2020

COFACE COUNTRY & SECTOR RISKS HANDBOOK

MAJOR TRENDS OF THE WORLD ECONOMY

ANALYSIS AND FORECAST FOR 162 COUNTRIES AND 13 SECTORS

coface
FOR TRADE

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 risk;

— Consultants and lawyers specialized in international business;

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

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ANALYSIS AND FORECASTS FOR 162 COUNTRIES AND 13 SECTORS

CONTENTS

World trade in the face of political and environmental change

— Xavier Durand —
CEO of Coface

The Sino-American trade war, customs duties, sanctions against companies, import quotas... the use of expressions highlighting the rise of trade protectionism and its consequences on international trade has multiplied over the last year. This reflects the reality: the total number of protectionist measures implemented worldwide exceeded 1000 in 2018 and 2019 according to Global Trade Alert, about 40% more than in the previous three years. That said, «only» 23% of all protectionist measures taken between 1st January 2017 and 15th November 2019 were decided by the United States or China. Therefore, protectionism is not exclusive to the world's two largest economies. The desire of many emerging countries to protect a large number of industries, weakened by international competition, will continue to make them cautious about opening up to trade. In this context, despite the willingness of other countries to compensate trade losses by signing new trade agreements, international trade in goods volumes were lower than a year earlier in 2019, for the first time in ten years.

In 2020, the performance of international trade will still largely depend on the political environment: at first glance, while the occurrence of the first concrete effects of the trade war on the American and Chinese economies argues for a gradual easing, the actions of the American president remain difficult to predict in the context of a campaign for re-election, weaker economic growth and a less buoyant job market. Furthermore, fundamental strategic divergences with China will remain: Hong Kong, Taiwan, the South China Sea, the race for innovation in several key sectors of activity... However, this year, the United States will still have room for manoeuvre to put pressure on China. Regarding tariff measures, it is still possible to increase existing customs duties (D. Trump had stated during the 2016 presidential campaign that he would establish customs duties on Chinese imports at 45%!). Non-tariff measures are also possible (sanctions against companies, bans on imports of certain products from specific countries, etc.). In any case, these persistent uncertainties should continue to weigh on company morale.

However, the rise of trade protectionism is not the only reason for this recent inflexion of international trade and industry. Another non-economic factor is at work: the consideration of environmental risks. As a matter of fact, while the implementation of stricter anti-pollution norms is welcome to reduce these risks in the medium term, it also promotes the rise in credit risk for companies that have difficulty adapting to these short-term upheavals. The recent examples of the automotive sectors in the European Union and China are significant. This year, companies in this sector should be affected in the United States and India. Similarly, in the global shipping sector, the effects of the introduction of stricter anti-pollution standards will also be felt.

On a brighter note, at this stage, the contagion effects of industry on service activities are not very visible in Europe and the United States. In their recent history, industrial recessions have not

“In the emerging world, public and corporate debt will be the main focus in 2020.” — **Xavier Durand**

always coincided with a recession for the economy as a whole - far from it. In this context, on both sides of the North Atlantic, economic growth is slowing but not collapsing, especially since many central banks have acknowledged this slowdown and announced monetary easing measures. The number of corporate insolvencies is rising, but at a slow pace and often from a low base level.

In the emerging world, debt will be the main focus in 2020. For states, public debt is increasing in all regions except Central and Eastern Europe. In Latin America, it is higher than at the end of the 1990s, a period marked by recurring debt crises. In Africa, it is close to the level observed around fifteen years ago, a period of debt write-offs by international and bilateral donors. For companies in these regions, this means that government arrears are likely to increase this year. The only good news is that the structure of the sovereign debt in emerging countries is generally more favorable than twenty years ago: 80% of it is now denominated in local currency. However, that is not the case for companies: since 2007, corporate debt in emerging countries denominated in foreign currency has doubled and exceeded USD 7 trillion, seven times more than the sovereign debt of emerging countries denominated in foreign currency. Naturally, in some countries such as China, corporate debt is admittedly in local currency, but at a very high level.

Speaking of China, the slowdown in growth and its consequences on corporate credit risk are still relevant. The former is taking on new forms: it is no longer solely reflected by the difficulties of companies in sectors of activity constrained by production overcapacity and high debt (construction and metals in particular), since household consumption is also showing signs of fatigue. For example, for the first time in twenty years, the number of car sales fell in 2018 and 2019, a sign that the market is maturing, that household debt is rising, but also that new anti-pollution norms have affected manufacturers. Exporting companies penalized by US protectionist measures also saw their financial situation deteriorate last year, for instance in the electronics sector. Finally, as in previous years, the health of small and medium-sized banks, considered the most fragile, is to be monitored. The effects of the Chinese slowdown on the rest of the emerging world should continue to draw attention this year. Indeed, many countries would be penalized by a sharper than expected landing of growth in China, through one of the possible transmission channels: direct trade links, investments and loans from the Middle Kingdom abroad, world commodity prices or even a global confidence shock on the financial markets.

Finally, as every year, there will be many political uncertainties in the world. Particularly, the holding of elections or, as we saw in 2019, the introduction of a tax or an increase of a public tariff, may be the straw that breaks the camel’s back on political risk, specifically in areas where social frustration is fueled by high unemployment, income inequality, corruption or lack of political freedom. This will be the case (to name the main ones) in Côte d’Ivoire, Chile (referendum on the change of Constitution), Hong Kong, Egypt, Bolivia, and of course the United States, especially since some of these countries are among those where social tensions have already been high last year. Last but not least, in Europe, the fragmentation of political scenes resulting from the rise of non-traditional parties is making governments increasingly fragile. In Italy, will the ruling coalition manage to exist until the end of the year, when early elections (which would probably be favorable to anti-European parties) are inevitable? In Spain, will the formation of a governing coalition finally materialize? Will trade negotiations between the UK and the EU be successful?

The twenty-fourth edition of this guide attempts to answer these questions and discusses many other economic, political, financial, environmental and sectoral risks. I wish everyone an excellent reading of this handbook that Coface publishes every year.

How to use the handbook

SECTORS

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 Analysis of Strengths/Weaknesses

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

4 Risk Analysis Synthesis

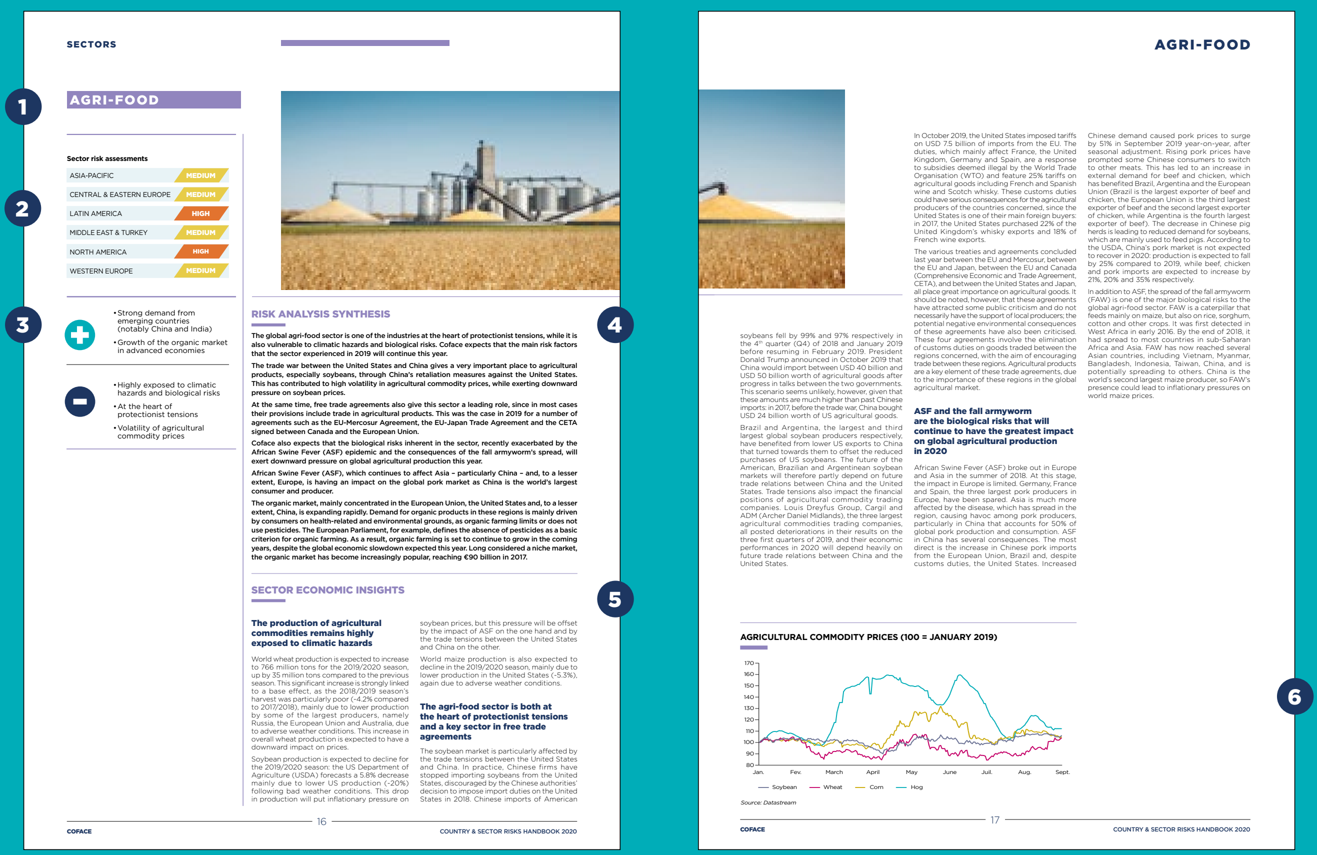
You will find in this section a synthetic analysis of economic and financial development in the markets as well as main risks in the point sector in terms of global trends. It broadly summarizes insights presented in the Sector Economic Insights section.

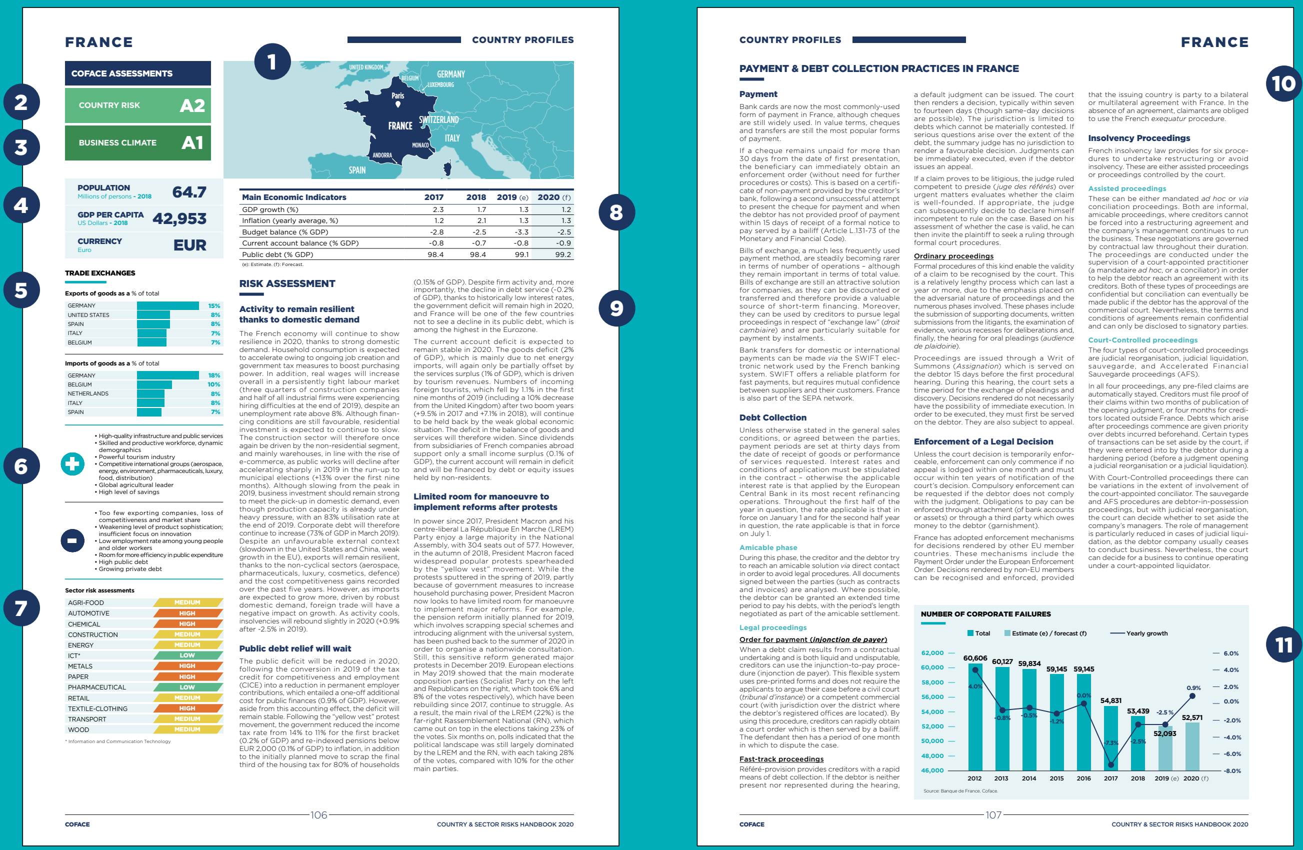
5 Sector Economic Insights

This section presents Coface's in-depth analysis of the sector global trends including the outlook for supply and demand for the coming year.

6 Sector Chart

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





COUNTRY PROFILES

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 2018, the GDP per capita in 2018, 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 2018.

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.

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 162 countries, as well as sector risk, and assessment of companies default rate. 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 28 countries (representing approximately 88% 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. 14).

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**.

For further information

The sector assessments are proposed on a scale of four levels: low, medium, high or very high, in ascending order of risk.

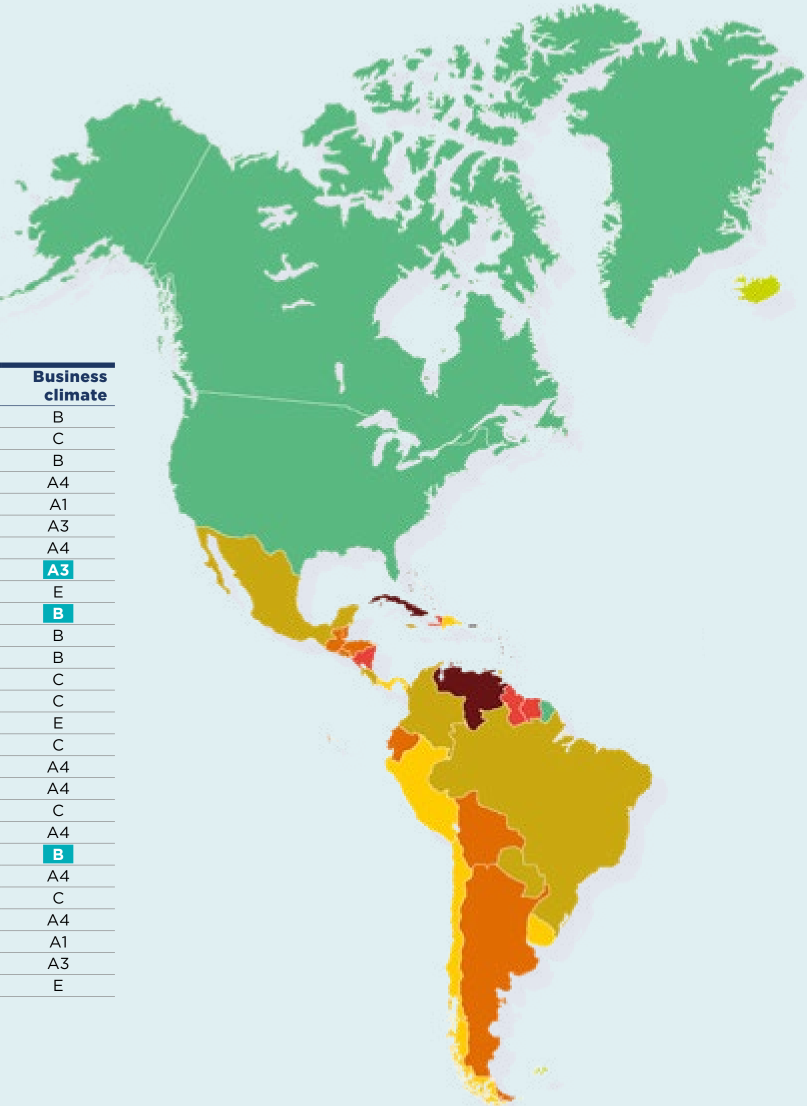
— You can find them on page 14

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.

DOWNGRADES IN 2019

UPGRADES IN 2019



AMERICAS

	Country risk	Business climate
Argentina	C	B
Belize	C	C
Bolivia	C	B
Brazil	B	A4
Canada	A2	A1
Chile	A4	A3
Colombia	B	A4
Costa Rica	B	A3
Cuba	E	E
Dominican Republic	A4	B
Ecuador	C	B
El Salvador	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	B	B
Peru	A4	A4
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
Benin	B	C
Botswana	A4	A4
Burkina Faso	D	C
Burundi	E	E
Cameroon	C	D
Cabo 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	D
Ghana	B	B
Guinea	D	D
Kenya	A4	A4
Liberia	D	D
Libya	E	E
Madagascar	C	C
Malawi	D	D
Mali	D	D
Mauritius	A4	A3
Mauritania	C	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	A4	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

BUSINESS DEFAULT RISK

A1 VERY LOW

A2 LOW

A3 SATISFACTORY

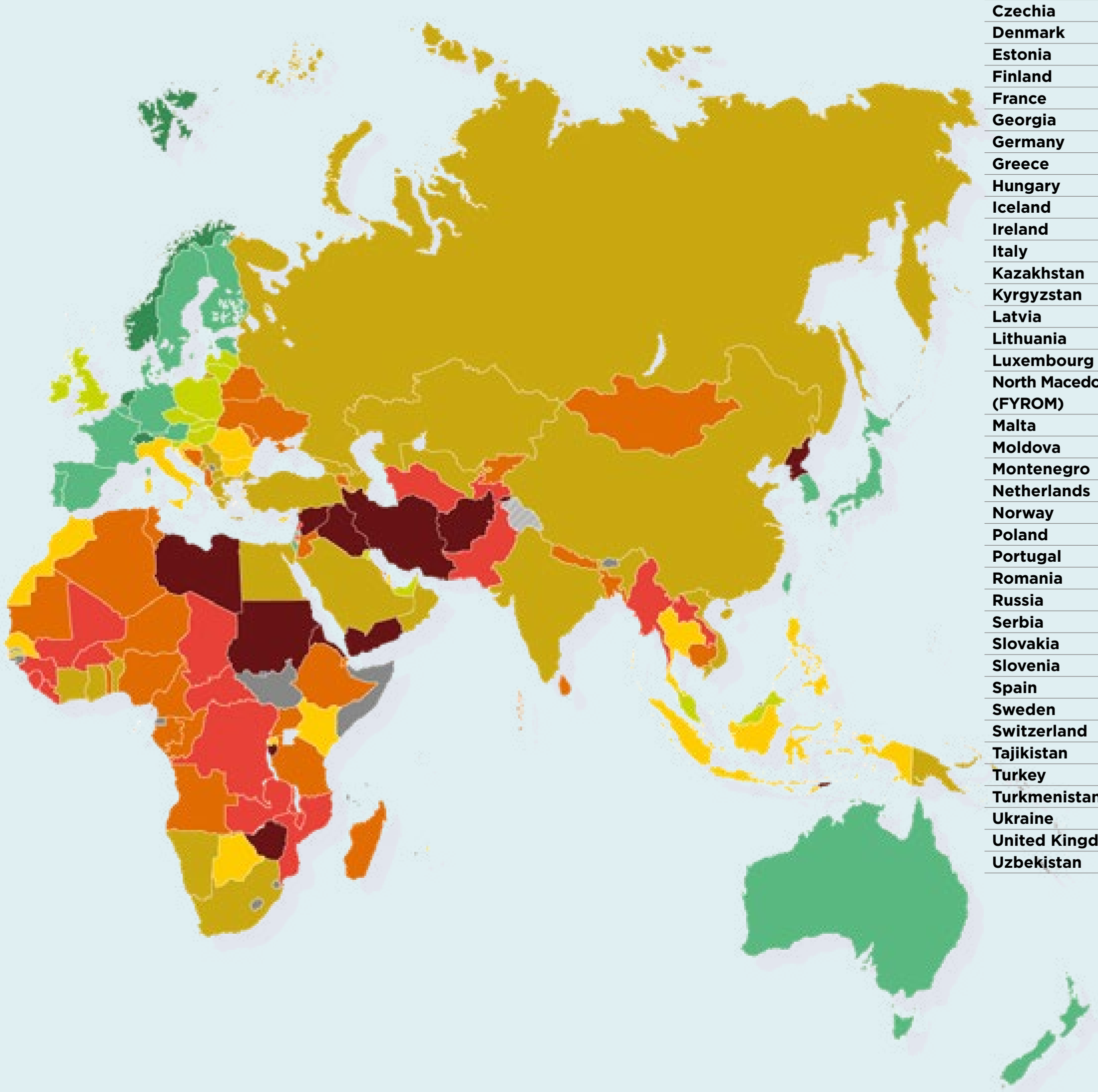
A4 REASONABLE

B FAIRLY HIGH

C HIGH

D VERY HIGH

E EXTREME



EUROPE AND CIS

	Country risk	Business climate
Albania	C	C
Armenia	C	B
Austria	A2	A1
Azerbaijan	B	C
Belarus	C	B
Belgium	A2	A1
Bosnia and Herzegovina	C	B
Bulgaria	A4	A3
Croatia	A4	A2
Cyprus	A4	A3
Czechia	A3	A2
Denmark	A2	A1
Estonia	A2	A1
Finland	A2	A1
France	A2	A1
Georgia	B	A4
Germany	A2	A1
Greece	B	A3
Hungary	A3	A3
Iceland	A3	A1
Ireland	A3	A1
Italy	A4	A2
Kazakhstan	B	A4
Kyrgyzstan	C	C
Latvia	A3	A2
Lithuania	A3	A2
Luxembourg	A1	A1
North Macedonia (FYROM)	B	A4
Malta	A2	A3
Moldova	C	B
Montenegro	B	A4
Netherlands	A1	A1
Norway	A1	A1
Poland	A3	A2
Portugal	A2	A2
Romania	A4	A3
Russia	B	B
Serbia	B	A4
Slovakia	A3	A2
Slovenia	A3	A2
Spain	A2	A1
Sweden	A2	A1
Switzerland	A1	A1
Tajikistan	D	D
Turkey	B	A4
Turkmenistan	D	E
Ukraine	C	C
United Kingdom	A3	A1
Uzbekistan	B	B

For further information

To download the map (in pdf format): https://www.coface.com/Economic-Studies-and-Country-Risks

MIDDLE EAST

	Country risk	Business climate
Bahrain	C	A4
Iraq	E	E
Iran	E	D
Israel	A2	A2
Jordan	C	A4
Kuwait	A3	A3
Lebanon	D	C
Oman	B	A4
Palestinian Territories	D	D
Qatar	A4	A3
Saudi Arabia	B	B
Syria	E	E
United Arab Emirates	A3	A2
Yemen	E	E

ASIA-PACIFIC

	Country risk	Business climate
Afghanistan	E	E
Australia	A2	A1
Bangladesh	C	C
Cambodia	C	B
China	B	B
Hong Kong SAR	A3	A1
India	B	B
Indonesia	A4	A4
Japan	A2	A1
Laos	D	D
Malaysia	A3	A3
Maldives	C	C
Mongolia	C	C
Myanmar	D	D
Nepal	C	B
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	A1
Thailand	A4	A3
Timor Leste	E	C
Vietnam	B	B

COUNTRY RISK ASSESSMENT HISTORY OF THE MAIN ECONOMIES

	2020 Jan.	2019 Sept.	2019 June	2019 March	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.
A1											
Netherlands	A1	A1	A1	A1	A1	A1	A2	A2	A3	A3	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	A2
Austria	A2	A2	A2	A1	A1	A1	A1	A1	A1	A2	A2
Belgium	A2	A2	A2	A2	A2	A2	A2	A2	A3	A3	A2
Canada	A2	A2	A2	A2	A2	A3	A3	A2	A1	A1	A1
Denmark	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
France	A2	A2	A2	A2	A2	A2	A2	A3	A3	A3	A2
Germany	A2	A2	A2	A1	A1	A1	A1	A1	A1	A2	A2
Israel	A2	A2	A2	A2	A2	A2	A3	A3	A3	A3	A3
Japan	A2	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1
New Zealand	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Portugal	A2	A2	A2	A2	A2	A3	A4	A4	B	B	B
Singapore	A2	A2	A2	A2	A2	A2	A3	A1	A1	A1	A1
South Korea	A2	A2	A2	A2	A2	A2	A3	A2	A2	A2	A2
Spain	A2	A2	A2	A2	A2	A2	A3	A4	A4	B	B
Sweden	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1	A1
Taiwan	A2	A2	A2	A2	A2	A2	A3	A1	A1	A1	A1
United States	A2	A2	A2	A2	A2	A2	A2	A1	A1	A2	A2
A3											
Hong Kong SAR	A3	A3	A2	A2	A2	A2	A3	A1	A1	A1	A1
Hungary	A3	A3	A3	A3	A3	A3	A4	A4	B	B	B
Ireland	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A4
Kuwait	A3	A3	A3	A3	A3	A3	A3	A2	A2	A2	A2
Malaysia	A3	A3	A3	A3	A3	A4	A4	A2	A2	A2	A2
Poland	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3
Slovakia	A3	A3	A3	A2	A2	A3	A3	A3	A3	A3	A3
United Arab Emirates	A3	A3	A3	A3	A3	A4	A4	A3	A3	A3	A3
United Kingdom	A3	A3	A3	A3	A3	A3	A3	A2	A2	A3	A3
A4											
Botswana	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Bulgaria	A4	A4	A4	A4	A4	A4	A4	B	B	B	B
Chile	A4	A3	A3	A3	A3	A3	A3	A3	A2	A2	A2
Croatia	A4	A4	A4	A4	A4	B	B	B	B	B	B
Indonesia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Italy	A4	A4	A4	A4	A4	A3	A3	B	B	B	B
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	A4	B
Qatar	A4	A4	A4	A4	A4	A4	A3	A2	A2	A2	A2
Romania	A4	A4	A4	A4	A4	A4	A4	B	B	B	B
Senegal	A4	B	B	B	B	B	B	B	B	B	B
Thailand	A4	A4	A4	A4	A4	A4	A4	A4	A4	A3	A3
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4

	2020 Jan.	2019 Sept.	2019 June	2019 March	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.	2013 Jan.
B											
Brazil	B	B	B	B	B	B	C	C	A4	A3	A3
China	B	B	B	B	B	B	B	A4	A3	A3	A3
Colombia	B	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Côte d'Ivoire	B	B	B	B	B	B	B	C	C	C	D
Egypt	B	B	B	B	B	B	C	C	C	C	C
Ghana	B	B	B	B	B	B	B	C	C	B	B
Greece	B	B	B	B	B	B	C	C	C	C	C
India	B	B	B	B	B	A4	A4	A4	A4	A4	A4
Kazakhstan	B	B	B	B	B	B	C	B	B	B	B
Mexico	B	B	B	B	B	B	B	A4	A4	A4	A4
Oman	B	B	B	B	B	C	B	A3	A3	A3	A3
Russia	B	B	B	B	B	B	C	C	C	B	B
Saudi Arabia	B	B	B	B	C	C	B	A4	A4	A4	A4
Serbia	B	B	B	B	B	B	B	C	C	C	C
South Africa	B	B	B	B	B	C	C	B	A4	A4	A3
Turkey	B	C	C	C	C	B	B	B	B	A4	A4
Uzbekistan	B	B	B	C	C	C	D	D	D	D	D
Vietnam	B	B	B	B	B	B	B	B	C	C	C
C											
Algeria	C	C	C	C	C	C	C	B	A4	A4	A4
Angola	C	C	C	C	C	D	D	C	C	C	C
Argentina	C	C	C	C	C	B	B	C	C	C	C
Armenia	C	C	C	C	C	D	E	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	C	B	B	B
Madagascar	C	D	D	D	D	D	D	D	C	C	C
Nigeria	C	C	C	C	C	D	D	C	C	D	D
Sri Lanka	C	C	C	C	C	B	B	B	B	C	C
Tanzania	C	C	C	C	C	C	C	C	B	B	B
Tunisia	C	C	C	C	C	B	B	B	B	B	A4
Ukraine	C	C	C	C	C	C	D	D	D	D	D
D											
Haiti	D	D	D	D	D	D	D	D	D	D	D
Mozambique	D	D	D	D	D	E	D	C	C	C	C
Pakistan	D	D	D	D	D	C	C	D	D	D	D
E											
Iraq	E	E	E	E	E	E	E	D	D	D	D
Iran	E	E	E	E	E	E	E	D	D	D	D
Libya	E	E	E	E	E	E	E	D	D	D	D
Syria	E	E	E	E	E	E	E	D	D	D	D
Venezuela	E	E	E	E	E	E	E	D	D	C	C
Zimbabwe	E	E	E	E	E	E	E	D	D	D	D

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

Upgrade

Downgrade

SECTOR AND COUNTRY PROFILES CONTENTS

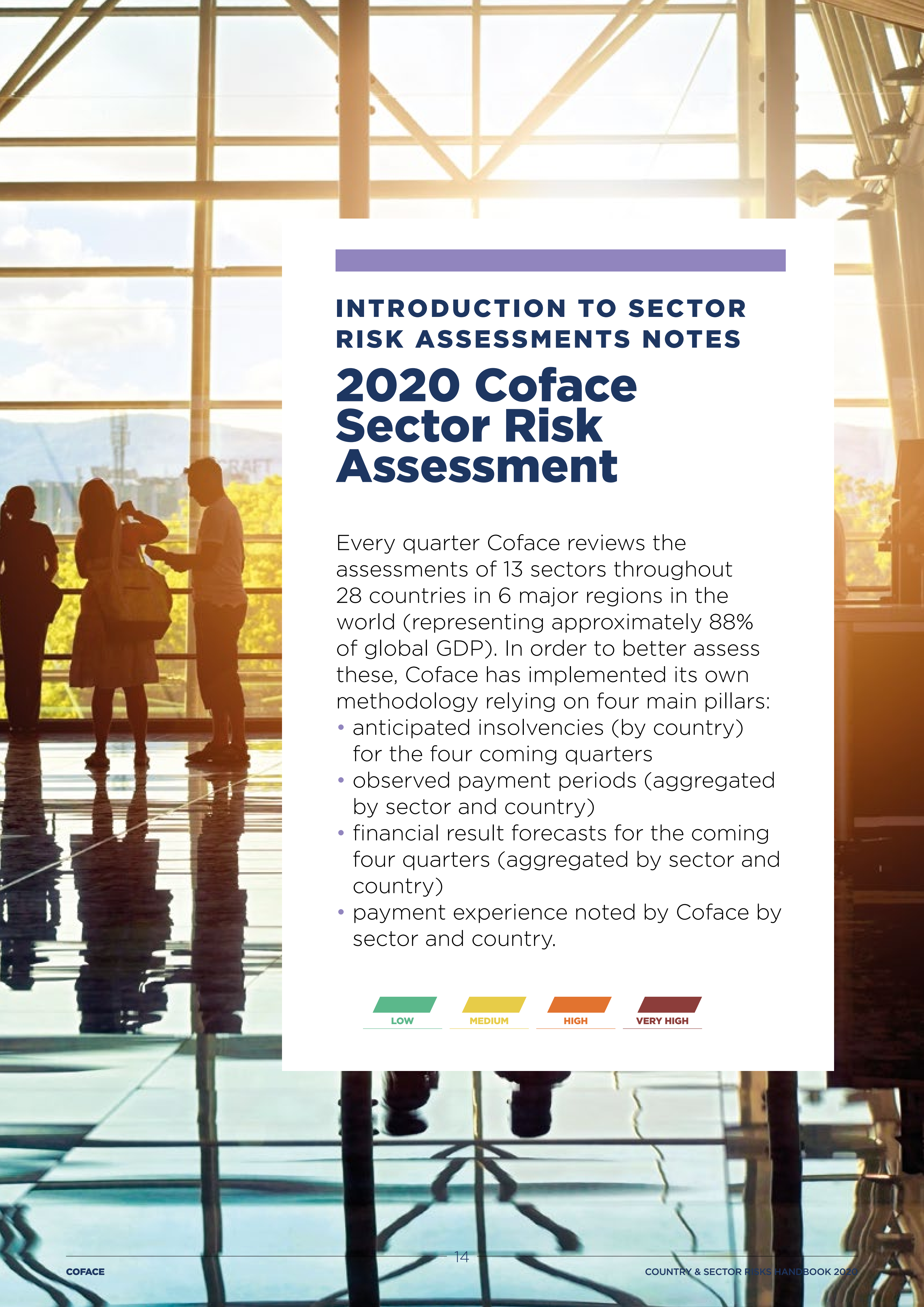
SECTORS

Coface sector risk assessments

COUNTRY PROFILES

Economic assessment and 2020 outlook for 162 countries

42 — 249



INTRODUCTION TO SECTOR RISK ASSESSMENTS NOTES

2020 Coface Sector Risk Assessment

Every quarter Coface reviews the assessments of 13 sectors throughout 28 countries in 6 major regions in the world (representing approximately 88% of global GDP). In order to better assess these, Coface has implemented its own methodology relying on four main pillars:

- anticipated insolvencies (by country) for the four coming quarters
- observed payment periods (aggregated by sector and country)
- financial result forecasts for the coming four quarters (aggregated by sector and country)
- payment experience noted by Coface by sector and country.

LOW MEDIUM HIGH VERY HIGH

REGIONAL SECTOR RISK ASSESSMENT

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

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

*ICT: Information and Communication Technology.

AGRI-FOOD

Sector risk assessments

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

\+

- Strong demand from emerging countries (notably China and India)
- Growth of the organic market in advanced economies

−

- Highly exposed to climatic hazards and biological risks
- At the heart of protectionist tensions
- Volatility of agricultural commodity prices

RISK ANALYSIS SYNTHESIS

The global agri-food sector is one of the industries at the heart of protectionist tensions, while it is also vulnerable to climatic hazards and biological risks. Coface expects that the main risk factors that the sector experienced in 2019 will continue this year.

The trade war between the United States and China gives a very important place to agricultural products, especially soybeans, through China's retaliation measures against the United States. This has contributed to high volatility in agricultural commodity prices, while exerting downward pressure on soybean prices.

At the same time, free trade agreements also give this sector a leading role, since in most cases their provisions include trade in agricultural products. This was the case in 2019 for a number of agreements such as the EU-Mercosur Agreement, the EU-Japan Trade Agreement and the CETA signed between Canada and the European Union.

Coface also expects that the biological risks inherent in the sector, recently exacerbated by the African Swine Fever (ASF) epidemic and the consequences of the fall armyworm's spread, will exert downward pressure on global agricultural production this year.

African Swine Fever (ASF), which continues to affect Asia – particularly China – and, to a lesser extent, Europe, is having an impact on the global pork market as China is the world's largest consumer and producer.

The organic market, mainly concentrated in the European Union, the United States and, to a lesser extent, China, is expanding rapidly. Demand for organic products in these regions is mainly driven by consumers on health-related and environmental grounds, as organic farming limits or does not use pesticides. The European Parliament, for example, defines the absence of pesticides as a basic criterion for organic farming. As a result, organic farming is set to continue to grow in the coming years, despite the global economic slowdown expected this year. Long considered a niche market, the organic market has become increasingly popular, reaching €90 billion in 2017.

SECTOR ECONOMIC INSIGHTS

The production of agricultural commodities remains highly exposed to climatic hazards

World wheat production is expected to increase to 766 million tons for the 2019/2020 season, up by 35 million tons compared to the previous season. This significant increase is strongly linked to a base effect, as the 2018/2019 season's harvest was particularly poor (-4.2% compared to 2017/2018), mainly due to lower production by some of the largest producers, namely Russia, the European Union and Australia, due to adverse weather conditions. This increase in overall wheat production is expected to have a downward impact on prices.

Soybean production is expected to decline for the 2019/2020 season: the US Department of Agriculture (USDA) forecasts a 5.8% decrease mainly due to lower US production (-20%) following bad weather conditions. This drop in production will put inflationary pressure on soybean prices, but this pressure will be offset by the impact of ASF on the one hand and by the trade tensions between the United States and China on the other.

World maize production is also expected to decline in the 2019/2020 season, mainly due to lower production in the United States (-5.3%), again due to adverse weather conditions.

The agri-food sector is both at the heart of protectionist tensions and a key sector in free trade agreements

The soybean market is particularly affected by the trade tensions between the United States and China. In practice, Chinese firms have stopped importing soybeans from the United States, discouraged by the Chinese authorities' decision to impose import duties on the United States in 2018. Chinese imports of American

soybeans fell by 99% and 97% respectively in the 4th quarter (Q4) of 2018 and January 2019 before resuming in February 2019. President Donald Trump announced in October 2019 that China would import between USD 40 billion and USD 50 billion worth of agricultural goods after progress in talks between the two governments. This scenario seems unlikely, however, given that these amounts are much higher than past Chinese imports: in 2017, before the trade war, China bought USD 24 billion worth of US agricultural goods.

Brazil and Argentina, the largest and third largest global soybean producers respectively, have benefited from lower US exports to China that turned towards them to offset the reduced purchases of US soybeans. The future of the American, Brazilian and Argentinean soybean markets will therefore partly depend on future trade relations between China and the United States. Trade tensions also impact the financial positions of agricultural commodity trading companies. Louis Dreyfus Group, Cargil and ADM (Archer Daniel Midlands), the three largest agricultural commodities trading companies, all posted deteriorations in their results on the three first quarters of 2019, and their economic performances in 2020 will depend heavily on future trade relations between China and the United States.

In October 2019, the United States imposed tariffs on USD 7.5 billion of imports from the EU. The duties, which mainly affect France, the United Kingdom, Germany and Spain, are a response to subsidies deemed illegal by the World Trade Organisation (WTO) and feature 25% tariffs on agricultural goods including French and Spanish wine and Scotch whisky. These customs duties could have serious consequences for the agricultural producers of the countries concerned, since the United States is one of their main foreign buyers: in 2017, the United States purchased 22% of the United Kingdom's whisky exports and 18% of French wine exports.

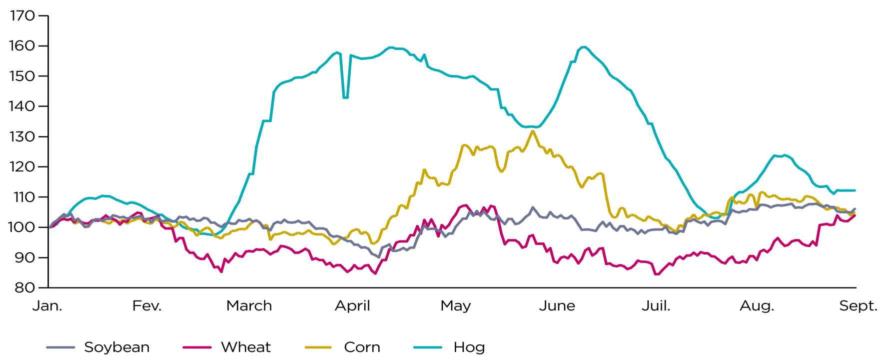
The various treaties and agreements concluded last year between the EU and Mercosur, between the EU and Japan, between the EU and Canada (Comprehensive Economic and Trade Agreement, CETA), and between the United States and Japan, all place great importance on agricultural goods. It should be noted, however, that these agreements have attracted some public criticism and do not necessarily have the support of local producers; the potential negative environmental consequences of these agreements have also been criticised. These four agreements involve the elimination of customs duties on goods traded between the regions concerned, with the aim of encouraging trade between these regions. Agricultural products are a key element of these trade agreements, due to the importance of these regions in the global agricultural market.

ASF and the fall armyworm are the biological risks that will continue to have the greatest impact on global agricultural production in 2020

African Swine Fever (ASF) broke out in Europe and Asia in the summer of 2018. At this stage, the impact in Europe is limited. Germany, France and Spain, the three largest pork producers in Europe, have been spared. Asia is much more affected by the disease, which has spread in the region, causing havoc among pork producers, particularly in China that accounts for 50% of global pork production and consumption. ASF in China has several consequences. The most direct is the increase in Chinese pork imports from the European Union, Brazil and, despite customs duties, the United States. Increased Chinese demand caused pork prices to surge by 51% in September 2019 year-on-year, after seasonal adjustment. Rising pork prices have prompted some Chinese consumers to switch to other meats. This has led to an increase in external demand for beef and chicken, which has benefited Brazil, Argentina and the European Union (Brazil is the largest exporter of beef and chicken, the European Union is the third largest exporter of beef and the second largest exporter of chicken, while Argentina is the fourth largest exporter of beef). The decrease in Chinese pig herds is leading to reduced demand for soybeans, which are mainly used to feed pigs. According to the USDA, China's pork market is not expected to recover in 2020: production is expected to fall by 25% compared to 2019, while beef, chicken and pork imports are expected to increase by 21%, 20% and 35% respectively.

In addition to ASF, the spread of the fall armyworm (FAW) is one of the major biological risks to the global agri-food sector. FAW is a caterpillar that feeds mainly on maize, but also on rice, sorghum, cotton and other crops. It was first detected in West Africa in early 2016. By the end of 2018, it had spread to most countries in sub-Saharan Africa and Asia. FAW has now reached several Asian countries, including Vietnam, Myanmar, Bangladesh, Indonesia, Taiwan, China, and is potentially spreading to others. China is the world's second largest maize producer, so FAW's presence could lead to inflationary pressures on world maize prices.

AGRICULTURAL COMMODITY PRICES (100 = JANUARY 2019)



Source: Datastream

AUTOMOTIVE

Sector risk assessments

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

+

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

−

- Lower registrations and sales in the three main global markets
- Worsening credit risk in several regions 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 the trade war on the global automotive supply chain
- Rising prices for car parts and equipment are affecting margins

Notes for the reader

The “e-mobility” segment of the automotive sector includes fully electric vehicles, electric hybrids and hydrogen vehicles.

RISK ANALYSIS SYNTHESIS

Amid slowing global growth (2.4% forecast by Coface for 2020, after 2.5% in 2019), the automotive sector is facing many difficulties, thus confirming its procyclical nature. Car sales are down in the main world markets. In the first ten months of 2019, the year-on-year decline reached 1.1% in the United States and 9.7% in China. Over the same period, new registrations decreased by 0.7% in the European Union. Coface’s sector risk assessment is now showing high risk in all of the regions of the world for which Coface publishes sector assessments. This illustrates both the poor health of the sector and the significant interconnectedness of global production chains.

The automotive sector reflects the current vulnerabilities of the global economy. It is affected by the economic slowdown, trade protectionism and structural changes linked to innovations, regulations and changes in consumer behaviour. Given the many factors exerting downward pressure on vehicle sales, Coface expects the sector’s difficulties to continue in the medium-term.

SECTOR ECONOMIC INSIGHTS

Hurt by the global slowdown and the trade war

From a cyclical point of view, the automotive sector is being hurt by the slowdown in the global economy, with demand declining in the main markets (Europe, China and the United States), but also by the trade war that has been ongoing since 2018, mainly between China and the United States, which is having a negative impact on confidence.

The decline in demand is strengthening competition between manufacturers and reducing their margins, while higher prices for equipment and certain raw materials are also eating into profitability. Manufacturers must therefore choose between reducing margins and putting up vehicle prices. Coface expects that the US prices of several popular trucks will rise this year by between USD 2,000 and USD 7,000. In addition, US President Donald Trump has threatened on several occasions to increase customs duties on vehicle imports into the United States, which could have a major impact on European and Asian carmakers.

Although light vehicle sales in the United States are down sharply, strong resilience in the light truck segment (pickup trucks, SUVs) is limiting losses for the sector as a whole. However, given the uncertain economic context, the sector will struggle to get back to a favourable situation. According to Coface forecasts, after growing by 2.9% in 2018, the US economy will grow by 2.3% in 2019 but only 1.3% in 2020, notably due to the impact of the trade war and less vibrant business investment. In this context, the US Federal Reserve System (Fed) decided to lower its key interest rates again by a quarter point in October 2019. However, the cost of car loans is expected to remain high and credit quality is set to decline because of the increase in vehicle prices, a process that is already under way. In February 2019, the Fed announced that 7 million Americans were 90 days behind schedule on their car loans, a level unseen since 2011. Vehicle debt, estimated at over USD 1.270 trillion, is an increasingly large part of US household debt.

In China, growth is definitely slowing and is expected to fall to 6.1% in 2019 and 5.8% in 2020, compared with 6.6% in 2018. The economy is suffering because of the trade war with the United States, with consumer confidence and the Chinese automotive sector being severely affected. In addition, the sector is being hard hit by new approval rules introduced in July, which we discuss in more detail below. Thus, even with government support measures, vehicle sales are expected to continue to decrease in 2020.

The worsening economic outlook for the major Eurozone economies (Germany, France and Italy), as well as political uncertainty in the United Kingdom, will continue to weigh on new vehicle registrations in Europe. The economic slowdown announced for 2019 is unlikely to be followed by a big improvement in 2020, with Coface forecasting yearly growth of 1.1% in the Eurozone, after 1.9% in 2018. The German economy and its automotive sector, which

depends on the global economic situation, have been very negatively affected: Coface estimates German economic growth will be 0.5% in 2019 and 2020, compared to 1.5% in 2018. In addition, German automotive production fell from an annual growth rate of 5% in February 2017 to a decline of 9% year-on-year in October 2019. These difficulties have a particular impact on Central and Eastern European countries, whose automotive value chains are highly integrated with those of Germany.

Major structural transformation for the global automotive industry with the end of diesel and the rise of e-mobility

Criticized for its associated health issues, diesel technology is in decline around the world. The global share of diesel vehicle sales is expected to fall from 19% in 2017 to only 5% in 2030. This decline can plainly be seen in Europe, where the share of new diesel registrations dropped from over 51% in 2015 to less than 36% in 2018, according to the European Automobile Manufacturers' Association (ACEA). As a result, manufacturers are being forced to turn away from diesel, which is disrupting their production chains. In the short term, this transition is benefiting petrol-powered vehicles, but further out e-mobility is expected to represent a share almost equivalent to that of fossil fuel vehicles (48% of sales by 2030, according to Statista).

The emergence of e-mobility is mainly linked to the arrival of new players such as Tesla, a manufacturer and leader in the electric vehicle (EV) segment. In response to this trend, the main traditional manufacturers are investing heavily in research & development and expanding their EV ranges to compete. This situation could encourage traditional manufacturers to join forces in order to boost their investment capacity. This was one of the objectives behind the proposed Peugeot SA (PSA)/Fiat-Chrysler merger in the second half of 2019, with Fiat-Chrysler seeking to benefit from PSA's electric technology, and PSA looking for critical mass and access to the US market.

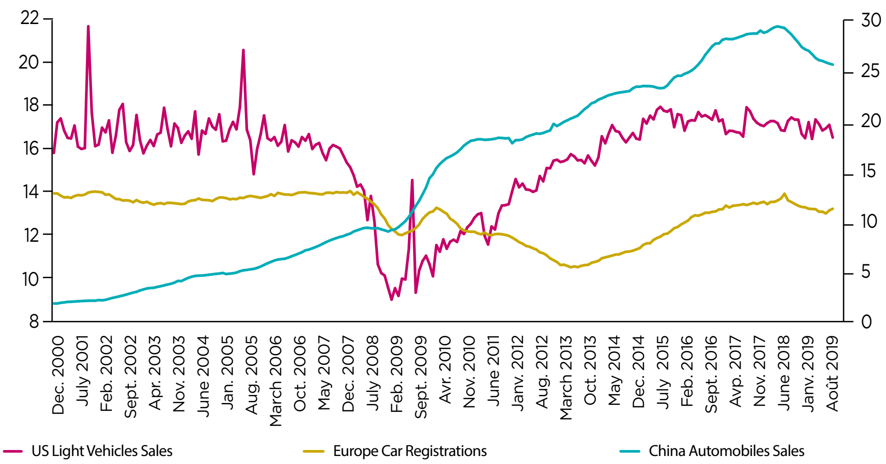
Although affected by the sector's difficulties, the e-mobility segment continues to grow in the main markets. Nevertheless, it remains highly dependent on purchase rebates. The significant increase in the number of models being marketed and the expanded range offered by these vehicles are two of the main reasons for the rise. However, the segment also owes its exponential growth to subsidies or purchase rebates offered by governments in the main markets. This is the case in China, the world's largest market, where EV sales increased by 52% in the first half of 2019. However, the Chinese government decided to reduce its purchase rebates more drastically than expected from June 2019. This move had three objectives: to make budgetary savings, to encourage companies to move to upmarket, and to single out some of the many domestic automotive companies with excess production capacity. Accordingly, there are short-term uncertainties about how much China's e-mobility segment – the only automotive segment to resist the drop in sales – will expand. Tesla could be strongly impacted by the Chinese subsidy cuts, especially since the company is also suffering from a similar decrease in the United States.

Tougher environmental regulations are forcing the automotive sector to adapt

As governments impose new environmental regulations linked to climate change and pollution, manufacturers are required to make significant investments to comply with the new standards. Implemented in September 2018, Europe's new 2017 WLTP regulation, which aims to bring emissions testing more in line with actual vehicle use, continues to affect production chains and slow the growth of registrations. In China, the rapid tightening of anti-pollution standards is another factor in the current crisis in the automotive market. The country is prioritizing health and the environment and has therefore decided to step up the pace of reforms in these areas, bringing application of the China 6 regulation, which sets significantly stricter pollutant emission standards, forward from July 2020 to July 1, 2019. Fifteen Chinese provinces, representing about two-thirds of the country's sales, are currently covered by this regulation. Concerned that they would no longer be able to sell some of their inventory, dealers applied heavy discounts in an attempt to sell off their stock before China 6 came into force. Manufacturers are also being forced to adapt quickly and will likely face significant difficulties in complying with these regulations in the coming months.

Even if there is a natural tendency for smaller economies contributing to the global automotive value chain to converge towards the anti-pollution rules adopted by the major markets, the issue of standards harmonization should be monitored in view of the risk of segmentation. This risk has already materialized in the US market, where the Clean Air Act has led to a legal rift between the US federal government and the state of California. The Trump administration has revoked the federal waiver that allows California to set stricter emission standards, prompting the state, along with 20 or so others, to take the federal government to court over this decision. The potentially drawn-out legal battle ahead could lead to increased uncertainty for carmakers.

MONTHLY ANNUALIZED EVOLUTION FOR LIGHT VEHICLE SALES, PASSENGER CARS REGISTRATIONS AND AUTOMOBILES SALES, IN MILLIONS OF UNITS



Sources: ACEA, BEA, CAAM

CHEMICAL

Sector risk assessments

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

+

- Main input prices remain at historically low levels
- Specialty chemical companies are benefiting from the fight against environmental risk
- Specialty chemicals are less vulnerable to changes in the economic cycle

−

- Petrochemicals highly dependent on changes in the economic cycle
- Overcapacity in some Chinese segments
- Increasing production capacity in ethylene and its derivatives
- Stricter regulatory environment forcing producers to overhaul their business models
- Legal risk resulting from the human health effects of some chemicals

Notes for the reader

Net margin: ratio of profits to sales.
Profitability: EBITDA on sales.

RISK ANALYSIS SYNTHESIS

Because of its procyclical nature, the chemical sector is bearing the full brunt of the global economic slowdown. Activity is declining in client sectors, such as automotive and to a lesser extent construction. Meanwhile, protectionism and the more restrictive regulatory environment due to environmental concerns represent challenges for an industry of which the net margins fell by 29 basis points in Q2 2019 compared to the same period in 2018. In addition, increased supply, owing to the construction and opening of giant petrochemical plants in the United States, China, India and especially in the Arabian Peninsula, will exert downward pressure on the prices of some products, particularly ethylene and its derivatives. The standards that now apply in the sector will force participants to change their production processes in the coming years. In addition, Coface anticipates that the industry could be at risk of facing court cases, like the ones that targeted the tobacco industry or those currently underway in the pharmaceutical sector in connection with the opioid scandal, which may result in financial agreements with some US jurisdictions in order to avoid harsh sentences.

SECTOR ECONOMIC INSIGHTS

Despite the presence of several major projects, the chemical sector is suffering from the global economic slowdown and the protectionist environment

Coface expects global economic growth to slow from 2.5% to 2.4% between 2019 and 2020. Global manufacturing indicators are also on a downward trend due to increased political uncertainty and trade tensions between the United States and China, which are affecting world trade dynamics. With its tit-for-tat tariff hikes, the trade war is impacting a number of chemicals and derivative products and dimming the sector's prospects. China has all but closed its market to American chemicals, one effect of which has been to divert US polyethylene export flows from China to countries in Africa and Southeast Asia. China, for its part, is obtaining part of its supplies from Persian Gulf producers.

However, the trade war is not the sole reason for the expected reduction in global chemical activity this year. Other factors include the knock-on effects of the difficulties experienced by client sectors, such as automotive and construction, since chemicals are upstream of their production processes. These industries are having to cope with various challenges, including the fact that some of their markets are maturing. This is particularly a concern in the automotive sector. Falling vehicle registrations and sales in the main markets affect sales at petrochemical and plastics companies, as cooler activity in the automotive sector reduces orders for chemical products such as plastics, foams, cables and hoses, technical textiles for interiors, and so on. Being themselves procyclical, these client sectors of the chemical sector are directly affected by the global economic slowdown. For its part, the construction sector is expected to grow at a slower pace than that observed so far overall, despite the accommodative policies put in place by the main central banks to support activity in the sector, particularly in the United States.

Several major projects, launched some years ago, are underway to build petrochemical plants with a view to growing business in parts of the world where the raw material is in plentiful supply, including the United States, the Persian Gulf and Asia. These plants will boost the production capacity of regional participants. The United States has a comparative advantage over several countries due to the abundance of shale oil in a number of basins in the west of the country and in Texas. It has become one of the largest producers and exporters of ethane, a derivative of natural gas, and liquefied petroleum gas, which is used in the production of ethylene plastic packaging.

Sector participants face a stricter regulatory environment

Like many sectors, the chemical industry is facing stricter regulations. These rules, which aim to limit the environmental risk resulting from

the processes used to produce the chemicals themselves or the final chemical products, are pushing up costs. Several areas are concerned, from worker safety to the effects on the climate and natural resources. The governments of many advanced and emerging economies are paying close attention to environmental considerations amid growing public concern about climate change prevention and public health issues, which is spurring calls for changes to the production models employed by companies in the sector.

This shift among consumers and public opinion is also prompting shareholders to pressure management boards to comply with the changes to standards and in society. The related issue of recycling represents a risk for the sector, in view of the growing citizen awareness around the world about its importance, particularly following media coverage of the effects on marine animals of ingesting micro-plastics, for example. Coface expects that a more widespread use of recycling practices will accentuate the decline in chemical production in several developed and emerging countries in the coming years. Many countries have already adopted legislation reducing the use of plastic bags, and the adoption of such practices worldwide should reduce part of the supply, especially in low value-added plastics.

The petrochemical segment is facing a number of difficulties

Petrochemicals was one of the segments that benefited most from the global economic recovery in 2016 and 2017. However, it now faces numerous and mounting risks. Some of these are cyclical in nature, while others involve the structure of the sector and are already affecting its economic outlook.

Like many other sectors, the protectionist environment created by the trade war between the United States and China in particular is hurting the petrochemical segment. Retaliatory measures targeting petrochemicals specifically resulted in China completely closing its market to US petrochemicals. As a result, American producers are being forced to seek out new markets. More broadly, global producers in the sector are having to reconfigure their operations amid rising maritime transport costs.

In addition, the opening of giant factories in China and other Southeast Asian countries is exerting downward pressure on chemical prices, at a time when demand is less buoyant. This is having a severe impact on company margins, particularly in the case of products such as paraxylene, which is used in the production of solvents and plastics. The average monthly paraxylene price fell by nearly 40% in September 2019 on an annual basis, taking margins towards negative territory. Some producers may seek to restrict production in order to restore their margins. Other chemical raw materials, such as monoethylene glycol, methanol and propylene, are showing the same trends. There is overcapacity in these products, which exerts downward pressure on prices and will ultimately contribute to reducing the main producers' margins. Naphtha and ethane prices have also been highly volatile since 2018, due in particular to the uncertainty associated with US trade policy and its impact on oil prices, as naphtha is a crude oil-derived product, while ethane prices are correlated with oil. The volatility of the abovementioned inputs (naphtha, ethane) is leading to a loss of competitiveness for companies in the sector, which are also having to hedge themselves against the related risk.

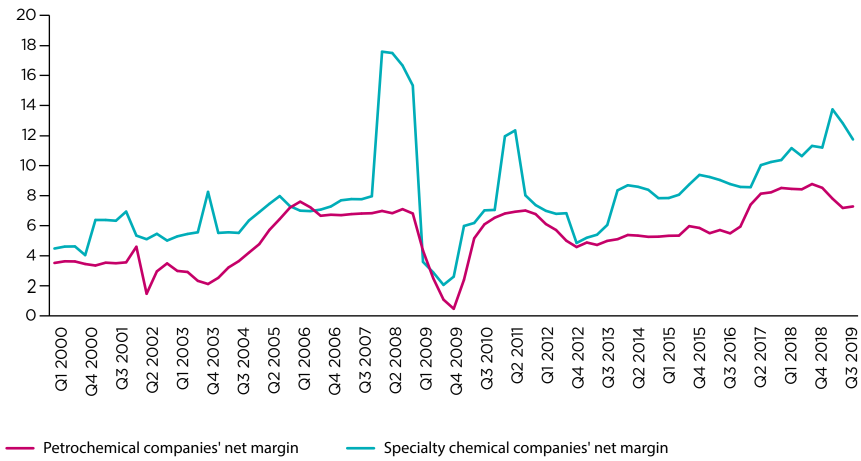
In addition, petrochemical firms are having to cope with the challenges affecting certain customers such as oil and gas companies. This industry is facing difficulties, with services companies and firms in the shale segment struggling particularly because oil production companies are investing less and tightening their pricing policies. Global oil and gas services companies saw their net margin reach 0.74% in the second quarter of 2019, up from -2.5% in 2018. Despite the slight increase, the thin margin points to a weakening in this segment rather than a real improvement.

The specialty chemicals segment is more resilient despite challenges

The flavours, fragrances and cosmetic ingredients sub-segment is in robust shape. From a structural point of view, the segment's products are difficult to "copy", which limits the competition for existing players. Entering this market require continuous and costly R&D investment over several years. Another factor that protects specialty chemical companies from competition is the expertise they have developed over time in a business where the tastes of end consumers are constantly changing. They are also developing products such as particulate emission filters that open up positive prospects in the context of the fight against environmental risks. As a result, they continue to generate comfortable margins, with EBITDA on turnover of around 22% at end 2018 according to Grace Matthews, a provider of M&A and corporate finance advisory services in the sector.

Like petrochemicals, the painting and dyes segment is being hurt by difficulties in the construction sector, as well as several industrial sectors, such as oil and gas and maritime transport.

NET MARGIN OF GLOBAL CHEMICAL COMPANIES (%)



Source: Refinitiv Datatream

CONSTRUCTION

Sector risk assessments

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

+

- World population growth
- Continued increase in urbanization
- Low interest rates globally

−

- Construction companies' debt level remains high, notably in China
- High household debt levels overall globally
- High public debt constrains public infrastructure investment
- Dependent on economic cycle

RISK ANALYSIS SYNTHESIS

Global construction, while facing challenges like other procyclical sectors in the continued worldwide economic slowdown, is expected to remain resilient overall due to a number of factors. These include a low interest rate environment made possible by the accommodative monetary policies of the central banks, which are supporting new commercial and residential housing starts and to some extent, the consumer and business confidence in the sector. It will also benefit from the knock-on effect of investment decisions in terms of large infrastructure projects, notably in the energy and chemical sectors. Industry players should also benefit from lower prices for some inputs such as steel. It is also expected to gain from the growing concern of citizens and governments about the need to prevent environmental risks and to fight climate change. This has led to initiatives such as the European Union's "carbon neutrality plan in construction" by 2050, expected to support a demand for the construction and renovation of "ecologically friendly" buildings. At the same time, the introduction of stricter standards in this area will also force companies in the sector to adapt to them. This could prove costly and contribute to limit their financial performance in an already difficult environment.

SECTOR ECONOMIC INSIGHTS

Low interest rates and lower prices for certain inputs are expected to offset difficulties in the construction sector in the context of the downward economic cycle

Construction, as a procyclical sector, is indeed impacted by the continuing global economic slowdown. Coface anticipates global GDP growth at 2.4% this year, down from 2.5% in 2019 and 3.2% in 2018. This will lead to lower demand for the construction sector, although with regional discrepancies. Therefore, in order to support economic activity, leading central banks both in advanced and emerging economies announced monetary easing measures last year. In the United States, the Federal Reserve lowered its key policy rate three times between July and October 2019. Moreover, for the first time in ten years, it injected liquidity into the daily money market on September 17. The European Central Bank relaunched its bond purchase program in September and lowered the deposit rate taxing the excess liquidity of banks from -0.40 to -0.50%. The People's Bank of China (PBOC) implemented targeted monetary stimulus measures, including three Reserve Requirement Ratio (RRR) cuts in 2019 and liquidity injections *via* open market operations (OMOs). These measures limited the risk of an interbank liquidity squeeze and supported Small and Medium Enterprises (SMEs), including those in the construction sector. Other central banks in emerging economies embarked on monetary easing measures with at least one interest rate cut last year. These included India, Indonesia, Brazil, Mexico, Nigeria, Egypt, and South Africa. Moreover, the global construction companies are expected to continue to benefit from lower albeit volatile prices for some inputs such as steel.

Housing demand is expected to remain sound overall, while the infrastructure segment is on a contrasting trend

Those monetary policies, designed to support economic activity, are expected to benefit real estate demand as well as new building permits in the United States this year. This is thanks to a context of rising wages in the country and a dynamic labour market. In addition, this is in a context of high consumer and builder confidence. As a result, the level of housing starts is expected to remain solid in the US with S&P projecting 1.3 million housing starts in 2020, although lower than the historical trend averaging 1.4 million over ten years. In Western Europe, demand for new residential housing is also expected to remain robust overall, supported by lower interest rates. Moreover, the various incentives to develop energy efficient buildings, notably in commercial spaces, are likely to support developers' sales, particularly in Europe and in the United States.

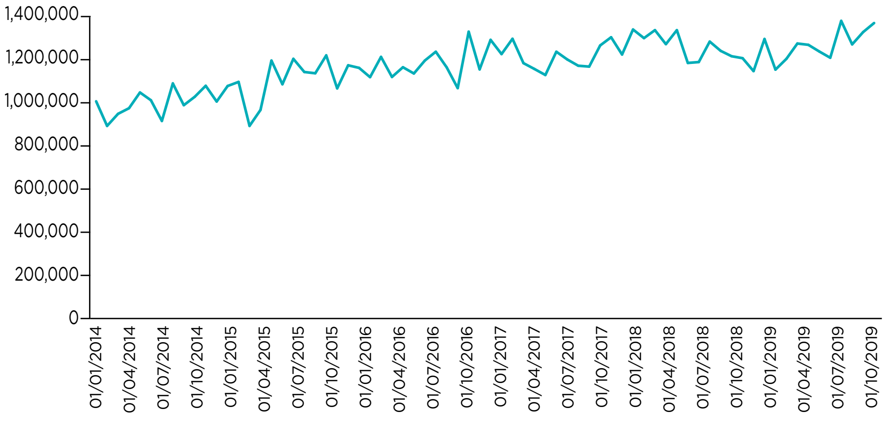
The question of housing affordability in big cities is expected to remain an issue, particularly in Europe, and could somewhat counterbalance the aforementioned positive developments. House prices in Europe are expected to continue to rise overall. This is the case in Germany for example, the leading economy in the region. According to S&P, although on a decelerating trend, housing prices in Germany are expected to increase by 4.5% this year, down from 5.3% in 2019. In Germany, the solid household disposable income and employment levels, together with the above-mentioned low borrowing costs in the Eurozone, support strong demand for housing, despite the lacklustre economic prospects in the country. Coface estimates GDP growth at 0.5% this year, the same as last year. Furthermore, demand should be supported by the new climate package put in place by the government to support renovations and "energy efficient" buildings. However, the supply and demand imbalance remains favorable to sellers and the German construction sector is running on full capacity. In the US, big city prices are notably impacted by the limited building space that back higher prices. In China, homebuilders will remain constrained by the knock-on effects of measures put in place by the Chinese authorities to stabilize the housing market. Therefore, property prices are unlikely to rise.

In the current economic slowdown, new major public infrastructure projects are unlikely. In the United States for example, the very large infrastructure project planned by the federal government, with the support of the opposition parties is now compromised. This is mainly due to the context of the ongoing impeachment procedure led by the Democratic Party against President Trump. At the same time, large infrastructure projects decided and launched many years ago (for example - since 2010 in the US for example), notably by major European and American multinational companies in the energy and chemical sectors, are still under way and are therefore supporting activity in the infrastructure segment. They aim to develop their projects in regions where the raw material is less expensive. This is the case of some American companies, which are building plants in the Persian Gulf and in Asia. Another example of the infrastructure dynamism in the petrochemical industry is the announcement late last year of a Chinese-Russian joint venture for a five-year project worth USD 13.3 billion, with the ambition of building one of the largest petrochemical plants in the world. The joint venture involves the China National Chemical Engineering Group (CNCEC) and the Baltic Chemical Complex (a subsidiary of RusGasDobycha). The plant, which will process Russian natural gas, is to be built in the port of Ust-Luga, near the Gulf of Finland. Furthermore, the Silk Belt and Road Initiative, involving 131 countries in 2019, will support the infrastructure segment globally, even though some projects in Asian countries were delayed or postponed last year. It notably aims at connecting Asia, Europe, and Africa with China. This is despite the economic slowdown expected in China this year (Coface anticipates GDP growth to slow to 5.8% down from 6.1% in 2019 and 6.6% in 2018). Countries involved are indeed expected to continue to contribute to the financing of the associated projects, as should multilateral development banks such as the Asian Development Bank and commercial banks.

The construction sector is undergoing many transformations

There are constant innovations in the construction sector. Similar to other sectors, it is highly impacted by the Artificial Intelligence (AI) revolution. Innovations in this area include AI-driven robotic systems to sort, collect, and process demolition debris for recycling. It will also continue to be impacted by both consumer and public authority willingness to prevent environmental risks and to fight climate change. This entails additional constraints to which construction companies need to adapt. On the other hand, it should enable the development of activities with a view towards renovating or constructing energy-efficient buildings, particularly in the commercial sector, and this should continue to support the developers' sales. For example, the European Union is committed to achieving "carbon neutrality" for new construction by 2050, as well as reducing carbon emissions in the sector by 40% by 2030. According to the World Green Building Council platform, building and construction is responsible for 39% of all carbon emissions in the world. For their part, Chinese authorities also put in place a plan to tackle environmental risks in the sector with the "13th Five Year Plan for Energy Efficiency in Buildings and Green Building Development" that is due to end this year. It includes several projects, including the development of the intercity electric vehicle fast recharging network, the setup of more than 800 intercity fast recharging stations, as well as actively promoting large-scale hydropower base delivery channel constructions.

UNITED STATES HOUSING STARTS (BY UNITS)



Source: US Census Bureau, Refinitiv Datastream

ENERGY

Sector risk assessments

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

- Diversification gives majors resilience to withstand fluctuations in crude oil prices
- New financing approaches share risks between producers and investors
- Oil companies are working to lower their breakeven costs

- High debt levels, especially among unconventional oil companies
- High volatility in crude oil prices
- Overcapacity of companies in the oil & gas services segment

Notes for the reader

Net margin: profit or loss on sales

Majors: Large oil and gas companies that dominate the world market. They are mainly American and European.

Unconventional hydrocarbons: These are hydrocarbons found in unusual underground positions. As a result, they require particular extraction processes, which are often more complex than conventional processes, as it is the case for shale oil.

Spot contracts: These are contracts used on spot markets, where traded assets are delivered and settled instantly.

RISK ANALYSIS SYNTHESIS

Crude oil prices are facing slower demand, while supply remains strong. Given the imbalance in favour of supply in this market, Coface is forecasting an average crude price of USD 60 per barrel in 2020. This price level is too low for exploration companies to generate significant cash flows. This in turn impacts the entire supply chain, as low investment spending then destabilizes oil & gas services companies, which are already burdened by overcapacity. Financially struggling oil & gas services companies are at the greatest risk in the sector. Refineries have to deal with new standards while also facing sluggish demand. As a result, overall risks are increasing for companies in the sector, as reflected in Coface's sector risk assessments. Of the six regions in the world for which Coface produces sector risk assessments of the energy sector, none is rated low risk and half of them have high-risk sector risk assessment. In North America in particular, unconventional firms must now demonstrate that their business is sustainable. They are operating in a region of which the energy sector has been vibrant in recent years, with the United States moving towards energy independence.

SECTOR ECONOMIC INSIGHTS

Oil and natural gas production is expected to remain dynamic despite gloomy global economic conditions

Coface expects global economic growth to slow to 2.5% in 2019 and 2.4% in 2020 from 3.2% in 2018, mainly due to the impact of trade tensions between China and the United States, which are stoking uncertainty, affecting global value chains and undermining household and business confidence.

Coface estimates that the average annual price of Brent crude oil will be USD 60 per barrel in 2020, owing to sluggish demand from China and India, and difficulties in client industries such as petrochemicals. Average monthly Brent prices dropped by 14% at the end of July 2019 compared to the end of December 2018 (USD 64.07 compared to USD 74.11), despite the persistence of a number of factors that could have led to a decline in prices, including a tense geopolitical situation in the Middle East and North Africa, reduced production of OPEC+ countries under the current agreement, as well as the impact of US sanctions on Iranian and Venezuelan output.

Consequently, the main reasons for the downward pressure on oil prices were the global economic slowdown, as well as new standards to reduce hydrocarbon consumption and prevent environmental risks. These standards have impacted a number of client sectors, such as automotive, shipping and chemicals (especially the petrochemical industry segment). The net margin of the world's leading petrochemical companies fell by 127 basis points between Q2 2018 and Q2 2019 (from 9.52 to 8.25) due to the new standards.

Paradoxically, global production is set to increase due to strong performances by unconventional producers. In addition, in 2020, production by OPEC+ countries is expected to be stable compared to 2019, due to Saudi Arabia's desire to influence prices. US unconventional oil companies will continue to produce, but at a slower pace in 2020.

Turning to natural gas, the number of gas liquefaction projects is increasing because liquefied natural gas (LNG) is less expensive and more environmentally friendly in terms of emissions than other energy sources, such as coal for instance. Accordingly, in 2020, production is expected to increase by 28 million tons, the vast majority of which will come from the United States. Coface expects strong growth in natural gas production to influence prices if demand turns out to be weaker.

Natural gas prices vary across regions, which all have their own benchmark prices. However, prices are expected to continue to decline as a result of the abovementioned increase in supply, particularly of LNG. In addition, demand is expected to remain soft this year due to the economic situation. For example, prices on the Asian LNG contract index fell by 56% between Q3 2018 and Q3 2019. In addition, natural gas buyers are increasingly turning to short-term spot contracts and away from contracts indexed to crude.

The downward trend in crude oil prices undermines the financial situation of exploration and production companies, and is one of the main risks to their profitability

The majors, which are mainly American and European, manage to offset these risks through more diversified assets and lower break-even costs than smaller companies in the sector. In this segment, the players with the highest risk profiles are those operating in the unconventional oil sector, particularly in the United States. According to the Institute for Energy Economics and Financial Analysis (IEEFA), US unconventional oil producers generated negative free cash flows in the first and second quarters of 2019, owing to increasingly financially burdensome investments while cash flows were weak. According to a March 2019 survey by the US law firm Haynes & Boone on the borrowing conditions of oil companies, North American companies expect borrowing base redetermination to be sluggish in 2020. Low Brent and WTI prices are the main factors causing financing conditions to be more challenging. This trend is coupled with the shifting requirements of new investors joining company boards. Overall, these investors tend to demand higher returns on investment. Given the economic situation, this could force some companies to restructure. Finally, firms are having to look for alternative means of financing, in particular by involving funders in production processes through arrangements such as drillcos and farmouts, where costs as well as revenues are shared.

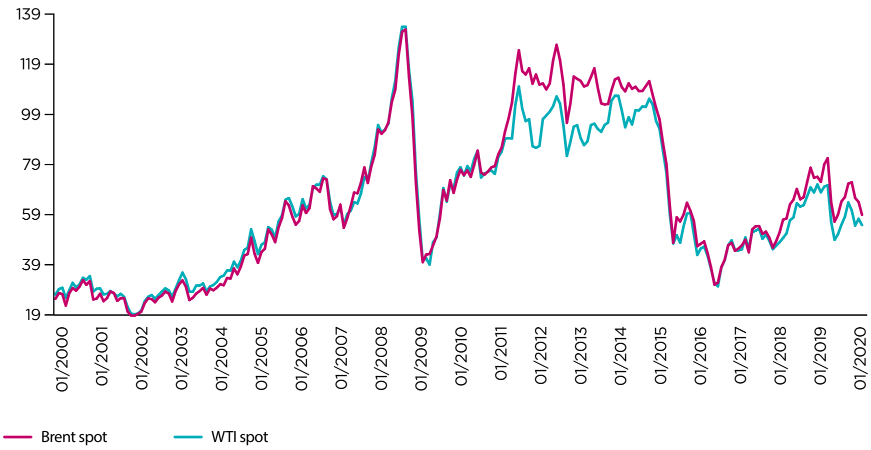
Financially weakened contractor companies are the most at risk

Contractor companies are facing declining activity as producers are investing less and tightening their pricing terms, as mentioned above. Annual global capex by exploration-production companies fell by 41% between 2014 and 2018, weakening the financial situation of services companies. These difficulties are compounded by overcapacity in the segment, which is a direct consequence of efforts to boost production capacity in recent years, particularly between 2007 and 2014. Because this increase in capacity was mainly financed by debt, net debt levels are running high, reaching 35.6% at the end of 2018, only slightly below the historic peak of 37% seen in 2016. Companies in this segment, in the United States for example, will have to honour a very large stock of debt estimated at USD 137 billion and set to mature, according to Standard and Poor's, between 2020 and 2022. Coface therefore expects to see attempts to restructure debts, payment defaults, and even asset disposals or structural changes in some instances, such as TechnipFMC's spinoff in August 2019. These developments are taking place at a time when exploration and production companies are demanding more efficiency from their subcontractors, leading them to lower their prices. Competition is therefore increasing between oil & gas services companies as production volumes and prices head downwards. This situation is prompting some firms to rethink their business models and to grow their activities in related fields. For example, Baker Hughes, a subsidiary of General Electric, is diversifying into natural gas and offering services such as leak prevention.

The situation of refineries accurately reflects the sector's difficulties

According to the International Energy Agency, refineries had to contend with thin margins in the first half of 2019. Except for China, which posted modest growth in the first half of 2019, overall growth in the supply of petroleum products was disappointing (-0.6% in Q2 2019 at an annual rate) due to unexpected maintenance and refinery closures attributable to extreme weather conditions in the United States, while disruptions in France and Germany caused some refineries to halt or scale back their activity. Even so, prices were impacted by growth in demand, which amounted to +0.3 million barrels per day in Q2 2019, a level not seen since the last quarter of 2016. As for all companies in the sector, more stringent environmental standards in client sectors will hurt refinery activities. A case in point is the IMO 2020 standard, which comes into force this year and requires shipping companies to use marine fuels with lower sulphur content. Finally, some refineries producing heavier derivatives may close during the year due to limited storage capacity.

BRENT AND WTI* OIL PRICES EVOLUTION (USD PER BARREL)



** West Texas Intermediate : benchmark on the US oil market*

Source: Refinitiv Datastream

ICT

Sector risk assessments

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

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

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- Saturation of hardware markets (tablets, smartphones, PCs) in some economies
- Long-term challenges regarding rare mineral reserves
- Tougher regulatory environment ahead for ICT "giants", notably in terms of taxation and data protection issues

Notes for the reader

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

RISK ANALYSIS SYNTHESIS

The ICT sector is a concentrated sector featuring "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). These companies have some of the highest levels of capitalization in the world, and are reporting rising revenues*.

The trade tensions are exacerbating the already competitive environment between the United States and China, as illustrated by the US sanctions imposed on some Chinese technology companies, including Huawei, a leading Chinese telecommunications company at the forefront of 5G technology implementation. Many countries, particularly the United States, are worried about the "Made in China 2025 Strategy", which China hopes to use to become the global leader in strategic economic sectors, as well as a number high tech products of markets such as robotics. Meanwhile, new technologies, and notably the swift development of artificial intelligence (AI), are likely to bring significant changes to production methods.

Prospects for the ICT sector will remain contrasted across regions worldwide in 2020 amid a global economic slowdown. This is expected to result in lower growth in demand for ICT goods and services overall. Looking forward, one of the key challenges, particularly for FAANG, will be the increasingly strict regulatory environment in terms of data protection.

SECTOR ECONOMIC INSIGHTS

The global economic slowdown and the protectionist environment are dimming the sector outlook

Coface anticipates a continued global economic slowdown – including in the biggest economies such as the United States, Europe and China – with a global GDP forecasted at 2.4% in 2020 after 2.5% in 2019 and 3.2% in 2018. This is expected to have significant repercussions on the smartphone segment, where demand has already been impacted for many years by the maturing market in some advanced economies, as well as in emerging economies with large populations such as India. Connected products, such as watches and wristbands, could continue to stimulate consumer interest, and according to the International Data Corporation (IDC), smart wearables are expected to see growth in both mature and emerging markets.

In Asia, the sector has been affected by the gradual deceleration of Chinese economic activity. After a 6.1% expansion in 2019, Coface estimates that economic growth will reach 5.8% in 2020 and will continue to be hit by trade tensions. Last year, Huawei was excluded from the project to deploy 5G technology in the US and the Trump administration placed it, alongside a number of other Chinese ICT companies, at the top of a list of businesses that US telecommunications companies were forbidden to deal with due to cybersecurity risks. This measure was extended to US government agencies in August 2019. Moreover, in September 2019, the United States raised tariffs from 10% to 15% on USD 125 billion worth of Chinese goods, including Bluetooth headphones and smart watches.

A concentrated and competitive sector featuring "giant" firms whose business models are evolving constantly.

FAANG and BATX, all global leaders in their own core businesses, are now competing with each other across various markets, including cloud, streaming, media, payments and commerce, as the ICT giants expand into new sectors. Examples include Google's launch of a driverless electric car in December 2018, and Facebook's plans to launch its own cryptocurrency, Libra, in partnership with 27 other companies, although at the time of writing, this project is facing regulatory challenges, notably in the US. The race for innovation in the coming years is likely to be focused in the health sector, with developments

* As per third quarter 2019 available financial data.

in areas such as connected medical devices, for example, or augmented reality glasses, for which Apple reportedly filed a patent for a prototype at the end of last year.

Innovation linked to AI is expected to lead to major developments in all segments of the sector

AI has a significant disruptive power on all sectors as it pushes the limits to which machines, notably *via* robots, can carry out tasks and jobs that humans have performed until now. All leading companies in the sector are committed to developing AI in their internal processes as well as their product and service offerings. This is particularly the case in the development of innovation services such as virtual assistants.

Telecommunications will keep growing with the arrival of 5G

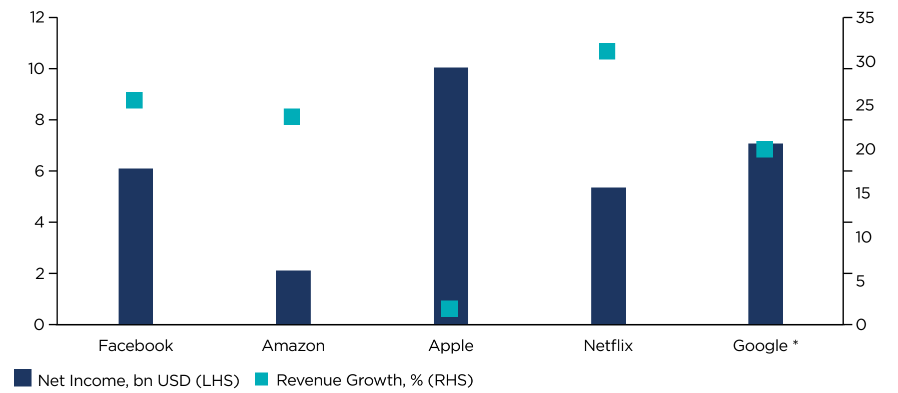
Coface expects the telecommunications industry to continue to grow. The implementation of 5G technology is developing steadily despite the trade war and technology-related challenges. One such technological challenge is that the range of a 5G signal is currently 10% that of a 4G signal, while the antennas are large (approximately the size of a refrigerator) and costly to make. Only 14% of all connections worldwide are likely to be 5G-powered by 2025. Accordingly, 5G is unlikely to become the new telecommunication standard in the medium term.

A more restrictive regulatory environment in data protection and taxation

The regulatory environment for ICT companies is expected to become increasingly restrictive in the coming years, particularly with regard to the protection of consumer data, following several scandals involving US companies, including the misuse of user data by Facebook, for which the company was fined a record USD 5 billion by the US Federal Trade Commission (FTC). The European Union implemented the GDPR data protection regulation in May 2018. The issue is currently under discussion in the United States, with, for example, California taking steps in 2018 to adopt its own data protection law, the California Consumer Privacy Act (CCPA), which will come into force this year. Microsoft has said that it will apply the CCPA in its operations in all US states. The rise of such regulations in the main markets worldwide could impact the business models of the giant ICT firms, and contribute to market fragmentation, since data protection rules could potentially differ significantly from one US state to another, as well as across different regions worldwide, while the major ICT companies operate globally.

Accusations of tax evasion have been laid against FAANG, particularly in Europe. In France, Google agreed to pay a fine of €1 billion last year to settle all tax lawsuits brought by the French government against the company. The tax environment could certainly become more restrictive, with many discussions underway at the international level. For example, at a G7 Finance meeting last year, governments of countries representing the main markets expressed their intention to work towards a common tax regime for the sector's giants.

FAANG NET INCOME (BN USD) AND REVENUE GROWTH (YOY, %), Q3 2019



* for Alphabet, the holding

Source: Companies, Coface

METALS

Sector risk assessments

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

+

- Ongoing restructuring of key metal activities (nickel, copper, zinc, rare earths, aluminium)
- Lower production costs
- Products used in many industries across the world, notably in electrical battery manufacturing

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- Low production capacity rates across the world
- Increased pressure from Chinese authorities to reorganise the steel and aluminium industries
- Highly dependent on Chinese economic policy
- Weak growth in global vehicle sales

RISK ANALYSIS SYNTHESIS

The metal sector is facing many difficulties amid the ongoing trade tensions between China and the United States. After the US imposed tariffs on imports of steel (25%) and aluminium (10%) from several countries, including China, but also allies such as the European Union, Canada, Mexico and Japan, US steel prices temporarily came under upward pressure and rose by 21.7% between December 2017 and July 2019. Nevertheless, according to SteelHome, average monthly steel prices in the United States, China and Europe fell by 28%, 12% and 18% respectively between November 2018 and November 2019, due to the economic downturn. Iron ore prices likewise fell by 21% in November 2019 after surging at the beginning of 2019 on reduced Brazilian supply.

Copper prices, which act as a leading economic indicator of trends in the global economy, fell by 3.3% between December 2018 and November 2019 and are deteriorating. Prices of other base metals and alloys show mixed trends. Nickel increased by 40% during the end-December 2018 to November 2019 period due to the interest in electric car batteries. Zinc, aluminium and cobalt prices followed copper downward, dropping 7%, 7.5% and 35% respectively.

Steel is also viewed as a barometer of global activity due to its use in several industrial activities, including construction, the automotive industry and consumer goods such as household appliances. Accordingly, it is examined in further detail below.

SECTOR ECONOMIC INSIGHTS

The deteriorating economic outlook in most regions is expected to continue to weigh on the global steel market

The US Treasury put China on its list of currency manipulators, a move that is unlikely to help the two sides reach an agreement in their trade war. In addition, Coface expects global economic growth to reach 2.5% in 2019 and 2.4% in 2020, compared to 3.2% in 2018. As a result, the steel sector, which is highly dependent on global economic conditions, is expected to witness high price volatility, complicating the task of purchasing managers. This situation will be compounded by the fact that client sectors, notably the automotive and construction sectors, are facing difficulties owing to their procyclical nature. Global steel consumption is thus expected to increase modestly by 0.9% in 2020. World steel production is expected to follow a similar trend, with a growth of 0.5% in 2020.

The 2019 economic slowdown will continue in 2020, with Coface forecasting growth of 1.1% in the Eurozone. Apparent steel consumption fell by 7.7% in the second quarter of 2019, according to EUROFER, an industry association. The negative trend in steel demand is the result of the continued collapse of the EU manufacturing sector, particularly in the automotive sector, of which the production index is falling sharply due to the decline in vehicle registrations. The situation on the European steel market has been aggravated by significant imports of steel products which, combined with the fall in demand, in a setting of global overcapacity, have inevitably led to lower domestic prices. The safeguard measures adopted by the European Union to provide protection in the context of the world trade war have proven ineffective. For this reason, many European steelmakers, including companies with leadership positions in high value added steels, saw their turnover and profits decline overall in the third quarter of 2019.

After expanding by 2.9% in 2018, the US economy is expected to grow by 2.3% in 2019 but only 1.3% in 2020, according to Coface's forecasts, due in particular to the repercussions of the trade war and weaker levels of investment among corporate clients. US protection measures saw imports of steel products reduced by 11% year-on-year in September 2019 and also drove an increase in steel production (4% year-on-year in October 2019). However, US steel prices have been falling since the beginning of 2019, keeping step with the slowdown in demand, as reflected in the industrial production index, which is beginning to weaken (-0.2% year-on-year in

November 2019). As a result, steel demand is expected to stall in 2020 while production is expected to decrease by 0.8%.

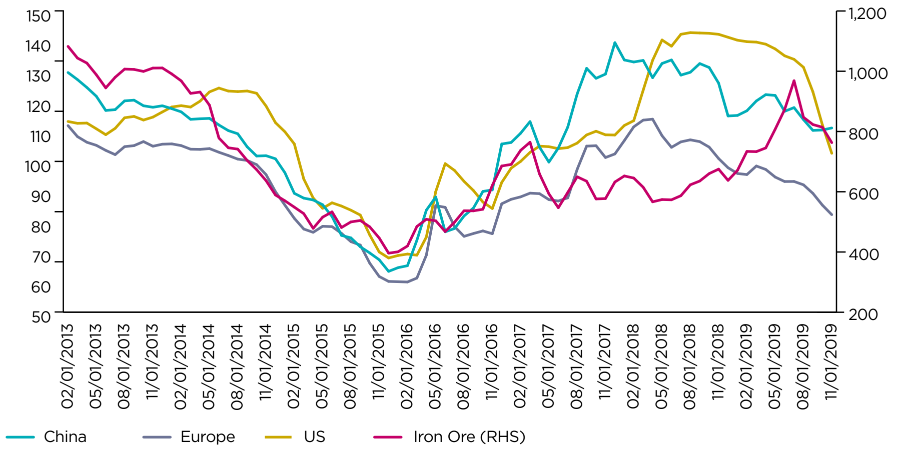
The Chinese steel market will be slightly impacted by the gradual slowdown in domestic economic activity, with economic growth estimated by Coface at 5.8% in 2020, against 6.1% in 2019 and 6.6% in 2018. The Chinese steel sector has benefited from public spending on infrastructure and construction, which supported steel consumption and production during the first half of 2019. Despite the problems in client sectors, particularly the automotive and real estate sectors, which have negatively affected steel prices, Worldsteel, a trade association, forecasts that Chinese demand for steel will increase by 1% in 2019 compared to 2018, and that production will go up by 1.2% before steadily declining in 2020 owing to moderate consumption. Demand for steel in the construction, energy and automotive sectors is expected to decline in 2019, while demand in the machinery, shipbuilding, household appliances and rail sectors is expected to continue to grow. Illustrating this, car sales tumbled in 2018 (-4.6%) and 2019 (-4% in October) and are likely to continue on this trend in 2020. The real estate market is also slowing, with housing starts showing negative year-on-year growth of -2.2% in June 2019.

India's consumption of steel products is forecasted to grow by 6% in 2019 due to strong public support for infrastructure projects on the one hand, and the manufacturing sector, which has boosted domestic consumption, on the other. This trend is set to continue in the medium term. In 2020, India's steel production is expected to grow by 2.2%.

The development of and appetite for electric vehicles (EV) are fuelling growth in demand for nickel and aluminium (which is used to reduce vehicles' weight), up to about 5.9% on average through to 2021

Steel still has cost advantages over other alternatives such as aluminium and composite materials. In addition, one of the main risks to nickel and aluminium demand in connection with the development of electric vehicles is that EVs themselves face challenges. Sales of EVs will not replace combustion vehicles in the short term, due to various factors such as fairly high price levels, consumer concerns about vehicle range, which is perceived to be too short, and charging times.

EVOLUTION OF STEEL AND IRON ORE PRICES INDICES (BASE 100 = 2012)



Source: SteelHome

PAPER

Sector risk assessments

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

- Sustainable and recyclable
- Strong demand from Asia
- Increasing use of packaging paper due to the rise of e-commerce

- Demand for cardboard and packaging paper closely linked to the economic situation
- Graphic paper gradually being replaced by digital media owing to increasing use of digital tools

RISK ANALYSIS SYNTHESIS

The paper sector is divided into two main sub-segments – graphic paper and packaging – that are on contrasting paths. The use of graphic paper is declining as the use of digital technology increases, while consumption of cardboard and packaging paper is increasing, driven by e-commerce on the one hand and the sustainability and recyclability of paper (compared to other materials such as plastic) on the other hand. Recognition of environmental issues is also reflected in sharp growth in the use and production of recycled paper and in the need to innovate in production methods. In 2018, paper was the most recycled product in Europe and accounted for 71.6% of paper consumption according to the Confederation of European Paper Industries (CEPI). This trend may benefit the sector in the long term as paper can be used as an alternative material in various fields such as packaging and construction. Paper sector actors are highly innovative and are constantly seeking new possible uses for their products, which will allow the sector to diversify and lessen its dependence on graphic paper (which is on the decline) and packaging paper (closely linked to economic conditions).

The sector is heavily dependent on pulp prices, which after increasing in 2017 and 2018, fell in 2019 due to the economic slowdown in China. China alone imports 35% of the world's wood pulp exports. Movements in pulp prices will have very different effects on different sector participants depending on whether they are pulp or paper producers, as paper producers use pulp as an input.

A tough 2020 is in store for the sector. Graphic paper consumption is expected to continue to decline, following the trend observed in recent years. Consumption of cardboard and packaging paper, which is more procyclical, is expected to slow with the cooling pace of activity.

SECTOR ECONOMIC INSIGHTS

The transition to digital and e-commerce is transforming the sector

The use of graphic paper is on a downward trend as paper media are replaced by digital tools such as smartphones, readers and online newspapers. Between 2013 and 2018, graphic paper consumption in the countries of the United Nations Economic Commission for Europe (UNECE), which includes Europe, North America and the Commonwealth of Independent States (CIS), fell by 18%, or 4% per year. The decrease was common to all three UNECE regions, although North America experienced the largest drop (-21%). As a result of this declining demand, paper mills are switching their machines to the production of packaging paper, leading to a decline in graphic paper production capacity in favour of packaging paper. This trend is expected to continue in the coming years.

Packaging paper consumption is rising, driven by the development of e-commerce and the increasing use of paper as an alternative material to other packaging, such as plastic, which are considered more polluting. Consumption of cardboard and packaging paper increased by 11% between 2013 and 2018 in UNECE countries.

This trend, comprising a shift from graphic paper to digital and increased production of packaging paper, is common to all regions of the world.

Economic growth in Asia-Pacific (especially China) has increased paper consumption and production in the region. In 2017, Asia was responsible for 46.4% of the world's paper and cardboard production. It is therefore obliged to import pulp as an input for its paper and cardboard mills, although it already accounts for 22% of the world's pulp production. In 2018, China accounted for 38% of world pulp imports, which came mainly from Latin America and North America.

Paper sector hard hit by the economic slowdown

Global wood pulp prices are falling, mainly because of the global economic slowdown and diminishing Chinese demand. Lower wood pulp prices will have different effects on different participants. They will benefit paper producers (which use pulp as an input) but will lower pulp producers' margins. Major global pulp exporters such as Brazil, Chile, the European Union, the United States and Canada are therefore expected to be negatively impacted by the fall in prices. In addition, the slowdown in economic activity in China (5.8% in 2020 after 6.1% in 2019 and 6.6% in 2018) will hurt all major pulp exporters, as China imports 35% of world exports.

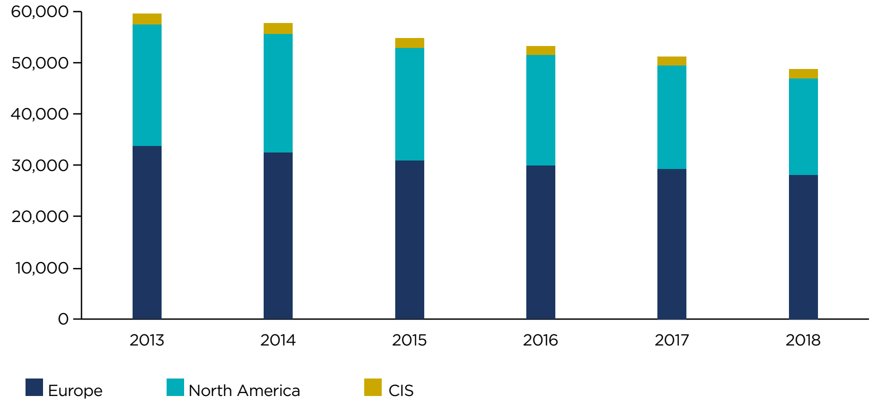
In the United States, paper production fell by 3.3% in the third quarter (Q3) year-on-year. China decided not to impose additional tariffs on US products, following the phase one of the trade deal, signed between US and China on December 13, 2019. More than 30% of US paper and pulp exports went to China in 2017, so those tariffs would have had an impact on US producers, especially as prices fell throughout 2019 and Coface expects this trend to continue this year. US paper consumption is expected to slow in 2020 because of the decline in graphic paper consumption and the economic slowdown (1.3% in 2020 after 2.2% in 2019 and 2.9% in 2018). In Canada, paper production is decreasing sharply and fell by 10.6% in Q3 2019, after shrinking by 1.6% a year earlier, partly due to China's cooler economic growth.

In Europe, paper consumption decreased in 2018 (-1.2%). The decline was attributable both to the fall in graphic paper consumption (-4%) and to the slight downturn in packaging paper consumption (-0.1%) following the economic slowdown in 2018. Coface expects growth in Europe to slightly decline in 2020 (1.3% after 1.4% in 2019), so paper consumption should continue to decline this year. Paper production decreased slightly in 2018 (-0.1%), as the increase in packaging paper production (1.4%) was not sufficient to offset the decline in graphic paper production (-3%). Overall, paper production (mainly graphic paper and packaging paper) is expected to continue to decline in 2020, in line with the trend seen in 2019. This is due to the continued downturn in graphic paper production as well as in packaging paper production estimated for 2019 relative to 2018, owing to reduced overall paper consumption.

In the CIS, paper and cardboard production slackened in 2019 (+1.2% after +3.8% in 2018). The slowdown was largely due to Russia, which in 2018 accounted for 84% of the region's production. Accordingly, the region was hit by the economic deceleration in Russia in 2019 (+1.1% after +2.3% in 2018). Coface expects growth to rebound slightly in Russia in 2020 (+1.7%), which should lead to an acceleration in paper production. Paper and cardboard consumption in the CIS decelerated in 2019 (+0.6% after 2.6% in 2018) following the economic slowdown, which also affected the countries in the region (1.8% after 2.7% in 2018). However, activity should pick up in 2020 (+2.3%) and drive CIS paper consumption growth upwards.

In Latin America, Brazil's paper and pulp production decreased by 2.5% year-on-year from January to July 2019. Pulp exports fell by 1% year-on-year between January and August 2019. In Chile, the world's fourth-largest wood pulp exporter, pulp and paper production declined by 2.7% in Q2 2019, down from +0.9% in Q1 2019. Between January and August 2019, exports of pulp and paper fell by 17% compared to the previous year (in value terms). China's pressure on pulp prices, following its economic slowdown, has lowered export prices, crimping pulp manufacturers' revenues.

CONSUMPTION OF GRAPHIC PAPER (THOUSANDS METRIC TONS)



Source: UNECE 2018

PHARMACEUTICAL

Sector risk assessments

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

+

- High profitability of pharmaceutical and bio-pharmaceutical companies
- Strong ability to innovate, in response to demand from authorities as well as patients and their families
- Development of health insurance systems in emerging countries to deal with diseases related to physical inactivity and a richer diet
- Government support

−

- Increased generic competition
- Pressure from payers to lower drug prices
- Regulators paying closer attention to the health impact of new therapies
- Rising debt due to the need to enhance offerings

Notes for the reader

Payer: in the pharmaceutical sector, the payers assess, negotiate and pay for medicines, on behalf of the patients.

RISK ANALYSIS SYNTHESIS

The pharmaceutical sector is experiencing contrasting trends across different regions. It is also facing multiple risks. Major payers, backed by public opinion, are calling for lower drug prices. Generic competition and the costs of developing new therapies are driving the sector's leading companies to join forces in order to revamp their existing offerings, which is leading to a significant increase in corporate debt. The sector's downstream business must deal not only with falling prices but also with high fixed costs, which eat into profitability. Meanwhile, as emerging economies grow more sophisticated, changing lifestyles in these countries are fuelling increasing prevalence of diseases typically associated with a sedentary lifestyle and a richer diet. As a result, payers in these countries are set to lobby harder for lower prices for therapies that offer effective results in improving patient health.

SECTOR ECONOMIC INSIGHTS

Pricing: a key issue for payers

Pharmaceutical pricing continues to pose problems for payers around the world, which, whether public or private, continue to be faced with therapies of which the costs take up a major part of their budget. According to BMI Research, a market research firm, global drug sales grew by 2.3%, 4% and 4.3% in 2016, 2017 and 2018 respectively, as compared to a global economic growth of 2.8%, 3.3% and 3.2%. Faced with this higher growth in drug expenditure, driven not only by wider access, but also by higher unit prices, public authorities and private insurers are pressuring laboratories and biopharmaceutical companies (biotechs) to reduce their prices. Furthermore, new therapies coming on the market to treat relatively rare and often fatal diseases are further contributing to this inflation. For example, Novartis's Zolgensma, which was the subject of a scandal over clinical data manipulation, should be borne for USD 2.1 million over four years for the treatment of children's muscular atrophy. In the United States alone in 2019, 3,400 drugs saw their prices go up (a 17% rise in the number of drugs that experienced increases according to Rx Savings Solutions, a health insurance consultant) for price growth of 10.5%, four times more than inflation for the same period. In the case of 41 drugs, price increases exceeded 100% (*i.e.* the price doubled in the space of a year), while the price of Eli Lilly's Prozac rose by 880%. These increases and the lack of transparency in pricing by pharmaceutical companies have led political representatives, in either the administration or Congress, to take up the issue to ensure that US prices are more in line with international standards. These questions are at the heart of the Democratic primary debates and are expected to be an important topic during the US presidential campaign, in which, as he campaigns for re-election, President Trump will have to make credible proposals in this area, given the inability of his administration to abolish Obamacare. The question of transparency also arises for biotech companies, which set prices according to what payers can bear financially. Calls for greater transparency from pharmaceutical industry players are coming not only from the United States, but also from around the world. In May 2019, the World Health Organization (WHO), under pressure from NGOs, requested that drug companies disclose their methodology for setting the prices charged to payers. Although not binding and not upheld by some large countries, including the United Kingdom and Germany, this resolution is a first step towards more transparency in one of the fundamental aspects of negotiations between payers and the pharmaceutical industry as a whole. Payers have certain tools at their disposal to limit the budget impact of expensive drugs. In addition to having policyholders share in payment, payers, particularly in Western Europe, have set up cost-benefit assessment systems for each therapy. This value-based approach allows the UK's National Institute for HealthCare Excellence (NICE), for example, to refuse to reimburse a drug if it does not significantly improve the survival or quality of life (measured in monetary terms) of patients in the National

Health Service (NHS) England. These methodologies are increasingly being implemented in emerging countries, particularly with regard to certain pilot programs of private health insurers, who see this as an opportunity to reduce, with generics, the costs of public health systems. Emerging countries are seeking to roll out nationwide public health insurance schemes rapidly (especially in poorer rural areas) with a controlled spending trajectory. Developing and implementing cost-efficiency measurement schemes is part of this objective.

Some US states have set up these types of valuation systems to limit prices.

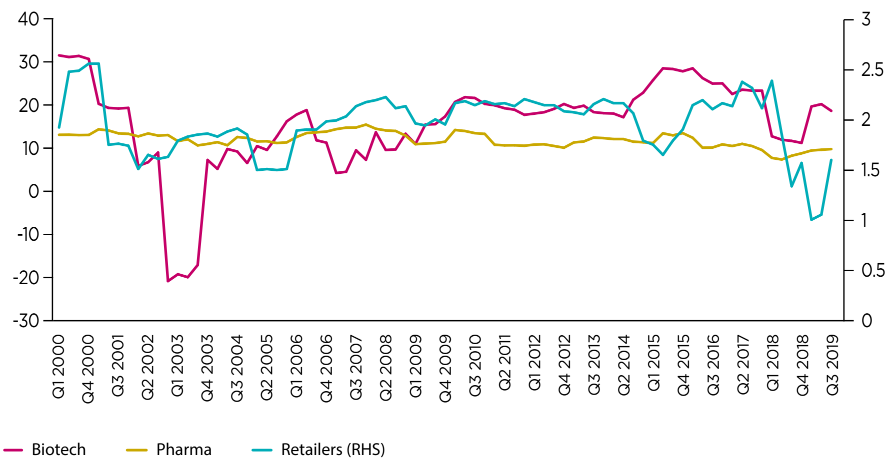
Pharmaceutical distributors represent the sector's most at-risk segment

Although pharmaceutical companies are facing pressure from payers, they still managed to generate net margin (net profit as a percentage of sales) of 8% in 2018, which was admittedly down by 3 percentage points compared to 2017 (11%). However, their net debt as a percentage of total assets continues to grow steadily, due to an ambitious biotech acquisition policy conducted with a view to obtain innovative and potentially profitable therapies. Net debt rose from 7.3% in 2015 to 15% at the end of 2018, and will continue to increase in the coming quarters thanks to the high valuation levels of these companies. The interest in acquisitions for pharmaceutical companies is a consequence of the expiry of patents for a number of high-selling drugs, but is also aimed at gaining critical mass in certain key therapeutic areas such as oncology or immunotherapy, which is showing promising results. The acquisition by Bristol-Myers Squibb (BMS) of the biopharma company Celgene in 2019 for USD 74 billion is a good example. AbbVie's acquisition of Allergan for USD 63 billion is another. The resulting therapies are driving the cost inflation for payers mentioned above and offer near-exclusivity in treating a specific type of disease. Pharmaceutical companies are partly financing these takeovers by selling units that are not considered to be in line with the core business. For example, Eli Lilly has floated its animal health subsidiary in order to finance its "refocus" on oncology and to offset the loss of patents for two blockbusters (Humalog and Cialis). According to a 2019 Reuters study, a blockbuster can generate up to 20% of a pharmaceutical company's total revenue, demonstrating the importance of renewing the pipeline. As a result, an increase in net debt, combined with greater price pressure (particularly from US policies) and legal difficulties, are causing the segment's risk profile to deteriorate.

The valuations of biopharmaceutical companies reflect the fact that net margins fell to 13% in 2018 compared to 23% a year earlier. Like pharmaceutical companies, biotechs have to deal with less accommodating payers in terms of drug reimbursement levels. However, their net debt is lower: 4% in 2018 compared to 7% in 2017. They are ideal targets for pharmaceutical companies because they have more profitable drug and therapy portfolios, as they are positioned in therapeutic areas considered essential by many in the industry. However, it is important to recognize that this segment is somewhat heterogeneous, as some biotechs are failing to obtain regulatory approval for their molecules due to a lack of positive effects or potentially fatal side effects observed in tests. Another obstacle may arise if molecules fail to generate sufficient sales against an established competitor. Marketing and commercialisation expenses, aimed at encouraging doctors to prescribe drugs, may influence outcomes but do not offer a sufficient guarantee. Moreover, they may also generate negative publicity, something that industry players want to avoid at all costs.

The most at-risk segment in the pharmaceutical sector comprises distributors, including wholesalers as well as pharmacy chains. They are bearing the full brunt of the price reductions demanded by public and private payers, while their fixed costs are high due to their fairly dense and specialised distribution networks, which have to cope, for example, with the fact that some drugs must be delivered quickly, regardless of their destination, while respecting strict packaging standards. Volume limitation policies could also have an impact on distributors' business. This sub-sector is already the most fragile. Net margin was 2.3% in 2018 compared to 2% in 2017, which is much lower than that of pharmaceutical companies and biotechs. Meanwhile this sub-sector has the highest net debt-to-asset ratio, which reached 14.8% during the same period. European and Chinese wholesalers have a higher risk profile. In addition to the drastic price reduction policies underway in the area, European wholesalers must also meet tougher standards and regulations. Complying with these rules generates higher costs and affects profitability. In China, the central government is seeking to clean up the segment, which has been hit hard by non-transparent practices and the presence of intermediaries that have pushed up prices. The "two-invoice" policy makes it easier to monitor transactions: an invoice is issued by the producer to the distributor, which then invoices its customer (hospital or pharmacy) giving explicit details of prices and volumes. Coface expects that some distributors will be eliminated as transparency increases.

PROFITABILITY EVOLUTION FOR GLOBAL BIOTECH, PHARMACEUTICAL COMPANIES AND DRUG RETAILERS (%)



Source: Refinitiv

RETAIL

Sector risk assessments

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

+

- Growth of the Chinese middle class
- Rapid urbanisation in Asia and Africa is driving the sector

−

- Fierce competition in the sector
- Global economic slowdown
- Physical points of sale struggling to respond to the growth of online commerce

RISK ANALYSIS SYNTHESIS

Household consumption, one of the retail sector's main drivers, is suffering from the global economic slowdown, which is expected to continue in 2020. Nevertheless, the sector remains relatively resilient overall in this unfavourable economic setting, although situations vary in different parts of the world. China and India continue to drive the sector's momentum. Global retail sales growth, including online sales, was about 4.5% in 2019, which is stable compared with 2018 but lower than in previous years. Growth is being fuelled by continued strong momentum in online sales, whose share in total global retail sales is steadily increasing, particularly in China, the world leader in e-commerce (see chart).

This growing competition is putting pressure on traditional players in the sector. To meet these challenges, they are being forced to rethink their strategies, notably by stepping up use of new digital tools. In many cases, online sales players are teaming up with traditional groups, which are seeking to diversify distribution channels and further segment their offer.

SECTOR ECONOMIC INSIGHTS

Retail sector will be impacted by economic slowdown

Global economic growth will slow in 2020, with Coface forecasting 2.4% in 2020, after 2.5% in 2019 and 3.2% in 2018. As a result, growth in consumer spending is also expected to soften. This decline in demand is expected to affect most major economies, both advanced and emerging, but to varying degrees.

In China, retail sales growth cooled from about 9% in 2017 to 2% in 2018 (at constant prices, as are all regional retail sales growth rates in this note). However, the sector proved quite resilient in 2019, despite the economic deceleration. Coface expects Chinese growth to reach 5.8% in 2020 compared with 6.1% in 2019 and 6.6% in 2018. Demand in the sector should stay strong, fuelled by a rapidly growing urban middle class. However, trade tensions with the United States, which dented consumer confidence last year, pose a risk to the sector. In addition, an eye needs to be kept on household debt, which stood at 52.6% of GDP in January 2019, up from less than 20% a decade ago. Corporate debt, estimated at 155% of GDP at the beginning of 2018, is also a cause for concern.

In Latin America, the outlook for the sector in Brazil is mixed. On the one hand, inflation and low interest rates are contributing to a recovery in consumer spending, after two years of recession in 2015 and 2016. However, on the other hand, Brazilian GDP growth remains low (0.9% according to Coface in 2019, after 1.1% in 2018) and the unemployment rate is struggling to go down. As a result, retail sales growth in 2019 was limited (+1.3% YoY over the 9 first months of the year). However, Coface expects activity to rebound slightly to a 1.5% expansion in 2020, which should provide better support for consumption and therefore retail. In Argentina, the economic situation is still very poor after the 2018 currency crisis and this continues to have a negative impact on the retail sector. Coface forecasts activity to contract by 2% in 2020, after shrinking by 2.5% in 2018 and by 3% in 2019, in a context of high inflation (3.5% year-on-year in October 2019) and elevated interest rates (around 68% in October 2019), which is making it harder for households and companies to access credit.

In the United States, despite high consumer confidence, disposable income and a historically low unemployment rate (3.5% in September 2019), retail sales have slowed, increasing by 1.6% in the 3rd quarter (Q3) 2019 year-on-year, compared with 5.1% in Q3 2018. Growth is being mainly driven by strong online sales, which were up 13.3% year-on-year in the first quarter of 2019. Households have little room for manoeuvre due to their persistently high debt levels (76.3% of GDP in the first quarter of 2019). However, the US central bank's decision to lower its key interest rates several times in the second half of 2019 should help to support the sector's activity.

Eurozone conditions are unfavourable to household consumption. Growth in 2020 is expected to be 1.1% after 1.2% in 2019, according to Coface, down from 1.9% in 2018. Meanwhile, the household confidence index has been deteriorating since the beginning of 2018. As a result, retail sales growth remained weak in 2019, at around 2%. In the United Kingdom, they have stayed strong thanks to the sub-4% unemployment rate, brisk wage growth and a persistently low savings rate. Nevertheless, the slowdown in growth, due in particular to Brexit-related uncertainties and low household confidence, will continue to pose a risk to the sector in the coming months.

The sector remains dominated by US global leaders: according to the 2019 Deloitte Global Powers of Retailing ranking (based on 2017 revenues), Walmart, Costco Wholesale, Kroger and Amazon were the top four with revenues of approximately USD 500 billion, USD 129 billion, USD 119 billion and USD 119 billion respectively.

In Europe, Germany's Schwartz Group and Aldi as well as France's Carrefour generated the most income. However, despite the size of these retail giants, the market remains highly fragmented. The 250 largest companies in the sector accounted for just 20% of global retail sales in 2017. Fragmentation is mainly geographical in nature: the 250 companies mentioned above operate in only nine countries on average and make less than a quarter of their sales outside their country of origin. In general, situations differ considerably across countries in the sector. In India, for example, about 90% of the market is still dominated by small businesses.

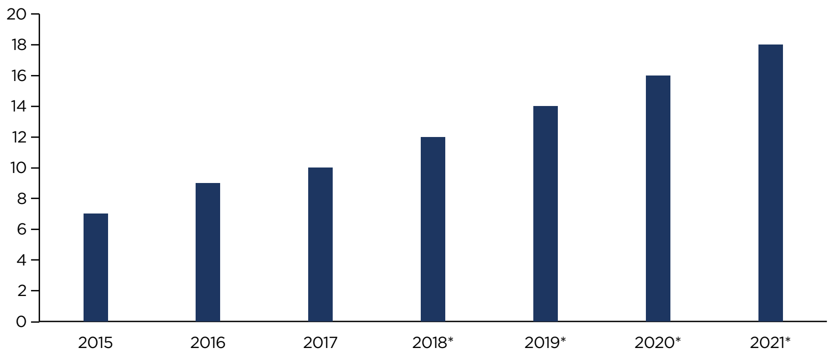
The retail sector is undergoing a major structural transformation, mainly due to the rise in online sales

E-commerce is expected to continue to grow at a sustained rate of 19% in 2020 and account for 16.1% of global retail sales in 2020, according to information provider eMarketer. This shift has paved the way for the emergence of new players, such as Amazon, the world leader in e-commerce, whose sales increased by 31% between 2017 and 2018. It has also weakened some long-standing companies in the sector, particularly in advanced economies, as illustrated by the fate of American group Sears, which went bust in October 2018 because it was unable to adapt to competition from online shopping. Conversely, Walmart's strong financial health is partly due to the group's ability to take advantage of market developments and diversify distribution channels. In June 2019, Walmart introduced a new unlimited home delivery service for grocery products, matching what Amazon already offers. Thus, while e-commerce still represents less than 10% of Walmart's sales, this segment of activity is expanding rapidly (+40% in 2018).

China remains by far the leading e-commerce market with 54.7% of global sales in 2019, over three times more than the United States, representing nearly USD 2 trillion, up 27.3% from 2018. eMarketer is forecasting 24.3% growth in 2020. This dominance is partly explained by the number of online shoppers in the country: nearly 700 million people say they make at least one online purchase per year, compared with 200 million in the United States. Moreover, Chinese e-commerce is unique in terms of its domestic share, since it now accounts for more than a third of retail sales nationally and could surpass physical sales as early as 2021. This growth is being driven by several factors, such as the increase in average salaries, widespread smartphone use, urbanisation and the expansion of applications such as WeChat, which, in addition to being a social network, can be used to make many types of online purchases. WeChat now has 600 million regular users. Chinese online sales are dominated by the Alibaba group, which derives most of its revenue from this market, although it is trying to expand internationally.

Additional trends are at work and could transform the retail landscape in the coming years. First, the use of analytical tools related to data collection is likely to be stepped up within stores, for example to manage inventory more effectively. Second, companies are making major changes to their offerings in advanced economies to respond to changing consumer preferences. One approach is the development of concept stores where online retailers partner traditional stores to create theme-based retail outlets that seek to improve the consumer's shopping experience, which is now necessary given the growth of online commerce. Concept stores feature creative and playful spaces, sometimes with food options. The desire among consumers to buy more personalised products could also change retailers' strategies, as firms harness increased availability of data on consumer profiles and purchasing habits to offer products that are more in synch with different shopper categories and buying regions.

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



* Forecast

Source: eMarketer

TEXTILE-CLOTHING

Sector risk assessments

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

+

- Growth of the middle classes in emerging countries
- Rise of fast fashion

−

- Products with high price elasticity of demand
- Sector very sensitive to changes in economic activity
- Price structure very sensitive to swings in commodity pricese

Notes for the reader

Cotton Marketing year starts on August 1 and ends on July 31 of the following year.

RISK ANALYSIS SYNTHESIS

The textile-clothing sector is composed of two branches: textile on the one hand and clothing on the other. Although linked, the two are subject to different constraints and mechanisms. Textiles provide inputs to the clothing market, mainly cotton for natural fibres and polyester for synthetic fibres. While historically cotton and natural fibres were the most widely used, synthetic fibres, which are cheaper and easier to mix with other fibres in particular, have gained in importance: global polyester production is now twice as high as cotton production.

After increasing by 60% between January 2016 and June 2018, cotton prices fell sharply, tumbling by 30% between June 2018 and October 2019. The US Department of Agriculture (USDA) forecasts a 2.5% increase in world cotton production for the 2019/2020 marketing year compared to the previous one. It also expects demand to stagnate, which should lead to a slight increase in world stocks (+0.8%). In addition, China's tariffs on cotton imports from the United States are putting downward pressure on prices, which are expected to decline in 2020. The Australian Department of Agriculture (ABARES) forecasts a 12% decrease in world cotton prices in 2019/2020 compared to the previous season.

Cooler global economic activity is expected to weigh on the sector as a whole this year. This is reflected in Coface's sector risk assessment levels, with most regions considered in "high risk" or "very high risk" for textile-clothing.

The clothing market, like the retail sector, is having to contend with the expansion of e-commerce, mainly in advanced economies and China. To survive, physical shops must adapt to market changes by collaborating with companies that specialize in online sales or by developing this service internally for their customers. In the United States, for example, online sales increased by 6.7 percentage points between 2015 and 2017 to reach 27.4% of clothing sales.

SECTOR ECONOMIC INSIGHTS

The global economic slowdown is dimming the sector outlook

The clothing market is very sensitive to changes in economic conditions. World economic growth is expected to decline to 2.4% in 2020 from 3.2% in 2018 and 2.5% in 2019. The economies of the main clothing consumption markets, notably the United States and China, are therefore expected to experience a slowdown in activity in 2020. Coface forecasts 1.3% growth in 2020 after 2.3% in 2019 for the United States, and 5.8% after 6.1% and 6.6% for China. This sluggish growth trend is already driving clothing sales down: in the United States, YoY growth of the three-month average for clothing sales was flat in September 2019 (+0.1%) compared to a 5.1% increase a year earlier. In Europe, the same indicator fell by 1.3% in August 2019 compared to 0.7% a year earlier. It also fell in China (-8.7% in September 2019), although at a slower pace than a year earlier (-26% in September 2018). The sector in Latin America is highly dependent on imports of clothing products from Asia, particularly China. The expected downturn in activity should therefore affect demand for Latin American clothing. Clothing sales in these regions, like global clothing sales, are expected to continue to suffer from the economic slowdown. However, this effect could be partially offset by the fall in cotton-based clothing prices, linked to the downward trend in cotton prices.

