians (MONUSCO), conflicts continue to displace people. The many conflicts in the border areas are also generating regular tensions with its neighbours, particularly Angola, Rwanda, and Uganda. These many sources of political and security instability – along with corruption, weak governance and poor infrastructure – contribute to the country's extremely deteriorated business climate (184th out of 190 countries in the Doing Business 2019 ranking).

CONGO (REPUBLIC OF THE)

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D



POPULATION Millions of persons - 2017	4.3
GDP PER CAPITA US Dollars - 2017	2,005
CURRENCY CFA franc (BEAC)	XAF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-2.8	-3.1	2.0	3.7
Inflation (yearly average, %)	3.6	0.5	1.6	1.8
Budget balance (% GDP)	-19.4	-7.6	7.1	7.9
Current account balance (% GDP)	-54.1	-13.1	4.2	5.4
Public debt (% GDP)	98.7	117.9	102.1	98.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	37%
EURO AREA	21%
ANGOLA	7%
CAMEROON	6%
UNITED STATES	4%

Imports of goods as a % of total

EURO AREA	22%
AUSTRALIA	10%
NAMIBIA	9%
ANGOLA	7%
CHINA	6%

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- Abundant natural resources (oil, iron ore, potassium, phosphates, wood) and agricultural potential
- Potential for economic diversification with the opening of free trade zones

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- Highly dependent on oil and China
- Lack of infrastructure; insufficient progress in poverty reduction
- Unsupportive business environment and weak governance
- Lack of transparency on debt levels; uncertainty about interest payments

RISK ASSESSMENT

Recovery strengthens thanks to the oil sector

After two years of recession, the Congolese economy returned to growth in 2018. Higher oil prices, coupled with an increase in production, supported a rebound in oil GDP. Growth in the non-oil sector, meanwhile, remained weak after being hit hard by the public finance crisis that followed the 2014/15 oil shock. The financing difficulties encountered by state-owned companies and arrears owing to Chinese companies in particular have caused several projects to be shelved. Despite a favourable oil market environment in 2019, fiscal consolidation efforts are expected to put a dampener on investment and consumption. Non-oil growth is likely to remain moderate, but this should be offset by an increase in oil GDP. Oil and gas production is set to increase in 2019, driven by the ramp-up of the Nene Marine (operated by Eni, an Italian oil and gas multinational company) and Moho (managed by French group Total) offshore fields, making the Republic of the Congo the third largest oil producer in sub-Saharan Africa. As the government prepares to launch a new call for tenders for deep-sea exploration licences in 2019, the improved security situation in the Pool region and the conclusion of an agreement with the IMF in 2019 should encourage foreign investors to return, even though the business environment remains challenging. Inflation is expected to be relatively stable in 2019, staying below the 3% target set by the Bank of Central African States.

Despite improvement in public accounts, debt remains unsustainable

The rise in oil prices led to a marked improvement in public finances in 2018, allowing the government to post a budget surplus. The surplus is expected to be maintained in 2019, despite the increased public spending provided for by the Finance Act. Even so, the country's financial situation remains critical. Between 2014 and 2016, Congo – which had embarked on a major infrastructure investment programme – maintained a high level of public spending, despite the sharp drop in its revenues. The subsequent accumulation of deficits led to a significant increase in the debt ratio. After a temporary default on Eurobonds in July 2017, in September of the same year the credit rating agency Standard & Poor's revealed the existence of hidden debts linked to significant arrears owed to the Swiss trading companies Glencore and Trafigura. After the IMF included these debts in its estimates, Congo's adjusted debt ratio jumped from 77% to 110%. The Congolese government is also involved in a dispute with Commisimpex, a construction company that is claiming USD 1.1 billion (16% of GDP) for unpaid infrastructure work. So far, the Paris Court of Appeal has ruled against seizure of the bank accounts of Congo's diplomatic representation in France, but has upheld the seizure in favour of the complainant of claims due by French companies operating in the country. Despite the hidden debt scandal, China, which remains Congo's largest creditor (40% of the debt), continues to support the country in its negotiations with the IMF. In 2017, the Congolese government asked the IMF for three-year assistance, but the fund made its support conditional on public debt restructuring and a prior agreement with private creditors. A year of negotiations was necessary to reach a technical agreement, which will also involve an additional €135 million in aid from France.

Increased oil revenues, which represent 75% of exports, have generated a current account surplus that is expected to continue in 2019. However, the country remains vulnerable to a downturn in the oil market.

Tensions ease in the Pool region

The peace agreement signed between Pastor Ntumi's Ninja Nsiloulou militiamen and the Congolese government in December 2017 defused the escalation of violence in the Pool region south of Brazzaville. The rebels had taken up arms in April 2016 to challenge the re-election of President Denis Sassou Nguesso. Clashes between armed militias and Congolese forces led to the closure of the railway link between Brazzaville and Pointe Noire in November 2016, disrupting part of the country's economy. Although the peace agreement appears to have been respected and the disarmament of militias continues, the situation remains precarious, with 138,000 people living in difficult humanitarian conditions. Despite the challenge from the Pool region, President Sassou Nguesso, who has been in power since 1997, emerged stronger from the 2016 presidential and July 2017 legislative elections. His Congolese Labour Party continues to hold a majority in the National Assembly, while the opposition is still fragmented, despite negotiations to unite in the run-up to the 2021 elections. The financial crisis, which has resulted in significant delays in paying civil servant wages, continues to fuel a very tense social climate.

COSTA RICA

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **A4**

POPULATION Millions of persons - 2017	**5.0**
GDP PER CAPITA US Dollars - 2017	**11,729**
CURRENCY Costa Rican colon	**CRC**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.2	3.3	3.2	3.3
Inflation (yearly average, %)	0.0	1.6	2.4	3.0
Budget balance (% GDP)	-5.3	-6.3	-7.1	-6.9
Current account balance (% GDP)	-2.3	-2.9	-3.3	-3.5
Public debt (% GDP)	44.9	48.9	53.7	57.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	41%
EURO AREA	19%
PANAMA	5%
NICARAGUA	5%
GUATEMALA	5%

Imports of goods as a % of total

UNITED STATES	38%
CHINA	13%
EURO AREA	8%
MEXICO	7%
GUATEMALA	3%

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

- Unsustainable public accounts
- Exposed to natural disasters
- Inadequate transport infrastructure
- Dependent on the United States, both economically (FDI, exports) and financially (banks)
- Lack of skilled workforce; unreported work
- High income inequalities

RISK ASSESSMENT

Growth supported by domestic demand but still below its potential

Growth in 2019 will be driven mainly by vibrant private consumption (64.2% of GDP in 2017), which will benefit from reduced political uncertainty following the presidential election in February 2018 and the vote on the first phase of the public accounts reform in December 2018. However, renewed opposition to the fiscal reform could undermine consumer confidence. Alternatively, failure to go ahead with further reforms would cause the colón to depreciate sharply, pushing up inflationary pressures. However, action by the central bank should make it possible to contain inflation within the target range (2%-4%), with the adoption of a tighter monetary policy (the key interest rate was hiked in October 2018 from 5% to 5.25%). Success will depend on the de-dollarisation of the economy (27% of bank loans in US dollars, 17% of GDP in mid-2018). Public consumption is expected to continue to be constrained by the size of the deficit. The fragile public finances will also be a drag on investor confidence. In addition, the government's heavy dependence on domestic financing is expected to prolong the crowding-out effect on private investment, as the bond market is still largely dominated by government bonds (USD 21.7 billion in October 2017). In addition, the financial system remains very fragile, lacking a comprehensive legal framework and a liquid secondary market for government bonds. Tourism and construction are set to attract new investment, mainly in private residential and non-residential projects, while other services, particularly telecommunications, will also grow briskly. Finally, the agricultural sector should get a lift from the recovery in banana production, which was hard hit by weather conditions in 2018, as well as in other agricultural products in response to rising external demand from the likes of China, Chile, and Peru.

Public finances in an alarming state that could affect the external accounts

The public accounts feature a very large structural deficit. Revenues are insufficient to finance the sharply increasing expenditures, with an ever-growing share going towards servicing the country's exploding public debt. The social security system is especially fragile. Without reform, revenues will be lower than total expenditure from 2023 onwards, making it necessary to tap into reserves that will run out by 2030. After many previous attempts foundered due to the lack of political agreement, a much contested initial tax reform was approved in December 2018. The new law introduced a 13% VAT to replace the sales tax of the same amount, along with a lower rate for basic necessities. A reform of capital taxation, eliminating exemptions, and caps on wage increases for civil servants were also introduced. Under the new fiscal rule, increases in current expenditure will be linked to changes in the debt-to-GDP ratio, and no project will be approved without financing. However, broader reforms remain necessary to ensure the sustainability of public debt on a long-term basis.

The external accounts are in better shape. Exports are expected to perform strongly on increased external demand for capital goods (particularly medical devices) and agricultural goods (pineapples, bananas). However, this increase will not offset the growth in imports (trade deficit equal to 8.5% of GDP in 2017) driven by demand for capital goods and commodities (notably hydrocarbons). The balance of services, which shows a surplus thanks to tourism revenues (surplus of 9% of GDP in 2017), will not be enough to balance the current account, which will remain in deficit owing to the repatriation of corporate dividends. The country's external financing remains secured by FDI. Nevertheless, the weak public accounts constitute a risk that is exerting downward pressure on the colón (the currency's value fell by 9% between August and November 2018), prompting the central bank to draw on its foreign exchange reserves (4.9 months of imports in the first half of 2018) to provide support.

A fragmented political landscape amid the need for reform

Carlos Alvaro Quesada, representing the Partido de Acción Ciudadana (PAC), won the presidential elections of February 2018, beating out evangelical candidate Fabricio Alvaro of the Partido de Restauración Nacional (PRN). Given how fragmented the Parliament is (seven parties sharing the 57 seats and the PAC holding just ten), he will have to compromise to carry out any legislative projects. In this context, the fight against crime and money laundering rings linked to drug trafficking, as well as the reform of public finances, will remain priorities for the government.

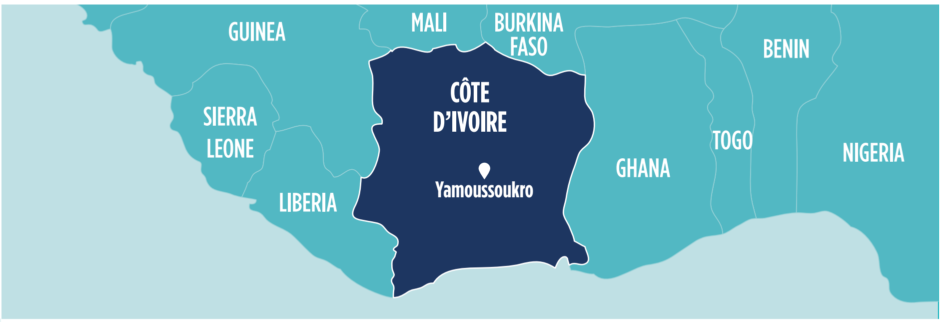
The business environment will continue to be affected by infrastructure deficiencies (transport and telecommunications in particular) and relatively high energy costs (electricity).

In terms of international relations, the priority will continue to be OECD membership, as well as the establishment of free trade agreements with China and South Korea.

CÔTE D'IVOIRE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B



POPULATION Millions of persons - 2017	25.0
GDP PER CAPITA US Dollars - 2017	1,621
CURRENCY CFA franc (BCEAO)	XOF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	8.2	7.8	7.4	7.0
Inflation (yearly average, %)	0.7	0.8	0.6	1.4
Budget balance (% GDP)	-3.9	-4.2	-3.8	-3.2
Current account balance (% GDP)	-1.1	-2.1	-2.7	-3.1
Public debt (% GDP)	47.0	46.8	48.3	47.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
UNITED STATES	8%
BURKINA FASO	5%
INDIA	4%
MALI	4%

Imports of goods as a % of total

EURO AREA	28%
NIGERIA	15%
CHINA	11%
UNITED STATES	4%
INDIA	4%

+

- Diversity of resources: hydrocarbon, ores (gold, copper, iron, manganese, bauxite) and agricultural wealth (world's largest producer of cocoa, coffee, sugar, and cashew nuts)
- Infrastructure undergoing modernisation
- Improving business climate and governance
- Strengthening political stability

-

- Economy vulnerable to weather-related hazards and cocoa price evolution (main export product)
- Gaps remain in public finance management, infrastructure, and business environment
- Slow development of national reconciliation

RISK ASSESSMENT

Robust growth, despite a gradual decline

As the post-political crisis catching-up effect of 2011 fades, growth is expected to continue to decline in 2019. Nevertheless, it will likely remain strong, thanks to investments. The construction, transport, and energy sectors are expected to continue to grow robustly, driven by public investment in major infrastructure works under the Second National Development Plan (PND 2016-2020), such as the expansion of the autonomous port of Abidjan, which will continue. Improvements in the business climate and increased use of PPPs should help support private investment, particularly in transformative industries (notably agro-industry) and services (telecommunications). Growth in the tertiary sector will also be driven by private consumption, which, although declining, is expected to remain vigorous. Despite the likely progress in industrial exports, the contribution of the trade balance is expected to suffer from the difficulties of the cacao sector, whose revenues represent more than 40% of total exports. Indeed, after two difficult seasons in the wake of the fall in cacao prices in 2016-2017 and marked by the judicial liquidation of one of the country's main exporters (SAF-Cacao), the fight against the cacao swollen shoot virus and the policy of cutting down sick cacao trees will likely result in a drop in production during the 2018-2019 cacao season.

Further fiscal adjustment, deterioration of the current account deficit

In 2019, continued adjustment efforts to reach the WAEMU convergence criterion level of 3% of GDP in 2019 should allow for a reduction in the budget deficit, which notably widened in 2017 due to difficult socio-economic conditions (lower cacao prices, bonus payments to meet social demands). Achieving this objective will require, in particular, increased mobilisation of tax revenues; the gradual withdrawal of tax exemptions, the reinstatement of the cocoa registration fee, the introduction of a tax on cashew nuts, and increasing VAT revenues are some of the measures undertaken to achieve this. The acceleration of tax and customs administration reforms should also improve tax revenues. These measures would be accompanied by efforts to contain the wage bill and public investment, including the incorporation of PPPs in the public investment programme from 2019. Tax system reforms will continue to be supported by the IMF through the three-year Extended Credit Facility (ECF) and Extended Fund Facility (EFF) programmes in which the country has been engaged since late 2016. The level of public debt remains moderate – below the WAEMU standard of 70% – and sustainability and liquidity indicators point to a moderate risk of over-indebtedness.

The current account deficit is expected to deteriorate in 2019 in the wake of the deterioration in the trade surplus. The latter is expected to suffer mainly from a decline in cacao exports and, above all, from the growth of consumption and investment imports, driven by dynamic domestic demand. Relatively stable deficits in the service, transfer, and income accounts will continue to tip the current account into the red. Despite this deterioration, project loans and FDI should make it possible to finance this deficit.

The political scene mobilized by the 2020 presidential elections

While the smooth re-election of President Alassane Ouattara in 2015 showed some normalisation of the political climate after the violence that followed the 2010 election, the country's political stability is showing some signs of fragility as the 2020 elections approach. Ambiguous statements about Mr Ouattara's intentions to run for a third term (which is in principle prohibited by the 2016 Constitution) have provoked strong reactions and are fuelling tensions around the President's succession, despite the subsequent denials. The withdrawal of the Parti démocratique de Côte d'Ivoire and its leader, former President Henri Konan Bédié (1993-1999) from the Rassemblement des houphouëtistes pour la démocratie et la paix, the unified party launched in July 2018 by Alassane Ouattara in view of the presidential elections, notably highlights the intensification of political infighting. In August 2018, the release of Simone Gbagbo, Vice President of the Front Populaire ivoirien and wife of former President Laurent Gbagbo (2000-2010; still in ICC custody at the time of writing), revived her party's ambitions, meaning the 2020 presidential elections will effectively be a battle between the three political forces that have been fighting for power for the past three decades. At the same time, while part of the population considers that they are not receiving the dividends of the country's robust growth since 2012, army mutinies and the numerous civil servants' strikes that broke out in 2017 indicate that the social climate is tense. The events of recent years are reminders that post-2011 national reconciliation is still ongoing.

CROATIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	4.1
GDP PER CAPITA US Dollars - 2017	13,271
CURRENCY Croatian kuna	HRK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.5	2.8	2.8	2.7
Inflation (yearly average, %)	-1.1	1.1	1.6	1.6
Budget balance (% GDP)	-0.8	0.8	0.2	0.0
Current account balance (% GDP)	2.6	3.9	2.8	2.5
Public debt (% GDP)	82.3	77.8	74.0	71.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	13%
GERMANY	12%
SLOVENIA	11%
BOSNIA AND HERZEGOVINA	10%
AUSTRIA	6%

Imports of goods as a % of total

GERMANY	15%
ITALY	13%
SLOVENIA	11%
HUNGARY	8%
AUSTRIA	8%

+

- 50% of electricity produced by dams; 20% imported
- Tourism appeal and long coastline
- Oil and gas potential
- Kuna pegged to the euro (60% of bank deposits in euros), with a view to participating in ERM II
- High-quality infrastructure

-

- High private and public debt
- Inefficient administration and justice system; inadequate regulation
- Weak industrial development; lack of competitiveness
- High long-term and youth unemployment
- Emigration taking away skilled workforce

RISK ASSESSMENT

Activity supported by domestic demand

The economy is expected to record a fourth consecutive strong year in 2019, driven by domestic demand. Because of the labour shortage, household consumption (58% of GDP) will continue to benefit from wage growth, the impact of tourism (25% of GDP, one in ten jobs), expatriate remittances, and the VAT reduction from 25% to 13% on food products on January 1. In addition, inflation is expected to remain low, with energy prices evening out and the pending arrival of a discounter in the food retail sector. When combined with the stability of the kuna, this should allow the central bank to maintain an accommodative policy. Investors, meanwhile, will be heartened by the resolution of the Agrokor case and credit growth, particularly for SMEs. Work on the Peljesac bridge – which will span Bosnia's maritime access to provide a road connection between the north and south of the Croatian coastline – resumed in the summer of 2018. Implementation of European funds is also set to increase, benefiting construction. Exports will get a boost from market share gains in the EU, particularly in the oil, food, medical, lingerie, and control instruments segments. Tourism revenue should remain on a positive trend, although competition from Turkey, Egypt and Tunisia may cast a shadow. However, as imports will be boosted by domestic demand at the same time, trade's contribution to growth should remain slightly negative.

Fiscal consolidation to continue

The public accounts are expected to be in balance in 2019, and might even show a surplus if interest on debt is excluded. The improvement is based largely on the beneficial effect of growth in revenues, notably from consumption *via* VAT and employment *via* social security contributions. Reduced debt service linked to low interest rates and better use of European funds are also playing a part. However, the contribution of economic conditions to performance puts the good result in perspective – a fact that is corroborated by the persistence of the structural deficit, which ignores this aspect. Government wage and procurement bills remain high (18% of GDP between them). Similarly, social transfers (which are not sufficiently targeted), pensions, defence and healthcare spending will continue to weigh heavily on the budget. However, the primary surplus, growth, and low interest rates will be sufficient to provide some relief on the debt, 70% of which is denominated in euros and much of which is held by domestic banks, which are predominantly (90%) subsidiaries of Austrian and Italian groups. The authorities will have to consider the future of the struggling Uljanik shipyards, whose state guarantees are equivalent to more than 1% of GDP and whose 4,500 jobs might justify intervention. State-owned companies, with assets representing 80% of GDP and employing 5% of the labour force, are often low-profit or unprofitable operations, with revenues equivalent to 15% of GDP.

Tourism's essential role

The current account has been in surplus since 2013. This covers a large deficit (18% of GDP in 2018) in the trade of goods offset by tourism income (19%). In addition, the sum of remittances from expatriates and European funds (about 4% of GDP) exceeds net outgoing dividend and interest payments. Nevertheless, the decline in the current account surplus that began in 2018 is expected to continue in 2019. Strong export and tourism performances are being outweighed by vigorous imports due to the difficulties faced by local industry in meeting demand and the high import content of exports. FDI (3% of GDP in 2018) meets the development needs of tourism and energy resources and compensates for the reduction in external debt. Mostly denominated in euros, external debt (75% of GDP at the end of 2018) represents a risk for non-financial companies (51% of the outstanding amount, including one third for intra-group loans under FDI), the state (39%) and banks (10%). However, the risk is mitigated by the central bank's tight control of the kuna/euro exchange rate. The bank's interventions to counter kuna appreciation have increased foreign exchange reserves to more than a year of imports.

Fragile government and opposition to reforms

Less than a year after the previous elections, early elections in September 2016 handed power back to the coalition formed by the centre-right Democratic Union (HDZ) and the reformist MOST (The Bridge) Party. This coalition soon broke up over the reform agenda. Prime Minister Andrej Plenkovic, who leads the HDZ, has managed to form a new one with liberals from the People's Party (HNS). With 78 seats (including 61 for the HDZ) out of 151, it is weakened by disagreement between the Prime Minister and the nationalist wing of the HDZ. The reform programme is opposed, not only by the main opposition, the Social Democratic Party (SDP), but also within the HDZ. At the international level, relations with Serbia are tense. It is also worth noting the Croatia's refusal to accept the Permanent Court of Arbitration's ruling that Slovenia should have access to the sea through the Bay of Piran.

CUBA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	11.5
GDP PER CAPITA US Dollars - 2017	-
CURRENCIES Cuban peso	CUP
Convertible peso	CUC

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-0.9	1.6	1.3	1.1
Inflation (yearly average, %)	4.5	5.2	5.9	5.0
Budget balance (% GDP)	-6.3	-8.6	-8.3	-7.8
Current account balance (% GDP)	0.9	0.6	0.7	0.6
Public debt (% GDP)	42.5	48.2	51.2	52.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	29%
VENEZUELA	18%
RUSSIA	8%
LIBAN	6%
INDONESIA	4%

Imports of goods as a % of total

EURO AREA	31%
CHINA	22%
RUSSIA	5%
BRAZIL	5%
MEXICO	5%

+

- Tourism and mining sectors (nickel, cobalt), agricultural potential (sugar, tobacco)
- Opening up to the individual and cooperative private sector of agriculture, trade, catering and construction (more than 200 trades)
- Qualified and inexpensive labour force
- Quality medical and educational sectors
- Relatively satisfactory social indicators
- Low crime; fight against corruption
- Dialogue and cooperation agreement with the European Union since the November 1, 2017, which has already lead to FDI

-

- External vulnerabilities (climate, raw material prices, Venezuelan aid)
- Low productivity in the public sector and agriculture
- Low investment and poor infrastructure
- Cumbersome administrative process; still very recent trade regulations
- State control over wholesale trade, credit, foreign trade, and foreign investment
- Subsidies on commodities (those listed in the libreta or ration book) weighing on public expenditure
- Reduced access to external funding
- Distance from the real conversion rate that maintains the dualism of the economy, the black market, the rationing economy and the informal sector
- Lack of statistical transparency

RISK ASSESSMENT

The bet of FDI to revive growth at half mast

The country's already weak growth is likely to be impacted in 2019 by poor performance in the agricultural sector and lower growth in tourism from the United States. The former, heavily impacted by Hurricane Irma in September 2017, is struggling to recover, with particularly poor sugar harvests in 2018 (a 30% drop from the previous year). From a tourism perspective, the return of tensions with the United States, since Donald Trump came to power, will continue to weigh on the sector. The fallout from the hurricane will also continue to impact the activity. 2018 was a year of slower growth after the 2017 record (-24% for tourists from the United States in the first half of 2018) with the return of some American restrictions. The vitality of the cruise sector is not expected to reverse the trend in 2019. New President Miguel Diaz-Canel has relaunched reforms to attract foreign investment. New administrative simplification measures have been put in place, while foreign companies have been granted permission to operate the rail network. This decision fulfils a dual objective of modernising infrastructure and increasing the country's attractiveness for FDI. However, these efforts are unlikely to generate the targeted USD 2.5 billion per year needed to boost growth. To date, most foreign investment remains concentrated in the Port of Mariel's special economic zone (totalling USD 10.7 billion of investments), while foreign investors remain constrained by US sanctions. In terms of domestic demand, public consumption will likely be driven by investment in infrastructure, mainly around post-hurricane reconstruction. Private consumption will continue to be supported by expatriate remittances and tourism revenues. In addition, Venezuela's economic downturn will continue to impact exports of refined products (drop in crude oil supply at low prices). This decline, in addition to lower sugar exports, should lead to a negative contribution of net exports to growth.

Public and current accounts subject to external conditions

The currently weak public accounts are expected to continue to improve as a result of lower financing needs for post-hurricane reconstruction. The lowest deficit observed in 2018, thanks to an increase in revenue collected from private companies (11% of revenues), suggests that the deficit will be further reduced in 2019. However, the absence of Venezuelan aid will continue to weigh on the public accounts, and the expenditure structure (50% for social spending) will likely limit the extent of the reduction. As a result, public debt is expected to continue to increase, although data detailing its structure is lacking. Following an agreement with the Paris Club in 2015, Cuba obtained a waiver of interest arrears, a staggered payment of the principal of the original debt over 18 years and a grace period for the payment of new interest until 2020. However, access to external financing will remain constrained.

From a current account perspective, the trade balance will remain largely in deficit, due to high import dependence. Nevertheless, imports should decrease following the controls imposed by the government in response to the shortage of foreign exchange. Exports will continue to be impacted by the decline in oil revenues (drop in Venezuelan crude oil deliveries), as well as by the decline in sugar production in a context of low prices. The dynamism of nickel exports, with prices increasing, will likely only partially offset these two effects. The balance of services should remain positive thanks to tourism, as should the income balance, thanks to remittances from expatriates. The current account will therefore remain in surplus, despite a downward trend. Elsewhere, little progress has been made on the project to unify the two exchange rates: the convertible peso aligned on the US dollar (dedicated to tourists and remittances) and the domestic peso (CUP 24 per USD), in which wages and locally produced goods are denominated.

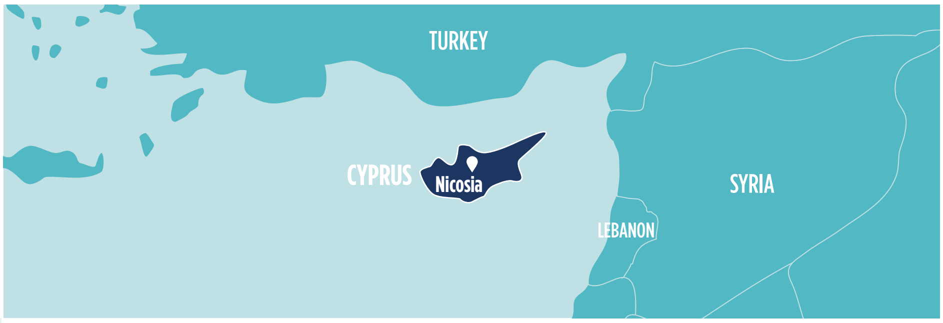
Renewal but little change

2018 was marked by a renewal of the Cuban political class, as Miguel Diaz-Canel succeeded Raoul Castro as president. The electoral cycle that framed the transition was marked by the absence of dissent. However, few changes are to be anticipated with the retention of Mr Castro as leader of the Cuban Communist Party until 2021, and a still significant influence of the army in various domains. The constitutional reform launched in spring 2018 will bring about very few transformations, limited to normalising past reforms, particularly in terms of the existence of a private sector under state control. This reform is expected to be ratified by referendum at the beginning of 2019. Relations with the United States will likely remain tense under the presidency of Donald Trump, pushing the island to seek other diplomatic partners to deal with the fall of its Venezuelan ally – such as Russia (rail investment projects under way).

CYPRUS

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3



POPULATION Millions of persons - 2017	0.9
GDP PER CAPITA US Dollars - 2017	25,380
CURRENCY Euro	EUR

Main economic indicators*	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.8	4.2	3.9	3.5
Inflation (yearly average, %)	-1.2	0.7	0.8	1.5
Budget balance (% GDP)	0.3	1.8	2.8	2.5
Current account balance (% GDP)	-5.1	-8.4	-8.0	-9.0
Public debt (% GDP)	105.5	96.1	106.0	99.0

(e): Estimate. (f): Forecast. *Territory controlled by Turkish Cypriots excluded.

TRADE EXCHANGES

Exports of goods as a % of total

LIBYA	9%
GREECE	8%
NORWAY	7%
UNITED KINGDOM	6%
GERMANY	4%

Imports of goods as a % of total

GREECE	19%
ITALY	8%
CHINA	7%
SOUTH KOREA	7%
GERMANY	7%

\+

- At the crossroads of Europe, Africa and Asia; eurozone member
- Services sector: tourism, international business and financial hub, maritime transport and transhipment
- Skilled, English-speaking workforce
- High-quality transport and telecommunication infrastructure
- Offshore gas potential

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- Island divided (since 1974); strained relations with Turkey
- Small domestic market, isolated, remote and outside the centre of Europe
- Poor economic diversification (tourism, real estate, finance) and limited foreign customer base (United Kingdom and Russia)
- High levels of debt among all economic actors; dependent on external financing
- Massive and highly concentrated banking sector burdened by non-performing loans
- Slow legal process, poor enforcement of contracts

RISK ASSESSMENT

Growth remains strong but is slowing

Private consumption (69% of GDP) is contributing strongly to growth, driven by falling unemployment, more jobs, low inflation, higher wages, and the recovery in housing prices, which fell by 35% after 2010. Growth will likewise be supported by spending by the island's three million foreign visitors (more than three times the size of the local population). The construction of tourist facilities (marinas, golf courses, ports, and luxury residences) and offices will remain on track, thanks to foreign investment encouraged by the Citizenship-by-Investment scheme. Despite sustained public investment in infrastructure, particularly for health and education, national investment will remain weak because – with household and corporate debt levels equivalent to 100% and 120% of GDP respectively (excluding offshore special purpose entities) – banks will be inclined to exercise caution. However, households, given their creditor position, will be able to draw on their savings. In addition, the export performances of tourism, shipping, and financial services could lose some of their lustre amid increased competition from alternative destinations, a decline in the number of Russian and British visitors, and a downturn in international trade. Meanwhile, imports will remain strong, in line with domestic demand. As a result, trade should again make a negative contribution to growth.

A convalescent banking sector

Efforts to restructure the Bank of Cyprus and liquidate Laiki (the number-one and number-two banks respectively) in 2013 proved insufficient, and Cyprus Co-operative Bank (CCB), the replacement number-two, was liquidated in turn in 2018, with its good assets and deposits being transferred to Hellenic Bank, now the new number-two. This time, the rescue was done at the expense of the state, which owned 77% of CCB following its bailout in 2013. The sector, which has become even more concentrated, is still a huge presence, representing 350% of GDP at the end of 2017, excluding offshore banks. Non-performing loans (NPLs) continued to make up 30% of outstanding loans and 80% of GDP at the end of September 2018. A full 90% of these loans are to households and SMEs, and one third of them have already been restructured. The authorities are hoping that 2018 amendments to insolvency and foreclosure legislation, and the 2019 launch of the ESTIA programme, through which the state will provide financial assistance for household debt restructuring, will help to process bad loans faster. Dealing with NPLs is made harder by an inaccurate land register and difficulties in valuing assets. Neither households nor developers have any incentive to repay their loans, while banks are reluctant to engage in lengthy procedures, preferring to wait for house prices to rise.

High levels of public and private debt

Vigorous economic activity will keep budgetary revenues high (40% of GDP in 2018). Moreover, despite the gradual loosening of curbs on wages, the cost of launching ESTIA and the National Health Programme, fiscal policy will remain restrictive and the budget surplus will persist. The primary surplus, *i.e.* excluding interest (5.5% of GDP), combined with growth and the decline in interest rates after credit rating agencies re-rated Cyprus "investment grade", should lead to a reduction in debt, of which 73% is due to non-residents (65% public). This debt, which is still very high, has temporarily increased following the CCB rescue.

Although competitiveness remains good, the current account deficit could widen slightly, in line with the decline in the services surplus (21% of GDP in 2017) related to tourism and financial services. Poor manufacturing diversification (cheese, medicines, and electronics) generates a goods deficit (24%), while outgoing dividend and interest payments, as well as transfers from foreign workers, show a negative balance (5%). FDI in real estate, tourism, and gas exploration make it possible to finance the current account deficit, while allowing the country (especially banks) to deleverage. Gross external debt still represents five times GDP, with 45% owed by non-financial companies, 16% by banks, and 15% by the state, while 24% corresponds to intra-group FDI commitments. A full 60% of the private sector's debts correspond to commitments of Special Purpose Vehicles (SPVs) intended to finance ship-owners or companies with no real local activity. A quarter of the total is short-term, contributing to an external financing requirement equivalent to 150% of GDP.

A minority government

Although talks between the governments of the island's Greek and Turkish communities failed to end the country's division, the economic recovery was enough for President Nicos Anastasiades of the conservative Democratic Rally Party (Disy) to be re-elected in February 2018 with 56% of the vote, beating the representative of the left-wing Progressive Workers' Party (Akel). Since the May 2016 parliamentary elections, Disy has held just 18 of the 56 seats. Given that Akel has 16 seats, the President and his government need to build majorities by working with the nine MPs of the centrist Democratic Party (Diko) and the members of five smaller parties.

PAYMENT & DEBT COLLECTION PRACTICES IN CYPRUS

Payment

Bills of exchange are used by Cypriot companies in both 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.

Although cheques are still widely used in international transactions, in the domestic business environment they 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 €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.

CZECHIA (CZECH REPUBLIC)

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	10.6
GDP PER CAPITA US Dollars - 2017	20,402
CURRENCY Czech koruna	CZK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.5	4.3	2.9	2.9
Inflation (yearly average, %)	0.6	2.4	2.1	2.2
Budget balance (% GDP)	0.7	1.5	1.5	0.9
Current account balance (% GDP)	1.1	0.5	0.1	0.2
Public debt (% GDP)	36.8	34.7	33.8	32.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	33%
SLOVAKIA	8%
POLAND	6%
FRANCE	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	30%
POLAND	9%
CHINA	7%
SLOVAKIA	6%
NETHERLANDS	5%

- Central geographic location at the heart of industrial Europe
- Tightly integrated in the international, especially German, production chain
- Preferred destination for FDI in Central Europe
- Significant industrial potential
- Robust public accounts and banking system

- Small, open economy: exports account for 80% of GDP
- Dependent on European demand: 65% of exports are to the eurozone, one third to Germany
- Automotive sector occupies a large share of the economy
- Lack of rapid transport links with the rest of Europe
- Ageing population and shortage of skilled labour

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Dynamic economic activity

The Czech economy is expected to keep a fair rate of growth in 2019. As in previous years, the economic activity is strongly supported by growing household consumption, which benefits from increased consumer confidence thanks to growing wages and decreasing unemployment. The jobless rate remains at the lowest level in the EU, reaching 2.3% in September 2018. Whereas the situation on the labour market is positive for households, companies are concerned: the talent pool is limited and the number of job vacancies has soared to the highest level in the EU. Facing labour cost increases, further strong wage pressures, and higher input prices, companies' profitability has barely increased. The Czech labour market will still be challenging for businesses in the coming years, especially as the supply of labour will suffer from aging population. Private investment continues its recovery and remains the second-most important contributor to growth because of the high capacity utilisation ratio and the surge of public investments supported by EU funds. Despite this, investments are likely to be less robust in 2019 than in 2018, mostly due to moderating public investment.

Since August 2017, the Czech central bank has been gradually raising its interest rates, further worsening the tensions on the koruna that have been in force since the bank decided to abandon the cap on koruna/euro exchange rate in April 2017. This had led to the domestic currency's appreciation, although this was not amplified by recent interest rate hikes. Nevertheless, higher rates temper inflationary pressures. Inflation in 2019 is likely to exceed the Czech National Bank's target of 2%, but drop below it the following year.

As a small open economy, Czechia is highly dependent on the external sector. The automotive sector – which accounts for 28% of industrial production, 20% of exports of goods and 10% of GDP – is expected to grow fairly. Western European demand is crucial in this regard, but the inclusion of Czech companies in global production chains (not only in the automotive sector) makes them vulnerable to weaker global trade dynamics.

Solid fiscal position and trade balance surplus

Despite some easing, the government's fiscal policy remains cautious, helping keep the public accounts to similar levels as last year and still generating a budget surplus. The increase of public wages and higher indexation of pensions are expected to be compensated by rising revenues, thanks in part to the improved tax collectability. Public debt will remain on its alleviating path.

The trade balance shows a structural surplus (5.0% of GDP in 2017) thanks to close integration in the European – especially German and automotive – production chain. However, the previous appreciation of the koruna, as well as robust domestic demand, limits the trade surplus. Moreover, weaker external demand will contribute to slowing the growth of exports. At the same time, imports are likely to record lower dynamics in line with moderating investments, which have relatively high import content.

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 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, with the Social Democratic Party (CSSD), to which the outgoing Prime Minister belongs, relegated to sixth place (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%), who were able to profit from distrust of migrants and Euroscepticism. With nine parties represented, the fragmented Parliament made it impossible to form a majority government. The government won confidence votes in July 2018 and again in November 2018. The Communist party supported the minority coalition between Ano and the CSSD. Although the Communists remain outside the government, their deal with Mr Babis brought them the closest they have been to power since 1989.

PAYMENT & DEBT COLLECTION PRACTICES IN CZECHIA

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 or bank transfer. Bank transfers are by far the most widely-used means of payment. The SWIFT system is fully operable in the Czechia, and provides an easier, quicker and cheaper method for handling international payments. The Czechia 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), 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.

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

Fast-track procedure / Order to pay

Platební rozkaz 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.

Ordinary procedure

Ordinary proceedings takes place after the defendant has disputed the claim during the *platební rozkaz* 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 July 1, 2009 (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 July 1, 2009).

Enforcement of a Legal Decision

Judicial enforcement is reserved only for matters specifically listed in the law. 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 EU, enforcement of foreign awards issued by an EU 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

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. This also allows for insolvency proceedings to remain transparent.

Insolvency

The insolvency act introduces new methods and faster process, with single proceedings where the court decides on three particular solutions:

Reorganization

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

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.

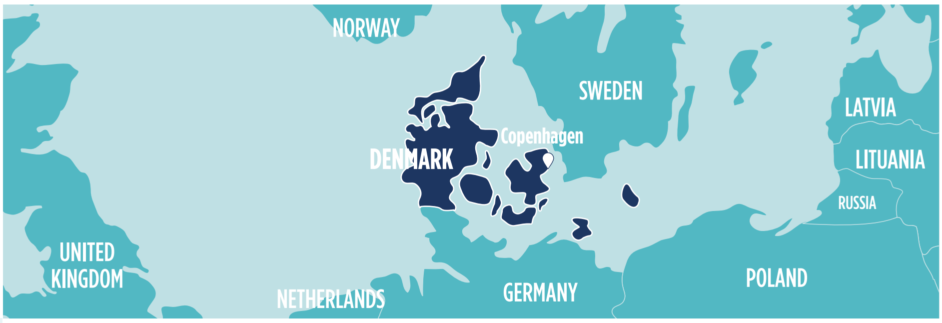
Debt clearance

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

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.

DENMARK



COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	5.7
GDP PER CAPITA US Dollars - 2017	56,631
CURRENCY Danish krone	DKK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.0	2.3	1.6	1.8
Inflation (yearly average, %)	0.3	1.1	0.9	1.4
Budget balance (% GDP)	-0.4	1.1	-0.7	-0.3
Current account balance (% GDP)	7.3	7.6	7.2	7.0
Public debt (% GDP)	37.9	35.3	34.7	33.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
SWEDEN	12%
UNITED KINGDOM	8%
UNITED STATES	8%
NORWAY	6%

Imports of goods as a % of total

GERMANY	21%
SWEDEN	12%
NETHERLANDS	8%
CHINA	7%
NORWAY	6%

+
- World's fifth largest shipping operator
- Energy self-sufficiency (oil in the North Sea and Greenland); net energy exporter
- Niche industries (renewable energy/ biotechnology)
- Well managed public finances
- Large current account surplus
- Krone pegged to the euro

−
- Small open economy sensitive to external demand
- Government instability related to the fragmentation of Parliament
- Very high household debt (272% of disposable income)
- Public sector constitutes a significant part of the country's employment (30% of employees in August 2018)
- Tensions over housing in some cities

RISK ASSESSMENT

Growth still dynamic, driven by domestic demand

Growth will remain resilient in 2019 thanks to strong private consumption and investment. Household consumption will continue to be driven by a buoyant labour market, characterised by full employment (unemployment rate at 3.9% in September 2018), and the resulting increase in wages. Between three and four million homeowners will receive property tax refunds in 2019, due to the reduction in the tax base, in line with the reform of the property valuation system. Inflation will accelerate slightly but is expected to remain moderate. As a result, the central bank should maintain an accommodative monetary policy in 2019, in line with that of the ECB. In addition to this particularly favourable financial environment – the key interest rate is at a record low 0% –, households will benefit from the wealth effect linked to rising house prices. However, although household debt has been falling since 2014, it remains the highest in the OECD, coming in at 272% of disposable income in 2017. In parallel, investment will be supported by supply constraints, with production capacity utilisation rates and recruitment difficulties at their pre-2008 crisis levels. Shipping, which accounts for 50% of exports of services, will be affected by the slowdown in world trade, and the impact will be even greater if protectionist measures are increased. Although house prices have softened in Copenhagen, residential construction is expected to remain brisk thanks to the improvement in the financial situation of households. The energy sector (oil and gas) will benefit from continued high prices. The slowdown in the main partner countries will affect exports and reduce external trade's growth contribution, which could turn negative.

Prudent fiscal policy and a substantial current account surplus

The government will maintain its prudent fiscal policy and is not expected to increase public spending, in order to avoid a risk of overheating given the low unemployment rate. The few increases will be concentrated in the social sector (healthcare, early childhood, the elderly) and the environment, but will be very limited (less than 0.1% of GDP). The government deficit and public debt, which are both already well below the thresholds set by the European Stability and Growth Pact (3% and 60% of GDP respectively), will continue their downward trend.

Denmark will continue to run a large current account surplus in 2019. The trade balance will still generate a significant surplus (over 6% of GDP), although imports, driven by domestic demand, are expected to be more dynamic than exports. Exports will be hurt on the one hand by cooler growth in the EU and the United States, and on the other hand by Brexit, which will reduce demand from the United Kingdom. Exports of agricultural products, including pork and dairy products, which account for 20% of exports to the UK, would be particularly affected if the country leaves without an agreement, as they are subject to substantial customs duties (up to 40% depending on the product). However, exports to the UK have diversified significantly in recent years, with the share of machinery and equipment increasing from 20% to 40% of the total between 2015 and 2017. The income balance is also in surplus, thanks to the income of Danish companies abroad. External debt remains considerable, at around 150% of GDP in the second quarter of 2018, but has been gradually declining since 2013. The Danish financial sector, which is interconnected with its Nordic counterparts, accounts for two thirds of this debt.

The left slightly ahead in the polls

Prime Minister Lars Lokke Rasmussen leads a centre-right government coalition composed of his own Liberal Party, the Liberal Alliance (LA) and the Conservative People's Party (KF). This minority coalition (53 MPs out of 179) depends on the support of the far-right Danish People's Party (DF), which has 37 MPs, but which did not wish to participate in the government. The Prime Minister's term of office, which will end no later than June 2019, has been marked by significant disagreements between the coalition parties, compounded by the demands of the DF. The outcome of the 2019 parliamentary elections – which will be affected by the scandal over money laundering involving the Estonian subsidiary of Danske Bank, Denmark's leading bank, between 2007 and 2015 – remains uncertain: at the end of October 2018, polls showed 51% support for the left against 49% for the right-wing parties, including the DF. According to the polling data, the balance of power has changed little since the 2015 elections: the Social Democratic Party (SD), led by the former Minister of Employment and then Justice, Mette Frederiksen, is predicted to win, followed by the Liberal Party and the DF in a neck-and-neck race for second.

With local elections confirming Greenland's desire to gradually move towards independence (the Arctic being a region potentially rich in mineral, oil and gas resources), Denmark will inevitably have to address this issue in the medium term.

PAYMENT & DEBT COLLECTION PRACTICES IN DENMARK

Payment

Denmark is in the process of becoming a cashless society. 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 10 days to settle the principal amount, plus any penalties for interest provided for in the initial agreement.

Once the 10 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 10 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 August 1, 2002 is either the Danish National Bank's benchmark, or the lending rate (*udlånsrente*) in force on January 1 or July 1 of the year in question, plus an additional 8%.

Legal proceedings

Fast-track proceedings

Since January 1, 2008, overdue payments which do not exceed DKK 50,000 or €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 not severe, 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, the efficiency of the Danish court system means that out-of-court proceedings tend to be used as informal negotiation tools.

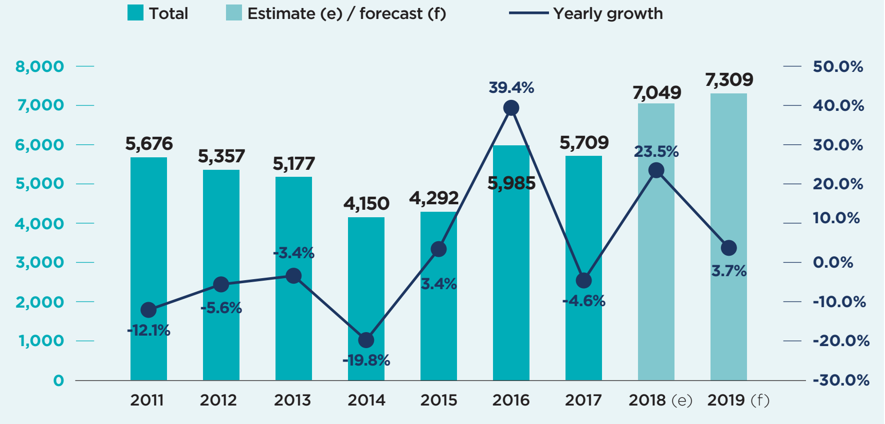
Restructuring proceedings

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

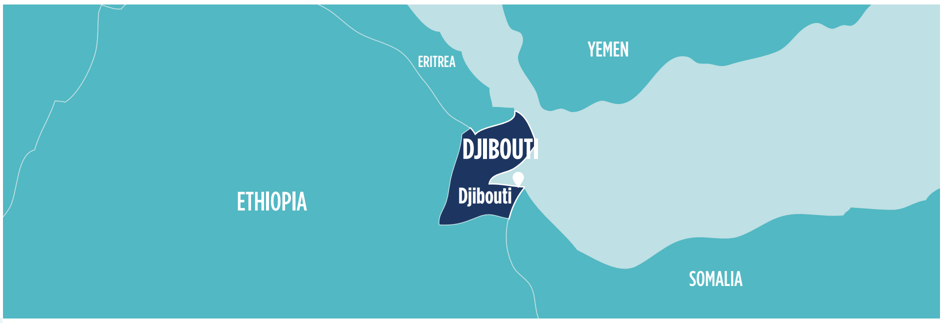
Liquidation procedures are based on bankruptcy orders issued by the Court, either at the request of the debtor or a creditor. The debtor must be insolvent. The Court appoints a trustee who is authorised to act in all matters on behalf of the bankrupt estate. His primary objectives are to liquidate the debtor's assets and distribute the proceeds between the creditors. Creditors need to file their claims with the trustee for assessment.

NUMBER OF CORPORATE INSOLVENCIES



Source: Statistics Denmark, Coface.

DJIBOUTI



COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**1.0**
GDP PER CAPITA US Dollars - 2017	**1,989**
CURRENCY Djiboutian franc	**DJF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.5	6.7	6.7	7.0
Inflation (yearly average, %)	2.7	0.7	1.0	2.5
Budget balance (% GDP)	-11.5	-6.1	-4.4	-2.1
Current account balance (% GDP)	-30.4	-26.0	-19.9	-17.3
Public debt * (% GDP)	86.6	88.1	87.5	89.0

(e): Estimate. (f): Forecast. *Debt guaranteed by the State included.

TRADE EXCHANGES

Exports of goods as a % of total

ETHIOPIA	39%
SOMALIA	18%
BRAZIL	9%
QATAR	7%
YEMEN	5%

Imports of goods as a % of total

UNITED ARAB EMIRATES	23%
EURO AREA	21%
CHINA	10%
SAUDIA ARABIA	9%
ETHIOPIA	6%

+

- Geostrategic position at the entrance to the Red Sea; supported from the international community
- Emergence as a regional hub for trading, logistics and military
- Substantial FDI inflows
- Ongoing efforts to modernise infrastructure

-

- High risk of over-indebtedness
- Increasingly dependent on Ethiopia and China
- Large informal economy: endemic poverty and unemployment
- Dry climate
- Difficult business climate

RISK ASSESSMENT

Investments support non-inclusive growth

In 2019, growth will likely be strong, continuing to be driven by many new investments (25% of GDP), most of which will be foreign, as well as by the effects of previous government investments aimed at making the country the main logistics hub in the region, thanks to its strategic geographical location. The biggest initiative is the Chinese-financed Djibouti Free Trade Zone, inaugurated in 2018 and set to become the largest in Africa. With more than 20 companies (mainly from China) planning to set up bases, growth should be boosted from 2019 onwards, with more than 12,000 jobs created in the near term and over 300,000 further out. However, the pace of investment growth could soften due to investor concerns, particularly over the government's unilateral decision to terminate DP World's management of the new container terminal at the Port of Doraleh, and nationalise the company's shares (one third) pending a financial arrangement. The Chinese government, which is the country's largest investor, voiced its official concerns after President Guelleh said that China might lose its monopoly over management of the free trade zone, which could threaten Chinese investments, including those intended for the construction of two cargo airports. However, these developments are not expected to hinder the expansion of port activity, which has been strengthened by the new Djibouti-Addis Ababa railway line, which came into service in 2018. Djibouti is currently Ethiopia's only access to the sea, and the strategic partnership between the two allows 90% of Ethiopian exports to pass through the country. The remaining investments will be aimed at developing salt production, fisheries, renewable energies, and tourism, and will be largely provided by the private sector. As the state is already heavily indebted, public investment could decline. For this reason, 2019 could see a widening of the gap separating the modern portion of the economy – which is focused on services (the tertiary sector represents 77% of GDP), particularly transport, logistics and construction, which benefit from trade – and the archaic informal portion (60% of companies, mainly individual and service firms). The population is largely dependent on the latter, reflecting the fact that growth remains non-inclusive. However, people should benefit from the job creation resulting from investment. The unemployment rate of almost 50% is therefore expected to decline, which, combined with moderate inflation (the Djibouti franc is pegged to the US dollar), will stimulate private consumption, which accounts for almost 60% of GDP.

Risk of over-indebtedness despite fiscal efforts

Fiscal consolidation efforts are expected to continue in 2019. The financing of infrastructure projects in recent years has had a big impact on the public accounts and, given the high risk of over-indebtedness, reducing the deficit is a priority. While investment spending is expected to decline, the increase in current expenditure will decelerate. The benefits of previous investments, along with improved collection of tax revenues, should make it possible to increase the government's revenues, but not by enough to get the budget back into balance. The large current account deficit is expected to shrink in 2019. Exports of goods and especially services will continue to grow, while imports (mainly of capital goods) are set to slow, since the largest investments have now been completed. The structural trade deficit (25% of GDP) is therefore expected to improve. Conversely, the increase in income paid abroad, resulting from investments, will reduce the income surplus generated by the presence of foreign military bases. Massive inward FDI in 2019, which will finance the current account deficit, will play a part in transforming the country into a regional logistics centre. Public debt, including non-concessional debt from EximBank China, will remain at an excessively high level, and debt service (11% of revenues in 2017) will weigh heavily on the public accounts.

Developments in international relations with uncertain consequences

President Ismail Omar Guelleh, who has been in power since 1999 and was re-elected in 2016, confirmed his hold on the local political scene when his party won the February 2018 legislative elections, taking 57 seats out of 65. The opposition – some of whose members boycotted the election, claiming it to be non-transparent and rigged – appears to be marginalised. Despite Djibouti's desire to transform itself, the business environment remains poor (99th in the Doing Business ranking). Governance remains mediocre, particularly in terms of corruption, where the country ranks 148th according to the World Bank. These two indicators, combined with the country's high debt, will worry Chinese investors and could make for cooler trade and diplomatic relations with China, Djibouti's main creditor. Relations with China, which peaked in 2017 with the establishment of a Chinese military base, could suffer from new port competition, from Somalia or Eritrea for example, on this strategic trade route. The resumption of diplomatic relations between Eritrea and the other countries of the Horn of Africa could, paradoxically, have a negative impact on Djibouti's prospects if Ethiopia were to negotiate agreements to free itself from its trade dependence on Djibouti.

DOMINICAN REPUBLIC

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	10.2
GDP PER CAPITA US Dollars - 2017	7,478
CURRENCY Dominican peso	DOP

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.6	4.6	6.4	5.0
Inflation (yearly average, %)	1.6	3.3	4.3	4.2
Budget balance (% GDP)	-2.8	-3.0	-2.7	-2.6
Current account balance (% GDP)	-1.1	-0.2	-1.6	-2.1
Public debt (% GDP)	34.6	37.2	36.7	36.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	50%
HAITI	9%
CANADA	8%
INDIA	6%
EURO AREA	6%

Imports of goods as a % of total

UNITED STATES	44%
CHINA	13%
EURO AREA	9%
MEXICO	5%
BRAZL	3%

+

- Leading Caribbean tourist destination
- Remittances from its diaspora
- Free-trade agreement with the United States (CAFTA-DR)
- Free zones (51% of exports in 2018)
- Political stability

−

- Dependent on US economy
- Dependent on gold prices
- Sporadic electricity shortages
- Deficiencies in education and health care systems
- High levels of poverty and inequality
- Drug traffic-related crime
- Widespread corruption

RISK ASSESSMENT

Economic growth dependent on the US economy

Post-Hurricane Maria reconstruction efforts boosted the economy in 2018, but growth is expected to be slower in 2019, although still high. After being driven by the favourable economic situation in the United States in 2018, the country's growth may be affected as the US economy gradually cools. This may impact inflows of tourists, which should nevertheless remain high. Tourism revenues and strong growth in expatriate remittances will act as the drivers for household consumption, which is the main contributor to growth, accounting for 70% of GDP. Relatively healthy economic conditions in the United States should continue to boost exports, and hence sugar and gold production, despite uncertainties about the price of gold. Inward FDI, particularly from the USA, is set to continue thanks to the presence of free zones and strong performances of the construction and tourism sectors. The rising price of oil, of which the country is an importer, should put inflation in the central bank's target zone of 3-5%. Thanks to the country's comfortable foreign exchange reserves, the central bank is able to pursue a fairly accommodating monetary policy focused on supporting growth and controlling inflation.

Reverse trajectories for the twin deficits, which remain relatively low

The 2019 budget, which has been presented to and approved by Parliament, shows a slight decrease in the government deficit. The objective is to increase state revenues by 14%, notably *via* more efficient tax and customs collection and continued strong growth. This increase is expected to slightly exceed the 13% growth in public spending, more than two thirds of which is made up of current expenditures, chiefly in health and education. Capital expenditure (13% of total expenditure) and debt interest (17%) are the fastest growing areas (14% and 23% respectively), but their share remains significantly lower. The improvement in the budget balance could be much smaller than the one targeted by the government (deficit of 1.7% of GDP) because of possible additional current expenditures (weather-related risk, fight against trafficking) during the year.

The trade deficit, which stands at more than 11% of GDP, is set to widen further in 2019 on higher imported oil prices and a possible decline in gold prices. In addition, past depreciation of the local currency, although good for export competitiveness, is pushing up the price of imports. The balance of services (about 7% of GDP in 2017) will continue to improve and remain strongly positive thanks to tourism, which is expected to grow by almost 5% in annual terms, as will the balance of transfers (slightly above 7% of GDP in 2017), driven by remittances from the diaspora. Due to the many active FDI projects in the country, the income balance will remain very negative. All of this is expected to translate into a slight deterioration in the current account. The current account deficit is expected to be largely financed by FDI supported by the existence of numerous free zones. The latter are growing rapidly and account for nearly 60% of FDI in the Caribbean region.

Apparent political stability masks a fragile situation

The political landscape is largely dominated by President Danilo Medina's Partido de la Liberacion Dominica, which holds a majority in both houses of the national legislature. The President will end his second term in 2020. However, although he enjoys good ratings, popular protests are on the rise. Since 2017, *Marcha Verde* demonstrations have been organised, including one in August 2018 that was attended by nearly a million people, to denounce corruption and call for the conviction of 12 current or former political leaders accused of taking bribes from Odebrecht, a Brazilian company. Taxes on petroleum products coupled with the rise in the price of oil have also fuelled discontent. At the same time, at the end of 2018, the country launched a new border security plan with Haiti to combat arms and drug trafficking and illegal immigration by Haitians, who account for 87% of all immigrants. In addition, the country broke off diplomatic relations with Taiwan in 2018, a move that has led to the opening of a Chinese embassy in Santo Domingo and the development of trade relations, the effects of which should be felt as early as 2019. Chinese investments are expected to increase in a country where the business environment is ranked 102nd in the Doing Business 2019 ranking.

ECUADOR

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	16.8
GDP PER CAPITA US Dollars - 2017	6,217
CURRENCY US dollar	USD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-1.2	2.3	1.0	0.7
Inflation (yearly average, %)	1.7	0.4	-0.2	0.5
Budget balance (% GDP)	-8.2	-4.5	-4.0	-2.8
Current account balance (% GDP)	1.4	-0.3	-0.5	-0.7
Public debt (% GDP)	43.2	45.4	48.6	50.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	32%
EURO AREA	15%
VIETNAM	8%
PERU	7%
CHILE	6%

Imports of goods as a % of total

UNITED STATES	23%
CHINA	15%
EURO AREA	12%
COLOMBIA	9%
PANAMA	6%

+
- Significant mineral, oil and gas potential
- Tourist potential (flora, fauna, heritage)
- Diverse climate allows for a wide range of crops
- Marine resources: number-one exporter of shrimp
- Low inflationary risk due to fully dollarised economy

-
- Oil-dependent economy
- Competitiveness subject to dollar movements due to fully dollarised economy
- Large informal sector and low-skilled workforce
- Legacy of sovereign default
- State interventionism
- Low levels of domestic and foreign private investment

RISK ASSESSMENT

Growth remains hobbled by the decline in public support

Growth will continue to slow in 2019, held back by continued fiscal consolidation and persistently sluggish domestic demand. As financing conditions for the deficit grew tighter, the government was forced to draw up a fiscal consolidation plan in 2018 to reassure the markets. Under this plan, the government will slash investments and eliminate civil servant positions in 2019. In addition, interventionism and a lack of competitiveness (high cost of public services, rigid labour market), exacerbated in recent years by dollar appreciation, have lessened the draw for private investors.

Household consumption is expected to remain constrained by the weak growth in purchasing power linked to the wage freeze and the rise in the unemployment rate, which will nevertheless remain low. Moreover, with the informal sector accounting for 45% of employment, many households do not receive the minimum wage and full social benefits.

After a period of deflation due to the appreciation of the US dollar and the wage freeze, prices will rise slightly again in 2019, driven by reduced fuel subsidies and stabilisation of the dollar. In addition, oil sales should benefit from firm prices, even if production is unchanged at Petroamazonas, the national company that accounts for 78% of national production. Conversely, cocoa producers will be hard hit by the entry into force of a European standard imposing a maximum content level for cadmium, a substance which is very present in local cocoa. Other agricultural products, including bananas, shrimp, canned fish and flowers, will be hurt by cooler European and North American markets. Manufacturing sectors will continue to be penalised by their lack of competitiveness outside the dollar zone. However, at the same time, imports will be sluggish, in line with domestic demand, allowing external trade to make a slightly positive contribution to growth.

Fiscal consolidation to control soaring debt

President Lenín Moreno has launched a fiscal consolidation plan that will generate estimated total savings of USD 1 billion, or 1% of GDP. The aim is to reduce the deficit sufficiently to contain the country's debt, which has risen sharply since 2012, exceeding the statutory limit of 40% of GDP. Measures include the obligation to use tenders for public contracts (USD 400 million in savings), the phase-out of public jobs through mergers of state-owned entities (USD 350 million) and the removal of subsidies on premium gasoline (USD 150 million).

At the same time, the current account is expected to remain slightly in deficit. The trade balance will be impacted by expensive imports of petroleum products, due to insufficient refining capacities to meet growing domestic demand. The balance of services will also continue to show a small deficit, with freight and oil services paid abroad exceeding strong tourism revenues. In addition, growing debt interest and profit repatriation will exceed expatriate remittances from the United States and Spain. With weak FDI (0.6% of GDP in 2017) insufficient to cover the deficit, the government will have to resort to external debt, as in January 2018 (USD 3 billion). The authorities have limited room for manoeuvre, as reserves are very low (less than two months of imports in June 2018). However, the resumption of relations with the IMF since President Moreno came to power offers an additional option for lower-cost financing, at the cost of accelerated fiscal consolidation.

The President's popularity wanes despite a successful referendum

President Moreno emerged stronger from the February 2018 referendum in the struggle with his predecessor Rafael Correa for control of their party, Allianza Pais (AP). An average of 68% of voters in the referendum backed a series of measures that set a limit of two presidential terms (a return to the pre-2015 situation that prevents Mr Correa from standing again in 2021), strip those convicted of corruption of their civil rights, reform the Consejo de Participacion Ciudadana y Control Social, the body that decides on judicial appointments and that was controlled by Correa's supporters, and restrict oil drilling in Yasuni Natural Park. Despite this victory, President Moreno's approval rating has declined steadily since peaking at 77% in August 2017, falling to 45% one year later, mainly due to the worsening economic situation. He also holds a slim legislative majority (74 seats out of 137), which is undermined by internal party dissensions.

The business environment remains weak, with significant difficulties in investor protection, default resolution and taxation. As a result, Ecuador came 118th out of 190 in the World Bank's Doing Business 2018 ranking.

PAYMENT & DEBT 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). Interbank 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

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 in force since May 2017, should help to speed up procedures.

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

Under the new legal code, trials can be in the form of Executive Judgments or Ordinary Judgments.

Executive Proceedings

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 90 days. The judge orders a single audience 120 days later, during which he delivers a sentence.

Ordinary Proceedings

Ordinary proceedings are initiated by filing a written complaint with the Court. The case is then assigned to a judge who has 60 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 a sentence.

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.

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.

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.

EGYPT

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2017**	**94.8**
GDP PER CAPITA US Dollars - **2017**	**2,495**
CURRENCY Egyptian pound	**EGP**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	4.2	5.3	5.6
Inflation (yearly average, %)	10.2	23.3	21.6	14.0
Budget balance (% GDP)	-12.5	-10.9	-9.8	-8.5
Current account balance (% GDP)	-6.0	-6.6	-3.2	-3.0
Public debt (% GDP)	96.6	98.4	88.7	87.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	27%
UNITED ARAB EMIRATES	11%
UNITED STATES	8%
UNITED KINGDOM	6%
TURKEY	4%

Imports of goods as a % of total

EURO AREA	20%
CHINA	8%
SAUDI ARABIA	6%
UNITED ARAB EMIRATES	5%
RUSSIA	5%

- Tourism potential
- Manageable external debt (30% of GDP including 17% public)
- Political and financial support from the Gulf monarchies and Western countries
- IMF Support Programme
- Large gas reserves

- Poverty (40% of the population) and high unemployment
- Recurring security issues in the Sinai region
- Twin deficits
- Banking system vulnerable to sovereign risk
- Weak manufacturing exports

RISK ASSESSMENT

Pace of activity to quicken in 2019

Egyptian growth strengthened in 2018. Investment, along with more competitive exports of goods and services, were again the main drivers of activity. Economic reforms undertaken since 2016 with IMF support have restored investor confidence, especially in the energy sector. Activity is expected to continue to pick up in 2019, buoyed by the recovery in tourism, continued strong export growth and sustained public and private investment. Following Eni's (an Italian multinational oil and gas company) discovery of the giant Zhor field in 2015, Egypt aims to become a major hub for the gas industry in the Mediterranean. Natural gas production, which covers 65% of the country's energy needs, is expected to rebound significantly in 2019. The authorities have announced the end of LNG imports following completion of Phase Two of the West Nile Delta project in the deep waters north of Alexandria, which is expected to increase production by 700 million cubic meters per day. To boost investment in the sector, the government is preparing a new contract model based on a more attractive compensation package for oil companies. Growth in the hydrocarbon sector is expected to benefit the manufacturing sector, which showed signs of improvement in 2018. Consumption is likely to rise further but at a more moderate pace, hampered by higher energy prices and the phase-out of fuel and electricity subsidies in 2019.

Ongoing fiscal consolidation

Fiscal consolidation efforts under the IMF programme have led to a gradual reduction in the government deficit. The VAT hike, moderation of the wage bill, increased customs duties, and a reduction in subsidies have enabled the authorities to achieve a primary surplus, despite a bigger-than-expected rise in oil prices. The government deficit is projected to decline further in 2019, but the government's target remains very optimistic. The aim is to get the deficit to 8.4% and the primary surplus to 2%. Strong growth combined with better tax collection should certainly favour an upturn in budgetary revenues in 2019, thus leaving more room for manoeuvre to boost investment expenditure (+40%). The increase in expenditure, which also includes some concessions made to civil servants, should be partly offset by subsidy cuts and steps to open up the capital of some state-owned companies. The abolition of fuel subsidies in 2019 and electricity subsidies by 2020/21 is expected to exert a negative effect on inflation. The Egyptian central bank could be forced to hike interest rates, mechanically raising the cost of servicing the debt, which remains largely domestic. In addition, the increase in external debt has resulted in higher exposure to currency risk at a time of stress on the emerging foreign exchange market.

Following a period of adjustment, the external accounts situation has improved significantly. The gain in competitiveness linked to depreciation of the pound has given a lift to exports (mainly oil). Tourism is expected to continue recovering, notably following resumption of the air link between Russia and Egypt, which was suspended in 2015. The increase in gas production should also help the government to contain the energy import bill despite the rise in oil prices. The current account deficit will continue to be financed by the surplus in the financial account, which is benefiting from increasing FDI and portfolio investment. As Egypt has a floating exchange rate regime, it is no longer shielded from pressures on emerging currencies that could affect the stability of the pound.

Sissi re-elected for another four years

In April 2018, Marshal Abdel Fattah al-Sissi was re-elected as head of Egypt, winning the presidential election with 97% of the vote. Without any real opposition, he faced only one challenger, Moussa Mostafa Moussa, who is actually a supporter of the President. Poor turnout, at around 41%, reflected the fact that the election was a forgone conclusion. Nevertheless, the President should now be able to continue the economic and security policies pursued during his previous terms. The regime is tightening its grip and silencing protests, justifying its actions by citing the need to stabilise the situation in Sinai and on the Libyan border. Although often criticised for failing to uphold human rights, the Egyptian regime remains a pivotal factor in regional stability and the fight against terrorism. President Sissi wants to restore the country's leading role in the Middle East by maintaining close relations with Europe and the United States on the one hand, while strengthening ties with Russia on the other. At the same time, the country intends to rely on its backers in the dispute with Ethiopia over the Nile River dam project, which would deprive Egypt of some of its water resources.

EL SALVADOR (REPUBLIC OF)

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	6.4
GDP PER CAPITA US Dollars - 2017	3,895
CURRENCY US Dollar	USD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.4	2.3	2.3	2.3
Inflation (yearly average, %)	0.6	1.0	1.7	1.9
Budget balance (% GDP)	-3.4	-2.5	-2.2	-2.7
Current account balance (% GDP)	-2.2	-2.5	-3.4	-3.4
Public debt (% GDP)	69.5	70.6	70.1	70.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	46%
HONDURAS	14%
GUATEMALA	14%
NICARAGUA	7%
COSTA RICA	5%

Imports of goods as a % of total

UNITED STATES	37%
GUATEMALA	10%
CHINA	9%
MEXICO	7%
HONDURAS	7%

+

- Relative economic diversification
- Free trade agreements with Central America and the United States (CAFTA-DR), as well as with Mexico and the EU; entry into the customs union with Guatemala and Honduras
- Financial support from multilateral institutions
- Strong demographics

-

- High crime and insecurity linked to drug trafficking
- Lack of natural resources
- Climate and seismic vulnerability
- Inadequate infrastructure and investment
- Dependence on the United States (48% of exports)
- Structural fragility of public and external accounts
- Significant inequalities and poverty

RISK ASSESSMENT

Structural obstacles to growth

In 2019, El Salvador's growth is set to continue to be the lowest among Central American countries, constrained by a lack of investment and the need for structural reforms. The vitality of activity in the United States will support exports, particularly textiles and clothing, but also electronic components (cables, chips). The decrease in unemployment among the Latin American community in the United States will support the sending of remittances from the 2 million Salvadoran immigrants to the United States (20% of the country's population), supporting domestic demand. The end of the TPS (Temporary Protected Status), decided by the Trump administration (due in September 2019), should have limited consequences on foreign exchange flows, as only 200,000 migrants are concerned, and a significant proportion should be regularised. However, a potential tightening of US migration policy could pose a risk to the Salvadoran economy, which is highly dependent on these currency flows (18% of GDP). Private consumption will also be boosted by low inflation, contained by the total dollarisation of the economy. On the supply side, the agricultural sector will continue to be characterized by poor performance in a context of low sugar and coffee prices (the country's main agricultural product). Private investment will likely remain very insufficient, constrained by a significantly high crime rate and a still deficient business environment, despite recent progress. The *maquilas*, production areas dedicated to exports, will continue to concentrate the bulk of foreign investment and manufacturing production, particularly in the textile and clothing sector.

Fragile fiscal and external situations

Despite recent fiscal adjustments that generated a primary surplus in 2017 and 2018, interest payments on debt are expected to further weaken the public accounts in 2019. Savings from the 2017 pension reform are not expected to increase revenues substantially in the absence of further reforms, delayed by the lack of agreement between political parties. After a partial default on its debt in early 2017, the country faced further difficulties in autumn 2018 in financing the payment of interest due in 2019: the majority opposition in Parliament has blocked the government's desired bond issue in the absence of further budgetary reforms. The legislative deadlock is expected to continue until the end of the current President's term in June 2019. In this context, public debt (including the debt of non-financial public companies), is expected to increase slightly. Its relatively high level presents a risk in the context of a fully dollarised economy like El Salvador.

On the external accounts side, the current account deficit is expected to remain stable compared to 2018. The trade balance will remain in deficit (-20% of GDP) due to the dynamism of imports of intermediate goods (particularly those dedicated to the textile sector). The income balance deficit will likely further widen with the repatriation of dividends from foreign companies in a context of rising key rates in the United States. The growth in discount flows, which is less dynamic than in the past, should only partially offset these deficits. FDI will still be insufficient to balance this need for external financing. The government is therefore likely to use market-based financing through bond issuance and international donors.

Towards the end of a political blockade?

In power since 2014, President Salvador Sanchez Cerén (Frente Farabundo Marti para la Liberacion nacional, FMLN) is currently enduring a low level of popular support due to the high crime rate in the country and the lack of a real project to fight poverty. In the March 2018 parliamentary elections, the opposition party (Arena) won the majority of seats in parliament, leading to a situation of legislative deadlock, preventing any reform. Given this difficult political context for the FMLN, the February 2019 presidential battle will mostly oppose Carlos Calleja, Arena's candidate, and Nayib Bukele, from the Gran Alianza por la Unidad Nacional (GANA) party. A victory from Bukele would be a major break from the historical bipartisanship of the Salvadoran political system. Regardless of the winner, the next president will have to face the challenges of fighting crime and corruption, as well as addressing migratory and poverty issues.

From the point of view of diplomatic relations, beyond the leading partnership with the United States, El Salvador's foreign policy remains oriented towards the sub-region with the entry, in 2018, into the customs union formed by Guatemala and Honduras. A rapprochement with China was also initiated following the end of diplomatic relations with Taiwan in August 2018 and a stated desire to increase economic cooperation between the two countries.

ERITREA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	5.9
GDP PER CAPITA US Dollars - 2017	980
CURRENCY Nakfa	ERN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.8	5.0	4.2	3.8
Inflation (yearly average, %)	9.0	9.0	9.0	9.0
Budget balance (% GDP)	-11.6	-11.3	-10.1	-9.8
Current account balance (% GDP)	-2.1	-2.4	-1.6	-2.3
Public debt (% GDP)	132.8	131.2	129.4	127.3

(e): Estimate. (f): Forecast.
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.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	62%
SOUTH KOREA	28%
PHILIPPINES	2%
YEMEN	2%
VIETNAM	2%

Imports of goods as a % of total

EURO AREA	20%
UNITED ARAB EMIRATES	16%
CHINA	12%
SAUDI ARABIA	12%
TURKEY	5%

+
- Extensive mineral resources (potash, copper, gold, silver, zinc)
- Strategic position on the Red Sea

−
- Large public and external deficits
- Critical level of debt
- Country has become an international pariah state
- Worrying human rights record
- Very difficult business climate

RISK ASSESSMENT

Growth dependent on the extractive industry

Economic activity is expected to be moderate in 2019, being driven by the performance of just one sector: the extractive industry. The Bisha mine (copper, zinc, gold) remains the main contributor to growth, and its acquisition by a Chinese company planning new exploration activities will delay the end of operations, which was initially scheduled for 2021. The Colluli potash mine will gradually take over from the Bisha facility, and assuming there are no further postponements, it will start production in 2019. Until now, the mining sector has been the only area attracting the country's few foreign investments, most of which have come from China. However, the recent resumption of peaceful relations with Ethiopia opens up new opportunities by placing the country in a strategic position on the Horn of Africa. In this context, the United Arab Emirates (UAE) will start building an oil pipeline linking the Eritrean port of Assab on the Red Sea to the Ethiopian capital. DP World, a multinational port company from the UAE, is reportedly considering building infrastructure in Assab, as is Russia, with whom negotiations are underway on the construction of a logistics hub at one of Eritrea's ports. However, private investment and the potential increase in cross-border trade are unlikely to have a significant impact on growth in the short term, since they remain constrained by the severe lack of infrastructure. Public investment in development does not look to be on the cards, as the government has not taken any official initiatives in this direction. In addition, the government's dominant presence in other areas of activity will continue to hamper the development of the private sector. In a setting featuring an almost non-existent labour market, extreme poverty, and household dependence on a rudimentary agriculture sector plagued by frequent droughts, private consumption will remain sluggish. Inflation, meanwhile, is expected to stabilise at a high level, supported by elevated food prices.

Persistent deficits

In 2019, the government deficit could be slightly reduced as mining revenues hold up, coupled with a probable reduction in military spending following the end of the war with Ethiopia. Some of this expenditure could eventually be redirected towards rehabilitating roads and upgrading the port of Assab, as reportedly planned by the government. The deficit will continue to be financed by monetary creation, fuelling inflation. Although relations with the international community have improved very slightly, the country remains excluded from access to donor support, meaning that Eritrea's substantial and mainly domestic public debt is not expected to benefit from relief under the HIPC initiative.

Turning to the external accounts, the current account deficit may increase as a result of the widening trade deficit. Exports, mainly of agricultural products and minerals, are expected to remain low, while the country remains dependent on imports of food, capital goods, which are increasing with construction projects, and oil, whose rising price will amplify the deterioration in the deficit. Monetary policy will continue to focus on maintaining the dollar peg of the nafka, which will remain overvalued given the lack of foreign exchange. This should maintain the gap between the official exchange rate and that of the parallel market.

A gradual return to the international scene

The political landscape is dominated by the Popular Front for Democracy and Justice, the only legally authorised party, which has been led by President Isaias Afwerki since 1993. The total absence of democracy and fundamental freedoms, along with the regime's totalitarian excesses, are widely acknowledged and make Eritrea one of the most closed countries in the world.

However, in July 2018, the President signed a peace declaration with Ethiopian Prime Minister Abiy Ahmed, agreeing to end 20 years of war, reopen borders and restore trade, transport and telecommunications links between the two countries. Originally due to an armed conflict over disputed borders, the situation with Ethiopia, coupled with accusations over the funding of al-Shabab armed groups in Somalia, had excluded Eritrea from the international community and led to UN sanctions (arms embargo, travel bans, asset freeze). These sanctions were lifted in November 2018 by the UN Security Council to welcome the peace efforts made, which also extended to relations with Somalia, with the reopening of embassies in the respective capitals of the two countries, and Djibouti. Although these developments may restore investor confidence somewhat and represent Eritrea's first diplomatic steps forward, the country remains characterised by recurrent human rights violations, forced labour and indefinite periods of military service, as well as a wave of migration as people flee the regime. This will continue to hamper development. The business environment remains very poor, with Eritrea coming second-last in the World Bank's Doing Business ranking.

ESTONIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	1.3
GDP PER CAPITA US Dollars - 2017	19,735
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.5	4.9	3.5	2.8
Inflation (yearly average, %)	0.8	3.7	3.5	3.3
Budget balance (% GDP)	-0.3	-0.4	0.6	0.5
Current account balance (% GDP)	1.8	3.3	3.5	3.2
Public debt (% GDP)	9.2	8.7	8.1	7.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

FINLAND	16%
SWEDEN	13%
LATVIA	9%
GERMANY	7%
RUSSIA	7%

Imports of goods as a % of total

FINLAND	14%
GERMANY	11%
LITHUANIA	9%
SWEDEN	9%
LATVIA	8%

- Public accounts in surplus and low debt
- Eurozone and OECD member
- Close trading, financial, and cultural links with Scandinavia
- Virtually energy self-sufficient thanks to oil shale
- Development of high value-added sectors (electronics, IT services)
- Very favourable business environment
- Digitisation of administrative procedures
- Flexible economic policy

- Small open economy sensitive to external shocks
- Declining labour force; shortage of skilled labour
- Lack of land connections to the rest of the EU
- Income inequalities and persistent poverty, especially in the predominantly Russian-speaking eastern regions

RISK ASSESSMENT

Growth driven by domestic demand

Lively investment (25% of GDP in 2017) will continue to contribute to growth in 2019. Private investment will be supported by sustained business confidence and the high capacity utilisation rate, which stood at 77% in the third quarter of 2018. In addition, companies enjoy a tax exemption on reinvested profits. Public investment, boosted by European funds, will benefit the development of infrastructure, particularly in transport and education. However, growth is expected to slow in 2019. Private consumption – the traditional driver of growth – should continue to expand, but its contribution will be limited by a smaller increase in the employment rate. Wage growth, fuelled by the shortage of skilled labour as a result of emigration and population decline, is also expected to be lower. Nevertheless, slower inflation will boost household demand.

The industrial sector will remain concentrated around telephony, furniture and the automotive sector. With nearly 70% of industrial production being exported, the sector will benefit from its good level of competitiveness. However, cooler European growth could impact external demand, which is largely driven by neighbouring countries. This would have a severe effect on the country's economy, with industry generating 24% of GDP. At the same time, rail and road transport are benefiting now that the transit of capital goods to Russia has resumed. In addition, a transport cooperation agreement was signed in December 2017 to improve the train line between the two countries.

Comfortable financial situation

In 2018, growth in consumption and employment enabled public finances to show a surplus. This financial situation is expected to continue, with a fiscal strategy plan for 2019/22 that forecasts a government surplus in 2019, as well as a balanced structural balance (excluding cyclical effects). However, the local government surplus is expected to decline as a result of higher investment, with public spending by local government set to increase, particularly in the area of health (5.7% of GDP in 2019), and in promoting digitisation and innovation (4.4% of GDP in 2019). Revenues are expected to go up, even though the increase in excise duty on alcohol initially planned for 2019 was scrapped and consumption is forecast to slow.

Although it will show a slight decline, the current account surplus will remain comfortable. The decrease is mainly due to the widening trade deficit (3.8% of GDP in 2017), driven by increased imports. However, it will remain largely offset by the surplus in services, particularly related to IT and tourism (8.3% of GDP in 2017). Dividend repatriations by Swedish, Finnish and Dutch investors – who are very active in finance, real estate, supermarkets and industry – exceed the income from Estonian investments abroad, leading to an income deficit (2% of GDP in 2017). Large foreign direct investments (net inflows of 3% of GDP in 2017) are matched by portfolio investments made abroad by Estonian pension funds and insurance companies. External debt (83.5% of GDP in 2017), which is mainly private, is more than offset by the assets of residents held abroad.

The coalition is expected to be renewed after the parliamentary elections

After a vote of no confidence in 2016, Taavi Rõivas and the Reform Party gave way to a coalition formed around the leader of the Centre Party, Jüri Ratas, and including the Social Democrats (SDE) and Pro Patria Conservatives. This unprecedented coalition was made possible by the change of leadership within the Centre Party and the political representation of the Russian-speaking minority, who make up one quarter of the population and whose previous leader was considered pro-Russian and anti-NATO. In October 2018, the defection of a Pro Patria MP caused the coalition to lose its majority, as it now holds only 50 of the 101 seats. However, power is not expected to change hands, and things should remain as they are until the March 2019 election. The Reform Party and its new leader, Kaja Kallas, and the Centre Party of Prime Minister Ratas are neck and neck in the polls. The Reform Party's programme includes simplifying the tax system, promoting innovation and reducing state intervention in the economy. The eurosceptic Conservative Party (EKRE) is third in the polls, reflecting the rightward shift in the political landscape. Despite the stable political system, divisions between the Estonian ethnic majority and the Russian ethnic minority in the country remain a major challenge.

The business environment is quite good, although insolvency settlement can be a laborious process. The country could be hurt by a money laundering scandal involving Danske Bank. At the heart of the case is the Danish bank's Estonian subsidiary, which allegedly transferred money of dubious origin that came from its portfolio of non-resident customers. A large part of this portfolio, estimated at €200 billion, is believed to be involved.

ETHIOPIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	**92.7**
GDP PER CAPITA US Dollars - 2017	**873**
CURRENCY Ethiopian birr	**ETB**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	8.0	10.9	7.5	8.3
Inflation (yearly average, %)	7.3	9.9	13.2	9.8
Budget balance (% GDP)*	-2.4	-3.3	-3.7	-3.5
Current account balance (% GDP)*	-9.0	-8.1	-6.2	-6.6
Public debt (% GDP)*	53.2	54.2	59.5	59.9

(e): Estimate. (f): Forecast. *Fiscal year from 8th July - 7th July. 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

SUDAN	23%
EURO AREA	15%
SWITZERLAND	10%
CHINA	8%
SOMALIA	7%

Imports of goods as a % of total

CHINA	24%
EURO AREA	12%
SAUDI ARABIA	10%
INDA	7%
KUWAIT	5%

+

- Remarkable track record of growth and poverty reduction
- Public investment in infrastructure development
- Drive to diversify the economy
- Strong hydropower potential
- Warmer relations with Eritrea

-

- Vulnerable to weather conditions and changes in world commodity prices
- Landlocked country
- Low foreign exchange reserves
- Persistent challenges in the business and governance environment
- Unstable regional context and strong ethnopolitical tensions

RISK ASSESSMENT

Robust growth despite the transition to a new model

Growth is expected to strengthen in 2018-2019, after a robust performance in 2017-2018 despite inflation, currency shortages, political uncertainty, and low coffee and tea prices. Public investment and consumption will remain key elements of growth as the second Growth and Transformation Plan (GTP II) is implemented. While no new projects will be launched in 2018/19, the mega-projects already underway, such as construction of the 6,000 MW Grand Ethiopian Renaissance dam, will continue. The decision to open up certain state monopolies to foreign investors could stimulate private investment. The telecoms, aeronautics, energy, and transport sectors in particular may be affected. Investments could also go towards developing the manufacturing sector, particularly in agro-industry. The creation of special economic zones offering tax incentives and customs duties exemptions should also help attract investment in the textiles and building materials sectors. As a result, exports of manufactured goods, although low, are expected to increase, supported by the inauguration of the Djibouti-Addis Ababa railway line in January 2018. Increased agricultural production and improved competitiveness following the birr's devaluation in October 2017 should bring growth in key exports, including coffee, tea, pulses, oilseeds and horticulture. Although inflation and limited access to foreign exchange will continue to dampen the expansion of private consumption, both are expected to ease in 2019.

Increasing risk of over-indebtedness

The fiscal deficit is expected to decline in 2018/19 thanks to a more prudent fiscal policy. Expenditure growth is set to be more contained: although capital investment spending will continue to increase, no new mega-projects will start in the 2018/19 financial year. The increased expenditure will therefore mainly be used to complete existing projects. Expenditure on infrastructure development should thus continue to absorb more than half of the budget, while current expenditure should be reduced. Although not particularly successful in recent years, efforts to improve tax revenues, which are equivalent to less than 15% of GDP, could be supported by the partnership signed with the United Kingdom in August 2018 to reform the tax system.

The current account deficit is expected to remain high, still suffering from its narrow export base. While efforts to lower capital goods imports reduced the trade deficit in 2017/18, the consumer goods bill is expected to rise. The large trade deficit is therefore expected to continue to affect the current account, despite the likely increase in exports. The services account will also remain in deficit due to import-related services. The transfer balance will continue to provide the main positive contribution to the current balance, thanks to donor funds and private remittances. Bilateral and multilateral loans remain necessary for financing, despite the increased contribution from FDI. The sizeable current account deficit, combined with a rigid exchange rate regime, will keep foreign exchange reserves low (two months of imports) and make it hard to access foreign exchange.

Although measures have been taken to contain the twin deficits and despite the share of concessional loans, the risk of debt distress is increasing. The repayment period for the Chinese loan to finance construction of the Djibouti-Addis Ababa railway line, which was extended from 10 to 30 years in September 2018, illustrates growing concerns about over-indebtedness.

A new Prime Minister for a new era?

In April 2018, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF), a coalition in power since 1991, named Abiy Ahmed to be Prime Minister following Hailemariam Desalegn's resignation. With ethno-political tensions rising since 2015, the appointment of a Prime Minister from the Oromo ethnic group, which for several years has been challenging the power of the Tigrayan minority ethnic group within the EPRDF, is a signal of appeasement. Prime Minister Ahmed's moves to lift the state of emergency, release and grant amnesty to political prisoners, and sign an agreement with the Oromo Liberation Front, mark a radical departure from the previous government, which imprisoned tens of thousands of people in response to rising protests. Yet his reforms are far from being unanimously accepted within the EPRDF, while regular ethnic clashes since his appointment and a grenade attack at a rally in June 2018 show that the political and security situation remains fragile.

Internationally, 2018 was marked by the end of the state of war with Eritrea. Eighteen years after the fighting ended, Ethiopia has now fully accepted the terms of the Algiers Agreement signed in 2000. The peace agreements signed allow diplomatic and economic ties to resume.

FINLAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	5.5
GDP PER CAPITA US Dollars - 2017	45,927
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.5	2.8	2.8	2.0
Inflation (yearly average, %)	0.4	0.8	1.2	1.6
Budget balance (% GDP)	-1.7	-0.7	-0.7	-0.2
Current account balance (% GDP)	-0.6	0.6	0.7	1.1
Public debt (% GDP)	63.0	61.3	59.5	58.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	14%
SWEDEN	10%
UNITED STATES	7%
NETHERLANDS	7%
CHINA	6%

Imports of goods as a % of total

GERMANY	18%
SWEDEN	16%
RUSSIA	13%
NETHERLANDS	9%
FRANCE	4%

+
- Prudent economic policy
- Skilled workforce and favourable business climate
- Cutting-edge industries
- High standard of living

−
- Highly vulnerable to international economic conditions
- Dependence of the Finnish banking sector on the Swedish and Danish financial sectors, despite the return of a major institution in 2017
- Ageing population

RISK ASSESSMENT

Activity is slowing, but will remain solid

Growth will be resilient in 2019 despite cooler domestic demand. Household consumption is set to slow, but should still put in a dynamic performance, driven by the fall in unemployment (7.4% in September 2018) and the consequent rise in wages, against a backdrop of moderate inflation. Business investment is also expected to ease, while making a strong contribution to growth in a supportive environment featuring low interest rates and resilient domestic and external demand. In addition, the emergence of supply constraints in terms of equipment and labour will also promote investment.

After building permits peaked in 2018, residential construction will continue to support activity due to strong demand for apartments in urban centres, particularly in the Helsinki region, before slowing down by 2020.

Exports are expected to remain brisk thanks to gains made possible by the Competitiveness Pact – labour costs fell in real terms by 3.5% in 2017 – and strong performances by Finland's main partners, Sweden and Germany. Tourism, focused around natural sites and the Northern Lights, will continue to grow thanks to inflows of tourists from Russia (number-one source) and China (35% increase in 2017). At the same time, imports will grow relatively less quickly, echoing domestic demand. As a result, trade should contribute positively to growth in 2019.

Current and public accounts almost in balance

Even though 2019 is an election year, the government will continue to pursue a prudent fiscal policy. After lowering income taxes between 2016 and 2018, in return for the austerity measures of the Competitiveness Pact (extended annual working hours, partial transfer of employer contributions to employee contributions, wage freezes), the government will introduce only minor tax measures in 2019, including reducing the vehicle tax and increasing the excise duty on tobacco. At the same time, as revenues increase thanks to the favourable economic situation, the deficit, which is already well below 3%, is expected to decline. In addition, after being postponed several times, reforms to public social and health services are expected to be approved in 2019 and will involve merging the existing entities to create an intermediate level of 18 "counties", in a move that will ultimately generate savings estimated at €3 billion a year. Scheduled to come into force in 2021, these structural reforms aim to address the challenge posed by a rapidly ageing population to the social security system and public accounts. Against the backdrop of this prudent fiscal policy, public debt – which in 2018 fell below the threshold set by the European Stability and Growth Pact (60% of GDP) – will continue to decline.

With exports outstripping imports, the country will continue to enjoy a trade surplus, which is expected to improve in 2019. Exports will be driven in particular by the automotive sector, whose exports doubled between 2013 and 2017 to reach €4.8 billion (7% of the total), and by the wood and paper industry, the largest exporting sector, with 20% of the total. Despite tourism growth, the balance of services shows a recurring small deficit, as does the income balance, due to the repatriation of dividends by foreign investors. However, the current account is expected to show a surplus.

The outcome of the upcoming elections is uncertain, but the centre-left opposition has a slight lead

Although it has a tiny majority (104 seats out of 200), the governing coalition – led by Juha Sipilä's Centre Party, with the support of the centre-right National Coalition Party and the Blue Reform Party, which emerged from the split with the far-right Finnish Party in June 2017 – will remain in power until the parliamentary elections in April 2019. However, with less than six months to go before the elections, polls show coalition members getting between 35% and 40% of the vote. The centre-left Social Democratic Party, led by former Minister of Economy Antti Rinne, would come out on top with 22% of the votes and be well-positioned to try to assemble a coalition with other parties such as the Left Alliance, the Green League (environmentalist) or the Swedish People's Party (centre). However, uncertainty persists over the potential outcome and coalition combinations given how votes are fragmented across many parties.

The business environment is very favourable. The country is ranked 17th (out of 190) in the World Bank's Doing Business 2019 report, thanks in particular to its remarkable performance in insolvency settlement (2nd in the world).

FINLAND

PAYMENT & DEBT 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, 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 (20 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. 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 standards for euro-denominated payments.

Debt Collection

Amicable phase

The goal of the amicable phase is to reach a voluntary settlement between the creditor and debtor without beginning 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 14 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 12 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 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

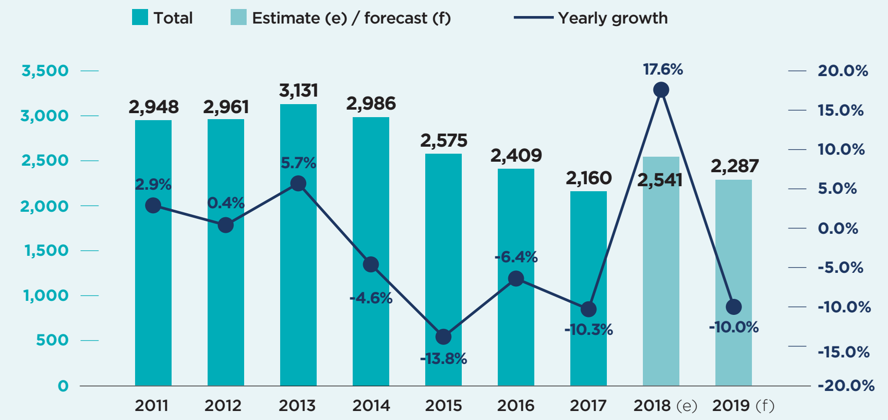
The goal of restructuring is to allow an insolvent company to remain operational through administration, with the view that if the company is able to continue its business, it will be able to repay a larger part of its debts than would have been possible in the case of bankruptcy of the company. The 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 INSOLVENCIES



Source: Statistics Finland, Coface.

FRANCE

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	**64.8**
GDP PER CAPITA US Dollars - 2017	**39,933**
CURRENCY Euro	**EUR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.2	2.3	1.5	1.4
Inflation (yearly average, %)	0.3	1.2	2.1	1.7
Budget balance (% GDP)	-3.5	-2.7	-2.6	-3.3
Current account balance (% GDP)	-0.8	-0.6	-0.6	-0.7
Public debt (% GDP)	98.2	98.5	98.7	98.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
SPAIN	8%
ITALY	8%
UNITED STATES	7%
BELGIUM	7%

Imports of goods as a % of total

GERMANY	19%
BELGIUM	10%
NETHERLANDS	8%
ITALY	8%
SPAIN	7%

\+
- High-quality infrastructure and public services
- Skilled and productive workforce; dynamic demographics
- Powerful tourism industry
- Competitive international groups (aerospace, energy, environment, pharmaceuticals, luxury, agri-food, retail)
- Global agricultural leader
- High level of savings

\-
- Too few exporting companies; loss of competitiveness and market share
- Weakening level of product sophistication; insufficient focus on innovation
- Low employment rate among young people and older workers
- Room for more efficiency in public spending; high public debt
- Private debt on an upward trend

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	LOW
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	LOW
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth set to slow further in 2019

Growth will remain moderate in 2019, after easing significantly in 2018. Household consumption is expected to rebound thanks to a slight uptick in employment and purchasing power, driven by measures as the scrapping of employee contributions – effective as of October 2018 –, the reduction in housing tax, the increase in the minimum wage subsidy (work bonus), the tax exemption for overtime pay and the reduction in the general social contribution (CSG) for one third of pensioners, whose pensions are between €1,200 and 2,000 per month. Real wages are expected to rise, due, on the one hand, to tight labour market conditions, with many companies reporting recruitment difficulties, and, on the other hand, to lower inflation, in line with the stabilisation of oil prices in 2019. The unemployment rate will continue its gradual decline but will remain high, at around 9%. Despite persistently favourable credit conditions, household investment will slow due to weaker confidence levels, which will affect construction (building permits were down 7% over the first three quarters of 2018). Conversely, investment by businesses, which are reporting record high profit margins (39.1% at the end of 2017), should remain brisk due to supply constraints, with the production capacity utilisation rate at 85% at the end of 2018. However, since these investments are mainly made using credit, corporate debt will remain on an upward trend. Business insolvencies will rebound in 2019, increasing by 1% after declining by 3.4% in 2018, in connection with more muted growth.

Despite the slowdown in France's main trading partners (rest of the European Union, United States, China), exports will be resilient, thanks to cost competitiveness gains recorded in recent years. However, foreign trade is no longer expected to contribute positively to growth in 2019 because of the rebound in imports. Hotel stays increased by 3% in the first three quarters of 2018, exclusively due to the return of foreign tourists (+8%), in a trend that is expected to continue in 2019, despite less favourable economic conditions in all advanced economies.

Public and external accounts stuck in deficit

Despite tax revenues driven by resilient activity, the government deficit is expected to widen in 2019, due to tax measures to increase purchasing power (estimated cost of €10 billion, or 0.4% of GDP) and to the conversion of the competitiveness and employment tax credit (CICE) into a permanent reduction in employer contributions, which will entail a double cost for public finances in the transition year (estimated deficit excluding exceptional measures: 2.4% of GDP). As a result, the government deficit is expected to temporarily return to over 3% in 2019. As a consequence, although its public debt is among the highest in the eurozone, France will be one of the few countries where the debt does not decline.

The current account deficit will remain stable in 2019. While the goods balance is structurally in deficit as the country is a net energy importer, the services balance is in surplus thanks to tourism revenues. Since 2015, the balance of goods and services excluding energy has become negative, as the deficit in manufactured goods continues to widen, mainly due to the relocation of automobile production and investment in imported machinery. At the same time, this deficit is only partially offset by the excess income generated by dividends from French subsidiaries abroad. The resulting small current account deficit is mainly financed by debt or equity issues held by non-residents.

President Macron's popularity rating falls

Despite having a strong remit after his clear victories in the 2017 presidential and legislative elections, President Emmanuel Macron is facing growing social unrest. While during his first year in office, protests were essentially led by trade unions opposed to reforms aimed at making the labour market more flexible and changing the status of the SNCF (state-owned rail transport company), this transformed into a popular protest with the arrival of the gilets jaunes (yellow vests, name for the hi-vis safety jackets that drivers must keep in their cars), protesting against fuel taxes. President Macron's popularity rating halved between January and November 2018, falling to 25%. Major reforms to the pension system, including the abolition of special schemes, which is due to be unveiled in 2019, could be the source of further protests. However, President Macron has a comfortable majority in the National Assembly through his party, La République en Marche, which holds 308 seats out of 577. In addition, as the main moderate opposition parties (Socialist Party on the left and Republicans on the right) are rebuilding, the main alternatives are currently on the far right (Rassemblement National) and the far left (France Insoumise). Meanwhile, the increased European integration called for by President Macron will depend on the outcome of European elections in May, amid rising nationalism in many European countries.

FRANCE

PAYMENT & DEBT 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 15 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 they remain important in terms of total value. 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 January 1 and for the second half year in question, the rate applicable is that in force on July 1.

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 15 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

French insolvency law provides for six procedures to undertake restructuring or avoid insolvency. These are either assisted proceedings or proceedings controlled by the court.

Assisted proceedings

These can be either mandated *ad hoc* or *via* 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.

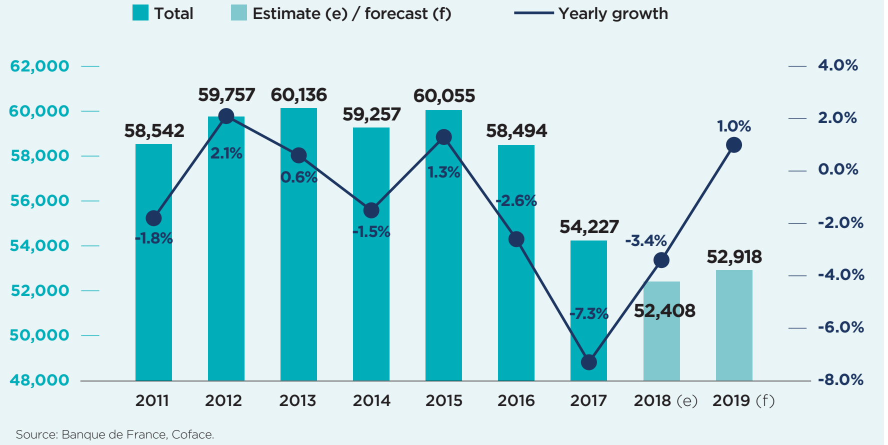
Court-Controlled proceedings

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 INSOLVENCIES

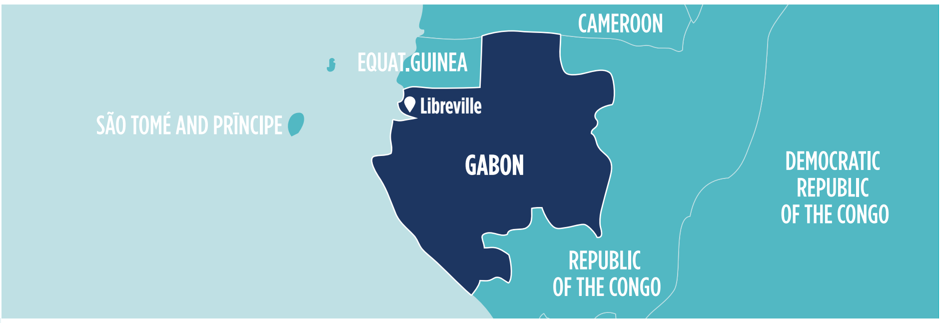


Source: Banque de France, Coface.

GABON

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C



POPULATION Millions of persons - 2017	**2.0**
GDP PER CAPITA US Dollars - 2017	**7,373**
CURRENCY CFA franc (BEAC)	**XAF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.1	0.4	1.2	3.0
Inflation (yearly average, %)	2.1	2.7	2.8	2.5
Budget balance (% GDP)	-6.6	-3.4	-2.3	-1.4
Current account balance (% GDP)	-10.2	-2.8	-1.2	-1.0
Public debt (% GDP)	64.2	62.7	58.7	57.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	36%
EURO AREA	28%
UNITED STATES	10%
AUSTRALIA	5%
SOUTH KOREA	5%

Imports of goods as a % of total

EURO AREA	52%
CHINA	15%
UNITED STATES	4%
INDIA	3%
UNITED KINGDOM	2%

+

- 5th oil producer in sub-Saharan Africa; Africa's 2nd largest producer of wood, hoping to become the world's leading producer of manganese
- Drive to diversify the economy undertaken as part of the Emerging Gabon Strategic Plan
- Member of the CEMAC

-

- Economy heavily dependent on the oil sector
- High cost of production factors, linked to inadequate infrastructure (transport and electricity)
- High unemployment and endemic poverty
- Difficult political and social context, pervasive corruption
- Stock of domestic and external arrears not yet cleared

RISK ASSESSMENT

Activity is accelerating very gradually

In 2019, growth is expected to continue to gradually recover from the crisis triggered by the fall in oil prices. In particular, the stabilisation of oil production, combined with better prices, should support activity. Meanwhile, changes to hydrocarbon legislation could help to accelerate private investment flows. The latter, combined with the completion of some projects, should also maintain the momentum of sectors targeted by the Emerging Gabon Strategic Plan, which aims to reduce oil dependence (about 30% of GDP in 2017). The mining (especially manganese) and forestry industries are expected to continue developing and contribute to export growth. In addition, agro-industry, through the fertilizer and palm oil sectors, is also likely to be the target of investment. Demand from the agro-industry and the start of the PPP agricultural programme – GRAINE, which provides for new oil palm plantations and the development of food crops – should support the primary industries. Conversely, while budgetary adjustment efforts continue, the construction sector, which is largely dependent on public investment, is expected to continue to face difficulties. Likewise, budgetary constraints are expected to be a drag on public consumption, but also on private consumption, given the state's role as an employer. As a result, service growth is expected to remain constrained.

Twin deficits narrow

The budget deficit is expected to decline further in 2019, supported by continued fiscal restraint under the economic recovery plan. Efforts to lower the wage bill and cut government spending should result in a decrease in current expenditure. Capital expenditure, which has fallen sharply in recent years, is expected to rebound due to the revival of on-hold projects. However, the increase in this expenditure should remain contained. While progress is likely to continue to be slow, reforms to improve mobilisation of tax and customs revenue are expected to result in higher non-oil revenues. Changes in oil prices and production could also support budgetary revenues. Budget execution issues, which forced the authorities to pass a supplementary budget in 2018, could nevertheless continue to slow the process of fiscal consolidation. Budgetary slippage in recent years has left the authorities unable to clear external and domestic arrears. External borrowing, budget support, and IMF financing will finance the fiscal deficit.

After rapidly increasing due to large investments, the debt-to-GDP ratio is now on a downward path. Nevertheless, the high proportion of external debt (70% of the total) and debt denominated in foreign currencies (more than 60% of the total) remains a source of vulnerability.

In 2019, the current account deficit is expected to continue to narrow, mainly on higher oil-related export revenues. Non-oil exports, chiefly manganese and wood, are also expected to contribute to the increase in the trade surplus. The services account is expected to remain in deficit, pulled down by business services. The income deficit may grow, reflecting an increase in oil companies' profit repatriations. Remittances from foreign workers living in Gabon should maintain the small deficit in the transfer account. IMF payments under the ECF programme are expected to continue to finance the current account deficit and contribute to the increase in CEMAC's foreign exchange reserves.

President Bongo's convalescence worries the country

Since the tumultuous re-election of President Ali Bongo Ondimba in 2016 and the ensuing violence that shook the country, the sharp political tensions have gradually subsided. In particular, the divided opposition and isolation of the main opponent, Jean Ping, who continues to claim to be president-elect, have worked in the government's favour. The national dialogue held in 2017 resulted in a constitutional review in January 2018, the seventh since 1991. Although granting some concessions to the opposition, such as the introduction of a second round for presidential and parliamentary elections, the new measures also allowed the President to run for an unlimited number of terms. After two postponements and two years of waiting, legislative elections were finally held in October 2018. Faced with a divided and weakened opposition, especially after Mr Ping's calls for a boycott, President Bongo's Gabonese Democratic Party (PDG) won an absolute majority in the first round. The PDG's success was somewhat tarnished by the low voters' turnout (just over 40%). Shortly after the legislative elections, the health issues faced by President Ali Bongo Ondimba , which forced him to convalesce in Riyadh and Morocco, rekindled the debate on his succession and revived the opposition's ambitions. An apparent coup attempt on January 7 2019, although foiled, reflects the disturbance caused by his absence. In this context, cuts to the wage bill and possible civil service job cuts could lead to social unrest.

The business climate remains uncompetitive (169th out of 190 countries in the Doing Business 2019 ranking), mainly due to poor infrastructure, corruption and difficulties in starting a business.

GEORGIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

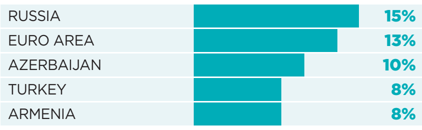
POPULATION Millions of persons - 2017	3.7
GDP PER CAPITA US Dollars - 2017	4,086
CURRENCY Georgian lari	GEL

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.8	5.0	4.8	4.5
Inflation (yearly average, %)	2.1	6.0	3.0	3.0
Budget balance (% GDP)	-4.2	-3.8	-3.2	-3.0
Current account balance (% GDP)	-12.8	-8.9	-10.0	-10.0
Public debt (% GDP)	44.4	44.9	43.0	44.0

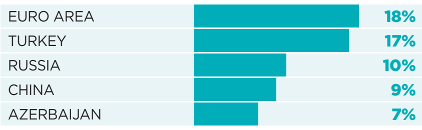
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+
- Able to withstand regional economic conditions
- Agricultural, mineral, hydroelectric and tourism potential
- International support, including from the EU and IMF
- Crossing point for Caspian hydrocarbons
- Democratic political system

−
- Small economy sensitive to regional economic conditions
- Structural trade deficit
- Significant rural poverty
- Low agricultural productivity: the sector accounts for half the working population, but less than 10% of value added
- Inadequate infrastructure hampers tourism and transit
- The situation in Abkhazia and South Ossetia is undermining relations with Russia

RISK ASSESSMENT

Investment continues to grow strongly

Public and private investment, both domestic and foreign, in transport, hydropower, tourism and agriculture is expected to remain strong. The association and free trade agreements signed with the European Union offer support for private-sector firms, as does the Extended Credit Facility of USD 285 million over three years granted by the IMF in April 2017. Public investment programmes to upgrade and develop the country's infrastructure, including construction of the Anaklia deep-water port on the Black Sea, are continuing. Exports of copper, wine, spirits, mineral water, ferro-alloys, nuts and medicines should continue to benefit from strong performances by the Russian, Ukrainian, and other Caucasian economies, while metal and beverage exports will be hampered by the problems affecting the Turkish economy. Tourism revenues, which accounted for 18.4% of GDP in 2017, are expected to increase further as the number of Russian visitors goes up. Performances could improve if an agreement is reached on establishing trade corridors with Russia through the breakaway regions of Abkhazia and South Ossetia.

Private consumption is expected to grow moderately, even though households will continue to benefit from expatriate remittances (8% of GDP), about 60% of which come from Russia, tourism-related effects and moderate inflation. Credit to the private sector, with outstanding amounts rising from 55.3% to 61.4% of GDP between July 2017 and August 2018, looks set to grow more slowly as prudential rules are tightened. Despite the strong dollarisation of the economy, banks coped with the lari's substantial depreciation in 2015 and subsequent bouts of weakness linked to movements in the rouble and Turkish lira. De-dollarisation, which is being encouraged by the authorities, who can point to the credibility of their monetary policy and inflation control, remains ongoing: 55% of loans and 62% of deposits were still denominated in US dollars in September 2018.

A laborious fiscal consolidation process coupled with a persistent current account deficit

The agreement with the IMF includes a commitment to fiscal consolidation. But reducing the government deficit is a laborious process: even if current expenditure is controlled more carefully, public investment (power grid, roads, sanitation, water supply, irrigation) remains a priority and will continue to grow (note that multilateral loans partly cover the financing for these investments). At the same time, domestic product growth should enable the debt ratio to stabilise, bearing in mind that 80% of debt is held by external creditors, most of which are multilateral and bilateral public creditors. Poor management of state-owned companies with significant commitments is a risk.

On the back of rising energy prices, the current account deficit will remain high in 2019, reflecting the massive trade deficit in goods (25% of GDP in 2017), linked to the narrow production base, capital goods imports and the low value of exported products, as well as outflows of foreign investment income. Tourism receipts, transit revenues from Azeri hydrocarbons, which make up 13% of GDP between them, and expatriate remittances ultimately limit the current account deficit to 10% of GDP. This deficit is financed by foreign investment (11% of GDP), particularly in transport, real estate, telecommunications and finance, as well as by external debt. Stripping out intra-group loans, external debt was equivalent to 98% of GDP at the end of June 2018. Public debtors account for 37% of the external debt.

Links with Russia, which supports the breakaway regions

Tensions persist at the borders with Abkhazia and South Ossetia. The two regions, which have 160,000 and 50,000 inhabitants respectively, have unilaterally proclaimed their independence, with backing from Russia. Despite this, Georgia and Russia have resumed trade relations, with Georgia providing an important source of drinks for Russia, and Russia being a significant source of expatriate transfers and tourism revenues for Georgia. Nevertheless, poor relations with the secessionist regions hinder land relations with Russia.

The Georgian Dream (RG) Party has held 115 seats out of 150 in the Georgian Parliament since the October 2016 elections. Commanding a far larger share than the other parties, the party no longer needs to seek allies to govern, as it did in the previous legislature. The opposition did not capitalise on the spring 2018 demonstrations, which led to the formation of a new government in July led by Prime Minister Mamuka Bakhtadze. Meanwhile, billionaire Bidzina Ivanishvili – the former Prime Minister, who continues to wield considerable influence – took over the presidency of the RG party in May 2018. Finally, in accordance with the new constitution adopted in 2017, which also requires the country to switch to a proportional representation system for the 2024 legislative elections, and to a parliamentary system, the October 2018 presidential election was the last to be held by direct suffrage. She saw the French-Georgian candidate Salome Zurabishvili supported by the RG elected with more than 59% of the votes. The opposition refused to acknowledge the result.

According to the World Bank, governance is poor in terms of anti-corruption, regulatory quality and government effectiveness, but average in terms of the rule of law and the treatment of insolvency.

GERMANY

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	82.7
GDP PER CAPITA US Dollars - 2017	44,769
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	2.5	1.6	1.4
Inflation (yearly average, %)	0.4	1.7	1.9	2.0
Budget balance (% GDP)	0.9	1.0	1.6	1.1
Current account balance (% GDP)	8.5	8.0	7.5	7.0
Public debt (% GDP)	68.0	63.8	60.0	58.0

(e): Estimation. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	9%
FRANCE	8%
CHINA	7%
NETHERLANDS	7%
UNITED KINGDOM	7%

Imports of goods as a % of total

NETHERLANDS	14%
CHINA	7%
FRANCE	7%
BELGIUM	6%
ITALY	5%

+

- Strong industrial base (more than 30% of GDP)
- Low structural unemployment; well-developed apprenticeship system
- Importance of family-owned exporting SMEs (Mittelstand)
- Integration of Central and Eastern Europe in the production process
- Importance of the ports of Hamburg, Bremerhaven and Kiel
- Institutional system promoting representativeness

−

- Declining working population from 2020 onwards, despite immigration
- Early childhood care and post-primary school activities are still insufficient
- Low bank profitability
- Prominence of the automotive and mechanical industries, particularly in exports (48% of GDP)
- Eastern Länder still lagging behind, although the gap is closing
- Capacity constraints, insufficient investment and venture capital limit productivity gains

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	LOW
CONSTRUCTION	LOW
ENERGY	MEDIUM
ICT*	LOW
METALS	MEDIUM
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth will remain close to potential in 2019

Activity decelerated sharply in 2018, to the point of falling slightly in the third quarter. Exports had to cope with softer global demand and the impact of the US-China trade dispute, while automotive production was down nearly 10% in the third quarter compared with the previous quarter (before rebounding) due to delays in certifying vehicles under the new global emission standards that came into force on September 1, 2018. Accordingly, growth reverted to the economy's potential rate of expansion and is expected to remain at that level in 2019. Trade is set to make a negative contribution to trade again, with imports outpacing exports in line with brisk domestic demand. The imposition of a tax by the United States would affect German car exports to the United States (0.9% of GDP). On the domestic side, household consumption (53% of GDP) is poised to benefit from wage growth and an accommodative fiscal policy. Wages are driven by the low level of unemployment (3% expected, 6% among young people), the increase in the number of job vacancies (1.9% of total employment at the end of 2018) and the reduction in the number of immigrants whose employability is below that of the overall labour force. In accordance with the government's coalition agreement, pensions for mothers will go up again, as will benefits for dependent children, with, in particular, the introduction of the *Baukindergeld*, a subsidy based on the number of children and designed to help parents buy a home. The tax threshold will also be raised, while social contributions are to be further reduced. Together, these measures would represent 0.6% of GDP. Nevertheless, the increase in real disposable income will be limited by the inflation generated by low spare capacity and its corollary, higher labour costs. This expansionary fiscal stance will also extend to public spending on early childhood care, primary education, refugee integration, broadband, infrastructure, and social housing, since public investment has fallen to a low level. Conversely, private investment (17% of GDP) will be less vigorous, despite the low cost of financing and the high level of capacity utilisation. Faced with international uncertainties (trade disputes with consequences for the value chains in which the country is highly involved, Brexit, sanctions against Russia, concerns about several major emerging economies), confidence has waned among business leaders since peaking at the end of 2017. Housing construction is facing capacity saturation, particularly at the labour level.

In this context, the payment behaviour of German companies is expected to remain generally good. As a result of high profits, as well as dividend and investment moderation, their debt has fallen to a low level. The number of corporate insolvencies, at its lowest level since 1999, is expected to decline only slightly at best.

Public and external accounts showing a surplus

Despite slight fiscal easing, the government balance is expected to continue to show a small surplus, due to the positive impact of buoyant activity on revenues. Likewise, revenues will benefit from the increase in environmental taxes. In addition, debt servicing, which is set to fall below 60% of GDP, is costing less and less (1% of GDP). The current account surplus is expected to shrink further in line with the trade surplus (7% of GDP). The balance of services shows a small deficit, due notably to spending by German tourists. The income balance will remain in surplus: the income generated by the country's considerable foreign investments, which continue to grow on recurring current account surpluses, exceeds outgoing remittances by immigrants and investors. The country has a net creditor position vis-à-vis the rest of the world equal to 60% of GDP.

A fragile Grand Coalition

Following the parliamentary elections of September 2017, negotiations resulted in a renewed Grand Coalition government in February 2018, bringing together Conservatives (CDU-CSU) and Social Democrats (SPD), based on a 170-page agreement. Already under pressure because of her narrow majority in the Bundestag and the breakthrough of the far right (AfD), which has pushed the right wing of the CDU and the Bavarian CSU to up the ante, Chancellor Angela Merkel saw her position weakened by the poor results of the coalition parties in several regional elections and by excellent showings for the Greens and the AfD. She resigned as CDU leader in December 2018, but intends to see her term out, *i.e.* until 2021. Much will depend on the upcoming regional and European elections, the SPD's attitude when reviewing the coalition agreement at the end of 2019 and the stance of the new CDU presidency. The choice of Annegret Kramp-Karrenbauer, a centrist reputed to be close to the Chancellor, as head of the CDU, reflects a preference for continuity and an eye to the future, including a possible alliance with the Greens if the SPD withdraws from the coalition.

GERMANY

PAYMENT & DEBT COLLECTION PRACTICES IN GERMANY

Payment

Bank transfer (*Überweisung*) remains the most common, 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. The SEPA Direct Debit Core Scheme and the SEPA Direct Debit B2B are the newest 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 centralised (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 €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 notarised German translation of the decision which also has to be recognised, an enforcement order of this judgment, and an execution clause. Judgments of courts of EU member states are recognised 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.

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

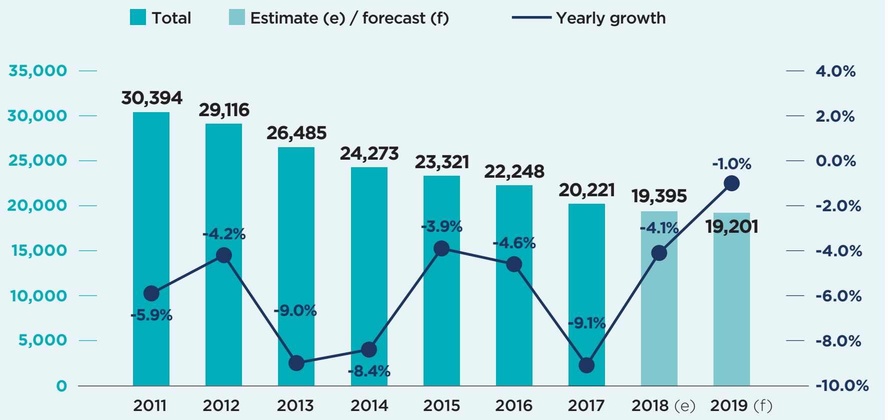
Liquidation may be initiated upon demand of either the debtor or the creditor provided that the debtor is unable to settle its debts as they fall due. Once recognized through a liquidation decision and once the company has been removed from the register, the creditors must file their claims with the liquidation administrator within three months of the publication.

Retention of title

This 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 INSOLVENCIES



Source : Destatis, Coface.

GHANA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	28.3
GDP PER CAPITA US Dollars - 2017	1,663
CURRENCY Ghana cedi	GHS

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.4	8.1	6.3	6.6
Inflation (yearly average, %)	17.5	12.4	9.8	10.5
Budget balance (% GDP)	-7.2	-4.8	-3.7	-4.3
Current account balance (% GDP)	-5.2	-3.5	-3.2	-3.1
Public debt (% GDP)	56.9	55.6	57.1	56.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	19%
CHINA	17%
EURO AREA	15%
SWITZERLAND	12%
SOUTH AFRICA	6%

Imports of goods as a % of total

EURO AREA	22%
CHINA	17%
UNITED STATES	9%
UNITED KINGDOM	9%
INDIA	5%

\+

- Significant mining (gold), agricultural (cocoa), oil and gas resources
- Stable democracy
- Attractive business environment, favourable for FDI
- International financial support

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- Infrastructure gaps (energy, transport)
- Dependent on commodity prices (gold, oil, cocoa)
- Fragile banking sector

RISK ASSESSMENT

Robust growth, despite constraints on the banking sector

Although the one-off effect of bringing the TEN and Sankofa hydrocarbon fields onstream faded in 2018, growth remained robust and is expected to remain so in 2019. The oil and gas sector should continue to drive growth, notably owing to the expected increase in production at the Jubilee and the Tweneboa, Enyenra and Ntomme (TEN) oil fields. In addition to the contribution from hydrocarbons, exports should also benefit from the opening of the country's first gold refinery, scheduled for mid-2019. Manufacturing industries are expected to contribute to the expansion too, supported by public investments through the One District, One Factory programme and improved electricity supply. Meanwhile, the construction sector should also contribute to the growth of the secondary sector through increased public investment in infrastructure, including the transport network. While agriculture is set to continue to grow, difficulties in the cocoa sector are likely to persist, with international prices remaining relatively low and the fight against Cacao swollen-shoot virus (CSSV) expected to continue. Forestry activities will play a part in primary sector growth. Domestic consumption, boosted by the increase in the minimum wage, should continue to fuel growth in services: ICT, trade, as well as education and health should thus keep expanding briskly. However, inflation – which is flirting with the top end of the Bank of Ghana's target range (between 6% and 10%) – could eat away at the contributions from these consumption-dependent sectors. In addition, while non-performing loans remain high, the fragile local banking sector is expected to continue to drive service growth down.

From fiscal consolidation to fiscal discipline

The budget deficit is expected to widen in 2019, linked to debt interest payments. The government will, however, try to preserve the primary surplus. After a major push to curb expenditure under the IMF programme completed at the end of 2018, spending is expected to keep pace with rising revenues. Efforts to contain the wage bill, which takes up almost half of tax revenues, will likely be continued in order to increase the resources allocated to capital investment expenditure. On the revenue side, measures to broaden the tax base will be a focus, with steps to automate tax procedures. In addition, the government is planning to reform the system of tax exemptions. The deficit will be chiefly financed by bond issuances on international capital markets, project loans, and loans from the local banking sector. The primary surplus and strong growth should enable the debt-to-GDP ratio to be brought down. Nonetheless, the debt trajectory will remain exposed to the vulnerability of state-owned energy companies and banks, with the government already being forced to take over debt in 2018. In addition, while debt levels look to be at a less worrying level thanks to the rebasing of GDP, they remain relatively high.

In 2019, the current account deficit is expected to narrow slightly, reflecting changes in the trade balance. Specifically, despite a likely rise in imports of capital goods, the trade surplus is poised to increase thanks to higher exports, particularly of oil and gas. Expatriate remittances will also make a positive contribution to the current account balance. However, the technical services related to the development of these resources will continue to affect the balance of services. Profit repatriation by foreign companies and debt interest will maintain the income deficit. FDI and external loans will finance the current account deficit while also building up foreign exchange reserves, which are sufficient to cover between three and four months of imports. Despite the support provided by foreign exchange earnings in the oil and gas sector, the cedi – which came under pressure in 2018 due to currency sales following the tightening of US monetary policy and difficulties in the banking sector – could continue to depreciate.

A stable political environment, despite fierce rivalry

Elected in December 2016, President Nana Akufo-Addo and his New Patriotic Party (NPP) succeeded John Mahama and the National Democratic Congress (NDC). The peaceful political handover, despite the sometimes fierce rivalry between the two main parties, underlined the country's democratic credibility and political stability. Although growth rates are high, progress in curbing poverty and stopping corruption – two central themes of the campaign run by the NPP and President Akufo-Addo – will be the focus of public scrutiny as the November 2020 elections approach. Samuel Ofosu-Ampofo, who was elected head of the NDC in November 2018, will be in charge of (re)structuring his party in a bid to lead it to victory in the elections.

The business environment remains relatively favourable when compared with Ghana's regional peers, despite ongoing issues relating to the infrastructure deficit and red tape. The country has moved up six places to 114th (out of 190 countries) in the 2019 Doing Business ranking, benefiting in particular from measures that make it easier to obtain building permits. However, the cost of insolvency proceedings and the limited recourse available to creditors remain major weaknesses.

GREECE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	10.8
GDP PER CAPITA US Dollars - 2017	18,637
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-0.2	1.5	2.0	2.1
Inflation (yearly average, %)	-1.1	0.0	1.1	0.5
Budget balance (% GDP)	-5.7	0.5	0.8	0.4
Current account balance (% GDP)	-0.2	-1.1	-0.9	-0.4
Public debt (% GDP)	176.8	180.8	178.6	177.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	11%
GERMANY	7%
TURKEY	7%
CYPRUS	6%
BULGARIA	5%

Imports of goods as a % of total

GERMANY	10%
ITALY	8%
RUSSIA	7%
IRAQ	6%
SOUTH KOREA	6%

+
- Support from the international financial community; possible debt relief
- World leader in maritime transport
- Tourist destination

−
- Very high public debt
- Very poor quality bank portfolio; high level of non-performing loans (48% in the first quarter of 2018)
- Weak public institutions; high levels of tax evasion
- Small industrial base; low-tech exports (food, chemicals, metals, refined oil)
- Social tensions fuelled by fiscal restraint and massive unemployment

RISK ASSESSMENT

Continued evidence of improvement

Following Greece's exit from its third bailout plan, the economic upturn continues. Growth strengthened in 2018 driven by robust household consumption and a positive impact from net exports. Economic growth is expected to remain buoyant in 2019. The labour market is likely to stay on its positive trend, with an expected decline in the unemployment rate, which should support household consumption. In addition, wage increases and lower inflation are projected to contribute further to purchasing power. Investment, which grew at a sluggish pace in 2018, is set to strengthen, but will probably rebound by less than anticipated. The construction sector should, however, hold up positively, driven by the growth in tourism activities. Renewed confidence, an improving business environment, and tax incentives – including lower corporate and dividend taxes – should fuel growth in fixed capital. Nevertheless, the banking system's weaknesses inherited from the crisis and more restrictive financing conditions than in the rest of the eurozone will likely continue to limit SME investments. Although access to bank credit has improved and deposits have stabilised, the level of non-performing loans remains high. To meet the targets set by the Bank of Greece and the European Central Bank's single supervisory mechanism, the largest banks have promised to clean up their balance sheets by reducing their exposure to non-performing loans (NPEs). They are thus expected to lower their NPE ratio to 35% in 2019 by gradually offloading their portfolios of non-performing loans. Finally, exports, particularly of services, are likely to remain on track in 2019. Despite this, net exports are expected to make a smaller contribution to growth than in 2018 as a result of the rebound in imports, driven by higher consumption and investment.

Balanced public accounts and primary surpluses in line with commitments

Greece finally emerged from its third assistance programme in August 2018. Fiscal consolidation efforts undertaken since 2015 have enabled the country to gradually get the public accounts back into balance and rebuild the credibility of its fiscal policies. For the second year running, the government balance was in surplus and the primary surplus remained in line with the objectives set by the adjustment plan. Although Greece will no longer be subject to the plan, it agreed at the Eurogroup summit in June 2018 to continue and complete the reforms adopted under the European Stability Mechanism (ESM) programme in exchange for debt relief. The country will therefore be required to accept enhanced monitoring by the ESM and the European Commission. Although the medium-term fiscal objectives have not yet been defined, in October 2018 Greece sent the Commission its 2019 budget, which was accepted in its first draft. The 2019 budget plans to maintain the fiscal surplus while implementing a number of measures other than those of the adjustment plan. On the expenditure side, the pension cuts that were supposed to take effect in January 2019 are to be replaced by a freeze on pensions until 2022. The contribution to social security for self-employed workers will be reduced, and measures to facilitate home ownership for low-income households will be implemented. Revenues are expected to benefit from the favourable economic situation and better tax collection, which will allow the authorities to reduce taxes on labour, business, and real estate. The primary surplus is projected to remain in line with the Commission's target of 3.5%, but the slight increase in debt service will weigh on the government's surplus. Despite the large primary surplus, public debt increased in 2018 due to the disbursement of €15 billion under the Emergency Safeguard Mechanism in August 2018. Largely concessional (73% held by international donors), the debt is expected to decrease in 2019. In order to ensure debt sustainability, European lenders and the government have agreed on a package of measures including deferral of interest and depreciation as well as a ten-year extension on European Financial Stability Fund loans.

A difficult election year for Syriza

As the second government led by Alexis Tsipras, a coalition between radical left-wing party Syriza and the right-wing ANEL party, enters its last year before the October 2019 election, the Prime Minister carried out a final cabinet reshuffle in August 2018 to prepare for the upcoming election. Despite a budget pledging social measures and the country's exit from the third European aid plan, Syriza is losing ground in the polls and now sits second behind the right-wing New Democracy Party. It is therefore very likely that the radical left-wing coalition will not be re-elected once its term ends. The European elections in May 2019 should provide a good insight into electoral trends ahead of the autumn elections.

PAYMENT & DEBT 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 cheques. 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 15 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 €20,000. Above that amount, a court of first instance presided by a single judge (*Monomeles Protodikeio*) hears claims from €20,000 to €250,000. Claims over €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 EU 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 reorganisation 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.

GUATEMALA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	16.9
GDP PER CAPITA US Dollars - 2017	4,469
CURRENCY Guatemalan quetzal	GTQ

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.1	2.8	2.8	3.4
Inflation (yearly average, %)	4.4	4.4	3.7	3.9
Budget balance (% GDP)	-1.1	-1.3	-1.4	-1.7
Current account balance (% GDP)	1.5	1.5	1.0	0.4
Public debt (% GDP)	24.7	24.7	25.1	25.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	34%
EL SALVADOR	11%
HONDURAS	9%
EURO AREA	8%
NICARAGUA	5%

Imports of goods as a % of total

UNITED STATES	40%
CHINA	11%
MEXICO	11%
EURO AREA	7%
EL SALVADOR	5%

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- 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

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- Social and political instability
- Poor infrastructure
- Vulnerable to external shocks (natural disasters and commodity prices)
- Heavily reliant on low value-added industry and expatriate remittances
- Low fiscal revenues
- Rural poverty, inequalities, under-employment, informal economy, ethnic divisions

RISK ASSESSMENT

Moderate growth due to underinvestment

Growth in 2019 will continue to be predominantly driven by private consumption, which represents more than 80% of GDP. Household demand will be sustained by strong flow of expatriate remittances, supported in turn by a persistently dynamic labour market in the United States, the leading destination for Guatemalan emigrants. The accommodative monetary policy in place since 2013 (key interest rate at 2.75%) and inflation, which is contained within the central bank's target range (4+/-1%), should stimulate domestic demand as a whole. From the production point of view, the agricultural sector is expected to grow more dynamically owing to base effects following 2018's climate events and volcanic eruptions. The construction sector is expected to benefit from reconstruction activities and infrastructure projects implemented by the government in the run-up to the June 2019 elections. Investment, however, will still be constrained by the lack of infrastructure, the strained political climate and a still deficient business environment (98/190 in the Doing Business 2019 ranking). The lack of an agreement between the government and Canadian company Tahoe regarding the operation of the Escobal silver mine is also dampening investor confidence. The Supreme Court's decision at the end of 2017 to suspend Tahoe's operating licence for failing to respect the Xinca indigenous people's right to be consulted, which was upheld in September 2018, requires the company to renegotiate with local communities before it can resume its activities.

Fiscal revenues still too low in the absence of reforms

Guatemalan public finances are characterised by a structural lack of tax revenue (11% of GDP in 2016), limiting the resources available for public spending and investments that are required to fight poverty (health, education) and improve infrastructure. The highly fragmented political landscape leaves little hope for a major tax reform. In this context, budget implementation remains weak, with actual public expenditure often lower than planned in the budget. While expenditure in the 2019 budget will mainly be financed through public debt issuance, criticism has been levelled at the lack of anti-corruption measures. Public debt is still low but its service is relatively high relative to revenues (13%).

On the external accounts side, exports are expected to grow more slowly, as brisk demand for textile exports in the United States fails to compensate for a weak performance by agricultural exports on the back of relatively low coffee and sugar prices. At the same time, imports are set to increase, mainly linked to higher prices for commodities. The trade balance deficit will be largely offset by expatriate remittances. The reduction in the current account surplus, due to slower growth in remittance flows, is however expected to depress the Guatemalan quetzal, which should remain on a downward trend through 2019. Even so, depreciation is expected to remain limited in view of the country's strong external position (foreign exchange reserves equivalent to 7.4 months of imports at the end of September 2018).

A tense political climate on the eve of the presidential elections

Ahead of the presidential election in June 2019, the political climate in Guatemala remains strained and shaped by corruption cases and tension between the government and the judiciary. President Jimmy Morales and his administration are in a power struggle with the International Commission against Impunity in Guatemala (CICIG), the UN-backed anti-corruption commission that has, among other things, launched a corruption investigation against Morales and his entourage. After banning CICIG leader Ivan Velázquez from re-entering the country, President Morales announced in September 2018 that he would not renew the commission's mandate when the current one expires in August 2019. In this setting, the fight against corruption will be at the heart of the June 2019 presidential elections, which will feature a second round in August if no one wins an outright majority in the first round. The fragmented political landscape means that the potential winner is still uncertain, while President Morales is constitutionally barred from running for a new term. Whoever wins the election will certainly have to form a coalition to govern, which will severely limit their ability to act. The fight against poverty and insecurity, as well as migration issues and anti-corruption actions, will be the main priorities of the new administration.

GUINEA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2017**	**13.0**
GDP PER CAPITA US Dollars - **2017**	**790**
CURRENCY Guinean franc	**GNF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	10.5	8.2	5.8	5.9
Inflation (yearly average, %)	8.3	8.9	9.6	9.2
Budget balance* (% GDP)	-0.1	-2.1	-2.2	-2.2
Current account balance (% GDP)	-31.1	-6.9	-21.0	-15.9
Public debt (% GDP)	39.8	37.2	40.3	43.0

(e): Estimate. (f): Forecast. *Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	40%
GHANA	16%
EURO AREA	9%
UNITED ARAB EMIRATES	7%
INDIA	5%

Imports of goods as a % of total

EURO AREA	40%
CHINA	13%
INDIA	12%
UNITED ARAB EMIRATES	5%
SINGAPORE	3%

+

- 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

-

- Reliant on mining and energy prices
- Dependent on Chinese demand for bauxite
- Inadequate infrastructure, especially in the electricity sector
- Difficult business climate

RISK ASSESSMENT

Major investment projects drive growth

After two years of strong expansion as the economy experienced a catch-up phase following a challenging 2015, notably due to the Ebola outbreak, growth slowed significantly in 2018. Nevertheless, it will remain vigorous in 2019 and is expected to be driven by investment, both public and private, and mining production (bauxite). The National Economic and Social Development Plan (PNDES) – whose financing, negotiated at the end of 2017, includes numerous PPPs – aims to fix the country's infrastructure deficit and will extend until 2020. One of the sectors targeted is energy, with the goal of increasing access to electricity to 35% by 2020 and 100% by 2030 (compared with 29% in 2015), through a national programme. Four dam projects are planned, the largest of which, Souapiti, is expected to generate more than 500 megawatts, as compared with 773.97 MW for the country as a whole today. With more than a billion dollars in Chinese financing and built by China International Water and Electric Corporation, the new dam should be completed by early 2020.

Energy is a strategic sector for the country. It is needed to operate the mines, which in 2018 caused load shedding in some Guinean cities, particularly Siguiri. It is also key to the government's project to transform bauxite into alumina, whose export price is about 12 times higher. Nine projects to transform bauxite into alumina and one to turn alumina into aluminium are under review. Bauxite production is expected to increase further in 2019, when the Bel Air mine operated by Alufer moves to full production mode, making the country the world's third-largest exporter. More generally, mining production, which is highly diversified (gold, diamond, iron), should support growth. Job creation in this sector, including about 10,000 jobs for a single alumina refinery and railway project in Dapilon in the Kobe region, along with higher yields and increased agricultural processing should support economic growth through private consumption. However, consumption continues to be affected by high inflation, particularly due to the rise in food prices.

The many projects are a drag on the current account

The budget balance is expected to remain in the red in 2019. The level of grants – slightly above 1% of GDP – will help to lower the deficit. The government, which relies heavily on the private sector to fund infrastructure investment, will still have to contribute to the financing by raising the level of investment spending (to about 7.5% of GDP). Less affected by security needs than some of its neighbours, Guinea is expected to see its current expenditure decline slightly to remain at 11% of GDP.

The current account deficit should narrow in 2019, while still being significant. The forecast reduction in the trade deficit by more than 6% of GDP will be driven by mining exports, which account for more than 90% of exports. Meanwhile, the continuation of relatively high oil prices should be offset by lower imports of capital goods, as the supply of construction material for the Souapiti dam was completed in 2018. The balance of services will also improve for the same reason. Conversely, increased output from mines operated by foreign companies will worsen the income balance, but its GDP share (around 7%) is too small to stop the current account from improving. The current account deficit will continue to be financed by public project loans and private investments, mainly FDI, but funding is expected to be considerably reduced compared with 2018, which was a very busy year for projects. The upward trend in foreign exchange reserves, which stand at just over 3.5 months of imports, is expected to continue in 2019. Pressure on the exchange rate could therefore ease, allowing the value of the Guinean franc to stabilise.

60 years after independence, the journey towards a peaceful democracy continues

The first African country to gain its independence from France, Guinea celebrated 60 years of independence at the end of 2018. Ceremonies were held at the Stade du 28 Septembre, the capital stadium where, on the same day in 2009, the military junta killed 150 people at an opposition meeting, in a symbol of the still fragile political situation. Alpha Condé became the country's first democratically elected president in 2010.

Economic and social reforms undertaken since then have led to a significant improvement in the business climate, which ranked 152nd in the Doing Business 2019 ranking, up eleven places compared with 2017. However, the lack of energy infrastructure and repeated load shedding caused unrest in some cities in 2018, which could resurface if these problems recur. Social discontent is increasingly visible, and Mr Condé's vague statements about potentially standing for a third term in 2020, which would be unconstitutional, could worsen the situation.

GUYANA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	0.8
GDP PER CAPITA US Dollars - 2017	4,578
CURRENCY Guyana dollar	GYD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.4	2.1	3.4	4.8
Inflation (yearly average, %)	0.8	2.0	1.3	2.9
Budget balance (% GDP)	-4.3	-4.4	-5.4	-5.0
Current account balance (% GDP)	0.4	-6.7	-6.1	-4.3
Public debt (% GDP)	50.7	52.2	57.0	57.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	25%
UNITED STATES	16%
EURO AREA	11%
PANAMA	10%
UNITED KINGDOM	8%

Imports of goods as a % of total

TRINIDAD AND TOBAGO	27%
UNITED STATES	26%
CHINA	9%
SURINAME	6%
EURO AREA	5%

- 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*)

- 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
- High crime rate linked to drug trafficking against a background of poverty and corruption

RISK ASSESSMENT

Progressive transition from an agricultural and mining economy to an oil economy

Growth is expected to continue to increase in 2019 due to significant public and private investments (17% of GDP in 2017), and thanks to the performance of the agricultural and extractive industries. In 2017, the government launched its Public Sector Investment Programme (PSIP), representing 2.5% of GDP, for the construction of roads and electrical installations. This public investment, which reached its highest level in 2018, is expected to continue in 2019. The construction sector will benefit from these measures.

An offshore oil field has been discovered by US company Exxon-Mobil off the coast of Guyana. Further exploration in 2018 concluded that the amount of oil was much higher than the amount announced in 2017, at 3.2 billion barrels of oil. This sector will eventually become a key growth factor in 2020 (extraction of 120,000 barrels per day). For the time being, growth remains linked to the agricultural (rice, sugar), fish (shrimp) and mining (gold and bauxite) industries, whose production is largely export-oriented. The agricultural sector grew by 3.4% in 2018 and its performance in 2019 will remain dependent on weather conditions. Sugar production is expected to continue to decline, but this will be offset by good results in rice and wood production. The introduction of a new high-yielding rice variety and strong credit growth in the forest industry will likely maintain the positive contribution of these two sectors to economic activity in 2019.

Inflation is expected to accelerate due to the increase in commodity prices, which is one of its main components. As a result, household consumption (65% of GDP in 2017) could decrease due to a decline in purchasing power.

While waiting for oil revenues, deficits remain

The government is still pursuing an expansionary fiscal policy marked by significant public spending on infrastructure and the restructuring of the sugar sector. The budget deficit is expected to decrease slightly due to a reduction in subsidies to the state-owned sugar company GuySuCo (which received subsidies equivalent to 1-2% of GDP in the last three years). In addition, an increase in public revenue would be made possible by better tax collection, following an effort to modernise the functioning of the tax administration. The risk related to debt sustainability is expected to be offset by future oil revenues of 2.6% of GDP in 2020, which should rise in subsequent years (4.1% of GDP in 2021). The external share of debt represented 35.5% of GDP in 2017.

Regarding external accounts, the country has a structural trade deficit, with imports mainly composed of fuel and capital goods, and exports of raw gold (52%), rice (16%), and bauxite (9%). The balance of services is also structurally in deficit (9% of GDP in 2017). However, the current account deficit is expected to narrow as a result of lower fuel imports and higher gold exports. It is mainly financed by FDI in the mining and petroleum sector (6% of GDP in 2017). Moreover, Guyanese workers' remittances abroad accounted for 9.2% of GDP in 2017. Exchange rate flexibility remains on the monetary authorities' agenda, whose goal is to improve adjustment to exogenous shocks and preserve foreign exchange reserves (approximately three months of imports in 2017).

Institutional strengthening in a tense political climate

After more than 20 years in power, the Indo-Guyanese People's Progressive Party/Civic (PPP/C) was replaced by the multi-ethnic coalition led by two parties, UNPA and the AFC, in the 2015 presidential elections. This coalition is headed by President David Granger and has a majority in parliament. The government has carried out structural reforms to improve the business environment and fight corruption in order to maximize opportunities related to oil exploitation (a new entity to control the oil and gas industry has been created to replace the Geological and Mining Commission). However, ethnic tensions persist and may intensify with the upcoming elections in May 2020, which could be rescheduled following Parliament's non-confidence vote against the government. The business environment remains risky: the country ranked 134th out of 190 countries in the 2019 World Bank's Doing Business ranking.

Despite an international decision fixing the current borders, Venezuelan President Nicolas Maduro affirmed in 2015 his country's sovereignty over nearly two thirds of Guyana's territory and maritime area. This came after the announcement of the discovery of the oil field off the coast of Guyana, located in the disputed area, rekindling a controversy that dates back more than a century. A period of negotiation had been granted to the two countries by the UN (until the end of 2017), but did not resolve the conflict: the case therefore now goes to ICJ.

HAITI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	11.0
GDP PER CAPITA US Dollars - 2017	784
CURRENCY Haitian gourde	HTG

Main economic indicators*	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.5	1.2	1.8	2.2
Inflation (yearly average, %)	13.4	14.7	13.3	11.6
Budget balance (% GDP)**	-0.1	-0.5	-2.7	-2.3
Current account balance (% GDP)**	-1.0	-4.0	-4.0	-2.9
Public debt (% GDP)	33.9	31.1	33.3	35.3

(e): Estimate. (f): Forecast. *2019 year runs from the 1st October 2018 to the 30th September 2019. **Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	81%
DOMINICAN REPUBLIC	4%
EURO AREA	4%
CANADA	3%
MEXICO	2%

Imports of goods as a % of total

UNITED STATES	21%
CHINA	19%
NETHERLANDS ANTILLES	16%
INDONESIA	8%
EURO AREA	6%

+

- Development and reconstruction programmes defined with donors
- Membership of regional organisations (Association of Caribbean States, Organization of American States, CARICOM, CARIFORUM)

-

- Low level of development and extreme poverty (HDI ranking of 168 out of 189)
- Dependent on expatriate remittances, international donations and the United States
- Highly vulnerable to natural disasters (hurricanes, earthquakes, etc.)
- Poor governance and low-quality business environment
- Lack of infrastructure, particularly energy infrastructure
- Political instability and insecurity

RISK ASSESSMENT

Growth prospects for a still fragile economy

The Haitian economy is expected to continue growing thanks to the continued recovery of the agricultural sector (which accounted for about 18% of GDP in 2017) after the deadly devastation of Hurricane Matthew in 2016. The economy will also be driven by the construction sector, which will benefit from the international aid mobilised to help reconstruct the country after it was hit by natural disasters. Although they will remain strong, exports, principally textiles, are expected to be less dynamic than last year. Exports could suffer from a gradual slowdown in the US economy, with more than 80% of these going to the world's leading power. Private consumption will be boosted by remittance flows from expatriates (about 30% of GDP), mainly from the United States, but will continue to be penalised by high inequality and extreme poverty. Private consumption will also be affected by the high level of inflation, fuelled by elevated oil prices, which will constrain household purchasing power. However, price increases are expected to continue decelerating in 2019, as domestic production of food products (which make up almost half of the consumer price index) recovers, limiting inflationary pressures. In addition, the reduction in the government deficit should limit monetary creation, a financing method used by the Haitian government that encourages inflation.

Reduction ahead for the twin deficits

Haiti's public accounts could not withstand the effects of Hurricane Matthew, which caused a significant increase in the government deficit in 2018. The deficit is expected to decline again thanks to the implementation of budgetary measures encouraged by the IMF. However, the possibility that it might widen cannot be ruled out, due to the potential pushback from the Haitian people to proposed budget cuts. Weather events could also lead the government to incur additional expenses. In order to finance the public deficit, the government should recourse to borrowing, which will contribute to the increase in the public debt burden. A large part of the debt is external and denominated in dollars due to the concessional loans contracted with Venezuela under the Petro Caribe program.

The current account deficit, linked to the trade deficit (37% of GDP in 2017), is also expected to decline in 2019. However, it will not return to its 2016 level, as high oil prices will push up the cost of imports, and the country has not received low-cost oil from Venezuela since 2017. Imports of inputs for the textile industry and for projects related to reconstruction will likewise have an impact. While exports will be helped by trade agreements with the United States, they will remain lower than imports. The current account deficit will nevertheless continue to be lowered by expatriate remittances (30% of GDP in 2017) and grants (5% of GDP in 2017), and will be financed by inward FDI.

A government facing many difficulties

Jovenel Moïse of the Haitian Tel Kale Party, who was elected President in February 2017, is struggling to reduce the country's instability. In addition to clashes between armed gangs, the head of state is having to cope with violent protests from the population. In July 2018, a wave of violence broke out in the country in response to the abolition of fuel subsidies. These events eventually caused the measure, a joint initiative by the government and the IMF, to be abandoned and led to Prime Minister Jack Guy Lafontant's resignation. In addition, in October 2018, anti-corruption demonstrations involving thousands of people were held throughout the country in response to a scandal over the government's misappropriation of Venezuelan aid received through Petro Caribe funds. Given how unhappy people are, the parliamentary elections scheduled for October 2019 will probably not allow the President to reassert his power.

Across the border, relations with the Dominican Republic continue to sour. The repatriation of many Haitian migrants, following the non-renewal in August 2018 of the National Plan for the Regularisation of Foreigners (PNRE), which allowed migrants to obtain a right of temporary residence in the Dominican Republic, has added to the tension between the two countries. This friction could impact trade between the two nations, bearing in mind that the Dominican Republic is one of Haiti's most important trading partners.

HONDURAS

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	8.3
GDP PER CAPITA US Dollar - 2017	2,766
CURRENCY Honduras Lempira	HNL

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.8	4.8	3.7	3.7
Inflation (yearly average, %)	2.7	3.9	4.8	4.5
Budget balance* (% GDP)	-0.5	-0.8	-0.9	-0.9
Current account balance (% GDP)	-2.7	-1.7	-3.8	-3.9
Public debt* (% GDP)	39.9	40.3	40.8	41.3

(e): Estimate. (f): Forecast. *Non-financial public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	35%
EURO AREA	30%
EL SALVADOR	7%
GUATEMALA	5%
NICARAGUA	5%

Imports of goods as a % of total

UNITED STATES	40%
GUATEMALA	10%
CHINA	9%
MEXICO	6%
EL SALVADOR	6%

+
- Special relations with the United States (preferential trade agreements)
- Agricultural, mining and tourism resources
- Discussions with the IMF to renew the aid program

-
- Dependence on the US economy (exports, FDI and expatriate remittances)
- Dependence on imported fuels and cereals (maize is the staple food)
- High crime and corruption in the context of poverty and drug trafficking
- Significant informal economy: 70% of the working population is affected

RISK ASSESSMENT

An activity driven by demand

Growth is expected to be stable in 2019 compared to 2018, driven by the favourable economic situation in the United States via exports and remittances from expatriate workers. The decline in coffee exports in 2017-2018, linked to poor weather conditions and labour shortages, in a context of low prices, is not expected to continue in 2019: these exports are expected to pick up again, supported by a slight recovery in prices following the drought in Brazil in autumn 2018. In addition, exports of manufactured goods (particularly textiles and electronics) will be dominated by the production of *maquilas*, production areas dedicated to exports, and will be supported by the dynamism of US activity (the United States is the country's main partner).

The construction sector is set to continue benefitting from the government's public infrastructure development plans. The Honduras 2020 plan is expected to stimulate investment in six key sectors (including communication and tourism services, intermediate goods production, and agribusiness), despite slow implementation. However, political uncertainty following the disputed presidential elections in November 2017 will weigh on investor and household confidence.

Private consumption should be boosted by high remittances from the United States linked to the low level of local unemployment, while the consequences of the revocation of the Temporary Protected Status by the Trump administration (50,000 people concerned, low share of Honduran migrants in the United States) by 2020 are still uncertain. Monetary policy will remain accommodative (key rate at 5.5% since 2016), promoting credit growth (+9% in 2017). Inflation is expected to be contained in the central bank's upper target band (4 +/-1%), driven by higher fuel prices.

Healthy fiscal situation and a current account deficit financed by FDI and international donors

The three-year IMF agreement, which expired in December 2017, made it possible to consolidate public spending through the introduction of a fiscal responsibility law, setting a ceiling of 1% of deficit for the non-financial public sector in 2020. New discussions to renew the IMF program since August 2018 are expected to maintain fiscal consolidation targets in 2019. The deficit is expected to remain stable despite the decline in revenues due to the introduction of new tax exemptions for companies and the reduction in customs duties collected under the customs union with Guatemala and El Salvador. Further deficit reductions depend on the continuation of the project to restructure the national electricity (ENEE) and telecommunications companies. In this context, the risk on the debt – which is 60% concessional – remains low.

The trade deficit is expected to grow as imports increase with rising oil prices and increasing demand for intermediate goods in the textile sector. The income balance will be in deficit due to the repatriation of dividends from foreign companies. Remittances from expatriate workers, less dynamic than in the past, will only partially offset these deficits, and the current account balance is expected to fall slightly. It will be financed by loans from international donors and FDI, directed towards the financial, insurance and business services sector, as well as *maquilas*. The lempira is expected to continue on a downward trend, as are all emerging currencies, within the limit of a 7% depreciation against the target set by the central bank.

A still unstable political situation

The November 2017 presidential elections were won by outgoing President Juan Orlando Hernandez (Partido Nacional), with a short lead over opposition candidate Salvador Nasralla (Alianza de Oposición contra la Dictadura). Criticized for its lack of transparency by various international bodies, the electoral process was followed by several weeks of violence as the opposition contested the results despite the official announcement of Hernandez's victory by the Electoral Tribunal. A national dialogue process began in August 2018 under the aegis of the United Nations to try to find a solution to the crisis.

These political uncertainties are compounded by the challenges posed by high poverty (39% of households live in extreme poverty and only 25% benefit from social security), the high level of violence associated with drug trafficking (especially with the maras, armed gangs), as well as corruption (Rosenthal drug money laundering case in 2015) and migrations, limiting the country's development. Regarding diplomatic relations, a step towards greater regional integration has been taken with the establishment of a customs union with Guatemala and El Salvador. A free trade agreement has also been signed with South Korea.

HONG KONG

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	7.4
GDP PER CAPITA US Dollars - 2017	46,080
CURRENCY Hong Kong dollar	HKD

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	54%
UNITED STATES	8%
EURO AREA	6%
INDIA	4%
JAPAN	3%

Imports of goods as a % of total

CHINA	45%
TAIWAN	7%
SINGAPORE	6%
JAPAN	6%
SOUTH KOREA	6%

+

- Open economy
- High-quality infrastructure
- Top-class global financial centre, airlock between China and the rest of the world
- Healthy banking system
- Anchoring of the currency to the US dollar
- Robust institutional quality and judicial system thanks to the "one country, two systems" principle

-

- Vulnerability to the slowdown of the economy in mainland China
- Mismatch between business cycles in the United States and China, as the HKD is pegged to the USD
- Industry has fully relocated to mainland China
- High exposure to real estate sector and housing unaffordability
- Rising income inequality
- Lack of innovation, both in the financial sector and more broadly

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	3.8	3.5	3.0
Inflation (yearly average, %)	2.4	1.5	2.5	2.3
Budget balance (% GDP)	3.3	5.5	3.0	2.5
Current account balance (% GDP)	4.0	4.3	3.5	3.0
Public debt (% GDP)	0.1	0.1	0.1	0.1

(e): Estimate. (f): Forecast.

RISK ASSESSMENT

Growth will decelerate in 2019

Growth will remain strong in 2019; but will decelerate slightly owing to external headwinds. The slowdown in the Chinese economy and the global trade war will weaken trade growth: exports represent over 190% of Hong Kong's GDP, and over 50% of these are re-exports to mainland China. Investment growth might stall on the back of weaker sentiment stemming from uncertainty regarding the trade wars and tighter credit conditions in line with the US FED's tightening. Hong Kong's currency board pegs the Hong Kong dollar to the US dollar, and this mandates that the Hong Kong Monetary Authority (HKMA) mirror FED rate hikes. There is a risk that private consumption, which accounts for 68% of GDP, could decelerate as higher rates imply higher debt repayment costs. At the same time, the sector will continue to benefit from better tourism revenues, low inflation, and a tight labour market (unemployment rate stable around 2.5%), which should spur real wage growth. Inflation will remain limited in 2019, even considering strong demand and wage increases, as imported inflation will be reduced with the Chinese renminbi's depreciation. Rent price pressure should also decrease. Higher interest rates could translate into sluggish housing prices, which may also drag on consumption through the wealth effect. Chinese tourist numbers (75% of total visitors) will likely decline due to slower economic growth in mainland China and the depreciation of the RMB relative to the HKD.

In addition, Hong Kong port activity, a hub of global trade, is expected to continue to grapple with increasing competition from larger, more cost-effective ports in mainland China. The growth of financial services will remain dynamic.

Solid financial system

The budget balance will remain in surplus in 2019. Moreover, the budgetary situation of the Special Administrative Region (SAR) is solid in view of large reserves, representing above 20 months of expenditure. Even if spending increases slightly following from new infrastructure investments, revenues from land and property sales should remain robust, provided the correction in housing prices is mild – our baseline scenario. Public debt will remain virtually non-existent.

The trade balance will deteriorate slightly as goods imports grow faster than exports. The same trend will be observed in the secondary income balance given the amount of exiting remittances. However, the current account will remain in surplus thanks to the significance of resident and local firms' foreign income repatriation.

Banks should remain strong, even in case of a steep correction in housing prices, thanks to household debt limits and regular stress tests performed by supervisory authorities. In addition, Hong Kong is a top global initial public offering (IPO) centre, and the connection between the Hong Kong and Mainland Chinese stock exchanges, which enable foreign investors to trade listed securities in Shanghai/Shenzhen and vice versa, further cements the city's role as a financial hub.

The new head of the executive power embodies continuity

Carrie Lam was elected as Chief Executive by the Electoral College, in which the pro-Chinese camp has a majority. All three candidates were proposed by a committee set up by Beijing. Carrie Lam was elected in 2017 and will remain in power until 2022. The legislative council remains dominated by a pro-Beijing majority that supports the Chief Executive's policy stance, limiting any potential discontent from China. Her following of the "one country, two systems" principle will entail curtailing of advocacy for greater autonomy, or independence of Hong Kong. In September 2018, a political party was banned for the first time since Hong Kong's handback in 1997: the Hong Kong National Party, a small pro-independence party. The Chief Executive will pursue another controversial policy goal: bringing the school curriculum closer to China's "patriotic" model of education. Popular discontent and political tensions have been a source of concern for the city, as the growing influence from mainland China is not favoured by all. The newly opened bridge and train line are good examples: although both infrastructure developments offer economic benefits, they also pose a specific challenge in relation to the location of customs and border controls. To manage discontent, the government will continue to target funds at youth programs and increase the availability of housing. Internationally, the signature of a free-trade agreement with the ASEAN will favour economic relations with other ASEAN countries.

HONG KONG

PAYMENT & DEBT 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 14 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

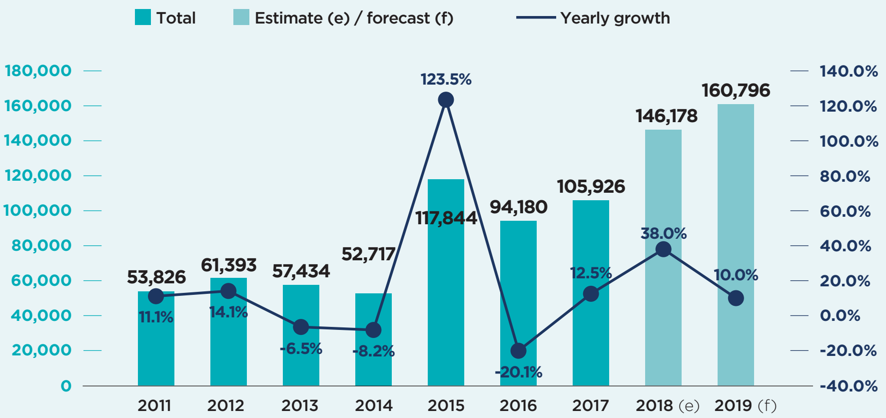
Liquidation can be voluntary or compulsory. It involves selling the debtors' assets in order to redistribute the proceeds to creditors and dissolve the company. Voluntary liquidation can be either a member's voluntary liquidation (MVL), or a creditors' voluntary liquidation (CVL). In both cases, company 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 February 13, 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 INSOLVENCIES



Source: Census and Statistics Department - Hong Kong, Coface.

HUNGARY

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	9.8
GDP PER CAPITA US Dollars - 2017	14,209
CURRENCY Hungarian forint	HUF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	4.0	4.0	3.3
Inflation (yearly average, %)	0.4	2.4	2.8	3.3
Budget balance (% GDP)	-1.7	-2.0	-2.4	-2.1
Current account balance (% GDP)	6.1	2.9	1.5	1.3
Public debt (% GDP)	76.0	73.6	73.3	71.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	28%
ROMANIA	5%
ITALY	5%
AUSTRIA	5%
SLOVAKIA	5%

Imports of goods as a % of total

GERMANY	26%
AUSTRIA	6%
CHINA	6%
POLAND	5%
SLOVAKIA	5%

+

- Diversified economy
- High quality infrastructures thanks to European funds
- Integrated within the European production chain
- Trained workforce
- Low corporate taxation
- Generally positive payment behaviour

-

- Ageing population, low birth rate
- Regional disparities; lack of mobility
- Deficiencies in vocational education
- Poor levels of innovation and R&D
- Limited room for manoeuvre in terms of budget
- High debt level of companies (although falling)
- Fragility of the banking sector (public and private)

RISK ASSESSMENT

Investment and consumption drive growth

Growth is expected to slow slightly in 2019 after solid expansion in both 2017 and 2018. Domestic demand remains the main driving force of the economy, household consumption increasing as a result of rising employment and wage growth (including significant wage increases in the public sector). The unemployment rate reached 3.8% in August 2018 – one of the lowest levels in the EU and well below its average of 6.7%. A further slight decrease of unemployment is expected, although a lack of available labour will reduce employment growth. Labour shortages have become a significant obstacle for companies, limiting their capacity to expand and driving wages higher. Despite the good situation on the labour market perceived by households, private consumption will accelerate at a slower rate, as the large public sector wage increase will fade out and a further increase is unlikely.

Economic growth has also benefited from rebounding investments, thanks notably to a surge in public projects. Facing high capacity utilisation, the private sector will likely be willing to conduct investments. Within this regard, the FDI inflow and EU structural funds are strong drivers of investment. On the other hand, SME investments are rather lacklustre, in large part due to labour shortages and the uncertainty of continuing solid demand.

Since 2017, companies in Hungary have benefited from a 9% corporate tax rate – the lowest in Europe. This measure mainly covers mid-sized Hungarian and foreign-owned companies with more than €2 million in revenue. Effective tax rates for large foreign multinationals in Hungary, especially German carmakers, had already been heavily reduced by subsidies and tax concessions. Hungary's main exports are machinery products, vehicles and pharmaceuticals. Exports are supported by the weakening yet still relatively favourable perspectives of the country's main trade partners, and the large share of the automotive industry in total exports is expected to strengthen thanks to further improvements in manufacturing capacity and new investments.

Budget deficit expected to drop

The general government deficit increased in 2018 as a result of tax cuts and a further increase of expenditure ahead of the April 2018 parliamentary elections. The reduction in the employers' social contribution rate mitigated the impact of growing wages for companies. In 2019, the budget will not be burdened by further expenditure growth and the deficit is expected to decrease. Its level is subject to the inflow of funds from the EU, which are predominantly used to co-finance infrastructure building projects. Spending on such investments could be reduced due to both delays in implementation and construction capacity constraints. Nevertheless, the final level could also go higher if the implementation is extremely efficient.

Hungary's current account surplus reached 2.9% of GDP at the end of 2017. It has been used to increase both foreign currency reserves and investments abroad.

Fidesz remains in power

Prime Minister Viktor Orbán and his conservative Fidesz-Hungarian Civic Union (Fidesz) party were re-elected for a third four-year term in the April 2018 elections. After a nationalist anti-immigrant campaign in opposition to the EU on the dispersal of migrants, Fidesz obtained a landslide victory with two thirds of the seats in Parliament. The election was marked by an exceptionally high turnout: 68%, the highest since 1994. This absolute majority in Parliament allows the government to push through key legislation without needing cross-party agreement, and increases its control over state institutions. A number of sectorial taxes, which were criticized by the European Commission for mainly targeting foreign-owned operators, are likely to remain in place. These include an advertising tax on media, a retail tax, and a tax on energy sector entities if they do not invest in Hungary. In this context, relations with the European Commission will likely remain tense. Moreover, the European Parliament had already voted in September 2018 to initiate disciplinary action against Hungary over alleged breaches of the EU's core values, including the rule of law, freedom of the media and NGOs, and an insufficient fight again corruption. The suspension of Hungary's voting rights would be the next punitive measure, but this is highly unlikely as it requires a unanimous decision from the European Council.

HUNGARY

PAYMENT & DEBT 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. 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.

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%. 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 between HUF 3 million and HUG 30 million (about €9.50-95.000) 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 €9.500 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.

If the creditor has no Hungarian address, this procedure is not available.

Legal proceedings

<u>Ordinary proceedings</u>

In case of objection by the debtor, or if there is no Hungarian address, or if the claim is more than €95,000, 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 €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 and pay the fees 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

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	0.3
GDP PER CAPITA US Dollars - 2017	70,248
CURRENCY Couronne islandaise	ISK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	7.4	4.0	4.1	2.8
Inflation (yearly average, %)	1.7	1.8	2.7	3.2
Budget balance (% GDP)	12.3	0.0	1.0	1.0
Current account balance (% GDP)	7.5	3.4	2.6	1.0
Public debt (% GDP)	51.7	42.0	39.0	36.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	27%
EURO AREA	16%
INDIA	16%
SOUTH KOREA	11%
TURKEY	11%

Imports of goods as a % of total

UNITED ARAB EMIRATES	28%
EURO AREA	13%
CHINA	13%
TURKEY	5%
SOUTH KOREA	4%

- Labour market supported by positive demographics and excellent training
- Very high per capita income
- Abundant renewable energy (geothermal, hydropower)
- Strong tourism potential

- Volcanic risk
- Small and very open economy; constraint monetary policy
- Volatile activity linked to dependence on tourist inflows: erratic failures concentrated in construction, trade and accommodation
- Lack of tourist infrastructure outside the capital
- Concentration of production and exports (aluminium and seafood products)
- Wage growth higher than productivity growth

RISK ASSESSMENT

Cooling growth

Although growth will remain strong, activity is expected to slow significantly in 2019. The slowdown will come mainly from exports (50% of GDP). Tourism revenues (40% of exports) will likely increase moderately in line with capacity saturation, high service prices, and sluggish European demand. Moreover, even if international fish prices continue to rise, the related exports are likely to be affected by falling catches and a review of quotas following Brexit. The third key component of exports, aluminium, may see both prices (impact of US tariff measures) and production stagnate, even as the price of alumina (the imported raw material) increases further. At the same time, imports will continue to be supported by brisk domestic demand, ultimately causing trade to make a largely negative contribution to growth. Household consumption is expected to continue to surge, driven again by robust wage growth. Unemployment will be limited to 3%, despite the slowdown in tourism, which employs one third of the workforce directly or indirectly. The employment rate will remain high (79%), despite the arrival of foreign workers, particularly from Poland. Over the past four years, household purchasing power has increased by 25%. It is expected to continue to rise significantly, despite the inflationary pick-up linked to the impact of krona depreciation (in the second half of 2018) on the price of imported products, as well as wage increases above productivity growth. Inflationary pressures are expected to ease during the year with moderate growth, particularly in tourism, the increase in the key interest rate from 4.5% in November 2018 to 5%-6% at the end of 2019, which will take pressure off the krona, and the sharp slowdown in housing prices. Finally, while business investment seems to have peaked, construction – both public and private in housing, hotels and roads – will remain vibrant owing to undercapacity in these sectors. In addition, private sector debt went from representing 350% of GDP in 2009 to 160% by 2016 (roughly evenly distributed between companies and households, almost entirely in krona) and has remained at that level ever since.

Small public and current account surpluses

The small government surplus is expected to continue in 2019. Excluding debt interest, the surplus could exceed 3% of GDP. However, this performance needs to be set against the high level of economic activity, with the budget balance turning out to be mildly negative when adjusted for the economic cycle and excluding interest. Increased tax revenues resulting from the favourable economic situation will continue to be put towards improving public services and reducing debt. The additional revenues will be used to finance infrastructure projects (hospitals, retirement homes, roads, ports, etc.), as well as increased social transfers for young parents and housing. The government should also continue its environmental efforts with measures to protect natural sites and increase the tax on CO_2 emissions.

The current account surplus is expected to shrink further in 2019, echoing the trade surplus, which is set to decline from 3.6% to 1.8% of GDP as imports considerably outpace exports. However, the tourism-related services surplus will continue to exceed the goods deficit. The income balance shows a small deficit, with remittances from foreign workers still limited and investment income abroad equalled by that of foreign investors. Although the last remaining restrictions on capital movements were lifted in March 2017, these flows, as recorded in the financial account (FDI, portfolio), remain small. Moreover, in the first half of 2018, capital outflows outweighed inflows, reflecting pension fund investments abroad and the narrower real yield spread. Foreign investments other than direct investments are subject to a special reserve requirement whereby 20% of the investment amount must be held in a non-interest bearing account with the central bank for one year. Foreign exchange reserves are not expected to change much and represent about seven months of imports. External debt (82% of GDP as at June 2018, with 47% of the total debt owed by companies (60% under intra-group loans), 40% by the financial system and 12% by the government) will continue to decline.

A patchwork coalition with a narrow majority

Following a new round of early elections in October 2017, the political scene is even more fragmented, with eight parties in Parliament. Prime Minister Katrín Jakobsdóttir leads a patchwork coalition government composed of her own left-leaning Green Party (11 seats out of 63), the centre-right Independence Party (16 seats) and the centrist Progress Party (8 seats). Strategic ministries have been assigned to the last two parties. Despite having a small majority (35 seats out of 63), the coalition has managed, thanks to the consensus on fiscal policy, to hold out longer than the previous three governments, which survived for less than a year.

INDIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**1,316.9**
GDP PER CAPITA US Dollars - 2017	**1,976**
CURRENCY Indian rupee	**INR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.9	7.1	7.3	7.5
Inflation (yearly average, %)	5.5	3.3	5.0	5.2
Budget balance (% GDP)	-6.7	-0.9	-3.2	-3.0
Current account balance (% GDP)	-0.5	-1.5	-1.0	-1.3
Public debt (% GDP)	69.5	71.0	70.0	69.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	16%
EURO AREA	13%
UNITED ARAB EMIRATES	10%
HONG KONG	5%
CHINA	4%

Imports of goods as a % of total

CHINA	16%
EURO AREA	8%
UNITED STATES	5%
UNITED ARAB EMIRATES	5%
SAUDI ARABIA	5%

+
- Diversified growth drivers
- High levels of savings and investment
- Efficient private sector; notably services
- Moderate level of external debt; comfortable foreign exchange reserves

−
- High corporate debt and non-performing assets (NPA)
- Net importer of energy resources
- Lack of adequate infrastructure
- Weak public finances
- Bureaucratic red tape
- Uncertainties over the Kashmir issue

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	HIGH
ENERGY	HIGH
ICT*	VERY HIGH
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth is expected to rebound from a low base

Real GDP growth will likely improve during the 2018/19 financial year, albeit from a low base. Activity was supported by strong domestic consumption (60% of GDP), after a slowdown in previous years due to demonetisation (withdrawal of the 500 and 1,000 rupee notes), and the introduction of a harmonised goods and services tax (GST). Household consumption continues to struggle from the residual impact of these measures, as their influence over the informal sector – although difficult to quantify – remains significant. However, improved financial integration of the poorest households should support demand in the long term. Inflation is set to reach 5.3% by the end of FY 2018/19 and is expected to stay stable in 2019, thanks to subdued core inflation. Food prices benefited from normal monsoon rains. This will allow the Reserve Bank of India (RBI) to pause monetary policy tightening through the first half of 2019, after hiking rates by 75 bps in 2018. Both factors should be supportive of growth, leading to a slight pickup in FY 2019/20.

The Modi government's reforms – aimed at boosting India's manufacturing sector, attracting FDI, and reducing constraints burdening the economy – should benefit the private sector in the long-run. However, some major headwinds emerged in 2018. Non-performing assets (NPAs) in the banking system are at an all-time high of 12%, which has hindered domestic companies' willingness to borrow money and invest, leading to sluggish private investment. Banks also remain cautious following a series of banking scandals in 2017 and 2018. Reforms aimed at cleaning up the banking system have been put into place, but dealing with NPAs will take time. Moreover, RBI could resume tightening in the second half of 2019, which will lead to higher borrowing costs, exerting further downside pressure on private investment.

Public finances to struggle amid headwinds

The fiscal deficit and public debt levels remain high. The most notable attempt at reducing these was the introduction of the GST, which aims to boost fiscal revenues and make the economy more competitive in the long term. In addition, demonetisation should improve budget revenues by reducing the weight of the informal economy. Nevertheless, fiscal consolidation efforts will be hindered by higher energy prices, as India remains a net importer of oil and subsidises this commodity. Public investment might help to offset the decline of private investment ahead of the elections in 2019, but this will also contribute to a widening of the fiscal deficit.

The current account deficit is also expected to increase. Export growth is set to slow, in line with a slowdown in global demand. Faster import growth will also play a role, with domestic consumption remaining strong, while oil prices will stabilise but remain higher than levels of the past years. Rising demand for gold after demonetisation will also play a role. For these reasons, it is expected that the rupee will continue to experience depreciatory pressure in 2019, while remaining vulnerable to a rise in global risk aversion and a faster-than-expected rate of monetary policy tightening in the United States. At the same time, foreign exchange reserves are set to remain at comfortable levels (nine months of imports in September 2018), and FDI and foreign portfolio investments are on an upward trend.

National Democratic Alliance faces some challenges

India's ruling coalition, the National Democratic Alliance (NDA), is an alliance of several parties, of which the Bharatiya Janata Party (BJP) – the party of Prime Minister Narendra Modi – is the most important. The BJP has suffered setbacks recently, such as losing its simple majority in the lower house of Indian parliament in by-elections on May 2018. Although BJP still rules 18 out of 29 Indian states, it lost support in the 2018 state elections (Vidhan Sabhas), which does not bode well for the party ahead of the 17th Lok Sabha, or general election, scheduled to take place in April or May 2019.

Kashmir remains a source of tensions between India and Pakistan. Diplomatic talks were suspended after an attack on an Indian base in Punjab on January 2016, and relations between the two countries have deteriorated since. New tensions emerged after the Indian army shot the leader of the main insurgent movement, Sabzar Ahled Bhat, in Kashmir in May 2017. Further escalation of violence is unlikely as Pakistan and India both have an interest in preserving the status quo.

PAYMENT & DEBT 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 June 1, 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.

Enforcement of a Legal Decision

A local judgment can be enforced either by the court that passed it, or by the court to which it is sent for execution (usually where the defendant resides or has property). Common methods of enforcement include delivery, attachment or sale of property, and appointing a receiver. Less common methods include arrest and detention in prison for a period not exceeding three months.

India is not party to any international conventions governing the recognition and enforcement of foreign judgments. However, the Indian government has entered into 11 reciprocal arrangements, and judgments from the courts of these reciprocating countries can be executed in India in the same way as local judgments. For judgments from non-reciprocating territories, a suit must be brought in India based on the foreign judgment before it can be enforced.

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

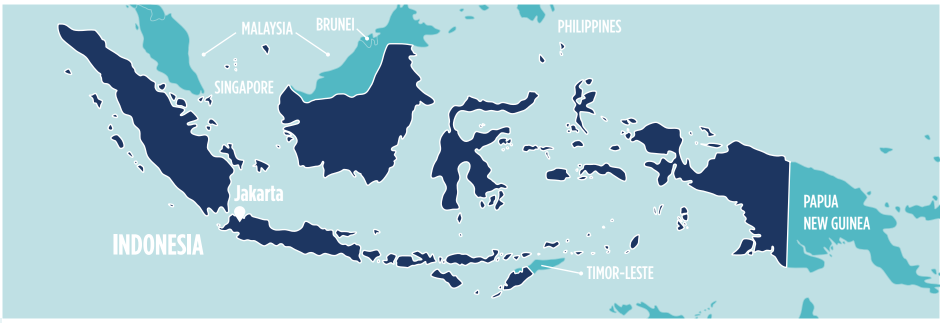
A debtor may be put into liquidation if a 75% majority of the creditors' committee resolves to liquidate it during the IRP, if the committee does not approve a resolution plan within 180 days, or if the NCLT rejects the resolution plan submitted on technical grounds. Upon liquidation, secured creditors 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.

INDONESIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4



POPULATION Millions of persons - 2017	262.0
GDP PER CAPITA US Dollars - 2017	3,876
CURRENCY Indonesian rupiah	IDR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.0	5.1	5.3	5.4
Inflation (yearly average, %)	3.5	3.8	3.5	3.8
Budget balance (% GDP)	-2.5	-1.7	-2.5	-2.7
Current account balance (% GDP)	-1.8	-1.7	-2.3	-2.1
Public debt (% GDP)	27.9	28.8	30.0	30.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	14%
UNITED STATES	11%
JAPAN	11%
INDIA	8%
EURO AREA	8%

Imports of goods as a % of total

CHINA	21%
SINGAPORE	11%
JAPAN	9%
EURO AREA	6%
MALAYSIA	6%

+

- Diverse natural resources (agriculture, energy, mining)
- Highly competitive thanks to low labour costs
- Growing tourism industry (5.8% of GDP)
- Huge internal market
- Strong banking sector
- Sovereign bonds rated "Investment Grade" by the three main rating agencies

−

- Large infrastructure investment gap
- Exports of commodities dependent on Chinese demand
- Market fragmentation: extensive archipelago with numerous islands and diverse ethnic groups
- High unemployment and poverty rates sharpening inter-ethnic tensions
- Persistent corruption and lack of transparency

RISK ASSESSMENT

Growth buoyed by internal demand

Growth will remain strong in 2019, driven mostly by private consumption (56% of GDP). Consumption is fostered by population growth, ever growing urbanisation, and a rise in *per capita* GDP, enabling the emergence of a middle class. In 2019, the adverse effects of high inflation on consumption should be mitigated by measures to keep food and energy prices in check, and public spending associated with the election campaigns. Inflation growth stems from higher oil prices, a weaker rupiah, and impacts from natural disasters. It is nonetheless expected to remain within Bank Indonesia (BI)'s target range (4±1%). Private investment will be deterred by rising interest rates combined with worsening investor sentiment, stemming from global protectionism and slower demand from China. Investment growth (32% of GDP) shall nonetheless hold steady thanks to government support for infrastructure projects. Through the infrastructure development program launched by President Joko Widowo's government in 2016 (225 priority infrastructure projects), projects are financed both publically and *via* PPP, attracting foreign investors. Moreover, the President's reform agenda successfully improved the still poor business climate, with Indonesia jumping 33 places in the Doing Business Index since 2016 to reach the 73rd rank in 2019. However, reforms are not complete and some projects have struggled to secure financing (only 26 of 225 were completed as of March 2018 and half of the required USD 327 billion had been collected). The mining sector will contribute positively to growth thanks to the pick-up in crude oil prices after several years of stalling performance. Manufacturing will continue to grow steadily, albeit less vigorously due to dimmer Chinese and global demand. Moreover, exports (23.4% of GDP) of manufactured goods and commodities (oil and gas, palm oil, copra, lignite, and copper) are dynamic, but they are offset by a faster increase in imports. The tourism sector will continue to underperform due to the lack of infrastructure in most regions of the country.

Budget balance under control, moderate pressure on current account, and capital outflow risk

The budget deficit is constrained by a constitutional limit of 3%. The government has embarked on reforms meant to increase tax collection, repatriate capital kept in foreign accounts (including tax havens), and control expenditure. These will compensate the increase in spending associated with the coming elections, with the control of fuel prices, and with reconstruction efforts in the aftermath of the 2018 tsunami – although spending cuts could be announced after the elections in April 2019. Curtailing of the deficit will maintain public debt at low levels. Nevertheless, the government may encounter financing challenges in a context of global monetary policy normalisation associated with higher interest rates and lower liquidity.

The current account deficit will remain high. The higher oil bill will not be compensated by the increased price of exported crude oil and gas. In addition, capital goods import growth, linked to the government's investment program, will be not compensated by the steady growth of merchandise exports. To mitigate the trade deficit, the government will continue to curb import growth *via* import permits or import centralisation. All in all, the main cause of the current account deficit will continue to lie in the income account because of debt interest payments and the repatriation of dividends. In addition, the context of global monetary tightening induces risk of outflows, as, over the past few years, the current account deficit was financed by FDI inflows and portfolio investments, and public debt was largely funded by international investors. Moreover, the deterioration of the external position further strengthens depreciation pressures on the rupiah. In this context, and although inflation is contained, BI will continue to hike interest rates in 2019 to defend the currency and limit outflows. Although foreign reserves remain at an adequate level, they will be reduced by BI intervention on forex markets.

Popular Joko Widowo on track to secure the presidential election

In power since 2014, Joko "Jokowi" Widowo enjoys great popularity thanks to the economic progress achieved, his extensive infrastructure program, and his reform agenda. Polls present him as frontrunner for the April 2019 presidential elections. For the first time, these elections are concurrent with those of Parliament, which should ensure more collaboration in reforms for the next mandate. All the same, Mr Jokowi will have to contend with a growingly polarised electorate. A climate of civil insecurity, following several suicide bomb attacks in 2018, is certainly not helping. Meanwhile, measures to keep food prices in check are not resonating well with the rural population, many of which are dependent on revenues from the sale of agricultural crops. This part of the electorate is in fact already tilting towards the opposition candidate, Prabowo Subianto (Gerindra Party), a businessman and former commander of Indonesia Special Forces. Previously a contender in 2014, he is supported by ultra-conservative Muslims.

PAYMENT & DEBT COLLECTION PRACTICES IN INDONESIA

Payment

Cash, cheques, and bank transfers are each popular means of payment in Indonesia. 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.

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.

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 payment 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.

IRAN

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2017**	**81.4**
GDP PER CAPITA US Dollars - **2017**	**5,290**
CURRENCY Iranian rial	**IRR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	13.4	3.8	-1.5	-3.6
Inflation (yearly average, %)	9.0	9.6	29.5	34.1
Budget balance (% GDP)	-2.2	-1.8	-4.7	-5.2
Current account balance (% GDP)	4.0	2.2	1.3	0.2
Public debt (% GDP)	47.4	39.5	44.2	39.2

(e): Estimate. (f): Forecast. * Iranian calendar: 2019 year runs from the 20th March 2018 to the 21st March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	27%
EURO AREA	16%
INDIA	16%
SOUTH KOREA	11%
TURKEY	11%

Imports of goods as a % of total

UNITED ARAB EMIRATES	28%
EURO AREA	13%
CHINA	13%
TURKEY	5%
SOUTH KOREA	4%

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- Significant gas and oil reserves (second and fourth largest in the world, respectively)
- Very low external debt
- Strategic position in the sub-region
- Large market

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- US withdrawal from Vienna Agreement
- High inflation
- Social unrest
- Unfavourable business environment
- Lack of infrastructure
- The presence of Revolutionary Guards in the country's productive system and their collusion with political circles could hinder the opening-up of the economy
- World Bank governance indicators place the country at a high level of risk

RISK ASSESSMENT

Sanctions pushed the Iranian economy into recession in 2018

In May 2018, US President Donald Trump announced the withdrawal of the United States from the Vienna Agreement signed in 2015 between Iran and the P5+1 (the five permanent members of the UN Security Council plus Germany) and the restoration of US sanctions within 90 days (180 days for oil exports). Although this decision does not invalidate the previous agreement, it is likely to plunge the Iranian economy into a new period of recession by gradually cutting it off from the rest of the world. The first sanctions-related impacts began to be felt in 2018, and the economic situation is expected to steadily worsen. In response to the US measures, the European Union has put in place so-called blocking measures that would protect companies carrying out legal activities in Iran from the extraterritoriality of US sanctions (laws allowing non-US companies to be prosecuted abroad, provided they have a link with the US). Despite this, several European companies have said that they are shutting down their activities. At the same time, under American pressure, the main Asian partners have scaled back their purchases of Iranian oil, resulting in a decline in oil exports since August 2018. Exports are expected to fall from a monthly average of 2.1 million barrels per day (mbd) in 2017 to 1.1 mbd in 2019. The non-oil economy is also expected to suffer from declining trade and investment. Fears of a shortage of dollars caused the rial to collapse on the parallel foreign exchange market, prompting the central bank to intervene through commercial banks. The Iranian currency is said to have lost more than 80% of its value, driving up the prices of imported goods. Inflation is expected to rise again above 30%, hurting businesses and households alike.

The government deficit widens as the current account surplus narrows

The government deficit is expected to widen significantly in 2019 in view of the decline in budgetary revenues. These revenues will be hurt still further by the contraction of oil income, which represents 40% of revenues, and by the decline in non-oil revenues, which are expected to suffer from the economic recession. Rial depreciation, coupled with higher oil prices, should, however, help to mitigate the effects of the sanctions. In response to the US decision, the government is considering implementing a package of measures to support the private sector and address food and pharmaceutical shortages.

The reinstatement of sanctions is also likely to impact Iranian banks, which remain unprofitable and poorly capitalised. In 2016, the country undertook a comprehensive reform programme with the support of the International Monetary Fund to accelerate the upgrading of the banking system to international standards and strengthen its contribution to the economy. US authorities want to exclude Iran from the SWIFT network, which would prevent Iranian banks from making international transfers as was the case before 2015. Although the interbank communication network is managed by a Belgian cooperative society, it handles a large proportion of transactions in US dollars, which does not protect it from the extraterritoriality of American law. To defend European interests and maintain trade relations with Iran, the European Union is talking about setting up a euro-based exchange system that could replace SWIFT.

Despite rial depreciation and declining imports, the contraction in oil exports, which account for 80% of total exports, will cancel out the current account surplus almost completely. Iranian reserves are decreasing but remain comfortable (14 months of imports).

US sanctions weaken the Iranian President

The American decision to withdraw from the Vienna Agreement will not be without consequences for Iranian policy. The restoration of sanctions has seriously weakened President Hassan Rouhani, who was re-elected in 2017 for a four-year term, and his government. Under pressure from Parliament, the Ministers of Labour and Economy were dismissed in August 2018. The President also had to defend his economic record before MPs. On that occasion, Ayatollah Khamenei reiterated his confidence in him, but Mr Rouhani seems to have lost a large part of his supporters in the reform camp and remains prey to criticism from conservatives. Ordinary Iranians were first in line to be affected by the sanctions and they are once again facing soaring inflation and shortages of consumer goods. There were many popular protests in 2018 and more are expected in 2019.

Iran's relationship with the Sunni countries in the region is expected to remain tense, but the country will continue its efforts to cooperate with European and Asian countries to limit the impact of sanctions and its isolation.

IRAQ

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	**38.9**
GDP PER CAPITA US Dollars - 2017	**4,950**
CURRENCY Iraqi dinar	**IQD**

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	22%
CHINA	20%
EURO AREA	20%
UNITED STATES	16%
SOUTH KOREA	9%

Imports of goods as a % of total

TURKEY	28%
CHINA	26%
EURO AREA	9%
SOUTH KOREA	5%
RUSSIA	4%

- World's fourth largest proven crude oil reserves
- Low oil extraction costs
- International financial support (IMF and bilateral loans)

- Undiversified economy; highly dependent on the oil sector
- Severe tensions between the Shia majority and the rest of the country
- Tensions with autonomous Kurdistan, a major contributor to the oil sector
- Cost of reconstruction and assistance to victims following armed conflict
- Small GDP share of non-oil and gas private sector
- Weak and limited banking sector
- Deficiencies in education, health, and welfare systems

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	11.0	-0.8	3.1	4.9
Inflation (yearly average, %)	0.4	0.1	2.0	2.0
Budget balance (% GDP)	-13.9	-2.3	0.3	-0.6
Current account balance (% GDP)	-8.6	0.7	0.2	-1.6
Public debt (% GDP)	64.4	58.0	54.7	54.4

(e): Estimate. (f): Forecast.

RISK ASSESSMENT

Economic activity poised to surge in 2019

A year after the conflict ended, the war against the Islamic State has taken a heavy toll. Basic infrastructure was damaged, and some cities such as Mosul and Tal Alfar were 70% destroyed. The World Bank estimates the cost of the damage at USD 45 billion and puts the financing needs for reconstruction at USD 88.2 billion. At the reconstruction conference held in Kuwait in February 2018, the international community pledged USD 30 billion, mainly in the form of credit facilities and investment. In 2018, excluding oil, investment in infrastructure remained the main driver of the economy. As the second largest OPEC producer and fifth largest in the world, Iraq is highly dependent on the oil sector. Despite the OPEC agreement on reducing output, the more favourable oil situation in 2018 allowed the economy to return to growth. In 2019, the ramp-up of the Majnoun and Halfaya oil fields should lead to an increase in production of more than 450,000 barrels per day over three years. At the same time, the likely increase in OPEC quotas in 2019 should give the Iraqi authorities more flexibility to raise exports. Continued high oil prices should also give the government additional room for manoeuvre to substantially increase spending. Among the significant investments, the authorities have signed a memorandum of understanding with General Electric and Siemens to rebuild and upgrade the country's electricity grid. This project is expected to generate up to 25 gigawatts of electricity and create more than 65,000 direct and indirect jobs.

Small current account and government deficits

The 2018 Finance Act was the first budget passed since the country declared victory over the Islamic State in 2017. With 90% of budget revenues coming from oil, the rise in oil prices allowed the government to post a small budget surplus in 2018. Despite the increase in oil revenues, the public accounts are expected to show a small deficit in 2019. The 2019 budget provides for a 23% increase in expenditures over 2018. Public investment is set to increase by 32% and should focus on key sectors such as energy and security. However, the distribution of the budget between the provinces is likely to be the subject of continued disagreement among the political parties, and especially between the central government and the autonomous Kurdistan region. The central government decided last year to reduce the region's allocation from 17% to 12%, sparking a political crisis in November 2018.

Despite increased export revenues, import growth driven by higher public investment is expected to weigh on the trade surplus, while the services and income balances will remain in deficit. The small current account deficit will be partially financed by FDI in the oil sector, as well as by multilateral and bilateral loans for reconstruction. Finally, downward pressure on the Iraqi dinar is expected to ease as the security situation improves and oil prices rise, allowing the central bank to maintain the US dollar peg.

A fragile political situation

The May 2018 parliamentary elections were the first elections held in the country after Mosul was taken over by Iraqi national forces. Due to ethnic and religious divisions, the election was followed by a long period of negotiations. Barham Salih from the Patriotic Union of Kurdistan (PUK) was finally elected as Iraqi President in October, ending several months of deadlock. He appointed independent Shia politician Adel Abdul Mahdi to the key position of Prime Minister. Presented as the minister for reconciliation, Adel Abdul Mahdi has the difficult task of responding to widespread public discontent. The country has emerged divided by the conflict, and demonstrations have increased since the fighting ended. The May elections featured a low turnout (44.5%) and a high number of independent candidates. They highlighted a growing lack of interest among Iraqis in their political system, which has been rocked by a string of corruption scandals.

IRELAND

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	4.8
GDP PER CAPITA US Dollars - 2017	68,711
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.0	7.2	7.8	4.5
Inflation (yearly average, %)	-0.2	0.3	0.7	1.2
Budget balance (% GDP)	-0.5	-0.2	-0.1	-0.1
Current account balance (% GDP)	-4.2	8.5	11.6	10.5
Public debt (% GDP)	73.4	68.4	63.9	61.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	27%
UNITED KINGDOM	13%
BELGIUM	11%
GERMANY	8%
SWITZERLAND	5%

Imports of goods as a % of total

UNITED KINGDOM	29%
UNITED STATES	20%
FRANCE	12%
GERMANY	9%
NETHERLANDS	4%

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- Flexible labour and goods markets
- Favourable business environment; attractive taxation
- Presence of multinational companies, particularly from the United States, providing a quarter of jobs, 15% of wages and 60% of non-finance market activity
- Presence through multinationals in high value added sectors, including pharmaceuticals, IT and medical equipment

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- Dependent on the economic situation and tax regimes of the United States and Europe, particularly the United Kingdom
- Vulnerable to changes in the strategies of foreign companies
- Public and private debt levels still high
- Banking sector remains vulnerable to shocks
- Uncertainties on the terms of Brexit and future relations with the United Kingdom, especially Northern Ireland

RISK ASSESSMENT

Slower growth in 2019

Growth was very buoyant in 2018. The domestic economy has proven to be robust, supported by strong demand and well oriented exports, particularly in the pharmaceutical sector. The increase in household disposable income, supported by higher employment and low inflation, continued to boost housing demand. Activity is expected to decelerate in 2019, although the extent of the slowdown remains uncertain, and will depend on the outcome of Brexit negotiations between the United Kingdom and the European Union. If the proposed withdrawal agreement is approved, growth could still suffer from a decline in household and business confidence. Highly dependent on the United Kingdom (15% of Irish exports of goods and services are to the UK), exports should also be penalised. Some sectors, such as agri-food, would be particularly vulnerable, even if a customs union is formed. While a no-deal Brexit in March 2019 is unlikely, it cannot be entirely ruled out. Such a scenario would have severe consequences on the Irish economy and could result in a 7 percentage point contraction in GDP by 2030. The ratification of the exit agreement between the United Kingdom and the EU in November 2018 by the British Parliament is therefore crucial for Ireland, as it would not only maintain an open border between Ireland and Northern Ireland, but would also facilitate further trade.

Large current account surplus expected to continue

Public finances continue to improve. The favourable economic environment has continued to generate budgetary revenues, in particular through higher-than-expected corporate income tax revenues. The 2019 budget, based on a growth estimate of 4.2%, should allow a balanced budget to be maintained while continuing the investment policy initiated in 2018 under the national development plan. Since some of the resources included in the 2019 budget have already been committed to capital expenditure, the government will have to increase certain taxes (VAT on tourism, cigarette tax) to give itself additional room for manoeuvre. Household taxes are expected to decrease (0.5% of GDP) but by less than in 2018.

Robust export growth and low imports, linked in particular to the decline in chartering activity, saw the trade surplus swell sharply to almost 35% of GDP in 2018, comfortably offsetting the large income deficit arising from the activity of multinational firms. Ireland is expected to continue to enjoy a sizeable current account surplus in 2019. Exports will remain brisk, particularly to the United States and the EU, but are expected to continue to slow towards the United Kingdom. However, a large portion of the surplus remains linked to multinational firms (depreciation of foreign capital on the domestic market and undistributed profits of foreign companies). Stripping out these statistical distortions, the current account surplus would be equivalent to 1.3% in 2018 and 1.0% in 2019.

Brexit agreement in favour of Ireland

While Brexit negotiations seem to have tilted in favour of the Irish Republic, Ireland's fate remains dependent on the decision of the British Parliament to ratify the November 2018 agreement. If validated, it should protect Ireland from the possible consequences of Brexit beyond the transitional period. The border between Northern Ireland and Ireland should thus remain open, respecting the 1998 Peace Treaty, and the free movement of persons would be maintained until 2020. The text also provides additional guarantees for Ireland (backstop).

Regarding domestic policy, Taoiseach (Prime Minister) Leo Varadkar's minority government remains fragile. It essentially relies on an agreement with the second-largest force in the parliament, the Fianna Fáil Party, which agreed to abstain from a non-confidence vote in the government. Despite supportive economic conditions, the government is under increasing pressure and continues to be challenged over its management of the housing crisis. Mr Varadkar has pledged to not call an election before the end of the Brexit crisis, but snap elections in 2019 – instead of in 2021 as scheduled – cannot be ruled out. Elections could in fact turn in Mr Varadkar's favour, since the latest polls show that his Fine Gael Party would win a comfortable victory. With the support of independents and the Green Party, he could rebuild a majority without a prior agreement with Fianna Fáil. Last but not least, outgoing president Michael D. Higgins was re-elected by a large majority on October 26.

PAYMENT & DEBT 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. Direct Debits and standing orders are also becoming more recognised as an effective payment method, and are particularly useful for domestic transactions. Assignment of invoice is accepted both pre- and post-supply of goods and/or services.

Debt Collection

Where there is no specific interest clause, the rate applicable to commercial contracts concluded after August 7, 2002 (Regulation number 388 of 2002) is the benchmark rate (the European Central Bank's refinancing rate, in force before January 1 or July 1 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 €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").

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, personal visits, and debtor meetings. If the two parties are unable to reach an amicable settlement, the creditor may begin legal proceedings.

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 €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 €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 €6,349 to €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 €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.

The commercial court – a special division of the High Court, created in 2004 – is competent to hear commercial disputes exceeding €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 an 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).

ISRAEL

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	8.7
GDP PER CAPITA US Dollars - 2017	40,273
CURRENCY New Israeli shekel	ILS

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.0	3.3	3.7	3.5
Inflation (yearly average, %)	-0.5	0.2	0.9	1.3
Budget balance (% GDP)	-2.1	-2.2	-3.2	-3.3
Current account balance (% GDP)	3.8	2.9	2.3	2.3
Public debt (% GDP)	62.3	60.9	61.5	61.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	29%
EURO AREA	20%
UNITED KINGDOM	8%
HONG KONG	7%
CHINA	5%

Imports of goods as a % of total

EURO AREA	31%
UNITED STATES	12%
CHINA	9%
SWITZERLAND	8%
UNITED KINGDOM	6%

+

- Low inflation and interest rates, strong growth dynamics
- Highly skilled workforce attracting investments to strategic sectors (ICT, pharmaceuticals etc.)
- Favourable business environment
- Close political and economic relations with the United States
- Natural gas production since mid-2013 from significant offshore reserves

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- Dormant peace process with Palestine
- Fairly high public debt level
- Appreciation of shekel that may weigh on exports
- Growing regional instability, security risks

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	LOW
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Low interest rates, solid private consumption support growth

After surging to 3.3% in 2017 and up to around 5% in the first half of 2018, private consumption will continue to support growth, thanks to the favourable employment conditions in the country, an accommodative monetary policy, a low level of inflation, and an expansionary fiscal policy. Because of full employment, real wages have been driven higher (a year-on-year increase of 3.4% as of July 2018 compared with an annual inflation of 1.4%), which will continue to support private consumption in the near future. As long as inflation remains in the government's 1-3% target range, the central bank is expected to keep its rates at a low level. Although the bank could raise its rates in the first quarter of 2019, the amount would likely be small. Further supporting this positive trend, the Consumer Confidence Index continues to indicate positive sentiment, hitting a record high in September 2018. Strong consumer spending will also result in higher level of investments. In line with this trend, the main components (new domestic orders, production, inventories etc.) of Israel's Purchasing Managers Index have indicated an expansion in the manufacturing productive capacities - although at a slower pace than a year earlier - with the ICT, machinery, mining, and transport vehicle industries set to benefit in particular.

Higher spending will widen the fiscal deficit

The government set the fiscal deficit target to 2.9% of GDP for 2019, but Israel's social security agency's decision to cancel its agreement to transfer its annual surplus to the budget starting in 2019 may further boost the fiscal deficit. Such a move would mean the government would lose a resource of close to USD 7 billion, which could widen the fiscal deficit as high as 5% of GDP. The deficit will also be triggered by rising defence and social spending in the fields of disability benefits, education, and healthcare. The government also targets the reduction of tax burdens for families. The increase in fiscal deficit will prevent the public debt level from falling, but this should not impact the country's borrowing capacities from domestic and international markets.

The current account balance is expected to remain in surplus, although the surplus relative to GDP is expected to stall. Although exports, which account for about 30% of Israel's economy, are expected to increase in the coming quarters, the strong shekel represents a challenge for further increases in exports. Import demand remains strong due to solid growth and higher commodity prices. Nevertheless, the deficit in trade balance will continue to be offset by the surplus in services trade on the back of strong exports in high tech services, such as IT consulting, computing services and software. This will help Israel's current account to remain positive, which will in turn help the central bank to continue its interventions in the foreign exchange market and accumulate forex reserves.

Peace process remains stalled, political stability maintained

After the Arab Spring in early 2011 and the start of the Syrian civil war the same year, regional instability has increased significantly, causing a threat to Israel's national security. Israel enjoys close relationships with its traditional allies, such as Europe and the United States, while it continues to develop economic relationships with Asian countries such as China and India. However, the peace process with Palestine remains hopeless due to bilateral tensions. The country also intends to create stronger relations with key Gulf countries in order to counter Iran's power in the region which may help also improve trade ties.

Internally, Israel is one of the most politically stable countries in the region, and yet it is composed of a diverse society. The coalition government has decided to hold general elections on April 9 instead of November 2019 as previously scheduled. Early elections are expected to eliminate political stress and uncertainty, and to concentrate more ressources on maintaining growth, and fiscal stability and discipline.

ITALY

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	**60.6**
GDP PER CAPITA US Dollars - 2017	**31,997**
CURRENCY Euro	**EUR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.1	1.6	0.9	0.5
Inflation (yearly average, %)	-0.1	1.3	1.3	1.5
Budget balance (% GDP)	-2.5	-2.4	-1.9	-2.9
Current account balance (% GDP)	2.5	5.7	2.6	2.5
Public debt (% GDP)	131.4	131.2	131.1	132.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	12%
FRANCE	10%
UNITED STATES	9%
SPAIN	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	16%
FRANCE	9%
CHINA	7%
NETHERLANDS	6%
SPAIN	5%

+
- Reform efforts (labour market, banking sector, insolvency, etc.)
- Manufacturing industry still important
- Renewed competitiveness and stronger export sector
- Improvement in the financial position of companies
- High-quality infrastructure
- Major tourism potential

−
- Public debt still high; very negative net external position
- Labour market duality; high unemployment rate
- Large proportion of small, unproductive companies
- Fragmented political landscape; national unity weakened by regions' push for autonomy
- Regional disparities
- Low administrative efficiency

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
ICT*	HIGH
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Sluggish growth in the face of political uncertainties

After recovering strongly in 2017, the Italian economy was unable to avoid the slowdown that hit the eurozone in 2018. In addition to external factors, political uncertainties increased following the March 2018 parliamentary elections. The subsequent market tensions eroded business and household confidence, adversely affecting activity over the final two quarters. Growth is expected to slow further in 2019. Household consumption, which remained flat in 2018 despite an improvement in labour market conditions, is set to grow marginally. Deteriorating economic prospects will weigh on job creation, and weak wage growth will continue to dampen disposable income as inflation rises. Investment, the main driver of the recovery, is expected to moderate due to weaker confidence and a worsening of corporate financing conditions. Sovereign interest rate increases are expected to continue to affect the balance sheets of Italian banks that hold public debt, eating into their profits and limiting their lending to business. In addition, although they have become more capitalised and resilient since 2015, banks remain exposed to non-performing loans (9.7% of the total in June 2018) and will continue to be among the European banks that are most impacted by the adoption of the EU IFRS 9 accounting standard. The expansionary fiscal policy planned by the government should support domestic demand, but the effectiveness of these measures will continue to depend on a return to confidence. Unlike in 2018, external trade should make a positive contribution to activity.

Agreement with the European Commission on fiscal policy

Following two months of negotiations between the European Commission and the Italian government, an agreement on the 2019 budget was reached, allowing Italy to avoid an excessive deficit procedure (EDP). The announcement of a deficit target of 2.4% in October, even before the finance law was presented to the Commission, triggered strong market reactions, pushing up sovereign rates in the eurozone's second most indebted country. With a deficit target of 2.04% for 2019 and a revised growth forecast of 1%, the coalition government's budget continues to fall outside the stability programme but with Brussels approval. By incorporating the broad outlines of the programmes of the two parties in the majority, it should make it possible to finance the government's flagship measures, such as repealing the planned VAT increase, lowering the retirement age, introducing a guaranteed minimum income targeting low-income households and boosting public investment. However, the allocations for certain measures have been reduced. They will have to be financed through privatisations, a tax amnesty and the expected increase in budgetary revenues. Although it remains below 3%, the deficit target set in the budget law is not only higher than the 0.8% target set in the stability programme but should also lead to an increase in debt in a context of higher debt costs, especially since the public balance will probably be higher than that announced.

A two-headed government, but for how long?

The Italian legislative elections resulted in a Parliament without a majority where the traditional parties on the left (PD) and the right (Forza Italia) were ousted in favour of movements on the more extreme ends of the spectrum. The Five-Star Movement emerged as the big winner in the parliamentary elections, with the largest number of deputies, while the right-wing coalition comprising Mattéo Salvini's League and Forza d'Italia led by Silvio Berlusconi came in second place. After several months of negotiations, a coalition between the League and the Five-Star Movement was proposed. Based on an unprecedented agreement centred on the key proposals of the two political parties, a unity government was presented to the President of the Republic, Sergio Mattarella, in May 2018.

The government comprises members from the majority as well as ministers without a political affiliation, including the minister of finance and Prime Minister. The two coalition party leaders, Matteo Salvini and Luigi di Maio, who have each given themselves a ministry, are both deputy prime ministers. This alliance of two parties from opposite ends of the political spectrum, with no political experience and whose programme and manifesto are, in part, unashamedly eurosceptic, has fuelled tensions on the markets by raising fears of an Italian systemic crisis. Despite the crises that have marked the early months of this government, including the face-off with the Commission on the 2019 budget, the coalition looks to be solid, although snap elections cannot be ruled out. If new elections are held, the League, which is riding on the growing popularity of its leader as Minister of the Interior, is likely to emerge stronger, at the expense of the Five-Star Movement, which would suggest a possible right-wing majority.

ITALY

PAYMENT & DEBT 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. When issued in the country and payable abroad, they are stamped at 9/1000, and finally stamped at 6/1000 in the country if stamped beforehand abroad, with a minimum value of €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 €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. Postal 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* (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 constituzione 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 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

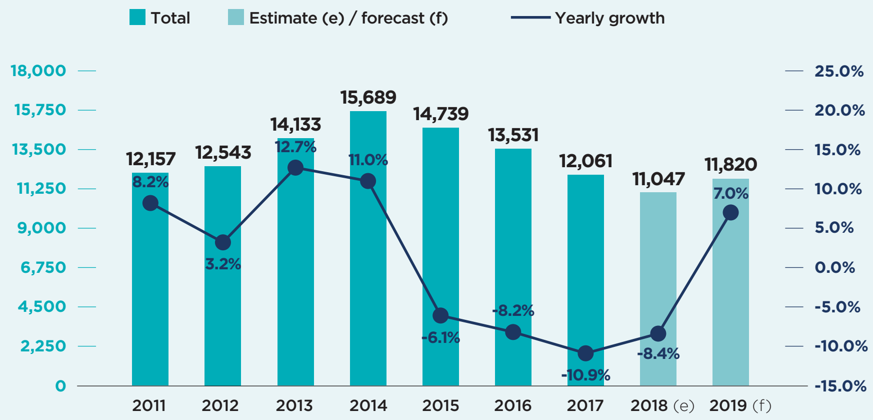
This settlement is a court procedure which allows a company in financial difficulty to propose a debt restructuration plan. The debtor files a proposal to the court to repay the total amount outstanding to the secured creditors. If the court admits it, a commissioner trustee is appointed, and if the 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 INSOLVENCIES



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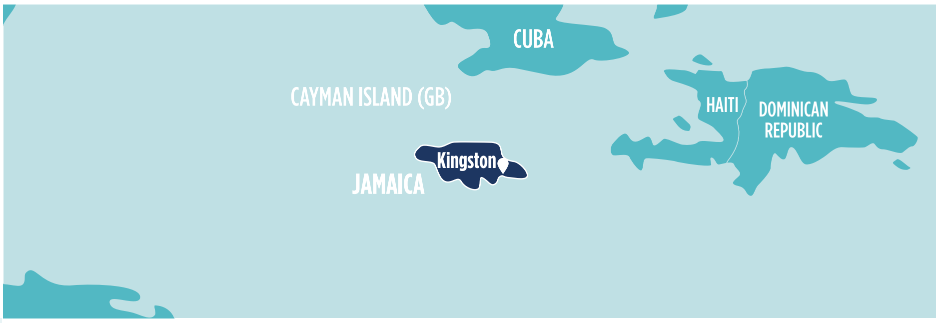
JAMAICA



COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	2.8
GDP PER CAPITA US Dollars - 2017	5,193
CURRENCY Jamaican dollar	JMD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.5	0.7	1.2	1.5
Inflation (yearly average, %)	2.3	4.4	3.4	4.2
Budget balance* (% GDP)	-0.2	0.5	-0.1	0.8
Current account balance (% GDP)	-2.7	-4.6	-4.9	-4.2
Public debt* (% GDP)	113.6	101.0	97.4	92,5

(e): Estimate. (f): Forecast. *2019 year runs from 1st April 2019 to the 31st March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	41%
EURO AREA	15%
CANADA	9%
ICELAND	4%
UNITED KINGDOM	4%

Imports of goods as a % of total

UNITED STATES	41%
COLOMBIA	7%
EURO AREA	7%
JAPAN	6%
CHINA	6%

+
- Natural resources (bauxite, sugar, bananas, coffee) and tourism
- Financial support from multilateral institutions
- Substantial remittances from the diaspora
- Stable democratic framework

−
- 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

RISK ASSESSMENT

Low growth, driven by tourism, mining and investment

The mining sector (bauxite) and services (75% of GDP), mainly tourism-related (construction and transport), will continue to spearhead growth, which remains stymied by bottlenecks, including crime, high public debt, lack of investment and sensitivity to external shocks, particularly climate-related. Accordingly, in 2019, mining and services will receive the bulk of private investment, which is expected to increase thanks to low key interest rates and the introduction in 2019 of a Microcredit Act aimed at promoting this practice among the country's SMEs (97% of food and service companies). The willingness of foreign companies to outsource part of their activities and the gradual increase in tourism in this region of the world will also encourage FDI, while the rate of growth in public investment and spending is expected to slow significantly, as public debt is too high. The development of the tourism sector, and services in general, should continue to benefit employment. The unemployment rate fell below 9% for the first time in 2018, with a notable decrease among young people thanks to job creation, but also a decline in the workforce. The resulting increase in incomes, combined with high household confidence, moderate inflation (within the 4% to 6% target set by the central bank) and lower interest rates, will boost private consumption.

The growth effect of the increase in exports, related to the development of the mining sector (bauxite) and continued elevated aluminium prices, should be offset by the high price of oil, of which the country is an importer, and the upturn in imports related to investments. Poor weather conditions would considerably reduce agricultural exports (sugar, bananas, coffee).

Austerity programme helps to reduce the public debt, which remains considerable

To prevent the government from defaulting on its debt, the IMF provided USD 1.6 billion in assistance in 2016, requesting a programme to consolidate the public accounts in return. The government is expected to pursue its austerity measures in 2019, allowing it to achieve a primary surplus of 7% of GDP, in a repeat of 2018. Despite the second stage of the debt swap programme negotiated with IMF assistance in 2013, which extended the maturity of bonds and reduced the value of coupons, debt service will be large enough to ensure that the government balance is only slightly positive, although higher than in 2018. The success of this programme is due in particular to growth in tax revenues thanks to the increase in activity and employment and the introduction of new taxes. This is expected to continue in 2019 with the revision of the Customs Duties Act. Better control of expenditure will also contribute to the country's improved fiscal health. Popular support will make it possible to continue these efforts. The gradual decline in public debt, which remains at a high level, is therefore expected to continue, but will be exposed to currency risk, since half of the debt is denominated in foreign currency.

The current account deficit, which is contained, is expected to narrow in 2019. The deterioration in the goods deficit (22% of GDP in 2018) will be offset by a more marked increase in the services surplus (7.5% of GDP) and the continued high level of remittances from expatriates (15% of GDP). However, less supportive economic conditions in the advanced economies, particularly the United States, continue to constrain the strength of these transfers and of exports of tourist services. Inward FDI and portfolio investments are expected to finance the current account deficit almost entirely.

Popular support for the government but challenges ahead

Despite implementing austerity policies since 2016 (the year of his election and the agreement with the IMF), Prime Minister Andrew Holness and his Jamaica Labour Party have maintained popular support because the economy and employment have been relatively healthy. If it hopes to win the next election in 2021, the government will have to tackle crime and poverty.

At the geopolitical level, the government will focus on relations with the United States, its main trading partner and the source of remittances from expatriate workers. It is also likely to concentrate its efforts on regional cooperation to combat drug trafficking and crime, which affect the business environment (75th in the Doing Business ranking) because of the significant cost to businesses.

JAPAN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	126.7
GDP PER CAPITA US Dollars - 2017	38,449
CURRENCY Japanese yen	JPY

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.8	1.7	1.2	0.8
Inflation (yearly average, %)	-0.3	0.5	1.2	1.5
Budget balance (% GDP)	-5.2	-4.1	-4.5	-4.5
Current account balance (% GDP)	3.8	4.0	4.0	3.8
Public debt (% GDP)	239.3	237.6	240.0	245.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	19%
CHINA	19%
EURO AREA	8%
SOUTH KOREA	8%
TAIWAN	6%

Imports of goods as a % of total

CHINA	24%
UNITED STATES	11%
EURO AREA	9%
AUSTRALIA	6%
SOUTH KOREA	4%

+
- Privileged location in a dynamic region
- Very high level of national savings rate (around 23% of GDP)
- Public debt is 90% owned by local investors
- Advanced technology products and diversified industrial sector

−
- 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 assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	HIGH
ICT*	MEDIUM
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Cyclical recovery is nearing its end

Growth remained robust in 2018, but it is expected that it will taper down in 2019. This will be due to structural headwinds, as cyclical tailwinds begin to phase out. The economy suffered from a devastating earthquake, typhoons, and severe floods in 2018. Export growth has started to decline in line with a global slowdown and risks related to the trade war between the United States and China. Private consumption picked up in 2018, favoured by higher real wages, with total cash earnings jumping to 3.6% YOY in June: the fastest pace of increase since 1997. However, private consumption will slow in 2019. Wage growth in 2018 was related to temporarily higher inflation expectations and a tight labour market: the unemployment rate stood at 2.3% in September, the lowest level since June 1994. However, wage growth is scheduled to slow, constrained by companies' sticky deflationary mind-sets and rigidities in the labour market (lifetime employment system). Employees are unlikely to increase their spending enduringly if they believe payments are one-off. Moreover, a sales tax hike is currently scheduled for the second half of 2019, which will drag on domestic demand. In turn, weak domestic demand will exacerbate deflationary pressures. There was modest pickup in headline inflation in 2018, but this can be traced back to higher import prices, notably oil. Consumer price inflation is expected to remain significantly below the Bank of Japan's (BoJ) 2% target going into 2019. Private investment will likely remain sluggish as investors wait to see signs of a real pickup in domestic demand. This caveat notwithstanding, corporate profits, cash reserves, and liquidity conditions remain favourable. BoJ will likely keep its ultra-accommodative monetary policies in place throughout 2019 and 2020, which will continue to sustain economic momentum.

Consolidation of public finances remains challenging

The fiscal deficit is expected to widen further in 2019, with the main factors driving this deterioration being ongoing fiscal policy stimuli, as well as reconstruction work following devastating floods in southwestern Japan in June and typhoon Jebi in September 2018. Infrastructure investments ahead of the Tokyo 2020 Olympic Games will also add to budgetary pressures. These are a constant in Japan, but the space for further stimuli is rapidly depleting, as social spending already weighs significantly on the state budget: Japan's debt service burden represents 25% of GDP. Moreover, there is no easy way to boost state revenues. The government decided to postpone the next VAT hike (from 8% to 10%) until October 2019, which should help boost revenues post-2020, even if private consumption will likely decline in the short-term. Front-loading ahead of October is possible, which would exert upside pressure on GDP in the third quarter. However, the Japanese economy entered a recession in the quarters following the last sales tax hike in 2014 – a scenario which could repeat itself again in the fourth quarter of 2019. The current account is expected to remain in surplus, but this will narrow going into 2019 and 2020. The yen has remained weak against the dollar relative to 2017 levels, which played a role in boosting exports. However, the currency is expected to appreciate in 2019, worsening the terms of trade. Export growth is also set to decline due to slower global demand. Moreover, exports may be impacted by the US-China trade war, as Japan is exposed *via* supply-chain links. The current account surplus will also benefit from inflows on the services front, as a result of the rise of tourism. The economy has benefitted from higher tourism revenues, led by Chinese tourists. This trend could slow if the yen appreciates significantly relative to the yuan.

LDP faces challenges despite majority

Prime Minister Shizo Abe won a snap election on October 2017. However, despite his Liberal Democratic Party (LDP) managing to secure a majority, reforms have been slow to materialise. This includes reforms to unlock labour productivity under the "Third Arrow of Abenomics", as well as constitutional reforms that would allow Japan to increase military spending to 3% of GDP for defensive. Although higher military spending can contribute to GDP growth, in Japan's case it could clash with other social spending in the context of existing budgetary pressures. Prime Minister Abe has also stated that he is keen to revive the Trans-Pacific Partnership, signalling a diversification away from strategic dependence on the United States, and towards a more multinational approach. On May 2018, the trade ministers of the countries that signed the original deal – excluding the United States – met to revive the pact. Japan is simultaneously working on a bilateral trade agreement with the United States. Japan has also recently signed a commercial agreement with the EU.

PAYMENT & DEBT 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 the 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 shomeï*), 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 meireï*) 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, 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 chôteï*). 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

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.

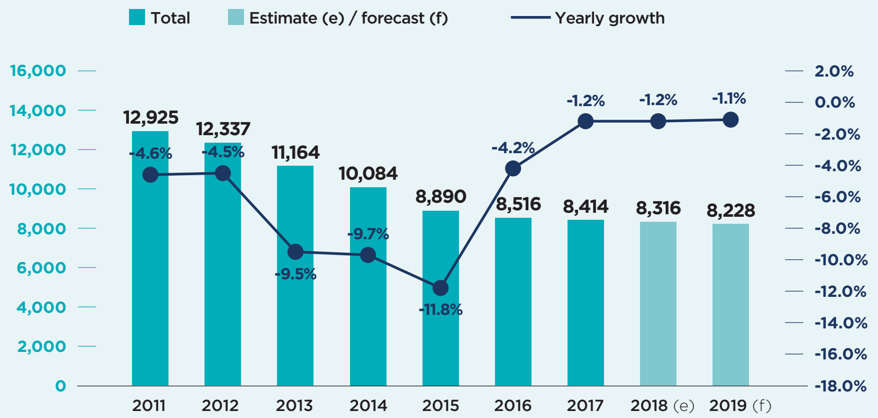
The second of these is civil rehabilitation proceedings (*minji saisei*), which are used to rehabilitate companies of almost any size and type. The debtor-in-possession (DIP) administers the rehabilitation under supervision of a court-appointed supervisor. Enforcement by secured creditors is not stayed 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 INSOLVENCIES



Source: Tokyo Shoko Research, Coface.

JORDAN

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	9.7
GDP PER CAPITA US Dollars - 2017	4,136
CURRENCY Jordanian dinar	JOD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.0	2.0	2.3	2.5
Inflation (yearly average, %)	-0.8	3.3	4.5	2.3
Budget balance (% GDP)*	-3.4	-2.6	-2.2	-3.5
Current account balance (% GDP)*	-9.5	-10.6	-9.6	-8.6
Public debt (% GDP)	95.1	95.9	96.0	95.1

(e): Estimate. (f): Forecast. *Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	25%
SAUDI ARABIA	13%
INDIA	8%
IRAQ	8%
KUWAIT	5%

Imports of goods as a % of total

EURO AREA	17%
CHINA	14%
SAUDI ARABIA	14%
UNITED STATES	10%
UNITED ARAB EMIRATES	5%

+
- Political and financial support from the Gulf monarchies and the West
- Major producer of phosphate and potash
- Expatriate workforce and tourism are significant sources of foreign exchange
- Politically stable, unlike its neighbours

−
- Shortage of natural energy resources and weak productive base
- Vulnerable to international economic conditions and political instability in the Near and Middle East
- Public and external account imbalances leading to dependence on foreign aid and foreign capital
- Very high unemployment rate

RISK ASSESSMENT

Growth still hampered by conflicts in border countries

Jordanian growth will remain moderate, partly due to the shaky confidence of private sector agents in the face of regional instability. As in the previous year, economic activity will be driven by the mining and tourism sectors. The latter is a particular focus for the government, which wants to double 2016 tourist numbers by 2020. As in the past, banking and insurance activities (20% of GDP in 2017) will be the main drivers of growth. Exports, which represent about 20% of GDP, are expected to increase slightly. However, they will continue to suffer from regional instability, despite the reopening of the border with Iraq in 2017. Since the Arab Spring movements of 2011, the kingdom has failed to encourage foreign or domestic investment. Although the authorities implemented measures in 2018 to remedy this situation, including offering people who invest in the country the opportunity to obtain Jordanian nationality under certain conditions, the effects of these steps are not expected to be significant in 2019. Domestic demand will remain constrained by the fiscal consolidation policy undertaken as part of an IMF Extended Fund Facility (EFF). In addition to the unemployment rate, which is especially high among young people (18.7% in the second quarter of 2018), cuts to electricity, bread, and fuel subsidies – which were implemented in 2018 – are acting as a drag on private consumption and fuelling inflation. Despite this, inflation is expected to slow in 2019.

Difficulties in reducing the twin deficits

The pace of fiscal consolidation is expected to slow in 2019 due to popular protests. In 2018, many demonstrations were organised after the proposition of a bill whose measures would have included hiking the income tax and lowering the level of taxable income, among other measures. In response to these events, the government abandoned the bill, and Prime Minister Hani Mulki was forced to resign. His successor is therefore unlikely to significantly raise taxes, and subsequently tax revenues. At the same time, public spending is expected to increase, leading to a widening budget deficit. Public investment will focus notably on the tourism and transport sectors. The situation in the region will force the kingdom to maintain significant defence spending (8% of GDP in 2017). In 2018, protests over budget cuts attracted attention abroad. The country then received additional international assistance, which had previously been in decline, from neighbouring countries, as well as from the United States.

As the country is a net importer of oil, Jordan's current account balance depends on fluctuations in oil prices. Although the trade balance remains in deficit, the current account deficit is expected to shrink in 2019 and will continue to be limited by inflows of remittances from expatriates (8% of GDP in 2017). Inward foreign investment, mainly in the form of FDI (5% of GDP in 2017), as well as concessional loans from international donors, will help to finance this deficit. This will allow Jordan, whose total external debt is equal to more than 70% of GDP, to increase its foreign exchange reserves, which stood at seven months of imports in 2017.

The regime is being challenged by citizens in an unstable regional context

In a context of public discontent, Omar al-Razzaz's new government will have to reconcile IMF expectations with those of Jordan's citizens.

The country, which borders Syria and Iraq, hosts many refugees from these countries. In fact, over half of the population is made up of refugees, mainly from Palestine (24% of the population) and Syria (15%). Although the kingdom is trying to integrate Syrians, in particular by granting work permits, the refugee-welcoming policy pursued since the beginning of the Syrian conflict seems to be reaching its limits: in July 2018, the country barred several tens of thousands of Syrians from entering its territory. The return of Jordanians who had joined the Islamic State and possible ethnic tensions between communities will be major security challenges in 2019.

Relations with Israel seem cordial, despite Jordan's large Palestinian population and ties to Arab countries in the Gulf. Nevertheless, the kingdom's decision not to renew an agreement giving Israel control over land purchased by Jewish people in the 1920s could rekindle tensions between the two countries.

In 2019, the business climate will continue to suffer from regional instability, with Jordan rated 104th out of 190 countries in the Doing Business ranking.

KAZAKHSTAN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	18.2
GDP PER CAPITA US Dollars - 2017	8,762
CURRENCY Kazakhstani tenge	KZT

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.1	4.1	3.9	3.7
Inflation (yearly average, %)	14.6	7.4	6.5	6.5
Budget balance (% GDP)*	-5.4	-6.5	-1.6	-1.0
Current account balance (% GDP)	-6.5	-3.3	-1.0	-2.0
Public debt (% GDP)	19.7	20.0	19.0	18.0

(e): Estimate. (f): Forecast. *Transfers from the sovereign oil fund (NFRK) and recapitalization of banks included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	43%
CHINA	12%
RUSSIA	9%
SWITZERLAND	6%
UZBEKISTAN	3%

Imports of goods as a % of total

RUSSIA	39%
CHINA	16%
EURO AREA	15%
UNITED STATES	4%
UZBEKISTAN	3%

+

- Oil and mining potential
- High levels of foreign direct investment
- Country enjoys a net creditor position
- Floating exchange rate
- Strategically located between China and Europe
- Increase in the labour force (67% of the population) thanks to fast population growth

-

- Economy reliant on commodities (oil, gas, uranium and iron), Russia and China
- Fragile banking system
- 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

RISK ASSESSMENT

Moderate growth and fragile banking system

The economy will keep growing at a moderate pace in 2019. Investment (21% of GDP) will continue to benefit from the development of infrastructure (including roads, railways, and gas) as part of the Nurly Zhol 2015/19 programme, and also potentially under the Belt and Road initiative, which will support the construction sector. Development of the Tengiz oil field continues with a view to providing a future growth driver for oil production, which is evening out as the Kashagan field reaches maturity. Household consumption (51% of GDP) is expected to accelerate, driven by real wage growth, which will benefit from the oil windfall and new social benefits. Through the Five Social Initiatives adopted in March 2018, the government aims to make housing affordable, cut taxes on low incomes from 10% to 1% as of January 1, 2019, lower the cost of education, and promote micro-credit. A new public retirement system increased pensions by between 15% and 20% in July 2018. Services (60% of GDP), especially trade, will significantly benefit from strong domestic demand. Exports, including oil (57% of the total) and metals (16%) – notably steel, iron, copper, and uranium –, are not expected to repeat their excellent performance in 2018, which was largely due to upgrades to three refineries, the completion of a nickel plant, and the increase in oil sales, both in volume and value. As imports will be driven by domestic demand at the same time, the contribution of trade to growth should be slightly negative.

Since the US dollar peg was scrapped and the tenge was allowed to float (August 2015), the central bank has focused on controlling inflation. However, inflation remains high due to the impact of tenge depreciation on the prices of imported products, the slow process of modernising the agri-food sector, and the impact of the VAT hike in Russia, which accounts for 40% of imports. Moreover, while monetary policy has gained further credibility, its effectiveness is undermined by the situation of credit, which occupies a small place (25% of GDP) and is frequently subsidised. Furthermore, despite licence withdrawals, mergers, costly recapitalisations, and bad debt takeovers by the state and the central bank, the banking system remains fragile. The percentage of impaired loans is certainly higher than the official rate of 8.8% (July 2018). In addition, the system is both fragmented (about 30 institutions, many small) and concentrated, with one institution accounting for more than a third of the deposits. Many institutions are owned by influential people who are not easily pushed into line and who manage to obtain public funds to avoid liquidation. The system also suffers from a small market dominated by consumer credit, with other sectors either self-financing or turning to foreign markets.

Low deficits and a well-endowed sovereign wealth fund thanks to oil

With the rise in oil prices and production, the end of aid to the banking sector, and the tenge's depreciation, Kazakhstan's government deficit has decreased significantly since 2018. However, given the share of oil revenues (40% of the total), the non-oil deficit amounts to 6% of GDP. Despite the high deficits of past years, public debt has remained low thanks to the use of the sovereign wealth fund (NFRK). A new bank bailout, which is still possible, should not pose any difficulties. There is room for improvement given poor tax collection performances and the many exemptions. Such an improvement would reduce dependence on oil revenues, while increasing capital spending. Additional resources are expected from privatisation and growing use of private partnerships.

The increase in oil revenues also led to a decline in the current account deficit. The trade surplus increased to 16% of GDP (2018), while the income deficit, generated by the large stock of foreign investment in hydrocarbons, reached 13% of GDP. External debt stands at almost 100% of GDP (August 2018). However, 63% of the total is made up of intra-group loans linked to FDI; the state's share is only 7%. The central bank's foreign exchange reserves, meanwhile, are equivalent to eight months of imports, excluding gold, or 12 months of imports and 18% of GDP when gold is counted, and the foreign assets of the NFRK were worth USD 56.5 billion in August 2018, or 34% of GDP.

Uncertain presidential succession

Nursultan Nazarbayev, who has ruled the country since 1989, was re-elected for a fifth term in April 2015 with 98% of votes. Without any real opposition, his party (Nur Otan) comfortably won the March 2016 parliamentary elections, taking more than 80% of votes. The 2017 constitutional reforms, increasing the powers of parliament and government, remain at the theoretical stage. The country's political stability continues to be a source of uncertainty: if the President, who is 77 years old, 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 have been tightened owing to fears of terrorism and Muslim fundamentalism.

KENYA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017 **46.7**

GDP PER CAPITA US Dollars - 2017 **1,695**

CURRENCY Kenyan shilling **KES**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.9	4.9	5.7	5.8
Inflation (yearly average, %)	6.3	8.0	4.7	5.5
Budget balance (% GDP)*	-7.7	-8.6	-7.1	-6.3
Current account balance (% GDP)	-5.2	-6.6	-5.5	-5.3
Public debt (% GDP)	52.3	55.7	57.1	56.9

(e): Estimate. (f): Forecast. *Fiscal year from 1st July - 30th June 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	14%
PAKISTAN	11%
UGANDA	10%
UNITED STATES	8%
UNITED KINGDOM	6%

Imports of goods as a % of total

CHINA	23%
INDIA	10%
EURO AREA	9%
UNITED ARAB EMIRATES	8%
SAUDI ARABIA	7%

+

- East Africa's leading economy, playing a pivotal role in the East African Community, the number-one African common market
- Diversified agriculture and expanding services sector (telecommunications and financial services)
- Improving business and governance climate
- Fast-growing population and emerging middle class

−

- Dependent on hydropower and rain-fed agriculture
- Persistent bottlenecks and skills shortages
- Instability related to terrorist risk and political, social and ethnic divisions
- Persistent corruption

RISK ASSESSMENT

Despite some constraints, growth remains robust

With the fading effect of the political uncertainty and poor weather conditions that held it back in 2017, growth rebounded in 2018. In 2019, growth is expected to remain robust, supported in particular by public consumption and investment. Despite fiscal consolidation efforts, investment spending on infrastructure (transport, electricity) is expected to be buoyant. Projects to improve the road network, build a second container terminal at the port of Mombasa, and carry out work at the Malindi, Isiolo, and Lokichogio airports are all on the agenda in 2019. Private investment should be part of this momentum through PPP agreements, reforms to improve the business climate, and a gradual recovery in private sector credit. Exports are expected to be supported by increased agricultural production, particularly of cash crops (tea, horticulture), provided the country is spared weather-wise. Horticultural products could benefit from the start of direct flights to the United States. Conversely, stagnating coffee production and the fact that coffee prices are still relatively low may create some difficulties for the industry. Tourism revenues should also support the trade balance. Most service-related activities – with the notable exception of the banking sector, which will continue to be hurt by the interest rate cap – should get support from domestic consumption. However, consumption could be affected by increased inflationary pressures in 2019. In particular, inflation will be fuelled by higher energy prices, especially following the introduction of an 8% VAT on fuel, as well as by the dissipation of food price disinflation in 2018.

Fiscal consolidation to anchor debt sustainability

The fiscal deficit is expected to shrink in 2018/19 as a result of consolidation efforts. Measures to streamline tax exemptions, the new income tax law (which contains provisions aimed at broadening the tax base), and administrative measures (including electronic tracking of goods) are expected to boost revenues. However, revenues could again suffer from persistent shortcomings in terms of their mobilisation. Efforts to attract private investment and the development of PPPs should help to contain capital investment spending. In addition, the phase-out of exceptional expenditures related to drought relief and organisation of the 2017 elections, which have burdened budgets in the last two fiscal years, should help in the consolidation push. The authorities are undertaking these efforts to curb the growth in debt and rising service costs, which are becoming a matter of concern. Although still mainly of a concessional nature, external debt, which accounts for around 50% of the total, has seen its commercial portion increase, notably through Eurobond issuances on international markets.

The current account deficit is expected to narrow slightly in 2019. The recovery in exports, mainly of agricultural products, is expected to continue and will reduce the goods deficit. At the same time, steps to rationalise capital expenditure should gradually curb demand for imports of capital goods. The surpluses in services and in transfers will benefit, respectively, from increased tourism receipts and remittances from expatriate workers. The income balance will continue to make a minor contribution to the current account balance. FDI and other investments should make it possible to finance a large portion of the current account deficit. In addition, foreign exchange reserves, which were sufficient to cover more than five months of imports at the end of 2018, would cushion the impact of an external shock and limit the volatility of the Kenyan shilling.

Relative political calm restored after the post-electoral crisis

President Uhuru Kenyatta was re-elected in 2017 for a second term after a turbulent political period, during which the Supreme Court rejected the results of the first elections due to irregularities and called for fresh elections, which were then boycotted by the main opposition candidate Raila Odinga. However, in March 2018, a few months after the post-election turmoil, Mr Odinga – who had initially rejected Mr Kenyatta's victory and proclaimed himself "people's president" – reached a reconciliation agreement with the President, which helped to ease the political tensions.

Despite the truce, the country's deep-seated political, social, and ethnic divisions remain unresolved and could be a source of instability once more in the future. In addition, given the country's military involvement in Somalia, Kenya remains a target for Islamist terrorism, particularly by the al-Shabab group. Meanwhile, recurrent trade disputes with Tanzania could affect the stability of the East African Community, in which Kenya plays a pivotal role.

The 19-place jump in the 2019 Doing Business ranking, putting Kenya 61st in the world (out of 190 countries) and third in sub-Saharan Africa, rewards the many reforms undertaken by the country to improve the business climate. These include measures to make it easier for debtors to continue doing business during insolvency proceedings, as well as steps to simplify tax payment procedures for companies.

KUWAIT

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	4.4
GDP PER CAPITA US Dollars - 2017	27,394
CURRENCY Kuwaiti dinar	KWD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	-3.3	2.3	4.1
Inflation (yearly average, %)	3.5	1.5	0.8	3.0
Budget balance* (% GDP)	0.6	6.6	11.7	12.1
Current account balance (% GDP)	4.3	5.9	11.3	11.0
Public debt* (% GDP)	18.0	19.3	21.0	22.7

(e): Estimate. (f): Forecast. *2019 year runs from 1st April 2019 to the 31st March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH KOREA	18%
CHINA	17%
INDIA	12%
JAPAN	11%
EURO AREA	7%

Imports of goods as a % of total

EURO AREA	18%
CHINA	16%
UNITED STATES	10%
UNITED ARAB EMIRATES	9%
SAUDI ARABIA	5%

+
- Large oil reserves (6% of world total)
- Accumulation of substantial external surpluses managed by the Kuwait Investment Authority (KIA) sovereign wealth fund, which holds USD 580 billion, equivalent to 490% of GDP

−
- Political obstacles to structural reforms
- Business climate and competitive context could be improved
- Location in a region of geopolitical tensions, specifically regarding its proximity to Iran and Iraq

RISK ASSESSMENT

Growth conditioned by oil prices

Largely dependent on oil market conditions, the economy is expected to expand for the second year running in 2019 on the back of high oil prices. The oil industry (50% of GDP) will remain the primary contributor to the increase in GDP, with 3% growth expected. Increased oil production will also impact external demand by supporting exports. The non-oil sector is expected to grow robustly too, thanks notably to the services sector (especially telecommunications), but also the manufacturing industry. Despite a relatively moderate increase in wages at the end of 2018, private consumption is expected to continue expanding briskly in 2019. Driven by strong household confidence and an employment rate at a four-year high, consumption will benefit the services and automotive sectors. Low inflation, thanks to the decision to postpone the introduction of VAT until 2021 and the fall in rental and food prices, will also support consumption. Easy access to home loans, while diverting spending on consumer goods, should boost household investment. Overall, investment is expected to grow strongly. The increase in oil revenues is making it possible to develop public investment through infrastructure projects. Projects worth almost KWD 10 billion (more than USD 30 billion) are to be financed in 2019, mainly in the construction, water and electricity, and chemicals sectors, and will be conducted through public-private partnerships as the government pursues plans to diversify the economy by strengthening the non-oil sector.

Return to a balanced government primary budget before transfers to the Future Generations Fund

The primary balance, which does not take into account the investment income of the sovereign wealth fund (KIA), is expected to return to balance in the 2019/2020 financial year, after several years of deficit. This balance is largely dependent on oil revenues (and therefore on the price of a barrel), which represent nearly 90% of the state's total revenues. High prices in 2019 should compensate for the decision to push back the introduction of VAT until 2021. However, the transfer of 10% of oil revenues to the Reserve Fund for Future Generations Fund (RFFG), which constitutes 85% of the KIA fund, is expected to create a post-transfers primary deficit of about 6% of GDP. The latter, which was largely financed by borrowing, mainly external, but also domestic, until the 2017/2018 fiscal year will likely be financed chiefly by drawing on the General Reserve Fund (more than 3% of GDP, backed by a portion of the sovereign wealth fund's income) in 2019/2020, keeping public debt at a low level. The two main items of government expenditure will again be civil servant salaries (one third of expenditure) and grants (about 25% of expenditure), which should remain at the same nominal level and therefore decrease as a proportion of GDP. Capital expenditure, which represents a lower share, is expected to increase to around 15% of total expenditure, owing to the financing of projects under the Five-Year Development Plan. The largest of these projects will be the new international airport, whose construction, estimated at KWD 400 million, is expected to start in 2019. The overall public balance is largely positive, as it records the investment income of the sovereign wealth fund.

A current account surplus built on oil and investment income

The current account surplus is expected to slightly decline in 2019 from the four-year peak reached in 2018. Elevated oil prices will keep the structural trade surplus high, albeit lower than in 2018, when it was close to a quarter of GDP. Increasing Kuwaiti tourism spendings are expected to widen the services deficit to over 20% of GDP and offset the trade balance. The continued strong current account surplus will therefore be ensured by investment income (around 16% of GDP), which should exceed the largely negative transfer balance, in particular due to remittances from foreign workers (around 11% of GDP) to their home countries. Brisk exports will make it possible to maintain strong foreign exchange reserves (nearly seven months of imports) and ensure the stability of the Kuwaiti dinar, which is pegged to a basket comprising the currencies of the country's main trading partners.

Powers are concentrated around the royal family

The country is a parliamentary monarchy headed by the Al Sabah royal family. The Parliament is composed of 50 members. The continuing tensions between Parliament and the government appointed by Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah over the management of public accounts are expected to be exacerbated in 2019 by high oil prices, which are putting the fiscal consolidation policies into question. In addition, Kuwait signed an agreement in late 2018 with India on the situation of expatriate workers. These workers' living conditions, which have been widely criticised by the international community, should therefore improve in 2019. This will strengthen the country's diplomatic credibility, which will be useful in its role as a mediator in the conflict between Qatar and Saudi Arabia, Bahrain and the UAE.

KYRGYZSTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	6.3
GDP PER CAPITA US Dollars - 2017	1,208
CURRENCY Kyrgyzstani som	KGS

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	4.6	2.8	4.5
Inflation (yearly average, %)	0.4	3.2	3.5	4.1
Budget balance (% GDP)	-6.3	-4.7	-4.1	-4.3
Current account balance (% GDP)	-11.6	-6.5	-9.2	-8.8
Public debt (% GDP)	55.9	56.0	55.0	56.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	27%
KAZAKHSTAN	16%
RUSSIA	15%
UNITED KINGDOM	11%
UZBEKISTAN	8%

Imports of goods as a % of total

CHINA	33%
RUSSIA	26%
KAZAKHSTAN	13%
TURKEY	5%
EURO AREA	5%

- Significant resources of gold and other metals (copper, uranium, mercury, iron)
- Support from bilateral and multilateral donors
- Strategic pivotal position between Asia and Europe
- Member of the Eurasian Economic Union since 2015 (Russia, Belarus, Kazakhstan, and Armenia)

- Poorly diversified economy 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 over issues such as water management and borders

RISK ASSESSMENT

Accelerating growth

After decelerating in 2018 following the contraction in gold production, growth is expected to pick up again in 2019. Production from the Kumtor gold mine (10% of GDP in 2017) will recover and is expected to continue in the longer term, as its operator – Centerra Gold Inc. – is looking to begin new exploration activities to extend the life of the site. The industrial sector (30% of GDP in 2017) will benefit from this and will also be driven by an increase in iron ore production. Other sectors of activity, notably agriculture (15% of GDP and 27% of jobs), will continue to play a significant role in growth. Nevertheless, the main economic driver is still private consumption (80% of GDP), which is chiefly linked to substantial remittances from expatriate workers in Russia. A new wave of migration to Russia (about 250,000 migrants in 2018) could increase expatriate remittances and thus raise household consumption. Public investment will also contribute to economic activity, supported by aid from international organisations, in particular the World Bank, which has allocated €300 million over 2019-2022, of which €55 million will be earmarked for upgrading infrastructure. Conversely, foreign investment, which is concentrated in the mining industry, could be put off by the difficult business climate and the ongoing conflict between the government and Centerra Gold Inc. over the distribution of profits from the Kumtor mine. Inflation could accelerate following an increase in the price of food and, to a lesser extent, electricity. It is worth noting that the government plans to raise the price of electricity to close the gap with the cost of service.

Fiscal rigour and vulnerability to external shocks

In 2019, the government deficit could widen slightly, despite further fiscal consolidation. The government's austerity policy remains hampered by the informal economy and major corruption in the public sector, which is causing substantial resource losses (in 2018, misappropriation of budget funds amounted to KGS 423.3 million, or 0.3% of GDP). Nevertheless, the government will step up its fiscal consolidation efforts to reduce the deficit by 2020 through improved tax collection, reduced tax exemptions, better management of state-owned enterprises and control of current expenditure. Public debt could go up due to an increase in its external component (89% of the total or 51% of GDP in May 2018), which is fuelled by bilateral and multilateral concessional loans and vulnerable to exchange rate risk.

The current account deficit could be narrowed with a reduction in the trade deficit. Gold exports, which were down in 2018, will increase again with the rebound in production, and exports of agricultural products (cotton, tobacco) and textiles to Uzbekistan will intensify as trade links strengthen. The country remains dependent on food and energy imports, but these are expected to remain stable. The increase in transfers (30% of GDP) from Russia (98% of total transfers) will largely offset the trade deficit. Public aid, external loans, and one-off FDI inflows will finance the current account deficit. Foreign exchange reserves (5.6 months of imports in November 2018) will allow the central bank to continue to intervene in the foreign exchange market.

Structural reforms and strengthening of external relations

Originally plagued by political instability, having gone through two revolutions since independence, Kyrgyzstan finally experienced its first democratic transition of power with the October 2017 elections, which saw former Prime Minister Sooronbay Jeenbekov elected President with 54.3% of the vote. He now has to deal with a new Prime Minister, Mukhammedkaliy Abylgaziyev, who was appointed in April 2018 following a no-confidence motion by Parliament against the government, which was dismissed by President Jeenbekov. Aware of the country's structural problems, notably the poor business environment and high level of corruption, the government is planning structural reforms to improve the functioning of administrations, customs regulations, and competition laws. The reforms will extend to the country's development, through the Strategic Plan for Sustainable Development (2018/40), which includes measures to promote digitisation of the economy and education.

In terms of its external relations, the country maintains strong ties to Russia, which has a military base near the capital. These links will be bolstered with new trade partnerships (scrapping of customs duties on oil imports). Relations with Uzbekistan and Kazakhstan, which used to be strained, are set to improve. In addition, China is set to continue investing in Kyrgyzstan through its Belt and Road initiative.

LAOS

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	6.7
GDP PER CAPITA US Dollars - 2017	2,541
CURRENCY Lao kip	LAK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	-3.3	2.3	4.1
Inflation (yearly average, %)	3.5	1.5	0.8	3.0
Budget balance (% GDP)*	0.6	6.6	11.7	12.1
Current account balance (% GDP)	4.3	5.9	11.3	12.1
Public debt (% GDP)	18.0	19.3	21.0	22.7

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	42%
CHINA	28%
VIETNAM	10%
INDIA	5%
EURO AREA	4%

Imports of goods as a % of total

THAILAND	59%
CHINA	21%
VIETNAM	10%
EURO AREA	3%
JAPAN	2%

- 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

- Massive current account deficit
- Weak foreign exchange reserves
- Governance shortcomings and high poverty rate
- Fragile banking sector
- Significant sovereign risk due to high external debt stock, especially Chinese-owed external debt
- Sensitivity to commodity prices as well as regional economic cycle and geopolitics (landlocked country)

RISK ASSESSMENT

Fast growth highly reliant on agriculture, hydropower and mining

The industrial sector, including especially hydropower exploitation, construction and mining, is cornerstone to growth. Hydropower will boost GDP growth *via* the construction sector given the extensive number of dam projects. In 2019, the Xayaburi and Don Sahong dams will be completed, increasing the electricity output. However, if at least nine other projects are currently underway, some – such as the one in Pak Lay – are pending approval from the Mekong River Commission (MRC), especially after heavy rains caused a dam to burst in 2018, leading to a heavy death toll and thousands of displaced people. Electricity already accounts for a quarter of exports, notably thanks to fast growing demand from Thailand. Construction projects rely largely on China, which is responsible for around half of the investments in the hydropower sector and 70% of the funds for the high-speed train being built across the country, which is expected to be completed in 2021.

The tourism sector will contribute to growth of the services industry in 2019, although it will remain below potential, with 80% of tourists coming from South East Asia. In that view, the government will continue to invest in tourism infrastructure (with the construction of a fifth airport and hotel facilities). Moreover, despite lacking productivity and profitability, agriculture will continue to account for 30% of GDP and 60% of the workforce. In 2019, household consumption will stall because of surging inflation, even if the government intends to mitigate price pressure on food prices. Consumer price growth will accelerate due to the pick-up in global food and oil prices, insufficient crop harvests, and the weakness of the kip inducing imported inflation.

Exposure to external shocks *via* high external debt levels and current account deficit

The fiscal deficit will remain high despite consolidation efforts. Revenues are limited by low tax rates, a small tax base, and corruption. Over 10% of revenues come from international grants. Furthermore, the country is over-indebted to China (at least half of public debt). The high and increasing level of government debt is concerning, especially considering that 80% of it is denominated in foreign currency and externally held, although a lot of it is in concessional terms (85%). This level of external reliance poses a sustainability risk in a context of global monetary tightening and depreciation pressures on emerging markets' currencies. Exposure to external shocks is increased by the total external debt level (around 120% of GDP) – although it is mostly comprised of FDI liabilities – and the fact that the banking sector is fragile and highly dollarised. Moreover, Laos does not have a satisfactory level of foreign exchange reserves to cushion these risks (around one month of imports).

The current account deficit will remain very high, which exposes the country in case of further depreciation of the currency or fluctuations in commodity prices. The merchandise trade balance is under a structural deficit. Export growth will be helped by higher copper prices and the increased output of electricity, but will remain far from enough to compensate the import bill, which is growing due to capital goods imports in relation to construction projects. At the same time, the balance of services (specifically the tourism sector) should in part offset the repatriation of dividends by the foreign companies involved in the exploitation of natural resources. The country also receives foreign aid and remittances from expatriate workers.

Political stability despite major development challenges

The communist-inspired Lao People's Revolutionary Party (PPRL) is the only authorised party. Stability and continuity is ensured by censorship and repression of political rallies. Ranked 154 out of 190 in the World Bank Doing Business report, the country suffers from a lack of rule of law, high corruption levels, and a judicial system that is not independent from the ruling party. Moreover, despite the strong growth seen over recent years, the country remains underdeveloped as governance favours the external market and FDIs that bring little benefit to the population, since the public authorities prioritise infrastructure over health and education.

Another governance challenge stems from social unrest against dam construction after the flooding disaster in 2018; the death toll of which the authorities are suspected to have purposefully underestimated. The choice of hydropower as a development nexus will also have to face the challenge of assessing and handling impacts in downstream regions, such a Vietnam and Cambodia, while the MRC and its member-countries countries still lack processes and expertise.

LATVIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	2.0
GDP PER CAPITA US Dollars - 2017	15,550
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.2	4.5	3.7	3.3
Inflation (yearly average, %)	0.1	2.9	2.7	2.4
Budget balance (% GDP)	-0.4	-0.8	-1.2	-1.0
Current account balance (% GDP)	1.3	-0.8	-2.0	-2.6
Public debt (% GDP)	37.4	36.3	35.0	34.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

LITHUANIA	16%
RUSSIA	14%
ESTONIA	11%
GERMANY	7%
SWEDEN	6%

Imports of goods as a % of total

LITHUANIA	18%
GERMANY	12%
POLAND	9%
ESTONIA	8%
RUSSIA	7%

- Member of the eurozone (2014) and the OECD (2016)
- Financial system dominated by Swedish banks (85% of domestic credit)
- Transit point between the European Union and Russia (coastline and ports)

- 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 people on low wages and encourages under-reporting
- Importance of non-residents' bank deposits (half of the total)

RISK ASSESSMENT

Growth driven by domestic demand

Despite the continued deceleration that began in 2018, growth is expected to remain at a good level in 2019. Private consumption is the main driver of Latvian activity. It increased by 3.2% in 2018, and an increase in real wages, coupled with a further decline in unemployment, should help to maintain this momentum. However, the chronic decline in labour force participation rates is expected to continue due to the significant emigration of skilled youth and the decline in the working-age population, but could be slightly offset by an increase in the retirement age, which is to be raised by three months each year to reach age 65 in 2025. Public consumption and investment will remain brisk, supported by EU structural and investment funds over 2014-2020 in an amount of €4.51 billion (15% of GDP), including €1 billion for infrastructure construction and rural development, and €140 million to develop maritime activity. Private investment will remain constrained by concerns about Russia, and could also be affected by recent controversies over the fragility of the financial system (central bank governor Ilmars Rimsevics has been accused of corruption, while ABLV, the country's third largest bank, has been accused of money laundering and facilitating illegal financial transactions towards North Korea, and is now reported to be in bankruptcy). Exports of timber (16% of total exports), equipment and tooling (15%), and food products (11%) to the other Baltic countries, Poland, and Germany – the main trading partners – are set to continue, while those to Russia may still suffer from Russian counter-sanctions. Inflation is expected to remain under control.

Continuation of satisfactory fiscal management

The public accounts are expected to continue to show a small deficit, with rising expenditure accompanied by increasing revenues. The government aims to boost certain spending items, in particular military expenditure (which is expected to reach 2% of GDP in 2020), as well as expenditure related to infrastructure, education, and healthcare. At the same time, tax reforms will continue in accordance with the stability programme (2018/21) involving, among other things, greater progressiveness in income taxation, a 20% tax rate on corporate profits (with an exemption for reinvested profits), and a VAT rate of 21%. In addition, the government plans to cut the number of civil servants by 6% by 2020. Public debt should therefore be reduced for the third consecutive year. Although it is largely contracted from non-residents, the debt does not pose an exchange rate risk because it is denominated in euros.

Turning to the external accounts, the current account deficit is expected to widen due to a deterioration in the trade balance. Imports of capital goods (21%) and food products (17%), driven by strong domestic demand and under-diversified production, are expected to outpace exports. The surplus in services, linked to tourism and freight transit (to and from Russia), and remittances from expatriate workers largely offset the trade deficit. The small current account deficit is comfortably financed by European funds and foreign investment (equivalent to 2% of GDP in 2017). However, gross external debt, one-third of which corresponds to the public share, remains high (140% of GDP, but only 26% net).

A fragmented political scene and further deterioration in relations with Russia

The October 2018 parliamentary elections saw two new parties enter Parliament: the populist KPV LV Party (16 seats out of 100) and the New Conservative Party (JKP, also 16 seats), in second and third place, respectively. For the fourth time running, the pro-Russian National Harmony Party came out on top with 23 seats. In contrast, traditional parties recorded losses: the Union of Greens and Farmers (ZZS) took 13 seats compared with 23 in 2014, the National Alliance (NA) Party also won 13 seats, compared with 17 in 2014, while the Unity Party took eight seats, compared with 23 in 2014. The political scene is therefore fragmented and negotiations to set up a new coalition took a long time, with the majority requiring the cooperation of four or even five parties to have the necessary number of seats to form the government.

Relations with Russia have deteriorated further following a reform to eliminate Russian language education in schools, leading to protests by Russian speakers, who represent a quarter of the population, and drawing the ire of Russia, which threatened to respond with economic sanctions.

LEBANON

COFACE ASSESSMENTS

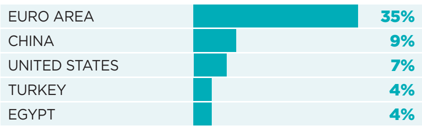
COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**4.5**
GDP PER CAPITA US Dollars - 2017	**12,013**
CURRENCY Lebanese pound	**LBP**

TRADE EXCHANGES

Exports of goods as a % of total

Imports of goods as a % of total



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- Financial support from the diaspora
- Gas potential
- Robust banking system

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- Highly exposed to regional geopolitical tensions
- Political divisions along religious lines
- Very high public debt
- Strong political differences leading to instability

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.7	1.5	1.0	1.4
Inflation (yearly average, %)	-0.8	4.8	6.5	3.5
Budget balance (% GDP)	-8.8	-6.0	-9.7	-10.5
Current account balance (% GDP)	-21.7	-22.8	-25.6	-25.5
Public debt (% GDP)	145.5	146.8	150.0	152.9

(e): Estimate. (f): Forecast.

RISK ASSESSMENT

Growth will remain fragile

Lebanese growth is expected to pick up slightly, after a slowdown in 2018, due notably to a loss of confidence among foreign investors and Lebanese households alike owing to political uncertainty. Although weak, the improved growth prospects for 2019 are based on the resilience of tourism and the banking sector. Despite cooler credit growth, the banking system – the backbone of the Lebanese economy – will remain robust, particularly thanks to large remittances from the diaspora. The easing of the Syrian conflict could also benefit Lebanese exports. The gas sector is poised to receive investments and should contribute to growth. The Lebanese government has signed two offshore gas exploration and production agreements with an international consortium led by Total, and exploration is scheduled to begin in 2019. However, the political situation could still be a drag on growth in 2019, by hampering private consumption. The financial assistance promised by international donors, which is expected to be committed particularly to infrastructure projects, is being disbursed slowly due to the unstable political context. This situation could affect the already low level of public investment (1.4% of GDP in 2017).

After rising in 2018 following various tax hikes, inflation will slow in 2019. The return home of many Syrian refugees will ease the upward pressure on property prices, while the expected stability of oil prices will moderate imported inflation.

Substantial debt and twin deficits

After increasing in 2018, budgetary revenues, mainly from taxes (16% of GDP in 2017), are expected to stabilise in 2019. At the same time, expenditure is expected to tick up due to growth in the public sector wage bill and payment of debt interest. The latter, which accounted for nearly 10% of GDP and one-third of expenditure in 2017, will continue to have a significant impact on public finances. With a primary balance in equilibrium, it is this interest that will once again lead to a substantial government deficit. Subsidies paid to Electricity of Lebanon, a power utility company (9% of total expenditure in 2017), will continue to be a major expenditure item for the state. Public debt, mainly domestic, is expected to exceed 150% of GDP in 2019, making Lebanon the third most indebted country in the world, after Japan and Greece.

Regarding the external accounts, the current account deficit is not expected to change. Despite an increase in exports, including motor vehicles (18% of exports) and gold (13%), the goods deficit will widen. This is because imports are also set to increase amid sustained prices for oil (nearly 20% of imports), and will remain much higher than exports. At the same time, the services balance will see its surplus increase, mainly due to tourism. Remittances from expatriates (6% of GDP in 2017) will continue to reduce the current account deficit, which will be financed by inward foreign investment (21% of GDP in 2017), mainly composed of portfolio investments, as well as by foreign exchange reserves. The latter, which were equivalent to 14 months of imports in 2017, are therefore expected to shrink. Higher interest rates will put additional pressure on the reserves – a problem which must be tackled, given that the Lebanese pound is pegged to US the dollar. Abandoning this regime would have a significant impact on the private sector, in a country where external debt – most of which is denominated in US dollars and 90% of which is private – stood at close to 200% of GDP in 2017.

Instability affects Lebanese political life

President Michel Aoun, a Christian and a former general, is currently dealing with major political instability, which intensified further after the parliamentary elections in May 2018. Prime Minister Saad Hariri, leader of the Sunni community, emerged weakened from the elections: his Future Movement Party lost nearly half of its seats, while the March 8 Alliance, formed around the Shia movement and President Aoun's Free Patriotic Movement (Maronite), won a majority. The new distribution of seats in Parliament forced the prime minister to form a new government. However, this revived tensions between the political parties in a Lebanese political system where power is split along religious lines. A government proposal put forward on October 29, 2018 was rejected by Hezbollah, a Shia party, which called for greater representation of Sunnis who are not part of the Future Movement. Although a government is expected to be formed in 2019, the situation reflects a highly divided political landscape.

In addition to reinforcing sectarian and political divisions, the growing influence of Hezbollah, an Iranian-backed party that provides military assistance to the Syrian regime, is straining Lebanon's relations with its traditional allies. In 2018, the Gulf States and the United States stepped up sanctions against senior party officials. Hezbollah's electoral performance has also increased the tension with Israel.

LIBERIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	4.7
GDP PER CAPITA US Dollars - 2017	694
CURRENCY Liberian dollar	LRD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-1.6	2.5	3.0	4.5
Inflation (yearly average, %)	8.8	12.4	21.3	24.5
Budget balance (% GDP)*	-3.7	-5.2	-5.1	-4.9
Current account balance (% GDP)	-14.1	-19.0	-18.3	-21.4
Public debt (% GDP)	28.3	34.4	40.1	42.5

(e): Estimate. (f): Forecast. *Last fiscal year from July 1, 2018 to June 30, 2019.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	45%
SWITZERLAND	14%
UNITED STATES	7%
INDONESIA	4%
INDIA	3%

Imports of goods as a % of total

SINGAPORE	30%
CHINA	24%
SOUTH KOREA	18%
JAPAN	9%
EURO AREA	6%

+

- 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)

−

- Infrastructure shortcomings
- Dependent on commodity prices
- Significant levels of poverty and unemployment; shortcomings in education and healthcare
- Recent Ebola epidemic, which could reoccur
- Recent and fragile democracy; high levels of corruption
- Difficult business climate
- Dominant informal sector

RISK ASSESSMENT

Activity continues to recover

In 2019, the Liberian economy will continue to recover for the third consecutive year following the recession caused by the Ebola virus, falling commodity prices and the gradual withdrawal of the UN peacekeeping mission (UNMIL). Nevertheless, the level of growth, although comfortable, will be below the level reached in the pre-Ebola period (around 7%). Activity is mainly linked to the supply of services (54% of GDP in 2017) and agriculture (34% of GDP), which employs 60% of the local population. Recent investments will ensure the sector enjoys strong momentum. In particular, the construction of new oil processing plants by Sime Darby and Golden Veroleum Liberia should boost palm oil production, which soared by 124.5% in the first six months of 2018. However, it was the mining industries that powered the recovery in 2017 (accounting for 12% of GDP). Gold and diamond production is expected to continue to drive growth.

Public investment is set to increase, supported by concessional loans from international organisations. In this regard, the World Bank has approved a new partnership for 2019/24, with new aid devoted, among other things, to building infrastructure and rehabilitating roads. Private investment is enjoying a better climate of confidence thanks to the end of the uncertainties associated with the 2017 presidential elections. Inflationary pressures are expected to increase due to high prices of imported products (notably crude oil and some food products). Depreciation of the national currency against the US dollar is amplifying the trend. This could constrain private consumption by affecting household purchasing power.

Deficit financing still dependent on foreign aid

The government deficit is expected to decline slightly in 2019 due to a mix of spending cuts and improved allocation. The government plans to reduce its main expenditure item – the civil service wage bill (50% of total expenditure and 6% of GDP) –, notably by cutting ministers' pay by 10% and reducing the salaries of 4,140 senior civil servants. However, public debt is expected to continue to go up as a result of the increase in its external share (72% of the total), which expanded by 4.2% over the first six months of 2018. Composed of multilateral (92%) and bilateral (8%) concessional loans, this debt is set to increase so as to finance the deficit and compensate for the lack of domestic resources for the continuation of government development projects.

The current account deficit is massive due to the chronic trade deficit. Exports of rubber (33% of total exports in 2017), gold (32%) and iron (22%), although rising, will not be enough to offset the increase in imports, particularly of machinery and capital goods (22% of total imports), driven by the construction of infrastructure. The trade deficit is partly offset by remittances from Liberian expatriates in the United States (17% of GDP in 2017), of which 25% is recovered by the central bank to replenish the foreign exchange reserves. The current account deficit is financed by FDI (7.4% of GDP) and external loans. The monetary authorities will likely continue to intervene in the foreign exchange market to contain the depreciation of the Liberian dollar against the US dollar. However, the effectiveness of monetary policy remains constrained by the informal economy (94% of the currency in circulation is held outside the banking system), the dollarisation of the economy (90% of credits and 80% of deposits), and limited foreign exchange reserves (three months of imports in 2017).

Confidence in the new government undermined

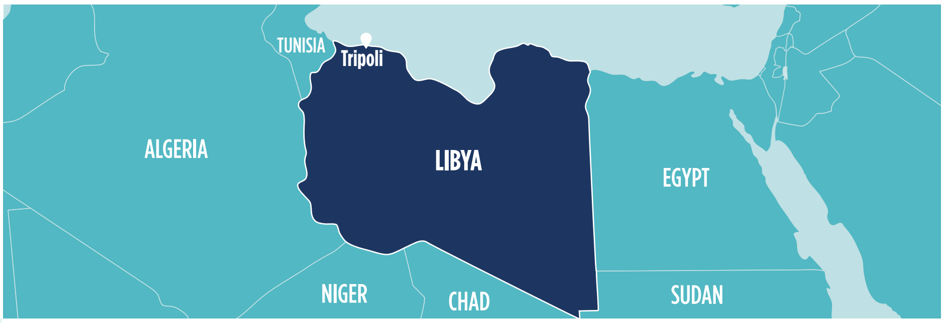
Former footballer George Weah was elected President in December 2017. His election, after two civil wars (1990-97 and 1999-2003), marked the first democratic and peaceful transition between two elected presidents in 73 years. Through his "Pro-Poor" programme, President Weah has affirmed his commitment to tackle the lack of infrastructure, promote access to basic public services, and fight corruption by promoting transparency within the government. This last point led to the establishment of a committee to verify the legal compliance of all concession contracts granted to companies under the previous president. However, a recent scandal has tarnished the popularity of the new government: LRD 16 billion (equivalent to €83 million) in banknotes being brought from Sweden reportedly disappeared and never reached the central bank's coffers. In a country of extreme poverty, with half of the population living below the poverty line, this led to angry protests by people criticising the incompetence of the current administration. A government investigation is currently ongoing to clarify this matter.

The business environment, which is hurt by the lack of infrastructure and legal property rights (non-customary), remains difficult, with Liberia coming 174th out of 190 in the Doing Business 2019 ranking.