The textile-clothing sector is rapidly evolving

The textile-clothing sector is evolving under the influence of various factors. One key factor is the growing use by sector participants of synthetic fibres (mainly polyester) at the expense of natural fibres such as cotton. Polyester has several advantages over cotton: its production requires less water than cotton and no pesticides. It is also easier to handle and mix with other fibres, and its production is less subject to climatic hazards. Another important point is the major

development of environmentally-friendly natural fibres, driven by the growing environmental concerns of consumers.

As demand for clothing from Asia, particularly China, grows, the importance of Europe and North America in this sector is decreasing. Accordingly, sales of clothing products outside North America and Europe equalled sales in these regions in 2018 and are expected to reach 55% of total world sales of clothing products in 2025.

Another important transformation in the clothing market is the growing importance of fast fashion, particularly in advanced economies and China. The term refers to the strategy used by brands, which seek to change their clothing collections very quickly in order to stimulate and increase the frequency of consumer purchases. A direct consequence of this evolution is the shorter lifespan of clothes, which are now kept for half as long as they were ten years ago.

Textile manufacturing, particularly low value-added manufacturing, is shifting from China (which dominates textile manufacturing worldwide) to other economies with lower production costs, including Vietnam, India and Bangladesh. Recently exacerbated by the trade tensions between the United States and China, this trend is expected to continue as Chinese wages rise, pushing up production costs.

The trade tensions between the United States and China are having a negative impact on the sector

The trade tensions between the United States and China are impacting the entire global value chain of the sector. China's tariffs on US cotton led to a 38% year-on-year decrease in US cotton exports to China over the November 2018-October 2019 period. Furthermore, US targeted many apparel goods from China with the successive waves of tariffs.

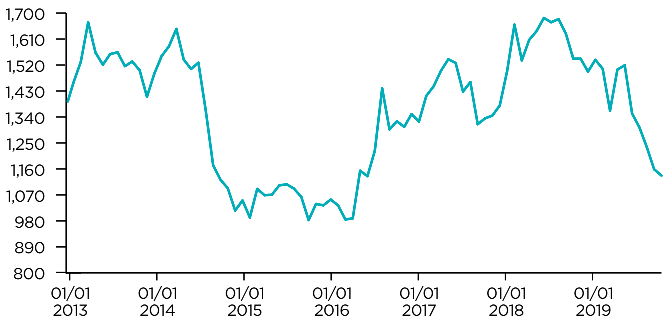
Coface anticipates that the trade tensions between the United States and China will severely affect American consumption of clothing products. The duties imposed on imports of these products will partly be passed on to consumers as partial cost increases that are fed into sales prices. However, the increase in the cost of importing clothing into the United States from China is also partly due to the tariffs China has imposed on American cotton, as the cost of importing cotton is going up for Chinese factories. Thus, the trade tensions have complex consequences that vary for different participants in each country. The US textile-clothing sector is expected to be hurt by the trade war, regardless which option is taken by China. If China continues to scale back imports of US cotton, the income of US cotton producers will decline. If China decides to increase imports despite the customs duties, US clothing consumers and retailers will be hit. At this stage, Coface expects that China will continue to import smaller volumes of cotton without halting imports completely, thus affecting both consumers of clothing products and American cotton producers. However, the decrease in China's imports could be offset by other countries, in particular Vietnam, which in 2018 was the largest importer of American cotton (21% of exports), ahead of China, and whose imports of American cotton increased by more than fivefold between 2010 and 2018, climbing 23% per year on average.

Higher cotton stocks and production are expected to drive prices down

After imposing cotton import quotas following the accumulation of record stocks in 2014/2015, amounting to 62% of the global total at the time, China decided to raise its cotton import quotas to meet growth in domestic demand caused by the increase in disposable income. As a result, the USDA forecasts that Chinese cotton stocks will be halved in 2019/2020 compared to 2014/2015 and account for 40% of world stocks. The United States will find it hard to take advantage of the increase in import quotas because of the trade tensions, unlike India, the world's leading producer and third-largest exporter, who already benefited in 2019 from stronger demand from China following the reduction in its imports from the United States. Nevertheless, the increase of stocks in the United States and India will offset the decrease in China; the USDA forecasts world stocks to slightly rise (+0.8%) at the end of 2019/2020. This should put deflationary pressure on cotton prices, which are already on a downward trend (-30% between June 2018 and October 2019).

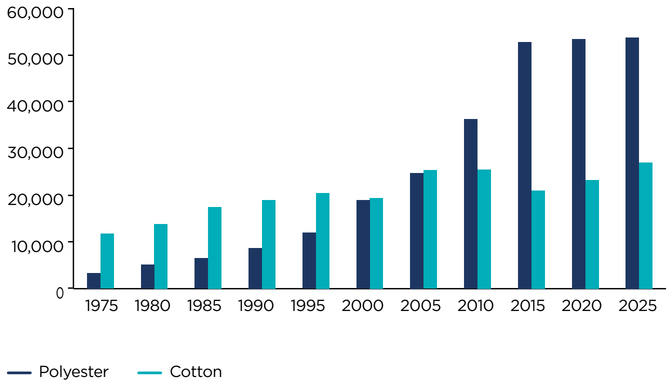
US cotton production is expected to increase by 10% in 2019/2020, chiefly due to a base effect, since production in 2018/2019 was particularly poor (-12.2% compared to the previous season) owing to bad weather conditions. In India, the increase in land under cultivation and improved yields due to higher than normal monsoon rainfall will result in a 14.3% increase in cotton production compared to 2018/2019. As a result, world production is expected to increase by 2.5% in 2019/2020.

COTTON PRICES (USD/METRIC TON)



Source: Reuters,
Last point: October 2019

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



Source: Industrievereinigung Chemiefaser, USDA

TRANSPORT

Sector risk assessments

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

+

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

−

- Highly dependent on oil price fluctuations
- Health closely tied to economic conditions
- Severely affected by environmental concerns

RISK ANALYSIS SYNTHESIS

Overall, the transport sector (air, road, sea and rail) is set to be reduced by cooler economic activity and trade tensions. Further out, however, the sector should benefit from a positive outlook mainly due to the emerging middle classes in India and China, and the lower costs associated with technological progress, particularly in the air and maritime segments.

World trade is on the decline. The World Trade Monitor, which measures world trade in goods, decreased by 1.1% in the third quarter (Q3) of 2019 year-on-year. Air freight, measured in freight ton kilometres, fell for the 11th consecutive month in September (-4.5% year-on-year). Maritime freight continues to slow down as well: the container throughput index, which tracks the volume of world maritime freight, increased by 3% in Q3 2019 year-on-year compared to 3.3% a year earlier.

Air traffic continued to slow in 2019: demand for air passenger transport, measured in revenue passenger kilometres (RPK), increased by 4.5% year-on-year over the January to September 2019 period, compared to 6.7% a year earlier. The grounding of the Boeing 737 MAX airliner, for an unspecified period, following crashes in October 2018 and March 2019, is having a damaging effect on the financial health of Boeing and of many airlines, particularly US companies, which use these aircraft and which have automatically suffered a (temporary) reduction in their fleet size. Despite the difficulties, the long-term outlook for air transport is positive, according to the International Air Transport Association (IATA), which forecasts that the number of air travellers will double 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.

Environmental concerns and measures to prevent greenhouse gas or pollutant emissions could have an adverse impact on the sector, particularly the air, maritime and road segments.

SECTOR ECONOMIC INSIGHTS

A transport sector in turmoil after a turbulent year

Global economic activity continued to slow in 2019. Coface is forecasting a 2.4% economic growth in 2020 after 2.5% in 2019 and 3.2% in 2018. The slowdown is particularly noticeable in world trade in goods, of which the three-month average fell for the fourth consecutive month in September 2019, registering a 1.1% slide according to the Netherlands Bureau of Economic Policy Analysis (CPB). Maritime and air freight are automatically affected by the decline in trade. Accordingly, maritime freight transport, which represents 80% of world freight, continues to decelerate: the average value of the container throughput index increased by 2.6% between January and September 2019 year-on-year after 4.4% in the previous year. Air freight, measured in freight ton kilometres, fell by 4.5% year-on-year in September, the 11th consecutive monthly decline.

Air passenger transport seems to be continuing to perform well. According to IATA, demand, measured in revenue passenger kilometres, increased by 3.8% in September year-on-year.

Among the highlights of 2019, Boeing suffered setbacks following the crashes of two Boeing 737 MAX aircraft in October 2018 and March 2019. Boeing, the world's leading aircraft manufacturer, posted a loss of nearly USD 3 billion in Q2 2019 due to the suspension of deliveries and decreased 737 MAX production. Boeing delivered 239 aircraft in the first half (H1), down 37% on H1 2018. Airbus, its main competitor, is taking advantage and delivered 28% more aircraft in H1 2019 compared to H1 2018. However, Airbus's gain will be limited as the manufacturer cannot increase its production indefinitely in the short term, and airlines do not appear to have lost all confidence in Boeing: to date, there have been very few cancellations, and Boeing received several orders at the Paris Air Show, including one for two hundred 737 MAX aircraft from International Airlines Group (IAG). Aerospace manufacturers are not the only ones affected by the crashes: since the 737 MAX has been grounded, airlines using this type of aircraft have

been forced to adjust, most often by cancelling flights. North American airlines are particularly concerned: American Airlines, which owns twenty four 737 MAX aircraft, has estimated that aircraft downtime will reduce its profit by USD 400 million; Southwest Airlines has cancelled more than 200 daily flights through to March 4, 2020.

Environmental concerns are disrupting the sector

In order to combat pollution and address environmental concerns, a number of measures have been taken to reduce the transport sector's environmental and health impact. IATA has set itself the goal of halving CO_2 emissions by 2050 relative to the 2005 level. The European Parliament voted in early 2019 to reduce CO_2 emissions from heavy goods vehicles by 25% by 2025 and 30% by 2030. And the International Maritime Organization (IMO) has set a new limit for ship sulphur oxide emissions. The new rule, called IMO 2020, which took effect on January 1, 2020, limits sulphur emissions to 0.5% (or 5 kg per tonne of fuel) compared with 3.5% previously. This measure is expected to have the greatest impact in the short term.

Ships have several options to comply with IMO 2020. First, they can use low-sulphur fuel oil (LSFO) or marine gas oil (MGO), which will be more expensive than the high-sulphur fuel oil (HSFO) used to date, due to higher production costs. They can also continue using HSFO if they install purifiers that allow no more than 0.5% sulphur oxide to be discharged, but installing these devices is time-consuming and costly; estimates of the number of ships fitted with purifiers on January 1, vary from 2,000 to 4,000 ships, while the world fleet is estimated by the United Nations Conference on Trade and Development (UNCTAD) at over 95,000. Last, they can use liquefied natural gas (LNG) but this option seems unlikely to be used in the short term, as not all ports can supply ships with LNG. The short-term option that ships are most likely to take is therefore to use LSFO or MGO. Whatever the case may be, IMO 2020 will impact shipping companies by increasing costs. The negative effects of IMO 2020 will be magnified by the fact that the new rule is being introduced amid an economic slowdown and a deterioration in world trade.

Environmental concerns are prompting some consumers to stop flying and look for transport alternatives. This movement, known as flygskam, or "flight-shame" is spreading in Europe and the United States and could have a lasting negative impact on passenger air transport. This may in turn benefit the railway segment.

A challenging 2020 in prospect

At the global level, passenger and freight transport companies will continue to be affected by the economic slowdown.

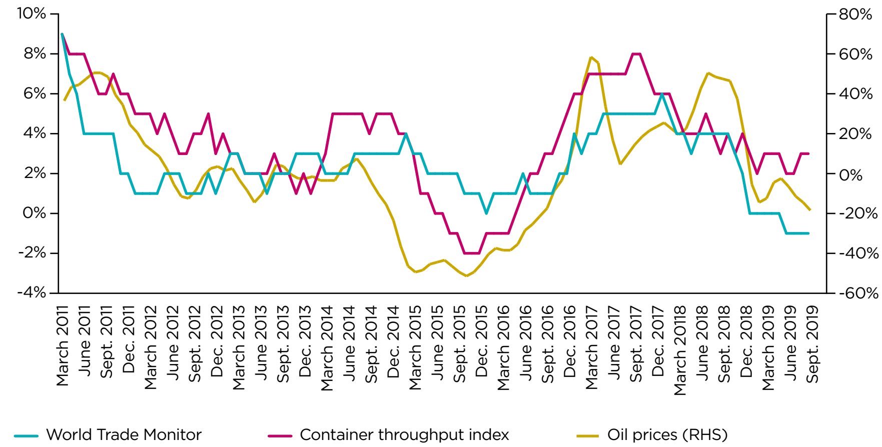
In Europe, air transport and particularly the low-cost segment is facing major overcapacity, which is eating into margins and making firms more sensitive to economic conditions and changes in oil prices. As a result, a significant number of airlines went bankrupt last year, including WOW air and XL Airways to name just two, undermined by wide swings in oil prices and the economic slowdown. More failures are expected in the short term. However, these bankruptcies may benefit the market as a whole in the long term: by reducing overcapacity and promoting market consolidation, they will allow companies to rebuild their margins and reduce their sensitivity to economic fluctuations.

The possibility of a hard Brexit is hurting the UK sector. Large companies, including Airbus, have said that they need more certainty before continuing to invest and may be forced to leave the United Kingdom if the country takes the hard Brexit route, because of its effect on international supply chains.

The trade tensions between the United States and China have a direct impact on the transport sector by reducing trade between and within the two countries. In the United States, the sector is affected by trade tensions with China: import tariffs on steel and aluminium are pushing up manufacturers' costs, while Chinese retaliatory measures on American goods, particularly agricultural goods, reduce freight demand. The health of domestic road freight transport, which accounts for 70% of domestic freight in the United States, did not show a clear trend in 2019 but experienced sizeable fluctuations. The economic slowdown that Coface expects in 2020 (+1.3% after 2.3% in 2019 and 2.9% in 2018) will weigh on freight demand.

In Asia, the emerging middle classes, particularly in China and India, and rising income per capita bode well for the transport of goods (as residents are consuming more) and passengers (as households are travelling more often). In China, the current economic slowdown and the trade tensions with the United States will affect demand for transport, particularly of freight. In the longer term, the sector in China as well as in neighbouring countries stands to benefit from the Belt and Road Initiative.

YOY GROWTH OF OIL PRICES AND MERCHANDISE TRADE INDICES



Source: CPB, RWI, Reuters

WOOD

Sector risk assessments

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

- Growing interest in biomass energy contributes to supporting the demand for wood
- Increasing demand from emerging countries
- Material is valued due to the expansion of sustainable construction, aimed at limiting environmental risks

- Dependence on the construction and paper sector
- Efforts by the sector's players to adapt to stricter regulation of wood harvesting in order to preserve forests
- Sector is highly exposed to the vagaries of the climate and the trade tensions

Notes for the reader

Wood pellets: Product mainly derived from sawmill wood residues. It used for energy production and heating.

RISK ANALYSIS SYNTHESIS

The wood sector is highly dependent on construction. The latter uses large quantities of wood as an input. Because of the global economic slowdown forecast at 2.4% in 2020 after 3.2% in 2018 and 2.5% in 2019, construction in some parts of the world is expected to slacken somewhat this year, thus reducing demand for wood. However, lumber prices in the United States in 2019 are down -23% year-on-year over the first eleven months. This could partially limit the decline in demand. In addition, increasing environmental concerns leading to enthusiasm for more sustainable materials, such as wood in the construction sector, should also help support demand. Wood demand should therefore remain strong overall, driven by major infrastructure construction projects and strong demand from developing countries. Wood production for heating and energy will remain dependent on oil price fluctuations. Coface forecasts Brent oil to trade at an average of USD 60 in 2020. For its part, the price of raw lumber should be stable in real terms until 2030 according to the World Bank.

In addition, the sector should continue to benefit this year from the increasing use of wood to generate biomass energy. The sector should also benefit from the standards aimed at both achieving "carbon neutrality" in the construction sector by 2050, which promote the use of "sustainable" material such as wood. This will be the case although the industry players will also have to adapt to the commitments made by a majority of governments around the world to preserve forests under the Paris 2020 Agreement signed in 2015.

Overall, the emergence of substantial new producers in China and Brazil, for example, are gaining market shares historically held by the countries of the United Nations Economic Commission for Europe (UNECE). Combined with the changes in demand mentioned above, this is likely to transform the market. The sector is impacted by the protectionist environment in general, and the trade tensions between the United States and China in particular. In addition, the sector will continue to be vulnerable to new developments in the paper sector. Coface expects a difficult overall outlook for the paper sector worldwide. This could have a negative impact on the wood sector, as it is one of its main 'client sectors', along with construction. Moreover, wood production is penalized by global warming. The higher temperatures and droughts encourage the spread of forest fires, thus limiting wood production.

SECTOR ECONOMIC INSIGHTS

The wood sector faces both structural and cyclical challenges

At this stage, the sector remains impacted by the protectionist environment. In particular, it is marked by the trade tensions between the United States and China on the one hand and the United States and the rest of the world on the other. China and the United States imposed 25% customs duties on imports of wood and wood-based products respectively. The American timber sector is being particularly hard-hit, with 60% of its exports going to China. Between 2017 and 2018, US wood exports to China fell from USD 1.7 billion to USD 1 billion. This was mainly due to a decline in hardwood, accounting for the largest share of US wood exports to China. Furthermore, the customs duties imposed by the United States on imports of softwood lumber from Canada strongly affect the Canadian lumber industry, with Canada selling 70% of its softwood lumber exports to the United States. Construction in the United States should prove resilient following the lowering of the FED's key interest rate from 2.5% to 1.75% between January and July 2019 and thus support wood demand. Moreover, Brexit creates uncertainty about the sector in Europe. The United Kingdom imports the majority of its timber from the European Union. A Brexit without an agreement could therefore intensify the competitiveness of countries outside the European Union, to the detriment of the Member States. From a structural point of view, the actors in the sector must face a more constraining environment with regard to timber operations, with a firming up at world level of the standards that aim to limit the use of rare woods and preserve forests,

implemented by many States, in particular within the framework of the commitments made during the Paris Agreements on climate signed in 2015, which the Trump administration decided to leave.

2020 is likely to be a difficult year for the sector despite a number of positive developments

The global wood sector should be adversely affected in 2020 by an economic downturn. However, the production and consumption of wood pellets for energy production is expected to increase.

China has gained in importance in the wood sector. It is now the world's largest importer of wood and wood-based products. The health of the construction sector being the main use of wood products, its well-being will strongly influence the wood sector in the country. Demand for wood in China is expected to be impacted by any downturn in the housing market caused both by an economic slowdown and by the effects of the government's measures to address the housing bubble. Concerning the specific factors that should contribute to supporting wood demand in China, there are infrastructure projects that remain significant, particularly as part of the Chinese government's measures to address environmental risks and promote more sustainable construction production with the authorities' strategic plan in this regard *i.e.* the "13th Five Year Plan for Building Energy Efficiency and Green Building Development".

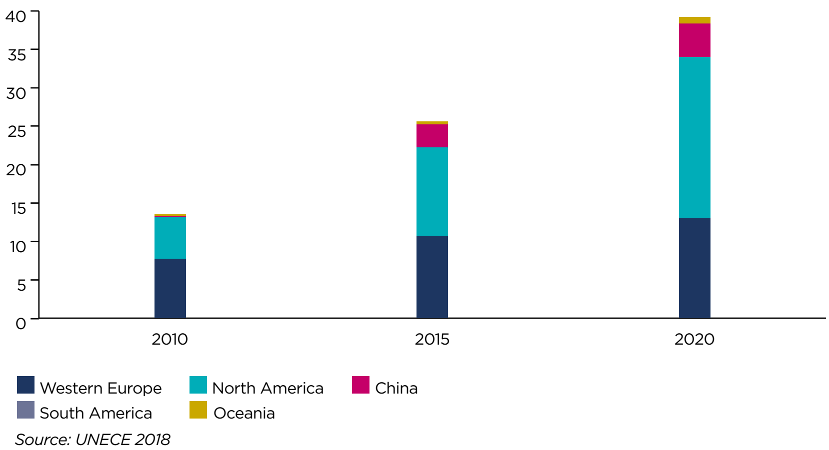
Japan is one of the world's largest importers of wood. It manages to import wood of good quality and cheaper in general than that produced in the country. Thus, changes in wood demand in Japan have an impact on many countries, particularly the United States, Canada, Russia, Malaysia, Indonesia, Australia, and Chile. Indeed, approximately one third of the wood exported from Malaysia and Russia, plywood from Indonesia and lumber from Chile goes to Japan. Almost all wood chips exported from Australia, the United States, and Chile are also sent to Japan. Although the construction of the infrastructure required for the 2020 Olympic Games provides opportunities for wood in Japan this year, demand should be negatively impacted by the economic slowdown in the country. Coface's estimate of economic growth in Japan in 2020 is for 0.2% after 0.8% in 2018 and 2019.

In North America, the sector will continue to be negatively impacted by tariffs, whether they are related to the trade tensions between the United States and China or imposed by the United States on Canadian timber. The economic slowdown in the region should weigh on the demand addressed to companies in the sector. Growth should be 1.3% in 2020 after 2.2% in 2019 and 2.9% in 2018 for the United States and it is forecasted at 1.3% in 2020 after 1.5% in 2019 and 1.9% in 2018 for Canada.

In Europe, the sector should suffer from the uncertainties surrounding Brexit, on the one hand, and on the other from the difficulties encountered by the construction sector in certain countries such as Great Britain and Italy. However, consumption and production of wood pellets, mainly for heating and energy production, increased in 2019 by 2.5%. It is expected to continue to grow in the coming years due to the growing interest in biofuels, especially in Europe. In Germany, the sector is under pressure due to the economic slowdown on the one hand and the deterioration of forests on the other. The climate is too hot and dry to maintain the health of the trees. Forests regenerate less well after hot and dry summers. Forest fires are now more frequent. In addition, the bark beetle, a "pest" insect causing tree death, is destroying large spruce forests.

In Latin America, the sector had a difficult year in 2019. The production of wood and wood-based products decreased in the region's largest economies. However, it should benefit from the economic recovery in 2020. Coface forecasts economic growth to reach 1% in 2020 in the region after -0.1% in 2019. The developments in the wood sectors in Brazil, Argentina, and Mexico illustrate the difficulties faced by the sector in the region last year. In Brazil, wood product manufacturing fell by 5% between January and September 2019 compared to the previous year. The sector should nevertheless benefit from an increase in economic growth in 2020, forecasted at 1.5% after 0.9% in 2019. In Argentina, production of wood and wood-and-cork products fell by 1.7% year-on-year between January and October 2019. In Mexico, the fires of 2019 had a strong adverse impact on the wood industry's production. Domestic demand was penalized by unfavorable economic conditions with a marked economic slowdown in the country. Economic growth fell to 0% in 2019 from 2% in 2018.

WORLD PRODUCTION OF WOOD PELLETS (THOUSANDS METRIC TONS)



Source: UNECE 2018

INTRODUCTION TO COUNTRY PROFILES

Economic record and prospects for 2020 in 162 countries

This reference guide for the analysis of country risks in the world allows you to consult 162 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.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	36.0
GDP PER CAPITA US Dollars - 2018	545
CURRENCY Afghan Afghani	AFN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.7	2.7	3.0	3.5
Inflation (yearly average, %)	5.0	0.6	2.6	4.5
Budget balance (% GDP)	-0.6	1.5	-0.8	-0.1
Current account balance (% GDP)	4.7	9.1	2.0	0.2
Public debt (% GDP)	7.5	6.9	7.5	7.7

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

TRADE EXCHANGES

Exports of goods as a % of total

PAKISTAN	43%
INDIA	40%
CHINA	3%
TURKEY	2%
IRAN	2%

Imports of goods as a % of total

IRAN	17%
CHINA	16%
PAKISTAN	15%
KAZAKHSTAN	11%
JAPAN	11%

+

- Financial and military support from the international community
- Development prospects for commodities including gas, oil and minerals
- Development of regional logistics (Lapis-Lazuli) and energy (CASA-1000, TAPI) corridors through the country

–

- 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

Military stalemate and major political uncertainties

Insurgent groups are at the height of their territorial expansion since 2001, while the central government's territorial control has now fallen below 50%. Despite greater cohesion of the Taliban under the command of Haibatullah Akhunzada, the insurgent group has failed to take and hold a provincial capital since 2015. The conflict therefore remains at an impasse. The country's future depends on peace talks between the United States and the Taliban, which could see US forces make a gradual withdrawal in exchange for commitments by the Taliban to prevent international Islamist groups from establishing themselves, and to enter into peace and power-sharing negotiations with the government. However, buoyed by recent military successes, the Taliban may be disinclined to negotiate. They continue to refuse dialogue with the government and could well betray their commitments to the United States in order to fight a weakened enemy, whose army is corrupt, underfunded, struggling for legitimacy and undermined by absenteeism and desertion.

The first round of the presidential elections in September 2019, the fourth set of elections since the fall of the Taliban regime, did not produce a winner, paving the way for a second round, which will pit the outgoing President, Ashraf Ghani, against Abdullah Abdullah, the head of government. The elections were marred by irregularities, protests over the results by the main opposition candidate, as well as terrorist attacks throughout the country. Institutional legitimacy is in question on two fronts: turnout was extremely low (20%), while the main opposition and candidates, outgoing President Ashraf Ghani and Abdullah Abdullah, have indicated their refusal to accept a power-sharing agreement similar to the one signed in 2014, a factor that could increase tensions between the ethnic groups they represent. The question of whether the State could collapse remains. In a worst case scenario, a situation similar to that of 1992 is conceivable, when the end of Soviet support for the government of the day caused Afghanistan to break up into fiefdoms controlled by local warlords, unleashing a four-year civil war.

An agricultural economy supported by good harvests

In 2019, Afghan growth recovered, largely due to the end of the drought experienced in 2018. The sector still accounts for 44% of employment and 25% of GDP, and its strong numbers will allow household consumption to rise. Afghanistan's growth prospects will therefore improve in 2020, as favourable climatic conditions boost agricultural production.

The manufacturing and services sectors will continue to suffer from the uncertainties associated with the postponement of the second round to spring 2020. These uncertainties and the security issue will also sap investor confidence and limit the flow of private capital into Afghanistan. Credit to the private sector continues to decline and now stands at around 3% of GDP. Despite having surplus cash, banks prefer to hold public debt securities, with loans to the private sector representing only 15.7% of deposits. The extension of eligible collateral and the credit register should have a positive impact on bank intermediation. Despite the expansion, strong demographic growth will lead to a further increase in poverty. Inflation will continue to accelerate, due to increased demand for food products.

Total dependence on international aid to finance twin deficits

Public spending had to go up in 2019 to respond to increased military needs. Government revenues remained strong, benefiting from the 2018 tax collection reforms. However, they will not be enough to make up for the decrease in donations to the Afghan State, which represent about 50% of the budget. The adjustment will therefore be achieved through a moderate deficit in 2020 and no increase in development investment. Debt will remain low, but reduced market access makes the State vulnerable to cuts in international aid. Budgetary room for manoeuvre will remain minimal. External financing is crucial to the country's security, with the Afghan army (50% of expenditure) 90% financed by foreign sources.

The trade balance will remain largely negative (around -35% of GDP), given the low level of exports, which are affected by the difficult situation in neighbouring Pakistan. The country's external deficits will continue to be financed by foreign donations. While their reduction will cause the current account balance to deteriorate in 2020, foreign exchange reserves should still be kept at an acceptable level (just under a year of imports).

ALBANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	**2.9**
GDP PER CAPITA US Dollars - 2018	**5,239**
CURRENCY Albanian lek	**ALL**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	4.1	3.0	3.4
Inflation (yearly average, %)	2.0	2.0	1.7	2.0
Budget balance (% GDP)	-1.4	-1.6	-2.2	-1.8
Current account balance (% GDP)	-7.5	-6.8	-6.6	-6.6
Public debt (% GDP)	71.9	69.9	66.0	64.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	69%
KOSOVO	9%
NORTH MACEDONIA	3%
SERBIA	3%
CHINA	2%

Imports of goods as a % of total

EURO AREA	52%
TURKEY	8%
CHINA	8%
SERBIA	3%
RUSSIA	2%

- Candidate for European Union membership, Stabilisation and Association Agreement
- Mineral (oil, chromium, copper, iron-nickel, silicates, coal), hydroelectric and tourism potential
- Long coastline
- Abundant and inexpensive labour
- Flexible exchange rate coupled with a strong lek against the euro and substantial reserves

- Laborious opening of EU membership negotiations
- Small open and poorly diversified economy
- Unfavourable demography: ageing and immigration
- Large albeit shrinking informal economy (one-third), which undermines government revenues
- Poverty (GDP *per capita* = 30% of the European average), low priority given to education (3% of GDP), low-skilled workforce
- Dependence on rainfall: agriculture (1/5 of GDP for 42% of jobs) and hydropower (98% of electricity) and exposure to seismic risk
- 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

Growth could increase in 2020 and get close to its potential (4%). Household consumption, again the main contributor, will continue to benefit from the fall in unemployment, including among young people (from 34% to 21% since 2015), as well as from the increase in the participation rate linked to the decline in the informal economy. Wages are therefore expected to increase further. With the completion of the Trans Adriatic Pipeline to transport Azeri gas to Italy, as well as the completion of the second plant of the hydroelectric complex on the Devolli River, foreign investment has slowed. Nevertheless, it remains the major component of investment, with a continued preference for energy, mining and, increasingly, for tourism-related construction. Conversely, local investment remains weak. Its private share is hampered by a lack of skilled labour and entrepreneurship, as well as by poor-quality public services, while the building and upgrading of roads, railways (Tirana-Durres line) and port facilities are being constrained by fiscal consolidation, low government revenues and prudent lending by banks. Banks, most of which are subsidiaries of foreign groups (78% of total assets) from Turkey, Italy and Austria, will seek to further reduce the percentage of doubtful loans in their portfolios (11% in July 2019 down from 25% in 2014), while also lowering the share of the euro (about half) in their deposits and loans. Under these circumstances, growth in corporate credit should remain low, and the average interest rate on lek and euro loans should stay relatively high (6% and 4% in July 2019). The contribution of foreign trade to growth is expected to remain slightly negative. Exports could suffer from the European slowdown, while more moderate imports of capital goods will be offset by strong imports of consumer goods. Due to the strength of the lek, inflation is expected to remain low, below the 3% target. The central bank will likely maintain its key interest rate, which it lowered to 1% in June 2018 to ease the upside pressure on the currency. While all sectors, particularly services (40% of employment and 54% of GDP along with tourism and construction) should perform well, electricity production, which is reliant on rainfall, is difficult to predict, heightening the uncertainty of growth.

Fiscal consolidation necessary to reduce the debt burden

Since the end of the IMF programme and the elections in 2017, fiscal consolidation has stalled. The stakes are high given that the debt burden, although decreasing, remains considerable. Half of the debt is short term and divided equally between domestic creditors (60% is held by local banks and accounts for 25% of their assets) and foreign creditors. Its refinancing was estimated at 17% of GDP in 2018, as compared against government revenues of 25% of GDP. Adding to the debt burden are State guarantees under contracts carried out in partnership with the private sector in areas ranging from roads and health to energy and education, which represent 31% of GDP (the equivalent of an additional 15% is under negotiation). The cost of the electricity sector for the State is expected to decrease with the installation of meters, infrastructure upgrades and the phase-out of subsidised prices. 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 offset by tourism, remittances and FDI

Trade in goods will continue to show a large deficit (22% of GDP in 2019). This reflects the narrow production base (textiles, footwear, oil, ore, electricity, construction materials), which forces the country to import capital and consumer goods. Half of Albania's exports are destined for Italy. In addition, the balance is sensitive to rainfall through fluctuations in hydroelectric power sales. The services surplus (8% of GDP) is expected to increase thanks to tourism and outward processing arrangements in the clothing sector. Remittances from emigrants (7%) could suffer as a result of poor economic conditions in Italy. FDI largely finances the current account deficit, which means that infrastructure-related imports are self-financing. External debt, which is declining, is denominated in euros and long term. It represented 57% of GDP in June 2019, excluding intra-group loans (14%) linked to FDI. The Albanian State is responsible for 58% of the total.

Political disorder

The Socialist Party won an absolute majority of seats in the 2017 elections, allowing Prime Minister Edi Rama to serve a second term. Nevertheless, tensions with the opposition are high. Members of the Democratic Party resigned in February 2019 and the entire opposition boycotted the June municipal elections, saying it would not participate in any election as long as the Prime Minister remained in power. In order to ease the pressure and pursue the reforms necessary to open accession negotiations with the EU, the government may have to broaden its base by involving part of the opposition. 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.

ALGERIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	42.6
GDP PER CAPITA US Dollars - 2018	4,081
CURRENCY Algerian dinar	DZD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.3	1.4	0.8	1.6
Inflation (yearly average, %)	5.6	4.3	1.9	3.5
Budget balance (% GDP)	-6.6	-6.9	-8.6	-7.9
Current account balance (% GDP)	-13.1	-9.6	-12.5	-11.9
Public debt (% GDP)	27.3	38.3	46.1	49.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	51%
UNITED STATES	9%
UNITED KINGDOM	7%
TURKEY	6%
BRAZIL	5%

Imports of goods as a % of total

EURO AREA	28%
CHINA	16%
SOUTH AFRICA	7%
TUNISIA	5%
ARGENTINA	4%

- Major oil and gas reserves; significant potential for shale gas development
- Potential in agriculture, renewable energies and tourism
- Low external debt

- Highly dependent on hydrocarbon revenues
- High youth unemployment rate
- Overly large public sector
- Acute political and social crisis triggered in 2019
- Red tape, financial sector weaknesses and an uncertain business environment

RISK ASSESSMENT

Political uncertainty and hydrocarbons are pulling growth down

Stymied by political uncertainty and persistent difficulties in the hydrocarbon sector, growth slowed in 2019. In 2020, it is expected to rebound, but will remain weak. Despite import restrictions, such as the cap on soft wheat purchases, the contribution from foreign trade is expected to continue to be affected by hydrocarbons. With oil prices facing an unfavourable outlook, the gradual decline in oil and gas production due to field depletion and ageing infrastructure coupled with growth in domestic consumption of natural gas are set to continue to affect the future path of export earnings. The adoption of a new hydrocarbon law and the repeal of the law capping foreign shareholdings in Algerian firms at 49% could encourage private investment in the sector, but investors may be hesitant in the face of public resistance to these laws, and the uncertain political climate more generally. In addition, local private sector activity will probably continue to be disrupted by the abrupt changes to business management following anti-corruption investigations. Public investment is set to remain hobbled by limited fiscal leeway, especially as the authorities are likely to focus on social measures in an effort to stem social discontent. While these measures may support consumption, high unemployment and low growth are expected to limit the resultant effects. The impact will likewise be cancelled out if delays in the payment of wages and businesses closures caused by protests continue in 2020.

Uncertainty over budget deficit financing

In 2020, the budget deficit is set to remain high. With more than one-third of revenues generated by the hydrocarbon sector, budgetary resources are expected to remain stretched by the sector's difficulties. Despite tax hikes, including an increase in the bank domiciliation tax, weak growth is expected to have a negative impact on revenues. Any tax increases are also likely to be limited to avoid fuelling social discontent. In addition, despite plans to trim government spending, operating expenses, particularly the public sector wage bill, and social transfers should be preserved at the expense of capital investment spending. The deficit should continue to be mainly financed through domestic resources, but the use of non-standard financing (monetary creation) is expected to slow down in accordance with the 2020 Budget. With negligible external debt (less than 1% of GDP), external financing might be considered "if necessary and on a selective basis".

Foreign exchange reserves in free fall

In 2020, the current account is expected to remain in deficit, owing to the large trade deficit, which may narrow slightly on soft domestic demand and import restrictions. Recent gas discoveries are not expected to reverse the decline in hydrocarbon export revenues in the short term. The surplus in the transfer balance, mainly driven by expatriate remittances, will not offset the larger income and services deficits. The country should continue to finance the deficit by drawing on foreign exchange reserves, which stood at 12 months of imports at the end of 2019 and which will thus continue their almost uninterrupted decline since 2014.

Despite elections, social tensions remain

Faced with large-scale protests, which began in February 2019 after he announced his candidacy for a fifth term, President Abdelaziz Bouteflika, who had been in power since 1999, was forced to resign on April 2, 2019, 16 days before the presidential election. Despite Mr Bouteflika's departure and the army's far-reaching "Clean Hands" anti-corruption campaign, regular demonstrations (know as the *Hirak* movement) continued, forcing two postponements of the presidential election. Although rejected by a large majority of protestors, who feel that the political, economic and military personnel remains dominated by personalities from Mr Bouteflika's four terms in office, the election was finally held on December 12, spurred on by the army and General Ahmed Gaïd Salah, a central player in President Bouteflika's regime and the transition. Nevertheless, the winner, Abdelmajid Tebboune, Abdelaziz Bouteflika's Prime minister in 2017, may struggle with a lack of legitimacy among some segments of the population, a perception that may be further increased by the small number of approved candidates - five - and the low turnout (39.9%). As a result, this election looks unlikely to offer a definitive solution to Algeria's political crisis; political and social tensions are likely to remain high. Widespread poverty, the lack of employment opportunities and the difficult economic context are also likely to fuel discontent. However, it may be that the army and the new government will increase security measures and adopt a less tolerant stance towards the unrest. The death on 23 December 2019 of General Ahmed Gaïd Salah, hitherto considered by the demonstrators as the true leader of the country, and replaced by General Said Chengriha, reinforces the uncertainties in terms of governance.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	29.3
GDP PER CAPITA US Dollars - 2018	3,621
CURRENCY Angolan kwanza	AOA

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-0.2	-1.2	-1.5	-0.5
Inflation (yearly average, %)	29.8	19.6	17.2	16.9
Budget balance (% GDP)	-5.8	-0.5	-1.5	-1.4
Current account balance (% GDP)	-0.5	6.1	0.9	-0.7
Public debt (% GDP)	69.3	89.0	95.0	89.9

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	60%
INDIA	9%
EURO AREA	9%
UNITED STATES	3%
SOUTH AFRICA	3%

Imports of goods as a % of total

EURO AREA	32%
CHINA	16%
SOUTH AFRICA	5%
UNITED STATES	5%
BRAZIL	4%

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

- Vulnerable 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

Declining oil sector weighs on activity

After four years of contracting GDP, precipitated by falling oil prices and prolonged by declining production in mature fields, activity will continue to be dampened by the gloomy outlook for this sector, which accounts for 40% of GDP. The decrease in crude production, due to insufficient investment in exploration activities in recent years, is not expected to be offset by the ramp-up of the Kaombo project's two production and storage units, which came onstream in 2018 and 2019. The expected decline in oil prices in 2020 will put additional pressure on oil revenues, on which the country is highly dependent due to the lack of economic diversification, which limits public investment, particularly in infrastructure projects. Private consumption will likely be affected by persistently high inflation and a significant tax burden, which will squeeze household purchasing power. IMF support, along with measures to make resource management more transparent, may attract foreign private investors, but the infrastructure deficit, slow and inefficient institutions, and endemic corruption remain key obstacles. Reflecting its very unfavourable business environment, Angola dropped four places compared with 2019 to come 177th out of 190 in the Doing Business 2020 ranking.

Risk of over-indebtedness still significant

Since December 2018, Angola has been under an IMF programme, which was a prerequisite for obtaining a USD 3.7 billion Extended Credit Facility (3.6% of GDP). Accordingly, it should continue to exercise prudent fiscal management. The introduction of excise duties on many products is expected to generate higher revenues, while cuts to fuel subsidies and transfers to national companies should lower expenditure. Spending is dominated by debt service, which accounts for almost half of revenues, while social spending is another major item. A decline in oil revenues (60% of total revenues) would make it impossible to reduce the budget deficit, which is financed by bilateral (mainly China) and multilateral sources, as well as by bond issues (Eurobonds). The 2019/2022 privatisation programme, which is being overseen by the World Bank and includes the oil company Sonangol, could also contribute to the financing. After peaking in 2019, mainly due to the depreciation of the kwanza, public debt, which is more than 80% denominated in foreign currencies, is expected to decline in 2020. Nevertheless, the risk of over-indebtedness remains substantial, as the debt is highly vulnerable to currency depreciation and changes in oil prices. The banking sector is in precarious health as asset quality has deteriorated after years of low activity (NPLs represent 30% of loans).

After the large surplus in 2018, due to the recovery in oil prices, the current account is close to balance again due to the shrinking of the trade surplus. Weak oil prices and low production are reducing export revenues, with oil exports accounting for more than 92% of the total. The upturn in imports, linked to oil investments, combined with kwanza depreciation, is also a factor. The service and income deficits, which are closely related to oil activity, may narrow slightly in line with the sector's moderate activity levels. Remittances from foreign workers in Angola continue to contribute to the transfer deficit. Bilateral and multilateral financing, as well as FDI, will cover the small current account deficit comfortably. Despite falling by half between 2013 and 2018, foreign exchange reserves are sufficient to cover more about five months of imports. Full liberalisation of the exchange rate, which was introduced in October 2019 by scrapping the 2% fluctuation band, and the kwanza's subsequent 20% depreciation eased the pressure on the external accounts, but did not reduce the gap between the official and parallel market rates, thus heralding continued depreciation.

Despite reforms, socio-economic challenges remain

Since taking office in 2017, President João Lourenço has taken many steps to reduce the influence of his predecessor, José Eduardo dos Santos (who held power for 38 years), and his family on the country's economy. However, while judicial investigations targeting the children of former President dos Santos, Isabel and José Filomeno dos Santos, have sent a strong signal in the fight against corruption, the country will struggle to rid itself of the family's influence. More generally, major socio-economic challenges remain, as do multiple sources of social unrest within a population suffering from poverty, persistent inequalities and poor access to housing, education and health services. Externally, relations with China will remain strong. The President may also seek to bolster ties with neighbouring countries, including through the African Continental Free Trade Area, which was ratified by the Angolan Parliament in May 2019. Relations with the Democratic Republic of Congo are expected to improve with new presidents in both countries showing willingness to create a partnership relationship.

ARGENTINA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	44.6
GDP PER CAPITA US Dollars - 2018	11,658
CURRENCY Argentine peso	ARS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.7	-2.5	-3.0	-2.0
Inflation (yearly average, %)	25.7	34.3	54.5	43.0
Budget balance (% GDP)	-5.9	-5.2	-4.1	-4.3
Current account balance (% GDP)	-4.8	-5.3	-0.8	0.5
Public debt (% GDP)	59.0	89.4	103.0	102.0

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	18%
EURO AREA	12%
CHINA	7%
UNITED STATES	7%
CHILE	5%

Imports of goods as a % of total

BRAZIL	24%
CHINA	18%
EURO AREA	14%
UNITED STATES	12%
PARAGUAY	3%

+

- Major agricultural player (notably soya, wheat and corn)
- Large shale oil and gas reserves
- Education level higher than the regional average
- GDP *per capita* above the region´s average

-

- Weak fiscal accounts and concerns over debt sustainability
- Capital controls were tightened, in order to curb dropping foreign exchange reserves
- Dependency on agricultural commodity prices and weather conditions
- Sticky and skyrocketing inflation and prohibitive interest rates level
- Bottlenecks in infrastructure

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Economy in a third recession year

GDP dropped a second year in a row in 2019, as high inflation and prohibitive interest rates linked to the monetary crisis triggered in April 2018 were still present, prevailing over the robust rebound in agriculture (following the 2018 drought). Indeed, the crisis gained further momentum after the presidential election primary of August 2019, when the strong showing by the now President Fernandez unleashed a new round of Peso (ARS) selloff. The economy seems destined to remain in recession in 2020. The uncertainty regarding the economic policies of the newly arrived government, and to how it will handle the unsustainable public debt, should imply a still low level of private investments (notably for the moribund construction). Moreover, the fiscal deficit will limit policymakers' capacity to implement a desirable expansionary policy. Besides that, the skyrocketing inflation is not likely to ease significantly and, thus, will continue to erode real income (causing knock on effects on household consumption). Finally, net foreign trade is likely to contribute positively to GDP, as imports should continue to drop and exports to benefit from a relatively higher economic activity in Brazil. The risks to the economic scenario are various, with the sensitive fiscal situation and the possible failure in renegotiating public debt possibly triggering new pressures on the exchange rate which would affect the economy through higher inflation and possibly a tightening of capital controls.

Recovering current account contrasts with the sensitive fiscal situation

The current account deficit registered a strong narrowing in 2019. It was mainly driven by a rebound in trade balance, from a large deficit of 2.3% of GDP to a surplus estimated at 2.9% of GDP (thanks to collapsing imports and recovering agro exports). Moreover, the services deficit (of roughly 2.1% of GDP) also registered an improvement (mainly driven by a narrowing of the travel imbalance). Alongside, the lower deficit also started to be fully covered again by foreign direct investments (estimated at 1.3% of GDP in 2019). Overall, the current account is likely to become slightly positive in 2020, as the economy is to remain in recession (thus implying low import level) and export is likely to continue climbing as a result of expected good crops this year and higher economic momentum in Brazil.

However, the fiscal scenario is much more challenging. Although the previous government was able to somewhat reduce the budget deficit in the last two years (a condition of the IMF loan deal), a lot still needs to be done. As the public debt is majorly in foreign currency (roughly 81%), it is highly sensitive to strong exchange rate movements. Its amortization will be very high in the upcoming years (estimated at 16% of GDP in 2020 only). In December 2019, the new government of president Fernandez unilaterally postponed until August 2020 the payment of USD 9.1 billion of short term treasury bills issued under local legislation. He also announced his intention to restructure long bonds term issued under local and foreign law in early 2020. Alongside, the more interventionist and fiscal expansionary approach that is expected could make the negotiations with the IMF difficult. Finally yet importantly, taking into account the hard debt payment schedule ahead, capital controls which came into force since September 1, 2019, and were tightened after the presidential elections, are not likely to be eased in the short term and could even be strengthened. That is because of the strong slump in foreign exchange reserves in 2019 (net reserves give import coverage of roughly three months of imports), which was a consequence of the bank run alongside the primary election and of the reserves that were burnt by the central bank with the aim to control the ARS sell-off. Two weeks in power the new government got congressional approval for his emergency plan, which includes measures to increase tax revenue, a 30% tax on hard currency purchases and higher taxes on agricultural exports. It also gives the government increased regulatory powers in areas such as service rates public and pensions.

Peronists return to power

The harsh economic challenges prevented President Macri (2015/2019), from the centre-right "Together for Change" coalition, from achieving re-election. The left-wing "Everyone's Front" coalition candidate Alberto Fernandez and his running partner, the former President Cristina Fernandez de Kirchner (2007/2015), won the presidential elections held on October 27, 2019. Mr Fernandez, a lawyer and politician, was the Chief of the Cabinet of Ministers during Néstor Kirchner's presidency (2003/2007) and the early months of Cristina Fernández de Kirchner's mandate (he left after falling out with her). He took office on December 10, 2019 for a four-year term. The government will count with a simple majority in the Senate (with 39 seats out of 72), while the coalition "Juntos por el cambio", will hold 29 seats (enough to block constitutional reforms). In addition, in the Lower House, the latter will hold 116 seats out of 257, while the coalition of Fernandez will count on its 120 seats.

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.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	3.0
GDP PER CAPITA US Dollars - 2018	4,188
CURRENCY Armenian dram	AMD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.5	5.2	5.0	4.7
Inflation (yearly average, %)	1.0	2.5	2.0	2.8
Budget balance (% GDP)	-4.8	-1.8	-1.5	-2.1
Current account balance (% GDP)	-2.4	-9.4	-7.0	-7.0
Public debt (% GDP)	58.9	55.8	55.0	54.0

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	28%
EURO AREA	16%
SWITZERLAND	14%
BULGARIA	9%
IRAQ	6%

Imports of goods as a % of total

RUSSIA	25%
EURO AREA	18%
CHINA	13%
IRAN	5%
TURKEY	5%

+

- Economy able to stand up to political upheaval
- Determination to pursue reforms on corruption, justice and competition
- Major mining resources (gold, copper, molybdenum, zinc)
- Significant financial support from international organisations and the diaspora
- Relative flexibility of the dram exchange rate
- Member of the Eurasian Economic Union (EAEU) and partnership agreement with the EU
- USD 250 million stand-by arrangement (2019/2022) with the IMF

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- Geographical isolation aggravated by a lack of infrastructure and the closure of two out of four borders
- Dependent on ore (40% of exports and nearly 10% of GDP) and agriculture, despite ongoing diversification
- Highly dependent on Russia (trade: 27% of exports and 26% of imports including gas, FDI, expatriate transfers, security: support in the conflict with Azerbaijan)
- Highly dollarized economy (60% of bank deposits)
- Persistently high level of unemployment (19% overall and 40% among 18-30 year olds) despite a declining population
- 30% of the population lives 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

Domestic demand is strong but sensitive to external factors

Activity is expected to remain robust in 2020, still driven by domestic demand. Household consumption (87% of GDP) will benefit from the 23% increase in the minimum wage (October 2019). Fiscal policy will remain slightly accommodative with a single income tax rate of 23% replacing the previous scale of 23% to 36%, wage raises for certain civil service grades and pension increases. Despite buoyant consumption and rising import tariffs, inflation is expected to be moderate, if food and energy prices do not slip. This, coupled with the firm dram, could allow the central bank to continue cautiously reducing its key rate (5.5% in October 2019). However, the impact of monetary policy should not be overestimated, as credit plays a small role and the average bank lending rate exceeds 12% in an economy that remains highly dollarized (more than 50% of deposits and credit). The future for expatriate remittances (over 15% of GDP, with 70% coming from Russia), which provide fuel for consumption, is uncertain, even if the Russian economy may benefit from the launch of a public investment programme. Business investment, although still modest (17% of GDP), should get a boost from the development of tourism, clothing and, above all, IT services, as well as from a more stable political situation. In addition, companies will benefit from the income tax cut from 20% to 18% and from the increase in the tax threshold. However, it remains unclear whether development of the Amulsar gold mine, which was halted in 2018 for environmental reasons and because of blocked access, will resume. Public spending excluding defence will remain constrained by fiscal consolidation. The contribution of foreign trade to growth is expected to remain negative due to strong imports and the adverse impact of the sluggish European economy on exports. In addition, while the gold price should move positively, the copper price may fall.

Fiscal consolidation and stabilisation of the current account deficit

Political upheaval has not derailed the fiscal consolidation process initiated in 2016. The aim is to very gradually reduce the debt, which is 78% denominated in foreign currency (50% in dollars and 30% in SDR), and free up additional resources for investment and social purposes. The increase in tax expenditure is not expected to threaten the process, nor will a further increase in the military budget in 2020 (it already went up by 33% in 2018 and 26% in 2019). Budgetary revenues (22% of GDP in 2018) should continue to benefit from a favourable economic environment and improved tax collection following the computerisation of the tax administration in 2019, the automation of tax returns (2020) to combat tax evasion, and increased gambling taxes and excise duties (alcohol, tobacco).

The current account deficit is expected to remain high in 2020. The trade deficit should remain close to 14% of GDP. Remittances from the diaspora and expatriate workers, less income repatriation by foreign investors, will cover half of this. The remainder will be financed by project loans from international financial institutions (EBRD, ADB), FDI and public debt. Half of the external debt, estimated at 88% of GDP, is carried by the State and a quarter by banks. It is mostly medium- and long-term, as well as concessional in nature.

Balance between the West and Russia

Demonstrations in spring 2018 forced Prime Minister Serzh Sargsyan to relinquish the power he had held since 2008. Following this "Velvet Revolution", the leader of the protests, former journalist Nikol Pashinyan, was placed at the head of a new government comprising representatives of the opposition and qualified individuals. After Mr Pashinyan 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 Pashinyan to secure a sufficiently large majority in Parliament (88 out of 132 MPs) to make constitutional changes. The coalition's programme focuses on fighting corruption, addressing the porous boundaries between the business world and politics, tackling the informal economy, renewing judicial personnel and ending monopolies. While maintaining relations with the West, Mr Pashinyan is also tactful in his dealings with Russia, which has both a military and an economic presence in the country, by providing assurance that foreign policy will stay unchanged (membership of the Collective Security Treaty Organisation). 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, 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 Azerbaijani enclave of Nakhchivan 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 - 2018	25.2
GDP PER CAPITA US Dollars - 2018	56,420
CURRENCY Australian dollar	AUD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	2.7	1.8	2.5
Inflation (yearly average, %)	1.9	1.9	1.5	2.0
Budget balance (% GDP)	-0.8	0.0	-0.1	0.3
Current account balance (% GDP)	-2.6	-2.0	0.4	-1.0
Public debt (% GDP)	37.9	40.1	40.0	39.5

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	34%
JAPAN	16%
SOUTH KOREA	7%
INDIA	5%
UNITED STATES	4%

Imports of goods as a % of total

CHINA	24%
EURO AREA	14%
UNITED STATES	10%
JAPAN	7%
THAILAND	5%

+

- Geographic proximity to dynamic 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

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

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Growth rebounds but still under pressure

Growth is expected to rebound slightly in 2020. While a protracted downturn in the housing market has been a main drag on activity since 2018, signs of recovery started to emerge in the second half of 2019, with home price indexes rising in both Sydney and Melbourne. This was driven by the Australian Prudential Regulation Authority's (APRA) move to loosen borrowing rules, as well as a total of 75 bps interest rate cuts by the Reserve Bank of Australia (RBA), which reduced mortgage repayment costs. The government also lowered income tax in July 2019, covering 70% of taxpayers. The boost in disposable income, together with an increase in household wealth due to a pick up in the housing market, will provide support for consumption growth. However, a series of large scale bushfires in December 2019 could weigh on domestic activity through declines in the tourism and consumer sectors, Household debt levels remain high at nearly two times of disposable income, or 130% of GDP. Retail sales expanded at a rate of 2.0% YOY in 2019, but this is almost flat on an inflation adjusted basis, suggesting that the contribution to GDP remains dependent on inflation projections. Investors are facing uncertainties on the external front. Main exports include mineral fuels (coal and oil), metals (iron ore, copper, gold aluminium and zinc) as well as agro-food products (meat, wheat, wool and wine). The external sector will remain under pressure in 2020 owing to the US-China trade war, which will lead to weaker demand from Australia's largest export market; China. Commodity prices including iron ore will remain subdued, further dragging on exports. Government spending on infrastructure, which can be summarized by the $100 billion rolling infrastructure plan over 10 years, can help to offset some headwinds in 2020.

Modest public account surplus and current account deficit

The government posted a smaller-than-expected budget deficit in the financial year 2018-2019, which was equivalent to less than -0.1% of GDP. The government has committed to delivering a first budget surplus in over a decade in the 2019-2020 financial year. Reduced budgetary pressures have also provided more room for fiscal spending to improve infrastructure and provide funding to small and medium enterprises. Downside risk to the budget is stemming from a sharper deceleration in the Chinese economy and underperformance in the labour market. Public debt is expected to see a slight decline, on the back of a better government budget and modest economic growth.

The current account balance has shown a moderate deficit for decades, which, despite growing diversification, remains determined by commodity prices and demand from China. The current account recorded a surplus for the first time in 44 years in the second quarter of 2019, but this can be traced back to high iron ore prices and sustained demand from China, two factors that are set to soften into 2020. The depreciation of the Australian dollar may provide some support on the trade balance front, however this will not be enough and Australia's current account will likely return to a deficit in 2020. The income balance will also remain in deficit, mainly due to dividend repatriation by mining companies and interest payments on external debt, which is mostly private (mining companies, banks, property sector) and denominated in Australian dollars. The current account deficit will be financed by borrowing from overseas and foreign investments in Australia.

Improved political stability after the 2019 federal election

In the federal election of May 2019, Scott Morrison led the centre right Liberal-National coalition to an unexpected victory, with a majority government securing 77 of the 151 seats in the lower house. The outcome marked the coalition's third consecutive term in office, defeating the opposition Labour Party. New rules that require a two-thirds majority to unseat the incumbent Prime Minister imply that Scott Morrison will serve a full three-year term and achieve continuity in his economic policies, with a focus on reducing taxation and delivering a balanced government budget. In terms of foreign policy, the Prime Minister has maintained that Australia is working closely with both China and the US, but his emphasis on Beijing's obligation to step up emission reductions and further reform its economy signal a more hawkish stance, especially following Australia's decision to restrict Chinese companies in the development of Australia's 5G infrastructure. The move was aimed at quelling domestic concerns over Chinese interference in Australia's political system.

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 negotiations 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.

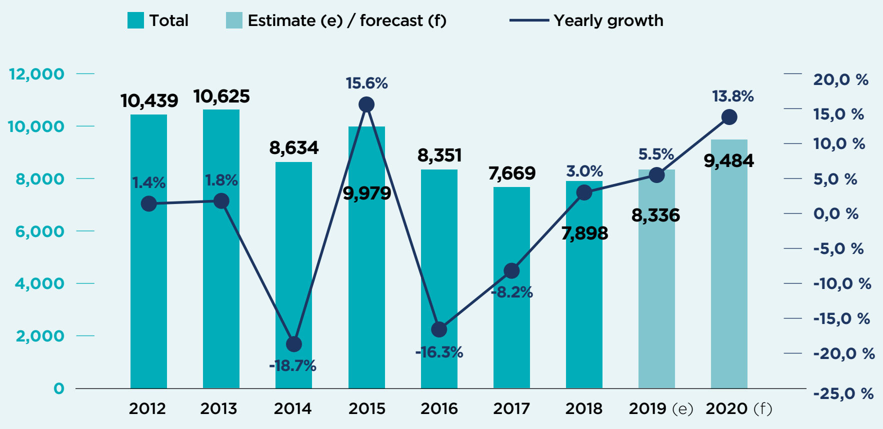
Insolvency Proceedings

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

Receivership: a receiver is appointed by a secured creditor who holds security or a charge over some or all of the company's assets 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 FAILURES



Source: Australian Securities and Investment Commission, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	8.9
GDP PER CAPITA US Dollars - 2018	51,344
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	2.4	1.6	1.4
Inflation (yearly average, %)	2.2	2.1	1.4	1.6
Budget balance (% GDP)	-0.7	0.2	0.4	0.2
Current account balance (% GDP)	1.7	2.4	2.0	2.0
Public debt (% GDP)	78.3	74.0	70.8	68.1

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	30%
ITALY	6%
UNITED STATES	6%
SWITZERLAND	5%
SLOVAKIA	5%

Imports of goods as a %

GERMANY	41%
ITALY	6%
SWITZERLAND	5%
CZECHIA	5%
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 (11th 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	HIGH
CHEMICAL	LOW
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth weakened by the external environment

Austrian economic growth is expected to slow slightly in 2020. Household consumption (52% of GDP) remains a growth driver, supported by fiscal measures (including a number of tax cuts). Its acceleration was already perceived last year with decreasing unemployment, growing wages and from a tax cut for families (Familienbonus, or "the family bonus"). However, last year's surge in construction is not likely to be extended to 2020. Although favourable financing conditions still support demand for housing, fixed asset investment (24% of GDP) will slow down amid lower economic growth.

On the industrial side, the weakness of the main trading partner, Germany, and slower global demand result in a deteriorated business sentiment with purchasing managers' index (PMI) dropping to its lowest level in seven years in September 2019. The slowdown has already affected manufacturing industries, including automotive and sectors closely cooperating with it, i.e. machinery, chemicals and metals. Therefore, exports growth will be under pressure. However, Austria's links to Central and Eastern Europe could partly compensate the negative effects of the global slowdown, as the CEE region still enjoys a relatively solid economic activity. Nevertheless, as slower investments will also limit growth of imports, the net external balance contribution to GDP growth should remain positive.

The labour market remains favourable for households. The unemployment rate has continued to fall, reaching 4.5% in September 2019. As there is not much room for its further contraction, it is expected to stabilize in 2020. However, companies still report sizeable job vacancies, which are some of the highest in the European Union (the vacancy rate reached 3.0% in mid-2019 compared to 2.3% for the EU average). The tightness of the labour market is likely to ease in the course of 2020, in line with weaker demand for labour linked to decelerating economic activity.

Tiny budget surplus and decreasing public debt

The budget deficit is expected to show a tiny surplus this year. Admittedly, the wage tax and assessed income tax will be not as strong as last year facing weaker employment growth. Furthermore, a series of fiscal measures implemented last year will take a toll on budget figures in 2020. Therefore, the 2020 budget surplus is going to be lower but supported by taxes on the digital economy and measures against tax fraud. The public debt will continue its downward path.

The current account surplus decreased slightly in 2019 because of slower growth of exports. Weaker foreign trade is likely to be perceived in 2020. However, the current account will be still supported by tourism revenues. Imports and exports alike will remain concentrated in the same sectors, namely machinery, transport and chemicals. Income from Austrian investments abroad will balance profit remittances from foreign investments. As usual, the current account surplus will be absorbed by foreign investments, especially portfolio investments.

Coalition government of ÖVP and Greens

The Austrian People's Party (ÖVP) – the conservative, Christian democrat party – won the October 2017 parliamentary elections with more than a third of the seats in the *Nationalrat* (Lower house). President Alexander Van der Bellen appointed Sebastian Kurz, former Minister of Foreign Affairs and leader of the ÖVP, as Chancellor. The coalition government consisted of the ÖVP and the far-right Freedom Party of Austria (FPÖ). However, Kurz's government was ousted in a no-confidence vote after the Freedom Party's leader, Heinz-Christian Strache, resigned as Vice Chancellor in May 2019, after the emergence of a video that showed him promising government contracts in exchange for financial support from a woman claiming to be a wealthy Russian. In the snap election held in September 2019, the ÖVP emerged again as the largest party. It began coalition negotiations with the Greens, who finished fourth in the latest election. In January 2020 the ÖVP and the Greens reached a deal to form a coalition government. Mr Kurz remained Chancellor. The new coalition of widely disparate parties is likely to compromise, especially on immigration and climate. Mr Kurz's coalition options were limited given the withdrawal from preliminary talks of the two larger opposition parties, the Social Democratic Party (SPÖ) and the FPÖ, as well as the support for an ÖVP-Green partnership among the ÖVP regional governors, who exert significant influence within the party.

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.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	9.9
GDP PER CAPITA US Dollars - 2018	4,722
CURRENCY Azerbaijan manat	AZN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.1	1.0	2.7	2.1
Inflation (yearly average, %)	12.8	2.3	2.8	3.0
Budget balance* (% GDP)	-1.4	5.6	5.3	3.2
Current account balance (% GDP)	4.1	12.9	9.7	10.0
Public debt (% GDP)	53.2	48.4	51.5	47.8

(e): Estimate. (f): Forecast. * SOFAZ transfers included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	45%
TURKEY	9%
ISRAEL	7%
CZECH REPUBLIC	5%
INDIA	4%

Imports of goods as a % of total

RUSSIA	16%
EURO AREA	14%
TURKEY	14%
CHINA	10%
UNITED STATES	5%

+

- Well-endowed sovereign wealth fund
- Significant gas potential in the Caspian Sea; export prospects to Europe *via* Turkey
- Strategically positioned between Europe and China
- Institutional improvements (SME taxation, credit regulation), reduction of petty corruption (e-government)

-

- Heavily dependent on hydrocarbons, declining oil production; undiversified economy
- Risk of escalation in the conflict with Armenia
- Governance issues (corruption, repression, offshore laundering)
- Anti-competitive market structures
- Human capital gaps (education, health)
- Weaknesses in the banking sector (dollarization, low profitability, non-transparency)

RISK ASSESSMENT

Moderate growth in the absence of diversification beyond hydrocarbons

In 2020, Azerbaijan's growth will continue to be supported by hydrocarbon exports despite the expected decline in oil prices. Gas production, linked to the start of operations at the Shah Deniz II field, has grown exceptionally, partially offsetting the downturn in oil production and prices. The substitution of gas for oil is set to continue with the launch of the Absheron platform around 2021. The completion of the TANAP pipeline has made it possible to start delivering gas to Europe, and the Trans Adriatic Pipeline will extend these deliveries to Italy in 2020. In construction, the outlook is more lacklustre: high real estate borrowing rates, a housing market saturated with abundant supply, and the completion of major projects (particularly the relocation of refugees) point to a slowdown. Despite diversification efforts, the growth of the non-hydrocarbon sector is limited to agriculture and tourism, and is based on various subsidies and incentives.

Private consumption has benefited from measures to resolve non-performing loans and repeated increases in the minimum wage, pensions and public sector wages (+40%). This has allowed a shift towards domestic and non-oil activity, but will have a negative impact on inflation and public finances. The banking sector has been restructured: banks have returned to profit, are better capitalized and the non-performing loan rate continues to decline (around 10.9%), supported by a presidential decree announcing compensation for debtors affected by devaluation. Dollarization of deposits remains high. Inflation was kept under control in 2019 and is expected to remain moderate in 2020 as inflationary pressures are offset by moderate food prices. Accordingly, the central bank is expected to continue its monetary easing, contributing to the credit momentum already seen in 2019.

Current account and public surplus due to hydrocarbons

Azerbaijan's public finances have become more transparent, thanks to a fiscal rule requiring the primary non-hydrocarbon balance to be improved every year, keeping expenditure growth below 3%. According to the 2020 budget, the State's non-oil revenues are expected to increase by 11.3%, allowing for an increase in expenditure accompanied by a reduction in the non-hydrocarbon primary deficit (31.1% of GDP in 2019). Expenditure will support growth, while putting downside pressure on inflation, while fiscal efforts will ensure debt reduction in the coming years. State-owned companies are a drag on public finances because of bailouts and state-guaranteed debt. They occupy key sectors and despite the stated intentions, no privatization list has yet emerged.

Armenia has a large current account surplus, thanks to hydrocarbon exports (95% of the total) which, despite declining, are enough to fully finance imports as well as the services and primary income deficits. Non-hydrocarbon exports have improved slightly, but continue to have a narrow base (aluminium, fruit and vegetables). The current account surplus should be maintained despite lower oil prices in 2020. Reserves are slowly being replenished and will make it possible to maintain the fixed exchange rate, which, despite being overvalued, is seen as essential to macroeconomic stability and to anchoring inflation, and is thus expected to remain an obstacle to economic diversification in 2020. The country is struggling to attract FDI, which has been declining steadily since 2014 and is focused on the hydrocarbon sector (86.2% in H1 2019).

Reform efforts hampered by rising oil prices

President Aliyev was re-elected for a fourth term in 2018. Heir to his father, already president of the Azerbaijan SSR, Ilham Aliyev leads a highly repressive political line and has virtually suppressed the opposition. Parliament plays a secondary role in relation to the executive. The business climate is characterized by corruption and discretionary law enforcement. The competitive model chosen by Azerbaijan relies on large multi-sector conglomerates - very closely linked to the State - allows opportunities to be preached by established players, and leaves little room for new entrants. This apparent monolithism hides some evolutions: the oil crisis has given the country a reforming impulse and the government is seeing the arrival of a new generation of decision-makers, the «Pasha boys», more influenced by Western management methods. The recent dissolution of parliament and the reshuffling of the cabinet are symptomatic of this trend. The next parliamentary elections will be held on 9 February and are expected to be more open than usual. Petty corruption has declined thanks to the implementation of digital state services, a policy of support for VSE-SMEs, including tax benefits, is being implemented, and major reforms of banking regulation are under way.

Surrounded by neighbours that are under sanctions (Turkey, Iran, Russia), Azerbaijan is seeking to position itself as a logistics hub on the North-South and Transcaucasian corridors, of which the benefits are taking time to materialize, while trying to build closer ties with the EU. Although the risk of conflict with Armenia is contained by the influence of large neighbours, the rhetoric of both sides remains violent and a peaceful solution is not in sight.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	1.5
GDP PER CAPITA US Dollars - 2018	25,483
CURRENCY Bahraini dinar	BHD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	1.8	2.0	2.1
Inflation (yearly average, %)	1.4	2.1	1.4	2.8
Budget balance (% GDP)	-14.2	-11.9	-8.0	-8.1
Current account balance (% GDP)	-4.5	-5.9	-4.3	-4.4
Public debt (% GDP)	88.2	94.7	101.7	106.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	25%
SAUDI ARABIA	15%
JAPAN	8%
OMAN	8%
UNITED STATES	8%

Imports of goods as a % of total

EURO AREA	15%
CHINA	13%
UNITED ARAB EMIRATES	9%
UNITED STATES	8%
SAUDI ARABIA	7%

\+

- Hydrocarbons resources
- Developed banking sector with large capital buffers
- Benefits from financial support of the GCC countries
- Higher degree of economic diversification across the region

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- Persistent fiscal and external imbalances
- Dependence on foreign capital inflows
- Dependence of fiscal and export revenues on hydrocarbon sales
- Political deadlock: a risk for economic growth

RISK ASSESSMENT

Low oil prices remain a restrictive factor on growth

With lower oil prices in the aftermath of 2014, Bahrain's economic imbalances have widened. Although economic activity has recently started to show some stability, it is not expected to record high growth rates as previously. Indeed, large external and public deficits force the government to implement fiscal austerity measures, which then weigh on private consumption (accounting for nearly 40% of GDP). Yet, private consumption is still expected to remain in positive territory. Austerity measures will also reduce the contribution of government consumption to growth. On the other side, thanks to the funds provided by the GCC countries (Bahrain was pledged USD 10 billion in a bailout package in 2018 from Saudi Arabia, Kuwait and the United Arab Emirates, helping the country to overcome a potential debt crisis), investments are expected to edge up driven by infrastructure projects. Construction projects in the pipeline, such as a USD 1.1 billion new passenger terminal building at Bahrain International Airport, a USD 5 billion refinery expansion project of Bahrain Petroleum Company (Bapco), and the expansion project of line 6 of Aluminum Bahrain (Alba), are expected to support the construction sector. The latter is expected to boost Bahrain's aluminum production that is expected to rise by around 20% in 2020.

Arduous consolidation as lower oil prices weigh on public and external accounts

Bahrain's fiscal breakeven oil price is estimated at around USD 92 per barrel in 2020, as per the IMF. With oil prices hovering between USD 60-65 per barrel, Bahrain's fiscal revenues will be dragged down – as hydrocarbons account for around 60% of fiscal revenues – its deficit will persist and debt increase further. On the other hand, the country will continue to benefit from reduced borrowing costs on the back of the implementation of the fiscal consolidation program and the USD 10 billion in aid over five years pledged by Saudi Arabia, Kuwait and the United Arab Emirates in 2018. As a result, the government's efforts to diversify its resources (introduction of a 5% value-added tax, planned higher fees on foreign hiring, etc.) will continue in the upcoming period. Bahrain has posted current account deficits since the oil prices crash of 2014. As oil revenues account more than half of total export revenues, the country will remain exposed to volatility of oil prices. The country's external balance is expected to remain in deficit because of lower oil prices, slower economic growth in the world and in neighboring Gulf countries, weighing on Bahrain's service exports. Bahrain's current external debt rollover requirements by 2022 are estimated around USD 16 billion. Adding that to the financing need coming from the budget deficit, and the defense of the dinar peg to the dollar, the country will have to return to the capital markets or its Gulf neighbors to find necessary funds. Foreign exchange reserves are covering less than a month of imports.

Rising political challenges

Although the ruling family is expected to stay in power and keep the support of Bahrain's allies in the Gulf region, social unrest will continue to be a risk for the country. Shi'a Muslim community, which forms the majority of the population, complains about high level of unemployment, limited representation in parliament and difficult access to public jobs. As little has been resolved since the political crisis ten years ago, tensions remain high between Sunni-dominated government and the Shi'a opposition. Introduction of austerity measures within the fiscal Balance Program (i.e. voluntary retirement scheme, cuts to electricity and water subsidies) are challenging measures as they can further anger the opposition and add to the risk of social unrest. Therefore, a more gradual introduction of reforms is expected. On the other hand, introduction of a new bankruptcy law in 2018 is a positive step for Bahrain to improve its business environment.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	164.9
GDP PER CAPITA US Dollars - 2018	1,749
CURRENCY Bangladeshi taka	BDT

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.3	7.9	8.1	8.0
Inflation (yearly average, %)	5.4	5.8	5.5	5.9
Budget balance* (% GDP)	-3.4	-4.7	-4.4	-4.8
Current account balance (% GDP)	-2.1	-2.8	-1.9	-1.7
Public debt (% GDP)	30.8	31.9	32.8	33.8

(e): Estimate. (f): Forecast. * Fiscal year 2020 from july 2019 to june 2020.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
UNITED STATES	12%
UNITED KINGDOM	8%
POLAND	3%
INDIA	3%

Imports of goods as a % of total

CHINA	24%
INDIA	16%
EURO AREA	6%
SINGAPORE	5%
INDONESIA	4%

- Competitive garment sector, thanks to relatively cheap labour
- Substantial remittances from expatriate workers, mainly living in the Gulf States
- International assistance helps to cover financing needs
- Moderate level of public debt
- Favourable demographics: a third of Bangladeshis are under 15 years of age
- Improving financial inclusion through microfinance and mobile services

- Economy vulnerable to changes in global competition in the textile sector and to developments in Gulf Cooperation Council countries
- Very low *per capita* income and low participation of women 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 crop losses
- One of the most vulnerable countries to climate risk (6th most affected country according to the 2018 Global Climate Risk Index)
- Fragile banking sector; many non-performing loans on bank balance sheets

RISK ASSESSMENT

Growth will remain brisk in 2020

GDP will continue to grow rapidly in 2020, mainly due to private consumption and capital investment (77% and 31% of GDP respectively in 2019), which are expected to benefit from the growth in remittances from expatriates and the performance of the manufacturing sector (of which the annual growth exceeds 10%). Productivity gains in this sector will also benefit exports, reducing their negative contribution to GDP. Investment (private) will continue to increase, to finance the government's Annual Development Programme (ADP), which aims to develop infrastructure to fill gaps in transport, education, water and energy, as these constrain production in export-oriented sectors. However, the weakness of the banking system, governance and infrastructure may hinder investment, particularly foreign investment (FDI represents only 1% of GDP). The inclusion of Bangladesh in the Belt and Road initiative will further strengthen the already substantial Chinese investment. The ready-to-wear segment, which accounts for nearly 85% of exports (and 11% of GDP), will benefit from the disruption of global value chains caused by the US-China trade war, as Bangladesh is a good substitute for China in these industries, particularly thanks to the availability of cheap labour. Inflation will remain stable, but relatively high, due to high demand pressures, poor harvests (linked to major floods in mid-2019) and world commodity prices.

Sustainable twin deficits thanks to the vibrant economy

Strong GDP growth is expected to keep the budget deficit stable despite increased spending, mainly on infrastructure investments under the ADP, such as the Dhaka metro or the Rooppur nuclear power plant. Expenditure will also take the form of subsidies for liquefied natural gas (LNG), which is imported to compensate for the depletion of domestic resources, and export incentives and subsidies. Tax revenues, which are limited by a narrow income tax base, are below 10% of GDP. The new VAT regime in force since July 2019 should nevertheless make it possible to increase these revenues. International aid accounts for about 20% of revenues. The level of public debt will remain sustainable according to the IMF, as over 60% is concessional debt.

Commercial banks are characterized by a high ratio of bad debts, particularly at state-owned banks, where the ratio exceeds 30%. This could threaten financial stability.

The current account deficit is expected to narrow slightly because of the reduction in the trade deficit. Although high, the growth of imports (capital goods, energy and cotton) will be outpaced by that of exports, which will be driven by the competitive and expanding ready-to-wear segment. Exports of agricultural and food products will also grow, albeit at a slower pace. Large remittances from expatriate workers will offset the trade deficit. The current account deficit will continue to be financed by growing FDI and public debt. Foreign exchange reserves provide a satisfactory safety net, representing about six months of imports, in a global context of monetary tightening that increases the risks of capital flight.

Fragile political stability despite continuity in the country's leadership

The country has endured several military coups since its creation in 1971. Political stability is vulnerable to tensions between the ruling Awami League (AL) and the Bangladeshi Nationalist Party (BNP). The AL is associated with independence and has a more secular ideology than the BNP, which is linked to the legacy of the military dictatorship and follows a stricter and more traditional conception of Islam. This could translate into friction between the Muslim majority and minority religious groups, while the risks of labour strikes and terrorist attacks also remain. BNP leader Khaleda Zia is currently in prison for corruption. The AL, which has been in power since 2009, won almost all the seats in the parliamentary elections at the end of 2018. However, this will not end the threat of social unrest, with accusations of fraud being levelled against the party. These risks, combined with widespread corruption, contribute to the poor business climate in Bangladesh, which was ranked 168/190 in the World Bank's Doing Business 2020 report.

The main governance challenges will remain poverty and development. The Rohingya refugee crisis is a growing issue as the situation drags on. Internationally, Bangladesh will continue to focus on relations with China and India, although claims on the Teesta River and migration issues will hinder relations with India.

BELARUS

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	9.5
GDP PER CAPITA US Dollars - 2018	6,283
CURRENCY Belarusian ruble	BYR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	3.0	1.3	1.4
Inflation (yearly average, %)	6.0	5.6	5.8	5.5
Budget balance* (% GDP)	-0.3	-1.3	-3.0	-2.0
Current account balance (% GDP)	-1.7	-0.1	-2.3	-3.0
Public debt* (% GDP)	53.4	48.7	55.0	58.0

(e): Estimate. (f): Forecast. * Off-budget operations and secured debts of public enterprises included.

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	38%
EURO AREA	16%
UKRAINE	12%
UNITED KINGDOM	9%
POLAND	4%

Imports of goods as a % of total

RUSSIA	59%
EURO AREA	13%
CHINA	8%
UKRAINE	4%
POLAND	3%

+

- Strategically located between Russia and the European Union with a well-developed transport network: bridgehead for China's Silk Road
- Member of the Eurasian Economic Union
- Relatively well trained and skilled workforce
- Large industrial sector (26% of GDP)
- Little inequality and poverty is rare

−

- High energy and financial dependence on Russia
- Low geographical and sectoral diversification of exports
- Sensitive to the level of petroleum product prices (purchase price negotiated with Russia)
- State plays a massive role in the economy (56% of value added, 70% of GDP)
- Poor governance (high corruption, weak legal system, institutional rigidity, lack of pluralism)
- Shrinking labour force
- Geographically isolated between NATO and Russia

RISK ASSESSMENT

Weak growth exposed to influence

After peaking in 2018, growth has fallen back to a low level, below its potential, which is estimated at 2%. In 2020, household consumption (53% of GDP) is expected to be the most vigorous component. However, if wages and pensions continue to head upwards in the run-up to the presidential election in August 2020, this increase will be partially offset by inflation fuelled by rising food prices, as well as by higher prices for services, including regulated services, as a result of higher wages. While credit is expanding because of the reduction in the key interest rate (to 9.5% in October 2019), which was made possible by the stabilisation of inflation, the real rate remains high. In addition, monetary policy's effect on prices is limited by high dollarization of the money supply (> 50%), the persistently elevated share of directed credit (28%) and the persistently small share of credit in the economy (61% of GDP). Investment (26% of GDP) is not expected to increase much: in the case of the domestic portion (dominated by the public sector), this will be due to budgetary constraints; in the case of the foreign portion, it will be because of uncertainty about the country's future relationship with Russia. External demand for chemicals (potash fertilisers, plastics), oil, food (dairy, beef and veal), agriculture (livestock and cereals), steel, as well as trucks and construction machinery will remain negatively impacted by the poor health of the Russian economy and the rest of Europe. There is also the possibility of further untimely Russian embargoes, similar to those placed on apples, meat and dairy products in 2019. The growth outlook could worsen if the impact of the change in Russia's tax treatment of hydrocarbon production is not offset. By 2023, customs duties on Russian hydrocarbon exports will have disappeared, offset by an increase in extraction tax. As Belarusian imports of Russian oil are largely exempt from these customs duties, the switchover will be costly. Without adjustments (under negotiation), growth will be reduced. Overall, agriculture and retail trade should be in the best shape, but these sectors represent only 7% and 12% of the economy respectively.

Public accounts burdened by a massive and inefficient public sector

The election period makes it difficult to control expenses. This, added to the impact of Russian tax changes on the proceeds from re-exporting oil products, could widen the deficit and increase the debt, of which the foreign currency share stands at 97%. Guarantees from central or local government to state-owned companies (which account for 31% of GDP and 28% of employment) and banks (which hold 66% of banking assets) alone are equivalent to 10% of GDP. The public commercial sector is plagued by inefficiency and government instructions that are not always relevant. Consolidation of the public sector will be difficult due to budgetary constraints, especially since the State continues to wield its influence, particularly by directing credit. Privatisation and reorganisation projects, which are potentially costly in terms of employment and popularity, have been shelved, at least during the election period, delaying the conclusion of a financial programme with the IMF.

Fragile external accounts influenced by Russia

The merchandise trade balance will remain negative. Baltic States and Poland refuse to buy power produced by the Astraviets nuclear power plant. However, the start-up of the plant will be accompanied by a decrease in gas imports. This deficit will be offset by the surplus in services related to the transit of goods and gas between Russia and Western Europe. Accordingly, the current account deficit will result from the income deficit related to the payment of debt interest. Even if foreign direct investment falls, it will still finance the deficit. Repayment of the external debt (65% of GDP), which is more or less equally divided between the State and companies, will be dependent on refinancing from Russia, which is the main creditor despite a recent USD 500 million loan from China. Foreign exchange reserves only cover two months of imports, or three months when gold is included. The external financing requirement of 26% of GDP is sensitive to exchange rate developments. The Belarusian ruble, which operates under a managed float against a basket of currencies (ruble, US dollar and euro), is not immune to weakness, particularly in relation to the Russian ruble. Finally, the absence of an agreement with Russia would see the current account deficit deepen from 2% in 2020 to 4% in 2023.

A President maintaining the balance between Russia and the West

President Alexandr Lukashenko (65), in power since 1994, was re-elected for the 5th time in 2015 and is expected to run again in August 2020. In the November 2019 parliamentary elections, candidates supporting him won all the seats against a fragmented and unstable political opposition. The President must deal tactfully with Russia, while building relations with other countries to reduce his dependence on Moscow. He needs to obtain compensation to mitigate the negative impact of changes to the way that Russia taxes hydrocarbons, refinancing of the substantial debt owed to Russia, a discount on the price of gas, as well as a favourable price for the transit of hydrocarbons. China's use of the country as a production and export base under its Belt and Road initiative, and use of Chinese financing are helping to diversify the country's partners.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	11.4
GDP PER CAPITA US Dollars - 2018	46,696
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.0	1.5	1.2	1.2
Inflation (yearly average, %)	2.2	2.3	1.3	1.3
Budget balance (% GDP)	-0.8	-0.7	-1.3	-1.4
Current account balance* (% GDP)	1.2	-1.0	-0.9	-1.0
Public debt (% GDP)	101.8	100.0	99.3	99.1

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	18%
FRANCE	14%
NETHERLANDS	12%
UNITED KINGDOM	8%
UNITED STATES	5%

Imports of goods as a % of total

NETHERLANDS	18%
GERMANY	13%
FRANCE	9%
UNITED STATES	7%
IRELAND	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, 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 = 84% of GDP)
- Exports concentrated on intermediate products
- High structural unemployment
- Heavy public debt
- Tight housing market
- Saturated transport infrastructure

RISK ASSESSMENT

Growth to hold up in 2020 thanks to household consumption

Growth is expected to be resilient in 2020, supported by strong domestic demand, particularly household consumption, which is set to accelerate amid low unemployment (5.5% in August 2019) and resulting wage increase. Household disposable income, which has been supported since 2016 by a phased-in reduction in income tax through changes to tax brackets conducted as part of a "tax shift", will get a final boost as the 40% bracket is widened at the expense of the 45% bracket. However, consumption may be curbed, to the benefit of savings, if household confidence continues to deteriorate in 2020. While production constraints remain high (81% capacity utilisation rate in the third quarter of 2019), the reduction in the corporate tax rate from 29.58% to 25% will only partially translate into an increase in investment, due to the unfavourable European economic situation and waning business confidence. In addition, the impasse in the negotiations to form a government following the May 2019 federal parliamentary elections, precludes any new measures and has forced the caretaker government to repeat the 2019 budget. However, resilient domestic demand should make it possible to offset the difficulties caused by the unsupportive international environment. In a context of weak growth among the main Eurozone partners, particularly Germany (18% of total exports), exports will continue to cool. At the same time, with strong household consumption driving imports, the contribution of foreign trade may even turn negative in 2020.

A budget conditional on the formation of a new government

Pending the formation of a new government, the caretaker government operates using only a budget based on monthly tranches, each of which is one-twelfth of the 2019 budget. However, after widening significantly in 2019, the government deficit will continue to deteriorate, due to further corporate and income tax cuts planned in the last phase of the tax shift. Resilient economic activity and low unemployment will contribute to revenues, but not enough to prevent a deterioration in public finances in 2020. Accordingly, in the absence of a new government and fiscal corrections, which the European Commission requested in October 2019, public debt will decline slowly, thanks to very low interest rates, while remaining very high.

In addition, the current account will remain in deficit in 2020, reflecting the deterioration in the trade balance. After a three-year hiatus, the goods balance has been in deficit again since 2018. Meanwhile, the services surplus has evaporated since 2010, mainly due to the growing deficit in business services (consulting, R&D). In addition, the income deficit has widened steadily in recent years, in line with the growing gap between dividends from foreign investments in the country and the much lower dividends from Belgian investments abroad. However, as during the last two years, foreign investment should comfortably be able to finance the resulting current account deficit.

An impossible coalition?

Following the resignation of Prime Minister Charles Michel in December 2018 due to the departure of the Flemish Nationalists (N-VA) from the governing coalition, the triple elections (federal, regional and European legislative elections) held in May 2019 left the country with an even more fragmented political landscape. All the major political parties emerged from the elections weakened. While the N-VA won only 25 seats out of 150 in the Chamber of Deputies (down 8 seats), this did not benefit any of the other main parties, namely the leftist Socialist Party (PS, French-speaking, 20 seats, down 3), the prime minister's Reformist Movement (centre-right, French-speaking 14 seats, down 6), the Flemish Christian Democrats (12 seats, down 6) and the Liberals (Dutch-speaking, 12 seats, down 2). However, parties at both ends of the political spectrum, namely the PTB (far left, unitary) and, above all, the VB (extreme right-wing, separatist), recorded huge surges, climbing from 2 to 12 seats and from 3 to 18 seats respectively. Early January 2020, after the failure of the negotiations between the N-VA and the PS, special advisors commissioned by the king to identify possible coalitions to form a government were not ruling out any configuration between all the parties sitting in the Chamber of Deputies, with the exception of the PTB and the VB, but had still not found a way out of the crisis. As a result, the country is heading towards new elections or, failing that, a potential new record, beating the 541 days spent without a government in 2010/2011. Whatever the king's decision, political instability seems destined to continue, as the landscape is so fragmented and that there is also a growing divergence between Flanders, which is leaning increasingly towards the right, and Wallonia, which is moving left.

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.

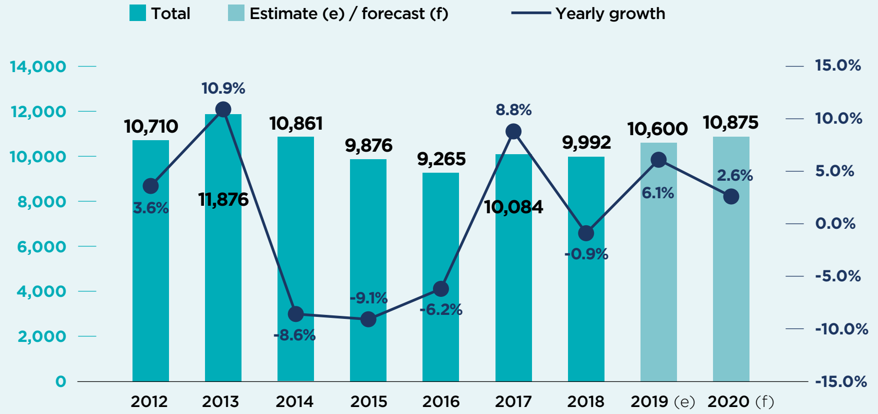
Since 2017, submissions of claims where bankruptcy procedures are involved must be made electronically, *via* the Central Solvency Register (www.regsol.be), which records all bankruptcies over the last 30 years.

Judicial restructuring process

The judicial restructuring process (*réorganisation 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 FAILURES



Source: Statistics Belgium, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	0.4
GDP PER CAPITA US Dollars - 2018	4,862
CURRENCY Belizean dollar	BLZ

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.4	3.0	2.0	1.7
Inflation (yearly average, %)	1.1	0.3	0.4	1.0
Budget balance (% GDP)	-3.9	-0.3	-0.4	-0.8
Current account balance (% GDP)	-7.7	-7.9	-6.1	-6.5
Public debt (% GDP)	93.3	93.6	94.2	91.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED KINGDOM	37%
UNITED STATES	23%
EURO AREA	14%
JAMAICA	8%
BARBADE	5%

Imports of goods as a % of total

UNITED STATES	43%
CHINA	12%
MEXICO	11%
GUATEMALA	7%
PANAMA	3%

+
- Tourism potential
- Highly competitive tourism industry compared to regional peers
- Support from international lenders

−
- Poor fiscal health
- Undiversified exports
- Underdeveloped manufacturing sector
- Agricultural sector exposed to natural disasters
- Crime

RISK ASSESSMENT

Weaker growth among the country's main trading partners will weigh on activity

Growth is expected to slow further in 2020, after slackening initially in 2019. Given the importance of agricultural and tourism exports, activity will be affected by feebler growth among the country's main partners. With 70% of tourists coming from the United States, the increase in the number of flights between the two countries since the beginning of 2019 is not expected to offset the effects of slower activity in the United States. Nevertheless, tourism should continue to attract foreign direct investment, particularly in infrastructure, following the establishment of large hotel chains. On the agricultural front, the sector is expected to rebound, mainly due to a base effect after the prolonged drought in 2019, which severely affected harvests (corn and sugar cane). However, the extent of the recovery should be limited by the lower activity in the United States and the United Kingdom, the main destinations for exports in the sector. Construction is expected to benefit from the infrastructure development included in the 2019/2020 budget plan (Capital III plan). Public consumption is expected to remain moderate, limited by fiscal consolidation efforts. Private consumption will benefit from the low level of inflation, supported by the Belizean dollar's peg to the US dollar. However, the rising unemployment rate, which stood at 9.4% at the end of 2018, and tax increases will limit growth in this regard.

A heavy public debt burden and a fragile external position

Despite boasting a revenue-to-GDP ratio that is higher than the regional norm, Belize continues to have a significant level of public debt, amounting to 94% of GDP at the end of 2018. An agreement with external private creditors in March 2017 allowed USD 526 million in sovereign bonds to be restructured to reduce debt service. As part of the agreement, the government committed to maintaining a primary surplus of at least 2% over the next three years. It achieved its target in 2018/2019, but in 2019/2020 the surplus is set to fall short of expectations owing to weaker than predicted economic activity and higher spending on wages and infrastructure. As the November 2020 elections approach, the increase in pension contributions introduced in July 2019 may not be enough to achieve the equilibrium objective of a 4% primary surplus in the medium term. Accordingly, to finance its infrastructure plan, the government is relying on assistance from international development partners (World Bank Group, Inter-American Development Bank and Caribbean Development Bank), as well as Taiwan's participation in road projects. External public debt amounted to 66% of the total at the end of 2018.

In addition to suffering from poor fiscal health, the country also has to cope with considerable external imbalances linked to the substantial goods deficit (20% of GDP), which is in turn largely due to the weak manufacturing sector. With cheap oil deliveries through the PetroCaribe alliance ending as a result of the crisis in Venezuela, this trade balance is under additional strain, compounding the pressure already on it *via* agricultural exports (cane sugar, citrus fruits), which are highly exposed to climatic risks and therefore volatile. This deficit is not fully offset by the services surplus, which is mainly due to tourism activities. As a result, the current account continues to show a deficit, and the gap is expected to widen in 2020 against a backdrop of weaker agricultural and tourism exports. The deficit will not be entirely financed by foreign direct investment, which is slowing, putting the already low foreign exchange reserves under pressure. Equivalent to 3.6 months of imports at the end of 2018, the reserves were exhausted by the court-ordered payment made at the end of 2017 in compensation for the nationalisation of Belize Telemedia Limited.

A little time now before new developments

After announcing that he was leaving his post before the end of his term for health reasons, Prime Minister Dean Barrow finally reversed his decision. As a result, power struggles within his United Democratic Party have eased, but are likely to resume as the November 2020 elections approach, because the constitution prohibits Mr Barrow from running for a fourth term. Tax reforms and the fight against drug trafficking will likely be the government's priorities until the elections. Improving the business environment will also remain one of the main challenges, a process initiated with the adoption of a new law to promote an adequate level of economic substance for companies paying their taxes in the country and thus comply with the European Union's tax transparency requirements.

In terms of international affairs, the main issue remains the border dispute with Guatemala, which claims half of Belize's territory. In May 2019, 55% of Belizeans voted in favour of using the International Court of Justice (ICJ) to settle the dispute, following Guatemala's approval of such a settlement in a referendum in 2018. These votes have allowed the two countries to engage in a reconciliation process.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	**11.5**
GDP PER CAPITA US Dollars - 2018	**1,242**
CURRENCY CFA franc (WAEMU)	**XOF**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.8	6.7	6.7	6.7
Inflation* (yearly average, %)	0.1	1.0	1.7	2.0
Budget balance (% GDP)	-5.9	-4.0	-3.0	-2.5
Current account balance (% GDP)	-10.0	-8.3	-7.8	-7.1
Public debt (% GDP)	54.3	56.1	54.1	52.0

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

TRADE EXCHANGES

Exports of goods as a % of total

BANGLADESH	23%
INDIA	18%
VIETNAM	10%
NIGERIA	8%
CHINA	8%

Imports of goods as a % of total

EURO AREA	19%
THAILAND	14%
INDIA	12%
TOGO	9%
CHINA	8%

+
- High growth potential, low inflation
- Significant international financial support (ODA, HIPC, MDRI)
- Strategic position (access to the sea for hinterland countries)

−
- High poverty
- Narrow and volatile export base (dependent on cotton price fluctuations)
- Erratic electricity supply
- Governance gaps: corruption, rule of law, regulation
- Impact on activity and tax revenues of Nigeria's economic policy decisions
- Terrorist threat from neighbouring Nigeria and the Sahel
- Low bank profitability, low government revenues

RISK ASSESSMENT

The Revealing Benin programme is boosting growth

In 2020, growth is set to continue on its favourable trajectory, supported in particular by 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 Glo-Djigbé airport and 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), reforms to improve the business environment, including the restructuring of the Investment and Export Promotion Agency, and the introduction of a new investment code (2018). Cotton production, which accounted for about 30% of exports in 2018, is expected to continue to increase in 2020, benefiting from reforms in the sector and efforts to improve yields. Higher agricultural yields should continue to boost export flows. However, these flows are likely to suffer from the partial closure of the border with Nigeria, with trade between the two countries accounting for 20% of GDP. Remittances from expatriate workers are expected to remain sluggish, with a significant downside risk connected with the weaker Nigerian economy. This situation may affect the strength of private consumption. That said, private consumption will be helped by low inflation, which should remain below the 3% threshold set by WAEMU despite a probable increase in the price of imported products.

Approaching compliance with WAEMU convergence criteria

In 2020, according to the approved budget, the budget deficit will amount to 1.8% of GDP, as the country continues efforts to reduce the deficit in order to meet the WAEMU deficit convergence criterion of 3% of GDP. However, we do not believe that the objective will be achieved. Fiscal consolidation efforts are set to continue in line with the authorities' commitments under the Extended Credit Facility provided by the IMF in April 2017. These efforts include further rationalisation of current expenditure to free up resources for capital investment expenditure. These will be accompanied by a program to improve the efficiency of public investment, which will continue to be rolled out in 2020. The scrapping of certain tax shelters and steps to modernise the tax administration should improve revenue collection. Fiscal consolidation should also help to curb the rapid run-up in public debt, particularly in the regional market, which has been used to finance public investment in recent years. For the first time, in March 2019, the State issued Eurobonds in an amount of €500 million at 5.76%, increasing the fully public external debt from 26.5% of GDP in 2018 to 31.9% in 2019.

The current account deficit is expected to keep narrowing in 2020, supported by a reduction in the goods and services deficit (10.6% of GDP in 2018), with exports continuing to grow thanks to the rapid increase in cotton production and strong Chinese demand. However, the balance is expected to continue to show a deficit, burdened by a large import bill due to demand for foreign capital goods and services. Transfers, both public and private (2.5% of GDP in 2018), will be nowhere near enough to offset this deficit, especially as they may shrink owing to the situation in Nigeria. Concessional government loans, FDI and grants will continue to finance most of the deficit.

Persistent political tensions

Following the legislative elections in April 2019, just two parties, the Progressive Union and the Republican Bloc, both of which had ties to the President, formed the Parliament. Because of controversial reforms to the electoral code, which tightened the requirements for standing as a candidate in the legislative and presidential elections, no opposition party was able to register in time. Opposition parties claimed that they were the victims of an administrative obstruction that had no other purpose than to eliminate them from the race. While the 83 newly elected deputies should support President Patrice Talon, the historically low voter turnout calls the legitimacy of this eighth legislature into question and reflects the collapse in the President's popularity. According to the National Autonomous Electoral Commission (CENA), only 23% of registered voters cast ballots, and most observers consider even this figure to be quite inflated. Severe post-election tensions have punctuated political and social life. Several people have died, and at one point the army surrounded the home of former President Thomas Boni Yayi (2006/2016), who is the current President's main opponent. In the end, Mr Boni Yayi was evacuated to France for health reasons, after mediation by several heads of state. Tensions are expected to persist in the lead-up to local elections in March 2020. President Talon has set up a political dialogue to address the unrest, but several opposition parties have not been invited to take part in the initiative.

In the regional context, Benin faces a very real terrorist risk, illustrated by the kidnapping of two French nationals in the north of the country by terrorist groups operating in the Sahel. They were found by the French army in northern Burkina a few days later.

BOLIVIA

COFACE ASSESSMENTS

COUNTRY RISK **C**

BUSINESS CLIMATE **B**

POPULATION **11.4**
Millions of persons - 2018

GDP PER CAPITA **3,565**
US Dollars - 2018

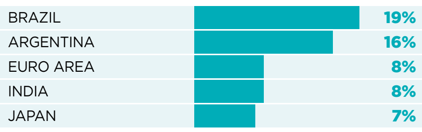
CURRENCY **BOB**
Boliviano

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.2	4.2	2.6	1.0
Inflation (yearly average, %)	2.8	2.3	1.7	3.0
Budget balance (% GDP)	-7.8	-8.1	-7.8	-7.5
Current account balance (% GDP)	-4.9	-4.9	-5.0	-4.1
Public debt (% GDP)	51.3	53.9	57.7	59.7

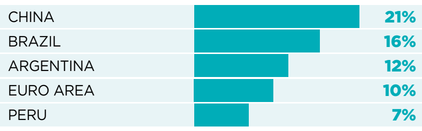
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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

−

- Economy is underdiversified and dependent on hydrocarbons
- Underdeveloped private sector; high dependence on the public sector
- Landlocked
- Large informal sector
- Insecurity, drug trafficking, corruption
- Risk of social unrest; highly polarised country

RISK ASSESSMENT

Growth slowdown amplified by social tensions

While the main drivers of Bolivian growth had already begun to decelerate, the political crisis triggered in the aftermath of the October 2019 presidential elections will amplify the slowdown in 2020. The decline in natural gas demand from Argentina and Brazil, which receive 98% of exports, is expected to gather speed. Demonstrations at the end of 2019 specifically targeted gas production sites, curbing the already declining production and preventing Bolivia from meeting its quotas. The drop in Bolivian gas supplies has led both partner countries to further step up their use of domestic gas. Moreover, 2019 growth came in below the 4.5% threshold, meaning that, for the second year running, salary bonuses equivalent to two months' salary and awarded to any formal sector employee (public and private) at the end of the year, were not paid. Private consumption is likely to be affected by this, while household confidence has been severely dented by the protest movements and the uncertain political transition. Public consumption, which has been very high in recent years owing to implementation of the Plan Nacional de Desarrollo Económico y Social investment programme, worth USD 48.6 billion over 2016-2020, is also expected to slow with the mounting uncertainty, while project delivery delays are building up already. Private investment will also be affected by the credit crunch, a trend that will be accentuated by the slowdown in bank deposit growth in 2019 and the rise in non-performing loans, which has gathered pace with the unrest (+6.8% in October 2019 compared with September). Destruction of infrastructure, including roads and gas pipelines, during the clashes is also expected to weigh on activity, while the construction sector is set to suffer from the downturn in public works activity. The agricultural sector is expected to feel the after-effects of forest fires in the third quarter of 2019.

Deficits dictated by gas revenues

The fall in gas production, which generate 30% of the State's revenues, will constrain public finances. Public accounts are already under pressure owing the large investment plan rolled out between 2016 and 2020. With social tensions running high, a sharp spending cut is unlikely given the risk of stoking popular discontent. The USD 100 million loan taken out with the Latin American Development Bank (CAF) in October 2019 for budget support highlights these difficulties. Public debt, although rising, is expected to remain sustainable, with the external share representing only 24.5% of GDP as of June 2019.

The current account deficit, although still high, is expected to decline. Goods exports, which are largely dominated by gas, other hydrocarbons and ore, are expected to be adversely affected by the renegotiation of the agreement with Brazil and Argentina. The supply agreement with Brazilian company Petrobras expired in January 2020, and negotiations for a new agreement are expected to result in a decrease in Bolivian exports in favour of Brazilian gas. Higher zinc and gold prices should offset some of this decline. The slowdown in imports, caused by weaker domestic demand, and the slowdown in public works, which will curtail demand for intermediate goods, will help to reduce the trade deficit. This deficit will be partially financed by expatriate remittances (3.5% of GDP at the end of 2018), despite the slowdown in host countries (Argentina and Spain). With FDI at very low levels, the current account deficit will be financed by the foreign exchange reserves, which are already significantly reduced, having fallen from USD 8.9 billion to USD 6.9 billion between the end of 2018 and October 2019. The exchange rate regime, which features a crawling dollar peg, is likely to increase the pressure on these reserves.

Tensions heightened by deep divisions within the country

After losing a 2016 referendum proposing to remove the two-term presidential limit, Evo Morales, President since 2006 and a member of the Movimiento al Socialismo (MAS) party, obtained authorization from the Supreme Court to run in the October 2019 presidential elections. He declared himself the winner after the first round against Carlos Mesa, former President and candidate for centre-left coalition Comunidad Ciudadana. This declaration, after a non-transparent count, sparked off a crisis. After an audit by the Organization of American States found major irregularities, Mr Morales was forced to resign under pressure from the army and opposition protests. Jeanine Áñez, second vice-President of the Senate and face of the right-wing opposition, declared herself interim President without obtaining approval from parliament, which was boycotted by MAS representatives. This was followed by violent clashes between Morales' supporters and the army, leading to several dozen deaths. The interim government and a number of pragmatic MAS members reached a deal to hold elections within 120 days of the appointment of a new electoral authority, temporarily easing the tensions. Neither Mr Morales nor his Vice-President Álvaro García Linera, is allowed to run. The climate will remain highly polarised until the new elections, with indigenous communities fearing a clawback of recently acquired rights. On the international scene, the interim government has ripped up its existing partnerships, leaving the Bolivarian Alliance with Cuba and Venezuela to move closer to the United States and Israel.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	3.5
GDP PER CAPITA US Dollars - 2018	5,755
CURRENCY Bosnia and Herzegovina convertible mark	BAM

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.2	3.6	2.8	3.0
Inflation (yearly average, %)	2.8	1.4	0.8	1.0
Budget balance (% GDP)	2.6	2.2	-0.6	0.6
Current account balance (% GDP)	-4.7	-4.3	-4.5	-5.0
Public debt (% GDP)	37.7	35.6	33.0	32.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	51%
CROATIA	12%
TURKEY	3%
HUNGARY	2%
CZECHIA	2%

Imports of goods as a % of total

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

- Regular growth
- Significant transfers from expatriate workers
- Stabilisation and Association Agreement with the EU with pre-accession funds
- Tourism (11.7% of employment and 10.2% of GDP, directly and indirectly) and hydroelectric potential (already 35% of electricity produced)

- Institutional, regulatory, economic and community fragmentation (50% Muslim Bosnians, 33% Orthodox Serbs and 15% Catholic Croats)
- Lack of public investment (local transport, education, health) with only 2% of public expenditure
- Low diversity and low added value of exports
- Corruption, clientelism, administrative delays
- High emigration estimated at 50,000 people per year
- Large informal sector, low labour force participation (42%), high youth unemployment (34%)

RISK ASSESSMENT

Activity supported by domestic demand

Domestic demand will again underpin moderate growth in 2020. Household consumption will remain strong, driven by real wage increases, remittances from expatriates and growth in reported employment as a result of the decline in the informal sector and job creation across all sectors. Credit will grow strongly again (approximately +7% in 2019), with doubtful loans (8% of the outstanding amount) continuing to decline. The rise in tourism from neighbouring countries will benefit the population through retail trade. Investment in infrastructure (roads, railways, energy) and agriculture, but also to improve the administrative and business environment, owes a great deal to funding from the EBRD (€700 million over 2018/2020, in partnership with the private sector) and the European Union (€315 million over 2018/2020), and could be accelerated if the IMF releases its credits. Less than one-third of the IMF's Extended Credit Facility (USD 623 million for 2016/2019) has been disbursed so far. One of the conditions was met with the adoption of a reform programme, but by the end of 2019, a central government and a Bosnian-Croat government had not yet been formed, even though the elections were held in October 2018. The value of investments on hold because of the political problems is estimated at €1 billion. Meanwhile, private investment, both domestic and foreign, will remain modest due to persistent institutional weaknesses and a poor business environment that will not be offset by low labour costs. The contribution of trade to growth is expected to be zero. Exports of ore (coal, corundum, and carbonates), wood, aluminium, furniture, machinery, electrical cables, metal parts and footwear may be affected by weakness in their main markets and pressure on prices, while imports will be supported by domestic demand. That said, agri-food and electricity sales are benefiting from the expansion of trade with the EU.

Balanced public accounts, but a current account deficit

Overall, the public accounts of the country's three constituent entities (the central government, the Bosnian-Croat Federation and the Serb Republic) are expected to remain balanced in 2020. However, in the absence of a budget since 2019, due to blocking by the Serbian co-President, the central government is operating based on the 2018 budget. It is largely financed by a share of VAT income (40% of the country's tax earnings), which increases in line with activity. Expenses are contained. A balanced budget and moderate growth will be sufficient to reduce the burden represented by the country's modest debt, 74% of which is held by external creditors, mainly public, multilateral or bilateral. Debt is divided between the Bosnian-Croat Federation (52%) and the Serb Republic (47%), but given the respective GDPs, the latter has a higher debt-to-GDP ratio. While the public accounts appear to be in acceptable shape, the way that their management is fragmented between the central government and the other two entities, the future cost of pension and health systems, and poor governance at the country's around 500 state-owned companies, half of which survive thanks to public aid, may lead to some nasty surprises.

In 2020, the current account deficit could widen under the influence of the trade deficit (23% of GDP in 2019). Expatriate remittances (8%), pensions from abroad (4%) and the surplus in services (7%) related to tourism, transport and outward processing will, as usual, partially offset the trade deficit. FDI (3% of GDP) and international financing, mainly from public sources, will make it possible to balance the balance of payments, while maintaining foreign exchange reserves at a level equivalent to 7.5 months of imports.

Institutions held hostage to community allegiances

The 1995 Dayton Agreements divided Bosnia and Herzegovina into two autonomous entities: the Bosnian-Croat Federation of Bosnia and Herzegovina and the Bosnian Serb Republic, plus the district of Brčko, which is managed by the central government. The central government is led by a collegial presidency representing the three "constituent peoples", which rotates every 8 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, as each component has blocking powers within the central parliament. Bosnians are trying to strengthen the central government, Croats want autonomy, while Serbs question the country's very existence. The presidential and legislative elections of October 2018 again played out along ethnic lines, putting nationalist parties in charge. The presidency must appoint the council of ministers, but the Croatian and Bosnian members are making the appointment of one of their Serbian colleague's candidates conditional on his agreement to build ties to NATO, which he has refused to give on the grounds of Serbian neutrality. In return, Serbs are blocking the central parliament. A central government may be formed in 2020, perhaps before the October municipal elections. For now, management has been entrusted to a caretaker government led by the Speaker of the House of Representatives. Nevertheless, in November 2019, the Serb Republic and the Bosnian-Croat Federation agreed on a four-year reform programme, which is a prerequisite for applying for EU candidate status and resuming relations with the IMF.

BOTSWANA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	2.3
GDP PER CAPITA US Dollars - 2018	7,973
CURRENCY Botswana pula	BWP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.9	4.5	4.2	4.3
Inflation* (yearly average, %)	3.3	3.2	3.0	3.5
Budget balance** (% GDP)	-1.1	-3.2	-3.9	-2.0
Current account balance (% GDP)	5.4	1.9	2.6	2.2
Public debt (% GDP)	13.7	13.8	14.8	12.4

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. ** Fiscal year from 1st July - 30th June. 2019 data: FY18-19.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
INDIA	17%
UNITED ARAB EMIRATES	12%
SINGAPORE	11%
SOUTH AFRICA	9%

Imports of goods as a % of total

SOUTH AFRICA	64%
NAMIBIA	8%
CANADA	7%
EURO AREA	5%
INDIA	3%

+

- 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 Customs Union (SACU)

-

- Dependent on the diamond sector (more than 90% of exports)
- Insufficient infrastructure (production and distribution of water and electricity)
- Inequality and high unemployment. Poverty stuck at a relatively high level

RISK ASSESSMENT

Mining industry to drive growth

Growth, mainly linked to the extractive industries (25% of GDP), will remain strong in 2020, driven by the gradual increase in diamond production and the ramp-up of several copper mines. Debswana, a partnership between De Beers, a UK group, and the government, is forecasting an increase in production at the Orapa mine, which is the country's largest. The start of the USD 2 billion Cut-9 project to extend the life of the Jwaneng mine (one of the highest value mines in the world) will also encourage the development of related activities, such as construction and services. These various projects will be financed mainly by foreign private investors. Private investment will also be supported by the accommodative monetary policy of the Central Bank of Botswana, which includes a low borrowing rate (4.75% since September 2019, the lowest ever). 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. However, public investment will be contained, with the reinvestment of mining revenues limiting the possibility of spending, which, combined with the high unemployment rate (18% in 2018) and the pick-up in inflation, will squeeze household purchasing power. Agriculture (mainly subsistence farming, employing nearly a quarter of the population) is expected to do well, with the FAO forecasting heavy rainfall for the 2020 season (after the exceptional drought of 2018/2019).

Fiscal imbalance and current account surplus

The budget deficit is expected to decline in 2020, as fiscal policy becomes more cautious again after increased spending in 2019 in connection with the pre-election period. Revenues from the mining industries (one-third of the total) are set to decrease due to their reinvestment in the Cut-9 project. Customs revenues paid by the SACU (a quarter of revenues) will likely be weaker, owing to low growth in South Africa. While efforts to modernise tax administration and more efficient tax collection could increase revenues, budget consolidation will come mainly from reduced public investment.

The chronic current account surplus is expected to decline due to a widening trade deficit. The slowdown in global demand, particularly in the US and Chinese markets, will depress diamond exports (90% of goods exports), while capital goods imports will continue for projects related to the mining industry. The balance of services is largely in surplus thanks to tourism (15% of total exports). Transfers from the SACU (9% of GDP) could decline. Thanks to the favourable external situation, the country has high foreign exchange reserves (more than ten months of imports in 2018). The remaining reserve surplus, after the central bank has withdrawn what it needs for its activity, is transferred to the Pula Fund, a sovereign fund created in 1994, which finances a large part of the budget deficit. As a result, the use of domestic and external debt will remain limited and debt will remain low, as will its external portion (15% in 2017, almost exclusively from multilateral creditors).

Political continuity after the parliamentary elections

The Botswana Democratic Party (BDP), which has been in power since the country's independence in 1966, won 56% of the votes in the October 2019 parliamentary elections, representing 38 of the 57 seats in the National Assembly. The opposition, represented by the Collective for Democratic Change (UDC), a coalition of four parties (BNF, BCP, BPP and BMD), won only 15 seats, or two fewer than in previous elections. Waning support for the BDP suggested a closer-fought election, but the UDC, which is plagued by internal conflicts and struggles to offer a credible alternative, failed to convince electors. Incumbent President Mokgweetsi Masisi therefore stayed on as head of state. In a context of high poverty and unemployment, the new government will have to address the lack of economic diversification and persistent social inequalities, as Botswana is the 10th most unequal country in the world according to the World Bank.

Botswana is consistently well placed among its sub-Saharan African peers in international rankings, but there is still room to improve its business environment and support private sector development (87th out of 190 in the Doing Business 2020 ranking). In addition, the country has recently been placed on the FATF's grey list, which includes countries with inadequate regulations to combat money laundering and terrorism financing.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	208.5
GDP PER CAPITA US Dollars - 2018	8,959
CURRENCY Brazilian real	BRL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.1	1.1	0.9	1.5
Inflation (yearly average, %)	3.5	3.7	3.8	3.5
Budget balance (% GDP)	-7.8	-7.1	-6.1	-5.5
Current account balance (% GDP)	-0.7	-2.2	-3.0	-3.2
Public debt (% GDP)	74.1	77.2	78.9	79.8

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	26%
EURO AREA	15%
UNITED STATES	12%
ARGENTINA	6%
CHILE	3%

Imports of goods as a % of total

CHINA	19%
UNITED STATES	16%
EURO AREA	16%
ARGENTINA	6%
SOUTH KOREA	3%

+

- Varied mineral resources and agricultural harvests
- Large population (estimated at 210 million)
- Well-diversified industry
- Strong foreign exchange reserves (import coverage of roughly 25 months)
- Net creditor in foreign currency

-

- Sensitive fiscal position
- Infrastructure bottlenecks
- Low level of investment (roughly 16% of GDP)
- Relatively closed to foreign trade (exports represents only 13% of GDP)
- High cost of production (wages, energy, logistics, credit) harming competitiveness
- Shortage of qualified labour; inadequate education system

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Economic momentum should marginally improve

Activity registered another year of weak growth in 2019, when it was mainly led by household consumption and private investments (albeit still at low levels). Meanwhile government expenditure remained limited by tight fiscal budget and exports felt the headwinds coming from decelerating global activity (notably the recession in Argentina). This year GDP should register a relatively stronger economic momentum. Consumption should be favoured by some improvement on the job market, low inflation and by the current expansionary monetary policy (interest rate stands at historical minimum). Meanwhile, private investment is likely to benefit from relatively higher business confidence (following the approval of the social security reform and the expected progress in pro-business reforms) and the lower lending rate. Contrarily, exports should remain at weak levels, as the recession in Argentina is not likely to ease this year and global GDP should continue to decelerate. Finally, mining activity should report some rebound in production, following the normalization of iron ore production, which has been affected by the Brumadinho dam accident in January 2019. The main risks to the economic scenario are related with a possible stronger than anticipated global economic deceleration and a strong escalation of political polarization in the country (as it has been seen recently in other neighbouring economies).

Sound external position continues to diverge from fiscal outcome

Current account deficit widened in 2019, mainly driven by a lower trade balance surplus as the general slowdown in global activity took its toll on exports. Meanwhile, the deficit in services (1.9% of GDP) and the primary income imbalance of around 2.7% of GDP remained wide (mainly due to high profits and dividends remittances). In 2020, the current account deficit is expected to further widen, given the decelerating global economy and considering the scenario where the Brazilian economy gains some traction (increasing imports). Despite that, the strong foreign direct investment inflow (of roughly of 4% of GDP) and foreign reserves position will assure an adequate external position. Finally, the country remains a net creditor in foreign currency, with total external debt at roughly 18% of GDP (24% of the total debt is owed by the public sector and 38% by each non-financial and financial sectors).

The fiscal deficit marginally improved in 2019, driven by lower interest payment (because of the decline in policy rate Selic – three quarters of Brazilian debt is indexed to it) and the state owned development bank BNDES reimbursements to the Treasury. Moreover, in October 2019 the congress approved the much needed and long awaited social security reform, which is expected to save BRL 738 billion over ten years (roughly USD 180 billion or 10% of the 2019 GDP estimated value). However, this amount does not include savings of subnational entities, which are still under discussion in the Congress (their total adherence could add estimated BRL 350 billion to the 10-year savings). Finally yet importantly, the government expects to spare an extra BRL 240 billion in the same period thanks to the combat of fraud in social security benefits. Despite the relatively brighter outlook for public balance, the gains are more in the long term. In the short term, as will be the case of this year, the fiscal imbalance will remain high. In order to smoothen the high rigidity of public expenditure (at present, about 95% of public spending is compulsory), policymakers were sent to Congress in November 2019 to propose economic reforms, which aim, among other things, to decentralize the public budget and increase its flexibility.