LIBYA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E



POPULATION Millions of persons - 2017	6.4
GDP PER CAPITA US Dollars - 2017	4,740
CURRENCY Libyan dinar	LYD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-2.8	26.7	7.2	6.8
Inflation (yearly average, %)	25.9	28.4	15.0	10.0
Budget balance (% GDP)	-81.2	-34.5	-25.9	-22.6
Current account balance (% GDP)	-18.0	2.5	-2.9	-5.0
Public debt (% GDP)	189.7	134.2	116.0	125.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	59%
EGYPT	9%
CHINA	8%
UNITED STATES	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

EURO AREA	21%
CHINA	13%
TURKEY	11%
SOUTH KOREA	6%
EGYPT	3%

+

- Large gas and oil reserves
- Very low external debt
- Strategically located on the Mediterranean near Europe

−

- The country is split in two: Tripolitania in the west is governed by the Tripoli government, which is recognised by the international community, while Cyrenaica in the east is run by the Al-Beïda government supported by Field Marshal Haftar
- The south of the country (Fezza) is having to cope with an upsurge in trafficking (human, weapons and drugs) and conflict between the Tuareg and Toubou groups
- High inflation
- Social tensions; political and tribal fragmentation
- Unfavourable business environment

RISK ASSESSMENT

The Libyan crisis persists

After several failed attempts at mediation led by the United Nations, the Libyan crisis seems to be deadlocked once again. Undermined by political fractures inherited from the post-Gaddafi transition, Libya remains a divided territory. The Tripoli Presidential Council, which is supported by the international community, and a rival government in the east of the country backed by Field Marshal Khalifa Haftar, continue to fight over power. Despite the appointment of the new UN emissary, Ghassan Salamé, as head of the UNSMIL in 2017, little headway has been made. The UN is trying to find a political solution to the conflict and to reunify the two governments through parliamentary and presidential elections. The Paris Agreement of May 2018, which brought together the stakeholders – including Fayez al-Sarraj, President of the Presidency Council, Aguila Saleh, President of the House of Representatives, Khaled Meshri, President of the High State Council, and Field Marshal Khalifa Haftar, Commander of the Libyan National Army – set elections for December 10, 2018. Yet this timetable will be hard to achieve: the constitutional basis that will provide the framework for the elections, initially scheduled to be ready by September 16, 2018, has not yet been finalised, as the Parliament has encountered difficulties in reaching a consensus within the deadline. The elections are therefore likely to be postponed until the first half of 2019. Despite some progress in the political resolution of the conflict, the country continues to be undermined by clashes, particularly around oil fields. Armed groups continue to challenge Field Marshal Haftar's troops, who control most of the eastern part of the country, while Islamist and tribal militias are still fighting over territory in the west. The security situation is projected to remain precarious.

Recovery in oil production

Despite the disruptions between June and July, oil production stood at around 1 million barrels per day in 2018, thus ensuring that Libya recorded its second year of growth after the crisis. Despite the obsolescence and destruction of some infrastructure, Libyan production is expected to remain at a comparable level in 2019. Foreign companies seem to be making a cautious return to the country. British oil company BP has announced a partial resumption of exploration activities in collaboration with National Oil Corporation of Libya in 2019. The exploration and production sharing agreement, which began in 2007, is expected to include Eni, an Italian company that has continued to operate in the territory and that has infrastructure near the exploration area. In a similar vein, in October 2018 the national oil company organised an international forum for foreign investors. However, FDI flows will remain very limited until the political situation is clarified and peace returns to the territory. Meanwhile, the non-oil economy continues to be hindered by a lack of resources and continued security concerns. The increase in oil exports has partly made it possible to respond to the shortage of foreign exchange and alleviate the pressure on the parallel exchange rate, leading to a slight drop in prices. In addition, the Libyan central bank plans to apply a tax on foreign currency transactions to narrow the spread between the official and black market exchange rates. Households, who have seen their purchasing power cut by 80% since 2011, should benefit from more stable inflation and civil service wage increases.

Substantial twin deficits

Despite a significant increase in budgetary revenues, the government deficit remained significant in 2018. Higher oil revenues failed to offset the growth in wage expenditure, which reached 48% of GDP. The Tripoli government has, however, embarked on a fiscal consolidation plan aimed at reducing the share of incompressible expenditure by scaling back subsidies (10.6% of GDP). Nevertheless, these reforms will need time to take effect given the country's political instability and the lack of legitimacy of the presidency, which, despite the support of the international community, is struggling to assert its authority across the nation. The Tripoli government will likely continue to obtain financing from the Libyan central bank, but also from Libyan assets accumulated under the Gaddafi regime. The eastern government will remain dependent on borrowing from local banks. Finally, the current account deficit is expected to remain high. While the increase in exports has made it possible to rebuild foreign exchange reserves, it will not be sufficient to restore the external balance. The country imports more than 80% of its consumption needs, including refined oil.

LITHUANIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	2.8
GDP PER CAPITA US Dollars - 2017	16,731
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.3	3.9	3.3	2.8
Inflation (yearly average, %)	0.7	3.7	2.6	2.2
Budget balance (% GDP)	0.3	0.5	0.5	0.4
Current account balance (% GDP)	-1.2	0.7	0.6	-0.5
Public debt (% GDP)	40.1	39.7	37.1	34.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	15%
LATVIA	10%
POLAND	8%
GERMANY	7%
UNITED STATES	5%

Imports of goods as a % of total

RUSSIA	13%
GERMANY	12%
POLAND	11%
LATVIA	7%
ITALY	5%

+

- Member of the eurozone since 2015 and the OECD since May 2018
- Sound public and external accounts
- Banking system dominated by three Scandinavian institutions
- Transit zone between the EU and Russia/Kaliningrad enclave
- Diversification of energy supply (Klaipeda gas terminal, shale gas potential, electricity links with Poland and Sweden)

-

- Tight labour market: shrinking workforce (emigration of skilled young people) and high structural unemployment
- Large underground economy (26% of GDP)
- Wide income disparity between the capital and the regions – particularly in the northeast, where poverty persists
- Limited value added of exports (mineral products, timber, agri-food, furniture, electrical equipment)
- Competitiveness eroded by insufficient productivity gains

RISK ASSESSMENT

Growth slows towards potential

The renewed strength of the economy in 2017/18 is expected to fade in 2019 as growth starts moving towards its potential level. Reduced pressure on the labour market (thanks to a slight increase in immigration and a fall in employment) and low productivity growth, in the absence of structural reforms, should moderate wage growth and, therefore, private consumption, which is the main contributor to growth (two thirds of GDP). Tax reforms, which will introduce a progressive taxation system, are expected to favour the poorest households, which, thanks to their higher marginal propensity to consume, should mitigate the deceleration in consumption. The level of wages, particularly the minimum wage, will nevertheless remain quite high relative to productivity, which will negatively impact the competitiveness of companies, hurting export performance. Rising international trade tensions could also have an adverse effect on exports (80% of GDP), causing trade to make a negative contribution to trade. Investment (almost 20% of GDP), which has grown briskly in recent years thanks to businesses and easy access to credit, is therefore also expected to slow down. Lower business confidence, difficulties in finding skilled workers, the large informal component of some sectors and the prospect of moderate growth, in the context of international tensions, are all factors that may also explain this deceleration, which should nevertheless be mitigated by better use of EU funds directed towards construction and civil engineering. Public expenditure is expected to change little and to have a relatively small direct impact on growth. Even so, this spending, which will be aimed at reducing inequalities and boosting productivity, should make a positive contribution through private consumption.

Small current account deficit and government surplus

According to the approved budget, the central government deficit is forecast to be 0.4% of GDP. Revenues are expected to jump by 17%, thanks in particular to European structural and investment funds, which are set to increase from 0.6% of GDP in 2017 to 2% in 2019. However, they will be outpaced by expenditure, which is expected to go up by 22%. Spending will mainly be directed towards education, social security, healthcare and a pension reform in order to reduce inequalities and improve labour productivity, with the aim of building the "new social model" recommended by international institutions to unleash growth. Tax reforms, advocating a shift in employer contributions to employees (which would be offset by higher wages) and increasing the minimum level of taxable income, also have this goal in mind. If the balance of municipalities and the social security system is added, the government deficit should turn into a surplus. The stated objective is to accumulate reserves (up to €1.5 billion in 2019) and reduce public debt, of which 80% is held by non-residents and almost 30% is denominated in foreign currency.

In 2019, the current account is expected to turn slightly into a deficit. Sluggish demand from the EU, increased domestic demand, which favours imports, and the fall in Russian imports, which considerably reduces re-exports, will worsen the goods deficit. The overall trade surplus (2.3% in 2017) – generated by the high level of exports of services, particularly in tourism and road transport – is therefore expected to decline. Transfers (1.8% of GDP), mainly composed of remittances from expatriates and European funds, despite holding steady, are not expected to offset the income deficit (3.3%), which is explained by the high stock of FDI in the country (43% of GDP). These investments are expected to grow by almost 2% of GDP in 2019, a level equivalent to the Lithuanian portfolio investment abroad. The size of Lithuania's gross external debt (81.6% of GDP at the end of June 2018) needs to be considered in the light of the debt's composition – state (37%), central bank (28%), banks (14%) and non-financial companies (21%) –, the assets held abroad by the country (63% of GDP) and the fact that the debt is denominated in euros.

A year of elections to dispel political uncertainty

The country has been ruled since 2016 by Prime Minister Saulius Skvernelis, who is affiliated with the centrist LVZS Party, which unexpectedly won the 2016 parliamentary elections. Despite his minority (56 seats out of 141 in Parliament), he was able to gain power by forming an alliance with the LSDP, which has 17 seats. Since then, the LSDP has withdrawn from the coalition, although its ministers remain in government. The potential instability created by this situation is tempered by the consensus in local political life on the desire for reform, in particular to support the new social model. The presidential elections, which will take place in May 2019 – together with European elections, and a referendum to allow dual citizenship, in order to compensate for demographic deficiencies that are damaging the economy – will be a good gauge of popular support for the current government and for tax reform. In addition, the country joined the OECD in May 2018, confirming its good economic situation, which is likewise borne out by its position (14th) in the Doing Business 2019 ranking.

LUXEMBOURG

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	0.6
GDP PER CAPITA US Dollars - 2017	105,863
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.4	1.6	3.0	2.9
Inflation (yearly average, %)	0.1	2.1	2.7	1.7
Budget balance (% GDP)	1.6	1.4	1.3	1.1
Current account balance (% GDP)	2.0	4.4	4.2	3.8
Public debt (% GDP)	20.7	23.0	24.0	24.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	26%
BELGIUM	18%
FRANCE	14%
NETHERLANDS	5%
ITALY	4%

Imports of goods as a % of total

BELGIUM	32%
GERMANY	25%
FRANCE	11%
UNITED STATES	6%
NETHERLANDS	5%

- Fiscal stability
- Skilled multilingual workforce
- High-quality infrastructure; business-friendly regulation
- Important international financial centre
- High standard of living

- Highly dependent on a large financial sector
- Economy vulnerable to eurozone economic conditions
- Long-term budgetary impact of an ageing population

RISK ASSESSMENT

Slower growth in 2019

The poor performance in 2017 gave way to a more marked recovery in growth in 2018, as the upturn in the financial sector and continued strong domestic demand contributed to the expansion of activity. The rise in the employment rate, which is approaching the peak seen in 2007, and growth in inflation-indexed wages contributed positively to the increase in consumption. Investment continued to benefit from the lower tax burden on companies and favourable financing conditions. Although domestic demand is expected to remain robust, growth should slow slightly in 2019. Non-financial services and industry are expected to remain on a positive trend but will likely be affected by tight labour market conditions. The employment rate is expected to go up by 3.4% in 2019, with a significant increase for cross-border workers. Due to the importance of the financial sector in GDP, the Luxembourg economy remains highly exposed to the volatility of international financial markets. The financial sector accounts for 42% of value added and is mainly composed of foreign-owned banks (subsidiaries of European banks) and financial institutions with an asset management focus. In 2019, the increase in uncertainties related to trade tensions, the Italian debt problem, tighter US and eurozone monetary policies, as well as volatility in emerging markets, are all factors that could negatively affect investment fund returns, depressing growth. At the same time, the Luxembourg stock exchange may benefit from post-Brexit relocations by financial institutions.

Slight reduction in public and external surpluses

As in 2018, the budget surplus is expected to continue to decline in 2019, reflecting lower budgetary revenues and a slight increase in capital expenditure. Following the parliamentary elections in October 2018, there are unlikely to be changes in the budgetary framework and the measures decided in previous years should continue to take effect. Faster growth in 2018 partially offset the impact of 2017 tax reforms aimed at boosting the competitiveness of the Grand Duchy and improving tax fairness. The same measures are expected to lead to a decline in budgetary revenues of 0.8% of GDP in 2019 and 2020, but they will continue to be partly offset by the increase in the employment rate. At the same time, the decline in VAT revenues on e-commerce activities is expected to reduce budget revenues by 0.1% of GDP. These revenues should thus amount to around 45% of GDP over the year. Expenditures are also set to stabilise in 2019 due to a slight decrease in capital expenditure. The structural budget balance is therefore expected to remain in surplus in 2018 and 2019, with a structural surplus of 1.5% of GDP and 1.3% of GDP respectively, i.e. above the medium-term budgetary objectives. Although the public balance is showing a surplus, public debt is expected to increase in 2019 due to the carryover of social security surpluses in the reserve fund for the general pension scheme.

Although it is declining slightly due to a higher energy bill, the current account balance is expected to continue to post a large surplus in 2019. The deficit in the trade and income balances due to cross-border transfers is expected to remain largely offset by the sizeable surplus in the balance of services resulting from the activity of financial corporations.

The coalition renewed in 2019

Following the October 2018 elections, the Christian Social Party (CSV) led by former minister Claude Wiseler remains the country's leading political party with 28% of the vote. But with 21 seats out of 60, it is far from enjoying a majority and will remain stuck on the opposition benches, where it has sat since the snap elections in October 2013. With 31 seats, Xavier Bettel's outgoing coalition returned to power after a deal was made in December 2018 to lock in the DP-LSAP-Déi Gréng government's programme for the next five years. The Socialist Party (LSAP) and the Liberal Party (DP) obtained 18% and 17% of the votes respectively. The big winner of the elections was undoubtedly the Green Party, which took 15% of the votes, 5% more than in the previous elections. The Pirate Party also made its parliamentary début with its first two elected representatives, while the populist right-wing ADR party consolidated its position with four seats instead of three.

MADAGASCAR

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	**25.6**
GDP PER CAPITA US Dollars - 2017	**449**
CURRENCY Malagasy ariary	**MGA**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.2	4.2	4.8	5.2
Inflation (yearly average, %)	6.7	8.3	7.5	7.0
Budget balance (% GDP)	-1.3	-2.4	-2.3	-4.3
Current account balance (% GDP)	0.6	-0.3	-2.2	-3.4
Public debt (% GDP)	38.4	36.0	35.1	36.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	39 %
UNITED STATES	18%
CHINA	6%
JAPAN	3%
INDIA	3%

Imports of goods as a % of total

CHINA	21%
EURO AREA	14%
UNITED ARAB EMIRATES	7%
INDIA	7%
SOUTH AFRICA	5%

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- Significant mineral reserves (precious stones, nickel, cobalt) and petroleum reserves
- Agricultural potential; world's leading producer of vanilla
- Tourism development
- Public debt mainly on concessional terms

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- Dependent on agricultural and mining products
- Inadequate road, hydraulic and electrical networks
- Dependent on foreign aid
- Chronic political instability (crises in 1972, 1991, 2002 and 2009)
- Poverty, with 90% of the population living on less than USD 2 per day

RISK ASSESSMENT

Growth is firming thanks to exports

Despite Hurricanes Ava and Eliakim, growth strengthened in 2018, supported by exports – particularly agricultural exports (vanilla, which accounted for a third of exports in 2017) –, and public investment as part of the National Development Plan (NDP). In addition to the vanilla segment, the secondary sector is also expected to remain dynamic thanks to the increase in nickel exports, as well as textile exports from special economic zones (which continue to benefit from robust external demand under the AGOA regime). Despite the political change, public investment is expected to continue to increase in 2019, particularly to improve the road network, with the aim of opening up the rural areas of the country. This investment should therefore support the construction and transport sectors. At the same time, private investment could continue to increase, thanks to the establishment in 2017 of a legislative framework for PPPs. The positive outlook for the agricultural sector, which employs nearly 75% of the population, should be favourable to household consumption, thus benefiting trade activities. Service sectors could also be supported by tourism and advances in internet bandwidth, which allow ICT to develop. Better crop yields are also expected to reduce inflationary pressures.

The twin deficits are widening under the weight of investment

Under an IMF programme since 2016, the country is expected to continue to consolidate its public finances. Nonetheless, despite the efforts undertaken, the government deficit widened in 2018. Increased revenues related to the economic recovery failed to offset the one-off expenses incurred by the authorities to respond to problems affecting the national water and electricity company (Jirama) following Hurricane Ava. However, the structure of public finances has changed. Current expenditure has been cut, leaving more fiscal room for manoeuvre to raise investment expenditure, which remains largely financed by international donors. The World Bank has earmarked USD 75 million to improve urban infrastructure in Greater Antanarivo, and the African Development Bank is expected to free up USD 11 million to support five projects under the NDP. In 2019, the government deficit is set to widen further. The new government is expected to deviate only slightly from the budgetary path set by its predecessor, although an increase in public spending is expected. Public debt, which is mainly concessional, is expected to continue to grow but will remain sustainable.

The increase in the trade deficit combined with the decline in transfers caused the current account deficit to widen in 2018, after two years in balance. Exports remained on a positive trend in 2018 but continue to be concentrated around three products – vanilla, nickel and textiles –, making them vulnerable to price and demand fluctuations. In 2019, the price of vanilla should remain high, but the soaring prices are expected to moderate due to a better Malagasy harvest, which represents 80% of world production. Nickel exports, meanwhile, are set to continue to benefit from favourable world prices. Imports of capital goods for public investment are expected to continue to drive imports up, widening the current account deficit. That said, strong export earnings in the previous two years have allowed the central bank to replenish its foreign exchange reserves, which now stand at more than four months of imports.

Andry Rajoelina wins the duel of the former Presidents

According to the results of the electoral commission, Andry Rajoelina, president from 2009 to 2014 following the political crisis of 2009, emerged as the winner of the second round of the presidential election held on December 19, 2018, against his predecessor, Marc Ravalomanana. Despite the appeals filed by the latter, Mr Rajoelina should succeed Héry Rajaonarimampianina, eliminated in the first round, as head of state. Despite protests, accusations of fraud and the shadow of the 2009 crisis in the duel between Mr Rajoelina and Mr Ravalomanana, the electoral campaign was relatively peaceful in a country regularly marked by post-election crises. The new president will have to face the country's persistent socio-economic challenges, notably poverty, corruption and infrastructure deficits. The latter two factors contribute to a difficult business environment, as evidenced by the country's 161st place in the 2019 Doing Business ranking (out of 190 countries ranked).

MALAWI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	19.2
GDP PER CAPITA US Dollars - 2017	326
CURRENCY Malawi kwacha	MWK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.3	4.0	3.3	4.7
Inflation (yearly average, %)	21.7	12.2	9.2	8.4
Budget balance (% GDP)*	-7.3	-7.3	-3.9	-2.4
Current account balance (% GDP)	-13.6	-9.5	-9.3	-8.1
Public debt (% GDP)	60.3	59.2	57.8	57.6

(e): Estimate. (f): Forecast. * Last fiscal year from July 1, 2018 to June 30, 2019.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
ZIMBABWE	12%
MOZAMBIQUE	10%
SOUTH AFRICA	7%
UNITED KINGDOM	5%

Imports of goods as a % of total

SOUTH AFRICA	20%
CHINA	14%
INDIA	12%
EURO AREA	10%
UNITED ARAB EMIRATES	8%

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- Natural resources (uranium, tea, coffee, tobacco)
- Rapidly expanding services sector
- Resumption of support by financial donors (previously suspended due to corruption)
- Member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA)

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- Economy dominated by agriculture, vulnerable to weather conditions
- Food insecurity and geographical isolation
- Infrastructure shortcomings (water, energy, transport, education, health)
- Increase in extreme poverty
- Diplomatic tensions with Tanzania and Mozambique

RISK ASSESSMENT

Growth driven by agriculture

Growth is expected to continue to increase in 2019, supported by agriculture, the sector that drives Malawian activity (30% of GDP). Although maize production contracted by 28% in 2018 due to drought and tobacco farms remain constrained by production quotas imposed in 2017 to support prices, the expansion of soybean, sugar, and tea crops should maintain the sector's positive contribution to overall activity, which therefore remains dependent on weather conditions. With nearly 76% of jobs in the sector, household consumption, boosted by higher incomes, should benefit from agriculture's vibrant performance. Other sectors of activity, which have been hard hit by recurrent electricity shortages and blackouts, could increase slightly with the government's efforts to improve the supply of electricity (production will no longer be provided solely by inefficient hydroelectric facilities, but also by diesel-powered generators). The energy sector could attract foreign investment, as the government is planning a call for tenders for the construction of power lines linking Malawi and Mozambique, and talks are underway with the China Energy Engineering Corporation (CEEC) on the construction of a new coal-fired power plant. Private investment in other sectors could, however, be constrained by the period of uncertainty surrounding the 2019 general elections. Public investment, meanwhile, looks set to increase, in line with the third strategic plan for growth and development (2018/23), which includes improving access to safe drinking water and developing irrigation systems to stimulate agriculture. Although the government is expecting aid from international donors to resume, the high cost of the project (USD 12 billion, six times more than the central government budget), would extend its implementation beyond the planned time frame.

Inflation could slow as a result of prudent monetary policy coupled with a stable exchange rate and unchanged food prices.

Fiscal consolidation required under the new agreement with the IMF

The government deficit is expected to decline further due to increased fiscal consolidation efforts in line with the new USD 112.3 million Credit Facility granted by the IMF in April 2018. The government has committed itself to a more restrictive fiscal policy, including better allocation of expenditure, more efficient government, tax reforms and improved management of state-owned enterprises. Given the country's dependence on external financing (the external share of debt stands at 34%), this agreement opens up new opportunities for the Malawian economy, by restoring some confidence in the government among international donors and lenders, after their faith was shaken by high levels of corruption. Debt relief is expected to increase with the abandonment of non-concessional loans, which the authorities used when aid was cancelled (2013/16). Grants accounted for 3.5% of GDP in 2017.

The current account deficit looks likely to shrink again as a result of the reduction in the trade deficit. Exports, which consist of agricultural products, are expected to increase with production, while imports of food products are expected to decline. The balance of remittances from expatriates (6% of GDP in 2017) should remain stable and continue to provide the main positive contribution to the current account. Grants, concessional loans, and infrastructure-related FDI (2% of GDP in 2017) will finance the deficit. The gradual reduction in the deficit should ease the pressure on foreign exchange reserves, which remain low (three months of imports in 2017) and could decrease in order to maintain the national currency's flexible peg to a basket of currencies.

A pre-election period marked by continuing corruption

The next general elections are planned for May 2019, when President Peter Mutharika will run for re-election. However, even as mistrust of institutions remains strong, corruption cases continue to emerge: in February 2017, a scandal forced the President to part with his Minister of Agriculture, George Chaponda, and, more recently, President Mutharika and his party, the DPP, were accused of receiving an illegal payment of USD 195,000 from a wealthy businessman. This was followed by the resignation of the party's Vice President, Saulos Chilima, who went on to create his own party, the UTM, to run against the current President in the elections. This latest scandal has eroded the President's political capital among a population frustrated by recurrent weak governance, repeated corruption scandals, endemic poverty and poor public services.

At the heart of tensions with Tanzania for more than 50 years, the division of Lake Nyasa/Malawi has been an especially sensitive issue since 2011, when Malawi issued oil and gas exploration licenses. In addition, illegal fishing in Lake Chiuta by Mozambican armed groups is poisoning relations with Mozambique.

MALAYSIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - **2017**	**32.0**
GDP PER CAPITA US Dollars - **2017**	**9,755**
CURRENCY Malaysian ringgit	**MYR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.2	5.9	5.1	5.0
Inflation (yearly average, %)	2.1	3.8	1.0	2.3
Budget balance (% GDP)	-3.0	-3.0	-3.2	-3.0
Current account balance (% GDP)	2.4	3.0	2.8	2.5
Public debt (% GDP)	56.2	54.1	55.1	54.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SINGAPORE	14%
CHINA	13%
UNITED STATES	9%
EURO AREA	8%
JAPAN	8%

Imports of goods as a % of total

CHINA	18%
SINGAPORE	10%
UNITED STATES	8%
EURO AREA	8%
JAPAN	7%

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- Diversified exports
- Dynamic services sector
- Good infrastructure, high R&D
- Investment supported by expansion of local financial market and access to FDIs
- Exchange rate flexibility
- High per capita income
- Travel hub

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- Reliance on external demand
- Budget income highly dependent on performances in the gas and oil sector
- Very high private debt levels (80% of GDP)
- Erosion of price competitiveness due to increasing labour costs
- Persistent regional disparities
- Ethnic and religious disputes

RISK ASSESSMENT

Growth expected to remain strong

The economy will continue to expand rapidly thanks to strong domestic demand and good performances in the services and manufacturing industries. Despite still high household debt, consumption is strong thanks to rising urbanisation, real disposable income growth, and a tight labour market. And it is unlikely to be deterred by the increase in inflation, which – despite the reimplementation of a sales tax – will remain low, allowing the monetary policy to stay accommodative. This will help compensate the effects of fiscal tightening. Export growth will be less vigorous because of dimmer global demand for the country's main exports (electronics and electrical goods) and slowing demand from the country's main trading partners (China, United States). Palm oil export growth will also decelerate, as demand from India and China (the main importers) loses momentum. Export growth will also depend on the evolution of hydrocarbon prices (20% of total exports), which are set to be volatile in 2019. Trade should nonetheless contribute to growth, and even more so if the government decides to ratify the CPTPP that will come into force in 2019. The services industry has become a stronger driver of growth than manufacturing (53.6% of GDP in 2017), and will show strong performances in 2019, continuously benefitting from public investment to increase the sector's potential and the growing number of tourists. The construction sector will perform less well than expected because of the cancellation or postponing of several long-term infrastructure projects. Capital investment in the private sector will continue to show strong growth, favoured by the country's growing integration and upgrading within regional value chains.

Challenging fiscal consolidation efforts and high levels of external debt

Fiscal consolidation is a priority objective for the government, but will be challenged by the revenue shortfall from the replacing of the GST by a less broad VAT. The cancelation of public investment for 2019 will help to reduce public spending and the future debt burden. The revenue shortfall should be partly compensated by new taxes, including a digital tax and one on imported services, and a special dividend (additional MYR 30 billion) for the government from the national oil company Petronas. However, this means that consolidation efforts remain exposed to the fluctuating income from state-run oil explorers and refineries, while oil prices will remain somewhat volatile throughout 2019. Public debt will remain high, but the associated risks are mitigated as it is almost completely denominated in local currency with medium- to long-term maturity – even if it is largely held externally. Moreover, although the public debt burden should be reduced in 2019, the government expects the actual debt figures to be higher than disclosed by the previous administration, and has announced that it could actually be as high as 65% of GDP for 2018. The current account surplus is expected to dip, mainly on the back of the trade surplus deteriorating, as imports (especially capital and intermediate goods) will grow faster than exports. The income balance will continue to show a deficit due to profit repatriation by foreign companies. Likewise, the transfers deficit is expected to endure because of remittances by foreign workers to their country of origin. Private external debt is high (65.4% of GDP) and mostly denominated in foreign exchange. The high levels of foreign exchange reserves (almost seven months of imports) are not at a satisfactory level to cover short-term external debt, but this shortfall could be compensated by the holding of external assets. The banking sector remains sufficiently capitalised and liquid, even if high household debt levels are a risk.

A new push for democracy

The 2018 parliamentary elections marked a turn in Malaysian politics, as the incumbent Barisan Nasional (BN) coalition lost office in favour of a centre-left four party coalition: Pakatan Hrapan (PH), headed by former Prime Minister Mahatir Mohamad. The BN suffered from the corruption charges brought against its leader, Najib Razak. The BN had been in power for sixty years (since the country's independence), and was largely expected to retain office. This surprise election result comes as an omen for renewed democracy and rule of law. It also marks a return to the "Look East" diplomatic stance underlined by revived ties with Japan and less reverential, but still healthy, relations with Beijing. Mr Mahatir suspended two infrastructure projects part of the Belt and Road initiative, considering that Malaysia could not afford the USD 22 billion needed, and that the previous government might have overpriced the project. Governance will focus on achieving debt relief and the challenge of inequalities that are highly correlated with the segregation between the Malaysian majority and the Chinese and Indian minorities, as well as the rise of ultra-conservative Islam.

PAYMENT & DEBT 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 (MYR) 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.

Legal Proceedings

The Malaysian legal system is based upon the English common law 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.

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.

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 14 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 14 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 14 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 14 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.

<u>Fast-track proceedings</u>

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.

Foreign Judgements

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.

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.

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.

Restructruing mechanisms include:

- 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.

MALDIVES

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	0.4
GDP PER CAPITA US Dollars - 2017	12,527
CURRENCY Maldivian rufiyaa	MVR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.5	4.8	5.0	5.0
Inflation (yearly average, %)	0.5	2.8	1.5	1.7
Budget balance (% GDP)	-9.7	-6.5	-7.6	-6.6
Current account balance (% GDP)	-24.5	-22.1	-18.0	-15.2
Public debt (% GDP)	65.0	69.4	72.0	73.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	44%
EURO AREA	20%
SRI LANKA	11%
BANGLADESH	6%
UNITED STATES	6%

Imports of goods as a % of total

UNITED ARAB EMIRATES	17%
INDIA	13%
SINGAPORE	13%
CHINA	11%
EURO AREA	8%

+
- 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)

−
- Dependence on the international economy due to the scale of tourism in the national economy
- Insularity
- Chronic budget deficit and growing public debt
- Chronic and large current account deficit
- Political instability
- Vulnerability to natural disasters; very high exposure to climate change; 80% of the territory at one meter or less above sea level
- Excessive pollution; waste management challenges

RISK ASSESSMENT

Stable growth supported by tourism and infrastructure projects

In 2019, growth is set to remain stable. The tourism sector (over a third of GDP) will remain a major contributor to growth. In the first quarter of 2018, tourist arrivals increased by 10% compared to a year earlier, supported by the expansion of tourism infrastructures. These numbers should continue to grow throughout 2019. China remains the leading national contributor of tourists (25%), and Europe the leading regional contributor (49%). Massive infrastructure and development investments across the tourist islands will also continue to contribute significantly to growth. The expansion of the Velana International Airport will continue, and the construction of a new passenger terminal will facilitate the accommodation of more than 7 million passengers per year, compared to 1.5 million currently. The expansion is financed by Chinese, Saudi, and Emirati investments. China has committed the biggest investment by far: as part of the Maritime Silk Road (MSR) initiative, USD 830 million (20% of the Maldives' GDP) was released for the airport expansion. China has already financed a new airport runway, and a bridge between the airport island and the capital, Malé, both inaugurated in 2018. These ongoing projects mean the construction sector will continue to spur activity, employment and domestic consumption. Although the fishing sector requires modernization, it still accounts for around 20% of employment and around 10% of GDP.

High external public debt and growing dependence on China

The country is still participating in a World Bank programme to improve the management of public sector's finances. Public investments in infrastructure, mainly for the tourism sector but also public housing, are expected to keep the budget deficit high in 2019. In contrast, there will be a decrease from 2018 onwards thanks to growing tax revenues from import tariffs and the airport tax. A new online system for tax administration and payment should also increase revenues on a constant tax base. Public debt is increasing on the back of the ongoing infrastructure investments. The share of Chinese loans for construction investments as part of the MSR is worrisome, as it reaches 70% of total national debt, and annual repayments to China take up around 10% of the government budget.

The current account deficit will be slightly smaller in 2019 as the growth of capital expenditure imports for construction slows. Exports of goods, mainly fish and especially tuna, will continue to increase slightly. However, a lack of a manufacturing industry obliges the country to massively import goods. Tourism revenue, part of the balance of services, constitutes the main positive contribution to the current account balance. The deficit is also under the influence of commodity prices, and will notably be negatively impacted by the increase in oil prices. Even if it is in decline, the current account deficit remains large, especially given the low level of international reserves and the growing exposure to international creditors.

The current account deficit and the level of external public debt induce a risk of pressure on the rufiyaa, and, by extension, a risk from the amount of external debt denominated in foreign currencies, especially in a context of an appreciating US dollar and global monetary tightening.

Amidst an authoritarian climate, the opposition wins the presidential elections

In 2018, the country slid further towards authoritarianism under the presidency of Abdullah Yameen. In February, the President opposed the Supreme Court's decision to free jailed opposition politicians, which led to protests and social unrest. In response, President Yameen imposed a state of emergency for 45 days. This was condemned by the international scene and considered anti-constitutional. In September 2018, the opposition candidate, Ibrahim Mohamed Solih, democratically gained office. This outcome came as a somewhat unexpected but auspicious sign for democracy, stability and transparency. Nevertheless, the business climate and security deteriorated severely during President Yameen's term of office. Instability, corruption, authoritarianism, and Islamic radicalisation remain major sources of concern. In the 2018 World Bank Doing Business rankings, the Maldives was downgraded to the 136th rank in 2018, far from its high point of 49th place in 2006.

The Maldives is a disputed geostrategic partner thanks to its position relative to international trade sea routes in the Indian Ocean. China has anchored its influence through a free trade agreement and major infrastructure investments (over USD 1.2 billion) as part of the MSR initiative. The change of governance in 2018 has dredged up battles of influence, as the new coalition has expressed wishes of reviving historical ties with India.

MALI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2017**	**18.9**
GDP PER CAPITA US Dollars - **2017**	**813**
CURRENCY CFA franc (BCEAO)	**XOF**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.8	5.3	5.0	4.7
Inflation (yearly average, %)	-1.8	1.8	2.1	2.5
Budget balance (% GDP)	-3.9	-2.9	-3.3	-3.0
Current account balance (% GDP)	-7.2	-5.8	-6.9	-7.4
Public debt (% GDP)	35.9	36.0	37.1	37.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	36%
BURKINA FASO	8%
SOUTH AFRICA	5%
COTE D'IVOIRE	5%
INDIA	4%

Imports of goods as a % of total

SENEGAL	26%
EURO AREA	18%
CHINA	13%
COTE D'IVOIRE	9%
RUSSIA	4%

+
- Substantial natural resources: agriculture (cotton) and mining (gold, bauxite and iron)
- Political situation is stabilising; drive to restructure the economy
- International aid

−
- Economy vulnerable to weather and commodity price fluctuations
- Geographically isolated
- Precarious security situation
- Dependent on international aid

RISK ASSESSMENT

Growth is vibrant but volatile

Economic growth, although still strong, is expected to continue slowing in 2019. Agricultural and gold production, the twin driving forces of the economy, are having to contend with less benign economic conditions (raw material prices, security risks, etc.) than in previous years, making growth more volatile. Gold production levels are expected to remain broadly similar to those of the previous year. In August, the government upped its stake in the Fekola mine, which entered full production in 2018, in a move that is expected to boost its revenues by around 1% of GDP. Uncertainties surrounding the price of gold, which accounts for more than 60% of exports and 12.5% of GDP, will therefore have a major bearing on the country's performance. Once again becoming Africa's leading producer in 2017, the cotton sector should continue to grow, assuming weather conditions are favourable. Cultivated land has increased by nearly 5%, paving the way for more rational use of inputs and capital goods, and should ensure that the country maintains its leadership. Public investment will remain strong (around 9.5% of GDP) in 2019. One of the main objectives is to improve energy infrastructure (electricity), the lack of which is undermining the competitiveness of Malian companies. The government is also looking to improve its human capital, which has long been hampered by high levels of poverty, inequality and low literacy (about 35%). To this end, the government met with Huawei, a Chinese ICT firm, on the sidelines of the 2018 China-African summit and signed a training partnership to help young Malians acquire ICT skills. Private consumption will remain the biggest contributor to GDP and should get a lift in 2019 as inflation is kept in check while agricultural incomes, on which 80% of the population depends, go up.

Public and external accounts exposed to cyclical risks

The government's 2019 budget aims at reaching the WAEMU convergence criteria, which requires the deficit to be under 3%. Government spending, which is equivalent to more than 20% of GDP, is highly sensitive to cyclical risks – particularly security risks – and is expected to continue to rise slightly in 2019. Since unrest first broke out in the north of the country in 2012, military and security spending has more than doubled, reaching 3.8% of GDP in 2017, and will probably remain at a fairly high level in 2019, notably due to the financing of the G5 Sahel force. In addition to these current expenditures, the country must, on the IMF's recommendation, continue its investment expenditure to address the infrastructure deficit and build a foundation for sustainable growth. Faced with these expenditures, which cannot easily be reduced, the government will have to rely on more effective mobilisation of tax revenues if it is to meet its budget promises in 2019.

The trade deficit, which is largely dependent on commodity prices, is expected to widen in 2019. Rising prices for oil, which accounted for over 25% of imports in 2018, and food products (about 15%) are expected to weigh heavily on the balance. The increase in public investment, particularly in capital goods, is also likely to contribute to higher imports. Increased cotton production will not be sufficient to prevent exports, which are also being hurt by uncertainty about gold prices, from stagnating. The deterioration in the trade balance, coupled with a small increase in the services deficit (over 11% of GDP in 2018), is unlikely to be offset by increased foreign budget support and the improvement in the transfer balance (12% of GDP), which can be attributed to the persistently high level of expatriate remittances, with the IMF forecasting a 5% increase in 2019. As a result, the current account deficit is set to remain high and will be financed mainly through increased project grants and slight increases in FDI and portfolio investments.

Re-election for IBK and no change in the security situation

August 2018 saw President Ibrahim Boubacar Keita (IBK) re-elected with more than 67% of the votes in the second round. While IBK's victory was hardly in doubt, his score (lower than in 2013), the fact that he had to take part in a second round of voting, and accusations of fraud by the opposition point to growing unrest within Malian society. Source of discontent include corruption (the country is ranked 122nd out of 180 countries in Transparency International's index) and insecurity, which represents the country's biggest challenge.

Terrorist attacks by Islamist groups are continuing, and despite the Algiers Agreement of 2015, conflict persists between the central government and the northern Tuareg tribes, who want more autonomy. Managing these tensions remains a complicated task – in particular because of difficulties surrounding financing for the G5 Sahel force – for a country that has to fight on this front while simultaneously trying to rebuild its democracy. This fragile situation puts a heavy strain on the country's business climate, which dropped two more places in the 2019 Doing Business ranking to 145th worldwide.

MALTA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION	Millions of persons - 2017	0.5
GDP PER CAPITA	US Dollars - 2017	27,327
CURRENCY	Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.2	6.7	5.4	4.9
Inflation (yearly average, %)	0.9	1.3	1.8	1.9
Budget balance (% GDP)	0.9	3.5	1.3	1.2
Current account balance (% GDP)	7.0	13.8	12.0	11.0
Public debt (% GDP)	56.3	50.9	48.0	45.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	17%
FRANCE	10%
ITALY	9%
SINGAPORE	6%
HONG KONG	6%

Imports of goods as a % of total

ITALY	23%
GERMANY	8%
UNITED KINGDOM	8%
SPAIN	5%
CANADA	4%

+
- Crossroads between the eastern and western Mediterranean
- Eurozone member
- Public and external accounts in surplus; public debt held by residents
- Tourism (two million annual visitors for 430,000 inhabitants) and port activities
- Productive, English-speaking, growing and high-income workforce; low taxation

−
- Small island nation, leading to close ties between public authorities and business
- Sizeable incoming/outgoing financial flows (offshore finance, online gambling industry, nationality acquisition programme against investment)
- Inadequate road infrastructure
- Inadequate higher education; shortage of highly skilled labour, R&D and innovation
- Slow legal process; favouritism and corruption

RISK ASSESSMENT

Growth still high, but decelerating to its potential

As in 2018, growth in 2019 will be driven by domestic demand. Investment (21% of GDP) will be the most dynamic element. Its private component is expected to benefit from the start of operations at the Maltese Development Bank, which will finance major infrastructure and SMEs. Health, tourism, and real estate remain the preferred sectors, thanks in particular to foreign funds channelled through the Individual Investor Programme (IIP), which allows foreigners with more than one year of residence to claim Maltese nationality by contributing €675,000 and owing a residence worth €350,000 for five years. Public investment will continue in road works, the construction of tourist and educational facilities, and social housing. Private consumption (45% of GDP) will benefit from the strong performance of the labour market, but also from wage increases resulting from the labour shortage, despite the growing participation of women and the increased presence of foreign workers. Household income will benefit from wage indexation to inflation through the Cost Of Living Allowance (COLA). Exports of electronic, electrical, and optical components (Malta's main manufacturing products), but also of generic medicines and seafood products could slow down with the European economy. Tourism (12% of exports, 16.6% of value added, 27% of GDP and jobs in 2017, with related activities) will continue to benefit from Maltese competitiveness compared with other Mediterranean destinations, but could suffer from a decline in the number of British visitors (24% of spending). Revenues from online electronic gaming (1/4 of exports and 14% of value added) and database management are growing. Port activity is taking full advantage of the country's optimal position at the crossroads of the Mediterranean routes, and especially its location halfway between the Suez Canal and Gibraltar. However, with imports growing faster, reflecting sharply increasing investment, the growth contribution of trade in goods and services (250% of GDP) may be zero at best.

Consolidated public accounts are benefiting from economic conditions

Fiscal consolidation had not been a top priority for the Labour Party, back in power under 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 Mr Muscat) after 15 years of rule by the centre-right National Party. However, a fiscal responsibility law was passed in 2014, and the public accounts posted a surplus as early as 2016. The improvement is largely down to strong growth, although progress has been made in tax collection and the management of state-owned enterprises. Despite a possible drop in IIP revenues (2% of GDP and 5.4% of revenue in 2017), the primary balance, *i.e.* excluding interest, is expected to be 3% of GDP in 2019. The primary surplus, low interest rates and high growth should help to bring down the considerable level of public debt (to which must be added government guarantees for the debt of state-owned companies representing 10% of GDP), which is held by residents, including local banks.

The trade deficit is largely offset by the services surplus

Despite a huge deficit in the trade in goods (12% of GDP in 2017), due to the lack of energy resources, poorly diversified manufacturing production and the high import content of consumption and investment, Malta runs a massive current account surplus. This is due to the surplus in services related to tourism, online gambling, and the duty-free port of Marsaxlokk. This port is used to tranship cargo from high-tonnage ships to vessels suited to smaller-capacity Mediterranean ports and *vice versa*.

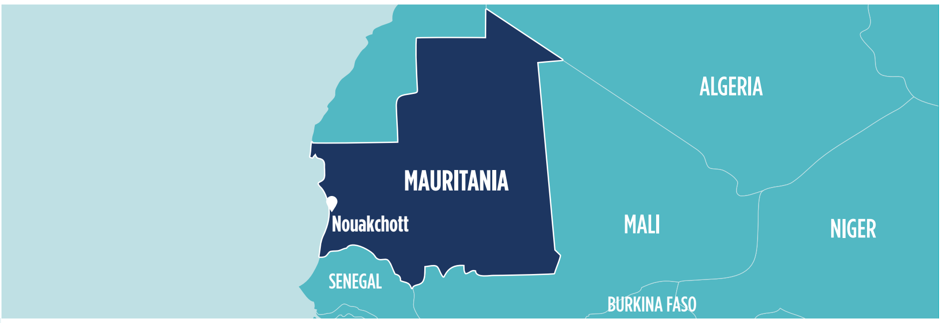
Decrease in bank credit to companies but still a thriving offshore financial centre

The banking sector managed assets equivalent to 430% of GDP at the end of 2017, down from 468% a year earlier. The truly local banks, mainly Bank of Valletta, HSBC and Mediterranean Bank, look after assets representing 226% of GDP. They hold one third of sovereign debt and are heavily involved in mortgage credit to households (60% of their outstanding amounts) to the detriment of corporate credit, which now represents only 31% of GDP and 35% of banks' outstanding loans, forcing businesses to concentrate on inter-company credit. Weak competition is good for profitability, even if non-performing loans still account for 9% of banks' exposures. The remaining assets (205% of GDP and falling) are held by subsidiaries of foreign groups, especially British, German and Turkish groups seeking advantageous tax treatment. They operate with non-resident resources, invest only abroad and employ few local staff. Their services, along with online gaming, data management and the citizenship acquisition programme, have been subject to closer European monitoring since the murder of journalist Caruana Galizia (2017) and the closure of Pilatus Bank (2018).

MAURITANIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D



POPULATION Millions of persons - **2017**	**3.9**
GDP PER CAPITA US Dollars - **2017**	**1,271**
CURRENCY Mauritanian ouguiya	**MRO**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.8	3.5	2.5	5.2
Inflation (yearly average, %)	1.5	2.3	3.8	3.9
Budget balance (% GDP)	0.5	1.2	1.4	1.3
Current account balance (% GDP)	-15.0	-14.4	-16.0	-17.2
Public debt (% GDP)	99.1	96.5	91.4	90.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	35%
EURO AREA	25%
SWITZERLAND	15%
JAPAN	7%
RUSSIA	5%

Imports of goods as a % of total

EURO AREA	26%
SOUTH KOREA	18%
UNITED ARAB EMIRATES	9%
NORWAY	8%
CHINA	5%

+
- Supported by donors and international organisations
- Rich in minerals and fisheries resources
- Energy potential (gas, renewables)

−
- 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

RISK ASSESSMENT

Bright growth prospects

Growth will rebound across all sectors of activity in 2019. The primary sector – in the shape of agriculture (30% of GDP) and especially fisheries (40% of exports) – will drive growth. As fishing activity is dictated by tensions on the maritime border with Senegal, it may benefit from the recent easing in cross-border relations. Services (40% of GDP) will also add to growth through a revival of tourism in the Adrar area, although whether this continues will depend on the government's ability to guarantee security. Other sectors, including construction, will be driven by public investment, benefitting from international aid, particularly from the World Bank, which is providing USD 500 million between 2018 and 2023. Private investment, concentrated in the mining sector (80% of FDI), could be constrained by uncertainty linked to the 2019 presidential elections. Meanwhile, unfair distribution of growth-related profits in a context of high poverty will continue to dampen household consumption. In the medium-term, the increase in gold and iron mining made possible by expanding existing mines will compensate for the end of oil production. Future production of liquefied natural gas will support growth in the extractive sectors: talks with Senegal have resulted in an agreement on equal distribution of revenues from operating the Grande Tortue Ahmeyim (GTA) offshore platform, planned for 2021.

Fiscal rigour and vulnerability to external shocks

In 2019, the budget balance should remain in surplus, although the surplus will be reduced by increased pre-election spending. The government has made fiscal consolidation efforts in line with IMF recommendations, in return for a USD 160 million credit facility agreement over the 2017-2020 period. Steps have been taken to improve the functioning of the tax administration, as well as to increase VAT and the cost of fishing licences, while allocating expenditure more efficiently by cutting current spending to direct more resources towards investments aimed at promoting economic diversification. Public debt is expected to continue to decline, but remains high and vulnerable to exogenous shocks, being mainly external: 86% of the total, including 20% with Kuwait (negotiations to cancel this debt are underway). The high share of concessional loans from international organisations (61% of the total) mitigates the risk of debt distress.

Turning to the external accounts, the massive current account deficit is expected to widen further due to a deterioration in the trade deficit. Exports of fish, iron ore, and raw gold will grow less rapidly than imports of capital goods and oil, exacerbating. Other current account components will also contribute negatively: the services deficit (9.5% of GDP in 2017) will decrease slightly with growth in tourism, but will be offset by an increase in the income deficit (1.1% of GDP). The current account deficit will be financed by FDI, which will be channelled towards the extractive sectors (10% of GDP), and by concessional loans, preserving the foreign exchange reserves, which remain low (four months of imports in 2017).

A tense pre-election environment

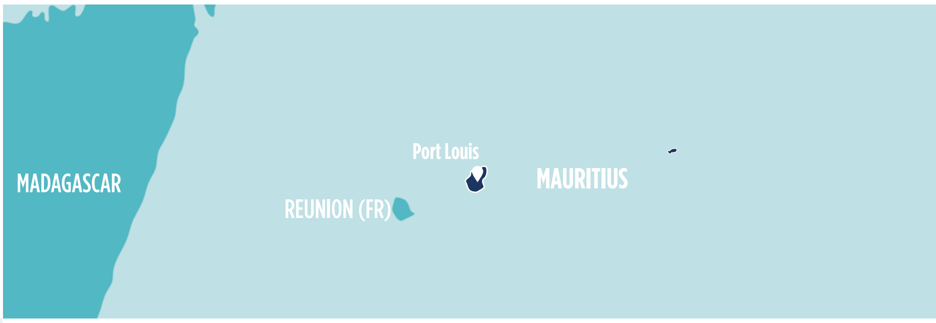
President Mohamed Ould Abdel Aziz, who gained power following a coup d'état in 2008 and was re-elected in 2014 for a second and final term, took advantage of a disorganised opposition to pass reforms concentrating power in the hands of the executive: a constitutional referendum in 2017 saw the Senate abolished and replaced by regional councils and a High Council for Fatwa. The vote, which was boycotted by the opposition, was followed by the imprisonment of Mohamed Ould Ghadda, one of the main opponents of constitutional reform, in a move that was criticised by the UN and that lent support to the notion of an authoritarian shift by the regime. A united opposition finally formed around the National Forum for Democracy and Unity (FNDU), a coalition of eight parties that ran in the 2018 parliamentary elections. The elections were won by the ruling Union for the Republic Party (89 seats out of 157 in the Assembly) and resulted in the appointment of a new prime minister, Mohamed Salem Ould Bechir. The presidential elections, scheduled for June 2019, will not see President Abdel Aziz standing for re-election, in accordance with the constitution. However, the latter has affirmed his willingness to remain active on the political scene and does not exclude the idea of running again in 2024. As a result, the political and social environment remains fragile, in a country still plagued by poverty, unemployment, and inequality, and where slavery, despite being abolished in 1981, continues to be practiced, with 43,000 people, or 1% of the population, reportedly affected.

This last point has led to a deterioration in external relations with the United States, with trade benefits being removed as of 2019 in response to the lack of measures against forced labour and slavery. Moreover, although Mauritania has not been affected by terrorism since 2011, the threat remains given the country's porous border with Mali.

MAURITIUS

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3



POPULATION Millions of persons - 2017	1.3
GDP PER CAPITA US Dollars - 2017	10,504
CURRENCY Mauritius rupee	MUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.8	3.8	3.8	3.9
Inflation (yearly average, %)	1.0	3.7	3.5	3.0
Budget balance (% GDP)*	-3.5	-3.3	-3.5	-3.7
Current account balance (% GDP)	-4.0	-5.7	-6.3	-7.1
Public debt (% GDP)	65.0	64.8	63.4	63.3

(e): Estimate. (f): Forecast. *Fiscal year from 1st July - 30th June. 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
UNITED STATES	12%
UNITED KINGDOM	12%
SOUTH AFRICA	10%
MADAGASCAR	6%

Imports of goods as a % of total

EURO AREA	22%
INDIA	18%
CHINA	16%
SOUTH AFRICA	9%
JAPAN	3%

\+
- Strong tourism sector
- Bilingualism (English and French)
- Robust banking system
- Democratic institutions and effective governance

\-
- Commercially and economically dependent on Europe (tourism, construction)
- Poor infrastructure in some regions
- Lack of skilled workers

RISK ASSESSMENT

Services lift growth

Growth is expected to remain robust in 2019, supported mainly by services. In particular, sectors related to tourism, financial services and ICT will continue to drive the economic expansion. Public investment will play a part in developing these sectors through projects such as construction of a new landing strip in Plaine-Corail and a technology park in Rodrigues. Buoyed by the public investment programme, the construction sector should also continue to grow at a sustained pace in 2019. Financial services and real estate, meanwhile, should continue to attract private investment. Consumption, especially in the household segment, is set to remain brisk, benefiting from credit growth, low inflation; and social measures to support purchasing power (negative income tax and minimum wage). Conversely, manufacturing industries are expected to continue to post mixed performances, mainly due to the textile and sugar industries. Already affected by cooler external demand, textile exports could be further affected by Brexit, while the sugar sector, which is having to cope with lower prices following the end of production quotas in the EU, is set to face continued difficulties.

The deterioration in the trade balance is having an adverse impact on the current account deficit

For the 2018-2019 fiscal year, the political stance is expected to remain expansionary while the government deficit deteriorates. Social transfers, particularly in the run-up to elections, and increased capital investment spending under the public investment programme will continue to contribute to the fiscal deficit. Revenue growth, in line with the economic expansion, is unlikely to be enough to offset the increase in expenditure. While budget support, particularly from India and China, is also expected to go up, this will not enable the deficit to narrow. The risk of over-indebtedness is mitigated by the fact that a large proportion of the public debt needed to meet the government's borrowing requirements comes from highly liquid domestic sources.

In 2019, the current account deficit is expected to continue to widen, following the worsening trade balance. More muted external demand at the global level, particularly in Europe, and the difficulties affecting the sugar sector are likely to impact exports. At the same time, imports, chiefly of capital goods, are expected to increase. The surplus in the balance of services, thanks to financial intermediation, telecommunications and tourism, is expected to increase, but not enough to compensate for the downturn in the balance of goods. Profit repatriations by the many offshore companies located on the island should continue to support the income account surplus, but will remain relatively stable. The slight deficit in the transfer balance is also expected to stay at the same level. FDI and other investment flows should finance the current account deficit.

Government with a tarnished image in the run-up to elections

After comfortably winning the 2014 parliamentary elections, the ruling Lepep Alliance looks weakened in the lead-up to elections scheduled for 2019 or early 2020. The appointment of Pravind Jugnauth as Prime Minister in January 2017, succeeding his father Sir Arnerood Jugnauth, and the defection a month earlier by the Mauritius Social Democratic Party, one of the Alliance's constituent parties, lessened the Lepep Alliance's popularity. The coalition is also being hurt by growing concerns about cronyism and corruption within the government, a sense fuelled by the scandal in March 2018, when President Ameenah Gurib-Fakim was accused of using a bank card provided by an NGO for personal use. These scandals could damage the reputation of one of the highest ranked countries in sub-Saharan Africa according to World Bank governance indicators. Despite these scandals, however, political stability and good governance on the island are contributing to an internationally competitive business climate, with Mauritius coming 20th out of 190 in the Doing Business 2019 ranking.

MEXICO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	123.5
GDP PER CAPITA US Dollars - 2017	9,319
CURRENCY Mexican peso	MXN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.9	2.0	2.0	2.0
Inflation (yearly average, %)	2.8	6.0	4.8	3.6
Budget balance (% GDP)	-2.5	-1.1	-2.4	-2.2
Current account balance (% GDP)	-2.1	-1.6	-1.4	-1.4
Public debt (% GDP)	56.8	54.3	53.8	53.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	80%
EURO AREA	5%
CANADA	3%
CHINA	2%
JAPAN	1%

Imports of goods as a % of total

UNITED STATES	46%
CHINA	18%
EURO AREA	10%
JAPAN	4%
SOUTH KOREA	4%

- Geographic proximity to the United States economy
- Membership of NAFTA, OECD, the G20 and the Pacific Alliance
- Substantial industrial base
- Recent improvement in fiscal position

- High dependence on the United States economy; vulnerability to changes in the NAFTA agreement
- High and rising criminality rate and weak income distribution
- Infrastructure and education weaknesses
- Oil sector undermined by years of underinvestment

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	HIGH
CHEMICAL	HIGH
CONSTRUCTION	VERY HIGH
ENERGY	VERY HIGH
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth should remain sluggish in 2019

GDP growth in 2018 was predominantly driven by domestic demand, thanks to strong household consumption and the recovery of investments compared to 2017 (positive effects from reconstruction works following the September 2018 earthquake). In 2019, activity should maintain a similar growth rate. On the one hand, steady employment growth, high remittances from Mexicans living abroad, and a still solid demand for manufacturing coming from the United States (despite some GDP growth deceleration expected) should contribute positively to the economy. The USMCA, the new trade agreement made in September 2018 between Canada, the United States and Mexico as a revamp of the NAFTA, eliminates a source of uncertainty. As it includes only modest alterations, the agreement should not hit difficulties during the ratification process in the respective congresses. On the other hand, there are some limits to activity, such as sticky inflation and the depreciation pressures recently reported by the Mexican peso. If the two movements persist along the year, the central bank might not have space to reverse the tightening monetary cycle in place since late 2015. In addition, there are also uncertainties related to the economic direction of the new administration.

New government's commitment to fiscal discipline remains doubtful

The current account deficit has narrowed since 2017, thanks to higher non-oil trade surplus and strong remittances amid a near full employment job market in the United States. This behaviour is expected to remain stable, as oil prices are estimated to continue close to the current levels, and the new USMCA agreement has helped reduce the uncertainties related to the continuity of Mexico's strong manufacturing exports to the US. Moreover, the current deficit has so far been comfortably covered by FDI. External debt represents around 37% of GDP (45% owed by the government and 49% by the non-financial private sector) and 14% is due in the short term. Reserves in foreign currency equivalent to roughly 15% of GDP (imports coverage of five months) and a two year flexible credit line of USD 74 billion (7% of GDP) with the IMF (due to expire at end 2019) could work as a cushion in the event of a further increase in risk aversion.

The fiscal policy has remained prudent. In contrast to most Latin American economies, Mexico has been able to marginally reduce public debt since 2017. Nevertheless, the main uncertainty for 2019 concerns how the new administration will manage to finance new spending programs promised during campaign (such as increased infrastructure investment, and higher investment for the petroleum SOE Pemex), while maintaining the commitment to fiscal discipline.

Corruption and violence are top priorities for the new President

On December 1, 2018, President Andrés Manuel López Obrador (AMLO) from the Morena party took office. His victory followed two unsuccessful presidential bids and represents the end of Mexico's long-lasting two-party hegemony. AMLO's success was underpinned by an environment of general dissatisfaction with the political class amid several corruption scandals and climbing violence in the country. Although AMLO was not the financial market's favourite contender during his previous attempts due to his position against the NAFTA agreement and privatisation, he has since softened his rhetoric. His coalition also assured an absolute majority in the July 2018 general elections – nevertheless, in Mexico, the qualified majority required to pass constitutional changes is two-thirds in both the House and Senate, meaning AMLO is close, but does not have it. Despite a smoother than expected electoral period in 2018 and the market-friendly approach assumed by AMLO since his victory, confidence in the new administration has weakened since mid-October 2018, especially after the construction of the New Airport of Mexico City was cancelled, following a public consultation idealised by the new President. The construction cost was estimated at USD 13 billion, and over a third of the airport has already been built. This episode has raised investors' fears that the new government might be prepared to tear up other big projects. The energy policy proposed by the ruling party, based on achieving energy self-sufficiency through increasing Mexico's refining capacity and halting oil exports, also raises concern. At the end of October 2018, rating agency Fitch downgraded its assessment of Pemex to negative watch, citing the increased uncertainty about the company's future business strategy, which could potentially lead to financial stress. AMLO has pledged to inject USD 11 billion in cash into Pemex in the aim of constructing a new refinery, upgrading Mexico's six existing refineries and investing in hydroelectric power.

MEXICO

PAYMENT & DEBT COLLECTION PRACTICES IN MEXICO

Payment

Debts are commonly paid in Mexico by cheques, wire transfers and – in some special cases – credit cards. 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*). The documents most frequently related to commercial transaction are invoices, promissory notes, and cheques. 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. 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.

Invoices

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*) 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. 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, other steps include 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.

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 that could potentially enable the payment of sums due.

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 the amicable phase.

Legal proceedings

The *Medios Preparatorios a Juicio Ejecutivo Mercantil* is a 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. There are subsequently three types of proceedings which can be initiated against debtors:

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 €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 takes approximately four to six months. On May 2, 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 January 25, 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

With the approval of creditors holding 40% of the debt, debtors 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

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**3.5**
GDP PER CAPITA US Dollars - 2017	**2,694**
CURRENCY Moldovan leu	**MDL**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	4.5	3.8	3.8
Inflation (yearly average, %)	6.4	6.6	3.6	4.7
Budget balance (% GDP)*	-1.8	-0.8	-3.7	-4.0
Current account balance (% GDP)	-3.4	-6.3	-7.4	-6.3
Public debt (% GDP)	43.8	38.9	40.5	42.0

(e): Estimate. (f): Forecast. * Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	27%
ROMANIA	25%
RUSSIA	11%
UNITED KINGDOM	6%
BELARUS	5%

Imports of goods as a % of total

EURO AREA	25%
ROMANIA	14%
RUSSIA	12%
UKRAINE	11%
CHINA	10%

+

- Agricultural potential (wine, fruit, vegetables, sunflowers, wheat)
- Association and free trade agreements with the EU
- Small open economy is attracting foreign investment
- Relatively inexpensive labour force
- Managed float currency regime

−

- Poorest country in Europe
- Large informal sector, low productivity
- Corruption, weak governance, oligarchy and clientelism
- Underdeveloped credit
- Dependent on remittances from expatriate workers
- Separatist tendencies in Transnistria

RISK ASSESSMENT

Moderate and stable growth in 2019

The Moldovan economy was rocked by a banking scandal at the end of 2014. More than USD 1 billion – equivalent to 15% of GDP – was misappropriated, the three major banks involved were bankrupted, and economic activity slowed significantly as a result. Growth is expected to remain at a moderate level in 2019, thanks to two 2016 events that enabled the economy to begin expanding again: the consolidation of the financial sector, and an increase in external demand (mainly from the EU and Turkey). Private consumption, which accounts for 85% of GDP and makes a significant contribution to growth, will continue to increase moderately. The low unemployment rate, combined with wage growth and the high level of remittances from Moldovan workers abroad (21% of GDP in 2017), particularly in Russia and Israel, will be offset by the negative impact of higher inflation on disposable income. Inflationary pressures linked to brisk domestic demand, in a relatively accommodative fiscal context, will no longer be mitigated as they were in in 2018 by the fall in administered prices (for gas and electricity) and the appreciation of the Moldovan lei. In addition, monetary policy is expected to remain tight. Moreover, even though agri-food exports continue to benefit from free trade with the EU, trade will still make a negative contribution to growth because of strong imports linked to domestic demand and insufficient diversification of production. Although low production costs are making the textile and clothing sector more attractive, with manufacturing struggling to build greater diversification, the distribution and agri-food sectors are the industries that will drive activity above all. Moldova also remains dependent on the primary sector, which accounted for 14% of GDP and 34% of employment in 2017, and weather conditions.

Persistent deficits and a fragile banking system

The Moldovan budget gets financial assistance from international bodies, including the IMF, whose ECF is injecting USD 178 million (2% of GDP) over 2017-2019, and the EU, which in 2017 introduced a macro-financial assistance programme of up to EUR 100 million. This support comes with fiscal consolidation requirements entailing a significant increase in revenues (including VAT) and diversification of revenue sources to meet social and infrastructure investment needs. Other conditions include cleaning up the financial system and improving governance (the EU has suspended its aid pending the elections). Despite reforms to improve the supervision of banks and their activities, the banking system remains tainted by irregularities. In October 2018, the EBRD and two private funds acquired 41% of the capital of the largest bank, MAIB, which had been state-owned since being confiscated in 2017 from shareholders who were colluding to launder money. By January 2018, the EBRD and Banca Transilvania had already acquired 27% of the capital of Victoria Bank, the third largest in the country. The state retains control over the second largest bank, Moldindconbank, which it took over following incidents of embezzlement. Under these circumstances, the authorities have chosen to limit the development of the system by imposing a 40% minimum reserve ratio on deposits in local currency.

The current account deficit is expected to remain high in 2019 due to the massive trade deficit (28% of GDP in 2017), despite remittances from expatriate workers. The main trading partners are the neighbouring countries (Ukraine, Romania), but exports to Western European countries – chiefly of agricultural products, electrical wires and clothing – are growing rapidly. To finance its current account deficit and maintain its foreign exchange reserves at the equivalent of six months of imports, the country uses concessional loans from the IMF, the World Bank, and the EU, with FDI remaining limited. External debt stood at 80% of GDP at end-June 2018, with public and FDI shares each accounting for a quarter.

Parliamentary elections in February 2019 will not ease the tension

The political scene is dominated by President Igor Dodon, elected in 2016 for a four-year term and a member of the pro-Russian Party of Socialists of the Republic of Moldova (PRSM), and the influential Vlad Plahotniuc, the country's richest man and head of the pro-European Democratic Party, which formed the government led by Prime Minister Pavel Filip. These two sides will face off in parliamentary elections on February 24, 2019. The outcome is uncertain, especially as the country has moved from a proportional voting system to a mixed one, in which MPs will be elected at local and national level. While the President is popular and the PRSM leads in the polls, their rivals have media support, the backing of Western countries and can tap into Moldovans' fear of Russia. Nevertheless, both sides are satisfied with a scene where the opposition is mainly a façade, and the actors are playing on their respective relationships with either Russia or the West.

Moldova also has to contend with separatist tendencies in the eastern Transnistrian region. The area, which is Russian-speaking, enjoys autonomous status and self-declared its independence in 1992, calling itself the Moldovan Republic of Dniestr. Russian forces are stationed there.

MONGOLIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	3.1
GDP PER CAPITA US Dollars - 2017	3,640
CURRENCY Mongolian tögrög	MNT

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.4	5.1	5.8	6.3
Inflation (yearly average, %)	0.8	4.6	7.8	8.2
Budget balance (% GDP)	-17.0	-1.9	-4.7	-5.4
Current account balance (% GDP)	-6.3	-10.4	-8.5	-8.3
Public debt (% GDP)	87.6	84.6	84.1	83.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	85%
UNITED KINGDOM	11%
RUSSIA	1%
EURO AREA	1%
TAIWAN	0%

Imports of goods as a % of total

CHINA	33%
RUSSIA	28%
JAPAN	8%
EURO AREA	7%
UNITED STATES	5%

+

- Development of colossal mining resources (coal, copper, gold)
- Strategic geographical position between China and Europe (Silk Road Development Project)
- Potential for diversification of production, including agribusiness (dairy products, meat, cashmere) and tourism

-

- Economy's vulnerability to changes in commodity prices
- Strong exposure to the Chinese economy
- Internal political dissensions
- Alarming level of corruption and risks associated with rising inequalities as well as less inclusive mining development

RISK ASSESSMENT

The mining sector as a growth driver

Growth in 2019 is expected to be even more dynamic than in 2018, thanks to the continued boom in the mining sector as a result of high mineral prices (especially coal and copper). The development of the Oyu Tolgoi mining project (one of the world's largest gold and copper reserves, operated by Rio Tinto through its subsidiary Turquoise Hill), which is expected to be fully operational by 2020, will likely to continue to boost copper exports, despite forecasts of lower prices in 2019. These exports, as well as those of coal (the country's largest export in volume terms), should make a positive contribution to growth from net exports, although lower than in 2018, due to higher imports. In this context, investor confidence should continue to improve (+48.1% investment in the first quarter of 2018 compared to the same period in 2017), supported by the multi-party political agreement in favour of major investment projects. The influx of foreign direct investment is expected to benefit both the industrial and residential construction sectors in response to increasing urbanisation. However, growth will remain highly vulnerable to a fall in Chinese demand (85% of the country's exports). Public consumption is expected to benefit from the fiscal policy loosening in 2019, while private consumption should gain from the 8% increase in civil servants' wages that was decided in September 2018 and from a potential further increase in 2019. Inflation is expected to remain below the central bank's 8% target, which is expected to adopt a tighter monetary policy after a first increase in its key rate (11% for one-week bonds) in November 2018. Risks remain in the banking sector, which is still largely undercapitalised, while the first reforms have been implemented (process of reviewing the quality of banking assets at the end of 2017).

Twin accounts still largely in deficit

As part of the program accompanying the IMF's EFF set up in May 2017 (equivalent to USD 425 million), the government has committed to reducing the public deficit. These fiscal consolidation efforts have resulted in, among other things, the introduction of a progressive income tax, an increase in taxes on alcohol and tobacco, and an increase in the retirement age. However, the fiscal policy stance should loosen in the coming year as the 2019 budget plans to boost expenditures, increasing public investment and civil servants' salaries (+16% planned). Nonetheless, despite its very high level, debt should remain sustainable in the short term. Indeed, the dynamism of growth and the first efforts made have allowed the government to issue USD 800 million in bonds at the end of 2017 at a lower interest rate (5% compared to 11% in 2016), covering all maturities until the end of 2020. 85% of this debt is denominated in foreign currencies and remains very vulnerable to a sudden depreciation of the tögrög, as was the case in 2016 (25% loss in value). The trade surplus is expected to be lower than in the past, following the increase in imports due to the demand for equipment. The lower dynamism of coal prices and the lower copper prices will likely prevent exports from offsetting this increase. Both the services balance and the income balance will be in deficit, due to foreign services and the repatriation of corporate profits. The resulting large current account deficit will be more than offset by increasing foreign direct investment. Foreign exchange reserves are expected to continue to grow, equivalent to 3.5 months of imports at the end of 2017, making the country less vulnerable to external conditions.

A more stable political situation but still exposed to latent internal tensions

After the victory of the Mongolian People's Party (PMD) in the June 2016 parliamentary elections (65 of the 76 seats in Parliament), the June/July 2017 presidential election brought the opposition party's candidate, Khaltmaagin Battulga (Democratic Party) to power. Following this defeat, internal struggles resurfaced in the parliamentary majority, leading to the dismissal of Prime Minister Jargaltulga Erdenebat in September 2017 on allegations of corruption. The appointment of Khurelsukh Ukhnaa as the new Prime Minister in October 2017 has stabilised the situation, but has not ruled out further developments in intra-party struggles. In terms of the business environment, the large majority of the PMD in parliament should ensure a certain efficiency in reforms, as well as support for foreign investment projects. On the social level, the main challenge for the government will be to address the challenges related to the country's increasing urbanisation, increasing migration flows and a more equal distribution of mineral wealth. These various points, as well as the fight against corruption, were defined as priorities by President Battulga during his campaign in June 2017. Mongolia will likely continue to seek to diversify its diplomatic partners beyond its Russian and Chinese neighbours, in particular through a rapprochement with India.

MONTENEGRO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	0.6
GDP PER CAPITA US Dollars - 2017	7,678
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.9	4.3	3.8	2.8
Inflation (yearly average, %)	0.9	2.4	2.8	2.5
Budget balance (% GDP)	-6.2	-7.0	-4.6	-3.6
Current account balance (% GDP)	-16.2	-16.3	-16.8	-16.2
Public debt (% GDP)	71.4	74.6	79.0	78.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SERBIA	18%
EURO AREA	17%
BOSNIA & HERZEGOVINA	13%
HUNGARY	9%
HONG KONG	9%

Imports of goods as a % of total

EURO AREA	34%
SERBIA	22%
CHINA	10%
BOSNIA & HERZEGOVINA	7%
CROATIA	6%

+
- Tourism potential (sea, mountain, climate)
- Hydroelectric potential
- Use of the euro
- Negotiations for accession to the European Union
- Good quality education and health

−
- Modest market
- Dependence on tourism, construction, energy
- Power generation largely based on subsidised coal
- Deficient road and electricity networks
- Structural unemployment (14%); lack of qualified personnel
- Importance of ethnic voting; absence of political alternation
- Poor business environment
- Large informal economy (25% of the workforce) and low participation rate (56%)

RISK ASSESSMENT

Growth will slow in the wake of investment

In 2019, growth will slow in the wake, which will continue to be driven mainly by the continued construction of the first 41 km section of the motorway between Podgorica and Mateševo from the port of Bar to Boljare on the Serbian border – although disbursements are expected to decrease gradually as the work approaches completion. At the same time, foreign investment in tourism infrastructure will continue, developing a sector that is crucial to the economy (10% of GDP). Conversely, private consumption will continue to make a small contribution to growth, with wage stagnation partially offsetting the positive effects of lower unemployment. Despite record levels of tourism, the contribution of foreign trade will remain negative due to the high level of imports related to the construction of the motorway.

Further budgetary consolidation, pending the completion of the motorway

Despite significant fiscal efforts since 2017, the public accounts will remain in deficit in 2019. While fiscal consolidation has resulted in higher revenues in 2018 (higher taxes on tobacco, soft drinks, and alcohol, as well as an increase in the ordinary VAT rate from 19% to 21%), the 2019 budget savings will be mainly concentrated on expenditure. Structural adjustment, which is less than in previous years (0.75 pt of GDP compared to 3 pt cumulatively in 2017 and 2018), will likely involve continuing the partial freeze on civil service salaries and controlling current expenditure, although the latter is subject to upward uncertainty due to the upcoming 2020 parliamentary elections. In addition, while taxes on coal will increase, taxes on tobacco were lowered at the end of 2018, due to the fall in income caused by the rise in the black market. At the same time, the pension system is in deficit – more than 2% of GDP in 2017, financed by the state – due to the many early retirements. Tax reductions to attract foreign investment in tourism, such as the application of reduced VAT at 7% for luxury hotels, are costly. However, the decisive explanatory factor is the construction of the motorway, with the cost of its first section representing 25% of GDP, without which the budget balance would be in surplus. The project is being carried out by China Road & Bridge with a local subcontracting rate of 30%, is 85% financed by a 20-year US dollar loan from Exim Bank at 2% with a 6-year grace period. The balance is to be paid by Montenegro. The project, which was initially scheduled to be completed in 2019, could finally fall several months behind schedule, thus delaying the possibility of a budget surplus and a significant reduction in debt, which is currently very high. The government has announced its intention to use a public-private partnership (PPP) to finance the remaining 136 km, the cost of which will be slightly higher than the first section. Furthmore, the government will make disbursements (EUR 160 million) related to the purchase of shares in the public electricity company (EPCG) from the Italian A2A group.

The current account deficit will remain very high in 2019 due to the abyssal deficit in merchandise trade (nearly 45% of GDP). Exports, almost half of which are composed of metals (aluminium from the Kombinat Aluminijuma in Podgorica and steel from the Toscelik steel mill at Nikšić), are largely offset by imports of road infrastructure equipment, but also food and oil products. Tourism generates a surplus representing 20% of GDP. Russians (18% of tourists) should remain insensitive to the government's pro-Western positions. In the end, two thirds of the current deficit is financed by FDI, the balance by debt and undeclared capital inflows into second homes. External debt (160% of GDP at the end of 2017) will continue to grow, in line with its public share (one third of the total), as a result of external financing of the public deficit and the disbursement of the Chinese loan for the motorway.

Milo Djukanovic's victorious return

Milo Djukanovic, the historic leader of the Democratic Socialist Party (DPS) from the former Communist Party, won the April 2018 presidential election, with 54% of the vote in the first round. As with all elections since 1991, the pro-European DPS came out on top in the 2016 parliamentary elections (36 seats out of 91), far ahead of the main pro-Russian opposition coalition (Democratic Front, 18 seats), thus retaining executive and legislative power. Following Mr Djukanovic's (ultimately temporary) withdrawal from politics in 2016, Duško Marković took over as head of a coalition government bringing together the DPS and ethnic minority parties.

The government has completed the NATO accession process and is pursuing EU accession negotiations, which could be effective in 2025, subject to compliance with the criteria set by the EU. Despite the progress induced by these negotiations, the business environment remains marked by corruption, organised crime and the politicisation of justice, which hinders the enforcement of contracts and the treatment of insolvency. In 2018, Montenegro ranked 42nd out of 190 in the World Bank's Doing Business ranking (51st in 2016) and 77th out of 137 in the Global Competitiveness Report.

MOROCCO

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

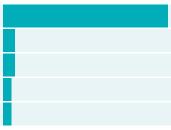
POPULATION Millions of persons - 2017	34.9
GDP PER CAPITA US Dollars - 2017	3,137
CURRENCY Moroccan dirham	MAD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.2	4.3	3.1	3.3
Inflation (yearly average, %)	1.8	1.6	1.0	1.6
Budget balance (% GDP)	-4.3	-3.4	-3.9	-3.8
Current account balance (% GDP)	-4.5	-3.7	-4.3	-4.0
Public debt (% GDP)	81.6	82.0	82.6	82.9

(e): Estimate. (f): Forecast.

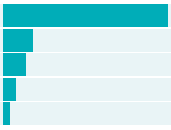
TRADE EXCHANGES

Exports of goods as a % of total



EURO AREA	60%
UNITED STATES	4%
BRAZIL	4%
INDIA	3%
TURKEY	3%

Imports of goods as a % of total



EURO AREA	49%
CHINA	9%
UNITED STATES	7%
TURKEY	4%
UNITED KINGDOM	2%

+

- Favourable geographical position, close to the European market
- Strategy to move to high-end market and diversify industrial production
- Political stability and commitment to reform
- Growing integration in African market

−

- Economy highly dependent on the performance of the agricultural sector
- Significant social and regional disparities. Although decreasing, the poverty rate remains high.
- Weak productivity and low competitiveness
- High unemployment and low female participation in the labour market
- Political tension with regional neighbours

RISK ASSESSMENT

A marked deceleration in the pace of growth in 2019

Despite the decline in agricultural GDP, Moroccan growth firmed in 2018 on the back of a favourable external environment. The non-agricultural sector grew at a lively pace, supported by the solid performance of the manufacturing sector and continued momentum in domestic demand. While the automotive sector continues to benefit from increased registrations in Europe, the construction sector is marking time. In 2019, growth is expected to increase slightly thanks to an rise in agricultural GDP. Indeed, the heavy rainfall suggests a promising 2018/2019 agricultural season. Value added growth in the secondary and tertiary sectors should continue to drive activity, supported by robust domestic demand and resilient exports despite muted European growth. Meanwhile, favourable domestic prospects and tax incentives are expected to boost private investment and offset the decline in public investment in 2019. Inflation is set to remain moderate, but rising energy prices are likely to affect both household purchasing power and business competitiveness.

Further fiscal consolidation

Initially forecast at 3% of GDP, the government deficit rose slightly in 2018. A smaller-than-expected increase in revenues has diverted the path of public finances. Although fiscal consolidation efforts initiated in 2013 enabled the deficit to gradually stabilise, the government intends to raise expenditure in 2019 to cope with an economic environment that is expected to present risks. Public investment in major projects is likely to continue but should be streamlined. New hires in the Ministries of Defence and the Interior will increase the weight of the wage bill. At the same time, the focus on social spending on health and education should result in increased allocations to the relevant ministries. Higher oil prices would also increase the subsidy burden, which is estimated at 1.3% of GDP. Expenditure is to be partly financed by tax hikes (tobacco, corporation tax) and privatisations. This worries credit rating agencies, and in October 2018, S&P revised the outlook for the country's sovereign rating from stable to negative while warning the authorities that a downgrade was possible if fiscal imbalances increase. Morocco could move into the speculative category, which would push up the cost of debt as the country returns to the international market.

Turning to the external accounts, a favourable phosphate market, resilient automotive and aerospace exports, and rising tourism revenues should partially offset higher energy costs in 2019. The current account deficit is expected to be slightly reduced. Foreign exchange reserves will remain comfortable. The country's low exposure to international capital markets should also protect it from capital flow volatility. Nevertheless, Morocco has requested a new precautionary line from the IMF.

Rising social risk

The coalition resulting from the 2016 parliamentary elections and led by the Justice and Development Party (PJD) looks shaky. While relations between the Islamist party, which won the elections, and the National Rally of Independents (RNI) have eased somewhat, there was a flare-up with the Party of Progress and Socialism (PPS) in October 2018. At the same time, divisions are emerging within the PJD itself, whose militant youth movement is increasingly at odds with the political line adopted by the government. Prime Minister Saâdeddine El Othmani remains under fire from critics in the opposition, the palace and the population. He is being challenged on his management of several big issues (boycott of several major Moroccan groups, time change, and a rail accident) and is beginning to suffer from a lack of credibility. In response to mounting social unrest, the 2019 budget provides for a spending shift to allocate more resources to health and education. At the same time, Prime Minister Othmani has committed himself to pushing on with several unpopular reforms, such as increasing taxes on property capital gains and regulating road transport.

PAYMENT & DEBT COLLECTION PRACTICES IN MOROCCO

Payment

Bank transfers are becoming the most popular means of payment for both domestic and international transactions. 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.

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. 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.

<u>Fast-track proceedings</u>

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.

<u>Ordinary proceedings</u>

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 judgers, 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* proceedings. 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

The alert procedure is initiated by a business' partners or auditors (external auditors hired by the company to rectify the financial situation), who are required to notify the company manager of any opportunities to redress the situation within eight days. If no steps are taken to remedy the situation within 15 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.

Safeguard procedure

This is a heavy mechanism, intended to allow a company to reorganize in order to continue to survive. To benefit from it, the company must establish that it is not in a state of cessation of payments. However, in the context of this procedure, it is still possible to negotiate with your creditors, in order to avoid arriving at to this cessation of payments, to the receivership proceedings. It is the company that seizes the court, which pronounces a judgment of opening of the safeguard procedure. The procedure starts with a six-month observation period (renewable once) during which the insolvency administrator, in collaboration with the manager, draws up a "economic and social balance sheet" (BES) for the company: an update on the origin of the difficulties, he current financial situation, the corrective measures to be envisaged and the resulting prospects. During this period, the company takes appropriate measures to correct the situation, and it helps the administrator to develop a backup plan. The adoption of such a plan by the court marks the end of the observation period and the beginning of the actual plan, which can last up to five years. Here again, the manager remains master aboard his company but, above all, the company will benefit from radical measures that the court can only impose:

- suspension of maturities of debts;
- stop individual prosecutions;
- obligation for all creditors to declare their claims;
- stop interest rate.

Judicial rehabilitation

This procedure is only available for debtors that have become insolvent (*état de cessation de paiements*), 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 company 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 reorganisation 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

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, 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.

MOZAMBIQUE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	**29.5**
GDP PER CAPITA US Dollars - 2017	**426**
CURRENCY Mozambique metical	**MZN**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.8	3.7	3.3	3.5
Inflation (yearly average, %)	19.8	15.4	4.2	6.1
Budget balance (% GDP)	-7.1	-4.6	-8.1	-8.9
Current account balance (% GDP)	-35.0	-19.4	-23.6	-29.8
Public debt (% GDP)	128.7	111.6	121.5	129.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	34%
EURO AREA	21%
SOUTH AFRICA	19%
CHINA	5%
UNITED KINGDOM	4%

Imports of goods as a % of total

SOUTH AFRICA	28%
EURO AREA	20%
UNITED ARAB EMIRATES	9%
CHINA	8%
INDIA	8%

+

- Favourable geographical location: long coastline, proximity to South African market
- Significant mineral (coal), agricultural and hydroelectric potential
- Huge offshore gas fields discovered in 2010

-

- Under-diversified; dependent on commodity prices (aluminium, coal)
- Inadequate transport and port infrastructure, which constrains the country's commodity export capacities
- Banking system constrained by government financing needs
- Unstable political and security environment
- Weak governance
- Difficult climatic conditions

RISK ASSESSMENT

Mediocre growth prospects

The economy is expected to rebound slightly in 2019, but will remain constrained by the crisis following the 2016 revelation of the government's hidden debts. Construction, which was one of the sectors driving growth before the crisis broke out, is expected to continue to suffer from the government's financing constraints linked to the donor freeze on international aid. In addition, the state's use of domestic financing sources, to the detriment of the private sector, is a drag on the banking sector. As a result, and despite monetary easing by the central bank, credit to the private sector is expected to continue to decline, which will impact the services sector, particularly in trade activities. With credit contracting, agricultural growth will remain held back by structurally limited access to credit. After acting as the main driver of economic expansion after the severe drought in 2016, the sector is nevertheless expected to continue to rebound. Fisheries and mining will also drive growth. While coal production growth is expected to continue to falter after the surge in 2017, it should remain robust. Graphite production is set to accelerate: in addition to increased production from the Balama mine, the Ancuabe and Caula sites are scheduled to start production in 2019. Inflation is expected to go up amid fading food price disinflation and rising energy prices (fuel and electricity). Prices will remain vulnerable to a depreciation of the metical.

Persistent over-indebtedness, vulnerable external position

In 2019, the budget deficit is expected to widen, in line with the increase in debt servicing costs and expenditure for the organisation of elections, despite measures to broaden the tax base, with a review of special tax regimes, and to reduce the state wage bill (which takes up about 55% of revenues). Capital expenditure growth will be limited by external financing constraints due to the high debt burden, which is mainly denominated in foreign currencies (almost 85% of total debt). The agreement to restructure a USD 726.5 million Eurobond, reached in November 2018, was a necessary first step towards exiting the debt crisis, but does not solve the over-indebtedness problem: external arrears remain high, and more defaults are possible. Monetary easing should allow the government to continue to use domestic financing, but the long-term viability of this solution seems limited.

In 2019, the large current account deficit is expected to widen in line with the deterioration in the trade balance, for while export growth is poised to slow, the production prospects (2022/23) for liquefied natural gas (LNG) will fuel demand for capital goods. Similarly, the services deficit will be affected by the need for technical services related to the development of these gas projects, while the income deficit will be hit by interest payments on debt and profit repatriation. Only the transfer balance will contribute positively to the current account balance. The deficit should, however, be financed by massive FDI flows, mainly into LNG projects. Despite the replenishment of foreign exchange reserves and stabilisation of the metical in 2018, the very large current account deficit exposes the country to external shocks. The debt restructuring agreement may make it easier to obtain an IMF loan, which would support the external position. However, the lack of clarity on the use of the USD 2 billion of hidden debt is expected to continue to stand in the way of talks with the IMF.

A precarious political climate, tested by the 2019 elections

Presidential, legislative, and provincial elections scheduled for October 2019 are expected to test the country's shaky political stability once again. The tensions inherited from the post-independence civil war (1975-1992) between the Mozambique Liberation Front (Frelimo), which has been in power since 1975, and the Mozambique National Resistance (Renamo), a former armed guerrilla group that turned into a political party in 1992, were rekindled by disputed municipal elections in October 2018. The first elections since 2009 to be held with the participation of Renamo (which took up arms again between 2013 and 2016 to challenge Frelimo's grip on power), the municipal elections ended with accusations of fraud and suspension of the peace negotiations launched in late 2016. The progress made, including the agreement on the disarmament programme for Renamo's armed wing, has thus been put on hold. Fears about an outbreak of violence remain a key concern, even before the battle at the polls between President Filipe Nyusi, in power since 2015 and running for re-election, and the successor (not yet designated at the time of writing) of Renamo's long-standing leader Afonso Dhlakama (deceased in May 2018). Such a scenario is not out of the question, given the country's history of violence, the debt crisis and the perception of corruption, all of which are fuelling discontent. Terrorist attacks attributed to Islamist movements, mainly near the border with Tanzania, are an additional source of instability. In this context, the perception of weak governance and a difficult business climate (135th out of 190 countries in the 2019 Doing Business ranking) will persist.

MYANMAR

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	52.6
GDP PER CAPITA US Dollars - 2017	1,278
CURRENCY Myanmar kyat	MMK

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	39%
THAILAND	19%
EURO AREA	7%
JAPAN	6%
SINGAPORE	5%

Imports of goods as a % of total

CHINA	31%
SINGAPORE	15%
THAILAND	11%
JAPAN	5%
MALAYSIA	5%

\+

- Ongoing democratic transition and opening of the economy
- Abundant raw materials (jade, minerals, gas and oil); hydroelectric opportunities
- Proximity to vibrant economies (India, China, Thailand)
- Huge touristic potential
- Good potential of the primary sector (agriculture)
- Young population (27% of the population is under 14)
- Availability of inexpensive labour force
- ASEAN membership

\-

- High endemic corruption
- Extreme ethnic crisis regarding intolerance of the Muslim Rohingya minority by the Buddhist majority
- International condemnation of minorities' discrimination
- Inefficient central bank
- Lack of diversification and of infrastructure (electricity, refining, education)
- Underdeveloped financial sector

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.9	6.8	6.4	6.8
Inflation (yearly average, %)	6.8	4.0	6.0	5.8
Budget balance (% GDP)*	-2.5	-2.7	-2.9	-3.5
Current account balance (% GDP)	-3.9	-4.3	-5.3	-5.7
Public debt (% GDP)	35.7	33.6	33.2	34.2

(e): Estimate. (f): Forecast. *Fiscal year 2019 from October 2018 to September 2019.

RISK ASSESSMENT

Growth will remain very strong

Economic growth will remain one of the most dynamic of the region. Agriculture – representing nearly a third of GDP, half of total employment and a major export sector – benefits from high soil fertility, but suffers from low profitability. Thanks to public investments in the sector, gradual progress is being made towards upgrading production and output standards so as to boost exports. In 2019, the adequate monsoon season and higher rice prices will support the sector. The share of growth accounted for by the manufacturing sector (mostly textile, but also automotive assembly, machinery, and electronics) will continue to increase, mainly thanks to external demand, although the depreciation of the currency (-17% to the USD year-to-date in November 2018) will decrease export revenue. Exports will also be exposed to the risk of repeal of preferential access to the European single market because of the Rohingya crisis, but will benefit from increased trade with China. Growth will also be spurred by Chinese investing in infrastructure projects (as part of the memorandum of understanding signed on the China-Myanmar Economic Corridor, CMEC) and by the government's impetus for reform ahead of elections in 2020. The latter includes measures to facilitate entrepreneurship and access to loans for SMEs. Meanwhile, the mining and tourism sector will continue to grow steadily but will suffer from the lack of infrastructure. Inflation will remain high but it will be compensated by higher wage growth and thus not hurt private consumption (50% of GDP), which will also remain supported by transfers from Burmese residents abroad.

Growing dual deficits but steady FDI inflows

The budget for the 2018/2019 fiscal year will increase the deficit. Spending on energy supply and social services as well as infrastructure will increase. Revenues will mainly stem from State-Owned Enterprises (although only 22 out of 32 SOEs are profitable) and taxes. Budget financing by the central bank should be reduced to 20% of the budget, with the risk of strengthening inflationary pressures. Public and publicly guaranteed external debt levels remain sustainable (15% of GDP in June 2017), although the IMF estimates that is a risk in the context of depreciation of the local currency. The current account deficit should grow due to the higher merchandise trade deficit related to imports for FDI financed infrastructure projects. Exports will continue to increase, especially to China (largest trading partner), boosted by the new gas pipeline (gas is the most exported product: 39% of total exports) and by garment sales. However, nominal export growth will suffer from an only partial recovery following the steep depreciation of the currency in 2018. Moreover, the deficit in the primary account will increase on the back of profit repatriation by foreign firms. The current account deficit will be financed by FDI inflows (Myanmar was the first recipient of FDI among the least-developed countries in 2017 – CNUCED). To improve resilience to external shocks, authorities abolished a trading band of foreign currencies in August 2018, thus liberalising the exchange rate.

Democratic improvements at odds with treatment of minorities

The National Defence and Security Council (NDSC), is the highest instance of power. Moreover, the military holds a constitutional right to 25% of seats in both houses. However, in recent years, an unprecedented political liberalisation has taken place. The first Parliamentary elections with all opposition parties since 1990 were held in 2012, and then in 2015. National League for Democracy (NLD) leader and Nobel Peace Prize winner for promoting democracy, Aung San Suu Kyi, became State Counselor. This role was made for her to rule without being President, as the Constitution prohibits it because of her foreign family relations. The President, Win Myint, is the first without any military background in over five decades. NLD kept its majority at the midterm's elections in 2017 in both houses, despite growing support for minority parties. Officially, 135 ethnic groups are present in the country, while the NLD is associated with the Bamar majority group. Since August 2017, the Muslim Rohingya minority, which was never granted citizenship and is largely considered as Bangladeshi migrants, have been victims to abuse from the army. International monitors estimate that 7,000 people have been killed, and 720,000 have fled, mostly to Bangladesh. The UN refers to this situation as "ethnic cleansing". Economic and political sanctions were implemented by the EU, the United States, the United Kingdom, and Australia. In 2018, Myanmar demanded repatriation of the refugees in answer to international pressures, but no steps were taken to ensure their rights or safety. In parallel, the country is nurturing its diplomatic relations with ASEAN and China. The business environment remains very precarious: Myanmar is ranked 171st out 190 in the World Bank's 2019 Doing Business index.

NAMIBIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	2.4
GDP PER CAPITA US Dollars - 2017	5,589
CURRENCY Namibian Dollar	NAD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.7	-0.8	-0.2	0.9
Inflation (yearly average, %)	6.7	6.2	4.2	5.0
Budget balance (% GDP)*	-5.1	-4.9	-4.5	-4.1
Current account balance (% GDP)	-15.7	-3.3	-2.9	-2.8
Public debt (% GDP)	42.6	43.3	45.3	46.2

(e): Estimate. (f): Forecast. *Fiscal year 2019 from April 2019 to March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	45%
CHINA	16%
CONGO DR	6%
SINGAPORE	6%
SOUTH AFRICA	6%

Imports of goods as a % of total

SOUTH AFRICA	28%
CONGO DR	21%
CHINA	13%
KUWAIT	5%
UNITED ARAB EMIRATES	5%

+
- Significant mineral resources (diamond, uranium, copper) and fisheries
- Good transport infrastructure
- Tourist potential

−
- Dependency on the mining sector
- High unemployment and persistent inequalities
- Agricultural sector exposed to climatic hazards
- Dependency on South Africa

RISK ASSESSMENT

A return to growth in sight

After two years of contraction, the economic, activity should pick up in 2019. The primary sector will drive growth, notably *via* agriculture and uranium mining. Production at the Husab uranium mine, the world's third-largest open-pit uranium mine, is expected to increase to full capacity in 2019, making it the third-largest uranium producer in the world (after Kazakhstan and Canada). In addition, offshore diamond production, which accounts for 75% of total production, will continue to increase. On the other hand, on-shore extraction is expected to decrease due to the depletion of terrestrial deposits. The Elizabeth Bay mine, for example, is not expected to supply diamonds beyond 2019 according to Namdeb, the company responsible for its operation.

The secondary sector is expected to stabilize. Although it will be supported by manufacturing industries and the water and electricity sector, its development will continue to be hampered by construction, the activity that suffered most during the recession and which is struggling to regain a positive momentum.

Tertiary sector activities will contribute to the rebound in growth, thanks to the recovery in consumption, which will stimulate trade. However, private consumption will continue to be constrained by continued very high unemployment (around 23% of the working population), and an inflation rate that will rise again in 2019. With the Namibian dollar anchored to the rand, the level of inflation will remain vulnerable to the volatility of the South African currency.

Difficult balance between supporting economic recovery and further fiscal consolidation

In 2019, the fiscal consolidation that began in 2015 will continue at a slower pace. The government will likely continue its efforts to reduce public spending, while at the same time endeavoring not to slow recovery. However, a budgetary slippage in the run-up to the presidential elections in November 2019 cannot be ruled out. In terms of tax revenue, reforms have been undertaken to improve the efficiency of their collection, as well as to broaden the tax base. The government is set to continue in this direction in 2019, in an attempt to compensate for the expected decline in customs revenues paid by the Southern African Custom Union (SACU). The ratio of public debt to GDP has continued to increase in recent years, but at a slower pace than in the past. However, a growing proportion of the debt is external (more than 40%), and therefore subject to exchange rate risk, particularly in the short term.

After declining in 2018, the current account deficit is expected to stabilize in 2019. Although still in deficit, the trade balance will benefit from the recovery of the mining sector, which is responsible for nearly 40% of the country's export earnings. Despite an oil price that will remain high in 2019, imports will increase to a lesser extent with domestic demand remaining weak. In addition, the strength of tourism will allow Namibia to record an increase in the surplus in the balance of services. Nevertheless, the expected decline in SACU customs revenues – as a result of weak regional growth – and higher income disbursements from FDI, will lead to a decrease in the surplus in the transfer and income balance. The inflow of capital and foreign investment will help to finance this current account deficit.

Hage Geingob: favourite candidate for the presidential elections

President Hage Geingob is well positioned for re-election in November 2019. His domination on the political scene was confirmed in 2017, with his election as the President of the South West African People's Organisation (SWAPO). The hegemony of this party, in power since independence (1990), should continue in the face of an opposition that is struggling to organise itself. However, the ultimately withdrawn provision of the National Economic Equitable Empowerment Bill that required a 25% stake in private companies for "previously disadvantaged people", and the controversial issue of redistributing land to the benefit of black populations are illustrations of the political risk resulting from high inequality. President Geingob must find a balance between the pressures exerted by SWAPO members and part of the electorate, and the fragile economic context, as these provisions may frighten potential investors.

Inequalities in the distribution of land and capital also affect the business environment. In the absence of reforms, the country will continue to suffer a loss of competitiveness *vis-à-vis* its SADC competitors. In 2019, the country ranked 107th (out of 190 countries) in the Doing Business ranking.

NEPAL

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	29.3
GDP PER CAPITA US Dollars - 2017	848
CURRENCY Nepalese rupee	NPR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.6	8.0	6.3	5.0
Inflation (yearly average, %)	10.0	4.5	4.2	5.0
Budget balance (% GDP)*	1.4	-3.3	-3.5	-4.6
Current account balance (% GDP)	6.3	-0.4	-8.2	-6.3
Public debt (% GDP)	27.9	26.4	29.7	35.4

(e): Estimate. (f): Forecast. *Fiscal year 2019 from July 2018 to June 2019.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	55%
UNITED STATES	11%
EURO AREA	9%
TURKEY	6%
UNITED KINGDOM	3%

Imports of goods as a % of total

INDIA	65%
CHINA	13%
EURO AREA	3%
UNITED ARAB EMIRATES	2%
ARGENTINA	1%

+
- Expatriate remittances support consumption, the main driver of growth
- Dynamic services sector, especially tourism
- Financial and technical support from India and China
- Recipient of vast sums of international aid

−
- Heavily dependent on agriculture and weather conditions
- Landlocked and poor accessibility to many regions of the country
- Vulnerable to natural disasters: economy still affected by the 2015 earthquakes
- Weak productivity in the secondary sector
- Infrastructure shortcomings: electricity and fuel shortages
- Recurrent political turmoil and violence

RISK ASSESSMENT

Growth loses speed but remains strong

Consumption (76% of GDP for the 2016/17 fiscal year) will continue to be the main growth driver. It should benefit from increasing remittances (27% of GDP) from expatriate workers thanks to the appreciation of the USD, and to an agreement that should be concluded in 2019 and will re-enable expatriation of workers to Malaysia. It will also benefit from an accommodative fiscal policy for lower and middle income earners, and rapid credit growth. These factors will ensure disposable income growth in a context of very high unemployment (nearly 40% in 2018, but only 2.7% if informal work, including in agriculture, is considered). However, growth momentum will remain constrained by the high prevalence of poverty and inflationary tensions associated with high transport costs. Inflation will be even stronger in 2019 on the back of rising Indian inflation, due to the peg of the Nepalese rupee to the Indian rupee, and because two thirds of the country's imports are from India. Growth will also be spurred by the construction sector, thanks to infrastructure projects and continued reconstruction efforts. The increasing stability of the political scene and business friendly reform should also increase attractiveness for foreign investors. Moreover, agriculture – which still accounts for around 70% of total employment and a third of GDP – will benefit from a good monsoon season in 2019. While the government has set the target of 8% growth for fiscal year 2018/19, the Coface baseline scenario is that this target is too ambitious.

Although narrowing, twin deficits remain high, thus feeding public debt

The structural weaknesses of the administration, the recent decentralisation impetus, and the historical instability at the head of the state make reforms and budget implementation tedious. Spending cuts will be limited in order to accommodate the poorer fringes of the population and attract capital for investment (especially hydroelectric projects and transport infrastructure). The government will also subsidise some loans from national banks to stir education, employment growth and exports in the 2018/19 fiscal year. The budget deficit will decrease thanks to increased revenue from higher taxes for the richer fringes of the population, as well as taxes on alcohol, tobacco, luxury goods and vehicles. However, this will not prevent public debt from increasing especially because of the depreciation of the currency to Special Drawing Right (SDR) – as around half of total public debt is due to international institutions and denominated in this currency used by the IMF.

Nepal is highly dependent on India (65% of imports and 57% of exports) and China. The trade deficit will remain high as Nepalese production lacks diversity and competitiveness. Moreover, the depreciation of the currency will increase the import bill without spurring export growth. Import growth will also be related to imports of capital goods for the reconstruction efforts in relation to the 2015 earthquake, domestic consumption growth, and higher global energy prices. The trade deficit will not be compensated by the substantial remittances from expatriate workers and growing – but still very low in comparison – tourism revenues. Foreign reserve levels have been eroded by the frequent current account deficit, which is not compensated by capital inflows in the balance of payments, but they remain at a satisfactory level (covering nearly 10 months of imports in April 2018).

The new government bodes well for political stability

The new left-wing alliance between former rebel Maoists and the liberal communist party allowed for a majority government to be formed after the elections in December 2018. This is the first majority government in nineteen years. Since the end of the monarchy in 2008, ten governments of failed and tormented coalitions have reflected the country's divide between the two left-wing factions and the Nepali Congress party. The divide also reflects opposing positions regarding preferred Chinese or Indian influence. The country remains a disputed zone of influence between the region's two giants: it is the third main beneficiary of Indian aid and is also part of the Chinese Belt and Road initiative. Under the new coalition government, the country is expected to lean further towards China, although growing weariness regarding the extent of indebtedness towards China may limit new construction projects. Domestically, the coalition's durability has yet to be proved, but its comfortable parliamentary majority should allow for the passing of laws that could improve the business environment. Weak rule of law, continued deterioration of freedom of expression, ethnic tensions, high levels of poverty and lingering impacts from the disastrous earthquake of 2015, will remain core weaknesses in the business climate and governance challenges in the country.

NETHERLANDS (THE)

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	17.1
GDP PER CAPITA US Dollars - 2017	48,555
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.1	3.0	2.7	2.2
Inflation (yearly average, %)	0.1	1.3	1.6	2.4
Budget balance (% GDP)	0.0	1.2	0.9	1.0
Current account balance (% GDP)	8.0	10.5	10.0	10.0
Public debt (% GDP)	61.9	57.0	54.0	51.0

(e): Estimate. (f): Forecast.

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

CHINA	16%
GERMANY	15%
BELGIUM	9%
UNITED STATES	7%
UNITED KINGDOM	5%

+

- Port activity (Rotterdam is Europe's number-one port)
- Dense network of SMEs working with large groups
- Diversified exports and external accounts in surplus
- Attractive: high quality infrastructure and good living standards

-

- Exposure to the European economy: exports to the United Kingdom generate 4% of the country's value added
- Household wealth concentrated in housing and pension funds, which are not very liquid
- Banks dependent on wholesale financing (loans/deposits = 136%) and the real estate sector
- Ageing population; second pillar of the pension system under pressure
- Labour market duality: prevalence of precarious work, especially among young people, and part-time work

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	LOW
CHEMICAL	LOW
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth driven by consumption and expansionary fiscal policy

Growth will be down but still robust in 2019, with consumption the main contributor, ahead of investment. Household consumption (44% of GDP) will increase again, but at a slower pace. On the one hand, unemployment is expected to fall further (to 3.6%) while disposable income will rise more rapidly, following more favourable collective bargaining agreements and lower income taxes. On the other hand, inflation will be boosted by the hike in the reduced VAT rate from 6% to 9% on January 1, 2019 and the increase in energy taxation. The wealth effect linked to home values is set to fade as price increases moderate. Public consumption (24% of GDP) will continue to grow vigorously, supported by the expansionary fiscal policy contained in the agenda of the coalition government formed in September 2017. The health, education, and defence sectors will be the primary beneficiaries. Investment (21% of GDP) could lose some of its spark. Companies, although still benefiting from favourable financial conditions and facing high capacity utilisation rates, are feeling less confident.

The same is true for households, which could translate into reduced interest in house purchases. House prices have risen sharply since the low point of 2013, significantly outpacing income growth, and are above the peak of 2008. However, the increase is currently concentrated in the largest cities (Amsterdam, Rotterdam, Utrecht and The Hague) and is mainly due to the shortage of new and social housing, the rent ceiling, and tax incentives to purchase. Household debt, although still high (200% of net disposable income as of November 2018 according to Eurostat), has declined, particularly in terms of its real estate share.

All sectors are expected to remain on a positive trend, except gas development, which is causing earthquakes in the north and is set to end in 2030. The favourable macroeconomic environment is reflected in the low number of business failures, including in trade and construction. However, Coface expects a 2% increase in failures in 2019.

Government balance and current account in surplus

With trade in goods and services accounting for more than 150% of GDP, the Dutch economy is very open. It mainly supplies agri-food products (plants, flowers, dairy products, meat, vegetables), chemicals, medicines and medical equipment, refined petroleum, aluminium, packaging and turbines. Services, including transport, logistics and tourism, make up one quarter of exports. Although import growth could exceed export growth, the trade surplus is still expected to reach 9% of GDP in 2019. However, a hard Brexit would be likely to affect performances, as exports to the United Kingdom account for 8% of the total. Industry – but also wholesale trade and transport, through re-export – would be affected. Re-exporting, linked to the country's role as Western Europe's maritime gateway, accounts for two-fifths of the surplus. This activity focuses mainly on petroleum products, as well as electronic and computer equipment. With other items close to equilibrium, the trade surplus shapes the current account balance. The balance of the financial account moves erratically, but is typically negative due to Dutch investments abroad allowed by the recurring current account surplus. Reflecting this, the country has a net external asset position equivalent to about 60% of GDP.

Despite the country's accommodative and somewhat pro-cyclical fiscal policy, the small overall fiscal surplus will continue. The revenue generated by growth is used to offset the reduction in gas royalties, reduce the tax burden and increase expenditure. However, when adjusted for the favourable impact of the economic situation, the deficit is just balanced out. Nevertheless, this is sufficient to obtain debt relief.

A four-party centre-right coalition with a narrow majority

Seven months after the parliamentary elections, Prime Minister Mark Rutte was successfully able to form his third government in October 2017. This coalition is comprised of his own Liberal Party, the Volkspartij voor Vrijheid en Democratie, the progressive Democraten 66 Party and two Christian parties: the centrist Christen-Democratisch Appèl Party and the more conservative Christenunie Party. The coalition has a majority of just one seat in each of the two chambers of Parliament. It could be challenged in the Senate, which will be renewed at the end of May 2019 based on voting by the provincial assemblies, whose own members will appointed by direct elections held in March 2019.

PAYMENT & DEBT COLLECTION PRACTICES IN THE NETHERLANDS

Payment

In the Netherlands, bank transfers are by far 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 and most companies now use digital banking software. Cash payments are gradually disappearing and other payment methods, like cheques and bills of exchange are rarely used.

Debt Collection

Amicable phase

A debt collection process usually begins and ends by sending the debtor a (sometimes registered) collection letter. Sending letters (only) by email is becoming more and more customary. Besides the principal claim amount, the collection letter usually also includes a demand to pay 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, which include reminders by phone and possibly a debtor visit, do not result in full payment, the creditor can initiate legal action, in accordance with Dutch civil law.

Legal process

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 two to four weeks. During 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 not often used in regular collection cases.

Ordinary proceedings

The regular civil court procedure, held in one of the eleven district courts (*Rechtbank*), is the most frequently used recourse of action. Claims of €25,000 or less are heard by a judge of the cantonal sector of the district court (*kantonrechter*), while claims in excess of €25,000 are presented before the civil law sector. 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 many cases, debtors do not contest the claim or appear in court. This results in a judgment by default being given, usually within six to eight 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 (*comparitie van partijen*). 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.

Winding-up proceedings

A third and often effective procedure for collecting payments 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 a winding-up petition has been filed. 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 (*recht 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. However, this recourse of action does require 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

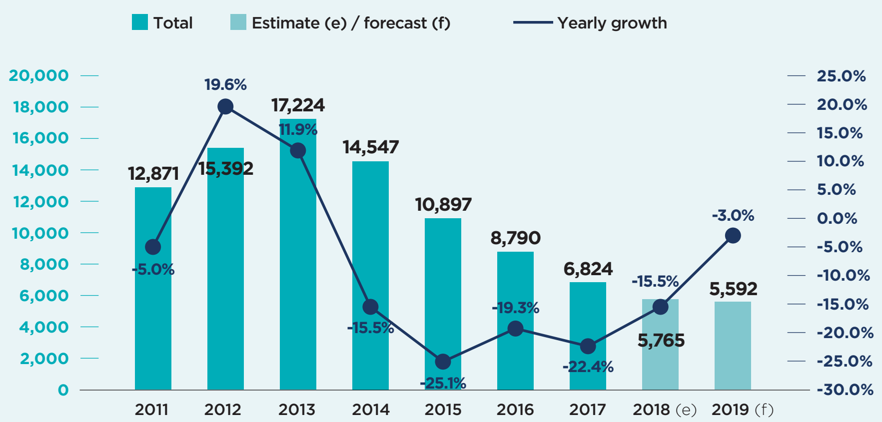
Corporate debt restructuring entails using the suspension of payments (*surseance van betaling*) procedure. The debtor is granted temporary relief from creditors, in order to allow them to reorganise, continue with business operations and ultimately satisfy their creditors' claims, all under the supervision 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.

Bankruptcy 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 INSOLVENCIES



Source: Statistics Netherlands (CBS), Coface.

NEW ZEALAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	4.8
GDP PER CAPITA US Dollars - 2017	41,572
CURRENCY New Zealand dollar	NZD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.6	3.0	3.0	2.9
Inflation (yearly average, %)	0.6	1.9	1.4	1.7
Budget balance* (% GDP)	0.9	1.4	0.8	0.7
Current account balance (% GDP)	-2.4	-2.7	-3.5	-3.8
Public debt (% GDP)	32.6	31.7	30.4	29.4

(e): Estimate. (f): Forecast. *Fiscal year 2019: July 2018 - June 2019.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	22%
AUSTRALIA	17%
UNITED STATES	10%
JAPAN	6%
EURO AREA	6%

Imports of goods as a % of total

CHINA	19%
EURO AREA	13%
AUSTRALIA	12%
UNITED STATES	11%
JAPAN	8%

+

- Proximity to Asia and Australia
- Touristic appeal
- Large and competitive agricultural sector
- Balanced public accounts; contained public debt
- Dynamic demographics thanks to immigration
- Quality of life

−

- Dependency on foreign investment
- High household and corporate debt levels (particularly in agriculture)
- Reliance on Chinese demand
- Shortages of skilled labour
- Housing shortage and housing price surge (+60% since 2008)
- Lack of R&D
- Insularity

RISK ASSESSMENT

Growth remains strong

Growth will slightly slow due to the stalling progression of consumption progression, the main contributor to GDP development. Although it will be supported by low interest rates, an accommodating fiscal policy, and rising real wages thanks to low and declining unemployment, consumption will suffer from high household debt (166% of income), the cooling housing market, and higher inflation. Inflation will be spurred by higher oil and import prices as a result of the New Zealand dollar's continued depreciation. However, considering that core inflation (not including commodity prices) remains well within the inflation target range (1-3%), the central bank is unlikely to trade off growth prospects to fend off inflation in 2019: the monetary policy is very likely to remain accommodating, with a continuation of the 1.75% policy rate (a record low).

Both foreign and domestic investment growth will slow, with net FDI flows becoming negative, as a result of declining confidence and uncertainty regarding global trade and national governance. Notably, a government decision to curb immigration (by hardening the access to low-skilled work and student visas, supposedly to reduce housing price pressures) triggered fears of future shortage of workers for businesses, and was perceived as a populist policy. Furthermore, the nonetheless visible cooling of the housing market will translate into reduced construction investment.

The trade balance should be under less pressure than in 2018, as milk prices should remain higher than in 2018 throughout the year. Agricultural products (dairy and meat especially) make up the main part of exports, which leaves the performance of the external sector quite exposed to fluctuations in commodity prices and climate conditions. The slowdown in the Chinese economy, the main recipient for NZ exports, will also impact trade. The tourism sector is expected to perform well, although its contribution to growth will likely be smaller than that of goods exports.

Solid budget situation; current account imbalance

The government limits public spending to follow its budget responsibility objectives – net debt should be under 20% of GDP in 2022. Public debt will continue to decline and the budget will stay in surplus in 2019. Social spending is the main expenditure item, including income tax exemptions for those on very low incomes, as well as increases in family allowances. The country will have to find a way of dealing with an increasing deficit in its social security system (ageing population). Substantial infrastructure and housing investments are also expected, notably with the ongoing reconstruction of the roads and railways damaged in the November 2016 major earthquake and the KiwiBuild Programme. Moreover tax incentives for private investment in R&D will be introduced, with the goal of bringing R&D to 2% of GDP.

The current account deficit will again worsen, but much less steeply than in 2018. The structural deficit of the income balance is linked to the outward transfer of profits by foreign firms. In 2019, the trade balance will also show a wider deficit as the import bill increases with investment related imports, higher oil prices, and the local currency's depreciation. It will also be under pressure due to milk prices below their long-term average (although they have increased since 2018). The balance of services, however, should remain in surplus, mainly thanks to tourism. Moreover, the financial account will also continue to show a deficit because of the repayment of external debt (above 90% of GDP, mainly household debt) and the low domestic savings rate.

The coalition government carries on

In the September 2017 parliamentary elections, the conservative National Party, in office since 2008, led the vote with 56 seats out of 120, but was short of an absolute majority. Long negotiations led the centre-left Labour Party (46 seats) to form a coalition government with the support of the populist New Zealand First party and the Green Party. After over a year in office, Prime Minister Jacinda Ardern continues to enjoy high popularity rates, although delivering on promises to increase disposable income, as well as handling the housing crisis and child poverty, is challenged by a prudent fiscal stance and prospects of slowing GDP growth. The coalition does not seem at risk in 2019, although misconducts and resignation within the Labour party and the government have tarnished its image. Nevertheless, disagreements between the coalition member parties could derail the coalition, especially as the National Party remains a powerful opposition force in Parliament.

At the international level, the country will benefit from being a founding member of the CPTPP, although having the United States and China as its main trade partners spreads uncertainty in the global context of trade wars and rising protectionism.

PAYMENT & DEBT COLLECTION PRACTICES IN NEW ZEALAND

Payment

Primary payment methods in New Zealand consist of card (debit card and credit card) and electronic credit or debit (direct debits and credits, automated bill payments and electronic transfers). There has been a rapid increase in the use of contactless payments, mobile phone-based applications, and payments using the internet. Although cash remains important, its use is reducing significantly 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 New Zealand's banks are connected to the SWIFT network.

Debt Collection

The debt collection process usually begins with serving a letter of demand, where the creditor notifies the debtor of their payment obligations (including any contractual interest due) with a time limit for making the payment.

Summary judgment proceedings

If the creditor does not receive payment after issuing a letter of demand, a next possible step is to issue summary judgment proceedings. This procedure is intended for situations where the debtor has no defence against the claim. An application can be made to the District Court or High Court, depending on the value of the claim. The District Court has jurisdiction to hear matters for claims up to NZD 350,000, and the High Court typically hears matters for claims above NZD 350,000. 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 a company, an individual with personal knowledge of the facts who is authorised to submit an affidavit on behalf of the company), which sets out the facts of the claim. A summary judgment typically involves a hearing, which lasts around one day (if the debtor raises a defence), 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 full hearing although an appearance in Court to call the matter will be required. 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 used where summary judgment is unavailable because the debtor has raised a genuine defence, or if summary judgment is not granted. Ordinary proceedings are initiated by filing a notice of proceeding and a statement of claim. Depending on the value of the claim (as outlined above), these proceedings can take place in the District Court or the High Court. Unlike summary judgment, an ordinary defended proceeding may involve additional processes, such as discovery, hearing of evidence and interlocutory applications, or serving of briefs of evidence, depending on the nature of the proceeding.

Appeals

The High Court determines appeals from the District Court. The Court of Appeal has jurisdiction to hear appeals from the High Court. Appeals are generally restricted to questions of law only. Appeals to the highest appellate court in New Zealand, the Supreme Court, can only be heard with leave of that Court. Leave will be granted if the Supreme 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 as outlined above), seeking enforcement action. This 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 against a debtor and that debtor is an individual, the creditor can issue a bankruptcy notice served on the debtor. Failure by the debtor to comply with a bankruptcy notice is considered by the law to be an act of bankruptcy.

Statutory demand

If the debtor does not make payment pursuant to the letter of demand and that debtor is a company, a further potential step is for the creditor to prepare and serve a statutory demand for the outstanding debt. This can be used as an alternative to summary judgment or ordinary proceedings. A statutory demand can only be issued if there is no substantial dispute over the debt. Once the statutory demand is served on the debtor, 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 to commence liquidation proceedings against the debtor company, using non-compliance with the statutory demand as evidence of the debtor's inability to pay its due 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 as to 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 to do so.

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 to the company, who takes over the management of the company, realises its assets, pays its creditors and distributes the remainder to its shareholders.

Creditors' compromise

There are two potential forms of creditors compromise, either an informal agreement between debtor and creditor, or a formal creditors' compromise under the Companies Act 1993. A formal 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. An equivalent procedure exists for individuals under the Insolvency Act 2006.

Voluntary administration

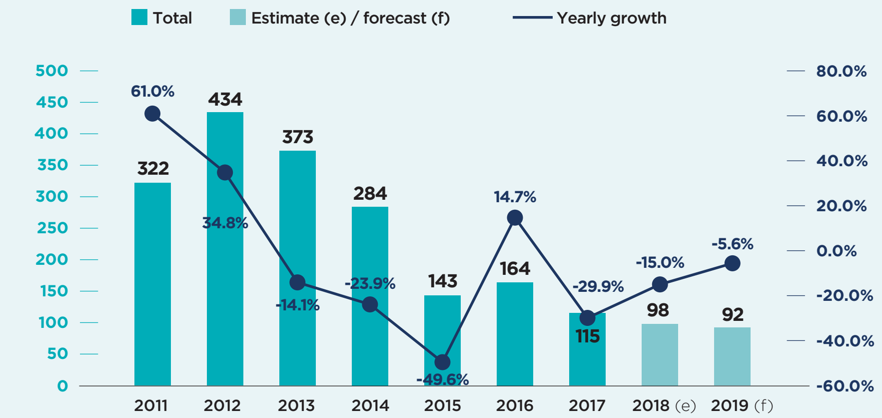
The debtor company may go into voluntary administration to try and maximise the chances of an insolvent company continuing to operate, or if that is not possible, to allow for a better return for creditors than immediate liquidation. It enhances the existing creditors' compromise procedure as an alternative 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. At the first instance, this is typically a less costly option, as it avoids lawyers. However, 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, of up to NZD 20,000.

Arbitration or mediation (often less expensive than court proceedings) may also be used to resolve disputes and obtain more rapid out-of-court settlements.

NUMBER OF CORPORATE INSOLVENCIES



Source: Ministry of Business Innovation and Employment, Coface.

NICARAGUA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	6.2
GDP PER CAPITA US Dollars - 2017	2,221
CURRENCY Córdoba	NIO

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.7	4.9	-4.0	-1.5
Inflation (yearly average, %)	3.5	3.9	5.9	8.0
Budget balance (% GDP)	-1.6	-1.6	-3.6	-4.6
Current account balance (% GDP)	-7.5	-5.0	-6.2	-6.4
Public debt (% GDP)*	45.0	47.0	51.0	53.0

(e): Estimate. (f): Forecast. *Including central bank debt and the rest of the financial and non-financial public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	42%
EL SALVADOR	9%
EURO AREA	8%
COSTA RICA	6%
VENEZUELA	5%

Imports of goods as a % of total

UNITED STATES	22%
CHINE	14%
MEXIQUE	10%
COSTA RICA	8%
GUAEMALA	7%

+

- Mineral (gold) and agricultural (coffee, sugar, meat) resources
- Membership of Central America/United States and Central America/EU free trade zones
- Significant remittance flows from expatriates

−

- Highly vulnerable to natural disasters
- Healthcare and education shortcomings and persistent poverty rate
- Inadequate infrastructure (energy, transport)
- Dependent on international aid; highly dollarised economy
- Institutional failings: concentration of power within the executive and the Sandinista party; corruption
- Worst business environment in the region (132/190 in the 2019 Doing Business ranking)

RISK ASSESSMENT

Growth still affected by political unrest

The political crisis that has been ongoing since April 2018 is expected to continue to affect economic activity in 2019. The tourism and construction sectors will be the most affected by the political instability and increased insecurity, with long-term effects because of lower investment (up to five years for the tourism sector, according to the National Chamber of Tourism). However, the relative easing of armed clashes at the end of 2018 should allow some road traffic to resume and encourage a moderate recovery in the wholesale and retail sectors. Foreign investors will likely continue to be cautious, after the honeymoon between President Daniel Ortega and local entrepreneurs ended following the government's violent repression of protests. In addition, private investment will suffer from the contraction of credit due to the loss of liquidity at banks, who were hit by the sharp decline in deposits (15% down in August 2018 compared with April).

Although supported by inflows of expatriate remittances – which were up 9.0% year-on-year in the second quarter of 2018, with a particularly sharp increase from the United States – private consumption should also suffer from the consequences of the crisis. The unemployment rate is expected to continue to climb, while inflation is also set to rise, mainly on higher energy and food prices. The trade balance is expected to contribute negatively to growth, as the crisis has affected exports, despite strong US demand.

Public and current accounts both weakened by the political crisis

Triggered by a widely contested attempt to reform social security, the political crisis has significantly affected the country's already fragile public spending. The 2019 budget forecasts a significant drop in tax revenues (17.6% down from the first 2018 budget before amendments) due to the contraction of activity. The parallel decrease in expenditure will not be enough to limit the increase in the government deficit. The anticipated decline in multilateral lending as a result of tensions between multinational organisations and the Ortega administration will prevent the government from meeting its financing needs. The government is considering issuing sovereign bonds to close this gap, but the success of this strategy is uncertain. Investors remain cautious about the possibility of US sanctions after the adoption of the Nicaragua Human Rights and Anticorruption Act by the US Senate at the end of September 2018. This act follows on from a first bill passed by the House of Representatives in 2017 aiming to make future loans to Nicaragua (including multilateral loans from international organisations) conditional on the holding of early elections. Despite being subject to the vagaries of the US political agenda, the bill is likely to be adopted in 2019. As a result, Nicaragua could approach China for funding.

The current account will be affected by the decline in exports of tourist services, which will only partially offset the large trade deficit. The trade deficit is structurally high but should be lower in 2019 due to the sharp contraction in imports resulting from weaker domestic demand. Expatriate remittances will not be enough to balance the current account. Capital outflows, limiting external financing opportunities, will force the central bank to draw on its foreign exchange reserves to maintain the cordoba's peg to the US dollar (fixed exchange rate system within a fluctuation range). These reserves shrank from USD 3 billion to USD 2.3 billion between April and the end of September 2018. In this context, a substantial devaluation cannot be ruled out, although the central bank has tools that it can use first to control capital flight, such as limits on dollar purchases by banks.

Increased political risk after bloody repression of protests

After winning a third consecutive term in the November 2016 presidential elections, President Daniel Ortega of the Frente Sandinista de Liberacion Nacional (FSLN) Party enjoyed strong popularity until early 2018. However, attempts (since abandoned) to reform the pension system triggered a major protest movement in mid-April 2018. Repression of the demonstrations, which led to several hundred deaths and many arrests, caused the conflict to deepen. Conciliation talks organised by the Catholic Church are struggling to reach a real agreement, while the government continues to repress demonstrators who are demanding the departure of President Daniel Ortega and his wife, Vice-President Rosario Murillo. United under the *Unidad Nacional Azul y Blanco* banner since October 2018, but without a designated leader, opposition groups are struggling to assert themselves in the face of the control exercised by Sandinists over the country's institutions. The presidential couple are thus likely to see out their mandate, which runs until the next elections in 2021. Against this backdrop, relations with the international community are becoming more strained.

NIGER

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	18.8
GDP PER CAPITA US Dollars - 2017	438
CURRENCY CFA franc (BCEAO)	XOF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.9	4.9	5.2	5.3
Inflation (yearly average, %)	0.2	2.4	3.9	2.0
Budget balance* (% GDP)	-6.2	-5.0	-5.9	-4.5
Current account balance* (% GDP)	-15.7	-13.8	-16.7	-17.9
Public debt (% GDP)	45.2	45.3	46.3	48.4

(e): Estimate. (f): Forecast. *Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	32%
THAILAND	18%
MALAYSIA	10%
NIGERIA	9%
MALI	5%

Imports of goods as a % of total

EURO AREA	36%
CHINA	14%
NIGERIA	6%
MALAYSIA	6%
THAILAND	5%

- World's fourth largest producer of uranium
- Net exporter of petroleum products and gold
- Drive to invest in agriculture and infrastructure
- Member of the West African Economic and Monetary Union
- Financial support from multilateral lenders

- Economy vulnerable to climate shocks and commodity price fluctuations
- 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 extreme poverty
- Deteriorating security situation and terrorist threats

RISK ASSESSMENT

Investment and the extractive sector provide the mainstays of growth

The economy is expected to continue its rapid growth in 2019 thanks to infrastructure investment, the agricultural sector, and high oil and uranium prices.

Substantial international financial support, including SDR 100 million through an IMF Extended Credit Facility, should enable public investment to contribute significantly to growth by financing numerous projects, mainly in the energy sector (Niamey solar power plant, co-financed by the AFD and the EU) and transport (rehabilitation of the Cotonou-Niamey corridor financed by OPEC and the IDB). Private investment should also increase thanks to the growth of bank credit, in compliance with the IMF programme, which is reassuring investors, particularly foreign ones. The construction of a cement plant by Nigerian billionaire Aliko Dangote (€275 million, delivery in 2020) will reduce the country's imports, given that 80% of cement is currently imported.

Public investment is also targeting agricultural projects, especially irrigation projects in the Agadez, Tahoua, Dosso and Tillabéry regions, with financial support from the International Development Association. This should raise agricultural yields and incomes (the goal of the Nigeriens Feed Nigeriens initiative), and thus contribute to the growth of household consumption. Combined with the gradual recovery of the Nigerian economy, this could also boost exports, which should benefit in particular from high prices for oil and uranium. The production of both of these resources is set to increase further in the coming years, as evidenced by the launch of new prospecting activities by China's Zijing Hechuang Science and Technology Development Company.

Twin deficits financed by international aid

The government deficit is expected to shrink slightly, mainly due to higher revenues. The country had to embark on tax reforms to improve revenue collection, which was a prerequisite for the IMF to grant an ECF. The IMF has expressed its satisfaction with the measures taken, in particular regarding customs duties. The country also stands to benefit from increased revenues from exports of oil and uranium, whose prices and production are forecast to go up. The reinstatement of the tax on international phone calls will also add some more fiscal flexibility. Expenditure, meanwhile, will remain at a high level. The bulk of the spending will be directed towards public investment, but current expenditure could increase during the year if the social and security climate deteriorates. The deficit, along with public debt payments, will be financed by bond issuance (72%), programme loans and project loans.

The current account deficit is expected to continue to widen in 2019. Notwithstanding the lively growth in oil and uranium exports, imports of goods and services – particularly related to the extractive sector – are poised to increase, worsening the overall trade balance. The income balance, which is structurally in deficit, is expected to widen further owing to the development of foreign investment in recent years. Transfers, including expatriate remittances and budget support, will continue, but will be too small to stop the deterioration in the current account deficit. Almost half of this deficit will be financed by project loans and the same proportion by investments, half of which will be FDI.

A worsening security and social situation

The Nigerien political situation is characterised by the control wielded by President Mahamadou Issoufou (Niger Party for Democracy and Socialism) over the country's institutions since his party won the presidential and legislative elections of February-March 2016.

The opposition is very critical of the President's actions, and has decided to withdraw its participation in government efforts to revise the electoral code. Although marginalised, it is likely to catalyse the widespread discontent emerging from opposition to a new finance bill that provides for the creation and increase of new taxes to meet IMF expectations. However, the main threat lies in the precarious security situation, with terrorist groups in the region (Boko Haram, AQIM, Al-Murabitoun) finding that Niger offers fertile ground for recruitment (high poverty rates and few prospects) and porous borders favourable to their activities. International cooperation should continue to be strengthened around the G5 Sahel force, which includes Mauritania, Mali, Niger, Chad and Burkina Faso, in an effort to contain the unrest in neighbouring countries, notably Nigeria. This uncertain security situation weighs on the business climate (143rd in the Doing Business ranking), with foreign nationals still at a high risk of being kidnapped.

NIGERIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	188.7
GDP PER CAPITA US Dollars - 2017	1,995
CURRENCY Nigerian naira	NGN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-1.6	0.8	2.0	2.3
Inflation (yearly average, %)	15.6	16.5	12.3	13.2
Budget balance (% GDP)	-3.9	-4.3	-4.1	-3.8
Current account balance (% GDP)	0.7	2.8	3.5	3.2
Public debt (% GDP)	19.6	21.8	24.8	26.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	30%
EURO AREA	21%
UNITED STATES	12%
CHINA	6%
INDONESIA	4%

Imports of goods as a % of total

CHINA	21%
EURO AREA	20%
UNITED STATES	8%
SOUTH KOREA	8%
UNITED KINGDOM	4%

+

- Leading African power in GDP terms; the most populous country in Africa
- Significant hydrocarbon resources and considerable agricultural and mining potential
- Relatively low public and external debt
- At the crossroads of West and Central Africa; access to the sea

−

- Highly dependent on oil revenues (90% of exports, two thirds of tax revenues)
- Pollution related to oil development
- Insufficient production and refining capacity/electrical energy distribution
- Ethnic and religious tensions
- Insecurity and corruption putting pressure on the business environment

RISK ASSESSMENT

Mediocre growth

While growth is expected to increase for the third year running in 2019, it will still be constrained. Even if oil infrastructure is spared by activists in the Niger Delta, the contribution from the oil sector is expected to be smaller as production gains are limited by capacity constraints. Despite support from public policies (import substitution, subsidised financing), the expansion of agriculture will remain fragile due to conflict in the northeast, where Boko Haram is rampant, and in the centre of the country, where herders and farmers are clashing. The pick-up in other sectors, supported by the gradual recovery in domestic demand, is expected to remain slow. The increase in election-related spending in the run-up to the February 2019 election should support public consumption at the beginning of the year. Nevertheless, as with public investment, limited fiscal space will restrain its contribution to growth. High interest rates, sluggish credit growth, a restrictive business climate, and the complexity of the multiple exchange rates system will continue to be obstacles to private investment, despite the easing of liquidity constraints following the rise in oil prices and the introduction of a market-based exchange window for investors and exporters (NAFEX) in April 2017. Household consumption will benefit from the increase in the minimum wage, but the prevalence of poverty and unemployment, as well as persistent inflationary pressures, should limit the effects. After 18 consecutive months of disinflation, which ended in August 2018, inflation is expected to remain high as domestic unrest puts pressure on food prices.

Fiscal situation still precarious

The budget deficit is expected to remain high in 2019, burdened by debt interest, which absorbs about 70% of federal revenues. However, the deficit is expected to decline slightly thanks to a reduction in expenditure, mainly at the expense of capital investment spending. While little progress has been made in the collection of non-oil revenues, and oil revenues are not expected to increase substantially, the objective is to reduce borrowing and, consequently, elevated debt service costs. Nevertheless, the 66% increase in the minimum wage will weigh on the state's wage bill and current expenditure. The debt-to-GDP ratio is therefore expected to continue on its upward path. Largely domestic (about 70% of the total) and in local currency, debt remains at a relatively low level, but its service is very high, despite the authorities' efforts to focus on cheaper external borrowing.

The current account is expected to remain in surplus, supported by the trade surplus. Import growth will remain limited, given weak domestic demand, while oil exports (almost 90% of the total) are expected to slow after catching up in 2016 and 2017. The balance of services, which is particularly affected by oil freight, will continue to show a deficit, as will the balance of income, which is hurt by profit repatriation by foreign companies. Remittances from the diaspora will maintain the surplus in the balance of transfers. After leaping following the introduction of the NAFEX window, portfolio investment flows, which have made it possible to stabilise the naira's multiple exchange rates, are expected to decline. Nonetheless, as long as the country is spared from shocks (falling oil prices, acute political crisis, etc.), downward pressure on the Nigerian currency should remain under the control of the central bank, thanks in particular to the foreign exchange reserves, which have been replenished and are equivalent to about 13 months of imports.

2019 elections against a backdrop of security tensions

President Muhammadu Buhari and his party, the All Progressive Congress (APC), elected in 2015, will see their track record judged by voters in the presidential, legislative, and gubernatorial elections scheduled for February 16, 2019. Dissatisfaction with President Buhari is linked to the increase in poverty and unemployment, persistent high inflation, and slow implementation of the reforms allowing the economy to emerge from the crisis. In this context, the People's Democratic Party (PDP) will seek to regain power, led by Atiku Abubakar, who was Olusegun Obasanjo's Vice-President between 1999 and 2007. The elections are being held at a time when the security situation remains precarious in several parts of the country. The Islamist terrorist group Boko Haram continues to operate in the northeast. In the centre of the country, there has been an upsurge in deadly clashes between Fulani (Muslim) herders and Birom (Christian) farmers, which combine long-lasting animosity over land distribution with community and religious tensions. In the south, the activists calling for fairer distribution of oil wealth – whose attacks on oil infrastructure in the Niger Delta saw that reduced black gold production to its lowest level in 30 years in 2016 – may be less active, but continue to threaten to resume their attacks. The Biafra region in the southeast also continues to be the scene of social unrest led by separatists. These sources of instability are affecting the perception of the business climate (146th out of 190 countries in the 2019 Doing Business ranking), which suffers in particular from a lack of infrastructure and a cumbersome regulatory environment.

NORTH KOREA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	25.49
GDP PER CAPITA US Dollars - 2017	1,252
CURRENCY North Korean won	KPW

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	3.9	-3.5	-1.0	2.0

(e): Estimate. (f): Forecast. *Approximate data based on available sources.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	86%
INDIA	2%
ANGOLA	2%
PAKISTAN	1%
ETHIOPIA	1%

Imports of goods as a % of total

CHINA	91%
RUSSIA	2%
INDA	2%
QATAR	1%
TRINIDA AND TOBAGO	1%

+
- Bilateral talks with South Korea increase likelihood of economic integration
- Secondary markets provide shelter from international sanctions
- Young population; low labour costs
- Borders with China and Russia
- Extensive mining resources still unexplored

−
- Economic and political isolation
- Chronic shortages of food and electricity
- Military spending dwarfs investment in productive sectors
- Extreme poverty (half of the population)
- Lack of infrastructure

RISK ASSESSMENT†

Easing of international sanctions to boost growth

After a year of thawing diplomatic relations, it is likely that sanctions on North Korea will ease going forwards, allowing the economy to expand after two years of contraction. The end of strict sanctions will allow imports from China and Russia, the country's main trading partners. Despite these imports, the economy will continue to grapple with chronic shortages of energy, food and other basic consumer staples. The agricultural sector accounts for a large proportion of output (25% of GDP), but remains largely state-owned and unproductive. On the external front, exports of coal to China will increase foreign exchange reserves and government revenues. Additional revenue should be supportive of higher government spending, including in the state-dominated services sector (30% of GDP). Improving diplomatic relations should also lead to higher tourism revenues. The development of the Wonsan-Kalma coastal tourism zone should help to boost tourism, bringing in necessary foreign exchange while also promoting domestic demand. Progressive reduction of military spending should also help unlock growth potential. However, inflation ought to remain quite volatile considering the complete external dependency for oil and frequent shortage of consumer staples. The won should continue to be subject to depreciatory pressures (it is mostly traded on the black market).

North Korea's economy is characterised by central planning and strict state-ownership of capital and resources. However, growing economic liberalisation is likely, as Kim Jung Un has suggested that North Korea should pursue a model similar to Vietnam during the 1980s (*Doi Moi* Policy), combining market reforms and better ties with the West while guarding political control. This is in keeping with the *byungjin* line, which pursues the parallel development of the economy and nuclear weapons, as significant progress has been achieved on the latter. Moreover, since the end of the 1990s, the market economy has been nascent with illegal smuggling and bartering initiatives. And since Kim Jung Un came into power, markets, or *jangmadangs*, have doubled in size and number, and currently allow a share of the population to show entrepreneurial endeavours and supplement their income. Furthermore, warmer relations with South Korea should boost the manufacturing sector (20% of GDP), with the reopening of the Kaesong Industrial Zone, a huge special administrative industrial region on North Korea's southern border closed by South Korea in 2016 following Pyongyang's fourth nuclear weapon test. Increased FDI from South Korea and Japan will greatly aid development. Rapprochement could also provide impetus to the construction sector, as North and South Korea endeavour to build connectivity infrastructure (rail and road).

Denuclearisation continues to shape diplomatic relations

Supreme Leader of North Korea Kim Jong Un succeeded his father in 2012. He controls the three main administrative bodies on North Korea: the Workers Party of Korea (WPK), the Korean People's Army, and the State Affairs Commission. Elections to the Supreme People's Assembly (the legislature) are held every five years; the next ones are due in 2019. However, Kim Jong Un's position is unlikely to be challenged as he has been effective at consolidating power. Moreover, he faces less opposition, following from the execution of his uncle Jang Song Thaek in 2013 and the assassination of his step-brother Kim Jong Nam in Malaysia in 2017. Policy making is centralised and is conducted in Soviet-style five-year plans; the current plan concludes in 2021.

In 2017, North Korea tested launches of long range missiles that could reach US territories and continued to enhance its nuclear capacities. In response, the US led a "maximum pressure" strategy to force North Korea to denuclearise. The UN Security Council voted for sanctions to cut exports by 90% (coal, iron ore, seafood, and textiles) and oil imports by 55%, thus curtailing North Korean revenues and its most crucial imports. Moreover, the US consolidated economic isolation by denying third country actors not complying with UN sanctions access to US markets. This unprecedented pressure level (China and Russia also applied sanctions) is thought to have led to two years of economic contraction. However, since then, US President Donald Trump revived diplomacy in March 2018 and relations with China and South Korea improved. South Korean President Moon Jae-in has set an ambitious agenda for increased economic integration and cooperation on social and military issues, which was advanced in 2018 as he met with Kim Jung Un on three occasions. The Panmunjom Declaration was adopted on April 2018, with both sides agreeing to work together to end the Korean War and promote the Denuclearisation of the Korean Peninsula. The country will benefit from the pragmatic stance of the South Korean President in his pro-engagement policy and from the tensions between the United States and China that will hamper cooperation efforts to apply economic sanctions. While the issue of denuclearisation will take longer to clear, the growing dialogue should allow for some sanction easing. Although China is applying the sanctions since the second half of 2017, the border with China and Russia allows the country to benefit from some supply, international sanctions notwithstanding.

† This assessment is based on estimated data extracted from available sources.

NORTH MACEDONIA (FYROM)

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION 2.1
Millions of persons - **2017**

GDP PER CAPITA 5,474
US Dollars - **2017**

CURRENCY MKD
Macedonian denar

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.9	0.0	2.6	3.0
Inflation (yearly average, %)	-0.2	1.3	1.8	2.0
Budget balance (% GDP)	-2.7	-2.7	-2.8	-2.6
Current account balance (% GDP)	-2.7	-1.3	-1.0	-1.6
Public debt (% GDP)	40.0	39.3	42.0	44.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	65%
BULGARIA	6%
SERBIA	4%
KOSOVO	4%
ROMANIA	3%

Imports of goods as a % of total

EURO AREA	37%
UNITED KINGDOM	10%
SERBIA	7%
CHINA	6%
TURKEY	5%

\+

- Integrated into the German production chain
- Close to Central European factories
- Wage competitiveness
- Support from international donors
- High levels of remittances from expatriate workers
- Denar pegged to the euro

\-

- High level of structural unemployment and lack of training
- Large informal economy
- Inadequate transport infrastructure
- Heavily indebted private sector (93% of GDP at end 2014)
- Conflictual political landscape
- Tensions between the Slavic majority and the Albanian minority

RISK ASSESSMENT

Growth continues to accelerate

After stagnating in 2017 due to the decline in private and public investment following a political crisis, growth rebounded in 2018 and will remain on an upward trajectory in 2019. Demand, both domestic and external, will stimulate economic activity. The slight pick-up in inflation on higher food prices will not adversely affect household consumption, which will continue to increase, driven by job creation, an increase in the minimum wage and improved social protection. Demand from European countries –Macedonia's main trading partners, especially Germany (40% of total exports) – will remain robust and will support exports of automotive parts, chemicals, and construction materials. In addition, private investment is set to increase, particularly in the energy sector, helped by a more stable political situation and the new energy law, which includes measures to liberalise the electricity market from 2019. Similarly, public investment will gain momentum thanks to new EBRD support, €7 million of which will be allocated to building a photovoltaic power plant, while €10 million will go towards improving and increasing the provision of public services, in particular transport. Business activity will also be supported by easier access to credit as an accommodative monetary policy is maintained.

Fiscal discipline hampered by the informal economy

The government deficit is expected to decline slightly thanks to the continued austerity policy. The government aims to consolidate the pension system and promote social equity. This will result in an increase in the social contribution rate, a higher tax rate for capital income, as well as improved targeting of social assistance programmes by replacing the parental allowance for a family's third child by a means-tested guaranteed minimum income. However, the effectiveness of fiscal policy remains constrained by tax evasion and the large informal economy, which makes it difficult for the government to reduce the deficit. The successive accumulation of deficits, coupled with breaks granted to foreign investors (ten-year tax exemption and free access to public services), is responsible for the rise in debt. Although largely contracted with non-residents (70% of the total in 2017) and denominated in euros, the debt is not exposed to exchange risk, as the national currency is pegged to the euro.

Turning to the external accounts, the current account deficit is expected to widen due to a deterioration in the trade balance. Exports will grow less rapidly than imports of refined oil and capital goods, which are increasing with construction projects. However, the services surplus (3.5% of GDP in 2017) and remittances from expatriate workers (16% of GDP) largely offset the trade deficit. The current account deficit is financed by foreign investment (equivalent to 2.5% of GDP in 2017). Gross external debt (80% of GDP in June 2018) should be put into perspective: with two thirds of it coming from private commitments linked to foreign investments, the debt only represents 28.4% of GDP in net terms. The country's substantial foreign exchange reserves (four months of imports in 2017) cover the short-term portion, which makes up a quarter of the total.

EU and NATO membership are the primary objectives

The Social Democratic Alliance of Macedonia (SDSM), led by Prime Minister Zoran Zaev, took power in May 2017, ending two years of political crisis. The SDSM has formed a coalition including parties representing the Albanian minority, the DUI, and the AA, and, recently, the DPA, enabling it to strengthen its parliamentary majority, with 67 seats out of 120. The opposition, represented by the former ruling party VMRO-DPMNE, has lost popularity after former Prime Minister Nikola Gruevski was accused of abuse of power, electoral fraud, and criminal ties (he has since left the country and gone to Hungary). The government's main objective is still membership of the European Union and NATO, which is why it is building peaceful relations with Greece. Greece had initially blocked the dual membership process, refusing to have a neighbour called Macedonia, which is already the name of a Greek region. The Parliament therefore voted in September 2018 to adopt a new name – the Republic of North Macedonia – which was approved by Greece. Accession negotiations can thus be resumed at the European summit meeting in July 2019, but will remain dependent on the government's ability to pursue reforms to address Macedonia's structural problems. While within the (duty-free) Industrial and Technological Development Zones, foreign companies benefit from significant tax breaks and low labour costs, they also have to cope with a shortage of skilled labour, inadequate infrastructure, insufficient resources allocated to research and development, slow domestic payments, lengthy court procedures and corruption.

NORWAY

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	5.3
GDP PER CAPITA US Dollars - 2017	75,389
CURRENCY Norwegian krone	NOK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.2	2.0	1.4	2.4
Inflation (yearly average, %)	3.6	1.9	2.7	1.8
Budget balance (% GDP)	4.0	5.1	5.3	5.4
Current account balance (% GDP)	4.0	5.6	9.2	8.4
Public debt (% GDP)	36.4	36.5	36.4	36.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	45%
UNITED KINGDOM	22%
SWEDEN	7%
DENMARK	5%
UNITED STATES	4%

Imports of goods as a % of total

EURO AREA	33%
SWEDEN	12%
CHINA	10%
UNITED STATES	7%
DENMARK	6%

+
- Oil deposits
- Broad political consensus
- Well-capitalised banking system
- Large sovereign wealth fund (250% of GDP)

−
- Budget deficit excluding oil and gas revenues
- High household debt
- Significant labour costs
- Shortage of skilled manpower

RISK ASSESSMENT

Domestic demand is the main source of growth

After slowing slightly in 2018, mainly due to weak performance during the third quarter of the year, Norwegian growth is expected to pick up again in 2019. Activity will be boosted by household consumption, which will benefit from the gradual reduction in the unemployment rate (4% in September 2018) and an increase in wages. Another positive factor will be the reduction in inflation, driven notably by monetary policy tightening by Norges Bank, the Norwegian central bank. Private investment will be buoyed by the lower corporate tax rate and a high capacity utilisation rate (79.2% in the third quarter of 2018). At the same time, real estate investment will continue to suffer from the high level of Norwegian household debt (236% of disposable income in 2017), and cooler growth in real estate prices. In addition, the slowdown in economic growth in Europe, particularly in the United Kingdom, could affect Norwegian exports (hydrocarbons, fish, aluminium, mechanical and electrical equipment and ships), since 21% of exports go to the UK. Mainland GDP, which excludes hydrocarbon production and shipping, is expected to grow by 2.7% in 2019. The energy sector – based on offshore oil and gas, and representing 17% of GDP, 19% of investments, and 43% of exports – will also contribute to the brighter pace of growth through oilfield development projects, such as the Johan Sverdrup project. However, despite the improvement in hydrocarbon prices, investment in exploring for new fields will remain moderate.

A solid financial situation that owes much to oil and gas

Fiscal policy is focused on promoting growth, creating jobs and diversifying the economy to reduce the country's dependence on the energy sector. In 2019, growth in budgetary spending is not expected to accelerate, allowing the government to post a comfortable surplus. However, the inclusion of the Liberal Party (Venstre) in the coalition government will result in increased spending on environmental protection. The budgetary rule limiting withdrawals from the sovereign wealth fund (SWF) to 3% of the fund's return will be respected. In addition, the policy of attracting foreign investment is to continue, leading the government to lower corporate taxes, notably by reducing the tax rate by one percentage point (23% to 22%). Measures to expand tax bases, along with increased revenues from oil activities, will offset this decline. Despite the push to diversify the economy, the non-oil deficit will amount to 7% of GDP, illustrating the dependence of public finances on oil revenues and SWF dividends. The burden of public debt will remain moderate, in a country with the world's largest SWF. However, the fund's return on investment (ROI) seems to be on a downward phase, which raises questions about the future management of public expenditure, which is indexed to the ROI. In the second quarter of 2018, the fund's ROI was lower than expected by the government.

The current account surplus is expected to remain high in 2019, mainly due to the goods balance, which stood at 5.5% of GDP in 2017. Indeed, despite the brisk showing by imports, reflecting vigorous domestic demand, exports – concentrated around oil, natural gas and salmon – will remain much higher. The current account surplus will also be supported by the income surplus (4% of GDP in 2017), linked to the wealth fund's foreign investments, while the deficit in transfers – attributable to the country's contribution to the European budget and aid to developing countries – will have an adverse effect. The current account surplus will likewise be reduced by the deficit in the balance of services related to oil production.

A fragile government

Following the parliamentary elections held in September 2017, the Liberal Party joined the Progress Party and the Conservative Party in the governing coalition in January 2018. When the Liberals came onboard, the government adopted a more environmentally-oriented programme, including protection for natural areas coveted by the oil industry. The Christian Democrats (KrF), meanwhile, refused to participate in the government. Despite the support of the eight Liberal MPs, the government therefore still has a minority in Parliament, holding 80 seats out of 169. However, on November 2, 2018, the KrF voted against supporting the opposition at an extraordinary party congress. The government still seems hopeful of getting the KrF to join the coalition, which would give it eight additional seats and thus a parliamentary majority. With this in mind, the government has proposed reforming the abortion law by banning terminations after the normal 12-week period, even in cases where the child might have a serious illness. The government is therefore fragile and could be brought down by the KrF's position.

NORWAY

PAYMENT & DEBT COLLECTION PRACTICES IN NORWAY

Payment

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.

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*).

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 January 1 or July 1 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.

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

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, particular and advantageous enforcement mechanisms will be applied for awards issued by EU countries, 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.

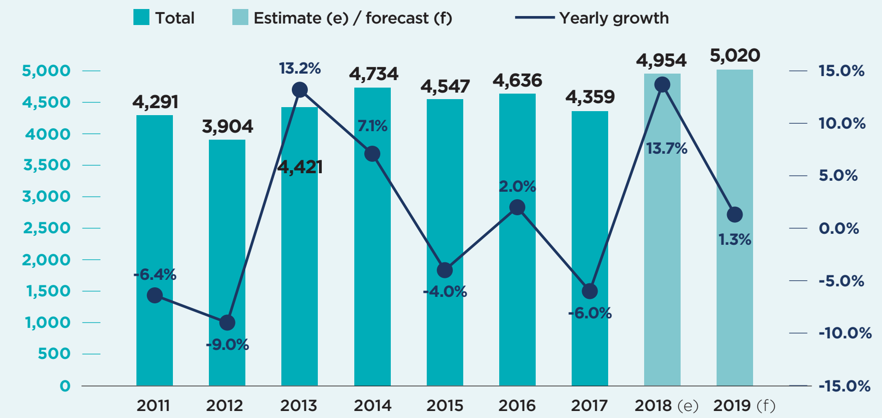
Restructuring the debt

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 INSOLVENCIES



Source : Statistics Norway (SSB), Coface.

OMAN

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **A4**

POPULATION Millions of persons - 2017 **4.1**

GDP PER CAPITA US Dollars - 2017 **17,128**

CURRENCY Omani Rial **OMR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.0	-0.9	1.9	4.2
Inflation (yearly average, %)	1.1	1.6	1.5	3.2
Budget balance (% GDP)	-20.9	-13.7	-5.0	-3.5
Current account balance (% GDP)	-18.7	-15.1	-6.9	-5.9
Public debt (% GDP)	32.5	46.9	49.5	49.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	50%
UNITED ARAB EMIRATES	8%
TAIWAN	6%
QATAR	5%
SAUDI ARABIA	5%

Imports of goods as a % of total

UNITED ARAB EMIRATES	39%
EURO AREA	7%
CHINA	6%
INDIA	5%
SAUDI ARABIA	3%

+

- Strategically located on the Strait of Hormuz
- Increasingly diversified economy (petrochemicals, port operations, tourism)
- Sound banking system and openness to foreign investment
- Significant tourism potential

-

- Exposed to hydrocarbon price fluctuations
- Shortage of local skilled labour leading to high youth unemployment and reliance on imported external expertise
- Ongoing uncertainties around the succession of the sultan
- Income inequalities exacerbated by cuts to social subsidies

RISK ASSESSMENT

Growth rebound for an economy that is struggling to diversify

The growth rebound that began in 2018 will intensify in 2019 thanks to the briskly-expanding hydrocarbon sector. At the heart of the country's economic model, oil and gas represented 60% of export revenues and 75% of budget revenues in 2017. Indeed, despite the decline in oil reserves, hydrocarbon activity will continue to enjoy effective techniques to optimise extraction. The sector will also benefit from increased gas production, boosted in particular by development of the Khazzan field. The discovery of natural gas deposits will support the sector in the years to come.

At the same time, since the late 1990s, the authorities have been working to diversify the economy into sectors such as transport, logistics and tourism. Accordingly, 2019 growth will also be driven by the non-oil and gas economy, which now accounts for more than two thirds of GDP. As part of the five-year (2016/20) Tanfeedh Diversification Plan, tourism is set to benefit from the expansion of Duqm and Muscat airports, as well as the development of Oman Air. Likewise, the easing of visa formalities will be a boost to tourism. Structural reforms to encourage investment, including FDI, have already been put in place, and more measures are expected in 2019.

Household consumption will suffer from an inflationary pick-up following further cuts to subsidies, in particular on fuels, as well as the introduction of a value added tax (VAT), scheduled for September 2019.

Reducing the large twin deficits

In 2015, the fall in oil revenues caused the twin deficits to widen. In 2019, further fiscal consolidation and the favourable oil market environment should help to reduce their size. Ministries and public administrations will be called upon to reduce their operating costs, and subsidies are to be cut. But in an unstable regional context, defence spending, which accounted for 13% of GDP in 2017, will remain substantial. In parallel, the authorities are looking to diversify their revenues, notably through the introduction of a regional VAT in GCC countries. In addition, if oil prices remain where they are, oil revenues, the main source of revenue, will go up. However, in the face of these austerity measures, public discontent could cause the government to retreat again. The decision to raise the minimum wage threshold for fuel subsidies in August 2018 illustrates the risk of fiscal slippage for 2019.

Despite an increasing trade surplus (12% of GDP in 2017), the current account deficit will remain high in 2019. The slight upturn in oil revenues will benefit the trade balance despite the slowdown in Chinese growth, China being the largest importer of Omani oil. However, the current account deficit will not shrink significantly, as imports, linked in particular to infrastructure projects, are also set to go up. The current account deficit is mainly due to the income deficit (14% of GDP in 2017), which in turn is linked to expatriate workers in Oman. The inflow of foreign investment, chiefly portfolio investments, will contribute to financing the current account deficit. However, foreign exchange reserves, which stood at more than five months of imports in July 2018, are deteriorating rapidly. This is a worrying trend given the sultanate's growing external debt, with total external debt, which represented 35% of GDP in 2014, exceeding 80% of GDP in 2017. The pegging of the rial to the US dollar, in a setting of rising interest rates in the United States, could put additional pressure on the foreign exchange reserves.

Domestic political uncertainty in an unstable regional context

Even if political risk is unlikely to materialise in the short term, the fragile state of health of Sultan Qaboos ben Said is creating real uncertainty about the future of the regime. The ruler's succession raises questions, as he is now 77 years old and has no heir. Often absent from the national and regional political scene, he may still have to face the population's dissatisfaction amid ongoing fiscal consolidation efforts. However, as power is concentrated in the sultan's hands, the parliamentary elections scheduled for 2019 are not expected to upset the political situation.

The sultanate is striving to remain neutral in the conflict between Qatar and the United Arab Emirates, Saudi Arabia, Bahrain and Egypt. However, the country has taken military action in Yemen alongside Saudi Arabia to fight Iran-backed Houthist rebels, which pose a threat to the country's internal security. Oman can count on the support of the United States, which is helping to maintain security in the border area.

According to the 2017-2018 Human Development Index, Oman ranked 48th out of 189 countries, joining the other GCC countries in the category of "countries with a very high level of development".

PAKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**197.3**
GDP PER CAPITA US Dollars - 2017	**1,546**
CURRENCY Pakistan rupee	**PKR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	4.5	5.4	5.4	4.2
Inflation (yearly average, %)	2.9	4.1	3.9	7.0
Budget balance (% GDP)	-4.4	-5.7	-6.5	-6.5
Current account balance (% GDP)	-1.7	-4.1	-6.0	-5.0
Public debt (% GDP)	67.6	67.0	70.0	73.0

(e): Estimate. (f): Forecast. *Fiscal year 2019 from July 2018 to June 2019.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
UNITED STATES	17%
UNITED KINGDOM	8%
CHINA	7%
AFGHANISTAN	6%

Imports of goods as a % of total

CHINA	27%
UNITED ARAB EMIRATES	13%
EURO AREA	7%
UNITED STATES	5%
SAUDI ARABIA	5%

+

- Significant internal market, fuelled by dynamic demographics
- Large transfers of expatriate workers
- Cheap and abundant labour force
- Perspective of the economic corridor with China
- An important player in Islamic finance

−

- Tense geopolitical environment and domestic insecurity (terrorism)
- Informality (40% of GDP) and low tax resources (15% of GDP)
- Health, agricultural and educational deficiencies
- Delayed development of Balochistan and of the countryside
- Low sectoral diversification and energy dependence
- 40% of the workforce in agriculture; dependence on weather and world prices

RISK ASSESSMENT

The economy is expected to slow down...

Activity is set to lose much of its strength in 2019. Although the slowdown appears moderate, given the increase in population (2% per year), it is worse per capita of inhabitant. Household consumption (82% of GDP) will lose its economic momentum, but given its weight, will remain the main contributor to growth. The strength of expatriate remittances, which are benefiting from the favourable economic situation in the Gulf Cooperation Council countries (62% of the total) and the depreciation of the rupee, will be offset by the tightening of economic policy, particularly monetary policy (key rate increased from 5.75 to 7.5% between January and July 2018). The latter is aimed both at moderating demand and inflationary pressures resulting from the rise in energy prices and the depreciation of the rupee, as well as reducing pressures on the rupee. With their considerable weight in consumption, the deceleration of imports, which should result from the depreciation of the rupee and a further increase in customs duties, will work in the same direction. For the same reasons, investment (15% of GDP), already constrained by a poor business environment and infrastructure, is also expected to slow. This would also include investment in transport and electricity supply infrastructure through the Economic Corridor (CEPC) between Chinese Xinjiang and the port of Gwadar (southwest Pakistan). Services (58% of GDP) with trade, industry (19%), particularly mining, textiles, metallurgy, and agriculture (23% of GDP), with sugar cane, cotton, rice and wheat, will be affected by the lower availability of imported intermediate and consumer products.

... in order to reduce fiscal and external imbalances

Following the most recent agreement with the IMF at the end of 2016, the fiscal situation deteriorated. This is due to a less sustained increase in budgetary revenues due to the decline in household taxation, combined with an increase in expenditure before the 2018 parliamentary elections. With increased financing constraints, both domestic and external, the new government has planned to initiate a recovery. In September 2018, it raised the average gas price by 35% (which varies according to the sector), in order to bring it closer to the cost of the resource. Public debt – 70% domestic and denominated in local currency, despite increased recourse to external financing – has increased significantly and will continue to rely on the central bank and other banks, to the detriment of credit to private companies.

The current account deficit increased in 2017-2018 due to the widening trade deficit. It should decrease with the recovery of exports, in line with the devaluation of the rupee and better electricity supply, and with the deceleration of imports – if the price of oil does not slip. The trade deficit (10% of GDP in 2018) will remain the main contributor to the imbalance. It is explained by the low level of exports (8.5% of GDP), more than half of which are textile products (household linen, clothing, cotton yarn), with the rest being comprised of comprising agricultural products (sugar, rice) and some manufactured goods. Competition from neighbouring countries in textiles is exacerbated by the overvaluation of the real effective exchange rate, despite the fact that the central bank allowed the rupee to depreciate by 16% against the US dollar between January and July 2018. This is in addition to import pressure resulting from domestic demand exceeding growth potential. Remittances from expatriates (7% of GDP) partially offset the trade deficit. The remaining deficit, as well as that related to services and payments of dividends and interests, is financed by the increasing use of debt with China and Saudi Arabia (USD 6 billion loan in October 2018) and, secondarily, on the markets, as well as by a draw on reserves (which fell to 1.7 months of imports in June 2018). However, external debt, 80% of which is owed by the public sector, still represents only 30% of GDP, and is largely at concessional rates. FDI is minimal, with most of the investments in the CEPC being financed by Chinese loans. The new government plans to conclude a new financing agreement with the IMF and to associate Saudi Arabia with the CEPC in order to ease external accounts.

A democratic transition that does not end insecurity

Despite a campaign punctuated by terrorist acts led by the Taliban, the July 2018 parliamentary elections were the second democratic transition of power since 1947. With 116 deputies out of 270, the Pakistan Tehreek-e-insaf or Justice Party (PTI) became the leading political force, ahead of the Muslim League of Pakistan (PML-N, 64 seats) and the Popular Party (43 seats). With the support of members of small parties or independents, Prime Minister Imran Khan must rely on provinces (3 out of 4, including Punjab and Sindh) led by the opposition. The General Staff will keep control of foreign policy and security.

The rapprochement with India will remain difficult due to Kashmir. China will remain the main economic partner with the development of the Sino-Pakistan Economic Corridor (CPEC). The relationship with the United States, often stormy on Afghanistan and terrorism, will remain marked by military cooperation.

PALESTINIAN TERRITORIES

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	5.0
GDP PER CAPITA US Dollars - 2017	2,928
CURRENCY No universal currency	-

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.1	3.1	1.4	1.4
Inflation (yearly average, %)	-0.2	0.2	0.8	1.5
Budget balance* (% GDP)	-8.1	-8.1	-8.3	-10.4
Current account balance** (% GDP)	-10.1	-10.9	-12.7	-13.4
Public debt (% GDP)	36.4	35.9	39.2	44.6

(e): Estimate. (f): Forecast. *Excluding grants. **Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

ISRAEL	82%
JORDAN	7%
UNITED ARAB EMIRATES	2%
SAUDI ARABIA	1%
EURO AREA	1%

Imports of goods as a % of total

ISRAEL	66%
EURO AREA	7%
TURKEY	5%
CHINA	4%
SOUTH KOREA	3%

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- Observer state status at the UN since late 2012
- Very young population
- Substantial remittances from the diaspora

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- Lack of geographic, political, and economic unity
- Very high unemployment rate
- Restrictions on movement in the West Bank imposed by Israel; blockade of the Gaza Strip by Egypt and Israel
- Stalemate in the peace process with Israel
- Reductions in international aid

RISK ASSESSMENT

Weak growth in the West Bank and a worrying recession in the Gaza Strip

The Palestinian economy is expected to remain split into two zones with contrasting dynamics. While growth, although weak, will be real in 2019, the overall result will conceal substantial differences, with the West Bank recording estimated growth of 2.2%, while the Gaza Strip is expected to continue its recession, largely caused by the economic blockade imposed on the region. West Bank growth has been on average higher than that of Gaza since 1995 (5.5% and 3.1% respectively) and less volatile. The structure of these economies, which was essentially similar until the early 2000s, will continue to move in different directions in 2019. Private consumption (90% of GDP) is expected to be the main economic driver in both cases. In Gaza, consumption will be hurt by the high unemployment rate, particularly because of the Israeli blockade, which prevents Gazans from working in or exporting to Israel. West Bank consumption is expected to be less affected, with Israel being the workplace of 17% of the working population and the primary destination for exports. In general, Palestinian exports are expected to be affected by the relative strength and stability of the shekel, which will undermine the export competitiveness of companies while at the same time providing some monetary stability. Palestine does not have its own currency, so it is dependent on Israeli monetary policy. The Gaza Strip will continue to rely heavily on public spending, which is equivalent to more than 40% of GDP, or twice as much as in the West Bank, and the projected decline in foreign aid in 2019 will be detrimental to the Palestinian Authority's (PA) economy. Productive investment, which is scarce in both areas, notably because of the unfavourable business environment (114th in the Doing Business ranking) and unstable situation, will stabilise at 0.5% of GDP in Gaza and 6% in the West Bank (or 4% and 26% of GDP respectively if construction investment is added).

Large twin deficits resulting from the conflict situation

The PA's government deficit is expected to continue to widen in 2019. Income will continue to decline as a proportion of GDP, partly due to the cuts to international aid. Conversely, public spending is set to remain at a similar level to 2018. Civil servant salaries, which account for 50% of current expenditure, are expected to play a major role in maintaining a high level of expenditure (90% of which is current). In addition, Palestinian imports and exports are subject to taxes collected by Israel on behalf of the PA. These are then transferred to Palestine and represent the PA's main source of income. The transfer of these revenues depends on the relationship between the two countries, with Israel able to block them if Palestine does not pay for its electricity. If this revenue is blocked, the PA would see its debt, which is largely domestic, explode to as much as two thirds of GDP by 2023 to finance its government deficit.

The huge deficit in goods and services (around 38% of GDP in 2017) is expected to continue in 2019, with an uptick in exports offsetting a slight increase in imports, mainly of capital goods. Amounts received by expatriates and earned by cross-border workers (25% of GDP) are expected to decline in 2019. This will cause a deterioration in the current account deficit, a downturn further amplified by the decline in external aid, which is expected to continue in 2019. One third of the current account deficit will be financed by government and private donations, with the remainder made up of non-resident investments.

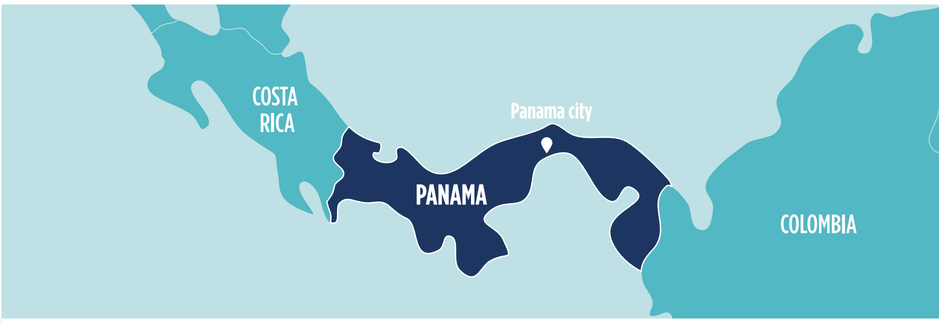
An unbearable internal situation and a difficult relationship with the United States

Re-elected in November 2016, 83-year-old Mahmoud Abbas, President of the PA and the Palestine Liberation Organisation (PLO), controls the West Bank, while Hamas, led by Ismail Haniyeh, has controlled the Gaza Strip since being democratically elected in 2007. Relations between the two territories are strained, and in 2017 the PA stopped paying for electricity for Gaza, causing a humanitarian crisis. The situation in the Gaza Strip raises humanitarian and social concerns. Gazans, who have almost no access to electricity, also have to deal with Israeli and Egyptian blockades, which prevent them from obtaining basic necessities and leaving the country. In response to this situation, young Palestinians organised a "Great March of Return" whose aim was to force a way through Israeli barriers and return to the other side of the border. The campaign resulted in the deaths of 166 Palestinians and one Israeli soldier. The international situation will continue to evolve in 2019, after a turbulent year in 2018. The United States established its embassy in Jerusalem in May 2018 to mark Israel's 70th anniversary, de facto recognising the city as the capital of Israel. The consulate, the main point of contact with the PA, will be moved there, and US President Donald Trump has cancelled USD 200 million in aid to Palestine. However in 2019, President Trump is expected to unveil plans to resolve the conflict. In addition, that same year, the PA will chair the "G77 + China" Group at the UN.

PANAMA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4



POPULATION Millions of persons - **2017**: **4.1**

GDP PER CAPITA US Dollars - **2017**: **15,089**

CURRENCIES
Panamanian balboa: **PAB**
US Dollar: **USD**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.0	5.4	4.3	6.3
Inflation (yearly average, %)	0.7	0.9	2.0	2.4
Budget balance (% GDP)*	-1.8	-1.6	-1.4	-1.3
Current account balance (% GDP)	-5.5	-4.9	-7.0	-6.1
Public debt (% GDP)	37.4	37.8	37.4	35.0

(e): Estimate. (f): Forecast. *Transfers from the Panama Canal authority included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
UNITED STATES	19%
CHINA	6%
TAIWAN	5%
COSTA RICA	5%

Imports of goods as a % of total

UNITED STATES	24%
CHINA	10%
EURO AREA	9%
MEXICO	5%
COSTA RICA	4%

+

- Inter-oceanic canal and related infrastructure (ports, airports, roads, railways)
- Total dollarisation of the economy; financial stability
- Colón Free Zone: 2nd largest import-export platform in the world
- Regional banking and financial centre served by excellent telecommunications
- Tourist potential

−

- Strong exposure to North and South American economic conditions
- Low budget revenues (20% of GDP)
- Gaps in education and vocational training
- Strong social and economic disparity between the canal area and the rest of the country
- Corruption and clientelism, bureaucracy

RISK ASSESSMENT

Canal activity is the source of economic momentum

Growth stalled in 2018 due to lower domestic demand, as well as major strikes by Panama Canal workers and in the construction sector. In 2019, the economy is expected to recover with the strongest growth in Latin America. Thanks to its expansion in 2016, the canal's activity should continue to grow, despite the slowdown in growth in both the United States and China – the two main users of the canal. Trade tensions between these two countries could also limit maritime infrastructure activity. In addition, the commissioning of the Cobre Panama copper mine, scheduled for 2019, should boost growth. Panama's banking system, the financial centre of the region, is expected to remain strong. Investment, both public and private (44% of GDP in 2017), will also contribute to the rebound in activity, and will focus on the continuation of major infrastructure projects, such as the building of new metro lines in the capital and a fourth bridge over the canal, as well as the construction of other road infrastructure.

Inflation, although on the rise, is expected to remain limited by modest domestic demand growth, as well as monetary policy tightening linked to the rise in US rates, as the Panamanian economy is dollarised. Nevertheless, as was the case 2018, price increases will continue to weigh on household consumption.

No significant change in twin deficits, despite the strength of the canal and investment

With a small government deficit, government accounts are overall expected to remain unchanged in 2019. While the increase in Panama Canal activity will lead to an increase in transfers from the Panama Canal Authority to the country's budget (10% of revenues in 2017), and economic growth will increase VAT revenues, investment in infrastructure projects will continue to weigh on spending. In addition, as the legislative and presidential elections in May approach, spending may exceed the amount announced in the 2019 draft budget. The stabilisation of the low government deficit should help Panama to maintain its moderate government debt.

At the same time, external accounts are expected to perform better than in the previous year, with a slight reduction in the current account deficit. The increasing activity of the canal should boost the balance of services surplus related to maritime transport. Tourism will also increase this surplus. However, imports will remain high, due to high oil prices and the high import content of investments. The income balance will also weigh on the current account deficit, as its deficit is mainly due to the repatriation of dividends by foreign companies. The inflow of FDI (9% of GDP in 2017), mainly made up of reinvested profits, will finance the current account deficit.

A year of legislative and presidential elections

Presidential and legislative elections will be held in the country in May 2019. President Juan Carlos Varela – a member of the Partido Panamañista (PP) party, which is facing a decline in popularity – will not be able to run again. Faced with this electoral deadline, three main political parties have emerged from the political scene: the PP, (which seems to be suffering from the growing unpopularity of the president), the centre-left party Partido Revolucionario Democrático (PRD), and the centre-right party Cambio Democrático. Even if the candidate of one of the latter two parties is able to win the presidential elections, he or she will probably have to form parliamentary coalition to hold a parliamentary majority – as did President Varela.

With regard to its external relations, Panama is trying to maintain and develop economic links in order to maintain its attractiveness. In 2018, Panama concluded bilateral free trade agreements with South Korea and Israel. Such agreements should stimulate FDI inflows and export growth prospects. In addition, the government has launched a diplomatic and commercial strategy: the "Falcon Strategy", which aims to strengthen Panama's role as a global platform. In particular, this initiative aims to connect Southeast Asia, the Middle East, and Africa to the continent *via* Panama. However, American-Panamanian relations could suffer from the country's rapprochement with China. After officially recognising it in 2017, the two countries signed about 20 bilateral agreements focusing on sectors such as tourism, agriculture, and transport.

Since the Panama Papers scandal in 2016, the country has reinforced its financial transparency and the fight against tax fraud. It has thus signed the Convention on Mutual Administrative Assistance in Tax Matters, drawn up by the Council of Europe and the OECD. In addition, the country was removed from the European Union's black list of tax havens in 2018.

PAPUA NEW GUINEA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2017**	**8.3**
GDP PER CAPITA US Dollars - **2017**	**2,402**
CURRENCY Papua New Guinean Kina	**PGK**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.6	2.5	0.0	3.8
Inflation (yearly average, %)	6.7	5.4	4.8	4.7
Budget balance (% GDP)*	-5.2	-2.7	-2.9	-2.2
Current account balance (% GDP)*	23.7	23.9	22.8	23.0
Public debt (% GDP)	37.8	37.5	36.8	36.2

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

AUSTRALIA	19%
SINGAPORE	18%
JAPAN	14%
CHINA	13%
EURO AREA	10%

Imports of goods as a % of total

AUSTRALIA	30%
CHINA	17%
SINGAPORE	10%
MALAYSIA	7%
INDONESIA	4%

+

- Abundant natural resources: ores (copper, gold, nickel, cobalt), hydrocarbons (oil, gas) and agricultural products (wood, coffee, cocoa, palm oil)
- Financial support from multilateral institutions
- Foreign investment in the commodities sector
- Construction of liquefied natural gas production units

−

- High exposure to natural disasters
- Weakness of the infrastructure network
- Economy dependent on raw material exports
- Significant shortcomings in terms of governance
- Low literacy rate, lack of skilled labour

RISK ASSESSMENT

The economy recovers from a destructive earthquake

After being reduced by the decline in extractive activities following the destruction of several production sites during an earthquake in February 2018, growth is set to rebound in 2019. The economy should benefit from a return to normal in the extraction of hydrocarbons and minerals, an activity that constitutes approximately 30% of GDP. In addition, the oil price, which is likely to remain high, and rising gas prices are expected to stimulate growth in 2019. Exports, the main driver of growth, will benefit from the recovery of the hydrocarbon and minerals sector, which accounts for nearly 75% of exports. This sector will continue to profit from significant investment, particularly foreign investment, with many facilities under construction, notably in the field of liquefied natural gas (LNG).

Agriculture, which employs two thirds of the working population, occupies a limited place in the country's economy, generating only about 12% of GDP. The agricultural sector remains largely informal and unproductive, making subsistence farming prevalent. In addition, the economy will continue to suffer from the damage caused by the earthquake on the already under-developed infrastructure network.

Household consumption, which accounts for about half of GDP, will benefit from the gradual reduction in inflation. However, the level of the latter will remain significant, as it is fuelled by fiscal policy, with the public deficit partly financed by the regular issuance of treasury bills.