A first year in office marked by controversies

The far-right President Jair Bolsonaro has completed one year in office in early January 2020, after a year marked by controversies, even with members of his own party (prompting to his exit of the Social Liberal party in late 2019). Although his government was able to get the much-needed social security reform approved, it was more the outcome of a broad political consensus on the matter, than a merit of the ruling government alone. With the latter reform now approved, policymakers will focus on passing other important measures (such as reforming taxes, granting official independence to the central bank and selling public assets). That said, to move forward with the pro-business agenda, the executive will need to assure a cohesive political base (a point to be monitored, given the recurrent needless political noise between the executive and legislative powers). Indeed political risk has recently escalated, which could jeopardize the progress of the executive agenda in the legislative. This deterioration was triggered by the release from prison of the former President Luiz Inácio Lula da Silva (2003/2010) from the left-wing Labour party (PT) in early November 2019 (after 18 months in jail for money laundering and corruption). His release followed the Supreme Court vote that a person can be imprisoned only after all appeals to higher courts have been exhausted. Since this episode, political polarization has gained further momentum.

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 credit note used in local commercial transactions. The validity of either instrument requires a certain degree of formalism in their issuance. The most commonly payment method used in Brasil is *boleto bancário* which is an official Brazilian payment method regulated by the Central Bank of Brazil. It is a push payment system, which was launched in 1993 and today generates 3.7 billion transactions per year. The payment process for *boleto bancário* transactions is similar to that of wire transfer or cash payment methods. Customers are provided with a prefilled *boleto bancário* payment slip. At this point, the customer has the option of printing the form and paying it physically at any bank branch or at authorized processors such as drugstores, supermarkets, lottery agencies and post offices. Additionally, it can also be paid electronically at any of the more than 48,000 ATMs in Brazil, as well as through internet banking or mobile banking apps, which are widely used in the country. 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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	7.0
GDP PER CAPITA US Dollars - 2018	9,314
CURRENCY Bulgarian lev	BGN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	3.1	3.6	3.4
Inflation (yearly average, %)	1.2	2.6	2.5	2.3
Budget balance (% GDP)	1.1	1.8	-1.9	0.8
Current account balance (% GDP)	6.7	4.6	5.5	5.5
Public debt (% GDP)	23.9	20.4	19.5	18.2

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
ITALY	9%
ROMANIA	9%
TURKEY	8%
GREECE	7%

Imports of goods as a % of total

GERMANY	12%
RUSSIA	10%
ITALY	8%
ROMANIA	7%
TURKEY	6%

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

−
- Corruption and organised crime
- Inefficient public services and judicial system (influence of the business community)
- Unstable government, 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

Solid growth, still driven by domestic demand

Growth will remain solid in 2020, fuelled by persistently strong domestic demand. Household consumption will continue to drive activity against a backdrop of historically low unemployment (5.3% in September 2019) and wage increases, both in the civil service (+10%) and in the private sector (minimum wage raised by 9% to BGN 610, or €310). Besides these statutory increases, wages will also be driven by the shortage of skilled labour. At the same time, investment will continue to grow briskly, driven by public investment, despite low absorption of European structural funds (one-third of the funds for the 2014/2020 period had been used by mid-2019), and by the private sector, in a context of supply constraints, with the capacity utilisation rate at 77% in the fourth quarter of 2019. In addition, the health of the banking sector is constantly improving – the non-performing loan ratio stood at 7.2% at the end of June 2019, ten points lower than during the 2014 banking crisis – which will support vigorous credit growth. Although the regional environment will remain weak, particularly in the European Union, which accounts for more than two-thirds of exports (especially Germany, Bulgaria's main partner on 15% of exports and Italy on 9%), exports should rebound after a tough 2019 thanks to the recovery in Turkey (8%) and the fact that the workforce is still competitive. Imports are expected to put in a vibrant performance, reflecting domestic demand, while foreign trade should be less of a growth dampener than in 2019.

Public and current account surpluses

After showing a deficit in 2019 due to the purchase of eight American fighter aircraft (USD 1.3 billion, or 2% of GDP), the public accounts should return to surplus in 2020, despite strong expenditure growth, thanks to equally dynamic revenues. Revenues, which come mainly from taxes (60%, half of which is due to VAT) and social contributions (20%), are particularly sensitive to economic growth. As in previous years, the government plans to significantly increase social spending and the budgets allocated to health (+10%) and education (+14%), including a 17% hike in the average salary for teachers. The return to surplus accounts will ensure that public debt, which is already low, will maintain its downward trend of previous years and return to the levels seen before the 2014 bank rescue, which resulted in a 10-percentage-point increase in public debt.

Bulgaria is expected to continue to post a substantial current account surplus, despite a chronic trade deficit (3.3% of GDP in 2018). Brisk performances by the tourism and road transport sectors have led to a significant surplus in the services balance (6% of GDP), while the transfer balance is also in surplus (2.6% of GDP), thanks to European funds and remittances from expatriates. The current account surplus and foreign direct investment (net inflows: 2.2% of GDP) are used to finance portfolio investment abroad and build up the comfortable foreign exchange reserves (equivalent to around nine months' imports) needed to safeguard the credibility of the lev's peg to the euro.

Local elections have strengthened the Prime Minister's position

Prime Minister Boiko Borissov of the centre-right Citizens for the European Development of Bulgaria Party (GERB) held onto power after early elections in March 2017 by forming a coalition with the United Patriots, an alliance of three nationalist political parties. He then emerged relatively stronger from the November 2019 local elections. Although down from 2015, when it won 22 out of 28 regions, his party remains the main political force in Bulgaria, taking victory in 16 regions, including Sofia. By way of comparison, the Bulgarian Socialist Party (BSP), which had doubled its seats in Parliament in 2017 from 39 to 80 seats out of a total of 240, won only four regions. However, the diversity of the governing coalition makes it structurally vulnerable and the possibility that fresh tensions may cause early elections to be held before March 2021 cannot be ruled out.

The country's accession to the European Exchange Rate Mechanism 2 (ERM II) and the European Banking Union, in order to prepare for the country's entry into the euro area, was initially planned by the government for July 2019, but was postponed to April 2020, subject to validation by the ECB. Accession will be conditional on the implementation of recommendations to correct capital shortfalls at FiBank and Investbank identified during the stress tests published in July 2019. Despite solid macroeconomic performances, sound fiscal policies and monetary stability, the country continues to suffer from a difficult business environment, including the highest level of corruption in the European Union, according to Transparency International's ranking (77th out of 180 worldwide).

BURKINA FASO

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	19.8
GDP PER CAPITA US Dollars - 2018	716
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.3	6.8	6.0	6.0
Inflation (yearly average, %)	0.4	2.0	1.1	1.4
Budget balance* (% GDP)	-7.8	-4.9	-5.0	-3.1
Current account balance* (% GDP)	-7.3	-5.8	-6.1	-5.3
Public debt (% GDP)	38.4	42.9	42.5	42.2

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	54%
INDIA	16%
SINGAPORE	8%
CÔTE D'IVOIRE	6%
EURO AREA	5%

Imports of goods as a % of total

EURO AREA	20%
CHINA	12%
CÔTE D'IVOIRE	11%
UNITED STATES	6%
RUSSIA	5%

+
- Major producer of gold (6th in Africa in 2018) 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)
- Support from the international financial community (one of the first countries to benefit from the HIPC initiative)

−
- Economy highly exposed to weather-related hazards
- Vulnerable to changes in cotton and gold prices
- Heavily dependent on external aid
- Weak electrical infrastructure
- Population pressure, very high poverty rates, very low human development index and critical food insecurity
- Significant informal sector and failing business environment (ranked 151st in the Doing Business 2020 index)
- Presence of armed Islamist groups (foreign and domestic), particularly in the north and east of the country

RISK ASSESSMENT

An underdiversified economy with investment-driven growth

Growth is expected to remain dynamic in 2020. The gold sector is an economic driver for the country (12% of GDP and more than 65% of exports in 2018), thanks to massive investments by foreign companies (Semafo and Endeavour, in particular). It is set to continue to expand owing to the expected increase in gold prices and as commercial production comes onstream at two new mines in 2020. However, it could suffer from the fragile security environment (frequent Jihadist attacks and kidnappings from mines). Cotton production is expected to increase, benefiting from public investment under the National Economic and Social Development Plan (PNDES), which is aimed at increasing agro-sylvo-pastoral productivity. Nevertheless, food insecurity and security tensions may affect agricultural output. The PNDES also seeks to develop the manufacturing sector, in particular agri-food and textiles, with the aim of moving the country's economy, which is mainly production-oriented, towards the processing of agricultural raw materials, with a target of 25% for processing by 2020. To this end, the artisanal cotton processing plant in Bobo-Dioulasso is expected to open in 2020, thanks to the support of a public-private partnership (PPP). In addition, improved relations with China since Burkina Faso severed its diplomatic ties with Taiwan in 2018 should encourage investment in infrastructure, boosting sectors such as energy and transport. In January 2020, for example, China Harbour Engineering is scheduled to start building a 300 km motorway linking the capital to the country's second largest city, Bobo-Dioulasso.

Inflation will be stable thanks to WAEMU membership, which, combined with rapid population growth and urbanisation, will fuel a vibrant domestic market (private consumption accounts for more than half of GDP), supporting the service sector.

Determination to consolidate the public accounts in the face of cyclical risks

The budget deficit is expected to narrow further in 2020 in order to move closer to WAEMU convergence criteria, which set a maximum of 3%. The IMF granted the country a three-year Extended Credit Facility (ECF) of €135 million in March 2018. In this context, fiscal policy is expected to focus on increasing revenues, through the modernisation of tax and customs administrations, and reducing spending (VAT exemptions to be scrapped). However, government spending is high (27% of GDP in 2019), as the fight against terrorism, the social crisis and the PNDES generate significant current and investment expenditures, jeopardising the country's compliance with budgetary commitments.

The small trade surplus is expected to grow (0.7% in 2018) as increased gold and cotton production and higher gold prices boost export earnings. Imports (mainly capital goods and oil) should remain stable. The services deficit (6.0% of GDP) is expected to stay at a broadly similar level. Remittances from expatriates (3.5% of GDP) will be offset as foreign companies repatriate profits. The current account deficit is therefore expected to shrink, with financing provided by loans from international organisations and issues on the regional market. An improved current account and increased grants should pave the way for external public debt (22% of GDP) to decline slightly.

A fragile security context and a tense social situation

Security will remain the main challenge facing President Kaboré and his government in 2020. In 2019, the security situation deteriorated rapidly, with an upsurge in Islamist terrorist attacks, leading to massive population displacements (500,000 displaced persons, according to the UN). International observers now fear that the State could fail, as the government has lost control of nearly a third of the territory to armed groups. Difficulties in financing the G5 Sahel force (of the USD 414 million pledged, only a quarter has actually been disbursed) have prevented that organisation from fulfilling its mission of securing borders and fighting terrorism. In mid-September, ECOWAS pledged to provide USD 1 billion to restore the force's strength. In addition, the G7 summit in Biarritz saw the creation of a “Partnership for Security and Stability in the Sahel” (P3S), the terms of which have yet to be defined.

Moreover, since its election in 2015, the central government has faced strong internal opposition, as a portion of the population perceives it to be incapable of dealing with the country's many problems. The security emergency also raises questions about compliance with the electoral calendar. A constitutional referendum, which included a 10-year limit on holding the presidency, and which was initially scheduled to be held in March 2019, was postponed. Presidential elections are slated for the end of 2020.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2018**	**11.2**
GDP PER CAPITA US Dollars - **2018**	**307**
CURRENCY Burundi franc	**BIF**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.5	1.7	1.9	2.0
Inflation (yearly average, %)	16.1	-2.6	-0.8	5.5
Budget balance* (% GDP)	-4.5	-4.9	-4.4	-4.7
Current account balance (% GDP)	-11.3	-11.8	-9.7	-8.3
Public debt** (% GDP)	44.2	50.9	53.8	55.5

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2020 data: FY19-20. ** Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	30%
EURO AREA	14%
DR CONGO	11%
PAKISTAN	8%
SWITZERLAND	6%

Imports of goods as a % of total

SAUDI ARABIA	17%
CHINA	13%
EURO AREA	12%
UNITED ARAB EMIRATES	9%
INDIA	7%

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

- Entrenchment of the political crisis that began in 2015
- International assistance reduced because of the political crisis
- Border tensions with Rwanda
- Economy poorly diversified and vulnerable to external shocks
- Geographically isolated
- Activity hampered by lack of infrastructure and access to electricity
- Decrease in the labour force as the political crisis has forced people to flee the country

RISK ASSESSMENT

Growth still limited by the absence of donors

The tense political and social situation will continue to weigh on the economy. Growth will remain moderate in 2020. Assuming normal weather conditions, agriculture is expected to maintain its growth rate. The increase in international coffee prices forecast for 2020 is expected to drive an upturn in production. The population, which is largely dependent on agriculture (36% of GDP and 90% of jobs), will benefit from the resulting increase in incomes, generating a positive contribution to growth from private consumption (83% of GDP). However, plans to nationalize the coffee industry represent a downside risk, as the government's intervention may prove detrimental to foreign investment. Mining is likely to make a strong contribution. As a mainstay of development, it receives government support through the allocation of operating licences to encourage private investment. The importance of the sector has been growing since the United States stated that it wanted to diversify its rare earth supply following the trade dispute with China. Burundi is the only African country currently producing rare earths, thanks in particular to Rainbow Rare Earths, which owns the Gakara mine. Rare earth development has made the mining sector the main contributor of foreign exchange ahead of coffee and tea. However, industrial growth is expected to slow due to weak investment and a persistently challenging environment. Inflation will return to positive territory.

Persistent twin deficits

The budget deficit will widen in 2020 due to the increase in public spending related to elections this year. According to the budget approved by parliament, expenditures will rise by 8.3% in 2020, with 61% of the amount going towards the State's current expenditure, more than half of which consists of wage costs. State revenues, which are expected to increase by 7.3%, will come from tax revenues, grants, non-tax revenues, exceptional revenues (from the privatization or liquidation of state-owned companies), as well as financial investments. The government will use the domestic market to finance itself by issuing treasury bills and bonds (more than 80% of the total), calling on the central bank as a last resort. Public debt is 70% domestic.

The current account deficit is expected to continue to shrink in 2019, despite the decline in expatriate remittances and official transfers. The trade balance is structurally in deficit due to substantial imports of manufacturing products and oil, which are expected to mark time in 2020. The deficit will be contained by the slight increase in exports of mining products (38.2% of the total) and agricultural products (43%). The low level of external aid will be insufficient to finance the current account deficit. Growth in FDI, thanks to government support, should also contribute to the financing and reduce use of the central bank's foreign exchange reserves (0.9 months of imports in June 2019), which will continue to decline nevertheless, accentuating the depreciation of the Burundian franc and the lack of liquidity in the economy.

A high-risk election year

President Pierre Nkurunziza has said he will not run again in the next presidential election scheduled for May 20, 2020, although he is legally entitled to do so, following a widely criticized constitutional amendment in May 2018 to extend presidential terms. At the time of writing, no successor had been nominated as the candidate of the ruling CNDD-FDD party, which is expected to win with minimal hindrance, as the small opposition is unable to mobilize support. Stricter rules governing elections under the new electoral code adopted on May 20, 2019, including steep application fees for the submission of candidatures, will further hamper the opposition's prospects in the upcoming elections. Mr Nkurunziza's government is under little pressure to make concessions, as the opposition has been severely weakened by successive crackdowns since the political crisis surrounding the 2015-16 elections. International surveillance of the country, particularly by the EU, has intensified in recent months, partly in the lead-up to the elections but also because of measures taken by the President to consolidate power and restrict international intervention. In March 2019, the government closed the UN Human Rights Office in the country, stating that it had made sufficient progress in improving the human rights situation and that the office's presence was therefore no longer necessary. The Southern African Development Community (SADC) has rejected Burundi's application for membership due to ongoing political crisis, which is also undermining efforts to improve the business environment (166th out of 190 in the Doing Business 2020 ranking).

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	0.6
GDP PER CAPITA US Dollars - 2018	3,579
CURRENCY Cabo Verde escudo	CVE

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	90%
UNITED STATES	2%
ECUADOR	1%
COLOMBIA	1%
CHINA	1%

Imports of goods as a % of total

EURO AREA	77%
CHINA	6%
BRAZIL	3%
SENEGAL	2%
UNITED STATES	2%

+
- Growth in tourism activity
- Fishery reserves
- Efficient banking and telecommunications services
- Stable 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
- Poor infrastructure quality; lack of maintenance
- Food and energy wholly imported
- Vulnerable to external shocks and dependent on international aid, the diaspora and tourism
- Exposed to climate change, volcanic and earthquake events, and cyclones

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.7	5.1	5.2	5.0
Inflation (yearly average, %)	0.8	1.3	1.3	1.5
Budget balance* (% GDP)	-3.0	-2.8	-2.2	-1.7
Current account balance** (% GDP)	-6.6	-4.5	-4.4	-4.2
Public debt (% GDP)	127.2	124.5	123.5	118.9

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

RISK ASSESSMENT

Strong growth

The Cape Verdean economy will continue to expand at a rapid pace in 2020, supported by a strong performance from tourism (around 25% of GDP). The sector is the main economic driver and is booming, as illustrated by the steady rise in tourist numbers and growing private investment, the latter fostered by an accommodative monetary policy. The construction of a cruise terminal on the island of São Vicente, which is set to start in 2020, is a good example. Overall, the construction sector will remain buoyant, thanks to new hotel projects and the authorities' desire to develop tourism outside the two most visited islands: Sal and Boa Vista. In addition, connections within the archipelago are going to improve following the government's decision in 2019 to grant a concession to operate inter-island maritime transport to private firms. However, public investment will decline because of fiscal consolidation. Agriculture should continue to recover after a long period of drought. As the main source of exported goods, fishing will also contribute to growth. The strength of activity in recent years has brought down unemployment (11.5% in 2020), in turn boosting private consumption. Inflation will remain moderate, owing to the relatively low oil price and slow inflation in the Eurozone, which provides the majority of imports.

Continued fiscal consolidation

Controlling debt, and particularly its external portion (75%), remains the government's priority and justifies continuation of the restrictive fiscal policy. With this in mind, the government took steps to reform the three state-owned enterprises making the largest losses. In addition to overhauling the social housing programme of IFH (real estate) at end-2018, it privatised TACV (airline) in March 2019 and will follow suit with Electra (water and electricity) in 2020. Revenues will go up thanks to more efficient tax collection, particularly of VAT and income tax. Meanwhile, expenditure growth will be curbed as the wage bill is kept under control. This budgetary consolidation should enable the government to achieve a primary surplus (excluding interest on the debt, which stood at 2.8% of GDP in 2019) of 1.0%, strengthening the country's downward public debt trajectory. Although the risk of default is real, it is limited, since the lion's share of the debt is composed of concessional long-term loans, which are mostly denominated in euros.

Regarding the external accounts, the current account deficit is expected to narrow slightly in 2020. It reflects the huge trade deficit (36% of GDP) arising from the archipelago's dependence on food and manufactured products. This trade deficit could widen due to a rise in imports of consumer goods as well as capital goods needed for construction projects. However, growth in tourism revenues and expatriate remittances (10% of GDP) should offset this deterioration. Rising FDI (6% of GDP in 2019) and concessional multilateral loans will 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. With comfortable foreign exchange reserves (five months of imports in 2019), they will be able to maintain the fixed rate between the euro and the Cape Verdean escudo.

An established democracy

Cabo Verde is one of the top-ranked countries in sub-Saharan Africa according to World Bank governance indicators, particularly in the fight against corruption. The country has one of the best business climates in the region, but still suffers from inadequate infrastructure, particularly electrical, and a lack of insolvency regulations. As a result, it is 137th out of 190 countries in the Doing Business ranking.

The Movimiento para la Democracia (MPD) won an absolute majority in 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 presidential elections on October 2, 2016. The government aims to keep supporting the archipelago's development, while making the necessary savings to reduce public debt, which could affect its popularity. However, the fall in unemployment and increase in incomes driven by robust growth should limit the potential causes of popular opposition. The government will focus on meeting the objectives of the Strategic Plan for Sustainable Development (2017/2021), which include the development of air and maritime transport, economic diversification and improved access to basic public services (health, education, housing, water and electricity).

With regard to its foreign policy, the country remains closely linked to Western Europe, which is a major source of tourists and FDI. Cabo Verde will also continue to foster its ties to 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.

CAMBODIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	16.3
GDP PER CAPITA US Dollars - 2018	1,504
CURRENCY Cambodian riel	KHR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.0	7.5	7,0	6,8
Inflation (yearly average, %)	2.2	1.6	2.7	2.8
Budget balance (% GDP)	-2.7	-1.4	-1.4	-3.1
Current account balance (% GDP)	-8.1	-12.2	-13.5	-13.6
Public debt (% GDP)	30.0	28.6	28.5	28.3

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	27%
UNITED STATES	23%
JAPAN	8%
CHINA	8%
UNITED KINGDOM	7%

Imports of goods as a % of total

CHINA	35%
SINGAPORE	15%
THAILAND	14%
VIETNAM	7%
HONG KONG (SAR)	3%

- Vibrant textile industry
- Dynamic tourism sector with strong potential
- Offshore hydrocarbon reserves (oil and gas)
- Financial support from bilateral and multilateral donors
- Integrated in a regional network (ASEAN)
- Young population (50% of the population under 22)

- 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

Slight slowdown in growth in 2020

Growth is expected to decline slightly in 2020 as exports (55% of GDP) growth shrink on slower global demand. Robust economic growth should continue to benefit from strong domestic demand supported by public spending, investment growth and tourism. Public investment will focus mainly on education, agriculture and infrastructure. Private investment, which is higher than public investment, will continue to benefit from Chinese projects in the country, particularly through PPPs. However, large inflows of foreign capital may not be sustained, especially in a context of increasing global uncertainty, a slowdown in China and uncertain access to the European market. The EU is the destination for 40% of Cambodia's exports, mainly clothing, footwear and bicycles. Accordingly, the loss of Everything But Arms (EBA) preferences, which currently allow Cambodia to access the EU duty- and quota-free, is likely to lead to slower exports and growth. With private consumption accounting for 75% of GDP, household disposable income will increase, particularly for workers in the textile sector. The construction sector will also contribute to growth, thanks to Chinese investments, the rise of the real estate market and the development of tourism infrastructure. The service sector will continue to expand, thanks in particular to strong growth in the tourism sector (20% of GDP). The casino gambling industry will face tough times due to the ban imposed on online gambling under pressure from the Chinese government.

The banking sector remains fragile

Credit continues to grow rapidly, particularly in real estate and construction. The banking sector remains fragile due to inadequate supervision and risk concentration in the real estate sector. In addition, the economy is highly dollarized, with foreign currencies accounting for almost all deposits, which exposes banks to significant currency risks. The budget deficit is expected to deteriorate due to higher spending with 2.5% of GDP in 2020 in additional spending to support job creation, human capital development and investment in infrastructure. This increase in spending will not be offset by revenue growth linked to the strength of the economy and gradual improvements in tax collection. Nevertheless the public debt burden will decrease. Almost entirely held abroad (half of it is owed to China) and denominated in foreign currencies, the public debt will remain sustainable in 2020. The current account deficit should increase slightly in connection with a difficult global context. The growth in tourism will contribute to maintaining a surplus in services (4.6% of GDP). High levels of international aid and remittances (7% of GDP) will offset the repatriation of dividends by foreign companies (5.6% of GDP). Regular FDI inflows (12.6% of GDP), particularly from China and Japan, will make it possible to finance the current account deficit and thus support the currency, which is in a flexible exchange rate regime. Foreign exchange reserves are sufficient, covering about six months of imports, or almost the entire amount of external debt.

Change of diplomatic direction

Relations with traditional Western partners, including the EU and the United States, have deteriorated since national elections in 2018, which featured irregularities and drew international criticism for the repression of political opposition and local media. In February, the EU launched an 18-month review of Cambodia's preferential access to the European market under its Everything But Arms (EBA) programme. This poses a significant risk to the Cambodian economy, which shipped 40% of its exports to European markets in 2018. More than 90% of these goods were granted tax-free access under the EBA programme.

The United States has also threatened to impose sanctions on Cambodian government officials and to withdraw the preferential trade agreements granted to Cambodia. In response, Cambodia has redoubled efforts to strengthen its ties to China, which has become its main trading partner and ally in international affairs. Cambodia has also launched a broader campaign to diversify its diplomatic network by reaching out to various small and medium-sized powers, many of which face the same Western pressures for democracy and human rights.

Corruption and arrests of opponents will remain a concern, despite Prime Minister Hun Sen's announcements of reforms to fight corruption and build strong institutions and a resilient and inclusive society.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	24.9
GDP PER CAPITA US Dollars - 2018	1,556
CURRENCY CFA franc (CEMAC)	XAF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.5	4.1	4.2	4.1
Inflation (yearly average, %)	0.6	1.1	2.1	2.2
Budget balance (% GDP)	-4.5	-3.3	-3.1	-2.3
Current account balance (% GDP)	-2.7	-3.7	-3.7	-3.5
Public debt* (% GDP)	37.6	39.3	39.5	39.1

(e): Estimate. (f): Forecast. * 2019 data: FY18-19.

ÉCHANGES COMMERCIAUX

Exportations de biens % du total

EURO AREA	47%
CHINA	19%
INDIA	8%
BANGLADESH	4%
UNITED STATES	3%

Importations de biens % du total

EURO AREA	28%
CHINA	19%
NIGERIA	5%
UNITED STATES	4%
THAILAND	3%

+

- Agricultural, oil, gas and mineral resources
- Diversified economy, compared with those of other oil-exporting countries
- Ongoing efforts to modernise infrastructure
- Member of the Central Africa Economic and Monetary Community (CEMAC) and the Economic Community of Central African States (ECCAS)

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- External and public accounts dependent on hydrocarbons
- Non-inclusive growth; business environment remains difficult
- Heightened political risk: insecurity in the far north of the country and increasing tensions in the northwest and southwest regions between the English-speaking minority and the mainly French-speaking regime

RISK ASSESSMENT

Gas and construction to support activity

Growth is expected to remain strong in 2020. It will be fuelled by non-oil sectors, as oil production is set to continue declining as a result of low investment in new projects since 2014 and the depletion of resources. The decline in oil production will, however, be offset by the ramp-up in liquefied natural gas (LNG) production at the Hili Epsiseyo offshore unit off Kribi. The secondary sector should benefit from the strong growth in construction, thanks to investments in a host of infrastructure projects, such as the extension of the deepwater port of Kribi and construction of the Nachtigal hydroelectric power plant (a PPP with EDF and the IFC). Transport infrastructure, particularly road transport infrastructure, will also benefit from investments made with a view to organising the African Cup of Nations (CAN) football tournament in 2021. The country's electricity capacity is expected to continue to increase, notably with the commissioning of the Lom-Pangar hydroelectric dam in June 2019, boosting not only the energy sector but also manufacturing, wood processing and agro-industry activities. The latter will support agricultural production, which will also benefit from efforts to improve the sector's productivity (introduction of higher-yielding varieties, in particular). However, coffee and cocoa production, mainly in the English-speaking regions, is expected to continue to suffer from the ongoing political crisis. Industrial activity, which is almost at a standstill in these regions, will likely feel the effects as well. Service sectors, particularly finance and banking, are expected to expand vigorously in 2020.

Persistent fiscal challenges

The consolidation of public accounts is expected to continue under the three-year Extended Credit Facility (ECF) of 2% of GDP granted by the IMF in mid-2017. While oil revenues will continue to decline, non-oil revenues will increase thanks to increased LNG revenues and reforms to remove tax shelters, notably through the reduction of VAT exemptions (1.7% of GDP). Security spending, particularly related to the ongoing conflict in the English-speaking regions, will nevertheless continue to put pressure on the budget. The use of non-concessional external debt to finance some projects has worsened the debt risk profile.

The current account balance will improve only marginally in 2020. The trade balance will remain in deficit, despite dynamic LNG and timber exports, due to massive imports of capital goods and services needed to carry out projects. Agricultural exports will be affected by the downturn in production in the English-speaking regions. In addition, the closure of the country's only refinery (SONARA), following a fire in June, forced the country to increase its fuel imports until the restoration of operational capacity. FDI flows (2% of GDP), despite increasing to finance infrastructure projects, particularly under public-private partnerships, will not be enough to finance the current account deficit, and the country will have to resort to debt. Besides IMF support through the ECF, borrowing will be mainly from multilateral donors.

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

In power since 1982, Paul Biya was re-elected at 86 for a seventh consecutive term in the presidential elections of October 2018, taking more than 71% of the vote. Despite accusations of fraud and contestation of the result, the man nicknamed the "Sphinx of Etoudi" for his discreet public profile retains his grip on power. Even so, the 14-point drop in the voter turnout rate (54%) compared with 2011 reflects the country's growing fragmentation, with 90% abstention in English-speaking regions (southwest, northwest). The low turnout stems from the deterioration in the political and security situation in these regions since the end of 2016. Clashes between the army and separatists intensified in 2018 and forced more than 530,000 people into exile. Human rights violations perpetrated by the army are being increasingly denounced by the international community and prompted Cameroon's withdrawal from the AGOA regime by the United States in November 2019, sending a strong political message. Stability is also being undermined in the far north by the activities of Boko Haram, an Islamist terrorist group. The next parliamentary elections, initially scheduled for November 2019, have been postponed to 2020 due to the tense climate in the country. The ruling party, the Rassemblement démocratique du peuple camerounais (RDPC), is expected to retain its majority but could lose ground in the face of general discontent, which the "great national dialogue" organised by the President at the end of September 2019 has failed to soothe. Maurice Kamto, the government's main opponent, who had been imprisoned after taking part in a protest against the outcome of the presidential election, was released in the hope of restoring calm.

The business climate suffers from a complex institutional and regulatory environment, as evidenced by the country's 167th place (out of 190 countries) in the 2020 Doing Business ranking, and from the prevalence of corruption.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	37.0
GDP PER CAPITA US Dollars - 2018	46,290
CURRENCY Canadian dollar	CAD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.0	1.9	1.5	1.3
Inflation (yearly average, %)	1.6	2.3	2.0	1.7
Budget balance (% GDP)	-0.3	-0.4	-1.2	-1.4
Current account balance* (% GDP)	-2.8	-2.6	-2.0	-2.2
Public debt (% GDP)	90.1	89.9	87.5	86.2

(e): Estimate. (f): Forecast. * Fiscal year from April to March.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	75%
CHINA	5%
EURO AREA	4%
UNITED KINGDOM	3%
JAPAN	2%

Imports of goods as a % of total

UNITED STATES	51%
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-capitalized and well-supervised banking sector
- Fiscal rigour
- Immediate proximity to the large US market
- All-round development of trade relations (CETA with the EU)
- Excellent business environment

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- Dependent on the US economy (1/2 of FDI stock, integration of the two countries' automotive industries) and energy prices
- Loss of competitiveness in manufacturing companies due to low labour productivity
- Insufficient R&D expenditure
- Decrease in the share of the working population, only just slowed down by high 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 United States, and by the US's own resources

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Headwinds to slow growth further

Growth is expected to continue to slacken in 2020 against a backdrop of trade tensions and a sharp slowdown in the United States. Activity will therefore remain largely driven by household consumption, thanks to a historically low unemployment rate (5.5% in October 2019), the substantial increase in real wages, which is being supported by recruitment difficulties, and the increase in the basic personal income-tax exemption threshold. The central bank may lower its key interest rate in 2020, after being forced to suspend monetary tightening and hold its rate at 1.75% in 2019 owing to international conditions. Residential construction is expected to recover – particularly in the provinces of Quebec and Ontario, where the unemployment rate is lower than the national average – after being held back in recent years by prudential rules aimed at curbing the risks associated with real estate loans. In contrast, business investment will continue to be severely affected by uncertainty linked to the international environment, despite a persistently high production capacity utilization rate (83% in industry in mid-2019). The energy sector will continue to be hampered by slightly lower oil prices and a lack of transportation capacity, as multiple infrastructure projects, including the USD 5.8 billion Trans Mountain pipeline expansion, are not expected to bear fruit until 2021. Conversely, since the government is pursuing an accommodative fiscal policy, public consumption will contribute positively to growth. Externally, exports will sharply slow, hurt by the economic situation in the United States (75% of total exports). The USMCA deal (renegotiated NAFTA) signed in September 2018 is expected to be ratified in 2020. Ratification would be a positive but not a decisive factor, as conditions are expected to remain unchanged in most sectors, with the exception of dairy products, where Canada has opened up 3.5% of its market to the United States. Although US customs duties on imports of steel and aluminium were dropped in May 2019, metallurgy will suffer from a slowdown in its main markets, particularly the automotive sector. At the same time, with imports rebounding in line with strong domestic demand, foreign trade will make a much smaller contribution to growth.

Expansionary 2020 budget following the elections

Following the elections, the government is set to implement an expansionary fiscal policy in 2020, with the first measure being the income tax cut (CAD 3 billion or 0.1% of GDP). In addition, increases in spending are expected in health, social and environmental issues – areas dear to the New Democratic Party (NDP), whose support could be important - as well as in public transport (0.1% of GDP, according to the prime minister's programme). Apart from the 3% tax on digital companies (estimated revenues of CAD 500 million), no major additional measures have been announced on the revenue side. The public deficit is therefore expected to widen, while remaining small, and public debt (two-thirds of which is provincial or local) will slowly decline. However, after deducting the assets held by the Canada and Quebec Pension Plans, net public debt is only 27% of GDP. Most of the provincial debt is contracted by Ontario and Quebec, both of which have debt equivalent to 40% of GDP.

The current account deficit is expected to increase slightly in 2020, driven by the trade balance, which is set to deteriorate because of cooler exports. The balances of goods and services show a consistent deficit (about 1% of GDP each). With the income balance also in deficit (0.5%), mainly due to the repatriation of dividends from foreign portfolio investments, the country has a persistent current account deficit. This is financed by significant foreign investments, particularly portfolio investments. The substantial external debt (119% of GDP in mid-2019) is largely contracted by the private sector (40% of the total by banks, 33% by companies).

Prime Minister Trudeau's minority government

Justin Trudeau managed to keep his post as Prime Minister in the October 2019 parliamentary elections, but will now be forced to govern as a minority, as his centre-left Liberal Party won only 157 of the 338 seats (-27 seats compared with the 2015 elections). Although on the rise, the right-wing Conservative Party was unable to regain power and will remain the main opposition party with 121 seats (+22). The big winner in the election was the separatist Bloc Québécois (BQ), which became the third largest political force in Parliament with 32 seats (+22), taking 32.5% of votes in Quebec. Despite a significant decline in results (24 seats, -20), the left-wing NDP should also play a leading role. Justin Trudeau has decided to govern as a minority, refusing to form a formal coalition but building different alliances on an issue-by-issue basis. The NDP and the BQ supported the government during the first test of confidence in December (votes on supplementary spending estimates). While minority governments are inherently less stable (none of the 13 previous minority governments has seen out its entire term), holding new elections soon would not seem to be in the interest of any of the main parties, since all but the BQ recorded disappointing results in 2019.

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

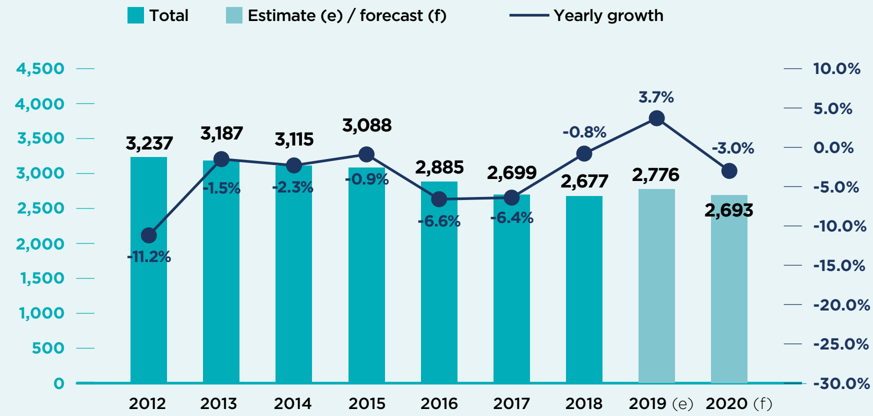
In most cases, except when the judge decides otherwise, each party is required to bear the full cost of the fees of his own attorney whatever the outcome of the proceedings. As for court costs, the rule stipulates that the winning party may demand payment by the losing party based on a statement of expenses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



Source: Statistics Canada (CANSIM), Coface.

CENTRAL AFRICAN REPUBLIC

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2018**	**5.1**
GDP PER CAPITA US Dollars - **2018**	**449**
CURRENCY CFA franc (CEMAC)	**XAF**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.3	3.8	4.4	4.8
Inflation (yearly average, %)	4.5	1.6	3.5	3.0
Budget balance* (% GDP)	-1.1	0.4	2.1	0.6
Current account balance** (% GDP)	-7.8	-7.9	-4.6	-5.4
Public debt (% GDP)	49.4	48.8	45.4	42.6

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	52%
BANGLADESH	23%
BENIN	9%
CHINA	7%
CHAD	4%

Imports of goods as a % of total

EURO AREA	40%
CAMEROON	10%
CHINA	8%
UNITED STATES	6%
UNITED KINGDOM	6%

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

- Extreme poverty (two thirds 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 (a large part of the territory is controlled by armed rebel groups)

RISK ASSESSMENT

Growth hampered by the security situation

Growth should accelerate slightly in 2020, driven by forestry, agriculture and mining sectors. It will also be backed by international aid mobilised for infrastructure projects, notably in the energy and communications sectors. However, the country remains one of the poorest and is still exposed to a high level of violence. Growth will suffer from this very fragile context with an agricultural sector accounting for more than a third of GDP in 2018 and suffering from the regular outbreak of conflicts in rural areas. Nevertheless, wood production will maintain its good momentum, generating about half of exports, ahead of gold, coffee and cotton. On the other hand, official diamond production will remain limited, penalized by the embargo that still prohibits exports of diamonds produced in areas controlled by rebel groups. Domestic demand will remain low due to the high level of poverty and the large number of people in exile. Inflation will be close to the 3% target set by CEMAC, but it will continue to be highly volatile given its dependence on frequent disruptions in food supply. The CFA franc being indexed to the euro, inflation will also remain impacted by movements in the euro-dollar exchange rate.

Public finances bolstered by international aid

The agreement with the IMF under the Extended Credit Facility was signed in July 2019 with the payment of the sixth instalment of the loan, reflecting efforts to continue fiscal reforms. The government has managed to control its spending and increase the share of domestic revenues, although significant progress is required to expand tax collection throughout the country. By committing itself to continue on this path, the country should be able to obtain a new agreement with the IMF. Nevertheless, the balance of public accounts remains largely dependent on grants - notably from the World Bank and the European Union – which accounted for about 11% of GDP in 2019, or more than half of the budget. The new peace agreement has led to a significant increase in international involvement to finance its implementation. This additional budget support resulted in a higher than expected surplus in 2019, despite increased social and security spending. In 2020, domestic revenue growth will continue, while the share of grants in the budget should decline, leading to a reduction of the budget surplus. The ratio of public debt to GDP should decline further as arrears are paid off. However, the country remains exposed to a high risk of over-indebtedness.

Despite remittances from international partners and expatriates, which together accounted for 12.5% of GDP in 2019, the current account should show a large deficit in 2020, mainly due to the goods balance deficit (14% of GDP in 2019). The contraction of this deficit in 2019 was partly due to a decline in imports – more significant than that of exports – caused by the temporary closure of the main road linking Bangui to Cameroon. The increase in the current account deficit in 2020 (mainly driven by the projected cut in public transfers) should be limited. 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 tense security and political context

President Faustin-Archange Touadéra has been in power since the 2015/2016 elections which took place after a long period of civil war marked by the brief coup by the rebel coalition Seléka and the flight of former President François Bozizé in 2013. The next presidential and parliamentary elections will be held from December 2020 onward and will remain focused on the security issue. Despite a new peace agreement signed in February 2019 between the government and the various rebel groups, which has contributed to a reduction in violence, the security situation is still highly deteriorated. The factions of the ex-Seleka, a majority Muslim armed group, and the anti-Balaka, mostly Christians, continue to fight each other. Many other armed groups are taking advantage of this instability to try to impose themselves locally. The new peace agreement includes the integration of rebel group representatives into the government and allows the national army to regain control of the territory (70 to 80% being rebel-held) by relying on units composed of military from both the regular army and rebel groups. However, the implementation of this agreement will be difficult and highly uncertain. In June 2019, the country had more than 600,000 internally displaced persons – about 13% of the population – and as many refugees in neighbouring countries. The UN peace mission, Minusca, appears to lack sufficient resources and is suffering casualties.

Because 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 184th out of 190 countries.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	12.5
GDP PER CAPITA US Dollars - 2018	885
CURRENCY CFA franc	XAF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-5.6	-2.4	3.0	4.8
Inflation* (yearly average, %)	-0.9	4.0	3.0	3.0
Budget balance (% GDP)	-0.9	1.9	0.0	2.3
Current account balance (% GDP)	-6.6	-3.4	-6.5	-5.9
Public debt (% GDP)	49.7	48.2	43.8	39.0

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	29%
UNITED STATES	27%
EURO AREA	26%
CHINA	5%
BANGLADESH	2%

Imports of goods as a % of total

EURO AREA	24%
CHINA	22%
CAMEROON	10%
UNITED STATES	6%
TURKEY	4%

- New oil fields brought into production
- Development potential of the agricultural sector

- Very high poverty rate (40% of the population in 2019 according to the World Bank)
- Over-reliant on oil (about 25% of GDP and 75% 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 drying-up of Lake Chad, with negative effects on cotton, fishing and the environment

RISK ASSESSMENT

Accelerating growth

Growth is set to accelerate in 2020 thanks to the expected pick-up in oil production, which will stimulate investment and exports, despite weaker oil prices. As a result, oil GDP growth is expected to increase significantly. Meanwhile, the privatisation of CotonTchad (formerly a State-owned cotton company) could increase seed cotton production. This will significantly improve the agricultural sector's contribution to the still low growth of (non-oil) GDP through private consumption (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 third year. Looking to take advantage of the upbeat economic conditions and the extra fiscal leeway gained in 2018 by rescheduling the debt owed to Glencore, the country has decided to maximise its potential by diversifying the economy through the Five-Year Development Plan (2017/2021) and investing in the creation of ten agri-food hubs with private sector involvement to develop agriculture and livestock. The plan also includes industrial free zone programmes to encourage the establishment of commercial and logistical supply activities.

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

For the third year running, the budget balance will show a surplus in 2020, again providing debt relief, despite the very large defence budget (30% of the total budget). Oil revenues are expected to increase, benefiting from new extraction technologies and increased production, with the commissioning of new fields, such as the Daniela field, which is expected to boost production to 45.2 million barrels per year. These revenues, which until now have been 90% used to service the debt owed to Glencore (USD 1.36 billion representing 15% of the country's total debt), may be used to finance investment and reduce debt, notably thanks to the debt rescheduling obtained in early 2018. Reassured by the easing of fiscal pressure, the IMF 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 in April 2018.

The current account deficit is expected to decline slightly. The trade balance is structurally slightly positive thanks to oil, livestock and cotton exports, but will weaken due to several investment projects in the oil sector that should increase imports of capital goods. This surplus is largely offset by the deficit in the balance of services (particularly oil), which is close to 20% of GDP. The improvement in the current account should be supported by the continued high level of transfers (6% of GDP in 2018) by expatriates and the positive effect of the debt rescheduling with Glencore. A strong performance from FDI (4% of GDP) should ensure that financing is provided for this deficit. Foreign exchange reserves, while continuing to increase, will remain at average levels (about 4.2 months of imports).

The banking sector will remain highly vulnerable due to the close link between banks and the State, but also because of weakness in the non-oil sector. At 8.2% of GDP in 2018, credit remains low, while doubtful loans stand at 31.4%.

Parliamentary elections still uncertain

President Idriss Déby Itno, who came to power in December 1990, was re-elected in April 2016. In the run-up to the 2021 presidential elections, political tensions continue to crystallize around the question of the organization of parliamentary elections. Initially scheduled for 2015, these have been postponed several times. Despite a date set for 9 August 2020, the opposition parties continue to denounce the deadlock, believing that it will be difficult to organise the elections during the rainy season.

The social and security situation remains extremely fragile. In August 2019, clashes between farmers and herders killed at least 50 people in the east of the country, raising fears of inter-ethnic conflict. In the Lake Chad basin, the terrorist group Boko Haram remains very active, despite joint military operations with the Cameroonian, Nigerian and Nigerien armies. On the Libyan border in the northeast, the French air force stopped an incursion by a column of armed rebels based in Libya (Union des forces de la résistance). These attacks have caused 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 Central Africa Economic and Monetary Community (CEMAC) from 2017 to 2022.

Despite the establishment of a Presidential Council for the Business Climate led by the President himself, the social and security situation, shortcomings in electricity, the internet and telecommunications, and the use of private contracts in the award of public contracts, among other factors, are having a significant impact on the business environment, with the country ranking 181st out of 190 in the Doing Business 2018 index.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	18.8
GDP PER CAPITA US Dollars - 2018	15,902
CURRENCY Chilean peso	CLP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.3	4.0	1.0	1.0
Inflation (yearly average, %)	2.2	2.3	3.3	3.0
Budget balance (% GDP)	-2.7	-1.6	-2.5	-4.4
Current account balance (% GDP)	-2.1	-3.1	-2.9	-0.4
Public debt (% GDP)	23.5	25.6	28.5	33.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	34%
UNITED STATES	14%
EURO AREA	10%
JAPAN	9%
SOUTH KOREA	6%

Imports of goods as a % of total

CHINA	23%
UNITED STATES	19%
EURO AREA	12%
BRAZIL	9%
ARGENTINA	5%

+

- Mining (leading copper producer), agricultural, fishery and forestry resources
- Numerous free-trade agreements
- Flexible monetary, fiscal and exchange rate policies
- Member of the OECD and the Pacific Alliance

-

- Small and open economy vulnerable to external shocks given the dependence on copper and on Chinese demand
- Exposure to climatic and earthquake risks
- Inadequate research and innovation
- Income and wealth disparity, poor education and health systems

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Activity to remain lacklustre

GDP growth slowed down in 2019, majorly impacted by the deterioration of the global risk scenario (US-China trade war escalation and decelerating activity in China), the temporary disruptions to the mining sector and, especially, the social upheaval triggered in October 2019. The latter caused deep side effects on sectors such as retail and transport. In 2020, activity is likely to remain lacklustre. On the one hand, supportive fiscal and monetary policies (real policy rate in negative field at end-2019) will contribute positively to the economy. Budget-wise, following the Q4 2019 protests, the government announced a USD 5.5 billion (roughly 2% of GDP) fiscal stimulus package out of which USD 3 billion will be allocated to stimulate activity and employment by increasing investment expenditure, and the remainder will be dedicated to reconstruction efforts of public infrastructure. But, on the other hand, confidence indexes, which have strongly eroded since the protests started, and the deteriorating job market will prevent a stronger economic momentum (thus household consumption and private investments will remain weak). Finally, further escalation of trade tensions would represent another downside risk. Copper prices would be under pressure, affecting the small Chilean open economy for which copper represents roughly 10% of GDP, 25% of fiscal revenues and 50% of exports.

External vulnerability has increased amid lower global activity

The current account deficit was still wide in 2019, mainly explained by the trade balance, which remained hampered by the weak global trade environment that has hit copper demand and prices. This year, the current account deficit should significantly narrow due to weak domestic demand and the relatively more depreciated exchange rate, which will both weigh on imports. Alongside, foreign direct investment should still be enough to cover the external deficit (albeit the former should be somewhat impacted by the deterioration in the political environment triggered by the 2019 social unrest). Moreover, the country´s external debt has significantly increased in the last decade. Currently it stands at around 72% of GDP, over 70% of which is owed by the private sector (22% by banks and financial institutions, 78% by non-financial companies). Nevertheless, Chile´s negative net international investment position is still at moderate level, at roughly -24.3% of GDP as of September 2019, mainly smoothed by the existence of relevant pension funds' investments abroad (about 30.7% of GDP as of September 2019). Finally, the country has a high level of foreign exchange reserves (covering roughly 7 months of imports and representing 14% of GDP). In November 2019, the central bank announced that it could sell up to USD 20 billion in order to smooth depreciation pressures on the Chilean peso (to last through May 2020).

Regarding the fiscal framework, a loosening policy is expected in 2020, as a consequence of the USD 5.5 billion fiscal package announced in December 2019. In fact, the government has formally given up reducing the structural balance to 1% in 2022 (the revised 2020 structural deficit is now at 3% of GDP, up from the previous 1.7% estimate). Moreover, policymakers now see public debt stabilizing at roughly 38% of GDP by 2024, up from the 30% forecasted before.

Social discontent is a key challenge for the government

President Sebastián Piñera of the centre-right Chile Vamos coalition has experienced an acute drop in popularity, driven by the economic slowdown, higher living costs and the perception that the government has been inefficient in solving social demands. Despite the Chilean economy having relatively sound economic fundamentals, there is a deep discontent over still high inequality, low pension levels and precarious access to health and education. Indeed, in October 2019, these factors contributed to trigger the most intense social unrest since the return to democracy. What began as a student protest against rising transportation charges quickly turned into confrontation with public forces, damage of public infrastructure, and ultimately of the economy. Furthermore, the government also showed little skill and empathy in the management of the conflict.

Dealing with the population's longings will remain a key challenge for the government. In response to the protestors' demand, a referendum will be held on April 26 2020 on whether the country should draft a new constitution to replace the one imposed in the 1980s by the Pinochet dictatorship. In this occasion, Chileans will be asked if they want a new constitution, and if they want it to be drafted by a constitutional Convention (made up of citizens elected for this purpose), or a mixed constitutional convention (made up in halves by currently-sitting members of Parliament and directly-elected citizens). If the population votes for a new constitution, a second vote on 25 October 2020 would elect the members of the constitutional convention, and a third vote would accept or reject the new constitution after it is drafted, which is expected to occur in March 2022 at the latest.

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.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	**1,395.4**
GDP PER CAPITA US Dollars - 2018	**9,580**
CURRENCY Yuan Renminbi	**CNY**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.9	6.6	6.1	5.8
Inflation (yearly average, %)	1.6	2.3	2.5	3.0
Budget balance (% GDP)	-3.0	-3.7	-4.0	-4.0
Current account balance (% GDP)	1.3	0.4	0.0	-0.2
Public debt (% GDP)	47.0	50.0	54.0	55.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	19%
HONG KONG (SAR)	12%
EURO AREA	12%
JAPAN	6%
SOUTH KOREA	4%

Imports of goods as a % of total

EURO AREA	10%
SOUTH KOREA	10%
JAPAN	8%
TAIWAN	8%
UNITES STATES	7%

+

- Sovereign risk contained as public debt remains mainly domestic and denominated in local currency
- Reduced risk of (private) 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
- Dependency on imports of key technology components
- Current account surplus expected to narrow and eventually turn into deficit
- Misallocation of capital to SOE sector to erode long-term potential growth
- Government strategy is ambiguous on arbitrating between reform and growth
- Ageing population, resulting in high public expenditure and higher labour costs
- Environmental issues

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

Growth to dip below 6.0%

China's GDP is expected to fall below the watershed level of 6.0% in 2020. This is the result of both structural and cyclical factors. China continues its gradual rebalancing process towards a consumption-oriented economy, with a focus on quality over quantity of growth. Corporate indebtedness and demographics pose threats to the long-term outlook of the economy, requiring structural reforms that take time. Cyclical factors are adding to the pressures. Trade tensions between the United States and China have somewhat eased with the partial trade deal announced in December 2019, but existing tariffs will continue to exert downside pressure on Chinese growth with a 0.7% impact on GDP. Exports contracted by -0.8% in the first three quarters of 2019. This led to PMIs falling into contractionary territory for most of 2019, a trend that is set to extend into 2020. The indirect impact *via* sentiment channels is also noteworthy. A sluggish manufacturing sector, which accounts for 40% of GDP, will have negative spill over effects on domestic demand and services through income and employment channels. As a result, household consumption, which accounts for a much larger portion of GDP, about 65%, is set to slow further from 8.0% on average in 2019. An uptick in inflation, on the back of soaring pork prices following an outbreak of the African Swine Fever, may further dampen domestic demand. Private investment has also remained sluggish, slowing to 5.4% year-on-year in the first three quarters of 2019, as business sentiment drags amid lower earnings and profits. Measures to stabilize the housing market will continue to remain in place, removing any upside on prices.

Despite these headwinds, the authorities have been moderate in their approach to stimulus. An additional package of fiscal measures worth 4 trillion yuan was announced in March 2019. Beijing did not expand these despite weaker growth in Q3. In addition, the People's Bank of China (PBOC) has only implemented targeted monetary stimulus measures, including Reserve Requirement Ratio (RRR) cuts and liquidity injections *via* open market operations (OMOs). These serve the purpose of limiting the risk of an interbank liquidity squeeze and supporting Small and Medium Enterprises (SMEs). At a systemic level, outstanding credit growth has remained flat, expanding by 10.6% YOY in the first nine months of 2019, compared to 11.2% in 2018.

Current account deficit amid credit concerns

Imports contracted faster than exports in 2019. However, we envision that the economy will register a very modest current account deficit in 2020, driven by measures to boost consumption and weak external demand. Policymakers are likely to intervene in forex markets to avoid overshooting depreciation expectations. A weaker yuan may help to boost China's terms of trade, but it may also reignite capital outflows; even if capital controls remain firmly in place. A small current account deficit poses no threat in the medium term. However, it could aggravate existing credit risks depending on how it is financed. China continues to receive a large amount of Foreign Direct Investment (FDI), but a rapidly ageing population and a dwindling trade surplus may impair its ability to generate savings that are significant enough to adequately finance the systemic build up in debt in the long run.

Debt levels remain extremely elevated (260% of GDP), with most of it being owed by corporations. A large proportion of these companies are struggling with high levels of debt and overcapacity; and are predominantly state-owned. Moreover, corporate debt is difficult to assess due to the expansion of shadow banking. Moody's estimates that shadow banking assets fell to 67% at the end of March 2019. The figure could be higher when taking into account other types of financial intermediation by banks, including Wealth Management Products (WMPs). Finally, public debt may be higher than reported if you include the surge in local government financing through bond issuance and special purpose vehicles.

Less politics, more pedalling on reforms

Political factors have all posed challenges for the Chinese economy in 2019. Beijing's response has comprised of hardening the official rhetoric, both domestically and in terms of its foreign policy. For example, the Third Plenum of the Communist Party of China (CCP), which usually emphasizes economic reforms, focused on intra-CCP discipline instead. We expect that tensions with the U.S. continue to play a role in the long term, even in case both sides finally reach an agreement to deescalate trade tariffs. Beyond trade, both sides may intensify targeted attacks on individual companies, in line with what we have seen so far with Huawei, ZTE and FedEx.

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 individual 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 supporting 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 practice, 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 acknowledges 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 that 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 bankruptcy. 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.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	49.8
GDP PER CAPITA US Dollars - 2018	6,642
CURRENCY Colombian peso	COP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.4	2.6	3.0	2.8
Inflation (yearly average, %)	4.3	3.2	3.6	3.7
Budget balance (% GDP)	-3.6	-3.1	-2.6	-2.3
Current account balance (% GDP)	-3.3	-3.9	-4.3	-4.1
Public debt (% GDP)	47.6	48.4	53.0	57.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	11%
PANAMA	9%
CHINA	9%
ECUADOR	4%

Imports of goods as a % of total

UNITED STATES	26%
CHINA	21%
EURO AREA	12%
MEXICO	8%
BRAZIL	6%

- 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 and illegal mining, as the 2016 peace agreement is slowly implemented, particularly on the countryside
- Structural unemployment, poverty and inequality; deficient educational and health care systems

RISK ASSESSMENT

Economic momentum should only marginally decelerate

Although economic activity should remain sound in 2020, some domestic demand deceleration is expected. Household consumption is likely to slow down, driven by the job market's weakness signals and an estimated deceleration in credit growth. Moreover, gross fixed investments may be undermined by a tight public budget and expected lower average oil prices. On the other hand, the net external trade contribution should continue to negatively impact GDP, as the decelerating global activity affects Colombia exports through lower demand and weak commodity international prices. A stronger than expected deceleration is the US, the main market for Colombian exports, and a new round of social protests represent a downside risk. Finally, yet importantly, the large twin deficits limit policymakers' ability to implement counter-cyclical measures.

Current account deficit to remain wide

Colombia's large twin deficits (in current and fiscal accounts) make it vulnerable to a global downturn. Current account deficit widened in 2019, due to a larger trade deficit in a context of lower fuel and extractive exports and higher imports, a tendency that should not strongly move in in 2020. Alongside, foreign direct investments are not enough to fully cover the external deficit. Non-resident holdings of local-currency government bonds are another risk factor (roughly 23 bi USD or 7% of GDP). Flows into this asset class were one of the main financing sources of current account deficits in the last few years. Moreover, external debt stands at roughly 42.7% of GDP (54% is owned by the public sector and 46% by the private sector). As such, to improve the country´s external pillars, central bank solidified its international reserves between September 2018 and May 2019. The renewal of the USD 11 billion IMF Flexible Credit Line in May 2019 provides for an additional liquidity cushion (covers around 2.6 months of imports).

The government generally executes a prudent fiscal policy on the back of the fiscal rule introduced in 2011, which aims to curb the central government deficit to a maximum of 1% of GDP by 2022. Nevertheless, the rule was recently suspended due to the necessary expenditures with Venezuelan refugees (generating concerns that it could prompt to a lax in fiscal discipline in subsequent years). IMF estimates the net fiscal costs associated with the migration crisis to peak at 0.4% of GDP by 2020, before gradually retreating over the next five years with the progressive integration of migrants into the economy. Moreover, the 2020 budget starts from very optimistic assumptions (estimates GDP to grow by 4% in 2020), meaning that meeting the 2.2% of GDP deficit target of the central government for 2020 will require some revenue and/or expenditure adjustment. The budget also includes asset sales for this year, but there may be execution risks associated with such sales.

Rising political challenges to be dealt with low political support

President Ivan Duque, from the conservative right wing Democratic Center party (DC), has struggled to pass reforms in the congress due to the minority position of his party in the legislature. Indeed, Mr Duque has a weak approval rating. In late November 2019, demonstrations erupted across country, based on wide-ranging factors. People protested against the government failure to comply with promised higher resources for public education, the weak implementation of the FARC peace agreement, the labour and pension reforms (not yet presented), the tax reform and the killing of social leaders. Besides, the resignation in early November of the Defence Minister, after being accused of hiding the death of eight minors in a military bombing against dissident guerrillas, has also contributed to the unrest. In reaction, Duque announced a "great national dialogue" on social issues, but the self-appointed union-led National Strike Committee has stuck to its demands for one-on-one talks.

In late December 2019, the Congress approved a modified version of the 2018 tax reform, which the Constitutional Court had ruled as failing to meet part of the required procedural steps. The approved bill includes cutting the corporate tax rate by one percentage point each year, from 33 per cent to 30 per cent in 2022, a surcharge on profits from the financial sector, electronic billing implementation and higher taxes on beer and carbonated soft drinks. Nevertheless, three modifications made from the original 2018 bill could jeopardize the fiscal account sustainability in the next few years. These are the creation of three days each year in which no VAT will be charged, a VAT refund for the poorest 20% of the population (encompassing roughly 2.8 million citizens) and reduced healthcare contributions for some pensioners (gradual reduction from 12% to 4% in 2021).

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. Likewise, in Colombia, the implementation of the electronic invoice was regulated, which is a document that supports transactions for the sale of goods and/or services that operate through computer systems that allow compliance with the characteristics and conditions established in relation to the expedition, receipt, rejection and conservation. They always have an equity value with credit, corporate or participation content and tradition or representative of merchandise.

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 developing rapidly in Colombia. SWIFT bank transfers are an increasingly popular method of payment for international transactions. For large-value transactions, payments are made through a national interbank network called SEBRA (Electronic Services of the Bank of the Republic), which uses a real-time settlement system. SEBRA in turn uses two systems: CEDEC (cheque clearing system) and CENIT (national electronic interbank clearing). For small-value payments, cash and cheques predominate.

The most used payment method in Colombia is bank transfer for business transactions and checks in smaller proportion, cash is a method used in Colombia but more associated with small businesses, in our case, we do not receive cash payments.

Currently, Colombian companies are implementing electronic invoicing according to resolution n° 20, March 2019.

The service company already has the electronic billing system, while the insurance company's project is suspended by the regulator, that means that the electronic invoice is considered as a debt recognition title to bear a legal right on a service or a good.

There are other forms of payment such as bills of exchange, promissory notes, payment agreements, bonuses, landing letters or road maps. They are commonly used in national business transactions however it does not apply for our business.

By last, foreign currency billing is permitted among tax residents in Colombia for some type of operations, the reinsurance and insurance operations are part of these, so we can issue a foreign currency policy for the export line of business, having said that, we can also make and receive claims payments in foreign currency.

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 - 2018	95.0
GDP PER CAPITA US Dollars - 2018	496
CURRENCY Congolese franc	CDF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.4	3.9	4.3	3.9
Inflation (yearly average, %)	41.5	29.3	5.5	5.0
Budget balance (% GDP)	-1.4	-0.4	-0.8	0.1
Current account balance (% GDP)	-0.4	-0.4	-3.4	-4.2
Public debt (% GDP)	18.1	15.6	14.5	11.6

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	35%
SOUTH AFRICA	20%
UNITED ARAB EMIRATES	7%
TANZANIA	6%
SINGAPORE	6%

Imports of goods as a % of total

CHINA	19%
SOUTH AFRICA	11%
EURO AREA	8%
UNITED ARAB EMIRATES	5%
INDIA	5%

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- Abundant mineral resources (copper, cobalt, diamond, gold, tin)
- Significant hydroelectric potential
- International involvement and regional cooperation in resolving conflicts in the Great Lakes region
- Achieved first peaceful transition of power in 60 years

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- Weak infrastructure (transport, energy, telecommunications)
- Poor security and humanitarian situation, with numerous armed militias in the east of the country
- Ebola epidemic continues to gain momentum
- Extremely dependent on commodity prices
- Poor governance, questionable electoral process

RISK ASSESSMENT

Economic outlook improves, but remains severely challenging

We expect growth to remain stable in 2020, supported by resilient growth in ore exports (4.2%). The mining industry should continue to attract private investment, which will remain stable 10.5% of GDP despite the changes brought by the 2018 mining code. On top of higher taxes and royalties, the code requires at least 10% of mining companies' capital to be held by native citizens, and heavily restricts the export of unprocessed minerals under new mining permits. These higher mining revenues will be instrumental in spurring public infrastructure investment, which is projected to increase from 2.1 to 2.4% of GDP. The Tshekedi administration intends to increase public spending and pursue much-needed structural reforms to diversify the economy and attract foreign capital. If successful, growth in the non-mining sector could increase significantly. Already, the successful transition of power has meant a small boost to domestic demand, with the ratio of extractive to non-extractive growth dropping from 1.4 in 2019 to 1.2 in 2020. In the monetary sphere, the central bank has been successful in anchoring both the exchange rate and inflation. Projections show inflation stabilizing around 5% in the medium term, leaving behind the double-digit numbers of recent years. However, foreign reserves stand at around three weeks of imports, well below the commonly accepted threshold of three months. With major central banks easing again, this would be the moment for the central bank to reconstitute the war chest. Despite its mineral wealth, the DRC's projected macroeconomic performance appears insufficient to provide employment and well-being to its rapidly-growing population, making for a very unstable business environment.

A fragile external position

The public balance, which is expected to be roughly neutral in 2020, could be affected by early year budget overruns in 2019, particularly those concerning the state's operating expenses. Still largely dominated by a heavy wage bill, public spending is also set to increase in security, health (Ebola containment), and infrastructure. The increase in taxes and royalties in the mining sector (about 30% of total revenues) should nevertheless make it possible to absorb these increases in expenditure. As public debt is still at a low level (17% of GDP) and largely concessional, the risk of over-indebtedness remains limited. Nonetheless, a revenue-to-GDP ratio of only 12% means the authorities will need to improve revenue mobilization. The current account deficit is projected to deteriorate in 2019 and 2020, owing mostly to the drop in cobalt prices. Indeed, the net positive exporting position is far from enough to counterweight the outflows in income and foreign service expenses of the mining industry. FDI finances the deficit, but remains exposed to any deterioration in the security and political situation, or to a drop in commodity prices. In December 2019, the IMF approved an emergency USD 368 million loan to cover a reserve shortfall, a symptom of the country's external fragility.

Political, security and humanitarian situation remains critical following elections

After a volatile campaign season, elections for all levels of government were finally held in late December 2018. Félix Tshisekedi was declared President in a process that delivered the country's first transition of power in more than 60 years and marked the end of Joseph Kabila's 18-year-long regime. However, the integrity of the election has been questioned by influential observers, including the Catholic Church. In addition, Kabila remains an unavoidable political actor since the coalition around his party has retained an absolute majority in the National Assembly and the Senate. His influence is apparent in the cabinet announced by Prime Minister Illunga Illunkamba in late August, where 42 out of 65 ministers hail from Kabila's coalition. With an already critical security and humanitarian situation in several regions, the chaotic electoral process has instigated outbreaks of violence. Given the army's inability to restore order, the numerous armed groups are continuing their exactions in the East (South Kivu, North Kivu and Ituri provinces) along the borders with Burundi, Rwanda, and Uganda. In addition, these regions are affected by the Ebola virus. The epidemic has claimed more than 2000 lives as of September 2019 (from around 800 at the start of the year), and is logistically difficult to contain. Furthermore, the Kamwina Nsapu insurgency in the Kasai region threatens to reemerge close to the Angolan border. A positive development has been the ratification of the 2018 mining code. Despite its costs to the mining industry, the ratified 2018 mining code will bring precious tax revenue that will fund army wages and strengthen political stability. However, 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 - 2018	4.5
GDP PER CAPITA US Dollars - 2018	2,618
CURRENCY CFA franc	XAF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-1.8	1.6	2.4	3.0
Inflation (yearly average, %)	0.5	1.2	1.5	1.8
Budget balance (% GDP)	-7.4	6.3	7.5	7.6
Current account balance (% GDP)	-5.9	6.7	6.8	7.0
Public debt (% GDP)	117.5	87.8	81.7	76.6

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	47%
EURO AREA	8%
CAMEROON	7%
UNITED STATES	6%
ANGOLA	6%

Imports of goods as a % of total

EURO AREA	22%
ANGOLA	8%
CHINA	6%
GABON	4%
EQUATORIAL GUINEA	4%

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

- Highly dependent on oil
- Lack of infrastructure
- Insufficient progress in poverty reduction despite oil wealth
- Unsupportive business environment: poor governance, corruption and embezzlement of public funds
- High level of debt

RISK ASSESSMENT

Oil production drives growth

Congolese growth accelerated significantly in 2019, mainly thanks to a surge in oil production (more than 60% of GDP, making the country the third-largest producer in sub-Saharan Africa), but also to a positive contribution from the non-oil sector. This momentum should continue in 2020. Oil GDP will keep growing, despite continued low oil prices. The increase in production is being driven in particular by the ramp-up of the Nene Marine (operated by Eni) and Moho-nord (Total) offshore fields. In addition, the government recently issued a new call for tenders for exploration licenses on 18 new blocks to attract new investment in the sector. Elsewhere in the economy, some sectors are showing encouraging signs and enhancing diversification prospects. The mining industry is beginning to develop, mainly around iron mining. The Mayoko mine (operated by Sapro), for example, is expected to expand production in 2020, while several other projects are in the pipeline for 2020/2022. In addition, the construction of a railway line between Mayoko and the port of Pointe-Noire, financed by Sapro, is scheduled to start in 2020 with a view to facilitating iron ore exports. Public investment could increase slightly, particularly in transport infrastructure. The conclusion of the agreement with the IMF will boost official development assistance, mainly from the AfDB and AFD, with new projects starting in 2020, such as the road and rail bridge between Brazzaville and Kinshasa, and the new fishing port at Pointe-Noire. Forestry will also contribute to growth. Inflation will remain moderate, staying below the 3% target set by the Bank of Central African States.

Staying on the path of debt reduction

In 2020, fiscal policy will remain cautious, generating a large government surplus, which is expected to remain stable. Revenues will continue to increase, particularly thanks to non-oil revenues, which are benefiting from recent progress in this part of the economy. A privatisation strategy is also being considered, involving various structures, including two commercial banks and an industrial complex. At the same time, spending is set to rise slightly to finance the increase in infrastructure investment and social assistance. For example, the Lisungi programme implemented jointly with the World Bank, which provides cash transfers to low-income households and improves their access to education and healthcare, will be strengthened.

Continued fiscal restraint will also make it possible to stay on a path of debt reduction, even if this trajectory remains highly vulnerable to changes in oil prices and production. However, both the debt rescheduling agreement with China in May 2019 and the approval of a 3-year USD 448.6 million Extended Credit Facility programme by the IMF in July 2019 could provide support for the objective of restoring public finance sustainability. Congo still has to negotiate the restructuring of the significant debt owed to Glencore and Trafigura, two Swiss trading companies. This is one of the elements that postponed the disbursement of the second tranche of the IMF loan, originally scheduled for January 2020. Public debt service, albeit declining, remains very high (around 14% of GDP in 2020) and continues to squeeze Congo's fiscal capacity.

The jump in oil exports, which account for about 85% of exports, has led to a current account surplus, which should be maintained in 2020. However, while oil exports are fuelling the trade surplus (more than 40% of GDP), the surplus is greatly curtailed by imports of services and the repatriation of profits connected with mining activities. In addition, the current account surplus could be jeopardized in the medium term by the gradual decline in Congolese oil production.

No change in sight for the 2021 elections

President Denis Sassou-Nguesso, who is 76 years old and has been in power since 1997, emerged as the clear winner of the 2016 presidential elections after a controversial constitutional reform in 2015. His Congolese Labour Party continues to hold a majority in the National Assembly as the opposition remains fragmented, despite talks aimed at building unity with a view to the 2021 elections. The recent improvement in the economic situation could partially temper popular discontent, which is fuelled by persistent poverty (37% of the population lives on less than USD 1.9 a day) and frequent corruption scandals. In August 2019, fresh revelations involved President Sassou-Nguesso's family, including his son, who was accused of embezzlement of public funds and corruption. Nevertheless, the outgoing President looks likely to run in the elections and to win a 4th consecutive term.

The country's business environment remains very challenging, as evidenced by its 180th place out of 190 countries in the World Bank›s Doing Business ranking. Congo suffers from serious governance deficiencies, particularly in the fight against corruption, the force of law, and the government›s capacity to reform.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	5.0
GDP PER CAPITA US Dollars - 2018	12,039
CURRENCY Costa Rican colon	CRC

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.4	2.6	1.9	2.3
Inflation (yearly average, %)	1.6	2.4	2.7	3.1
Budget balance (% GDP)	-6.3	-6.0	-6.3	-5.8
Current account balance (% GDP)	-2.9	-3.1	-2.4	-2.5
Public debt (% GDP)	48.9	53.7	57.1	59.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	41%
EURO AREA	19%
PANAMA	5%
GUATEMALA	5%
NICARAGUA	4%

Imports of goods as a % of total

UNITED STATES	40%
CHINA	14%
EURO AREA	8%
MEXICO	7%
GUATEMALA	2%

- Democratic institutions (since 1949)
- Best social indicators in the region: education and health
- Services and cutting-edge industries (pharmaceuticals, microprocessors) that are 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
- Strong income inequalities

RISK ASSESSMENT

A dull recovery attributable to domestic and external factors

In 2020, economic activity will remain well below its potential, despite a slight recovery from the sharp deceleration in 2019. The slower growth of the country's main trading partners, as well as the continued crisis in Nicaragua, which is limiting trade with the rest of Central America, will constrain external demand. Cooler growth in the United States, which accounts for more than a third of the country's exports, will weigh on sales of medical equipment, the main export product for the industries in special economic zones. Slacker worldwide activity is also expected to crimp tourism growth, although this will be partly offset by the increase in the number of flights and an aggressive promotional campaign by the Costa Rican Chamber of Tourism. The tourism sector should also continue to attract numerous investments, helped by the central bank's accommodative monetary policy, after five successive rate cuts in 2019 (to 3.25% in December 2019). As the resources of local banks remain partly allocated to financing public debt, private investment will remain constrained, especially since the bond market is still largely dominated by government bonds. Household confidence is expected to rise after tax uncertainty was reduced by the adoption in 2019 of various measures provided for in the December 2018 law. This will pave the way for an increase in private consumption, which also stands to benefit as inflation is kept in the central bank's target window of 2%-4%. Fiscal consolidation efforts will further constrain public consumption, particularly in infrastructure, which will negatively affect the construction sector. The agricultural sector will continue to be highly exposed to climate risk and, for this reason, will be particularly volatile, affecting the production of bananas, sugar and coffee, the country's main agricultural exports. The ongoing tense social climate in connection with the austerity measures put in place by the government poses a risk to this scenario.

Slow consolidation of public finances

The public accounts feature a chronically high deficit. Revenues are insufficient to cover expenditure, with an ever-increasing share going towards servicing the country's exploding public debt (38% earmarked in the 2020 budget). The 2020 budget is the first to include all the new consolidation measures adopted as part of the tax reform introduced in December 2018. In particular, the 3.9% increase in expenditure complies with the 4.6% limit set according to the debt-to-GDP ratio. The new budget is the first to be based on the value added tax introduced in July 2019, which will finance 16.9% of the total budget. With a budget plan that is 48% debt-financed, the country will again face severe financing constraints. As the domestic market is completely saturated, the government must issue bonds on the international market, but this requires the approval of Parliament, where the President has minority support. An initial request for USD 5 billion was rejected in the autumn by MPs, who only agreed to a USD 1.5 billion Eurobond issue. Accordingly, debt sustainability remains fragile.

In terms of the external accounts, the situation remains more favourable. The balance of services is in surplus thanks to tourism revenues (surplus of 9% of GDP in 2017) but insufficient to offset the deficit in goods. The latter is expected to increase following the recovery in domestic demand, which will push imports up. Agricultural exports (pineapples in particular) will be less buoyant, affected by climatic events and increased production in other countries, while international sales by companies established in the special export zones will be weaker, particularly in medical devices. External financing will continue to be covered through foreign direct investment. Foreign exchange reserves remain comfortable enough to cushion potential external shocks (6.5 months of imports in July 2019).

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 Parliament is (seven parties share the 57 seats, with the PAC holding just ten), he will continue to have to compromise to carry out any legislative projects. The municipal elections in February 2020 will be the first electoral test for the President since his election, after two years of intense social conflict. 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, priority will continue to be given to joining the OECD and to strengthening cooperation with China by opening new trade routes such as the Moin-Shanghai maritime link.

CÔTE D'IVOIRE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	25.6
GDP PER CAPITA US Dollars - 2018	1,681
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.7	7.4	7.3	6.9
Inflation (yearly average, %)	0.6	0.4	-0.8	0.5
Budget balance (% GDP)	-4.5	-4.0	-3.1	-3.2
Current account balance (% GDP)	-2.8	-4.7	-4.2	-4.2
Public debt (% GDP)	49.8	53.2	52.8	52.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	33%
UNITED STATES	9%
VIETNAM	7%
BURKINA FASO	5%
MALI	5%

Imports of goods as a % of total

EURO AREA	26%
CHINA	15%
NIGERIA	12%
INDIA	5%
UNITED STATES	3%

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- Diverse resources: hydrocarbons, ore (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

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

RISK ASSESSMENT

Growth prospects exposed to political risk

Growth is expected to remain strong in 2020, supported mainly by investment. The rise in private investment should continue to fuel construction, agro-industry and services (trade, transport and ICT in particular). Private investment will benefit from the impetus provided by public investment under the 2016-2020 National Development Plan, with initiatives including, for example, the Abidjan urban transport project and infrastructure related to the organisation of the 2023 Africa Cup of Nations football tournament. However, political uncertainty associated with the high-stakes presidential election in October 2020 may encourage some investors to exercise caution, curbing the contribution from this growth driver. While consumption may be supported, on the one hand, by an increase in social spending, its contribution might be constrained, on the other hand, by the electoral process, if households and businesses grow nervous. Brisk domestic demand is expected to support an increase in imports that will depress the contribution from foreign trade, despite a likely increase in agricultural (cocoa, cotton), mining (gold) and oil (refined products) exports. The cocoa sector, which is still struggling with cocoa swollen-shoot virus, should see a slight increase in production in 2020 but could face further difficulties if international prices fall.

Election-related spending poses the main budgetary risk

In 2020, the budget deficit is expected to remain close to the WAEMU convergence criterion (3% of GDP). Strong economic activity and collection efforts are expected to support an increase in tax revenues, which represent less than 17% of GDP. Investment expenditure, mainly in infrastructure projects, should continue to absorb the bulk of budgetary resources. Spending will include implementation of the government's 2019/2020 social programme with, in particular, the gradual rollout of universal health coverage. Current expenditure is set to increase with the costs of organising the election, while efforts to control the public wage bill should be kept up. The cost of debt service is also expected to increase. The deficit is expected to be financed by domestic and external borrowing. Fiscal policy should get support from IMF programmes, which are expected to be extended into 2020. Debt, which is at its highest level since the country benefited from restructuring under the HIPC initiative, is expected to stabilise. The risk of debt distress remains exposed to external shocks, such as a fall in cocoa prices, or domestic shocks, including the threat of fiscal slippage during the election period.

The current account deficit is expected to stabilise after being hit in 2017 by the combined impact of a deterioration in the terms of trade (with the fall in cocoa prices) and higher imports. The trade surplus should be virtually unchanged, with increased imports of capital goods offsetting higher exports. Deficits in the balance of services (freight and services related to project implementation), income (profit repatriation by foreign companies and debt interest payments) and transfers (remittances by foreign workers) will push the current account into the red. Financial flows, mainly FDI, project loans and portfolio investments, will finance the current account deficit and may contribute to the accumulation of WAEMU's common foreign exchange reserves.

The shadow of the 2010-2011 crisis hangs over the 2020 election

Alassane Ouattara has been President since 2011, following the post-election violence of 2010-2011, when approximately 3,000 people died. His smooth re-election in 2015 showed that the political climate had normalised somewhat. However, the presidential election scheduled for October 31, 2020 could prove more tumultuous. The President's ambiguous stance over whether he intends to run for a third term is a source of tension. In principle a third term is prohibited under the 2016 constitution. However the constitution does not indicate whether the two-term limit applies retroactively. In addition, there was controversy over the appointment of a new electoral commission in the summer of 2019. Tensions are also being heightened by the prospect of renewed hostility between the three political forces that have been vying for power for three decades. The 2018 split in the alliance between President Ouattara's Houphouetist Rally for Democracy and Peace and the Democratic Party of Côte d'Ivoire led by former President Henri Konan Bédié (1993-1999), and the acquittal of former President Laurent Gbagbo (2000-2010) in early 2019 of charges of crimes against humanity, have brought all those involved in the 2010-2011 crisis back into the political spotlight. Although it is doubtful that Laurent Gbagbo will run for President after the International Criminal Court prosecutor appealed his acquittal in September 2019, he will probably exercise influence in the election through the Ivorian Popular Front. The issue of an international warrant in December 2019 for Guillaume Soro, a prominent figure in Ivorian political life for more than 20 years and a declared candidate, could fuel nervousness. In this context, the constitutional reform envisaged by President Ouattara in the first quarter of 2020 could prove divisive. By rekindling tension, this election threatens to test the fragile progress towards national reconciliation made in the past decade.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	4.1
GDP PER CAPITA US Dollars - 2018	14,870
CURRENCY Croatian kuna	HRK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.0	2.6	2.9	2.6
Inflation (yearly average, %)	1.3	1.6	1.0	1.4
Budget balance (% GDP)	0.8	0.2	-0.3	-0.1
Current account balance (% GDP)	4.1	2.9	1.5	0.5
Public debt (% GDP)	77.8	74.5	71.0	68.0

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

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	14%
GERMANY	13%
SLOVENIA	11%
BOSNIA & HERZEGOVINA	9%
AUSTRIA	6%

Imports of goods as a % of total

GERMANY	15%
ITALY	13%
SLOVENIA	11%
HUNGARY	8%
AUSTRIA	7%

+

- 35% of electricity from renewable sources, 40% imported
- Tourism appeal and long coastline
- Oil and gas potential
- Kuna pegged to the euro (76% of bank deposits in euro or indexed to the euro), with a view to ERM II participation in 2020
- EUR 12.6 billion of European structural funds over the 2014-2020 period, or 22% of GDP 2018
- High-quality infrastructure

-

- Private and public debt still high: public debt service accounts for 14% of GDP
- Institutional gaps: inefficient administration, health and justice, overlapping administrative levels, corruption
- Time-consuming and inefficient insolvency treatment
- Low industrial diversification / lack of competitiveness
- High youth unemployment (23% in January 2019), low participation of women
- Emigration taking away skilled labour, population decline

RISK ASSESSMENT

Activity supported by domestic demand

Despite a slight slowdown, the economy is expected to enjoy satisfactory growth in 2020, driven by domestic demand. With a labour shortage emerging in some sectors and continued growth in employment, household consumption (58% of GDP) is benefiting from wage growth. In addition, the standard VAT rate has been reduced from 25% to 24%, the VAT rate on catering has been cut to 13%, income tax for those under 30 has been reduced or eliminated, and public sector pensions and salaries have been increased. Inflation is expected to remain low. When combined with the stability of the kuna, this should encourage the central bank to maintain its accommodative policy. This, alongside the fall in impaired loans (9.4% in October 2019) and the resolution of the Agrokor bankruptcy, will contribute to the continued recovery of credit. Public consumption should also remain lively. Conversely, investment (21% of GDP) could weaken. However, the implementation of European structural funds is increasing (76% of the 2014-2020 budget used by October 2019), benefiting both the private and public sectors. 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, is continuing with a view to delivery in 2022. Finally, the contribution of trade to growth could turn negative again due to the poor economic performance of the main export markets (oil products, wood, machinery and electrical equipment) and increased competition from other Mediterranean tourist destinations. Medication sales should not be affected. Meanwhile, imports will be boosted by domestic demand.

Debt relief and the essential role of tourism

The public accounts are expected to remain close to balance in 2020 and will be in surplus if interests on the debt are excluded. There is a small risk of slippage due to the holding of parliamentary elections in December 2020. The risk is linked to pressure on wages, particularly for police officers, teachers and carers, as well as to possible support for (highly indebted) railways and hospitals. Use of the state guarantees provided to the Uljanik shipyards (4,500 jobs, 25% state-owned), which are bankrupt and looking for a partner, should not upset the situation, as the largest of these guarantees have already been activated. In addition, the country, which holds the European Presidency in the first half of 2020, will be thinking about entry into the ERM II exchange rate mechanism, the banking union and the Schengen area. Under these conditions, the primary surplus (i.e. excluding interest), sustained growth and low interest rates (spread of 0.8% to 1.2% over the Bund in October 2019) will be sufficient to provide an additional reduction in debt, 65% of which is euro-denominated and of which the domestic share (63%) is held largely by the subsidiary banks of European groups. However, the improvement is heavily based on the beneficial effect of growth on revenues, in particular consumption via VAT and employment via social contributions. The role played by economic conditions in the performance puts the good result in perspective, a fact that is corroborated by the persistence of the structural deficit (0.8% in 2019), which excludes this aspect.

The current account surplus will continue to decline in 2020 in line with the widening goods trade deficit (19% of GDP in 2019). Brisk export and tourism performances are being surpassed by the strength of imports due to the difficulty for local industry to meet domestic demand and the high import content of exports. The services surplus linked to tourism revenues (20%) is no longer expected to be able to compensate for this. In addition, the sum of expatriate remittances and European funds (4% of GDP) approximately equals net outflows of dividends and interest. Foreign direct investment (3% of GDP) meets the development needs of tourism and energy resources, while replenishing foreign exchange reserves (8 months of imports). The latter, together with the kuna's peg to the euro, which will be strengthened by ERM II membership, reduce the exchange rate risk associated with external debt. Mostly denominated in euros, external debt (70% of GDP at the end of 2019 compared with 75% a year earlier) represents a risk for non-financial companies (53% of the outstanding amount, including 1/4 for intra-group loans), the State (38%), as well as for banks (9%).

Fragile government and strained relations with neighbours

Following the break-up of the coalition formed with the reformist and centrist MOST ("Bridge") Party, Andrej Plenkovic, prime minister and leader of the centre-right Democratic Union (HDZ) managed to form a new coalition with the liberals from the People's Party (HNS) and the support of independent elected representatives in June 2017. With 82 seats (including 55 for the HDZ) out of 151, it has been weakened by the disagreement between the prime minister and the HDZ's nationalist wing, and by the HNS's desire to leave (4 seats). The victory of the social democrat Zoran Milanovic in the presidential election of January 2020 against the outgoing candidate from the ruling party is an important signal in the run-up to the legislative elections scheduled for December 2020.

At the international level, relations are strained with Serbia and also with Bosnia over its Croatian component and the Peljesac bridge. We also note the refusal to accept the ruling of the Permanent Court of Arbitration granting Slovenia access to the sea through the Bay of Piran, which the latter could use to refuse access to the Schengen area.

CUBA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	11.4
GDP PER CAPITA US Dollars - 2018	-
CURRENCY Cuban peso	CUP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.6	1.2	-0.5	0.0
Inflation (yearly average, %)	0.6	2.4	4.5	2.0
Budget balance (% GDP)	-8.6	-8.3	-6.5	-8.0
Current account balance (% GDP)	0.6	0.7	0.6	0.1
Public debt (% GDP)	48.2	51.2	52.1	53.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	28%
VENEZUELA	23%
RUSSIA	11%
BOLIVIA	4%
HONK KONG	4%

Imports of goods as a % of total

EURO AREA	33%
CHINA	17%
MEXICO	7%
RUSSIA	6%
BRASIL	5%

+

- Tourism and mining sectors (nickel, cobalt), agricultural potential (sugar, tobacco)
- Agriculture, trade, catering and construction being opened up to the individual and cooperative private sector (more than 200 trades)
- Skilled and inexpensive labour force
- High-quality medical and education sectors
- Relatively satisfactory social indicators
- Low crime; fight against corruption
- Dialogue and cooperation agreement with the European Union since November 1, 2017

-

- External vulnerabilities (climate, raw material prices, Venezuelan aid)
- Low productivity in the public sector and agriculture
- Low investment and poor infrastructure
- Cumbersome administrative processes; trade regulations still very recent
- State control over wholesale trade, credit, foreign trade and foreign investment
- Subsidies for basic products (those listed in the libreta or ration book) putting pressure on public expenditure
- Limited access to external funding
- Exchange rate unrelated to reality, upholding dualism of the economy, the black market, the scarcity economy and the informal sector
- Lack of statistical transparency

RISK ASSESSMENT

An economy suffocated by US sanctions

In 2020, the Cuban economy will continue to suffer from tighter US sanctions introduced by the Trump administration in 2019. The ban on cruises to Cuba from the United States decided in June 2019 by Washington is a real blow for the tourism sector (10% decrease forecast in 2019 compared with 2018). More generally, economic activity will continue to be hurt by the emergency energy saving measures implemented in September 2019 to address the oil shortage. Since Cuba produces only 47% of the oil needed for its domestic consumption, it has had to deal with the even greater disruption of Venezuelan oil supplies, had since US sanctions on Venezuelan oil were tightened in the spring of 2019. The cessation of deliveries in September 2019 led to the suspension of non-essential activities on the island to save the remaining oil. Further delivery disruptions are likely in 2020. Moreover, the Cuban government's bet on FDI to support growth is under considerable threat from the US decision in May 2019 to apply Article 3 of the Helms Burton Act. The article, which had not been implemented since the law's adoption in 1996, allows any American company or citizen to use American courts to sue entities profiting from assets expropriated in Cuba since January 1, 1959. The possibility of lawsuits could strongly discourage new foreign investment in the country, particularly in the country's flagship sectors, namely tourism, agri-food and pharmaceuticals. The Cuban government's business-friendly measures will not be enough to fill this investment gap. Of note are the possibility for state-owned enterprises to reinvest part of their profits and the authorisation given to suppliers in the Mariel special economic zone to retain part of the foreign currency they receive. Household consumption is set to suffer from strict controls introduced in September 2019 on the remittances that expatriates in the United States can send to relatives who have stayed in the country, *i.e.* USD 1,000 over three months per relative for each expatriate. The increase in the monthly minimum wage for civil servants to USD 16.4 since the summer of 2019 will not be enough to offset the impact of US sanctions. Inflation will remain low owing to price controls introduced in August 2019 and more muted economic activity.

Public and current accounts exposed to external constraints

Tax revenues will be affected by the stagnation of activity in 2020, which will reduce sales tax revenues, as well as by the weakening of Venezuelan aid. Public spending, which is not very flexible given the large share of operating costs, is expected to increase with the rise in civil servants' salaries and a pension system that is a drag on the budget. Despite the lack of reliable data, the government's willingness to continue to invest heavily in the economy suggests that the fiscal deficit will increase. The country's debt should therefore continue to grow and will be financed by sovereign bond issuance to local banks and by Chinese and Russian loans in the absence of access to international financial markets.

The current account should continue to show a slight, albeit smaller, surplus. Goods imports will likely decline following the government's decision to cut the amount imported due to the lack of foreign exchange. However, the need to buy oil at market prices due to lower Venezuelan oil shipments should lessen the extent of this reduction. Goods exports are set to be more dynamic. Sugar prices are rising, driven by lower world production, while the price of nickel is due to surge in response to lower Indonesian production. These new dynamics should lend support to goods exports, of which nickel and sugar are the main components. Conversely, the balance of services will show less vigorous growth, given the new restrictions on tourism and the recent expulsion of Cuban doctors from Brazil, which will limit exports of medical services, the main source of foreign exchange. The expected decrease in expatriate remittances following the new US sanctions should likewise reduce this current surplus. This situation poses a risk to Cuba's low foreign exchange reserves in the face of rising external debt (+53% from 2013 to 2016).

Little political change in sight

The implementation of the constitutional reform approved by referendum at the beginning of the year was the main highlight of 2019. Key measures include a decentralisation drive in economic planning, as well as the creation of a Prime Minister's office to divide power within the executive branch. Executive powers are now shared between Miguel Diaz Canel, president since 2018, and Manuel Marrero Cruz, appointed in December 2019. The continuation of the one-party system with Raul Castro at the head of the Cuban Communist Party until 2021 suggests however little political change. The international situation will be marked by very tense relations with the United States and the search for new allies to deal with the fall of Venezuela, with China and Russia in the lead.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	0.9
GDP PER CAPITA US Dollars - 2018	28,341
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.5	3.8	3.1	2.9
Inflation (yearly average, %)	0.7	0.8	0.7	1.6
Budget balance (% GDP)	1.7	-4.8	3.6	2.6
Current account balance (% GDP)	-8.4	-7.0	-7.8	-7.4
Public debt (% GDP)	95.8	102.5	96.1	89.4

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

TRADE EXCHANGES

Exports of goods as a % of total

LIBYA	9%
GREECE	7%
NORWAY	5%
UNITED KINGDOM	4%
EGYPT	4%

Imports of goods as a % of total

GREECE	18%
ITALY	8%
SOUTH KOREA	7%
UNITED KINGDOM	7%
ISRAEL	6%

+

- Centric geographical location between Europe, Asia and Africa favors transshipment industry
- Offshore finance hub
- Rich, unexploited offshore natural gas deposits
- Skilled, English-speaking workforce
- High-quality transport and telecommunication infrastructure

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- Island divided since 1974, tense relations with Turkey
- Highly dependent on Russia and the UK as export markets and sources of financing
- Slow legal process, poor enforcement of contracts
- Oversized banking sector with poor asset quality, very high public and private leverage
- Weak industrial diversification (tourism, construction, natural gas, finance)

RISK ASSESSMENT

Construction, tourism and natural gas continue to sustain the economy

Growth will slow down slightly in 2020 but will remain firmly around the 3% mark. At 65% of GDP, private consumption is the main driver of demand and will decelerate slightly to 2.5% annual growth from 3% in 2019; owing to lower tourism revenues. Construction and professional services are becoming important contributors to growth. Construction in particular has benefited from a surge in private investment, which will grow at a slower pace in 2020 (6%, compared to 10% in 2019) but will remain adequate at 20% of GDP. The surge in FDI is explained by a citizen investment scheme encouraging foreigners to invest in property, and is accelerating prices of preferential real estate. Due to recently discovered maritime reserves (Aphrodite, Calypso and Glaucus-1 fields), we expect important investments in natural gas exploitation. Nonetheless, a disorderly Brexit would substantially depress FDI and tourist arrivals, as roughly a third of visitors hail from the UK. Moreover, the trans-shipping industry is exposed to global trade tensions.

Banking health improves but remains fragile

Thanks to the successful resolution of the Cyprus Cooperative Bank (CCB), progress has continued in cleaning the banking sector balance sheet. Non-performing loans (NPLs) have been reduced from 30% of total loans (50% of GDP) in Q1 2018 to 20% (33% of GDP) in Q1 2019. Furthermore, legal reforms have been instituted to encourage debt restructuring. The new law streamlines the procedure for seizing collateral assets, thus incentivizing borrowers to initiate restructuring negotiations. €3.5 billion worth of loans will benefit from a 1/3 state subsidy under the Estia scheme. Nonetheless, the banking sector remains vulnerable. With domestic bank assets at 200% of GDP, Cyprus remains one of Europe's most overbanked economies, and low interest rates will harm profitability. Along with Greece, it remains the only Eurozone country with a double-digit NPL ratio (20%). The processing of bad loans remains hampered by pervasive uncertainties regarding the ownership of deeds, resulting in weak repayment discipline.

Fiscal consolidation continues its progress

Thanks to low interest rates and its newly regained investment-grade credit status, debt service costs have been substantially curtailed. Unemployment will continue to decrease (7%), providing stronger social security contributions and, along with better tax collection, compensate the rolling back of public sector wage freezes. Hence, a healthy primary surplus of 4.5% of GDP will help bring down the debt ratio below the 90% mark. With a poorly developed domestic manufacturing industry (cheese, medicine, electronics), the country is heavily reliant on imports and posts a substantial trade deficit of 20% of GDP, only partially covered by the surpluses in tourism and offshore financial services. The current account deficit will remain large (7% of GDP) and financed by FDI flowing into real estate, tourism and natural gas. With a still convalescing domestic banking sector, capital inflows must fund the growth necessary for reducing the debt of households (90% of GDP) and firms (120% of GDP, excluding special purpose entities). However, given an external financing requirement of 147% of GDP, this leaves the country vulnerable to a sudden tightening of global financial conditions. External debt remains at an extraordinary 460% of GDP, with the largest part corresponding to the private non-financial sector (around 200% of GDP).

Rising tensions over maritime gas reserves

President Nicos Anastasiades fronts a coalition government between his center-right Democratic Rally and the centrist Democratic Party, which should hold into the 2021 parliamentary elections. As in recent years, the main geopolitical issue in Cyprus will continue to be the relationship between the Republic of Cyprus (RC), Eurozone member state controlling the southern half of the island, and the Turkish Republic of Northern Cyprus (TNRC), which controls the north and is recognized only by Turkey. Since reunification talks broke down in 2017, tensions have escalated over contested waters with potential gas reserves. In response to Turkish ships penetrating into southern waters without authorization, the EU has threatened sanctions with an immediate cost close to €150 million. The island's geopolitical stability will therefore depend on Turkey's willingness to assert its interests despite the risk of confrontation.

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	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	10.6
GDP PER CAPITA US Dollars - 2018	23,113
CURRENCY Czech koruna	CZK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.4	3.0	2.6	2.2
Inflation (yearly average, %)	2.4	2.0	2.6	2.2
Budget balance (% GDP)	1.6	1.1	0.2	-0.2
Current account balance (% GDP)	0.3	-0.2	0.1	0.5
Public debt (% GDP)	34.7	32.6	31.3	30.6

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	32%
SLOVAKIA	8%
POLAND	6%
FRANCE	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	29%
POLAND	9%
CHINA	8%
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

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- Small, open economy: exports account for 80% of GDP
- Dependent on European demand: 64% of exports are to the Eurozone, one-third to Germany
- High foreign intermediate inputs in exports and low contribution of services to locally value-added in exports
- 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	HIGH
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

Growth gradually losing momentum

The Czech economy is strongly linked to external demand with exports at almost 80% of GDP. Unsurprisingly, its GDP growth follows the global trend and country's crucial export market, i.e. Germany. Therefore, growth has been decelerating since 2017. Czechia has been one of the CEE countries that first started to experience the Eurozone slowdown. In 2020, GDP growth will weaken only slightly but will remain at a level below regional peers. The economic activity continues to be driven by household consumption, which benefits from a favorable labor market, further wage growth and robust consumer confidence. The unemployment rate remains at the lowest level in the EU, reaching 2.1% in September 2019. While the situation on the labor 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.

Fixed asset investments, especially those in equipment, suffer from muted growth of industrial production. Indeed, the latter lost its momentum in mid-2018 and delivers weak dynamics since then. In the first nine months of 2019, industrial production increased by 0.3% compared to the same period of the previous year. Considering the gloomy sentiment expressed by manufacturing businesses, a surge of investments is unlikely. The weakness of investments and concerns over exports have been a result of slower demand from the main Western European trade partners, weaker global demand through the country's inclusion in various supply chains and delayed adoptions of new emission standards by car producers. In the production approach, the Czech economy is driven by manufacturing of vehicles. Considering also supplying industries, the automotive sector generates more than 9% of total gross value added and accounts for over 8% of the total employment, and above 26% of exports. Despite the challenges of the external situation, net exports are expected to positively contribute to GDP growth, as weaker investments and production will make imports growth slower.

Since August 2017, the Czech central bank has been gradually raising its interest rates, with the last move made in May 2019. The Czech National Bank seems to be more sensitive to a rising inflation than peers' central banks. However, it is expected that Czech National Bank's inflation target will be again slightly exceeded in 2020.

Solid fiscal position

The fiscal policy is likely to be used as a pro-growth stimulus when facing weaker economic activity. Czechia will record a budget deficit this year. Although expected to reach a low level, it will nevertheless reverse a previous trend of budget surpluses. Indeed, a budget surplus in 2019 was the fourth consecutive when revenues were higher than expenditures. Public wages, pensions and subsidies already made expenditures grow last year and are to increase again this year. Furthermore, in the final year of the current EU structural funds program, robust public investments will partly require domestic financing. Revenues will benefit from an increase in excise duties for alcohol and tobacco products, and the introduction of a new digital services tax for large corporations.

At the end of the first half of 2019, the current account surplus was 0.7% of GDP and the goods and services surplus reached 6.3% of GDP. The financial account recorded an outflow of funds due to assets rising faster than liabilities. Despite the growing interest rate differential with the Eurozone, the Czech koruna has not been appreciating in nominal terms versus the euro. It is expected to remain stable.

ANO survives no-confidence votes but protests put pressure

The ANO 2011 (center-right) movement led by Andrej Babis won the October 2017 elections by a large margin, obtaining 30% of the votes cast, and 78 out of 200 seats in parliament. Nevertheless, the traditional parties refused to enter into a coalition with this party, of which the leader has been charged with 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). The recent cabinet consists of the coalition between ANO and the CSSD (which is supported by the Communist party). In late 2019, a series of demonstrations were held across the country, sparked by the sudden replacement of the justice minister, days after police recommended Andrej Babis be charged with EU subsidies fraud. With further social discontent, early elections are possible before the regular ones scheduled for October 2021.

PAYMENT & DEBT COLLECTION PRACTICES IN CZECHIA

Payment

Czech law limits cash payments to a maximum of CZK 270,000 (approximately €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.

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 - 2018	5.8
GDP PER CAPITA US Dollars - 2018	60,897
CURRENCY Danish krone	DKK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.3	1.5	2.1	1.8
Inflation (yearly average, %)	1.2	0.8	0.8	1.1
Budget balance (% GDP)	1.7	0.8	2.2	0.5
Current account balance (% GDP)	7.8	7.0	8.0	7.5
Public debt (% GDP)	35.5	34.2	33.1	32.5

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	16%
SWEDEN	11%
UNITED STATES	8%
UNITED KINGDOM	7%
NORWAY	6%

Imports of goods as a % of total

GERMANY	22%
SWEDEN	12%
NETHERLANDS	8%
CHINA	7%
NORWAY	6%

+

- World's second largest shipping operator (2018)
- Almost energy self-sufficient (oil and gas in the North Sea and Greenland)
- Niche industries with cyclically non-sensitive export goods
- Well managed public finances
- Large current account surplus
- Krone pegged to the euro

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- Small open economy sensitive to external demand, especially to UK and the looming Brexit
- Government instability related to the fragmentation of parliament (threshold for the parliament is only 2% for a party; 4 extra seats for Faroer Islands and Greenland)
- Very high household debt (281% of disposable income, 2018)
- Public sector constitutes a significant part of the country's employment (26% of employees in mid of 2019)
- High external debt (145% of GDP, 2018)
- Strengthening independence movement in Greenland

RISK ASSESSMENT

Economy bucks the trend, but this is unlikely to last

The Danish economy seems to be resilient towards the global growth headwinds thanks to its specialization on export goods such as pharmaceuticals and wind turbines (both around 13% of total goods exports) that are quite robust against cyclical changes. Nevertheless, the declining global trade will increasingly affect shipping, one of the biggest industries in Denmark, which accounts for 50% of total service exports. The subdued growth in the main export destinations should lead to a slower trade growth in goods exports in 2020 too, which should dampen the overall GDP result in 2020. Even then, GDP remains on a high level, thanks to the constant robust personal consumption. Here, several factors are pulling in different directions. On the positive side, the interest rates are very low. To hold the krone in a peg with the euro, the Danish National Bank has to, more or less, copy the monetary policy of the ECB. This led to a cut of the certificates of deposit rate from -0.65% to -0.75% in September 2019. The DNB monetary policy, parallel to the ECB policy, should remain unchanged in 2020. Additionally, the price pressure should stay low in 2020, except for smokers. The government decided to increase the price of a pack of cigarettes by 12.5% (5 DKK) in January 2020, which will be mirrored by a small increase in the inflation rate. At the end of the year, a payment of property tax rebates is planned, which should foster private consumption too. However, wage increase should be subdued in 2020, as the labour force is increasing due to a gradual increase of the retirement age towards 67 in 2022. Additionally, the private household debt remains immense. Therefore, only a moderate private consumption is expected in 2020. The government plans higher spending on environment protection and welfare, which should also foster GDP growth. Private investments were negative in 2019 and should show some mild rebound in 2020. Housing investments however, will not continue at this level, as prices are slowly relaxing, with a huge numbers of new residents now fresh on the market.

Healthy fiscal policy and a substantial current account surplus

The government plans several spending projects for 2020 especially in the area of climate (*i.e.* research projects), welfare (more staff for kindergartens, support of low-income families), education and security (more financial support for the police). This additional spending should be financed by a rollback of reductions to inheritance taxes and by high revenues from the pension return tax. The latter has probably reached a record high in 2019, thanks to a very good performance of the equity markets, and contributed to a strong budget surplus. Denmark continues to run a large current account surplus in 2019/2020, thanks to a strong performance of the goods trade balance, where exports are showing an elevated dynamic and are easily outpacing robust imports. The surplus of the service balance, however, seems to be more affected by the slowdown of the main trading partners, and decreased in 2019. The income balance is also in surplus, thanks to the income of Danish companies abroad. Nevertheless, due to the challenging international environment the surplus is decreasing.

Minority government in a 15-party parliament

The Social Democratic Party (SD), led by the new Prime Minister Mette Frederiksen, won the general election in June 2019. The election result led to an exchange of power in the parliament from the conservative "blue bloc" to social-democratic-left "red block". The SD, with its 48 out of 179 seats, has formed a minority government (which is customary in Denmark) with the support of the Social Liberal Party (16 seats), the Socialists People's Party (14 seats), the Red-Green Alliance (13 seats), and three single parties from Greenland and the Faroes Islands. Together the red block has 94 seats in parliament. The opposition consists of the conservative-liberal party "Venstre" (43 seats) from former Prime Minister Rasmussen, the right-wing Danish People's Party (16 seats), the Conservative People's Party (12 seats), the green party "Alternative" (5 seats) and the right-wing party "New Right" (4 seats). The SD-government is aiming at a mixed policy, with higher spending on welfare and environmental protection on the one hand, but maintaining the previous government's hard-line stance on immigration (especially illegal) on the other. The latter aspect could be the touchstone for the relationship of the SD with the other red-block parties. Nevertheless, the last governments have proved to be robust and maintained until the end of their term, which would be in Frederiksen's case June of 2023.

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.

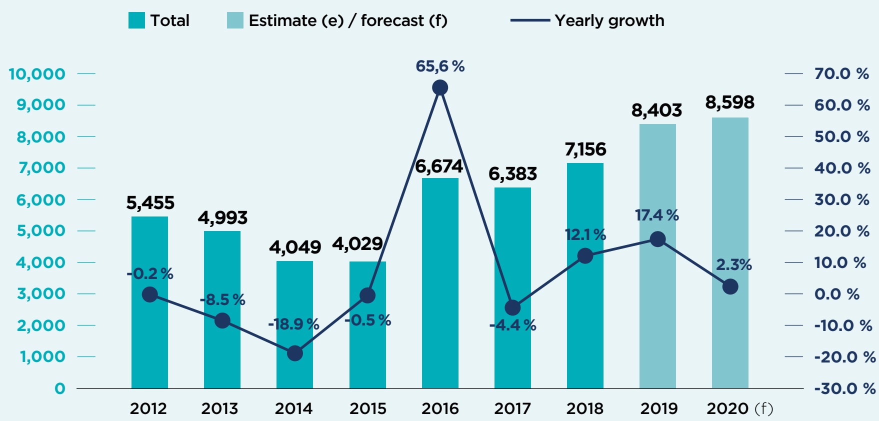
Restructuring proceedings

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 FAILURES



Source: Statistics Denmark, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	1.0
GDP PER CAPITA US Dollars - 2018	2,787
CURRENCY Djiboutian franc	DJF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.1	5.5	6.0	6.0
Inflation (yearly average, %)	0.6	0.1	2.6	2.9
Budget balance (% GDP)	-4.5	-2.9	-1.5	-0.5
Current account balance (% GDP)	-3.6	15.9	-0.3	-3.0
Public debt (% GDP)	71.2	72.2	70.9	68.6

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

TRADE EXCHANGES

Exports of goods as a % of total

ETHIOPIA	28%
SOMALIA	27%
BRAZIL	10%
YEMEN	8%
QATAR	7%

Imports of goods as a % of total

UNITED ARAB EMIRATES	21%
EURO AREA	17%
OMAN	11%
CHINA	8%
ETHIOPIA	6%

+

- Geostrategic position at the entrance to the Red Sea and support from the international community
- Emergence as a regional trade, logistics and military hub
- Substantial FDI inflows
- Ongoing efforts to modernize port and railway infrastructure, free zones
- At the heart of China's Silk Road Project
- Ethiopia's only access to the sea, with 90% of Ethiopian trade passing through Djibouti

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

RISK ASSESSMENT

Re-exporting keeps growth strong

Growth is expected to remain strong in 2020, supported by exports of transport, logistics and telecommunications services thanks to past investments aimed at making the country a major regional trade, logistics and digital hub. The emergence of exports from budding light industries based in free trade zones, including shoe assembly, agri-food processing and construction materials, could boost the value of local exports. Other investments will be aimed at developing salt production, fisheries, renewable energy and tourism, and should be provided by the private sector. However, the growth rate of these investments could be impacted by fears among investors, particularly after the government terminated UAE group DP World's management of the new container terminal at the Port of Doraleh and nationalized the company's share in the terminal (one third of the capital) pending a financial arrangement. The restrictive operating environment in the electricity, telecommunications and education sectors could further curb private investment and competitiveness. However, the population, which is heavily dependent on the informal economy, should benefit from the job creation resulting from foreign investment. The unemployment rate, which stands at almost 50%, is expected to fall, which could stimulate private consumption (almost 60% of GDP). However, consumption is likely to be adversely affected by higher local food prices.

Deterioration in the current account deficit

Fiscal consolidation is expected to continue in 2020. Infrastructure financing has been a severe drag on public accounts in recent years and, given the high risk of over-indebtedness, reducing the deficit will be the government's 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 generate an increase in government revenues, but not enough to return to a balanced budget. Public debt, which is almost entirely external, is mainly due to China (55% in 2018). Despite restructuring of the Chinese loan for the railway linking Djibouti and Ethiopia in September 2018, which extended the repayment period and lowered the rate, debt service is expected to increase, hampering fiscal consolidation efforts.

The current account deficit is expected to deteriorate in 2020 due to the slowdown in world trade and its negative impact on re-export activity (106% of GDP in 2018) on which the economy is heavily dependent. Conversely, the current account deficit excluding re-exports (-0.75% of GDP in 2018) is expected to improve very slightly thanks to exports of services (33% of GDP in 2018), which are set to continue growing, and imports, mainly of capital goods, which are expected to stabilize as the largest investments have now been completed. However, increased repatriation of profits from foreign investments will reduce the income surplus generated by the presence of foreign military bases. FDI (5.8% of GDP in 2018) and international financing will finance the current account deficit and maintain the Djiboutian franc's dollar peg. Foreign exchange reserves held by the central bank are expected to stabilize at 3 months of imports.

Continuation of the Vision 2035 development plan

Ismail Omar Guelleh, who has been in power since 1999 and was re-elected in 2016 for a five-year term, reshuffled his cabinet in May 2019 as he set out the priorities for his final years in office. The government will continue to implement the Vision 2035 development plan, which has the dual objective of tripling *per capita* income and improving social and human development indicators. The aim is to modernize administration, notably by strengthening the management and supervision of state-owned enterprises, developing human capital, encouraging the private sector and opening up a number of protected industries to competition. Despite the desire to transform the country, the business environment remains poor, with Djibouti coming 112th in the Doing Business 2020 ranking, owing in particular to weak governance and corruption, where it is ranked 124th out of 148 according to Transparency International. The country's high level of debt could affect trade relations with China, the main creditor. Closer bilateral relations, symbolised by the establishment of a Chinese military base in 2017, could cause Djibouti's authorities to become involved in diplomatic issues between the various countries with military interests and bases in the region. Relations could also be affected by possible new port competition (Somalia, Eritrea). The resumption of diplomatic relations between Eritrea and Ethiopia could have an impact on Djibouti's prospects if Ethiopia were to negotiate agreements to free itself from its trade dependence on Djibouti.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2018**	**10.3**
GDP PER CAPITA US Dollars - **2018**	**8,341**
CURRENCY Dominican peso	**DOP**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.6	7.0	5.0	4.7
Inflation (yearly average, %)	3.3	3.6	2.1	3.2
Budget balance (% GDP)	-3.2	-2.7	-3.0	-3.2
Current account balance (% GDP)	-0.2	-1.4	-1.5	-1.5
Public debt* (% GDP)	40.9	41.7	42.4	42.6

(e): Estimate. (f): Forecast. * Non-financial public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	52%
HAITI	9%
EURO AREA	7%
CANADA	6%
INDIA	5%

Imports of goods as a % of total

UNITED STATES	41%
CHINA	14%
EURO AREA	10%
JAPAN	4%
BRAZIL	4%

- Leading Caribbean tourist destination
- Remittances from its diaspora
- Free-trade agreement with the United States (CAFTA-DR)
- Free zones (57% of goods exports in 2018)
- Institutional stability

- Dependence on US economy
- Dependence on gold prices
- Faulty electricity supply
- High levels of poverty and inequality
- Drug trafficking-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 slowed down in 2019 and should decline again in 2020 while remaining at a reasonable level. The slowdown of the US economy will hinder activity. Dominican exports (gold, tobacco, textiles, electronic and medical products) could thus be less buoyant, although the price of gold recovered in 2019. Nevertheless, tourism revenues and remittances from expatriates are expected to remain dynamic and sustain private consumption, which is the main driving force of growth (67% of GDP). FDI inflows into the country will continue, supported by the presence of free trade zones and the strength of the construction and tourism sectors. In addition, the central bank recently eased its monetary policy from the summer of 2019 onward, following the example of the US Federal Reserve in order to stimulate growth and bring inflation back into its target zone (3 to 5%). Indeed, inflation slowed down significantly in 2019 mainly because of the fall in the price of oil and agricultural products.

Stable twin deficits

The 2020 budget projects a slight deterioration of the public deficit. Expenditure will increase by about 10%, mainly due to the cost of organisation of the elections and social measures decided in April 2019 (increase in pensions, increase in the minimum wage in the public sector). The two largest expenditure items are health and education, while interest payments on debt represent 18% of the total. At the same time, the objective is to increase government revenues by 8% thanks to a more efficient tax and customs collection. Public debt (on an upward trend) is essentially external, denominated in dollars and contracted with private creditors.

Regarding external accounts, the current account deficit should be stable in 2020: the slight slowdown in exports will be offset by a concomitant fall in imports, partly due to the depreciation trend of the Dominican peso against the dollar. The goods balance will remain in a sharp deficit because of the country's dependence on finished products and energy. However, the balance of services will still be largely positive thanks to tourism, as will the income balance, driven by remittances from the Dominican diaspora (nearly 8% of GDP). The current account deficit will mainly be financed by FDI.

Uncertainties regarding the upcoming elections

The presidential and parliamentary elections will both take place in May 2020, while municipal elections are scheduled in February 2020. Since 2004, the political landscape has been dominated by the Partido de la Liberacion Dominicana (Liberal-Conservative) of outgoing President Danilo Medina, who holds a majority in both parliamentary chambers. Danilo Medina is ineligible as the number of consecutive terms is limited to two by the Constitution. Hence, his party had to choose a different candidate. The primaries elected Gonzalo Castillo, despite protests from former President Leonel Fernandez, also a candidate, who contested the regularity of the election and announced his intention to run for President anyway. The outcome of the election is thus uncertain, especially since the main opposition party, Partido Revolucionario Moderno (centre-left), appears to be in a position to contest the victory, thanks to its candidate Luis Abinader. Despite the President's popularity, popular protest remains indeed. Since 2017, *Marcha Verde* demonstrations have been organised, including one in August 2018 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. The struggle against corruption will be one of the key issues of the presidential election. In addition, at the end of 2018, the country launched a new border security plan with Haiti to tackle arms and drug trafficking, as well as illegal immigration by Haitians who account for most of the country's immigrants.

Besides, the country broke off diplomatic relations with Taiwan in 2018. As a result, the Chinese Embassy opened in Santo Domingo and 18 enhanced cooperation agreements have been signed between the two countries. Chinese investment is expected to increase in the coming years mainly in the energy, construction and minerals sectors.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	17.0
GDP PER CAPITA US Dollars - 2018	6,368
CURRENCY US dollar	USD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.4	1.4	-0.5	0.2
Inflation (yearly average, %)	0.4	-0.2	0.4	1.2
Budget balance (% GDP)	-4.5	-1.2	-0.8	-0.8
Current account balance (% GDP)	-0.5	-1.3	-0.5	-0.2
Public debt* (% GDP)	44.6	45.8	49.1	50.0

(e): Estimate. (f): Forecast. * All non-financial public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	31%
EURO AREA	13%
PERU	7%
CHINA	7%
CHILE	7%

Imports of goods as a % of total

UNITED STATES	24%
CHINA	16%
EURO AREA	12%
COLOMBIA	8%
PANAMA	7%

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

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- 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

Sagging growth, affected by austerity measures and the global slowdown

Growth will return to positive territory in 2020 but activity will remain very weak. The austerity measures put in place by the Moreno government to reduce public debt are weighing on household consumption and confidence. The civil service wage freeze, the non-replacement of one in two retirements, as well as the non-renewal of occasional contracts for the State will all affect consumption. The same need to reduce public spending will constrain public consumption and state investment. The repeal of the decree to eliminate fuel subsidies and the introduction of a less ambitious tax reform project allowed for a the situtation to cool down after the widespread protest movement of October 2019. However, the possibility of a new wave of demonstrations cannot be ruled out. These political tensions, and the reduced prospect of fiscal consolidation, will lead to lower investment than envisaged following the signing of the agreement with the IMF in March 2019. The exit of OPEC from January 2020 and the resulting release of the organization's production quotas should enable the country to increase its oil production. However, renewed tensions in the southern Amazon with indigenous communities opposing the development of oil sites in the region could undermine these projects. This would weigh on exports, which are also affected by the weakest demand in the United States, the country's main partner, despite growth in agricultural exports (bananas, cocoa), and more particularly shrimp exports to China.