Further fiscal consolidation and stabilisation of the current surplus

Many efforts have been made by the government to reduce public spending as part of fiscal consolidation since 2017. These efforts are expected to continue, leading to a resumption of the decline in the public deficit in 2019, after a slight rebound in 2018 due to public spending on post-earthquake reconstruction. It is in this context that the government plans to limit wage developments in the public sector, for example. Measures have also been taken to improve the collection of tax revenues. The government should continue in this direction in 2019, notably with the establishment of new regional tax centres, the aim being to improve the efficiency of tax administration. The rebound in growth is also expected to generate higher budgetary revenues.

In 2019, the country will still have a large current account surplus. This is due to the strength of raw material exports, leading to a trade surplus, as well as by the receipt of international aid. These surpluses more than offset the deficits in the other components of the current account: services (linked to extractive activities) and income (linked to the presence of foreign investment). However, the current surplus is practically absorbed by the repayment to parent companies of loans contracted by their local subsidiaries for the construction of gas infrastructure.

A government that is a source of social tension

Prime Minister Peter O'Neill, a member of the People's National Congress, is serving his second term since his re-election in 2017. Accused of embezzlement of public funds and fraud during the 2017 parliamentary elections, his popularity continues to decrease. In June 2018, the Prime Minister declared a nine-month state of emergency in the Southern Highlands province, following riots organised by opposition supporters challenging the victory of the local government. The Prime Minister must also face challenges from citizens about the management of hydrocarbon exploitation on their land. These tensions are unlikely to ease in a country where poverty and inequality remain high. Moreover, additional tensions could result from the referendum on independence that should be held in the autonomous region of Bougainville in June 2019. Although the large majority of inhabitants seem to support independence for Bougainville (which is rich in copper reserves), the non-binding nature of the vote means the government could refuse to grant it regardless of the result.

On the regional scene, the government is maintaining increasingly close relations with China. In addition to importing LNG, China holds a quarter of Papua New Guinea's public debt through its import-export bank. In addition, given the trade tensions between China and the United States, the country's LNG could be partially used by China to replace that of the United States.

In 2017, Papua New Guinea ranked 146th out of 204 countries assessed in the World Bank's regulatory quality ranking, falling four places in a year. The business climate therefore remains marred, with a significant risk of late payments and project cancellations.

PARAGUAY

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2017**	7.0
GDP PER CAPITA US Dollars - **2017**	5,600
CURRENCY Paraguayan guaraní	PYG

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.3	4.8	4.4	4.3
Inflation (yearly average, %)	4.1	3.6	4.2	4.1
Budget balance (% GDP)	-0.4	-0.9	-1.1	-1.0
Current account balance (% GDP)	1.2	-0.8	-1.3	-0.9
Public debt (% GDP)	18.9	19.5	20.4	20.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	32%
ARGENTINA	16%
EURO AREA	10%
CHILE	7%
RUSSIA	6%

Imports of goods as a % of total

CHINA	31%
BRAZIL	23%
ARGENTINA	13%
UNITED STATES	7%
EURO AREA	7%

+
- Well-developed agricultural sector (soybeans and beef)
- Abundant hydroelectric resources
- Prudent fiscal and economic policies

−
- Poor infrastructure (river transport, roads, power lines)
- Dependent on the agricultural sector and a handful of trading partners, notably Brazil and Argentina
- Weak governance (corruption and patronage)
- Large informal market (40% of GDP)

RISK ASSESSMENT

Strong growth driven by domestic demand

Growth will remain resilient in 2019, driven by strong domestic demand. *Maquilas* (factories built for foreign companies under the free zone regime) will continue to grow rapidly owing to sharply rising private investment, mainly in the assembly of automotive parts (50% of *maquila* exports) and textiles (32% of the total including shoes). Vibrant performances by the *maquilas*, thanks to an attractive tax policy for foreign investors, will support job creation and ultimately household purchasing power. Private consumption will be driven by the 3.5% increase in the minimum wage that came into effect in July 2018. Inflation is expected to remain in the middle of the target range (2-6%) set by the central bank, which will therefore keep its monetary policy unchanged, assuming there is no shock to the guarani. The banking system remains fragile, as it is highly dollarised (47% of loans and 45% of deposits in August 2018) and reliant on the agricultural sector, which accounts for a large proportion of the loans granted.

Exports will benefit from the relatively improved economic situation in Brazil and Argentina, the country's main trading partners, after the tougher economic times of 2018. The agri-food sector, which is export-oriented, should therefore continue to expand vigorously. However, external trade is expected to contribute negatively to growth once again, due to strong import growth following the increase in domestic demand.

Prudent fiscal policy and small current account deficit financed by FDI

The government will continue its prudent fiscal policy in 2019 and should keep to the deficit limit of 1.5% of GDP set in the Fiscal Responsibility Act. Strong economic activity will continue to support tax revenues, which will also be lifted by a hike in tobacco taxation. Revenues should therefore offset the increase in public spending, particularly in health and education, and allow the government to maintain a small primary surplus. The share of the public sector in the economy is one of the lowest in the region, with revenues representing less than 20% of GDP due to the very narrow tax base. Public debt, the lowest in Latin America, will remain measured and will be financed on international markets, with a USD 600 million bond issue planned in the 2019 budget.

The relative improvement in the economic situation of the country's main partners should support agricultural exports, mainly from the soya (40% of the total) and meat (15%) sectors, and electricity exports (23%) from the bi-national hydroelectric power plants of Itaipú (Brazil) and Yacyretá (Argentina). The trade surplus will be moderated by strong import growth, due to lively household consumption and investment. However, given the nature of the products exported, the size of this surplus will depend on weather conditions. The income balance, which is structurally in deficit because of dividend repatriation, is only partially offset by remittances from expatriates. The resulting small current account deficit will be financed by the net inflow of FDI (1.2% of GDP in 2017) into agricultural sectors, construction and, more broadly, the *maquilas*. While capital from the United States and Spain remains significant, recent years have seen a surge in FDI from Brazil. With these net capital inflows complemented by the abovementioned bond issue, foreign exchange reserves will remain comfortable (they stood at seven months of imports in the first half 2018).

New President, same policies

The April 2018 general elections were won, unsurprisingly, by Mario Abdo Benítez of the Colorado Party. Former Senate President and son of the private secretary of dictator Alfredo Stroessner (1954/89), Mr Abdo Benítez succeeded Horacio Cartes, also of the Colorado Party. As such, although Mr Abdo Benítez represents the most conservative wing of the party, the social and economic policies put in place are likely to be in line with those of his predecessor. His campaign promises contained proposals to keep pro-business measures, including low taxes to stimulate foreign investment (Maquila Law, in place since 2000). At the same time, given the limited fiscal resources available, social spending will be restricted and is unlikely to enable much progress in the fight against poverty. In addition, because the Colorado Party lacks an absolute majority in the Senate (17 seats out of 45), and owing to divisions between the conservative wing of Mr Abdo Benítez (Colorado Añetete) and the more moderate wing of his predecessor (Honor Colorado), the government is being forced to seek alliances. The President has therefore begun a dialogue with opposition parties with a view to reforming the justice system and the electoral law – changes that will nonetheless be difficult to implement.

The business environment remains weak, with the country placing 103rd out of 190 in the World Bank's Doing Business 2018 ranking, mainly due to the large informal economy and corruption, and 135th out of 180 in Transparency International's Corruption Perceptions index.

PERU

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	31.8
GDP PER CAPITA US Dollars - 2017	6,732
CURRENCY Peruvian sol	PEN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.0	2.5	4.0	4.0
Inflation (yearly average, %)	3.6	2.8	1.4	2.0
Budget balance (% GDP)	-2.5	-3.1	-3.0	-2.7
Current account balance (% GDP)	-2.7	-1.3	-1.1	-1.1
Public debt (% GDP)	23.7	24.8	25.7	26.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	26%
UNITED STATES	16%
EURO AREA	12%
SWITZERLAND	5%
SOUTH KOREA	5%

Imports of goods as a % of total

CHINA	22%
UNITED STATES	20%
EURO AREA	10%
BRAZIL	6%
MEXICO	4%

+

- Membership of the Pacific Alliance
- Mineral, energy, agricultural, and fishery resources
- Low level of public debt
- Independence of the central bank
- Tourist destination

−

- Dependent on raw materials and demand from China
- Underdevelopment of credit (40% of GDP)
- Inadequate infrastructure, health care, and education systems
- Huge informal sector (70% of jobs)
- Regional disparities (poverty in the Andean and Amazonian regions)

RISK ASSESSMENT

Activity recovered ground in 2018, though some downside risks might materialize in 2019

GDP reported a bright improvement in 2018, after a 2017 marked by strong floods triggered by El Niño and by the suspension of public investment due to corruption scandals. Activity growth was also spurred by robust domestic demand. Investments rebounded, both private and public, backed by a stronger political environment. In addition, household consumption also gained strength on the back of a controlled inflation and accommodative monetary policy.

Activity should observe a similar rate of growth in 2019. Terms of trade should stay close to the levels of 2018, supporting exports and investments in the sector. In parallel, household consumption is expected to remain strong thanks to still favourable inflation and monetary policy. However, there are some downside risks related to the external scenario: namely, an escalation in the trade dispute between the United States and China (the two main destinies of Peru's exports) and a stronger tightening in US monetary policy. While there are some new domestic political tensions, a possible further escalation, should not cause strong impact in economic activity, as there is a broad consensus on pro-business polices in the country.

Strong external and fiscal positions

While most Latin American currencies depreciated in 2018 due to a shift in investors' mood towards emerging markets, the novo sol has remained broadly stable thanks to the country's sound external position vis-à-vis its peer economies. In the past two years, Peru has registered low deficits in its current account, driven by stronger trade surpluses due to improvements in terms of trade. In addition, the low external imbalance has been comfortably covered by FDI. Moreover, the country's international foreign exchange reserves are among the highest in the region relative to GDP, at 29.5% as of the end of 2017.The dollarisation of the banking system has fallen over the last decade to 29% of credit and 32% of deposits at July 2018 from 51% and 46%, respectively, at December 2008.

Peru also has low levels of public debt, thanks to the prudential fiscal policy in force since the start of the commodities super cycle back in the early 2000s. The government of President Vizcarra has started fiscal consolidation, reducing the non-financial public sector budget deficit targets for 2018 and 2019.

The new President advances in the fight against corruption, although investigations into new cases continue

President Pedro Pablo Kuczynski (PPK) of the centre-right Peruvians for Change party delivered his resignation in March 2018. Facing his second impeachment vote in three months, PPK's resignation was triggered by newly-discovered evidence of corruption with the Brazilian construction group Odebrecht.

As per the local Constitution, First Vice-President Martín Vizcarra (from the same party) took office. Responding to the widespread anger due to the corruption scandals, he has assumed a harder line with the opposition-run Congress (where the conservative party Popular Force has a majority). He has threatened to invoke a constitutional procedure to dissolve the house if it fails to grant him a vote of confidence to advance with four constitutional reforms to combat graft. In early October 2018 the Congress approved the legislation, representing a victory to the government. A referendum on the reforms was held on December 9.

However, a new escalation of political tensions is possible: in September 2018, the Attorney General reopened a corruption investigation into the failed contract of an airport, which had led Mr Vizcarra to resign as Transport Minister in May 2017. Moreover, in October 2018, Keiko Fujimori, leader of Fuerza Popular (opposition party with a large majority in Congress), was detained over allegations of illicit campaign contributions. In addition, while Ms Fujimori's popularity has declined in recent months due to the scandals, her party is likely to continue using its power in Congress to oppose President Vizcarra.

PERU

PAYMENT & DEBT COLLECTION PRACTICES IN PERU

Payment

Electronic payment is prefered 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. 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

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, 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.

Legal proceedings

Conciliation Proceedings

Prior to judicial proceedings, Peruvian law requires of a conciliation process in order to reach a debt settlement agreement. The process constitutes two hearings, 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 URP 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 and to determine accounting obligations, 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 cases which the value is below URP 100. Juzgados de Paz have jurisdiction for amounts between URP 50 and 100. Defendants have five days to file a dispute after they received the notification from the judge. Within 10 days, the judge organises hearing for discovery, conciliation, evidence and judgment;
- shortened proceedings (*proceso Abreviado*) concern cases in which the value is between URP 100 and 1,000. Juzgados de Paz have jurisdiction for amounts between URP 100 and 500 and Juzgados Civiles have jurisdiction in cases for amount above URP 500. The defendant has 10 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 with a value of over URP 1,000. 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 18 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

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

COUNTRY RISK	A4
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	104.9
GDP PER CAPITA US Dollars - 2017	2,989
CURRENCY Philippine peso	PHP

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.9	6.7	6.3	6.5
Inflation (yearly average, %)	1.3	2.9	4.9	3.9
Budget balance (% GDP)	-2.4	-2.2	-2.8	-3.2
Current account balance (% GDP)	-0.4	-0.8	-1.5	-1.5
Public debt (% GDP)	39.0	39.9	39.5	38.9

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	16%
UNITED STATES	15%
HONG KONG	14%
EURO AREA	13%
CHINA	11%

Imports of goods as a % of total

CHINA	18%
JAPAN	11%
SOUTH KOREA	9%
UNITED STATES	8%
THAILAND	7%

- Large population that is young (50% is under 25), qualified and with good command of English
- Diverse geographic and sectoral origin of remittances from expatriate workers (10% of GDP)
- Thriving Business Process Outsourcing (BPO) sector

- Low rates of investment: inadequate and outdated infrastructure
- Governance shortcomings: bureaucracy and corruption
- High levels of income inequality
- Problematic security situation in the South with Muslim groups
- Strict bank secrecy and casinos facilitate money laundering

RISK ASSESSMENT

Growth expected to remain strong

In 2019, the economy is expected to maintain its momentum, buoyed above all by domestic demand. Although consumer sentiment will remain negatively affected by high inflation due to a weaker peso and rising energy prices (80% imported; not subsidised), household spending (70% of GDP) is expected to remain the main driver of growth. Remittances from expatriate workers (10% of GPD), mainly from the United States and the Gulf countries, will likely show a more volatile growth rate, but should continue to benefit household consumption. Moreover, the bullishness of the economic outlook will be supported by strong credit growth for both companies and households. Credit growth will be favoured by negative or low real interest rates (interest rates minus inflation), even as the Bangko Sentral ng Pilipinas (BSP) is expected to perform further rate hikes to curb inflation.

Investments (25% of GDP) should grow moderately in 2019. They will benefit from public infrastructure projects, while FDI – which account for only 2% of GDP – are expected to remain below potential. Businesses will likely experience pressure to invest because of the high production capacity utilisation rate, but lingering uncertainties surrounding domestic reforms and the external environment will see them continuo to be cautious. Most investment growth will therefore be on the back of the ambitious "Build Build Build" public infrastructure investment project. This should increase growth potential in the medium- to long- term. Export growth will slow down, especially compared to import growth, as demand for electronic components (50% of exports) will slow because of market saturation and competition. The Business Process Outsourcing (BPO) and tourism sectors should continue to perform well.

Deterioration of the budget deficit; current account under pressure

The budget balance is expected to deteriorate in 2019 as the rise in revenue will not be enough to offset the rise in spending. The extensive tax reform is set to increase revenues by levying excise duties (fuel, automotive products, alcohol and tobacco), broadening the VAT base, and implementing higher tax rates for higher income brackets. However, this reform will not be enough to compensate the increase in spending induced by President Rodrigo Duterte's infrastructure investments and social programmes (child vaccinations, assistance for poor families, extended health insurance cover, universal primary education). Moreover, additional transfers will continue to be made to low income households, who are affected by the tax reform and accelerating inflation. Despite the growing imbalance, strong growth should help stabilise the public debt-to-GDP ratio, and almost all of the public debt has medium to long term maturity, while over two thirds of this debt is held by domestic creditors and denominated in local currency.

The balance of payments should record a lesser deficit than in 2018 as net capital outflows – triggered by the US monetary tightening and subsequent BSP spending of foreign exchange reserves to defend the peso – will decrease. Depreciation pressures should ease somewhat throughout 2019 (-7.3% in Jan.-Oct. 2018). Despite the fast rate of depletion in 2018, foreign exchange reserves will remain adequate, repre-senting around seven months of imports. FDI levels are low, in part due to the consequence of restrictions on FDI, higher production costs than those in neighbouring countries, and political uncertainties. The trade deficit will remain high as export growth will continue to not compensate the rise in imports, which are driven mainly by domestic demand, imported parts for use by industry (especially electronics and information technology outsourcing), the peso's depreciation and rising energy prices.

Presidential promises facing a reality check

Rodrigo Duterte was elected in May 2016 for a term of six years, succeeding Benigno Aquino. His ethos is twofold: combatting inequalities, and law and order. 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 his mandate, even though some tensions linger in relation to territorial disputes in the South China Sea. Despite some successes in fighting radical Islamist groups, the president's high popularity ratings have tumbled (45% in approval ratings mid 2018) following drug-related extrajudicial executions, allegations of corruption against allies of the president, rising inflation eroding purchasing power, and alleged blasphemous stances.

POLAND

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	38.0
GDP PER CAPITA US Dollars - 2017	13,821
CURRENCY Polish złoty	PLN

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.1	4.8	5.0	3.7
Inflation (yearly average, %)	-0.2	1.6	1.7	2.6
Budget balance (% GDP)	-2.2	-1.4	-0.9	-0.9
Current account balance (% GDP)	0.2	0.2	-0.6	-0.8
Public debt (% GDP)	54.2	50.6	49.2	48.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	27%
CZECHIA	6%
UNITED KINGDOM	6%
FRANCE	6%
ITALY	5%

Imports of goods as a % of total

GERMANY	28%
CHINA	8%
RUSSIA	6%
NETHERLANDS	6%
ITALY	5%

+

- Market of 38 million people
- Proximity to West European markets
- Price competitiveness; qualified and cheap labour force
- Integrated into the German production chain
- Diversified economy (agriculture, variety of industries, services)
- Resilient financial sector

−

- Inadequate level of investment; domestic savings rate too low
- Weakness in R&D
- Developmental lag of Eastern regions
- Structural unemployment; low level of female employment

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	HIGH
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Extended recovery fades out

In 2019, Poland will likely experience a slight slowdown in economic growth after two years of accelerating activity, with GDP growth rates reaching their highest levels since 2011. Household consumption remains the main growth driver, thanks to the buoyant labour market. The unemployment rate is the lowest in 28 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 remain high. Moreover, a rebound of fixed asset investments brings additional support for growth. Investments are still supported by an inflow of EU funds, which have enhanced investments by at least 2 percentage points. Nevertheless, growth of domestic activity will stabilise, and the trade balance is likely to be negative in light of the weaker economic expansion of eurozone (the main trading partner) – exports represent over 50% of GDP. This will lead to the Polish economy being less robust in 2019.

Although the labour market situation is beneficial for households, companies have perceived it as a constraint. Labour shortages have become a drag 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 manufacturing, construction and transport sectors. In addition, the insolvency law enacted in 2016 has favoured the increase in business restructuration proceedings, which have accelerated since then.

The budget deficit remains low despite social measures

The general government deficit remains on a decreasing path: it is estimated to have reached 0.9% of GDP in 2018 after recording 1.4% in 2017. Costly social measures – such as child benefits and the lowering of the statutory retirement age in 2017 – have been offset by the robust macroeconomic performance, which brought an increase of revenues from personal and corporate income taxes (the structural deficit, *i.e.* excluding effect from the cycle amounted to 2.0% of GDP, according to the European Commission's estimation). The improved tax collection has brought sizeable and positive effects to the Polish budget balance, as further such measures will likely do in 2019. The favourable labour market contributes to strong growth of social contributions. Public investment expenditure will continue to grow as Poland hosts a series of elections: municipal in late 2018, domestic and European parliamentary in 2019, and presidential in 2020. The public debt is expected to remain on a manageable level, benefitting from a low budget deficit and the relatively solid GDP growth of Polish economy.

The current account balance turned slightly negative in 2018. Whereas trade in services continues to perform well supported by transportation services abroad, trade in goods is affected by solid demand from Polish households and companies importing for improving their production capacities. Indeed, imports have been more dynamics than exports: in the first nine months of 2018, exports increased by 3.8% compared to the same period of previous year whereas imports surged by 6.8% then.

Challenging 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 latest legislative elections in October 2015 (37.6% of votes), ahead of Civic Platform, the main opposition party. Since taking office, the PiS has 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 the latest municipal elections in October 2018, the PiS increased its hold on regional parliaments, but failed to win mayoral contests in most of the country's largest cities.

Although the current government has successfully achieved a higher collectability of taxes and is enjoying a favourable macroeconomic environment, the political climate is relatively gloomy. This has contributed to a higher level of uncertainty compared to previous years, and has also affected investors' attitudes. On the other hand, stable fundamentals, Poland's integration into Western European value chains, and attractive yields have convinced foreign entities to not withdraw their direct and portfolio investments from Poland.

PAYMENT & DEBT 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 Polish złotys of €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. Following phases of privatisation and consolidation, leading Polish banks now use the SWIFT network.

Debt Collection

Amicable proceedings

Amicable debt collection is the first step of the debt recovery procedure in Poland. These actions include reminders and/or 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 acknowledgment of its debt and to obtain a commitment to the repayment agreed.

As of 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 – 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 zaplaty*) *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 to attempt conciliation between the parties.

Standard court procedures can be also fast and effective when the creditor can provide documents that 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.

Accelerated arrangement proceedings are also available if the sum of the disputed debt 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.

"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

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	10.3
GDP PER CAPITA US Dollars - 2017	21,159
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.9	2.8	2.0	1.8
Inflation (yearly average, %)	0.6	1.6	1.3	1.5
Budget balance (% GDP)	-2.0	-3.0	-0.7	-0.4
Current account balance (% GDP)	0.6	0.5	-0.9	-0.4
Public debt (% GDP)	129.2	124.8	121.7	118.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SPAIN	25%
FRANCE	12%
GERMANY	11%
UNITED KINGDOM	7%
UNITED STATES	5%

Imports of goods as a % of total

SPAIN	32%
GERMANY	14%
FRANCE	7%
ITALY	5%
NETHERLANDS	5%

- High-quality infrastructure
- Tourist destination
- Beginning of sector and geographical diversification of exports, research and innovation capacities
- Lower labour costs; reform efforts

- Small manufacturing industry; specialised in low and medium value added sectors (fuels, food products, chemicals, vehicles, clothing, metals, footwear)
- High levels of public and private debt
- Inflexible labour market; lack of domestic competition; insufficient investment
- Youth unemployment at 25%
- Slow-functioning legal system
- Poor quality of bank portfolios; high bad debt rates

RISK ASSESSMENT

Further slowdown in 2019

Portugal's economic expansion slowed in 2018, keeping step with the other eurozone economies. Although growth in household consumption moderated somewhat, domestic demand remained on a positive trend, supported by increased investment. External demand made a smaller positive contribution than in 2017. The slowdown in activity is expected to continue in 2019. Household consumption is set to stagnate as higher inflation and slower wage growth limit the increase in disposable income. At the same time, public spending should continue to be constrained by fiscal consolidation. Investment is poised to drive growth once again, reflecting the resumption of several infrastructure projects financed by European funds, as well as strong demand for housing, which will support the construction sector. Meanwhile, strong demand on the real estate market, driven in particular by the rebound in tourism, should continue to push house prices higher. Conversely, despite still-accommodative financing conditions, business investment is expected to falter on cooler external demand. Although deleveraging continues, corporate credit has increased for the first time since 2010, and company debt levels remain high. Portugal's bad debt ratio decreased from 16% in 2017 to 12.4% in the second quarter of 2018, but remains well above the European average (3.6%). Although Portuguese banks are better capitalised and their net earnings have improved, the banking sector remains fragile. Following a loss of €1.4 billion in 2017, which took it below the regulatory capital requirement, Novo Banco, a structure created in 2014 following the bankruptcy of Banco Espírito Santo (BES), required a €792 million capital injection from the country's resolution fund in 2018. The State is expected to contribute a further €400 million in 2019.

Further fiscal consolidation

Despite the cost of recapitalising Novo Banco, estimated at 0.4% of GDP in 2018, increased budgetary revenues, lower debt service and reduced public investment mean that the government deficit was reduced by more than targeted in the 2018 budget. To build on the fiscal consolidation efforts, the 2019 budget presented to the European Commission in October 2018 aims to achieve balanced public accounts, with a public balance of -0.2%. This target would also allow the authorities to meet the commitment to reduce the primary deficit by 0.4% made in the Stability and Growth Pact. However, according to the European Commission's estimates, the government deficit may be slightly higher than expected. On the one hand, the slight economic slowdown expected in 2019 is expected to constrain the growth of budgetary revenues. On the other, the impact of measures such as wage increases (€50 million) and the end of the freeze on career progressions (€152 million) in the public sector is expected to be greater than expected. Finally, the State's contribution to recapitalising Novo Banco will probably be larger than forecast. Although significantly lower than in previous years, a deficit of 0.6%, which would result in a structural deficit of 0.9%, would still be in breach of the commitments made under the Stability Pact, knocking the country slightly off the path towards the medium-term budgetary objectives. However, the Portuguese authorities have in the past kept to the budgetary trajectory, despite disagreements with the Commission. Despite fears in October 2018 of a possible contagion effect from Italian sovereign rates to other countries on the eurozone periphery, Portugal seems to have been spared. In 2019, sovereign rates are expected to remain low and will continue to support a decline in debt service to 3.4% of GDP. Public debt still remains high, but is on a downward path that is expected to accelerate.

The slowdown in exports in 2018 led to the emergence of a current account deficit. While export growth is expected to remain weak in an unfavourable international environment, robust performances in the tourism sector should help to narrow the deficit slightly in 2019.

Parliamentary elections in 2019

Since 2015, Portugal has been led by a coalition between the Socialist Party (PS), of which the current Prime Minister, Antonio Costa, is a member, and three other parties: the Left Bloc (BE), the Portuguese Communist Party (PCP) and the Greens (ENP). The coalition is in a unique position in Europe in that it has so far managed to lift its austerity policies while upholding commitments made to the European Commission. Despite several scandals involving members of the government, including mismanagement of the Monchiques fires and the theft of rockets from the Portuguese army, the coalition continues to enjoy strong support. With the centre-right losing ground, the parliamentary elections of October 2019 will probably return the coalition to power.

PAYMENT & DEBT 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 €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. A bill of exchange is generally deemed independent of the contract to which it relates.

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.

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.

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 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 deb, is deemed to be an agreement that 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 specialised courts (*Secções de Competência Especializada)* for commerical issues (*secção de Comercio*), commercial issues. These latter 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 (*Regime Extra Juditial de Recuperação de Empresas*, RERE) came into effect on July 1, 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.

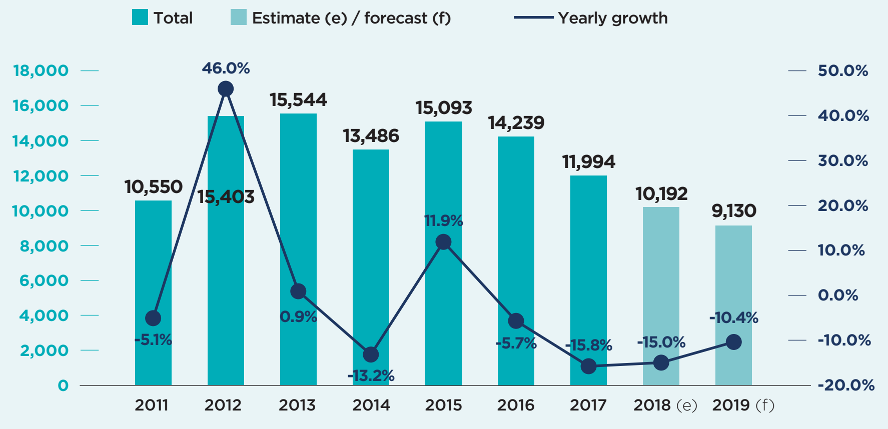
Restructuring proceedings

The reforms implemented in 2012 included the introduction of a special rescue procedure (*Processo Especial de Revitalizaçao*, 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 INSOLVENCIES



Source: Racius, Coface.

QATAR

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	2.7
GDP PER CAPITA US Dollars - 2017	61,025
CURRENCY Qatari rial	QAR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.1	1.6	2.8	3.1
Inflation (yearly average, %)	2.7	0.4	3.7	3.5
Budget balance (% GDP)	-4.7	-1.6	3.6	10.5
Current account balance (% GDP)	-5.5	3.8	4.8	6.6
Public debt (% GDP)*	46.7	53.8	53.4	48.7

(e): Estimate. (f): Forecast. *General government gross debt.

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	17%
SOUTH KOREA	16%
INDIA	12%
CHINA	11%
SINGAPORE	9%

Imports of goods as a % of total

EURO AREA	20%
UNITED STATES	16%
CHINA	11%
UNITED ARAB EMIRATES	6%
JAPAN	5%

+

- Third-largest gas reserves in the world
- World's leading exporter of LNG
- Economic diversification strategy supporting development of non-hydrocarbon sectors
- Hosting of World Cup 2022 sustains infrastructure and construction activities
- Huge financial buffers allowing the economy to remain resilient during the boycott
- High per capita income supports political stability

−

- Monetary policy dependent on the currency peg regime
- Possible negative impacts if diplomatic rift escalates
- Rising geopolitical uncertainty
- Dependence on foreign labour
- Persistent dependence on hydrocarbon revenues

RISK ASSESSMENT

Economy remains resilient; impacts of the rift likely to fade

In 2018, Qatar's economy was backed by higher growth in the hydrocarbon sector and the acceleration of the non-hydrocarbon sector, particularly with the increases in construction and manufacturing. The hosting of the 2022 World Cup will likely support investments and activity in the construction, tourism, and transportation sectors in 2019. The easing of the OPEC production cut, the government's support to diversify the economy, and the creation of new trade routes will also help growth to accelerate. However, the economic embargo will continue to restrain any strong leaps.

The conservative fiscal stance is expected to continue, despite higher hydrocarbon prices, thus limiting the contribution of government consumption to growth. The Qatar central bank has so far hiked its policy rate in line with the US Federal Reserve monetary tightening. The bank is expected to follow the FED's footsteps due to the currency peg regime, which could result in a slower growth for household consumption. Any worsening of political tensions, lower energy prices, tighter-than-expected fiscal stances, or tighter global financial conditions would pose a significant risk to growth performance. In this regard, Qatar's large financial buffers could provide additional support to the economy.

Inflation rose along 2018 on the back of higher energy prices and the boycott imposed on Qatar. In particular, food and beverage prices, which constitute nearly 13% of the consumer price index, rose as much as 6% early in 2018, before gradually decreasing since then. Price hikes on fuel and the impact of the introduction of a VAT are together expected to push up prices during 2019.

Rising current account surplus, with services and transfers still in deficit

Higher oil prices will enable Qatar to increase its trade surplus, and consequently its current account surplus in 2019. Hydrocarbon exports are still the leading export item for the country, with their share of total exports reaching 84% (2017). Imports are also expected to increase on the back of higher growth, which will fuel imports of consumer goods. Additionally, the country will also continue to import capital goods necessary for construction ahead of the 2022 World Cup. However, the pace of import growth will be slower than that of exports, thus feeding the country's current account surplus.

The deficit in the services account is expected to persist, although drifting lower. On a 12-month cumulative basis, it fell to USD 13.5 billion (estimated equivalent of nearly 7.5% of GDP) at the end of the first quarter of 2018, a 16.7% drop compared with the same period one year earlier. This was mainly due to a surge in exports of transportation and travel services as a consequence of government's efforts to diversify exports. The current transfers account will remain in deficit due to high level of remittance outflows from foreign workers in Qatar (6% of GDP in 2017) and Qatari official transfers to foreign countries. The resulting current account surplus will continue to be used for investing abroad. On a 12-month cumulative basis, overseas net direct investments stood at USD 2.5 billion (nearly 1.4% of GDP) in the first quarter of 2018 while other investments (loans, deposits, etc.) outflows jumped to USD 33 billion.

The surplus of the budget balance is also expected to increase, backed by higher energy prices and restrained government spending. Hydrocarbon exports still account for nearly 50% of the central government's total revenues. Since the oil price dip in 2015, total budget expenditures fell to 33% of GDP in 2017 from close to 40%. Non-hydrocarbon revenues are estimated to increase thanks to higher taxes, the introduction of the VAT, and higher fees collected from the expat workers.

Domestic political scene remains stable

In June 2017, Saudi Arabia, the United Arab Emirates, Bahrain, and Egypt severed their diplomatic ties with Qatar, and cut air, ground and sea links. Although the boycott had some negative spillover effects on the Qatari economy, it has not represented a major risk in terms of domestic political stability. However, any new conflict, or the formation of new alliances in the region, might jeopardize this stability. Moreover, any escalation of the GCC crisis would also negatively impact investors' sentiment towards Qatar.

At the end, we can add: «Qatar's decision to leave OPEC remains largely symbolic and may benefit Qatar's economy as it will focus more on the major commodity it exports, liquefied natural gas (LNG). However it may cause relations with Saudi Arabia and the United Arab Emirates to be more distant.

ROMANIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	19.6
GDP PER CAPITA US Dollars - 2017	10,786
CURRENCY Romanian leu	RON

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.8	7.3	3.9	3.7
Inflation (yearly average, %)	-1.1	1.1	4.4	3.6
Budget balance (% GDP)	-2.9	-2.9	-3.4	-3.4
Current account balance (% GDP)	-1.7	-3.1	-4.0	-4.1
Public debt (% GDP)	37.3	35.1	35.9	36.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	23%
ITALY	11%
FRANCE	7%
HUNGARY	5%
UNITED KINGDOM	4%

Imports of goods as a % of total

GERMANY	20%
ITALY	10%
HUNGARY	7%
POLAND	5%
FRANCE	5%

+

- 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

−

- 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
- Inefficient agricultural sector
- Slow bureaucratic and legal processes; corruption

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	LOW
CHEMICAL	MEDIUM
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Solid but less vigorous demand

The economic boom of 2017 already began to fade out in 2018. Private consumption is not likely to accelerate again in 2019, although its solid level and substantial share in the economy (63% of GDP) will keep it as the main growth driver. The ongoing improvement in the labour market, with the unemployment rate dropping to 4.1% in September 2018, and further growth of wages (with the minimum wage increasing by almost 8% from 2019) will continue to support household spending. 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. At the same time, accelerated inflation has already halved the growth of real wages in 2018 compared to a year prior. Previously, household consumption was elevated by implemented fiscal stimulus measures, including tax cuts, minimum wage increases, and public sector wage hikes. However, these tax cuts have faded away and contributed to higher consumer prices, accompanied by inflation pressure caused by excess demand.

Labour shortages remain a concern for companies and trigger further compensation increases. Moreover, labour cost increases have been far ahead of productivity growth. The pressure coming from growing wages has been partially weakened by the transfer of social security contributions from employers to employees (contributions were changed from 22.75% and 16.5% to 2.25% and 35%, respectively).

A gradual pick up of projects co-financed by EU funds brings support for investments, which recovered in 2018. Nevertheless, it is likely they will be subdued due to the government's attempt to keep the fiscal deficit under control. In any case, companies extending capacities, as well as an increase in non-residential construction, telecommunications, and computing, will keep investment growth positive. Imports are likely to remain more dynamic than exports, meaning the contribution from trade will remain negative. Cars (Dacia and Ford) and tyres, together with wood, fertilizers, metals, medicines, machines, and clothing remain an important part of Romanian exports. Production and exports of agri-food products have been negatively affected by periods of droughts and floods, as well as a swine fever epidemic.

Public and external accounts will remain weak

The budget deficit has widened over recent years and is projected to rise further. Significant increases of salaries in the public administration, as well as in the health and education sectors, have contributed to a higher fiscal cost. Moreover, the flat personal income tax rate was lowered from 16% to 10% in January 2018. The pension indexation is set to increase in both 2019 and 2020 (by 15% in September 2019 and 40% in September 2020). The August 2018 budget revision assumed increasing of both revenues and expenditures. If the government is less effective in conducting investments, budget deficit figures could be lower as a result. The current account deficit is expected to increase further as a result of deteriorating foreign trade balances of goods and services resulting from robust internal demand. The primary income deficit improved in the first half of 2018 supported by transfers from Romanians working abroad. More than a half of the deficit was financed by rising FDI and inflows on the capital account contributed by allocations from EU funds. The external debt widened in the first half of 2018 as a result of increasing short-term external debt and the latter's coverage by foreign exchange reserves dropped to 76.2%, against 87.2% at end-2017.

Political tensions

In January 2018 Mihai Tudose, who took over the position of the Prime Minister in 2017, was forced out from office by his own ruling Social Democratic Party (PSD) due to disagreements with the party leadership. Subsequently, the government of existing coalition of PSD-Alliance of Liberals and Democrats was sworn in with the Prime Minister Viorica Dancila. The real power is still assumed to be in the hands of PSD leader Liviu Dragnea, who cannot participate in the government due to criminal investigations. In November 2018, the PSD decided to reshuffle a part of ministers in the cabinet as a result of internal tensions within the party. At the same time, the justice minister remained unchanged, signalling a continuation on the path of controversial reforms to the justice laws. Indeed, the European Parliament criticised the Romanian authorities' initiatives to change these laws and criminal code, as well as the breaching of human rights at the crashing of demonstrations in August last year. In the past, the Romanian political scene has experienced various portfolio changes – however, uncertainties related to domestic politics still pose the risk of instability.

ROMANIA

PAYMENT & DEBT 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

<u>Summons for payment (Art. 1013-1024 NCPC)</u>

This procedure applies to certain liquid and eligible debts with a value exceeding RON 10,001, 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.

<u>Summons of a lower value</u>

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

<u>Common Law procedure</u>

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 10 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 witness testimonies. 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.

Reorganisation proceedings

The judicial reorganisation procedure requires the drafting, approval and implementation of a reorganisation 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.

RUSSIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	144.0
GDP PER CAPITA US Dollars - 2017	10,956
CURRENCY Russian ruble	RUB

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-0.2	1.5	1.7	1.7
Inflation (yearly average, %)	7.1	3.7	2.8	4.0
Budget balance (% GDP)	-3.4	-3.6	2.5	1.8
Current account balance (% GDP)	1.9	2.2	6.0	5.0
Public debt (% GDP)	16.0	15.0	15.0	15.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
CHINA	11%
BELARUS	5%
TURKEY	5%
SOUTH KOREA	3%

Imports of goods as a % of total

EURO AREA	29%
CHINA	21%
UNITED STATES	6%
BELARUS	5%
JAPAN	3%

+

- Abundant natural resources (oil, gas and metals)
- Floating of the ruble since November 2014
- Market size and skilled labour force (but shrinking population)
- Sound public and external accounts
- Efforts to clean up the banking sector

-

- Dependent on hydrocarbon prices
- No trade agreements beyond immediate neighbours
- Dependent on foreign technology
- Poor infrastructure and lack of investment
- Heavy social security contributions favouring informal economy
- US and European sanctions hindering offshore field development and innovation
- Institutional and governance weaknesses (insolvency treatment, property rights, corruption)

Sector risk assessments

AGRI-FOOD	LOW
AUTOMOTIVE	MEDIUM
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	HIGH
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Timid growth

Russia has consolidated its recovery from the 2015/16 recession, yet growth seems timid when compared against the rise in hydrocarbon prices. However, the expansion reflects the country's economic capacity and the authorities' desire to separate growth from oil and gas wealth. Household consumption (50% of GDP) will remain the key growth driver. Its rate of increase will be slow, echoing that of the economy. Households face a hike in the VAT rate from 18% to 20% on January 1, 2019. However, unless food and energy prices, or the ruble, go off track, inflation should remain under the control of the central bank, which had the key rate at 7.5% in early November 2018. With wage growth outpacing productivity growth, and in view of the inflationary expectations (4%), the central bank will proceed with caution. At the same time, pay rises in the public sector (28% of jobs) will be reined in, pensions will also get a smaller increase, while employment should increase slightly now that the retirement age has been pushed back by six months. Private investment, particularly foreign investment, will not be vibrant given the backdrop of sanctions and geopolitical tension. Given the size of the public sector (33% of GDP, 38% of reported value added with 32,500 companies), its investment is very important. In his May 2018 decree, President Vladimir Putin pledged to increase spending on infrastructure, health and education to 1.1% of GDP each year by 2021. Companies, both public and private, are strongly encouraged to participate. Non-oil exports – especially minerals, timber, grains and oilseeds, basic and intermediate industrial products and transport equipment – are expected to grow less than imports, maintaining a slightly negative trade contribution to growth. Crops are expected to be below average, while hydrocarbon sales could stagnate.

Surpluses on the back of hydrocarbon prices

The fiscal policy is set to remain restrictive. First, the 2017/19 three-year budget forecasts a one percentage point reduction in the non-oil deficit each year (9% of GDP in 2017). Dividends paid by state-owned companies will reach half of their profits, and excise duties on tobacco and alcohol will go up, as will the taxation of extractive activities at the expense of export taxation. Expenditure control will be complex because public pensions and salaries are indexed to inflation. Second, a fiscal rule, based on primary equilibrium (*i.e.* excluding debt interest) for a price of USD 40 per barrel of oil, applies from 2019 onwards. Given the dissatisfaction with the pension reform, this rule could be slightly relaxed by temporarily setting a higher reference price. This would allow the authorities to use part of the additional hydrocarbon-related revenue spent on foreign exchange to replenish the sovereign wealth fund (SWF, 7% of GDP at the end of 2018) and ease expenditure pressure. Public debt and its servicing are low, as the SWF was used during the recession. Its external share represents about 5% of GDP and tended to decline in the second half of 2018 with US threats on Russian public debt holdings.

The current account surplus is expected to remain significant in 2019. It is based on the large trade surplus (10% of GDP in 2018) linked to hydrocarbon exports (60% of total exports), which more than compensates for the services and income deficit (oil and gas engineering expenditure, Russian stays abroad, dividends from foreign companies, transfers from foreign workers). Excluding hydrocarbons, the trade and current account balances are negative at 5% and more than 9% of GDP respectively. Despite efforts made since the sanctions were imposed, the substitution of domestic products for imports has had little success, except in the agri-food sector. The financial account is negative at 2% of GDP, as the Russian private sector makes financial and real estate investments abroad and is deleveraging, while new foreign investment in Russia is low. However, funds are returning to Russia in the form of loans contracted abroad, often by those who have invested money there. For this reason, private external debt (27% of GDP) should be put into perspective, especially since growing foreign exchange reserves already represent 17 months of imports and more than five times short-term debt.

Political stability but an uneven business environment

Vladimir Putin, who has been in power for 17 years, began a new six-year presidential term in May 2018. Popular in the past for his annexation of Crimea, counter-sanctions, and strong international activism, he saw his popularity plummet following the adoption of the pension reform. Despite a satisfactory rating in the Doing Business and Global Competitiveness reports (scores of 77/100 and 66/100, respectively), institutional, regulatory, commercial and judicial performances (government interventionism, random contract enforcement, patronage) need to be improved.

RUSSIA

PAYMENT & DEBT 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 individuals.

Debt Collection

Amicable phase

The amicable 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), and 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, and 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.

Fast-track proceedings

Russian law provides for simplified proceedings for certain types of cases, in which the creditor seeks to recover no more than RUB 500,000 from a legal entity or RUB 250,000 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* (arbitrage) 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.

Ordinary proceedings

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 the report has been 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:

- 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.

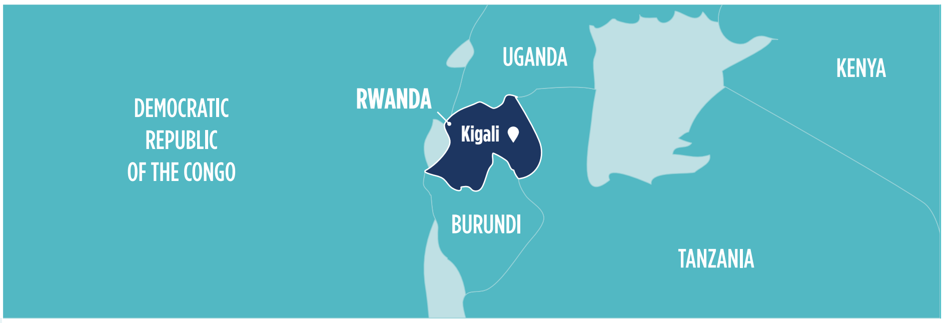
Insolvency

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

COUNTRY RISK	A4
BUSINESS CLIMATE	A4



POPULATION Millions of persons - 2017	11.8
GDP PER CAPITA US Dollars - 2017	772
CURRENCY Rwanda franc	RWF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.0	6.1	7.2	7.6
Inflation (yearly average, %)	5.7	4.9	1.9	2.7
Budget balance (% GDP)*	-3.5	-4.9	-4.2	-4.9
Current account balance (% GDP)	-15.9	-6.8	-8.7	-8.6
Public debt (% GDP)	44.5	48.4	49.2	49.8

(e): Estimate. (f): Forecast. *Fiscal year from 1st July - 30th June. 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	38%
KENYA	15%
SWITZERLAND	10%
CONGO DR	10%
EURO AREA	7%

Imports of goods as a % of total

CHINA	20%
UGANDA	11%
EURO AREA	10%
INDIA	7%
KENYA	7%

+
- Geological potential: cassiterite, coltan, gold, precious stones (aquamarine, ruby, sapphire)
- Tourism potential
- Development of an industrial fabric
- One of the most favourable business environments on the African continent
- Significant progress in governance and relative political stability

−
- High dependence on commodity prices and international aid
- Isolation and exposure to geopolitical tensions in the Great Lakes region
- High demographic pressure; population density among the highest in Africa

RISK ASSESSMENT

A growth model that continues to deliver growth

Activity will remain strong in 2019 and should continue to accelerate, reaping dividends from public investment in particular. Both planned and underway investment in the agricultural sector is expected to further increase the production of tea and coffee, the country's main export crops. The focus on the development of the mining sector and processing industries (textiles and leather, processed food) should also lead to increased production, and also contribute to a broader export base. Investment in tourism and infrastructure, such as the Bugesera airport construction project, will also continue to support activity. While the growth momentum will remain driven by the public sector, private investment is expected to continue to grow gradually, thanks to steady momentum of business-friendly reforms. The opening of the country's first vehicle assembly plant in 2018 is an example of the diversity of investment opportunities. In addition, the resumption of private sector credit growth (supported by an accommodative monetary policy) and low inflation will facilitate private consumption, notably catalysing trade activities, as well as financial and transport services.

The decline in aid influences fiscal policy

In 2018/19, the authorities' priority in terms of budgetary management remains the effort to improve the mobilisation of domestic revenues, in a context of gradually reducing budget aids. While the IMF's Policy Support Instrument programme has facilitated some progress, a new tax law that came into force in April 2018 aims to continue these efforts. On the expenditure side, authorities have adopted a new directive to contain the increase in the wage bill and to free up additional resources for capital investment. The latter will continue to progress with the aim of completing ongoing projects. Overall, the budget deficit is expected to deteriorate in 2018/19 in line with increased spending on social protection, health, and education.

Despite the rapid increase in public debt, mainly due to the investment made in recent years, it seems to be on a sustainable path, largely due to the high share of concessional loans.

Less vulnerable external position, despite a still large current account deficit

The current account deficit is expected to remain high in 2019, burdened by a trade balance that remains in deficit. Imports of capital goods as part of the construction of Bugesera airport will be particularly important. If they were excluded, the trade deficit would narrow through the development of a broader export base and the improvement of agricultural and mining output. An increase in tourism revenues should contribute to the gradual narrowing of the services account deficit. On the other hand, the income account is expected to continue to deteriorate due to the increase in profit repatriations and, to a lesser extent, employee compensation. The same could be true for the balance of transfers, with the structural decline in aid and grants. Despite this current account deficit, FDI flows and project loans are expected to finance the deficit. This is reflected in an accumulation of reserves, which amount to more than four months of imports, and a slowdown in the depreciation of the Rwandan franc.

Stable domestic environment despite border tensions

President Paul Kagamé secured a third consecutive term in August 2017, officially obtaining nearly 99% of the vote. In September 2018, the hegemony of the Rwandan Patriotic Front (RPF) and Mr Kagame was once again confirmed during the legislative elections: with a broad coalition of six parties, the RPF won 74% of the votes and 40 of the 53 seats put to the vote. The place of the opposition will be all the more limited, as nine other seats have been won by traditional allies of the RPF. Regularly accused of muzzling dissent and controlling political space, President Kagame and the RPF are also credited with restoring peace and political stability.

The country, which has been constantly improving in international rankings for 15 years, is continuing reforms aimed at improving the attractiveness of its business environment. In 2018, for example, measures to cut red tape in the construction sector, facilitate the issuance of building permits, and reduce power outages, were targeted to address weaknesses in the business climate. Ranked 29th (out of 190 countries) in the Doing Business 2019 report, the country has one of the most attractive business climates on the continent.

Nonetheless, relations with its neighbours in the Great Lakes region remain tense. Tensions with Burundi, which had deteriorated since the Burundian political crisis broke out in 2015, escalated in the summer of 2018 after attacks in southern Rwanda. The precarious security situation in the Kivu region (east of the Democratic Republic of the Congo) is also a source of tension with the Congolese neighbour.

SÃO TOMÉ AND PRÍNCIPE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	**0.2**
GDP PER CAPITA US Dollars - 2017	**1,847**
CURRENCY São Tomé and Príncipe dobra	**STD**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.2	3.9	4.0	4.5
Inflation (yearly average, %)	5.4	5.7	7.2	6.0
Budget balance (% GDP)*	-4.2	-2.6	0.4	-3.5
Current account balance (% GDP)**	-6.5	-8.2	-7.0	-10.3
Public debt (% GDP)	93.1	88.4	76.9	73.7

(e): Estimate. (f): Forecast. *Including grants. **Including official transfers.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	88%
ANGOLA	2%
POLAND	1%
CHINA	1%
UNITED STATES	1%

Imports of goods as a % of total

EURO AREA	61%
ANGOLA	20%
CHINA	5%
NIGERIA	2%
UNITED STATES	2%

+

- Prospects for expansion of the tourism sector
- Support from international donors
- Strong ties to Portugal and Portuguese-speaking countries (Angola, Brazil)
- Dobra pegged to the euro

−

- Heavily dependent on international public aid
- Economy still dominated by agriculture and fishing
- Poor business climate
- High export costs due to remote island location
- Underdeveloped and weak banking sector

RISK ASSESSMENT

Growth dependent on external financing

Activity is set to accelerate in 2019 after being held back in 2017 and 2018 by the slowdown in construction resulting from the decline in external financing and by the high level of non-performing loans, which constrained credit growth. The launch of new projects – made possible by external financing, particularly from China – should strengthen the construction sector. In particular, efforts to build and upgrade roads and restore the electricity grid are expected to continue, while work to expand the international airport is scheduled to start in 2019. These infrastructure projects are aimed notably at supporting the development of the tourism sector, which should continue to expand. Beginning in 2019, the sector could start to see the effects of the strategy to develop and promote tourism adopted at the start of 2018. However, it is still expected to suffer from the weakness of the local banking sector, which is expected to further dampen credit growth. More generally, this problem is likely to continue to be a drag on all services. Agriculture and, to a lesser extent, fisheries will contribute to growth. With the cocoa sectors in Ghana and Côte d'Ivoire, which account for nearly 60% of world production, expected to face continued headwinds, exports of São Toméan cocoa (renowned for its quality) could benefit. Strong performances by the agriculture and tourism sectors should boost household consumption, but the introduction of VAT, scheduled for 2019, and high inflation will have an adverse impact.

Fiscal consolidation to reduce the debt burden

The overall budget deficit is expected to widen in 2019, mainly in line with the trend in capital investment expenditure financed by bilateral and multilateral donors. Conversely, the domestic primary deficit – which notably excludes grants, subsidies and associated expenditure – should continue to decline, thanks to efforts to limit the growth in current expenditure, especially the state's wage bill. The pending introduction of VAT in 2019 should make it possible to raise more domestic resources, which remain low and continue to constrain São Toméan fiscal policy, which is exposed to the volatility of external financing. Efforts to collect tax arrears from large taxpayers could also result in higher revenues. Despite the work being done to reverse the debt trajectory, the risk associated with debt sustainability remains very high. Restructuring negotiations notwithstanding, the country remains in arrears with some bilateral creditors (Brazil, Angola, Equatorial Guinea). Domestic arrears, mainly with struggling state-owned public companies, also weigh on debt.

São Tomé and Principe's remote island location will continue to fuel the archipelago's trade deficit and consequently its current account deficit. In 2019, imports of capital goods needed for infrastructure projects and oil exploration are expected to continue to widen the trade deficit, despite the likely increase in exports of goods, mainly cocoa, and services, chiefly related to tourism receipts. International cooperation and expatriate funds will contribute to the transfer surplus, while the income balance will continue to make a minor contribution to the current account balance. Deficit financing will again rely chiefly on external grants, but also on FDI (mainly related to oil exploration) and concessional loans. The country's vulnerability to volatile external grants exposes the foreign exchange reserves (still equivalent to more than four months of imports) on which the sustainability of the dobra's peg to the euro depends.

Parliamentary elections usher in a new political situation

The Independent Democratic Action (IDA) won the October 2018 parliamentary elections, but lost its absolute majority, taking 25 seats out of 55. Following the elections, the Movement for the Liberation of São Tome and Principe – Social Democratic Party (MLSTP-PSD), which won 23 seats, joined forces with several small parties (PCD-UDDD-MDFM) that won five seats, in order to secure an absolute majority and form a government. At its helm, Jorge Bom Jesus succeeds Patrice Trovoada as Prime Minister, leading to a cohabitation with President Evaristo Carvalho, elected in 2016 and a member of the IDA, which could slow down policymaking. Questions remain over whether this coalition will remain stable over the entire parliamentary term.

The country's infrastructure deficit and weak legal and regulatory environment are a constraint on the business environment, which came 170th out of 190 countries in the 2019 Doing Business ranking.

Externally, cooperation will remain crucial for the archipelago. Relations with Portuguese-speaking countries, including Portugal, Angola and Brazil, remain very important. Since recognising the One China policy at Taiwan's expense in 2016, São Tome and Principe has improved relations with China. Cooperation with Nigeria could also be stepped up as part of offshore oil exploration in the Joint Development Zone.

SAUDI ARABIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**32.6**
GDP PER CAPITA US Dollars - 2017	**21,096**
CURRENCY Saudi riyal	**SAR**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.7	-0.9	1.5	2.0
Inflation (yearly average, %)	2.0	-0.9	2.6	2.0
Budget balance (% GDP)	-17.1	-9.3	-4.6	-1.7
Current account balance (% GDP)	-3.7	2.2	8.4	8.8
Public debt (% GDP)	13.1	17.2	19.4	20.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	12%
CHINA	12%
EURO AREA	10%
SOUTH KOREA	9%
INDIA	9%

Imports of goods as a % of total

EURO AREA	21%
CHINA	15%
UNITED STATES	14%
UNITED ARAB EMIRATES	6%
JAPAN	4%

+

- Largest oil producer within OPEC
- Recovering economic activity on the back of rebounding oil prices
- Lower fiscal deficit expected
- Authorities support for economic diversification; Vision 2030
- Sizeable financial buffers providing fiscal flexibility

-

- Economy, exports and fiscal revenues still dependent on oil
- Slow implementation of Vision 2030 targets
- Long payment terms, pressured profit margins
- Tight liquidity conditions, monetary policy dependent on the US FED

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	VERY HIGH
ENERGY	MEDIUM
ICT*	HIGH
METALS	VERY HIGH
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Confirmed emergence from recession

After narrowing almost 1% in 2017 due to low energy prices and fiscal consolidation, growth returned in 2018, and is expected to pick up in 2019 on the back of the recovery in non-oil sectors (especially manufacturing and services) in line with higher energy prices. Additionally, rising oil production (although limited) following the OPEC's decision in June to ease output restrictions will contribute to growth performance. Business confidence also supports this trend: in the third quarter of 2018, Saudi Arabia's Purchasing Manager Index was higher than in the first half of 2018, presumably supported by higher oil prices, as the latter is still the main driver of economic activity. Indeed, nearly one third of fiscal revenues, 70% of GDP and 80% of export revenues come from the oil sector segment. Nevertheless, growth will remain far below its annual average of 5.3% between 2010 and 2014. Privatisations across food, schools, health care and desalination could also engender new investments. However, pressures on profit margins due to rising input costs will remain in place, resulting in longer payment terms in the private sector. These would be restrictive factors on investments, which have been declining since 2016.

The recovery in private consumption that started to accelerate in 2017 is expected to continue in the coming quarters on the back of the government's recent initiative to reinstate annual bonuses for public workers from the start of 2019 (they had been cut under austerity measures in September 2016). On the other hand, loan growth remains soft as higher oil prices have not yet been reflected in liquidity conditions. Rising interest rates due to the currency peg regime, which pushes the central bank to hike its rates in line with the US Federal Reserve, represent a challenge for investments and consumption dynamics by raising funding costs.

Budget deficit to narrow again

Saudi Arabia's 2018 third quarter non-oil revenue jumped nearly by 50% compared to a year earlier, while government spending rose by about 25%. The rise in oil prices will facilitate reducing the fiscal deficit as a proportion of GDP. However, rising spending will slow the pace of the reduction. The authorities estimate the budget will be balanced by 2023 on the back of subsidy cuts, as well as the introduction of taxes and fees. The recovery in non-oil sectors will also support fiscal revenues. Higher oil revenues will allow the government to increase its capital and social spending in the coming period. As long as oil prices remain above the kingdom's fiscal break-even oil price – estimated at USD 73 for 2019 by the IMF as of November 2018 –, the authorities will continue to spend to support the overall economic growth and the private sector through funding of infrastructure initiatives and possibly other incentives in order to achieve the economic diversification within the Vision 2030 programme. Due to the fiscal deficits recorded since 2014, the public debt level has increased, but it remains at modest levels relative to GDP. Additionally, Saudi Arabia's immense financial buffers will continue to give the government some flexibility to adjust the level of fiscal spending: the central bank's net financial assets were estimated at USD 490 billion in 2017 (equivalent of 28 months of imports) as per the IMF. The current account surplus is expected to increase gradually in line with higher oil revenues. Within its economic diversification strategy, the country aims to attract increased FDI to support the nascent industries and megaprojects (*e.g.* the NEOM megacity). Nevertheless, the country's need to import capital goods necessary to sustain this economic diversification may reduce the pace of growth of its current account surplus in the medium term.

Political stability will be maintained

Despite rising international pressures on the kingdom following the murder of Saudi journalist Jamal Khashoggi, it seems unlikely that the United States will impose punitive measures on Saudi Arabia. Even if such measures were to be imposed, their scope would remain quite limited due to the close geopolitical, economic, military and strategic alliances between the two countries. Saudi Arabia is expected to maintain its close ties with the United States, which would also provide some stability to oil markets. The next municipal elections are set to be held in 2019, but turnout will likely be unsubstantial. Although the regional stability seems to be at stake in Yemen, the likelihood of a quick end to the war remains low for now. Further escalation of tensions with Iran, on the other hand, would weigh negatively on the business environment.

SENEGAL

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	15.9
GDP PER CAPITA US Dollars - 2017	1,331
CURRENCY CFA franc (BCEAO)	XOF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.2	7.2	7.0	6.8
Inflation (yearly average, %)	0.8	1.3	0.5	1.7
Budget balance (% GDP)	-3.3	-3.0	-3.5	-3.0
Current account balance (% GDP)	-4.0	-7.3	-8.0	-7.4
Public debt (% GDP)	47.8	48.3	49.4	47.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

MALI	15%
EURO AREA	13%
SWITZERLAND	11%
INDIA	6%
COTE D'IVOIRE	5%

Imports of goods as a % of total

EURO AREA	32%
CHINA	10%
NIGERIA	8%
INDIA	7%
TURKEY	3%

\+

- Strong economic momentum linked to implementation of major investment projects
- Donor support under the Emerging Senegal Plan
- Headway on business climate and governance
- Strong track record of political stability
- Significant oil and natural gas reserves off the Senegalese coast

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- Growth and exports at the mercy of weather events and commodity price developments
- Inadequate energy and transport infrastructure
- Significant external deficit
- Low per capita wealth, unemployment and regional disparities

RISK ASSESSMENT

Domestic demand continues to support vibrant growth

In 2019, growth will maintain its favourable momentum, mainly driven by investment. Implementation of the Emerging Senegal Plan (PSE), which is set to enter its second phase, will continue to support the public components of investment and consumption. The investment opportunities offered by the PSE and reforms to improve the business environment should also create a spillover effect to stimulate private investment. Gross capital formation is expected to benefit the construction, transport, agri-food and energy sectors especially, given the prospects for exploiting hydrocarbon reserves off the Senegalese coast (from 2021 for gas and 2022 for oil). The new city of Diamniadio and the Taiba Ndiaye wind farm project (which is forecast to boost the country's electricity production by 15% in the long term), will be on the agenda in 2019. Increased output in the farming (rice, groundnut, horticulture) and fisheries sectors, thanks to efforts to modernise these industries, should also help to support growth. Household consumption, more than 50% of which depends on the income of the agricultural sector, should thus continue to drive growth. Domestic dynamics and tourism growth will contribute to increased trade activities, while ICT, transport and financial intermediation are expected to provide additional support to the tertiary sector.

Persistent twin deficits

Wage increases to meet strikers' demands in the public sector, rising oil prices and increased security spending have put more pressure on public spending and caused the budget deficit to widen. Even so, the latter will likely come down in 2019 to meet the WAEMU convergence criterion of 3% of GDP. In particular, continued efforts to overhaul the tax and customs administrations, including amendments to the General Tax Code in 2018, should help to improve the mobilisation of tax revenue, which stands at around 16% of GDP, i.e. below the 20% target set by WAEMU. To cut the deficit, the authorities also intend to control recurrent expenditure more effectively in order to favour social and investment expenditure. As part of the IMF-backed Policy Support Instrument programme, measures have been taken to improve the efficiency of public spending, including the creation of a project bank.

The current account deficit is expected to remain large in 2019. While agricultural and fisheries export volumes are set to continue increasing, imports of capital goods, a corollary of the investment dynamics, will continue to weigh on the trade balance. The balance of services, despite the effects of increased tourism, will remain negative, while the primary income account will remain burdened by investment income. Remittances, including from expatriates, will make the largest positive contribution to the overall balance. Despite an upturn in FDI, external debt, notably through the issuance of eurobonds, remains necessary to finance the current deficit. External debt represents about 75% of total public debt, which has been on a rapid upward trajectory since the beginning of the decade. However, after revisions to GDP figures, this looks sustainable. Debt restructuring should also lead to a reduction in debt service.

Political stability at the heart of the 2019 presidential elections

Elected in 2012, President Macky Sall will stand for re-election in the presidential elections scheduled for the 24th February 2019. The sweeping victory won by his Benno Bokk Yakaar (United in Hope) coalition in the 2017 parliamentary elections, when it took 125 seats out of 165, suggests that Mr Sall will run as favourite, and all the more so following court decisions barring two major opposition figures from contesting the elections. Khalifa Sall, former mayor of Dakar, was sentenced in 2018 to five years in prison for embezzling public funds, while Karim Wade, son of former President Abdoulaye Wade (2000-2012), was given a six-year prison term in 2015 for corruption, but was then released by presidential pardon the following year. By feeding the perception that the government is trying to side-line the most serious opposition candidates, these decisions are fuelling a tense social climate. Strikes and demonstrations by teachers and students also signal renewed social tensions.

Insecurity in the Sahel and Casamance regions, which has led to additional budgetary expenditure, is expected to remain a concern.

SERBIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	7.0
GDP PER CAPITA US Dollars - 2017	5,901
CURRENCY Serbian dinar	RSD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.8	1.9	4.2	3.7
Inflation (yearly average, %)	1.1	3.1	2.1	2.4
Budget balance (% GDP)	-1.2	1.5	0.6	-0.5
Current account balance (% GDP)	-3.1	-5.7	-5.4	-5.2
Public debt (% GDP)	73.1	62.5	57.0	56.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	43%
BOSNIA AND HERZEGOVINA	8%
RUSSIA	6%
ROMANIA	5%
BULGARIA	4%

Imports of goods as a % of total

EURO AREA	40%
CHINA	8%
RUSSIA	7%
HUNGARY	5%
POLAND	4%

- Public sector reform in coordination with IMF and EU
- EU accession process underway
- Natural resources (coal, bauxite, copper, zinc, gold) and food self-sufficiency
- Modern automotive industry
- Remittances from expatriate workers

- Massive and inefficient public sector
- Country isolated due to inadequate road and electricity transport infrastructure
- Sensitivity to weather conditions
- Low productivity (excluding automotive)
- Strong euroisation (65%); limited development (46% of GDP) of credit
- Informal economy remains large: 24% of GDP (35% in 2006) and 21% of employment

RISK ASSESSMENT

Growth still supported by domestic demand

Growth is expected to remain strong in 2019. Domestic demand will benefit from further fiscal easing. Inflation will also remain contained. Wage pressures related to the growing shortage of skilled labour will be offset by the stabilisation of oil prices, good 2018 harvests (especially maize), and increased competition from the pending arrival of a new food retail discounter. These factors, combined with the dinar's resistance, a significant point given the economy's strong euroisation, should allow the central bank to maintain its accommodative policy, with the key rate at 3% in October 2018. Household consumption (77% of GDP) will remain the strongest contributor to growth, boosted by a further increase in wages and pensions against the background of an 8.6% increase in the minimum wage on January 1, 2019. This comes after real wages stagnated between 2008 and 2017. In addition, while the doubtful loan ratio is declining rapidly, reaching 7% at the end of 2018, consumer credit should continue to recover and benefit from falling rates (average of 6%). Expatriate remittances should remain on a positive trajectory, as should tourism, whose benefits are spreading throughout the population. Investment (20% of GDP) is also expected to stay on track due to lower taxes and higher corporate profits, strong FDI (examples include construction of a USD 1 billion tyre factory by China's Shandong Linglong), and public construction supported by the Azeri financing of a motorway section, as well as Chinese financing of other motorway projects, a railway to neighbouring countries, and the third unit of the Kostolac coal-fired power plant. Exports (54% of GDP) are benefiting from market share gains in the EU, increased manufacturing capacity, particularly in ICT, and agricultural production. Export growth is set to exceed that of imports, reducing trade's negative contribution to growth.

Public sector reform to be completed

Under a three-year agreement signed with the IMF in February 2015, the authorities have conducted a fiscal consolidation drive that has led to a budget surplus and debt relief. Despite some easing measures (tax cuts, increased investment, higher pensions and salaries) equivalent to 2% of GDP, growth, improved collection arrangements, reduced debt service and privatisation proceeds are expected to bring the budget closer to balance and enable further debt relief in 2019. The new 30-month non-financial agreement concluded with the IMF in June 2018 should encourage further restructuring of the many state-owned enterprises (accounting for more than 200,000 jobs) operating in transport, energy, mining and petrochemicals. The worst performers have been wound up. Some have been privatised, including RTB Bor (copper), PKB (milk), and Nikola Tesla airport in Belgrade, and others will be, including Komercijalna Banka and Petrokemija. Despite the reduced headcount and new pay scales, the wage bill remains high. The workings of the administration and justice system still leave much to be desired. Although the debt is being reduced, it remains substantial, with three-quarters denominated in euros (40%) or US dollars, and 60% held by non-residents, mainly public creditors. The authorities have taken steps to reduce the share held in foreign currencies by successfully refinancing it with domestic dinar-denominated issues.

Current account deficit financed by FDI

Trade in goods is running a deficit amounting to 11% of GDP (2018). Exports are dominated by automotive, agricultural products, metals and other manufactured products with medium or low value added. A large portion of the deficit is due to investment-related imports. Dividend and interest repatriation by foreign investors represents about 5% of GDP. The services surplus (3% of GDP, including tourism) and remittances from emigrant workers (9%) partly offset this. The remaining current account deficit is largely financed, on the one hand, by FDI (6.7%), notably in the context of privatisations in the industrial, real estate and retail sectors, and, on the other hand, by foreign financing of transport and energy infrastructure (notably from China through the Belt and Road Initiative). Foreign exchange reserves stood at five months of imports in September 2018. The external debt burden is decreasing (64% of GDP at the end of September 2018) and has been contracted with public donors. The same is true of the public sector debt, which accounts for 54% of the total.

Good relations with the West and Russia

Early elections (as in 2014) in April 2016 returned the Progressive Party and its allies to power (SNS) with 64% of the seats. After being elected President, Aleksandar Vučić was replaced as Prime Minister by Ana Brnabic in July 2017, although the former continues to lead the SNS. The business environment remains hampered by red tape, corruption and political interference, objects of opposition protests in late 2018. Negotiations on EU membership will continue, although the normalisation of relations with Kosovo is slow and those with Bosnia-Herzegovina and Croatia are complicated. In addition, the country is keen to maintain good relations with both the West and Russia.

SIERRA LEONE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2017**	**7.4**
GDP PER CAPITA US Dollars - **2017**	**488**
CURRENCY Sierra Leonean leone	**SLL**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.3	3.7	3.7	5.5
Inflation (yearly average, %)	10.9	18.2	15.6	13.1
Budget balance (% GDP)*	-8.0	-8.5	-6.0	-4.4
Current account balance (% GDP)	-17.3	-20.0	-25.7	-23.0
Public debt (% GDP)	54.8	63.9	79.1	93.3

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	26%
CHINA	11%
COTE D'IVOIRE	10%
GHANA	10%
UKRAINE	10%

Imports of goods as a % of total

EURO AREA	18%
CHINA	17%
INDIA	8%
TURKEY	7%
UNITED STATES	5%

+

- Significant mining resources (iron, diamond, rutile, gold)
- Coffee, rice and cocoa production
- Financial support of the IMF
- Tourism potential
- Significant port activity that is set to expand

−

- Vulnerable to weather conditions
- Highly dependent on commodity prices
- Corruption; inadequate protection of property rights
- Hard for small and medium-sized enterprises to access credit
- Inadequate infrastructure; failing health system
- Risk of renewed Ebola outbreak
- Extreme poverty and high unemployment

RISK ASSESSMENT

Brighter growth prospects

Economic activity is expected to pick up in 2019 after growth stagnated in 2018, in large part due to the shutdown of the country's largest iron mine, the Tonkolili facility, due to high production costs and low ore quality. Agriculture, which is still the mainstay of economic activity (60% of GDP and employment in 2017), will continue to expand. However, activity in the extractive sector could remain constrained by the slow growth in iron ore production, as no reopening date has been announced for the Tonkolili mine. The start-up of production at the Marampa iron mine should however temper the consequences of this. Although the Tongo facility is not expected to start production until the end of 2019, diamond production should enjoy a positive trajectory. These contrasting performances in the mining sector are expected to translate into a limited contribution to growth. Electricity supply constraints, the lack of infrastructure and an unfavourable business environment will also continue to have an adverse impact on growth. Tourism will be particularly affected by this situation, especially with China cancelling funding for a new airport near the capital in 2018.

Although set to decrease, inflation will remain above the convergence criterion established by the West African Monetary Zone (maximum annual inflation rate of 10%). It will once again act as a drag on household consumption, particularly for the more than 70% of Sierra Leoneans living on less than one US dollar a day. Accordingly, the central bank is expected to continue tightening monetary policy, a process that it began at the end of 2016, in an effort to curb the increase in inflation.

Fiscal consolidation at the heart of the new agreement with the IMF

In 2017, Sierra Leone signed up to a number of reforms as part of a three-year programme with the IMF. As the country failed to follow through on its commitments, the agreement was cancelled. However, the election of Julius Maada Bio in March 2018 seems to be a turning point in relations with the international institution. Shortly after his inauguration, President Bio liberalised fuel and rice prices in order to reduce public spending, as recommended by the IMF. A new programme under an Extended Credit Facility was thus signed by the new government in November 2018. In this context, consolidation of the public accounts will continue in 2019 through improved revenue collection, which will be achieved, in particular, by broadening the tax base and strengthening tax law. The government will also take action on current expenditure by curtailing the increase in defence spending while limiting growth of the public sector wage bill. Spending on education is expected to increase. Nonetheless, reducing the budget deficit will not be enough to slow the increase in public debt. This trend reflects the drastic cuts to international financial assistance following the previous government's inability to reduce its deficit, which led in turn to rapid growth in non-concessional debt to national creditors and therefore to increased interest and arrears. However, the new IMF agreement could limit the increase in debt in the coming years.

Although the trade deficit will remain substantial In 2019, it is expected to move in the right direction. Exports will be driven by diamonds (13% of exports in 2017), as well as by the non-mining economy, particularly the primary sector (cocoa accounted for 23% of exports in 2017). However, the country remains dependent on imports of energy, capital goods, and food products, as the agricultural system is mainly export-oriented. The deficits in services and income, linked to the presence of foreign investors, will also be a heavy burden to bear. The current account deficit will be mainly financed by foreign investment in the form of FDI and portfolio investment.

Tension on the domestic political scene

After two consecutive terms, Ernest Bai Koroma of the All People's Congress (APC) had to resign as President. On the March 31, 2018, Julius Maada Bio, the candidate of the Sierra Leone People's Party (SLPP), was elected to succeed him, signalling the desire for political renewal. A former soldier, Mr Bio had already held power as Vice-President after a *coup d'état* in 1996. As President, his priorities are access to education and the fight against corruption. With this in mind, the Parliament has approved an investigation into allegations of corruption involving members of the previous government. These investigations could create tension between the two parties. In the meantime, though, the President has to collaborate with the APC, which won the majority of seats in the parliamentary elections also held in March. In addition, the government could once again face public opposition, with fiscal consolidation and poverty fuelling social unrest. In 2018, the liberalisation of fuel prices triggered a wave of protests.

A political deadlock could impact the already poor business environment. Reflecting this, Sierra Leone has dropped to 163rd out of 190 countries in the 2019 Doing Business ranking.

SINGAPORE

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	**5.6**
GDP PER CAPITA US Dollars - 2017	**57,713**
CURRENCY Singapore dollar	**SGD**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.8	3.6	3.0	2.5
Inflation (yearly average, %)	-0.2	0.5	1.0	1.3
Budget balance (% GDP)	3.2	5.7	2.2	1.6
Current account balance (% GDP)	19.0	18.8	18.5	18.3
Public debt (% GDP)	106.8	111.1	112.9	114.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	15%
HONG KONG	13%
MALAYSIA	11%
EURO AREA	7%
UNITED STATES	7%

Imports of goods as a % of total

CHINA	14%
MALAYSIA	12%
UNITED STATES	11%
EURO AREA	10%
TAIWAN	8%

+

- High non-price competitiveness
- Mature high added value sectors (new technologies, finance, chemicals, pharmaceuticals)
- Major regional and international trading hub for goods and financial services
- Large FDI inflows thanks to the advantageous tax regime, political stability and excellent business climate
- Leading exporter of capital in Asia through the Temasek and Government of Singapore Investment Corporation (GIC) sovereign funds

-

- Economy dependent on exports
- Shortages of skilled labour
- Ageing population
- Vulnerability to the slowdown of the Chinese economy

RISK ASSESSMENT

External headwinds lead to a slower but still dynamic growth

The economy will expand less rapidly in 2019, mainly due to external headwinds, with exports (180% of GDP) and domestic demand remaining the main drivers of growth. The slowdown in the Chinese economy will continue to dim exports, as it is Singapore's main trading partner (around 14% of trade). A pickup in exports to other markets, including South Asian countries (who will benefit from the CPTPP) and the United States, will partly compensate this decline. The outlook will also continue to be dimmed by the US-China trade war and related uncertainty, as well as the deceleration of global demand growth for electronics (13.5% of exports), which poses an excess output challenge for Singapore due to growing domestic production. These headwinds will notably affect the manufacturing industry (20% of GDP). However, higher oil prices should benefit trade, as Singapore is the world's third-largest refinery centre.

On the domestic front, the construction sector will continue to underperform, further discouraged by government measures to curb housing price growth. These measures will help to stabilize inflation, which faces pressure from rising oil prices and stronger core inflation. The Monetary Authority of Singapore (MAS) is therefore likely to continue following a tightening policy stance. Demand will continue to boost the services industry – predominantly *via* finance and insurance but also the retail sector – which will be helped by steady growth in the number of tourists and of disposable income. Moreover, public investments to boost economic diversification, R&D, invest in human capital, and attract FDIs will continue to be favourable to growth and business confidence.

Confirmed resilience of the financial situation

The budget balance will remain very sound. Thanks to receipts from sovereign fund investments, the country will continue to record a budget surplus while maintaining expansionary budget policy. In addition, the high level of public debt is more than compensated for by the financial assets held within sovereign funds. Bond issues are not used to finance the public debt; rather they are used to develop a local state bond market and to support the Central Provident Fund, the leading Singaporean pension fund.

The current account balance will likely run a large surplus in 2019. The surplus in the balance of trade will increase, notably as a result of the uplift in energy prices, but will continue to be partly counterbalanced by a deficit in the balance of services and deterioration of the income balances (primary and secondary). Thanks to the city-state's role as a regional and international trading hub, downwards trends in exports are mirrored by fluctuations in imports.

Although the banking sector is exposed to property market risks, its granting of mortgages has been cautious and remains in line with regulatory requirements: the rapid expansion of credit, combined with high property prices, is not expected to present a risk for 2019. The sector is also exposed to risks associated with the high level – although deemed sustainable – of household indebtedness (above 70%of GDP) and the slowdown in the Chinese economy through trade finance operations. However, the levels of capitalisation and liquidities, the stabilizing 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 2019.

Durable stability of the political environment

The People's Action Party (PAP) has been in power since Singapore gained its independence in 1965. Its dominance is expected to last given the tranquil nature of the social milieu and effective proactive economic policies, but also due to the lack of strong opposition figures. The term of office of Prime Minister Lee Hsien Loong ends in 2021. The PAP will elect a succession candidate internally, and if there are internal opposing factions backing different candidates, these conflicts will not be made public. The government agenda will likely stay focused on securing competitiveness to ensure long term growth. An absence of political risk, a strong rule of law, and a liberal economic structure underpin the strength of the business climate, which took second place in the World Bank's 2019 assessment.

SINGAPORE

PAYMENT & DEBT 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).

Default Judgment

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.

Summary Judgment

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.

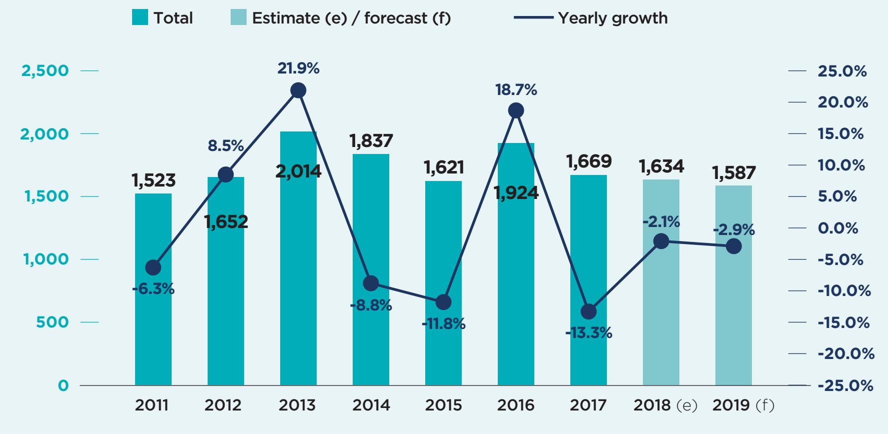
Judicial Management

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.

NUMBER OF CORPORATE INSOLVENCIES



Source: Statistics Singapore, Coface.

SLOVAKIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	5.4
GDP PER CAPITA US Dollars - 2017	17,655
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.1	3.2	3.9	4.1
Inflation (yearly average, %)	-0.5	1.2	2.6	2.6
Budget balance (% GDP)	-1.7	-0.8	-0.8	-0.4
Current account balance (% GDP)	-1.2	-0.2	-0.1	1.2
Public debt (% GDP)	51.8	50.9	49.1	47.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	21%
CZECHIA	12%
POLAND	8%
FRANCE	6%
HUNGARY	6%

Imports of goods as a % of total

GERMANY	19%
CZECHIA	16%
AUSTRIA	10%
POLAND	7%
HUNGARY	6%

+
- Eurozone membership
- Production platform for European automotive and electronics industry
- Satisfactory public and external accounts
- Robust financial system dominated by foreign groups

−
- Small economy dependent on European investment and markets
- Strong sectorial concentration of exports: automotive and consumer electronics
- Regional development inequalities/the east lagging behind (infrastructure and training)
- Insufficient research and development
- Shortage of skilled labour and high long-term unemployment

RISK ASSESSMENT

Growth strengthens further

Growth is expected to peak in 2019. Household consumption remains the main driving force of the economy thanks to solid real wage increases and growing employment. In the first half of 2018, the unemployment rate dropped to 6.9% – a record low for Slovakia. Despite improvements in this regard, especially when compared with much higher unemployment in 2013, there are still strong regional differences between the East and the West of Slovakia: the latter (including the capital city of Bratislava) enjoys a strong concentration of foreign and domestic companies that makes unemployment much lower. Despite those regional differences, labour shortages have been sharply increasing in Slovakia, especially in manufacturing. A lack of adequate labour force has been pushing wages upwards over recent years, with real wages increasing by 3.8% in the first half of 2018 alone and the average monthly gross wage exceeding €1,000 for the first time ever. The minimum wage rose by €40 to €520 in January 2019, while state salaries went up by 10% in January 2019, and again in January 2020.

In addition to household consumption, GDP growth remains enhanced by fixed asset investments, which are estimated to have surged by double-digit dynamics in 2018. The construction of the Jaguar Land Rover plant strongly contributed to this increase. The factory starting operations in October 2018, and plans to increase the number of employees to 2,800 and the annual number of produced cars to 300,000. As a result, the plant has reaffirmed the automotive sector as the main manufacturing industry in Slovakia. Public sector investment projects have also accelerated – although the Bratislava ring road has been delayed, and it is probable that the deadline for its completion in 2020 will not be met.

Satisfactory public and external accounts

The government deficit dropped to 0.8% of GDP in 2017 and initial estimates indicate that it remained at this level throughout 2018. Although the fiscal consolidation is on track, increased government consumption and investments made ahead of the November 2018 municipal elections prevented the government from decreasing the deficit further. However, the deficit remains on a comfortable level, and is expected to contract further to 0.4% in 2019. The favourable macro-economic situation has led to increased revenues from personal and corporate income taxes; and improved tax collection has also been a positive factor for the budget situation. Public debt is expected to remain below 50% of GDP in the foreseeable future.

The current account balance is supported by growing exports. New investments are increasing export capacities (exports of goods and services already exceeded 98% of GDP at the end of first half of 2018), with the Jaguar Land Rover factory in particular accelerating export growth, despite concerns regarding the sustainability of global demand. The services balance is also positive, but deficits of primary and secondary income made the current account negative in the first half of 2018. 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.

Government remains stable

After the March 2016 elections, then-Prime Minister Robert Fico 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. Following the murder of an investigative journalist in February 2018, Mr Fico, as well as the Minister of the Interior and the President of Police, resigned to prevent early elections demanded by coalition partners. In March 2018 Smer-SD chose Peter Pellegrini, a Deputy Prime Minister, to replace Robert Fico. Support for Smer-SD has stabilised since the scandal surrounding the murder. At the time, opinion polls indicated that the party had lost around a fifth of its supporters, and that it retained the support of just over 20% of voters. Indeed, the November 2018 municipal elections were won by independents, with the Smer-SD party failing to gain any mayoral seats in any regional capital. More specifically, independent mayoral candidates gained the most support (42.4% of total votes), followed by Smer-SD candidates (20.4%) and the Slovak National Party (5.5%).

SLOVENIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	2.1
GDP PER CAPITA US Dollars - 2017	23,654
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.1	4.9	4.3	3.3
Inflation (yearly average, %)	-0.2	1.6	2.0	2.3
Budget balance (% GDP)	-1.9	0.1	0.5	0.1
Current account balance (% GDP)	5.4	7.1	7.5	7.1
Public debt (% GDP)	78.7	74.1	70.2	66.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	19%
ITALY	11%
AUSTRIA	7%
CROATIA	7%
FRANCE	5%

Imports of goods as a % of total

GERMANY	16%
ITALY	14%
AUSTRIA	9%
TURKEY	6%
CROATIA	5%

+

- Eurozone member
- High level of political and social development
- Diversified economy
- Integrated in the European production chain
- External accounts in surplus

-

- Small domestic market
- Ageing population and demographic growth at a standstill, leading to a labour shortage
- Dependent on regional economic conditions and auto industry
- Heavy public debt burden
- Inefficient state-owned companies
- Convalescing banking sector
- Slow administrative and judicial procedures
- Fragile coalition at the head of the government

RISK ASSESSMENT

Slower growth in connection with external trade

Growth will continue to slow in 2019, while remaining significant, driven by domestic demand. Consumption is expected to rebound on strong employment performances (unemployment rate of 5.2% in the second quarter of 2018) and a sizable increase in real wages. In addition, improved credit conditions, owing to the gradual debt reduction and rock-bottom interest rates, will encourage consumption by households, who will also be able to draw on the pool built up thanks to their high savings rate (13.9% of gross disposable income in 2017). In parallel, investment will continue to grow in order to meet supply constraints affecting equipment and manpower. Private investment is expected to be driven by the construction and consumer goods sectors, which will be the main beneficiaries of vigorous domestic demand. Public investment should also go up, thanks to increased use of European funding. Conversely, exports will be hit by lost competitiveness linked to higher wages and by cooler growth within Slovenia's main partners, namely Germany, Italy, Croatia, and Austria. At the same time, with imports increasing faster in response to domestic demand, the positive contribution of external trade will fall sharply, accounting for the slower pace of growth.

Reducing the fiscal and current account surpluses

Although a new centre-left coalition took office in September 2018, the budget accounts are expected to remain in surplus in 2019, but only just. In line with its election promises, the coalition is set to ease fiscal austerity from 2019, notably by increasing civil servants' salaries and social benefits. However, the increase in revenues made possible by brisk activity levels should enable the new government to stick to the balanced budget rule contained in the Constitution. In addition, low interest rates and efforts to restructure the public debt in recent years will reduce the interest burden. Public debt will therefore continue its downward trend, while remaining above the target of 60% of GDP. While over 60% of this debt is held by non-residents, it is mainly denominated in euros (89% in 2017) and long-term (62% of the total matures in over five years).

In addition, following the 2012/13 banking crisis, the authorities carried out major recapitalisations and restructuring measures to clean up the sector, 45% of whose assets were still state-owned at the beginning of 2018. The creation of a bad bank in 2013 cut the ratio of non-performing loans to 5.8% by June 2018, compared with 17% three years earlier. After several postponements, the government has promised the EU that it will sell 75% of the shares of NLB, the country's leading bank, by the end of 2019.