The banking and financial sector is to be reformed under the IMF agreement in order to strengthen the central bank's independence, safeguard the central bank's credibility in maintaining full dollarisation of the economy, which was introduced in 2000, and keep inflation low. Liquidity requirements for banks should be relaxed under the IMF agreement to promote credit growth.

Faltering fiscal consolidation efforts and a fragile external position

In exchange for IMF financial support of USD 4.2 billion over three years under an extended credit facility obtained in March 2019, the government has committed to reducing public debt (70% external) whose share has doubled since 2013. The repeal of the decree ending gas subsidies and the new tax reform project of November 2019 have undermined these objectives. The new reform draft, presented after the rejection of the previous one, leaves aside the new export taxes and the mandatory advance on income tax for companies affected by the unrest at the end of 2019. On the other hand, the end of tax deductions for companies with an annual income of more than USD 100,000 and the special tax on the largest companies (income of more than USD 1 million) will be implemented. These measures should be insufficient to cope with the growing burden of debt service, with interest rates rising by 11.4% in the first quarter of 2019. However, the IMF's repeated support to the government after the introduction of the new reform should allow for the disbursement of the next aid tranches following some adjustments to the objectives set initially in February 2019.

The external position will remain fragile despite the reduction in the current account deficit. More muted export growth should be offset by a contraction in imports due to lower household consumption and the fall in the price of oil, which should bring down the price of refined petroleum products imported by the country. However, remittances from expatriates are not expected to compensate for the repatriation of dividends by foreign companies, leaving the income balance in deficit. The current account deficit will be financed by foreign direct investment as well as by loans, given the very low level of reserves (less than two months of imports).

Growing unrest

Elected President in May 2017 to succeed Rafael Correa (2007-2017), Lenin Moreno of the left-wing party Alianza País (AP) faces a growing challenge on the domestic scene. The way that he has distanced himself from his predecessor and former ally Rafael Correa, after a referendum in February 2018 blocked the former President's chances of re-election, has wreaked havoc within the majority, where a battle rages between Correa and Moreno supporters. Meanwhile, the austerity measures put in place under the IMF agreement led to a widespread protest movement in October 2019, during which clashes between demonstrators and police resulted in several casualties. The upcoming parliamentary elections in 2021 are expected to fuel these political and social tensions further, as each side seeks to represent its interests.

The business environment remained below the regional average in 2020, with Ecuador ranked 129th out of 190, down from 2019. Investor protection, default resolution and corporate taxation are all areas where progress is expected.

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

Amicable phase

Amicable negotiations are a crucial step in successful debt collection management. These negotiations are highly detailed and cover aspects including the number of instalments, write-offs, guarantees, collateral, grace periods and interest.

Legal proceedings

Ecuador's judicial system comprises courts, administrative bodies, autonomous bodies and subsidiary bodies. The jurisdictional bodies responsible for administering justice are the National Court, regional courts, law courts, law tribunals and Justice of the Peace courts.

The Judicial Council is the governing body responsible for the administration, supervision and discipline of the judicial function. The judicial system also encompasses subsidiary bodies, such as notaries, auction services, foreclosure services, legal custodians and other bodies, as determined by law.

The *Código Orgánico General de Procesos* (COGEP), a new legal code in force since May 2017, should help to speed up procedures.

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.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	97.0
GDP PER CAPITA US Dollars - 2018	2,573
CURRENCY Egyptian pound	EGP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	4.2	5.3	5.6	5.3
Inflation* (yearly average, %)	23.3	21.6	13.9	8.5
Budget balance* (% GDP)	-10.9	-9.8	-8.2	-7.5
Current account balance* (% GDP)	-6.1	-2.4	-2.8	-3.0
Public debt* (% GDP)	103.1	92.7	90.2	83.1

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2020 data: FY19-20.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	28%
UNITED STATES	8%
UNITED ARAB EMIRATES	8%
UNITED KINDOM	6%
INDIA	5%

Imports of goods as a % of total

EURO AREA	20%
CHINA	9%
SAUDI ARABIA	7%
UNITED ARAB EMIRATES	5%
UNITED STATES	5%

+
- Tourism potential
- Limited external debt
- Political and financial support from the Gulf monarchies and Western countries
- Large gas reserves

−
- Poverty and high unemployment
- Persistent security issues in the Sinai region
- Twin deficits
- Banking system vulnerable to sovereign risk
- Weak manufacturing exports

RISK ASSESSMENT

Robust growth, despite a less buoyant external environment

After strengthening further in 2019, growth should remain robust in 2020 despite a slowdown due to weakening external demand. In particular, Europe, the main source of export revenues (including those from tourism), is expected to contribute to the moderation in growth. The trade balance should, however, continue to contribute positively, driven by the expansion of liquefied natural gas (LNG) production, which will continue with the Zohr field (discovered in 2015). New discoveries in the Gulf of Suez will continue to make the country an attractive investment destination and support the expansion of the sector. More generally, the improving business climate will help to make investment the main contributor to growth, despite the fact that the IMF programme, which played a major role in restoring investor confidence, ended in June 2019. Besides gas, the infrastructure development programme will draw investment. As a result, construction will remain dynamic, with, in particular, the continuation of social housing programmes and the establishment of the new administrative capital east of Cairo. Conversely, consumption will continue to make a moderate contribution. Public consumption will be constrained by ongoing fiscal efforts, while private consumption is expected to continue to suffer from endemic poverty and relatively high inflation. Tamer inflation, particularly in terms of food, coupled with reduced unemployment should nevertheless support household income.

A less vulnerable economy, despite the twin deficits

In the 2019/2020 financial year, the budget deficit is expected to continue to narrow, while the continued gradual reduction of fuel and energy subsidies should contribute to lower spending. Meanwhile, capital investment expenditure is set to increase to support infrastructure projects, as is the state wage bill, following President Sissi's decision to raise the minimum wage for civil servants. Compounding the impact of salaries, current expenditure will also be burdened by high interest payments. In a context of robust growth, the increase in revenues, supported by continued tax administration reforms and privatisation proceeds, should nevertheless lead to a reduction in the deficit. The latter will be mainly financed by debt, particularly from external sources, while the debt stock is mainly domestic. The primary fiscal surplus (budget balance excluding debt service) and dynamic growth should allow the debt-to-GDP ratio to continue to decline and reduce the risk of debt distress.

The current account deficit is set to deteriorate slightly. Despite the increase in natural gas production, which should continue to reduce the energy import bill, exports will likely suffer from softer external demand. As a result, the trade balance deficit is expected to remain high. The surplus in the services account could be affected by lower tourism revenues, as well as by a decline in revenues from the Suez Canal. The global economic slowdown may also affect remittances from Egyptian expatriate workers and thus erode the positive contribution from the balance of transfers. Interest payments will continue to add to the income account deficit. FDI and portfolio investment flows are expected to finance the current account deficit. However, they may be smaller following the completion of the IMF programme. The reduction of the twin deficits in recent years has made it possible to replenish the country's foreign exchange reserves, ensuring that Egypt is better equipped to cope in the event of a decline in capital inflows.

President Sissi plays extra time

Re-elected with 97% of the vote in April 2018, President Abdel Fattah al-Sissi saw his powers strengthened after the adoption by referendum in April 2019 of constitutional amendments that, among other things, extend the presidential term from four to six years and allow him to run for a third consecutive term in 2024. The referendum, which also gave the President direct control over judicial appointments and consolidated the role of the army, has reinforced the perception that the executive has a firm grip on public life. The army's control of many of the country's economic levers degrades the perception of the business climate. While poverty remains widespread, frustration over centralisation of power in the hands of the President and the extension of the presidential mandate could be compounded by social unrest that has little room to express itself. Rare anti-government protests, even though rapidly contained, notably erupted in late September 2019. In addition, the Egyptian regime continues to play a pivotal role in regional stability and the fight against terrorism, which enables it to maintain close relations with Europe and the United States, but also with the United Arab Emirates and Saudi Arabia. The government is also working to strengthen ties with Russia and China. Relations with Ethiopia continue to stumble over the construction of the Grand Renaissance Dam upstream of the Nile, on which about 90% of the country's drinking water supply depends.

EL SALVADOR (REPUBLIC OF)

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	6.6
GDP PER CAPITA US Dollars - 2018	3,922
CURRENCY US dollar	USD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.3	2.5	2.3	2.0
Inflation (yearly average, %)	1.0	1.1	0.8	1.0
Budget balance (% GDP)	-2.4	-2.5	-3.1	-3.2
Current account balance (% GDP)	-1.9	-4.8	-4.9	-5.0
Public debt (% GDP)	67.3	67.1	68.3	69.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	44%
HONDURAS	15%
GUATEMALA	14%
NICARAGUA	7%
COSTA RICA	4%

Imports of goods as a % of total

UNITED STATES	32%
CHINA	14%
GUATEMALA	10%
MEXICO	8%
EURO AREA	7%

+

- Relative economic diversification
- Free trade agreements with Central America and the United States (CAFTA-DR), as well as with Mexico and the EU; member of 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 (first destination of exports and main source of expatriate remittances)
- Structural fragility of public and external accounts
- Significant inequalities and poverty

RISK ASSESSMENT

With no other drivers, the US slowdown will dampen the economy

Given its very high dependency on the US economy, El Salvador will suffer in 2020 from the consequences of the pronounced economic slowdown in the United States. After falling initially in 2019, sales of textile products, the main export to the United States, are expected to decline again, while the crisis in Nicaragua will continue to affect sales of packaging and plastic products. In this environment, the main growth driver will be domestic demand and specifically household consumption in a context of very low inflation linked to full dollarization of the economy. However, household consumption will be less vigorous due to the slowdown in expatriate remittances (18% of GDP) from the United States. After soaring in 2017 and 2018 (+11% in 2017), remittances have been growing at a slower pace since 2019. The extension of Temporary Protected Status until January 2021 gives the 200,000 Salvadoran immigrants living in the United States under this status some time to find another way to stay in the country legally. Investment, which is mainly concentrated in the manufacturing and commercial sectors, will remain low, constrained by a very high crime rate and a deficient business environment. The lack of visibility on the reforms planned by President Nayib Bukele, who took office in June 2019, has not increased investor optimism. On the supply side, coffee is expected to drive up agricultural production, thanks to higher prices supported by a decline in Brazilian production. The recovery in sugar prices should also benefit the sector, which will nevertheless remain highly vulnerable to weather conditions.

Rising debt service and a widening trade deficit

The 2020 budget, the first major economic measure by the new administration, forecasts a primary surplus of 0.9% of GDP, which will not be enough to offset the larger debt service burden, thus widening the overall public deficit. This budget should be more transparent thanks to the elimination of discretionary spending, an expense item previously used by the administration without accountability. An 11% share of the new budget will be financed by issuing new debt, for which parliamentary approval will be required. However, El Salvador's Parliament is highly divided. The external debt of the non-financial public sector represented 35.4% of GDP in 2018, which is a significant amount for a fully dollarized economy like El Salvador.

The trade deficit, which is already substantial (20% of GDP), is expected to widen further with the decline in exports to the United States and Nicaragua, and more muted levels of activity among the other regional partners. However, this movement will be mitigated by lower oil prices and a slower domestic expansion, which will limit imports. The income balance will also in deficit due to the repatriation of dividends by foreign companies that is not fully offset by expatriate remittances. The current account deficit should hence widen in 2020. Foreign direct investment, mainly from the United States to the manufacturing and information and communication sectors, will be too low to offset this external financing requirement. The government will therefore have to rely on market-based financing through bond issuance, as well as on international donors.

Nayib Bukele, minority rule leaves little hope of change

Elected with 53% of the vote in February 2019, Nayib Bukele defeated the candidates of the two traditional parties, the Frente Farabundo Marti para la Liberacion nacional (FMLN) of the outgoing President Salvador Sánchez Cerén and the opposition party Arena. Following a campaign strongly focused on the fight against corruption, President Bukele's first decisions mainly concerned security, with the establishment of a national territorial plan to fight gangs and promote social cohesion, which was unanimously supported by Parliament. The remainder of his political agenda remains uncertain, particularly from the economic point of view, while his attempts to form a coalition that will support his programme in Parliament have so far been in vain. In the legislative elections of March 2018 (three-year legislative cycle), President Bukele's party, Gran Alianza por la Unidad Nacional (Gana), won only 11 seats out of 84, with Arena taking the majority of seats. Alliances with the main parties, Arena and FMLN, will therefore be necessary to pass any new legislation, raising the risk of more deadlock.

In terms of diplomatic relations, dealings with the United States will focus mainly on immigration, after the Trump administration obtained the signature in September 2019 of a cooperation agreement on this subject of which the exact content remains unclear. The rapprochement with China, which has been underway since August 2018, is expected to continue.

COFACE ASSESSMENTS

COUNTRY RISK E

BUSINESS CLIMATE E

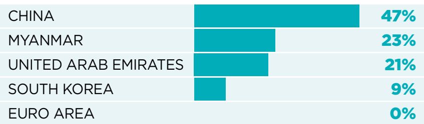
POPULATION Millions of persons - 2018: **6.0**

GDP PER CAPITA US Dollars - 2018: **332**

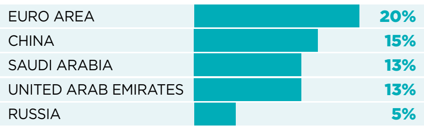
CURRENCY Nakfa: **ERN**

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



\+
- Extensive mineral resources (potash, copper, gold, silver, zinc)
- Strategic position on the Red Sea

\-
- Critical level of debt
- Country has become an international pariah state
- Worrying human rights record
- Very difficult business climate
- State plays a massive role in the economy
- Extreme poverty, high emigration

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-9.6	12.2	3.1	3.9
Inflation* (yearly average, %)	-13.3	-14.4	-17.6	-12.5
Budget balance** (% GDP)	2.1	14.6	3.8	1.1
Current account balance*** (% GDP)	23.8	16.6	11.3	13.2
Public debt (% GDP)	288.1	267.0	248.0	235.5

(e): Estimate. (f): Forecast. * Data only for the Asmara region. ** Including grants. *** Including official transfers.

RISK ASSESSMENT

Highly volatile growth

The main drivers of Eritrean growth are mining and agriculture. Each of these sectors is in turn highly dependent on one factor – ore prices in the first case and climatic hazards in the second – creating significant volatility in economic activity. In 2020, growth will remain moderate, mainly because the contribution from mining will continue to be affected by low prices for certain ores (copper, zinc). However, the sector has bright medium-term prospects. The Bisha mine, the country's largest, is expected to continue operating at least until 2024, thanks to exploration work by the new Chinese majority shareholder. Meanwhile, two other major projects will enter their first production phase in 2021/2022, namely the Asmara mining project (copper, gold, zinc, silver), which is comparable to the Bisha mine, and the Colluli potash mine. By 2022, Colluli's production could represent a third of exports, entailing the construction of a new port. 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, a railway line between Addis Ababa and the Eritrean port of Assab is planned, as well as two new roads linking the two countries. The United Arab Emirates is also set to start building an oil pipeline between Assab and the Ethiopian capital. Agriculture, which accounts for 30% of GDP, is still very rudimentary and will remain subject to recurrent droughts. The dependence of two-thirds of the population on subsistence agriculture coupled with indefinite military service make the labour market almost non-existent. As a result, private consumption will remain sluggish despite the increase in border trade. After several years of deflation due to tight monetary control and the opening up of borders in 2018, price growth will remain negative.

Efforts to reduce debt

The government surplus should decline in 2020. Revenues are expected to be stable, still driven by non-tax revenues of 17% of GDP (mainly mining royalties and dividends). However, spending is likely to increase with the recovery of capital expenditure, chiefly in mining projects, where the state-owned company ENAMCO is always a minority shareholder. The decline in the government surplus will weaken the downward trajectory of debt that was set in motion by fiscal consolidation efforts begun in 2016. Public debt, which is essentially domestic and denominated in local currency, remains at an extremely high level and will continue to put pressure on the country's finances in the coming years. In addition, although relations with the international community have improved slightly, access to donor support will remain limited.

Turning to the external accounts, the current account surplus will remain high in 2020 thanks to remittances from Eritreans abroad (12% of GDP) and a trade surplus driven by mining exports (25% of GDP). The current account surplus could even increase owing to the slight recovery in official transfers. By using its foreign exchange reserves, the central bank will continue to maintain the nafka's dollar peg. The nafka will continue to be overvalued given the exchange rate prevailing in the parallel market.

A return to the international scene to be confirmed

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 officially end 20 years of war, reopen borders and restore trade, transport and telecommunications links between the two countries. Originally due to a border dispute, the conflict 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 to welcome the peace efforts made, which also extended to relations with Somalia, Sudan and Djibouti. The peace agreement has raised high hopes in the region, as illustrated by the various infrastructure investments announced since then. Nevertheless, the unilateral decision to close borders with Ethiopia in April 2019, along with the regime's slowness to comply with the peace agreement and to undertake reforms, are fuelling uncertainties among potential investors. In particular, a reform of the country's indefinite military service, one of the main reasons prompting Eritreans to emigrate, would be a major sign of openness.

In this context, the business environment remains very poor, with Eritrea coming second to last in the World Bank's Doing Business ranking.

ESTONIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	1.3
GDP PER CAPITA US Dollars - 2018	23,330
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.7	4.8	3.2	2.3
Inflation (yearly average, %)	3.7	3.4	2.4	2.1
Budget balance (% GDP)	-0.8	-0.6	-0.2	-0.2
Current account balance (% GDP)	2.7	2.0	1.4	1.6
Public debt (% GDP)	9.3	8.4	8.7	8.4

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

TRADE EXCHANGES

Exports of goods as a % of total

FINLAND	16%
SWEDEN	11%
LATVIA	10%
UNITED STATES	6%
GERMANY	6%

Imports of goods as a % of total

FINLAND	13%
GERMANY	10%
LITHUANIA	9%
RUSSIA	9%
SWEDEN	9%

- Eurozone (2011) and OECD (2010) 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)
- Flexible economic policy
- External accounts in surplus and low debt
- Very favourable business environment (18th in the 2020 Doing Business ranking)
- Digitisation of administrative procedures

- 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

Domestic demand to drive growth

Private consumption and investment are expected to continue to support growth in 2020, although at a lower level, in line with the deterioration in global economic conditions. Estonia is experiencing a decline in its labour force, due to sustained emigration, declining birth rates and ageing, making for a tight labour market. Low unemployment and sustained wage growth ensure that household purchasing power is increasing. Combined with more moderate inflation, these factors are making sure that household consumption (50% of GDP), which is the main contributor to growth, holds up well. Private investment, although less dynamic after a very rapid growth in 2019 (+25% in the 2nd quarter of 2019 compared with 2018), will remain an important contributor thanks to elevated business confidence, high capacity utilisation (72.5% in the 3rd quarter of 2019) and favourable financing conditions because of the ECB's accommodative monetary policy. Private investment is set to focus on machinery and other capital goods, information and communication technologies, and intellectual property. Public investment is expected to slow due to lower absorption of European structural funds (at the end of 2018, 70% of the €4.4 billion granted had been used). Almost all gross fixed capital formation will thus come from companies. However, GDP growth will be hampered by cooler external demand, particularly in the Eurozone (50% of trade), which will dampen exports. This will particularly impact industry, of which the production that is concentrated in telephony, furniture and automobiles, is export-oriented (70% of industrial production is exported). With industry generating a quarter of GDP, the country's economy will be severely affected.

Comfortable financial situation

The structural budget deficit is expected to stay low, as the government is sticking to the path set by the 2020/2023 Budget Strategy Plan, which foresees a return to balance in 2021. Next year, the budget projects further growth in tax revenues through increases in some excise taxes (tobacco and gas), but mainly as a result of increased consumption and higher wages. In parallel, the slowdown in current expenditure and investment in infrastructure will be offset by expenditure on health, education and R&D, as well as by the increase in retirement pensions. Defence spending should also increase in order to continue to comply with NATO's recommendation of 2% of GDP (as has been the case since 2015).

The current account surplus should remain at a comfortable level. Exports of goods will suffer from unfavourable overall conditions, proving less vigorous than imports, despite these being constrained by slower investment growth. The trade deficit will remain largely offset by the surplus in services, particularly in transport and tourism (50% of services exported in 2018). Dividend repatriations by Swedish, Finnish and Dutch investors, who are extremely active in finance, real estate, retail, as well as industry, exceed the inflows from Estonian investments abroad, leading to an income deficit. Large foreign direct investments (4.4% of GDP in net flows) are matched by portfolio investments abroad by Estonian pension funds and insurance companies. The capital account surplus is made up of transfers from the EU's structural funds. External debt (85% of GDP, mainly private) is more than offset by the assets of residents held abroad.

Political stability after parliamentary elections

The March 2019 legislative election saw the liberal Reform Party win with 29% of the vote (34 deputies out of 101), followed by the Centre Party (23% and 26 seats). The election also saw the breakthrough of the far-right nationalist EKRE Party, which doubled its 2015 score to win 17.8% of the vote (19 seats). The conservative Pro Patria Party (11.4%) and the Social Democratic Party (9.8%) have 12 and 10 deputies respectively. In the absence of a majority, the Reform Party failed to form a government and, in the end, a coalition government involving the Centre Party, conservatives and EKRE took office at the end of April, led by outgoing Prime Minister Jüri Ratas. Despite ideological differences, the coalition has stuck together, as evidenced by the failure of a motion of no-confidence against the Prime Minister in October 2019. Despite political stability, divisions between the Estonian ethnic majority and the Russian minority remain a major challenge. Finally, the business environment is good, although insolvency settlement can be a laborious process. However, the IMF has stressed the need for more stringent anti-money laundering measures. This follows the scandal surrounding Danske Bank's Estonian subsidiary since 2015, with the bank accused of helping to launder USD 209 billion in less than 10 years, particularly for Russian customers. Swedbank has been facing similar charges since April 2019.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	94.1
GDP PER CAPITA US Dollars - 2018	853
CURRENCY Ethiopian birr	ETB

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	10.1	7.7	7.5	7.2
Inflation** (yearly average, %)	10.9	13.9	15.4	13.2
Budget balance** (% GDP)	-3.2	-3.0	-2.8	-3.1
Current account balance** (% GDP)	-8.0	-6.2	-6.2	-5.8
Public debt** (% GDP)	56.8	58.5	59.4	59.6

(e): Estimate. (f): Forecast. * Fiscal year from 8th July - 7th July. 2020 data: FY19-20. ** Calendar year.

TRADE EXCHANGES

Exports of goods as a % of total

SUDAN	24%
EURO AREA	15%
CHINA	8%
SOMALIA	8%
UNITED STATES	8%

Imports of goods as a % of total

CHINA	24%
EURO AREA	11%
SAUDI ARABIA	10%
INDIA	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

A robust growth put to the test

Growth should remain robust in 2020, supported by projects under the second Growth and Transformation Plan (2015/2020). Public investment and consumption are expected to remain important drivers of activity, particularly in construction. Projects to extend the road and rail networks, establish special economic zones and build hydroelectric dams, including the Renaissance dam on the Nile, will be given priority. While public spending is expected to remain high in the run-up to the 2020 elections, a more prudent stance is likely to reduce the contribution from these drivers. This should be partially offset by private investment, which will be encouraged by strong momentum in reforms, including privatisations in the telecommunications, agriculture (sugar industry) and transport sectors. Domestic political instability, particularly in the lead-up to the elections, however, could fuel investor caution. The trade balance is expected to contribute to growth, mainly through increased exports of services, which will be driven by an expansion in Ethiopian Airlines' passenger and cargo traffic volumes. However, the unfavourable external environment and the likely weak growth in goods exports, which continue to be dominated by agriculture despite the government's efforts to diversify and boost foreign trade, will continue to limit the contribution from the trade balance. High inflation and unemployment, limited access to foreign exchange and poor agricultural performances in 2019 are expected to affect the contribution of private consumption in 2020.

Risk of debt distress and external imbalances

In 2019/2020, prudence should prevail again, resulting in an almost unchanged budget deficit. As a result, the spending increase is expected to be the lowest in many years. The priority will continue to be capital investment spending (54% of federal spending). However, current expenditure is expected to increase more rapidly, due to the rising cost of debt service, the cost of organising the 2020 elections and the increase in education and defence spending. In addition to privatisation proceeds, revenues are set to benefit from efforts to improve resource mobilisation, although progress in this area will probably remain limited. The deficit should be financed by a variety of domestic (commercial banks, central bank and pension funds) and external sources. External financing should favour multilateral creditors, since the authorities have undertaken to slow down commercial borrowing. These loans, which are responsible for the growing risk of debt distress, were contracted with private creditors (about 25% of external debt) and non-Paris Club bilateral creditors (about 30%), mainly China. The trajectory of this debt, which is mainly denominated in foreign currencies, will remain vulnerable to birr depreciation, although the risk is mitigated by the debt's average maturity (almost 15 years).

Burdened by a substantial trade deficit, the current account deficit is expected to remain large. However, it should narrow slightly because of a smaller import bill owing to lower oil prices and cooler demand for capital goods. The activity of Ethiopian Airlines will contribute to reducing the service deficit. Interest payments on external debt are expected to widen the income deficit. The less favourable external environment could affect remittances and, thus, erode the transfer surplus. While FDI will finance a large part of the current account balance, official loans are likely to remain necessary. The current account deficit is expected to put pressure on the birr, which will continue its gradual depreciation. Foreign exchange reserves, which cover about two months of imports, will remain low, maintaining the chronic foreign currency shortage. In 2019, the central bank announced its intention to liberalise the regime gradually. Although still hypothetical, a reform might ease the pressure but would stoke higher inflation.

Growing instability in the run-up to the 2020 elections

In April 2018, the Ethiopian Peoples' Revolutionary Democratic Front, the coalition in power since 1991, appointed Abiy Ahmed to be Prime Minister. He soon distinguished himself with his desire to liberalise the country, both economically and politically. His time in office has already brought reconciliation with Eritrea, earning him the Nobel Peace Prize. However, despite his release of political prisoners and decision to lift the state of emergency, ethno-political tensions and inter-community violence remain a source of social instability and security threats, as evidenced by bloody protests against the Prime Minister in October (more than 80 people died), or the referendum on the independence of the Sidama people held on November 20, 2019. In this setting, the May 2020 general elections could potentially feature unrest. Challenges to his authority could change his willingness to pursue reforms, including economic ones. Prime Minister Ahmed has also focused on improving the business climate, which suffers, among other things, from infrastructure bottlenecks and difficulties in accessing finance. At the international level, while the desire for reform is attracting the support of the international community, the dispute over the construction of the Renaissance dam remains a source of tension with Egypt and Sudan.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	5.5
GDP PER CAPITA US Dollars - 2018	49,738
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.8	1.7	1.6	1.6
Inflation (yearly average, %)	0.8	1.2	1.0	1.0
Budget balance (% GDP)	-0.8	-0.7	-1.0	-1.2
Current account balance (% GDP)	-0.8	-1.4	-0.7	-1.2
Public debt (% GDP)	60.8	59.3	59.7	59.5

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
SWEDEN	10%
UNITED STATES	7%
NETHERLANDS	7%
CHINA	6%

Imports of goods as a % of total

GERMANY	17%
SWEDEN	16%
RUSSIA	14%
NETHERLANDS	9%
CHINA	3%

- Prudent economic policy
- Skilled workforce and favourable business climate
- Advanced industries
- High standard of living

- Highly vulnerable to international economic conditions
- Industrial crisis and loss of competitiveness
- Dependence of the Finnish banking sector on the Swedish and Danish financial sectors, despite the return of a major institution in 2017
- Ageing population

RISK ASSESSMENT

Resilience of activity, driven by domestic demand

Growth is expected to remain resilient in 2020, thanks to the rebound in domestic demand. After slowing sharply in 2019, household consumption will pick up after substantial wage increases were agreed on during sector collective bargaining at the end of 2019, in line with the low unemployment rate (6.1% in August 2019). After stalling, business investment will also accelerate as supply constraints persist – both in equipment and labour – in an environment that remains supportive, with low interest rates and resilient domestic demand. The recovery in equipment investment will help to offset the pronounced slowdown on the way for residential construction, with the number of building permits falling by 21% in the first seven months of 2019 after already declining 11% in 2018. Moreover, as the regional context remains unfavourable – the country's two main partners, Sweden and, above all, Germany (25% of exports in total), will continue to be sluggish – exports will slow down in 2020. In addition, while the economy made substantial competitiveness gains in 2017 as a result of the Competitiveness Pact (labour costs fell by 3.4% in real terms), significant wage increases in the following two years have somewhat eroded these advances. Imports will accelerate, driven by domestic demand. As a result, foreign trade will be a drag on growth in 2020.

Fiscal rigour despite a more expansionary budget

The new coalition's first budget will be relatively expansionary. Additional public expenditure will be mainly allocated to "green" investments (transport and energy infrastructure, for a total of €750 million or 0.3% of GDP) and education (€256 million). On the tax side, the main measure in the 2020 budget is the income tax reduction (€200 million) achieved through bracket adjustments for the least well-off households. This measure will be paid for by an increase in excise duties on alcohol and tobacco (€100 million in total) and especially by an increase in fuel tax from August 2020 (€250 million). Revenues will remain high thanks to the resilient economy and low unemployment. Consequently, even if the government deficit deteriorates, it will remain well below 3%, and public debt, which has now fallen below the threshold set by the European Stability and Growth Pact (60% of GDP), will decline slightly. However, rapid population ageing will be a challenge for the social security system and public accounts in the medium term. Reforms to public social and health services with this goal in mind and designed to generate estimated annual savings of €3 billion have been repeatedly postponed and even led to the resignation of the Sipilä government in March 2019.

In terms of external accounts, Finland features a structural deficit in the balance of services and a surplus in trade in goods, although this has shrunk over the past decade. While wood and paper remain the main export sectors (21% of the total), the automotive industry (8% of the total) has been particularly vibrant in recent years, with exports almost doubling between 2016 and 2018. The tourism sector has also grown strongly, particularly around protected natural areas and the northern lights, and is now much less dependent on Russian visitors (12% of foreign tourists, down from 28% in 2013), thanks to the arrival of Asian tourists (18% of the total). Like the balance of services, income is structurally in deficit due to the repatriation of dividends by foreign investors. As a result, the current account balance will remain in deficit in 2020, but will continue to be comfortably financed through foreign investments (direct and portfolio).

Unstable centre-left coalition with five parties

Social Democrat (SDP) Antti Rinne, who was forced to form a centre-left coalition with four other parties – the Centre Party (KESK), the Green League (VIHR, environmentalist), the Left Alliance (VAS) and the Swedish People's Party (SFP, centre) –, following his narrow victory in the April 2019 parliamentary elections (with 17.7% of the vote), resigned less than eight months later, under pressure from KESK, in a context of social protest. Sanna Marin (SDP) has taken the lead in the coalition which - while the party of the outgoing prime minister, Juha Sipilä (KESK), is still in government - has rallied around a much more left-wing agenda, including increases for public spending, the lowest pensions and energy taxes. Despite a solid majority in parliament (116 MPs out of 200), the coalition is very fragile, both because of the number of parties and the political spectrum they cover - from the left (VAS, former communist party) to the liberal centre (KESK, which governed with the far right in the previous term).

Despite potential political instability due to party fragmentation, the business environment remains very favourable, particularly with regard to insolvency settlement (1st worldwide), according to the World Bank's Doing Business 2020 report.

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

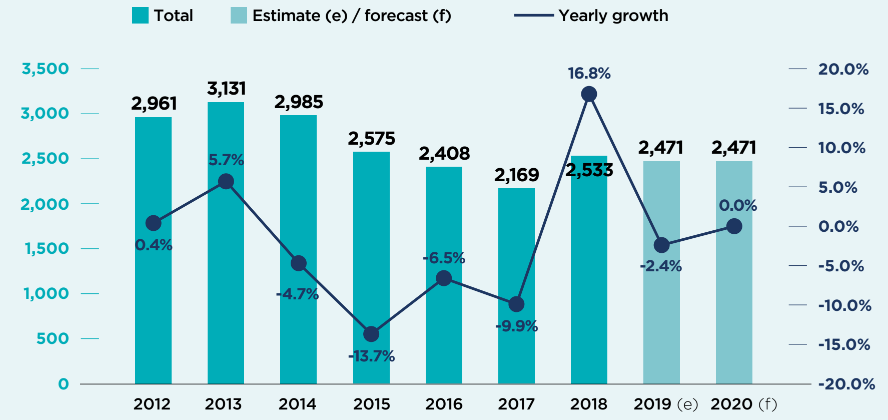
The goal of restructuring is to allow an insolvent company to remain operational through administration, with the view that if the company is able to continue its business, it will be able to repay a larger part of its debts than would have been possible in the case of bankruptcy of the company. The 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 FAILURES



Source: Statistics Finland, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	64.7
GDP PER CAPITA US Dollars - 2018	42,953
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.3	1.7	1.3	1.2
Inflation (yearly average, %)	1.2	2.1	1.3	1.3
Budget balance (% GDP)	-2.8	-2.5	-3.3	-2.5
Current account balance (% GDP)	-0.8	-0.7	-0.8	-0.9
Public debt (% GDP)	98.4	98.4	99.1	99.2

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

TRADE EXCHANGES

Exports of goods as a % of total

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

Imports of goods as a % of total

GERMANY	18%
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, food, distribution)
- 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 expenditure
- High public debt
- Growing private debt

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Activity to remain resilient thanks to domestic demand

The French economy will continue to show resilience in 2020, thanks to strong domestic demand. Household consumption is expected to accelerate owing to ongoing job creation and government tax measures to boost purchasing power. In addition, real wages will increase overall in a persistently tight labour market (three quarters of construction companies and half of all industrial firms were experiencing hiring difficulties at the end of 2019), despite an unemployment rate above 8%. Although financing conditions are still favourable, residential investment is expected to continue to slow. The construction sector will therefore once again be driven by the non-residential segment, and mainly warehouses, in line with the rise of e-commerce, as public works will decline after accelerating sharply in 2019 in the run-up to municipal elections (+13% over the first nine months). Although slowing from the peak in 2019, business investment should remain strong to meet the pick-up in domestic demand, as production capacity is already under pressure, with an 83% utilisation rate at the end of 2019. Corporate debt will therefore continue to increase (73% of GDP in March 2019). Despite an unfavourable external context (slowdown in the United States and China, weak growth in the EU), exports will remain resilient, thanks to the non-cyclical sectors (aerospace, pharmaceuticals, luxury, cosmetics, defence) and the cost competitiveness gains recorded over the past five years. However, as imports are expected to grow more, driven by robust domestic demand, foreign trade will have a negative impact on growth. As activity cools, insolvencies will rebound slightly in 2020 (+0.9% after -2.5% in 2019).

Public debt relief will wait

The public deficit will be reduced in 2020, following the conversion in 2019 of the tax credit for competitiveness and employment (CICE) into a reduction in permanent employer contributions, which entailed a one-off additional cost for public finances (0.9% of GDP). However, aside from this accounting effect, the deficit will remain stable. Following the "yellow vest" protest movement, the government reduced the income tax rate from 14% to 11% for the first bracket (0.2% of GDP) and re-indexed pensions below EUR 2,000 (0.1% of GDP) to inflation, in addition to the initially planned move to scrap the final third of the housing tax for 80% of households (0.15% of GDP). Despite firm activity and, more importantly, the decline in debt service (-0.2% of GDP), thanks to historically low interest rates, the government deficit will remain high in 2020, and France will be one of the few countries not to see a decline in its public debt, which is among the highest in the Eurozone.

The current account deficit is expected to remain stable in 2020. The goods deficit (2% of GDP), which is mainly due to net energy imports, will again only be partially offset by the services surplus (1% of GDP), which is driven by tourism revenues. Numbers of incoming foreign tourists, which fell by 1.1% in the first nine months of 2019 (including a 10% decrease from the United Kingdom) after two boom years (+9.5% in 2017 and +7.1% in 2018), will continue to be held back by the weak global economic situation. The deficit in the balance of goods and services will therefore widen. Since dividends from subsidiaries of French companies abroad support only a small income surplus (0.1% of GDP), the current account will remain in deficit and will be financed by debt or equity issues held by non-residents.

Limited room for manoeuvre to implement reforms after protests

In power since 2017, President Macron and his centre-liberal La République En Marche (LREM) Party enjoy a large majority in the National Assembly, with 304 seats out of 577. However, in the autumn of 2018, President Macron faced widespread popular protests spearheaded by the "yellow vest" movement. While the protests sputtered in the spring of 2019, partly because of government measures to increase household purchasing power, President Macron now looks to have limited room for manoeuvre to implement major reforms. For example, the pension reform initially planned for 2019, which involves scrapping special schemes and introducing alignment with the universal system, has been pushed back to the summer of 2020 in order to organise a nationwide consultation. Still, this sensitive reform generated major protests in December 2019. European elections in May 2019 showed that the main moderate opposition parties (Socialist Party on the left and Republicans on the right, which took 6% and 8% of the votes respectively), which have been rebuilding since 2017, continue to struggle. As a result, the main rival of the LREM (22%) is the far-right Rassemblement National (RN), which came out on top in the elections taking 23% of the votes. Six months on, polls indicated that the political landscape was still largely dominated by the LREM and the RN, with each taking 28% of the votes, compared with 10% for the other main parties.

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.

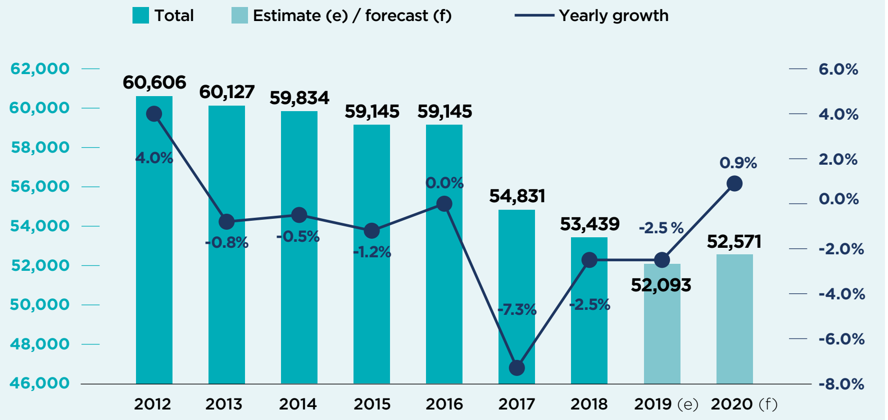
Court-Controlled proceedings

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 FAILURES



Source: Banque de France, Coface.

GABON

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	2.1
GDP PER CAPITA US Dollars - 2018	8,220
CURRENCY CFA franc (CEMAC)	XAF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.5	0.8	2.8	3.0
Inflation (yearly average, %)	2.7	4.8	2.3	1.0
Budget balance (% GDP)	-2.6	-1.2	1.0	0.8
Current account balance (% GDP)	-4.5	-2.4	2.1	0.8
Public debt (% GDP)	62.6	60.6	56.4	53.9

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	35%
EURO AREA	20%
SOUTH KOREA	12%
UNITED STATES	10%
AUSTRALIA	3%

Imports of goods as a % of total

EURO AREA	52%
CHINA	13%
UNITED STATES	5%
INDIA	3%
CAMEROON	2%

+
- 5th largest oil producer in sub-Saharan Africa; Africa's 2nd largest producer of wood; world's leading producer of manganese, a highly sought-after commodity
- 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

A recovery constrained by domestic demand

After benefiting from the rebound in oil production in 2019 (after several years of decline), activity is expected to accelerate at a more measured pace in 2020. Private investment, which has been weak since 2014, is expected to be a major contributor to growth, helped by the government's efforts to increase the attractiveness of the oil sector and in particular by changes to the hydrocarbon law in July 2019. Outside the oil sector, private investment should also continue to grow briskly in the mining (manganese), agri-food (palm oil, rubber) and forestry sectors, although the latter may be affected after its reputation was dented by a corruption scandal. However, while previous investments in these sectors should support exports, the contribution of the trade balance will remain constrained by less favourable oil prices, despite a potential increase in export volumes of oil (which represents about 70% of export earnings). In addition, the restrictive fiscal environment will depress the contributions from public consumption and investment. Meanwhile, the State's major role as an employer means that budgetary constraints are also likely to be reflected in private consumption.

Despite the current account surplus, the external situation remains vulnerable

In 2020, the budget balance is expected to remain positive, while deteriorating slightly. Oil revenues, which make up about 40% of the State's revenues, are set to be affected by lower production gains and less favourable oil prices. Non-oil revenues are expected to continue to increase because of efforts to optimise tax resource mobilisation, notably under the Extended Fund Facility (EFF) program being carried out with the IMF. Fiscal consolidation efforts should also be pursued on the expenditure side, with a focus on containing the State's large wage bill, which absorbs nearly 60% of revenues. Capital investment spending may increase to revive infrastructure projects. Among other things, the savings generated should be put towards clearing domestic and external arrears, and bringing down the debt ratio. However, the large shares of external debt (70% of the total) and foreign currency debt (about 60% of the total) remain sources of vulnerability that could increase the cost of debt service.

In 2020, the current account surplus is expected to decline. In particular, the trade surplus is expected to be lower due to the trend in oil exports. The service account is expected to continue to show a significant deficit, as is the income account, owing to the repatriation of profits by foreign companies. Remittances from foreign workers living in Gabon are expected to maintain the slight deficit in the transfer account. IMF disbursements under the EFF programme (due to end in June 2020) and FDI should support the CEMAC's overall external position and contribute to the replenishment of common foreign exchange reserves. Nevertheless, the country will remain exposed, particularly in the event of a new shock to oil prices, to the liquidity shortages that have regularly affected the Central African monetary zone in recent years.

Relative and fragile political stability

The political situation has remained volatile since the tumultuous re-election in 2016 of President Ali Bongo Ondimba, who has been in office since 2009 after succeeding his father. Admittedly, the divided state of the opposition and the isolation of the President's main opponent, Jean Ping, who continues to claim to be President-elect, have helped to ease the tensions, which were running high after the election. In addition, the national dialogue held in 2017 resulted in a constitutional review in January 2018 that appeared to strengthen the executive. President Bongo also emerged stronger from the October 2018 parliamentary elections, which gave his Gabonese Democratic Party (PDG) an absolute majority in the face of an opposition that was divided and weakened by Mr Ping's call for a boycott. Nevertheless, questions about the President's state of health following his hospitalisation in Saudi Arabia in October 2018, and his five-month convalescence, have led to challenges to President Bongo's authority, including a swiftly aborted coup attempt in January 2019. While these uncertainties have receded since the President returned to the country in March 2019, pending the next elections in 2023, new health problems for the President may be compounded by public dissatisfaction with widespread unemployment and low living standards. Regular civil service strikes attest to the tense social situation. These demonstrations could cause the authorities to deviate from their budgetary commitments, which would undermine the perception of governance. This situation, combined with deficient infrastructure, the non-transparency and unavailability of trade information and complex administrative procedures, makes for a difficult business climate, with Gabon coming 169th out of 190 countries in the Doing Business 2020 ranking.

GEORGIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	3.7
GDP PER CAPITA US Dollars - 2018	4,346
CURRENCY Georgian lari	GEL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.8	4.7	4.6	4.5
Inflation (yearly average, %)	6.0	2.6	4.5	4.0
Budget balance (% GDP)	-0.5	-0.9	-2.5	-2.5
Current account balance (% GDP)	-8.8	-7.7	-6.5	-6.5
Public debt (% GDP)	45.1	44.0	43.0	42.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	20%
TURKEY	16%
RUSSIA	10%
CHINA	9%
AZERBAIJAN	6%

Imports of goods as a % of total

AZERBAIJAN	15%
RUSSIA	13%
EURO AREA	11%
ARMENIA	8%
BULGARIA	8%

- Able to withstand regional economic conditions
- Agricultural, mineral, hydroelectric (almost self-sufficient in electricity) and tourism potential
- International support, in particular from the EU and IMF
- Strategic geographical position (crossing point for Caspian hydrocarbons)

- Small open economy sensitive to regional conditions
- Structural trade deficit, lack of industrial tradition, low diversification, and low value of export products
- Significant rural poverty against a backdrop of unemployment, underemployment and inadequate training
- Low agricultural productivity: the sector accounts for half the working population, but 9% of GDP
- Inadequate transport infrastructure hampers tourism and transit
- Low levels of education and innovation
- Population concentrated in the capital (1/3)
- Relations with Russia undermined by the situation in Abkhazia and South Ossetia
- Governance is poor in terms of anti-corruption, regulatory quality and government effectiveness, but average as regards the rule of law, government accountability and treatment of insolvency

RISK ASSESSMENT

Investment continues to grow strongly

Public and private investment (34% of GDP), 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 and China reassure private firms, as does the three-year USD 285 million Extended Credit Facility granted by the IMF in April 2017. Public investment programmes in infrastructure to take advantage of the country's position and develop tourism are continuing. The other components of growth will be less robust. Exports (copper, wine, spirits, mineral water, ferro-alloys, nuts, medicines) will have to contend with the poor health of the European, Russian and Turkish economies, which will not be offset by the strength of the other Caucasian economies. The 2019 restriction on Georgian wine (10% of exports) imposed by Russia (by far the largest importer) on "health" grounds may continue, as may the ban on direct flights between the two countries, which affects tourism (10% of GDP in 2018), since Russian visitors represent 21% of all tourists. Private consumption is expected to grow moderately. Expatriate remittances (6% of GDP), of which about 60% come from Russia, are flat due to the sluggish Russian economy. The savings rate is rising in line with the introduction of the new pension system in 2019. Credit to the private sector, with outstanding amounts rising from 58% to 66% of GDP between 2017 and 2019, has slowed owing to tougher prudential rules. As part of the "larisation" of the economy initiated in 2017 (63% of deposits and 56% of loans are still in dollars), the conditions for granting foreign currency loans have been tightened. The surge in inflation resulting from the impact of lari depreciation on food prices and the gap with the 3% target led the central bank to raise its key rate to 9% in December 2019.

In-line budgetary performance, but external fragility

Fiscal performance is in line with IMF requirements, while respecting the 4-Point Plan to increase labour productivity, take advantage of the country's location through infrastructure development, improve administrative efficiency and give the private sector a greater role in the economy. The deficit is small and contained. Revenues are being boosted by growth and improved collection. Outside education and social affairs, current expenditure is being reduced to free up more resources for public investment, which will continue to grow (financing is partly covered by multilateral loans). In this context, the debt-to-GDP ratio is expected to stabilise at around 40% (78% of debt is held by external creditors, mainly public, multilateral and bilateral). However, mismanagement of state-owned companies with significant commitments is a risk.

The current account deficit remains high. This is due to the massive deficit in trade in goods (25% of GDP in 2018) linked to the narrow production base, imports of capital goods and the low value of exported products, as well as to the remuneration of foreign investors. Despite tourism earnings, Azeri hydrocarbon transit revenues and expatriate remittances, foreign investment and external financing from both private and public sources are required to close the external accounts. External debt represented 95% of GDP (excluding intra-group loans) at the end of 2018. Public debtors accounted for 37% of the external debt. Official foreign exchange reserves stood at more than three months' imports.

Stormy relations with Russia, which supports the breakaway regions

Tensions persist at the borders with Abkhazia and South Ossetia. The two regions, which cover 20% of the country's territory and have 160,000 and 50,000 inhabitants respectively, have unilaterally proclaimed their independence, with backing from Russia. Trade relations between Georgia and Russia are being held hostage to this situation. Poor relations with the separatist regions hinder land relations with Russia and complicate the management of the Inguri hydroelectric power plant, of which the reservoir is located in Georgia and the plant in Abkhazia. At the national level, the Georgian Dream (GD) Party has 105 seats out of 150 in Parliament, far ahead of the other parties. The presidential election of November 2018, the last to be held by direct universal suffrage, saw the French-Georgian candidate Salome Zurabishvili, supported by the GD, elected with more than 59% of the votes. However, in June 2019, violent demonstrations took place against the government, which was accused of breaking its promises to raise living standards, but also against the situation in the breakaway regions. With support from influential former Prime Minister and multi-billionaire Bidzina Ivanishvili, who took over again the presidency of the GD in May 2018, a new government led by Giorgi Gakharia took office in September 2019. That did not prevent new demonstrations on the grounds that the proportional representation for the next legislative elections at the end of 2020, promised by the new government, was abandoned. Voters are tired after the GD's 13 years of power and distrustful of traditional opposition parties, namely the United National Movement, created by controversial former President Mikhail Saakashvili, and its offshoot, European Georgia.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	82.9
GDP PER CAPITA US Dollars - 2018	47,662
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	1.5	0.5	0.5
Inflation (yearly average, %)	1.5	1.7	1.4	1.4
Budget balance (% GDP)	1.2	1.9	1.2	0.6
Current account balance (% GDP)	8.1	7.4	7.2	6.7
Public debt (% GDP)	65.3	60.9	59.3	57.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	9%
FRANCE	8%
CHINA	7%
NETHERLANDS	7%
UNITED KINGDOM	6%

Imports of goods as a % of total

NETHERLANDS	14%
CHINA	7%
FRANCE	6%
BELGIUM	6%
ITALY	6%

+

- Strong industrial base (25% of GDP, 2018)
- Low structural unemployment; well-developed apprenticeship system
- Importance of family-owned exporting SMEs (*Mittelstand*)
- Relatively low private household debt (95% of disposable income, 2018)
- Importance of the ports of Hamburg, Bremerhaven and Kiel
- Institutional system promoting representativeness

-

- Declining working population from 2020 onwards, despite immigration
- Low bank profitability
- Prominence of the automotive and mechanical industries, particularly in exports (32% of GDP in 2018)
- Capacity constraints, insufficient investment (especially in internet accessibility) and venture capital limit productivity gains
- Eastern *Länder* still lagging behind, although the gap is closing
- Splitting political party system, which the Germans are not used to

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Industrial recession but strong private consumption

The German industry has been in a recession in 2019. Production numbers in a yearly comparison have been almost constantly negative since August 2018 at least until the end of 2019. New orders and several sentiment indicators for the manufacturing sector do not suggest a strong recovery in 2020. The reason for this are numerous. The trade conflict between the United States and China as well as uncertainties related to the Brexit are keeping the uncertainty high, affecting the willingness to invest (equipment investments are 11% of GDP) and are weighing on exporting companies. Lower demand from the main trading partners the United States and China, due to the "soft landing" of its economic growth, are weighing on the German export business (50% of GDP). Both factors should keep on in 2020. In addition, the German car sector continues to struggle with the aftermaths of the Diesel-scandal (including driving bans in some city centers), cyclical factors and the technical transformation towards new driving technology. This has effects on all supply-chain industries like the metal/machinery and the chemical industry. In addition, the climate change with the hot summers of the last years are weighing on the agriculture-sector as well as on the industry with higher energy costs. Since investment goods are the main share of German exports, net exports were negative the third quarter of 2019. However, private consumption (53% of GDP) is still strong, supported by a very tight labour market (unemployment rate with 4.8% in October 2019 on the lowest level since the reunion), a robust wage growth and very low interest rate environment, due to a negative deposit rate of the ECB. Together with a moderate public spending (14% of GDP) and a still vivid construction sector (11% of GDP), private consumption is keeping the German economy in a balance. A major change of this situation is not expected in 2020. The global uncertainty factors will keep on. In general, the German economy should get used to this new *status quo* of higher unsecurity. Therefore, a limited recovery in trading activity is expected. Private consumption should be the main column of the German economy, as long as the weakness of the industry sector will not jump over to the service sector (some corporate-near services were already affected in the second half of 2019) and the unemployment remains at a robust level. The ECB should foster consumption, as it will be still ultra-expansive in 2020, while inflation should remain close to 2019 level. Together GDP growth should remain stable (with calendar effects the GDP growth rate should reach 0.9%, as there are more working days in 2020 compared to 2019).

Public and external surpluses are shrinking

The government plans record investments with €39.8 billion (1.2% of GDP) in 2020. They should mainly support education, the structural change of the withdrawal from lignite mining, environmental protection and the defence sector. Since at the same time the tax revenues should be more modest, the public surplus will shrink. The same is true for the current account surplus, which is expected to diminish further in line with the trade surplus (6% of GDP). The balance of services should remain in deficit due to notably spending by German tourists, while the income balance will remain in surplus as the foreign investments are still increasing quite strong due to the low interest rate environment in Germany.

Grand Coalition under pressure

Following the parliamentary elections of September 2017, a coalition negotiation between the Conservatives (CDU-CSU), the Greens and the Liberals (FDP) failed, so that in the end, under a lot of protest from the party basis of the SPD, the Conservatives and the Social Democrats (SPD) formed the third Grand Coalition under the leadership of Chancellor Angela Merkel (CDU). The half-heartness of the SPD in the Coalition resumed, with two party leaders stepping down since the beginning of 2018. The new SPD leader-duo Norbert Walter-Borjans and Saskia Esken, two left-wing Social democrats tend to leave the Grand Coalition (only possible with the approval of the SPD parliamentary group in the Bundestag). In that case, Merkel could build a minority government until the end of the current term in autumn 2021, she could try again with the coalition CDU-CSU, Greens and FDP or call a new election. Polls show that in a new election, two-party coalitions, even the current one, would not have enough votes, only a three party coalition will have enough support. As no party wants to work with the right-conservative AfD, the formation of new coalitions will get very difficult, as minority governments are uncommon in 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

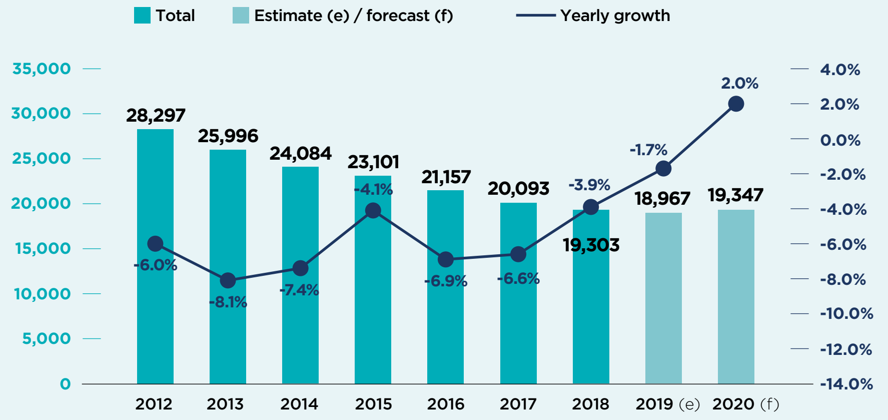
Liquidation may be initiated upon demand of either the debtor or the creditor provided that the debtor is unable to settle its debts as they fall due. Once recognized through a liquidation decision and once the company has been removed from the register, the creditors must file their claims with the 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 FAILURES



Source: Destatis, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	**29.6**
GDP PER CAPITA US Dollars - 2018	**2,217**
CURRENCY Ghana cedi	**GHS**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	8.1	6.3	6.6	5.7
Inflation (yearly average, %)	12.4	9.8	8.6	8.1
Budget balance* (% GDP)	-4.8	-7.2	-6.0	-4.8
Current account balance (% GDP)	-3.4	-3.3	-3.3	-3.5
Public debt (% GDP)	55.6	57.6	60.2	60.4

(e): Estimate. (f): Forecast. * Financial sector bailout cost included in 2018 and 2019.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	21%
EURO AREA	18%
CHINA	12%
SOUTH AFRICA	10%
SWITZERLAND	10%

Imports of goods as a % of total

EURO AREA	20%
CHINA	19%
UNITED STATES	8%
INDIA	6%
UNITED KINGDOM	5%

- Significant mining (gold), agricultural (cocoa), oil and gas resources
- Stable democracy
- Attractive business environment, favourable for FDI
- International financial support

- Infrastructure gaps (energy, transport)
- Dependent on commodity prices (gold, oil, cocoa)
- Fragile banking sector

RISK ASSESSMENT

Growth exposed to hydrocarbon-related developments

Growth is expected to be slightly lower in 2020, in line with developments in the hydrocarbon sector. The contribution of the trade balance, which has been a major driver of the pick-up in activity since 2017, is thus set to weaken, amid reduced oil and gas production gains and softer oil prices. While cacao production is expected to continue to be affected by the fight against cacao swollen-shoot virus (CSSV), bean exports will also likely suffer. Conversely, gold exports could benefit from the redevelopment of the Obuasi gold mine, which shut down in 2014, and from a rise in prices fuelled by global economic uncertainties. Growth will be supported by public consumption and investment, which are expected to increase in the election year. Public expenditure will focus on the One District, One Factory programme, which will benefit manufacturing activities, mainly in the agro-industry sector. However, financing constraints could limit the contribution of these growth drivers. Private investments in infrastructure (including roads and railways), but also in manufacturing, mining (bauxite) and oil (Pecan oil field) are expected to support the construction sector. However, a new wave of capital outflows, triggered, for example, by fiscal slippage in the run-up to elections, could depress the sector's prospects, as cedi depreciation pushes input costs higher. Such a scenario could also weaken the contribution of private consumption, which is set to benefit from an upturn in lending and the disinflationary trend. Services, particularly financial services, which are recovering following the sector's consolidation, should thus remain dynamic.

2020: a year of fiscal risk?

The impact of the cost to rescue the financial sector, which has weighed on public finances in recent years, is expected to fade in 2020, supporting a reduction in the budget deficit. Revenue should continue to improve, thanks in particular to the introduction of digital tax payment systems. However, the difficulties in containing the State's wage bill (about one-third of expenditure) and the debt service burden (absorbs one-third of revenue) will continue to pressure the deficit, squeezing capital investment expenditure. In addition to commitments to the financial sector, those of state-owned energy companies, which are plagued by cash flow problems and operational inefficiency, could increase the deficit. Fiscal slippage in election years has regularly affected the public finances in the past, so the Fiscal Responsibility Act passed in December 2018, which caps the budget deficit at 5% of GDP, is likely to be put to the test with the 2020 elections. These risks continue to pose a significant threat of debt distress. The exposure of external debt (about 50% of the total) to foreign exchange risk and the share of commercial loans (50% of external debt) are additional sources of vulnerability.

In 2020, the current account deficit is expected to widen modestly, due to a slight deterioration in the trade balance. The income balance is also set to deteriorate, in line with increased debt service payments. Despite the positive remittance-fuelled contribution from the transfer account, the services deficit will continue to weigh on the overall balance. Although the current account deficit is mainly financed by FDI, the cedi may continue to come under pressure as a result of portfolio investment-related capital outflows. Recurrent pressures on the cedi played a part in eroding the foreign exchange reserves, which nevertheless recovered to a level equivalent to more than four months of imports in 2019 thanks to the issuance of a Eurobond in March 2019, which increased debt.

2020 duel feels like déjà vu

Elected in December 2016, President Nana Akufo-Addo of the New Patriotic Party is expected to stand for re-election in the November 2020 elections. He will face John Mahama, his predecessor, who was defeated in the 2016 election and who will be running for the National Democratic Congress. Despite the efforts of the other opposition parties to make Ghana's political life less bipolar, victory is likely to be contested by the two parties that have dominated the political scene since 1992. The political climate may become tenser as election day approaches, as evidenced by (isolated) cases of violence between supporters of both sides in by-elections in 2019. The announcement of a failed *coup d'État* in September 2019 suggests that there is a risk of political violence. Nevertheless, despite fierce rivalries at times between the two main parties, the fact that respect for constitutional norms has been entrenched for almost three decades suggests that it would be difficult to obtain popular support to overthrow the institutional order and undermine the country's political stability. Despite high growth rates, the lack of progress in reducing poverty and fighting corruption continues to fuel popular frustration and will likely dominate the presidential campaign. The business environment remains relatively favourable compared with Ghana's regional peers (118th out of 190 countries), despite persistent issues relating to the infrastructure gap and red tape.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	10.7
GDP PER CAPITA US Dollars - 2018	20,317
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.5	1.9	2.0	2.2
Inflation (yearly average, %)	1.1	0.8	0.6	0.9
Budget balance (% GDP)	1.0	1.0	-0.3	-1.0
Current account balance (% GDP)	-2.4	-3.5	-3.0	-3.3
Public debt (% GDP)	179.3	184.8	176.6	171.4

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

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	10%
GERMANY	6%
TURKEY	6%
CYPRUS	6%
BULGARIA	4%

Imports of goods as a % of total

GERMANY	11%
IRAQ	8%
ITALY	8%
RUSSIA	8%
CHINA	6%

+
- Support from the international financial community; possible debt relief
- World leader in maritime transport
- Tourist destination
- Business climate set to improve under new government

−
- Very high public debt
- Very poor quality bank portfolio; high level of non-performing loans
- 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

The recovery's momentum continues

In 2020, growth will continue to accelerate, but is unlikely to reach the levels projected by the new government (close to 3%). The tourism boom has been instrumental for resurrecting the Greek economy: the number of yearly visitors has now surpassed 30 million, and revenue from travel receipts increased by 13.6% in the first half of 2019 relative to the same period last year, reflecting higher individual expenditures. The country is now shifting to domestically driven growth. In 2019 and 2020, virtually the entire growth contribution will come from consumption and investment, as the contribution of net exports becomes neutral. Notably, private investment is projected to yet again grow near the 10% mark. Household consumption will grow at 0.8%, supported by rising wages and declining unemployment, which will nonetheless remain in excess of 17%. Absent productivity growth, rising wages will harm competitiveness. FDI (1.5% of GDP) will be the main source of financing for capital investment, as banks remain too encumbered by bad assets to finance the economy. At around 35%, the level of non-performing loans (NPLs) remains the largest in the Eurozone by an order of magnitude, and so private credit growth remains negative (-10% year/year in September 2019). Intricate links persist between the financial health of banks and the State: exposure to the sovereign represents 180% of tier 1 capital, contingent guarantees amount to 5% of GDP, the State holds significant stakes in the three largest banks. Therefore, the threat of the sovereign-bank doom loop is still latent. Nonetheless, thanks to the Hercules bad bank scheme, banks will be able to offload €30 billion of the €75 billion NPL stock.

The new government doubles down on fiscal consolidation

Athens aims to repeat the outstanding fiscal performances of recent years by encouraging investment and private spending through tax cuts, hoping that the growth of the tax base will more than compensate the decrease in marginal rates. The planned tax cuts concern the corporate tax rate (29% to 24%), the income tax for poor earners (22% to 9% for annual incomes under €10,000) and the dividend withholding tax (10% to 5%). In addition, the solidarity contribution (a 10% add-on to the tax rate for high earners) and the business activity duty (a licensing fee for self-entrepreneurs) are to be scraped altogether. These measures will amount to about €1 billion in stimulus, €600 million for corporations and €400 million for households. Judicial initiatives to overturn public salaries and pension reforms constitute a low-probability, high-stakes fiscal risk. If the courts rule against the state, one-off retroactive payments could amount to nearly 4.5% of GDP. Tax collection will remain a significant challenge: thanks to a weak repayment culture, the VAT gap (the difference between expected and collected revenue) is of 33%. In order to enlarge the tax base, the 2020 budget will raise the minimum share of electronic payments required for tax credits and introduce real-estate taxation based on market prices. The gradual stabilization of the economy permitted the lifting of the last remaining crisis-era capital controls in September. After receding slightly in 2019 due to the record tourism performance and shipping services, the current account deficit will rebound slightly as imports rise with domestic demand. The structural trade deficit is explained by a weakly diversified and low value added manufacturing sector. The government is projected to meet its demanding fiscal targets (3.5% primary surplus) and thus reduce public debt, most of which is official in nature.

An ambitious pro-growth agenda following snap elections

On July 7, 2019, center-right New Democracy won a landslide victory (39.8% of the vote) over incumbent Alexis Tsipras' leftist Syriza Party (31.5%). Its leader, Kyriakos Mitsotakis, holds an outright majority with 158 out of 300 seats in Parliament, as the winner receives 50 extra seats. Mitsotakis aims to resuscitate private investment through a decidedly pro-business reform agenda. A major milestone will be the launch of the Hellinikon urban regeneration project. Valued at €8 billion, the project aims to develop an area three times the size of Monaco around the former Athens international airport. Other planned projects include the Skouries and Olympias mines in the north (€1 billion), the development of the Piraeus port area (€800 million), and smaller scale pharmaceutical investments totaling €460 million. After 28 years, an agreement was reached over the Macedonia naming dispute, and so Greece will stop blocking North Macedonia's initiatives in multilateral instances (EU and NATO).

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.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	17.3
GDP PER CAPITA US Dollars - 2018	4,545
CURRENCY Guatemalan quetzal	GTQ

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.8	3.1	3.3	3.3
Inflation (yearly average, %)	4.4	3.7	4.2	4.2
Budget balance (% GDP)	-1.3	-1.7	-2.0	-2.4
Current account balance (% GDP)	1.5	0.8	0.6	0.6
Public debt (% GDP)	23.7	24.7	25.2	25.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	37%
EL SALVADOR	12%
EURO AREA	8%
HONDURAS	7%
NICARAGUA	5%

Imports of goods as a % of total

UNITED STATES	38%
CHINA	11%
MEXICO	11%
EURO AREA	7%
EL SALVADOR	5%

- Financial support from the US and multilateral lenders
- Free trade agreements with the US and EU
- Geographic proximity to the US and Mexico
- High potential for tourism, agriculture (bananas, coffee, sugar), mining, hydroelectric and geothermal energy

- 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
- Security issues related to drug trafficking

RISK ASSESSMENT

Growth reliant on remittances from expatriates in the United States

Private consumption, which accounted for 88% of GDP in 2018, will continue to drive economic growth in 2020. Household consumption will be financed by remittances from expatriates in the United States. After several years of strong growth (+13.5% in the first nine months of 2019), these foreign exchange flows are expected to decelerate in 2020 amid a sharp slowdown in the United States and the tightening of the Trump administration's migration policy. With only 400,000 legal immigrants out of an estimated 2.7 million Guatemalans in the United States, President Trump's increase in border removals could affect this important source of household income. However, the accommodative monetary policy in place since 2013 (official rate set at 2.75%) coupled with the fact that inflation is contained in the central bank's target window (4%+/-1%) should stimulate domestic demand as a whole. When Alejandro Giammattei takes office in January 2020, public spending should be boosted to fulfil campaign promises (construction of health centres, schools, housing). However, the new administration will be constrained by the fragmented Parliament and the lack of agreement on the 2020 budget, which has led to the extension of the 2019 budget. Foreign direct investment in the construction sector is poised to increase as a result of recent reforms relating to building permits. However, uncertainty about possible retaliation by the United States in the event that the migrant pact is renegotiated should encourage investors to be cautious.

The agricultural sector is expected to rebound thanks to an increase in coffee prices following the decline in Brazilian production. However, the sector will remain exposed to climatic conditions. The mining sector will continue to suffer from legal disputes with indigenous populations over mining operations.

The approval of budgetary measures exposed to political struggles

The 2020 budget prepared by the previous administration was rejected by deputies at the end of November 2019 due to a lack of transparency and corruption attempts to obtain its approval. The new government of A. Giammattei will therefore have to work over the first few months with an adjusted 2019 budget to meet the new priorities, while complying with previous commitments, particularly in terms of salary increases. With one of the lowest revenue collection rates in the region, one of the priorities for the upcoming budget negotiations will be to increase revenue in the face of an increasing debt service burden (14% in 2018). The level of public debt remains very low compared to other countries in the region.

In 2020, the current surplus is expected to narrow as expatriate remittances weaken. These currency flows finance the trade deficit, which is expected to remain stable. The rise in coffee prices will drive external agricultural sales, offsetting the slowdown in US demand that will depress textile exports. Softer oil prices will counterbalance demand for capital and construction goods at the import level. In this context, foreign exchange reserves will remain comfortable – they stood at 8.4 months of imports in July 2019 – helping to support the Guatemalan quetzal.

A President who is powerless in the face of many challenges

Alejandro Giammattei, of the centre-right Vamos party, was elected in August 2019 and will take office in January 2020. He succeeded President Jimmy Morales, who was constitutionally barred from running for a third term. The campaign saw two of the main candidates eliminated by much criticised Supreme Court decisions a few months before the election. With public mistrust of politics running high, there is much expectation regarding President Giammattei's action on corruption, after former President Jimmy Morales expelled the CICIG, the UN-backed anti-corruption commission, from the country following the launch of investigations into his relatives. However, the new President's action on security, tax and social issues will be curtailed by Guatemala's fragmented Parliament, where his Vamos party has only 16 seats out of 160.

From an international point of view, the main issue will be migration and the "safe third country" agreement with the United States signed by the Morales administration in the summer of 2019. This agreement requires migrants en route to the United States *via* Guatemala to submit their asylum application there and wait for the US administration to process their request. This agreement has been fiercely criticised given the country's challenging security situation. While he has spoken out against the agreement, President Giammattei has little room for manoeuvre to renegotiate after the United States threatened to tax expatriate remittances and cut development aid again if the agreement was not signed. The business environment remains deficient, with Guatemala ranking 96th out of 190 countries in the Doing Business 2020 ranking.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

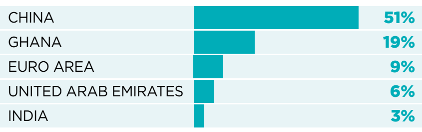
POPULATION Millions of persons - 2018	13.3
GDP PER CAPITA US Dollars - 2018	910
CURRENCY Guinean franc	GNF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	10.0	5.8	5.9	5.6
Inflation (yearly average, %)	8.9	9.8	9.6	9.9
Budget balance (% GDP)	-2.0	-1.2	-2.5	-2.8
Current account balance (% GDP)	-7.1	-18.4	-20.7	-18.1
Public debt (% GDP)	39.7	38.6	45.2	45.0

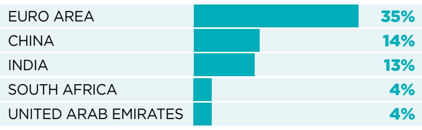
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+
- 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

−
- Reliant on mining and energy prices
- Dependent on Chinese demand for bauxite
- Inadequate infrastructure, especially in the electricity sector
- Difficult business climate

RISK ASSESSMENT

Slower Chinese demand and political risk threaten robust growth

As in 2019, growth is expected to remain robust in 2020, supported by public and private investment. The public portion will be mainly driven by investment in transport and energy infrastructure, as well as agricultural development within the framework of the National Economic and Social Development Plan (PNDES). Upgrades to the road network, laying of power lines and work on hydroelectric dams (Souapiti, Koukoutamba, Amaria) will make construction an engine of growth. Private investment is also expected to contribute to infrastructure development, but will be mainly concentrated in the mining sector, particularly in bauxite projects. However, investors may delay their decisions in view of concerns about political uncertainties in 2020. The increase in mining production is expected to drive a positive contribution from foreign trade. However, trade will be impacted by cooler Chinese demand. Improved agricultural yields may support private consumption, since more than 80% of the population depends on the sector, but high inflation, particularly with the increase in electricity prices, will erode household incomes. This growth driver could also be affected by growing anxiety as the 2020 elections approach.

Capital investment maintains the current account deficit

After growing due to the increase in electricity subsidies in 2019, the budget deficit is expected to continue to widen in 2020. Despite measures to improve revenue collection, the budget balance is expected to be affected by higher investment and election-related spending. Support for PPPs and efforts to contain current expenditure, in particular by controlling the civil service wage bill, will nevertheless aim to limit the increase in public expenditure. Conversely, the financing needs associated with state-owned company Electricité de Guinée or election-related budgetary slippage could lead to additional expenses. Although the country is endeavouring to rely mainly on domestic borrowing, the use of concessional and non-concessional external financing (particularly from China) is expected to continue. However, the risk of debt distress remains limited.

In 2020, the current account deficit will remain very high, mainly due to imports of capital goods. The trade deficit should, thus, remain substantial, despite the increase in mining exports. The services account will also record a deficit due to freight and construction-related services. Profit repatriations by foreign companies (mainly mining) are expected to sustain the income deficit. The small surplus in the transfer balance, maintained by transfers received from Guineans abroad, will contribute only marginally to reducing the current account deficit. Nevertheless, FDI and project loans should make it possible to finance this deficit. Also, the upward trend in foreign exchange reserves (less than 3.5 months of import coverage) and the stabilization of the Guinean franc may continue, but these trends will remain vulnerable to an external shock.

Heightened tensions as elections approach

Tensions are mounting in Guinea as the October 2020 presidential election draws nearer. A key focus of these tensions is the suspected intention of Alpha Condé, the first democratically elected President in 2010, who was re-elected in 2015, to run for a third term, even though this is prohibited under the country's constitution. Protests against a third term - which were triggered by the launch in September 2019 of consultations paving the way for a constitutional reform - turned deadly as tensions escalated. Finally confirmed in December 2019, the upcoming constitutional referendum could allow Alpha Condé to stay in power for another 12 years, by instituting a new renewable six-year presidential term. Against this backdrop, the new postponement of parliamentary elections, initially scheduled for September 2018, to February 16, 2020 is a source of frictions with the opposition. While in the current legislature, the RPG Arc-en-ciel (53 seats out of 114) led by President Condé owes its majority to the informal support of the ten members of the Union of Republican Forces (UFR), the goal of legislative elections would be, according to the President's critics, to secure the two-thirds majority necessary for constitutional reform. These multiple elections in 2020 are therefore expected to be contentious and could exacerbate social frustrations arising from widespread poverty, the perception of corruption and the impact of the mining industry on the environment and the power supply. The risk of violence cannot be ruled out, as previous elections, including the most recent one (February 2018 municipal elections), have featured violent incidents and accusations of fraud. In a country that suffers from an unfavourable business climate (156th out of 190 countries in the Doing Business 2020 ranking), the possibility of violence could frighten off investors.

COFACE ASSESSMENTS	
COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	**0.8**
GDP PER CAPITA US Dollars - 2018	**4,984**
CURRENCY Guyana dollar	**GYD**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.1	4.1	4.4	85.6
Inflation (yearly average, %)	1.9	1.3	2.1	3.3
Budget balance (% GDP)	-4.4	-3.5	-5.0	-0.7
Current account balance (% GDP)	-6.8	-17.5	-22.7	-18.4
Public debt (% GDP)	51.4	52.9	55.4	29.6

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

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	28%
UNITED STATES	14%
PANAMA	11%
EURO AREA	11%
UNITED ARAB EMIRATES	7%

Imports of goods as a % of total

TRINIDAD AND TOBAGO	31%
UNITED STATES	28%
CHINA	9%
SURINAME	5%
EURO AREA	5%

- Significant public investment in infrastructure and telecommunications
- Attractive prospects for investors in mining, hydroelectric power and agriculture
- Abundant offshore oil and gas reserves, to be developed from 2020
- Member of the Caribbean Community and Common Market (CARICOM)

- Reliance on natural resources (gold, bauxite, sugar, rice, wood and, above all, oil from 2020 onwards)
- Shortcomings in transport, education and health infrastructure
- Low-skilled local labour force and large-scale emigration of educated workers
- Sensitive to weather events (region severely 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 (ranked 93/180 by Transparency International's Corruption Perceptions Index in 2018)

RISK ASSESSMENT

Emerging oil industry to boost the economy

The commencement of oil production should pave the way for exceptional growth in activity in 2020. An offshore oil field was discovered by the American company Exxon-Mobil off the coast of Guyana in 2015. Since then, explorations have revealed much higher quantities of oil than initially announced, at more than 6 billion barrels. This sector will become a key source of growth by the first quarter, which should see 120,000 barrels of crude oil extracted and marketed per day.

At the same time, Guyana is experiencing solid non-oil growth, based on an expansion across all the country's major sectors that is expected to continue in 2020. Construction is set to be boosted by substantial private and public investment in infrastructure projects related to oil activity (including roads and electrical installations). Growth should also be driven by agricultural (rice), fishing (shrimp) and mining (gold and bauxite) activities, whose production is largely export-oriented. Sugar production is expected to continue to decline, but this should be offset by good performances in rice production thanks to the introduction of a new high-yielding variety last year. Mining production is also expected to increase (particularly gold) on the back of significant credit and road network development.

Inflation looks likely to accelerate following demand pressures, but household consumption, supported by economic activity and remittances from Guyanese expatriates, is not expected to be affected.

With oil revenues yet to kick in, the external deficit persists

The budget deficit is expected to disappear almost entirely. Although this will be partly thanks to increased revenues, resulting from better tax collection following steps to modernise the tax administration, the key factor will be taxes and royalties linked to oil production. Spending is set to increase, but at a slower pace, as the government pursues its expansionary policy of major infrastructure investment and sugar sector restructuring. The debt burden (two-thirds foreign, but contracted with multilateral donors at concessional rates) as a proportion of GDP will decrease significantly, reducing insolvency risk. In addition, the risk of an "oil curse" associated with the economy's transformation is expected to be mitigated by the creation in July 2019 of the Natural Resource Fund (NRF), a sovereign wealth fund responsible for managing oil revenues in a transparent and fiscally responsible manner. To this end, the country has also joined the Extractive Industries Transparency Initiative.

Looking at the external accounts, the structural trade deficit should narrow owing to the substantial increase in exports with the start of oil activity. While the country has previously relied on the agricultural and mining sectors to support its current account, the emerging oil industry will be the main source of export growth in 2020. However, the net effect will be mitigated by massive imports of the capital goods necessary for oil extraction. Remittances from expatriate workers (11.5% of GDP in 2018) are expected to continue to increase. As imports and exploration activities are financed by foreign companies, FDI (6.5% of GDP) will increase rapidly and finance the current account deficit. Exchange rate flexibility remains on the monetary authorities' agenda as they seek to improve the adjustment to exogenous shocks.

A tense political climate

The country has been controlled since 2015 by President David Granger, who heads a multi-ethnic coalition led by two parties, APNU and the AFC. His government has carried out structural reforms to improve the business environment and fight corruption, in order to maximise opportunities related to oil development. Despite this, the business environment remains risky, with the country ranked 134th out of 190 in the World Bank's Doing Business 2020 ranking. In December 2018, Parliament passed a motion of no confidence in the government which, after a court battle lasting several months, was finally declared valid by the Caribbean Court of Justice (Guyana's highest appellate body) in June 2019. The next elections, scheduled for March 2020, promise to be very competitive between the presidential coalition and the PPP/C (the party that held power from 1992 to 2015).

Despite an international decision fixing the current borders, in 2015 Venezuelan President Nicolas Maduro affirmed his country's sovereignty over nearly two-thirds of Guyana's territory and maritime area. This followed news of the discovery of the oil field in the disputed area off the coast of Guyana, rekindling a dispute that is already over a century old. The UN granted the two countries a negotiation period (until the end of 2017), but this failed to resolve the conflict, which is expected to intensify with the start of oil production in 2020. The case is now before the International Court of Justice.

HAITI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	11.1
GDP PER CAPITA US Dollars - 2018	869
CURRENCY Haitian gourde	HTG

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.2	1.5	-0.1	0.8
Inflation (yearly average, %)	14.7	13.7	17.6	17.1
Budget balance* (% GDP)	-1.9	-3.5	-4.6	-5.1
Current account balance (% GDP)	-3.7	-4.1	-2.9	-3.5
Public debt (% GDP)	31.0	33.3	36.5	36.5

(e): Estimate. (f): Forecast. * Fiscal year from 1st October 2019 to 30th September 2020.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	79%
EURO AREA	4%
DOMINICAN REPUBLIC	4%
CANADA	4%
MEXICO	2%

Imports of goods as a % of total

CHINA	21%
UNITED STATES	20%
NETHERLANDS ANTILLES	16%
EURO AREA	7%
INDONESIA	6%

- Development and reconstruction programs established with international donors
- Membership of regional organisations (Association of Caribbean States, Organization of American States, CARICOM, CARIFORUM)
- IMF concessional interest-free loan granted in 2019 for USD 229 million over three years

- Highly vulnerable to natural disasters, including hurricanes and earthquakes
- Low level of development and extreme poverty (HDI ranking of 168 out of 189)
- High unemployment rate (over 35%)
- Dependent on expatriate remittances, international donations and the United States
- Import dependency
- Lack of infrastructure, particularly energy infrastructure (70% of population does not have access to electricity)
- Poor governance and low-quality business environment (179th in the 2020 Doing Business ranking); large informal sector
- Political instability and insecurity

RISK ASSESSMENT

Growth hampered by political instability

Growth will be weak in 2020, still affected by political and economic instability, as well as inflation, which is putting a dampener on household consumption. Household purchasing power is hurt by high inequality and extreme poverty, which, combined with high inflation, are reducing consumption. Conversely, consumption is supported by expatriate remittances (32% of GDP in 2018), mainly from the United States. Demonstrations led to the country's near-total shutdown for several months, paralyzing shopping malls on a regular basis and scaring off foreign investors. This situation is causing private investment to slacken. Capital outflows are supporting currency depreciation, further fuelling inflation, which is already being exacerbated by monetization of the public deficit. The textile sector, the only one that saw growth in 2019, is expected to drive the growth of the formal sector through its exports (90% of exports and 10% of national GDP). It enjoys preferential access to the US market, notably through the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE II) initiative. Tourism is being adversely affected by the political climate and particularly by Haiti's classification as a dangerous destination by the United States and other countries. The agricultural sector (40% of employment and 20% of GDP), which is mainly informal and characterised by small, unproductive farms, is highly exposed to frequent natural disasters.

Public and external accounts dependent on foreign aid

Public accounts, which were battered by Hurricane Matthew in 2016, will remain in deficit. In March 2019, the country signed a three-year Extended Credit Facility with the IMF for USD 229 million (2.6% of the 2019 GDP). However, release of the funds is conditional upon approval of a budget, a process that is rendered impossible by government instability. The country is therefore currently operating under the 2017-2018 amending budget. Energy subsidies are a significant tax burden (traditionally about 3.5% of GDP). The occurrence of climatic hazards could force the government to incur additional expenses. The public deficit is mainly financed by the central bank, but also by international aid and direct budget transfers, notably from the EU and the World Bank. Public debt is largely external and denominated in dollars, due to concessional loans contracted from Venezuela through the Petrocaribe Program, although the resources provided have dropped sharply since 2016.

The current account deficit is mainly due to a chronic trade deficit (more than 35% of GDP in 2018), as underdiversified domestic production necessitates sizeable imports. Textile exports could suffer from slower demand globally, but especially in the United States, which is Haiti's number-one export market. The decline in exports of traditional goods such as coffee, cocoa and mangoes is expected to continue in line with the weak state of the agricultural sector. Ongoing devaluation of the gourde will drive imports up, although lower oil prices should mitigate this effect (oil imports account for more than 10% of the total). The current account deficit is reduced by migrant remittances (32% of GDP) and grants (5% of GDP). Foreign exchange reserves cover about five months of imports.

Unprecedented political, economic and social crisis

Since September 2019, the country has been at a standstill, with fuel shortages and inflation forcing Haitians to take to the streets. The popular protest movement launched in July 2018 is a response to the high cost of living and widespread corruption, with Haiti ranked 161st out of 180 in Transparency International's corruption index. Anger was heightened by the publication in February 2019 of an audit by the court of auditors finding that aid provided under the Venezuelan Petrocaribe programme (over USD 3.8 billion between 2008 and 2016) had been misused. Specifically, the report highlighted the personal role played by President Jovenel Moïse in these activities. Haitians and most political parties are calling for his resignation, but he refuses to step down. A wave of often violent demonstrations that began in mid-September resulted in at least 42 deaths over two months, including 19 people who were killed by the police. Violence and insecurity are spreading and worsening. Against this backdrop, the legislative election scheduled to take place in October 2019 has been postponed indefinitely. Additionally, the humanitarian situation is growing increasingly alarming, while imports of food, medicines and international aid are hampered by instability. In the words of UN Secretary-General Antonio Guterres: "the protracted multidimensional crisis with which it [Haiti] has been contending since July 2018 shows little sign of abatement or resolution".

Cross-border relations with the Dominican Republic will remain tense, due to conflicts over Haitian immigration and border control, which the neighbouring country has stepped up following the deterioration in the political situation in Haiti. Massive deportations of Haitians are expected to continue, impacting trade between the two nations, keeping 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 - 2018	9.4
GDP PER CAPITA US Dollars - 2018	2,524
CURRENCY Honduran lempira	HNL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.8	3.7	3.2	2.9
Inflation (yearly average, %)	3.9	4.8	4.9	4.3
Budget balance (% GDP)	-0.8	-0.9	-0.9	-0.8
Current account balance (% GDP)	-1.8	-4.2	-4.2	-4.5
Public debt* (% GDP)	39.9	41.8	42.1	42.0

(e): Estimate. (f): Forecast. * including all non-finance public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	35%
EURO AREA	26%
EL SALVADOR	8%
NICARAGUA	5%
GUATEMALA	5%

Imports of goods as a % of total

UNITED STATES	42%
CHINA	10%
GUATEMALA	7%
MEXICO	7%
EURO AREA	6%

+

- Privileged relations with the United States (preferential trade agreements)
- Agricultural, mining and tourism resources
- Under IMF programme up to 2021

-

- 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 economic informality: 70% of the working population is affected

RISK ASSESSMENT

External factors weigh on growth

In 2020, activity will be less dynamic, exposed to the American slowdown and coffee prices that are still too low. The agricultural sector, 14% of GDP in 2018, will continue to suffer from the impact of the drop in coffee prices in 2018 due to Brazil's production surpluses. The drop in Brazilian production in 2020 should allow for a raise in coffee prices at the end of the year, but it will not be enough to lead to a real recovery of the sector in the country as the leaf rust epidemic still heavily affects coffee plants. The Honduran industry, mainly oriented towards the production of intermediate goods in *maquilas* (export factories), should suffer from the decline in American demand. This will mainly affect textile products, the country's first export, as well as capital goods. Activity will be lower in construction, following the postponement of various public infrastructure projects due to the difficulties of the national electricity company that is weighing on public finances. The high potential for tourism will continue to be under-exploited due to the high level of drug-related violence.

Private consumption, which accounts for more than 90% of GDP, should be affected by the reduced dynamism of remittances from expatriate workers as the revocation of the Temporary Protected Status decided by the Trump administration comes into force on January 1, 2020. Although this measure affects only a small proportion of Honduran migrants living in the United States (8.7%), combined with the tightening of US migration policy and the slowdown in the US economy, it should limit the growth of these foreign exchange flows of which the United States is the main source. However, consumption should continue to be supported by strong credit growth (+14.3% at the end of 2018), particularly in US dollars. The risk of dollarization of the economy will be one of the elements monitored by the central bank for its monetary policy decisions, in parallel with the monitoring of inflation that should remain within the window targeted by the central bank (4% +/-1%). The weaker economic activity should lead to an easing of monetary policy with an initial cut of 0.25 basis points in the key rate to 5.50% in December 2019.

Fiscal health supported by the IMF but more vulnerable external accounts

Since obtaining the IMF's first Extended Fund Credit Facility in 2014, for three years, many efforts have been made to clean up the public accounts, allowing a second agreement to be signed in July 2019 to continue reforms. The Fiscal Responsibility Act sets the non-financial public deficit at 1%, a target that was met again in 2019, despite the financial difficulties of the national electricity company (ENEE) which weigh on the State budget. The USD 311.3 million in IMF assistance over two years will therefore be mainly dedicated to implementing the reforms needed to make this company viable. In this context, the risk on debt, at 60% concessional, remains low and below the levels observed among peers.

The current account deficit should increase in 2020, in line with the decline in exports that will widen the trade deficit. The remittances of expatriates, which will be less dynamic in 2020, will not make it possible to compensate for this deficit, or the one of the income balance that is in deficit due to the repatriation of dividends from foreign companies. The balance of payments will be balanced by FDI directed towards the financial sector, insurance and business services, and *maquilas*, as well as by foreign exchange reserves that remain at a comfortable level, equivalent to 5.7 months of imports.

A weakened president to face social and diplomatic challenges

Following a controversial election and major drug trafficking cases in his entourage, President Juan Orlando Hernandez (Partido Nacional) enjoys a very low level of popularity. The division in the opposition maintains his power. Plans to reform the health and education systems have triggered large waves of protests against an "attempt to privatize education and health", raising the risk of new social tensions in 2020. To this can be added the challenges of fighting poverty (39% of households live in extreme poverty and only 25% benefit from social security), the endemic violence associated with drug trafficking and the reintegration of candidates who failed to emigrate to the United States.

The migration issue will be at the center of discussions with regional partners, as well as with the United States. Indeed, the migration policy adopted by Donald Trump aims to place greater responsibility on the countries of origin and transit of migrants, and is reflected in increased diplomatic pressure to sign agreements with safe third countries to return migrants and force them to seek asylum. Despite too limited means to ensure the security of migrants, the government could not resist pressure from its main trading partner and signed an agreement in September 2019, which allows for the repatriation of migrants who transited *via* the country on their way to the US.

HONG KONG (SAR)

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	7.5
GDP PER CAPITA US Dollars - 2018	48,451
CURRENCY Hong Kong dollar	HKD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	3.0	-1.2	0.0
Inflation (yearly average, %)	1.5	2.4	2.3	2.0
Budget balance (% GDP)	7.5	3.4	-0.2	0.5
Current account balance (% GDP)	4.7	4.3	3.0	3.0
Public debt (% GDP)	0.1	0.1	0.1	0.1

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	55%
UNITED STATES	8%
EURO AREA	6%
INDIA	3%
JAPAN	3%

Imports of goods as a % of total

CHINA	45%
TAIWAN	7%
SINGAPORE	6%
SOUTH KOREA	6%
JAPAN	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

- Lack of innovation and diversification of the economy
- Exposure to slowdown in mainland China
- Mismatch between business cycles in the United States and China, as the HKD is pegged to the USD
- Real estate sector risks and housing affordability
- Rising income inequality and social discontent
- Industry has fully relocated to mainland China

RISK ASSESSMENT

Recessionary pressures will extend into H1 2020

Growth contraction is expected to continue at least into the first half of 2020. The trade war between the US and China has impacted exports, which represent over 190% of Hong Kong's GDP, the majority of which are re-exports from mainland China. In addition, private consumption, which accounts for more than 65% of GDP, has suffered because of protracted social unrest in Hong Kong. This has ensued several months of protests, resulting in a double-digit contraction in retail sales that will continue in 2020. The service sector is also dependent on tourism revenues, which declined by -30% year on year in the second half of 2019, led by fewer Chinese tourist arrivals (75% of total). Inflation remains low and the labour market tight (unemployment rate around 2.5%). This should spur real wage growth under normal conditions, but unemployment is set to increase in 2020 in the service and retail sectors, while inflation will likely tick up slightly on higher food prices, 90% of which is imported from abroad.

Investment growth (21% of GDP) might stall on the back of weaker sentiment stemming from the trade war and ongoing protests. Credit conditions have turned more favourable, in line with three interest rate cuts by the U.S. Federal Reserve (Fed). Hong Kong has a currency board so the Hong Kong Monetary Authority (HKMA) follows monetary policy directions from the Fed. However, excess liquidity in order to avoid downside pressures on the housing market has translated into limited transmission of the three rate cuts in 2019. As a result, housing prices may correct further in 2020, which will drag further on consumption through the wealth effects. Public investment will improve, but this will only be marginal, as a number of large-scale infrastructure projects (fast speed rail to Guangzhou and the Hong Kong-Zhuhai-Macao Bridge), were completed in 2019. The government announced fiscal stimulus measures, worth USD 2.5 billion or roughly 2% of GDP. However, these constitute one-off sweeteners that will not prevent the economy from contracting further in the first half of 2020. Growth will bottom-out in the second half of 2020, even if no resolution to social unrest has been reached, on a favourable base effect.

First budget deficit since 2004, financial services remain strong

Hong Kong will register its first budget deficit, since the SARS outbreak of 2003, in the financial year ending March 2020. The main reasons include adverse economic conditions, decreased tax revenues, lower land sale income and relief measures announced during the year. A small deficit is not a serious concern in view of large reserves, representing above 20 months of expenditure. Even if spending increases, revenues from land and property sales should remain positive, provided the correction in housing prices is mild and in case the government decides to sell more stockpiles. The merchandise trade balance will deteriorate slightly, as exports contract faster than imports, but the current account balance will remain in surplus, thanks to the significance of resident and local firms' foreign income repatriation.

In contrast to the retail sector, and notwithstanding pressures on the capital outflow front, financial services will remain dynamic. Bank balance sheets remain strong, thanks to household debt limits and regular stress tests performed by the HKMA. In addition, Hong Kong is a top global Initial Public Offering (IPO) centre and the largest financial hub in the region, with assets under management (AUMs) far exceeding those of regional competitors Singapore and Tokyo.

Tougher times ahead for the Chief Executive

Chief Executive Carrie Lam's pro-Beijing establishment coalition lost a ruling majority in the Legislative Council (Legco) in 2019. Carrie Lam's popularity has plummeted over the unpopular extradition bill, citizenry concerns over alleged police brutality and corruption allegations surrounding her unpopular "Lantau Tomorrow Vision". Beijing will likely pressure the Hong Kong government into implementing changes to the school curriculum to include more "patriotic education", a move that risks exacerbating social unrest even further. To manage discontent, the Hong Kong government will continue to target funds at youth programs and will make a genuine effort to increase the availability of social housing, both of which are good first steps in dealing with high levels of income inequality. The US passed its Hong Kong Human Rights Bill on November 2019, which poses threats to the outlook of Hong Kong in case the US Senate reverses Hong Kong's preferential status.

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.

Workout

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.

Scheme of Arrangement

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

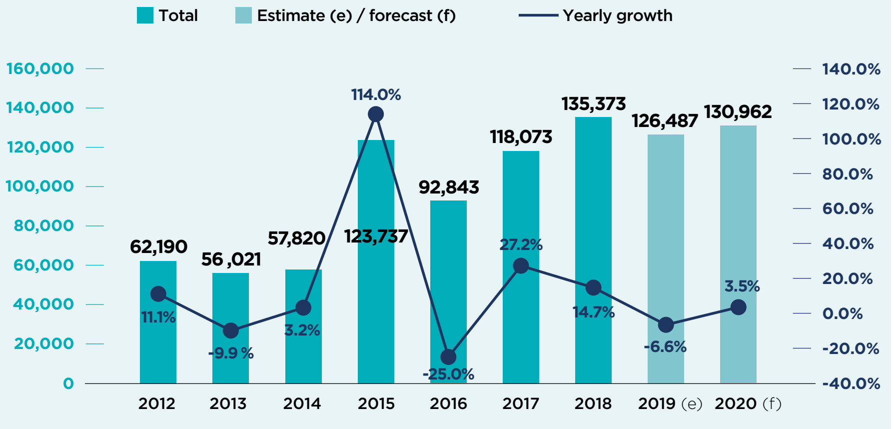
Liquidation can be voluntary or compulsory. It involves selling the debtors' assets in order to redistribute the proceeds to creditors and dissolve the company. Voluntary liquidation can be either a member's voluntary liquidation (MVL), or a creditors' voluntary liquidation (CVL). In both cases, company 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 were introduced in order to increase protection for creditors and to streamline and improve regulations under Hong Kong's corporate winding-up regime.

NUMBER OF CORPORATE FAILURES



Source: Census and Statistics Department - Hong Kong, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	9.8
GDP PER CAPITA US Dollars - 2018	16,484
CURRENCY Hungarian forint	HUF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.3	5.1	4.8	3.3
Inflation (yearly average, %)	2.4	2.9	3.3	3.1
Budget balance (% GDP)	-2.4	-2.3	-1.9	-1.2
Current account balance (% GDP)	2.3	-0.3	-1.0	-0.7
Public debt (% GDP)	72.9	70.2	68.8	66.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	27%
ROMANIA	5%
SLOVAKIA	5%
ITALY	5%
AUSTRIA	5%

Imports of goods as a % of total

GERMANY	26%
AUSTRIA	6%
CHINA	6%
POLAND	6%
NETHERLANDS	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
- Exposed to European economic trends as a small and open economy
- Regional disparities; lack of mobility
- Deficiencies in vocational education
- Poor levels of innovation and R&D, high content in imported inputs for exports
- 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

Decelerating growth

After strong growth in 2019, the Hungarian economic activity is expected to weaken this year. Admittedly, it benefited so far from increasing public expenditures ahead of local elections, an acceleration in construction, as well as high production in the automotive sector. The latter did not even suffer last year, despite slower car sales recorded in crucial export markets. The automotive sector was able to benefit from the launch of new models in local factories and still solid demand for premium brands. Indeed, Hungary has been endowed with production plants of Audi, BMW and Mercedes. Both automotive and construction will not expand as strongly in 2020 compared to 2019. Domestic demand remains the growth driver with formidable increases of gross fixed capital formation (around 28% of GDP in 2019) and robust household consumption (48%) supported by a low unemployment rate (3.4% in August 2019). Both components will be decelerating. Public investments are expected to moderate after Hungary's highly effective absorption of EU funds last year. Nevertheless, large investments targeted at increasing manufacturing capacities can keep dynamics relatively high. In terms of private consumption, weaker GDP growth will limit labour demand and attractive yields of retail sovereign bonds will contribute to a growing savings rate. Nevertheless, wage growth is likely to remain solid while facing ongoing labour shortages. Higher incomes support not only consumption, but also household investment increasingly. Families can benefit from the government's support for buying homes. A stronger drag on GDP growth will come from exports that will gradually suffer from a weaker demand on the main markets. The main exports include machinery, vehicles, pharmaceuticals and minerals. New manufacturing capacities could boost foreign trade but close to year-end.

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 previously already been heavily reduced by subsidies and tax concessions.

Budget deficit on a decreasing path

The general government deficit has been decreasing since 2017. It is expected to reach 1.2% of GDP in 2020. Slower but solid economic activity will support tax revenues. On the other hand, their increase will be limited by a further cut in employees' social security contributions. A high premium on retail bonds fuels expenditures, as the government further encourages the purchase of forint denominated sovereign bonds by households, with the help of the Hungarian Government Security Plus. The yield is very attractive (4.95% for a 5-year bond compared to the central bank's 0.9% leading rate). Except for interest spending, current expenditure growth is expected to remain moderate and contribute to the reduction of the deficit.

Hungary's current account balance is estimated to remain slightly negative this year. The development of the current account has been driven by the steadily growing export sales and imports related to the robust investment trend. Services' balance has been in a surplus thanks to tourism. The primary income balance was negative due to foreign investors' dividends.

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 distribution 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. In this context, relations with the European Commission will likely remain tense. The next parliamentary elections are scheduled for 2022.

In the latest municipal elections held in October 2019, the opposition recorded its best electoral result in the past decade. It won several important mayoral races, including in the capital city. Gergely Karacsony, originally from the small Dialogue for Hungary party, but backed by a wide coalition of opposition parties, was elected as mayor of Budapest. On top of a wide cooperation between opposition parties, some other factors contributed to the results. It included a controversial tape involving a major-city Fidesz mayor that mobilised opposition voters. However, the room for the opposition to demonstrate its governing skills ahead of the 2022 parliament election will be limited due to curtailed powers of local governments.

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%. Since 2009, as far as commercial companies are concerned, before initiating legal proceedings, the parties are obliged to resort to mediation in order to resolve the dispute out of court.

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). This type of legal action has become mandatory for all claims under HUF 3 million and optional under HUG 30 million (about €9.50-95.000)

When the debtor seats or 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 is conducted digitally from beginning to end as of 2010.

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

Ordinary proceedings

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.

Since 2011, cases involving an amount of more than HUF 400 million (approximately EUR 1.6 million) must be dealt with quickly by the courts by means of a shortened procedure. At any point in this procedure and subject to feasibility, the judge is entitled to make an attempt at conciliation between the parties.

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.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	0.3
GDP PER CAPITA US Dollars - 2018	74,515
CURRENCY Iceland krona	ISK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.4	4.8	0.5	2.2
Inflation (yearly average, %)	1.8	2.7	3.1	2.4
Budget balance (% GDP)	0.5	0.8	0.9	0.4
Current account balance (% GDP)	3.8	2.8	4.4	2.0
Public debt (% GDP)	42.5	40.4	39.3	38.3

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	57%
UNITED KINGDOM	10%
NORWAY	6%
UNITED STATES	4%
CHINA	3%

Imports of goods as a % of total

EURO AREA	29%
NORWAY	11%
CHINA	9%
UNITED STATES	8%
DENMARK	6%

+
- Very high standard of living
- Low inequality in the society
- Abundant renewable energy (geothermal, hydropower)
- Flexible labor market with high openness to immigrating workers

−
- Volcanic risk
- Very high standard of living
- Low inequality in the society
- Abundant renewable energy (geothermal, hydropower)
- Flexible labor market with high openness to immigrating workers
- Wage growth higher than productivity growth

RISK ASSESSMENT

Light at the end of the tunnel

2019 stuck out with an economic weakness due to two special factors: one of the two big airline companies in Iceland (WOW) became insolvent in March 2019 (with around 1000 workers, 0.5% of the labor force). Additionally, in early 2019, there was a zero quota announced for fishing capelin (which represents around 15% of Icelandic total fish production and 35% of all goods exports). Both factors are reaching into this year, so that only a gradual recovery is expected in 2020. Consumption will be key and should pick up again to some extent. In the first place, following the April 2019 wage negotiation round, employees received an increase in their yearly bonus (by around EUR 22 to around EUR 672) in December 2019. In addition, minimum wage earners will profit from an increase of around 6% in April 2020, while others will get a raise in their monthly salary of between EUR 130 and 175. Second, the government will reduce the personal income tax for lowest-income individuals, after reducing social security tax rate from 6.6 down to 6.35%. Third, the central bank of Iceland cut the deposit rate five times to 3.0% in 2019 and could even go down further in 2020, which should increase the incentive to consume. Additionally, inflation is expected to come back to the central bank target (around 2.5%), so that the purchasing power will pick up. Government spending will also increase modestly in 2020 with additional investments (e.g. infrastructure and construction). Business equipment will probably show a rebound effect after the decreasing numbers in 2019. In the housing sector however, the private demand decreased after several big projects were finished in the last years and the house prices sank rapidly in 2019. Additionally the demand from tourism (e.g. Airbnb) eased after the WOW-insolvency. Net exports will be a drag on growth in 2020. First, a fast recovery of tourism (number of flights fell by 1/4 year-on-year in spring 2019) is unlikely, which accounts for 40% of export income and 10% of GDP. There is no airline that could compensate the flights of WOW ad hoc, especially as Icelandair has to deal with the grounding of the Boeing 737 MAX jets. Then, the fishing quota for capelin is unlikely to be loosened much in 2020. However, higher numbers of other pelagic species were found in 2019 and could help maritime export numbers in 2020. The exports of aluminum should remain weak and cannot support net exports, while with a higher consumption dynamic, imports should increase again in 2020.

External and fiscal surpluses are dwindling

Due to a special effect in Q1 (i.e. WOW sold its planes abroad), the trade balance surplus (4% of GDP) increased in 2019, but should come down to a muted level in 2020 as the lower services surplus linked to tourism and transport (7.6% in 2019) should barely exceed the deficit in goods, thus taking down the current account surplus. The balances of income and transfers, however, globally showed a new dynamic and, combined, even a small surplus in 2019 (after two years of deficit) which could persist in 2020. Remittances from expatriated Icelanders (0.4%) will continue to more or less balance those from foreign workers. Income from direct investments abroad should continue to outperform payments to foreign investors. With the further reduction in capital controls, new direct and portfolio investments abroad, which had fallen to a trickle, are expected to gain some strength thanks to pension funds activity. Conversely, new foreign investments will remain timid despite the release in March 2019 of last offshore króna assets. Foreign investments other than direct investments were subject to a special reserve requirement at the central bank. This requirement was lowered to 20% in November 2018 and to 0% in March 2019.

The government surplus will decrease significantly in 2020 due to the more expansive policy. On top of social measures, the focus of the government is turning to environmental measures, with more funding for charging stations, low-emission infrastructure and tax incentives for electrical cars.

Tensions on the patchwork coalition are increasing

Since the last general election in October 2017 Prime Minister Katrín Jakobsdóttir is leading a Grand Coalition out of the center-right Independence Party (16 seats), Jakobsdóttir's Left-Green movement (11 seats) and the centrist agrarian Progressive Party (7 seats). The political ideologies are very divergent in the coalition, which proved itself quite robust on problematic questions like the new wage deal or passing a new law, legalizing abortion in the early weeks of pregnancy. Nevertheless, tensions will increase with the slower economy and a further decrease in support in the polls for the coalition parties. Therefore, it is not sure if the Grand Coalition will keep up until the next regular election in October 2021.

INDIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	**1,334.2**
GDP PER CAPITA US Dollars - 2018	**2,038**
CURRENCY Indian rupee	**INR**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.2	6.8	5.5	6.2
Inflation (yearly average, %)	3.3	4.0	3.5	4.0
Budget balance (% GDP)	-3.9	-3.6	-3.5	-3.5
Current account balance (% GDP)	-1.5	-2.5	-2.5	-2.6
Public debt (% GDP)	67.8	68.1	69.0	68.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	16%
EURO AREA	13%
UNITED ARAB EMIRATES	9%
CHINA	5%
HONG KONG (SAR)	4%

Imports of goods as a % of total

CHINA	14%
EURO AREA	8%
UNITED STATES	6%
SAUDI ARABIA	6%
UNITED ARAB EMIRATES	5%

- Diversified growth drivers
- Large workforce (over 50% of the population under 25) with good command of English
- Efficient private sector, especially services
- Positive contribution from expatriates' remittances, jewellery, garments, vehicles and medication exports, as well as tourism revenues to current account
- Moderate level of external debt and adequate FX 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	HIGH
CHEMICAL	HIGH
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 will remain subdued

The economy will continue to face headwinds in 2020. Slower domestic consumption (60% of GDP) is still recovering from the residual impact of demonetisation (withdrawal of the 500 and 1,000 rupee notes) and the introduction of a harmonized goods and services tax (GST), as their impact on the informal sector remains significant three years later. Meanwhile, tighter credit conditions are limiting private investment, key to unlocking the country's growth potential. Non-performing assets (NPAs) in the banking system have declined, but they remain high (9.1% in 2019). This has made banks more cautious about extending credit, fearing their situation may get aggravated. The banking sector is also recovering from a series of corruption scandals in 2018 and 2019. Weaker investment growth has translated into fewer jobs, with unemployment levels reaching a record high of 8.45% in October 2019. The unemployment rate will likely fall slightly, but labour participation rates remain subdued at around 43%, which does not bode well for domestic consumption going forwards.

Inflation remains subdued, thanks to weaker energy and food prices. It appears that the Consumer Price Index (CPI) will remain below the Reserve Bank of India's (RBI) target of 4.5% YOY in FY20. Some upside risks are possible in case of abnormal monsoon rains that disrupt supply. However, CPI below target allowed the RBI to cut interest rates by a cumulative of 135 basis points in 2019. This should have proven supportive of growth and employment under normal conditions, but there have been transmission problems owing to the issue of high NPAs. RBI will likely implement an additional 1-2 additional rate cuts in 2020, albeit with limited impact on activity. In this context, the onus will fall on fiscal policy stimulus. The government will also focus on structural reforms to boost foreign direct investment (FDI) and domestic liquidity. India overhauled its corporate tax system in August 2019, and is now on a par with other regional peers such as China, with even larger fiscal incentives for high-tech manufacturers that move to India within the next two years. Additionally, the Ministry of Finance launched a mega-merger of 21 state banks into 4 bigger entities, which will aid with issues related to bad debt.

Public finances to struggle amid headwinds

Finance Minister Nirmala Sitharaman unveiled an ambitious budget for 2020. In addition to corporate tax cuts, she proposed to expand a pension scheme to cover an additional 30 million people and measures to boost agricultural incomes (the agricultural sector employs 80% of the population). This means India will likely overshoot the fiscal deficit target to 3.3% of GDP in FY20. This is especially the case as revenues from the GST have been disappointing, both in terms of weaker domestic consumption but also due to problems with collection. India has also planned increases of import duties, higher taxes for high-income brackets and its first foreign currency offshore bond issuance. These should help to cushion downside pressures, but public finances will worsen before they can improve.

The current account (CA) deficit will likely widen further. Exports will continue to remain subdued, while imports are set to increase thanks to stimulus measures to boost domestic demand. Oil prices are set remain range-bound at around USD 60 per barrel in 2020.However, a potential shock could exacerbate pressures on the current account, as this remains India's largest import. Rising demand for gold after demonetisation will also continue to play a role in driving imports. The rupee is therefore likely to remain subject to depreciatory pressures in 2020. Foreign exchange reserves remain at comfortable levels (nearly ten months of imports), and FDI and foreign portfolio investments are on an upward trend, and should accelerate in the coming years, thanks to recent structural reforms.

Modi's BJP party keeps its majority, but support may dwindle

The alliance formed around Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) secured a landslide victory in the Parliamentary elections of May 2019 (349 out of 542 seats). Modi won his second election by focusing on job creation and investments in infrastructure, while tackling corruption and fostering the ideology of Hindu nationalism. Given the slow progress on the economic front, BJP could ramp up the nationalist agenda, something that would not sit well with foreign investors, who are keen on secular policies. India needs to attract FDI to plug its infrastructure gap, finance the current account deficit and boost potential growth. Tensions with Pakistan over Kashmir intensified, after Modi stripped the region of its semi-autonomous status in August 2019.

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 - 2018	264.2
GDP PER CAPITA US Dollars - 2018	3,871
CURRENCY Indonesian rupiah	IDR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.1	5.2	5.0	5.1
Inflation (yearly average, %)	3.8	3.2	3.2	3.3
Budget balance (% GDP)	-2.5	-1.8	-1.9	-1.8
Current account balance (% GDP)	-1.6	-3.0	-2.9	-2.7
Public debt (% GDP)	29.4	30.1	30.2	30.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	16%
JAPAN	11%
UNITED STATES	11%
EURO AREA	8%
INDIA	8%

Imports of goods as a % of total

CHINA	24%
SINGAPORE	11%
JAPAN	9%
EURO AREA	6%
THAILAND	6%

- Diverse natural resources (agriculture, energy, mining)
- Low labor costs and demographic dividend
- Growing tourism industry (5.8% of GDP)
- Huge internal market
- Sovereign bonds rated “Investment Grade” by the three main rating agencies
- Exchange rate flexibility

- Large infrastructure investment gap / low fiscal revenues (15% of GDP)
- Exposure to shifts in Chinese demand
- Market fragmentation: extensive archipelago with numerous islands and ethnic diversity potentially leading to unrest (Papua)
- Persistent corruption and lack of transparency

RISK ASSESSMENT

Steady growth despite external headwinds

Growth is facing external headwinds but will remain strong in 2020. GDP growth slowed to 5.0% year-on-year in the third quarter of 2019, missing the official 5.4% growth target. Consumption (55% of GDP and the main growth driver) is benefitting from population growth, urbanization and a rise in *per capita* GDP, interconnected factors that are leading to a growing middle class. Inflation remained below Bank Indonesia (BI)’s target range (4±1%) in 2019, as food price increases were muted and oil prices were lower, enabling BI to cut the policy rate interest rate by 25 basis points to 5.0% in October. This rate cut could provide additional support to consumption and sluggish investment, which has been deterred by high interest rates and worsening investor sentiment because of global protectionism and slower demand from China. Investment (32% of GDP) should nonetheless contribute to growth thanks to the government support through the infrastructure development program launched in 2016. The government budgeted USD 30.2 billion (423.3 trillion rupiah) for infrastructure investments in 2020, 2% up from last year. However, this will not be enough to plug the infrastructure gap, President Joko Widodo (Jokowi) will have to implement structural reforms to boost foreign direct investment (FDI). Indonesia jumped 33 places to 73rd in the Ease of Doing Business Index in 2020 thanks to reforms. Nevertheless, reforms are ongoing and some projects remain stalled due to inadequate financing. Coal and mineral mining is benefitting from sustained investments, while manufacturing is expected to expand, albeit less vigorously than in previous years due to weaker Chinese demand and other external headwinds. Exports (23.4% of GDP) of manufactured goods and commodities (oil and gas, palm oil, copra, lignite and copper) are set to decline, while imports will continue to grow due to policy stimulus, weakening the contribution of net exports. The tourism sector will continue to underperform due to the lack of infrastructure in most regions.

Budget deficit on a tight rope with external pressure on current account

The parliament passed a USD 180 billion budget for 2020, along with a 1.8% GDP fiscal deficit. This aims to address domestic issues while anticipating global economic uncertainties. The budget is set to improve domestic environment through investments in infrastructure and human resources, notably in education and villages’ infrastructure. That said, the budget includes tax cuts (income tax and VAT) to boost investment, which raises challenges in tax revenues. Considering tax collections have been sluggish due to weaker company profits, the government may struggle to maintain the budget deficit under control. While the constitutional limit ensures that public debt levels remain low, pressures might emerge if a return to monetary tightening in the US reignites capital outflows, as foreigners own a large proportion of the short-term external debt.

The current account will remain in deficit due to ongoing trade tensions between the US and China. Exports are set to remain sluggish, particularly in commodities (energy and palm oil), as prices remain subdued. Meanwhile, import growth will grow supported by demand, linked to the public investment program. The government is likely to resort to import control measures (import permits, centralisation and tariffs) in case the deficit widens substantially. Trade in goods and services balance is expected to remain in small deficit, though. The current account deficit is mainly driven by the income account due to debt interest payments and the repatriation of dividends. However, the current account deficit is adequately financed by FDI inflows and portfolio investments. On the positive front, portfolio capital inflows should continue to stay throughout 2020, as pressures on the rupiah appear to have eased since the Fed took on a more dovish stance in 2019. Foreign reserves remain at an adequate level, covering 5.8 months of imports.

Seeking political stability through a large coalition

President Jokowi was elected for a second five-year term in April 2019, capitalizing on his track record on reforms despite missing the growth target of 7%. With a focus on domestic issues during his second-term, he reaffirmed the reform agenda, particularly across labour, healthcare and infrastructure to lure foreign investments. That said, his victory was contested by Prabowo’s opposition camp, which resulted in violent protests. Considering Jokowi is seeking to push forward the reform agenda with ease, he formed a broad coalition with Prabowo and key opponents in October 2019, hoping it would weaken critics over the government. This might pave the way for more political stability and help to mitigate risks of political Islam, as it would conciliate Jokowi’s pluralism and Islamist groups backing Prabowo.

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.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	82.4
GDP PER CAPITA US Dollars - 2018	5,417
CURRENCY Iranian rial	IRR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	3.7	-4.8	-9.5	-1.5
Inflation (yearly average, %)	9.6	30.5	35.7	31.0
Budget balance (% GDP)	-1.8	-2.5	-4.4	-5.0
Current account balance (% GDP)	3.8	4.1	-2.7	-3.4
Public debt (% GDP)	39.5	32.2	30.7	28.8

(e): Estimate. (f): Forecast. * March 21, 2020 – March 20, 2021.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	29%
INDIA	19%
EURO AREA	14%
TURKEY	9%
UNITED ARAB EMIRATES	7%

Imports of goods as a % of total

CHINA	22%
EURO AREA	18%
UNITED ARAB EMIRATES	16%
INDIA	5%
TURKEY	5%

- Second largest proven oil and gas reserves in the world
- Large population with a vast consumer base
- Low level of external debt
- Strategic geopolitical location

- Tightening US sanctions
- Increasing domestic debt
- Weak infrastructure, old manufacturing equipment
- Very fragile banking sector with limited credit sources
- Declining oil revenues further threatening fiscal balances
- Increasing tensions with the US and other regional forces

RISK ASSESSMENT

US sanctions push economy into recession

Following the unilateral withdrawal of the US from the 2015 Joint Comprehensive Plan of Action nuclear deal in May 2018, the deterioration of the economic conditions in Iran continues. GDP growth is expected to contract further in 2020, mainly due to the re-imposition of US sanctions on key Iranian sectors such as banking, transportation and energy. The US decision taken on May 2, 2019 to end US sanctions waivers for importers of Iranian oil will continue to be a drag on the country's key export revenues. The weak support from the European parties to maintain the deal, as they shy away from US sanctions as well, indicates that investment inflows into Iran will continue to suffer despite the business opportunities offered by Iran, one of the Middle East's largest markets. As the re-imposition of the sanctions and lower investments will drag down on capital inflows towards the country, the rial would depreciate further. As a result, inflation is expected to remain high and purchasing power of households will continue to erode, weighing on private consumption that accounts for nearly half of GDP. Because lower export revenues would restrain the government's ability to increase its spending to support non-oil activity, unemployment would remain high, representing another drag on consumption.

Budget deficit to widen to a several-year high, hit by a fall in oil exports

As nearly 50% of export revenues were tied to oil exports, the US administration's decision to end US sanctions waivers for Iranian oil has caused a sharp decline in fiscal revenues of the government. Oil exports are expected to average around 400,000 barrel per day (b/d) in 2020 (compared with an average of 1.3 mn b/d under sanctions with waivers) on the back of the US' renewed pressure to intensify its efforts to cut Iran's oil exports to zero. In February 2019, the parliament has approved a budget plan with a projection of 1.5 million b/d of oil exports. Lower oil prices due to the global economic slowdown cause another challenge for export revenues. With no access to international financial markets, the government has started to rely on domestic borrowing in order to finance the budget deficit. With the low level of public debt, the government has enough room to proceed. Yet, an increasingly high level of domestic borrowing would risk productive investments through the crowding out effect. The government seems to prefer tapping domestic debt markets rather than introducing unpopular fiscal austerity measures.

Increasing tensions with the US threaten regional balance

The United States withdrew from the 2015 Iran nuclear deal on the grounds that it did not deal with missiles and Iranian interventionism in the region. After the re-imposition of the US sanctions and the Trump Administration's announcement that new sanctions will be introduced, Iran said it wanted to export a minimum of 700,000 b/d of oil and go up to 1.5 million b/d if the West wanted to negotiate and save the nuclear deal. In retaliation to the sanctions, Iran announced that it had enriched uranium beyond the key limit imposed in the deal, and would reduce its commitments to the pact. The International Atomic Energy Agency (IAEA) confirmed that Iran had breached the 3.67% enrichment limit. The restart of nuclear activities may result in a confrontation between the EU and Iran, and reduce the political support of China and Russia to Iran. Furthermore, after attacks on oil tankers in the Strait of Hormuz in May-June 2019, coordinated drone strikes in September on the world's largest oil processing plant in Abqaiq (Saudi Arabia) and on the oil field of Khurais exploited by Saudi Aramco, then the attack at the end of December of the American embassy in Baghdad by Shiite militias supported by Iran, followed by the elimination of the commander in chief of the Revolutionary Guards in charge of Iranian external operations by an American drone in Bagdad airport, the risk of escalating tensions between the United States, its allies and Iran has increased.

IRAQ

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	38.1
GDP PER CAPITA US Dollars - 2018	5,882
CURRENCY Iraqi dinar	IQD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-2.5	-0.6	3.9	2.8
Inflation (yearly average, %)	0.2	0.4	-0.3	1.0
Budget balance (% GDP)	-1.6	7.9	-5.6	-6.9
Current account balance (% GDP)	1.8	6.9	3.2	1.3
Public debt (% GDP)	58.9	49.2	53.3	56.9

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	24%
CHINA	23%
EURO AREA	18%
UNITED STATES	12%
SOUTH KOREA	10%

Imports of goods as a % of total

TURKEY	25%
CHINA	24%
EURO AREA	10%
SOUTH KOREA	6%
INDIA	6%

- World's fourth-largest proven crude oil reserves; second-largest OPEC producer and sixth-largest in the world
- Low oil-extraction costs
- Strong growth in the labour force
- International financial support (IMF and bilateral loans)

- Undiversified economy; highly dependent on the oil sector
- Severe tensions between the ruling Shia majority and the rest of the country
- Tensions with autonomous Kurdistan, which is 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 institutions, as well as in education, health, and welfare systems
- Widespread corruption

RISK ASSESSMENT

A recovery hampered by multiple factors

The war against the Islamic State, which officially ended in December 2017, has taken a heavy human and material toll, which continues to weigh on the Iraqi economy. The World Bank estimates the financing requirement for reconstruction at USD 88 billion. Although the international community has pledged to contribute USD 30 billion, external project financing remains limited (less than USD 1 billion in 2018), although it is expected to rise in 2020. This is largely due to Iraq's lack of institutional capacity.

The economic recovery is closely tied to the increase in oil production, which was boosted in 2019 by the ramp-up of the Majnoon and Halfaya fields. Production capacity will continue to increase in 2020, thanks to new developments, including the extension of the Kirkuk field. Nevertheless, the expansion of production will be severely hampered by compliance, albeit partial, with OPEC restrictions, which are likely to continue into 2020. At the same time, non-oil activity is contributing, if modestly, to the rebound in growth. Construction will continue to grow briskly in 2020, thanks to increased public investment to rebuild infrastructure. However, the execution rate of capital expenditure remains limited. In addition, agricultural production is expected to increase, as should electricity production, of which the expansion is a government priority. To address chronic electricity shortages and reduce imports from Iran, the objective is to improve the existing grid and build new power plants in order, ultimately, to almost double production capacity. Meanwhile, the sharp increase in public spending from 2019 onwards, particularly the wage bill, is helping to revive household consumption. That said, household consumption will continue to be stymied by multiple factors, including the weak banking system and the lack of jobs in the non-oil private sector, which suffers from poor governance and corruption. Finally, the further deterioration in the political and social situation since October 2019 has created significant short-term uncertainty, which could have a severe effect on an already very difficult business environment.

Public and external accounts dependent on oil exports

Continuing on where 2019 left off, the public accounts will be in extremely poor shape in 2020. Government revenues, 90% of which come from oil, should be stable, as higher production is offset by a slight decline in the price of oil per barrel. At the same time, spending will continue to increase, but much less than in 2019, when it jumped by about 20%. The wage bill has increased significantly compared with 2018 and remains the main item in the budget, accounting for just over half of expenditures. How the budget is distributed between the provinces remains a major issue of contention, particularly for the autonomous region of Kurdistan, although an agreement was reached at the end of 2019 to make payment of Kurdistan's share of the federal budget conditional on the region handing over a portion of its oil production to the central government. Reflecting the deterioration in the public accounts, public debt is expected to increase. While the debt's GDP share remains limited, and although it is still mainly concessional and long-term, changes in its structure create a risk. The government is currently refinancing itself by borrowing on the domestic market over short maturities and at high rates, which will increase debt service in the coming years.

In 2020, the current account surplus should continue to decline. The trade surplus is likely to narrow slightly, reflecting import growth driven by public investment and flat oil revenues. At the same time, the balance of services (mainly oil-related) will remain in deficit. Accordingly, the central bank's foreign exchange reserves will probably shrink slightly in 2020, representing about nine months of imports, a comfortable level that will allow the Iraqi dinar to remain pegged to the dollar.

Popular protests shake the government

Since October 2019, the country has seen a wave of large-scale demonstrations. The protesters are denouncing widespread corruption, the lack of public services, the lack of employment opportunities, and Iranian interference in Iraqi politics. More generally, they feel that they are not benefiting from the nation's oil wealth and are calling for the political system to be overhauled. The demonstrations have been violently repressed by Iraqi security forces, but sometimes also by pro-Iran militias, resulting in the deaths of more than 400 people in less than two months. Yielding to popular pressure, as well as to that from the influential Ayatollah Ali al-Sistani, Prime Minister Adil Abdul-Mahdi resigned on November 30, 2019, just over a year after his appointment. His departure increases the political uncertainty hanging over the country and complicates the reconstruction process, especially as demonstrators seem determined to continue their protests.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	4.9
GDP PER CAPITA US Dollars - 2018	78,335
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	8.1	8.2	5.6	3.0
Inflation (yearly average, %)	0.3	0.7	0.8	1.0
Budget balance (% GDP)	-0.3	-0.1	0.2	0.0
Current account balance (% GDP)	0.5	10.6	0.8	1.1
Public debt (% GDP)	67.8	63.6	59.0	54.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	28%
BELGIUM	13%
UNITED KINGDOM	11%
GERMANY	7%
NETHERLANDS	5%

Imports of goods as a % of total

UNITED KINGDOM	26%
UNITED STATES	18%
GERMANY	12%
FRANCE	12%
NETHERLANDS	4%

+

- Flexible labour and goods markets
- Favourable business environment; attractive taxation
- Presence of multinational companies, particularly from the United States, which account for 22% of employment and 63% of value added in the non-financial market sector
- 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 still vulnerable to shocks
- Uncertainties about future relations with the United Kingdom

RISK ASSESSMENT

Further slowdown in growth in 2020

Growth will continue to slow in 2020, but will remain strong, thanks to household consumption, which will continue to be brisk, driven by a very low unemployment rate (4.8% in October 2019) and significant real wage increases. In addition, with extremely favourable financing conditions continuing to support housing demand, residential investment will remain robust. Conversely, after an exceptional 2019, investment in research and development (R&D) by multinationals will make a much less positive contribution to growth. At the same time, investment in equipment is likely to be curbed by an adverse international environment, including uncertainties about the future relationship with the United Kingdom, global trade tensions and a US slowdown. However, after weighing heavily on growth in 2019, due to substantial imports of R&D services (as a result of investment), foreign trade should make a positive contribution in 2020. On the one hand, imports are going to decelerate sharply, in line with investment, while on the other, exports should remain resilient, thanks to the pharmaceutical sector (32% of exports in 2018, 52% including organic chemicals), which is not very sensitive to the global economy. However, the size of the slowdown will depend on the outcome of the negotiations between the United Kingdom and the European Union. If the British Parliament ratifies the withdrawal agreement, trade conditions would remain unchanged during the transition period until December 31, 2020, as the United Kingdom would still be part of the customs union and the single market, although growth could still be dented by a decline in household and business confidence. In addition, uncertainty would remain high during the probably long and difficult negotiations on the future trade relationship with the United Kingdom, which accounts for 14% of Irish exports of goods and services. Some sectors such as agri-food (in particular meat and dairy products) are particularly dependent on the UK and would be severely affected if trade barriers were imposed.

Fiscal policy still prudent

Ireland's public accounts are expected to remain balanced in 2020, despite a relatively expansionary 2020 budget, including spending increases for education (+€1.9 billion or 0.5% of GDP), social housing (€1.1 billion), health (€1 billion) and social assistance (€690 million). At the same time, budgetary revenues will continue to be driven mainly by strong economic growth, which is fuelling corporate taxes in particular. Unlike in previous years, there will be no changes to income tax brackets, as the government is pursuing a prudent fiscal policy to be ready for the possibility of a disorderly Brexit. Public debt, which stood at 120% of GDP in 2013, will therefore continue its significant downward trajectory (although this partly reflects GDP growth of 26% in 2015, attributable to asset relocations by multinational firms).

The current account, which is highly volatile, is largely dependent on the activity of multinational companies and in particular on their investment decisions. While the goods balance consistently shows a substantial surplus (35% of GDP in 2018), the services deficit seesaws depending on R&D services imports (20% of GDP in the first half of 2019, against 2% of GDP in 2018). In addition, the repatriation of dividends by multinational companies leads to a large and chronic income deficit (22% of GDP in 2018). Thanks to its extremely advantageous tax regime, the country receives considerable foreign investments (direct and portfolio). However, the amount of these investments will once again depend on the unpredictable strategies of multinationals, set against 2020's uncertain international environment.

Heading for snap elections in early 2020?

At the beginning of January 2020, the British Parliament, now largely Conservative, was about to vote on the United Kingdom's agreement to withdraw from the EU. Under the terms of this agreement, the need to erect a physical border between Northern Ireland and Ireland at the end of the transition period will be avoided by levying customs duties in the Irish Sea (according to the final destination of the product), thus respecting the 1998 Peace Treaty.

In terms of domestic policy, the minority government of the Taoiseach (Prime Minister), Leo Varadkar, is expected to go back to the polls in early elections (in principle elections are scheduled for April 2021). His right-wing Fine Gael (FG) party won only 54 seats (including 6 allies) out of 158 in the 2016 elections, so Mr Varadkar depends on the support of the second largest force in Parliament, the centre-right Fianna Fáil (FF) party (43 seats), which agreed not to oppose the government until the end of 2019 to guarantee political stability during the Brexit negotiations. At the beginning of January 2020, both parties were in favour of holding elections in the first half of the year. According to polling in late November 2019, elections would yield an unchanged situation, with FG in the lead (30% of the votes), but still dependent on an agreement with FF (24%). The biggest increase would be for the Green Party (7%, up from 3% in 2016), which would be in a position to influence a future coalition.

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).

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	8.9
GDP PER CAPITA US Dollars - 2018	41,728
CURRENCY New Israeli sheqel	ILS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.6	3.4	3.1	3.1
Inflation (yearly average, %)	0.2	0.8	1.0	1.3
Budget balance (% GDP)	-1.0	-3.3	-3.7	-3.8
Current account balance (% GDP)	2.7	2.7	2.4	2.5
Public debt (% GDP)	60.4	60.8	61.9	62.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	28%
EURO AREA	19%
CHINA	8%
UNITED KINGDOM	7%
HONG KONG (SAR)	7%

Imports of goods as a % of total

EURO AREA	30%
UNITED STATES	13%
SWITZERLAND	10%
CHINA	9%
UNITED KINGDOM	8%

+

- Steady and significant growth
- Very competitive economy, high value added production, strong R&D and venture capital
- Low inflation and interest rates
- Encouraging business environment
- Highly educated work force
- Perspective of energy independence with the Leviathan gas-field

-

- High exposure to the impact of global trade war
- Rising public debt stock, wider budget deficit, high defense expenses
- Political ambiguity after the elections
- Security problems due to rising regional instability
- Limited fiscal resources (25% of GDP), weak public investment, lack of transport infrastructures
- Lack of inclusion of Israeli-Arab and Haredim (ultra-orthodox) in the economy, organized crime still influential in the South

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth close to its potential in a full employment environment

The Israeli economy is very competitive and technology-oriented resulting in a high level of high value-added production. The economy is expected to show a stable growth around its potential, driven by private consumption (nearly 55% of GDP). An accommodative monetary policy, with low levels of interest rates on loans (policy rate standing at 0.25%), along with full employment, support private consumption. The unemployment rate is expected to stand close to a historical low of 4% in 2020. Inflation is forecasted to remain within the official target bracket of 1-3%, despite the volatility due to the impact of certain factors such as fruit and vegetable prices, energy prices and the value of the shekel. Investments will contribute moderately to growth due to the completion of some large investment projects. Additionally, construction investments may have a positive contribution, thanks to the government's efforts to reduce the housing shortage by unlocking land for new constructions. Export growth, led by medium-high technology products (around 40% of total manufacture exports) and services, are expected to weaken mainly on the back of lower growth perspectives in key export markets such as Europe and the US. Coupled with continuous growth in domestic consumption which fuels import demand, the negative contribution of external trade in goods to growth is expected to continue. This shows that the risks related to uncertainties in the global economy (US-China trade war, Brexit etc.) may have a more severe impact on Israeli growth in the upcoming quarters. Manufacturing production remained in the positive territory in 2019 on average and this trend is expected to continue in 2020. Wage growth supports retail sales despite a recent slowdown. Confidence remains positive. The government's efforts to improve transport, utilities and energy infrastructure is also expected to support the construction sector.

Widening budget deficit, but strong external position

Budget deficit is on the rise, hovering close to 4% of GDP. The increase is lifting the public debt above 60% of GDP. Nevertheless, the external share of the debt has been decreasing since a few years, to stand at 13% from around 25% and gross yield on ten year bonds was 1% at October 2019. Conversely, USD- and EUR-denominated debts represent respectively 67 and 31% of the total debt. Although economic growth should support tax revenues, new elections would delay the implementation of measures necessary to make the fiscal policy less accommodative.

Services export (nearly half of total exports) will drive the current account surplus, but the fall in goods exports will be a drag on trade deficit. Services exports are expected to be driven by the ICT sector, which accounted for 36% of total services exports in Q1 2019, although the slowdown in Europe, which absorbs around one third of Israeli exports, will represent a challenge for exporters. Moreover, any rise in trade tensions would affect negatively Israel's goods exports, with the ensuing slowdown in demand from China as well as the US. The current account surplus is also fed by transfers from the Diaspora and the US government, while revenues from investments abroad are balanced by remittances from foreign nationals working in Israel. Tourism revenues, which hit nearly USD 4 billion in the first eight months of 2019, are also expected to support the current account surplus. The ratio of direct investment flow to GDP hovered around 5% since 2017. FDIs and the current account surpluses since more than a decade enabled the central bank to accumulate foreign currency reserves that stood at USD 121 billion as of October 2019 (nearly threefold of short-term external debt). At that time, the international investment position of Israel, net creditor to the rest of the world, stood at USD 146.4 billion. Gross external debt of the country, standing at 25% of GDP, is not presenting a challenge.

Political uncertainty continues after the elections

Israel again held parliamentary elections in September 2019, after early elections in April had produced no winner. Yet September's poll saw Likud win 32 seats and Blue and White 33 within the 120-seat Parliament. Both parties have failed to secure the sixty-one seats needed for a majority mostly because of a very fragmented Parliament and a low-level electoral threshold of 3.25%. A fragmented political scene represents a risk to political stability. Political uncertainty may push investors to pause their investment projects until the formation of a new government not secured by new elections in March 2020. On the external side, continuous conflicts with Palestine represent persistent risks of heightened violence. The polarisation of the society and the shift of the political system to the right make a peace settlement with the Palestinians highly unlikely. The peace process is facing challenges from the Palestinian side as well. Tensions with Iran will also continue to pose risks.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	60.5
GDP PER CAPITA US Dollars - 2018	34,321
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.7	0.9	0.0	0.5
Inflation (yearly average, %)	1.3	1.2	0.7	1.0
Budget balance (% GDP)	-2.4	-2.1	-2.0	-2.4
Current account balance (% GDP)	2.6	2.5	2.9	2.7
Public debt (% GDP)	131.3	132.1	133.1	133.7

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	13%
FRANCE	10%
UNITED STATES	9%
SPAIN	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	17%
FRANCE	9%
CHINA	7%
NETHERLANDS	5%
SPAIN	5%

+

- Manufacturing industry still important (automobile, pharmaceutical, textiles)
- Regained competitiveness and strengthened export sectors
- Bank asset quality has significantly improved
- Comparative advantage in high-end food products
- Vibrant tourist industry with still unexploited potential

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- Public debt still very high, net international investment position very negative
- Very high youth unemployment motivates brain drain
- Large quota of small, low-productivity companies (more than 90% of firms have 10 employees or less)
- Fragmented political landscape, convoluted and unstable parliamentary system
- Strong regional disparities, organized crime still influential in the South

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Salvini's failed gamble paves the way for a centrist-populist coalition

Emboldened by positive results in the European elections and his rising popularity, then interior minister and leader of the far-right Lega Matteo Salvini attempted to trigger a snap election by breaking the coalition with the 5 Star Movement (5SM), led by Luigi Di Maio. The move backfired in September as 5SM and the center-left Democratic Party (DP) set aside their deep disagreements to oust the Lega from office and form a new government led by Giuseppe Conte, an independent technocrat. Former Prime Minister Matteo Renzi, who had a pivotal role in brokering the new coalition, quickly left the DP to found a new political party (Italia Viva), further fragmenting the political landscape. With the controversial Salvini out of office, the new government is looking to normalize relations with Brussels, both in fiscal and immigration policy. However, due to longstanding animosity between the DP and the 5SM, as well as the intrinsic instability of the Italian parliamentary system, the coalition is unlikely to last long. In the event of a snap election, Salvini would be poised to take power.

As usual, growth will be conspicuous by its absence

Though the outlook will improve marginally, 2020 will be another year of Italy's decades-long economic stagnation. Italy suffers from chronic structural deficiencies that its volatile democracy is struggling to address. Failure to improve productivity in the absence of exchange rate adjustment means that Italy can only gain competitiveness by compressing labor costs. But, with *per-capita* income unchanged since the Euro's inception, the electorate has become impatient and hostile to reform. Destocking, which weighted down on growth in 2019, has run its course and will not be an obstacle in 2020. Unemployment, which despite the slowdown has dipped below 10% for the first time since 2012, is set to rebound slightly as labor productivity is unlikely to improve. This will affect disposable income, but higher social transfers and lower energy prices will offset the effect on consumption. The worst difficulties will continue to be felt by the manufacturing sector, and in particular the automotive and steel industries, while pharmaceuticals will again perform well. The political normalization will give a slight boost to private investment through two channels: improved business confidence and better financing conditions, courtesy of a declining sovereign spread. But, because of the coalition's short life expectancy, said boost will be short-lived. Due to a rise in imports, the growth contribution of the external sector will become neutral. With a much smaller bad loan stock, the banking sector is in better health, though it is still interfering with destructive creation by evergreening loans to unproductive firms. Nonetheless, Italian banks have the highest domestic sovereign exposure out of all major Eurozone economies, meaning the bank-sovereign doom loop remains a latent threat.

Despite the change of government, the fiscal stance will remain moderately expansive

Last year, the EU had demanded that the 2020 budget reduced the structural deficit by 0.6% of GDP. The budget proposed by the 5SM-DP coalition instead involves raising both the structural and overall deficit targets to 1.1 and 2.2%, respectively. Nonetheless, taking into account the recessionary context and the new government's collaborative attitude, the EU has decided not to reject the budget. Importantly, the plan avoids a VAT hike (from 22 to 24.2%) that would have been strongly detrimental to purchasing power and aggregate demand. To compensate the associated €23 billion of lost revenue, as well as €3 billion in tax cuts for low-income households, the government will rely on a set of measures to combat tax evasion, which is estimated to cost more than €100 billion a year. These include measures to incentivize non-cash payments, such as fines for not accepting cards, stricter prison sentences and a lowering of the maximum threshold for cash transactions. In addition, a "web tax" for digital companies is expected to bring in €700 million. Due to the appeasement with Brussels and the ECB's easing, debt-service costs are at record lows, which is fundamental for keeping the public debt dynamic under control. Owing to a deteriorating external environment (global trade tensions, European slowdown) and stagnant competitiveness, a modest contraction of the current account surplus is expected. Italy's export basket is skewed towards machinery, automotive and food products; making the trade balance sensitive to the trade war. Foreign manufacturing orders have been declining somewhat faster than in competitor countries (ex: Spain), suggesting a slight loss of market share.

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

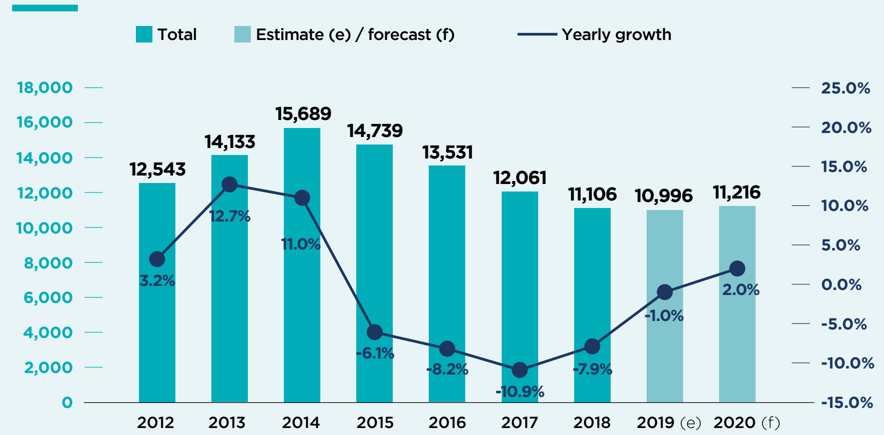
This settlement is a court procedure which allows a company in financial difficulty to propose a debt restructuration plan. The debtor files a proposal to the court to repay the total amount outstanding to the secured creditors. If the court admits it, a commissioner trustee is appointed, and if the 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 FAILURES



Source: Cerved, Coface.

JAMAICA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	2.9
GDP PER CAPITA US Dollars - 2018	5,406
CURRENCY Jamaican dollar	JMD

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	38%
EURO AREA	17%
ICELAND	6%
CANADA	6%
RUSSIA	4%

Imports of goods as a % of total

UNITED STATES	45%
EURO AREA	7%
CHINA	6%
TRINITAD & TOBAGO	5%
JAPAN	5%

- 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

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.0	1.8	1.2	1.0
Inflation (yearly average, %)	4.4	3.7	3.6	4.6
Budget balance* (% GDP)	1.0	1.8	0.3	0.1
Current account balance (% GDP)	-2.6	-1.9	-2.5	-2.8
Public debt (% GDP)	101.1	94.4	93.5	90.3

(e): Estimate. (f): Forecast. * Fiscal year 2020 = from April 1, 2020 to March 31, 2021.

RISK ASSESSMENT

Tourism and consumption keep activity alive

Jamaican growth will remain weak in 2020, even declining compared to 2019, mainly because of a drop in metallurgy production. The temporary closure of the country's largest aluminium refinery during 18 to 24 months for an upgrade will have an adverse impact on activity, especially since aluminium accounts for half of exports and that world prices are on a downward trend. In contrast, tourism (20% of GDP) will be a growth driver, capitalizing on a steady increase in the number of visitors, an effective marketing strategy and adequate tourism infrastructure. However, the sector will continue to suffer from the very high crime rate, which also affects the business environment more generally. With household confidence riding high, household consumption will maintain solid momentum due to the ongoing fall in unemployment (8% in 2019) and continued robust growth in disposable income. The gradual decline in the central bank's key policy rate, which was cut from 5.0% to 0.5% between March 2017 and August 2019, continues to fuel private sector credit growth. The Microcredit Act, which is likely to be adopted in early 2020 and aims to more effectively regulate the practices of microfinance institutions (including excessive interest rates), will further encourage private investment. Finally, after being hard hit by a long drought in 2019, agriculture will remain at the mercy of weather conditions, at a time when the prices of agricultural products, including sugar and coffee, are relatively low.

Slight easing of fiscal discipline

Still struggling with a huge public debt burden, with debt service (about 14% of GDP, including 6% spent on interest payments) continuing to monopolize public finances, the Jamaican government will maintain a prudent fiscal policy for FY 2020/2021. In line with previous years, efforts to control the wage bill and improve tax collection, among other things, will continue, resulting in a primary surplus (excluding interest on debt) of around 6.5% of GDP. Nevertheless, some expenditures are expected to increase slightly again, in order to mitigate the country's main deficiencies. First, security expenditures (new barracks, equipment purchases) will continue to increase in response to the country's persistently high crime rate. Social transfers will also head upwards, as will investments in infrastructure that are mainly focused on improving the road network. This slight budgetary shift comes after the government had already decided to ease corporate taxes a little in the 2019/2020 budget, which reduced its surplus. However, the public debt burden will remain on a downward trend. Reducing it remains a priority because nearly two-thirds of this debt is external and denominated in foreign currencies, which creates a high exchange risk, as the Jamaican dollar is backed by a floating regime.

Regarding external accounts, the current account deficit will increase in 2020, hit by the deterioration of the trade deficit (23% of GDP). Although oil prices are set to remain low, goods imports will increase in line with robust consumption, while exports will suffer from tough conditions in the metals sector. Tourism revenues will continue to contribute to the services surplus (8.5% of GDP), while remittances from expatriates (14% of GDP) should be stable, despite the slowdown in the United States, the main source of remittances. Inward investment, mainly in the shape of FDI, is expected to almost entirely finance the current account deficit. Foreign exchange reserves will remain at a relatively comfortable level, representing about five months of imports.

Popular support for the government but challenges ahead

Despite implementing austerity policies since 2016 (the year of his election and the budgetary support agreement with the IMF), Prime Minister Andrew Holness and his Jamaica Labour Party (JLP) have maintained popular support because the economy and employment have been relatively healthy. In addition, the main opposition party (People's National Party) is plagued by significant internal divisions that weaken its influence. However, other major issues will determine the success of the JLP in the upcoming elections, scheduled for early 2021. On the one hand, the government will have to step up its efforts to fight crime, which remains Jamaica's number-one problem. On the other hand, the perception of corruption and non-transparency seems to be growing in public opinion, especially after a recent scandal over the misuse of public funds, involving a former minister.

At the geopolitical level, the government will focus on relations with the United States, the country's main trading partner and source of remittances from expatriate workers. It is also likely to concentrate its efforts on regional cooperation, especially to combat drug trafficking and crime, which affect the business environment. It is to be noted that Jamaica's business environment has moved up 4 places in the World Bank's Doing Business ranking (71st out of 190 countries), lifted by the ease of business creation and access to credit.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	126.5
GDP PER CAPITA US Dollars - 2018	39,304
CURRENCY Japanese yen	JPY

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.9	0.8	0.8	0.3
Inflation (yearly average, %)	0.5	1.0	0.6	1.0
Budget balance* (% GDP)	-3.2	-3.1	-3.0	-2.8
Current account balance (% GDP)	4.2	3.5	3.3	3.2
Public debt (% GDP)	235.0	238.0	237.0	236.0

(e): Estimate. (f): Forecast. * April 1st N-1 /31st March N.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	20%
UNITED STATES	19%
EURO AREA	8%
SOUTH KOREA	7%
TAIWAN	6%

Imports of goods as a % of total

CHINA	22%
UNITED STATES	11%
EURO AREA	9%
AUSTRALIA	6%
ARABIE SAOUDITE	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
- Trade agreement with the EU and Transpacific Partnership (December 2018)
- Excellent corporate payment behaviour

-

- Difficulty of consolidating public finances and bringing an end to deflationary pressures
- Reduction of the workforce and low emigration contribution; increasing share of precarious workers
- Low growth potential, low productivity of SMEs
- Still insufficient female labor participation, lack of child care
- Aging population at risk of jeopardizing the social security system

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth to slow down in 2020

In 2020, the economy is likely to slow, largely due to the shackling effect of the sales tax hike (to 10% from 8% in October 2019) on private consumption (56% of GDP). In this context, consumer confidence should remain depressed despite ticking up in October and a low unemployment rate (2.4% in 2020), while the PMI fell into contractionary territory in October for the first time since mid-2016; both the sales tax hike and Typhoon Hagibis hit the reading. Nevertheless, the consumption tax rate was accompanied by measures to smooth demand volatility and mitigate the impact on the economy, including: a point-reward program for cashless payments in SME; a tax allowance for automobile and house purchases; infrastructure investment; and additional spending for childcare and tertiary education. On the other hand, clashes with South Korea and the US – China trade war will continue to constrain the external sector. Adverse external conditions will dampen export-driven private investment and manufacturing. However, non-manufacturing investment is expected to stay firm due to investment in labor-saving technologies. Furthermore, the government will apply new tax incentives in April 2020 for businesses to utilize their corporate cash stockpiles (84.3% of GDP) for productive use, and align the corporate tax code more closely with the digital economy for driving private investment and growth. Domestic demand is then likely to be a drag in 2020, which will in turn exacerbate deflationary pressures. Inflation should remain well below the Bank of Japan's (BoJ) 2.0% target due to Japan's deep-seated "deflationary mindset". BoJ will likely keep its ultra-accommodative monetary policies in place throughout 2020, which will continue to sustain growth.

A heavy debt load

The current account is expected to remain in surplus, but this could again slightly narrow in 2020. The Yen is expected to weaken in 2020, worsening the terms of trade. Export (transport equipment, construction and manufacturing equipment, electronics, specialty chemicals, optics...) growth is set to decline due to slower global demand. Moreover, exports (14% of GDP) may be impacted by the US-China trade war, as Japan is exposed *via* supply-chain links. The consumer boycott of Japanese products by South Korea (clothes, cars) may also weigh on the current account as exports to South Korea make up about 7% of total Japanese exports. While the large yields on overseas investments will remain the mainstay of the income account surplus (3.6% of GDP), the current account will also benefit from inflows on the services front (3.5% of GDP), because of the rise of tourism notably, the Chinese one. The Tokyo 2020 Olympics should also increase the number of tourists this year.

The fiscal deficit is expected to narrow slightly in 2020, with the main factor driving this enhancement being the decline of infrastructure investments ahead of the Tokyo 2020 Olympic Games. Nevertheless, reconstruction works following the 2018's disasters and typhoon Hagibis in October 2019 will still add to budgetary expenses. The social spending will continue to weigh significantly (33,7% of expenditures) on the state budget. In terms of revenues, increase in the sales tax will be insufficient to narrow the deficit substantially. Despite debt representing 236% of GDP, its service burden represents only 25% due to low interest rates at 0% on the 10-year government bond, as residents own 90% of it. Ttherefore, there is little space to implement further fiscal stimulus going forwards.

Difficult international context

Prince Naruhito became the 126th emperor of Japan in May 2019. Shinzo Abe, Prime minister and President of the ruling Liberal Democratic Party, reshuffled his Cabinet on September 2019, which has the priority to boost efforts to reform the nation's social security systems. He enters the last two years of his final three-year term.

Internationally, the Abe government on October 2019 signed off on a bill that would ratify the new trade deal with the United States, enabling to protect Japanese manufacturers from the US's customs reprisals. On the other hand, its relationship remains delicate with China and icy with North Korea and South Korea. With the latter, the dispute over compensation for forced Korean labor during Japan's colonial rule is the issue at the heart of the diplomatic and economic disputes between the two countries. Nevertheless, South Korea announced that it will not leave the General Security of Military Information Agreement (GSOMIA), the strategic military information exchange agreement it shares with Japan. Sides have agreed to hold talks over Japan's export dominance on three chemicals critical to the manufacture of semiconductors and displays by South Korea.

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 chôtei*). Under court supervision, a panel of mediators – usually comprised of a judge and two neutral assessors – attempts to reach, by mutual concessions of the parties, an agreement on civil and commercial disputes.

In practice, litigants often settle the case at this stage of the procedure, before a judgment is delivered. While avoiding lengthy and costly legal proceedings, any transaction obtained through such mediation becomes enforceable once approved by the court.

Enforcement of a Legal Decision

A court judgment is enforceable if no appeal is lodged within two weeks. If the debtor does not comply with the decision, compulsory measures can be ordered through an execution against Real Property (an Examination Court issues a commencement order for a compulsory auction) or an execution against a claim (a compulsory execution is commenced through an order of seizure).

Japanese law provides for an *exequatur* procedure in order for foreign awards to be recognised and enforced. The court will verify several elements, such as whether the parties benefited from a due process of law, or if enforcement will be incompatible with Japanese public policy. Furthermore, if the issuing country does not have a reciprocal recognition and enforcement treaty with Japan, the decision will not be enforced by domestic courts.

Insolvency Proceedings

Restructuring

There are two types of restructuring proceedings. The first of these is corporate reorganisation proceedings (*kaisha kosei*), which are typically used in complex insolvency cases involving stock companies. They come with the mandatory appointment of a reorganisation trustee by the court and with a stay against enforcement by both secured and unsecured creditors. The court typically appoints a third-party *bengoshi* with substantial experience in restructuring cases.

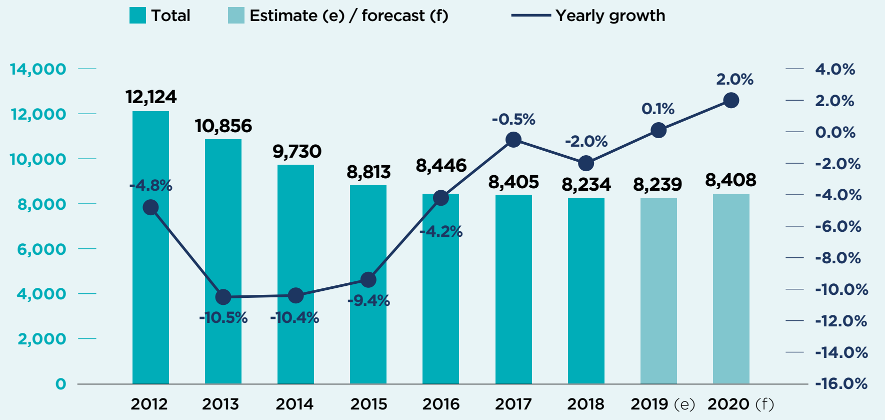
The second of these is civil rehabilitation proceedings (*minji saisei*), which are used to rehabilitate companies of almost any size and type. The debtor-in-possession (DIP) administers the rehabilitation under supervision of a court-appointed supervisor. Enforcement by secured creditors is not stayed in principle. The debtor must enter into settlement agreements with secured creditors in order to continue using the relevant collateral to conduct their business.

Winding up proceedings

There are two winding up proceedings. In bankruptcy proceedings (*hasan*), the court appoints a lawyer as trustee to administer the proceedings. Enforcement by secured creditors is not stayed; rather, they can freely exercise their claims outside of the bankruptcy proceedings. The trustee will usually attempt to sell secured collateral with the agreement of the secured creditors and contribute a percentage of the sales proceeds to the estate. The debtor's estate is distributed to creditors in accordance with prescribed statutory priorities without any need for voting by the creditors.

The second, special liquidation (*tokubetsu seisan*), is used for stock companies. A liquidator is appointed by either a debtor's shareholders or the court. Distributor of the debtor's estate to creditors has to be approved by creditors with claims to two-thirds or more of the total debt or by way of settlement. This procedure is used when the debtor's shareholders are confident that they will obtain creditors' cooperation for the liquidation process, and wish to control the liquidation process without involvement of a trustee.

NUMBER OF CORPORATE FAILURES



Source: Tokyo Shoko Research, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	9.9
GDP PER CAPITA US Dollars - 2018	4,270
CURRENCY Jordanian dinar	JOD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.1	1.9	2.2	2.4
Inflation (yearly average, %)	3.3	4.5	2.0	2.5
Budget balance (% GDP)	-3.7	-4.8	-3.4	-3.1
Current account balance (% GDP)	-10.6	-7.0	-7.0	-6.2
Public debt (% GDP)	94.3	94.4	94.6	94.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
INDIA	10%
SAUDI ARABIA	10%
IRAQ	10%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

EURO AREA	17%
SAUDI ARABIA	17%
CHINA	14%
UNITED STATES	9%
UNITED ARAB EMIRATES	4%

+

- 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

Moderate growth hampered by conflict in border countries

GDP growth is expected to remain moderate in 2020, despite the shaky confidence of private sector agents in the face of regional instability. Economic activity will continue to be driven by mining and tourism. The latter is a particular focus for the government, which wants to double the 2016 tourist numbers by 2020. As in the past, banking and insurance activities (21% of GDP in 2018) will be growth drivers. Growth will also be fuelled by exports (about 19% of GDP in 2018), particularly in the mining sector, following the demonstration of official support at the London Initiative, a conference held to bolster investment in Jordan. The reopening of the Iraqi border (despite security risks) and related trade and investment agreements, lower import costs (oil and food) and quicker-than-expected engagement by domestic companies regarding the December 2018 amendment to Protocol 3 to the Association Agreement with the EU, which simplifies export rules, should help to stabilise the trade balance. Accordingly. private consumption is expected to grow, despite the fiscal consolidation policy undertaken as part of an IMF Credit Facility programme (extended to March 2020 and likely to be renewed) and the high unemployment rate (18.5% in August 2019).

Difficulties in reducing the twin deficits

The pace of fiscal consolidation is expected to remain similar to that of 2019, due to numerous popular protests, including strikes by teachers calling for a 50% increase in salaries, which the government has responded to by proposing wage hikes. In this context, owing to the presence of Syrian refugees, public spending increased sharply in 2019 but is expected to decline level in 2020, leading to an improvement in budget deficit. Public investment will focus in particular on the tourism and transport sectors. The situation in the region will force the kingdom to maintain significant defence spending (30% of GDP in 2018). On the other hand, increased revenues from the new Income Tax Act, the implementation of tax measures and the government's continued commitment to maintain its consolidation path will help reduce the deficit, despite the decline in grants.

As the country is a net importer of oil, Jordan's current account balance depends on fluctuations in oil prices. The current account deficit is expected to improve in 2020, and will continue to be limited by inflows of remittances from expatriates (8% of GDP in 2018). Inward foreign investment, mainly in the form of FDI, which is expected to grow in 2020, 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, especially since its currency is pegged to the dollar. Foreign exchange reserves stood at one year of imports in August 2019.

Elections against a backdrop of popular discontent

Against a backdrop of popular discontent, King Abdullah II retains the support of the army and of a population wary of radical change. Nevertheless, waves of protests against the government are expected due to the high unemployment rate driven by a restrictive fiscal policy.

The next election to the *Chamber of Deputies* (Lower House), scheduled for September 2020, is expected to take place as planned. The Islamic Action Front (IAF), the political wing of the Muslim Brotherhood, currently holds 15 of the 130 seats in Parliament. The IAF is softening its Islamist stance and should obtain more seats in the next legislative elections although it is not expected to form a majority. Parliament will continue to be dominated by nominally independent representatives who are loyal to the King.

Jordan's pro-Western and pro-Gulf stance will remain the cornerstone of foreign policy for security and, increasingly, economic reasons. Jordan's central strategic position should ensure continued logistical, financial and military assistance from the United States, its main ally, despite differences with US policy in this region.

In 2020, the business climate is expected to continue to improve despite regional instability, with Jordan ranking among the top 20 countries that have made progress in this area. Significant headway has been made in obtaining credit, paying taxes and resolving insolvency.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	18.4
GDP PER CAPITA US Dollars - 2018	9,401
CURRENCY Kazakhstani tenge	KZT

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.1	4.1	4.0	3.7
Inflation (yearly average, %)	7.4	6.2	5.3	5.3
Budget balance* (% GDP)	-4.4	2.7	0.5	0.2
Current account balance (% GDP)	-3.1	0.0	-1.4	-1.1
Public debt (% GDP)	20.3	20.7	19.0	19.0

(e): Estimate. (f): Forecast. * Y c. transfers from the sovereign oil fund (NFRK) and recapitalization of banks (2017).

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	44%
CHINA	10%
RUSSIA	8%
SOUTH KOREA	5%
SWITZERLAND	5%

Imports of goods as a % of total

RUSSIA	37%
CHINA	17%
EURO AREA	16%
UNITED STATES	5%
SOUTH KOREA	3%

- Oil and mining potential
- High levels of foreign direct investment
- State enjoys a net creditor position, important sovereign fund
- Floating exchange rate
- Strategically located between China and Europe
- Member of the Eurasian Economic Union
- Increase in the labour force (67% of the population) thanks to fast population growth

- Economy dependent on commodities (oil, gas, uranium and iron), Russia and China
- Fragile banking system
- Institutional shortcomings: corruption, administrative delays, deficiencies in collective proceedings and trade barriers
- Inadequate road, port and electricity infrastructure
- Underdeveloped manufacturing base (11% of GDP)
- Landlocked and low population density, especially in northern regions

RISK ASSESSMENT

Growth driven by domestic demand

Activity will continue to be driven by domestic demand in 2020 but is expected to slow again somewhat owing to the influence of external demand, which will be hurt by the weak economies of Kazakhstan's trading partners. Exports (70% hydrocarbons and 21% metals, including steel, iron, copper and uranium) are likely to fall in value due to a general downtrend in prices, compounding continued application of the production restriction contained in the OPEC+ agreement. As at the same time imports will be fed by domestic demand, trade's contribution to growth is expected to remain slightly negative. Conversely, household consumption (55% of GDP) is poised to continue to grow briskly thanks to further fiscal easing. Wages, particularly in the public sector, are expected to rise again, following the minimum wage hike. Low-income and disabled households will get debt relief of up to USD 7,772 in principal and USD 772 in interest. This measure is expected to benefit 500,000 people. Credit should continue to grow strongly, particularly in real estate (+31% year-on-year in June 2019). In addition, income tax is to be cut further. Services (58% of GDP), especially trade, will be boosted by vibrant domestic demand. Investment (22% of GDP) will continue to benefit from the development of infrastructure, including roads, railways, gas and connective infrastructure under the Nurly Zhol programme and also potentially under the Chinese Belt and Road initiative, which will support the construction sector (10% of GDP). 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. Meanwhile, the construction of social housing will continue under the Nurly Zher programme. Since the US dollar peg was scrapped and the tenge was allowed to float (2015), the central bank has focused on controlling inflation. However, inflation will remain high due to inflationary pressures generated by the increase in wages, which has not been offset by stable prices for imported products, of which 40% come from Russia. In addition, the effectiveness of monetary policy is undermined by the situation of credit, which occupies a small place (18% of GDP) and is frequently subsidised, as well as by dollarisation (43% of deposits and 18% of credit). In addition, the banking system remains fragile. The official percentage of impaired loans, *i.e.* 9.4% in June 2019, should be updated following the recent asset review. The system is both scattered (about 30 institutions, many small) and concentrated, with one institution accounting for more than a third of deposits. Many institutions are owned by influential people who are not easily pushed into line and who are able to obtain public funds to avoid liquidation. Finally, the system suffers from having a small market that is dominated by household credit, with other sectors either self-financing or turning to foreign markets.

Oil-supported public and external accounts

Despite social measures, the launch of new infrastructure projects and a tax exemption for micro and small businesses, the budget surplus is not expected to disappear. In addition to improvements in collection, revenues (22% of GDP) are fuelled by oil revenues (one-third), and the sovereign wealth fund is also set to be tapped once again to the tune of 4% of GDP, which would compromise the commitment to cut the non-hydrocarbon deficit (7.4%) to 5.4% by 2022. Public debt, whose external share (45%) is mainly held by public creditors, is low, due to the use of the sovereign wealth fund (NFRK), while the central bank is called upon to subsidise credit and cancel debts. A new bank rescue, which is still possible, would not pose any difficulties.

The current account deficit is expected to remain small in 2020. Even with the decrease in oil revenues, the trade surplus (12% of GDP) will offset the income deficit (10%) generated by the large stock of foreign investment in hydrocarbons and the services deficit (2%). Remittances from foreign workers represent less than 1% of GDP.

External debt (93% of GDP at the end of 2019) is expected to decline further. Intra-group loans linked to FDI account for 64% of the total, and the State's share is only 8%. Meanwhile, in July 2019 the central bank's foreign exchange reserves were equivalent to 7.1 months of imports and 18% of GDP, or 4.4 months and 11% excluding gold, while the foreign assets of the sovereign fund were worth USD 60 billion, *i.e.* 15 months of imports and 33% of GDP.

Fragile presidential succession

Nursultan Nazarbayev stood down in March 2019 after ruling the country since 1989. However, in addition to the powers of arbitrator conferred by his titles of "First President" and "Father of the Nation", he continues to preside over the powerful Security Council and his party (Nur Otan), which comfortably won the March 2016 legislative elections with more than 80% of the vote. Senate President Kassym-Jomart Tokayev was elected President in June 2019 with 71% of the vote. He will have to assert his authority over his predecessor, who has obtained a veto over appointments. Moreover, while mass protests are rare in an environment where security has been strengthened owing to fears of terrorism and Muslim fundamentalism, and despite the social initiatives that have been carried out, there is nevertheless public dissatisfaction with the country's modest economic performance and China's economic presence.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2018**	48.0
GDP PER CAPITA US Dollars - **2018**	1,831
CURRENCY Kenyan shilling	KES

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	14%
UGANDA	10%
PAKISTAN	10%
UNITED STATES	8%
UNITED KINGDOM	7%

Imports of goods as a % of total

CHINA	21%
INDIA	10%
SAUDIA ARABIA	10%
EURO AREA	9%
UNITED ARAB EMIRATES	8%

- 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

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.9	6.3	5.6	5.3
Inflation (yearly average, %)	8.0	4.7	5.2	6.3
Budget balance* (% GDP)	-8.8	-7.0	-7.5	-6.5
Current account balance (% GDP)	-6.2	-4.9	-4.3	-4.2
Public debt (% GDP)	56.1	59.2	59.8	60.4

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2020 data: FY19-20.

RISK ASSESSMENT

Robust but constrained growth

Growth, although still strong, is expected to weaken again in 2020, after being affected by drought conditions in 2019. Public investment in infrastructure, particularly in transport and energy, is expected to continue to drive activity. The deployment and improvement of the road network, the extension of the railway line between Mombasa and Nairobi to Naivasha and the development of the second container terminal at the port of Mombasa will all be major opportunities for the construction sector. However, growing budgetary constraints, as evidenced by the suspension of general government and parastatal investment spending in July 2019, are expected to result in a slowdown in these activities. These constraints will likewise negatively impact public consumption, despite support for the implementation of the "Big Four" plan focused on industrialisation, universal health coverage, food security and affordable housing. Private investment is expected to contribute to growth through PPP agreements and reforms that have improved the business climate. It should also benefit from the lifting of the the interest rate caps, which constrained credit growth. Household incomes could be constrained by higher inflation and lower remittances from expatriate workers in the United States and Europe as a result of the less favourable global economic situation, and might therefore be a drag on the contribution from private consumption. Exports are also expected to suffer from softer external demand, which will affect the expansion of the tourism and agriculture sector.

Debt service, the central concern

In 2019/2020, the budget deficit is expected to remain high, even though it may narrow. On the expenditure side, the increase in interest payments, which absorbed about 22% of the revenue collected at the end of the last financial year, will cause current expenditure to go up, despite plans to limit hiring in the public sector in order to contain the wage bill (17% of expenditure). While it should continue to be a priority, capital investment spending is expected to grow at a slower pace. Revenue should be supported by tax measures, including an increased levy on capital gains. Even so, growth will be constrained by deficient domestic revenue collection. External and domestic debt will therefore still be necessary to finance the deficit. Although still mainly concessional, the increase in commercial debt, including Eurobonds issuance, is causing an increase in debt servicing costs.

In 2020, the current account balance is expected to remain roughly stable, posting a deficit again. The trade deficit may stabilise, as compression of the capital goods import bill offsets the increase in exports constrained by the external environment. This is also expected to hamper the growth of tourism revenues and the surplus in the services account. The increase in interest payments should contribute to a wider income account deficit. The slowdown in the EU and the United States, where the majority of expatriates live, is expected to affect the transfer balance surplus. The country's attractiveness to FDI should make it possible to finance the deficit along with debt. Foreign exchange reserves, sufficient to cover more than 5 months of imports, may support the Kenyan shilling, which is vulnerable to capital outflows given the portfolio investment stock held by foreigners.

A fragile domestic environment

In 2017, President Uhuru Kenyatta was re-elected for a second term in an election of which the result was contested by the main opponent, Raila Odinga. However, post-election tensions eased with a reconciliation agreement between the two candidates, which was sealed in March 2018. Despite this truce, the country's political, social and ethnic divisions remain unresolved and could again prove to be a source of instability in the future. The issue of the succession of Uhuru Kenyatta, who cannot constitutionally run for a third term, as the Jubilee Party candidate, may act as the catalyst to start the 2022 presidential race.

In addition, given the country's military involvement in Somalia, Kenya remains a target for Islamist terrorism, particularly by the al-Shabab group. The terrorist attack in Nairobi that killed more than 20 people in January 2019 illustrated this threat. A maritime dispute could also damage the relationship with Somalia. In addition, recurrent trade disputes with Tanzania could hinder the integration of the East African Community, in which the country plays a pivotal role.

The perception of the business climate remains constrained by chronic political instability and infrastructure bottlenecks, but the country continues to reform its business environment. The progress made is reflected in Kenya's 56th place worldwide (out of 190 countries) and number-three ranking in sub-Saharan Africa. The measures being taken aim in particular to reduce payment delays, by ensuring, for instance, that the Treasury pays its suppliers within 60 days.

KOREA (NORTH)

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	25.5
GDP PER CAPITA US Dollars - 2018	1,282
CURRENCY North Korean won	KPW

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	-3.5	-4.1	-1.0	1.0

(e): Estimate. (f): Forecast. * Approximate data based on available sources.

TRADE EXCHANGES

Exports of goods as a % of total

UKRAINE	38%
CHINA	31%
SUDAN	2%
DOMINICAN REPUBLIC	2%
ETHIOPIA	2%

Imports of goods as a % of total

CHINA	85%
UKRAINE	9%
RUSSIA	1%
INDIA	1%
KAZAKHSTAN	1%

- Bilateral talks with the United States and South Korea increase likelihood of economic integration
- Youthful population; low labour costs
- Borders with China and Russia
- Extensive mining resources remain largely untapped

- Economically and politically isolated
- Chronic food and electricity shortages
- Military spending dwarfs investment in productive sectors
- Extreme poverty (half of the population)
- Severe lack of infrastructure

RISK ASSESSMENT

International isolation persists despite recent diplomatic progress

Supreme Leader of North Korea Kim Jong Un succeeded his father in 2012. He controls the country's three main administrative bodies: the Workers Party of Korea (WPK), the Korean People's Army, and the State Affairs Commission. Kim Jong Un has a strong grip on power, which was strengthened by the execution of his uncle Jang Song Thaek in 2013 and the assassination of his step-brother Kim Jong Nam in Malaysia in 2017. The people of North Korea are under total control, and individual freedoms are very restricted.

In 2017, North Korea tested 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 denuclearize. 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 the country's most crucial imports. Moreover, the US consolidated the economic isolation by denying US market access to third countries not complying with UN sanctions. This unprecedented pressure (China and Russia have also applied sanctions) has led to two years of severe economic contraction. US President Donald Trump relaunched diplomacy efforts in March 2018 and met with the North Korean leader three times. However, by the end of 2019, the two parties had not been able to reach an agreement, as discussions were at a standstill. Pyongyang rejects the "final and fully verified" denuclearization process requested by Washington, as long as international sanctions are not eased. North Korea is also upset by joint military exercises by the US and South Korean armies, which it perceives as provocations. However, an agreement could yet be reached in 2020, mainly because both leaders would have an interest in this. President Trump could tout this foreign policy success during his campaign for re-election in November 2020, while Kim Jong Un is looking to take advantage of this unprecedented rapprochement with the US administration to reduce his country's economic isolation and promote its development.

At the same time, relations with China and South Korea have improved slightly. 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 Jong Un on three occasions. Under the Panmunjom Declaration adopted in April 2018, both sides agreed to work together to end the Korean War and promote the denuclearization of the Korean Peninsula.

The economy remains fragile and hurt by international sanctions

The North Korean economy remains marked by significant structural weaknesses, which hamper its development. Moreover, in the absence of an agreement, international sanctions will continue to weigh heavily on foreign trade. Imports are estimated to have fallen by 31% in 2018, exacerbating the frequent shortages of oil and consumer goods. At the same time, exports are also estimated to have collapsed by more than 80%, particularly in textiles, ores and machinery. In addition, trade with South Korea remains very limited and continues to be adversely affected by the closure of the vast Kaesong industrial complex located on the border between the two countries, which was shut down in 2016 after Pyongyang conducted its fourth nuclear test.

The country's economy is characterised by central planning and strict state ownership of capital and resources. The agricultural sector still accounts for a substantial share of production (nearly 25% of GDP) and remains largely state-owned and unproductive. In the services sector (33% of GDP), three-quarters of the value added produced is directly linked to State activity. However, increasing economic liberalization is likely, as Kim Jong Un has suggested that North Korea should pursue a model similar to the Doi Moi policy implemented by Vietnam in the 1980s, combining market reforms and better links with the West while guarding political control. This is in line with the policy of byungjin, which is designed to promote the simultaneous development of the economy and the nuclear arsenal. In addition, since the late 1990s, a market economy has begun to emerge through illegal bartering and smuggling initiatives. Moreover, since Kim Jong Un came to power, the State has grown more tolerant of markets (jangmadangs), which have increased significantly in size and number, paving the way for some entrepreneurship and allowing people to supplement their incomes. The tourism sector, which is still very marginal due to isolationism, has nevertheless benefited from an increase in the number of Chinese tourists in recent years, particularly in Pyongyang. A rapprochement with South Korea would stimulate FDI and manufacturing, but would also boost the construction sector, with both countries planning to build connectivity infrastructure (rail and road). Inflation will remain extremely volatile, given the high level of external dependency and weak agriculture. The won should continue to be subject to downward pressure (it is mainly traded on the black market).

KOREA (SOUTH)

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	51.6
GDP PER CAPITA US Dollars - 2018	33,320
CURRENCY South Korean won	KRW

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.7	2.7	1.8	2.0
Inflation (yearly average, %)	1.9	1.5	0.5	1.0
Budget balance (% GDP)	2.8	2.5	0.0	-1.5
Current account balance (% GDP)	4.6	4.5	3.5	3.5
Public debt (% GDP)	37.6	37.9	40.1	43.5

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	27%
UNITED STATES	12%
VIETNAM	8%
HONG KONG (SAR)	8%
EURO AREA	7%

Imports of goods as a % of total

CHINA	20%
UNITED STATES	11%
JAPAN	10%
EURO AREA	9%
SAUDI ARABIA	5%

+

- Diversified industrial base
- Leader in high-end electronics
- High private and public R&D spending
- Good educational system
- Diversified FDIs in Asia

−

- Competition from China (steel, shipbuilding, electronics)
- High level of household debt
- Ageing population
- High youth unemployment
- Net commodity importer
- Overrepresentation of *chaebols* in the economy
- Proximity to North Korea

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth on the back of public spending

Growth will remain sluggish in 2020. Most of the upside will come on the back of budgetary support, with the contribution of net exports improving gradually thanks to a positive base effect in the second half. External demand should remain sluggish despite recent developments surrounding a partial trade deal between the United States and China – its largest trade partner – *via* supply chain links. This is especially true for semiconductors and displays, South Korea's largest exports by value. Semiconductor exports suffered from a -25% YOY drop in prices in the first nine months of 2019. Some upside in Q4 is possible, pending developments with the launch of South Korea's 5G network. Industrial conglomerates (*chaebols*) will continue to face pressures on the profitability front, leading to slower private investment in ICT, automotive and electronics. Investments into the construction sector will remain especially subdued, on the back of stricter mortgage restrictions to control real estate prices. Nonetheless, another year of expansionary fiscal policy should boost public investment, offsetting the decline in private investment. Domestic consumption will decline over the following quarters, constrained by high household debt levels and a sluggish labour market, featuring high youth unemployment (around 10%). Inflation will likely edge up closer to Bank of Korea's (BOK) 2.00% target in 2020, on the back of higher food prices. This means that BOK may implement an additional 25 bps interest cut in the first quarter of 2020, but will pause for the remainder of the year. The onus of stimulating the economy will therefore fall on the Ministry of Finance, which will announce more aggressive fiscal stimulus measures, resulting in a budget deficit.

First budget deficit and stable current account surplus

The budget deficit will widen due to a more expansionary fiscal policy. Since the 2.9% minimum wage increase in 2019 did little to boost activity or employment, the 2020 budget will instead focus on infrastructure investment and government expenditure on research and development. Corporate taxes remain amongst the highest in the OECD (at around 30%), contributing to higher tax revenues. In addition, the government is expecting to sell a net KRW 60.2 trillion worth of treasury bonds to finance this deficit, which would be the biggest on record. Despite increased government borrowing, South Korea features moderate public debt levels, amongst the lowest among high-income economies and below the OECD average (85% domestic owned). External debt also remains low, accounting for 25% of GDP. On the contrary, household debt continued to rise in 2019, reaching 93% of GDP or 161% of disposable income. This is amongst the highest in the world and remains a source of concern.

The current account surplus will remain positive thanks to a large trade surplus, in 2020. Export growth should be slightly lower than that of imports, due to mounting trade war ailments. The steadying of relations with China should help by boosting tourist numbers, after plummeting in 2017. Foreign exchange (FX) reserves will remain at a comfortable level, but a combination of KRW depreciation and a narrower current account surplus will limit any upside. Policymakers should not be too concerned about moderate FX depreciation, as the South Korean economy does not have a financing gap, and a weaker won benefits the export sector.

Less wind behind Moon's sails

President Moon Jae-in secured a victory for the Democratic Party during elections in 2017. His agenda initially focused on improving GDP through measures to boost wages and public employment, while reducing the influence of the *chaebols*. However, these polices have had limited effects in reducing existing headwinds, leading to a shift in stance that is more sanguine towards the *chaebol*, which has not gone down well with his electorate. Additionally, a political scandal that resulted in the resignation of Justice Minister Cho Kuk, further contributed to Moon's decline in the polls, reaching 39% according to a survey by Gallup. President Moon's drive to engage in a strategic dialogue with Pyongyang has also had mixed results. North Korea is threatening to back away from a 2018 agreement to denuclearize the Peninsula, while ballistic missile tests resumed in late 2019. The Democratic Party may lose support during the legislative elections of April 2020 as a result. Lastly, an ongoing trade dispute with Japan over South Korea's ruling that Japan pays reparations for Second World War crimes is a lingering threat, as Korean companies depend on Japan for 90% of their demand of key technology imports.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	4.6
GDP PER CAPITA US Dollars - 2018	30,969
CURRENCY Kuwaiti dinar	KWD

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	22%
SOUTH KOREA	18%
INDIA	11%
JAPAN	10%
SINGAPORE	6%

Imports of goods as a % of total

EURO AREA	18%
CHINA	17%
UNITED STATES	9%
UNITED ARAB EMIRATES	9%
JAPAN	6%

+

- Vast financial buffers offsetting low oil prices, positive international investment position
- Improvements in economic diversification efforts
- Low inflation environment, high living standards
- Low social discontent

-

- Still high dependence on oil in terms of exports and fiscal revenues
- Slow pace of economic reforms
- State-dominated economy, discouraging long and slow bureaucracy for the private sector
- Political frictions between executive and legislature

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	-3.5	1.2	0.6	3.1
Inflation (yearly average, %)	1.5	0.6	1.5	2.2
Budget balance (% GDP)	6.3	8.7	6.7	3.8
Current account balance (% GDP)	8.0	14.4	8.2	6.8
Public debt (% GDP)	20.7	14.7	15.2	17.4

(e): Estimate. (f): Forecast. * Starts on April 1, 2020 until March 31, 2021.

RISK ASSESSMENT

Government spending will sustain growth

Kuwaiti growth performance had been hit in 2019 on the back of lower oil prices and production cap within the OPEC+ agreement. In case of an extension of OPEC-led production cuts and low oil prices, the growth performance of the country will remain under pressure, as oil accounts for nearly half of GDP. Yet these impacts are expected to be relatively offset by vigorous fiscal spending. Private consumption, which accounts for around 40% of GDP would stay robust based on the expectations that the public sector wages (17% of GDP) will remain intact and that the government will shy away to introduce some fiscal austerity measures. Slight pickup in non-oil activity, such as services, manufacturing and construction, thanks to the infrastructure projects (railroad, Mubarak Al-Kabeer port, International Airport and Fahaheel expressway expansions) will also support economic growth. Nevertheless, the increase in global investment will remain limited while export growth will be sluggish due to OPEC-led production cuts. Indeed, around 90% of export revenues come from hydrocarbon sales. Inflation is expected to inch up in 2020 on the back of strong fiscal stimulus but will remain subdued. The Central Bank of Kuwait (CBK) cuts its policy rate slower than the US Fed. In 2019, the US Fed cut its rates three times whereas the CBK cut them only once in October. This trend is expected to continue in 2020.

Large financial buffers remain in place, yet financing need remains large

The increase in oil prices in 2017 and 2018 helped Kuwait to improve its overall fiscal balance. The country benefits from one of the lowest fiscal break-even price across the GCC estimated at USD 54.7 per barrel as per the IMF. By law, 10% of total annual revenue is transferred to the Future Generations Fund (FGF) regardless of the level of oil prices and the overall fiscal balance. However, fiscal financing needs, which indicate a deficit after transfers to the FGF and before inclusion of FGF investment income, show an uptrend. Kuwait would also benefit from efforts of diversification of fiscal revenues that depend currently, by around 70%, on oil hydrocarbon revenues. In order to do so, the country is expected to implement a tax on tobacco products as well as energy and carbonated drinks from April 2020, and a 5% value added tax regime from April 2021 onwards. Kuwait will continue to record a current account surplus with oil exports being the main source of revenues. Yet the pace of growth of current account surplus to GDP ratio is expected to decelerate in line with low oil prices. With the implementation of Kuwait National Development Plan (KNDP), import demand related to construction activity is expected to increase, trimming slightly trade surplus. Worker remittances also represent a source of capital outflows, as they rose by 3.9% to nearly USD 14 billion in 2018 from a year earlier, a trend that is pushing the authorities to discuss the introduction of a 5% tax on these transactions. Outflows from the financial accounts continued in 2018, rising to USD 24 billion from USD 17 billion in 2017.

Political risks related to succession remain limited

Kuwait is a constitutional emirate with a parliamentary system of government. The political system relies on a hybrid of hereditary monarchy and democracy. The Head of State is the Emir Sabah al-Ahmad al-Jaber al-Sabah who appoints a Prime Minister. The Emir, on the recommendation of the Prime Minister, appoints the ministers of the cabinet. Currently, the risks related to a disruptive succession remain limited. The elected parliament has an important power over the policy making process, challenging the government. Frictions between the executive and the legislative will continue to represent the principal risk to Kuwait's policy continuity.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	6.3
GDP PER CAPITA US Dollars - 2018	1,293
CURRENCY Kyrgyzstani som	KGS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.7	3.5	4.0	4.2
Inflation (yearly average, %)	3.2	1.5	1.5	3.0
Budget balance (% GDP)	-4.6	-1.3	-3.0	-3.0
Current account balance (% GDP)	-6.2	-8.7	-9.0	-7.5
Public debt (% GDP)	58.8	56.0	56.6	55.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED KINGDOM	39%
RUSSIA	16%
KAZAKHSTAN	14%
UZBEKISTAN	9%
TURKEY	6%

Imports of goods as a % of total

CHINA	40%
RUSSIA	25%
KAZAKHSTAN	10%
TURKEY	6%
EURO AREA	4%

+

- Significant gold and other metal resources (copper, uranium, mercury, iron)
- Hydroelectric potential (uses only 10%)
- Position as a strategic hub between Asia and Europe
- Support from bilateral and multilateral donors
- Part of China's Belt and Road (B&R) Initiative
- Member of the Eurasian Economic Union since 2015 (Russia, Belarus, Kazakhstan and Armenia)

-

- Poorly diversified economy remains dependent on gold, agriculture and remittances from expatriates
- Landlocked country with challenging geography and high energy dependency
- Deficient infrastructure (irrigation, sanitation, electricity)
- Significant underground economy undermines public resources
- Underdeveloped banking system (credit = 23% of GDP in 2018)
- Difficult business environment
- Political and social instability linked to weak institutions, the high poverty rate and inter-ethnic tensions
- Difficult relations with neighbours over issues such as water management and borders

RISK ASSESSMENT

Continued sustained growth

In 2020, growth is expected to remain sustained. After declining in 2018, production at the Kumtor gold mine (9% of GDP in 2018) has recovered and should benefit from further exploration to extend the life of the site. Agriculture (14% of GDP and 27% of jobs) will continue to play a significant role in the economy, of which the main driver will remain private consumption (83% of GDP). Massive remittances from expatriate workers should benefit from a stronger Russian economy. Public investment (about 20% of GDP) will also contribute to economic activity, supported by concessional loans from international organisations, notably the World Bank and the Asian Development Bank (USD 100 million upgrade of the Uch-Kurgan hydroelectric power plant). Construction of the Alternative North South Road (USD 850 million project) by China Road and Bridge Corporation will continue as part of the Chinese Belt and Road (B&R) initiative. Despite a difficult business climate, foreign private investment, which is concentrated in the mining industry, could resume with the end of the dispute between the government and Centerra Gold Inc. over the distribution of profits from the Kumtor mine. Notwithstanding the prospect of an increase in non-gold exports (particularly textiles) to Uzbekistan and solid export performances by gold, foreign trade will still make a negative contribution due to its large deficit. Inflation is expected to be moderate owing to the som's strong performance against the rouble, the currency in which food (35% of the basket) imports from Russia and Kazakhstan are denominated.

Limited effectiveness of policy and external vulnerability

Budgetary consolidation efforts, which are already moderate, could come to a halt with the year-end elections. In addition, the government's austerity policy remains hampered by the informal economy, major corruption in the public sector and tax exemptions, which are causing substantial resource losses. Moreover, the public wage bill (10% of GDP) and subsidies for energy prices are a drag on revenues. However, public debt, which is 86% external, could stabilise, with the positive impact of growth and the spread relative to the average interest rate being offset by the deficit. Despite vulnerability to growth and exchange rate fluctuations, default risk looks moderate given the concessional nature of the debt and the absence of major short-term repayments. Almost half of the external component is due to Eximbank China. Monetary policy will remain ineffective. Credit, meanwhile, continues to be underdeveloped. The securities requested are high. The average lending rate is 14% (while the key rate is 4.25%), due to low competition and high costs. However, this difference is misleading because a portion of credit is subsidised. In addition, dollarization remains high, at 38% of credit and 44% of deposits at the end of 2018. The current account deficit could be reduced with a decrease in the trade deficit (36% of GDP in 2018). Gold exports may remain on an upward trend, while exports of agricultural products (cotton, tobacco) and textiles to Uzbekistan will increase as trade links strengthen. The country continues to be dependent on imports of capital goods, as well as food and energy products, but the latter are expected to remain stable. The increase in transfers (30% of GDP) from Russia (98% of total transfers) will largely offset the trade deficit. Concessional project loans and one-off FDI inflows will finance the current deficit. Foreign exchange reserves (four months of imports at the end of 2018) will allow the central bank to continue its interventions on the foreign exchange market to smooth fluctuations and limit the impact on external debt (85% of GDP, including 37% private share at the end of 2018).

Future reforms and improved external relations

Kyrgyzstan is affected by political instability, having gone through two revolutions since independence in 1991. This owes much to the ethnic, linguistic and economic differences between the northern and southern valleys, which are separated by a high mountain range and which constitute the productive parts of the country. Moreover, political parties are more about people than beliefs. In October 2017, former Prime Minister Sooronbay Jeenbekov was elected President for six years with 54.3% of the vote. His predecessor and mentor Almazbek Atambayev was arrested in August 2019 on corruption charges. The Social Democratic Party (SDP) founded by Atambayev has overwhelmingly sided with Jeenbekov, allowing the ruling coalition to remain in power, with the SDP acting as the senior partner in the government led by Prime Minister Abylgaziyev since April 2018. Although the country has a parliamentary system, the Parliament traditionally aligns itself with the President. Within the framework of the National Strategy for Sustainable Development 2040, the government aims to carry out structural reforms to improve the functioning of administrations, customs regulations and competition laws and to fight corruption. The country remains closely linked to Russia, which has a military base near the capital. Relations with Uzbekistan and Kazakhstan have improved considerably, although those with Tajikistan remain difficult. Relations with China develop under the B&R initiative, although the presence of Chinese workers, the lack of transparency in the awarding of contracts and loans, and the treatment of Muslim minorities in Xinjiang are coming in for criticism.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	7.1
GDP PER CAPITA US Dollars - 2018	2,566
CURRENCY Lao kip	LAK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.8	6.3	6.4	6.5
Inflation (yearly average, %)	0.7	2.0	3.1	3.3
Budget balance (% GDP)	-5.5	-4.4	-4.3	-4.1
Current account balance (% GDP)	-10.6	-12.0	-12.1	-12.0
Public debt (% GDP)	55.8	57.2	58.0	56.2

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

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	43%
CHINA	34%
VIETNAM	7%
EURO AREA	4%
JAPAN	3%

Imports of goods as a % of total

THAILAND	59%
CHINA	21%
VIETNAM	9%
RUSSIA	2%
EURO AREA	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 and economic diversification
- Foreign investment in the commodities and energy sectors
- Regional integration (ASEAN) and WTO membership

−

- Persistent large current account deficit
- Weak foreign exchange reserves
- Governance shortcomings and high inequality
- Fragile banking sector
- Significant sovereign risk due to high external debt stock, specially Chinese-owed external debt
- Sensitivity to commodity prices as well as regional economic cycle and geopolitics (landlocked country)

RISK ASSESSMENT

Resilient growth supported by a diversified economy

Growth is recovering from the 2018 natural disasters and is expected to remain robust in 2020 on the back of economic diversification towards agriculture, services and manufacturing. Hydropower will continue to support GDP growth through construction and exports with the completion of several power projects on the Mekong River such as the Xayabury and Don Sahong dams, adding 2,200 MW generation capacity by 2020. Electricity currently accounts for a quarter of exports and addresses mostly demand from China, Vietnam and Thailand, which absorb 70% of Laos' total exports. In light of trade tensions and global economic downturn, electricity demand from these three major trading partners is likely to be reduced, threatening Laos's expected growth. Tourism will bolster services growth in 2020, coming from ASEAN countries, and China, and supported by the government's infrastructure development (international airport extended, global hotel brands facilities) and advertisement campaigns to promote tourism. Subject to this year's weather conditions, agriculture, accounting for 30% of GDP and 60% of the workforce, is expected to rebound after the flooding in 2018, which heavily affected rice crops and infrastructure. In light of poor crops, kip depreciation and African swine fever spreading to South-East Asia, consumer prices are likely to increase temporarily.

Vulnerability to external shocks due to persistent high deficits

Fiscal deficit is expected to decline this year on the back of further fiscal consolidation, though slowly due to underperforming revenues. This results from low tax rates and grants accounting for more than 5% of revenues. The public external debt estimated at 58.5% of GDP in 2018 exposes the country to external shocks, especially to a sharp decrease in exports and currency depreciation. In addition, two-thirds of the public debt is denominated in foreign currency, which exposes the economy to exchange rate fluctuations. The economy relies progressively more on China, which becomes its largest creditor as it invests massively to meet the economy's infrastructure needs (high-speed railway, power projects) – holding over 42% of Laos's external debt. Although the banking system is relatively strong and well capitalized, it is still highly dollarized which makes the country vulnerable in case of financial crises. Foreign exchange reserves, now covering around 1.2 months of imports are not enough to buffer those risks.

High current account deficit is expected to persist, financed by external debt and FDI inflows (7.8% of GDP at the moment) largely from China. Exports will increase thanks to higher capacity of hydropower generation, and help to compensate disaster-related and project imports. The economy also receives foreign assistance (ODA: 3% of GNI according to the World Bank in 2017) making it one of the highest aid recipient in ASEAN.

Growth and foreign relations at the expense of humane development and environment

The communist Lao People's Revolutionary Party (LPRP) is the only authorized party in power in the country and controls all aspects of politics and civil liberties. Ranked 154th out of 190 countries on the World Bank Doing Business report for 2019, the business environment suffers from opacity and trade barriers that reduce the economy's competitiveness and attractiveness among investors. In addition, despite recent anti-corruption campaigns, corruption remains at high levels, placing the country 132 of 180 on Transparency International's corruption perceptions index for 2019.

While Laos experiences rapid economic growth, inequality is on the rise with the low-income population deprived of land and access to natural resources with the completion of dams, leading to growing frustration. The recent completion of the Xayaburi dam on the lower Mekong benefits little to the country as 95% of electricity generated will be exported to Thailand while water is at a very low level, threatening activities along the river. On the other hand, these projects strengthen trade and investment cooperation with Thailand and its neighbors, which mitigates historical cross-border issues.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

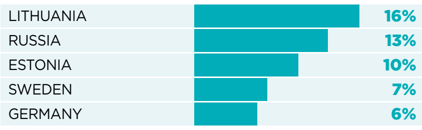
POPULATION Millions of persons - 2018	1.9
GDP PER CAPITA US Dollars - 2018	18,033
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	4.6	2.5	2.6
Inflation (yearly average, %)	2.9	2.6	2.8	2.5
Budget balance (% GDP)	-0.5	-0.7	-0.6	-0.6
Current account balance (% GDP)	1.0	-0.7	-0.8	-1.4
Public debt (% GDP)	38.6	36.4	36.0	35.2

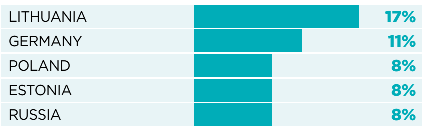
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Member of the Eurozone (2014) and the OECD (2016)
- Domestic financial system dominated by Swedish banks (85% of domestic credit)
- Efforts to improve the regulation of the offshore financial system
- Rapid reduction in non-resident bank deposits (from half to 20% of the total since 2017)
- Transit point between the European Union and Russia (coastline and ports)
- High level of digitisation

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- Declining workforce (low birth rate, emigration) and high structural unemployment
- Technological lag (R&D = 0.5% of GDP, EU average = 2%)
- Declining competitiveness and profitability: wage increases exceed productivity gains
- Poor recovery in the event of default despite reforms to insolvency and justice law
- Weak credit growth
- High labour taxation, which hits people on low wages and encourages under-reporting
- Inadequate land links with the rest of the European Union
- Concentration of wealth in the capital; high income inequalities

RISK ASSESSMENT

Growth driven by private consumption

Growth is expected to continue slowing, but will remain at a decent level in 2020, driven by strong household consumption. The steady decline in the labour force, linked to ageing and the emigration of young workers, particularly skilled workers, is leading to a reduction in unemployment and maintaining upward pressure on wages. Combined with controlled inflation, wage increases (also due to a 13% hike in the minimum wage in 2019) will sustain robust household consumption. Nevertheless, the decline in the stock of skilled labour is crippling productivity gains (over the 2009/2016 period, more than 40% of emigrants were skilled), thus affecting the country's potential growth. Public consumption and investment are set to be less dynamic after the peaks reached in 2018, although they will be supported by European funds (structural and investment funds of the EU), with Latvia receiving €4.79 billion from the 2014/2020 budget. Despite favourable financing conditions, thanks to the ECB's policy, private investment will suffer from weak credit growth. Growth in lending to the private sector is being held back by the large informal sector (over 20% of GDP), poor recovery in the event of default and ongoing consolidation of the financial system, which is prompting banks to apply strict criteria.

Slow progress in cleaning up a broken financial system

A large number of Latvian banks serve foreign customers, most of them in CIS countries, with a high risk of money laundering. Moneyval's latest report highlighted the inadequacy of Latvian regulations to combat this problem (the country's third-largest bank, ABLV, was liquidated due to accusations of institutionalised money laundering), prompting the government to reform the financial system to make it more transparent and to prevent the country from being placed on the FATF's grey list. Banks serving foreigners are trying to refocus their activity on the domestic market following the reduction in non-resident deposits and the ban on services to shell companies.

Continuing conservative fiscal management

Public accounts are expected to remain in slight deficit, as rising revenues accompany higher expenditure. Tax reforms aimed at making income tax more progressive will continue. Social spending will increase, including on pensions and social benefits. At the same time, according to the multiannual budget plan 2020/2022, the increase in revenue will come mainly from an increase in excise duties. Reducing tax expenditure on micro businesses and scrapping VAT exemptions will increase fiscal room for manoeuvre. Public debt, which is low, is expected to continue declining. Although it is largely contracted with non-residents, it does not pose an exchange rate risk as it is denominated in euros.

The current account deficit is poised to widen due to a deterioration in the trade balance. Imports of capital goods and food products, driven by strong domestic demand and under-diversified domestic production, will outpace exports (wood, capital goods, food products: 60% of exports in 2018), which will be hurt by slower demand globally, but particularly in the euro area. The services surplus, linked to tourism and the transit of goods (to and from Russia), and expatriate remittances offset much of the trade deficit. The small current account deficit is largely financed by European funds and foreign investment (2.5% of GDP). Gross external debt, one-third of which corresponds to the State's share, has been slashed since 2017 but remains high (120% of GDP, but 21% net due to foreign assets owned by banks).

A disparate coalition and an ostracised Russian minority

The candidate of the ruling coalition, which comprises the New Conservative Party, the Populist Party (KPV), the Liberal Party (AP!) and the Nationalist Alliance, won the presidential election held in May 2019. The position of President is a largely ceremonial one. The negotiations that led to the formation of the coalition were lengthy, and the pro-Russian Harmony party, which topped the votes in the 2018 parliamentary elections, failed in the end to become a member. The lack of political representation for the large Russian-speaking minority (30% of the population) in successive governments testifies to the exclusion of this group from Latvian society, in a country where language is an important identity issue. Internal divisions within the coalition will complicate the government's action and may threaten its stability. Political continuity should be ensured, however, as the country has always had a pro-European centre-right government since its independence in 1991.

Relations with Russia have grown tense again since the construction of a border fence with Russia, which is officially intended to prevent smuggling and illegal entry of migrants into Latvia, but which is perceived by some Russian media outlets and politicians as a gesture by Riga against Moscow.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	6.1
GDP PER CAPITA US Dollars - 2018	9,251
CURRENCY Lebanese pound	LBP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.6	0.2	0.2	0.9
Inflation (yearly average, %)	4.5	6.1	3.1	2.6
Budget balance (% GDP)	-8.6	-11.0	-9.8	-11.5
Current account balance (% GDP)	-25.9	-25.6	-26.4	-26.3
Public debt (% GDP)	149.0	151.0	155.1	161.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	14%
EURO AREA	11%
SYRIA	6%
SAUDI ARABIA	6%
TURKEY	5%

Imports of goods as a % of total

EURO AREA	34%
CHINA	10%
UNITED STATES	7%
TURKEY	5%
EGYPT	3%

+

- Long tradition of commerce
- Important Diaspora money transfers
- Close relations with the GCC countries, capacity of attracting financial aid
- Touristic attraction
- Natural gas potential

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- Very high level of public debt, current account deficit
- Crumbling political institutions faced with large protests
- Weak business environment, fragile investors' confidence
- Large fiscal deficit, crowding out effect, high interest rates to attract foreign money and retain domestic money
- Dependence on foreign funds to run economic activity
- Large wealth and income inequality

RISK ASSESSMENT

Political crisis, poor confidence, difficult times ahead

The Lebanese economy has been hit hard by the Syrian civil war that started in 2011. There are now an estimated 1.5 million Syrian refugees in Lebanon, out of which more than two-third lack a legal status. The deep political crisis that erupted in October 2019 has greatly accelerated the deterioration of local economic conditions. From the first half of 2019 onward, the economy has stagnated on the abstinence of the private sector to invest in new capacities, and been confronted to agencies' credit ratings downgrade. The economy is also expected to struggle because of subdued government and private consumptions. Indicators show manufacturing conditions have deteriorated while household confidence, already affected by higher taxes and tighter credit conditions, is crushed by lay-offs, salary cuts as well as limits to cash withdrawals and reduced business days by banks, all induced by the political crisis. Due to the large fiscal deficit, the government will lack scope to widen its consumption, not to mention its investment, which will remain low. Higher jitters have dampened confidence in the local currency, which in return will weigh on investors' confidence and will delay the progress of offshore gas exploitation. Any improvement in Syria's situation and domestic political crisis would be supportive of the economy, especially exports, as the current situation disrupts regional trade routes, deteriorates supply chains and deters foreign tourists.

High debt burden, dependence on external financing

Lebanon has one of the largest government debt-to-GDP ratios in the world that is due mostly to high budget deficits over the last decade. In mid-July, the country passed an austerity state budget for 2019 after months of deliberations and prevarications, aiming to reduce the deficit to 7.6% of GDP from 11% in 2018. This target is unlikely to have been met and the deficit is expected to grow this year, especially with the crisis persisting. Unless much needed structural reforms are implemented, the government is expected to post large deficits in the future, which will not help with the country's dependence on external aid and capitals. The absence of progress in reducing the deficit is expected to restrain Lebanon's capacity to attract capital inflows, while also increasing its debt servicing costs (over 9% of GDP for interests alone). Moreover, the USD 12 billion in aid aimed at infrastructures pledged by foreign donors at the Paris conference in April 2018 are to be withheld further. Anyhow, it mostly consists of loans (USD 10.2 billion) and not grants (USD 860 million), meaning Lebanon's debt would increase more. Externally, the large deficit in the current account due to the trade deficit in goods (25% of GDP in 2018) should persist with dwindling tourism revenues balanced by subdued imports linked to receding domestic demand. Its financing has become much harder with non-resident deposits outflows coupled with slowing deposits of remittances from expatriates provoked by heightened security and political risks. This has translated into a currency crisis and US dollar shortage, which have materialized through a depreciated currency on the parallel market (-25% over its pegged rate to the dollar in December 2019) and formal capital controls. The country's gross foreign exchange reserves were estimated to stand around USD 33 billion at end-2020, as per the IMF, covering 11 months of goods and services imports, but will be solicited.

Very high political challenges

Rising living costs and taxes, electricity ruptures, and discontent with the political and social situation unleashed mass protests in October 2019, leading Sunni Prime minister Saad Hariri to resign. In December former Sunni education minister Hassan Diab, after being sponsored by the Shiite majority in the Lower house was tasked by Christian President Michel Aoun to form a government. Although, Mr. Diab declared to be willing to select experts and independents, and act independently from political parties, answering a main demand of the people, it will be difficult for him or any other person to pull the country out of the crisis. Protesters have been lashing out at the ruling elite organized in confessional parties that are sharing political institutions, which, according to them, led to inefficiency, corruption and cronyism. Externally, there is still the risk for the country to be engulfed in regional problems, as well as antagonism between regional or global powers.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	4.5
GDP PER CAPITA US Dollars - 2018	728
CURRENCY Liberian dollar	LRD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	1.2	0.4	1.2
Inflation (yearly average, %)	13.2	23.5	24.5	20.5
Budget balance* (% GDP)	-5.1	-5.4	-6.0	-6.4
Current account balance (% GDP)	-23.4	-23.4	-21.2	-21.0
Public debt (% GDP)	36.9	42.2	48.7	54.4

(e): Estimate. (f): Forecast. * Fiscal year 2020 from July 1, 2019 to June 30, 2020.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	47%
EURO AREA	23%
UNITED STATES	12%
ISRAEL	5%
SIERRA LEONE	2%

Imports of goods as a % of total

CHINA	21%
INDIA	17%
EURO AREA	12%
CÔTE D'IVOIRE	10%
UNITED STATES	7%

+

- Diverse natural resources (rubber, iron, gold, diamonds, oil)
- 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

Sagging growth and high inflation

After a poor performance in 2019 by the Liberian economy, growth will recover somewhat in 2020, driven by the relative resilience of the primary sector and investment. However, growth will remain significantly below the rate observed in the pre-Ebola period (about 7%). The mining sector will continue to fuel growth, mainly through gold production, which generates almost half of exports, ahead of iron. Agriculture and forestry, which employ 60% of the population and account for one third of GDP, are likely to be resilient due to the ramp-up in rubber and palm oil production capacity. 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 2019/2024, with aid devoted, among other things, to building infrastructure and upgrading roads.

Mainly owing to the depreciation of the Liberian dollar against the US dollar, inflation will remain very high and will weigh heavily on private consumption. Nonetheless, inflation could gradually decelerate thanks to low oil prices and tighter monetary policy. In February 2019, the central bank introduced a new policy framework, including a standing deposit facility and bond issuance, to mop up excess liquidity and bring it into the banking system. Besides trying to reduce inflation, the objective is to tackle the dominance of the informal economy (more than 90% of the money in circulation is held outside the banking system) and dollarization (90% of loans and 80% of deposits), which weaken the effectiveness of monetary policy.

Deficit financing still dependent on foreign aid

The government deficit is expected to increase further in fiscal year 2020, notwithstanding the government's efforts to reduce the public wage bill, which is the largest expenditure item (65% of the budget). Capital expenditure (12% of GDP) will increase, chiefly to finance development projects related to the Pro-Poor programme. At the same time, domestic revenues should be constant around 14% of GDP, the same share as international aid, which will also be stable. As a result, public debt will continue to grow rapidly, almost doubling its 2016 level by 2020.

External debt represents the largest portion – at 70% of the total and almost entirely composed of multilateral and concessional loans – but the domestic portion has recently increased because of borrowing from the central bank.

The current account deficit, which is still considerable despite substantial international aid, is expected to be stable in 2020. On the one hand, the large trade deficit (18% of GDP in 2018) will continue to narrow thanks to a modest increase in exports and a contraction in imports, driven by the sharp depreciation of the Liberian dollar against the US dollar (USD 1 was worth 97 Liberian dollars in July 2017, compared to 210 in October 2019). On the other hand, however, profit transfers abroad will remain high, while the global slowdown, particularly in the United States, will affect remittances from expatriates to Liberia and, by extension, the foreign exchange reserves. The current account deficit is financed by FDI (11% of GDP), concessional multilateral loans and the use of foreign exchange reserves, which will be equivalent to less than two months of imports in 2020.

A President under fire

Former footballer George Weah was elected President in December 2017. His election, after two civil wars (1990/1997 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 tackling the lack of infrastructure, promoting access to basic public services, and fighting corruption.

However, the sluggish economy, soaring inflation, as well as recurrent corruption issues, are fuelling public protests. Demonstrations have been organised since end-2018, mainly in the capital Monrovia. They have received the support of some opposition parties since June 2019. In particular, questions have been asked about the governance of the central bank because of recent findings regarding the lack of oversight over currency management, which may have opened the door to potential illegal transactions. Despite the President's response, which included asking the governor to resign, mistrust of public institutions may grow further.

The business environment, which is hurt by weak infrastructure and legal property rights (only just partially introduced by the new government), remains difficult, with Liberia coming 175th out of 190 in the Doing Business 2020 ranking.

LIBYA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	6.5
GDP PER CAPITA US Dollars - 2018	6,288
CURRENCY Libyan dinar	LYD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	26.7	7.9	5.5	-0.6
Inflation (yearly average, %)	28.4	9.3	-7.0	-5.0
Budget balance (% GDP)	-34.5	-7.6	-6.9	-9.7
Current account balance (% GDP)	7.9	2.2	-0.3	-11.6
Public debt (% GDP)	134.2	116.0	140.0	150.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	54%
CHINA	18%
EGYPT	8%
UNITED STATES	3%
SINGAPORE	3%

Imports of goods as a % of total

EURO AREA	20%
TURKEY	14%
CHINA	13%
SOUTH KOREA	6%
EGYPT	3%

- Large gas and oil reserves (the largest in Africa)
- Very low external debt
- Strategically located on the Mediterranean near Europe

- The country is split in two: Tripolitania in the west is run by the Government of National Accord, which is recognised by the international community and led by Prime Minister and Chairman of the Presidential Council Fayez-al Sarraj; Cyrenaica in the east is governed by the Al-Beida government led by Prime Minister Abdullah al-Thani and the Tobruk Parliament, and has the backing of Field Marshal Khalifa Haftar
- The south of the country (Fezzan) is facing an upsurge in trafficking (human, weapons, drugs) and conflict between the Tuareg and Toubou groups
- Social tensions; political and tribal fragmentation
- Poor business environment (186/190 in the Doing Business 2020 ranking)
- A large portion of the country's infrastructure has been destroyed

RISK ASSESSMENT

Escalating tensions and a resurgence in violence

After several unsuccessful attempts at mediation under the aegis of the United Nations, the Libyan crisis seems to be deadlocked once again. Undermined by political fractures that resurfaced following the 2011 revolution and the post-Gaddafi political vacuum (caused by the intervention of France, the United Kingdom and the United States, under the auspices of the United Nations), Libya is a divided territory. Two governments continue to compete for the right to rule: the Tobruk Parliament in the east, supported by Field Marshal Khalifa Haftar's self-proclaimed Libyan National Army (LNA), and the internationally recognised Government of National Accord (GNA) based in Tripoli in the west. Although formally the legitimate authority in Libya, the GNA has very little power over the territory and relies on Islamist militias for its defence. Following an offensive against Tripoli launched by Field Marshal Haftar in April 2019, the country plunged into a new period of open civil war between the two rival governments. After initial territorial gains by the LNA, the front lines around the capital have remained stable, with Haftar controlling the vast majority of the territory including the "oil crescent" region. Air strikes in populated areas and the use of military drones have resulted in civilian and military casualties. The conflict is also fuelled by interference by foreign powers, which are supporting either the GNA (Qatar and Turkey) or the LNA (UAE and Egypt) in breach of the UN arms embargo. Russia's increasing involvement alongside Haftar's troops since September 2019 could tip the balance of power.

Despite the appointment of Ghassan Salamé as head of the United Nations Support Mission in Libya (UNMIL) in 2017, which had rekindled hopes for a political resolution of the conflict, progress remains weak. The April offensive led to the indefinite postponement of the National Conference that was to be held in April 2019 in Tripoli in order to pave the way for legislative and presidential elections and a constitutional referendum. According to Mr Salamé, the current situation could lead to the permanent division of the country. Germany is planning to hold an international conference on the future of Libya, with the aim of forcing the many foreign actors to stop financing and arming the warring parties. Berlin hopes to position itself as neutral party, as previous conferences in France and Italy have failed in part due to the interests of the two countries in Libya (oil, but also issues connected with the jihadist movement and migrants).

Economy dependent on developments in the conflict and oil activity

Oil production remained around one million barrels per day on average in 2019, allowing activity to grow for the third consecutive year. Nevertheless, the escalation of the conflict affected production, which began to fall in mid-2019 due to oilfield shutdowns. Given the current stalemate, this trend could continue into 2020, as the deterioration in security reduces the prospects for new investment in the sector and increases the risk of attacks on oil infrastructure. Thus, although oil companies continue to operate, the National Oil Corporation (NOC) has warned of possible shutdowns. The British and Italian companies, BP and ENI, have indefinitely delayed exploration projects planned for 2020 in the Ghadames Basin, which has become the scene of clashes between the LNA and militias backing Tripoli. Non-oil sectors are being hurt by the lack of resources and instability. In December 2018, the government imposed a tax on foreign exchange sales, which reduced the gap between the official exchange rate and the black market rate and slowed inflation. Household consumption could benefit from this, although high unemployment, recurrent shortages and persistently high prices are squeezing purchasing power. The shortages and high prices are largely caused by corruption and smuggling, mainly of foreign exchange and refined oil.

Substantial twin deficits

Although the LNA controls the vast majority of oilfields, only the NOC, located in the west, is authorised to export Libyan oil. The central bank, based in Tripoli, collects the revenues and distributes them to both the eastern and western governments. The increase in budgetary revenues led to a significant reduction in the government deficit compared to 2017. However, a decline in oil production, in addition to weighing on exports, would significantly limit revenues (91% of which come from oil), leading to a simultaneous deterioration in the public and external accounts. This imbalance would be exacerbated by a decline in oil prices in 2020. The security situation entails significant military spending and is scaring off foreign investors. Salary and subsidy expenditures are traditionally the largest expenditure item. In 2018, 60% of the GNA budget was allocated to salaries, including militias. The Tripoli government is expected to continue to obtain financing from the Libyan central bank, but also from Libyan assets accumulated abroad under the Gaddafi regime. Eastern institutions will remain dependent on financial support from countries such as the United Arab Emirates and Saudi Arabia. The country imports 80% of its consumption needs, including refined oil (mainly from Italy).

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	2.8
GDP PER CAPITA US Dollars - 2018	18,994
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.1	3.5	3.2	2.5
Inflation (yearly average, %)	3.7	2.5	2.3	2.2
Budget balance (% GDP)	0.4	0.7	0.3	0.2
Current account balance (% GDP)	0.9	1.6	1.1	-0.4
Public debt (% GDP)	39.4	34.2	32.0	30.2

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	14%
LATVIA	10%
POLAND	8%
GERMANY	7%
UNITED STATES	5%

Imports of goods as a % of total

RUSSIA	14%
GERMANY	12%
POLAND	12%
LATVIA	7%
NETHERLANDS	5%

+

- Membership 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 European Union and Russia / Kaliningrad enclave
- Diversification of energy supply (Klaipeda gas terminal, shale gas potential, electricity links with Poland and Sweden)
- Rising fintech sector

-

- Tight labour market: shrinking workforce (emigration of skilled young people) and high structural unemployment.
- Large underground economy (26% of GDP)
- High income disparity between the capital and the regions, particularly in the northeast, where poverty persists
- Limited value added of exports (mineral products, wood, agri-food, furniture, electrical equipment)
- Competitiveness eroded by insufficient productivity gains

RISK ASSESSMENT

Slowing growth

After a brisk performance in 2019, growth is expected to slow in 2020, as it begins to move towards its potential level. Private consumption (two-thirds of GDP), which is the main contributor to growth, is expected to remain strong as a result of an increase in the untaxed allowance for personal income, pension indexation, higher minimum wages and a strong labour market. The labour market is benefiting from the improvement in the historically high level of immigration, which is expected to exceed the similarly high level of emigration. At the same time, the tight labour market and hikes in the minimum wage, which is high relative to productivity, will have a negative impact on the competitiveness of companies. This could affect export performance (80% of GDP). In addition, rising international trade tensions could have an adverse impact, causing trade to make a negative contribution to growth. Investments (almost 20% of GDP), including those financed by the EU, are expected to continue at a similar pace in 2020. Private investment in equipment and intellectual property is expected to remain an important driver of growth, as companies continue to face labour shortages and high capacity utilization rates. Residential construction is expected to contribute less to investment growth owing to less favourable financing conditions.

Public and external accounts nearly in balance

According to the budget approved by the government, revenues are set to increase significantly (9%), almost at the same rate as expenditure (8%). The bill provides for an increase in excise duties on hard liquor, tobacco and fuel, and scraps the excise tax exemption on diesel fuel used for heating. It expands the property tax base and introduces a tax on polluting cars. The tax package also includes proposals to tax the assets of credit institutions and retail chains and to slow down the increase in the non-taxation threshold. The lion's share of expenses will be directed towards social spending. If the balance of municipalities and the social security system is added, the deficit should turn into a surplus. The stated objective is to accumulate reserve (up to €1.6 billion in 2020, or 3.3% of GDP) and reduce public debt, 75% of which is held by non-residents and nearly 30% of which is denominated in foreign currency.

In 2020, the current account is expected to show a small deficit. Although the moderation of domestic demand will limit imports, declining EU demand will worsen the goods deficit. The trade surplus (2.3% in 2019) generated by the high level of exports of services, particularly tourism and road transport, is therefore expected to decline. Transfers (2.2% of GDP), mainly composed of remittances from expatriates and European funds, despite holding steady, will not compensate for the income deficit (5.3%), which is attributable to the high stock of FDI in the country (25% of GDP). Portfolio investment abroad is expected to change little. The size of Lithuania's gross foreign debt (75.7% of GDP in 2018) needs to be considered in the light of the debt's composition: State (39%), central bank (27.5%), banks (11%) and non-financial companies (26%), the assets held abroad by the country (84% of GDP) and the fact that the debt is denominated in euros.

Another election year to dispel political uncertainty

In 2019, Gitanas Nauseda, a 55-year-old independent candidate, defeated Ingrida Simonyte, another independent candidate, in the presidential election. After finishing third in the election, Prime Minister Saulius Skvernelis, a member of the centrist LVZS Party, announced his intention to resign on election night. He later decided to continue in his position until the next parliamentary elections in October 2020. The Homeland Union – Lithuanian Christian Democrats (TS-LKD) Party currently leads the polls, with about 26% of voters. Popular support for the ruling LVZS Party has declined considerably since mid-2019, and the party stands at around 16%. The Social Democratic Party of Lithuania (LSDP) follows closely with 14%, while the Social Democratic Labour Party of Lithuania (LSDDP) is currently below the 5% threshold required to obtain one of the 70 seats in parliament allocated based on proportional representation. The business environment is improving, with Lithuania taking 11th place in the Doing Business 2020 ranking.

LUXEMBOURG

COFACE ASSESSMENTS	
COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	0.6
GDP PER CAPITA US Dollars - 2018	115,536
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.6	3.0	2.6	2.7
Inflation (yearly average, %)	2.1	2.0	1.7	1.7
Budget balance (% GDP)	1.4	2.6	0.9	1.0
Current account balance* (% GDP)	4.9	5.1	4.5	4.5
Public debt (% GDP)	23.0	21.8	21.3	21.1

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	27%
BELGIUM	15%
FRANCE	14%
NETHERLANDS	6%
ITALY	4%

Imports of goods as a % of total

BELGIUM	35%
GERMANY	26%
FRANCE	11%
NETHERLANDS	5%
UNITED STATES	4%

+

- 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
- International pressure for fiscal reform threatens to reduce the tax base

RISK ASSESSMENT

A dynamic financial economy exposed to external risks

Underpinned by strong domestic demand and a steady flow of foreign financial income, the economy is running at full potential and will continue to do so in 2020. GDP growth will hover around the 3% mark for the third year in a row and continue to exert inflationary pressure on the labor market, with the unemployment rate already as low as 5% and inflation converging toward the 2% target. Investment continues to benefit from the lower tax burden on companies and favorable financing conditions. Due to the importance of the financial sector in GDP, the Luxembourgish economy remains highly exposed to the volatility of international financial markets. The financial sector accounts for 23% of value added and is mainly composed of foreign-owned banks (subsidiaries of European banks) and alternative investment funds. Thanks to its mixed nature, the Duchy's financial system will find it easier to weather the effects of negative interest rates on profitability. With a stronger focus on asset management, its margins will suffer less erosion and benefit from the search-for-yield effect typical of monetary easing cycles. Nonetheless, financial returns will not be spared from the European slowdown and remain exposed to the risk of global trade tensions. The impact of a hard Brexit would be more ambivalent, as FDI from firms relocating from the UK would likely more-than-compensate the potential losses. Concerning financial stability, capitalization is strong and the authorities are taking measures to contain real-estate risks, but funds continue to show increasing interest in non-bank financial intermediation, with all the risks and returns this entails. Beyond finance, Luxembourg has become a hub for scientific R/D and developed strong pharmaceutical and chemical industries, which has helped the manufacturing sector withstand the headwinds of more traditional industries such as steel.

Exceptional public finances, but international tax pressure looms

At 1% of GDP, the budget surplus is expected to expand modestly in 2020, reflecting the continuity of sound fiscal policy under the reelected coalition government. In the absence of any major change to the current budget, expenditure and income will both remain stable in the 43-44% range, with slightly higher revenues from social contributions. With a structural fiscal balance above the medium-term objective and public debt well below the SGP threshold (1 and 21% of GDP, respectively) the Grand Duchy sports the healthiest public finances in the Eurozone. Due to their as-of-yet undetermined costs, this scenario does not factor in some important projects announced by the coalition, including infrastructure projects to improve the mobility of cross-border workers as well as increasing housing supply and affordability. The main fiscal challenges lie in potential future losses and FDI and tax revenue related to the EU's push for harmonization of national tax regimes. In August 2019, lawmakers transposed into national law the second EU Anti-Tax Avoidance Directive, which can hamper the country's attractiveness for corporate tax planning and will come into effect in January 2020. Otherwise, the current account balance is expected to continue to post a large surplus in 2020 (4.5% of GDP). 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.

A stable ruling coalition and policy agenda

Following the October 2018 elections for the unicameral legislature, 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. 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 program 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 concessions accorded by the DP to its junior partners (a minimum wage hike, more green investment financed by energy taxes, anti-speculation property tax reforms) will ensure the coalition's stability. In return, Bettel's party has been able to propose legislation poised to improve Luxembourg's already outstanding business climate: a public debt ceiling of 30% of GDP, a small cut to the corporate tax rate, personal tax reform to attract qualified labor. On the medium term, a key issue will be the aggressiveness of fiscal harmonization at the EU level. In march, the European Parliament described the duchy as "behaving like a tax haven", and the incoming Commission has signaled a will to intensify efforts in this arena.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	2.1
GDP PER CAPITA US Dollars - 2018	6,100
CURRENCY Macedonian denar	MKD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.2	2.7	3.1	3.1
Inflation (yearly average, %)	1.3	1.4	1.5	1.8
Budget balance* (% GDP)	-3.5	-1.7	-2.7	-3.4
Current account balance (% GDP)	-1.0	-0.2	-0.7	-1.2
Public debt** (% GDP)	47.8	48.5	51.0	52.0

(e): Estimate. (f): Forecast. * Including public company in charge of national roads. ** Including public guarantees.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	66%
BULGARIA	5%
SERBIA	4%
KOSOVO	4%
ROMANIA	3%

Imports of goods as a % of total

EURO AREA	37%
UNITED KINGDOM	10%
SERBIA	7%
CHINA	6%
TURKEY	5%

+

- Association and Stabilisation Agreement with the EU, candidate for accession since 2003
- Integrated into the European manufacturing production chain
- Close to factories in Central Europe and at the meeting point of two European corridors
- Wage competitiveness
- Support from European donors
- High levels of remittances from expatriate workers
- Denar pegged to the euro

−

- Low participation rate (47%), high structural unemployment and lack of productivity due to inadequate training
- Large informal economy linked to inefficient government and cumbersome regulation
- Sustained emigration to the EU by young people, who face 35% unemployment
- High level of euroisation (40% of bank deposits and credit)
- Inadequate transport, energy, health and education infrastructure
- Polarised political landscape
- Tensions between the Slavic majority and the Albanian minority

RISK ASSESSMENT

Growth still supported by domestic demand

Domestic demand will continue to support growth in 2020. Household consumption will again benefit from the strong employment market and wage growth, the latter attributable to regular increases in the minimum wage (30% of reported employees are paid at this level) and the small pool of skilled labour. Public investment will remain at a decent level with the continued development of the road network (with EBRD assistance), while private investment will be directed towards energy (the electricity market was liberalised in 2019) and tourism. The contribution of foreign trade to growth is expected to remain slightly negative. While imports will be supported by domestic demand, exports of goods produced by foreign factories (50% of the total, including automotive parts, chemicals and electrical cables and machines) and those produced by the domestic economy (iron, steel, clothing, bedding) will be restricted by weak European demand and capacity constraints. Credit to households and businesses should continue to grow strongly, thanks to a healthy banking system and low interest rates (key rate: 2.25% in November 2019). Activity will also be supported by a slightly accommodative fiscal policy with elections ahead.

Budgetary consolidation at a standstill and hampered by the informal sector

With elections to be held in April 2020 and new road investments under way, the public deficit is expected to widen, removing the prospect that debt, of which the service represents 12% of GDP, will stabilise. However, unless there is a growth shock or a sharp depreciation of the denar, debt is considered sustainable: 68% is held by foreign creditors, while 80% is denominated in euros, which, despite the euro peg, creates an exposure to currency risk. Fiscal consolidation is made difficult by tax evasion linked to the informal economy (estimated at between 30% and 40% of income and 18% of employment), owing to shortcomings in tax administration and labour inspections. Current expenditure on social assistance, wages and pensions leaves little room for public investment (4% of GDP). The management of public companies is not very transparent. Finally, foreign investors are granted costly breaks, including a tax exemption for ten years and free access to public services.

On the external accounts, the current account deficit is expected to increase in line with the trade deficit. The latter (equivalent to 15% of GDP in 2019) is due to the lack of manufacturing production (15% of value added), which is unable to meet domestic demand. Nevertheless, the services surplus (4% of GDP) and, above all, expatriate transfers and cash contributions (15%) exceed the trade deficit, which is accompanied by an investment income deficit (5%). The current account deficit is financed by foreign investment (4%). One-quarter of the external debt (76% of GDP as at June 2019) comes from commitments related to foreign investments, with the balance divided between public and private sectors. Net of receivables held abroad, it represents only 24% of GDP. Foreign exchange reserves, which stood at more than 4 months of imports at the end of August 2019, cover the short-term portion, which makes up 21% of the total.

EU membership is a long way off

At the European Council in October 2019, despite the endorsement of the European Commission and the European Parliament, representatives failed to reach the unanimity required to open negotiations for the accession of North Macedonia to the EU. It was agreed that the subject would be put back on the agenda before the EU-Western Balkans Summit in May 2020. Prime Minister Zoran Zaev had linked the opening of negotiations to the country's name change. Also, only 2.5 years after taking power in May 2017, following two years of political crisis, he called for parliamentary elections in April 2020, eight months ahead of schedule. His government gave way in early January to an interim government composed of technocrats and representatives of the various parties. It is unclear how the battle will play out between the outgoing coalition composed of the Social Democratic Alliance of Macedonia (SDSM) and the parties representing the Albanian minority, the DUI, AA and DPA, and the opposition, represented by the VMRO-DPMNE party. The agreement with Greece on the country's name change does not have unanimous support within the nation. However, institutional progress should prevent a return to the mistakes of 2014/2017. In terms of the business environment (scores of 57/100 and 80.7/100 respectively in the Global Competitiveness Report and Doing Business), while within the (duty free) Industrial and Technological Development Zones, foreign companies enjoy considerable tax breaks and low labour costs, they also have to cope with a lack of skilled labour, inadequate infrastructure, weak research and development, issues relating to judicial independence, as well as corruption and organized crime.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	**26.3**
GDP PER CAPITA US Dollars - 2018	**459**
CURRENCY Malagasy ariary	**MGA**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.3	5.1	5.2	4.5
Inflation (yearly average, %)	8.3	7.3	6.6	6.3
Budget balance (% GDP)	-2.4	-2.5	-2.5	-3.0
Current account balance (% GDP)	-0.5	0.8	-1.6	-2.7
Public debt (% GDP)	36.1	36.1	36.5	37.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	23%
UNITED STATES	17%
TURKEY	8%
CHINA	6%
JAPAN	5%

Imports of goods as a % of total

CHINA	21%
EURO AREA	15%
UNITED ARAB EMIRATES	11%
INDIA	7%
SOUTH AFRICA	6%

+

- 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 (65% of total)

-

- Reliant on agricultural and mining products; vulnerable to terms of trade fluctuations
- Vulnerable to climatic hazards and natural disasters; ranked 7th most affected by climate risk in 2017 according to the Global Climate Change Index
- Poverty, with 75% of the population living below the extreme poverty line of USD 1.90 per day
- Dependent on foreign aid
- Inadequate road, water and electricity networks (just 13% of people have access to electricity)
- Chronic political instability (crises in 1972, 1991, 2002 and 2009)

RISK ASSESSMENT

Investment to drive growth

Growth is expected to remain brisk in 2020 thanks to ambitious public and private investment plans. Public investment will be stimulated by the Madagascar Emergence Plan 2019/2023, which is mainly funded by international donors. The increase in business confidence since the peaceful inauguration of the new President should help attract private investors, particularly through public-private partnerships (PPPs). Madagascar's island location, combined with its lack of infrastructure, nevertheless means that commercial transactions are expensive, which hinders the competitiveness of the private sector. Investments are therefore expected to be concentrated on road and energy infrastructure, but also on health and education infrastructure, which should boost construction and transport. A contract for the construction of a hydroelectric power plant on the Ivondro River under a partnership between French companies Colas, Jovena and SN Power plus the African Development Bank was signed in October 2019. The deal also covers upgrades for road and distribution infrastructure.

The positive outlook for the agricultural sector, which employs 80% of the population, thanks to numerous investments aimed at boosting productivity, should support household consumption (over 75% of GDP). A programme funded by China through the FAO should, for instance, enable the use of higher yielding crop varieties, but also the development of agro-industry, ultimately supporting household incomes. China is Madagascar's largest trading partner and invested USD 1.1 billion in the country in 2018. Consumption is also set to benefit from more contained inflation, particularly thanks to the decline in oil prices.

The trade balance, which is suffering from the economic slowdown worldwide, but particularly in the United States and Europe, which are Madagascar's main trading partners, will weigh on growth. However, the export processing zones, which specialise in textiles and essential oils, should be relatively strong. Nearly half of export earnings come from three commodities, nickel, vanilla and cloves, making them vulnerable to price and demand fluctuations.

The twin deficits are widening under the weight of investment

The country has been committed to an IMF programme since 2016 as a prerequisite for a three-year Extended Credit Facility worth USD 347 million (3% of GDP), which expires in January 2020. Negotiations for a new ECF arrangement will start shortly after (with a new one expected to be concluded later in the year). Accordingly, the government is expected to continue its efforts to curb current expenditure and increase revenue, in particular through tighter control of the value of imports and wider collection of VAT on public investment projects. The reduction in fuel subsidies and transfers to the state-owned company JIRAMA (which regularly records losses) should also reduce expenditure. However, spending on public investment, which is expected to be mainly financed by international donors, will outstrip budget improvements. The budget deficit is therefore expected to widen and will be financed mainly through foreign borrowing. Public debt, which is 70% external, is almost exclusively on concessional terms and is thus expected to increase while remaining sustainable.

The widening trade deficit, combined with the decline in net current transfers, will probably lead to an increase in the current account deficit in 2020. Favourable nickel prices should support mining exports (15% of total exports), but vanilla exports may suffer from a slight price dip after the peaks reached in 2018. With an increase in imports of capital goods intended for public investment, the trade deficit may widen. However, strong export earnings in the previous three years have enabled the central bank to replenish its foreign exchange reserves, which stand at more than four months of imports. Direct and portfolio investment, as well as grants and project loans, will help to finance the deficit.

Andry Rajoelina facing development challenges

Having previously served as President between 2009 and 2014 following the political crisis of 2009, Andry Rajoelina won the presidential election of December 2018 with 55.6% of the votes cast. After a relatively calm campaign, his inauguration marked the first peaceful transition in decades. The May 2019 parliamentary elections saw the coalition that supports him win an absolute majority. However, the opposition complained about irregularities and 680 appeals were lodged (and rejected) against the result of the election, which featured a 60% abstention rate. The new government will have to tackle the persistent socio-economic challenges facing Madagascar if it is to succeed in fulfilling its campaign promises. In particular, it will have to address poverty, endemic corruption and the infrastructure deficit. These last two factors contribute to a difficult business environment, as evidenced by the country's 161st place in the Doing Business 2020 ranking (out of 190 countries ranked).

MALAWI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	19.7
GDP PER CAPITA US Dollars - 2018	350
CURRENCY Malawi kwacha	MWK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.0	3.3	3.8	3.9
Inflation (yearly average, %)	11.3	9.2	9.3	8.6
Budget balance* (% GDP)	-4.8	-7.8	-6.4	-5.2
Current account balance (% GDP)	-11.3	-10.9	-10.0	-9.3
Public debt (% GDP)	57.7	59.6	63.0	62.3

(e): Estimate. (f): Forecast. * Fiscal year 2020 from July, 1 2019 to June, 30 2020.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	31%
TANZANIA	14%
SOUTH AFRICA	8%
CHINA	4%
EGYPT	4%

Imports of goods as a % of total

SOUTH AFRICA	20%
CHINA	13%
INDIA	9%
EURO AREA	8%
UNITED ARAB EMIRATES	7%

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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; highly affected by climate change
- Food insecurity and geographical isolation
- Increase in extreme poverty (70% of the 2019 population)
- Infrastructure shortcomings (water, energy, transport, education, health) and weak business environment
- Widespread corruption (120/180 according to Transparency International's Corruption Perception Index)
- Diplomatic tensions with Tanzania and Mozambique

RISK ASSESSMENT

Agriculture is the engine of growth

The economy is expected to further expand in 2020, led by agriculture, which is the driving force behind Malawi's economy (30% of GDP). Corn production increased in 2019 due to favourable weather conditions. Tobacco production remains constrained by production quotas introduced in 2017 to support prices and by declining global demand. The development of soybean, sugar and tea crops will maintain the sector's positive contribution to overall activity, which thus remains reliant on weather conditions. Agriculture also receives the lion's share of international aid, which aims, among other things, to increase the use of fertilisers and high-yield crop varieties. As the sector employs nearly 70% of the population, household consumption is expected to be boosted by rising incomes. Other sectors are being severely affected by recurrent power shortages and outages, but are expected to grow as a result of investments, mainly from abroad, to improve energy supply. For instance, the Mozambique-Malawi Regional Interconnection Project, financed by the World Bank, includes the construction of a high-voltage power transmission line between the two countries that will provide reliable power to Malawian businesses and households. This is a crucial issue, since only 10% of the population has access to electricity. In addition, numerous investments in agro-industry, coupled with the growth of agricultural production, will develop this activity. In particular, the European Investment Bank has opened a €100 million private sector credit programme for agro-business projects. Construction should get support from efforts to rebuild infrastructure destroyed by Cyclone Idai in March 2019. Nevertheless, if it persists, the political stalemate that resulted from the elections will put a damper on growth.

Inflation could moderate thanks to prudent monetary policy and exchange rate stability. It remains driven by rising food prices.

Consolidation of public and external accounts

The government deficit is expected to narrow as fiscal consolidation is stepped up in exchange for the three-year USD 145.3 million Extended Credit Facility granted by the IMF in April 2018. The government has committed itself to a more restrictive policy, including better allocation of expenses, more efficient administration, tax reforms and improved management of state-owned enterprises. These measures will help strengthen the confidence of international donors and lenders, which has been shaken by rampant corruption, and open up prospects for grants and concessional loans. Grants represent about 7% of revenues. Improving confidence is also key to ensuring sustainable financing of the public deficit. The suspension of aid in 2013-16 forced the government to take out non-concessional loans, leading to an increase in (domestic) public debt. Debt should decrease as this method of financing is discontinued.

The trade deficit is expected to narrow as exports of agricultural products (tea, soybeans and sugar) increase with rising production. Imports are expected to ease because of the decline in oil prices. Conversely, they are likely to be maintained by the capital equipment needs resulting from development projects and reconstruction following the cyclone. Remittances by expatriate workers (6% of GDP) will remain the main positive contribution to the current account. The current account deficit is financed by project grants, concessional borrowing and FDI (infrastructure, services and industry). Its gradual reduction will alleviate the pressure on foreign exchange reserves, which represented three months of imports in 2018.

President Mutharika controversially re-elected

The May 2019 general elections, of which the results were delayed by a court decision due to voting irregularities, saw President Peter Mutharika win re-election. His Democratic Progressive Party (DPP) won 62 seats out of 193 in Parliament. The opposition, however, is challenging the victory and calling for the results of the election to be overturned. Moreover, corruption cases during Mr Mutharika's previous term in office have left the President with damaged credibility, compounding the suspicions of fraud: in February 2017, a scandal forced Mr Mutharika to part with his minister of agriculture, while during the 2019 election campaign, the DPP was accused of receiving an illegal USD 200,000 payment from a wealthy businessman. The post-election climate therefore remains tense, marked by demonstrations and public dissatisfaction with recurrent governance deficiencies, repeated corruption scandals, endemic poverty and poor public services.