As regards the external accounts, the country enjoys a large trade surplus based on European demand and tourism. Exports of goods and services, which represent 85% of GDP, are 90% directed to neighbouring countries. Integration within German and Austrian production chains – thanks to competitiveness in the automotive, electrical and electronic equipment, pharmaceutical products, and household appliances sectors – accounts for half of exports. In 2019, the goods surplus will decline as imports outpace exports. At the same time, the balance of services will continue to post a large surplus, driven by transport and especially by tourism. Contrariwise, the income balance is in deficit due to the repatriation of dividends generated by foreign investments in the country. Although declining, the current account balance will again show a sizeable surplus. The country's elevated external debt (95% of GDP in June 2018, half of which is attributable to private commitments) will continue to decline.

A fragile centre-left government coalition

Janez Janša's Conservative Party, which came out on top in the June 2018 parliamentary elections, failed to form a governing coalition. Subsequently, Marjan Šarec, a pro-European independent and former comedian, was sworn in as Prime Minister in September 2018 by a coalition of five centre-left parties, with 43 seats out of 90 and the non-participating support of the left-wing Levica Party (nine seats). The coalition's shaky foundations were exposed after only two months, as the Minister of Development and European Funds, a member of the centrist SAB Party, was forced to resign after interfering in local elections. Following this episode, Alenka Bratusek, a former prime minister and leader of the SAB, was highly critical of Prime Minister Šarec. The fragility of the coalition, which is cobbled together from parties of different political persuasions, will make it difficult to carry out any large-scale reforms. However, strong economic growth will work in the government's favour. In addition, the country enjoys the advantage of being in both the European Union and the eurozone, which guarantees fiscal and economic stability in the event of political instability. Prime Minister Šarec has also reaffirmed his intention to be part of the "hard core of the European Union", while indicating that one of his priorities is to improve border control in response to the influx of migrants.

SOUTH AFRICA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	56.5
GDP PER CAPITA US Dollars - 2017	6,180
CURRENCY South African rand	ZAR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.6	1.3	0.7	1.4
Inflation (yearly average, %)	6.3	5.3	4.7	5.4
Budget balance (% GDP)*	-3.8	-4.4	-4.3	-4.4
Current account balance (% GDP)	-2.8	-2.4	-3.7	-3.5
Public debt (% GDP)*	50.6	52.7	55.8	56.2

(e): Estimate. (f): Forecast. *Fiscal year from 1st April - 31st March. 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	17%
CHINA	10%
UNITED STATES	7%
INDIA	5%
JAPAN	5%

Imports of goods as a % of total

EURO AREA	24%
CHINA	18%
UNITED STATES	7%
INDIA	5%
SAUDIA ARABIA	5%

+

- Regional/continental economic and political powerhouse
- Rich in natural resources (gold, platinum, coal, chromium)
- Advanced services sector (particularly financial)
- Legislative environment protects investors

−

- Poverty and inequalities are sources of social risk (crime, strikes and demonstrations)
- High unemployment (over 27%) and shortage of skilled labour
- Ageing infrastructure (transport, energy)
- Dependent on volatile flows of foreign capital

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Activity to accelerate but subject to multiple constraints

Growth is expected to pick up in 2019, but will remain relatively weak. In particular, investments should make a more positive contribution: the adoption of a new mining charter in September 2018, after several years of debate, brings more certainty to investors in the sector. However, private investment growth will remain cautious as the 2019 general elections approach, and uncertainties about land reform, which could allow expropriations without compensation, will continue to be a cause for concern. Public investment should benefit as budgets shift towards upgrading infrastructure. Nevertheless, as with public consumption, its contribution will be restricted by budgetary constraints. As a result, the construction sector, which will also continue to suffer from the recurring difficulties affecting state-owned enterprises, is not expected to experience a significant rebound. Exports could benefit from the weaker rand and provide support to the mining, agriculture and automotive sectors. However, structural difficulties in these sectors – namely high production costs, exposure to climate shocks and weak domestic demand respectively – will continue to dampen their expansion. Constrained in particular by the VAT increase in 2018, private consumption could rebound, thanks to the introduction of the minimum wage, which is expected to support trade activities. However, monetary policy tightening (set in train in November 2018), weak credit growth, high unemployment and inflationary pressures will further stymie growth in consumption.

An economy exposed to twin deficits

The budget deficit is expected to remain high in fiscal year 2019/20. As with growth, revenues are expected to rise only slightly, while no tax increases are expected. Indeed, after hiking VAT in 2018, the Treasury has said it plans to refrain from raising income and corporate taxes. The cost of debt service, which absorbs almost 14% of revenues, will further burden spending. With the country holding general elections, the likelihood of budget cuts is reduced. However, spending increases are expected to remain limited, while the economic stimulus and recovery plan presented in September 2018 will be financed by a revision of the budgetary guidelines. Despite the reforms, the financial situation of state-owned companies, particularly power utility Eskom, remains worrying and poses a risk to public finances. Ultimately, the sustainability of the debt, whose burden is set to continue to increase, could be threatened. South Africa will remain exposed to further credit rating downgrades, which would affect the cost of borrowing. However, the low proportion of foreign currency debt (about 10%) and short-term debt mitigates the risk. Exposure to the debt of state-owned entreprises could be a threat to the banking sector's health, but in a difficult economic environment, the sector continues to demonstrate strength.

In 2019, the current account will remain in deficit, mainly due to profit repatriation by foreign companies, which is affecting the income account. Payments to SACU partner countries will maintain the deficit in the transfer balance. The increase in the trade surplus, thanks in particular to rand depreciation, should allow the current account deficit to narrow slightly. Deficit financing will still largely depend on portfolio investment flows, which could be volatile in 2019. Domestic political uncertainty, weak growth, more negative market sentiment towards emerging countries and tighter US monetary policy could fuel capital flight. This would increase the pressure on the rand and foreign exchange reserves, which cover about 4.5 months of imports.

Land reform at the heart of the 2019 elections

Succeeding Jacob Zuma – who was forced to resign by his own party, the African National Congress (ANC) –, Cyril Ramaphosa became President in February 2018. Just over a year on, the ANC and Mr Ramaphosa will be judged at the ballot box during the 2019 general elections, which will probably be held in May. However, the enthusiasm that followed his appointment was quickly dampened as the new President struggled with the country's socio-economic challenges, including anaemic growth, endemic unemployment, persistent inequalities, and rising inflationary pressures. The President's efforts to restore the credibility of governance and anti-corruption efforts in the aftermath of the Zuma era, which was tainted by the State Capture inquiry, took a blow following the admission of questionable payments made to finance his campaign to lead the ANC. As a result, for the first time since the end of apartheid, the ANC could lose its majority. The campaign will be dominated by the divisive issue of expropriations without compensation to accelerate the redistribution of land to black owners. This issue will also be of concern to investors and could worsen the perception of the business climate if the proposals in this area infringe property rights. South Africa's relatively favourable business environment has deteriorated, as evidenced by the fact that the country has slipped 48 places in the Doing Business ranking over the past decade and came 82nd out of 190 countries in the 2019 edition.

SOUTH AFRICA

PAYMENT & DEBT 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 10 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

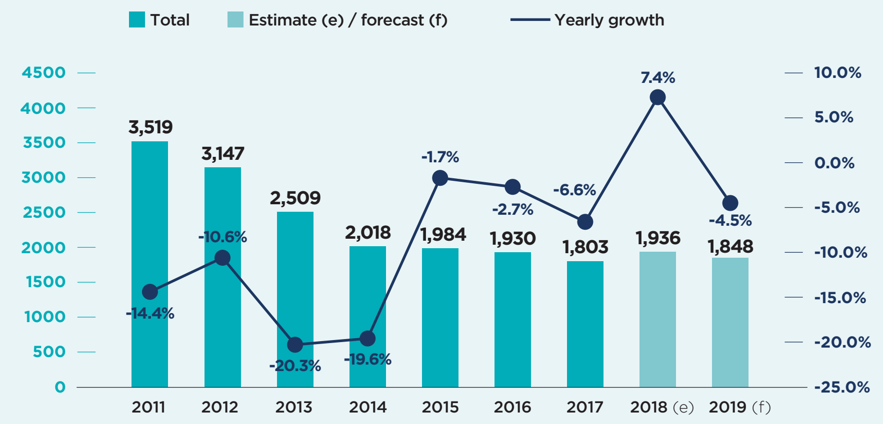
The objective of a business rescue is to allow financially distressed companies to restructure and reorganise, in order to avoid insolvency. A business rescue is initiated by a resolution of the company's board, adopted by a simple majority. Supervision and control is conducted by a business rescue practitioner, 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 INSOLVENCIES



Source : Statistics South Africa, Coface.

SOUTH KOREA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	51.5
GDP PER CAPITA US Dollars - 2017	29,938
CURRENCY South Korean won	KRW

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.8	2.7	2.7	2.5
Inflation (yearly average, %)	1.3	1.9	1.6	1.8
Budget balance (% GDP)	1.0	2.8	1.6	1.0
Current account balance (% GDP)	7.0	5.1	5.0	4.7
Public debt (% GDP)	38.3	39.0	40.0	40.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	25%
UNITED STATES	12%
VIETNAM	8%
HONG KONG	7%
EURO AREA	6%

Imports of goods as a % of total

CHINA	21%
JAPAN	12%
UNITED STATES	11%
EURO AREA	10%
SAUDI ARABIA	4%

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- Diversified industrial base
- Leader in high-end electronics
- Highly successful educational system
- High public R&D spending
- Increased investments in Asia

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- Increased competition from China (steel, shipbuilding, textiles)
- Weight of commodities imports
- High level of household indebtedness
- Ageing population
- High youth unemployment despite successful education system
- Unpredictability of the North Korean regime
- Proportion of chaebols in the economy

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	LOW
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	HIGH
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Exports and fiscal stimulus support growth

Growth is expected to edge down slightly but remain robust in 2019, thanks to exports and budgetary support. The contribution of exports could nevertheless be slightly lower than in 2018, as the US-China trade war will weigh on Chinese demand for South Korean products. South Korea's largest export by value – semiconductors – may be particularly impacted in the short run. This could affect the secondary sector and South Korean industrial conglomerates (*chaebols*). Deteriorating confidence indicators could slow private investment. Rising labour costs also pose a threat, particularly if not accompanied by productivity gains and corporate tax reductions. This is especially true for the ICT sector. Moreover, stricter regulation on mortgages should continue to weigh on investment in construction and real estate. Nonetheless, a more expansionary fiscal policy should offset the decline in private investment and promote growth. An increase in public employment, the minimum wage, and social spending is expected to support consumption. However, it is expected that the latter will be constrained by high household debt levels (155% of disposable income) as well as a sluggish labour market, with low female participation rates and relatively high youth unemployment (around 10%). Inflation is expected to stabilise around the central bank target (2%) in 2019, after increasing due to higher oil prices. The latter justified two interest rates of 25 basis points each since the start of the tightening cycle on November 2017. However, the monetary policy setting is expected to remain accommodative through the first half of 2019 as inflation pressures abate, to avoid throttling the consumption of highly indebted households.

Slight decrease in the current account surplus not a concern

The budget surplus is expected to shrink as a result of the government's expansionary fiscal policy. Government payrolls will continue to increase, while the minimum wage is expected to be revised up by 6% to KRW 8,350 for 2019. Various subsidies to consumers and financial support to SMEs will also weigh on public spending. The defence budget will be increased by 8.8% in 2019 to support South Korea's military reform programme. The growth of spending in social welfare and defence will be partially offset by a decline in infrastructure spending. Corporate taxes remain amongst the highest in the OECD (at around 30%), which will contribute to higher tax revenues. Public debt, which is lower than the OECD average, is expected to remain stable and low risk. Household debt continued to rise in 2018 and remains a source of concern.

In 2019, the current account surplus is expected to decline but remain positive. The balance of goods is likely to remain in surplus, although export growth should be slightly lower than that of imports due to mounting trade war risks. The steadying of relations with China is expected to continue to significantly boost tourist numbers, which plummeted in 2017. Foreign exchange (FX) reserves will remain at a comfortable level, and the rise in the central bank's key interest rate has helped mitigate the risk of FX depreciation. Policymakers should not be too concerned about FX depreciation and policy divergence with the US FED as the South Korean economy does not have a financing gap; a weaker won is actually positive for its export sector.

Improving ties with North Korea, but risks remain

Following the March 2017 dismissal of Park Geun-hye on corruption allegations, 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 will continue to encounter some difficulties passing laws.

President Moon's popularity has been largely bolstered by a move to engage in strategic dialogue with Pyongyang. President Moon and North Korean Leader Kim Jong-un agreed to complete denuclearisation of the Korean Peninsula during the April 2018 inter-Korean Summit. This was followed by a bilateral meeting between US President Donald Trump and Kim Jong-un in Singapore on July 2018. However, North Korea has threatened to restart its nuclear programme if an agreement with the United States is not made. South Korea postponed the permanent deployment of the Terminal High Altitude Area Defence (THAAD) system on environmental concerns. The move reflects the difficulties that the new regime will experience as it walks the fine line of balancing its relations with both the United States and China.

SPAIN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	46.3
GDP PER CAPITA US Dollars - 2017	28,359
CURRENCY Euro	EUR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.2	3.0	2.5	2.2
Inflation (yearly average, %)	-0.3	2.0	1.8	1.7
Budget balance (% GDP)	-4.5	-3.1	-2.7	-2.1
Current account balance (% GDP)	2.2	1.9	1.2	1.0
Public debt (% GDP)	99.0	98.1	96.9	96.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

FRANCE	15%
GERMANY	11%
ITALY	8%
PORTUGAL	7%
UNITED KINGDOM	7%

Imports of goods as a % of total

GERMANY	14%
FRANCE	12%
CHINA	7%
ITALY	7%
NETHERLANDS	5%

+

- Reform measures (labour market, banking sector, bankruptcy law, etc.)
- Renewed competitiveness and strengthened export sectors
- Improvement in the financial situation of companies
- High-quality infrastructure
- Significant tourism potential

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- High levels of private and public debt; very negative net external position
- Labour market duality; high structural unemployment
- Large number of small, unproductive companies
- Fragmented political landscape; national unity threatened by independence drive in Catalonia

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	HIGH
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	LOW
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	LOW
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Sluggish economic growth in 2019

Spanish growth was already showing signs of slowing in 2018. Growth is expected to moderate further in 2019. The labour market will remain on a positive trend, with a continued decline in the unemployment rate, but job creation is projected to be less dynamic. The slight acceleration in wages, driven by the minimum wage hike and the increase in public sector pensions, should lead to a rise in disposable income. However, this gain will mainly benefit savings. Household consumption is set to decline further, especially in durable consumer goods. Conversely, accommodative financing conditions should continue to support growth in residential construction. The vigorous real estate market will likely continue to fuel the surge in investment, hampered by a slight slowdown in the corporate sector. Despite an external environment characterised by a high level of uncertainty over increased protectionism and a gloomy outlook in the eurozone, net exports are once again expected to make a positive contribution. As the effects of euro appreciation dissipate, exports are set to strengthen as they continue to capitalise on competitiveness gains.

The budget deficit is gradually narrowing, but by less than required under the stability programme

The strong economic recovery since 2015 combined with fiscal consolidation under the European Excessive Deficit Mechanism have contributed to a gradual readjustment in the country's public finances. Spain, the last eurozone country still subject to the corrective arm of the Stability and Growth Pact, emerged from the mechanism in 2018 with a government deficit of less than 3%. In 2019, the deficit is expected to continue to shrink, but it is difficult to determine to what extent. Pedro Sanchez's socialist government presented its budget proposals to the Commission in October 2018, but has yet to have them approved by both chambers of the Spanish Parliament. Despite the support of the radical left-wing Podémos party, the government has only a slender majority and will struggle to get its budgetary policy ratified. The finance law presented by the government proposes to cut the government deficit to 1.8% of GDP. Expenditure is expected to decrease only slightly and to finance new social measures such as the increase in social security contributions due to the hike in the minimum wage, the indexing of pensions to inflation and the increase in social transfers (child protection, long-term care and paternity leave). These measures will be financed by increasing the taxation of dividends from large companies (domestic and foreign), as well as high-income households, and by introducing new taxes, including environmental, digital services and financial transaction taxes. If the budget is not passed, the 2018 budget will be repeated, leading, on a constant policy basis, to a smaller reduction in the government deficit (2.2% of GDP) and an unchanged structural balance. Presented as part of the European semester, the Spanish budget was rejected by the Commission, which considers that even if Pedro Sanchez were to implement these measures, the government and structural deficits would still exceed those set by the government, breaking the commitments made under the Stability Programme. Public debt is expected to decline only slightly, at a slower pace than that set by the stability programme. However, this decline is mainly due to cyclical factors such as lower interest rates and higher inflation.

With a fragile government, snap elections could be on the way in 2019

In May 2018, Pedro Sanchez, the leader of the Spanish Socialist Party (PSOE), won, for the first time in the history of Spanish democracy, a non-confidence motion against former Prime Minister Mariano Rajoy after the verdict in the Gurtel case found that Popular Party members were involved in a corruption scandal. The socialist government, which is supported by the radical left-wing Podemos Party and the Catalan and Basque independence parties, remains on a fragile footing since it has a tiny majority with only 80 deputies. It is therefore at the mercy of the independence vote, particularly that of the Catalan party, making it dependent on relations between the State and the region. Accordingly, Mr Sanchez's government may have great difficulty passing its budget, which is the cornerstone of its social policy, especially since the PSOE does not hold a majority in the Senate. Parliamentary elections could thus be called. Since it is well ahead in the polls, the PSOE has not ruled out calling elections, but the party will have to choose the best time to do so. Various elections are already scheduled to take place in 2019, with municipal, regional and European elections all being held on May 26, 2019. In the regional elections held in December 2018 in Andalusia, the bastion of the Spanish left, the PSOE, which has run the region since 1982, failed to obtain a majority.

PAYMENT & DEBT COLLECTION PRACTICES IN SPAIN

Payment

Cheques are widely used for corporate transactions in Spain. They offer similar legal safeguards under the *juicio cambiario* (Civil Prodecures Code) 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 €300, thus allowing banks and other deposit institutions to verify a company's payment record before extending credit.

In contrast, bills of exchange are rarely used commercially. 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 that 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.

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, 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 eight 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.

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. The creditor can obtain guarantees for the payment of the debt.

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 €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.

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 €250,000), creditors can now benefit from a more flexible summary procedure. The filing of a *petición inicial* 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 20 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 20 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 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

Pre-insolvency 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.

Bankruptcy proceedings

Bankruptcy 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.

During these proceedings, the debtor may file for liquidation:

- upon petition of the debtor, at any time;
- when the debtor is no longer able to make the scheduled payments or the obligations incurred, as defined in the arrangement;
- upon petition of a creditor, for breach of the arrangement;
- upon petition of the judicial administration, upon termination of professional or commercial activity.

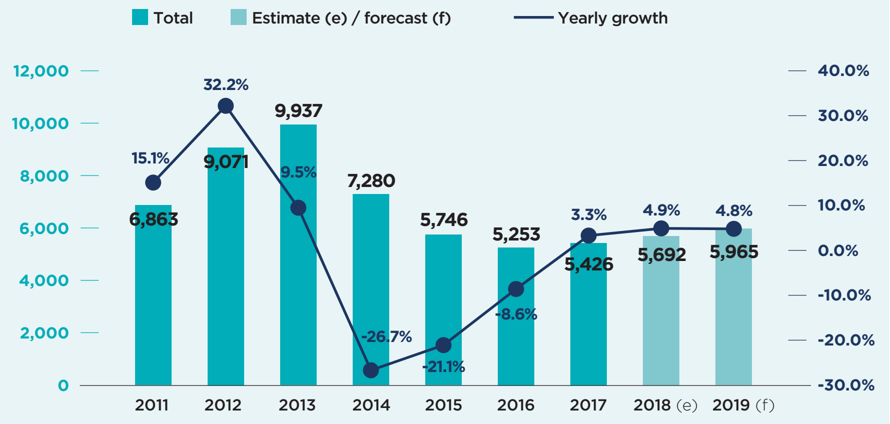
The judicial administration draws up a liquidation plan in order to realise (sell) the assets, consisting of the bankruptcy estate, which is submitted to the judge for approval.

Liquidation

Liquidation in Spain aims to sell the company's assets. 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.

NUMBER OF CORPORATE INSOLVENCIES



Source: National Statistics Institute Spain (INE), Coface.

SRI LANKA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	21.4
GDP PER CAPITA US Dollars - 2017	4,073
CURRENCY Sri Lanka rupee	LKR

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	4.5	3.3	3.7	3.9
Inflation (yearly average, %)	4.0	6.5	4.8	4.7
Budget balance (% GDP)	-5.4	-5.5	-4.6	-4.0
Current account balance (% GDP)	-2.1	-2.6	-2.9	-2.9
Public debt (% GDP)	79.6	79.1	78.0	77.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	18%
UNITED KINGDOM	9%
INDIA	6%
UNITED ARAB EMIRATES	2%

Imports of goods as a % of total

INDIA	22%
CHINA	19%
UNITED ARAB EMIRATES	8%
SINGAPORE	6%
EURO AREA	6%

+

- Diversified agricultural production (tea, rice, coconut, rubber)
- Strategically located at the centre of trade routes between Asia and the Middle East
- Indian, Chinese, and Japanese interests
- Strong growth of tourism

-

- Agricultural production vulnerable to climate disasters
- Low levels of capital public spending due to debt servicing burden
- Vulnerability linked to reliance on short-term external financing
- Lack of infrastructure
- Ethnic tensions between Sinhalese and Tamils

RISK ASSESSMENT

A political crisis that could undermine the recovery

In 2019, the strength of the Sri Lankan economy will be constrained by the political crisis that has been unfolding since October 2018. Mainly supported by activity in the services sector, growth is also likely to be affected by continued political uncertainty ahead of the general elections scheduled for mid-2020, with tourism (11.6% of GDP) likely to be the hardest hit. The construction sector could also be hurt by the postponement of infrastructure projects, with Japan and the United States announcing in November 2018 that they were suspending financing (USD 1.4 billion and USD 500 million respectively) for infrastructure projects until the crisis is resolved. Manufacturing, notably textiles and clothing, should continue to benefit from the Generalised System of Preferences with the EU, which eliminates tariffs on almost 1,200 Sri Lankan products, including various textile products, as well as tea and other agricultural products. However, if the political situation deteriorates, the EU may consider suspending the agreement. Agriculture (tea, rubber, coconut), which depends on weather conditions, is expected to grow moderately. Political uncertainty is expected to undermine investor confidence, with the country already struggling to attract foreign investment. However, household consumption (62% of GDP in 2017) should benefit from the fact that inflation remains contained in the central bank's target range (4%-6%). The central bank is expected to continue to pursue a tighter monetary policy (key interest rate hike in November 2018) while increasing the level of liquidity in the economy (decrease in reserve requirements for banks).

A fragile external position; fiscal consolidation efforts potentially compromised

Committed to a process of fiscal consolidation with support from the IMF, the Sri Lankan government took steps to achieve its target of a 1% primary surplus in 2018 with the entry into force of the Inland Revenue Act in April 2018, which simplifies the tax system and streamlines tax exemptions to increase revenue. Under the IMF agreement, the government projects a primary surplus of 2% in 2019. However, the political crisis could make it harder to achieve this objective: continued unrest could constrain reform implementation and affect tax revenues. In this context, the sustainability of public debt remains compromised, with USD 4.2 billion maturing in 2019. The conflict with Chinese creditors at the end of 2017 resulted in the cancellation of USD 1 billion of debt owed to China in exchange for granting the right to operate the port of Hambatoa. Borrowings in foreign currencies, which represent nearly 50% of public debt, are even more exposed due to the country's fragile external position. By mid-November 2018, the rupee had already lost more than 15% of its value since January, reflecting capital outflows related to increased political uncertainty. In 2019, the trade balance should be in the red again, with the services surplus remaining below the goods deficit despite the contraction in imports. A possible challenge to the trade agreement with the EU could further weaken the country's position. Expatriate remittances will not be enough to keep the current account in balance, and the deficit will not be offset by capital inflows, requiring new borrowing and the use of foreign exchange reserves.

Political crisis resumes in the run-up to the elections

The defeat of the governing coalition in the February 2018 local elections exacerbated tensions between the two parties, led by President Maithripala Sirisena (Freedom Party) and his Prime Minister, Ranil Wickremesinghe (United National Party), respectively. A political crisis was triggered when President Sirisena dismissed Prime Minister Wickremesinghe on October 26, 2018 without parliamentary approval. The appointment of Mahinda Rajapaksa (Sri Lankan Popular Front, winner of the February 2018 local elections) – who was President between 2005 and 2015 and is accused of war crimes against the Tamil minority in 2009 – added further fuel to the fire. Prime Minister Rajapaksa's new government has not won the confidence of Parliament, which is still largely loyal to Mr Wickremesinghe. The President's attempts to dissolve parliament and hold early elections as early as January 2019 were declared unconstitutional by the Supreme Court, which also declared the Rajapaksa government illegitimate after two votes of no confidence in Parliament. Following these decisions, President Sirisena finally recalled Ranil Wickremesinghe as Prime Minister, but tensions between the two men remain extremely high. The situation will remain very unstable ahead of early 2020 elections, as Ranil Wickremesinghe's party does not have a sufficient majority in parliament to implement the planned reforms (2/3 majority required). The political crisis will be a factor of tension in relations with Western countries, while providing a stage for the regional struggle for influence between India and China, which supports Rajapaksa. The risk of a resurgence in ethnic violence cannot be ruled out.

SUDAN

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	40.8
GDP PER CAPITA US Dollars - 2017	1,123
CURRENCY Sudanese pound	SDG

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.0	1.4	-2.3	-1.9
Inflation (yearly average, %)	17.8	32.4	61.8	49.2
Budget balance (% GDP)*	-1.6	-1.5	-3.5	-3.3
Current account balance (% GDP)	-7.6	-10.5	-14.2	-13.1
Public debt (% GDP)	99.5	121.6	167.5	165.1

(e): Estimate. (f): Forecast. *Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	40%
MACAO	15%
SAUDI ARABIA	15%
EGYPT	11%
EURO AREA	3%

Imports of goods as a % of total

MACAO	24%
UNITED ARAB EMIRATES	12%
INDIA	8%
EURO AREA	7%
SAUDI ARABIA	7%

+

- Strategically positioned between the Middle East and West Africa
- Relative stabilisation of diplomatic relations with South Sudan
- Fiscal adjustment effort undertaken as part of IMF monitoring
- Easing of sanctions imposed by the United States in 1997

-

- Unsustainable external debt
- Lack of investment in infrastructure
- Significant business environment and governance shortcomings
- Persistent human and food insecurity
- High levels of unemployment (especially among young people) and poverty
- Calls in the southern oil-producing regions to join South Sudan and tensions in the Darfur oil region

RISK ASSESSMENT

An ongoing recession

The economy entered a recession in 2018, despite the lifting of almost all US sanctions in 2017. Major imbalances – linked to the loss of three quarters of oil exports following South Sudan's independence in 2011 – continue to weigh on the economy. In 2019, growth is expected to be negative again. A lack of integration into international trade and a weak business environment will restrict private investment, while new austerity measures are expected to depress public investment. Inflation, which surged in 2018 due to the withdrawal of subsidies and devaluations of the Sudanese pound, is expected to remain at a high level and will continue to be a drag on private consumption, which accounts for almost 80% of GDP. This high inflation and devaluations, combined with low confidence in the banking system, have triggered a liquidity crisis, which could continue to hinder trade in a country where the majority of transactions are made in cash. However, the oil sector should benefit from stable oil prices, as well as from improved relations with South Sudan. Indeed, an agreement will make it possible to restart oil production in 2019 in the Heglig oil field, which is claimed by its southern neighbour. In addition, if successful, the oil exploration call for tenders which the authorities are planning in 2019 could support production in the future. The economy of Sudan, the world's largest producer of gum arabic, will continue to depend on the agricultural sector (30% of GDP in 2017). Meanwhile, gold production is expected to support the mining sector.

Laboured reduction in government and external deficits

In October 2018, the government announced a 15-month economic reform plan, which includes a number of fiscal austerity measures, such as the removal of customs tax exemptions and reductions in current expenditure. On the revenue side, the recovery of oil production in South Sudan is expected to support growth, as the neighbouring country pays royalties to use Sudan's oil facilities to export its production. Nevertheless, the government deficit is not expected to decline significantly in 2019. As current expenditure does not represent a significant share of total expenditure and the country has a large informal economy, the plan is not expected to have a significant effect. In addition, the recession will once again weigh on revenues. The government deficit will therefore remain at a level that requires central bank financing, which is an approach that will fuel inflation. The country, which does not have access to international markets, is also expected to take out concessional loans. The public debt burden will remain high, and could be increased by further devaluations, since a large portion of the debt is denominated in US dollars. However, China has said that it will cancel part of Sudan's public debt. External debts consists mainly of arrears.

Looking at the external accounts, the massive current account deficit is expected to narrow slightly. Despite the depreciation of the Sudanese pound, imports will remain significant, as they are made up of basic necessities. Non-oil exports (gold, gum arabic, livestock, sesame) are nonetheless expected to increase. The surplus in the balance of services will benefit from the increasing use of oil facilities by South Sudan. However, the high level of public debt, which is mainly external, comes with substantial interest payments that will have an adverse effect on the income balance. Although oil sector participants are keen to attract FDI, these flows will not be sufficient to finance the current account deficit. As foreign exchange reserves are already low, international financial assistance will be needed to finance this deficit, and the Sudanese pound is expected to remain under pressure.

The crisis is weighing on the social climate

President Omar Al-Bashir of the National Congress Party (NCP), who is engaged in a fiscal consolidation programme, will have to deal with social unrest, with protests already forcing the government to increase flour subsidies in November 2018. Nevertheless, a month later, demonstrations, triggered by the government's decision to increase the price of bread, left several people dead, reflecting growing social tensions. More generally, they are the result of the lack of significant political change, austerity measures, and rising inflation. Even so, the President remains well placed ahead of the 2020 elections, since the fragmented opposition lacks the organisation to present a credible alternative. A constitutional amendment allowing him to remain at the head of the country for a third term is expected to be approved, since the NCP holds a majority in Parliament. Calls to join South Sudan will continue to generate armed conflicts in the Sudanese regions of South Kordofan and Blue Nile. The same will be true in the Darfur region, where the issue of the economic and social marginalisation of ethnic minorities persists.

In 2017, the United States lifted almost all sanctions, but kept Sudan on its terrorism blacklist. In 2018, the United States welcomed commitments on cooperation against terrorism and respect for human rights, but also said it expected democratic efforts to remove Sudan from the blacklist. Being kept on the list hinders the country, preventing international investors and financial participants from guaranteeing trade transactions.

SURINAME

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**0.6**
GDP PER CAPITA US Dollars - 2017	**5,870**
CURRENCY Surinam dollar	**SRD**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-5.1	1.9	2.0	2.2
Inflation (yearly average, %)	55.5	22.0	7.8	6.0
Budget balance (% GDP)	-7.8	-7.4	-7.3	-7.5
Current account balance (% GDP)	-5.2	0.0	-3.3	-2.4
Public debt (% GDP)	75.8	69.3	62.5	64.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	38%
HONG KONG	22%
EURO AREA	13%
UNITED ARAB EMIRATES	7%
GUYANA	6%

Imports of goods as a % of total

UNITED STATES	31%
EURO AREA	21%
TRINIDAD AND TOBAGO	11%
CHINA	8%
ST. LUCIA	3%

+

- Mineral resources and agricultural potential (rice, wood)
- Financial support from international donors and foreign investors

–

- Poorly diversified economy: dependent on oil, gold and aluminium
- Large informal economy (30% of GDP), with casinos, gold panning and smuggling
- Difficulties with the management of public-sector companies
- Inadequate transport infrastructure (roads, ports)
- Difficult business climate; ineffective justice system

RISK ASSESSMENT

Stable growth linked to extractive industries and investment

Growth is expected to remain moderate in 2019 and will be mainly linked to the extractive industries (gold, bauxite, aluminium, oil), which accounted for 30% of GDP and 95% of exports in 2017. New sites would maintain the sector's contribution to economic activity. In this regard, Canadian company IamGold, which operates the Gross Rosebel gold mine, has announced a 51% increase in its mineable gold reserves due to the acquisition of a new mine located in Saramacca, scheduled to come into production in 2019. Bauxite mining is also expected to increase by virtue of an agreement between the government and US company Alcoa that would see the company develop its business in exchange for the supply of electrical energy by the public authorities. Investment (47% of GDP) will also channel growth through new public investments, thanks to financial support granted to Staatsolie, the state-owned oil production company (6% of GDP) and Energie Bedrijven Suriname, the state-owned electricity production company (equivalent to 1% of GDP), but also to the development of renewable energy production, with the construction of three solar power plants. The oil sector could attract new foreign investors through production-sharing contracts after legislation was passed in 2018 improving the tax stability clauses included in the agreements signed between Staatsolie and international oil companies.

Inflation is expected to fall due to restrictive monetary policy, but will remain at a high level. To stop inflation from impacting domestic consumption (representing 27% of GDP), the government raised the minimum wage by 37% at the end of 2018 to restore household purchasing power. As a result, private consumption is expected to increase in 2019.

A slow fiscal consolidation process

Despite a likely increase in revenues and a consolidation plan, the budget deficit is expected to widen again in 2019. Revenues come mainly from mining (35% of total revenues) and look set to grow on increased gold production. But the government is finding it hard to contain its spending, including subsidies to state-owned enterprises, particularly Staatsolie, and is struggling to improve tax collection. The country had a Stand-by Arrangement with the IMF, which was to provide USD 478 million over two years to support fiscal consolidation, but the agreement was scrapped following fierce protests against the austerity policy in 2017. To replace it, the government announced its own stabilisation plan for 2016/21, which was necessary to secure the support of international donors. However, the planned measures have been postponed, with introduction of a 10% VAT pushed back to an unspecified date. As a result, repeated deficits have increased public debt, whose external share (70%) is further fuelled by Staatsolie's debt on international markets.

Regarding the external accounts, the current account deficit is expected to narrow due to a larger trade surplus, with total exports of raw gold (80%) increasing with production, while total imports of capital goods (40%) are expected to remain at a constant level. The services and investment income balances are structurally in deficit, but are expected to remain stable, as should remittances from expatriates, which will maintain the transfer surplus. The current account deficit is still largely financed by FDI (2% of GDP in 2017), which is expected to increase in the hydrocarbon sector with the development of oil activity. The abandonment of the US dollar peg in 2016, although accompanied by depreciation of the national currency, made it possible to replenish the foreign exchange reserves, which are expected to continue to increase in 2019 (they stood at about six months of imports in 2017).

A tense political climate

President Désiré Bouterse, leader of the National Democratische Partij (NDP), is expected to start the reform programme in order to maintain financial support from international donors. However, President Bouterse's popularity is marred by the ongoing trial in which he and 24 others are charged with the murder of 15 political opponents in 1982. The outcome of the trial could affect political stability and the credibility of the judiciary as regards its independence from the executive branch. 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 fifteen 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 environment.

SWEDEN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	10.1
GDP PER CAPITA US Dollars - 2017	52,925
CURRENCY Swedish krona	SEK

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.6	2.1	2.2	1.5
Inflation (yearly average, %)	1.1	1.9	2.0	1.9
Budget balance (% GDP)	1.2	1.3	1.1	0.5
Current account balance (% GDP)	4.3	3.3	2.6	3.0
Public debt (% GDP)	42.2	40.8	37.9	34.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	11%
NORWAY	10%
FINLAND	7%
UNITED STATES	7%
DENMARK	7%

Imports of goods as a % of total

GERMANY	19%
NETHERLANDS	9%
NORWAY	8%
DENMARK	7%
CHINA	5%

\+
- Open, diversified and competitive economy
- Specialised in high-tech products and the green economy
- Sound public finances
- Increasingly dynamic demographics

\-
- Tensions on the real estate market
- Substantial household debt
- Highly concentrated banking sector

RISK ASSESSMENT

Growth slowing but still strong

Swedish growth will be driven by exports and private consumption in 2019. Vigorous activity in recent years has led the economy to operate at full capacity, as evidenced in an increase in the job vacancy rate, for example. Amid high demand in goods and services, investment was boosted – particularly in the manufacturing sector, which has been running above capacity. These high levels of investment in 2018, the shortage of skilled workers, and less buoyant demand suggest that a slowdown in business investment is likely in 2019. The decline in property prices since mid-2017 (after a sharp increase), should also limit investment in private construction. Unemployment, which is back to pre-crisis levels, is expected to stabilise at around 6% of the labour force, due to the fact that a significant proportion of those still unemployed are harder to employ. Despite being at a low level, wages are set to grow at a moderate pace, as social partners (unions and employers' associations) prioritise competitiveness in the face of muted productivity growth. However, household consumption should be boosted by low inflation, which is close to the central bank's 2% target, as well as by monetary policy, which remains very accommodative despite the prospect of a hike in the key interest rate in early 2019 (it was held at -0.5% in November 2018). A larger decline in housing prices could also constrain household consumption through a wealth effect, weakening domestic demand. However, household disposable income is expected to increase as a result of the tax cuts included in the 2019 budget. Uncertainties associated with Brexit and the rise in global trade tensions could weigh downward on this outlook, potentially limiting net exports contribution to growth.

Sound public and external accounts but private debt is vulnerable

Public finances will continue to be robust in 2019, with the budget surplus expected to converge towards its medium-term objective of 0.33% of GDP. The Sweden Democrats' support for the centre-right opposition's budget proposal led to the adoption of USD 2.2 billion of tax cuts (lower pension taxes, higher income tax threshold), leading to a reduction in the budget surplus. Once a government has been formed, it may review the spending plan, but cannot change taxes as these cannot be modified outside the autumn budget process. As a net lender for several years, the Swedish government has slashed its public debt-to-GDP ratio, which fell below 40% in 2018, and this decline should continue thanks to the vigorous level of activity.

The country's external position will also remain very comfortable, with an increase in the current account surplus. More sluggish domestic demand is expected to bring slower import growth, while exports will be stronger. The downward trend in the krona should stabilise over the course of the year if monetary policy is tightened as expected. The Swedish economy is highly competitive, and exports mainly capital goods (15% of exports in 2017), cars and car parts (13.5% of exports), as well as commercial services, particularly telecommunications and tourism. Primary income, chiefly from investments, contributes to the current account surplus.

Conversely, the situation is more precarious regarding private debt, with household debt equivalent to 180% of disposable income at the end of 2018. In a context of low interest rates and a tax regime favourable to homeowners, real estate loans increased sharply, driven by price growth in large cities, especially between 2014 and 2016. A readjustment has taken place since mid-2017, with prices softening by 5% in the year to August 2018, but a more significant price fall could have an adverse impact on the banking sector, which is highly concentrated (four banks account for 85% of the market) and heavily exposed to the real estate market. Credit interconnections between banks also raise the risk of contagion.

A more uncertain political situation in the absence of a parliamentary majority

None of the traditional parties (left-wing and centre-right blocs) secured a majority during the parliamentary elections of September 2018. Although the far-right Sweden Democrats won 62 seats out of 349, no other party was willing to join forces with it. At the time of writing, the two attempts to form a new government were both unsuccessful. As the constitution allows only four rejections before new elections are organised, a new vote could be held. However, the costs associated with holding such elections could lead parties to compromise in order to form a government. Because of this fragile coalition, any government will have less room for manoeuvre than in the past, but its policy should remain pro-EU.

Sweden's business climate is still among the most favourable in the world, coming 12th in the Doing Business 2019 ranking.

SWEDEN

PAYMENT & DEBT 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 cost-effective domestic and international fund-transfer service. Payments are dependent on the buyer's good faith. Sellers are advised to ensure that their bank account details are correct if they wish to receive timely payment.

Direct debits represent about 10% 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.

When 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 of 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 €2,162).

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.

Enforcement of a Legal Decision

As soon as a domestic judgment becomes final, it is enforceable. If the debtor does not comply, the creditor can request the court's enforcement authority to seize and sell the debtor's assets.

For awards rendered in an EU 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 €2,000, 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 proceedings

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.

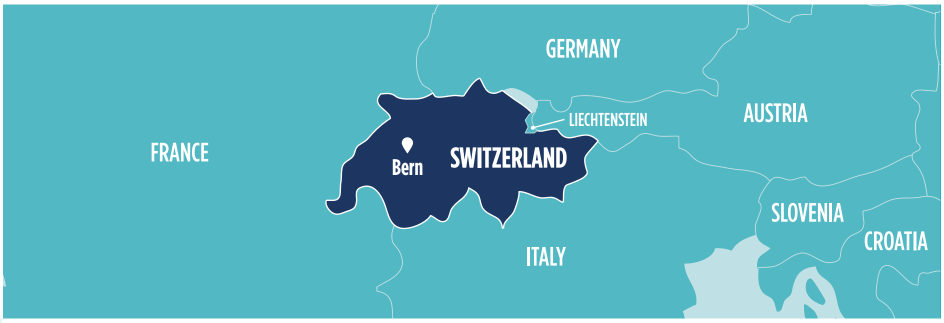
Bankruptcy

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.

SWITZERLAND

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1



POPULATION Millions of persons - 2017	8.4
GDP PER CAPITA US Dollars - 2017	80,637
CURRENCY Swiss franc	CHF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.6	1.7	2.7	1.6
Inflation (yearly average, %)	-0.4	0.5	1.0	0.9
Budget balance (% GDP)	0.4	1.3	0.8	0.6
Current account balance (% GDP)	9.9	9.5	11.0	10.5
Public debt (% GDP)	42.5	41.2	40.0	39.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	37%
UNITED STATES	12%
CHINA	8%
INDIA	7%
UNITED KINGDOM	6%

Imports of goods as a % of total

EURO AREA	49%
UNITED STATES	8%
UNITED KINGDOM	7%
CHINA	5%
UNITED ARAB EMIRATES	4%

+

- Political, economic and social stability and consensus; role of direct democracy
- Close relations with the EU
- Limited sensitivity of exports to foreign exchange due to focus on high technology and quality
- Public accounts in surplus and large external asset position
- European crossroads with excellent communication network

−

- Small, open and landlocked economy
- Overvalued Swiss franc used as a safe haven
- Highly dependent on trading and financial services
- Elevated house prices
- Banks' exposure to real estate (80% of loans), with two institutions accounting for half of domestic assets
- Population ageing offset by immigration (foreign labour makes up 30% of the workforce)

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	LOW
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth returns to normal

The exceptional performance in 2018 – which was largely due to the positive impact on foreign trade of the depreciation of the Swiss franc in 2017, and sports licencing revenues earned by FIFA in the lead-up to the World Cup – will not be repeated in 2019. In fact, growth is expected to revert to its usual low level, reflective of spare capacity, with external trade making a smaller contribution and domestic demand continuing to play a significant positive role. Accordingly, exports (66% of GDP) are expected to lose some of their vigour owing to a less favourable global economy and franc appreciation between May and the end of 2018. Conversely, imports (55%) will continue to be driven by brisk domestic demand. Export performances would be affected by a no-deal Brexit, since exports to the United Kingdom account for 6% of the total, excluding indirect exports *via* Germany. A soft patch for the euro that would give the Swiss franc back its traditional safe haven role would, provided it were temporary, probably be countered by an intervention by the Swiss National Bank, even if the central bank's foreign currency assets already exceed GDP. Household consumption (54%), meanwhile, looks set to continue to benefit from the increase in disposable income in a context of low inflation and a labour shortage, which will encourage wage growth, given the very low level of unemployment and reduced immigration since 2018. Against the backdrop of intensive use of production capacity and continued favourable financial conditions in connection with the negative key rates applied by the central bank, business investment in equipment, commercial and industrial buildings, and research and development should remain firm. However, it could stall if negotiations with the EU to adopt a new framework agreement prove unsuccessful. Civil engineering financed by the federation, cantons and municipalities should remain on track, with, for example, the construction of the Ceneri railway tunnel to complement the Gotthard tunnel on the Zurich-Milan corridor. Investment in rental housing could nevertheless decline given the downturn in permits and the increase in vacancies observed at the end of 2018.

Chemicals, pharmaceuticals, industrial and medical equipment (mechanical engineering, precision instruments, electrical and electronic equipment), engineering and tourism are all expected to perform satisfactorily due to their ability to cope with less supportive external economic conditions. Forestry, wood processing, printing and agri-food are likely to have a tougher time. Watchmaking, which has just emerged from a challenging period, is likely to be hurt by the Chinese and American slowdown. Retail trade is expected to grow modestly due to weaker competition from foreign supermarkets in border areas. Accordingly, the rise in corporate insolvencies observed in 2018 should be attributed primarily to the increased number of business start-ups in previous years.

External accounts in surplus

Switzerland has a massive current account surplus, which comprises a surplus in goods (7.2% of GDP in 2017), as well as in services (2.8%), the latter mainly generated by finance, licences, patents and tolls. The whole exceeds transfers from foreign workers (4.5%), which have surged as the number of foreign cross-border workers has risen to over 300,000. Even when trade in commodities (4.1%) is taken out, the surplus is still 5.4%. In addition, recurrent surpluses have made it possible to accumulate significant foreign assets to the point that Switzerland had a net external asset position equivalent to 135% of GDP in June 2018.

Solid public accounts

Under the fiscal rule adopted in 2003 by the federation and replicated by most cantons, the public accounts must be structurally balanced (in 2018, they showed a surplus equivalent to 1% of GDP). If the economic situation deteriorates significantly, the federal and cantonal authorities, based on a vote by the representative assemblies, would have access to significant fiscal stimulus capacity. Public debt is divided equally between the federation, on the one hand, and the cantons and communes, on the other. Its cost is extremely low, with zero or negative yields on bond issues maturing in ten years or less (November 2018). Net of claims held by general government, the debt is almost zero. Fiscal policy, which is slightly restrictive, will remain uncontentious.

The FDP-Liberal Party, the centre-right Christian Democratic Party and the conservative and nationalist Swiss People's Party (SVP) will dominate the bicameral Parliament and the National Council (seven-member executive with an annual rotating presidency) until the next elections in October 2019. Immigration from the EU (the SVP is pushing for a new vote), transformation of the many bilateral agreements governing relations with the EU into a framework agreement, pension reforms (increase in contributions and federal funding) and reforms to bring corporate taxation into line with international commitments (new vote planned for 2019) will remain the main issues.

SWITZERLAND

PAYMENT & DEBT COLLECTION PRACTICES IN SWITZERLAND

Payment

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 known as the Enforcement and Bankruptcy Office (*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 20 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 10 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 20 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 CHF 30,000, 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

Restructuring proceedings (*Nachlassverfahren*) 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.

SYRIA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	18.3
GDP PER CAPITA US Dollars - 2017	-
CURRENCY Syrian pound	SYP

TRADE EXCHANGES

Exports of goods as a % of total

LEBANON	30%
EURO AREA	12%
IRAQ	9%
JORDAN	9%
CHINA	8%

Imports of goods as a % of total

RUSSIA	32%
TURKEY	17%
CHINA	10%
EURO AREA	7%
TAIWAN	4%

+

- Strategic geographical location
- Energy transit country
- Oil potential

-

- Civil war since 2011 has caused 400,000 deaths and the destruction of much of the country's infrastructure
- Divided territory, under the sway of different groups
- Oil production has been reduced to zero

RISK ASSESSMENT

Heading towards an end to the war

After eight years of civil war, the Syrian conflict has entered a new phase. Since the fall of Aleppo in 2016, the balance of power has reversed, and the Bashar El Assad regime – which a portion of the Syrian population rebelled against in 2011 – has retaken much of the country. Other participants have joined the confrontation between the regime and the Free Syrian Army. On the one hand, Russia, Iran and Hezbollah are providing the military and logistical support needed to keep the Damascus regime in place, while on the other, an international coalition of Western and Arab countries has formed to curb the expansion of radical Islamist groups (al Nosra and Daesh) in Syria and Iraq. Although the small jihadist groups have been defeated, coalition forces remain present in the Kurdish-held areas east of the Euphrates, and some Islamist militias continue to be active in the desert areas of southern Syria.

Turkey, which shares a land border with Syria, has intervened several times in the conflict to protect its borders and interests in the region. In particular, it wants to make sure that the end of the war does not lead to the creation of a Kurdish state. The regime's recapture of the Idlib region would be the last act of the war in Syria. While a Russian-backed offensive by the regime seemed imminent in September 2018, it was called off after an agreement was reached between Russia and Turkey. Following the request by Ankara, which feared an influx of refugees at its border, the agreement between Russia and Turkey aims to create a demilitarised zone in the region. At the same time, the announcement of the withdrawal of American troops from Syria in December could also reshuffle the cards. While the region was controlled by the Syrian Democratic Forces (SDF) and the Kurdish People's Protection Units (YPG), the American presence in and around Manijb helped to contain Turkey's ambitions in this area, which was perceived as a threat by the Turkish authorities. Turkish Foreign Minister Mevlüt Çavuşoğlu announced in December 2018 that Turkish troops were about to cross the Euphrates into Syrian territory. As a result, although the end of the conflict appears to be in sight, it is therefore to foresee a return to stability in the region.

In October 2018, the Istanbul Summit brought together members of the Astana peace process (Russia, Turkey and Iran) and part of the contact group (France and Germany). Although the parties remain deeply divided, particularly about the role of Bashar al-Assad and the future of the Kurdish regions in the north-east, the summit resulted in a joint declaration reiterating the need to initiate joint actions and engage in a political process in Syria. Decided at the peace conference in Sochi in January 2018, the political solution to the Syrian crisis is supposed to result in the establishment of a commission to draft a new constitution under the auspices of the United Nations. However, the constitutional committee responsible for giving Syria a new constitution has been slow to be set up, partly because the regime is dragging its heels.

A difficult and controversial reconstruction process

The return of several provinces to the Bashar Al-Assad regime is expected to trigger a recovery for the Syrian economy, which remains badly weakened by eight years of conflict. Syrian GDP decreased by nearly 60% during the 2010/16 period, according to World Bank estimates. Much of the infrastructure was destroyed during the fighting. Syrian industry has shrivelled up, while economic sanctions make it difficult to access financing. Bashar El Assad's regime has been under US and European sanctions since 2011, but it can count on China's support in addition to that of its main allies. Despite the support of Russia and Iran, the country still has considerable needs. The Economic and Social Commission for Western Asia (ESCWA) has estimated the total cost of Syrian reconstruction at USD 388 billion. While some European countries, including Germany, would be willing to participate in the financing, they are making their assistance conditional on the establishment of an inclusive political process. Another limitation to the reconstruction process is the lack of human resources. Eight years of war have taken a severe human toll. The number of deaths directly related to the conflict is estimated at between 400,000 (United Nations, April 2016) and 470,000 (Syrian Centre for Policy Research, February 2016). More than 6.1 million people, including 2.5 million children, have been displaced, and 5.6 million are officially registered as refugees (UNHCR, September 2018). The issue of refugee return remains central to the success of the peace process. While countries hosting large numbers of Syrians would be in favour of facilitating their return, the regime continues to send conflicting signals. Announcements made by the government are intended to be reassuring and support a return of displaced persons. However, since 2012, the government has used a property law, Decree 66, to seize the property of displaced persons. The regime also seems to be using reconstruction as a means to reshape Syria's demographics.

TAIWAN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	23.6
GDP PER CAPITA US Dollars - 2017	24,292
CURRENCY New Taiwan dollar	TWD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.4	2.8	2.7	2.4
Inflation (yearly average, %)	1.0	1.1	1.5	1.3
Budget balance (% GDP)	2.0	-0.1	-0.8	-0.9
Current account balance (% GDP)	13.7	14.5	13.8	13.5
Public debt (% GDP)	36.2	35.7	34.4	33.1

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	22%
EURO AREA	12%
HONG KONG	11%
UNITED STATES	11%
JAPAN	6%

Imports of goods as a % of total

CHINA	19%
JAPAN	17%
UNITED STATES	12%
EURO AREA	8%
SOUTH KOREA	6%

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- Robust external financial position
- Support for R&D through public expenditure
- Consensus on democratic achievements
- 4th largest electronics producer in the world

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- Foreign trade vulnerable to economic conditions in mainland China and the United States
- Massive relocations weakening industrial employment
- Lack of competitiveness of the service sector
- Infrastructure gap compared to other advanced Asian economies
- Growing isolation on the international diplomatic scene

RISK ASSESSMENT

Growth continues to slow down

In 2019, growth is expected to moderate due to lower external demand from the main trading partners, such as China and Hong Kong. Trade tensions between the United States and China could hinder Taiwan's economic activity, as the island is integrated into the Chinese value chain. Its exports are mainly composed of intermediate products, and a share of these is first exported to China, before being re-exported to the United States. Taiwanese exports could therefore indirectly suffer from the US-China trade war. However, these are concentrated around dynamic sectors such as electronics (40% of exports), machinery (mechanical tools for the metal sector and turbojets in particular) and the chemical industry. While these sectors are facing pressures, they are nevertheless likely to remain competitive. Moreover, despite restrictions for travellers from mainland China to Taiwan, tourism should once again develop favourably. While private sector confidence could be affected by this unfavourable business environment, growth will still be driven by infrastructure spending, both in the healthcare and energy sectors, as part of the national infrastructure development programme.

Inflation will remain moderate in 2019 due to the modest growth of private consumption (53% of GDP in 2017), which will nevertheless be stimulated by the 5% increase in the minimum wage, implemented at the beginning of 2018. The construction of housing (particularly social housing), at the government's initiative, should help reduce rental prices.

Strength of internal and external accounts

The implementation of the Infrastructure Development Plan, which started in 2017, will slightly increase public spending. This programme, which focuses on the modernisation of the rail network and water distribution, as well as the development of renewable energies, urban areas and innovation, should be completed by 2025. In addition, defence spending is expected to increase. Budgetary revenues are also expected to increase, thanks to increased tax revenues from taxes on income and financial transactions, allowing the government to stabilise the low government deficit. Public debt, almost entirely denominated in New Taiwanese dollars and held by domestic investors, will remain at a moderate level.

On the external accounts side, the current account might deteriorate slightly but will remain in surplus due to a large trade surplus (14% of GDP in 2017). Despite a slowdown in Chinese growth and trade war, exports are expected to remain dynamic, as global demand for electronics should continue to support exports. In addition, this environment could strengthen the government's "New Policy for the South", which aims to extend Taiwan's economic integration with South and Southeast Asian countries in order to limit its dependence on China. At the same time, imports, which are largely driven by oil prices, are expected to increase in the same proportion as exports. The level of external debt (about 30% of GDP) does not compromise the stability of the island's external position, as with a net external position of 200% of GDP in 2017, it is one of the world's largest creditors.

Tense relations with mainland China, at the heart of political life

In 2016, the presidential and legislative elections brought the Democratic Progressive Democratic Party (DPP) and President Tsai Ing-wen to power, marking a turning point in the policy towards mainland China. While Kuomintang, the now main opposition party, and the previous President were in favour of a policy of rapprochement, the DPP has a tougher position and refuses to join the 1992 consensus that governs relations between the two sides of the Formosa Strait and recognizes the principle of "one China". This policy should not change in view of the diplomatic pressure exerted by Beijing to isolate the island.

In 2018, El Salvador, the Dominican Republic and Burkina Faso ceased to recognize Taiwan as a sovereign country in favour of mainland China. In addition, this diplomatic position is echoed by part of the island's population, which is calling for a referendum on an official declaration of independence. However, the President is unlikely to favour this initiative, preferring the *status quo*. This issue will be central to the election campaign in view of the 2020 presidential and legislative elections. Although the DPP appears to be in a good position, the President is facing growing public dissatisfaction with her government, due to disappointing economic performance.

TAJIKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2017	8.9
GDP PER CAPITA US Dollars - 2017	801
CURRENCY Tajikistani somoni	TJS

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.9	7.1	6.0	5.0
Inflation (yearly average, %)	6.1	6.7	6.5	7.0
Budget balance (% GDP)	-9.8	-6.8	-7.7	-6.8
Current account balance (% GDP)	-3.8	-0.5	-2.5	-3.0
Public debt (% GDP)	42.0	50.4	52.7	54.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

TURKEY	27%
CHINA	18%
RUSSIA	13%
SWITZERLAND	12%
IRAN	7%

Imports of goods as a % of total

RUSSIA	38%
KAZAKHSTAN	19%
CHINA	9%
EURO AREA	8%
UZBEKISTAN	4%

+
- Significant hydroelectric potential
- Wealth of raw materials (zinc, lead, aluminium, gold, cotton)
- Financial support from international donors and China (OBOR)

−
- Fragile banking system; credit is expensive, underdeveloped and directed
- Dependent on remittances from expatriate workers
- Proximity to Afghanistan
- Islamist terrorist risk against a backdrop of poverty and lack of employment
- Infrastructure (energy, transport, health, education, water)
- Foreign exchange market and trade closely controlled
- Large informal economy

RISK ASSESSMENT

Public investment provides a major source of growth

As in the previous year, growth is expected to moderate in 2019. It will remain dependent on public investment, which is mainly focused on the construction sector. Construction of the Rogun hydroelectric dam and high-voltage lines as part of the CASA-1000 project, which will allow Tajikistan's and Kyrgyzstan's hydroelectric surplus to be exported to Pakistan and Afghanistan, reflects this policy. Construction of the Rogun dam's first turbine is scheduled to be completed in late 2018. This will enable electricity production to start up, supporting growth in 2019. Even so, private investment is still expected to suffer because of the fragile banking system and credit restrictions, which are justified by the high ratio of non-performing loans (around 25% in July 2018). Consolidation of the banking system will be a key factor in restoring growth to its potential level. Through its exports, the economy will remain dependent on commodity prices, which could soften. The economy will also continue to benefit from remittances from expatriates (31% of GDP in 2017), mainly from Russia, which will stimulate Tajik household consumption. However, non-membership of the Eurasian Economic Union will continue to hamper the ability of workers to move to Russia.

Inflation, fuelled by the regular depreciation of the somoni against the US dollar, is expected to remain high in 2019. It may even rise again, driven by a recovery in private consumption and imported inflation, after edging down in 2018 because of the slower increase in basic food prices.

External fragility despite massive support from the diaspora

Fiscal consolidation, which began in 2017, ground to a halt in 2018 with the slowdown of growth. In 2019, the slight rebound in activity should enable the country to post a declining government deficit once again. However, the level of external public debt is growing rapidly, as the country relies increasingly on support from China and multilateral financial institutions to finance its public investments. With external public debt representing about 40% of GDP, Tajikistan is exposed to currency risk.

Despite remittances from expatriates and the remuneration of Tajik workers abroad, the current account will be in deficit in 2019. The trade balance will remain negative (25% of GDP in 2017). Low diversification requires imports of capital goods and intermediate products for public investment and the extractive industry, as well as imports of consumer products. However, in April 2018, Uzbekistan began consuming Tajik electricity again after a nine-year hiatus. The rapprochement of the two countries since the 2016 Uzbek presidential election represents a great opportunity for Tajikistan. If the process continues, the Tajik trade balance will benefit from this important new source of exports. The deficit in the balance of services, linked to the construction of infrastructure, particularly in the hydroelectricity sector, will, to a lesser extent, weigh on the current account. Loans from multilateral agencies and China, capital contributions and FDI finance the current account deficit and maintain foreign exchange reserves at a level equivalent to more than five months of imports. Total external debt represents 77% of GDP, a quarter of which is related to FDI.

Political scene dominated by the Rahmon family

President Imomali Rahmon has been at the head of the country since 1992 and is reportedly laying the groundwork for his succession. At the age of 66, he appointed several members of his family to senior positions in his government. In addition, in 2018, a law lowering the age of eligibility for the presidency from 35 to 30 years was passed by parliament. This would allow his son to run in the next elections, scheduled for 2020. However, social frustrations are tangible, fuelled by corruption and poverty, with about 30% of the population living below the poverty line. In addition, the country has to cope with the radicalisation of part of its Muslim population. Faced with this situation, the President has been taking authoritarian action, which has included closing down mosques and issuing a dress code. In external relations, dependence on China is increasing. In addition to being the country's main creditor and the second-largest market for its exports, China accounts for 70% of inward FDI. Meanwhile, the presence of the Taliban in northern Afghanistan is affecting security in border areas, although the Russian military presence should prevent any spillover of the conflict into the Tajik area.

The business environment is poor, with government control over the economy through state-owned companies curbing foreign private investment. The country ranks 180th out of 205 countries in the World Bank's ranking for regulatory quality.

TANZANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2017**	**50.0**
GDP PER CAPITA US Dollars - **2017**	**1,034**
CURRENCY Tanzanian shilling	**TZS**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	7.0	7.1	6.6	6.8
Inflation (yearly average, %)	5.2	5.3	3.6	4.7
Budget balance (% GDP)*	-3.5	-1.5	-2.2	-3.4
Current account balance (% GDP)	-4.4	-2.9	-3.5	-4.5
Public debt (% GDP)	39.5	41.1	41.6	42.7

(e): Estimate. (f): Forecast. *Fiscal year from 1st July - 30th June. 2019 data: FY18/19.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	23%
SOUTH AFRICA	17%
EURO AREA	10%
KENYA	8%
VIETNAM	8%

Imports of goods as a % of total

CHINA	17%
INDIA	17%
UNITED ARAB EMIRATES	9%
EURO AREA	9%
SAUDI ARABIA	7%

+

- Rich in mineral resources (gold, copper)
- Gas potential: offshore reserve discovered in 2010
- Tourism potential (national parks, coastline)
- Regional cooperation strategy
- International support in the form of concessional loans
- Development of monetary policy instruments

-

- Heavily reliant on the price of gold
- Dependent on the agricultural sector (29% of GDP and 65% of employment) and weather conditions
- Inadequate infrastructure, especially in terms of power generation and transport networks
- Inconsistent industrial policy and business climate shortcomings
- Religious tensions between Zanzibar and the mainland

RISK ASSESSMENT

Public investment drives growth

Growth is expected to remain vigorous in 2019, driven by public investment in infrastructure as part of the Five-Year National Development Plan. Projects to develop hydropower plants, extend the ports of Dar es Salaam and Mtwara, and construct a rail network, among others, are set to go ahead. The first phase of the railway network, a line linking Dar es Salaam to Morogoro, could even be completed before the end of 2019. In addition to activity in the construction sector, public investment should also support energy and transport. However, the ban on exports of unprocessed minerals, significant changes in mining legislation, a less favourable business environment compared with other East African countries and persistent delays in VAT returns are expected to weigh on the growth of private investment, particularly in the mining sector. The activity of the gold sector and, consequently, exports (gold being the main export product) will continue to suffer from the dispute between the authorities and Acacia Mining, a company that owns and operates three major mines in the country (Bulyanhulu, Buzwagi and Mara-Nord). Exports should nevertheless get a boost from increased tourism revenues, thanks in particular to the expansion of the national airline, Air Tanzania. Weather permitting, agricultural production, especially of export crops, should continue to increase. Private consumption is expected to benefit from relatively low inflation and the gradual recovery in credit growth.

Public spending causes the twin deficits to widen

The budget deficit is expected to continue to widen as capital investment spending on infrastructure increases. The 2018/19 budget forecasts a rise of almost 30% in this expenditure, while the increase in current expenditure, which represents more than 60% of total spending, should be more measured. On the revenue side, the government continues to prioritise expanding the tax base (domestic revenues represent only 15% of GDP), but progress remains slow so far. In particular, the authorities are considering stepping up the use of electronic collection systems to make headway in this area. Given the higher financing needs generated by infrastructure projects, the level of debt, and in particular its commercial component (about 20% of the total), is expected to continue to increase. However, the level of debt remains limited, and the risk of debt distress is contained.

The current account deficit, on which the trade balance will continue to weigh heavily, is expected to follow the same path as the budget deficit. With mining exports set to remain weak, the trade balance is expected to deteriorate, mainly reflecting the increase in imports of capital goods needed for infrastructure projects. The increase in services related to these projects should limit growth in the services surplus, despite the upward trend in tourism receipts. While official transfers have declined in recent years, the surplus in the balance of transfers will be sustained by remittances from expatriate workers. The income deficit will continue to be affected by corporate profit repatriation. While FDI plays a part in financing the current account deficit, bilateral and multilateral loans also remain necessary.

The "Bulldozer" is keeping a tight grip on power

Since the 2015 election of President John Magufuli from the Chama cha Mapinduzi (CCM) party, which has been in power since 1977, the government's authoritarian shift has been widely criticised. A growing number of journalists and members of the opposition have been arrested since President Magufuli took power. In 2018, laws introducing costly licenses for bloggers and banning the publication of statistics without the agreement of the statistics office added to the sense that the regime is tightening its grip on the freedom of expression. Nicknamed *Tingatinga* ("Bulldozer" in Swahili) since his time at the Ministry of Public Works between 2010 and 2015, the President seems to be seeing his popularity wane: according to a survey published in July 2018, his approval rating has fallen from 96% to 55% in the span of two years. President Magufuli's style and decisions also fuel divisions within the CCM. Nonetheless, by installing allies in key positions within the government and the party, the President is trying to protect himself against the emergence of threats within his own party. His governance style and investor-unfriendly policies are generating growing mistrust from international donors and hurting the perception of Tanzania's business environment, which remains restrictive, coming 144 out of 190 countries in the Doing Business ranking.

Although rejected by the East African Court of Justice, the legal action brought by separatist activists on the island of Zanzibar in February 2018 to challenge the legality of the union with the country shows that separatist tendencies, or at least calls for more autonomy for the island, remain a source of tension.

THAILAND

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

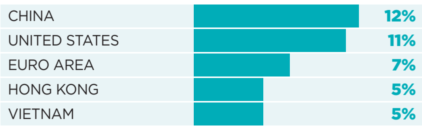
POPULATION Millions of persons - 2017	69.1
GDP PER CAPITA US Dollars - 2017	6,591
CURRENCY Baht thaïlandais	THB

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)*	3.2	3.9	4.6	3.9
Inflation (yearly average, %)	0.2	0.7	0.9	0.9
Budget balance (% GDP)	0.6	-0.9	-0.6	-0.5
Current account balance (% GDP)	11.7	11.2	9.1	8.1
Public debt (% GDP)	41.8	41.9	42.0	41.0

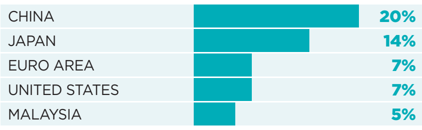
(e): Estimate. (f): Forecast. *Fiscal Year 2019 from October 1 2018 – September 30 2019 (budget balance not including disbursement spending on state owned enterprises).

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- Diversified and efficient production in fisheries, agriculture (40% of global natural rubber production), industry and services
- Regional crossroads open to its dynamic neighbours
- Strong external accounts
- Diverse exports: tourism, automotive components, agri-food products (rubber, seafood, rice, cane sugar, fruits), electronic components and organic chemistry
- High savings rate

- Uncertain political situation; 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 politicians (corruption), underground economy
- High level of household debt

RISK ASSESSMENT

Strong growth supported by public investments

GDP growth is expected to remain strong in 2019. Household consumption (half of GDP) will grow by 4.5%. The adverse effects of high household debt (above 75% of GDP) and sluggish real wage growth on consumption will be offset by recovering consumer confidence, low interest rates, low inflation and the yet-again deferred increase of the VAT rate (from 7% to 10%) until September 2019. Private investment, both foreign and national, will continue to be dimmed by investors' fears of instability and regional competition. Public investments are therefore stepping in *via* the National Strategic Plan (NSP) 2017-2036, which aims to enhance competitiveness through the development of rail, road, airport, and electricity infrastructures. The construction sector will therefore show a strong performance in 2019. Through investment, the government also aims to increase growth potential by accelerating the transition towards a service economy (currently 55% of GDP), starting with upgrades of the automotive and electronics industries. The service industry will continue to perform well, notably thanks to tourism-linked demand. Tourism will contribute largely to GDP growth, even if it will continue to be challenged by the decline in Chinese tourists, following a boat accident which led to 41 Chinese casualties (Chinese tourists count for nearly a third of tourism in Thailand). External demand will also drive growth, as slowing Chinese demand will be compensated by other markets: exports of goods and services are set to pass 70% of GDP in 2019. The automotive sector is the biggest sector for exports of goods.

The central bank plans to maintain the policy rate at 1.5%, targeting growth and inflation. However, a pickup in private investment is needed for growth rates to accelerate strongly while inflation remains below the brackets of the central bank's inflation target of 1 to 4%, especially given that the 0.9% growth of prices is mostly due to rising oil prices.

Resilient financial situation

Thailand is far from reaching the constitutionally-imposed limits of 60% of GDP for public debt and of 3% of GDP for budget deficit. Public debt remains contained: although approximately 20% of it is externally held, it is almost entirely denominated in baht and with medium- to long-term maturity. Public expenditure will continue to focus on addressing social challenges, including poverty, child-care assistance and a pension reform. Most of the planned infrastructure investments, such as the Eastern Economic Corridor or the linkage of the Andaman Sea to central Thailand, will be carried out *via* SOEs. Including these investments in the budget balance would bring the deficit to 2.5% in 2019.

Global monetary tightening triggered depreciation pressures on emerging markets' currencies, but the baht is expected to hold steady against the US dollar. Thailand has a strong external position and buffers, with foreign reserves representing over nine months of imports. The current account will remain in surplus, although it will deteriorate on the back of higher commodity prices, which means that Thais are investing more abroad than foreigners invest in the country.

Elections delayed by the military

Since the country's nineteenth *coup d'État* in May 2014, a Constitution institutionalises dominant military power and increases the power of the King. Parliamentary elections were promised after ratification but were postponed six times and rescheduled for February 2019. Currently, the Commander-in-Chief of the army, General Prayuth Chan-o-cha, governs as Prime Minister *via* a junta called the National Council for Peace and Order (NCPO). The Constitution limits political campaigning rights in the run-up to the elections and leaves a lot of control to the military, whatever the outcome of the elections. In addition to nominating Senate members, the junta retains the reins of policy making *via* the NSP, as all governments are constitutionally bound to carry out this development strategy until 2037, otherwise risking impeachment. General Chan-o-cha is the favoured candidate. His main opponent would be the yet-to-be-announced candidate of the Puea Thai party, which has won all elections since 2001 and represents the "red shirts" electorate. The billionaire Thaksin Shinawatra is the party's charismatic leader. He was Prime Minister until the 2006 coup, followed by his sister until the 2014 coup. They are both in exile to avoid jail sentences for corruption charges. Public protests, repressed by the army, between the "red shirts" (Northern rural population, students and workers) and the "yellow shirts" (royalists, nationalists and Southern urban bourgeoisie) are still commonplace. Elections may again be postponed until the junta is assured of winning the vote, but could be held in February for fear of public unrest.

Upon the United States' withdrawal and the promise of organised elections in 2019, Japan agreed to support Thailand's planned 2018 application for membership to the CPTPP.

THAILAND

PAYMENT & DEBT 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 BE 2558 (AD 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.

Ordinary proceedings

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 BE 2483).

Reorganisation Proceedings

Limited Companies, Public Limited Companies and Financial Institutions (Large Enterprises)

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.

SMEs registered with the Office of SME Promotions or other government agencies for conducting business

Petition can be filed against:

- insolvent individuals who owe one or more creditors a known sum of THB 1 million 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 THB 2 million (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

COUNTRY RISK	E
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	1.2
GDP PER CAPITA US Dollars - 2017	2,237
CURRENCY US dollar	USD

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	33%
UNITED STATES	18%
AUSTRALIA	11%
SUDAN	9%
CYPRUS	7%

Imports of goods as a % of total

CHINA	29%
MALAYSIA	13%
SINGAPORE	11%
VIETNAM	8%
EURO AREA	8%

+

- Oil and gas reserves in the Timor Sea
- Supported by the Community of Portuguese Language Countries
- Attractive tourist destination (protected natural sites, rich cultural heritage)

−

- 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	2016	2017	2018 (e)	2019 (f)
GDP growth* (%)	5.3	-1.8	2.2	4.2
Inflation (yearly average, %)	-1.3	0.6	1.8	2.6
Budget balance (% GDP)	-35.2	-19.5	-17.0	-27.6
Current account balance (% GDP)	-21.6	-10.2	-1.2	-2.6
Public debt (% GDP)	2.8	3.1	10.6	17.8

(e): Estimate. (f): Forecast. *Excluding oil.

RISK ASSESSMENT

Growth driven by public investment

Growth (excluding the oil sector) is expected to continue to increase in 2019, driven by public investment. Originally, the Timorese economy was dependent on hydrocarbon production, which enabled it to build a large oil fund that was worth USD 16.9 billion in 2017, or 571% of GDP. However, reserves are running out, and output is expected to end in 2022 – although the development of the Greater Sunrise gas platform in partnership with Australia could push back this deadline. The economy has no other growth sectors, apart from agriculture (coffee production in particular), which accounts for 90% of total exports excluding oil. This was the justification for a government plan to invest heavily to diversify the economy: the Strategic Development Plan (2011/30) aims to improve the health system and the institutional framework, and to develop other sectors of activity (agriculture, tourism, petrochemistry) and infrastructure (telecommunications, energy, water supply and sanitation). In 2019, the government will begin the second phase of its investment plan, which includes USD 704 million (20% of GDP) for infrastructure construction, USD 25 million (1% of GDP) to develop eco-tourism, and USD 129 million (5% of GDP) for the continued construction of the new port in Timor Bay, which is being carried out as part of a PPP, with French company Bolloré putting up an additional USD 12 million. As a result, economic activity will be linked to public consumption and investment, which account for 60% of GDP. Private investment, meanwhile, is expected to remain low due to the weak domestic market and poor business environment. Private consumption (27% of GDP), driven by job creation in the construction sector, should increase in 2019, while inflation is set to accelerate on higher food and fuel prices.

Deficits widen on substantial public spending

The fiscal deficit is expected to widen as a result of higher government spending on strategic investment projects for economic diversification. Revenues come from the oil sector and are tending to decline with production. The main risk remains the wasteful funding of “white elephants”, such as the new port under construction. In the absence of fiscal consolidation, the deficit is expected to continue to be largely financed by the oil fund, which financed 90% of the deficit in 2017, and by external borrowing, increasing the external share of public debt (5% of GDP in 2017).

The current account deficit is also expected to widen due to a larger trade deficit, as coffee exports are volatile and weather-dependent, while fuel imports are set to increase. The chronic deficit in services should remain stable. The income surplus, which is where profits repatriated from oil investments are recorded, is expected to decline along with production, while remittances from expatriate workers should stay at the same level. The current account deficit is expected to be partly financed by FDI (1%).

Government restructuring and improved external relations

The July 2017 parliamentary elections put the Revolutionary Front for an Independent East Timor (Fretilin), led by Prime Minister Mari Alkatiri, ahead with a minority in parliament (23 seats out of 65). The Parliament, and in particular opposition parties including the National Congress for Timorese Reconstruction (CNRT), the Democratic Party (DP) and the Alliance for Change and Progress (AMP), twice rejected the government's political programme. As a result, President Francisco Guterres, a member of Fretilin, dissolved parliament. Fresh elections in May 2018 saw the appointment of a new Prime Minister, Taur Matan Ruak, from a coalition of the AMP, CNRT and the Popular Liberation Party (PLP), which has a majority in parliament (34 seats out of 65). The 2018 Budget Bill was finally passed in September and remains on track to increase public spending in order to diversify the economy. However, disagreements persist over the distribution of government spending, with some MPs arguing that the expenditures do not focus enough on agricultural development, when the sector employs the majority of the local population.

With regard to its external relations, Timor-Leste reached an agreement with Australia on the establishment of maritime borders in the Bay of Timor. The country felt that offshore fields were unfairly shared under the previous agreement. Discussions are ongoing on a collaboration between the two countries for the development of the Greater Sunrise gas platform, where Timor-Leste would recover 80% of the revenues if the gas and oil are refined in an Australian plant, or 70% of the revenues if the hydrocarbons are processed in a Timorese plant. This agreement would provide new opportunities for the Timorese economy and delay the forecast shortage of hydrocarbon reserves.

TOGO

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	7.8
GDP PER CAPITA US Dollars - 2017	611
CURRENCY CFA franc (BCEAO)	XOF

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	5.1	4.4	4.5	4.8
Inflation (yearly average, %)	0.9	-0.8	0.4	1.2
Budget balance (% GDP)	-9.6	-0.3	-3.9	-0.4
Current account balance (% GDP)	-9.0	-7.3	-7.1	-6.6
Public debt (% GDP)	81.6	76.0	73.4	66.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

BURKINA FASO	16%
BENIN	12%
NIGER	9%
EURO AREA	8%
CÔTE D'IVOIRE	8%

Imports of goods as a % of total

EURO AREA	25%
CHINA	21%
JAPAN	5%
GHANA	4%
INDIA	4%

+

- Mineral (phosphate, limestone and clay transformed into clinker) and agricultural (coffee, cocoa, cotton) resources
- With the only deepwater port in West Africa (Lomé), Togo has the potential to become a regional hub
- Public and private investment in infrastructure
- Structural reforms underway (public finances, banking system, phosphate and cotton sectors)
- WAEMU and ECOWAS member

−

- Heightened sociopolitical tensions
- Difficult business climate
- High levels of poverty and unemployment
- Inadequate education and public health infrastructure

RISK ASSESSMENT

The NDP will boost growth through investment

The launch of the 2018-2022 National Development Plan (NDP) – whose primary objective is to transform the country into a regional hub for logistics, finance, and tourism hub – will make the tertiary sector the main contributor to growth in 2019, particularly through the development of logistics and transport *via* improvements to the port of Lomé, and air transport.

In addition to being targeted under the NDP's second action area (which calls for the creation of agri-food hubs), the agricultural sector is also set to benefit from the impact of the National Programme for Agricultural Investment and Food Security (*Programme national d'investissement agricole et de sécurité alimentaire*, PNIASA) carried out between 2012 and 2015, with an increase in yields, particularly in cotton and cocoa production. These productivity gains – along with the development of extractive activities, which are also covered by the second action area of the NDP – will contribute to the growth of the primary sector (30% of GDP) and thus of the wider economy.

The social component of the NDP (third action area) will be supported from 2019 by public expenditure, with 45% of the budget earmarked for fighting poverty and promoting inclusion, with the ultimate objective of creating 500,000 jobs. These measures, combined with low inflation and increased yields in the agricultural sector (which accounts for 60% of employment), should spur brisk growth in private consumption (nearly 80% of GDP). Although significant at 14% of GDP, public spending is expected to correct and decrease slightly after an expensive 2018 due to the holding of parliamentary elections. Overall investment is expected to make a significant contribution to growth in 2019, due to the launch of NDP-related projects, two thirds of which will be private and one third public. Past investment in the agricultural and extractive sectors, as well as the expected recovery in some trading partners, notably Nigeria, should allow export growth to exceed import growth, which will remain more contained, generating a net positive contribution to growth from the trade balance.

Consolidation of public and current accounts

On the recommendations of the IMF, which granted the country a USD 241.5 million Extended Credit Facility in 2017, the government will step up its fiscal efforts in 2019. The government deficit is expected to narrow drastically in 2019, after worsening significantly in 2018 owing to the organisation of parliamentary elections and the related indirect expenditure. According to the 2019 finance bill, tax revenues are going to increase by 8.6% thanks to tighter customs controls and measures to stop tax evasion, non-tax revenues will fall by 5.2%, and expenditure will also decrease. The budget deficit of XOF 13 billion is expected to be financed by cash resources that the government defines as asset transfers and deposits on correspondent accounts. Debt, continuing its downward trajectory, could meet WAEMU convergence criteria (70% of GDP) in 2019.

The reduction in the structural trade deficit (about 20% of GDP), through faster export growth (thanks to the extractive and agricultural sectors) relative to imports, should lead to a reduction in the current account deficit. Surpluses in services, income and, above all, transfers (6.7% of GDP) thanks to expatriate remittances, will offer only a partial offset. Foreign investment (more than 3% of GDP, net), linked to the launch of the NDP, is expected to be the main counterpart to this current account deficit.

Sociopolitical instability but continuity of power

The results of the December 2018 parliamentary elections were mixed for President Faure Gnassingbé, who has been in power since 2005 after succeeding his father Eyadéma Gnassingbé (president from 1967 to 2005). Despite the absence of the opposition, who refused to participate in the elections, his party lost 3 seats, which could complicate the change of constitution, as requested by President Gnassingbé. The elections saw the resurgence of social unrest, which had previously formed in the summer of 2017 before being quickly and violently repressed. The government's efforts to reduce debt, consolidate public accounts, and develop the country's attractiveness have achieved visible results, with Togo coming in the top ten most reforming countries for the business climate, and offering a more favourable environment than the regional average according to the Doing Business 2019 rankings. Nevertheless, these efforts still seem insufficient, considering that the country is just 137th in the world according to the Doing Business 2019 rankings and its governance gets a poor rating from the World Bank. As a member of various UN and AU peacekeeping missions, Togo also wishes to play a role in improving security on the continent.

TRINIDAD AND TOBAGO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	1.4
GDP PER CAPITA US Dollars - 2017	16,638
CURRENCY Tridad and Tobago dollar	TTD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-6.1	-2.6	1.0	0.9
Inflation (yearly average, %)	3.1	1.9	2.0	2.3
Budget balance (% GDP)*	-12.0	-11.0	-6.0	-4.6
Current account balance (% GDP)	-2.9	10.2	10.7	7.3
Public debt (% GDP)	57.6	60.9	62.5	63.5

(e): Estimate. (f): Forecast. *Fiscal year 2019 from October 2018 to September 2019.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	35%
EURO AREA	10%
ARGENTINA	9%
TAIWAN	4%
CHILE	4%

Imports of goods as a % of total

UNITED STATES	24%
RUSSIA	15%
COLOMBIA	11%
GABON	11%
CHINA	7%

+

- World's sixth largest producer of LNG
- Petrochemical industry (world's leading exporter of methanol and ammonia)
- Large sovereign wealth fund and currency reserves
- Lead country in the Caribbean Community (Caricom)
- Well-trained English-speaking workforce

-

- Small economy and reliant on oil and gas
- Underdeveloped non-energy sector (including agriculture and tourism)
- Projected decline in energy resources
- Ineffective public initiatives
- Inadequate supervision of financial sector
- Inequitable wealth distribution; drug traffic-related crime

RISK ASSESSMENT

The recession is over

After a four-year recession due to weaker hydrocarbon prices and lower production in the energy sector, growth returned to positive territory in 2018, and the recovery is expected to continue in 2019. Economic activity is mainly linked to the energy sector (oil, gas and petrochemicals), which accounted for 35% of GDP and 70% of exports in 2017. The sector expanded by 8% in 2018, and new energy projects in 2019 – including the opening of the Angelin gas platform off the southeast coast of Trinidad – should maintain its good contribution to growth. Other hitherto underdeveloped sectors are expected to participate to a small extent in economic activity through the government's Public Sector Investment Programme to transform and diversify the economy. In 2019, 2% of GDP is forecast to be allocated to building roads, improving tourism infrastructure and developing the agricultural sector. Nevertheless, private investment and consumption may remain constrained by limited access to credit, with the public sphere capturing a large share of the domestic banking system's financing capacity. Household income is expected to decline owing to a downturn in remittance income from expatriate workers, which is keeping domestic demand weak. Inflation should remain under control, but will depend mainly on food prices.

Maintaining a restrictive fiscal policy

The budget balance shows a large deficit, which is expected to decline in 2019 as a restrictive fiscal policy is maintained. The budget deficit is mainly due to incompressible expenditure on civil servant salaries and wages, as well as transfers and subsidies provided for by law, which accounted for 55% of total expenditure in 2017. However, spending is expected to fall due to a reduction in subsidies and transfers (2% of GDP) and public goods and services (1% of GDP). In addition, revenues, mainly from the energy sector (6% of GDP), are expected to go up as production in the gas industries rises. Moreover, the implementation of tax reforms by the government, including finalisation of energy tax reforms and approval of the real estate taxation bill, should improve tax collection. The deficit is to be financed by drawing on the Heritage and Stabilisation Fund, which is Trinidad and Tobago's sovereign wealth fund, and by taking out domestic and international bank loans at high interest rates – therefore increasing the interest burden and public debt, the external share of which represented 17% of GDP in 2017.

In terms of the external accounts, the current account surplus is expected to shrink in 2019. It stems from a trade surplus, with exports mainly composed of crude and refined oil (27%), natural gas (22%), petrochemicals (27%) and imports of fuel (26%) and machinery (28%). Rising energy prices and gas production are expected to maintain the trade surplus in 2019. Conversely, the services balance shows a structural deficit (6% of GDP in 2017), which is expected to widen as shipping costs exceed tourism revenues. The financial account shows strong capital outflows (15% of GDP in 2017), mainly due to net acquisitions of portfolios and other investment instruments by domestic residents (14% of GDP in 2017) and FDI outflows (2%). In this context, the central bank has to intervene regularly to maintain a fixed parity between the national currency and the US dollar, and foreign exchange reserves, which were equivalent to nine months of imports in 2017, are expected to continue to fall in 2019.

Attempts to diversify the economy

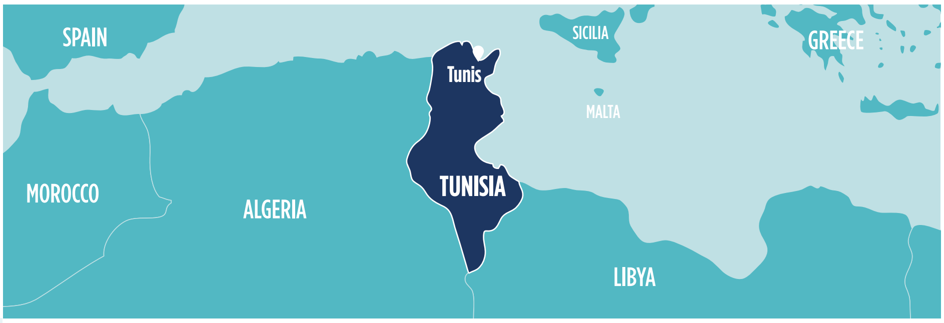
Prime Minister Keith Rowley of the People's National Movement (PNM) has been in power since September 2015 and is expected to continue working to consolidate public finances despite his waning popularity rating. Commanding a majority in parliament (23 out of 41 seats) and mindful of the economy's under-diversification, the government has set itself the goal of developing the local productive system by attracting more investment to the energy (petrochemical sector in particular) and non-energy (tourism, agri-food, finance) sectors. With this in mind, Trinidad and Tobago has become the first Caribbean country to join the Belt and Road initiative, which will include a partnership with China to build infrastructure on the territory. However, the country's development continues to be held back by institutional weaknesses, corruption, high inequality (20% of the population lives below the poverty line) and a high crime rate due to drug trafficking.

The country is set to maintain its international relations by playing an active role in the Caribbean Community (Caricom) and in cooperative initiatives to combat crime and drug trafficking, mainly in partnership with the United Kingdom and the United States.

TUNISIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B



POPULATION Millions of persons - 2017	11.5
GDP PER CAPITA US Dollars - 2017	3,465
CURRENCY Tunisian dinar	TND

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.1	2.0	2.6	2.9
Inflation (yearly average, %)	3.7	5.3	7.8	7.7
Budget balance (% GDP)	-5.6	-6.1	-5.1	-4.5
Current account balance (% GDP)	-8.8	-10.5	-9.6	-8.6
Public debt (% GDP)	66.8	70.3	72.0	71.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	72%
ALGERIA	3%
LIBYA	3%
UNITED KINGDOM	2%
UNITED STATES	2%

Imports of goods as a % of total

EURO AREA	49%
CHINA	9%
TURKEY	5%
ALGERIA	4%
UNITED STATES	3%

+
- IMF Extended Credit Facility
- Economy in the process of diversifying
- Close to the European market; association agreement with the EU
- Tourist potential
- Mining production (phosphates and oil)

−
- High social and geographical inequalities
- High unemployment rate, mainly among young people
- Tourism sector facing political and security problems as well as increased competition
- Social tension leading to increased demonstrations and social unrest
- Structural imbalances in public and external accounts and significant increase in external debt
- Unstable political situation

RISK ASSESSMENT

The upturn is set to continue in 2019

Tunisian growth strengthened in 2018. After a long period of struggle, tourism enjoyed a recovery, boosting the tertiary sector's contribution to activity. Export-oriented manufacturing, particularly the electrical and mechanical industries, also performed well, helped especially by renewed competitiveness thanks to the dinar's depreciation and robust external demand. The cooling expansion in the eurozone, Tunisia's main trading partner, is expected to have little effect on activity in 2019, with growth poised to strengthen further. Domestic demand will remain vigorous thanks to strong public and private investment. New pro-business measures are set to round out the reforms to the Investment Promotion Act, which include cutting the corporate tax rate from 25% to 13.5% and doubling the budget allocated to the fund created to support export sectors (electronics, automotive, textiles, agro-industry). In addition, newly created companies are in line to benefit from tax exemptions. The government also plans to increase the budget allocation for infrastructure investment. Several projects are being mooted, including construction of the Bizerte bridge and three new dams in Satta, Khalled and Raghay. Household consumption is expected to remain sluggish, however, due to continued high inflation. The central bank will likely continue tightening monetary policy, a process that it began in 2018, which should slightly contain the price increases.

Large twin deficits and high debt

The consolidation of public finances undertaken with IMF support, coupled with the upturn in activity, led to a reduction in the government deficit in 2018. The tax measures contained in the 2018 Finance Act, along with improved tax and arrears collection, contributed to higher revenues, while current expenditure was lower than expected. The 2019 Finance Bill sets the government deficit target at 3.9% of GDP with a growth assumption of 3.1%. A brighter economic outlook and a broader tax base should bring about a slight increase in budgetary revenues, but spending is expected to be higher than forecast, as 2019 is an election year. In this setting, public debt is unlikely to be reduced.

Although it remains very large, the current account deficit shrank slightly in 2018. Nevertheless, Tunisia's external accounts continue to be in a worrying state. The country, which is a net importer of oil, is expected to face high crude prices and rising import prices. Although increases in tourism and export revenues (electrical and mechanical industries) should reduce the current account deficit, the external accounts will remain in a precarious situation. The external debt ratio is significant and approaching 90% of GDP. Disbursements on maturing external debt combined with debt service payments will continue to put pressure on foreign exchange reserves, which remained below three months of imports in 2018. The Tunisian dinar, whose value has depreciated significantly since the beginning of 2018, is likely to come under downward pressure, which will have an impact on the burden of external debt and inflation. The Tunisian central bank has made a commitment to the IMF to continue to make the exchange rate more flexible, notably *via* competitive calls for tenders.

2019, an election year in a tense social climate

Protests in January 2018 against the austerity policy marked the beginning of a very tense political year. The rift between the ruling party, Nidaa Tounes, and Prime Minister Youssef Chahed has worsened the climate of political crisis and weakened the government. The Prime Minister was suspended by the party in September 2018, but was not forced to resign, narrowly avoiding dissolution of the government. Although the president ended the agreement between the ruling party and the Islamist Ennahda party, the head of the government has continued to get backing from the National Coalition, a parliamentary group formed around the prime minister and supported by Ennahda. Internal disputes and defections by deputies also continue to undermine Nidaa Tounes, which has lost its majority in the People's Assembly. The party, which is chaired by Hafedh Caid Essebsi, the son of the current president, was the big loser in the May 2018 municipal elections. Four years after the presidential elections that built on the achievements of the revolution, the Tunisian political class has never been so fragmented. This reconfiguration of the political scene is likely to foster a climate of uncertainty in a context of mounting social unrest supported by trade unions, including the Tunisian General Labour Union. This increasingly fragmented political landscape will serve as the backdrop for the presidential and parliamentary elections scheduled for December 2019.

TURKEY

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2017	80.8
GDP PER CAPITA US Dollars - 2017	10,537
CURRENCY Turkish lira	TRY

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.2	7.4	3.4	1.2
Inflation (yearly average, %)	7.8	11.1	17.0	16.7
Budget balance (% GDP)	-2.3	-2.3	-4.0	-5.1
Current account balance (% GDP)	-3.8	-5.6	-4.2	-2.5
Public debt (% GDP)	28.3	28.3	32.3	33.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	32%
UNITED KINGDOM	6%
UNITED ARAB EMIRATES	6%
IRAQ	6%
UNITED STATES	6%

Imports of goods as a % of total

EURO AREA	27%
CHINA	10%
RUSSIA	8%
UNITED STATES	5%
IRAN	3%

- Rising goods exports and tourism
- Narrowing current account deficit
- Political stability
- Strategic geographic location

- Economic slowdown coupled with high inflation
- Lira vulnerable to investors' appetite for risk
- High dependence on external borrowing, imported inputs
- High level of short-term foreign exchange debt of the private sector
- High regional geopolitical risks

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	HIGH
CHEMICAL	HIGH
CONSTRUCTION	VERY HIGH
ENERGY	VERY HIGH
ICT*	VERY HIGH
METALS	VERY HIGH
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	VERY HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Sharp correction leading to stagflation

During 2018, the Turkish lira depreciated significantly due to the negative impacts of a tightening US monetary policy, high levels of foreign exchange debt in the private sector, rising current account deficit, and political tensions with the United States. The spillover of the lira's depreciation will continue to weigh negatively on the economic performance in 2019. Because of the Turkish economy's structural dependence on imported inputs for its activity, the weakness of the lira has significantly raised production costs and deteriorated pricing behaviours. After closing to 50% on an annual basis in the third quarter of 2018, the rise in producer prices will continue to be passed onto the consumers. However, the slowdown of the domestic demand will not allow a complete pass-through, meaning that already-tight profit margins will be narrowed even further. Coupled with higher funding costs (interest rates on loans hit nearly 40% after the central bank's 625 basis points rate hike in September 2018 as a reaction to the lira's depreciation), these factors are expected to result in a higher number of companies seeking for debt restructuring, thus dragging down private investments. Moreover, manufacturing output has started to lose pace, a trend which is expected to continue in the coming quarters. On the household consumption front, real wages are expected to remain under pressure, as salary increases are expected to remain mostly below annual inflation. This will affect consumption-depending sectors, such as retail, construction, and electronics. Higher interest rates will undoubtedly reduce the pace of growth of domestic demand. In order to support the economy, the government has implemented some measures, such as the extension of credit card instalments, and several incentives targeting the private sector, such as the government's decision to postpone to 2019 the payments which were supposed to be collected from the SMEs in 2018 as a part of the financial aid they received from the government, as well as export aid of up to TRY 300,000 for SMEs, and encouragement for the local production of the intermediate goods that exporters currently import from abroad, among others.

Slower growth will widen public deficit, but narrow current account deficit

The slowdown in domestic demand is expected to weigh on tax receipts, as nearly 65% of total fiscal revenues are in the form of indirect taxes. Although the government has announced a total saving of TRY 60 billion (nearly USD 11 billion), the sharp slowdown of the economy will put pressure on the fiscal stance by pushing the government to introduce some incentives to prevent a systemic risk resulting from payment delays and debt non-payments in the private sector. Public savings would be made on capital investments, social security, and purchases of goods and services, according to the New Economic Plan 2019/21.The fiscal consolidation may be also hampered by upward pressures resulting from rising costs of public-private partnerships in relationship with the public guarantees provided to private investors over their operating income. Nevertheless, the low level of public debt gives the government some scope for action. Conversely, the lira's weakness is expected to support Turkish exports (automotive, food, clothing, textile, machinery, metals, etc.), which are already benefiting from the growth in Europe, Turkey's main trading partner. Tourism revenues are set to increase, as Turkey has become a more affordable destination for international tourists thanks to the lira's depreciation, and the security environment is more stable. On the other hand, subdued household consumption and private investment and slower manufacturing production will moderate import demand. Therefore, the trade deficit and, consequently, the current account deficit are expected to narrow in 2019. Private sector external debt will continue to represent a challenge. Total external debt hit 52% of GDP as of the second quarter of 2018. With lower available external financing, the Turkish private sector could turn into a net debt payer.

Political stability will remain

Although President Recep Tayyip Erdogan's Justice and Development Party (AKP) was only able to secure 295 of 600 seats in Parliament, it managed to form a majority with the conservative nationalist MHP party. With the concomitant re-election of Mr Erdogan in June 2018, political noise has diminished. The country will hold local elections in March 2019. Any increase of the political and/or geopolitical tensions ahead of the election would weigh on the economic dynamics, which are already fragile – although this seems to be an unlikely scenario.

TURKEY

PAYMENT & DEBT COLLECTION PRACTICES IN TURKEY

Payment

Traditional credit payment instruments are still in common use in Turkey's domestic market, as they often serve as negotiable instruments. This is the case for promissory notes, a solution regularly used by SMEs for commercial transactions. Similarly, post-dated cheques serve as both a title of payment and a credit instrument. Cheques circulate in the domestic market as negotiable instruments until their maturity date. An amendment, which came into effect on the July 15, 2016, imposes a punitive fine on the person responsible for a "dishonoured cheque". 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. After payment of cheque amount or ten years of the court decision, a ban shall be removed. 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.

The SWIFT electronic network is well-established in Turkish banking circles and constitutes the most commonly used instrument for international payments.

Debt Collection

Amicable phase

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. 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 arising from acts or transactions of interested parties who have the capacity to settle such conflicts. The parties are free to apply to a mediator at any time, in order to continue, finalise or abandon the process.

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.

Debt execution procedure – *via* an Administrative Body

Negotiable instruments, such as bills of exchange, promissory notes and cheques, 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.

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. 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.

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.

Enforcement of a Legal Decision

Any legal decision can be fulfilled *via* enforcement and bankruptcy offices/officers, if the person who is ruled against, does not performs legal decision voluntarily on time. Enforcement differs slightly depending on the type of debt, but it generally resembles the Debt Execution Procedure. However, in contrast with the Debt Execution Procedure, the objection to the enforcement of a legal decision is an exceptional situation.

Insolvency Proceedings

Composition

The debtor subject to bankruptcy can apply for a proposal of composition agreement (*konkordato projesi*). If the proposal appears to the commercial court to be viable, the court imposes a moratorium and appoints a composition commissioner (konkordato komiseri) to examine the debtor's affairs. If the proposal is not approved, a bankruptcy order may be rendered.

Reorganisation

The debtor will designate some or all of its assets for its creditors, propose that those assets are sold (or transfer to third parties), and that the proceeds of the sale should be distributed to creditos. A debtor wishing to restructure (or a creditor having the right to institute bankruptcy proceedings) may apply to the competent execution court with a reorganisation project. If the execution court determines that the project is likely to be successful, it will order a creditors' meeting to decide whether they accept the reorganisation project. If approved, the project will then be submitted to the court for approval. If the court determines that reorganisation will be more lucrative than bankruptcy, it will approve the project.

The new EBC provisions encourage the debtor and its creditor to reach a voluntary arrangement to rehabilitate the distressed but still viable business. The contents of the proposal enter into force after acceptance by the creditors and approval of the court. However, creditors have the right to apply to the court for relief if the debtor does not fulfil its obligations under the project. The court has a right to declare the debtor bankrupt following any non-compliance. Restructuring is only available for companies and co-operatives with the exception of banks and insurance companies.

Bankruptcy

Ordinary bankruptcy

The creditor begins this form of proceeding by requesting the execution office to serve on the debtor an order to pay for a due debt. The debtor has seven days after service in which to dispute the debt or pay. If the debtor fails to pay or dispute the debt, the creditor may apply to the commercial court for a bankruptcy order, which the court will generally grant.

Direct bankruptcy

A creditor or the debtor may file an application for direct bankruptcy. The debtor must submit a list of assets and liabilities together with the names and addresses of creditors. The creditor may apply for direct bankruptcy where: the debtor has absconded to avoid its obligations (transfer of the headquarter abroad); the debtor has engaged in fraudulent transactions which threaten the interests of creditors; the debtor has concealed assets to avoid execution; the debtor has suspended payments as they fall due to creditors; the debtor has failed to satisfy a final judgment served on it by the execution office; a voluntary arrangement proposal has been rejected by the court or a moratorium period is cancelled by the court; or the debtor may apply for the bankruptcy of the company on the basis of inability to pay its debts as they fall due in case of the debtor's liabilities exceed its assets.

Consequences of bankruptcy

The bankrupt loses control of its assets and only the administrators have the authority to dispose of assets in the estate. If the bankrupt has no assets, the value of the assets is insufficient to cover the costs of the proceedings or the creditors are not prepared to put up the costs, the bankruptcy may be suspended.

A first meeting of creditors is convened, during which are appointed three bankruptcy administrators, and it is considered whether it is appropriate to propose an arrangement. A second meeting of creditors is to consider the delay and manner of the disposal of the bankruptcy estate (often by public auction), then to fix the order of priority for the creditors who have lodged their claims.

Transactions performed by debtor in a state of insolvency up to one year prior to the bankruptcy order, free transactions up to two years prior to the bankruptcy order or transactions executed with the purpose of damaging a creditor's interests up to five years prior to the commencement of legal proceedings for recovery of the debt (including bankruptcy proceedings), can be subject to an annulment recourse by a creditor. The administrators make a final report to the court which then makes an order closing the bankruptcy.

TURKMENISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

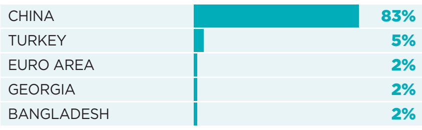
POPULATION Millions of persons - 2017	5.7
GDP PER CAPITA US Dollars - 2017	6,643
CURRENCY Turkmenistan New Manat	TMT

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.2	6.5	6.2	5.6
Inflation (yearly average, %)	3.7	8.0	9.5	8.2
Budget balance (% GDP)	-2.3	-2.8	-1.0	0.0
Current account balance (% GDP)	-19.9	-11.5	-9.0	-7.8
Public debt (% GDP)	24.1	28.8	31.2	33.6

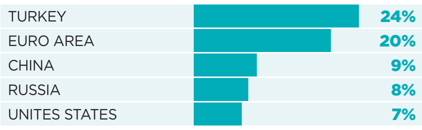
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- 4th largest natural gas reserves in the world, prospects for new customer wins
- Moderate debt level
- Healthy public accounts

-

- Small landlocked economy
- Porosity of the border with Afghanistan, while military resources are limited
- High dependence of the economy on the hydrocarbon sector (mainly gas) and China, which imports almost all of these fuels
- State interventionism and governance problems (corruption, authoritarianism)

RISK ASSESSMENT

An economy dependent on its gas exports to China

In 2019, as in the past, the Turkmen economy will be mainly driven by its hydrocarbon production, mainly gas. Gas exports, almost exclusively to China (94%), are expected to continue. Nevertheless, despite its growing demand for gas, China is seeking to diversify its sources of supply, which could be at the expense of Turkmen gas. Gas exports to Russia, which may resume in 2019 after a 10-year halt, would help Turkmenistan to limit the effect of a potential reduction in Chinese imports of Turkmen gas. Public investment (around 40% of GDP), concentrated in hydrocarbons, will notably benefit the construction of the TAPI gas pipeline that will serve Afghanistan, Pakistan, and India. However, its commissioning in Afghanistan, scheduled for the end of 2019, raises questions, given the security problems, even though the project's financing is not fully secured. Another component of the primary sector, agriculture will continue to play a significant role in the economy. Cotton production, mainly for export, is the second largest export item after hydrocarbons.

Household consumption in 2019 will be affected by cuts in the public sector and the removal of subsidies, already reduced in 2017, on gas, electricity, drinking water, and salt. Inflation will therefore remain sustained, reinforced by the rise in the prices of imported products following controls on trade in foreign currencies. A devaluation could take place in 2019, with the manat remaining largely overvalued (in July 2018, its exchange rate on the black market reached 25 manats to the US dollar, despite the official exchange rate being set at 3.5 manats). This would encourage inflation, further penalising household consumption.

Balanced budget and gradual reduction of the current account deficit

The various measures taken by the government to reduce its current expenditure following the fall in gas prices in 2014, despite their timid recovery, will make it possible to balance the public accounts in 2019. These measures were necessary, with gas revenues accounting for more than 80% of budget revenues. In addition to the removal of subsidies, the government has reduced the number of employees and wages in the public sector, and has privatised some public companies.

Regarding external accounts, although the current account will continue on an upwards trend, it will remain in deficit in 2019. However, the country has a trade surplus thanks to its exports of hydrocarbons (92% of total exports) and textiles/cotton (7.5%), despite the May 2018 US embargo on imports of Turkmen cotton, due to the use of child labour for its production. Imports, concentrated in capital goods and transport equipment, will remain lower. The trade surplus is extremely dependent on China, as well as on the price of gas and therefore oil, albeit indirectly. The imports of services necessary for the exploitation of hydrocarbons present in the country are responsible for the deficit in the balance of services and, ultimately, in the current account.

The President is asserting his power

In power since 2006, President Gurbanguly Berdimuhamedow is now serving his third consecutive term. The multi-party system, introduced in 2012, did not reduce the hold of his party (Democratic Party) in the March 2018 parliamentary elections. In addition, the appointment of his son, Serdar Berdimuhamedow, as Deputy Minister of Foreign Affairs suggests that the President (61 years old) is preparing him to take over the country. Although continued budget cuts could increase public discontent, with emigration increasing sharply since the beginning of their implementation, the severity of the security policy prevents any large-scale demonstrations and the government has banned men under 40 from leaving the country in order to limit the brain drain.

Turkmenistan's relationships with its neighbours appear to have calmed. In August 2018, the country signed an agreement with Uzbekistan, Kazakhstan, Azerbaijan, Iran, and Russia on the status of the Caspian Sea. This agreement could relaunch a trans-Caspian gas pipeline project to transport Turkmen gas to European markets via Azerbaijan. However, the security situation on the border with Afghanistan remains fragile due to the presence of the Taliban.

According to World Bank indicators, Turkmenistan is one of the lowest rated countries in the CIS: the country ranks 196th out of 205 countries in the anti-corruption ranking and 201st for the quality of its regulations. The business climate remains difficult given the dominance of the public sector and its monopolies on the economy and trade, as well as price controls.

UGANDA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	37.7
GDP PER CAPITA US Dollars - 2017	707
CURRENCY Uganda shilling	UGX

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.6	5.1	5.8	6.0
Inflation (yearly average, %)	5.5	5.6	2.9	4.7
Budget balance (% GDP)*	-4.8	-3.9	-4.7	-5.7
Current account balance (% GDP)	-2.6	-4.3	-6.6	-7.3
Public debt (% GDP)	37.3	39.5	42.9	44.7

(e): Estimate. (f): Forecast. *Fiscal year 2019 from the 1st July 2018 to the 30th June 2019.

TRADE EXCHANGES

Exports of goods as a % of total

KENYA	19%
EURO AREA	18%
UNITED ARAB EMIRATES	15%
SOUTH SUDAN	11%
CONGO DR	7%

Imports of goods as a % of total

CHINA	18%
INDIA	13%
UNITED ARAB EMIRATES	12%
KENYA	8%
EURO AREA	7%

- Natural resources: fertile land, oil fields, hydroelectric potential
- Diversification efforts, particularly in the agri-food sector
- International support for infrastructure projects
- Debt mainly on concessional terms

- Poverty and inequality
- Inadequate infrastructure
- Insecurity in border areas (Democratic Republic of Congo, South Sudan)
- Slow progress in governance (particularly control of corruption)

RISK ASSESSMENT

Consumption and public investment support growth

Growth should tick upwards in 2019, continuing the rebound driven by private consumption and public investment. The implementation of infrastructure projects under the second National Development Plan will lend support to this momentum. Target areas for public investment will include transport sectors, as the government bids to improve road and rail networks, and the energy sector, amid efforts to expand the electricity distribution network. With the Karuma and Isimba hydroelectric power plants coming onstream, electricity generation should be boosted, supporting the development of industry, as well as ICT services. However, the latter could suffer from a new tax on social media use. The prospects for oil production (which is scheduled to begin in 2021) and the start of construction of the pipeline linking the country to Tanzania should provide support to private investment. The private sector could also target opportunities in the mining and agricultural sectors, which are expected to continue to expand. Pulled down by imports of capital goods, the contribution of the trade balance to growth will remain negative, despite the expected increase in production of coffee and gold, the two main export products. Conversely, private consumption is expected to continue to support growth, benefiting in particular from the pick-up in credit growth and from the fact that inflation is close to the central bank's target (5%), despite the key interest rate hike introduced in late 2018 to temper inflationary pressures. After dipping below 2% in the first half of 2018, inflation is expected to continue on the upward path begun since then, fuelled by brisk domestic demand, rising fuel prices and shilling depreciation.

Greater vulnerability to external shocks

The budget deficit is expected to continue to widen in 2018/19, in line with the increase in expenditure. Most of this increase will result from capital spending. However, as in previous years, these expenses are expected to be inferior to the declared objectives. Current expenditure is also expected to continue to go up, reflecting the increased wage bill, education, and health expenditure, as well as interest payments. At the same time, low domestic resource mobilisation will remain an obstacle to revenue growth. Grants and loans will therefore remain necessary to finance the budget deficit, and debt will continue to accumulate. A domestic debt build-up is already causing debt service to increase. While the large share of concessional debt supports the sustainability of the external debt trajectory, a shock could compromise it.

Imports of capital goods and petroleum products are expected to continue to weigh on the trade and current account deficits. The balance of services, particularly those related to project implementation, will also remain in deficit. The income balance will continue to be affected by profits repatriation from investors. The only positive contribution to the current account balance is the transfer balance, which will be mainly driven by expatriate remittances. A combination of FDI and external borrowing will finance the current account deficit. With the US tightening monetary policy, the widening current account deficit is putting pressure on foreign exchange reserves (sufficient to cover about 4.5 months of imports) and the Ugandan shilling. However strong growth prospects should protect the shilling against a major sell-off.

Yoweri Museveni hopes to rule beyond 2021

In power since 1986, President Yoweri Museveni was re-elected following the 2016 general elections, which also gave his party, the National Resistance Movement, an absolute majority. After removing the age limit of 75 years by means of a constitutional amendment upheld by the Constitutional Court in July 2018, the President – who was born in 1944 – will be able to run for a sixth term in the next election in 2021. This amendment, despite being a source of dissatisfaction, should allow Mr Museveni to keep his grip on power. Regularly accused of maintaining its hold by silencing dissenting voices, the President's administration was criticised in the summer of 2018 following the arrests and alleged torture of several prominent opposition figures, including Robert "Bobi Wine" Kyagulanyi, a singer turned politician. After his arrest, Mr Kyagulanyi gained domestic importance and drew the international community's attention to the government's increasingly strong-handed responses to dissent. The lack of political freedom, coupled with dissatisfaction over corruption and slow progress in raising living standards are fuelling social unrest.

The country also faces an unstable political and security situation on its borders (South Sudan, Democratic Republic of the Congo). As the supplier of most of the troops to the AU Mission in Somalia (AMISOM), the country is also a potential target of Islamist terrorism, as demonstrated by the attack in Kampala in 2010, where more than 70 people died. Red tape remains an obstacle for companies and a persistent weakness in the business environment.

UKRAINE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2017**	**42.2**
GDP PER CAPITA US Dollars - **2017**	**2,656**
CURRENCY Hryvnia	**UAH**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	2.4	2.5	3.5	2.9
Inflation (yearly average, %)	13.9	14.4	11.0	9.0
Budget balance (% GDP)	-1.2	-2.2	-2.3	-1.5
Current account balance (% GDP)	-1.5	-1.9	-3.0	-3.5
Public debt (% GDP)	81.2	71.0	70.0	68.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
RUSSIA	9%
POLAND	6%
TURKEY	6%
INDIA	5%

Imports of goods as a % of total

EURO AREA	27%
RUSSIA	15%
CHINA	11%
POLAND	7%
BELARUS	6%

+

- Strategic position in Europe
- Significant agricultural and metallurgical potential
- Skilled and low-cost labour force
- International financial and political support

−

- Conflict with Russia and Russian-speaking populations with threats to territorial integrity; possible Russian counter-sanctions against 360 companies and 50 individuals
- Political and social instability against a backdrop of widespread poverty, corruption and oligarchy
- Low economic diversification
- High public and external debt
- Credit constrained by doubtful loans (40%), with high interest rates maintaining the attractiveness of debt in local currency
- Managed float of the hryvnia; restrictions on capital movements limit convertibility

RISK ASSESSMENT

Declining momentum and return to moderate growth in 2019

Although less robust than in 2018, growth will still be driven by domestic demand. Household consumption (69% of GDP) will remain the main contributor. Wages will continue to rise against the backdrop of emigration and a scarcity of skilled labour, but also because of the continued increase in the minimum wage in the lead-up to elections. Households will also benefit from expatriate remittances, which make up 10% of their income. An estimated five million Ukrainians work abroad, or one quarter of the working population. Despite the 23.5% increase in gas prices on November 1, 2018, inflation could be lower due to the slower pace of the hryvnia's depreciation and calmer food prices. Consumption will benefit trade and freight transport. Investment may increase less briskly: its share in GDP (16%) is not growing much due to the conflict with Russia and the poor business climate, as well as credit, which is constrained by its high cost, with the key rate close to 20% at the end of 2018. Public investment in upgrading and extending the poor quality road network could suffer from fiscal tightening. Trade's contribution is expected to stay negative, with exports continuing to be affected by the fall in iron and steel prices (25% of total exports) and softer world demand owing to trade disputes. Agri-food exports (45%), including cereals (wheat, barley, rapeseed, sunflower, maize), will probably have to contend with stable prices and limited available quantities after an average 2018 harvest.

External vulnerability and conditional international financial support

Despite the reduction accorded by creditors in 2015/16 and the favourable impact of growth and the primary surplus, *i.e.* excluding interest, public debt still represented 70% of GDP at the end of 2018, with external debt accounting for 57% of the total and 64% of debt denominated in foreign currency, *i.e.* 40% and 45% of GDP respectively. Debt should continue to be reduced at a measured pace, despite the insistence of international financial institutions that fiscal consolidation be a condition of their assistance. In the context of the conflict in the eastern regions (Donetsk and Lugansk), which are controlled by Russian-backed separatists, military spending will remain high (8% of GDP). In addition, the privatisations planned for 2019 are likely to attract few foreign investors, although some good deals may be possible despite the entry into force of a new law in June 2018 aimed at greater transparency. Moreover, if the private share is added in, the external debt to GDP ratio climbs to 100%. In 2019, debt payments could amount to USD 15 billion (11% of GDP). A spell of weakness for the hryvnia would add to the bill. The current account deficit will persist, as revenues from road and gas transit, as well as remittances from expatriates in Poland and Russia (4% of GDP), are not enough to offset debt interest (6%) and the trade deficit (7%).

Meanwhile, foreign exchange reserves cover only 3.3 months of imports (August 2018), or 66% of short-term debt. Inward FDI accounts for just over 2% of GDP. The contribution of international financial institutions will therefore be crucial. The 2015 agreement with the IMF provided for an ECF of USD 17.5 billion in return for reforms. By October 2018, five months before the closing date, just USD 9 billion had been released, with the last payment going back to April 2017. The impending elections in 2019 and the (costly) use of the market made possible by the improved internal and external situation have prompted the authorities to postpone or water down the reforms that are required for the release of funds. A Stand-by Arrangement with the IMF of USD 3.9 billion over 14 months, in addition to contributions from the EU and the World Bank, replaced these funds once the 2019 budget, which includes savings equivalent to 2.5 percentage points of GDP, was adopted. While adoption of the budget and the recent increase in the price of domestic gas to bring it closer to the market price allowed a first payment of USD 1.4 billion, following payments will depend on perseverance in the reforms.

Uncertainty about reforms and conflict in the east of the country

Ukraine will hold presidential (March-April) and parliamentary (October) elections in 2019. Former Prime Minister Yulia Tymoshenko leads outgoing President Petro Poroshenko and other candidates in the polls, but the outcome is not predetermined. The party associated with the winner is likely to come out on top in the parliamentary elections. The elections are being held in a climate of great public mistrust in the face of corruption and slow reform. Despite the creation of a dedicated court in June 2018, as well as prosecutions and well publicised scandals, corruption persists and there have been few convictions. Political-financial networks maintain their control over politics, the media and the administration. Resolving the separatist problem is taking time, perhaps in part to divert attention. The Minsk II agreement signed in early 2015 reduced clashes between the Ukrainian army and pro-Russian separatists without ending the conflict, which extended to the Azov Sea and its access, the Kerch Strait crossed by a bridge built by Russia limiting the size of ships. Russia carries out inspections of merchant ships serving Ukrainian ports, as well as interceptions of warships.

UNITED ARAB EMIRATES (UAE)

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2017	**10.1**
GDP PER CAPITA US Dollars - 2017	**37,733**
CURRENCY UAE dirham	**AED**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.0	0.8	2.9	3.2
Inflation (yearly average, %)	1.6	2.0	3.5	1.9
Budget balance (% GDP)	-2.0	-1.6	0.6	1.3
Current account balance (% GDP)	3.7	6.9	7.2	7.5
Public debt (% GDP)	20.2	19.7	17.8	17.6

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	10%
JAPAN	9%
IRAN	9%
CHINA	6%
OMAN	5%

Imports of goods as a % of total

CHINA	19%
EURO AREA	14%
UNITED STATES	9%
INDIA	8%
JAPAN	5%

+

- Political stability
- Progressively diversified economy
- Liberal trade regime, growing integration with the world
- Financial hub in the region
- Strong financial buffers, improvement of the fiscal position
- Business friendly environment, modern infrastructure

−

- Limited flexibility of the monetary policy due to the currency peg regime
- Exposure to volatility in oil prices
- Reduced tourism flows to Dubai

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	HIGH
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Better growth perspectives due to higher oil prices and public spending

Despite having been negatively affected by lower energy prices, the UAE's economy has benefited from its relatively diversified economy (total non-oil activity accounted for 71% of GDP in 2017). After recovering strongly in 2018, the growth is expected to accelerate during 2019. This improvement will be largely due to a higher level of oil production, higher oil prices, and increased government spending ahead of Expo 2020 (a universal exposition that will be held in Dubai). However, overall growth performance is expected to remain below its 2013-2017 average of nearly 4%.

The mining sector, which includes oil and natural gas production; will be positively affected by higher oil production following the expiry of the OPEC production cap, and increased energy prices. As of September 2018, UAE oil production already stood at 3 million bpd. This increase will contribute to growth performance.

Investments recovered in 2018 and are expected to strengthen during 2019 on the back of higher fiscal revenues. The government will be able to support the economy through a more supportive fiscal policy. Indeed, in June 2018 Abu Dhabi announced a 3-year AED 50 billion programme (USD 13.6 billion; equivalent to 1.2% of Abu Dhabi's annual GDP) in order to promote growth, tourism and job creation. Also, the UAE has approved a USD 16.4 billion budget for 2019, a 17% increase from 2018. Private consumption remained under pressure in 2018 due to higher fuel prices, a new VAT, and the removal of some subsidies. However, higher government spending and improving growth should support household spending throughout 2019.

Because government spending depends on oil prices, their volatility presents a significant risk. Although the UAE's economy is relatively diversified, oil revenues are still the main source of finance for economic activity (53% of total fiscal revenues in 2017). Separately, a tightening monetary policy stance also will represent a challenge for the private sector's financing costs.

The UAE dirham is pegged to the US dollar and the UAE central bank follows the footsteps of the US Federal Reserve. This means that interest rates in the UAE will likely continue to rise, weighing on the funding costs of companies. Tourism flows will be an important factor during 2019: the travel and tourism sector accounts for nearly 5% of the UAE's national output. However, tourism flows in Dubai inched up by only 0.4% in January-August 2018 from a year earlier because of weaker economic growth in visitors' countries (Iran, Oman, Saudi Arabia, etc.) and higher accommodation and restaurant prices after the introduction of the VAT.

Fiscal improvement on the horizon

After tightening in 2017, the fiscal stance has been slightly easing since 2018 on the back of higher oil revenues. In the first quarter of 2018, total spending rose nearly 16% from a year earlier, compared with an increase of 3.5% in total revenues. The return to a budget surplus is expected to also be supported by higher non-oil revenues in line with the increased economic momentum. Reduction in fuel subsidies and reduced capital transfers to government-related entities (GREs) should help to sustain the budget balance in positive territory. Meanwhile, despite the need to finance the budget deficits between 2015 and 2017, the general government gross debt level relative to GDP has remained low. Additionally, the UAE will continue to enjoy strong financial buffers with the sovereign wealth fund's assets estimated at more than 300% of GDP.

Political stability

The UAE is considered as a "safe haven" for investments in the region and the economy was not significantly affected by the boycott imposed on Qatar in June 2017.The country, which is a constitutional federation, is governed by the Federal Supreme Council. It consists of the leaders of the seven emirates. The Federal National Council, which is the consultative council, has 40 members, of which half is elected and the rest is appointed by the rulers of the seven emirates. The latest election was held in 2015 and the next one is due in 2019, where no substantial changes are expected. The country is expected to remain politically stable, and should therefore continue to attract foreign investments.

PAYMENT & DEBT COLLECTION PRACTICES IN THE UNITED ARAB EMIRATES

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 country, 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.

Until 2016, post-dated cheques were considered the best protection against late payments, and were frequently used in the UAE as guarantees, as bounced cheques are considered as a criminal offence. The new law is silent regarding Non-Sufficient Funds (NFS) cheques, and only states in Article 32 that all the legal proceedings, procedures, and execution procedures against the debtor's assets shall be suspended once a decision is initiated until the ratification of the scheme of composition. Composition is defined in Article 5 of the new law as proceedings aiming to assist the debtor to reach a settlement with creditors pursuant to a scheme of composition under the supervision of the court, and with the help of a trustee to be appointed in accordance with the provisions of this law. In light of the above, any claims or legal proceedings filed against the debtor – whether related to NSF cheques or another instrument (this also applies to criminal proceedings relating to NSF or bounced cheques) – will be suspended once the court has accepted the debtor's application for the aforementioned prevented composition. It worth noting that any claim related to an NSF cheque will be treated in the same way as any other unsecured claim which may be filed against the debtor.

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 September 4, 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

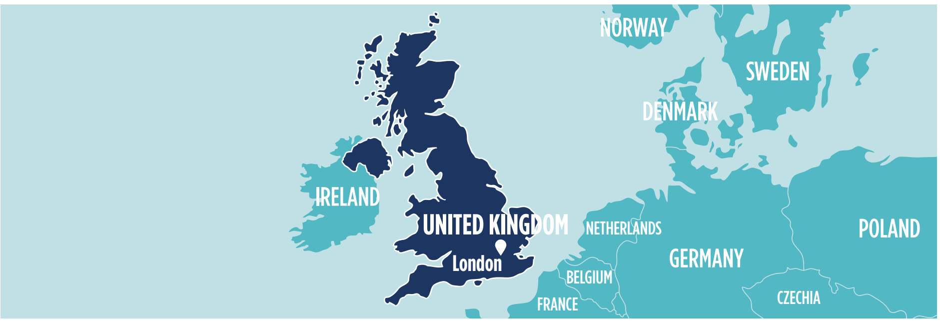
The procedure is split into two elements:

- 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);
- a formal liquidation procedure.

UNITED KINGDOM

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1



POPULATION Millions of persons - 2017	66.0
GDP PER CAPITA US Dollars - 2017	39,800
CURRENCY Pound sterling	GBP

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.8	1.7	1.3	1.2
Inflation (yearly average, %)	0.7	2.7	2.6	2.0
Budget balance (% GDP)	-2.9	-1.8	-1.3	-1.7
Current account balance (% GDP)	-5.2	-3.7	-3.3	-3.1
Public debt (% GDP)	87.9	87.4	86.0	85.3

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	13%
GERMANY	11%
FRANCE	7%
NETHERLANDS	6%
IRELAND	6%

Imports of goods as a % of total

GERMANY	14%
UNITED STATES	9%
CHINA	9%
NETHERLANDS	8%
FRANCE	5%

+

- Hydrocarbon production covering three quarters of energy needs
- Cutting-edge sectors (aerospace, pharmaceuticals, automotive)
- Financial services
- Competitive and attractive tax regime

−

- Uncertainties about the future relationship with the EU
- High government and household debt (124% of disposable income)
- Low productivity and lack of training not conducive to innovation
- Regional disparities between London and the south-east, and the rest of the country, particularly in terms of transport and energy infrastructure

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
ICT*	MEDIUM
METALS	VERY HIGH
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Slight slowdown subject to a Brexit deal

The magnitude of the slowdown in growth in 2019 will depend on the terms of Brexit. At the beginning of January 2019, these remained uncertain, with Parliament preparing to vote on the agreement presented by the government. If approved, the UK will leave the EU at the end of March 2019. If rejected, Prime Minister Theresa May could try to continue negotiations with the EU, resign, or face a vote of no confidence from the opposition (Labour). The latter two scenarios would lead to new elections. If necessary, the UK's withdrawal from the EU could be delayed, in order to avoid a no-deal Brexit while elections with an uncertain outcome are being held. Labour, although torn between backing a second referendum or negotiating a permanent customs union with the EU, could then succeed. While a no-deal Brexit scenario in March 2019 – which would severely curtail activity – is unlikely, it cannot be entirely ruled out. Persistent uncertainty will be a key factor in the recovery of business investment, which was already affected in 2018. Investment in equipment and construction alike will remain sluggish due to higher credit costs, as the key interest rate is gradually increased (+0.25 point hike per year since 2017, with the same expected in 2019). In addition, even in the event of a Brexit agreement, uncertainties about the future trade relationship with the EU will further hinder the development of production capacity, including value chains. At the same time, household consumption is expected to slow slightly due to less dynamic job creation and low real wage growth, even though inflationary pressures are set to ease in line with the stabilisation of oil prices. Moreover, given their low level of confidence, households are likely to rebuild their savings after significantly reducing them in recent years (4.4% of disposable income in mid-2018 compared with 9.2% in 2015). However, subject to approval of the 2019 budget, household consumption will be supported from April onwards by the 4.9% increase in the minimum wage, which will affect almost 10% of employees, and by the 5.5% increase in the income tax exemption threshold (up to GBP 12,500 per year). Fiscal policy would be accommodative in 2019 (estimated growth effect of 0.3 percentage point of GDP) with a sharp increase in public spending, particularly in the National Health Service (NHS). Moreover, unless there is a no-deal Brexit, exports should remain resilient despite the slowdown of the main partners (eurozone, China, United States). Nevertheless, with imports set to rebound in 2019, the positive contribution of foreign trade to growth will decline. In the current setting of financial constraints and low household confidence, which is not conducive to major purchases, the automotive sector is expected to remain among the most affected, after recording a 7% drop in new vehicle registrations over the first ten months of 2018 and a 6% decline before that in 2017.

A 2019 draft budget to support growth

According to the draft budget to be voted on in the first quarter of 2019, the government will implement a less restrictive fiscal policy in 2019 to support activity. The new measures include notably a spending increase of GBP 10.9 billion (0.5% of GDP), two thirds of which will be allocated to the NHS, with the remainder going to education, social assistance and defence. On the revenue side, while the main measure concerns raising the thresholds for the first and last income tax brackets (estimated cost of GBP 2.8 billion, or 0.1% of GDP), taxes on fuel and alcoholic beverages will ultimately remain frozen (cost of GBP 1 billion). Consequently, the UK's government deficit will rise again, but will remain well below 3%. The public debt will continue to decline.

While remaining largely in deficit, the current account balance is expected to continue to improve in 2019, despite the widening goods deficit. The latter is not offset by the balance of services, which shows a substantial surplus. As in 2018, the improvement in the current account balance will therefore be driven by the contraction in the income deficit, in connection with the increase in investment income abroad. Despite the uncertainty related to Brexit, the United Kingdom will continue to easily finance its large current account deficit through investment flows.

Complete uncertainty about the Brexit agreement

Since the June 2017 elections, Prime Minister Theresa May has depended on a fragile alliance between her Conservative Party and the Democratic Unionist Party (DUP), a Protestant conservative party from Northern Ireland. After many months of negotiations and dissension within her own government, Mrs May managed to reach an agreement with the EU on the terms of Brexit in November 2018, and finally delayed the Parliamentary vote until mid-January 2019, in anticipation of a likely rejection in December. After this delay, Mrs May faced a confidence vote in her own party leadership, which she won (by 200 to 117). While this incident exposed the Conservative Party's division over Brexit, the Labour party has also struggled to articulate a unified strategy behind its leader, Jeremy Corbyn. In early January 2019, ahead of the vote by Parliament, the outcome and duration of negotiations between the UK and the EU remained highly uncertain.

PAYMENT & DEBT 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 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 (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.

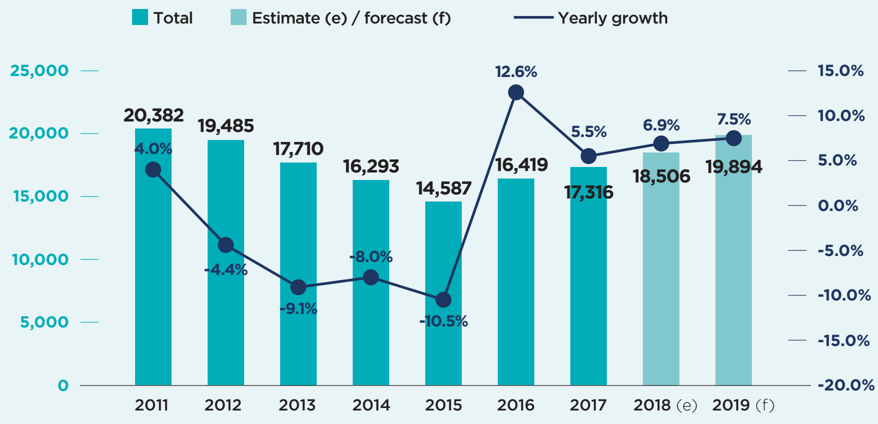
Receivership

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 INSOLVENCIES



Source: The Insolvency Service, Coface.

UNITED STATES

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2017	325.9
GDP PER CAPITA US Dollars - 2017	59,792
CURRENCY US dollar	USD

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.6	2.2	2.9	2.3
Inflation (yearly average, %)	1.3	2.1	2.5	2.4
Budget balance (% GDP)	-4.9	-4.0	-5.8	-6.1
Current account balance (% GDP)	-2.3	-2.3	-2.4	-2.7
Public debt (% GDP)	106.7	105.2	105.8	107.5

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	18%
MEXICO	16%
EURO AREA	14%
CHINA	8%
JAPAN	4%

Imports of goods as a % of total

CHINA	22%
EURO AREA	15%
MEXICO	13%
CANADA	13%
JAPAN	6%

+

- Flexible labour market
- Full employment is one of the Federal Reserve's objectives
- Dollar's predominant role in the global economy
- Almost 60% of public debt held by residents
- Highly attractive: leader in research & innovation, huge market
- Reduced corporate tax rates
- Increasing energy self-sufficiency

-

- Low labour market participation
- Households not very geographically flexible
- High household debt (131% of gross disposable income)
- Polarised political landscape
- Lower fertility rate
- Outdated infrastructure
- Increasing inequalities

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	HIGH
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	LOW
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	LOW
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Slowdown in activity after a peak

Growth will slow in 2019, reflecting business investment, which is set to be considerably less vibrant after being driven in 2018 by President Donald Trump's tax reforms (corporate tax cut from 35% to 21%). In addition, business profit margins will continue to be affected by increased input costs in connection with the customs duties imposed on a wide range of products, including steel and aluminium. Credit will also become more expensive due to the continued tightening of monetary policy, with the FED planning to continue to raise its key interest rate in 2019, after hiking it from 1.5% to 2.5% in 2018. Despite these headwinds, household consumption should show resilience, thanks to the ongoing decline in the unemployment rate (3.7% in October 2018, the lowest in five decades) and the significant acceleration in real wages. As military spending surges in 2019 (USD 80 billion increase, or 0.4% of GDP), public consumption will contribute more to growth. Conversely, the business environment will be much less favourable (slowdown in the main partner economies, protectionist reprisals by those same partners).

Despite the signing of the USMCA trade deal (renegotiated NAFTA), exports – which have become less competitive due to upward pressure on the dollar caused by the FED's monetary tightening – will slow significantly. As imports decelerate more slowly – despite protectionist measures, due to resilient household consumption –, foreign trade will weigh more heavily on growth.

The automotive and construction sectors are expected to be particularly affected on the demand side by dearer credit and on the supply side by rising metal input costs. Meanwhile, the energy sector will continue to be driven by high oil prices.

Deterioration in the public and external accounts

The substantial government deficit is expected to widen further in 2019. While it increased sharply in 2018 with President Trump's tax reforms (USD 1.4 trillion in tax cuts over ten years, or about 0.7% of GDP per year), the deficit will continue to deteriorate, despite the strong economy, due to the sharp rise in expenditure, especially military spending. Subject to agreement with the Democrats in the House of Representatives, a USD 200 billion (0.9% of GDP) infrastructure investment plan (according to the first version presented by President Trump) could further increase the government deficit. As a result, US public debt, which is among the highest in the world, will remain on an upward trend.

Substantial imports of consumer and capital goods have led to a chronic deficit in the goods balance, which is only partially offset by the surpluses in services and income (dividends from US investments abroad exceed remittances from investors and foreign workers). Despite the implementation of protectionist measures and the continued trade war with China (customs duties of 10% on USD 200 billion of Chinese imports until March 2019, then potential increase to 25%), the current account deficit is expected to widen in 2019. With the deficit being financed by FDI and portfolio investment, the US net external position is structurally in deficit (42% of GDP at the end of June 2018).

Democrats regain control of the House of Representatives

Following the mid-term elections of November 2018, the Democrats regained the House of Representatives, taking 235 seats out of 435. Accordingly, any major new reform (health insurance, Mexican border, immigration, taxation) – other than the infrastructure plan – will now be almost impossible, since President Trump depends on Democrat support. In addition, the Democrats will be able to launch House investigations, for instance into Russian influence on the 2016 elections or President Trump's tax returns. However, the Republicans held onto the Senate, with 53 seats out of 100, and hence the important power to approve appointments of senior officials and Supreme Court judges. While the Democrats now have the power to launch proceedings to impeach President Trump, an impeachment would have very little chance of succeeding, because it would need a two-thirds majority in the Senate. President Trump will still be able to amend existing law by executive order, particularly in trade and foreign policy. Therefore, while his domestic policy is likely to be deeply affected by the new configuration, President Trump will probably stick to the same line in international policy.

PAYMENT & DEBT COLLECTION PRACTICES IN THE UNITED STATES OF AMERICA

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 this 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 14 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, as 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 costly (especially regarding lawyers' fees), it is advisable to negotiate and settle out of court with customers wherever possible, or otherwise 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, US 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. This is appropriate when the court determines there are no factual issues remaining to be tried, and therefore a cause of action or all causes of action in the complaint can be decided without a trial. 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 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 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 practices enhances the role of the judge in the running of the case. The discovery phase can last several months, even years. It can entail high costs due to each adversary's insistence on constantly providing pertinent evidence (argued by each party), and involve various means – such as investigations, requests for supporting documents, witness testimony, and detective reports – which are then submitted 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 litigations, such as insolvency cases, 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 recognised 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.

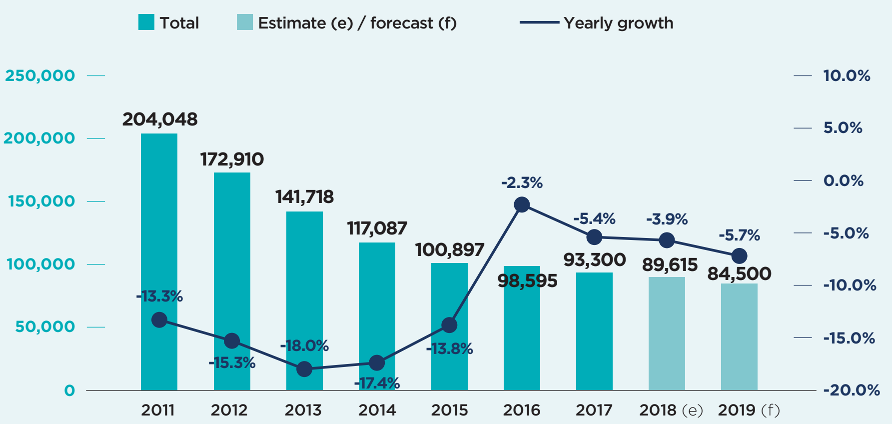
Restructuring proceedings

Chapter 11 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

According to Chapter 7 of the American Bankruptcy Code, 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 INSOLVENCIES



Source: Administrative Office of the United States Courts, Coface.

URUGUAY

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2017	3.5
GDP PER CAPITA US Dollars - 2017	16,942
CURRENCY Uruguayan peso	UYU

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	1.7	2.7	1.8	1.6
Inflation (yearly average, %)	9.6	6.1	8.3	7.7
Budget balance (% GDP)	-3.9	-3.5	-3.9	-3.9
Current account balance (% GDP)	0.8	1.5	0.6	-1.2
Public debt (% GDP)	61.6	65.7	68.3	69.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	19%
BRAZIL	16%
EURO AREA	10%
UNITED STATES	6%
ARGENTINA	5%

Imports of goods as a % of total

CHINA	20%
BRAZIL	19%
EURO AREA	13%
ARGENTINA	13%
UNITED STATES	11%

- Abundant agricultural and forestry resources
- Social homogeneity and political stability
- Active reform policy (business environment, public finance, social security coverage)
- Substantial foreign direct investment
- Member of Mercosur, privileged trade relations with the EU and the United States

- Economy vulnerable to commodity prices (soya, meat, dairy products)
- Dependence on the Argentine, Brazilian and Chinese economy
- Inadequate transport infrastructure
- Reduced competitiveness due to high inflation
- Public debt (mitigated by a longer maturity and less and less in dollars)

RISK ASSESSMENT

Continued slowdown, in an unfavourable environment

In 2018, Uruguay's growth slowed due to weather conditions and the unfavourable regional context (recession in Argentina and sluggishness in Brazil). The drought has severely affected the agricultural sector, particularly soybean production, whose exports have fallen. In 2019, inflation will gradually decrease, but will remain above the target (3%-7%), leading to stagnation or even a decline in household purchasing power, with wage increases set by agreement between 6% and 8%, depending on the sector's level of activity. Growth is therefore expected to remain limited, despite the increase in investment related to the start of work on the Ferrocarril Central rail infrastructure project in January. The goal of the project is to facilitate the transport of goods to the port of Montevideo (public-private financing estimated at USD 800 million). It is part of the negotiations with the Finnish group UPM for the possible construction of a third pulp mill, which would be the largest private investment ever made in Uruguay (USD 4 billion). UPM is required to make a decision on this matter before February 2020. In addition, as Argentina (the leading source of FDI and tourists) was affected last year by a major crisis whose effects will continue to be felt in 2019, the external contribution to growth should remain negative, despite the slight acceleration in Brazilian demand.

Deferral of the public deficit target from 2019 to 2020

The public accounts deteriorated again in 2018, burdened by weak activity that affected tax revenues. With growth unlikely to rebound in 2019, revenues are expected to remain sluggish. In addition, since 2019 is an election year, spending is expected to continue to increase. As a result, the deficit will remain high, well above the 2.5% government deficit target set in the budget consolidation programme of the 2015 five-year finance law. In this context, the government has postponed the achievement of this objective until 2020, which will therefore depend on the next government. While public debt is large and on an upward trend, the authorities have gradually increased the share of local currency denominated debt held by residents (more than half in the second quarter of 2018, compared to just 30% in 2007) and extended its average maturity (13 years), thus reducing its vulnerability.

Furthermore, the trade surplus declined in 2018 due to the fall in agricultural and energy exports caused by drought, as well as the increase in imports of intermediate goods and equipment in line with the recovery in investment. In 2019, exports are expected to grow thanks to the rebound in agricultural production and the improved economic situation in Brazil, Uruguay's main export partner (along with China). However, at the same time, imports are expected to continue to grow faster in the wake of investment. In addition, the balance of services is expected to be particularly affected in 2019 by the fall in the purchasing power of Argentines (60% of tourists) due to the considerable depreciation of the Argentine peso last year. Unlike the balance of goods and services, the income balance is structurally in deficit due to the repatriation of dividends generated by FDI. The current account is expected to deteriorate to negative in 2019.

General elections 2019 particularly undecided

Approaching his last year in office, President Tabaré Vazquez, a member of the centre-left coalition Frente Amplio (FA), is facing a sharp decline in his popularity (25% approval in September 2018), mainly due to economic difficulties. The presidential and legislative elections in October 2019 – which he will not be able to stand for, as the country's Constitution prohibits consecutive terms of office – are expected to be undecided: according to all polls conducted one year before the election, the FA will be in close contact with the right-wing opposition party (Partido Nacional), with each party obtaining nearly 30% of the votes in the first round. In addition, the internal elections in June to nominate the candidate of each party are also expected to be undecided.

On the right, although the defeated candidate of the 2014 election, Luis Lacalle Pou, seems to be holding the line, several other candidates have also entered the running. On the left, the prospects are all the more uncertain, as the ruling coalition is divided between the communist wing, embodied by Oscar Andrade, and the moderate wing of President Vazquez, defended by, among others, the mayor of Montevideo, Daniel Martinez, and the Minister of Industry, Carolina Cosse. However, Uruguay remains a particularly stable political country.

Despite wide room for improvement in terms of financial transparency, Uruguay is one of the preferred destinations for FDI in the region, thanks to a generally favourable business environment.

UZBEKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	**32.1**
GDP PER CAPITA US Dollars - 2017	**1,520**
CURRENCY Uzbekistan sum	**UZS**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	7.8	5.3	4.9	4.7
Inflation (yearly average, %)	8.0	12.5	18.0	14.0
Budget balance (% GDP)	0.4	-1.7	-1.6	-2.8
Current account balance (% GDP)	0.6	3.5	-0.5	-1.5
Public debt (% GDP)	10.5	24.3	19.0	21.7

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	38%
CHINA	15%
RUSSIA	11%
TURKEY	9%
KAZAKHSTAN	8%

Imports of goods as a % of total

CHINA	24%
RUSSIA	23%
EURO AREA	14%
KAZAKHSTAN	11%
SOUTH KOREA	10%

- Plentiful and diversified natural resources, including gas, gold, cotton and hydroelectric potential
- Low public debt and comfortable foreign exchange reserves
- Ambitious public investment programme
- Population of 32 million and a growing labour force
- Strategically positioned on the New Silk Road between China and Europe

- Underdiversified economically and dependent on commodity prices and rainfall
- Lack of jobs, widespread informal economy
- Low competitiveness due to lack of competition
- Underdeveloped banking sector, use of directed credit
- State interventionism (credit, prices, administrative and customs harassment)

RISK ASSESSMENT

Growth supported by investment (33% of GDP)

Uzbekistan is expected to remain one of the most dynamic economies in the CIS in 2019, although official growth figures appear to be overestimated. Public investment, aimed at improving industrial facilities and infrastructure, especially in the gas, hydroelectric, road and housing sectors, should continue to support activity, particularly in construction. The state could get support from multilateral donors and foreign private investors who were encouraged by the measures taken in September 2017 to open up the economy, which included liberalising the exchange rate and halving customs duties. Manufacturing (machinery, automotive equipment, food processing) and services are also expected to remain buoyant. Exports, which make up nearly 20% of GDP, are expected to slow as the price of gold (the main export product) stabilises and gas, copper, and cotton exports increase weakly. External demand could be affected by trade disputes between China and the United States. As imports of capital goods and metals for infrastructure and industrial facilities are expected to continue to grow briskly, trade could ultimately make a slightly negative contribution. Household consumption, which accounts for more than 50% of GDP, may also be less buoyant as the ongoing recovery in remittances from the approximate two million expatriates in Russia and Kazakhstan is offset by the adverse impact of higher prices on real incomes. Inflation is poised to remain high, fuelled by periodic price increases for utilities (water, gas, electricity) to bring them into line with market prices, as well as by the rise in food prices fuelled by shortcomings in trading and distribution systems. However, inflation should decline at the end of the year as the effects of the September 2017 50% devaluation of the the so'm wear off.

Economic reform accompanied by small deficits

The authorities have embarked on a vast reform of the public finances, the cost of which is estimated as 2.5% of GDP for 2019. Just 8,000 of the country's 350,000 companies paid taxes in 2017. Generally, they manage this because of their monopoly position and preferred access to credit. Among those that do contribute, state-owned companies pay half the tax. There are 1,800 such firms. They employ 800,000 people, or 18% of the working population, and are charged prices that are not in line with their costs, in return for the benefits they enjoy elsewhere. The depreciation of the currency weakened many of these companies, as they carried debt in foreign currencies. To avoid a fall in revenues, the Uzbek authorities want to broaden the tax base, while lowering the tax rate to reduce the informal economy. Public debt is low, and Uzbekistan's sovereign wealth fund (SWF) holds reserves equivalent to 40% of GDP, so there is room for manoeuvre.

The underdeveloped banking system is closely controlled by the state, particularly regarding its lending policy, with 60% of loans linked to state-owned companies. The three largest banks, which are all state-owned, account for half of all assets. With the exchange rate liberalised and the central bank doing a better job of steering inflation, agents should be encouraged to gradually convert their assets in foreign currencies, which can no longer be used as a domestic means of payment, thus contributing to the de-dollarisation of the economy.

Trade liberalisation is being accompanied by a widening goods and services deficit. Remittances from expatriates are no longer sufficient to compensate for this, resulting in a small current account deficit, which is easily financed by concessional loans from foreign donors and FDI. External debt is low, and reserves are equivalent to more than 20 months of imports, although half of these reserves are held by the SWF.

A strong regime that is nevertheless keen to attract foreign investors

Following the death of Islam Karimov, who had been President since the country's independence in 1991, his Prime Minister, Shavkat Mirziyoyev, took over as head of state after winning a comfortable election (89% of the vote) in December 2016. Like his predecessor, he is expected to maintain a strong state. Even so, he is ending a decade of isolationism by forging closer ties to neighbouring countries, including Kyrgyzstan and Tajikistan, and signing and/or negotiating agreements on water management, transport links, the electricity grid, and border disputes. Similarly, there has been a rapprochement with Russia, although this is not expected to interfere with the country's closer relations with the West and China. Uzbekistan's strategic plan for 2017-2021 includes reforming the administration, establishing the rule of law, liberalising and opening up the economy, and developing education, health; and infrastructure. The idea is to build investor confidence and reduce unemployment and poverty. Restrictions on freedoms, however, will act as a breeding ground for unrest among the country's youthful population, which the government will do everything in its power to control. The next electoral deadline will be parliamentary elections at the end of 2019 or early 2020, which are expected to be won by parties close to the government.

VENEZUELA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2017**	**30.5**
GDP PER CAPITA US Dollars - **2017**	**6,890**
CURRENCY Venezuelan sovereign bolívar	**VES**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-16.5	-14.0	-18.0	-5.0
Inflation (yearly average, %)	254.4	1,087.5	14,000.0	10,000,000.0
Budget balance (% GDP)	-17.8	-31 .8	-30.2	-30.0
Current account balance (% GDP)	-1.6	2.0	6.1	4.0
Public debt (% GDP)	31.4	38.9	159.0	162.0

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	34%
INDIA	17%
CHINA	15%
NETHERLANDS ANTILLES	8%
SINGAPORE	6%

Imports of goods as a % of total

UNITED STATES	25%
CHINA	15%
MEXICO	10%
EURO AREA	6%
BRAZIL	4%

- Significant oil reserves along the Orinoco river and potential offshore gas fields
- Assets (including in the United States) of the state oil company, PDVSA

- 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)
- Non-transparent and discretionary management of oil and gas revenues
- Payment delays in everyday business
- Serious political insecurity
- Crime (homicides), corruption, trafficking of all types, black market

RISK ASSESSMENT

A persistent economic downturn

In the absence of political change, Venezuela's economic situation remains extremely difficult. The economy is expected to contract again in 2019 against a backdrop of hyperinflation and a steady decline in oil production. Due to a lack of investment, oil production is at its lowest level ever, at just 1.2 million barrels per day in October 2018 compared with 2.4 million b/d before the crisis began in 2013. The mass exodus taking place (2.3 million people, or 7% of the population, have fled the country according to UN figures) is causing a brain drain that is particularly affecting PDVSA, the national oil company, and its production capacity. The drop in oil production – which accounts for 90% of exports, 50% of tax revenues and is the main source of foreign exchange – is constraining the resources available for non-oil activity. Already hit by government import restrictions and exchange controls, companies have also been severely affected by the minimum wage increases and price controls introduced by the government in 2018. As a result, the number of businesses and small businesses forced to close continues to increase, further curtailing the country's productive capacity. Hyperinflation, caused by increasing monetisation of the government deficit and the soaring prices of imported goods resulting from the fall of the bolivar, is seriously eroding household purchasing power. Private consumption is dependent on expatriate remittances traded on the black market, and there is an acute lack of basic necessities. Investments continue to decline in what is still a very difficult business environment, featuring arbitrary expropriations and intrusive state controls and inspections.

A precarious fiscal and external situation

The sharp decline in oil production since the beginning of the crisis has led to a fall in fiscal revenues and an explosion in the government deficit. To compensate for the lack of financing, the government is relying on monetisation and oil-for-loan deals with Russia and China. In arrears on principal payments on its sovereign and quasi-sovereign (PDVSA) bonds since November 2, 2017 to private creditors, and since December 14, 2017 to the Inter-American Development Bank (IDB), the government did start to make payments on PDVSA 2020 bonds at the end of 2018. These securities are secured by 51% of the shares of Citgo, a PDVSA subsidiary in the United States and a key partner of the state-owned company. In this setting, some creditors affected by the partial default in 2017 have already decided to file appeals claiming that the government has the capacity to pay. New appeals are likely to be introduced in the coming months. Debt restructuring is still hampered by US sanctions that prevent US creditors from participating in the negotiations.

From an external accounts perspective, the current account balance is expected to remain in surplus. The sharp contraction in imports – combined with the relative increase in oil exports with the restart of facilities in the Caribbean following the agreement with ConocoPhilips in August 2018 – puts the balance of goods in surplus. This surplus, combined with increased expatriate remittances, finances the services deficit related to weak tourism performances and the cost of oil engineering services, as well as debt interest payments. Foreign investment will continue to be very limited and will not be enough to finance debt repayment, prolonging the reduction in foreign exchange reserves, which stood at USD 8.8 billion in November 2018. These low reserves, combined with capital flight, are fuelling the decline of the bolivar despite the redenomination carried out in August 2018. The new sovereign bolivar introduced in August 2018 corresponds to 100,000 units of the old currency. However, this measure has had no effect on hyperinflation or the gap between the official exchange rate and the black market rate because it does nothing to change the underlying macroeconomic imbalances.

The political situation remains tense

Few changes are expected on the political front. The government of Nicolas Maduro (Partido Socialista Unido de Venezuela) still dominates most of the institutions and enjoys the support of the army, while a growing share of the population is principally concerned with securing basic necessities. The opposition, represented by Mesa Unitaria Democratica (MUD), is split by internal divisions that prevent it from standing up to the government and agreeing on a strategy, particularly vis-à-vis the largely pro-regime Constituent Assembly set up in August 2017. However, discussions with the government could start ahead of the municipal elections scheduled for December 2019.

On the international scene, the government is trying to establish closer ties to Russia and China in order to obtain funding, while the European Union and the United States, followed by a majority of Latin American countries, are stepping up sanctions. At the end of 2018, the United States said that if nothing changed, it might even add Venezuela to the list of state sponsors of terrorism, alongside Iran, Syria, North Korea and Sudan.

VIETNAM

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2017	**93.6**
GDP PER CAPITA US Dollars - 2017	**2,353**
CURRENCY Vietnamese dong	**VND**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	6.2	6.8	6.8	6.6
Inflation (yearly average, %)	2.7	3.5	3.8	4.0
Budget balance (% GDP)	-4.8	-4.5	-4.6	-4.7
Current account balance (% GDP)	2.9	2.5	2.2	2.0
Public debt (% GDP)	59.9	58.5	57.8	57.4

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	20%
EURO AREA	15%
CHINA	15%
JAPAN	8%
SOUTH KOREA	7%

Imports of goods as a % of total

CHINA	26%
SOUTH KOREA	21%
JAPAN	8%
TAIWAN	6%
THAILAND	5%

+

- Development strategy based on openness, upscaling and diversification of the economy
- Large available labour force; low wages
- Strong agricultural potential and natural resources
- Economy unaffected by Chinese slowdown
- Potential benefactor of US-China trade war

-

- Shortcomings in the business climate
- Lack of infrastructure
- Incomplete reform of the public sector
- Increasing inequalities
- Fragile banking system
- Inefficient and indebted SOEs take up 28.4% of capital while representing 0.5% of total number of firms

RISK ASSESSMENT

Growth will remain strong

Growth will remain robust in 2019, after reaching its fastest pace in eight years during 2018, carried by the continuous shift of labour from agriculture to more productive sectors (manufacturing and services). While public investment is subject to budget constraints, private investments – both foreign (FDI) and domestic, in industry and construction – will be dynamic. Domestic demand will be strong, supported by the tourism sector (7% of GDP in 2017), the growing middle class, increasing wages, and rising urbanisation rates. Inflation is set to remain at the upper limit of the authorities' target, partly due to higher oil prices. Exports are expected to continue to perform strongly, especially with increasing participation in international trade agreements (ASEAN, the FTA with the EU, the FTA with South Korea and CPTPP). Growing integration in global value chains could also be spurred in the context of US-China trade war, as Vietnam is a good alternative to China for export-oriented manufacturing thanks to the availability of a low-cost labour force and the country's participation in trade agreements. Moreover, Vietnam is moving upmarket, including in electronics, with the production of some smartphone and tablet components. Electronics, machinery, footwear, and clothing are the main export industries. Due to aforementioned reorientation of the workforce and the economy, the agricultural and oil segments will likely be much less dynamic than the service and manufacturing industries.

Public accounts remain poor; maintained current account surplus

The budget deficit will remain high in 2019. It will be smoothed by both increased tax revenues, thanks to the implementation of reforms of the tax administration system, and by receipts from the privatisation of SOEs (partial divestment from 181 SOEs planned for 2018 and 62 for 2019). Reluctant to fully privatise, the state is expected to maintain a 33% stake (the amount needed for veto powers) in profitable or strategic companies. FDI is needed to finance infrastructure projects within public-private partnership frameworks (notably in transport and energy). Public debt will slightly decrease, remaining just below the debt ceiling set by Parliament (65% of GDP). Almost all of public debt has medium or long-term maturity, but it will remain vulnerable to currency risk, as it is largely denominated in foreign currencies (around 40%), while public and publicly guaranteed external debt has risen to around 50% of GDP.

The goods surplus is carried by manufactured goods exports, notably the increasing share of higher value added electronic components exports, and the service surplus by IT outsourcing and tourism. The exports outlook is made brighter by the trade war on tariffs, which could be the start of a reshaping of global value chains. These performances will continue to be offset by imports of intermediate goods, while the income balance should remain heavily in deficit, despite expatriate transfers (mainly from the United States).

Foreign reserves increased thanks to FDI and portfolio investments in recent years, but the central bank's interventions to fend off pressures on the crawling peg to the US dollar (2.5% depreciation in the first half of 2018) are maintaining them at an insufficient level (2.5 months of imports in late 2018). Pressures will linger in a context of tighter global liquidity and appreciation of the US dollar to emerging countries' currencies, although Vietnam is expected to be less exposed to sharp net outflows than some neighbours. The banking system will remain fragile as it is undercapitalized and heavily dollarised.

Domestic stability, but geopolitical tensions

The Communist Party of Vietnam (CPV) controls the political, economic and social life. Political repression is increasingly targeting internet activists. President Tran Sai Quang passed away in September 2018, but this will not affect stability as he will be replaced by Nguyen Phu Trong, the general secretary of the CPV. The presidential role is mostly ceremonial, but it should be noted that Mr Trong will be the first person since Ho Chi Minh to hold those two positions. Domestic policy will continue to target corruption and a lack of transparency to increase attractiveness for foreign investors: Vietnam is ranked 68th out 190 countries in the 2018 Doing Business ranking by the World Bank.

The sovereignty dispute in the South China Sea will continue to weigh on diplomatic relations with China. Vietnam continues to risk triggering Chinese reaction with new oil and gas production sites near disputed waters to answer its output shortfall. 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. Explorations were ended. In July 2018, the state-owned PetroVietnam signed another deal to start drilling with a Japanese company near Chinese-claimed waters; at the time of writing, this has yet to trigger a Chinese reaction. Vietnam will pursue its efforts to strengthen economic, political, and military ties with regional powers such as Japan and India, but also with the United States. In addition, the country is part of the CPTPP that will come into force in 2019.

YEMEN

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	**30.0**
GDP PER CAPITA US Dollars - 2017	**1,043**
CURRENCY Yemeni rial	**YER**

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	-13.6	-5.9	-2.6	-3.0
Inflation (yearly average, %)	-12.6	24.7	41.8	31.2
Budget balance (% GDP)	-9.9	4.7	-10.7	-4.5
Current account balance (% GDP)	-5.1	-4.0	-9.3	-8.4
Public debt (% GDP)	68.1	74.5	62.5	48.8

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EGYPT	35%
THAILAND	15%
BELARUS	13%
OMAN	12%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

UNITED ARAB EMIRATES	12%
CHINA	12%
TURKEY	9%
BRAZIL	7%
SAUDI ARABIA	6%

- International humanitarian and financial support
- Geostrategic importance at the entrance to the Red Sea
- Architectural and cultural heritage
- Gas reserves
- Youthful population

- Civil war accompanied by a humanitarian and economic crisis and division of the country
- Poorest country in the Arabian Peninsula
- Heavily dependent on international aid
- Poor business environment (bureaucracy, corruption, destroyed or non-existent infrastructure)

RISK ASSESSMENT

A drawn-out war

Four years after the conflict began, Yemen still seems to be at an impasse. The United Nations mediation attempt in June 2018 – which was supposed to allow the Iran-backed Houthi movement to meet with President Abdrabbuh Mansour Hadi's government forces and members of the Saudi Arabian-led coalition for talks at a summit in Geneva – ended in failure. Shortly after this unsuccessful attempt, the temporary ceasefire was broken, and pro-government forces supported by the Saudi coalition resumed their offensive against the rebel-held port of Hodeida. The port city remains one of the only remaining active supply ports in the north-western region, which is the most populated in the country. Since the coalition strikes began, the conflict has become more and more deadly: between March 2015 and June 2018, the United Nations recorded 6,475 victims killed and 10,231 injured. Two million people have been displaced by the clashes, and nearly 17.8 million are food insecure. Soaring prices and increasing shortages put 8.4 million Yemenis at risk of starvation. The Office for the Coordination of Humanitarian Affairs (OCHA) estimates that more than 75% of the population is in an emergency situation. Broken sanitation systems and difficulties in accessing safe drinking water are contributing to the spread of disease. Yemen continues to suffer from the largest cholera outbreak in recent history. In the government-controlled part of the country, the sharp depreciation of the rial has severely undermined household purchasing power, leading to increased protests, including in Taiz. In response to the protests, President Hadi sacked part of the government, including Prime Minister Moeen Abdulmalik Saeed, who took office in October 2018. The escalating violence in Yemen is beginning to attract the attention of the international community. In the United States, a new US Congress resolution is attempting to limit US logistical support for the coalition, despite US President Donald Trump's overt support for his ally. At the same time, a group of experts appointed by the UN Human Rights Council found in an October 2018 report that coalition air strikes against civilian targets were responsible for the majority of casualties. By violating the principles of distinction, proportionality, and precaution, these attacks could be qualified as war crimes. Although it is hard to imagine a swift end to the conflict in the short term, this general awareness could lead the international community to increase the pressure on stakeholders and their allies to sit at the negotiating table.

Activity continues to contract

The worsening conflict and the destruction of infrastructure have damaged the country's economic fabric. Yemen has lost nearly 50% of its GDP since the clashes began. Trade has nosedived and investment is almost non-existent. Hydrocarbon production (40,000 to 45,000 barrels per day), which accounted for 90% of exports in 2015, is expected to continue to decline. Although oil facilities have not been damaged, the transport of production remains constrained by port blockades and pipeline attacks. Severe fuel and electricity shortages will continue to hinder economic activity and fuel inflation. The decline in investment and damage to infrastructure suggest that, even if the conflict were to abate, it will be hard in the short term to get back to pre-civil war production levels.

External and public accounts in a critical state

Despite the sharp contraction in imports, the current account is expected to continue to show a deficit. Low oil revenues are hurting the foreign exchange reserves. Despite Saudi Arabia's deposit of USD 2 billion, they continue to shrink, leading to a sharp depreciation of the rial, which lost 30% of its value in 2018. However, the central bank has little room for manoeuvre, and despite the increase in the key interest rate from 15% to 27% in October 2018, inflation continues to rise. The weakening of the Yemeni currency is driving up import costs, prompting protests in government-controlled territories.

The public accounts situation has deteriorated significantly since the conflict started. Structurally in deficit, the accounts remain highly dependent on oil revenues. The decline in oil exports and the contraction of activity have led to a steep drop in government resources, which are heavily reliant on international aid. In fact, government revenue collection fell from 24% of GDP in 2014 to about 8% of GDP in 2018. Faced with a lack of resources, most essential public services are no longer provided. Civil servants are not being paid and the state is building up additional arrears and unpaid debts. Civil servants have been taking to the streets to demand that the government pay their salaries in US dollars. Meanwhile, humanitarian associations are taking the place of the state in conflict areas.

ZAMBIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2017	17.2
GDP PER CAPITA US Dollars - 2017	1,491
CURRENCY Zambian kwacha	ZWM

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	3.8	3.4	3.3	3.9
Inflation (yearly average, %)	18.2	6.6	7.5	8.4
Budget balance (% GDP)	-5.7	-7.9	-7.5	-6.9
Current account balance (% GDP)	-4.6	-4.5	-4.8	-4.4
Public debt (% GDP)	60.7	63.1	66.9	69.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	45%
CHINA	16%
CONGO DR	6%
SINGAPORE	6%
SOUTH AFRICA	6%

Imports of goods as a % of total

SOUTH AFRICA	28%
CONGO DR	21%
CHINA	13%
KUWAIT	5%
UNITED ARAB EMIRATES	5%

+
- Mineral wealth (copper, cobalt, uranium, gold, diamond, manganese)
- Agricultural wealth (maize, tobacco)
- Significant hydroelectric potential

−
- Dependence on copper, which is further accentuated by dependence on China, the main importer of ore
- Landlocked and dependent on the transport routes of neighbouring countries
- Electricity generation is insufficient and based almost exclusively on hydropower; unreliable transport networks
- High levels of inequality; healthcare, educational and administrative deficiencies

RISK ASSESSMENT

Stronger growth subject to downside risks

Growth is expected to increase in 2019, mainly driven by the mining sector, which will continue to be the number-one target for private investment. Higher copper prices, compared with the low levels of 2016, should continue to support an increase in production volumes. Investment should also benefit related sectors such as transport, energy and construction. Conversely, hikes in mining taxes and waning investor confidence could be a drag on the increase in investment. In addition, the impact on copper demand of a slowdown in the Chinese economy could constrain export growth. Economic activity will also suffer from spillover effects linked to rising concerns about external debt. Inflation in the cost of debt service may therefore prompt authorities to trim public spending. Fiscal consolidation efforts, though cautious, will also affect public consumption and investment, with, in particular, many projects being suspended or postponed. Meanwhile, the slowdown in credit growth, following the rise in the cost of credit, is likely to depress private consumption. Although a rebound in agricultural production is on the cards for 2019, household consumption is expected to continue to feel the effects of the poor 2018 performance by the sector, on which nearly half of the population depends. Household income may also be eroded by inflation, which could increase given the deflationary pressures on the kwacha.

Debt sustainability in jeopardy

In 2019, the large fiscal deficit, resulting from increased public investment and subsidies, lower copper prices and higher debt service, is expected to shrink only modestly. The 2019 budget forecasts revenue growth through a change in tax regime for the mining sector and tax hikes, among other things. Furthermore, by focusing capital expenditure on projects that are at least 80% completed, the authorities hope to rationalise public expenditure. Despite these measures, however, lowering the budget deficit is expected to remain a slow process, partly due to debt service, which will continue to eat into public resources: in 2017, debt service absorbed almost a quarter of revenues, up from 6% in 2011. The rapid accumulation of public debt since 2011 (21% of GDP), and particularly of non-concessional external debt, which went from 23% of external debt in 2011 to 77% in 2017, is at the root of the increase in debt service. The risk of debt distress now looks high and contingent on a depreciation of the kwacha.

The current account deficit is expected to remain substantial. While the goods surplus is set to increase further on higher copper exports and lower capital goods imports, the deterioration in the income balance is expected to continue to weigh heavily. In addition to profit repatriations by foreign companies, debt service payments are expected to continue to affect the balance. External debt service, which is responsible for nearly two thirds of the country's foreign exchange outflows, has drained the foreign exchange reserves, which now stand at two months of imports. In this context, the kwacha is expected to remain under significant pressure, especially since negotiations on an IMF programme have stalled. The deficit in the balance of services, mainly related to mining, and the surplus in the balance of transfers, particularly from expatriates, are expected to remain relatively stable. The current account deficit is generally financed by FDI inflows.

Corruption scandals undermine the credibility of governance

Since the tense elections of 2016, which were won by Edgar Lungu (Patriotic Front), the political situation seems to have deteriorated. After being criticised for authoritarian abuses, in March 2018 the President and his government were the subjects of a motion to impeach tabled by the main opposition party – the United Party for National Development – for violation of the constitution. Although it was unsuccessful, the motion illustrates the difficult political climate surrounding Edgar Lungu's presidency. Within President Lungu's own party, tensions persist over whether it is legal for him to run again. Zambia's constitution limits the number of terms to two, and Mr Lungu served as interim leader in 2015 after the death of President Michael Sata. However, these tensions could subside after the Constitutional Court ruled in December 2018 that President Lungu could run in 2021.

Corruption scandals that were uncovered in 2018, including the misappropriation of USD 4.3 million in social protection subsidies, are fuelling perceptions of economic mismanagement in the country. In response to this scandal, four countries (United Kingdom, Sweden, Finland and Ireland) decided to freeze aid to the country, contributing to a deterioration in the credibility of governance and the fight against corruption at international and domestic levels. Although relatively favourable compared to its peers in sub-Saharan Africa, the business climate still suffers from shortcomings (87th out of 190 countries in the 2019 Doing Business ranking), particularly in terms of cross-border transport costs.

ZIMBABWE

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2017	14.9
GDP PER CAPITA US Dollars - 2017	1,185
CURRENCY No universal currency	-

Main economic indicators	2016	2017	2018 (e)	2019 (f)
GDP growth (%)	0.6	3.2	3.0	3.1
Inflation (yearly average, %)	-1.5	0.9	8.3	22.4
Budget balance (% GDP)	-7.3	-14.7	-16.4	-9.1
Current account balance (% GDP)	-3.3	-4.0	-4.6	-5.3
Public debt (% GDP)	69.9	84.8	94.2	96.2

(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	48%
MOZAMBIQUE	22%
UNITED ARAB EMIRATES	14%
EURO AREA	5%
ZAMBIA	5%

Imports of goods as a % of total

SOUTH AFRICA	47%
ZAMBIA	21%
UNITED STATES	3%
CHINA	3%
KUWEIT	3%

+

- Abundant mineral resources (platinum, gold, diamonds, nickel)
- Agricultural wealth (maize, tobacco, cotton)
- Tourism development potential
- Member of the Southern African Development Community (SADC)
- Normalisation of relations with the international community

-

- Shortage of cash
- Economic and financial position damaged by long period of hyperinflation (2000 to 2009)
- 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
- Arrears with international backers

RISK ASSESSMENT

Back to the future: risk of stagflation in 2019

In late 2018, the economy was hit by severe inflationary pressures caused by the country's liquidity crisis. These pressures are expected to intensify in 2019. After the decision in 2009 to abandon the Zimbabwean dollar in favour of foreign currencies (mainly the US dollar), the monetary stability that the country experienced was unable to withstand the challenges of bringing foreign exchange into the country. To overcome these difficulties, in 2016 the government issued bond notes at a rate of USD 1 for a bond note of 1 (zimbollar). This measure, which was supported by a USD 500 million loan from Afreximbank, did not have a lasting positive impact. Worse still, widespread mistrust about the real value of these notes led to a rapid depreciation in their real exchange rate, resulting in the rise of a black market for foreign currencies and the government's authorisation, at the end of 2018, to open different bank accounts for US dollars and bond notes, thus recognising the difference in value between the two. Growth, still calculated by the government using the official parity, will be lower than that shown in the budget due to the continued depreciation, and could even be negative when expressed on a per capita basis. Electronic payments through the EcoCash solution, which are used to make up for the shortfall in banknotes, will be subject to a 2% tax. This measure, combined with soaring inflation and the very high unemployment rate, will have a negative impact on the contribution of private consumption to growth, which should, even so, remain slightly positive provided weather conditions for agriculture are favourable. Driven by the cotton and tobacco sectors, agricultural production is expected to just exceed the level reached 20 years ago – after which it plummeted due to expropriations of white farmers – and contribute to export growth. The expansion of the mining sector should also contribute to export growth, but its positive effect is expected to be more than offset by higher import prices. This will likely precipitate the depreciation of the bond note and encourage inflation, further stoking the fears of investors, who were already worried by how the 2018 general elections unfolded. As a result, the impact of investment on growth in 2019 is expected to be virtually zero, as the government has also committed itself to a policy of fiscal austerity by reducing its investment spending. Public spending could even make a negative contribution.

Efforts to alleviate the large twin deficits

Expenditure related to holding the elections, as well as the 17.5% increase in civil servants' salaries (31% of total expenditure), contributed significantly to the deterioration in the government deficit in 2018. The government has therefore decided to pursue a policy of fiscal austerity to consolidate the public accounts. If it is successful, international donors, with whom the country is still in arrears, would be willing to restart a dialogue on releasing budget support funds. According to the 2019 Finance Act, revenues are expected to decrease by the equivalent of 2% of GDP (but increase in nominal terms), while expenditure is expected to decrease by almost 9% of GDP. Risks to the economy could threaten these budget targets (5% deficit), as could the depreciation of the Zimbabwean bond note against the dollar, which is the unit used by the budget. To finance its deficit, and as the international capital market is closed to it, the government will mainly go into domestic debt with commercial banks and the central bank, which will negatively impact its reserves and thus fuel liquidity pressures.

The current account deficit will widen in 2019. Due to the lack of foreign exchange, which limits the increase in imports, the widening trade deficit (13.3% of GDP in 2017) will be contained. South Africa's slow growth could also have an impact on remittances from expatriates, most of whom live in that country, reducing the transfer surplus (11.5% of GDP). The counterpart to the current account deficit will be provided by official transfers and FDI.

Emmerson Mnangagwa wins after contested elections

The general elections of July 2018 saw Emmerson Mnangagwa win a close victory (50.8%). His ZANU-PF Party, which has held power since independence, also secured a majority in the Assembly and Senate. President Mnangagwa had previously taken power at the end of 2017 during a "military-assisted transition", which the army insisted was not a *coup d'État* and which led to the resignation of his former mentor Robert Mugabe. The event that triggered the move was Mr Mnangagwa's dismissal as Vice-President with the aim of appointing Grace Mugabe, the former President's wife, to lead the country. The opposition, mainly led by Nelson Chamisa (44.3%), strongly contested the outcome of the elections, protesting numerous irregularities, and was the victim of a repression that killed at least seven people, in which the Vice-President Constantino Chiwenga is suspected of being involved. The elections represented a real test for Mr Mnangagwa after the announcement of measures to improve the business environment. However, investors were not reassured. The country is ranked 189th on the World Bank's corruption indicator and 155th in the Doing Business rankings.

A

ACA: Affordable Care Act (also known as Obamacare)

ADB: Asian Development Bank

AFD: Agence française de développement (French Development Agency)

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

BCEAO: Banque Centrale des États de l'Afrique de l'Ouest (Central Bank of West African States)

BDI: Baltic Exchange Dry Index - Maritime tranport 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: Domnican Republic-Central America FTA

CAR: Central African Republic

CARICOM: Caribbean Community and Common Market - Organisation briging 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)

Chaebols: Large industrial conglomerates that are run and controlled by a South Korean owner (typically families)

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

CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership

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

ERM II: European Exchange Rate Mechanism

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

FY: Financial Year

G

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 Af

G5 Sahel: Institutional framework for development and security cooperation regrouping Burkina Faso, Mali, Mauritania, Niger and Chad.

GAFTA: Greater Arab Free Trade Area

GCC: Cooperation Council for the Arab States of the Gulf, know 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)

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

GLOSSARY

ICT: Information and Communication Technology

IMF: International Monetary Fund

L

LNG: Liquified 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

MSR: Maritime Silk Road

N

NAFTA: North American Free Trade Area

NAHB HMI: National Association of Home Builders Housing Market Index

NATO: North Atlantic Treaty Organisation

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 agreemeent between Caribbean countries and Venzeula 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 martimes roads and a composite index (Freight indices reflect the maritime freight and other maritime road tax

SDR: Special Drawing Right

SEPA: Single Euro Payments Area

SMEs: Small- and Medium-sized Enterprises

SOCAR: State Oil Company of Azerbaijan Republic

SOE: State-Owned Enterprises

SOFAZ: State Oil Fund of Azerbaijan

SWF: Sovereign Wealth Fund

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

UEMOA: Union éconômoque et monétaire ouest-africaine (West African Economic and Monetary Union)

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

UNSMIL: United Nations Support Mission in Libya

US(A): United States (of America)

USDA: United States Department of Agriculture

USMCA: United States-Mexico-Canada Agreement

V

VAT: Value Added Tax

W

WAEMU: West African Economic and Monetary Union

WB: World Bank

WTO: World Trade Organization

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