Regarding external relations, the division of Lake Nyasa/Malawi, which has been at the heart of tensions with Tanzania for more than 50 years, has been an especially sensitive issue since 2011, when Malawi issued oil and gas exploration licences. In addition, illegal fishing in Lake Chiuta by Mozambican armed groups is poisoning relations with Mozambique.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	32.4
GDP PER CAPITA US Dollars - 2018	11,072
CURRENCY Malaysian ringgit	MYR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.7	4.7	4.5	4.4
Inflation (yearly average, %)	3.8	1.0	1.0	2.1
Budget balance (% GDP)	-3.0	-3.7	-3.4	-3.2
Current account balance (% GDP)	2.8	2.1	3.1	1.9
Public debt (% GDP)	54.4	55.6	56.5	56.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SINGAPORE	14%
CHINA	14%
UNITED STATES	9%
EURO AREA	8%
HONG KONG (SAR)	7%

Imports of goods as a % of total

CHINA	20%
SINGAPORE	12%
EURO AREA	8%
JAPAN	7%
UNITED STATES	7%

+

- Diversified exports
- Growing domestic demand mitigating external headwinds
- Dynamic services sector
- High R&D
- Investment supported by expansion of local financial market and access to FDIs
- Exchange rate flexibility
- High *per capita* income
- Travel hub

-

- Budget income highly dependent on performances in the gas and oil sector
- Very high private debt levels (80% of GDP)
- Low fiscal revenues (14% of GDP), lack of transparency in budget spending
- Erosion of price competitiveness due to increasing labour costs
- Persistent regional disparities
- Ethnic and religious disputes

RISK ASSESSMENT

Growth will remain strong despite external headwinds, driven by private consumption

Growth will remain resilient to global trade downturn as the economy is gradually rebalancing from an originally export-driven growth towards a domestic consumption (58% of GDP) one, which reduces the impact of external headwinds. Though household debt remains high at 83.2% of GDP, consumption is set to remain strong underpinned by high disposable income and low unemployment rate while inflation is expected to remain low. This partly offsets the sluggish export performance due to lower global demand for electronics and electrical components, especially from its main trading partners China and the United States. That said Malaysia might see trade opportunities through free trade agreements in the region, which would partially buffer slowing exports. The ASEAN Economic Community facilitates regional integration with free flows of products, investment and productivity gains. In that sense, exports to ASEAN (28% of total exports) from Malaysia would likely to increase on the back of lower tariff barriers decline, but might not be enough to offset the US-China conflicts. Moreover, the government has yet decided to ratify the CPTPP agreement that entered into force in 2019. In addition, palm oil export, which accounts for 2.8% of GDP in 2018 would accelerate this year in the back of stronger demand from main export trade partners such India along with a pick-up in palm oil prices. Service industry contributes more to growth (55% of GDP in 2019) than manufacturing and is expected to remain strong, as domestic consumption would create more demand for services. Investment will contribute positively (albeit moderate) to growth this year, notably with a rise in public investment through large infrastructure projects Construction will perform well this year and is expected to see a 3.7% growth as the East Coast Rail Link project resumed after renegotiation of the terms with China, including bringing costs down. That said, the government unveiled an expansionary stance to boost domestic demand in order to achieve the official target growth of 4.8% which is challenged the global economic downturn .The banking industry is well capitalized and liquid, which is credit supportive. Household debt is high but NPLs are contained at this stage (1.4%).

Challenging fiscal consolidation and high external debt

The government unveiled a tighter budget for 2020 due to a fall in revenues collection. The government replaced the GST (a form of VAT) by the SST (Sales and Services Taxes), which tightened the tax base and generated a revenue shortfall estimated approximatively to 10% of the expected revenue. In this regard, the fiscal deficit is expected to widen to 3.2% from the original target of 3% which would challenge government's fiscal consolidation efforts (targeting deficit at 2% GDP in the medium term). Public debt is set to remain high though manageable with a large share denominated in local currency, including for the part detained by non-residents, which helps to mitigate risk.

Despite pressure from the slowing global demand along with trade disputes between the US and China, the current account, although declining in result of a shift from export-led growth to domestic demand, is set to remain in surplus in line with the trade balance. The income balance deficit is expected to increase in result of higher repatriation of funds by foreign companies. External debt (61% of GDP at Q3 2019, with 77% of the total owed by private sector) is high but manageable since one-third is denominated in local currency and half has medium to long-term maturity. International reserves, fed by the current account surplus and foreign investment, remain adequate covering 7.3 months of imports and sufficient to cover total short-term debt (1.1 times).

Mahatir's New Malaysia challenged by scandals

The centre-left four-party Pakatan Harapan (Alliance of Hope) coalition led by former Prime Minister Mahatir Mohamad (1981-2003) came again to power in 2018 on high expectations. Though policy initiatives have been proposed, it struggles to deliver on the election promises which led to a sharp fall in public approval rates. Further to this, the coalition's unity is challenged by a recent sex scandal within its largest component Parti Keadilan Rakyat (PKR, 50/129 seats of the coalition) involving Malaysia's Economic Affairs Minister Azmin Ali. Even though Anwar Ibrahim (PKR) is expected to succeed Mahatir Mohamad as Prime Minister, this scandal exacerbates the political divide within the party – one side supporting Anwar for Mahatir's succession and the other backing Azmin. As the country is facing internal hostility, the government reiterated its non-aligned status through the Foreign Policy Framework of New Malaysia, especially when dealing with China and the United States. The administration recently renegotiated the terms for the East coast rail link, a part of the Belt and Road Initiative with China, and construction resumed. Closer bilateral defense relationship with the United States would provide support to the country in the South China Sea where it is confronted with China.

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.

Restructuring 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	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018		0.4
GDP PER CAPITA US Dollars - 2018		14,571
CURRENCY Maldivian rufiyaa		MVR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.9	7.5	6.5	6.0
Inflation (yearly average, %)	2.3	1.4	1.5	2.3
Budget balance (% GDP)	-3.0	-4.6	-5.0	-5.6
Current account balance (% GDP)	-21.9	-25.3	-20.4	-15.7
Public debt (% GDP)	61.6	68.0	70.1	71.4

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

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	36%
EURO AREA	28%
UNITED KINGDOM	9%
UNITED STATES	8%
SRI LANKA	3%

Imports of goods as a % of total

UNITED ARAB EMIRATES	18%
CHINA	16%
SINGAPORE	12%
INDIA	10%
EURO AREA	8%

+

- Increasing bilateral relations with Saudi Arabia and China, ties to India restored
- Growth of tourism activity on uninhabited islands
- Airport infrastructure
- Support from the World Bank and the Asian Development Bank

−

- Dependent on international economic conditions due to the importance of tourism in the national economy
- Island location
- Chronic budget deficit and rising public debt
- Political instability
- Vulnerable to natural disasters; highly exposed to the negative effects of climate change; 80% of land is one metre or less above sea level
- Excessive pollution; waste management challenges

RISK ASSESSMENT

Stable growth but dependent on tourism and infrastructure projects

Growth is expected to remain high in 2020, despite a slight slowdown. Tourism will once again be the economic driving force (24% of GDP). The sector continued to expand in the first half of 2019, with 18.7% more tourist arrivals than in the first half of 2018. While Europe remains the leading region of origin for tourists, the 2019 growth was due to a rebound in Asian partners (20.4% increase in arrivals), which represent 37.9% of travellers. The number of Indian tourists in particular has doubled. This relative diversification bodes well, and the main threat to Maldivian growth today would be a sharp decline in global growth, *via* its impact on tourist budgets. The addition of an airstrip and a new passenger terminal at Malé airport will increase inflows of tourists on the island from 1.4 million in 2018 to 2 million in 2020. However, despite its importance, the project has seen delays, which could create a bottleneck in the tourism sector. Construction slowed in 2019, as many projects were completed, but it will remain one of the mainstays of economic activity in 2020. Although the fishing sector needs to be modernized, it still accounts for 20% of employment and 10% of GDP. Inflation is expected to remain low in 2020, thanks to the moderation of world energy prices and the continuation of the food subsidy policies adopted in 2018.

The challenge of making fiscal adjustments that are consistent with growth

The authorities must strike a balance between ensuring that public debt is sustainable while maintaining growth, which is a heavy consumer of public investment. The public deficit widened in 2019, in line with increased social spending and the development of the tourism sector, which still requires major infrastructure investments. These investments will have to be curbed and should fall from 4.8% of GDP in 2018 to an average of 3.6% over the 2019/2021 period, according to budget forecasts. Government revenues will continue to be driven by high growth rates, which will not be sufficient to offset the increase in current expenditure, so the public deficit will widen further in 2020. Maldivian public projects are heavily dependent on external financing (50% of sovereign debt), and there are few lenders. China holds about one-third of the external debt. Refinancing needs are high, with half of the debt being short-term. However, the support of government donors – notably India, with which the new government has improved its relations – and the establishment of a sovereign fund dedicated to the amortisation of bonds maturing in 2022 and 2023 should ensure sovereign solvency.

The current account deficit is massive but began to narrow in 2019, thanks to strong tourism revenues and a reduced deficit in trade of goods due to lower construction imports, as a number of projects were completed or postponed. As these two trends are expected to continue, the current account will continue rebalancing in 2020. The deficit is financed by external debt for public projects, while the private sector depends on FDI. Foreign exchange reserves are low, covering only one month of imports. Nevertheless, as tourism companies use the dollar for both their spending and income, a negative shock to this sector would have a limited impact on reserves. The banking system remains underdeveloped, with private credit amounting to just 31% of GDP. However, it is well capitalized, and the quality of its assets has been constantly improving since 2012.

A fresh start for Maldivian political life

Political tensions eased with the election of the opposition candidate and architect of the Maldivian multi-party system Ibrahim Mohamed Solih in September 2018. Under his predecessor, Abdulla Yameen, the country underwent an authoritarian shift, accompanied by a deterioration in security and of the business climate. The new government, which won a 74% majority in the April 2019 parliamentary elections, has set its sights on improving the institutional framework, including steps to strengthen the rule of law and press freedom. On the economic front, major infrastructure projects will remain essential, but President Solih has also announced measures to promote diversification and competitiveness, which will involve support for SMEs and the agricultural sector. However, the Maldives has moved down to 147th in the World Bank's Doing Business 2020 ranking, its fifth consecutive downgrade, due to the lack of economic reforms in the current government's first year in power.

The Maldives is a prized geostrategic partner due to its position on international trade routes in the Indian Ocean. China has established its influence through a free trade agreement and significant infrastructure investments (over USD 1.2 billion) under the Maritime Silk Roads project. The change of government in 2018 revived the struggle for influence, with the new coalition expressing its desire to renew historical ties with India.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	**18.5**
GDP PER CAPITA US Dollars - 2018	**927**
CURRENCY CFA franc (WAEMU)	**XOF**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.3	4.7	4.7	4.8
Inflation (yearly average, %)	1.8	1.7	0.3	1.3
Budget balance* (% GDP)	-2.9	-4.7	-3.3	-3.1
Current account balance** (% GDP)	-7.3	-3.7	-5.6	-5.2
Public debt (% GDP)	36.0	37.3	37.6	38.2

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	44%
SOUTH AFRICA	25%
BANGLADESH	8%
CÔTE D'IVOIRE	4%
EURO AREA	3%

Imports of goods as a % of total

EURO AREA	23%
SENEGAL	18%
CHINA	15%
CÔTE D'IVOIRE	9%
UNITED STATES	4%

+
- Substantial natural resources: agriculture (cotton) and mining (gold, bauxite and iron)
- International aid
- Member of the West African Economic and Monetary Union (WAEMU)

−
- Economy vulnerable to weather and commodity price fluctuations
- Extreme poverty
- Geographically isolated
- Degraded security situation
- Dependent on international aid

RISK ASSESSMENT

Growth is vibrant but fragile

Economic growth should remain robust in 2020, driven by a buoyant primary sector. Gold production, the main economic driver, will continue to grow thanks to high FDI flows coupled with a relatively stable security situation in the mining regions. Gold exports, which account for 14% of GDP and 70% of goods exports, should also benefit from persistently high gold prices. Agriculture will contribute to growth, boosted by a brisk performance in the cotton sector (Mali was the second-largest African producer in 2018), which is increasing its cultivated areas. However, agriculture will remain heavily dependent on weather conditions. Public investment (8.7% of GDP) will continue to increase in 2020, with a focus on building and upgrading the infrastructure (transport, electricity, telecommunications) that is badly needed in the country. The business environment, which is hurt by the lack of infrastructure, will also be hampered by violence, particularly in the north and centre of the country. This situation will weigh heavily on the economy, and especially on private consumption, which, despite contained inflation, will remain low due to insecurity and population displacement.

Public and external accounts exposed to cyclical risks

The government deficit should continue to decline in 2020, in line with the government's commitment to meet the WAEMU convergence criterion, which requires the deficit to be under 3%. Accordingly, increasing revenues will be critical, especially as a large proportion of expenditure (social, security, basic infrastructure) is hard to compress given the country's situation. To take one example, military expenditure (3% of GDP), particularly to finance the G5 Sahel force, will continue to be a drag on the budget. The authorities plan to implement reforms to improve tax collection, while rationalising some inefficient spending. In particular, the ongoing reform of the national electricity company (EDM) is vital given EDM's critical financial situation. The company is structurally loss-making, relies on government subsidies and remains heavily indebted (3.1% of GDP in June 2019). In the short term, the objective is to reduce operational costs and restructure debt, while in the longer term, the government, backed by the World Bank, will support investment projects, including in solar energy production. The country signed a new 3-year Extended Credit Facility agreement in August 2019 with the IMF for USD 192 million (1.2% of GDP), which will provide significant budget support.

Largely shaped by commodity prices, the trade deficit (4.5% of GDP) is expected to narrow in 2020 on strong exports and low oil prices, which will moderate the value of Mali's imports. The services balance will remain in deficit (8% of GDP), mainly due to freight transport, as will the income balance, which remains burdened by profit repatriation. However, the surplus in the transfer balance, which is fuelled by expatriate remittances and international aid, will help to reduce the current account deficit. Excluding international aid, the current account deficit stands at about 10% of GDP. Its financing is mainly based on FDI, project grants and concessional loans. In addition, the WAEMU central bank will continue to maintain the CFA franc's euro peg and boasts sizeable foreign exchange reserves, exceeding four months of imports.

Security situation still very poor

The country still faces considerable insecurity, which has become even more prevalent since 2018. The situation is the result of numerous inter-community conflicts, mainly in the centre of the country, overlaid by frequent terrorist attacks by jihadist groups. Since the 2015 peace agreement (not upheld), the Malian government has failed to effectively regain control of its vast territory and protect civilians against violence, despite strong support from foreign armed forces, including the UN (MINUSMA), France (Operation Barkhane) and the G5 Sahel force.

President Ibrahim Boubacar Keita (IBK) was re-elected in 2018 for a second 5-year term. Peace-building remains the government's top priority, which limits its budgetary capacity to pursue the development policies that the country needs (infrastructure, health, education). IBK will also have to deal with growing unrest among Malians, who can see no improvement in the security situation and who are suffering from the government pull-back from many parts of the country. IBK's party, Rassemblement pour le Mali, could therefore be challenged in the next parliamentary elections, which were initially scheduled for 2018, but are now expected to be held in May 2020, after two postponements.

Mali's fragile situation is having a significant impact on the business climate, with the country falling three places in the Doing Business 2020 ranking to 148th place (out of 190 countries).

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A3

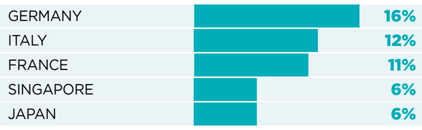
POPULATION Millions of persons - 2018	0.5
GDP PER CAPITA US Dollars - 2018	30,608
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.7	6.8	5.1	4.3
Inflation (yearly average, %)	1.3	1.7	1.7	1.8
Budget balance (% GDP)	3.4	2.0	0.5	0.8
Current account balance (% GDP)	10.5	9.8	7.6	6.2
Public debt (% GDP)	50.3	45.2	42.3	39.0

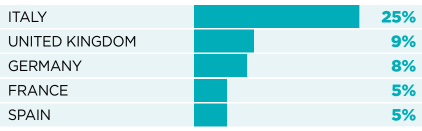
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- At the cross-roads between the Suez Canal and Gibraltar, important Mediterranean transshipment hub
- Public and external accounts in surplus, public debt held by residents
- Thriving tourism (2 million annual visitors for 430,000 inhabitants)
- Productive, English-speaking, growing and high-income workforce, low taxation

- Sizeable incoming/outgoing financial flows (offshore finance, online gambling industry, nationality acquisition programme against investment)
- Poor road infrastructure
- Inadequate higher education; shortage of highly skilled labour
- Slow legal process; clientelism and corruption

RISK ASSESSMENT

A remarkable performance underpinned by construction and a buoyant online gaming industry

Malta has been one of the world's leading jurisdictions in building a specialized legal framework for i-gaming (virtual poker, casino games, sports betting) and database management. This has produced a significant structural rebalancing of the economy towards service exports, with i-gaming having risen to 13% of GDP and 30% of export revenue. The government is following a similar strategy in the fields of blockchain technology activities related to virtual financial assets and crypto-assets in particular- and AI. This, along with a tourism boom and a citizenship-by-investment scheme (IIP) demanding a contribution of €650,000 and investment in property worth €350,000, has resulted in a robust expansion that peaked in 2018 and will continue its gradual slowdown in 2020. The transition process towards a high-added value economy is attracting a steady inflow of foreign talent, boosting factor productivity. Still, 35% of firms cite recruitment of skilled labor as their most pressing concern, so the labor market will remain tight with an unemployment rate in the 4% range. To meet the sustained demand for new dwellings, construction will continue to feed investment, projected to grow at 6%. In 2020, domestic demand will account for 80% of growth (vs 17% in 2016) as wages, now indexed on inflation through a cost of living allowance, enter a convergence process. Nonetheless, a favorable competitiveness differential relative to other Mediterranean destinations will persist, supporting the tourism sector (15% of GDP and a third of employment). In the near term, this sector will be exposed to the slowdown in Italy and the consequences of Brexit, as these markets represent 22 and 25% of arrivals, respectively. Exports of electronic, electrical and optical components (Malta's main manufacturing products), but also of generic medicines and seafood products are also likely to slow down with the European economy.

Authorities tighten financial regulation to curb a real estate boom in its infancy

As a byproduct of immigration and the IIP scheme, there has been a recurrent housing shortage and a concomitant real estate asset price inflation. With property prices now growing around 15% per year, the Central Bank of Malta has begun implementing macroprudential measures (regulatory requirements that activate during financial booms) to lean against mortgage credit growth. Hence, bank's ability to lend to risky borrowers has been restricted. Since the crisis, banks have been increasingly concentrating their assets in the property sector: lending for construction, house purchase and real estate accounts for almost 70% of lending to the private sector. This has come at the expense of corporate lending, forcing firms to rely on one another to meet their financing needs. Half of all the debt funding of corporates is in the form of intercompany lending, up from 25% before the crisis. In this configuration, economic risks become more correlated as shocks to one sector can affect liquidity conditions for others. Though the financial sector is important in size (400% of GDP), the prevalence of offshore banking (half of all assets) mitigates the exposure to global financial risks.

Stained by the Caruana Galizia affair, the Prime Minister resigns

After several of his cabinet members were linked to the 2017 murder of journalist Daphne Caruana Galizia, PM Joseph Muscat announced his plans to resign. While the incumbent Labour Party (holding 37 out of 67 seats) is likely to remain in power even with a snap election, we do not know the full political cost of the Caruana scandal. Furthermore, the EU is heavily scrutinizing the country on matters of transparency, corruption and money laundering. The ECB recently revoked the license of Pilatus bank for failing to comply with EU anti-money laundering regulation. The IIP scheme is therefore having to apply stricter standards, with the associated revenues now around 1% of GDP, down from 2% in the program's first years. These proceeds, along with the favorable business cycle, have been instrumental in reducing public debt, which accounting for government guarantees will reach 46% of GDP in 2020. Nonetheless, the government will continue to post a surplus (0.8% of GDP), owing to wage spending restraint and improvements in tax collection and management of state-owned enterprises. To alleviate capacity constraints, the government's capital investment will once again increase to reach 3.4% of GDP, up from 3% in 2019. The current account surplus is expected to remain large at 9% of GDP, underpinned by a hefty service surplus (tourism, i-gaming, transshipping) of 35% of GDP that largely compensates the trade deficit. The duty-free port of Marsaxlokk will continue to be a key spot for Mediterranean transshipping routes.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	4.0
GDP PER CAPITA US Dollars - 2018	1,319
CURRENCY Mauritanian ouguiya	MRO

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	36%
EURO AREA	24%
SWITZERLAND	19%
ESWATINI	17%
MALI	8%

Imports of goods as a % of total

SOUTH KOREA	23%
EURO AREA	23%
NORWAY	10%
UNITED ARAB EMIRATES	9%
CHINA	5%

- Supported by donors and international organisations
- Rich in minerals (iron, gold, copper) and fishery resources
- Energy potential (gas, renewables)

- Poor governance, high corruption
- Underdiversified economy is vulnerable to commodity price fluctuations
- Growth not very inclusive, with high unemployment
- Small formal economy
- Very little arable land
- Persistent community tensions

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.1	3.6	6.6	5.9
Inflation (yearly average, %)	2.3	3.1	2.2	2.8
Budget balance (% GDP)	0.0	3.3	0.1	0.4
Current account balance (% GDP)	-14.4	-18.4	-13.7	-20.1
Public debt (% GDP)	95.9	102.3	97.8	97.4

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

RISK ASSESSMENT

Solid and promising growth

GDP will continue to grow rapidly in 2020, driven by the strength of the mining sector and the rest of the economy, as well as by an acceleration in investment. Gold production (25% of exports) will continue to increase, thanks to high prices and the recent expansion of the Tasiast mine, while other mining projects are in the works. Iron ore mining will also increase, providing 30% of exports, even though prices are expected to decline in coming years, partly due to softer Chinese demand. In addition, future development of an enormous natural gas field opens up bright new prospects, with the Grande Tortue Ahmeyim (GTA) offshore platform set to be operational at the end of 2021. Apart from generating significant revenues for the government (estimated at 8% of 2019 GDP each year), this project will mean a boom in FDI from 2020 onwards (when FDI will be equivalent to 18% of GDP). This will further add to the momentum of the construction sector, which is already growing vigorously, notably in connection with the projects to extend the port infrastructure at Nouakchott and Nouadhibou. Public investment (12% of GDP) will remain high, especially in infrastructure, and will benefit from international aid, particularly from the World Bank (USD 500 million for the 2018/2023 period, mainly in grants) and the Islamic Development Bank. In addition, agriculture, and especially fisheries (more than 40% of exports), will once again make a significant contribution to growth. Fishing activity is benefiting from the recent signature of an agreement with Senegal, which provides a framework for development of the resource in Mauritanian waters. However, unequal distribution of the benefits of growth, in a context of high poverty, will continue to be a drag on household consumption.

Inward FDI will finance a widening current account deficit

The budget balance should remain in surplus in 2020. The slight increase in social and investment expenditure is expected to be offset by an increase in income, as a result of continued strong activity and recent tax reforms. The government has made fiscal consolidation efforts, in line with IMF recommendations, in return for an USD 160 million credit facility agreement over the 2017/2020 period. The governance of the tax administration has been improved, the taxpayer register has been cleaned up, while VAT and the cost of fishing licences have been increased. Public debt relief is likely to continue, but debt remains high and vulnerable to exogenous shocks, being almost exclusively external: 86% of the total, including 20% contracted with Kuwait (cancellation negotiations are under way). However, a large portion is composed of concessional loans, which mitigates the risk.

On the external accounts, the massive current account deficit is set to widen further due to a deterioration in the trade deficit. The increase in exports of fish, iron ore and gold will not offset the boom in imports of capital goods needed for extractive activities. At the same time, the increase in imports of services linked to the expansion of these activities will exacerbate the services deficit (11% of GDP in 2019), despite the gradual development of the tourism sector, mainly in the Mauritanian Sahara area. The current account deficit will be financed by a parallel inflow of FDI into extractive activities. This will fuel the foreign exchange reserves, which are growing (they exceeded five months of non-extractive imports in August 2019), and thereby reduce the exchange risk.

First ever transfer of power between two elected presidents

The June 2019 presidential election was won in the first round by Mohamed Ould Cheikh El Ghazouani, a close ally of former President Mohamed Ould Abdel Aziz with no inclination to break with the previous regime. The transfer of power, which the opposition challenged, claiming voting irregularities, followed eleven years of rule by President Aziz, who seized power in a coup in 2008, before organising and winning the 2009 presidential election and being re-elected in 2014. As the constitution prohibits more than two consecutive terms, President Aziz could not run again. The new President inherits a regime marked by authoritarian abuses: President Aziz passed reforms that concentrated power with the executive (a constitutional referendum in 2017, which the opposition boycotted, saw the Senate abolished and replaced by regional councils and a High Council for Fatwa), while one of the main opponents of constitutional reform, Ould Ghadda, was unjustly imprisoned, a move that was criticised by the UN. As a result, the political and social context remains fragile, in a country still plagued by poverty, unemployment, inequality and where slavery, despite being abolished in 1981, continues to be practiced, with at least 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, which has removed trade benefits 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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	1.3
GDP PER CAPITA US Dollars - 2018	11,228
CURRENCY Mauritius rupee	MUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	3.8	3.7	3.5
Inflation (yearly average, %)	3.7	3.2	0.8	1.4
Budget balance* (% GDP)	-3.3	-2.9	-3.2	-3.5
Current account balance (% GDP)	-5.8	-6.2	-7.6	-7.5
Public debt (% GDP)	64.3	66.2	68.6	69.4

(e): Estimate. (f): Forecast. * Fiscal year 2020 = from July 1, 2019 to June 30, 2020.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
UNITED STATES	12%
UNITED KINGDOM	11%
SOUTH AFRICA	11%
MADAGASCAR	6%

Imports of goods as a % of total

EURO AREA	19%
INDIA	18%
CHINA	17%
SOUTH AFRICA	9%
UNITED ARAB EMIRATES	3%

- Strong tourism sector
- Bilingualism (English and French)
- Robust banking system
- Democratic institutions and effective governance

- Commercially and economically dependent on Europe and Asia (tourism, construction)
- Island location and small domestic market
- Poor infrastructure, especially on Rodrigues Island
- Lack of skilled workers

RISK ASSESSMENT

Robust growth despite the slowdown in external demand

Growth should slow slightly in 2020 while staying robust, supported by strong services and construction. Aided by an extremely favourable tax regime, the financial sector will remain one of the main drivers of the economy, notably through cross-border investment activities and banking services. However, the expansion of the financial sector could be affected by the removal in March 2019 of the tax advantage granted by India, which is the sector's main partner. However, diversification and the recent opening-up to other markets, such as Africa, offer significant opportunities. Tourism may continue to see flat growth in numbers of visitors, particularly from Europe and Asia, in line with economic conditions. Tourism should nevertheless be resilient thanks to the development of new air links and recently built hotel infrastructure. The construction sector will remain on a positive trend in 2020, driven by the rise in public investment (7.6% of GDP). The main projects include construction of a new terminal and runway, continued work on the railway line linking Port-Louis to Curepipe, and improvements to the road network. Household consumption will keep up good momentum, benefiting from credit and wage growth, muted inflation because of low prices for imported food and energy products, as well as social measures to support purchasing power. In contrast, the manufacturing sector is set to continue to put in a mixed performance and will be affected by the textile and sugar industries, which are being hurt by the moderation of external demand.

Expansionary fiscal policy maintained

The fiscal stance remains expansionary for FY 2019/2020, and the government deficit is likely to deteriorate. Spending will increase significantly, mainly to finance the rise in investment and new social measures announced before the elections, such as the increase in the value of old-age pensions. Moreover, higher income tax exemption thresholds will put a strain on revenues, which are expected to go up only slightly. The build-up of public deficits continues to fuel public debt, of which the GDP share is on an upward trend. However, the risk of default is still limited, as the debt is almost exclusively domestic, denominated in local currency and contracted over long maturities.

After deteriorating last year, the current account deficit should be stable in 2020, still fuelled by a large trade deficit (22% of GDP). While exports of goods will continue to be sluggish, imports will increase, driven by strong construction and private consumption. The surplus in the services balance (8% of GDP), mainly driven by tourism revenues, will remain. Profit repatriations by the many offshore companies based on the island will continue to support the income surplus (10% of GDP). FDI and other investment flows, directed towards tourism and the financial sector, will cover the current account deficit, while providing comfortable foreign exchange reserves, which represent about nine months of imports.

The Prime Minister secures popular legitimacy

The centre-left Alliance Morisien, a coalition led by outgoing Prime Minister Pravind Jugnauth, won 42 out of 70 seats in the November 2019 parliamentary elections, thus retaining a solid majority. Pravind Jugnault took office in 2017, following the resignation of his father Sir Arnerood Jugnauth, who was appointed in 2014. The handover weakened the popularity of the ruling coalition, which was accused of nepotism and was further affected by the loss of one of the constituent parties (Mauritius Social Democratic Party). The coalition is also suffering from a growing perception of cronyism and corruption, illustrated by the scandal in March 2018 when President Ameenah Gurib-Fakim was accused of using a bankcard provided by an NGO for personal purposes. However, despite all of this, the alliance and the Prime Minister managed to retain popular support.

Mauritius remains one of the highest ranked countries in sub-Saharan Africa according to the World Bank's governance indicators. Political stability and good governance contribute to a highly competitive business climate at the international level: the country ranks 13th out of 190 in the Doing Business 2020 ranking. However, recent revelations that came out of the Mauritius Leaks investigation about the scale of tax optimisation or evasion, supported by the country's very low tax rates, could have repercussions for Mauritius' reputation.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	124.7
GDP PER CAPITA US Dollars - 2018	9,797
CURRENCY Mexican peso	MXN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.1	2.0	0.0	0.5
Inflation (yearly average, %)	6.0	4.9	3.8	3.1
Budget balance (% GDP)	-1.1	-2.1	-2.0	-2.8
Current account balance (% GDP)	-1.7	-1.8	-1.0	-1.4
Public debt (% GDP)	54.0	53.6	53.8	54.6

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	79%
EURO AREA	5%
CANADA	3%
CHINA	2%
INDIA	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 and many other agreements
- Substantial industrial base
- Free floating exchange rate
- Adequate foreign reserves level
- Large population and relatively low labour cost
- Supportive regulatory environment

−

- High dependence on the US economy; vulnerable to the ratification of the USMCA agreement (which replaces the NAFTA) by the US Congress
- High income disparities and rising criminality
- High corruption level
- Transport, health and education weaknesses
- Oil sector undermined by years of underinvestment
- High informality in job market

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

GDP growth should remain subdued in 2020

GDP registered a significant deceleration in 2019 mainly driven by the elevated uncertainty regarding the controversial measures of the new government and the still pending legislative ratification of the USMCA agreement by the United States and Canada (both issues have weighted on investments). In 2020, GDP growth should register some timid improvement, thanks to the expected agreement ratification and to some positive contribution from the ongoing easing monetary cycle (favouring somewhat credit market). Moreover, some increase in public expenditure and investments is also expected, as the negative government-transition effect fades (usually there is some delay in public expenditure in the first months of a new government). Once the USMCA is ratified and the easing monetary cycle reduces lending rates, some improvement in private investments should be observed. Besides, oil production has recently shown some stabilization (after 15 years in a row of contraction), a movement which, if persistent, will contribute positively to the mining output in 2020. Nevertheless, the scenario is not without risks. External headwinds could build up this year, the main one being a stronger than expected deceleration in the US. In this scenario, exports (mainly composed of automotive and ICT – notably electrical machinery and equipment) would be hit as well as household consumption (in case of a weaker US job market affecting remittances from Mexicans leaving abroad). Alongside, the impeachment process currently faced by the US President and the proximity to the November 2020 US presidential elections could compromise the USMCA ratification schedule.

Twin deficits continue well routed

Current account deficit narrowed in 2019, due to the improvement in non-oil trade balance surplus, as a weaker currency and a subdued domestic demand took a toll on imports. Alongside, the high oil trade deficit of roughly 1.9% of GDP (majorly composed by crude oil exports and oil derivatives imports) also marginally reduced. Moreover, while services deficit reduced of about 0.7% of GDP (thanks to higher travel and transport revenues), the historically high primary income deficit (of roughly 2.6% of GDP) continued to widen (due to higher interest paid and still high net dividends payment). Finally, remittances reached a new record high level. In 2020, current account deficit should however widen, as the expected loss of momentum of the US economy will tend to impact Mexican manufacturing exports as well as remittances from Mexicans living in the US (which represents roughly 2.8% of GDP). Despite that, foreign direct investments will remain sufficient to cover the current account deficit fully. Alongside, foreign currency reserves remain adequate (at 15% of GDP and covering roughly 5.7 months of imports). Regarding external debt, it represents around 37% of GDP (46% owed by the government and 48% by the non-financial private sector). Despite investors' fear, fiscal policy remained prudent during AMLO's first full year in office. In 2019, tax revenues disappointed amid weak growth, leading the government to use part of the oil stabilization fund. The execution of the 2020 budget may be challenging too, because it departs from very optimistic premises (it estimates GDP to grow by 2% in 2020 and oil production to reach 1.9 mbd in 2020, up from the current 1.7 mbd). Indeed, government´s efforts to revive the highly indebted state-owned oil company Pemex could derail fiscal consolidation, as the government may have to increase state aid if oil production failed to rebound. Finally, the expected deceleration of US GDP could also affect tax revenues in 2020.

Government faced with mounting violence-related challenges

Although some economic steps taken by the government of President Andrés Manuel López Obrador (AMLO) from the leftist Morena party have frightened investors (such as the cancelation of the construction of Mexico city´s airport), it has managed to keep its popularity relatively high during the first year in office. That is mainly because of some social policies and the anti-corruption and crime- fighting rhetoric. Concerning combat against violence, government has failed in curbing it. AMLO has insisted he will not "use violence to fight violence", saying he prefers to concentrate on solving the "social" causes of violence and drug trafficking. Meanwhile, violence is escalating in the country and the number of murders in 2019 probably surpassed the record of 33,000 set in 2018.

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.

Debt Collection

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.

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 that 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.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	3.5
GDP PER CAPITA US Dollars - 2018	3,191
CURRENCY Moldovan leu	MDL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.7	4.0	3.7	4.0
Inflation (yearly average, %)	6.6	3.1	4.5	5.0
Budget balance* (% GDP)	-0.8	-1.1	-3.0	-2.5
Current account balance (% GDP)	-5.8	-10.5	-9.5	-9.0
Public debt (% GDP)	37.0	30.0	31.0	30.0

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

TRADE EXCHANGES

Exports of goods as a % of total

ROMANIA	29%
EURO AREA	29%
RUSSIA	8%
TURKEY	4%
POLAND	4%

Imports of goods as a % of total

EURO AREA	25%
ROMANIA	15%
RUSSIA	13%
CHINA	10%
UKRAINE	10%

- Agricultural potential (wine, fruit, vegetables, sunflowers, wheat)
- Association and free trade agreements with the EU (2014)
- International financial support
- Relatively inexpensive labour
- Managed float currency regime

- Poorest country in Europe, high emigration (1 million people have left)
- Large informal sector, low productivity
- Corruption, kleptocracy, weak governance, oligarchy and clientelism
- Underdeveloped credit (19% of GDP)
- Dependence on remittances from expatriate workers
- Separatist tendencies in Transnistria

RISK ASSESSMENT

Moderate and stable growth in 2020

Private consumption (85% of GDP) will benefit from increased participation and employment rates, as well as from growth in real wages owing to the low level of unemployment (3%), which is reflective of the country's high emigration. Remittances from expatriate workers (16% of GDP) will be boosted by the excellent health of the Israeli economy (number-one source) and the slight improvement in Russia (number-two), but will be hurt by weak growth in Italy, Germany and the United Kingdom. Credit should continue to grow well, which should also encourage investment (25% of GDP). Thanks to loans and assistance from European financial organisations and the World Bank (€264 million, or 2.7% of GDP in 2019), work to connect the Moldovan and Romanian power grids is set to get underway. Foreign trade, despite featuring a recurrent deficit, should make a positive contribution to growth, as exports will outpace imports. Agri-food exports to the European Union will continue to grow thanks to free trade arrangements. Exports to Russia, which had fallen following the embargo imposed by Russia in 2013 in response to Western sanctions, have benefited since early 2019 from a reversal of the stance on five products. In addition, Russia now allows Moldovan products destined for third countries to pass through Ukraine and its territory in succession. Despite diversifying into clothing, electrical wiring and pharmaceuticals, where low production costs offset low productivity, Moldova remains dependent on the agri-food sector (19% of GDP and 34% of employment) and, therefore, on climatic conditions. The floating lei allows the central bank to focus its action on inflation, which should remain within the core target range.

Persistent deficits and a fragile banking system

In order to reactivate IMF budget support (Extended Credit Facility and Extended Fund Facility) totalling USD 179 million from 2016 to 2020, as well as EU macro-financial assistance (up to €100 million), which was halted in 2018 and the first half of 2019 following tax giveaways in the lead-up to elections, the new government had to adopt corrective measures equivalent to 0.6% of GDP in the form of spending cuts and increased and new taxes. Meanwhile, electricity prices were updated in the autumn of 2019. The aid is intended for investment in the social sector and under-resourced infrastructure. A full 58% of public debt is external, but is contracted with States or international organisations.

The aid has also been made conditional on efforts to clean up the financial system, which was marred by a major scandal in 2014, and improve governance. The ownership structures of the top four banks have been radically overhauled to make them more transparent. These institutions are now mainly held by foreign shareholders, including the EBRD. However, their exposure to related parties, although declining, remains significant. Non-performing loans still accounted for 11% of outstanding loans in May 2019. While supervision has improved, protection against money laundering is not perfect. Under these circumstances, the authorities have opted to limit development of the system by imposing a mandatory reserve ratio of 43% on deposits in local currency and 17% for foreign currencies.

The current account deficit is expected to remain high in 2020, due to the massive trade deficit (27% of GDP in 2018), despite remittances from expatriate workers and international budget support (3.5% expected in 2019). To finance its current account deficit and maintain its foreign exchange reserves, which are equivalent to more than 4 months of imports, the country uses IMF and EU loans with a grant component of 36%, while FDI remains limited. Accounting for 65% of GDP at end-2019, external debt is 72% private, with FDI-related loans making up one-third of this share.

Russian loan as leverage with EU, IMF

After four tumultuous months, the February 2019 elections had led to the formation of a coalition government of pro-Russian socialists (35 seats out of 101) and members of the pro-European ACUM party (26 seats) under the leadership of Prime Minister Maia Sandu (ACUM). The coalition, supported by both Westerners and Russia, looked like a marriage of convenience designed to get rid of the country's most influential and wealthy man, Vlad Plahotniuc, leader of the Democratic Party (30 seats) which provided the previous government. In November, this government was overthrown after a vote of no confidence, the Socialists having withdrawn their support. The partners did not agree on the appointment of the Attorney General. A new Prime Minister, the socialist Ion Chicu, appointed by President Dodon, a former socialist leader, has taken over the leadership of a minority government. He is waving the possibility of a Russian loan to obtain a softening of the conditions of the EU and the IMF for their support. The next presidential election will be held in the fall of 2020.

Moldova 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 as the Moldovan Republic of Dniestr in 1992. Russian forces are stationed there. The lawless region includes most of the country's heavy industry, as well as electricity production.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	3.2
GDP PER CAPITA US Dollars - 2018	4,017
CURRENCY Mongolian tögrög	MNT

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.3	6.9	6.5	5.4
Inflation (yearly average, %)	4.6	7.7	9.0	8.3
Budget balance (% GDP)	-3.8	2.6	0.6	-0.9
Current account balance (% GDP)	-10.1	-17.0	-14.4	-12.4
Public debt (% GDP)	84.6	73.3	73.0	71.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	93%
UNITED KINGDOM	2%
RUSSIA	1%
EURO AREA	1%
SINGAPORE	0%

Imports of goods as a % of total

CHINA	34%
RUSSIA	29%
JAPAN	10%
EURO AREA	7%
SOUTH KOREA	4%

+

- Development of colossal mining resources (coal, copper, gold) with investment reaching 40% of GDP
- Strategic geographical position between China and Europe (Silk Road Development Project)
- Potential for diversification of production, including agribusiness (livestock, dairy products, meat, cashmere) and tourism
- Important donor support (4.8% of GDP in 2019)

-

- Small economy's vulnerability to changes in commodity prices and Chinese demand
- Internal political dissensions
- Massive land degradation, 90% of the vast grasslands prone to desertification (frequent occurrence of dust storms)
- Alarming level of corruption and fragile governance (justice, public expenditure, SOEs, mining licenses and procurement)
- Risks associated with rising inequalities (28% living in poverty in 2018) due to less inclusive mining development

RISK ASSESSMENT

Mineral reliant growth challenged by prices and slowing demand from trade partners

Growth will remain strong but is likely to decelerate to 5.4% in 2020 due to slower export growth in the mining sector resulting from lower coal and copper prices. The economy is largely reliant on natural resources with their export making up 80% of total exports (copper 45% and coal 15%) and 48% of GDP, with most of it directed towards China, its largest trade partner. On top of it, the Oyu Tolgoi (OT) copper and gold mining project (66% owned by Rio Tinto's subsidy Turquoise Hill and 34% by Mongolia) will not be able to support exports as it has been experiencing delays due to challenging ground conditions and renegotiations from the government. It is expected to be operational by June 2023, which increases costs and may affect business environment and investors' confidence. Indeed, in the recent years, the bulk of foreign direct investment inflows have been in the mining industry, half with the OT project. In light of weaker copper prices along with delays in projects, inflows are expected to slow down. Public consumption is set to benefit from a relaxed fiscal policy in 2020 while private consumption is expected to be soft due to a sharp increase of the unemployment rate. Moreover, the OT project delay may weigh on disposable incomes (the largest private employer in Mongolia and over 90% of the workforce is Mongolian) and, therefore, consumption. Inflation will remain around the central bank's 8% target, which is expected to tighten the monetary policy in order to ensure price stability and to curb rapid credit growth driven by rising household leverage. The banking industry is still at risk with several banks undercapitalized and with high shares of household loans, which account for 50% of total credit outstanding.

Improved fiscal situation and external sensitivity

Despite commitments and efforts (a 1% primary surplus is expected) to reduce fiscal deficit and debt as part of the IMF's Extended Credit Facility program set up in 2017 (the sixth review is on hold due to delays in financial sector reforms, especially in bank recapitalization), the economy is still challenged by high debt levels that make it vulnerable to shocks through FDI, commodity prices and Chinese demand. Considering that 90% of the public debt is denominated in foreign currency, the country is vulnerable to an exchange rate depreciation. Given rising political pressures in the run-up to the 2020 elections, fiscal stance will continue to loosen in 2020 in order to reduce frustration among the population by launching social projects, increasing the minimum wage and implementing tax reforms to support business and investment.

The current account is expected to post its usual deficit. Trade balance will remain in surplus though it could decline slightly, as lower copper and coal prices would affect exports. Services and income balance will remain in deficit due to freight costs (one-third of the services deficit), repatriation of profits by mining investors and interest payments. Foreign exchange reserves rose and are covering 5 months of imports in 2019, but remain inadequate to buffer external shocks given Mongolia's narrow economic base and exposure to climate disasters. Net negative international investment position remains high at -260% of GDP, due in particular to external debt (220% of GDP) of which 70% is private. Strong mining-related FDI inflows (over 10% of GDP) help to finance the current account deficit but political uncertainties over the elections could affect them.

Growing political uncertainty as parliamentary elections are approaching

The Mongolian People's party has been dominating the unicameral parliament with 65 out of 76 seats since the parliament elections in June 2016. Having said this, recent corruption allegations and President Battalga's unfulfilled promises are leading to a growing frustration among the population. Political uncertainty will likely persist in the run-up to the next parliamentary elections in June 2020. After the dismissal of the former Prime Minister Jargaltulga Erdenebat in 2017 on corruption allegations, the actual Prime Minister Ukhnaagiin Khürelsükh is not spared from these accusations, although none of them is threatening his economic and socially oriented agenda. Though growth has been robust, benefits have not translated into the population who is facing rising costs of living and an increase in unemployment rate that the government struggles to address. As the country is landlocked between Russia and China, it is keeping relations with its neighbors in good terms while seeking to diversify ties through the 'Third neighbor' foreign policy, especially with India and the United States. In light of slower demand from China, this would benefit the country by reducing its economic dependence on China, which accounts for 88% of Mongolia's exports.

MONTENEGRO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	0.6
GDP PER CAPITA US Dollars - 2018	8,763
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.7	5.1	3.0	2.6
Inflation (yearly average, %)	2.4	2.6	1.0	1.8
Budget balance (% GDP)	-6.9	-6.3	-3.6	-1.0
Current account balance (% GDP)	-16.1	-17.2	-18.0	-16.0
Public debt (% GDP)	73.6	78.8	89.0	82.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SERBIA	23%
EURO AREA	19%
HUNGARY	12%
BOSNIA & HERZEGOVINA	8%
POLAND	5%

Imports of goods as a % of total

EURO AREA	34%
SERBIA	19%
CHINA	10%
BOSNIA & HERZEGOVINA	6%
CROATIA	6%

+

- Tourism potential (sea, mountains)
- Hydroelectric potential
- Use of the euro
- Association and Stabilisation Agreement with the EU
- Negotiations for accession to the European Union

−

- Small market, unfavourable demographics (38% of the population living abroad)
- Dependence on tourism (8% of employment) and external capital
- Huge trade deficit
- Unilateral euro adoption precludes ECB support and reduces the effectiveness of monetary policy
- Electricity production based largely (50%) on subsidised coal
- Deficient road and electrical networks
- High structural unemployment: 14% of people are unemployed, 60% of whom have been unemployed for more than two years, lack of qualified personnel
- Large informal economy (25% of the working population) and low participation rate among women (56%)
- Importance of ethnic voting and lack of political alternatives
- Poor institutional environment: corruption, media independence, organised crime and politicisation of the court system affect contract performance and the treatment of insolvency

RISK ASSESSMENT

Growth continues to slow in the wake of investment

Activity will slacken further in 2020. While private investment (20% of GDP), both foreign and domestic, in tourism and energy infrastructure is expected to remain strong, public investment (10% of GDP) is set to decline due to the completion of the first 41 km section between Podgorica and Mateševo of the motorway to connect the port of Bar to Boljare on the Serbian border (6% of GDP in 2019). Conversely, private consumption will continue to make a moderate, but positive, contribution to growth. Flat wages (except in tourism-related sectors such as trade, accommodation, food and construction) are expected to be offset by employment and credit growth. The contribution from foreign trade should turn positive due to the continued tourism boom and the sharp decline in imports related to motorway construction.

Further budgetary consolidation with the (provisional?) completion of the motorway project

Thanks to significant budgetary efforts since 2017, the government deficit has been slashed. A primary surplus (*i.e.* excluding debt interest) of up to 1.5% (3% excluding motorway-related expenditure) is even expected in 2020. Nevertheless, public debt remains very high and has soared with the loan (15% of the total outstanding amount) taken out with China Eximbank to finance the motorway. This project, whose total cost is equivalent to a quarter of GDP, is being carried out by China Road & Bridge with 30% local subcontracting. It is 85% financed by a 20-year US dollar loan at a rate of 2% with a 6-year grace period. The external share of public debt (84%) is denominated in dollars. Its reduction and sustainability depend, in particular, on maintaining budgetary discipline. VAT, the main source of income (31%), suffers from many exemptions. Tax breaks to attract foreign investment in tourism, such as the reduced 7% VAT rate for luxury hotels, are costly. Current expenditure, primarily wages and pensions, leaves little room for investment (less than 5% of GDP), while gaps in education and health persist. The pension system is in deficit – more than 2% of GDP in 2018, financed by the State – due to many early retirements. Forecasts could be modified by the upside spending risk in the run-up to the 2020 parliamentary elections. Finally, there is doubt about the completion of the motorway and how it will be financed. While finishing phase 2 would cost only the equivalent of 5% of GDP, building all remaining 136 kilometres would cost 25%.

The current account deficit will remain very high due to the enormous deficit in trade in goods (45% of GDP). Exports, mainly of oil and aluminium derivatives from the Kombinat Aluminijuma in Podgorica, are largely offset by investment-related imports, but also by imports of food and oil products. Russian, Serbian and Bosnian tourists generate a surplus of 20% of GDP and remittances from expatriates (mainly from Serbia, Croatia and Turkey) a surplus of 5.7%. In the end, the current account deficit is financed by FDI (10% of GDP) and debt (12%), not to mention undeclared capital inflows invested in second homes. The country hopes to increase FDI through its Citizenship By Investment programme launched in 2019 and running until the end of 2021. In return for investing a minimum of €350,000, up to 2,000 foreign investors will be able to obtain a Montenegrin passport, which will allow them to travel without a visa to many countries. External debt (168% of GDP at the end of 2018), a quarter of which corresponds to intra-group loans, will grow in line with its public share (37% of the total), while depending on growth and tourism revenues.

Milo Djukanovic and the DPS still in power

Milo Djukanovic, the long-time leader of the Democratic Party of Socialists (DPS) that emerged out of the former Communist Party, won the April 2018 presidential election in the first round. Previously, as with all elections since 1991, the DPS had come out on top in the 2016 parliamentary elections. taking 36 seats out of 91, far ahead of the main opposition party, the pro-Russian and pro-Serb Democratic Front (18 seats), whose leaders were convicted of involvement in an alleged coup attempt in the same year. 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 continuing EU accession negotiations. Despite waning popular support and widespread criticism of a law to seize property held by the Serbian Orthodox Church, which is the largest denomination in the country, the next legislative elections in autumn 2020 may see the incumbents take victory in the absence of a credible alternative.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	35.2
GDP PER CAPITA US Dollars - 2018	3,366
CURRENCY Moroccan dirham	MAD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.2	3.0	2.3	2.9
Inflation (yearly average, %)	0.8	1.9	0.3	1.1
Budget balance (% GDP)	-3.5	-3.7	-3.6	-3.7
Current account balance (% GDP)	-3.4	-5.5	-5.0	-5.1
Public debt (% GDP)	65.1	65.3	65.3	65.4

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	58%
BRAZIL	6%
UNITED STATES	5%
INDIA	4%
UNITED KINGDOM	3%

Imports of goods as a % of total

EURO AREA	47%
CHINA	10%
UNITED STATES	8%
TURKEY	4%
RUSSIA	3%

- 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 performances of the agricultural sector and the European Union
- 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 rebound hampered by sluggish European activity

After declining due to a downturn in agricultural production in 2019, growth is expected to recover in 2020, following the fortunes of the sector. However, the rebound will likely be constrained by weak growth prospects for the euro area. Since about 60% of Moroccan exports head towards Europe - mainly to France, Italy and Spain - the contribution of the trade balance is set to suffer. Automotive exports, which have doubled since 2012 to become the largest source of export revenue, could thus slow down. Tourism revenues are also expected to be affected by the unfavourable external environment. With about 85% of expatriate remittances coming from this region, the European slowdown could also have an impact on private consumption. However, it may benefit from better agricultural prospects (more than a third of households depend on the sector's revenues) and more accommodative fiscal and monetary policies. The reduction in the reserve ratio and the amnesty for the repatriation of assets and cash held abroad should alleviate the pressure on bank liquidity and lower the cost of credit. Private investment stands to benefit from this and should also continue to be buttressed by FDI, particularly in the automotive sector. Private investment is expected to get support from public investment through the new legal framework for PPPs. Likewise, socially-focused budget measures should support public consumption.

Social measures as a priority

In 2020, the budget deficit is expected to remain stable. The increase in revenues should be driven by further privatisation. Measures to regularise the fiscal situation, including the new amnesty for assets and cash held abroad, and efforts to broaden the tax base should improve collection. On the expenditure side, the 2020 Budget will keep the focus on social aspects, with a particular emphasis on the education and health sectors, which is expected to account for 46% of the new civil service jobs created. Recruitment will also contribute to the increase in defence spending. Capital expenditure will be revised upwards as well but is to be financed through the new PPP legal framework. Efforts to control the budget deficit should keep the debt ratio stable.

In 2020, the current account deficit is set to remain virtually unchanged. Slightly weaker domestic demand and lower oil prices are expected to contain the increase in imports, mitigating the impact of the less supportive external environment on the trade deficit. The services surplus will likely shrink, reflecting developments in the tourism sector. Investment profit repatriation will contribute to the small income deficit. Negative economic developments in Spain and France – the source of most expatriate remittances – are expected to affect the surplus in the transfer account. Inflows into the financial account, mainly through FDI, are expected to finance the current account deficit. Foreign exchange reserves, which cover more than five months of imports, provide room for manoeuvre in the event of an external shock. These reserves have not declined since the Moroccan dirham's floating band was widened in January 2018 from ±0.3% to ±2.5%. Measures to gradually make the dirham more flexible may continue. The USD 3 billion precautionary and liquidity line concluded with the IMF in December 2018 for two years also mitigates external risk.

The El Othmani II government facing social challenges

In 2019, the decision of the Party of Progress and Socialism (PPS) to withdraw from the majority weakened the coalition that was formed after the 2016 parliamentary elections and that is led by the Justice and Development Party (PJD). However, the coalition still has a comfortable majority (229 seats out of 395). The PPS's departure was followed by the announcement by King Mohammed VI of a ministerial reshuffle, which resulted in a smaller cabinet still led by Prime Minister Saâdeddine El Othmani. While the social climate remains tense, social issues are expected to dominate the government's roadmap. The question of social and territorial disparities remains a source of tension. The May 2018 boycott of several large corporate groups and the many demonstrations, including teacher protests, which took place in 2019, testify to high expectations for progress in living standards. The lack of job opportunities, especially for young people, the vulnerability of rural populations to climate change, the perception of corruption and restrictions on certain freedoms could fuel frustrations. The new government is expected to pursue its efforts to improve the business climate. After jumping nine ranks in the 2019 edition, the country has moved up seven additional ranks in the 2020 Doing Business ranking thanks to measures to develop regulatory frameworks for business and cut red tape (53rd out of 190). However, long payment periods, particularly in the public sector, remain a major constraint for the business environment.

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.

Fast-track proceedings

The order to pay is available when the debt has a contractual cause or the obligation is of a statutory origin. It is characterized by a petition form sent to the relevant clerk of the court. The debt must be certain, liquid (*i.e.* clean and clear), due, and uncontested. An enforceable order to pay is obtained within an average delivery time of six months, unless the defendant lodges an opposition against the ruling. In the defendant opposes the order within one month of being served, the case is referred to ordinary proceedings.

Ordinary proceedings

A writ of summons is sent by the creditor's representative to the relevant court and served by a bailiff to the debtor, who may subsequently obtain legal representation in the period prescribed by the judge and file a counter claim. Several hearings may be required for the exchange of written submissions, transmissions of documents and to produce the relevant evidence.

The main hearing is set by the judge to hear the presentation of the pleadings. Discussions and pleadings are conducted by the judge during the public hearing. The case is then taken under deliberation to allow judges to discuss the means, grounds, and pronouncement that make up the content of the judgment. After the sitting of the 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 mechanism is 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 - 2018	30.3
GDP PER CAPITA US Dollars - 2018	475
CURRENCY Mozambique metical	MZN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.7	3.4	2.3	4.5
Inflation (yearly average, %)	15.4	3.9	2.7	4.1
Budget balance (% GDP)	-3.8	-5.1	-6.6	-5.5
Current account balance (% GDP)	-18.5	-30.3	-36.2	-40.8
Public debt (% GDP)	105.6	108.9	111.0	116.8

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	28%
EURO AREA	27%
SOUTH AFRICA	17%
CHINA	6%
HONG KONG (SAR)	2%

Imports of goods as a % of total

SOUTH AFRICA	26%
EURO AREA	17%
CHINA	12%
UNITED ARAB EMIRATES	8%
INDIA	7%

- 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

Rebounding in the aftermath of the cyclones

After being slowed in 2019 by the effects of Cyclones Idai and Kenneth, activity is expected to recover in 2020. Reconstruction efforts in the aftermath of the storm damage should support public investment. It is set to benefit in 2020 from the return of a number of international donors, after being constrained since the sovereign default that followed the 2016 revelation of USD 1.4 billion in hidden debts. Private investment should also be an important driver of growth thanks to the flows generated by the development prospects for offshore liquefied natural gas (LNG) reserves, with, for example, export terminal investments planned by Anadarko and Exxon Mobil. However, the Islamist insurgency in the Cabo Delgado region, which is key to LNG projects, or a potential escalation of domestic political instability could slow investment. The contribution of foreign trade is expected to be affected by increased imports of capital goods for reconstruction and LNG projects, but also by a likely weakening of Indian and Chinese demand for coal and aluminium, which together account for more than 50% of export receipts. Monetary easing measures, which allowed credit growth to return to positive territory in 2019 after two years of contraction, and relatively low inflation, should enable private consumption to contribute to the acceleration of activity. However, domestic demand will continue to be constrained by reduced incomes owing to the poor 2019 agricultural year (cyclones and drought).

Persistent budgetary constraints, despite the restructuring agreement

After widening because of lower tax revenues in cyclone-affected areas and increased reconstruction-related spending beginning in 2019, the budget deficit is expected to narrow in 2020, mainly due to support for reconstruction assistance. Fiscal consolidation, including efforts to rationalize expenditure, in particular the State wage bill, and improve revenue collection, will probably be pursued. However, reconstruction needs, increasing debt service and the precarious financial situation of state-owned companies will put pressure on public spending. The restructuring agreement with holders of the defaulted Eurobond, concluded in September 2019, will reduce the debt burden on the public finances, but the country remains largely deprived of external financing because of the stock of arrears. Deficit financing is therefore expected to rely on domestic and concessional borrowing.

In 2020, the large current account deficit is expected to continue to widen due to LNG projects. The services account will be particularly affected by the technical services related to the implementation of these projects, while the trade balance will be impacted by the capital goods import bill. Reconstruction efforts will also affect these two accounts to a lesser extent. The repatriation of foreign companies' profits and debt interest payments will result in an income deficit again. Conversely, the transfer surplus is expected to benefit from external grants, but will not be sufficient to cover the current account deficit. FDI and project financing associated with LNG projects should make it possible to finance the deficit. Although foreign exchange reserves (equivalent to less than four months of imports) and the metical have stabilised, the large current account deficit leaves the country exposed to external shocks.

Elections undermine political stability

The official results of the presidential, legislative and provincial elections held on October 15, 2019 confirmed the domination of the Mozambique Liberation Front (Frelimo). The party, which has been in power since the country gained its independence in 1975, won 184 of the 250 seats in the assembly, while President Filipe Nyusi was re-elected for a second term with 73% of the vote. However, the elections were marred by accusations of fraud and violence, undermining attempts to find a peaceful resolution to the tensions inherited from the post-independence civil war (1975-1992) between Frelimo and the Mozambique National Resistance (Renamo), which won 60 seats. Renamo, which rejected the 1992 peace agreement to take up arms again between 2013 and 2016, saw its appeal against the election results thrown out by Mozambique's constitutional court. Meanwhile, an insurgency begun by an armed wing of Renamo, following the signature in August 2019 of a new peace deal between the two parties after an uneasy three-year truce, could grow and lead to renewed violence. Public frustration with corruption and mismanagement of public finances and limited economic opportunities will persist, increasing the risk of protests. Calls for President Nyusi's resignation also emerged after allegations in a US court, in November 2019, that he received a bribe related to the debt scandal. Political risk is further fuelled by an Islamist insurgency that began in October 2017 in Cabo Delgado province in the north of the country. The unstable political environment contributes to the perception of a poor business climate (138th out of 190 countries in the Doing Business 2020 ranking).

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	52.8
GDP PER CAPITA US Dollars - 2018	1,300
CURRENCY Myanmar kyat	MMK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.8	6.8	6.6	6.8
Inflation (yearly average, %)	4.6	6.9	8.6	7.5
Budget balance* (% GDP)	-3.0	-4.1	-3.7	-3.9
Current account balance (% GDP)	-6.4	-5.2	-4.5	-5.1
Public debt (% GDP)	35.2	38.2	38.7	38.7

(e): Estimate. (f): Forecast. * Fiscal year 2020 : October 2019 to September 2020.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	33%
THAILAND	18%
EURO AREA	11%
JAPAN	8%
INDIA	3%

Imports of goods as a % of total

CHINA	32%
SINGAPORE	19%
THAILAND	13%
INDIA	5%
INDONESIA	5%

- Progress in democratic transition and economic openness
- Abundant raw materials (minerals (including jade, copper and gold), gas and oil), hydroelectric opportunities
- Close to fast-growing economies (India, China, Thailand)
- Significant tourism potential
- High potential of the primary sector (agriculture)
- Youthful population (27% of the population under 14 years of age)
- Availability of low-cost labour
- ASEAN member

- Highly endemic corruption and a failing business environment (165/190 in the Doing Business 2020 ranking)
- Extreme ethnic crisis linked to the Buddhist majority's intolerance towards the Muslim Rohingya minority (135 ethnic groups are present in the country; the majority Bamar ethnic group represents 68% of the population)
- International condemnation of discrimination against minorities
- Inefficient central bank
- Lack of diversification and infrastructure (electricity, refining, education)
- Underdeveloped financial sector
- Country highly exposed to natural disasters (earthquakes, cyclones, floods, etc.)

RISK ASSESSMENT

Very rapid growth

Economic growth will remain among the highest in the region in 2020. The service sector will contribute most strongly, with wholesale and retail trade benefiting from government reforms. Industry, driven by manufacturing and construction, will also contribute positively. While the textile industry is historically important in the Burmese economy, new higher value-added manufacturing activities will continue to develop, such as the assembly of agricultural machinery and automotive engines. The share of growth attributable to the manufacturing sector will thus continue to increase, mainly due to external demand. While exports will be exposed to the risk that Myanmar's preferential access to the European single market could be revoked in response to the Rohingya crisis, they will benefit from increased trade with China. Activity will also be stimulated by Chinese infrastructure investments under the Memorandum of Understanding on the China-Myanmar Economic Corridor (CMEC). Despite accounting for one-third of GDP, the agricultural sector will make a more moderate growth contribution due to sagging external demand (notably from China, the country's largest trading partner) and low productivity. At the same time, the mining and tourism sectors will continue to grow steadily, but will suffer from a lack of infrastructure. Inflation will remain high due to kyat depreciation coupled with dynamic private consumption, driven by remittances from expatriates.

A widening current account deficit and growing FDI inflows

The budget deficit is expected to remain stable despite the increase in infrastructure spending, which is necessary to meet the government's socio-economic development agenda. Revenue will come mainly from sales of goods and services by state-owned enterprises (although only 24 out of 32 are profitable) and taxes (on sales of goods and services and on income). Central bank deficit financing is expected to fall below the IMF target of 30% of total financing. The level of external public or state-guaranteed debt will remain sustainable (around 20% of GDP in 2019) and the associated risk is considered low by the IMF (mostly concessional debt), which has warned, however, that the central bank's foreign exchange reserves are too low.

The current account deficit is expected to widen, mainly due to the increase in the trade deficit related to imports of capital goods and raw materials for infrastructure projects financed by FDI. Exports will continue to increase, particularly to China, thanks to the new gas pipeline (gas is the most exported product, accounting for 20% of total exports) and the textile sector. The income deficit is also expected to increase in line with profit repatriation by foreign companies. The current account deficit will be financed by FDI inflows. The New Companies Law passed in 2019 facilitates access to the Burmese market for non-residents and should encourage foreign investment. Furthermore, to improve resilience to external shocks, the authorities have continued to liberalise the exchange rate, in particular by taking steps in February 2019 to establish the market exchange rate as the benchmark for all economic participants.

Treatment of minorities inconsistent with democratic improvements

The military junta was replaced in 2011 by a civilian government. The first free parliamentary elections since 1990, held in 2015, saw the National League for Democracy (NLD) win a majority. Aung San Suu Kyi, leader of the NLD and Nobel Peace Prize winner for her promotion of democracy, was appointed a state councillor, which allowed her to rule without being President (under the country's constitution, she could not be President because of her family ties abroad). President Win Myint, elected in 2018, is the first President without military training in more than five decades. Nevertheless, a substantial part of the power remains in the hands of the army, which holds a constitutional right to 25% of the seats in parliament. The next parliamentary elections, scheduled for autumn 2020, should see the NLD remain in the majority. These elections will, however, be more contested than those of 2015, with the military-backed Party of Union, Solidarity and Development (PUSD) enjoying increasing popular support due to the Rohingya crisis. Originally from Bangladesh, members of the Muslim minority Rohingya community have never obtained citizenship. Since August 2017, they have been abused by the army, with the UNHCR estimating that 10,000 people have been killed and more than 740,000 have found refuge in Bangladesh. The UN has described the situation as "ethnic cleansing". The EU, the United States, the United Kingdom and Australia have all applied economic and political sanctions. In 2018, Myanmar requested the repatriation of refugees following international pressure, but no measures have been taken to guarantee their rights and security. After The Gambia filed a lawsuit for genocide before the ICJ, Aung San Suu Kyi was interviewed by the court in December where she held an ambiguous stance regarding the abuses perpetrated by the Burmese army. At the same time, the country enjoys good relations with ASEAN and China.

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **A4**

POPULATION Millions of persons - 2018	**2.4**
GDP PER CAPITA US Dollars - 2018	**6,013**
CURRENCY Namibia dollar	**NAD**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-0.9	-0.1	-1.9	0.8
Inflation (yearly average, %)	6.2	4.3	3.8	3.5
Budget balance* (% GDP)	-4.9	-4.7	-5.2	-4.5
Current account balance (% GDP)	-5.0	-2.1	-3.7	-2.3
Public debt (% GDP)	41.0	45.8	49.2	50.9

(e): Estimate. (f): Forecast. * Fiscal year 2020 = from April 2020 to March 2021.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	20%
UNITED KINGDOM	20%
SOUTH AFRICA	15%
CHINA	12%
BOTSWANA	7%

Imports of goods as a % of total

SOUTH AFRICA	43%
ZAMBIA	15%
BAHAMAS	9%
UNITED KINGDOM	6%
CHINA	5%

+
- Significant mineral resources (diamonds, uranium, copper) and fisheries
- Good transport infrastructure
- Good governance
- Tourism potential

−
- Dependent on the mining sector
- High unemployment and persistent inequalities
- Agricultural sector exposed to climatic hazards
- Dependent on South Africa

RISK ASSESSMENT

Struggling to exit several years of recession

After two years of negative growth, Namibian GDP contracted even more sharply in 2019 on poor performances by the agricultural, mining and construction sectors. These sectors are expected to see a broad recovery in 2020, which will allow economic activity to regain some momentum. Hurt by the closure of the Elizabeth Bay mine in 2019, diamond production will rise again thanks to offshore operations, which already account for 75% of total production. In addition, uranium mining will continue to grow with the ramp-up of the Husab mine, making the country the world's third largest producer. Meanwhile, agricultural performance should improve owing to more favourable weather conditions than in 2019, when a severe drought affected livestock and crops. Fishing, which provides 3% of GDP, will also contribute to growth. The construction sector will still suffer from fiscal consolidation, which is limiting public investment. Even so, the latter could still increase slightly in 2020, particularly through several projects financed by the AfDB and Germany (road and rail infrastructure, water supply network, school renovations, agricultural mechanisation programme). Furthermore, despite relatively low inflation, private consumption will remain severely constrained by the very high unemployment rate (around 33% of the working population) and slower credit growth.

Complicated balance between supporting economic recovery and pursuing fiscal consolidation

After a rebound in the public deficit in fiscal year 2019/2020, fiscal consolidation will resume in 2020/2021 at a modest pace, as the government has to reckon with an economy trying to emerge from recession. Spending efforts will focus on containing the wage bill, through wage and hiring moderation. The authorities also plan to adjust the allocation of social transfers to target the poor more effectively. On the revenue side, the new electronic tax collection system launched in 2019 will make collection more efficient. Measures to broaden the tax base, reduce exemptions and recover arrears are also expected in 2020. In addition, the government should benefit from a rebound in customs revenues from the Southern African Custom Union (SACU); the surplus could be partially put towards capital investments. The ratio of public debt to GDP has been rising over recent years, but at a slower pace than in the past thanks to fiscal consolidation. Debt is mainly domestic, long-term and denominated in the local currency, which limits the exchange rate risk.

With regard to external accounts, the current account deficit should decline in 2020. The trade deficit (12% of GDP) is expected to narrow slightly as exports start climbing again, chiefly thanks to uranium and fishery products, while imports will be subdued, and with consumption and oil prices remaining low. Services will continue to show a small surplus, driven by a brisk performance from tourism, while the income deficit (2% of GDP) will continue to be fuelled by profit repatriation. However, it is primarily the rebound in SACU customs revenues (about 10% of GDP) as a result of South Africa's recovery that will cause the current account deficit to narrow. FDI as well as government and intra-group loans will finance the deficit.

Hage Geingob re-elected as President

President Hage Geingob was comfortably re-elected in the November 2019 elections for a second 5-year term. His party, the South West African People's Organisation (SWAPO), retained a strong majority in the National Assembly (63 seats out of 96), maintaining the political dominance that it has enjoyed since the country's independence in 1990. Nevertheless, despite a fragmented opposition, SWAPO lost 14 seats, reflecting rising discontent, notably over the persistence of inequalities that are among the highest in the world. In particular, the controversial issue of land redistribution to «indigenous» populations will remain central and reflective of community divisions. President Geingob must find a balance between the pressure exerted by SWAPO members and a portion of the electorate, and the fragile economic context, as this type of provision could scare off potential investors.

The business environment will continue to be affected by the complexity of some procedures, such as those required to start a business or register property. However, access to electricity and credit, as well as contract enforcement, are satisfactory, allowing the country to rank 104th out of 190 countries in the Doing Business ranking.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	28.1
GDP PER CAPITA US Dollars - 2018	1,034
CURRENCY Nepalese rupee	NPR

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	55%
UNITED STATES	11%
EURO AREA	8%
TURKEY	5%
CHINA	4%

Imports of goods as a % of total

INDIA	67%
CHINA	11%
EURO AREA	4%
CANADA	2%
UNITED ARAB EMIRATES	2%

- Reliable remittance flows sustain consumption, the main driver of growth
- Expanding services sector, especially tourism
- Financial and technical support from India and China
- Recipient of vast sums of international aid
- Political transformation supports growing stability

- Landlocked, poor accessibility
- Natural disasters and extreme climate events, economy still affected by the 2015 earthquakes
- Infrastructure shortcomings, electricity and fuel shortages, undiversified export basket (clothing and agriculture)
- Tensions between China and India could make relations difficult
- Excessive dependence on Indian economy, including a currency peg

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	8.2	6.6	7.0	6.3
Inflation (yearly average, %)	4.4	4.1	4.5	6.1
Budget balance* (% GDP)	-3.1	-6.6	-4.3	-4.3
Current account balance (% GDP)	-0.4	-8.1	-8.3	-10.0
Public debt (% GDP)	26.0	30.2	32.6	34.9

(e): Estimate. (f): Forecast. * 2019 year runs from October 1, 2018 to September 30, 2019.

RISK ASSESSMENT

Climate instability hits agriculture, but growth remains resilient

In 2020, the reconstruction boom that started after the 2015 earthquake will continue to fade. The slowdown will mostly be caused by a negative supply shock to the agricultural sector (70% of employment and a third of GDP), which is projected to contribute only 1% to growth (down from 1.5%). Summer floods took a heavy toll on rice production and landslides incapacitated existing land supply routes, resulting in depressed yields for 2019 and 2020, and stimulating food inflation from 2-3% in 2018 to 6-7% in end 2019. This will be offset by higher public investment and an acceleration of remittance revenue, upon which the country is highly dependent (27% of GDP). With the removal of migratory restrictions on workers headed for Malaysia, plus a depreciation of the rupee against the USD, remittance flows could bounce back to their 2016 level of 30%. Remittances are the pillar of private consumption, which at 80% of GDP is the cornerstone of aggregate demand and the main driver of growth. The domestic labor market remains riddled by informal employment, with around one third of workers depending on the informal sector. Tourism, of which the potential remains underexploited, is poised to expand with the habilitation of the Gautam Buddha International Airport. 2019 legislative measures, including acts promoting public-private partnerships and improving the Special Economic Zone legislation should stimulate foreign investment, which remains low at 1% at GDP. The unexpected slowdown of the Indian economy (which absorbs 50% of exports) has emerged as a risk for export performance.

Macrofinancial instability looms among deepening twin deficits

For 2020, the government aims to complete several lingering investment projects (including the Upper Tamakoshi hydroelectric Project), so that public GFCF is expected to rise substantially from 7.5 to 10% of GDP. Moreover, the transition to a federal administration is putting upward pressure on public expenditure, which is projected to shoot up substantially from 28 to 40% of GDP. However, it has become frequent for overly ambitious budgets to be announced and revised downward in mid-year reviews due to improper execution. In fact, local government budgets remain as of yet highly unpredictable as the administrative infrastructure is not fully developed and that understaffing persists. Revenue mobilization will continue to improve but is unlikely to keep up with expenditure, implying a deepening of the deficit.

The current account deficit, which deteriorated sharply in 2018, is expected to widen despite measures to restrict import growth. 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. We can also expect a slight increase in the value of remittances, especially coming from Malaysia. At almost 100% of GDP, the level of private credit is abnormally high for a developing country, prompting the use of macroprudential measures. While the combination of a rapidly deepening current-account deficit and excessive domestic credit growth is a classical precursor of macro-financial instability, public debt is low and reserves are sufficient at 8 months of imports.

The new government bodes well for political stability

Nepal is undergoing a significant transformation marked by the transition to a federal structure of government. Since the 2017-2018 elections, the Nepal Communist Party (NCP), led by Prime Minister Sharma Oli, holds majorities in both houses. This newfound stability bodes well for the prospect of business-friendly reforms, as evidenced by the creation of the "One Window Service" at the Department of Industry to improve regulatory transparency. Building properly functional sub-national government institutions remains a challenge, as evidenced by systematic budget under-execution. Geopolitically, the country is pursuing gradual realignment towards China and away from India. 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. However, growing weariness regarding the extent of indebtedness towards China may limit new construction projects. The country continues to face governance weaknesses, including weak rule of law, continued deterioration of freedom of expression, ethnic tensions, high levels of poverty and lingering impacts from the disastrous 2015 earthquake.

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	17.2
GDP PER CAPITA US Dollars - 2018	53,228
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.9	2.6	1.7	1.5
Inflation (yearly average, %)	1.4	1.7	2.6	1.8
Budget balance (% GDP)	1.3	1.5	1.5	0.5
Current account balance (% GDP)	10.8	10.9	9.6	8.9
Public debt (% GDP)	56.9	52.4	48.8	46.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	24%
BELGIUM	11%
FRANCE	8%
UNITED KINGDOM	8%
UNITED STATES	4%

Imports of goods as a % of total

CHINA	16%
GERMANY	15%
BELGIUM	8%
UNITED STATES	7%
UNITED KINGDOM	5%

- Port activity (Rotterdam is Europe's number-one port)
- Establishment of home-grown international companies working with a dense network of SMEs is highly attractive for foreign investors
- Diversified and flexible exports (services have a share of 11.2% of total value added) and external accounts in surplus
- High quality infrastructure and good living standards

- Exposure to the European economy, especially Germany and the UK: exports to the United Kingdom generated 3.3% of the country's value added in 2018
- Debt of private households is very high (239% of disposable income in 2018)
- Banks dependent on wholesale financing (loans/deposits = 136%) and the real estate sector
- Ageing population; pension system under pressure (pension funds with a coverage ratio lower than 90% are facing pension cuts in 2020)

Sector risk assessments

AGRI-FOOD	MEDIUM
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
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 only slightly in 2020 and will continue on the 2019 growth pattern with private consumption (44% of GDP) being its main contributor. Several factors are supporting private households' consumption: the unemployment rate is, with 3.5% in the autumn of 2019, at one of the lowest levels since the beginning of the statistic in 2003. While employment growth is decreasing slowly since mid-2019, wages react with a time lag on the labour market development and are set to increase more dynamically. Inflation should slow, as the base effect from an increase in the low-VAT rate, as well was higher energy taxes for households in 2019, runs out in January 2020. However, the main factor that helps the purchasing power of private households is a tax reform. From January 2020 onwards there will be a two-bracket tax system (instead of four brackets). The earning threshold will be €68,507 with rates of 37.35% under and 49.5% above it. This means an increase in disposable income for everybody earning more than €40,000 a year compared to 2019. In addition, tax credits (on work and the general one) will increase in 2020, more families will be entitled to child budget and the energy tax will be reduced. Some few pension funds are facing pension cuts in 2020, however the majority of pensioners are not affected. Public consumption (24% of GDP) will be supporting growth too, with higher expected spending. The health, education, infrastructure, immigration and defence sectors will be the main beneficiaries. Investment (21% of GDP) will lose its dynamic. Companies, although still benefiting from favourable financial conditions and facing high capacity utilisation rates, are feeling less confident. With a weakening of the German industry (the main trading partner), new orders declined. Additionally, gas production in the province of Groningen will be scaled back faster than planned originally (end in 2022 vs. 2030 before), so that investments in this field come down stronger. Residential investments should keep on, but at a slower pace, as prices have moderated and capacity constraints increased due to fewer permits on new construction.

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, chemicals, medical products and refined petroleum. Services, including transport, make up one third of exports in value added terms. Due to decreasing global trade activity, Dutch exports are hit heavily, especially as re-exporting, linked to the country's role as Western Europe's maritime gateway, accounts for a major part of Dutch trade activity. The turn from a net-gas-exporter to a net-importer will weigh on trade too. Nevertheless, the Dutch economy is not that affected by the decrease of Chinese demand, as China is "only" N°9 in the Netherlands' export partners. In addition, services exports are increasing, especially towards the UK, as multinational companies need help in dealing with the Brexit. The services balance is in surplus, and will therefore balance out main parts of the decrease in the trade surplus. However, in 2020 the drag from decreasing goods trade will become more imminent. The income balance will weigh on the current account surplus, as the deficit in the balance of transfers has increased over the year 2019. In total, the current account balance will still be very high in 2020, but again will not reach the record surplus of 2018. Despite the country's accommodative fiscal policy, a small overall fiscal surplus will continue, thanks to higher tax revenues from companies. This will help to reduce public debt further.

A four-party centre-right coalition with a narrow majority is actually working

Prime Minister Mark Rutte (VVD, conservative-liberal) is successfully leading his third government since October 2017. His conservative coalition is comprised of four different parties holding only a minimum seat share of 50% (75 out of 150 seats) in the House of Representatives. The coalition gained stability with successfully implementing income and corporate tax cuts but also a major labour reform. However, in the election in May 2019, the government parties lost their majority in the Dutch Senate (now 32 out of 75 seats), which has to approve the new laws coming from the House of Representatives. With this, the work for Rutte's cabinet gets more complicated until the official end of its term in March 2021.

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 six 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

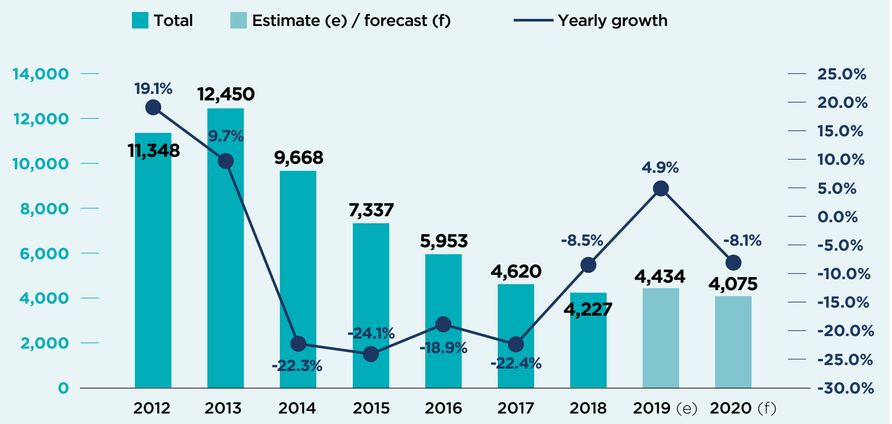
Corporate debt restructuring entails using the suspension of payments (*surseance van betaling*) procedure. The debtor is granted temporary relief from creditors, in order to allow them to reorganise, continue with business operations and ultimately satisfy their creditors' claims, all under the supervision 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 FAILURES



Source: Statistics Netherlands (CBS), Coface.

NEW ZEALAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	4.9
GDP PER CAPITA US Dollars - 2018	41,205
CURRENCY New Zealand dollar	NZD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.6	2.8	2.5	2.7
Inflation (yearly average, %)	1.9	1.6	1.4	1.9
Budget balance* (% GDP)	1.1	0.8	0.1	-0.1
Current account balance (% GDP)	-2.9	-3.8	-4.1	-4.3
Public debt (% GDP)	31.6	29.8	29.6	30.0

(e): Estimate. (f): Forecast. * Fiscal year 2020 : April 2019 – March 2020.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	24%
AUSTRALIA	16%
UNITED STATES	10%
JAPAN	6%
EURO AREA	5%

Imports of goods as a % of total

CHINA	20%
EURO AREA	13%
AUSTRALIA	12%
UNITED STATES	10%
JAPAN	7%

- Proximity to Asia and Australia
- Tourist appeal
- Large and competitive agricultural sector (world's leading exporter of dairy products)
- Balanced public accounts and contained public debt
- Good corporate health: only 86 bankruptcies reported in 2018/2019 (lowest rate in 20 years)
- Dynamic demographics thanks to immigration
- High quality of life

- Island nation
- Dependency on foreign investment
- High household and corporate debt levels (especially in agriculture)
- Reliance on Chinese demand
- Shortage of skilled labour
- Housing shortage and soaring prices (+60% since 2008)
- Lack of R&D and low labour productivity growth compared with other OECD countries

RISK ASSESSMENT

Solid growth

Growth is expected to remain robust in 2020, supported by accommodative monetary and fiscal policies. The central bank's policy rate, which reached a record low of 1.0% in August 2019, could be cut further to encourage inflation to increase to the upper half of the target range (1-3%). Private consumption (60% of GDP) is expected to grow only modestly, penalised by lower population growth (due to reduced immigration), a cooling housing market and household debt (about 160% of disposable income). However, it stands to benefit from higher real wages (thanks to low unemployment and minimum wage hikes in April 2019 and again in 2020) and support for public spending, as the 2019/2020 budget includes an increase in benefits.

Investment growth (domestic and foreign, 20% of GDP) is expected to slow as a result of low business confidence in government policy, labour costs and availability, and thin profit margins. In particular, the government's decision to curb immigration (by making it tougher for low-skilled workers and students to get visas, theoretically to reduce pressure on housing prices) raises concerns about a future labour shortage and is viewed as a populist measure. However, public investment, combined with favourable terms of trade and low interest rates, will mitigate these effects. Real estate investment should be supported by high demand, despite capacity constraints in construction.

Net exports are expected to contribute positively to growth, benefiting from the weakness of the New Zealand dollar, which should also constrain imports. However, as a small and very open economy, New Zealand would suffer from a global economic downturn. Agricultural products, in particular dairy and meat products, constitute the bulk of goods exports, leaving the external sector exposed to commodity price fluctuations and climatic hazards. The growth in demand for protein in developing economies – particularly in Asia, which accounts for half of exports – will support meat, dairy and horticultural product prices. Tourism, the leading export sector, should do well.

Strong fiscal position but an imbalanced current account

The 2019/2020 budget, which is the first-ever "well-being" budget, provides for an increase in public spending. The budget deficit, however, should be small, with the government still committed to keeping net debt below 20% of GDP by 2022. Social spending is the main expenditure item, including income tax exemptions for very low-income people and increases in family allowances. Investments are also expected in infrastructure and housing, including through the KiwiBuild programme. In addition, tax incentives for private investment in R&D will be extended, with the objective of increasing R&D to 2% of GDP.

The current account deficit is expected to remain stable, reflecting a structural income deficit (3% of GDP) linked to profit repatriations by foreign investors. The services surplus (1.5% of GDP), due in particular to tourism, will be offset by the trade deficit generated by substantial capital goods imports and currency depreciation. The current account deficit is mainly financed by portfolio investments and, to a more marginal extent, FDI, making the country vulnerable to capital outflows. External debt (more than 90% of GDP), which is significant due to household housing debt, is mainly contracted in New Zealand dollars.

The coalition government carries on

The 2017 parliamentary elections resulted in a majority-free Parliament and the formation of a coalition government between the Labour Party, the populist New Zealand First Party and the Green Party. Labour Prime Minister Jacinda Ardern continues to enjoy high popularity, which should put the Labour Party in poll position for the parliamentary elections scheduled for November 2020. The coalition does not appear to be under threat, although bad behaviour and resignations within the Labour Party and the government have tarnished its image. Nevertheless, disagreements between the coalition parties could weaken it, especially since the National Party, which held power between 2008 and 2017, remains a powerful opposition force in Parliament, and the parties will probably seek to differentiate themselves in the run-up to the elections.

Internationally, the country will benefit from being a (founding) member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, with its main trading partners being the United States and China (more than a third of New Zealand's trade), this will create uncertainty in the global context of the trade war, rising protectionism and a global economic slowdown.

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

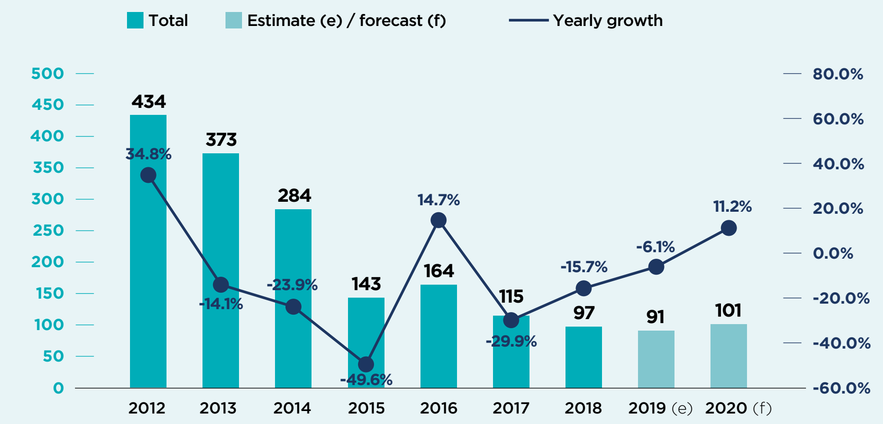
The debtor company may go into voluntary administration to try and maximise the chances of an insolvent company continuing to operate, or if that is not possible, to allow for a better return for creditors than immediate liquidation. It enhances the existing creditors' compromise procedure as an alternative 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 FAILURES



Source: Ministry of Business Innovation and Employment, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	6.5
GDP PER CAPITA US Dollars - 2018	2,031
CURRENCY Cordoba oro	NIO

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.7	-3.8	-5.0	-2.0
Inflation (yearly average, %)	3.9	5.0	5.6	4.2
Budget balance (% GDP)	-1.6	-3.1	-3.1	-3.6
Current account balance (% GDP)	-4.9	0.6	2.3	1.8
Public debt* (% GDP)	33.9	37.2	39.0	40.2

(e): Estimate. (f): Forecast. * Including only Central Government, which also covers Social Security.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	60%
EURO AREA	6%
EL SALVADOR	6%
MEXICO	6%
HONDURAS	4%

Imports of goods as a % of total

UNITED STATES	28%
CHINA	13%
MEXICO	10%
HONDURAS	8%
GUATEMALA	6%

+
- Mineral (gold) and agricultural resources (coffee, sugar, meat)
- Member of Central America/United States and Central America/EU free trade areas
- Significant remittance flows from expatriates

−
- Highly vulnerable to natural disasters
- Healthcare and education shortcomings, persistent poverty
- Inadequate infrastructure (energy, transport)
- Dependent on international aid
- Dependent on the United States, highly dollarized economy
- Corruption (151/180 in the Transparency International ranking)
- Business environment well below the regional average (142/190 countries in Doing Business 2020)

RISK ASSESSMENT

Recovery hampered by the austerity policy

The Nicaraguan economy will contract again in 2020, hurt by the lack of a solution to the political crisis since April 2018 and the restrictive tax measures put in place in 2019. Business confidence was severely dented by the social security and tax reforms of February 2019, which pushed up production costs with higher employer contributions and increased revenue taxation, in the face of feeble domestic demand. With bank deposits dropping 29.4% between May 2018 and May 2019 and non-performing loans on the rise, the risk of a banking crisis should not be ignored. The credit crunch is expected to start hitting businesses, leading to financing problems. This is likely to impact business investment, as many companies have already cut back on their margins to avoid passing on higher production costs to consumers already struggling with high inflation. The reduction in the authorised annual devaluation rate of the cordoba against the dollar from 5% to 3% following a decision by the central bank at the end of 2019 should mitigate the effect on prices of the VAT increase decided in February 2019 by limiting the devaluation of the currency. This decision will have ambiguous effects on household consumption, as pensions are indexed to this devaluation rate. The sharply rising unemployment rate (estimated at 8.5% in 2019) will continue to constrain household incomes, making them even more dependent on remittances from expatriates. These remittances, meanwhile, are expected to weaken owing to the economic slowdown in the United States, which is responsible for 56% of these flows. The US slowdown is likewise expected to affect exports from free zones, particularly electrical components and textile products. On the supply side, the construction and tourism sectors will continue to be hit by the crisis and weaker domestic demand, while agriculture and mining are poised to benefit from the expected rise in gold and coffee prices in 2020.

Public accounts reflect the vicious circle of crisis and austerity

Although the public accounts have been severely affected by the crisis, Daniel Ortega's administration ignored popular opposition to push ahead with social security and taxation reforms in February 2019. These austerity measures are expected to aggravate an already difficult situation without solving the deficit problems, as the increased social security contributions from companies (from 19% to 22.5% and 21.5% for large and small companies respectively) and employees (from 6.25% to 7%) will not compensate for the decrease in the number of contributors. Increased taxes on cigarettes and beer, the scrapping of VAT exemptions for certain products, as well as the increase in the tax on business earnings (from 1% to 2% or 3% of total sales depending on the size of the company) are unlikely to generate as much revenue collection as expected. The government's delay in publishing an assessment of these measures, as provided for in the bill, further fuels the doubts. Accordingly, the public deficit may well be higher than expected in 2020, while it remains uncertain whether international financing will be secured. The adoption of the Nicaragua Human Rights and Anti-Corruption Act by the US Senate at the end of 2018 requires the United States to veto any multilateral lending to Nicaragua. The country will therefore be dependent on loans from the Central American Bank for Economic Integration (CABEI), which granted it USD 585 million at the end of 2019 for infrastructure development.

In this context, the main source of foreign exchange will continue to be remittances from expatriates, which, combined with a contraction in imports in the face of falling domestic demand, will result in a new current account surplus in 2020. Exports are expected to be boosted by agricultural and mining products, notably owing to the jump in the price of gold and higher coffee prices. Foreign direct investment will remain very low, with investors feeling edgy because of the political crisis and US sanctions. The lack of external financing will put pressure on the central bank's reserves, while its decision to limit the authorised devaluation rate of the cordoba against the dollar should mean more intervention on the foreign exchange market.

A political crisis in deadlock

While Daniel Ortega of the Frente Sandinista de Liberacion Nacional Party, who has been in power since 2016, forcefully quelled the popular uprising that began in April 2018, an end to the crisis is unlikely. Negotiations between the government and the opposition, organised by the Catholic Church, have reached an impasse, while militias continue to repress demonstrators demanding the departure of Daniel Ortega and his wife, Vice-President Rosario Murillo. It is likely that Daniel Ortega will run again for a new term in the November 2021 elections or that his wife will run as his successor. In this context, relations with the international community are expected to remain strained at a time when the country needs to find new allies given the difficulties encountered by the other members of the Bolivarian Alliance (Venezuela, Cuba, Bolivia). Relations with Taiwan are expected to play an important role, as Taiwan and China play out their game of influence in the region.

NIGER

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	22.4
GDP PER CAPITA US Dollars - 2018	414
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.9	6.5	6.3	6.0
Inflation (yearly average, %)	2.4	2.7	-1.4	2.2
Budget balance* (% GDP)	-5.7	-4.1	-4.3	-3.0
Current account balance* (% GDP)	-15.7	-18.1	-20.0	-22.8
Public debt (% GDP)	54.4	53.8	55.8	54.3

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

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	26%
CHINA	9%
UNITED STATES	8%
NIGERIA	7%
EURO AREA	5%

Imports of goods as a % of total

EURO AREA	33%
CHINA	16%
UNITED STATES	7%
NIGERIA	5%
THAILAND	5%

+
- World's fifth largest uranium producer (2018)
- Net exporter of petroleum products and gold
- Drive to invest in agriculture and infrastructure
- Member of the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS)
- Financial support from multilateral lenders

−
- Economy vulnerable to climate shocks and commodity price fluctuations
- Economy still largely dependent on subsistence agriculture
- Rapid population growth, extreme poverty (lowest HDI in the world), chronic food crisis situation
- Inadequate system for collecting taxes and customs duties
- Endemic corruption and large informal sector
- Porous borders, favouring illegal immigration and trafficking
- Deteriorating security situation and terrorist attacks

RISK ASSESSMENT

Investment to be the mainstay of growth

The economy is expected to grow rapidly in 2020 thanks to investment. International financial support should enable public investment to make a significant contribution to growth by financing numerous projects. However, private investment should be the main driver, with projects being financed mainly through this means. Private investment is also set to increase thanks to the expansion of bank credit and compliance with the IMF programme, which is reassuring investors. The construction and services sectors (telecommunications in particular) are expected to be the main beneficiaries as projects are stepped up, including construction of the Kandadji hydro-agricultural dam, rehabilitation of Niamey airport and construction of the Garadawa cement plant. Private investment and grants relating to infrastructure for the extractive industry will also increase. In particular, the construction of a 2,000 km pipeline by the China National Petroleum Corporation to transport crude oil to the port of Seme Terminal in Benin may act as an investment catalyst and enable Niger to become an exporter by 2022. Crude oil production is currently limited by the national refinery's capacity to 20,000 barrels per day and by the lack of a pipeline.

Household consumption is expected to grow robustly, thanks to the increase in agricultural incomes. This sector (80% of employment and 40% of national production) will benefit from public investments under the Nigeriens Feed Nigeriens (3N) plan, which aims to boost agro-sylvo-pastoral productivity and added value, and improve water management. In particular, the irrigation project in the Agadez, Tahoua, Dosso and Tillabéry regions, which has the financial backing of the International Development Association, is expected to increase agricultural yields and revenues.

Twin deficits financed by international aid

The public deficit is expected to continue to shrink. The country is engaged in consolidating its public accounts, which was a prerequisite for the IMF to grant a three-year Extended Credit Facility worth SDR 120 million (2% of Niger's GDP) in 2017 (which expires in January 2020). Tax reforms, including measures to modernise the administration and the introduction of VAT for banking services, should increase revenues, despite rampant corruption in the tax and customs administrations. Meanwhile, the reinstatement of the tax on international phone calls will also add some more fiscal flexibility. Expenditure, which is primarily directed towards public investment, will remain high. The deterioration in the social and security climate will make it harder to curb current expenditure. Grants (40% of public expenditure), concessional loans and WAEMU market issues will finance the budget deficit and public debt payments.

Given the country's development needs, the current account deficit is expected to continue to widen in 2020, with massive capital goods imports pressuring the trade deficit. The gradual downturn in the extractive sectors will constrain the increase in exports, with uranium production (15% of exports) suffering from low prices and rising costs due to the depletion of reserves (as illustrated by the upcoming closure of one of the country's two mines). The income balance, which is structurally in deficit, is set to widen further owing to the growth of foreign investment in recent years. Transfers, including expatriate remittances and budget support, will continue, but will be too low to stop the current account deficit from worsening. The deficit will be financed by grants and project loans (two-thirds) and by 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 (PNDS)) over the country's institutions since his party won the 2016 presidential and legislative elections. The opposition is highly critical of the President's actions, and although marginalised, is likely to act as a catalyst for the widespread discontent that emerged in 2018 during opposition to the finance law providing for increased tax burden to meet IMF expectations. The timing of elections (municipal, legislative and presidential elections will be held in November 2020) is perceived as being intended to skew the results. However, the main threat lies in the precarious security situation, with terrorist groups in the region (Boko Haram, AQIM, Al-Mourabitoun) finding that Niger offers fertile ground for recruitment (high poverty rates and few prospects) and porous borders favourable to their actions. International cooperation should continue to be strengthened, although the difficulties in financing the G5 Sahel force (of the USD 414 million pledged, only a quarter has actually been disbursed) have prevented the force from containing the unrest in neighbouring countries (notably Nigeria). The UNHCR estimates that there are more than 350,000 refugees and displaced persons in Niger. This uncertain security situation weighs on the business climate (132[nd] in the Doing Business 2020 ranking), with foreign nationals still at a high risk of being kidnapped.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	195.9
GDP PER CAPITA US Dollars - 2018	2,033
CURRENCY Nigerian naira	NGN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.8	1.9	2.0	1.8
Inflation (yearly average, %)	16.5	12.1	11.3	12.2
Budget balance (% GDP)	-5.8	-4.2	-4.8	-4.6
Current account balance (% GDP)	2.8	1.3	-0.7	-0.6
Public debt (% GDP)	22.4	22.4	22.6	23.2

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	30%
EURO AREA	25%
UNITED STATES	7%
SOUTH AFRICA	6%
INDONESIA	5%

Imports of goods as a % of total

EURO AREA	20%
CHINA	20%
UNITED STATES	9%
UNITED KINGDOM	4%
INDIA	4%

- Leading African power in GDP terms; 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/electricity distribution
- Ethnic and religious tensions
- Insecurity and corruption putting pressure on the business environment

RISK ASSESSMENT

Sluggish growth

Growth is expected to stall in 2020, hampered by the oil sector. In a context of low oil prices, flat or declining oil production – due to capacity constraints resulting from under-investment in new projects in recent years – will severely impact the contribution of the trade balance. Low oil revenues and the growing burden of debt service are likely to restrict the government's ability to stimulate activity through public investment. While central bank measures to encourage commercial banks to lend more to the private sector may support investment and consumption, the unattractive business environment, including limited access to foreign exchange for importers and a complex multiple exchange rate system, is expected to continue to hamper private sector participation. Additionally, public borrowing will probably continue to crowd out credit to the private sector, limiting the impact of central bank measures. Despite the support that may also come from the (possible) application of the new minimum wage, private consumption will continue to be inhibited by high unemployment and endemic poverty. Household incomes are expected to continue to be eroded by high inflation. It is expected to increase, driven by food prices, as a result of import restrictions and the closure of land borders with neighbouring countries since August 2019, but also because of the unstable security situation, which is hindering agricultural production.

Debt puts pressure on the budget

In 2020, despite budgetary consolidation efforts, the budget deficit will remain high. Unfavourable movements in oil prices and production are set to hamper the growth of oil revenues. Notwithstanding the goals set out in the budget forecasts, poor performances in terms of non-oil revenue growth are likely to be repeated in 2020. The increase in the VAT rate from 5% to 7.5% may help to boost this category of revenue, but the planned exemptions will mitigate its impact. In the face of revenue collection constraints, current expenditure is expected to rise in line with changes in the wage bill, which is poised to go up due to the minimum wage hike. Moreover, although the level of debt – which is mainly domestic and denominated in local currency – is low, servicing it will continue to absorb a significant share of budgetary resources. Since 2015, debt service payments have accounted for more than 60% of federal revenues. As a result, hopes of increasing capital investment spending will once again come up against these budgetary constraints.

The deficit will be financed by new domestic and external borrowing. The latter should be favoured, as loans from the local banking sector are already having a crowding-out effect on the private sector.

The current account, which has shifted to a slight deficit due in particular to the increased import bill, is likely to remain in deficit. The trade surplus will be eroded by the decline in oil export revenues. The country's dependence on foreign services, particularly oil freight services, and profit repatriations by foreign companies will ensure continued deficits in the services and income accounts respectively. The less favourable European and American economic situation could have an impact on remittances, which maintain the surplus in the balance of transfers. Although low, FDI and portfolio flows should finance this deficit. Foreign exchange reserves, which cover more than 6 months of imports of goods and services, could also be used to finance the deficit and enable the central bank to intervene in the foreign exchange market.

Muhammadu Buhari: new mandate, old challenges

President Muhammadu Buhari was re-elected as leader in the February 2019 elections. Legislative and senatorial elections held on the same day were won by his party, the All Progressive Congress (APC). Although upheld by Nigeria's constitutional court, the results were rejected by President Buhari's leading rival, Atiku Abubakar of the People's Democratic Party (PDP). Reported cases of post-election violence point to significant political, security and social tensions. The President, who was criticised for the slow pace of reform during his first term in office, still faces a myriad of security challenges that are destabilising the country, starting with the activities of the Islamist terrorist group Boko Haram in the northeast of the country. Deadly clashes between herders and farmers continue to affect the central part of the country, while there is a renewed threat of attacks on oil infrastructure in the Gulf of Guinea. Back in 2016, such attacks caused oil production to fall to its lowest level in 30 years. The President will also have to respond to expectations among his citizens by acting to halt the decline in living standards that began with the 2014-2016 oil counter-shock. Widespread poverty, mass unemployment and persistent double-digit inflation are expected to continue to fuel a tense social climate. While the President's focus on improving the business climate has enabled the country to move up 39 places in the Doing Business ranking since 2016, including a 15-place gain in the most recent edition (131st out of 190 countries), the operating environment remains challenging.

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	5.3
GDP PER CAPITA US Dollars - 2018	81,550
CURRENCY Norwegian krone	NOK

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.3	1.3	1.4	2.6
Inflation (yearly average, %)	1.9	2.8	2.2	2.0
Budget balance (% GDP)	5.0	7.2	7.4	7.3
Current account balance (% GDP)	5.7	7.2	4.3	5.0
Public debt (% GDP)	36.1	39.4	36.2	33.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	46%
UNITED KINGDOM	21%
SWEDEN	7%
DANEMARK	5%
UNITED STATES	5%

Imports of goods as a % of total

EURO AREA	34%
SWEDEN	12%
CHINA	9%
UNITED KINGDOM	7%
UNITED STATES	7%

- Oil and natural gas deposits
- High standard-of-living
- Broad political consensus
- Well-capitalized banking system
- Large sovereign wealth fund (around 300% of mainland GDP)

- Budget deficit excluding oil and gas revenues
- High household debt
- Significant labor costs
- Shortage of skilled manpower

RISK ASSESSMENT

Domestic demand remains the main source of growth

The Norwegian economy should show a strong growth in 2020. This is less due to a kick-start at the beginning of 2020 than to an already stronger growth dynamic in the end of 2019. The main factor here are the higher investments into the offshore oil and gas exploitation. They increased as most development projects are planned to remain profitable even with oil prices falling below 60 USD/bbl, due to cost reductions and efficiency improvements. The energy sector represents 17% of GDP, 19% of investments, and 43% of exports. Business investments on the mainland however, will remain moderate, as sentiment indicators decreased through 2019, while housing investments should pick up further in 2020, due to slowly increasing housing prices and a pickup in construction activity since 2019. Private consumption should foster a stronger growth dynamic. However, several factors are affecting private households in different directions. The tight labor market with a low unemployment rate (3.9% in September 2019) and moderate wage, as well as the decreasing inflation rate are increasing the purchasing power of the Norwegian customers. However, household debt is at a high level (100.2% of GDP in Q2 2019) and continues to rise faster than income. Additionally, the Norges Bank kept on with its exit out of the ultra-expansionary monetary policy in 2019 with three rate hikes until November 2019. The key interest rate reached a level of 1.5%. Another rate hike is expected in March 2020, which will further increase the interest-rate environment for Norwegian households. For the rest of the year, the interest rate will probably be unchanged. Even with this stark discrepancy between the Norwegian monetary policy and the one of the Eurozone and other developed countries, the Norwegian krone depreciated by 6% year-over-year in October 2019. This will foster exports *via* a better price-competitiveness. The still mute economic growth in Europe, however, particularly in the United Kingdom, could affect Norwegian exports, since a significant part of them go to the UK (especially hydrocarbons, fish, aluminum, mechanical and electrical equipment and ships).

A solid financial situation that owes much to oil and gas

Fiscal policy is orientated on diversifying the economy to reduce the country's dependence on the energy sector, but also supporting low-income families and an increase in the defense budget in 2020. A special focus lays on environmental measures, with an expansion of the public transportation system and an increase of the CO_2 tax on mineral products by 5% on top of the inflation adjustment. Even with these planned expenditures, the budgetary rule limiting withdrawals from the sovereign wealth fund (SWF) to 3% of the fund's return will be respected, with planned spending of 2.6% of the SWF's capital in 2020. However, the non-oil deficit will amount to over 7% of GDP, illustrating the dependence of public finances on oil revenues and SWF dividends. The burden of public debt will remain moderate, in the country with the world's largest SWF.

The current account surplus is expected to shrink, mainly due to the goods balance, which stood at 7.0% of GDP in 2018. Since then, imports increased noticeably, reflecting vigorous domestic demand, while exports – concentrated around oil, natural gas and salmon – have suffered in part by the decrease of global demand and by the drop in energy prices. This development should stabilize in 2020. The current account surplus however will be supported by the income surplus linked to the wealth fund's foreign investments.

A stable government

Following the parliamentary elections held in September 2017, Prime Minister Erna Solberg of the Conservative Party leads a minority governing coalition with the Progress Party (FrP), and since January 2018, the Liberal Party. However, the government was still dependent on the support of the Christian Democrats. They finally joined the coalition in January 2019, which brought the government more stability. However, since 2017, the opinion polls for the right-wing libertarian FrP, which is *inter alia* focused on restricting immigration, are falling, because immigration decreased and the main reason to vote for the FrP vanished. To find new topics, the FrP could shift more rightwards, which could jeopardize the cooperation with the Liberals and the Christian Democrats. We assume that the coalition will hold until the next election in September 2021. If that is not the case, then a snap election will not be possible under Norwegian law, and instead the remaining parties could form a minority coalition, or the Liberals and Christian Democrats could form a new coalition under the lead of the labor party.

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.

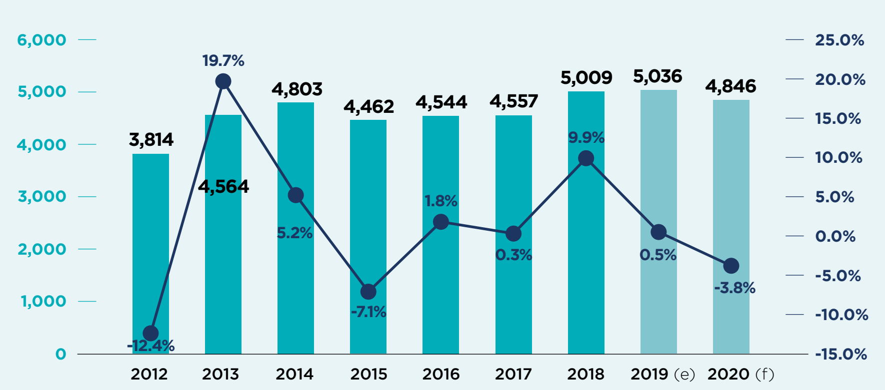
Restructuring the debt

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 FAILURES



Source: Statistics Norway (SSB), Coface.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	4.2
GDP PER CAPITA US Dollars - 2018	18,970
CURRENCY Rial omani	OMR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.3	1.8	0.0	3.7
Inflation (yearly average, %)	1.6	0.9	0.8	1.8
Budget balance (% GDP)	-14.0	-7.9	-6.7	-8.4
Current account balance (% GDP)	-15.6	-5.5	-7.2	-8.0
Public debt (% GDP)	46.4	53.4	59.9	63.9

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	40%
INDIA	10%
UNITED ARAB EMIRATES	7%
QATAR	6%
SOUTH KOREA	5%

Imports of goods as a % of total

UNITED ARAB EMIRATES	48%
EURO AREA	9%
CHINA	8%
UNITED STATES	5%
INDIA	4%

- Strategic location in Ormuz straights
- Major regional re-export hub position
- Efforts implemented to diversify economy away from oil
- Balanced external politics
- Recovering growth dynamics although gradual

- High dependence on oil
- Wide fiscal deficit crowding out the private sector
- Lower oil revenues weighing on twin deficits
- Political uncertainty related to the Sultan Qaboos' succession

RISK ASSESSMENT

Growth is coming back very gradually

After showing no growth in 2019, Oman is expected to return into positive-growth territory in 2020. However, growth will remain below its 2005-2014 average of 4.5%. Favourable base effect will play its part. Nevertheless, low oil prices will prevent growth to reach its long-term average. Although not an OPEC member, Oman cut its oil production following the agreement of OPEC and non-OPEC countries in 2017, by around 25,000 barrel per day (b/d) on average to reach 970,000 b/d in 2019. With the production cuts extended until March 2020 and their possible extension, growth outlook remains moderate. Low oil revenues also impact non-oil sectors, as the latter depends on government spending to maintain its activity level. Feeble fiscal position will limit new investments as the government remains the leading investing force in the country. Still, within their economic diversification plan Vision 2040, the authorities may opt to invest in several sectors such as infrastructure and petrochemicals. Weak oil prices would also be a drag on private demand through consumer and business sentiment. Moreover, further reforms on subsidies may affect private consumption negatively. Net exports will grow mildly in the coming quarters. Oman's efforts to improve its infrastructure, touristic and petrochemical sectors through imports can be considered as contributing to higher manufactured and service exports in the future. Oman's position as a major trading hub in the region plays an important role for Omani exports of petrochemicals and metals, as well as for re-export.

Strained public finances, rising debt

Budget deficit is expected to widen in 2020 after hitting almost 7% of GDP in 2019. The Sultanate's fiscal break-even point is calculated at USD 87 per barrel by the IMF. Oil prices below this threshold dig fiscal deficit. Nearly 60% of total fiscal revenues come from oil, and nearly 80% of total public expenditure goes to current spending, including public salaries, interest payment and subsidies. The government has again postponed the introduction of a planned 5% VAT to 2021, according to its July Eurobond prospectus. Although this can be considered positive for the retail sales, the lack of a substantial increase in non-oil revenues may weigh on payments made by the government to other sectors especially construction. Moreover, any cuts on capital projects would weigh on the business sector. Currently, the risk on the funding of the budget deficit remains low. Despite its non-investment grade, Oman taps international markets successfully and is expected to continue to do so in 2020.Yet, any deterioration of global risk appetite and the lack of a clear structural reform agenda may cut investors' appetite, which would increase borrowing costs of the government. Moreover, heavy public borrowing creates a crowding-out effect for the business sector. The pace of growth of loans to the private sector remained below 2% year-on-year as of mid-2019. The weight of government debt stock in the GDP will then continue to grow. The weakness in oil prices will continue to keep Oman's current account balance under pressure. If the government restrains spending on infrastructure projects, then import demand may inch down, restraining the widening of the current account deficit. Oman has been financing its current account deficit by a mix of foreign direct investments, reserves and debt. As of 2018, FDI to Oman stood at 5% of GDP. The central bank's gross reserves are estimated to stand at USD 16 billion, covering gradually lower amount of imports (nearly 5 months of imports estimated in 2020 *vs.* seven months in 2016). The external debt of Oman already stands at a high level and is estimated to reach nearly 110% GDP in 2020.

Succession remains key political issue

The Sultan Qaboos, the long-time ruler of the Sultanate, has a fragile health and no heirs. Therefore the succession remains a source of political uncertainty. In case of a non-agreement within the royal family to choose a successor within three days of his death, the authorities will open a letter with the name of the successor. The transition can create a period of temporary instability. The balanced policy that Oman has been implementing for years in the region is expected to continue. The risk of a spill-over from the war in Yemen across its borders continues. Yet if this happens, the Sultanate will be able to call on military assistance from its international allies.

PAKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	**201.0**
GDP PER CAPITA US Dollars - 2018	**1,565**
CURRENCY Pakistan rupee	**PKR**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	5.2	5.5	3.3	2.3
Inflation* (yearly average, %)	4.1	3.9	7.3	13.0
Budget balance* (% GDP)	-5.8	-6.4	-8.8	-7.4
Current account balance* (% GDP)	-4.1	-6.3	-4.6	-2.6
Public debt* (% GDP)	67.0	71.7	76.7	78.6

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2020 data: FY19-20.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
UNITED STATES	16%
CHINA	8%
UNITED KINGDOM	7%
AFGHANISTAN	5%

Imports of goods as a % of total

CHINA	24%
UNITED ARAB EMIRATES	14%
EURO AREA	7%
SAUDI ARABIA	5%
UNITED STATES	5%

- Large domestic market, supported by dynamic demographics
- Significant transfers from expatriate workers
- Large and inexpensive workforce
- Economic corridor prospects with China
- Major player in Islamic finance

- Tense geopolitical environment; domestic insecurity
- Informal sector (40% of GDP) and low tax revenues (12.7% of GDP)
- Deficiencies in education, health, infrastructure and agriculture
- Delays in the development of Balochistan and rural areas
- Energy dependence and low sector diversification
- 40% of the workforce in the agricultural sector; sensitive to weather and world prices

RISK ASSESSMENT

The economy is set to slow again...

Pakistani growth will continue to slow in 2020, driven by policies to reduce the twin deficits, with fiscal restraint accompanied by tight monetary policy. To control inflation in a context of sharp currency depreciation, the central bank raised its rates again to 13.25% in July 2019 (+675 bps over the year) and is expected to keep them at that level in 2020. As a result, a slight contraction in credit was observed. The 2019 slowdown was felt in all sectors, including agriculture, where production declined due to water scarcity. The electricity sector kept industrial growth in positive territory, thanks to the completion of new power plants. While private consumption (82% of GDP) remained brisk despite inflation and the rising cost of credit, public investment (12% of GDP) made a -1% contribution to GDP, reflecting lower development expenditure and the completion of many major energy and logistics projects, particularly in relation to the China-Pakistan economic corridor. Private investment also fell. Inflation accelerated sharply, mainly due to the price impact of depreciation, as well as food inflation linked to poor harvests. In 2020, the delayed effects of depreciation plus increases in taxes and utility prices will drive inflation.

... in order to address fiscal and external imbalances

Pakistan's public finances deteriorated markedly in 2019. Total expenditure increased, following a 40% increase in interest coverage on debt for FY2019 that was not offset by reduced capital expenditure and flat revenues. Lowering the deficit in 2020 will require an increase in revenues (+1.7% of GDP expected), which are among the lowest in the world as a percentage of GDP (12.7%). Reform measures will include steps to rationalize tax rates and thresholds, reduce exemptions and preferential rates, and increase taxes on consumer goods. Budget utilisation is problematic: one-third is allocated to the army and another third to interest payments. The 2019 deficit was financed mainly by domestic sources, with only 12% provided by external sources. External debt represents 37.9% of total public debt (up 10 points in one year), and 44.2% of it is held by multilateral creditors. The country has managed to secure considerable external support from China, Saudi Arabia, the United Arab Emirates and the IMF in particular (USD 38 billion in total). Pakistan received a USD 6 billion loan from the IMF in July 2019 in return for committing to a three-year stabilisation and reform plan. This support offers grounds for optimism about short-term sovereign creditworthiness, despite the sickly public accounts.

Pakistan's current account improved in 2019. Administrative measures and the price effect of the rupee devaluation (-25% in 2019) contributed to a sharp reduction in imports. Exports, of which textiles account for more than 50%, were unable to benefit from the depreciation this year, and remittances from expatriate workers remain the main means of financing the trade deficit: these transfers benefited from good performances by the Gulf economies and covered 77% of the trade deficit in 2019. FDI flows remain small (0.5% of GDP in 2019). The improvement will continue in 2020. Imports will be moderated by high costs and reduced growth, as well as low energy prices, while exports will start to benefit from previous currency depreciation. Workers' transfers are expected to continue on their positive trend. In the future, exchange rate flexibility should prevent external accounts from becoming imbalanced. Foreign exchange reserves have shrunk and, despite a gradual accumulation, now represent only two months of imports.

Prevailing insecurity and mounting protests

Pakistan's Prime Minister Imran Khan, who was elected in 2018, is facing calls to resign from opposition party Jamiat Ulema-e-Islam, which has mobilised about 50,000 demonstrators for the first time in his mandate. In a country where no Prime Minister has completed his term in 70 years, Mr Khan is facing a real threat. Purchasing power is being undermined by soaring inflation and growth that is no longer sufficient to ensure an increase in *per capita* income, while population growth is very strong (+2.7% per year). Despite the improved security situation, the insurgency in Balochistan and the war in Waziristan continue, and tensions with India over Kashmir have been heightened after the region's autonomous status was lifted. The stormy relationship with the United States will remain important and focused on military cooperation, while the Chinese partnership seems to be losing momentum: popular discontent is mounting over the advantages granted to Chinese companies, while FDI is drying up (-77% in 2019).

Pakistan jumped from 136th to 108th place in the Doing Business 2020 ranking thanks in particular to measures to simplify building permits and to digitise and reduce VAT and corporate tax.

PALESTINIAN (TERRITORIES)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	4.6
GDP PER CAPITA US Dollars - 2018	3,199
CURRENCY No universal currency	-

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.1	0.9	1.3	0.5
Inflation (yearly average, %)	0.2	-0.2	1.5	1.3
Budget balance (% GDP)	-6.6	-5.9	-7.0	-7.2
Current account balance (% GDP)	-10.8	-11.4	-10.2	-11.0
Public debt (% GDP)	35.6	37.0	39.8	42.3

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

TRADE EXCHANGES

Exports of goods as a % of total

ISRAEL	77%
JORDAN	9%
UNITED ARAB EMIRATES	3%
UNITED STATES	2%
SAUDI ARABIA	2%

Imports of goods as a % of total

ISRAEL	53%
EURO AREA	13%
TURKEY	8%
CHINA	8%
JORDAN	3%

+

- Observer status at the UN since the end of 2012
- Very youthful population
- Substantial remittances from the diaspora

-

- Lack of geographical, political and economic unity
- Very high unemployment rate, particularly in Gaza
- Israeli restrictions on movement in the West Bank, and blockade of the Gaza Strip by Egypt and Israel
- Stalemate in the peace process with Israel
- Lack of monetary policy due to lack of own currency
- Budgetary revenues dependent on international aid and relations with Israel

RISK ASSESSMENT

Economic situation still as worrying as ever

The situation of the Palestinian economy will remain worrying in 2020, particularly in the Gaza Strip, where activity is set to decline for the fourth consecutive year. Growth is expected to be resilient, if not strong, in the West Bank, which will increase the gap between the two territories. Their economies have diverged significantly since the imposition of the Gaza blockade in 2007, which prevents residents from working in or exporting to Israel. Private consumption (90% of GDP in 2018) will remain the main driver of the economy. However, reflecting labour market conditions, private consumption is expected to be much stronger in the West Bank, where the unemployment rate stood at 15% in June 2019 (17% in 2018), than in Gaza, where it was up 12 points to 64%. Productive investment (only 4.5% of GDP) will remain limited by an unfavourable business environment (117th out of 190 in the World Bank's Doing Business ranking) marked by economic restrictions and uncertainties related to the conflict with Israel. Public spending will continue to be constrained by lower transfers of customs taxes collected by Israel and by the redirection of international grants towards humanitarian aid and away from budget support, which fell from 11% of GDP in 2013 to 4.6% in 2018. Overall, the conflict with Israel and its impact on public spending, on which the Palestinian economy is highly dependent (26% of GDP), will continue to depress household and business confidence. Finally, Palestinian exports will continue to be affected by constraints on access to foreign markets and by the lack of competitiveness induced by the use of the Israeli shekel, in the absence of a national currency.

Public and current accounts undermined by the conflict situation

The Palestinian Authority's (PA) budgetary room for manoeuvre will remain very limited in 2020. On the expenditure side, civil servants' salaries still accounted for 48% of current expenditure in 2018, despite significant efforts to reduce their share in recent years (58% in 2014). As public funds are mainly intended for current expenditure (95% of total expenditure), public investment will remain very low, especially in a context of declining revenues (less than 30% of GDP). Customs duties on imports and exports, which are collected by Israel on behalf of the PA before being transferred to the government, are the main source of income. In February 2019, Israel decided to deduct USD 138 million from the taxes transferred to the PA over allowances paid to Palestinian prisoners' families. While the PA initially refused all transfers (nearly 70% of current revenue, or 15% of GDP) as a sign of protest, it was ultimately forced to accept partial tax transfers because of the critical state of public finances, which had forced it to cut civil servants' salaries in half. In this context, and following the ceasefire of May 2019, Qatar announced USD 480 million in aid (USD 250 million in loans, USD 50 million in budget support, USD 180 million in humanitarian aid). In 2020, public account developments will once again depend on relations with Israel, as international donations to the PA budget are expected to decline further. In the event of further tensions and blocked transfers, the public deficit and debt will increase sharply.

The balance of goods and services shows a chronic and substantial deficit (40% of GDP in 2018), which will continue in 2020. Conversely, the income balance is in surplus thanks to the wages of cross-border workers (16% of GDP) and remittances (12% of GDP) from the large diaspora (7 million people worldwide). However, these remittances are expected to weaken in line with the global economic situation, so the current account deficit may widen again. The current account deficit will again be largely financed by government and private donations, although the amount of these donations can vary significantly from year to year (11.6% of GDP in 2018, against 5% in 2017).

Mounting tensions in Gaza and new elections announced

Mahmoud Abbas, President of the PA and the Palestine Liberation Organisation (PLO), has controlled the West Bank since the 2005 presidential election, while Ismail Haniyeh's Hamas has controlled the Gaza Strip since the 2006 parliamentary elections, which led to deadly clashes with Fatah, the largest faction of the PLO. While the situation has remained unchanged since then, President Abbas announced in September 2019 that general elections would be held in Palestine. Although the election date has not yet been set, Fatah has already said that President Abbas will be its candidate, and Hamas has expressed its readiness to participate in the elections, which could generate tensions, in an echo of 2006. Externally, the Israeli-Palestinian conflict escalated in late 2019 following Israel's assassination of a commander of the Islamic Jihad organisation in Gaza. This latest event illustrates the fragility of the progress made in talks conducted in the previous months. The US plan to resolve the conflict looks doomed to fail given the stormy relations with Donald Trump's administration. The persistence of the conflict has serious humanitarian consequences, particularly in Gaza. According to the World Bank, 24% of the population lived below the poverty line of USD 5.5 per day in 2017 (46% in Gaza and 9% in the West Bank).

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	4.2
GDP PER CAPITA US Dollars - 2018	15,643
CURRENCY Panamanian balboa	PAB

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.3	3.7	4.2	4.5
Inflation (yearly average, %)	0.9	0.8	0.5	1.0
Budget balance (% GDP)	-1.9	-2.0	-3.5	-2.2
Current account balance (% GDP)	-7.9	-7.8	-7.3	-6.3
Public debt (% GDP)	37.5	39.5	41.3	41.8

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	26%
UNITED STATES	18%
CHINA	7%
INDIA	6%
COSTA RICA	5%

Imports of goods as a % of total

UNITED STATES	25%
CHINA	10%
EURO AREA	9%
MEXICO	5%
COSTA RICA	3%

- Inter-oceanic canal and related infrastructure (ports, airports, roads, railways)
- Fully dollarized economy; financial stability
- Colón Free Zone, 2nd largest import-export platform in the world
- Regional banking and financial centre served by excellent telecommunications
- Tourism potential

- Highly exposed to North and South American economic conditions
- Low budget revenues (13% of GDP)
- Gaps in education and vocational training
- Large social and economic disparity between the canal area and the rest of the country
- Corruption and cronyism; bureaucracy

RISK ASSESSMENT

Investment drives growth

Economic growth is expected to intensify in 2020 thanks to higher investment (44% of GDP), particularly private investment. In September 2019, the National Assembly passed a bill creating a public-private partnership (PPP) regime to govern infrastructure projects. This should facilitate the private investment needed to finance major engineering projects, thus contributing to job creation and vibrant consumption. The government has already announced its intention to launch tenders for 18 public infrastructure projects across the country for USD 445 million (0.67% of GDP). In addition, copper production from the Cobre Panama mine is expected to support growth. Activity in Panama's banking sector, the financial centre of the region, is expected to remain robust, as are the construction, logistics and communication sectors. However, the downturn in world trade caused by the continuing dispute between the United States and China poses a significant risk to maritime traffic in the Panama Canal and to the activity of the Colón Free Zone. The latter is likely to be further constrained by rising tensions with Colombia, which has imposed new tariffs on textiles. Inflation is expected to remain moderate due to low oil prices and the dollarized nature of the economy.

The twin deficits narrow

In October 2019, legislators voted to raise the budget deficit limit to 3.5% of GDP from 2.0% previously, after newly elected President Laurentino Cortizo argued that his administration had inherited a higher level of public debt. The government has proposed to reduce the budget deficit gradually to the previous target by 2022. Even so, it has presented a restrictive budget for 2020, which includes cuts in current spending and significant reductions in investment spending. The level of debt will remain contained but with a 78% external share, of which the interest is a burden on tax revenues (18%).

The current account deficit is expected to narrow in 2020 as the Cobre Panama copper mine enters full production. The trade deficit excluding re-export activity (17.7% of GDP) should improve accordingly, especially as imports of goods are expected to stabilize. The re-export balance (2.7% of GDP) is expected to deteriorate in line with difficult global economic conditions. The structural surplus in services (13.5% of GDP) will offset the deficit in income (7.5% of GDP), which is composed mainly of repatriated dividends. FDI (6.6% of GDP), consisting primarily of reinvested profits, will finance the current account deficit and safeguard the balboa's dollar peg. Foreign exchange reserves held by the central bank are expected to remain low, at around 1.6 months of imports.

Constitutional reform, a priority for the new President

On May 5, 2019, Panama held a presidential election, which was won after the first round by Laurentino Cortizo of the centre-left Democratic Revolutionary Party (PRD), who will serve a five-year term. He beat José Blandón of the Panameñista Party (PPAN), the right-wing party that was previously in power, which came fourth. With its ally, the Molirena party, the new government holds 38 of the 71 seats in the National Assembly. President Cortizo affirmed his commitment to implementing the recommendations of the action plan agreed with the Financial Action Task Force on Money Laundering (FATF) and to strengthening the country's position as a major financial centre in the region. On the economic front, he promised to create a group of private sector representatives to strengthen the agricultural sector and boost employment. He also promised free school meals. In July, the same month he took office, the President presented a proposal for constitutional reform that is widely seen as a central element in efforts to strengthen institutions, which have been discredited in recent years by corruption scandals.

As in other countries in the region, corruption scandals have erupted in recent years, causing public dissatisfaction. Controversies include the findings of Operation Car Wash, an investigation into Brazilian corruption (USD 59 million in bribes were paid to Panama between 2010 and 2014), and the Panama Papers scandal (April 2016). In 2018, the country adopted OECD reporting standards and finally criminalised tax evasion in early 2019, after being blacklisted several times. Nevertheless, after four years off the FATF's grey list, Panama was put back on in June 2019.

PAPUA NEW GUINEA

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **C**

POPULATION Millions of persons - 2018 **8.4**

GDP PER CAPITA US Dollars - 2018 **2,752**

CURRENCY Papua New Guinean kina **PGK**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.7	-1.1	5.0	2.6
Inflation (yearly average, %)	4.9	5.2	3.9	4.4
Budget balance (% GDP)	-2.5	-3.9	-4.9	-4.2
Current account balance (% GDP)	28.7	27.4	23.0	24.8
Public debt* (% GDP)	33.1	35.5	41.4	44.0

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

TRADE EXCHANGES

Exports of goods as a % of total

AUSTRALIA	19%
SINGAPORE	18%
CHINA	17%
JAPAN	13%
EURO AREA	9%

Imports of goods as a % of total

AUSTRALIA	34%
CHINA	17%
SINGAPORE	11%
MALAYSIA	10%
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
- Construction of liquefied natural gas production units

−

- Highly exposed to natural disasters
- Weak infrastructure network
- Economy dependent on raw material exports
- Significant shortcomings in terms of governance
- Low literacy rate, lack of skilled labour
- Difficulties in accessing foreign exchange

RISK ASSESSMENT

Hydrocarbon-Led Recovery

Growth rebounded in 2019 on higher production and exports of liquefied natural gas, crude oil and gold: these sectors have finally recovered from the February 2018 earthquake. Credit growth and improved access to foreign exchange have also increased private investment. In 2020, growth will slow down, due to lower energy prices. The non-extractive private sector will experience stronger growth, driven by the delayed effects of monetary easing in late 2019 and rising private demand. Growth will be based on agriculture, services and tourism, with manufacturing accounting for only 3% of GDP. However, the expansion could exceed forecasts if planned mining and gas projects get started ahead of schedule: the Papua LNG project with Total and Exxon in particular has received government approval after the contract was renegotiated in order to increase profits for the country. The project will be the largest in ten years and represents USD 10 billion of foreign investment (42.7% of GDP). The final stages of approval are in progress.

Inflation has slowed thanks to moderate credit growth, lower imported inflation, as the currency has remained stable, and supplier prices have fallen. Taking advantage of the room for manoeuvre opened up by low inflation, the central bank reduced the deposit facility rate in July (25 bps) and again in September (50 bps) to 5.5%. Inflation will remain moderate in 2020: prices from foreign suppliers are expected to remain stable and the economy has spare capacity.

Rising Public Debt, Current Account Surplus Holding Steady

The public deficit widened in 2019 as tax credits and breaks granted under project development agreements offset the automatic increase in revenues due to strong growth. Expenditure was planned with overly optimistic expectations of gas revenues, leading to the use of credit and an increase in debt, which has tripled in 7 years. The country will therefore have to pursue a more severe austerity policy than expected in order to stabilize the deficit. Investment, education, health and administrative expenditure will be most affected. Combined with the revenue catch-up in 2020, these measures will enable a small reduction in the public deficit. The debt is held by domestic banks, which are now exposed to sovereign risk. The country is trying to increase the share of its external financing, to reduce the exposure of domestic participants, on the one hand, but also to attract foreign exchange. The issuance this year of USD 500 million in 10-year government bonds has reduced the time required for traders to access foreign exchange. China holds a quarter of the external debt, but leaders are looking for other partners in debt refinancing: an Australian loan of USD 440 million replaced a Chinese loan to refinance the debt at the end of November. The country can count on the support of the AfDB and especially Australia, a traditional partner and leading donor, whose grants accounted for 40% of external financing in 2019.

Papua New Guinea's current account continued to show a large surplus in 2019, thanks to gas, which accounts for 40% of exports. It is set to improve in 2020: while energy prices may drive down the value of exports, protectionist measures and the postponement of major mining projects will depress imports. Foreign exchange reserves amounted to USD 1.92 billion as at September 26, 2019, or 5.3 months of imports, an acceptable level.

The Government Is Fuelling Social Unrest

Faced with corruption scandals, growing public discontent and a wave of government resignations, Prime Minister Peter O'Neill was forced to step down in May 2019. His finance minister, James Marape, was elected Prime Minister by the opposition Pangu Pati Party on May 30, 2019. His austerity policy must to take into account the difficult social situation, which triggered riots earlier in 2018. The referendum on the independence of Bougainville Island was held on November 23 in accordance with guarantees made by the Papuan State at the end of the war of independence in March 2000. Voters were offered two alternatives: more autonomy within Papua or complete independence. It is strongly anticipated that they will opt for independence. However, the result of the referendum is not binding, and the national government is expected to refuse to grant independence to the copper-rich island, which would heighten regional tensions.

The business climate has deteriorated: Papua has dropped 12 places in one year in the World Bank's Doing Business 2020 ranking, and now ranks 120th. Governance indicators also place Papua at the bottom of the Pacific region on corruption, the rule of law and government effectiveness. However, the government has taken steps to improve the business environment and diversify the economy. In particular, an SME credit insurer has been created, a new tax regime for SMEs is planned, and reforms of state-owned enterprises are underway. An anti-corruption commission has been established, and laws defending the rights of whistle-blowers are to come.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	7.1
GDP PER CAPITA US Dollars - 2018	5,934
CURRENCY Paraguayan guaraní	PYG

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	5.0	3.7	0.2	4.0
Inflation (yearly average, %)	3.6	4.0	3.5	3.7
Budget balance (% GDP)	-0.9	-1.3	-2.3	-0.5
Current account balance (% GDP)	3.1	0.5	-0.1	1.3
Public debt (% GDP)	19.5	21.5	23.7	22.6

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	32%
ARGENTINA	30%
RUSSIA	8%
CHILE	7%
EURO AREA	5%

Imports of goods as a % of total

CHINA	30%
BRAZIL	23%
ARGENTINA	11%
EURO AREA	10%
UNITED STATES	8%

+

- Well-developed agricultural sector (soybeans and beef)
- Abundant hydroelectric resources
- Prudent fiscal and monetary 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 cronyism)
- Large informal market (40% of GDP)
- Vulnerable to climatic conditions

RISK ASSESSMENT

Accelerating growth

Growth is expected to accelerate in 2020, driven by private consumption (65% of GDP) and the recovery of agricultural and electricity exports as weather conditions get back to normal. The upturn in the agricultural sector (50% of GDP) will support the agri-food industry, which is mainly export-oriented. In addition, the relatively good economic situation in Brazil, the country's main trading partner, could benefit exports. However, the downward outlook for global growth could put a dampener on exports. Strong performances in automotive parts assembly (47% of re-exports) and textiles (33%) by the maquilas (export processing zones), thanks to an attractive tax policy for foreign investors, will support job creation and ultimately household purchasing power. A stronger showing by the construction sector, owing among other things to implementation of the Rutas 2 and 7 road project through a USD 520 million public private partnership (PPP), will also contribute to this. Private investment, which has been constrained for several years by the lack of infrastructure, should get a boost from these investments in road infrastructure as well as from the central bank's accommodative policy. Inflation is expected to remain in the middle of the target range (2-6%) set by the central bank, which should maintain its accommodative policy if the Fed cuts US rates further. It would also intervene to stabilise the guarani in the event of a sharp depreciation.

Return to prudent fiscal policy

The 2020 budget plans for a 6.6% increase in expenditure. The government is expected to stick to the prudent fiscal policy set out in the Fiscal Responsibility Act, which limits the deficit to 1.5% of GDP. The pick-up in economic activity should contribute to the expected increase in tax revenues (8%) and finance the increase in public spending, particularly in education, health and safety. Almost half of the planned expenditure (47%) will go to paying the wage bill, 17% to social benefits and 15% to improving road and electricity infrastructure. However, the country needs to increase its tax base, as tax revenues represent less than 10% of GDP. Public debt should be contained, even if it is financed on international markets.

Barring adverse weather conditions, the relative improvement of the economic situation in Brazil, Paraguay's main trading partner, should support agricultural exports (53% of the total) as well as electricity exports (20%) 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 brisk household consumption and investment in infrastructure and the maquilas. The balance of services will remain in deficit, due to rising imports of transport services. Expatriate remittances will not compensate for the repatriation of dividends, which will weaken the current account surplus. Conversely, regular FDI inflows (1.75% of GDP in 2018) from the United States, Spain and Brazil will strengthen the surplus. Foreign exchange reserves will remain satisfactory, covering 6.9 months of imports.

A tense socio-political situation

President Mario Abdo Benítez of the Colorado Party (PC), elected in April 2018, narrowly avoided being impeached following demonstrations in the country. A controversial agreement on the Itaipú hydroelectric power plant, which was made public at the end of July and cancelled shortly afterwards, provoked major anti-government protests and triggered a political crisis. In this situation, compounded by a narrow Senate majority owing to differences with a moderate PC faction linked to former President Horacio Cartes, the government is not expected to push through structural reforms such as measures to simplify company law and reform real estate collateral. The municipal elections scheduled for November 2020 are expected to further confirm the President's growing unpopularity.

The business environment has become even more difficult, not least because of the above-mentioned developments, but also because of the persistently large informal economy and corruption. The country is ranked 125th out of 190 in the World Bank's Doing Business ranking in 2020 and 132nd out of 180 on corruption according to Transparency International.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	32.2
GDP PER CAPITA US Dollars - 2018	7,007
CURRENCY Peruvian sol	PEN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	4.0	2.2	3.0
Inflation (yearly average, %)	2.8	1.3	2.2	1.9
Budget balance (% GDP)	-3.0	-2.3	-1.9	-2.0
Current account balance (% GDP)	-1.2	-1.6	-2.0	-2.0
Public debt (% GDP)	24.9	25.7	26.5	27.4

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
UNITED STATES	17%
EURO AREA	13%
INDIA	5%
SOUTH KOREA	5%

Imports of goods as a % of total

CHINA	23%
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 (42% 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

GDP should gain some strength in 2020

GDP growth slowed down in 2019, amid the rising global trade tensions (affecting mining exports) and the political crisis that escalated in the end of Q3 2019. In 2020, GDP should gain some strength as political tensions abate, improving confidence indicators and, finally, expanding private and public investments. Moreover, a stable inflation and the expansionary monetary stance that the central bank has conducted should be supportive to household consumption. Finally, in end October 2019, the government announced some marginal stimulating measures, such as an increase in minimum wage and pension, tax relief measures for consumers, and USD 4 billion public investment plan that aimed to reactivate several public infrastructure projects. Nonetheless, the scenario is not without risk. A further escalation in the US-China trade war could take a toll on Peru, through undermined mineral prices and lower Chinese demand (main market for exports). Alongside, although political tensions should calm down in 2020, in case this scenario fails, investment would remain undermined by the eroded business confidence.

Twin deficits remain generally well controlled

Current account deficit widened in 2019, due to the lower trade surplus registered in the year. That movement is a side effect of the deteriorated terms of trade, consequence of rising trade tensions between the US and China which affect mineral commodity prices. Although this scenario is not likely to give in significantly in 2020, foreign direct investments (mainly in mining, telecommunication, energy and financial services) should continue to cover comfortably the external account imbalance. Strong net international reserves of roughly USD 68 billion (30% of GDP, implying a coverage ratio of 15 months of imports) give further cushion in case of a sudden change in external investors' mood. Alongside, external debt stands at roughly 35.8% of GDP and is mostly privately owed (roughly 73%). Regarding the financial sector, the economy has been successful in curbing the dollarization of its local credit market (from the peak of 51% of total credit in 2008 to 27% in Q2 2019). Moreover, the banking system counts with sound capital adequacy ratios and low level of leverage. Peru also has a low level 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 continued with the fiscal commitment approach. The fiscal measures unveiled in late October 2019 will have limited fiscal impact, not compromising debt sustainability.

Political climate is likely to improve after the turmoil registered in 2019

Peru may have been the country, other than Brazil, where the "car wash" operation, the far-reaching corruption probe that began in Brazil but has roiled politics across Latin America, had the largest repercussion. The past four Peruvian presidents and key figures of the current right-wing opposition party Popular Force have either been imprisoned on corruption charges or are currently under investigation for fraud. In this context, incumbent President Martín Vizcarra from the centre-right Peruvians for Change party has worked to step up the fight against high-level corruption through a judicial and political reform agenda. Nevertheless, the opposition-led Congress (composed in majority by members of Popular Force) has consistently undermined the government´s reform agenda. This political gridlock prompted President Vizcarra to propose early elections for both the presidency and the Congress (from 2021 to 2020). Congress rejected the government's proposal, leading Mr Vizcarra to call for a vote of confidence over changes on the way the Constitutional Tribunal (CT) judges are appointed, and halt the legislative process to replace six (out of seven) judges whose terms expired. The President argued that the process lacked legitimacy and transparency. The Congress, however, defied the government and elected a new judge on September 30, 2019. That led Mr Vizcarra to dissolve the Congress on the same day and call for snap legislative election. In response, the Congress voted to suspend Vizcarra. The Peruvian Constitution allows dissolution, when confidence is denied twice (the first cabinet was fired under the administration of Pedro Pablo Kuczynski, to whom Vizcarra succeeded after his resignation). However, Mr Vizcarra said he would count the election of new members of the CT as a vote of no-confidence. Although the political tensions had some negative short-term impacts on activity, it has strengthened President Vizcarra's approval rating. After the Constitutional Court supported the President's position, a new legislature was voted on January 26, 2020. The political environment (notably the relation between the legislative and executive branches) should evolve positively this year.

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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	106.6
GDP PER CAPITA US Dollars - 2018	3,104
CURRENCY Philippine peso	PHP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.7	6.2	5.8	6.0
Inflation (yearly average, %)	2.9	5.2	2.5	3.0
Budget balance (% GDP)	-2.2	-2.8	-3.2	-3.5
Current account balance (% GDP)	-0.8	-1.5	-2.5	-2.3
Public debt (% GDP)	39.9	38.9	39.3	39.3

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	16%
HONG KONG (SAR)	14%
JAPAN	14%
CHINA	13%
EURO AREA	11%

Imports of goods as a % of total

CHINA	20%
SOUTH KOREA	10%
JAPAN	10%
UNITED STATES	7%
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
- Poverty reduction (Pantawid Pamilyang Pilipino Program)

-

- Inadequate infrastructure levels / low fiscal revenues
- Governance shortcomings and high corruption perceptions
- High levels of income inequality
- Terrorism in the South of the country
- Strict bank secrecy and casinos that facilitate money laundering

RISK ASSESSMENT

Despite headwinds, growth remains enviable

Growth should pick up in 2020. Household spending (70% of GDP) will remain the main driver of growth. Remittances from expatriate workers (10% of GDP), mainly from the United States and the Gulf countries, should continue to support household consumption, which will also benefit from lower borrowing costs. The Bangko Sentral ng Pilipinas (BSP) implemented a cumulative 75 bps interest rate cut in 2019 and lowered Reserve Requirement Ratios (RRR) by 400 bps. CPI will likely remain within the 2-4% target range in 2020, making it possible for BSP implement an additional 50 bps cuts and lower the RRR by 200 bps in 2020. The higher 7.0% growth target will nonetheless remain elusive. Exports, which account for 30% of GDP, slowed as a result of the US-China Trade War, which compounded with weaker investor sentiment, will continue to impact activity in 2020. The Philippines is exposed *via* supply chain links and in terms of final demand, as China is the largest export market. Philippines' main exports include parts and components of electronics and electrical machinery (around 60%), followed by agri-food products such as coconut oil and fruit. Investments (25% of GDP) will face some headwinds. Private investment will be subdued on weaker sentiment; while FDI – which accounts for only 2% of GDP – will also remain weak, as corruption perceptions are still a concern for the country. Most of the investment growth will therefore be public, on the back of President Duterte's "Build Build Build" public infrastructure investment project that is expected to regain speed after the 2019 downfall. This should increase growth potential in the medium- to long- term. The Business Process Outsourcing (BPO) and tourism sectors should continue to perform well.

Expansionary fiscal policy will barely touch deficits

The budget balance is expected to deteriorate in 2020, as the rise in revenue will not match the one in spending. Ongoing tax reforms aimed at increasing revenues by levying excise duties (fuel, automotive products, alcohol and tobacco), broadening the VAT base, and implementing higher tax rates for higher income brackets will not be enough to compensate the increase in spending induced by President Rodrigo Duterte's infrastructure programs. Moreover, additional transfers will continue to be made to low income households. Despite the growing imbalance, strong growth should help stabilize 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 trade deficit will remain high, as the decline in imports, although bigger than the one in exports, is not large enough to offset the structural deficit, which is driven by domestic demand and imported parts for use by industry, especially electronics and information technology outsourcing. A potential increase in energy prices could even lead to a higher deficit, as crude oil remains the largest commodity import; however, this is not our baseline scenario for 2020. Remittances from expatriates, although stagnant, will still offset a big part of it. The resulting current account deficit will be financed by FDIs, although low, due to restrictions, higher production costs than in neighbouring countries, and political uncertainties. Depreciation pressures on the peso should ease somewhat throughout 2020, as the FED is expected to remain on hold, resulting in fewer capital outflows. Foreign exchange reserves will remain adequate, representing around seven months of imports.

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 a 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 with relation to territorial disputes in the South China Sea. Despite some successes in fighting radical Islamist groups, the President's high popularity ratings have suffered (75% in approval ratings mid 2019) following a probe on alleged irregularities in the prison system. Duterte's War on Drugs has raised some concerns amongst the international community. Philippines improved in last year's Ease of Doing Business index, but it continues to lag significantly relative to other peers in the region such as Malaysia, Vietnam, Thailand and even Mongolia.

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	38.0
GDP PER CAPITA US Dollars - 2018	15,426
CURRENCY Polish złoty	PLN

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.9	5.1	4.3	3.3
Inflation (yearly average, %)	1.6	1.2	2.1	2.6
Budget balance (% GDP)	-1.5	-0.2	-1.0	-0.3
Current account balance (% GDP)	0.2	-0.4	-0.5	-0.1
Public debt (% GDP)	50.6	48.9	47.2	45.8

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	28%
CZECH REPUBLIC	6%
UNITED KINGDOM	6%
FRANCE	6%
ITALY	5%

Imports of goods as a % of total

GERMANY	27%
CHINA	8%
RUSSIA	7%
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; high content of exports in imports
- Developmental lag of Eastern regions
- Structural unemployment; low level of female employment

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Weaker growth ahead

In 2020, Poland is expected to experience a further deceleration of growth, after a slowdown perceived in 2019. Nevertheless, the growth pace is likely to remain at solid levels. It will be again supported by domestic demand, especially household consumption (59% of GDP), which remains the main growth driver. Consumer spending benefits from a number of factors: the unemployment rate reached the lowest level in the last 30 years, wages are set to keep growing at fair rates (enhanced by a series of substantial minimum wages hikes), the central bank's rate is at its lowest point in history, consumer sentiment indicators remain on high levels, and there are fiscal stimulus measures, including the extension of child allowance programme. Nevertheless, room for further acceleration of household spending is limited after its expansion in previous years. Specifically, an increase of inflation will make wage growth less robust in real terms. Prices are likely to exceed the central bank's inflation target in the first quarter of 2020, being fuelled by further growth of food prices and a possible increase of electricity prices. However as it will be temporary, the leading interest rate is expected to remain at its current level.

Fixed asset investments will contribute to growth but less than household consumption. Although companies are likely to invest in expanding their capacities, it mostly applies to large companies, which are often local entities of foreign businesses that still benefit from attractive labour costs in Poland despite their increase during the last years. Net exports will be a drag on growth with solid imports and concerns on export dynamics. Although the latter remained in positive areas, it already started to suffer from a lower demand in the second half of last year, especially in Germany, which remains the crucial export destination. Possible disruptions in global value chains could affect Polish producers that are widely integrated into them.

Labour shortages are likely to ease, facing lower demand expectations. However, a lack of workforce will be still an important obstacle for businesses. They are especially evident in the manufacturing, construction and transport sectors.

The budget nearly balanced despite social measures

The general government deficit has remained relatively low since 2017. It is estimated that it reached 1.0% of GDP last year. Costly social transfers, including child benefits and an increase of pensions, are going to be offset by social contributions and direct taxes revenues thanks to the favourable labour market and solid growth. Although the idea of removal of the payment cap on social contributions seems to have been abandoned, an increase in excise duties is still scheduled to be introduced in 2020. Moreover, this year's budget will benefit from one-off revenues, including a conversion fee from the transformation of the pension fund as well as sales of telecommunication frequencies and CO_2 emission certificates. The government assumed that the budget will be balanced this year, but such an assumption could be overoptimistic. The general government debt remains on a manageable and declining level, below 50% of GDP.

The current account balance turned slightly negative in 2018 and is estimated to remain in that area in 2019 and 2020. Trade in services continues to post a surplus, supported by transportation services abroad, and balanced trade in goods is still growing despite the global slowdown. Balances of primary and secondary income remain negative. The negative balance on primary income resulted mostly from negative balances on investment income and secondary income resulted from the negative balance on general government sector.

The governing party extends its lead

The ruling right-wing party Law and Justice (PiS) party has narrowly won a second term in office in the latest parliamentary elections held in October 2019. However, its grip on power was weakened after it lost control of the upper house (Senate) and failed to increase its absolute majority in the more powerful lower chamber (Sejm). The Senate is less powerful than the Sejm. It can delay and amend legislation, but the Sejm can override such moves with an absolute majority that the PiS has. However, the senate also has a say in nominating many key officials, which could undermine PiS's attempts to put all government institutions under its control. Compared to the previous term, an opposition-controlled upper house is likely to make the legislation process more difficult in this term. That would be specifically the case if the current President Andrzej Duda originating from PiS loses in the presidential elections scheduled for spring this year.

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 2018 Business Law Act (*Ustawa – Prawo przedsiębiorców*), companies are required to make settlements *via* bank accounts for any transaction exceeding the sum or equivalent of EUR 15,000 even when payable in several instalments. This measure has been introduced to combat fraudulent money laundering.

Bank transfers have become the most widely used payment method. Following phases of privatisation and consolidation, 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 - 2018	10.3
GDP PER CAPITA US Dollars - 2018	23,437
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.5	2.4	1.9	1.6
Inflation (yearly average, %)	1.6	1.2	0.9	1.2
Budget balance* (% GDP)	-2.9	-0.5	-0.2	0.1
Current account balance (% GDP)	0.4	-0.6	-0.6	-0.7
Public debt (% GDP)	123.9	120.1	117.5	114.8

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

TRADE EXCHANGES

Exports of goods as a % of total

SPAIN	25%
FRANCE	13%
GERMANY	11%
UNITED KINGDOM	6%
UNITED STATES	5%

Imports of goods as a % of total

SPAIN	31%
GERMANY	14%
FRANCE	8%
ITALY	5%
NETHERLANDS	5%

- Booming tourist destination
- Early sectoral and geographical diversification of exports
- Low labour costs for Western European standards
- Political stability and fluid governance
- Increasingly attractive to foreign talent

- Underdeveloped manufacturing sector with low-to-medium range added value
- High levels of public and private debt relative to investment
- Slow-functioning legal system
- Poor quality of bank portfolios; high bad debt rates
- Deepening infrastructure gap

RISK ASSESSMENT

The gentle slowdown continues under a risky external environment

After a couple of years of robust expansion, the Portuguese economy will continue its decelerating trend in 2020. The main factor behind the slowdown is the gradual degradation of the external environment and its spillover effects on domestic consumption. Growth in private consumption will go from 3% in 2019 to 2% in 2020, losing steam as the tourism boom moderates. More broadly, export growth will stagnate at 4% in 2020. The export basket is relatively diverse but with modest value added, specializing in vehicle assembly, oil refining, electrical components, shoes and wine. Furthermore, both private and public investment are expected to grow more slowly, due to the government's failure to maintain the public capital stock. Nonetheless, Portugal will continue to be one of the best-performing economies in the region, with the good health of the Spanish economy helping to weather the European downturn. Overall, the outlook remains encouraging but is subject to important downside risks. With the UK being the first tourism market, a disorderly Brexit could substantially depress 2020 tourist arrivals. The private sector has continued to deleverage, but with household and corporate debt at 70% and 130% of GDP, respectively, demand remains vulnerable to shocks. Similarly, bank capital and asset quality has continued to strengthen but the non-performing loan ratio remains high by Eurozone standards (9.4%), only behind Cyprus and Greece.

2020: the year of the balanced budget?

Unburdened by the costly bank recapitalizations that had weighed on expenditures in recent years (Caixa Geral de Depositos in 2017 and Nova Banco in 2018 and 2019), the government should be able to post a neutral public balance or even a small surplus for the first time in decades. Despite the economic slowdown, the labor market will remain in good health with unemployment continuing to decrease, thus yielding a steady stream of social contributions to support revenue. Reducing the country's considerable public debt has been a priority for the centre-left coalition and this will continue in its second mandate, as the debt ratio is expected to decrease further in 2020. Given the continuation of ultra-low interest rates, public debt could be brought down to 100% of GDP by 2024 if growth stays close to potential (1.4%). However, slashing the deficit in recent years has come at the expense of maintaining the quality of infrastructure. At 2% of GDP, the level of public investment is among the lowest in the Eurozone and insufficient to counteract the erosion of the public capital stock, which has suffered a net depreciation of 1% of GDP every year since 2016. Otherwise, expenditure is mainly driven by the wage bill (11% of GDP) and social benefits (18% of GDP). The wage bill has grown mechanically on the back of the removal of pay freezes and the extension of the work week, and the pension system is the 6th most generous in the OECD. With the post-crisis labor cost devaluation process moderating, the country is again posting current account deficits. However, they are small (-0.7% of GDP) and financed through FDI and capital transfers rather than hot debt flows as was the case in the pre-crisis period. The service surplus, underpinned by tourism, is the main source of receipts counterbalancing trade and income deficits caused by domestic consumption and the service of foreign debt.

The centre-left coalition gets a second mandate

On October 6, the Socialist Party (SP) capitalized on a prosperous first term in office by becoming the largest party in Parliament in a general election marked by a record-high abstention rate (45%). Led by incumbent PM Antonio Costa, the centre-left party carried 36.7% of the vote and secured 106 seats out of 230 in the unicameral legislature, up from 86 in 2015 but 10 short of an absolute majority. Furthermore, the SP will ostensibly carry more leverage within the governing coalition, as it now only needs the support of one of the two hard-left parties, the Left Bloc (BE, 19 seats) and Communist Party/Greens (UDC, 12 seats). Meanwhile, the mainstream right parties – the Social Democratic Party and the People's Party – saw their combined share of the vote decline from 39 to 32%. Costa has reiterated his commitment to reducing the debt, but less growth will mean a more challenging second term. The electorate seems satisfied for now, but the high abstention rate signals that there is a potential reservoir of frustrated voters. Should the SP lose popular support, the incentives holding up the coalition could shift. So far, it has been expedient for the far-left to associate itself to the government's successes. But, if and when a SP-led government stops delivering results, the BE and the UDC could hope to capitalize on voter dissatisfaction to pull the political landscape further to the left. However, this scenario would need the materialization of global risks.

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.

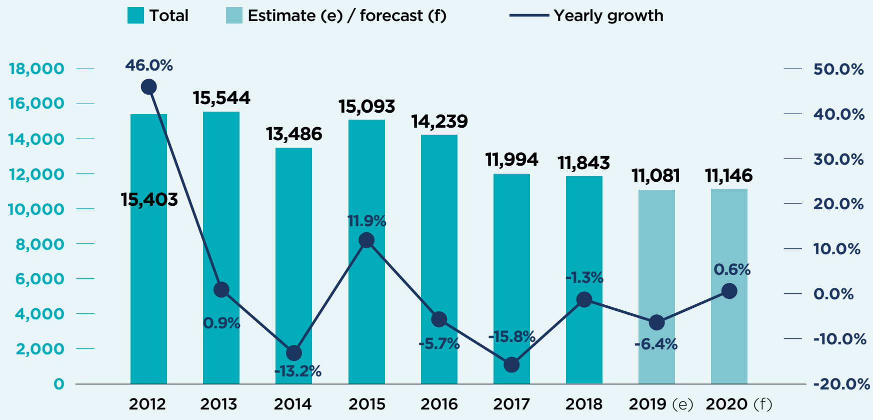
Restructuring proceedings

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 FAILURES



Source: Racius, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	2.7
GDP PER CAPITA US Dollars - 2018	70,379
CURRENCY Qatari rial	QAR

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	17%
SOUTH KOREA	17%
INDIA	12%
CHINA	11%
SINGAPORE	8%

Imports of goods as a % of total

EURO AREA	19%
UNITED STATES	19%
CHINA	12%
INDIA	6%
UNITED KINGDOM	6%

+
- Massive gas reserves
- One of the largest exporters of liquefied natural gas (LNG)
- Strong financial buffers protecting economy from external shocks
- High *per capita* income

−
- Sensibility to shift in energy prices
- Still high level of hydrocarbon-dependence of the economy
- Slower growth in infrastructure as the World Cup 2022-linked projects are winding down
- Existence of geopolitical risks related to the GCC crisis

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.6	1.5	2.0	2.8
Inflation (yearly average, %)	0.4	0.2	-0.4	2.2
Budget balance (% GDP)	-2.9	5.3	7.0	6.9
Current account balance (% GDP)	3.8	8.7	6.0	4.1
Public debt (% GDP)	49.8	48.6	53.2	48.0

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

RISK ASSESSMENT

Growth prospects below historical average mainly on fading government spending, decelerating investments

Growth is expected to pick up slightly in 2020 it would remain below its average of 12.6% between 2005/2014, despite slowing activity in the mining and quarrying sector, which accounts nearly for half of GDP. Construction sector will also continue to show weakness as long-term infrastructure projects have now neared completion. 43% of the 2019 budget has been allocated to the major projects in leading sectors such as healthcare, education, transportation and others related to the hosting of the World Cup 2022, underlining the importance of government spending to sustain growth. Hence, lower government support will drag down investment growth. Over the next few quarters, hydrocarbon production, which accounts for roughly half of GDP, may slow down due to contracting natural gas production. Yet, by the end of 2020, it may start to increase through with the Barzan Gas and North Fields expansion projects, if they become operational. Private consumption, which represents only 25% of GDP, will continue to contribute positively to growth, as it would be backed by public sector wages. Prospects will remain challenging for the manufacturing sector that contracted by 7.4% in Q2 2019 from a year earlier due to the continuous blockade by Saudi Arabia and its allies since mid-2017. On the other hand, with the Qatari dinar remaining pegged to the US dollar, Qatar Central Bank is expected to follow the footsteps of the US Federal Reserve in cutting its rates in the coming quarters. However, credit growth would remain limited thanks to the limited demand from the public sector and a weak construction sector.

Fiscal balances on track, solid financial buffers

After recording a deficit in 2017, Qatar's budget is estimated to produce a large surplus in 2020. Global recession risks and weaker demand for oil are expected to lower oil prices, which in return can be a drag on the revenue side. Between 1990 and 2018, hydrocarbon revenues averaged about 90% of total fiscal revenues. As a result, lower oil prices and slower hydrocarbon production in the upcoming period are seen to offset partly the positive impact coming from the introduction of excise tax early in 2019. On the other hand, as large infrastructure projects linked to the 2022 World Cup are ending, the capital spending of the government is expected to decline, supporting the fiscal surplus. Investment spending accounts for two fifths of total expenditure. In case of the worsening of global uncertainties, Qatar's fiscal performance would be negatively impacted on decreasing oil prices, as it would push the government to increase its counter cyclical spending. However, the country has enough financial buffers to withstand against global shocks. Lower energy prices and decline in hydrocarbon production are expected to drag down Qatar's current account surplus as hydrocarbon exports represent nearly 80% of total export revenues. Nevertheless, declining demand for imported capital and consumer goods will decrease import growth, which would avoid a rapid narrowing of the current surplus. Having said that, Qatar's external position will continue to remain solid thanks to the large sums in its foreign reserves and sovereign wealth fund.

Looking for new alliances, political outlook remains mostly stable

It does not seem that the boycott implemented by Saudi Arabia, Bahrain, the United Arab Emirates and Egypt against Qatar for over two years now will be lifted soon. However, this situation has neither fundamentally affected Qatar's economy, nor domestic political stability. The country continues to chase new alliances, as it has started to change its traditional moderator role in the region into a more leading position. It has strengthened ties with Turkey and Iran but it has also started to look to widen its strategic relations in East Africa. Business environment has improved thanks to the construction of new transportation infrastructure in the country ahead of the World Cup. The government continues with its efforts to boost private sector through economic diversification which creates new business opportunities. The issuance of a long awaited public-private partnership (PPP) law, which was already approved by the Cabinet in April 2019, would support the development of the private sector.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	19.5
GDP PER CAPITA US Dollars - 2018	12,270
CURRENCY Romanian leu	RON

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.1	4.0	3.9	3.6
Inflation (yearly average, %)	1.1	4.1	3.8	3.5
Budget balance (% GDP)	-2.6	-3.0	-4.3	-4.0
Current account balance (% GDP)	-3.4	-4.4	-5.0	-5.2
Public debt (% GDP)	35.1	35.0	36.9	38.2

(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	9 %
HUNGARY	7 %
POLAND	6 %
CHINA	5 %

+
- Large domestic market
- Significant agricultural potential: wheat, barley, colza, etc.
- Limited energy dependence thanks to coal, oil, gas and uranium
- Large-scale renewable electricity production
- 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	MEDIUM
CHEMICAL	MEDIUM
CONSTRUCTION	HIGH
ENERGY	HIGH
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 activity is expected to slow slightly this year. Private consumption will ease, although its solid level and substantial share in the economy (63% of GDP) will keep it as the main growth driver. The ongoing improvement on the labour market, with the unemployment rate dropping to 3.8% in mid-2019, and further growth of wages and pensions, will continue to support household spending. Wages are being driven by the increasing scarcity of labour, which is a result of emigration and an ageing population. To tackle that, the government intends to attract an inflow of immigration. Quotas for non-EU foreign workers have been increased, while Vietnamese immigrants are likely to come to the Romanian labour market based on an agreement between the two governments. Despite the tight labour market, wage growth will be lighter compared to previous years due to the economic slowdown, while effects of previous public sector wage hikes and increases of minimum wages will fade out.

Next to household consumption, fixed asset investments are expected to bring a solid contribution to growth. Their increase will be supported by construction and infrastructural investments, partly co-financed with EU funds. Already last year residential building increased strongly.

Net exports will improve thanks to a less dynamic private consumption and slower imports consequently. On the other hand, exports' growth will be limited due to the global trade downturn and deteriorated prospects of main export destinations. Therefore, the contribution of next exports to GDP growth is likely to remain negative but less so. The manufacturing sector benefited from cost competitiveness supporting its exports, which however, are now suffering from sluggish foreign demand. Although the automotive sector is still strongly fuelled by rising Dacia car sales both on domestic and foreign markets, other manufacturing sectors have suffered from sizeable increases in wages (expanding faster that the labour productivity growth), mostly hitting textiles, leather and furniture sectors.

Public and external accounts deficits to widen more

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. Indexed pensions increased by 15% in September 2019 and should rise again by an additional 40% in September 2020. Wages and social benefits are estimated to have absorbed above 60% of last year's budget expenditures. Upcoming elections (local and parliamentary) in 2020 are likely to maintain the double-digit wage growth intact, at least in the public sector. Moreover, it will also support public investments that continue increasing thanks to an acceleration of spending on projects co-financed by EU funds, as we get closer to the end of the current programming period (2014/2020). The majority of the fiscal deficit remains externally financed, with yields of sovereign bonds roughly double those of Hungary, which are rated only slightly higher than Romania (10-year bonds' yields of 2% and 4.2%, respectively in August 2019). The current account deficit is expected to increase further as a result of deteriorating trade balance in goods resulting from solid internal demand. The services balance and the secondary income balance were on the positive side. The current account deficit is expected to be financed from bond issues as well as increasing capital transfers of the EU, as well as FDI. On the other hand, the general government debt remains at relatively low levels but it is likely to exceed 40% of GDP in the course of next year.

Political tensions

Romania's government lost a no-confidence vote in October last year, as the Social Democratic Party (PSD) lost its coalition partner ALDE and thus the governing majority. Previously, PSD had been shaken by weak results in the European Parliament elections in May 2019, even though it had gotten rid of its controversial leader, Liviu Dragnea, who faced criminal investigations and was imprisoned for corruption. Subsequently, the PSD-led government had been reshuffled and had given up controversial initiatives to reform the legal system, which had irked EU institutions. The leading party of the opposition, the National Liberal Party (PNL), formed a minority interim government of Prime Minister Ludovic Orban, which won a confidence vote (with the support of five parties: PNL, USR, ALDE, PMP and UDMR) in November 2019. Next parliamentary elections are scheduled for November 2020. However, a possibility of early elections cannot be ruled out.

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

Summons for payment

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.

Summons of a lower value

This procedure was designed as an alternative to common law proceedings and to the ordinance procedure. Its aim is to enable a fast resolution to patrimony litigations, when the value does not exceed RON 10,000 and does not refer to matters excepted by the law. The procedure entails the use of standard forms, approved by Minister of Justice. These include the request form, the form for completion and/or rectification of the request form and the response form. Romanian legislation expressly states that only documents can be presented as evidence.

The decision of the court can be submitted to appeal within 30 days under common law, except for requests relating to debts with a maximum amount of RON 2,000. By way of derogation from the common law however, the exercise of appeal does not suspend the enforcement procedure.

Ordinary proceedings

Common Law procedure

The judge orders the communication of the request to the debtor, who must submit a statement of defence within 25 days of the petition. The creditor is obliged to submit an answer within 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 (RUSSIAN FEDERATION)

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	146.8
GDP PER CAPITA US Dollars - 2018	11,289
CURRENCY Russian ruble	RUB

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.5	2.3	1.1	1.6
Inflation (yearly average, %)	3.7	2.9	3.6	3.8
Budget balance (% GDP)	-1.5	2.9	1.5	1.1
Current account balance (% GDP)	2.1	6.9	5.0	4.5
Public debt (% GDP)	15.5	14.6	15.8	16.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
CHINA	12%
BELARUS	5%
TURKEY	5%
SOUH KOREA	4%

Imports of goods as a % of total

EURO AREA	29%
CHINA	22%
UNITED STATES	5%
BELARUS	5%
JAPAN	4%

+

- Abundant natural resources (oil, gas and metals)
- Diversification efforts
- Floating of the ruble since November 2014
- Market size and skilled labour force
- Macroeconomic stability: strong public and external accounts that ensure resilience to external hazards
- Efforts to clean up the banking sector (469 institutions in May 2019 compared with about 900 in 2013)
- Digitisation and innovation capacity

−

- Dependent on hydrocarbon prices
- Declining demographics
- No trade agreements beyond immediate neighbours
- Dependent on foreign technology
- Weak infrastructure aggravated by lack of investment
- Heavy social security contributions (30% of salaries) 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	HIGH
CHEMICAL	LOW
CONSTRUCTION	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	HIGH
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Acceleration conditioned by public investment

Russia has recovered from the 2015/2016 recession. While growth may appear timid when compared against the rise in hydrocarbon prices, the expansion reflects the country's economic capacity and the authorities' desire to separate growth from oil wealth, which is subject to wide variations. To this end, and against the backdrop of Western sanctions, Russia adopted a fiscal rule in 2018 to reduce its non-hydrocarbon deficit and diversify the economy. In this context, the focus is on investment. However, household consumption (50% of GDP) will remain the main contributor to growth, expanding in line with the economy. Remuneration will benefit from tight labour market conditions, productivity efforts and increases in public wages (28% of jobs) and pensions. Credit growth, although slower, will remain comfortable, while the central bank could cut its key interest rate further (6.25% in December 2019) with inflation close to its target (4%). Investment (21% of GDP) is expected to contribute almost the same amount to growth by rising strongly, at least if the 13 national projects laid out by President Putin in 2018 get underway. Targeting roads, education and health, these projects aim to increase growth potential and reduce poverty (14% of the population lives below subsistence level and 65% of people receive assistance). Russia's sovereign wealth fund (SWF) may provide financing for the projects, which will be three-quarters public. However, an overly great impact should not be expected, as the projects overlap with pre-existing initiatives and public expenditure has a weak multiplier effect. Moreover, despite measures to promote economic diversification, private investment, which is already squeezed by the size of the public sector (38% of reported value added with 32,500 companies), is unlikely to be vibrant. It has to cope with sanctions that include restrictions on access to international financing, while domestic credit to companies remains parsimonious and more expensive. While grain exports will benefit from the better 2019 harvest, oil exports will face flat prices and the production cap contained in the OPEC+ agreement, while other exports (ore, timber, basic and intermediate industrial products, transport equipment) will be affected by cooler global demand. At the same time, imports are set to grow faster, in line with domestic demand, despite encouragement to use substitute local products and increase local content.

Hydrocarbon-fuelled surpluses

The fiscal rule introduced in 2018, following on from those of 2004, 2008 and 2012, has been somewhat relaxed: it forecasts a primary deficit (no longer a balanced budget) over the 2019/2024 period based on an oil price of USD 40 (2017 price adjusted for US inflation). Additional government revenue generated by a higher Urals oil price is set aside as foreign assets in the national stabilisation fund. However, as the fund has exceeded 7% of GDP, money can be spent on public investments. Adoption of the rule was accompanied by fiscal consolidation, which enabled the crude oil price required for a balanced primary budget to be lowered from USD 110 in 2013 to USD 43 in 2018, while the non-oil deficit fell from 9.4% to 7%. Non-oil revenues represent 26% of GDP, while the rest are equivalent to 8%. These revenues are mainly used to finance current expenses including subsidies (7% of GDP). Public debt and its servicing are low, as the SWF was tapped during the recession. The external share represents 3% of GDP.

Even if it narrows, the current account surplus will remain high in 2020. Despite declining, the trade surplus (11% of GDP in 2019) linked to hydrocarbon exports (54% of total exports) will be considerable and will more than compensate for the deficit in services and income (oil and gas engineering expenses, Russians travelling abroad, dividends from foreign companies, transfers of foreign workers). Excluding hydrocarbons, the trade and current account balances would be negative at 3% and 8% of GDP respectively. Despite the efforts made since the application of sanctions, the substitution of domestic products for imports only goes so far, except in the agri-food sector. The financial account has become slightly negative (estimated at -1% of GDP in 2019). The Russian private sector has stopped deleveraging, while net foreign investment flows are negative. Private external debt has fallen to 24% of GDP, while growing foreign exchange reserves already stand at 18 months of imports and more than five times short-term debt.

Power fatigue and an uneven business environment

Vladimir Putin (67), who has been in power for 17 years, began a new 6-year term in May 2018. His popularity has been eroded by pension reforms. Demonstrations on an unprecedented scale have taken place in large cities, but also in small towns, to protest the barring of opposition candidates from running in the September 2019 local and regional elections, as well as corruption and economic difficulties. Despite a satisfactory rating in the Doing Business and Global Competitiveness reports (78/100 and 67/100, respectively), institutional performances (corruption, regulation, justice, insolvency treatment, protection of minority interests, random contract enforcement, patronage) need to be improved.

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 5% 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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	12.1
GDP PER CAPITA US Dollars - 2018	787
CURRENCY Rwanda franc	RWF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.2	8.6	10.2	8.6
Inflation* (yearly average, %)	4.9	1.4	2.3	5.0
Budget balance** (% GDP)	-4.6	-4.6	-5.8	-6.2
Current account balance (% GDP)	-7.7	-7.9	-9.4	-10.2
Public debt (% GDP)	48.9	53.1	55.2	56.9

(e): Estimate. (f): Forecast. * Urban inflation, main gauge of inflation. ** Fiscal year from 1st July - 30th June, 2020 data: FY19-20.

TRADE EXCHANGES

Exports of goods as a % of total

DR CONGO	26%
UNITED ARAB EMIRATES	18%
KENYA	12%
SWITZERLAND	7%
EURO AREA	6%

Imports of goods as a % of total

CHINA	19%
UNITED ARAB EMIRATES	10%
EURO AREA	10%
INDIA	9%
UGANDA	8%

+

- Geological potential: cassiterite, coltan, gold, precious stones (aquamarine, ruby, sapphire)
- Tourism potential
- Developing industrial base
- One of the most favourable business environments on the African continent
- Significant progress in governance and relative political stability

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- 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

Domestic demand as a source for robust growth

In 2020, the growth momentum is expected to remain strong, driven by public investment. As part of the National Strategy for Transformation (NST), this investment should particularly support the construction sector. Besides completion of the Bugesera airport project, work is also poised to continue on the Gisagara thermal power plant and infrastructure in the special economic zones (Bugesera, Rwamagana), for example. The impetus from public investment should be followed by that of the private sector, providing benefit to the agriculture and mining sectors as well. The former will be driven by the expansion of export crops, especially coffee and tea, while the latter is expected to get support from initiatives to promote investment in mineral exploration and trade. Nevertheless, growth in the mining sector will remain vulnerable to price movements. The health of these two sectors will in turn shape the health of transport and trade. Private consumption, helped by measured inflation and private credit growth, is expected to benefit the service sectors, including telecommunications. Services will also likely be supported by tourism. The expansion of RwandAir, the national airline, with the opening of new routes, should accompany the expansion in this sector. Earnings from tourism, mining and agriculture should support export revenues, but the contribution of the trade balance to growth is expected to be negative given the likely faster growth of imports.

A more flexible fiscal policy to support the NST

In 2019/2020, NST execution will dictate budgetary priorities. This will maintain the budget deficit, which is expected to widen. About 40% of the budget resources will thus be allocated to capital investment expenditure, which will mainly target infrastructure in order to achieve the country's industrial ambitions. The increase in recurrent expenditure, particularly the wage bill, should be more contained to free up additional resources for investment projects. In terms of revenue, in a context of declining international budget support, efforts to improve the mobilisation of domestic resources will continue, in particular through a revision of the Excise Duty law. Financing will be mainly based on external borrowing, contributing to a continued upward debt trajectory. However, the risk of debt distress remains measured, given the large share of concessional loans in external debt (almost 90%).

Infrastructure projects weigh on the current account deficit

In 2020, the current account deficit is expected to widen, still burdened by a large trade deficit. In particular, imports of capital goods will continue to weigh heavily, despite a likely increase in export earnings. Infrastructure projects are also expected to increase the service deficit, despite improved tourism revenues. The trend towards increased repatriation of profits by foreign companies will continue to affect the income account. The transfer balance will remain in surplus, thanks especially to international aid and donations, but also to transfers by expatriate workers. Robust capital inflows, mainly FDI and project loans, should make it possible to finance the substantial current account deficit, contribute to the gradual accumulation of foreign exchange reserves, and contain 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. The Rwandan Patriotic Front (RPF) and Mr Kagame's grip on power was once again confirmed during the September 2018 legislative elections, as the RPF, acting within a broad coalition of six parties, won 74% of the votes and 40 of 53 seats. The opposition's role is even more limited, as nine other seats were won by traditional allies of the RPF. Regularly accused of muzzling dissent and controlling the 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, including measures to reduce financing and transport costs. Ranked 38th (out of 190 countries) in the Doing Business 2020 report, the country's business climate is not only one of the most attractive on the continent but also internationally competitive. Nonetheless, relations with neighbours in the Great Lakes region, notably with Burundi, remain difficult. In 2019, there were also tensions with Uganda amid mutual accusations of destabilisation at the border. An agreement signed in August 2019 should help appease these tensions. The precarious security situation in South Kivu (east of the Democratic Republic of the Congo) is also a source of tension with Rwanda's Congolese neighbour. Measures adopted at this border to prevent the spread of the Ebola virus, which is proving hard to contain in eastern DRC, could add to the tension.

SÃO TOMÉ AND PRÍNCIPE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	**0.2**
GDP PER CAPITA US Dollars - 2018	**1,943**
CURRENCY São Tomé and Príncipe dobra	**STD**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.9	2.7	2.9	3.4
Inflation (yearly average, %)	7.7	9.0	7.9	7.4
Budget balance* (% GDP)	-2.8	-4.7	-2.6	-2.5
Current account balance** (% GDP)	-8.2	-7.3	-7.6	-8.0
Public debt (% GDP)	92.4	95.0	94.5	93.6

(e): Estimate. (f): Forecast. * Excluding oil revenue, grants and associated expenditure. ** Including official transfers.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	88%
CHINA	8%
NEW ZEALAND	4%
ANGOLA	2%
CÔTE D'IVOIRE	1%

Imports of goods as a % of total

EURO AREA	58%
ANGOLA	23%
CHINA	6%
BRAZIL	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 and import costs due to remote island location
- Underdeveloped and weak banking sector
- High level of public debt

RISK ASSESSMENT

Growth dependent on external financing

After two years of poor economic performances, growth will be moderate in 2020. Energy supply issues, which are particularly damaging to activity, are likely to persist despite the government's efforts (purchase of new thermal generators, development of photovoltaic and hydroelectric production). Growth will remain dependent on external financing, which mainly takes the form of public investment (10% of GDP). Efforts to build and upgrade roads and restore the electricity grid are expected to continue, while work to expand the international airport will start in 2020, driven by Chinese financing. These infrastructure projects are aimed notably at supporting growth in the tourism sector, which will continue to expand. However, the sector will be hurt by the weak local banking sector, notwithstanding the moderate recovery in credit growth in 2019. Investments will also be supported by the resumption of offshore oil exploration, notably by Total, in the development area shared with Nigeria. Agriculture and, to a lesser extent, fisheries will contribute to growth. Cocoa exports may be more buoyant thanks to a gradual increase in world prices, with Ghana and Côte d'Ivoire (60% of world production) looking to work together to limit their output. Solid performances by the agriculture and tourism sectors should boost household consumption, but the fiscal consolidation advocated by the IMF, coupled with high inflation due to energy prices on the archipelago, will have an adverse impact.

Structural twin deficits and debt under supervision

In 2020, the overall government deficit should decrease slightly as the domestic primary deficit, which excludes interest on debt, oil revenue as well as grants, subsidies and associated expenditure, continues to decline, in line with the fiscal consolidation advocated by the IMF under the new Extended Credit Facility arrangement granted in October 2019 and worth USD 18 million over 40 months. The IMF expects the country to control its spending, including by scaling back subsidies on fuel prices, and to increase its income, notably by introducing VAT. Implementation of the new tax, scheduled for January 2021, should make it possible to raise more domestic resources. These resources, which remain low, constrain the country's fiscal policy, which already has to contend with volatile external financing. Despite the work being done to reverse the debt trajectory, the risk associated with debt sustainability remains very high. Notwithstanding restructuring negotiations, the country remains in arrears with some bilateral creditors, namely Brazil, Angola and Equatorial Guinea, as well as with domestic creditors. For instance, through the national water and electricity utility company, the country is heavily indebted to ENCO, a company that provides oil to the archipelago and that belongs to an Angolan state-owned company.

The country's island location and limited economic diversification will continue to fuel the trade deficit (30% of GDP) and, consequently, the current account deficit (excluding grants), which is likely to widen slightly in 2020. The rise in imports, particularly of capital goods required for infrastructure projects, will only be partially offset by higher exports of goods, mainly cocoa, and services linked to tourism revenues. In addition, expatriate remittances could decline, particularly with the euro zone slowdown. 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 (equivalent to only 3 months of imports in July 2019) on which the sustainability of the dobra's peg to the euro depends.

A coalition tested by reforms

Since the October 2018 parliamentary elections, the coalition formed by the Movement for the Liberation of São Tomé and Principe – Social Democratic Party (MLSTP-PSD) and several smaller parties (PCD-UDDD-MDFM) has been in power, despite the relative majority (25 seats out of 55) of the Independent Democratic Action (IDA) party, which previously held the absolute majority. At the helm of the coalition, Jorge Bom Jesus succeeded Patrice Trovoada (IDA) as Prime Minister, leading to a power-sharing arrangement with President Evaristo Carvalho, elected in 2016 and a member of the IDA. Implementation of the IMF's recommended fiscal reforms, which are potential sources of popular opposition, could test the stability of a coalition with the narrowest possible majority (28 seats).

The country's lack of infrastructure and weak legal and regulatory environment are a constraint on the business environment, which came 170th out of 190 countries in the Doing Business ranking.

External cooperation will remain crucial for the archipelago. Relations with Portuguese-speaking countries, including Portugal, Angola and Brazil, are still very important. Since recognizing the One China policy at Taiwan's expense in 2016, São Tomé and Principe has improved relations with China, as illustrated by the increasing funding provided to the archipelago.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	33.4
GDP PER CAPITA US Dollars - 2018	23,539
CURRENCY Saudi riyal	SAR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-0,7	2,4	0,2	2,2
Inflation (yearly average, %)	-0,9	2,5	-1,1	2,2
Budget balance (% GDP)	-9,2	-5,9	-6,1	-6,6
Current account balance (% GDP)	1,5	9,2	4,4	1,5
Public debt (% GDP)	17,2	19,0	23,2	28,4

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	13%
EURO AREA	12%
JAPAN	11%
INDIA	9%
SOUTH KOREA	9%

Imports of goods as a % of total

EURO AREA	19%
CHINA	17%
UNITED STATES	14%
UNITED ARAB EMIRATES	9%
INDIA	4%

+

- Large financial resources
- Efforts of modernisation of the economy by opening it more to foreign investments
- Key oil producer in the world, important position in OPEC
- Diversification efforts outside of oil & gas (construction, retail, transport, services, etc.)
- Peg to the US dollar fitted to the structure of the economy
- Large population, strong willingness to consumption

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- Slower growth performance
- Increased perception of security risks after attacks on oil facilities
- Rising price pressures squeeze corporate margins
- High dependence on oil, exposure to oil price fluctuation
- Costly and numerous public sector employment, still high energy subsidies

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	MEDIUM
TEXTILE-CLOTHING	MEDIUM
TRANSPORT	MEDIUM
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Growth dragged down by low oil prices, non-oil remains supportive

Continuous weakness in oil prices is putting downward pressure on Saudi growth, as mining including oil and gas accounts for almost 40% of GDP. Saudi Arabia, an OPEC member, will continue to over-comply with OPEC and non-OPEC countries' agreement to cut oil production until March 2020. With the agreement to be extended beyond that date, the Saudi oil production seems to remain capped. The country's oil production is supposed to be cut to 10.3 million barrel per day (b/d), nearly 322,000 b/d lower compared to the pre-agreement period. Yet, Saudi Arabia has been cutting even deeper its production to around 9.7 million b/d to support prices. Conversely, the government driven investment plans in various sectors such as infrastructure, housing, energy etc. will support growth. The new investments are partly financed by the Saudi Industrial Development Fund (SIDF) that has unveiled a series of financial services and products to support the private sector in September 2019. Authorities also seek to invest 1.6 trillion rials (nearly USD 430 billion) in the private sector over the next ten years, in infrastructure and industry, within the Kingdom's economic diversification programme: Vision 2030. Fiscal stimulus (annual allowances for public sector workers, inflation allowances, continuous payments under the Citizen Account Program etc.), will help private consumption to rise. Net exports will weaken in the upcoming period due to weak oil prices and lower oil production. On the other hand, import demand for machinery, raw materials and other intermediate goods necessary for domestic investments will continue. Saudi Arabia mostly imports machinery, electrical equipment, metal and chemical products, transport equipment and food products. Therefore, the current account surplus is going to further diminish. Latest PMI readings show that operating conditions in the non-oil private sector is improving. This trend is expected to continue in 2020 on the back of new order growth, despite softer external demand.

Wider budget deficit funded by reserves and debt issuances

In the short run, Saudi Arabia is not expected to revert back to fiscal austerity measures. As low oil prices hit oil revenue (accounting for nearly 70% of the total despite the recent introduction of VAT, expatriate fee and excise tax), authorities announced a wider fiscal deficit reaching 187 billion riyals (USD 49.9 billion and equivalent to 6.5% of GDP) compared to an estimated 131 billion riyals in 2019. The Saudi estimated fiscal break-even point stands at USD 84 per barrel for 2020 as per the IMF, which is another sign that the budget deficit will be sizeable in 2020, as it seems highly unlikely for oil prices to reach those levels. Moreover, recent attacks on Aramco's two main oil infrastructures could incite the government to spend more on defence and security, leaving less resource for other sectors such as infrastructure, healthcare etc. On the other hand, Saudi Arabia has vast financial resources to meet its financing requirements. Wider budget deficits will be financed by a combination of foreign exchange reserves and debt issuance on domestic and external debt markets. As of September 2019, Saudi Arabia's total outstanding direct indebtedness amounted to USD 174.8 billion, including USD 95.9 billion of domestic indebtedness and USD 78.9 billion of external indebtedness. Total foreign exchange reserves of the central bank stood at USD 500 billion as of September 2019, equivalent of nearly four years of imports and supportive of the peg to the dollar. The kingdom's FDI outflows were around 2.5% of its GDP in 2018.

Domestic stability is expected to remain with few challenges ahead

Lower oil prices have changed the long-term attitude of the government from a closed economy towards a more open one where private sector is encouraged and austerity measures are implemented. Although this is not expected to create domestic instability, it may lead to a transformation of the society in the coming years. The Vision 2030 program, which aims to modernize the Saudi economy by opening it to further international investors, encouraging some new sectors such as technology and entertainment, and giving women a greater role in the working and social life, will also be playing a part in this change. The political status quo is expected to continue. Externally, tensions with Iran can increase potential political risks for Saudi Arabia. On the other hand, the Saudi-led military coalition was confronting the Iran-backed Houtis in Yemen. The indirect rapprochement between Saudi Arabia and Houtis can play an important role to pave the way for further talks during 2020.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	B

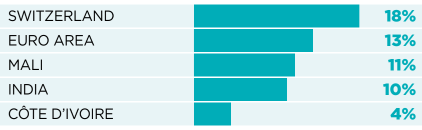
POPULATION Millions of persons - **2018**	**16.3**
GDP PER CAPITA US Dollars - **2018**	**1,441**
CURRENCY CFA franc (WAEMU)	**XOF**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.1	6.7	6.1	6.5
Inflation (yearly average, %)	1.3	0.5	-0.5	1.5
Budget balance (% GDP)	-3.0	-3.6	-3.7	-3.0
Current account balance (% GDP)	-7.3	-8.8	-8.2	-9.2
Public debt (% GDP)	60.6	63.3	64.4	64.6

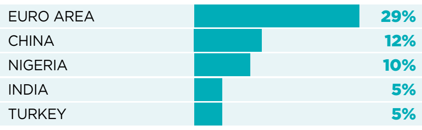
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Strong economic momentum linked to implementation of major investment projects
- Donor support under the Emerging Senegal Plan
- Headway in 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

Strong growth prospects

Growth cooled in 2019, reflecting political uncertainty and a slight slowdown in public investment and consumption. However, by 2020, it is expected to increase as these drivers recover. They will be mainly supported by the implementation of the second phase of the Emerging Senegal Plan (PSE), which should create a spillover effect for private sector investment. In particular, the prospects for oil and gas development, with commercial production set to begin in 2022, will draw these investments, which will likewise be directed towards the construction and improvements of the energy and transport infrastructure network, as well as the development of the ICT, textile and agricultural sectors. Although exposed to climate risks, agriculture will benefit from efforts to modernise the sector. With more than 50% of households still relying on income from agriculture, private consumption is also expected to support growth. Domestic consumption dynamics and tourism growth will drive trade activities. Efforts to improve the reliability of energy supply and develop special economic zones (Diamniadio, Diass and Sandiara) could help to boost industrial activity. The contribution of the trade balance to growth will be constrained by the country's relatively small export base and, above all, by the likely increase in imports.

Mounting fiscal challenges

In 2020, the budget deficit is expected to be back in line with the WAEMU requirement of 3% of GDP, after increasing in 2019 owing to settlement of arrears of the National Electricity Company (Senelec), representing about 0.7% of GDP. Fiscal policy should be influenced by efforts to improve the tax burden, as revenues represent around 16% of GDP, *i.e.* short of WAEMU's 20% target. In particular, the government intends to pursue efforts to overhaul the customs administration. On the expenditure side, the State's wage bill and, above all, debt service payments will continue to absorb a large proportion of budgetary resources. Accordingly, the government will probably undertake a rationalisation of government-operating expenditures to reduce the share of current expenditures and thus free up resources for capital investment. Although the risk of debt distress remains limited, the deterioration of debt indicators, particularly those relating to debt service, should warrant a more prudent borrowing strategy.

In 2020, the current account deficit is expected to worsen, following the widening trade deficit. Although exports are likely to continue rising (particularly fish products and gold), the increase in the import bill for capital goods, particularly in connection with hydrocarbon projects, will weigh on the balance. The same reasons are also likely to be at the root of a deterioration in the small services deficit, despite the contribution of tourism revenues. Repatriation of foreign investment income and interest payments on public debt will further pressure the income balance. Remittances from expatriate workers abroad will contribute to the surplus in the transfer account, despite a decline due to weaker global economic conditions. The deficit should continue to be financed by debt, despite an increase in FDI.

A second term and high expectations for the President

In February 2019, President Macky Sall was comfortably re-elected, winning 58.3% of the vote in the first round of the election and building on the victory of his Benno Bokk Yakaar (United in Hope) coalition in the parliamentary elections held in 2017. His re-election will enable him to move ahead with the second phase of the PSE, which includes a component on improving the business climate, which remains challenging (123rd out of 190 countries). Despite the victory, widespread frustration persists over the perception that living standards are not improving fast enough. The social climate has grown particularly tense following accusations against the President's brother, Aliou Sall, who is suspected of receiving payment for the award of gas and oil licenses in 2012. This case has added to a sense of corruption and has been the source of several demonstrations. On the other hand, at the end of 2019, the rapprochement between Macky Sall and Abdoulaye Wade - his predecessor as President - followed by the presidential pardon granted to Khalifa Sall - former mayor of Dakar, who was sentenced in March 2018 to five years' imprisonment on charges of embezzlement of public funds - seem to reflect an effort to defuse social tensions arising from concerns over the perceived consolidation of presidential power. Insecurity at the borders with Mali and Mauritania, and in the Casamance region, remain a concern.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	7.0
GDP PER CAPITA US Dollars - 2018	7,223
CURRENCY Serbian dinar	RSD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.0	4.3	3.3	3.7
Inflation (yearly average, %)	3.1	2.0	2.0	2.0
Budget balance (% GDP)	1.1	0.6	-0.4	-0.6
Current account balance (% GDP)	-5.2	-5.2	-6.0	-7.0
Public debt (% GDP)	58.7	54.4	52.0	50.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	43%
BOSNIE & HERZEGOVINA	8%
ROMANIA	6%
RUSSIA	6%
MONTENEGRO	5%

Imports of goods as a % of total

EURO AREA	40%
CHINA	8%
RUSSIA	8%
HUNGARY	5%
TURKEY	4%

+

- Stabilisation and Association Agreement with the EU allowing 93% of Serbian products to enter without customs duties
- Ongoing EU accession process (17 of 35 chapters have been opened, of which two have been closed)
- Public sector reform in coordination with the IMF and EU
- Natural resources (coal, bauxite, copper, zinc, gold) and food self-sufficiency
- Modern automotive industry

-

- Lack of transport infrastructure is damaging in a country without maritime access
- Massive and inefficient public sector
- Slow judicial proceedings, customs harassment, corruption, lack of transparency in government
- Sensitivity to climatic conditions (agriculture, energy)
- Lack of productivity (excluding automotive), weak innovation is hurting SMEs
- High level of euroization (67%) and limited development of credit (46% of GDP)
- Informal economy remains large: 24% of GDP (35% in 2006) and 20% of employment
- Emigration of skilled labour (youth unemployment: 30%)

RISK ASSESSMENT

Growth still supported by domestic demand

Growth is expected to recover in 2020 after declining in 2019 due to less favourable external demand. Domestic demand will benefit from further fiscal easing in the run-up to the April 2020 parliamentary elections. In addition, inflation will remain contained at the lower end of the central bank's target (1.5% to 4.5%). This, coupled with the firm dinar, which is a significant point given the economy's declining but still high level of euroization (67% of credit and deposits), should allow the central bank to maintain its accommodative policy, with the key rate at 2.5% in October 2019. Household consumption (77% of GDP) will continue to make the largest contribution to growth, boosted by the ongoing decline in unemployment (10.3% in July 2019 down from 20% in 2014), additional public sector wage hikes in November 2019 ranging between 8% and 15%, the 5% increase in pensions on January 1, 2020 following the reintroduction of indexation, and an 11% increase in the minimum wage. Moreover, while the banking sector's non-performing loans ratio is falling rapidly (4.7% in August 2019), consumer credit is set to continue growing (+9% at the end of 2019) despite relatively high rates (9.8% in dinar and 3.5% in euro). Expatriate remittances should not suffer too much from weakness in the German, Swiss and Austrian economies, while tourism, of which the benefits are spreading throughout the population, will continue to grow. Investment (19% of GDP) is also expected to stay on track, helped by the ongoing credit recovery (+12% at the end of 2019), reforms and improvements to road, rail and inland waterway transport infrastructure thanks to international financing. Exports (50% of GDP) are benefitting from market share gains in the EU and increased manufacturing capacity. However, their growth is being hampered by struggling European economies and the 100% import tax imposed by Kosovo, with the result that the contribution of trade to growth will continue to be negative.

Public sector reform to be completed

Despite fiscal easing measures, public finances will remain on a trajectory that combines a virtually balanced position with a decrease in debt burden as a % of GDP (since 2016). Revenues are benefiting from the reduction in the informal economy and strong growth, while the interest payments continue to fall, with rates ranging from 0.5% to 2% on euro issues and 5.5% on dinar issues. However, while the debt burden is declining, it remains substantial, with three-quarters denominated in euros (40%) or dollars, and 59% held by non-residents, mainly public creditors. The authorities have taken steps to reduce the share in foreign currencies by successfully refinancing it with domestic dinar issues in which non-residents are participating. Wages and pensions are absorbing the fiscal leeway, while public capital expenditure represents only 4% of GDP. The 30-month (non-financial) coordination instrument concluded with the IMF in June 2018 is supporting improvements in public employment management, the adoption of a fiscal rule in 2021, and continued restructuring of the many inefficient state-owned enterprises in transport, energy, extraction and petrochemicals (over 200,000 jobs).

Current account deficit financed by FDI

Trade in goods is running a structural deficit amounting to 15% of GDP. Exports are dominated by motors, pumps, automobiles, tyres, refrigerators, agricultural products, metals and manufactured products generally with medium or low added value. A large portion of the deficit is due to investment-related imports. Dividend and interest repatriations by foreign investors represent about 5% of GDP. The services surplus (4% of GDP, including tourism and transport) and remittances from emigrant workers (9%) partly offset this. The remaining current account deficit is largely financed by FDI (6.7%), particularly in industry, real estate and distribution, but also by foreign financing of transport and energy infrastructure, notably from China through the Belt and Road initiative. Foreign exchange reserves stood at six months of imports in August 2019. External debt (59% of GDP at the end of 2019) is mainly contracted with public donors and is decreasing. The same is true of public sector debt, which accounts for 50% of the total.

Good relations with the West and Russia

After being elected President in July 2017, Aleksandar Vučić was replaced as the head of government by Ana Brnabic, while retaining the presidency of the Progressive Party (SNS). Although his position is ceremonial, he remains the real leader. Faced with a divided opposition, despite sporadic anti-government demonstrations denouncing corruption, political interference and lack of media plurality, the Progressive Party (SNS) and its socialist allies are expected to win the April 2020 parliamentary elections. Negotiations for EU membership will continue but are being complicated by the lack of recognition of Kosovo, stormy relations with Bosnia and Herzegovina and Croatia, and the draft free trade agreement with the Eurasian Economic Union. As it does not want to join NATO, Serbia is trying to stay on good terms with both the West and with Russia, against which it does not apply sanctions.

SIERRA LEONE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	7.6
GDP PER CAPITA US Dollars - 2018	539
CURRENCY Sierra Leonean leone	SLL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.8	3.5	5.0	4.7
Inflation (yearly average, %)	18.2	16.9	15.7	13.0
Budget balance (% GDP)	-11.3	-7.9	-7.4	-6.7
Current account balance (% GDP)	-21.5	-20.1	-15.2	-12.9
Public debt (% GDP)	57.4	60.8	62.6	63.9

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	19%
CÔTE D'IVOIRE	15%
LIBERIA	11%
GHANA	11%
CHINA	8%

Imports of goods as a % of total

CHINA	17%
EURO AREA	15%
INDIA	8%
UNITED KINGDOM	7%
TURKEY	6%

- Significant mining resources (iron, diamonds, 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

Slight slowdown in growth

Growth is expected to slow in 2020. Mining activity (62% of exports) could remain constrained by weak growth in iron ore production due to cancellation of the mining permit of the Gerald group subsidiary that operated the Marampa mine. Diamond production should develop favourably, with the Tongo mine scheduled to be operational in early 2020. These contrasting performances in the mining sector should translate into a limited contribution to growth. In addition, growth will continue to be hurt by electricity supply constraints, a lack of infrastructure and a poor business environment, which will weaken investment in the sector. The resumption of publicly funded road projects and free education and health programmes is expected to support public investment in 2020, while private investment will be boosted by foreign direct investment in agriculture (Dole has plans to invest USD 40 million) and fisheries. In addition, recent reforms to liberalize the input market by encouraging private sector participation in fertiliser and seed markets are expected to increase production. Private consumption will be supported by the expected recovery in agricultural production but could be weakened by inflation, which is high and exceeds the convergence criterion established by the West African Economic Community (maximum annual inflation rate of 10%). Accordingly, the central bank is expected to continue tightening monetary policy, a process that it began at the end of 2016, in order to curb the increase in inflation.

Further consolidation of public finances

In accordance with the Extended Credit Facility of USD 172 million (4.5% of GDP) signed with the IMF (over 2018/2022), the government will seek to meet its deficit and debt reduction targets, notably by cutting expenditure and optimizing revenue. The decrease in expenditure (22% of GDP) will come from better control of wages in ministerial departments and state agencies. Improvements to public procurement and prioritisation of expenditure will also contribute. Most of the projected increase in revenues (14% of GDP) is expected to come from the introduction of electronic cash registers, careful collection of corporate and personal taxes and improved collection of arrears. Despite efforts to mitigate its increase, debt remains substantial, with 63% held by non-residents in 2018. Interest on the debt absorbs 13.7% of the State's revenues.

In 2020, the trade deficit (14.6% of GDP in 2018) is expected to narrow, thanks to the increase in agricultural exports (palm oil, coffee and cocoa). These exports, along with fisheries (23% of exports), are expected to grow, supported by foreign direct investment flows in the agricultural sector. Exports in the extractive industries are expected to be moderate. However, the country remains dependent on imports of energy, capital goods and food products, as the agricultural system is mainly export-oriented. The services deficit (7.1% of GDP in 2018), as well as the income deficit (2.2% of GDP), linked to the presence of foreign investors, will also weigh heavily. The current account deficit is expected to be partly financed by FDI inflows (5.5% of GDP), particularly in agriculture and mining. Expatriate remittances, bilateral loans and grants (a total of 10.6% of GDP) will largely finance this deficit, which will help to stabilize the flexible exchange rate against the dollar and maintain reserve coverage at 3.5 months of imports in the medium term.

The government secures a majority in parliament

The ruling Sierra Leone People's Party (SLPP) dominates the political landscape. It controls the presidency, under the leadership of Julius Maada Bio, and has a small majority in parliament. In June 2019, the country's high court revoked the seats of ten MPs from the "All People's Congress" (APC, the main opposition party) and replaced nine of them with SLPP members. The government will continue to implement the National Development Plan (NDP), which gives priority to macroeconomic stability, infrastructure development, the maintenance of key social programmes, including the flagship free education programme, plus health and welfare. The government is also stepping up its fight against corruption, which it began at the beginning of its term. A report from the Ministry of Finance revealed several cases of misappropriation of public funds amounting to USD 1.036 billion, carried out under the administration of former President Ernest Bai Koroma. A commission of inquiry was established in October 2018 and began hearings in February 2019.

The suspension of SL Mining's licence to operate the Marampa facility and the ban on exporting minerals could have an impact on the already poor business environment. Sierra Leone is ranked 163rd out of 190 countries in the Doing Business 2020 ranking.

SINGAPORE

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	5.6
GDP PER CAPITA US Dollars - 2018	64,579
CURRENCY Singapore dollar	SGD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.7	3.1	0.5	1.0
Inflation (yearly average, %)	0.6	0.4	0.7	1.0
Budget balance* (% GDP)	5.4	3.6	4.2	3.8
Current account balance (% GDP)	16.4	17.9	16.5	16.6
Public debt (% GDP)	109.5	113.6	114.1	114.6

(e): Estimate. (f): Forecast. * Fiscal year from 1st October - 30th September (budget balance not including disbursement spending on state owned enterprises).

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	12%
HONG KONG (SAR)	12%
MALAYSIA	11%
INDONESIA	8%
UNITED STATES	8%

Imports of goods as a % of total

CHINA	13%
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 (aerial and maritime) transport and 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 its large sovereign funds

-

- Dependence on exports and imports (energy and food)
- Shortages of skilled labour and housing, ageing population
- Limited freedom of speech
- Vulnerability to the slowdown of the Chinese economy
- Sino-American geopolitical tensions could force a diplomatic alignment

RISK ASSESSMENT

Risks to global trade will continue to loom over the economy

The economy is expected to avoid recession and rebound slightly in 2020. Singapore is the quintessential small, open economy: imports and exports represent 150% and 176% of GDP, respectively. As such, it is particularly sensitive to the global business cycle and developments in international trade, with exports expected to shrink by 10% in 2019. Export performance will be strained again in 2020 by the economic fallout from the Hong Kong protests, the Chinese slowdown and uncertainty stemming from the Sino-American trade war. Trade woes are concentrated in the manufacturing industry, and in particular electronics and machinery, which account for half of the export basket and have seen a sustained decline in output. In contrast, the pharmaceutical and financial services industries, as well as oil refining and marine engineering, have held up well and will act as buffers. Financial firms diverting their activity away from Hong Kong in reaction to the political turmoil will stimulate FDI. At 27% of GDP, investment will remain high by developed country standards. The city-state's high population density and propensity to attract foreign talent pose the risk of a property bubble, which authorities are combating by tightening financial regulation. Private consumption, which accounts for only 35% of GDP, will remain resilient amidst sustained wage growth and low unemployment (2%). In response to the surprisingly acute slowdown observed in Q2 2019, the monetary authority loosened the speed at which the Singaporean dollar depreciates against the composite currency basket to which it is pegged, making for the first monetary easing in 3 years.

Large twin surpluses fund economic transformation

With a current account surplus of 16% of GDP and a trade surplus of 25%, Singapore enjoys an extraordinarily strong external position. While export-led growth has been the basis for an outstanding development performance, such a dependence on external demand could make the economy harder to manage in a context of deglobalization, trade policy uncertainty and sluggish global growth. While the country is a net exporter of capital by a margin, its holdings are tilted towards portfolio assets while its liabilities have a large share of FDI, creating a negative yield differential that results in an income balance deficit. Most of imports are inputs used by the manufacturing and oil-refining industries, making the net impact of trade headwinds on the current account largely muted. The largest single determinant of trade performance is demand for electronic components and consumer electronics, which in addition to protectionist headwinds suffers a maturing tech cycle. Though high in appearance, public debt is used to create a domestic safe asset market and is constitutionally isolated from the funding of expenditures. Years of fiscal surplus accumulation have amassed large fiscal reserves (estimated at 300% of GDP) on which the government can draw to finance rare deficits. This margin, along with political continuity, allows authorities to direct spending to forward-looking policies such as labor force retraining and environmental programs.

A new generation of party technocrats to underpin political stability

Though elections are officially scheduled for 2021, the convening of the Electoral Boundaries Review Committee (the body responsible for drawing the electoral map) in September 2019 signals that the vote will be moved forward to early 2020. The People's Action Party (PAP), which has ruled the country since gaining independence in 1965 and currently holds 83 out of 89 legislative seats, is virtually guaranteed to continue in power. However, it will be crucial for the PAP to obtain an emphatic victory, as it seeks a strong popular mandate for the recently appointed fourth generation of party leaders. Deputy PM and finance minister Heng Swee Keat is positioned to take the reins from current PM Lee Hsien Loong, son of founding statesman Lee Kwan Yew. In contrast to the smooth functioning of the PAP, the opposition is weakened by the recent legal woes of the Worker's Party (WP). In October, leading figures of the WP were found guilty of misusing public funds, ending their chances of standing as a credible alternative. The combination of outstanding political continuity, an apparent absence of corruption and a technocratic approach to policy design have catapulted Singapore into one of the world's most prosperous economies. Thanks to its deep integration into global supply chains, state of the art port infrastructure and bureaucratic seamlessness, it ranks second in the World Bank's ease of doing business ranking.

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.

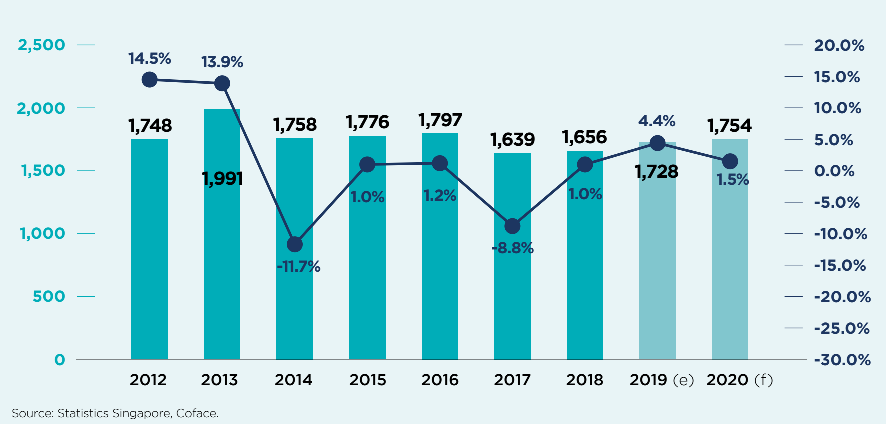
Judicial Management

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.

Liquidation

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 FAILURES



Source: Statistics Singapore, Coface.

SLOVAKIA

COFACE ASSESSMENTS	
COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	**5.4**
GDP PER CAPITA US Dollars - 2018	**19,579**
CURRENCY Euro	**EUR**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.0	4.0	2.8	2.6
Inflation (yearly average, %)	1.4	2.5	2.8	2.5
Budget balance (% GDP)	-1.0	-1.1	-0.7	-0.6
Current account balance (% GDP)	-1.8	-1.6	-2.4	-2.6
Public debt (% GDP)	51.3	49.4	46.9	46.4

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	22%
CZECH REPUBLIC	12%
POLAND	8%
FRANCE	6%
ITALY	6%

Imports of goods as a % of total

GERMANY	20%
CZECH REPUBLIC	16%
AUSTRIA	10%
POLAND	7%
HUNGARY	7 %

- Eurozone membership
- Production platform for European automotive and electronics industry
- Satisfactory public and external accounts
- Robust financial system dominated by foreign groups

- Small and open 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/export relying on assembly activities (low value-added)
- Shortage of skilled labour and high long-term unemployment

RISK ASSESSMENT

Growth weakens further

Growth is expected to slightly weaken in 2020 after a slowdown already perceived in 2019. Household consumption remains the main driving force of the economy thanks the favourable labour market. Nevertheless, an expected slowdown in employment growth may dampen robust growth in real household disposable income. In the first half of 2019, the unemployment rate dropped to 5.4% – 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 The minimum wage and state salaries have been increased in several steps likewise other wage components including wage premiums for night, weekend and public holiday work, which were raised for the second time in May 2019.

The labour market is tight and rising wages pose a risk for further investment. Moreover, investment activity is likely to normalise to more moderate growth rates as capacity-building in the automotive sector comes to an end. The latest investment of Jaguar Land Rover, a plant that opened in October 2018, added in the first phase an additional 150,000 cars to total Slovak production with already a combined production volume of 1 million cars of other manufacturers (VW, KIA Motors, PSA). Nevertheless, VW announced job cuts and perspectives for the automotive sector have become less favourable.

Exports are expected to suffer from Slovakia's exposition to the automotive sector and its high economic openness amid current slower global trade dynamics. Weaker GDP growth will be mainly a result of slower net exports. Foreign trade dynamics will be subject to prospects of Slovakia's key trading partners.

Satisfactory public and external accounts

The government deficit reached 1.1% of GDP in 2018 and then improved to an estimated 0.7% in 2019 and 0.6% in 2020. Although the government had aimed for a balanced budget in both 2019 and 2020, it has recently revised its target facing lower GDP growth expectations and signs of trade with the Eurozone weakening. The government spending is likely to increase ahead of general elections scheduled for 2020. New social packages are already in preparation, including a decrease of certain taxes, an increase in parental benefits, a contribution to school-items, as well as support for business R&D. It is unlikely that the new re-elected government would be in a rush to balance the budget whereas the current opposition parties have declared that if they were to be elected, balancing the budget would not be their top priority.

The current account deficit has widened reflecting slower growth of exports amid still solid imports. In August 2019, the trade surplus was the lowest since September 2011. It was affected by the economic slowdown in Western Europe, especially a downturn of German industry to which Slovakia is strongly linked. Exports are expected to rebound with the planned production of new car models but weaker demand and external risks makes a significant acceleration of exports unlikely.

Upcoming elections

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. Despite numerous crises, the coalition remained in power and it is likely to complete its four-year term, which will conclude in February 2020. In March 2018, Robert Fico resigned as Prime Minister after mass protests demanding governmental resignations after the murder of an investigative journalist, Jan Kuciak who worked on an investigation focused on an Italian crime syndicate, alleging that the group had ties with people connected with the Slovak government.

According to the latest opinion polls in Slovakia, the ruling Smer-SD retains the support of around 20% of the public. Then, the PS-Spolu (Progressive Slovakia and Together – Civic Democracy) partnership is polling in second place, with 15% support. PS gained popularity when its former vice-chairwoman was elected as Slovakia's first female President in June 2019. PS-Spolu could form the next government in coalition.

SLOVENIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	2.1
GDP PER CAPITA US Dollars - 2018	26,146
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.8	4.1	2.6	2.5
Inflation (yearly average, %)	1.6	1.9	1.7	1.9
Budget balance (% GDP)	0.0	0.8	0.7	0.7
Current account balance (% GDP)	6.3	5.8	5.8	5.4
Public debt (% GDP)	74.1	70.4	65.9	61.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	19%
ITALY	12%
AUSTRIA	7%
CROATIA	7%
FRANCE	5%

Imports of goods as a % of total

GERMANY	16%
ITALY	13%
AUSTRIA	9%
TURKEY	6%
CHINA	5%

+
- Euro zone member
- High level of political and social development
- Diversified economy
- Integrated in the European production chain
- External accounts in surplus
- Efforts to clean up the banking sector
- Public debt on a downward trend

−
- Small domestic market
- Ageing population and demographic growth at a standstill, leading to a labour shortage
- Dependent on regional economic conditions and automobile
- Inefficient state-owned companies
- Slow administrative and judicial procedures
- Fragile coalition at the head of government

RISK ASSESSMENT

Solid growth driven by domestic demand

Growth will continue to slow in 2020 but will remain solid, despite an unfavourable external environment, thanks to robust domestic demand. Job creation (unemployment rate of 4.2% in the second quarter of 2019) and the resulting increase in real wages will translate into strong growth in household consumption. In addition, credit conditions will remain favourable, with very low interest rates, and households have room for manoeuvre after significantly increasing their savings rate (15.4% of gross disposable income in March 2019, against 12.7% two years earlier). At the same time, business investment will remain dynamic amid efforts to boost production capacity, of which the utilisation rate remains high (84% in the third quarter of 2019), in line with domestic demand. Public investment will also continue to grow at a sustained pace, thanks to increased use of European funding. Vibrant activity at home will make it possible to partially offset the effects of the regional economic situation, which remains unsupportive. While Austria and Croatia (each of which accounts for 8% of total exports) should show resilience, the two main markets for Slovenian exports, Italy (13%) and especially Germany (20%), are expected to be flat again in 2020. Compounding this unfavourable environment, Slovenian exports have gradually become less competitive as a corollary to the higher wages of recent years. At the same time, imports are set to increase faster, driven by domestic demand. As a result, foreign trade will weigh on growth, after driving it constantly since 2007.

Budgetary rigour and privatisation of the banking sector

With brisk activity levels enabling a substantial increase in revenues, and with favourable financing conditions lowering the interest burden, the budget accounts should remain in surplus in 2020. The government has also announced the introduction of savings measures (around 1% at each ministry) to ensure compliance with the balanced budget rule in the constitution. Public debt will continue to decline rapidly, approaching the target of 60% of GDP. While 62% is held by non-residents, Slovenia's public debt has a solid profile: 99.9% is denominated in euros and only a small portion matures in less than one year (2.8%).

In addition, following the 2012/2013 banking crisis, the authorities set up a bad bank, which led to a dramatic drop in the ratio of non-performing loans (2.3% in March 2019, against 32% four years earlier), and carried out major recapitalisations and restructuring measures to clean up the sector. In line with commitments to the European Union, the government completed the sale of 75% of the shares of NLB, the country's leading bank (23% of the sector's assets), with a final transaction in June 2019 (€109.5 million for 10% of the shares), after many postponements. The government also sold its shares in the country's third-largest bank, Abanka, to the second-largest one, NKBM, whose market share now stands at 22.5%. As a result, the State now holds only 12% of the sector's assets, compared with 45% at the beginning of 2018.

Slovenia still has a substantial current account surplus, but this will continue to narrow in 2020. While the goods balance could turn negative as imports outpace exports, the services balance will remain largely in surplus, driven by transport and, above all, tourism. The Slovenian economy is very open, with exports of goods and services accounting for 85% of GDP and being mainly directed towards neighbouring countries. Automotive, pharmaceuticals and electrical and electronic equipment – sectors in which the country is integrated within German and Austrian production chains – account for 48% of exports. Conversely, the income balance is structurally in deficit due to the repatriation of dividends generated by large inward foreign investments (2.8% of GDP in 2018). Although still high, external debt (92% of GDP in June 2019), half of which is attributable to private commitments, will continue its downward trend.

High popularity rating for the Prime Minister

Pro-European independent Prime Minister Marjan Šarec has been leading a coalition of five centre-left parties since September 2018, with only 43 seats out of 90. The government is fragile because it depends on the non-participating support of the left-wing Levica party (9 seats). In addition, during the new government's first year, five ministers resigned, three of them following cases of alleged corruption. However, the Prime Minister's popularity rating is high (52% approval in August 2019) and polls indicate that in the event of an election, his LMS party would receive about 20% of the votes, five points more than the conservative SDS, which is the main opposition party (compared with 13% and 25% respectively in the June 2018 elections). Vibrant economic growth will likewise promote government continuity. In any event, EU and euro zone membership would mitigate the economic impacts of political instability.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	57.9
GDP PER CAPITA US Dollars - 2018	6,354
CURRENCY South African rand	ZAR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.4	0.8	0.5	1.2
Inflation (yearly average, %)	5.3	4.7	4.1	4.6
Budget balance* (% GDP)	-4.0	-4.2	-6.0	-6.7
Current account balance (% GDP)	-2.5	-3.5	-3.6	-3.7
Public debt* (% GDP)	53.0	56.7	60.8	64.8

(e): Estimate. (f): Forecast. * Fiscal year from 1st April to 31st March. 2020 data: FY 20-21.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	18%
CHINA	9%
UNITED STATES	7%
UNITED KINGDOM	5%
JAPAN	5%

Imports of goods as a % of total

EURO AREA	21%
CHINA	18%
UNITED STATES	6%
SAUDI ARABIA	6%
INDIA	4%

- Regional 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 29%) and shortage of skilled labour
- Ageing infrastructure (transport, energy)
- Dependent on volatile flows of foreign capital

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Listless growth, despite a rebound

Curbed by drought conditions, power cuts, high unemployment and fiscal pressures, activity is expected to pick up modestly in 2020. Despite monetary policy easing, which may support consumer credit, the record level of unemployment (almost 30% of the workforce) will continue to weigh on household confidence, limiting the contribution of private consumption. Weak domestic demand is expected to continue to inhibit the manufacturing and mining sectors. The risk of additional power cuts, which would further harm the contribution of these sectors, cannot be ruled out in 2020. Manufacturing and mining will also be exposed to softer external demand, particularly in China. In addition, the review of the country's eligibility for the United States' Generalised Preference System, which exempts exports to the US market from certain customs duties, threatens exports, particularly in the automotive sector. Limited domestic demand, which will constrain imports, should nevertheless allow foreign trade to make a positive contribution to growth. Difficulties at the fiscal level and at state-owned companies, which are the drivers of infrastructure investment, will remain obstacles to public investment, hindering construction. Private investment will remain hesitant in the face of recurrent social movements, high operating costs and the polarising issue of land reform, which could allow expropriations without compensation.

Inflation is expected to go up in the wake of rising electricity, food and fuel prices, but weak domestic demand should prevent a sharp increase.

Deteriorating public accounts, fragile external accounts

The budget deficit is expected to widen in FY2020/2021. Listless activity will impact revenue growth, which will remain modest as a result. On the expenditure side, the agreement on wage indexation above inflation will probably prevent the size of the wage bill from being lowered. Additional spending pressures will arise from support to state-owned enterprises, including Eskom, the state utility company, which is in serious financial difficulty. Interest payments will also continue to be felt, absorbing almost 15% of revenues. This is a consequence of the increase in public debt, of which the ratio to GDP has already doubled over the past decade, with this trend expected to continue. The risk of debt distress is mitigated by the composition of debt. It consists mainly of long-term rand-denominated securities from domestic sources, but it is held at almost 40% by foreigners. The debt developments also expose South Africa's credit rating to a further downgrade by the credit rating agency Moody's, which would mean loss of investment grade status, leading to capital outflows.

However, portfolio investment and, to a lesser extent, FDI are essential to finance the current account deficit. In 2020, the deficit is expected to remain virtually unchanged, mainly due to the income deficit, which is maintained by profit repatriations by foreign companies, while also being affected by the increase in interest payments. The balance of transfers will continue to show a deficit, due to payments made to SACU partner countries. The small trade surplus should be safeguarded thanks to the small increase in imports. However, exports will also rise modestly: while they could benefit from a depreciation of the rand, they will be depressed by weak external demand and low mineral export prices. Freight services are expected to continue to generate a small deficit in services. Possible difficulties in financing the current account deficit could put pressure on the rand and foreign exchange reserves, which cover about 5 months of imports.

Increasingly pressing socio-economic challenges

Cyril Ramaphosa became President in 2018 following Jacob Zuma's resignation and was elected at the ballot box in May 2019, after the African National Congress (ANC) took 57% of the vote. Although this result allowed the party, which has ruled since the end of apartheid (1994), to hold onto its majority, it was the lowest score in 25 years. Voter turnout, at 66%, was likewise at a 25-year low. Priorities include stimulating investment to support growth and create jobs, restructuring Eskom and resolving land reform issues. However, the social climate remains extremely tense, and could hinder the development of public policies. For instance, in 2019, the mining sector and state-owned companies were hit by a wave of strikes. Resistance from trade unions and some ANC factions could slow implementation of some reforms. In a tense social environment, where access to employment remains difficult, the security situation is strained, as illustrated by acts of violence against immigrant communities from other parts of Africa at the end of summer 2019. These attacks have created diplomatic tensions with other countries on the continent, particularly Nigeria. The business environment is relatively favourable but appears to be becoming less competitive, as evidenced by the 50-place drop in the Doing Business ranking over the last decade, mainly due to persisting regulatory constraints.

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

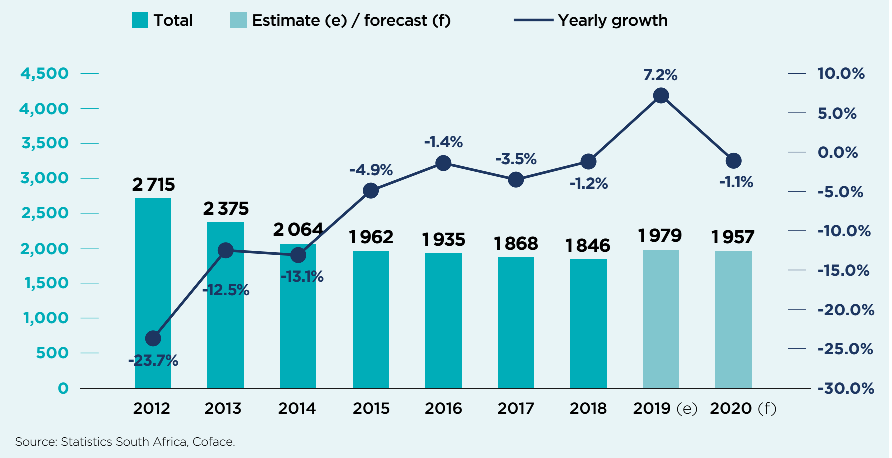
The objective of a business rescue is to allow financially distressed companies to restructure and reorganise, in order to avoid insolvency. A business rescue is initiated by a resolution of the company's board, adopted by a simple majority. Supervision and control is conducted by a business rescue practitioner, 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 FAILURES



Source: Statistics South Africa, Coface.

SPAIN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	46.4
GDP PER CAPITA US Dollars - 2018	30,733
CURRENCY Euro	EUR

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.0	2.6	2.0	1.6
Inflation (yearly average, %)	2.0	1.7	0.7	1.0
Budget balance (% GDP)	-3.1	-2.5	-2.2	-2.4
Current account balance (% GDP)	1.8	0.9	2.0	1.9
Public debt (% GDP)	98.1	97.1	96.4	95.2

(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%

+

- Corruption retrenching amid renewal of political class, stronger fiscal frameworks
- Important post-crisis reforms (labour market, banking sector, bankruptcy law, etc.)
- Renewed competitiveness and strengthened export sectors
- Improvement of the financial situation of companies and banks
- Strong comparative advantage in tourism

-

- High private and public debt, very negative international investment position
- Dual labour market, high structural unemployment
- Large quota number of small, low-productivity companies
- Construction and consumption have high sensitivity to financial conditions
- Fragmented and polarized political landscape, territorial unity threatened by the Catalan independentist movement

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

The economy will cool down further amid weaker demand and global headwinds

Domestic demand started to lose momentum in mid-2019, meaning that the impulse of the 2018 minimum wage hike has probably been depleted. In addition, the prolonged political instability is by now weighing down on consumer and business confidence. Consumption of durable goods has been particularly hit. Furthermore, the pace of job creation will slow down, with unemployment stabilizing in the 13-14% range. Finally, households are using rising incomes to reconstitute their net wealth, with the savings rate projected to rise to 8.5% in 2019 and 10% in 2020. Because of this improvement to net wealth, private consumption is expected to recover slightly. This will bring the contribution of private consumption on par with investment as the two pillars of growth in 2020. Investment will remain robust, with both construction and industrial equipment supported by monetary easing. The transport equipment industry (including automobiles), which accounts for a fifth of Spanish exports, is facing significant pressures from protectionism and environmental regulations. More broadly, the manufacturing and agri-food industries will feel the effects of global trade tensions and the European slowdown. The tourism sector (15% of GDP) will again break records, with 84 million visitors in 2019, and continue to be a pillar of growth in 2020. Net exports, which carried growth in 2019, will again yield a positive contribution, albeit a smaller one due to an acceleration of import growth.

A fragile coaliton, a rising far-right and a crisis in Catalonia

After negotiations to form a government with hard-left Unidas Podemos (UP) broke down during the summer, caretaker PM Pedro Sánchez of the center-left Socialist Party (PSOE) decided to call fresh elections, the second of 2019 and the fourth in as many years. The November poll again yielded a fractured parliament. PSOE and UP both performed slightly worse, going from 123 to 120 seats and from 42 to 35 seats, respectively. The sentencing of independentist leaders just before the election reinvigorated secessionist fervor in Catalonia, prompting massive and sometimes violent protests. At the same time, public opinion in broader Spain galvanized in favor of a more aggressive response to the Catalan crisis. This prompted the ascendance of the far-right party VOX, which doubled its presence in Parliament (from 24 to 52 seats) and became the third strongest political force. Liberal Ciudadanos, on the other hand, lost 47 of their 57 seats after going back and forth on supporting the investiture. ERC, the left-leaning catalan independentist party, emerged as king-maker and allowed for the formation of a coalition government with an ultra-narrow margin of two votes. Even in government, the left-wing coalition led by PSOE and UP still faces the challenge of passing a budget. For this, it will again need the support of ERC, who is in line with the expansionist program but will try to extract significant concessions on the Catalan issue. The survival of the coalition is anything but guaranteed, and fresh elections are not impossible.

An expansionist budget on the horizon (if the coalition survives)

In a successful budget vote, the deficit should increase and Spain will stray further away from the targets demanded by the EU. The PSOE-UP program aims to index pensions on inflation, raise the minimum wage, increase welfare measures and energy subsidies, among other measures which will increase expenditure. The corporate tax rate will increase for large corporations and decrease for SMEs, with particular taxes for banks and tech platforms, as well as income tax hikes for high-income housholds. Spain could find itself at odds with brussels only a year after exiting the excessive deficit procedure. While growth will not erode the public debt burden as much as it has in recent years, this effect will be more than compensated by cheaper debt service, with the ECB engaging in further monetary easing and sovereign spreads at record lows. Despite wage appreciation, a slowdown of productivity growth and a weaker external environment, the current account surplus will stay relatively stable thanks to the moderation of import demand. The structural difficulties of the manufacturing sector are offset by the robust tourism surplus, as well as the growing pharmaceutical and mining sectors. However, energy dependence translates into a goods balance structurally in deficit, and outflows of remittances and debt service payments ensure a negative income balance. With a large negative external position (70% of GDP) and external debt (150% of GDP), Spain is exposed to a reversal in global financial conditions, though this is mitigated by the large share of TARGET 2 flows (30% of GDP).

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 Enjuiciamiento 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.

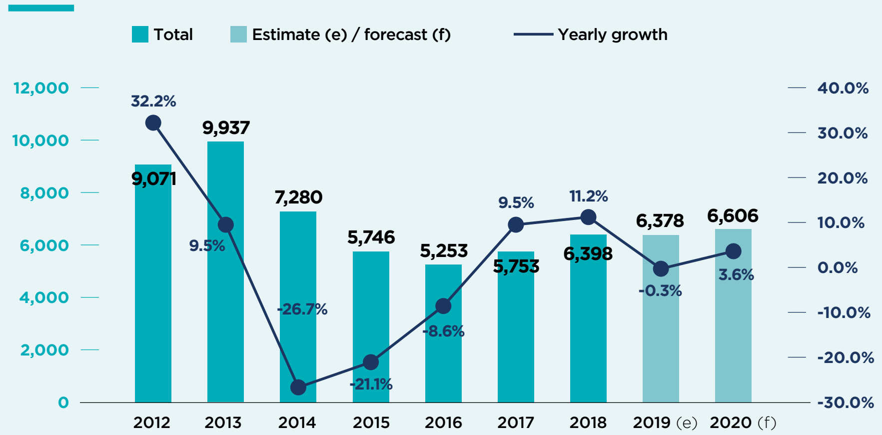
The judicial administration draws up a liquidation plan in order to realise (sell) the assets, consisting of the bankruptcy estate, which is submitted to the judge for approval.

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 FAILURES



Source: National Statistics Institute Spain (INE), Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	21.7
GDP PER CAPITA US Dollars - 2018	4,099
CURRENCY Sri Lanka rupee	LKR

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	20%
UNITED KINGDOM	8%
INDIA	7%
UNITED ARAB EMIRATES	2%

Imports of goods as a % of total

CHINA	19%
INDIA	19%
JAPAN	8%
UNITED ARAB EMIRATES	7%
EURO AREA	7%

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- 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 in tourism
- Successes in education, health and poverty reduction

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- Agricultural production vulnerable to climate disasters; dependence on tourism
- Low levels of public capital expenditure due to debt servicing burden
- Reliant on short-term external financing
- Lack of infrastructure
- Ethnic tensions between Sinhalese and Tamils

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.4	3.2	2.7	3.5
Inflation (yearly average, %)	6.6	4.3	4.1	4.5
Budget balance (% GDP)	-5.5	-5.3	-5.7	-5.4
Current account balance (% GDP)	-2.6	-3.2	-2.6	-2.8
Public debt (% GDP)	77.4	83.3	83.0	82.7

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

RISK ASSESSMENT

Tourism recovery will restore growth in 2020

Sri Lanka's growth in 2019 was severely affected by the April attacks, which killed more than 250 people in the capital. Tourist arrivals declined by 41.6% in the second quarter of 2019, impacting the entire service sector (23% of GDP). Both private and public consumption have declined, as has investment in fixed capital. This shock is a transitory one and will fade after one year, allowing growth to strengthen in 2020. Industrial production was also affected, but recovered more quickly, thanks in particular to construction activity. Agricultural production benefited from favourable weather conditions, and exports contributed positively to growth, benefiting from last year's depreciation.

Credit creation slowed in the first half of 2019, due to the economic slowdown and investors' weakened expectations. This moderation offset the rise in food prices, and inflation remained at the levels expected for 2019. The expected recovery in activity, reductions in the key policy rate and the cap on private bank rates will stimulate credit in 2020, without stoking inflation: food prices are expected to stabilize, and energy prices will trend downwards.

High public debt

In the first half of 2019, Sri Lankan public finances deteriorated further: the shock to tourism and the decline in imports reduced government revenues and aggravated deficits, leading to non-compliance with the targeted primary balance criterion. Nevertheless, the IMF renewed its confidence in the State, turned a blind eye to the failure to comply with the criterion, and extended its support to the country by one year. A new credit tranche of USD 164 million was granted in June 2019, bringing the total disbursement of the programme to USD 1.31 billion (1.4% of GDP). The country is continuing its reform program, which includes the use of indirect taxes, the forthcoming creation of a public debt management agency and the introduction of a fiscal rule. Given the strong growth expected, the deficit is therefore expected to decline in 2020. Public debt is high, and weighs heavily on the State budget: interest payments accounted for 44% of 2019 revenues. Financing needs are high, debt is expensive and external dependence is considerable. Half of the debt is in foreign currencies and therefore exposed to the risk of depreciation. Over the 2020/2023 period, debt service will represent USD 19.3 billion, while foreign exchange reserves stood at USD 7.8 billion in November 2019, or 4.5 months of imports, currently an insufficient level.

The current account deficit narrowed thanks to an improvement in the trade balance: exports increased by 4.7% on clothing sales, while restrictions reduced imports by 16.1%. These improvements offset the reduction in tourism revenues and expatriate remittances. In 2020, the deficit will widen again: the recovery in tourism revenues will not be enough to offset an increase in imports due to growth and the easing of import restrictions.

The Rajapaksa clan returns to power

The presidential elections saw Gotabaya Rajapaksa emerge as the winner, with 52.25% of the votes. A former soldier, Mr Rajapaksa is a popular figure because of his role in ending the civil war in 2009. His victory, on a platform of nationalism and security, is symptomatic of the ongoing ethnic tensions in Sri Lanka: the President had the support of the Sinhalese ethnic majority, but received few Tamil votes. The appointment of his brother, former President Mahinda Rajapaksa, who pursued a set of nationalists, centralising and authoritarian policies between 2005 and 2015, raises fears that the achievements of the previous government in terms of corruption, separation of powers and press freedom will be reversed. The fight against terrorism is a top priority for the President, and security improvements are expected. Regarding economic policy, the President has promised large tax cuts, as well as increased subsidies for farmers. The country is on the path of structural reforms, but the risk of a widening deficit in 2020 remains and is hostage to the discretion of politicians: populist measures could be taken ahead of parliamentary elections in August 2020 in an effort to wrest the majority back from the opposition. Sri Lanka has moved up the World Bank's Doing Business 2020 ranking, coming 99th.

Relations with China were greatly strengthened during Mahinda Rajapaksa's two terms of office and may deepen again in the coming years. The struggle for influence between China and India remains significant, but Indian projects have stalled, while China has helped the Rajapaksa family avoid international investigations of war crimes committed in 2009 and holds about a quarter of the public debt. China is very involved in Sri Lanka's development, and finances the Colombo Financial District, for example, providing USD 1.4 billion, the largest foreign investment in the country. This raises the question of dependence on this financing: when it becomes impossible to repay the loan taken out to finance the port of Hambantota, the government was forced to cede the port to China for 99 years.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	**42.0**
GDP PER CAPITA US Dollars - 2018	**817**
CURRENCY Sudanese pound	**SDG**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1,7	-2,3	-2,6	-1,5
Inflation (yearly average, %)	32,0	64,8	49,6	58,3
Budget balance (% GDP)	-6,6	-4,3	-8,6	-9,1
Current account balance (% GDP)	-3,9	-6,3	-9,5	-10,2
Public debt (% GDP)	122,8	91,2	166,2	184,7

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	27%
MACAO	22%
SAUDI ARABIA	16%
EGYPT	13%
INDIA	4%

Imports of goods as a % of total

MACAO	21%
INDIA	10%
UNITED ARAB EMIRATES	10%
SAUDI ARABIA	8%
RUSSIA	8%

- Untapped agricultural (extensive arable land) and mining (gold and oil) resources
- Strategic position between the Middle East and West Africa
- Easing of sanctions imposed by the United States in 1997
- Relative stabilisation of diplomatic relations with South Sudan (ceasefire signed in 2018)
- Ongoing democratic transition process, which has been welcomed by the international community

- Unsustainable external debt (USD 60 billion, including a significant portion in arrears)
- Lack of investment in infrastructure
- Significant gaps in business environment and governance; endemic corruption (172nd out of 180 in Transparency International's Corruption Perceptions Index 2018)
- Currency shortage and sickly banking system
- 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
- Included on the US list of state sponsors of terrorism

RISK ASSESSMENT

The recession continues

After two years of recession already, growth is expected to remain negative in 2020. 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. Private investment will be hampered by lack of integration into international trade, high exchange rate risk, political instability and a weak business environment (171st in the Doing Business 2020 ranking). The infrastructure deficit and unreliable electricity supply will continue to limit private sector development. The decline in public finances is expected to depress public investment. Inflation will remain high, supported by monetisation of the budget deficit and the continued devaluation of the Sudanese pound. It will continue to have an adverse effect on private consumption, which accounts for 80% of GDP. The oil sector, which made up one-quarter of exports in 2018, will continue to decline, after China National Petroleum, Petronas (Malaysia) and CGSB Videsh (India) left the country in August 2019, after not receiving dividends owed by the government since 2011. Nevertheless, if successful, the licensing round scheduled for 2020 could revitalise the sector's activity. Sudan is Africa's second largest gold producer, and gold production is expected to support the mining sector despite its low productivity, with artisanal mining accounting for 80% of production. The country's economy will continue to depend on the agricultural sector (30% of GDP and 80% of employment), which suffers from low yields due to underinvestment.

Difficult economic situation

Budgetary revenues (less than 6% of GDP) are set to decline, constrained by poverty and recession, as well as inefficient tax administration. Oil revenues, the main source of income, may be significantly reduced by the (downward) renegotiation of royalties paid by South Sudan for the use of Sudanese oil facilities. As expenditure remains high, in particular due to the continuation of wheat and fuel subsidies until at least June 2020, the budget deficit will increase. In the absence of access to international capital markets, the government will continue to monetise. The country's already substantial public debt will be increased by further devaluations, since much of the debt is denominated in dollars.

The massive current account deficit is expected to increase. Exports, a quarter of which is crude oil, will be affected by lower prices and production. Smuggling drains a significant portion of gold export revenues (25% of trade). However, after the severe contraction in 2019 as activity came to a halt during demonstrations, the country's exports are expected to increase. Imports, mainly of basic necessities, are expected to increase thanks to the relative political stabilization and limited investment. The large public debt, which is mainly external and composed of arrears, entails high interest payments. Despite the government's efforts to attract FDI, these investments will remain too scarce to finance the current account deficit. As the level of foreign exchange reserves is already low, international financial assistance will be required. In addition, the government is expected to focus its efforts on reducing the gap between the official exchange rate (pegged to the dollar) and the black market rate, suggesting further devaluations.

Fragile political and institutional transition

After 30 years in power, Omar al-Bashir was deposed and arrested by the army in April 2019 following a popular uprising, triggered in December 2018 by an increase in the price of bread. The Transitional Military Council set up at that time was then replaced, after talks between military and civilian representatives, by a Sovereign Council comprising mostly civilian representatives but chaired by a general until 2021. The Council of Ministers, the executive body of the transitional regime led by economist Abdallah Hamdock, has the daunting task of ending the internal wars, building peace and finding lasting solutions to the country's urgent economic and political issues. The appointment of a Constituent Legislative Assembly is the next step in the transition process before general elections in 2022. However, the challenges are considerable and, despite the establishment of a ceasefire in October 2019, calls in the South Kordofan and Blue Nile regions to join South Sudan, and the marginalisation of ethnic minorities in Darfur, are expected to continue to generate conflict.

Although the US lifted almost all sanctions against Sudan in 2017, the country remains on the US list of state sponsors of terrorism. In addition to curbing foreign investment, being on the blacklist blocks loans from international institutions and makes the country ineligible for debt relief. The Gulf countries, notably the United Arab Emirates and Saudi Arabia, are nevertheless supporting the country through humanitarian aid (fuel, wheat) and loans, largely concessional, so that the government can cope with imports and currency shortages. However, this emergency funding is not an answer to the economic crisis overwhelming the country, although a solution is absolutely vital to the success of the democratic transition.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	0.6
GDP PER CAPITA US Dollars - 2018	5,798
CURRENCY Surinam dollar	SRD

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	35%
UNITED ARAB EMIRATES	26%
HONK KONG	19%
EURO AREA	9%
SINGAPORE	2%

Imports of goods as a % of total

UNITED STATES	18%
EURO AREA	13%
CHINA	7%
TRINITAD AND TOBAGO	3%
JAPAN	2%

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- Mineral resources and agricultural potential (rice, wood)
- Support from international donors and foreign investors

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- Undiversified economy: dependent on oil, gold and aluminium
- Large informal economy (30% of GDP) with casinos, gold panning and smuggling
- Difficulties in the management of state-owned companies
- Inadequate transport infrastructure (roads, ports)
- Difficult business climate, ineffective justice system
- Vulnerable banking sector: high share of non-performing loans and low profitability

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.8	2.6	2.3	2.5
Inflation (yearly average, %)	22.0	6.9	5.5	5.8
Budget balance (% GDP)	-8.8	-7.1	-8.6	-8.9
Current account balance (% GDP)	1.9	-3.4	-6.1	-5.9
Public debt (% GDP)	74.6	72.1	72.3	74.6

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

RISK ASSESSMENT

Growth still supported by the extractive industries and investment

Growth will remain moderate in 2020, driven mainly by public investments, chiefly in infrastructure and health. Road and bridge upgrades and repairs, electrification and water management in Paramaribo and the districts, as well as housing construction all reflect this policy. The oil sector could attract new foreign investors thanks to the announcement by Staatsolie, the state-owned oil production company, of a new discovery with a potential 800 million barrels of recoverable oil. Staatsolie plans to issue a bond and list shares in New York or London in 2020 in order to raise between USD 1 and 2 billion to be used for future oil exploration. Nevertheless, domestic private investment is still expected to suffer from weakness in the banking sector arising from the absence of deposit insurance and shortcomings in crisis preparation and resolution, including inappropriate classification of provisions for banks' non-performing loans.

Extractive industries (gold, bauxite, aluminium, oil) account for 88% of exports and 58% of GDP. Although world prices may slide, the 11% increase in gold production from the Saramacca mine in 2020, as the facility enters full production, will maintain the sector's contribution to growth.

Inflation, although high, should not hinder private consumption (30% of GDP).

Significant risk of over-indebtedness

An amendment to the National Debt Act in November 2019 removed the 60% GDP ceiling on public debt, following persistently high deficits. Public debt is expected to increase accordingly. The domestic share (34% of total debt) has already risen after the central bank granted a loan of SRD 670 million to the government in March 2019. This was the first loan of this type since the memorandum of understanding signed in April 2016, which stipulated that the central bank would not finance the government. According to the approved budget, expenditure is expected to increase by 9.9% in 2020. Spending will be directed towards payment of the wage bill, social security, infrastructure and the organisation of elections. Revenues are also expected to increase by 12% due to higher gold production.

The current account deficit is expected to remain high in 2020. Total exports of raw gold (61%) are increasing with production, while total imports of capital goods (50%) are expected to go up with the launch of various infrastructure projects. The balances of services (11.6% of GDP) and investment income (11.2% of GDP) are structurally in deficit, but should remain stable. Expatriate remittances, which are maintaining the transfer surplus, are nevertheless set to decline in line with the difficult global economic environment. The current account deficit is still largely financed by FDI (4.2% of GDP), which is expected to increase in the hydrocarbon sector with the development of oil activity. This will support the Surinamese dollar, which has been in a flexible exchange rate regime since 2016. Foreign exchange reserves will be low, representing about three months of imports.

Double elections in 2020

With legislative and municipal elections scheduled for May 2020, the current President, Desiré Bouterse, leader of the left-wing National Democratic Party (NDP), was sentenced in December 2019 to 20 years' imprisonment for the 1982 killings of 15 political opponents. However, the court did not issue an arrest order. This verdict could affect the President's popularity in the lead-up to the elections, even if it remains high. After ten years in power, his political party could lose its slim majority due to voter fatigue. Nevertheless, he is expected to be re-elected, for which he will still need a two-thirds majority in the unicameral National Assembly.

Internationally, President Bouterse's relations with the Netherlands and the United States will remain strained. For the past 15 years or so, the former dictator has been accused of secretly supporting drug trafficking and money laundering. Meanwhile, the border with French Guiana remains unclearly defined and continues to be a source of rivalry between the two countries, as shown by recent border incidents. As a result, since the beginning of 2019, the governments of both countries have been working to meticulously identify and determine the national ownership of islands.

Limited access to credit, underdeveloped infrastructure and a lack of skilled labour will continue to be a drag on the business environment. Suriname is placed 162nd out of 190 in the World Bank's Doing Business 2020 ranking.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2018**	**10.2**
GDP PER CAPITA US Dollars - **2018**	**54,356**
CURRENCY Swedish krona	**SEK**

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	11%
NORWAY	11%
FINLAND	7%
DENMARK	7%
UNITED STATES	7%

Imports of goods as a % of total

GERMANY	18%
NETHERLANDS	9%
NORWAY	8%
DENMARK	7%
CHINA	5%

- Very favorable business climate (No. 10 in the Doing Business 2020 ranking)
- Very diversified economy, specialized in high-tech products and the green economy
- Sound public finances
- Increasingly dynamic demographics

- Highly dependent from global demand
- Tensions on the real estate market
- Substantial household debt (188% of personal disposable income)
- Highly concentrated banking sector

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.4	2.3	1.3	1.3
Inflation (yearly average, %)	1.8	2.0	1.8	1.6
Budget balance (% GDP)	1.4	0.9	0.3	0.2
Current account balance (% GDP)	2.8	1.7	3.8	3.4
Public debt (% GDP)	40.4	38.5	34.6	34.0

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

RISK ASSESSMENT

Several weakness factors lead to slow growth

The Swedish growth is cooling down. Coming from very high growth rates, the economic dynamic is and will be less agile in 2019 and 2020. However, the growth level remains quite high in comparison to other European countries. One reason for decrease in growth is the weakness of global demand, especially from the main trade partner, Germany. With a very high degree of openness, this weakness has not only a dampening effect on trade *per se*, but also on the total manufacturing sector. The sentiment indicators dropped sharply and business investments decreased in 2019. This general weakness should hold on in 2020, as global and German growth are expected to remain comparatively low. The pessimistic sentiment had contagious effects on the labour market with freezes in hiring and first dismissals, which lead to an increase of the unemployment rate (the trend of the unemployment rate went up from 6.5% in late 2018 to 6.9% in September 2019, a three-year-high). Consumption confidence dropped sharply as personal households are more and more insecure about their personal economic future, all the more since the level of private household debt remains very high. It is expected, however, that private consumption expenditures will show some improvement in 2020. The main reason for this is the new national wage negotiation round for the Swedish industry in March, where wages are set for a three year-agreement. The new deal should include a wage increase compared to the last deal in 2017 with annual pay hikes of 2.5-2.6% in 2020/2022. This could be a compromise out of higher inflation expectations in 2019 compared to 2017, on the one hand, and lower productivity numbers on the other. The interest rate environment for the Swedish consumer should remain accommodative in 2020. As the inflation rate has dropped markedly and other central banks have turned around in their exit strategy, it is expected that the Riksbank will stay on hold in its interest rates increases for 2020, after the small hike in December 2019. Additionally, the current Quantitative Easing-purchases of government bonds (SEK 15 billion over six months) should be extended after the planned end in December 2020. Another factor helping private consumption are planned tax cuts for high-income earners and pensioners as well as deductions for job starters in 2020. Residential investments should benefit from this better consumption environment and continue the cautious recovery from the major drop down after the peak in 2018. The strong increase in the population due to higher immigration will help to foster the demand.

Sound public and external accounts

Public finances will continue to be robust in 2020, with a small budget surplus expected to be slightly under its medium-term objective of 0.3% of GDP. The new debt anchor of 35% of GDP for public sector debt, however, will be met. The budget of 2020 is a compromise between the government and its supporting parties. Except for the tax decreases/deductions, it also contains capital injections for municipalities and county councils, a higher defence budget but also investments in the renewable energy sector, financed i.a. *via* higher taxes on plastic carrier bags.

The country's external position will also remain comfortable. Although cars and car parts are a major part of all exports with 19.2%, exports surprisingly increased in 2019 due to a further depreciation of the Swedish Krona. In 2020, the value of exports should come back to normal levels. However, the higher services surplus and the investment income, even with lower holdings of long-term debt securities, should add positively to the current account surplus.

A surprising stable alliance

After the election in September 2018, none of the traditional party alliances secured a majority. In the end, Prime Minister Stefan Löfven from the Social Democratic Party (100 seats) could continue his governmental work with the Green party (16 seats), after he stroke a "confidence and supply agreement" with the social-liberal Centre Party (31 seats) and the Liberals (20 seats). They offered their support for the weakest minority government in Swedish history, in exchange for concessions on the labour market reforms as well as tax cuts. This new alliance seems quite stable, as the voters of the Liberals and the Centre Party did not punish their parties for supporting the centre-left government in the European election and in the polls during 2019. Therefore, there are realistic chances that the alliance will hold until the next parliamentary election in 2022.

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.

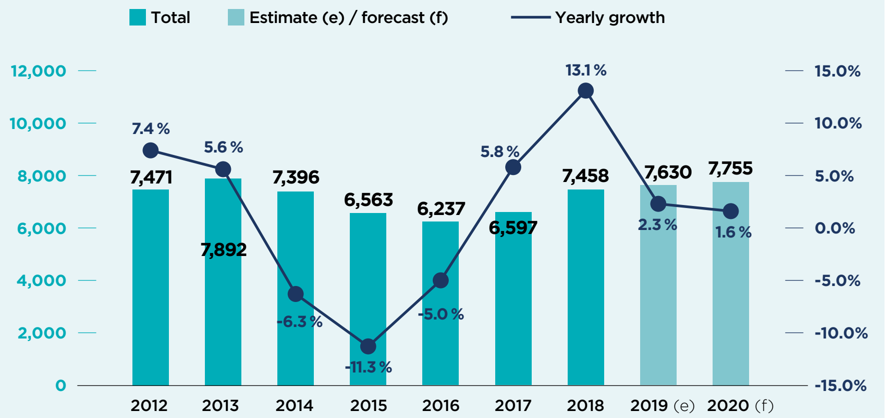
Restructuring

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.

NUMBER OF CORPORATE FAILURES



Source: Statistics Sweden (SCB), Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	8.5
GDP PER CAPITA US Dollars - 2018	83,162
CURRENCY Swiss franc	CHF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.9	2.8	0.9	1.4
Inflation (yearly average, %)	0.5	0.9	0.6	1.0
Budget balance (% GDP)	1.2	1.4	0.5	0.5
Current account balance (% GDP)	9.8	10.5	10.0	10.4
Public debt (% GDP)	42.6	40.5	38.6	37.3

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
UNITED STATES	13%
CHINA	10%
INDIA	6%
HONG KONG (SAR)	5%

Imports of goods as a % of total

EURO AREA	50%
UNITED KINGDOM	10%
UNITED STATES	8%
CHINA	5%
UNITED ARAB EMIRATES	4%

+

- Political, economic and social stability and consensus; role of direct democracy
- Close relations with the EU
- International financial centre and headquarters of international groups and organisations
- Limited sensitivity of exports to foreign exchange due to focus on high technology and quality
- Surplus public accounts and a large external asset position
- European crossroads with excellent communication network

-

- Small, open and landlocked economy (foreign trade = 116% of GDP)
- Swiss franc used as a safe haven
- Highly dependent on trading and financial services
- High housing prices with rising vacancy rates
- Banks' exposure to real estate (85% of domestic loans), with two institutions accounting for half of domestic assets
- Population ageing offset by immigration (foreign labour makes up 33% of the workforce)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Domestic demand remains the growth factor

Growth is expected to increase in 2020. However, the improvement will be artificial, as it will be due to carryover growth at the beginning of the year and the organization of the Olympic Games and the Euro football tournament, which will generate licence sales for the Switzerland-based IOC and UEFA. Household consumption (53% of GDP) will remain by far the main contributor to growth, supported by continued employment growth, low inflation and the very low cost of credit. In addition, the labour shortage, due to very low unemployment and reduced immigration since 2018, is driving wage growth. Investment (24%) will be the second largest contributor thanks to the purchase of equipment by companies, particularly in the area of automation, and their research and development expenses. Civil engineering financed by the federation, cantons and municipalities should remain on track. Conversely, the construction of rental housing could decline due to saturated supply. On the external front, despite weak demand in all the country's main markets, the contribution of foreign trade is expected to turn slightly positive simply because of licence sales, which are treated as services exports. Export performances by pharmaceuticals, jewellery, watches, tourism and medical devices will remain satisfactory due to their resilience to less supportive external economic conditions and the strength of the Swiss franc. Events in Hong Kong will merely slow the growth of watch sales. The same should be true for finance and insurance. In contrast, mechanical engineering, precision instruments, and electrical and electronic equipment will have to contend with the poor health of European industry. Imports will once again be driven by strong domestic demand, continuing to generate large deficits in the automotive and clothing sectors. Retail trade is expected to grow modestly in line with the positive trend in employment and moderate immigration. Competition from foreign supermarkets in border areas is expected to remain marginal. Food retail is doing better than other segments, particularly clothing.

Solid external and public accounts

Switzerland has a massive current account surplus comprising a surplus in goods (7% of GDP in 2019), as well as in services (3%), the latter being mainly generated by finance, sports licences, patents and tolls. Transfers from foreign workers, whether Swiss-domiciled or cross-border (20% of the total), plus Switzerland's remittances to international aid agencies and programmes are balanced by income from Swiss investments abroad. Even when international trade in precious metals (gold), gemstones, artworks and antiques (4%) is taken out, the surplus is still 6.4%. In addition, recurrent surpluses have made it possible to accumulate significant foreign assets, to the point that Switzerland has a net external asset position equivalent to 128% of GDP. Swiss households are at the origin of this, through the savings that they invest in retirement plans. Meanwhile, to prevent the franc from appreciating, but also to support activity and counter deflationary pressures, the Swiss National Bank (SNB) is applying a highly accommodative monetary policy, with the key interest rate set at -0.75%. This rate also applies to banks' sight deposits held with the SNB, although exemption thresholds result in an actual rate of around -0.2%. In addition, the SNB buys foreign currency assets (mainly government bonds in euros and dollars) as required. As a result, its balance sheet is equivalent to 120% of GDP and foreign currency reserves stand at more than two years of imports.

Going beyond the fiscal rule adopted in 2003 by the federation and replicated by most cantons, the public accounts show a structural surplus. In the event of a significant economic deterioration, the federal and cantonal authorities, based on a vote by the representative assemblies, would have access to significant fiscal stimulus capacity. The public debt is divided equally between the federation, on the one hand, and the cantons and municipalities, on the other. Its cost is extremely low with a negative yield (-0.8% at the end of 2019) on 10-year issues. Net of claims held by public authorities, the debt is almost zero. Budget margins will remain under little pressure.

Despite a breakthrough for greens, right-wing and centre parties remain in the majority

The October 2019 elections saw a historic breakthrough for left-wing environmentalists (PES), who won 28 seats out of 200 (+17) and the liberal green party (PVL), which took 16 seats (+9), at the expense of traditional right-wing and left-wing parties, namely the nationalist conservatives (SVP) with 53 seats (-12), social democrats (PS) with 39 seats (-4), plus the liberal democrats with 29 seats (-4) and Christian democrats with 25 seats (-2), both in the centre-right. The shift reflects the fact that the climate question has eclipsed immigration as the key issue. Nevertheless, the right and the centre remain in the majority in the National Council, as well as in the Council of States and the Federal Council (government), of which seven ministerial seats are voted on by both chambers, taking into account the results of the parties, the various regions and linguistic communities. The free movement of people and the institutional framework agreement with the EU will be voted on in 2020.

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.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2018**	**16.9**
GDP PER CAPITA US Dollars - **2018**	**-**
CURRENCY Syrian pound	**SYP**

TRADE EXCHANGES

Exports of goods as a % of total

LEBANON	25%
SAUDI ARABIA	13%
IRAQ	11%
UNITED ARAB EMIRATES	9%
TURKEY	8%

Imports of goods as a % of total

TURKEY	16%
RUSSIA	9%
CHINA	8%
EURO AREA	7%
UKRAINE	7%

+

- Strategic geographical location
- Energy transit country
- Oil potential

-

- Civil war since 2011: hundreds of thousands of deaths, millions of internally and externally displaced people, and much of the country's infrastructure destroyed
- Divided territory, under the sway of different groups
- Official oil production has been sharply reduced

RISK ASSESSMENT

The regime strengthens, but influence of foreign powers remains

After nine 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. Bashar al-Assad's 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 one side, Russia, Iran and Hezbollah are providing military and logistical support 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-Nusra and Daesh) in Syria and Iraq. Although these 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. Finally, Turkey, which shares a land border with Syria, has intervened several times in the conflict to protect its borders and interests in the region. While supporting the rebellion against the Syrian regime, Turkey is trying to limit the influx of Syrian refugees into its territory and 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 could be the last act of the war in Syria. This north-western region, torn between jihadist groups and opposition rebels, was partly recaptured by the regime between April and August 2019. At the same time, the gradual withdrawal of American troops from Syria has weakened the control of the predominantly Kurdish Syrian Democratic Forces (SDF) over the north-east of the country. America's presence, notably in the Manbij region, had contained the ambitions of Turkey. In October 2019, following the announcement of the almost total withdrawal of US troops and despite international protests, Turkish forces invaded Syria from the northeast to create a 30-kilometre deep security zone, or "buffer zone". To counter the Turkish attack, the SDF authorized the deployment of the Syrian army on their territory. However, following the Sochi agreement between Presidents Erdogan and Putin, the Kurds still had to withdraw from the security zone. In addition, the agreement establishes Russian-Turkish patrols along the Turkish-Syrian border. The Kurds are therefore even more trapped between Turkish forces and those of Bashar al-Assad, who still wants to recapture this lost territory. Accordingly, violence and instability should continue.

In September 2019, the United Nations announced the creation of a constitutional committee to initiate a political transition. It is composed of 150 members, equally divided between the government, the opposition (the semi-autonomous Kurdish administration is not represented) and civil society. They have to draft a new constitution and pave the way for free elections. However, the potential progress that this committee may achieve is uncertain at this time. A new offensive on Idlib would raise big questions about its legitimacy, while Bashar al-Assad appears increasingly in a position of strength after his recent recaptures and the weakening of the Kurds.

A difficult and controversial reconstruction process

The return of several provinces to the Bashar al-Assad regime is expected to trigger a gradual recovery for the Syrian economy, which remains badly weakened by nine years of conflict. Syrian GDP shrank by more than 60% during the 2010/2016 period, according to World Bank estimates. Much of the country's infrastructure was destroyed during the fights. Syrian industry has shrivelled up, while economic sanctions make it difficult to access financing. Bashar al-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 backing 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 Western countries would be willing to participate in the financing, they are making their assistance conditional on the establishment of an inclusive political process.

Another factor limiting the reconstruction process is the lack of human resources. Nine years of war have taken a severe human toll. The number of deaths related to the conflict is estimated at 570,000 (Syrian Observatory for Human Rights, March 2019). In addition, 6.2 million people, including 2.5 million children, have been displaced, and 5.6 million are officially registered as refugees (UNHCR, September 2019), mostly in Turkey, Lebanon and Jordan. 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, starting back in 2012, the government has used a property law to seize the assets of displaced persons. Furthermore, many refugees fear conscription or arbitrary arrest, not to mention the threat of insecurity that persists in many Syrian regions.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	23.6
GDP PER CAPITA US Dollars - 2018	25,008
CURRENCY New Taiwan dollar	TWD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.3	2.8	2.5	2.2
Inflation (yearly average, %)	1.1	1.5	0.8	1.1
Budget balance* (% GDP)	-0.1	0.8	-0.7	-0.9
Current account balance** (% GDP)	14.5	12.2	11.5	10.7
Public debt*** (% GDP)	35.5	35.1	33.6	32.3

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June, 2019 data: FY18-19. ** Including grants. *** Fiscal year from October 2018 to September 2019.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	27%
HONG KONG (SAR)	13%
UNITED STATES	12%
JAPAN	7%
EURO AREA	6%

Imports of goods as a % of total

CHINA	20%
JAPAN	17%
UNITED STATES	12%
EURO AREA	9%
SOUTH KOREA	7%

+

- Robust external financial position
- Support for R&D through public expenditure
- Consensus on democratic achievements
- 4th largest electronics producer in the world
- Diversified FDI portfolio in Asia

-

- Exposure to demand from mainland China and the United States
- Stagnant wage growth and low labour productivity
- 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 slows but is expected to remain robust

Growth is expected to moderate slightly in 2020, due to lower external demand amid trade tensions between the United States (US) and China. Taiwan's share of exports to the US has increased. However, overall exports contracted by an average of -2.6% YOY in the first nine months of 2019 and should remain weak despite the partial trade deal between the United States and China in December 2019, as existing tariffs would continue to pressure global demand. Taiwan is integrated into the Chinese value chain, as its exports are mainly composed of intermediate products. Inflation will continue to remain subdued in 2020, due to weaker prices for key imports such as commodities and semiconductors. This will help to boost private consumption, which shall nonetheless remain muted. The 5% increase in the minimum wage, implemented at the beginning of 2018, has helped to boost consumption, but base effects together with more uncertainty surrounding weaker external demand will keep any upside in check. Moreover, China suspended independent tourist travel to Taiwan amid worsening cross-strait relations, a trend which is set to continue in 2020 because of the presidential election.

Government spending increased ahead of the January 11 presidential election. This will fall due to base effects and budgetary delays following the election in 2020. Infrastructure spending will help to cushion this downside, as this spending has already been approved by the legislature under Phase-II of the National Infrastructure Development Plan (2017/2025). In addition, private investment is set to increase, as Taiwanese firms divert production away from China and towards Taiwan, owing to disruptions surrounding the trade war and higher labour costs.

Strength of internal and external accounts

Infrastructure investments, which focus on the modernization of the rail network and water distribution, as well as the development of renewable energy, should be completed by 2025. Defence spending increased by 8.3% in 2019, which is 3% of GDP, and this will accelerate further in 2020. This is a pre-emptive move ahead of Presidential elections in the US (a Democratic Administration could halt military sales to Taiwan). The slight budget deficit is not worrying as 2018 tax reforms should help to buffer revenues, while the remaining extra expenditure will be partially financed through the issuance of sovereign bonds. 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. Exports have slowed due to a more challenging external environment, but import growth will remain subdued on weak commodity prices (oil is and semiconductors). Taiwan is the fifth largest creditor economy, with a net external position of 200% of GDP and a stock of foreign net assets worth USD 1.3 trillion . This environment could strengthen on the back of the government's "New Policy for the South", which aims to extend Taiwan's economic integration with Southeast Asian economies. The level of external debt (33% of GDP) does not compromise the stability of the island's external position.

Tense relations with China, but more favourable international image

Relations with mainland China have soured since President Tsai Ing-wen and her Democratic Progressive Party (DPP) came into power in 2016. This is because DPP has adopted a tougher stance 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". Despite losing 15/22 cities and counties during local elections in 2019, embattled President Tsai Ing-wen's popularity rose sharply in the months ahead of the January 11, 2020 Presidential elections, in response to developments in neighbouring Hong Kong. Her opponent, Kuomintang's Han Kuo-Yu is pro-Beijing, and Taiwanese voters may have felt antagonized by this. Despite pressure, the President is unlikely to call for a referendum on an official declaration of independence, preferring the *status quo*.

Kiribati and Solomon Islands ceased to recognize Taiwan as a sovereign country in favour of mainland China in September 2019, meaning Taiwan only has full diplomatic relations with 16 countries (nine of which are in Latin America). Despite growing isolation on the international diplomatic scene, perceptions about Taiwan have improved, with the number of foreigners seeking residence permits increasing sharply (30% YOY increase from Hong Kong alone). Taiwan was also the first country in Asia to legalize same-sex marriage in 2019, and Taipei ranked as the No. 1 city in the world for expats according to a 2019 poll by InterNations.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2018	9.1
GDP PER CAPITA US Dollars - 2018	826
CURRENCY Tajikistani somoni	TJS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.1	7.3	7.4	5.7
Inflation (yearly average, %)	7.3	3.8	7.4	7.1
Budget balance (% GDP)	-6.0	-4.8	-4.7	-3.5
Current account balance (% GDP)	2.2	-5.0	-5.8	-5.8
Public debt (% GDP)	50.4	47.9	49.5	50.7

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	18%
TURKEY	18%
RUSSIA	15%
SWITZERLAND	14%
UZBEKISTAN	10%

Imports of goods as a % of total

RUSSIA	39%
KAZAKHSTAN	18%
CHINA	8%
EURO AREA	7%
UZBEKISTAN	6%

+

- Plentiful natural resources (hydroelectric potential, metals, cotton)
- Financial support from international donors and China (OBOR)
- Youthful population
- Untapped agricultural and tourism potential

−

- Weak banking system; credit is expensive, underdeveloped and directed
- Dependent on the Russian economy through remittances from expatriate workers
- Proximity to Afghanistan, increased terrorist risk
- Challenging geography and inadequate infrastructure (energy, transport, health, education, water)
- Tightly controlled foreign exchange and trade market

RISK ASSESSMENT

Fiscal consolidation threatens growth

Tajik growth remained strong in 2019, driven by public investment and in particular the completion of the second turbine of the Rogun Dam, which is expected to double the country's electricity production by 2029. The project will improve the business climate, which has been hampered by power cuts and winter restrictions, and diversify the country's exports. The agricultural sector experienced favourable growth, linked to the climate and the expansion of cultivated areas, while growth remained firm in the extractive industries, supported by Chinese FDI in particular. In 2020, Russian growth should fuel a steady increase in migrant remittances (31% of GDP in 2017), making it possible to maintain household consumption. However, public investment will make a more modest contribution in 2020: public finances are running out of steam and the energy sector budget is being cut by 15%. This trend is likely to affect other sectors of the economy and negatively impact domestic demand. Growth is therefore expected to slow in 2020.

Inflation accelerated sharply in 2019 on higher food prices and nominal wages. It is expected to remain stable in 2020, owing to an increase in electricity taxes, the 150 bp reduction in the central bank's key interest rate in June, which should support credit, and the somoni's slight depreciation against the dollar and the ruble.

External fragility despite diversification efforts

Support for public investment projects has come at the price of soaring debt, of which the effects may now be felt. Short-term public debt maturities are high, with the amount of foreign exchange due in 2020 exceeding the country's current reserves. The already high level of public debt, which is largely external and in foreign currencies, reduces the scope for new debt financing and exposes the country to currency risk. The consolidation of public finances looks inevitable, and fiscal policy will therefore have limited room for manoeuvre to absorb external shocks.

Tajikistan's current account balance improved significantly in 2019, partly due to electricity exports and a decline in remuneration paid to foreign investors. The increase in electricity production has diversified exports to neighbouring countries: deliveries to Uzbekistan and Afghanistan are already taking place and should be extended to Pakistan under the CASA-1000 project. Tajikistan has a dynamic partnership with Uzbekistan, which is engaged in a liberalisation drive. Nevertheless, the country's exports remain underdiversified, and the current account continues to be vulnerable to metal price developments, which could prove unfavourable in 2020. Because of its low level of industrialisation, Tajikistan has to import consumer products as well as capital goods and intermediate products needed for public investment and the extractive industry. However, contained growth in 2020 will have a moderating effect on imports. The current account deficit remains financed by loans from multilateral agencies and China, capital contributions and FDI. Total external debt represents 86.3% of GDP.

The banking sector is still recovering from the 2014/2015 crisis: the share of NPLs still stood at 24.8% in June 2019, although this was down sharply over the year. The sector's profitability has improved and the credit growth that began in 2018 has strengthened. Banking consolidation is progressing, but not yet to the point that the sector can be the engine of economic growth: concentration and financing costs remain high.

No surprises expected with elections in 2020

President Emomali Rahmon has been at the head of the country since 1992 and has been steadily consolidating power since the end of the civil war in 1997. This led to a ban on his main opponent, the Islamic Renaissance Party, in 2015. At the age of 66, the President appointed several members of his family to senior government positions. Recently, the age of eligibility for the presidency was lowered, which would allow his son to run in the next elections, scheduled for autumn 2020. Social frustrations are tangible, fuelled by corruption, poverty, and growth that has become less job-creating. 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 mosque closures, clothing bans and internet restrictions. The presence of the Taliban in northern Afghanistan continues to affect the security of border areas, although Russia's military presence should prevent any spillover of the conflict. 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.

The business environment is poor. Government control over the economy through state-owned companies is hindering private investment, and often unpredictable tax treatment pushes many participants into the informal sector. The country ranks 180th out of 205 countries in the World Bank's ranking for the quality of its regulations.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	54.7
GDP PER CAPITA US Dollars - 2018	1,040
CURRENCY Tanzanian shilling	TZS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth* (%)	6.8	5.4	5.1	5.5
Inflation (yearly average, %)	5.3	3.5	3.4	4.0
Budget balance** (% GDP)	-1.4	-2.5	-2.8	-3.3
Current account balance (% GDP)	-3.0	-3.6	-4.5	-5.2
Public debt (% GDP)	38.4	38.4	41.7	42.4

(e): Estimate. (f): Forecast. * Growth for 2018 is estimated. ** Fiscal year from 1st July - 30th June. Data 2020: FY19-20.

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	20%
INDIA	20%
EURO AREA	12%
SWITZERLAND	7%
KENYA	6%

Imports of goods as a % of total

CHINA	21%
INDIA	14%
UNITED ARAB EMIRATES	10%
EURO AREA	8%
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

Robust but constrained growth

Growth is expected to remain robust in 2020, driven by public investment. Infrastructure projects, particularly in transport (work on the Dar es Salaam – Makutupora railway line) and energy (construction of the Rujifi hydroelectric power plant), will be the main beneficiaries of this investment and will support construction activities. However, persistent financing constraints are expected to limit the contribution of this growth driver. Private investment is expected to suffer from deteriorating perceptions of the overall business climate, but also from delays in liquefied natural gas (LNG) and oil pipeline projects linking Hoima (Uganda) to the port of Tanga (Tanzania). While taxes and export bans are expected to continue to constrain exports, imports of capital goods will undermine the trade balance's contribution to growth. However, the rise in international gold prices and a potential increase in production following Barrick Gold's acquisition of Acacia Mining (with which the authorities were in dispute) could support an increase in gold export revenues, which represent about one-third of the total. On the other hand, the risk of the Ebola virus disease spreading from the Democratic Republic of Congo could slow the increase in tourism revenues, despite the expansion of the national airline (Air Tanzania) and work on airport infrastructure. The contribution of private consumption is expected to remain strong, benefiting from relatively low inflation.

Increasing fiscal risk

The budget deficit is expected to continue to widen as capital investment spending on infrastructure increases, while current expenditure should be more contained. The 2019/2020 budget features an increase of almost 30% in capital expenditure. However, the increase will most certainly depend on progress in the collection of domestic revenues (about 12% of GDP) to be used to finance projects. Limited progress so far in this regard has seen the State accumulate arrears towards its suppliers. To achieve the high domestic revenue collection targets, the authorities will take steps to improve the electronic collection platform and broaden the tax base by expanding the formal economy.

Given the increased financing requirements generated by infrastructure projects, the level of debt, and in particular its commercial component (about 20% of the total), is expected to continue to rise. That said, the level of debt remains low, and the risk of debt distress is contained.

In 2020, the current account deficit is expected to widen, largely due to increased capital goods imports. The surplus in the services account may be reduced by logistics services, despite a potential increase in tourism receipts. While official transfers have declined in recent years, the surplus in the balance of transfers will be maintained by remittances from expatriate workers. However, these remittances are expected to fall in line with global economic developments. Finally, the income deficit will continue to be affected by corporate profit repatriation. With FDI shrinking in recent years, borrowing, both concessional and commercial, and the use of foreign exchange reserves (which cover nearly six months of imports) may be necessary to finance the current account deficit.

Is the “Bulldozer” heading for re-election?

Elected in 2015, President John Magufuli, from the Chama cha Mapinduzi (CCM) party, is expected to stand for re-election in the general elections scheduled for later in 2020. With a solid electoral base, particularly in rural areas, the CCM, which has been in power since 1977, is expected to win a majority again. President Magufuli, nicknamed Tingatinga (“Bulldozer” in Swahili) since his time at the Ministry of Public Works, also looks well placed to remain in power. Nevertheless, the government's authoritarian shift has been widely criticised, while actions such as the ban on publishing statistics without the agreement of the statistical institute are adding to the sense that the regime is tightening its grip on freedom of expression. The President's governance style and some investor- and exporter-unfriendly decisions are likewise fuelling growing mistrust among bilateral partners and multilateral donors, who, for example, have questioned the reliability of the growth figures published by the National Institute of Statistics in 2018. These developments are hurting the perception of Tanzania's business climate, which is seen as restrictive (141st out of 190 countries in the Doing Business ranking).

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	67.8
GDP PER CAPITA US Dollars - 2018	7,448
CURRENCY Thai baht	THB

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.0	4.1	2.5	2.9
Inflation (yearly average, %)	0.7	1.1	0.8	1.2
Budget balance* (% GDP)	-3.5	-2.5	-2.7	-3.0
Current account balance (% GDP)	9.7	6.4	6.0	5.5
Public debt (% GDP)	41.9	42.1	42.4	43.0

(e): Estimate. (f): Forecast. * Fiscal year 2020 from 1st October 2019 to 30th September 2020.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	12%
UNITED STATES	11%
EURO AREA	7%
VIETNAM	5%
HONG KONG (SAR)	5%

Imports of goods as a % of total

CHINA	20%
JAPAN	14%
EURO AREA	7%
UNITED STATES	6%
MALAYSIA	5%

- Regional hub; long coastlines; proximity to fast-growing Asian markets
- Strong external accounts and substantial foreign exchange reserves
- Richly endowed in agricultural resources (natural rubber, rice and sugar cane)
- Diversified exports: tourism, machines, car parts, electronic components, agri-food products, fish and shellfish

- Inadequate infrastructures
- Ageing population and shortage of skilled labour
- Uncertain political situation; antagonism between rural and urban areas
- High corruption perception and large informal economy
- High household debt levels

RISK ASSESSMENT

Slowdown in foreign trade hinders growth

After a sharp slowdown in 2019, the Thai economy is likely to rebound only modestly in 2020, remaining below its potential level of growth. Exports (65% of GDP), which are being hurt by the strong baht, will also continue to be affected by the global slowdown, particularly among the country's main partners (China, the United States, the Eurozone), given Thailand's integration in value chains. As a result, the manufacturing sector will continue to see unfavourable momentum, particularly in the electronics, chemical and automotive industries. In spite of the unsupportive international economic situation, resilient domestic demand should enable growth to remain robust. Public investment will increase, with the launch of several transport infrastructure projects linked to the Eastern Economic Corridor initiative, a development plan to create a vast industrial and technological cluster in a region southeast of Bangkok. In addition, the government decided to relax its tax policy in late summer 2019, announcing a stimulus package worth about 2% of GDP and consisting of two sets of measures. The first aims to support consumption, with increased benefits for low-income earners, aid for farmers affected by the severe drought of 2019, and spending money for domestic tourists. The second intends to support FDI with new tax incentives designed to attract more production relocations from China. However, although the decline in central bank policy rates is expected to ease credit conditions slightly, private investment will remain severely constrained by uncertainties about protectionist risks and the global slowdown, which led to a deterioration in business confidence in 2019. Despite the announced budget support and contained inflation, household consumption will remain moderate, in particular due to the level of household debt (almost 80% of GDP) and waning consumer confidence. Tourism is still expected to make a significant contribution to growth, despite the strong baht and slightly slower visitor growth.

A more expansionary fiscal policy

In FY 2020, the public deficit is expected to increase, in line with the government's commitment to support growth. Expenditure will increase by nearly 7% in value, particularly in social assistance, investment and defence. The education and interior ministries will receive the largest amounts. In addition, while the VAT hike from 7% to 10% is to be postponed again, revenues should still continue to increase thanks to recent tax reforms, such as the revision of the income tax code. Public debt remains contained and relatively low risk: it is almost entirely denominated in Thai baht and contracted in the medium and long term.

Turning to the external accounts, the current account surplus is expected to narrow again in 2020. After plummeting in 2019, exports of goods are not expected to rebound significantly this year, with external demand still depressed. This drop in exports has a severe impact on imports of intermediate goods, dragging down total imports. Nevertheless, the resilience of household spending, supported by the tax stimulus, should ensure that imports of consumer goods continue to grow briskly, especially as the baht will remain strong. Therefore, while the trade surplus may decline, it will remain significant at almost 4% of GDP. In addition, the services surplus (5.5% of GDP) will be maintained, supported by continued growth of tourism revenues. The income balance (-4.5% of GDP), conversely, will once again make a negative contribution to the current account, due to profit repatriations by foreign companies.

Elections maintain the army's hold on power

Thailand has been a constitutional monarchy since 1932. It is plagued by chronic political instability and numerous army-led coups. The most recent one, which took place in 2014, had the king's support and resulted in the appointment of General Prayuth Chan-o-cha as Prime Minister. After postponing parliamentary elections six times, the ruling junta finally held them in March 2019. Although a seven anti-junta party front claimed an absolute majority in the lower house, Mr Prayuth stayed on as Prime Minister, supported by a new constitution adopted in 2017 that institutionalises military power, increases the king's power and gives little chance to opposition parties. In the new electoral process, the Prime Minister is elected by parliament, which is composed of 500 seats in the lower house and 250 seats in the senate. However, as the junta appoints all senators, pro-army parties only need a quarter of the seats to stay in power. A multi-party coalition supporting the Prime Minister was finally formed, but it has a very slim majority. This could affect the government's ability to reform, forcing it to make compromises within its majority. However, the government has the support of the junta and the king, which ensures a certain degree of stability in the country.

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 - 2018	1.3
GDP PER CAPITA US Dollars - 2018	2,164
CURRENCY US dollar	USD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-3.5	-0.2	4.5	5.0
Inflation (yearly average, %)	0.5	2.3	2.5	3.2
Budget balance (% GDP)	-20.8	-15.2	-24.3	-31.4
Current account balance (% GDP)	-11.4	-6.9	1.1	-2.9
Public debt (% GDP)	6.2	9.0	12.2	12.9

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

TRADE EXCHANGES

Exports of goods as a % of total

INDONESIA	48%
UNITED STATES	15%
CHINA	11%
EURO AREA	11%
JAPAN	3%

Imports of goods as a % of total

CHINA	22%
SINGAPORE	17%
HONG KONG (SAR)	14%
VIETNAM	10%
TRINIDAD & TOBAGO	6%

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- 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)

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- Vulnerable to natural disasters (landslides, typhoons, floods)
- Underdeveloped infrastructure (health, education, transport)
- Very heavily dependent on oil income (98% of exports) and food imports (weak development of agriculture)
- Human capital deficit
- Almost half the population lives below the poverty threshold
- High unemployment among young people (40%)
- Weak bank intermediation

RISK ASSESSMENT

Growth supported by public investment and new infrastructure

Non-oil GDP growth is expected to stabilize this year to nearly 5% driven by public spending (106% of non-oil GDP). The government's strong fiscal stimulus will continue to support growth, with a USD 1.95 billion budget approved for 2020 (64.3% of GDP), which gives priority to economic development and connectivity under the Strategic Development Plan (2011/2030). In this regard, 2020 will see the completion of the Tibar commercial port with a capacity of one million tons per year. This project will also involve the construction of new access roads connecting Tibar to Dili, where the airport will be expanded by 2022. Additionally, the installation of fibre optic cabling this year will improve ease of doing business and productivity in the country, which has been relying on expansive satellite coverage. Having said this, the economy relies heavily on the oil sector, of which the revenues represent 98.3% of total exports, making Timor-Leste one of the most natural-resource reliant countries in the world. While oil production is expected to end in 2022, the recent Greater Sunrise gas project in collaboration with Australia would take over. Otherwise, the economy depends on coffee harvest, which is weather-dependent, and accounts for 90% of total exports excluding oil. Private investment is likely to remain modest in result of a weak business environment. Private consumption will remain robust while inflation is expected to rise to 4% on the back of higher global food prices, especially rice and pork due to African swine fever.

Deficits to increase due to volatile oil-reliant revenues

The fiscal deficit is likely to increase amid revenues uncertainties and the government's fiscal expansionary stance to support the economy and to reduce poverty. Considering that the oil industry makes up 75% of total revenues, a decline in oil revenues due to lower oil prices in 2020 means that the deficit will largely be funded on the back of the Petroleum Fund (PF, estimated at 506% of GDP in 2018) withdrawals which provide 90% of the economy's budget yearly. Since 2009, annual withdrawals have averaged about 5% of petroleum wealth, which consists of the Petroleum Fund balance and the forecasted net present value of the future petroleum revenues. In addition, the Tasi Mane Petroleum project, which is an oil infrastructure corridor, is expected to be operational by 2026. The project is likely to weigh on public finances, as it requires the government to spend USD 17.5 billion from the PF, limiting spending on public services such as education (10% of spending), water sanitation (2%) and healthcare (5%), as well as on agriculture (2%). That said, the country benefits from USD 162.6 million in grants (19% of revenues) from development partners, representing the second source of revenue after the oil industry.

The current account will narrow due to lower imports but be in deficit due to a significant trade deficit linked to volatile coffee exports (90% of total exports excluding oil), which rely heavily on weather conditions. It will be financed by divestment of the PF portfolio, along with external borrowing (5.1% of total GDP, from the Asian Development Bank and the World Bank) and FDI inflows (1% of GDP). The country has large buffers with reserves now covering around 6.4 months of imports, provided by the PF.

Closer cooperation sought in the region

Timor-Leste is a semi-presidential democratic republic led by President Francisco Guterres (since May 2017). The government of Prime Minister Taur Matan Ruak (since the early elections of 2018) relies on the Alliance of Change of Progress coalition composed of three parties (National Congress for the Reconstruction of Timor Leste. Popular Liberation Party and KHUNTO).The country has been seeking ASEAN membership since 2011 and is getting closer to the accession. Despite political stability in recent years, ASEAN members again postponed their decision in 2019 due to concerns over the country's ability to meet financial and political commitments. CMLV countries (Cambodia, Myanmar, Laos and Vietnam) express concerns over its membership, as it might deplete ASEAN's limited resources, while some members worry that liberal countries might use Timor-Leste to denounce authoritarian governments in ASEAN. In fact, according to the Democracy Index 2018, the country's democratic system is actually better than the ASEAN members, ranked 7th in Asia-Pacific. That said, poverty and corruption levels (ranked 105th by Transparency International) remain high and could threaten the country's recent political stability. According to the United Nations Human Development report of 2014, 67% of the workforce live with less than USD 2.00 a day. On a more positive note, relations with Australia are improving thanks to a treaty recently agreed upon by both countries, which establishes maritime borders in the Timor Sea. This paved the way for further collaboration, notably on the development of the Greater Sunrise natural gas project with Timor-Leste holding 70% of the revenue.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	8.0
GDP PER CAPITA US Dollars - 2018	670
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.4	4.9	4.8	5.2
Inflation (yearly average, %)	-0.2	0.9	1.4	2.0
Budget balance (% GDP)	-0.3	-0.8	-2.9	-1.9
Current account balance (% GDP)	-2.0	-4.9	-6.3	-5.5
Public debt (% GDP)	76.0	76.2	72.6	70.6

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

TRADE EXCHANGES

Exports of goods as a % of total

BURKINA FASO	18%
NIGERIA	14%
BENIN	9%
GHANA	9%
NIGER	9%

Imports of goods as a % of total

CHINA	22%
EURO AREA	19%
INDIA	9%
SAUDI ARABIA	6%
JAPAN	5%

+

- 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
- External debt mainly on concessional terms

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- Heightened socio-political tensions
- Difficult business climate
- High levels of poverty and unemployment
- Inadequate education and public health infrastructuree
- Inadequate banking sector soundness; high NPLs ratio (especially in public banks)

RISK ASSESSMENT

The National Development Plan will boost growth through investment

Growth will remain dynamic in 2020, driven by private consumption and investment (both domestic and foreign). Investment will be stimulated by the 2018/2022 National Development Plan (NDP), of which the primary objective is to transform the country into a regional hub for logistics, finance and tourism, but also to modernise the agricultural, extractive and manufacturing sectors and to reduce poverty. With two-thirds of the funding coming from private investors, the plan includes infrastructure projects aimed at both transport development – through improvements to the port of Lomé as well as the road and air transport network – and the extractive sector. Investment should also benefit from Togo's decision to join the G20 Compact with Africa in order to attract foreign private investment and improve the business environment. Private consumption, which represents almost 80% of GDP, will be stimulated by the social component of the NDP (including the creation of 500,000 jobs), but above all by increased agricultural yields, mainly in cotton and cocoa crops. Production in the sector, which employs 60% of the population, is set to benefit from the impact of the National Programme for Agricultural Investment and Food Security (PNIASA), carried out between 2012 and 2015, while Togo's New Cotton Company expects cotton production to increase by 30% in 2020. Public consumption is expected to decline slowly, as the country is committed to an IMF programme, although the upcoming presidential elections in March 2020 may exert upward pressure. Efforts in the agricultural and extractive sectors, as well as the expected recovery in some trading partners, notably Niger, should allow a net positive contribution to growth from the trade balance, with export growth exceeding the more contained increase in imports. Togo's membership of WAEMU should keep inflation stable at around 2%, despite inflationary pressures on the demand side.

Consolidation of public and external accounts

On the recommendation of the IMF, which granted the country a three-year Extended Credit Facility of USD 244.8 million in 2017, the government is expected to further consolidate the public accounts in 2020. After increasing significantly in 2019, the fiscal deficit should come down as a result of reduced public spending, as the government looks to scale back its own contribution to NDP financing in favour of private investors. The upcoming presidential elections in March 2020 could slow the pace of budgetary efforts. According to the 2019/2021 multiannual budget plan, tax revenues are expected to increase by 7.9% thanks to modernisation of the tax administration and a wider tax base. The budget deficit is to be financed by borrowing within WAEMU. Debt (27% foreign), remains on a downward trajectory and should fall within the WAEMU convergence criteria (70% of GDP) in 2020.

The current account deficit is expected to narrow as a result of the reduction in the structural trade deficit (about 20% of GDP). Export growth, lifted by the strength of the extractive and agricultural sectors, will outperform import growth, which will be lower due to reduced government purchases of capital goods. Improvements to the country's transport infrastructure (specifically the road network and the port of Lomé) should lead to an increase in re-export activities. Remittances from expatriate workers represent 6.8% of GDP. Foreign direct investment (more than 3% of GDP, net) related to the launch of the NDP is expected to be the main counterpart to the current account deficit.

Socio-political instability but continuity of power

The 2018 parliamentary elections, which were boycotted by the coalition of opposition parties (C14), strengthened the position of Faure Gnassingbé, who has held power since 2005 after succeeding his father (himself President from 1967 to 2005). The boycott followed demonstrations since 2017, in some cases violently repressed, calling for constitutional reforms and changes to the electoral code. In May 2019, the Togolese parliament finally passed a constitutional amendment limiting the number of consecutive presidential terms to two, but without retroactive effect. Faure Gnassingbé will therefore be able to stand for re-election in the next elections, scheduled for March 2020, during which political instability is expected to increase, despite the fact that the coalition is weakened by internal divisions. Clashes would have a harmful effect on the private investment, particularly foreign investment, needed to finance the NDP, and would hinder the development of tourism. In general, socio-political tensions at the national level and regional security problems (terrorist acts in neighbouring countries) will weigh on the business environment. The government's efforts have enabled the country to move up 40 places in the Doing Business 2020 ranking (97th position). Nevertheless, governance remains very poorly ranked by the World Bank. As a member of various UN and AU peace missions, Togo also wishes to play a role in improving security on the continent.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	1.4
GDP PER CAPITA US Dollars - 2018	16,379
CURRENCY Tridad and Tobago dollar	TTD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-2.3	-0.2	-0.3	0.1
Inflation (yearly average, %)	1.9	1.0	1.0	1.4
Budget balance* (% GDP)	-11.3	-7.9	-5.8	-6.5
Current account balance (% GDP)	5.0	7.1	3.4	2.7
Public debt (% GDP)	60.3	60.8	64.0	67.0

(e): Estimate. (f): Forecast. * Fiscal year 2020 from 1st October 2019 to 30th September 2020.

TRADE EXCHANGES

Exports of goods as a % of total

URUGUAY	30%
PHILIPPINES	7%
JAPAN	5%
HAITI	5%
SRI LANKA	4%

Imports of goods as a % of total

UNITED STATES	25%
RUSSIA	14%
CHINA	9%
EURO AREA	7%
BRAZIL	6%

+

- World's seventh-largest producer of LNG
- Petrochemical industry (world's leading exporter of methanol and ammonia)
- Large sovereign wealth fund (25% of GDP) and currency reserves
- Lead country in the Caribbean Community (Caricom)
- Well-trained English-speaking workforce

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- 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 financial sector supervision
- Inequitable wealth distribution (20% of the population lives below the poverty line)
- Drug traffic-related crime

RISK ASSESSMENT

Sluggish growth, reliant on hydrocarbons

After four years of recession, mainly due to low hydrocarbon prices and disappointing production in the energy sector, growth could stabilize in 2020. It remains extremely vulnerable, being closely tied to the hydrocarbon sector (oil, gas and petrochemicals), which accounted for 35% of GDP and 80% of goods exports in 2018. In 2020, production in this sector is expected to decline slightly again. The new extraction sites (notably the Angelin project) will not be able to offset the decrease in production from existing sites, especially since low prices are not encouraging companies to invest to maintain existing capacity. Oil refining activity will continue to be severely hampered by the drop in crude oil production in Venezuela, the main supplier. The petrochemical industry (ammonia, methanol, fertilisers) is unlikely to fare better, in view of the fall in the prices of these products owing to unfavourable global conditions in the chemical sector. Other sectors of the economy, which are underdeveloped, will make a small contribution to growth. Construction will benefit from the increase in public investment expenditure, particularly in transport infrastructure. Credit growth has recovered, which will promote private investment. Household consumption, which will be boosted by the sharp rise in the minimum wage, should also benefit from this credit growth. However, access to credit remains generally constrained, with the public sphere capturing a large share of the domestic banking system's financing capacity. Inflation will continue to be moderate, due to weak economic activity.

Borrowing and the sovereign wealth fund finance the deficit

After shrinking for several years, the public deficit is set to increase in FY 2020, as expenditure growth exceeds revenue growth. The relative improvement in the economic situation should lead to an increase in revenues. In addition, the government plans to reduce tax exemptions on the profits of oil and gas companies. However, the same companies will get larger investment tax credits to encourage new exploration. On the expenditure side, several major measures will be introduced, including a hike of about 15% in the minimum wage and an increase in the tax credit for solar water heaters. The main expenditure items will remain the State wage bill (18% of total expenditure) and especially transfers and subsidies (48%), the lion's share of which goes to households and regional health authorities. The deficit will be financed by drawing on the country's sovereign wealth fund and by contracting domestic and international bank loans at high interest rates, which will push up the interest burden (3% of GDP). However, public debt remains largely domestic (80%) and contracted over medium- and long-term maturities, while being mainly denominated in local currency.

The current account is structurally in surplus owing to massive exports of hydrocarbons and oil derivatives, although the surplus has narrowed because of the sharp slowdown in the sector in recent years. In 2020, the trade surplus (9% of GDP in 2018) will shrink again, also reflecting a slight rebound in imports thanks to a pick-up in domestic consumption. Conversely, the services deficit is expected to remain in place, as tourism revenues are marking time and are insufficient to offset services related to the hydrocarbon sector. The current account surplus allows the financial account to record net outflows of capital, mainly in the form of investments by the sovereign wealth fund, while at the same time replenishing foreign exchange reserves, which stood at about eight months of imports in 2019. These reserves are regularly used by the central bank to maintain a fixed parity between the national currency and the US dollar, and they are expected to continue to decline in 2020.

Difficult elections ahead for the ruling party

Prime Minister Keith Rowley, a member of the People's National Movement (PNM), has been in power since the parliamentary elections of September 2015. He can rely on the PNM's absolute majority in parliament (23 out of 41 seats). However, it will not be easy for the PNM to hold onto power in the next elections, which are scheduled for 2020, particularly given the weakness of the economy and the continuing level of crime. The government has also achieved mixed results in terms of meeting two of its main objectives, namely to consolidate the public finances and diversify the economy. In addition, the popularity of the PNM and Mr Rowley was severely damaged by the arrest of Marlene McDonald, Minister of Public Administration, on corruption charges in August 2019. The main opposition party (also centre-left), the United National Congress (UNC), led by former Prime Minister Kamla Persad-Bissessar, could take advantage of this favourable situation to win the elections.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	11.7
GDP PER CAPITA US Dollars - 2018	3,422
CURRENCY Tunisian dinar	TND

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.8	2.5	1.4	1.9
Inflation (yearly average, %)	5.3	7.3	6.8	6.1
Budget balance (% GDP)	-6.2	-4.8	-4.4	-3.8
Current account balance (% GDP)	-10.2	-11.1	-8.7	-8.5
Public debt (% GDP)	70.4	77.0	75.7	78.7

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	69%
LIBYA	3%
UNITED STATES	3%
ALGERIA	3%
UNITED KINGDOM	2%

Imports of goods as a % of total

EURO AREA	49%
CHINA	10%
TURKEY	5%
ALGERIA	4%
UNITED STATES	3%

+

- Support from international donors, including the IMF, through an Extended Fund Facility (EFF) programme
- Economy in the process of diversifying
- Close to the European market; association agreement with the EU
- Tourism potential
- Natural resources, including phosphates and hydrocarbons

−

- 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
- Porous border with Libya, which is a source of insecurity
- Structural imbalances in public and external accounts; significant increase in external debt, which represents about 75% of total public debt

RISK ASSESSMENT

A timid upturn in growth

After being hurt in 2019 by a slowdown in the manufacturing sector, partly due to less favourable external demand, growth is expected to strengthen slightly in 2020. It will be mainly supported by agriculture, tourism and the start of operations at the Nawara gas field. However, there will still be many constraints. Measures to contain the budget deficit are expected to affect the contributions from public consumption and investment. In addition, greater control of public spending or tax increases could hamper household incomes, squeezing the contribution from private consumption, despite a relative easing of inflationary pressures. With the presidential and legislative elections over, private investment could accelerate. Nevertheless, growth is expected to remain hesitant in view of uncertain domestic and external demand. The record production of olive oil expected in 2019/2020 should support exports, but the slowdown in Europe will affect demand for manufactured goods, including mechanical and electrical appliances and clothing. The European slowdown could also impact the recovery of tourism. While these factors will affect the contribution from foreign trade, it will remain positive thanks to a more contained increase in imports, mainly due to the reduction in the energy import bill as the Nawara field comes onstream.

The restrictive monetary policy and oil price developments should allow disinflation to continue gradually.

Persistent pressures on the balance of payments

After slowing in the election year, the consolidation of public finances undertaken as part of the IMF Extended Fund Facility (EFF) program is expected to be more pronounced in 2020. Efforts will focus in particular on increasing revenue, through tax administration measures to improve collection and tax fraud prevention. On the expenditure side, after the previous government granted a wage increase in February 2019, new civil service hiring is expected to be limited in 2020, in order to contain the growth in the state wage bill, which represents about 15% of GDP. Subsidy expenses, particularly for energy, could be trimmed. Development spending is expected to remain constrained, in particular by the increase in external debt service. Public debt, although essentially concessional (nearly 50% of the total) and characterised by long maturities, remains vulnerable to a depreciation of the dinar, since nearly 75% is denominated in foreign currencies. Funding from international donors is likely to remain necessary to finance the deficit.

In 2020, the current account is expected to continue to show a large deficit, owing to the substantial trade shortfall. However, it could shrink slightly thanks to the reduction in the import bill, particularly in energy after the start of operations at the Nawara gas field. After a decent tourism season in 2019, which supported a reduction in the current account deficit, growth in tourism earnings and the services surplus is expected to be lower in 2020, given sluggish European growth. Higher interest payments on debt are expected to reduce the income surplus, while the surplus in transfers, fuelled by expatriate workers' remittances, may be affected by less favourable global conditions. The large current account deficit is expected to remain primarily financed by external debt and will keep foreign exchange reserves (about 3 months of imports) and the Tunisian dinar under pressure.

A fragmented political landscape in the face of social and security challenges

Persistent social tensions fuelled by high unemployment and low living standards left their mark on the 2019 presidential and parliamentary elections, which disrupted the political landscape established following the adoption of the country's constitution in 2014. The presidential election held following the death of President Beji Caid Essebsi was won by Kais Saied, an independent and political newcomer who took nearly 73% of the votes in the second round. With no program, he structured his campaign around a project of participatory democracy. The legislative elections, meanwhile, produced a fragmented Parliament with the winner, moderate Islamist party Ennahda, taking only 52 of the 217 seats, ahead of Qalb Tounes, the party of Nabil Karoui, who was defeated in the second round of the presidential election. Nidaa Tounes, which won the 2014 elections with 86 seats, took just 3 seats, paying the price for the split that led to the creation of the Tahya Tounes Party by former Prime Minister Youssef Chahed. In this fragmented landscape, Prime Minister Habib Jemli, a member of Ennahda, must contend with high expectations for progress in raising living standards, which have not improved over the past decade, while also dealing with the risk of terrorist attacks. In June 2019, a double attack on Tunis, which was claimed by the Islamic State, testified to the persistent security risk.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2018	82.0
GDP PER CAPITA US Dollars - 2018	9,405
CURRENCY Turkish lira	TRY

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	7.5	2.8	0.2	3.0
Inflation (yearly average, %)	11.1	16.3	15.7	12.6
Budget balance (% GDP)	-2.0	-2.5	-3.2	-3.1
Current account balance (% GDP)	-5.6	-3.5	0.1	-0.9
Public debt (% GDP)	28.2	30.2	30.8	30.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
UNITED KINGDOM	7%
IRAQ	5%
UNITED STATES	5%
ISRAEL	2%

Imports of goods as a % of total

EURO AREA	26%
RUSSIA	10%
CHINA	9%
UNITED STATES	6%
INDIA	3%

+

- Deceleration of inflation, lower interest rates supporting domestic demand
- Lower external vulnerability on narrower current account deficit
- Low public deficit to GDP ratio, but some contingent liabilities
- Large industrial production tissue and tourism industry, competitive export base
- Customs union with the EU
- Strategic location

−

- Still fragile consumer and business confidence
- Economy largely dependent on short term capital inflows, high private external debt
- Industrial dependence on imported inputs, exposure to lira volatility
- Elevated regional geopolitical risks
- Informality (27% in 2017) and inequality

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Rebalancing of the economy continues yet vulnerabilities persist

After hitting 25%, the annual inflation has declined as low as 8.6% end-2019 on the back of favourable base effect and mainly declining food prices. Thanks to lower inflation and supportive monetary policies from major central banks (US Fed, ECB, BOJ etc.), Turkey's central bank was able to reduce its policy rate by around 10 percentage points in the second half of 2019. Lower inflation and interest rates, as well as further credit provision from state banks are expected to sustain domestic demand in 2020, which would push up the growth performance, as domestic demand accounts for nearly 60% of GDP. Except in the event of another currency shock, industrial production will continue to recover in line with improving domestic consumption and continuous external demand. Low volatility of the lira will be important for the sustainable recovery of the economic dynamics. Due to its depreciation, the lira now supports the competitiveness of Turkish exports. Despite this rebalancing, corporate payment behaviour will need more time to improve due to the high level of debt and deteriorated cash flows. During the economic contraction, and despite granted restructurings, non-performing loans rose to 6% compared to 3% mid-2018. Coupled with elevated risk perception, this has deterred banks to provide new loans. As a result, Turkish corporates, which rely largely on bank loans to maintain their cash flow and operating capital, started to struggle because of the lack and high cost of financing, as well as lower turnovers. Although lower interest rates are expected to feed credit channel in 2020, payment terms, especially for small and medium enterprises, particularly in domestic-oriented sectors, will not shorten quickly. High external debt that jumped to 62% of GDP mid-2019 remains an important challenge and a serious source of an increasing risk premium for Turkey. Yet, this figure deserves a detailed breakdown. The challenging part of the external debt is the one maturing within a year (short-term external debt). Turkey's short-term external debt was at 16% of its GDP as of Q2 2019, with non-financial private companies' short-term external debt standing at 8% of GDP. Therefore, even though the factors mentioned above are expected to support growth performance in the near-term, in the middle to long-term, the credit-driven nature of growth, the high level of debt (especially for non-financial companies) and squeezed profit margins, as well as the absence of significant progress on labour and products markets, insolvency framework and R&D will restrain the pace of economic recovery and keep investments at low levels.

Despite wider budget deficit, public debt will remain low; external gap narrows

The government expenditure remained high in 2019 due to the elections and the government's efforts to support the ailing economy, while revenues were impacted by stagnation. Economic recovery will support tax revenues. Yet, they are expected to remain weak due to slow growth performance. On the expenditure side, the high level of unemployment (nearly 14% compared with 11% on average in 2018) and costs related to public guaranteed credit schemes will weigh on expenditures. As a result, Turkey is expected to run budget deficits higher than in the previous decade. Nevertheless, public debt to GDP ratio will remain low compared to Turkey's emerging peers, giving the government more room to contract more debt. The economic contraction dragged down import demand in 2019 and contributed to the improvement of the current account balance. Consequently, the latter is expected to produce again a slight deficit in 2020, on the back of recovering domestic demand, particularly from the production side. Turkey's production tissue is dependent on imported inputs that dig the current account balance. Despite regional tensions, tourism revenues are expected to increase in 2020, as this industry remains immune to them, and an important positive contributor to the current account balance. The core current account (excluding gold and energy) recorded a record-high level surplus of USD 48 billion in September 2019, on a 12-month cumulative basis. The country continues to attract foreign direct investments for a total of around USD 8 billion annually (1% of GDP), while there is a very shy return of portfolio investments. Because the country recorded a current account surplus, the central bank's reserves increased, covering nearly 4.5 months of imports. However, this trend may be reversed in 2020.

Domestic stability but external challenges

After several years of successive elections, Turkey is now supposed to have a period without election until 2023. This is expected to be a positive contributor to the business environment. Any rise in tensions with the US, which led to a sharp currency devaluation in August 2018, will be on the radar of investors. Threats of US sanctions continue to be a drag on confidence, and keep Turkey's risk premium higher than its peers, as well as adding to the lira's volatility.

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 concerning cheques, which came into force in December 2009 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.

Legal proceedings

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.

The plaintiff is also obliged to put up one quarter of the court fees, which are proportional to the amount of the claim, at the commencement of the proceedings. In addition, notarised documents must be presented to the court.

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. The most common form of proposal is for a total or partial repayment over a period of time. However, a proposal may also take the form of an assignment of all or part of the debtor's assets in satisfaction of creditors' claims. 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 creditors. 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.

Restructuring

A debtor company facing financial difficulty or imminent risk of insolvency has the right to apply to the commercial court for approval of a restructuring project previously approved by the required quorum of creditors affected by it (impaired creditors).

The new EBC (Enforcement and Bankruptcy Code) 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.

The 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. The 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.

The claims of a higher rank of creditors must be satisfied in full before creditors of a lower rank receive a dividend, but creditors rank equally within each class. Creditors whose claims remain unsatisfied receive a certificate of insolvency.

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.

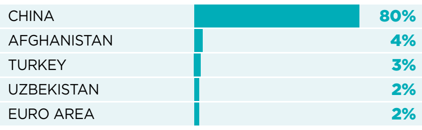
COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

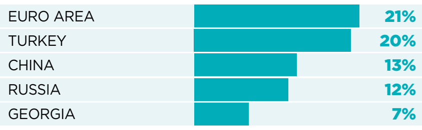
POPULATION Millions of persons - 2018	5.8
GDP PER CAPITA US Dollars - 2018	7,065
CURRENCY Turkmenistan New Manat	TMT

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+
- 4th largest natural gas reserves in the world (9.3%)
- Moderate level of debt
- Healthy public accounts

−
- Small landlocked economy
- Porous Afghan border; limited military resources
- Economy highly dependent on the hydrocarbon sector (mainly gas) and China, which imports almost all of these fuels
- State interventionism and problems in governance (corruption, authoritarianism) and investment management; opaque statistical system
- Small private sector (30.7% of GDP in 2016)
- Severe foreign exchange market restrictions and manat overvaluation are harmful to FDI and trade

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.4	6.1	6.3	6.0
Inflation (yearly average, %)	8.0	13.1	13.4	13.0
Budget balance (% GDP)	-2.8	-0.2	-0.1	-0.3
Current account balance (% GDP)	-10.3	5.7	-0.6	-3.0
Public debt (% GDP)	28.8	29.1	30.3	29.5

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

RISK ASSESSMENT

Reduced but still crucial dependence on Chinese gas purchases

The Turkmen economy will continue to benefit in 2020 from the resumption of gas supplies to Russia, which began in April 2019 after a two-year hiatus. Construction of the fourth part of the Central Asia-China gas pipeline has begun: this will make it possible to overcome the network's flow constraints, which will soon be reached, and to supply a market whose gas consumption could double by 2050. Most of the diversification efforts will take place in the petrochemical sector: the new Ahal natural gas processing plant (USD 1.7 billion), inaugurated in June 2019 and financed by Japanese banks, will add petrol meeting Euro-5 standards to the Turkmen export basket. An agrarian reform aimed at boosting productivity is planned and will enable land to be leased to producers over 99 years. Producers will be able to cultivate 30% of their farm for their needs, while the rest will be dedicated to plantations assigned by the State. Production will be reoriented, with cotton replacing wheat, and both expected to be reduced in 2020 (from 1.5 million tonnes to 1.25 million tonnes in the case of cotton). The new seven-year plan includes an ambitious irrigation investment plan, which will improve the productivity of some land. According to local sources, the situation in the livestock sector is deteriorating, with a lack of food forcing cuts to herds. The construction sector will benefit from the recovery in public investment, particularly residential investment, with a new city project near the capital.

Credit is mainly directed to state-owned enterprises and distributed at concessional rates, with more favourable terms for agriculture. The ratio of non-performing loans remains relatively low. Credit policy should continue on a flexible path. Household demand will be squeezed by high inflation linked to import restrictions and the withdrawal of many social spending items and subsidies.

Resumption of public investment and import substitution

On the public finance side, the reduction in hydrocarbon revenues was offset by cuts to social and investment spending in 2019. The government plans to cover future deficits through bank financing and aims to reduce the non-hydrocarbon budget deficit from 6.2% of GDP in 2018 to 4% in 2024. Turkmenistan's need for infrastructure, the highest in the region, accounts for the increase in public investment in 2020.

Exports increased in 2019, largely due to Chinese purchases (+18%). Despite Gazprom's return, China still accounts for 78% of Turkmen exports. The current account will therefore be vulnerable to a potential Chinese slowdown or diversification of Chinese supplies, which could alter the terms of trade, as well as to changes in energy prices. Turkmen textiles are enjoying positive momentum. The import substitution strategy, which targets the food, textiles and building materials sectors, could have a positive impact on the trade balance in 2020, in particular by restricting food imports. Capital openness is low, with the exception of FDI, which is concentrated in hydrocarbons.

An unfinished political and economic transition

In power since 2006, President Gurbanguly Berdymuhamedov is now serving his third consecutive term. The 2016 constitutional reform raised the age limit for presidential candidates, allowing the President (62) to seek a fourth term in 2021. Despite the total domination of his Democratic Party, the President recently reshuffled his cabinet and announced plans for constitutional reform, aimed at giving more power to the legislature, perhaps reflecting an awareness on the part of the executive. The situation of ordinary people is being made more difficult by budget cuts. Free public services have been scrapped and there are regular shortages of basic foodstuffs in government-regulated shops, despite the rationing arrangements. The harsh security policy prevents large-scale demonstrations, and the government has banned men under 40 from leaving the country to stem the haemorrhage of emigrants over the past ten years, whose scale is difficult to estimate.

Relations with neighbouring countries seem to have calmed, with Turkmenistan declaring diplomatic neutrality in 1995. However, major gas infrastructure projects are being hampered by its partners. Russia and Iran are opposed to the creation of the Transcaspian gas pipeline, while the Turkmenistan-Afghanistan-Pakistan-India gas pipeline project has not started, amid disagreements over gas prices, insufficient financing and uncertain security conditions. The Afghan border remains problematic, due to the presence of the Taliban and limited military resources. Turkmenistan is the lowest rated country in Central Asia on all EBRD transition indicators. The business climate is extremely difficult given the public sector's dominance, economic monopolies and trade, price and currency controls.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	38.8
GDP PER CAPITA US Dollars - 2018	724
CURRENCY Uganda shilling	UGX

TRADE EXCHANGES

Exports of goods as a % of total

KENYA	20%
UNITED ARAB EMIRATES	18%
EURO AREA	17%
RWANDA	7%
DR CONGO	7%

Imports of goods as a % of total

CHINA	17%
INDIA	12%
UNITED ARAB EMIRATES	12%
SAUDI ARABIA	9%
KENYA	8%

+
- 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)

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.5	7.7	5.8	5.4
Inflation (yearly average, %)	5.6	2.6	2.8	4.6
Budget balance* (% GDP)	-3.9	-4.9	-5.8	-7.7
Current account balance (% GDP)	-5.5	-8.6	-9.7	-10.2
Public debt (% GDP)	40.7	41.8	44.0	47.3

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2020 data: FY19-20.

RISK ASSESSMENT

Activity is robust, but decelerating

Growth is expected to remain at a high level in 2020, while also continuing the slowdown recorded in 2019. Momentum should be mainly supported by public investment under the second National Development Plan. The deployment of transport infrastructure, including the Kabaale International Airport, and energy infrastructure (hydroelectric dam projects) will remain a priority. Besides these two sectors, the construction sector is also in line to benefit from public investment, but will likely see more moderate growth, reflecting developments in private investment. Despite the opportunities that the ICT sector and free zones continue to present, the implementation of construction projects related to development of the oil sector is expected to slow down, after work on the pipeline linking Ugandan oil production to the Tanzanian port of Tanga was suspended following a tax dispute between local authorities and Tullow Oil. Hence, commercial oil development will likely see delays. The contribution of the trade balance is expected to be adversely affected by substantial capital goods import requirements. In addition, the country's two main export products, gold and coffee, will be hurt, in the first case by the normalisation of production at the country's refinery and in the second by a decline in output following drought conditions in 2019. While most households depend on the agricultural sector (about 70% of jobs), their incomes are expected to be affected by lower harvests, which will reduce the contribution from private consumption. It could also suffer as a result of price increases, particularly for food, which would be accentuated in the event of a depreciation of the shilling.

An increasingly vulnerable external situation

In 2019/20, the budget deficit is set to continue to widen, driven mainly by increased capital investment spending, despite chronic under-execution of projects financed by international donors. Current expenditure is also expected to go up due to the increase in the civil service wage bill and debt service payments, which account for almost 20% of revenues collected. While incomes are expected to continue to rise, in particular thanks to the domestic resource mobilisation strategy, the tax burden should remain low (around 15% of GDP). The deficit is likely to be mainly financed by external loans and grants, contributing to the increased debt burden. The large share of concessional debt (about 60% of external debt) mitigates the risk of sovereign default, but rising domestic debt service continues to reduce fiscal room for manoeuvre.

Following the lead of the trade balance, the current account deficit is expected to keep widening. Imports of capital goods are expected to continue to rise sharply. Despite efforts to develop tourism, driven by the relaunch of the national airline Uganda Airlines in 2019, the service account should also remain in deficit, burdened by imports of logistics services. Repatriation of investor profits will maintain the income deficit. Fuelled by remittances from expatriate workers, the surplus in the remittance account could narrow if global economic conditions are less supportive. The large current account deficit is mainly financed by FDI and portfolio investment flows. However, the widening deficit exposes Uganda's foreign exchange reserves (which cover about 4.5 months of imports) and the shilling to a wave of risk aversion.

The political climate is growing tenser as the 2021 elections draw closer

President Yoweri Museveni, in power since 1986, was re-elected following the 2016 general elections, which also gave his National Resistance Movement (NRM) party an absolute majority. After removing the age limit of 75 years through a constitutional amendment, the President, who was born in 1944, will be able to run for a sixth term in February 2021. Regularly accused of maintaining its grip by silencing dissenting voices, the President's administration was criticised in August 2018 following the arrests and alleged torture of several opposition figures, including Robert Kyagulanyi, better known as Bobi Wine, a singer turned politician. After his arrest, Mr Kyagulanyi gained domestic importance and drew the international community's attention to the government's increasingly stronghanded responses to dissent. Declaring his intention to run for President in the summer of 2019, he has entered into negotiations with several parties to create an alliance against the President and the NRM. The lack of political freedom coupled with dissatisfaction over corruption and slow progress in raising living standards are fuelling social unrest. In addition to corruption, the business environment remains difficult, as evidenced by the country 116th place (out of 190) in the Doing Business 2020 ranking, particularly due to difficulties in access to credit for SMEs. The country also faces an unstable political and security situation on its borders. Border tensions with neighbouring Rwanda were a notable feature of 2019 and could resurface despite an agreement signed in August to restore calm.

UKRAINE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2018**	**42.0**
GDP PER CAPITA US Dollars - **2018**	**3,113**
CURRENCY Hryvnia	**UAH**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.5	3.3	3.3	3.5
Inflation (yearly average, %)	14.4	11.9	8.5	6.5
Budget balance (% GDP)	-2.2	-2.2	-2.3	-2.3
Current account balance (% GDP)	-2.2	-3.3	-3.0	-3.3
Public debt (% GDP)	71.6	60.2	52.0	48.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
RUSSIA	8%
POLAND	7%
TURKEY	5%
CHINA	5%

Imports of goods as a % of total

EURO AREA	26%
RUSSIA	14%
CHINA	13%
BELARUS	7%
POLAND	6%

- Strategic position in Europe: transit point for 40% of Russian gas shipments to the EU
- Association and Free Trade Agreement with the European Union (2016), enabling a reorientation of foreign trade
- Significant potential in agriculture, with 55% arable land (wheat, maize, barley, rapeseed, sunflower, beet, soybeans), and in metallurgy (iron)
- Skilled and low-cost labour force
- Rigorous fiscal and monetary policy
- Low debt levels among economic participants (except the State)
- International financial and political support although conditional on reforms

- Conflict with Russia and Russian-speaking populations in the Donbass region, affecting territorial integrity and preventing EU entry, but reopening of negotiations in "Normandy" format
- Business environment marred by corruption (notably in the justice system), oligarchy and monopolies, weak property rights, a lack of competition and inefficient public services
- Low economic diversification; sensitivity to weather and commodity prices
- Declining demographics; regional inequalities featuring poverty and the informal sector
- Credit constrained by doubtful loans (49%) and high real interest rates
- Managed float of the hryvnya; continued restrictions on capital movements

RISK ASSESSMENT

Firm growth based on consumption

As in 2019, activity will be driven primarily by household consumption (3/4 of GDP). Against a backdrop of emigration and a shortage of skilled labour, but also because of a continued (albeit smaller) increase in the minimum wage, wages will continue to rise. Households will also benefit from expatriate remittances, which make up 10% of their income. An estimated 5 million Ukrainians, or one-quarter of the labour force, work abroad, mainly in Poland, but also in Hungary, the Czech Republic and other countries. Inflation may be lower due to the easing of energy and food prices linked to the decline in world prices, while the hryvnya is expected to be resilient. Consumption will again benefit trade and freight transport. Investment is expected to grow again, but its GDP share (17%) is stagnating due to the conflict with Russia, the poor business climate and credit, which is constrained by high cost and the amount of impaired loans (49% of outstanding loans, although 90% covered by provisions). Despite monetary policy easing in 2019, with the key rate reduced to 15.5%, the average interest rate on hryvnya loans was 20.6% in October 2019 compared with 4% for those in foreign currencies, which still make up 40% of the outstanding amount, despite a decrease in their distribution. The contribution of trade is set to remain negative. Exports will continue to be affected by low prices for agricultural products (40% of total exports), iron and steel (25%) caused by sluggish global demand. However, this price effect should be partially offset by an upturn in shipments due to a further sharp increase in harvests for the 2019/2020 season that will benefit agriculture (12% of GDP). Conversely, strong domestic demand will drive imports, particularly of consumer goods and machinery.

Debt relief but external vulnerability

Thanks to strong growth, inflation and the primary budget surplus (*i.e.* excluding interest on debt), public debt (53% external and 67% in foreign currencies at the end of September 2019) is expected to decline further in 2020 as a % of GDP. However, the reduction, which was very pronounced in 2018 and 2019, may be smaller, as the hryvnya could depreciate slightly. The overall deficit is expected to remain slightly above 2%, in line with the recommendations of international organisations. With the conflict in the eastern regions (Donetsk and Lugansk), which are controlled by Russian-backed separatists, military spending will remain high (1/5 of spending and 8% of GDP). Combined with wages, pensions and social transfers (50% of expenditure between them), little room is left for investment, especially as public revenues represent just 26% of GDP. If its private share (63% of the total) is added in, the external debt to GDP ratio stood at 76% at the end of 2019. Private debt has declined significantly in parallel with the decrease in the public portion. In 2019, debt repayments could amount to USD 14 billion (9% of GDP). The current account deficit is expected to increase slightly in 2020, as expatriates' employee compensations and remittances (9% of total GDP) coupled with road and gas transit revenues (2%) are not enough to offset debt interest and the trade deficit (10%). Meanwhile, foreign exchange reserves cover just 3 months of imports. FDI inflows amount to only 1.5% of GDP and, moreover, 20% of this is round-tripping capital. Accordingly, covering the financing requirement will depend on market involvement and the execution of the new agreement with the IMF. Market interest will be maintained by high interest rates, while an USD 5.5 billion Extended Credit Facility over three years was concluded with the IMF at end-2019.

Reforms and conflict in the east of the country

In April 2019, Volodymyr Zelensky, a 41-year-old actor and TV producer, won the presidential election with more than 73% of the vote, after entering politics four months earlier. He was previously known for his self-written role in the TV series "Servant of the People", where he played a history teacher thrust into the presidency to rid his country of corruption. Voters and donors expect him to make progress in fighting corruption and resolving the Donbass conflict. The absolute majority (251 seats out of 450) obtained by his Servant of the People Party in the July 2019 legislative elections may make this task easier. In the area of corruption, MP immunity has been abolished and a procedure for impeaching the President has been introduced. As regards the conflict, relations have warmed somewhat. Provided the withdrawal of Russian troops and the restoration of control over the international border, the President has agreed to the Steinmeier Formula established under the 2015 Minsk II agreements, which specify elections and autonomy in the Donbass region. However, disagreement persists on the sequencing of these stages. This conflict, as well as the opening of the Turkstream and Nord Stream 2 pipelines by 2020-2021, could jeopardize the transit of Russian gas to the EU already reduced by the new five-year agreement signed between Gazprom and Naftogaz at the end of 2019 under the EU aegis. These issues, along with the sale to foreigners of farmland, represent risks for the President. He has also become embroiled, despite himself, in American domestic politics after his telephone conversation with Donald Trump, while there are questions over his relationship with billionaire Ihor Kolomoisky, who supported his rise to power and who wants compensation for the nationalization of Privatbank (cost: USD 5.5 billion).

UNITED ARAB EMIRATES (UAE)

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2018	10.4
GDP PER CAPITA US Dollars - 2018	39,709
CURRENCY UAE dirham	AED

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	9%
INDIA	9%
CHINA	5%
OMAN	4%
SAUDI ARABIA	4%

Imports of goods as a % of total

CHINA	16%
EURO AREA	14%
INDIA	9%
UNITED STATES	9%
JAPAN	6%

\+
- Relatively diversified economy compared to its Gulf neighbours
- Trade hub of the region
- Political stability
- Stable currency with the peg to the dollar
- Expo 2020 and fiscal stimulus support growth

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- Uncertainty about the period aftermath of Expo 2020
- Dependence of export and fiscal revenues on oil
- Vulnerability of Dubai to the debt-laden government related enterprises
- Slow increase in domestic demand

Sector risk assessments

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

* Information and Communication Technology

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	0.5	1.7	1.6	2.5
Inflation (yearly average, %)	2.0	3.1	-1.5	1.2
Budget balance (% GDP)	-1.4	1.2	-1.6	-2.8
Current account balance (% GDP)	7.3	9.1	9.0	7.1
Public debt (% GDP)	20.0	19.1	20.1	20.3

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

RISK ASSESSMENT

Expo 2020 and non-oil growth compensate low oil prices' impact on growth

Continuously low oil prices represent a drag on the UAE's economic growth. Although OPEC+ countries are likely to expand their agreement about cutting oil supply beyond the current March 2020 expiry date, crude prices are not expected to record a strong increase in the next quarters. This trend will weigh on the UAE's oil production and its overall growth performance, as oil accounts for nearly 30% of GDP. On the other hand, the non-oil sector is expected to continue taking advantage of the accommodative fiscal policy, although its growth pace might slow down, as indicated by Emirates NBD purchasing managers' index (PMI), which averaged 52.6 points in Q3 2019, nearly a seven-year low. Higher international arrivals for Dubai Expo 2020 are also expected to support non-oil growth. Dubai Expo, which will run from October 2020 to April 2021, is expected to attract 25 million visitors, with 70% from outside the UAE. Although this can be seen as an optimistic estimation, even a partial realization would contribute to the growth of the retail, transport and tourism sectors. This temporary boost will support local employment, which in turn is expected to sustain private demand. A more expansive monetary policy, as the UAE central bank is following the US Fed's footsteps due to the currency peg regime, will also support domestic demand. Moreover, the improving business environment will continue to attract foreign investments. The United Arab Emirates received USD 30.4 billion in foreign direct investment (FDI) between 2016 and 2018, equivalent to 2-2.5% of GDP, according to the World Investment Report 2019 released by the United Nations Conference on Trade and Development. Abu Dhabi's USD 13.6 billion economic diversification program, announced in late 2018, would also increase the opportunities for new investments. Despite this positive outlook, some challenges persist. Indeed, activity in the construction sector can be weakened, as preparations for the Expo 2020 are ending. The real estate sector is already suffering from falling prices (estimated to around 35% since the peak in mid-2014) and chronic over supply. The end of the Expo 2020 can result in serious overcapacities in certain sectors.

Budget deficit to widen to several-year high, hit by fall in oil exports

Lower oil prices caused a return to a fiscal deficit in 2019, and this trend is expected to continue in 2020 on the back of fiscal stimulus. Nearly half of fiscal revenues come from oil. As a result, the bearish expectations about oil prices, due to a slower global growth coupled with lower oil production will widen the UAE's budget deficit, despite the approval of a zero-deficit federal budget in late 2019. However, the level of public deficit being low, and as investors see the robust wealth fund of Abu Dhabi as an implicit guarantee of repayment, the country will not face serious problems in raising funds to finance its fiscal deficit. Yet, Dubai's public sector debt (wider than the general government's) poses a challenge. The Emirate's large Government Related Enterprises (GREs) carry a combined debt equivalent to nearly 70% of Dubai's GDP and 20% of UAE's GDP. Any sharper-than-expected downturn in global economy, or a severe slowdown on the real estate market, would push Dubai's debt to GDP ratio upwards, as it would oblige the government to take over part of the GREs' debt. Nevertheless, those risks seem quite mitigated for now. The UAE's net international investment position is estimated by the IMF at 149% of GDP as of the end of 2017. The central bank's foreign assets, which stand above USD 100 billion (equivalent of around 4 months of imports), considerable assets within Abu Dhabi's sovereign wealth fund, and a large current account surplus will continue to offer solid financial buffers to the country. Having said that, hydrocarbon prices will continue to play a key role on export revenues.

Political stability expected to remain intact

The UAE is a federation of seven emirates, and is one of the most politically stable countries in the Middle East region. The Federal Supreme Council is composed by seven Emirs and elects the President. The cabinet is appointed by the Federal Supreme Council and is led by the Prime Minister. Currently, Khalifa bin Zayed al-Nahyan is the President of the UAE and the Emir of Abu Dhabi, while Mohammed bin Rashid al-Maktoum is the Vice-President and Prime Minister of the UAE, and the ruler of Dubai. The level of transparency remains low despite some efforts. The well-developed social benefit system is largely built on heavily oil-funded public spending. Domestic opposition is negligible. Strong relations with the US strengthen the country's position in the region. Qatar and Iran can be seen as the UAE's rivals, yet the risk of confrontation remains quite low. The UAE, together with Saudi Arabia and other mostly Sunni Arab States, began air strikes in Yemen in 2015. However, the UAE has been withdrawing its troops from Yemen since July 2019.

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 - 2018	66.4
GDP PER CAPITA US Dollars - 2018	42,580
CURRENCY Pound sterling	GBP

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	1.9	1.4	1.3	0.9
Inflation (yearly average, %)	2.7	2.5	1.8	1.8
Budget balance* (% GDP)	-2.4	-2.3	-2.2	-2.5
Current account balance (% GDP)	-3.5	-4.3	-4.3	-4.3
Public debt (% GDP)	86.2	85.9	85.2	85.2

(e): Estimate. (f): Forecast. * Fiscal year from April to March.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	13%
GERMANY	10%
NETHERLANDS	7%
FRANCE	7%
IRELAND	6%

Imports of goods as a % of total

GERMANY	14%
UNITED STATES	10%
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 trade relationship with the EU
- High government and household debt (120% of disposable income)
- Low productivity and lack of training that is 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	VERY HIGH
CHEMICAL	HIGH
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

EU withdrawal would not remove all uncertainty

At the beginning of January 2020, the British Parliament was preparing to vote on the agreement presented by the government and thus to take the United Kingdom out of the European Union (EU) at the end of the month. While such a scenario would avoid a no-deal Brexit, uncertainty would persist in 2020, in relation to negotiations on the future trade agreement with the EU, and would continue to hamper growth. If the country exits with a deal, the economic environment would remain unchanged during the transition period, which is scheduled to end on December 31, 2020, as the United Kingdom would retain access to the European single market and the customs union. However, companies would likely continue to reduce their investment in equipment and construction pending clarification of trade relations with the EU, which will be crucial for most sectors. In addition, the government has suspended the corporate tax rate cut from 19% to 17% planned for 2020, to finance additional expenditure on the national health system (GBP 6.2 billion, or 0.3% of GDP). Fiscal policy will remain accommodative to support activity. However, household consumption will remain the main driver of growth in an environment that continues to be favourable, with rock-bottom unemployment (3.8% in September 2019) – leading to a consequent rise in real wages – and low interest rates due to the Bank of England's prudent monetary policy (key interest rate held at 0.75% throughout 2019). Foreign trade is expected to be much less volatile than in 2019, a year marked by major shocks, particularly in imports, amid stockpiling in readiness for a no-deal Brexit. Accordingly, exports are expected to rebound slightly, despite a persistently weak international environment featuring a major US slowdown and muted Eurozone growth. As the UK economy continues to cool, the number of corporate insolvencies will increase in 2020 (+3%) for the third consecutive year.

The automotive sector will remain one of the most exposed sectors as 80% of its production is dedicated to exports. During the first three quarters of 2019, automotive production collapsed (-15%) owing to the decline in the export segment (-17%). Beyond the difficulties specific to the European market (slacker demand, new environmental standards), the future of the sector will largely depend on negotiations with the EU, which receives half of its exports.

Continued increase in public spending

The 2020 budget is expected to be expansionary, with a further increase in public spending (39% of GDP). Outside the health sector, increases in spending will be allocated to education (GBP 3.8 billion, 0.2% of GDP), defence (GBP 1.8 billion), social affairs and home affairs (GBP 1 billion each). With activity slowing down, and the government not announcing any major savings measures other than the suspension of the corporate tax rate cut, the public deficit is expected to widen in 2020 and public debt will remain high.

The current account will remain largely in deficit, due to the substantial structural deficit in the goods balance (6.7% of GDP in 2018). This is not offset by the significant surplus in services (4.9% of GDP), attributable to financial and insurance services (two-thirds of the surplus) and other business services. The income balance shows a persistent deficit (1.3% of GDP) due to the repatriation of income from significant foreign investments in the country. As the country will continue to contribute to the EU budget during the transition period, the transfer deficit (1.3% of GDP) is expected to remain stable in 2020. The United Kingdom, a key player in the global financial system, finances its current account deficit through foreign investment, mainly portfolio investment.

Boris Johnson's gamble pays off

Prime Minister Boris Johnson, who has been in power since being elected Conservative Party leader in July 2019, strengthened his parliamentary majority in the December 2019 elections, winning 365 of the 650 seats (50 more than in the previous election). Mr Johnson's gamble thus paid off, vindicating his decision to dissolve Parliament, where he inherited a fragile majority negotiated in June 2017 by former Prime Minister Theresa May with the Democratic Unionist Party (DUP), a conservative protestant group in Northern Ireland. Backed by his strong majority, Boris Johnson was preparing at the beginning of January to take the United Kingdom out of the EU on January 31, 2020, following three earlier postponements. If Parliament approves the withdrawal, the UK and the EU will enter a transition period to negotiate the free trade agreement that will govern their future trade relations. While the government may benefit this time around from clear parliamentary support, these negotiations will be long and difficult, given the stakes. They are expected to occupy the bulk of the political agenda in 2020, insofar as, since it will remain a member of the EU customs union during the transition period, the UK will be unable to start negotiating new trade agreements with other partners, such as Australia, India, New Zealand and especially the United States.

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.

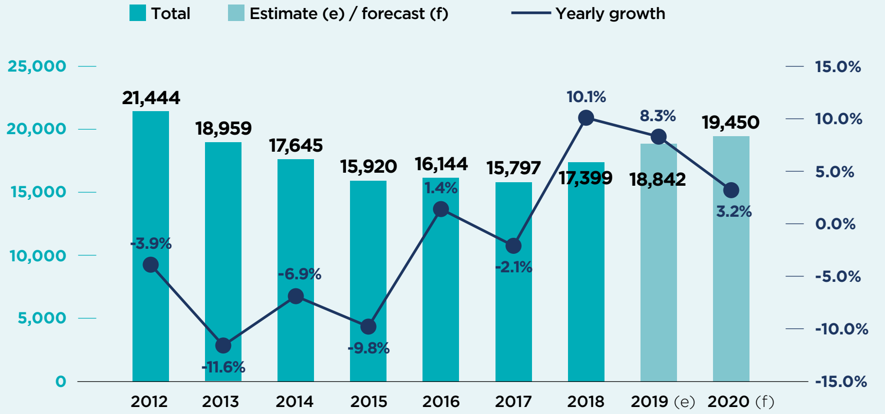
Receivership

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 FAILURES



Source: The Insolvency Service, Coface.

UNITED STATES

COFACE ASSESSMENTS	
COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2018	327.4
GDP PER CAPITA US Dollars - 2018	62,869
CURRENCY US dollar	USD

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.2	2.9	2.3	1.3
Inflation (yearly average, %)	2.1	2.4	1.8	2.1
Budget balance* (% GDP)	-4.5	-5.7	-5.6	-6.0
Current account balance (% GDP)	-2.3	-2.4	-2.5	-2.5
Public debt (% GDP)	106.0	104.3	106.2	108.9

(e): Estimate. (f): Forecast. * Fiscal year from October to September.

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	18%
MEXICO	16%
EURO AREA	14%
CHINA	7%
JAPAN	5%

Imports of goods as a % of total

CHINA	21%
EURO AREA	15%
MEXICO	14%
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
- 70% of public debt held by residents
- Highly attractive: leader in research & innovation; huge market
- Favourable company taxation
- Increasing energy autonomy

-

- Low labour market participation
- Households not geographically flexible
- High household debt (129% of gross disposable income)
- Polarised political landscape
- Decrease in fertility rate
- Outdated infrastructure
- Increasing inequalities

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth hampered by business difficulties

Growth will slow sharply in 2020 due to the downturn in business investment which, after being boosted in 2018 and early 2019 by President Donald Trump's tax reforms (corporate tax cut from 35% to 21%), began to decline in mid-2019 amid trade tensions, aggravated by the unpredictability of political decisions. In addition, US companies have been forced to trim their import margins, to avoid passing on the entire increase in input costs resulting from customs duties imposed on most Chinese imports and a multitude of products (including steel and aluminium), but also their export margins, to remain competitive despite retaliation measures by trading partners. In this challenging context for companies, the Federal Reserve, which was forced to lower its key interest rate three times by the end of 2019, is expected to pursue its easing policy in 2020. Improved financing conditions will make it possible to support household consumption, which will in turn boost growth thanks to a persistently low unemployment rate (3.6% in October 2019) and correspondingly brisk growth in real wages. Conversely, in the absence of any major new measures, public spending will contribute only marginally to growth in 2020, after expanding strongly for two years. In addition, the trade environment will remain weak, featuring muted growth among key partners and retaliatory protectionist measures by those same partners, and exports will grow slowly after a flat performance in 2019. Although also affected by protectionist measures, imports are expected to remain brisker, in line with household consumption. Foreign trade will therefore continue to weigh on growth.

The segments most exposed to trade tensions will continue to be manufacturing industry, which is facing both falling export orders and rising input costs, and agribusiness, which is the main target of Chinese trade retaliation measures. The economic situation is also difficult for the energy sector, which is heavily indebted due to investment requirements and facing weak profitability because of the dip in oil prices. Conversely, activity will remain solid in construction, thanks to low interest rates.

Ever-present deficits in public and external accounts

In the absence of any major fiscal measures, the public deficit will remain very high in 2020. Once again, the main increases in spending will be concentrated in the military budget (+USD 23 billion, or 0.1% of GDP). At the same time, with revenues slackening in a context of slowing activity, the deficit may even widen. Public debt, which is among the highest in the world, will therefore continue its upward trajectory. In this regard, the government and Congress reached an agreement in July 2019 to raise the ceiling on public spending and debt, thus avoiding the prospect of a federal shutdown similar to the one in January 2019.

The current account will continue to show a large deficit in 2020. Substantial imports of consumer and capital goods engender a structural deficit in the goods balance (4.2% of GDP in 2018). Surpluses in the balance of services (1.2% of GDP) – thanks to tourism, research and development and financial services – and in income (0.6% of GDP), attributable to dividends from US investments abroad, are clearly insufficient to offset the goods balance. The resulting current account deficit will be mainly financed by FDI and portfolio investment. The net external asset position has been in deficit for three decades (49.5% of GDP at the end of June 2019). This deficit will continue to widen.

Uncertainty over the presidential election in a polarised landscape

In the lead-up to the presidential election in November 2020, the political landscape looks more polarised than ever. Democrats, who took over the House of Representatives (235 seats out of 435) in the 2018 mid-term elections, launched impeachment proceedings in September 2019 against President Trump, who is suspected of pressuring Ukraine to investigate Joe Biden, one of the Democratic presidential candidates in 2020. Although impeachment has very little chance of success, since it requires a two-thirds vote in the Senate, where the Republicans still have a majority (53 seats out of 100), it illustrates the divide between two sets of voters: in November 2019, only 11% of Republicans wanted President Trump impeached, compared to 81% of Democrats. The outcome of the Democratic primaries is highly uncertain. While polls conducted a year before the elections suggest that each one of the main Democratic candidates would beat President Trump, the situation could change radically in what may be a tumultuous election campaign.

Internationally, US trade and foreign policy will remain unpredictable. Despite the announcement of a partial trade agreement in December 2019, trade tensions with China are expected to continue, with most tariffs being maintained (19% on average in January 2020 versus 3% at the beginning of 2018). The United States may also open a new front in the trade war by taxing European car imports, after twice postponing its decision on this matter.

PAYMENT & DEBT COLLECTION PRACTICES IN THE UNITED STATES

Payment

Exporters should pay close attention to sales contract clauses on the respective obligations of the parties and determine payment terms best suited to the context, particularly where credit payment obligations are involved. In 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.

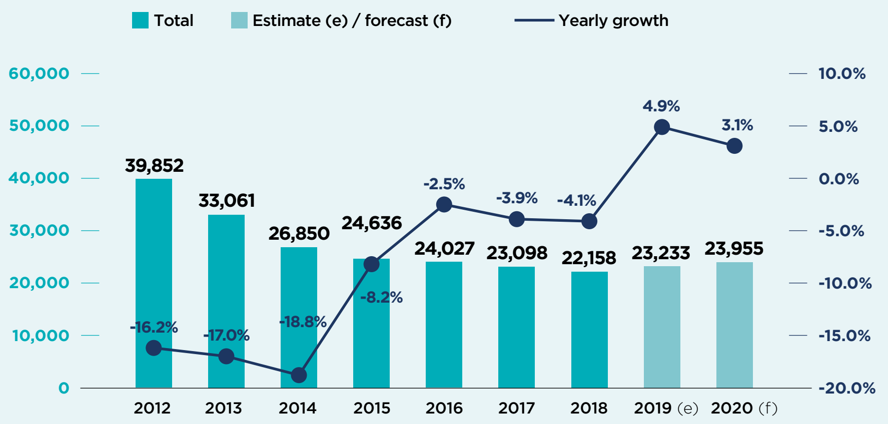
Restructuring proceedings

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 FAILURES



Source: Administrative Office of the United States Courts, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2018	3.5
GDP PER CAPITA US Dollars - 2018	17,014
CURRENCY Uruguayan peso	UYU

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	2.6	1.6	0.4	1.2
Inflation (yearly average, %)	6.2	7.6	7.9	7.8
Budget balance (% GDP)	-3.5	-2.9	-3.8	-3.7
Current account balance (% GDP)	1.5	-0.6	-1.7	-3.0
Public debt (% GDP)	60.7	63.5	64.1	64.1

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	20%
BRAZIL	15%
EURO AREA	9%
UNITED STATES	6%
ARGENTINA	6%

Imports of goods as a % of total

CHINA	19%
BRAZIL	16%
ARGENTINA	12%
EURO AREA	10%
UNITED STATES	8%

- Abundant agricultural and forestry resources
- Social homogeneity and political stability
- Active reform policy (business environment, public finance, social security coverage)
- Favourable business environment
- Substantial foreign direct investment
- Member of Mercosur, preferred trade relations with the EU and the United States

- Economy vulnerable to commodity prices (soybeans, beef, dairy products)
- Dependent on Argentine, Brazilian and Chinese economic conditions
- Inadequate transport infrastructure
- Reduced competitiveness due to high inflation
- Public debt (mitigated by a longer maturity and less and less in dollars)

RISK ASSESSMENT

Weak expansion in an unfavourable environment, despite brisk investment

The Uruguayan economic slowdown worsened in 2019 due to low regional demand (recession in Argentina, sluggish in Brazil), lacklustre international financial markets and the domestic fiscal situation. In 2020, inflation will remain above the target (3% to 7%), causing household purchasing power to be flat or even decline, with wage increases not only being set by agreement at between 6% and 8%, but also limited by the high unemployment rate (9.5% in 2019). Growth will therefore remain moderate and will be driven by increased investment linked to the construction of a second pulp mill by the Finnish group UPM (after negotiating with the government since 2016, the group finally gave the official go-ahead for the project in July 2019). Worth more than USD 3 billion, this project (UPM2) is the largest private investment ever made in the country. It will boost FDI inflows, which have been negative for four years, but also stimulate construction and employment. Public investment is also set to increase under the Ferrocarril Central rail infrastructure project, which aims to facilitate the transport of goods to the port of Montevideo (public-private financing estimated at USD 800 million). In addition, as the effects of the Argentine crisis (the main source of FDI and tourists) continue to be felt, the external contribution to growth is expected to remain negative, despite the slight pick-up in Brazilian demand. Uruguay mainly exports agricultural products (soybeans, wood and beef in particular), which are therefore vulnerable to international price fluctuations.

Stepping up fiscal consolidation

Public accounts deteriorated again in 2019 as weak economic activity affected tax revenues. Luis Lacalle Pou's new government has committed to budget cuts of USD 900 million (2% of GDP) in 2020 through more targeted spending and better management of state-owned enterprises, but without reducing social expenditure. Nevertheless, with growth likely to be weak again next year, revenues are expected to remain sluggish, while the deficit will stay above the 2.5% target set in the fiscal consolidation program of the 2015 five-year finance law introduced under the previous government. While public debt is large and on an upward trend, the government has gradually increased the share denominated in local currency and held by residents (more than half in the second quarter of 2019, up from just 30% in 2007) and extended the average maturity (14 years), thus reducing its vulnerability.

The trade surplus is expected to narrow further due to higher capital goods imports related to the UPM2 project. Although moderate, the improvement in the economic situation of Brazil, which is the main trading partner after China, should support growth in goods exports. The balance of services will be particularly affected by the reduced purchasing power of Argentines (60% of tourists) due to the considerable depreciation of the Argentine peso. Unlike the balance of goods and services, the income balance is structurally in deficit, due to the repatriation of dividends generated by foreign investments and the payment of debt interest (2.7% of GDP). FDI and foreign borrowing are expected to more than offset the current account deficit and debt repayment, paving the way for a moderate increase in the already substantial foreign exchange reserves (15 months of imports in 2018).

The opposition wins the October general election by a tight margin

Luis Lacalle Pou of the centre-right Partido Nacional (PN) won the second round of the November 2019 presidential election, beating his rival from the centre-left Frente Amplio (FA) coalition, Daniel Martinez, by a slender margin (48.74% against 47.48% of the votes). The FA led the country for 15 years, but rising crime, low employment growth and a gloomy economic situation contributed to its electoral defeat. President Lacalle Pou, who will take office on March 1, 2020 for a five-year term, promised a more restrictive fiscal policy and a conservative stance on security. The PN failed to win an outright majority in parliamentary elections that took place in October. However, thanks to a "rainbow" coalition including the PN and four other parties ranging from the centre-right (Partido Independiente) to the far right (Cabildo Abierto), the President should be able to count on a legislative majority. The coalition holds 17 seats out of 30 in the Senate and 57 seats out of 99 in the lower house. As a result, Luis Lacalle Pou will be the President with the weakest majority since the return of democracy in Uruguay, and the broad spectrum of parties in his coalition could be a source of political fragility.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	32.6
GDP PER CAPITA US Dollars - 2018	1,55
CURRENCY Uzbekistan sum	UZS

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.5	5.1	5.6	6.0
Inflation (yearly average, %)	13.9	17.5	16.0	14.0
Budget balance* (% GDP)	-1.9	-2.1	-1.6	-1.8
Current account balance** (% GDP)	3.2	-5.6	-6.5	-6.0
Public debt (% GDP)	20.0	20.6	22.0	23.0

(e): Estimate. (f): Forecast. * Balance including non-budgeted public expenditures financed by the loan. ** Balance taking into account the share of gold purchased from domestic producers and exported by the central bank.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	19%
RUSSIA	15%
KAZAKHSTAN	12%
TURQUIE	8%
KYRGYZSTAN	3%

Imports of goods as a % of total

CHINA	20%
RUSSIA	20%
EURO AREA	13%
SOUTH KOREA	11%
KAZAKHSTAN	9%

- Plentiful and diversified natural resources (gas, gold, cotton, copper, fruits and vegetables, plus hydroelectric potential)
- Low public and external debt, comfortable official and private foreign exchange reserves
- Ambitious economic reform and public investment program
- Population of 34 million inhabitants, half of whom are under 30 years of age
- Strategically positioned on the New Silk Road between China and Europe

- Limited manufacturing activity
- Dependent on commodity prices, rainfall and expatriate remittances
- High unemployment, lack of jobs/high labour force growth, low standard of living and widespread informal sector (41% of jobs in 2018)
- Low competitiveness due to lack of competition
- Low productivity at many state-owned companies
- State interventionism (credit, prices, administrative and customs harassment)
- Slow institutional progress: weak parliament and lack of real opposition

RISK ASSESSMENT

Growth supported by domestic demand

Uzbekistan's economy is expected to continue growing briskly in 2020. Investment (31% of GDP) in the gas, hydroelectric and road sectors and in housing will continue to drive activity. The State will be able to count on foreign investors, who have been encouraged by measures taken since September 2017 to open up the economy, including liberalising the exchange rate, easing price controls and reducing customs duties. Household consumption (more than 50% of GDP) will also increase, but at a slower pace, as the positive impact of remittances from the two million or so expatriates in Russia and Kazakhstan is offset by the negative effect of higher prices on real incomes. Inflation is poised to remain high, fuelled by the slow but steady depreciation of the sum, as well as by rising food prices, which are being driven by shortcomings in trading and distribution. That being said, inflation may decline at the end of the year as the effects of the sum's 50% devaluation in September 2017 fade and as the increase in utility prices (water, gas, electricity) to bring them into line with market prices tapers off. Even when freed from exchange rate management, monetary policy is limited in its effectiveness by the practice of directed credit, which is subsidised by the State through publicly-owned banks. This explains why, despite a key interest rate of 16% and an average lending rate of 22%, credit growth should remain strong (20% vs. 40% in 2019). Services (45% of GDP), with transport and trade, manufacturing industry (16%), with machinery, automotive equipment and the agro-food industry, construction (9%) and mining (4%) should all benefit. Agriculture (27%) may be the least vigorous sector. With gold prices heading up, but gas, copper and cotton prices under pressure, exports (20%) are set to cool, especially since external demand may be affected by the Chinese slowdown. However, since imports may decelerate by even more owing to the slowdown in the construction of infrastructure and industrial facilities, trade's contribution to growth could go from negative to neutral.

Opening up the economy has been accompanied by a current account deficit

In 2019, the authorities embarked on major tax reforms, raising the number of companies subject to tax from 7,000 to 35,000, cutting the VAT rate from 20% to 15% and lowering labour-based taxation to combat the informal economy. The estimated cost of 2.5% of GDP has been more than offset by the surplus revenue generated by growth and the country's already low deficit has been reduced. Uzbekistan's debt, which is entirely external and mainly contracted with public creditors, is small, reflecting prudent management. The country issued its first bond in February 2019 at a rate of 5.4%. This solid fiscal situation could prove useful when it comes to modernising the nation's 1,800 state-owned companies, which employ 800,000 people or 18% of the working population. In addition, the banking system is closely controlled by the State, particularly regarding its lending policy, with 60% of loans linked to state-owned companies. Some of these firms have been weakened by depreciation of the sum. Note that state-owned institutions account for 85% of the banking system's assets, with the largest three accounting for one-half of all the assets.

The surge in domestic demand triggered by the opening-up of the economy and the credit boom have led to a sharp increase in the goods and services deficit (18% of GDP in 2018) and to the emergence of a current account deficit that cannot be offset by expatriate remittances (15%). This deficit is largely financed by concessional public loans, FDI and bond issues, making it possible to maintain reserves at a good level, equivalent to 12 months of imports, half of which are held by the Reconstruction and Development Fund. The deficit should stop widening as investment-related imports slow and investment-related exports go up. External debt has risen significantly since 2017, reaching 38% of GDP in 2019, but presents a low risk, with the State accounting for a 64% share.

A strong regime that is still 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 maintaining a strong regime. The legislative elections of December 2019 were unsurprisingly won by the parties close to the government. However, Uzbekistan's strategic plan for 2017/2021 includes measures to reform the administration, establish the rule of law, liberalise and open up the economy and develop education, health and infrastructure. The aim is to build investor confidence and reduce unemployment and poverty. However, restrictions on freedoms will act as a breeding ground for unrest among the country's youthful population, which the government will do its utmost to control. Ending a decade of isolationism, it has renewed ties to its neighbours, including Kyrgyzstan and Tajikistan, with which agreements on water management, transport links, the electricity grid and border disputes have been concluded or are being negotiated. A rapprochement with Russia has taken place, resulting in possible membership of the Eurasian Economic Union, which should not interfere with good relations with China and the West.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	**28.9**
GDP PER CAPITA US Dollars - 2018	**3,411**
CURRENCY Venezuelan bolívar soberano	**VES**

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-14.0	-18.0	-35.0	-15.0
Inflation (yearly average, %)	1,087.5	1,000,000.0	35,000.0	40,000.0
Budget balance (% GDP)	-31 .8	-30.2	-27.0	-20.0
Current account balance (% GDP)	2.0	4.0	2.0	1.4
Public debt* (% GDP)	38.9	159.0	162.0	180.0

(e): Estimate. (f): Forecast. * Including non-financial public sector (PDVSA).

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	34%
INDIA	20%
CHINA	15%
NETHERLAND ANTILLES	9%
CUBA	4%

Imports of goods as a % of total

UNITED STATES	33%
CHINA	9%
MEXICO	8%
EURO AREA	5%
BRAZIL	4%

- Major oil reserves along the Orinoco River and offshore gas potential
- Assets (including in the United States) of the state oil company PDVSA

- In default on its sovereign and quasi-sovereign (PDVSA) debt; payment delays in everyday business
- Economy heavily dependent on hydrocarbons and loans from China and Russia
- Non-transparent and discretionary management of oil revenues
- Hyperinflation
- Shortage of foreign exchange and goods (basic foodstuffs, medicines)
- Serious political insecurity
- Crime (homicides), corruption, trafficking of all kinds, black market

RISK ASSESSMENT

An umpteenth collapse in activity in the face of political turmoil

Venezuela will enter its seventh year of contraction in 2020, bringing GDP down to 66% of its level in 2013, the year the crisis broke out. The hyperinflationary climate, created by several years of monetising the public deficit and a free-falling currency that makes imports more expensive, has left domestic demand completely sluggish. By September 2019, real household wages had fallen by 75% compared with the previous year, with multiple minimum wage hikes decided by the government fuelling the price increase. The central bank's policy of reducing the money supply (increase in the reserve rate) is not expected to help reduce hyperinflation sustainably, as it does not address the economy's key imbalances. Household consumption will be increasingly dependent on remittances from expatriates (estimated at 8 million by the UN in 2020). These foreign exchange flows were estimated at USD 3.7 billion in 2019, exceeding revenues from non-oil exports. However, tougher residency restrictions for Venezuelan migrants in the region could affect these flows. Investment is expected to continue to contract, as companies have very limited access to international financing and the central bank's restrictive monetary measures are curtailing access to credit. From an international perspective, US sanctions deter foreign investors from investing in the country. The opposition-dominated National Assembly has drafted a bill to make the country more attractive to such investments by allowing foreign companies to hold a majority share in joint-ventures with the state-owned oil company PDVSA. However, this bill has very little chance of being implemented, with Nicolas Maduro's government looking set to hold onto power thanks to a powerful patronage system. Public investment, meanwhile, is stymied by the inability to renegotiate public debt without a political transition, owing to US sanctions. In the absence of investment, PDVSA's production capacity is expected to continue to decline, reaching 687 thousand barrels per day in October 2019 down from 2.4 million barrels in 2013. Non-oil production will continue to be severely affected by inadequate energy supply and import restrictions imposed by the government.

External and current accounts on the brink of collapse

The collapse of oil production, coupled with US sanctions that prevent delivery of a portion of the output, has significantly reduced the oil rents used to fuel public spending. In arrears of 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 Maduro government announced in September 2019 that it wished to reopen negotiations with creditors to restructure the debt. However, American sanctions make Juan Guaidó the only possible talking partner. The latter has obtained measures from the US Treasury to provide creditor protection for the assets of Citgo, PDVSA's US subsidiary, which serve as collateral for PDVSA 2020 bonds. One of the only financing mechanisms for the Maduro government therefore seems to be "loans for oil" deals with China and Russia.

The current account surplus should decrease with the fall in oil sales, which have been made very difficult since US sanctions were stepped up in early 2019. Non-oil exports are expected to continue to decline. However, the contraction of imports in the face of falling demand means that the trade balance remains in surplus. This surplus, coupled with expatriate remittances, compensates for the services deficit due to the weak tourism sector and the cost of oil engineering services. The small current account surplus and low capital flows will not be enough to make debt repayments, while reserves are already severely depleted. Despite the sharp depreciation of the bolivar, there is still a significant gap between the official exchange rate and the parallel rate.

With two presidents, Venezuela faces ever greater uncertainty

With Nicolas Maduro and the Partido Socialista Unido de Venezuela controlling the army and most institutions, the National Assembly, which is dominated by opposition forces, declared Juan Guaidó interim President of the country in January 2019. Mr Guaidó, who is recognised by some 50 countries internationally, organised an unsuccessful coup attempt on April 30, 2019 that was unable to break the army's loyalty to Maduro. This failure left the country with two presidents and greatly reduced Guaidó's popularity rating, a decline exacerbated by divisions between the members of different opposition parties. Negotiations between the government and a minority group of opposition parties have resulted in the return of 38 PSUV deputies to the National Assembly, but a real way out of the crisis remains highly unlikely. The same divisions are at work internationally. Maduro is seeking the backing of Russia and China, while support from neighbours is waning with new elections in the region. Guaidó, meanwhile, enjoys the full support of the United States and its allies.

VIETNAM (SOCIALIST REPUBLIC OF)

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2018	94.6
GDP PER CAPITA US Dollars - 2018	2,551
CURRENCY Vietnamese đồng	VND

Main economic indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	6.8	7.1	6.8	6.5
Inflation (yearly average, %)	3.5	3.6	3.6	3.8
Budget balance* (% GDP)	-4.3	-3.6	-3.6	-3.5
Current account balance (% GDP)	2.1	2.4	2.2	2.0
Public debt (% GDP)	58.2	55.6	54.3	53.3

(e): Estimate. (f): Forecast. * SOEs activity and extra-budgetary funds (Social Security Fund, Development Assistance Fund...) excluded.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	20%
CHINA	17%
EURO AREA	14%
JAPAN	8%
SOUTH KOREA	8%

Imports of goods as a % of total

CHINA	28%
SOUTH KOREA	21%
JAPAN	8%
TAIWAN	6%
UNITED STATES	6%

+

- Dynamic economy featuring one of the fastest growth rates of the region
- Development strategy based upon production upscaling and diversification
- Large labour pool and low labour costs
- Strong agricultural potential and good endowment of natural resources
- Potential benefactor of US-China trade war

-

- Shortcomings in the business climate, led by concerns surrounding data transparency and corruption perceptions
- Incomplete reforms of the public sector, with high level of indebtedness amongst SOEs and diminishing ROAs.
- Inadequate infrastructure levels
- Increasing inequalities
- Fragile banking system

RISK ASSESSMENT

Solid growth supported by trade diversion and strong FDI

Growth is expected to remain resilient in 2020, despite the global economic downturn and escalating trade tensions, thanks to accelerating supply-chain shifts into Vietnam and strong foreign direct investment. The economy has seen its labor force shift from agriculture to productive sectors (especially manufacturing sector) in recent years, with rapid influx of factories relocating from China where labor costs are now higher in result of a reduced demographic dividend. The burgeoning manufacturing sector has diversified beyond shoes, apparel, furniture and agriproducts to higher value products like electronics in the recent decade. Moreover, government's efforts to improve the investment environment, relatively low corporate tax regime (20%) and participation in multiple international trade agreements (ASEAN membership as well as FTAs with the EU, South Korea and the CPTPP) have made the economy more attractive to foreign investors.

The escalating US-China trade war in 2019 will accelerate relocations of export-oriented manufacturing, notably electronics, from China to Vietnam, in order to circumvent tariffs and benefit from lower manufacturing costs. This will partly offset the negative impact of weakened demand from China and rising global trade protectionism. Foreign direct investment (FDI) dropped in 2019, but this was mainly due to the high base from 2018 when several major FDI projects were certified. FDI stay strong compared to other Asian countries in terms of GDP and are expected to remain solid in 2020. Domestic demand remains strong, thanks to the growing middle class, increasing wages and rising urbanization rates. Tourism remains robust, with Asians (mostly Koreans) making up majority of foreign visitors despite of declining Chinese arrivals due to their slowing economy.

Current account surplus to stabilize

The budget balance will likely continue to face some pressures in 2020, as progress on the SOE reform front – a big drain on public finances – has been slow. At the time of writing, only 30 out of a total of 127 SOEs were privatized, meaning this target for 2020 will most likely be missed. Nonetheless, it is expected that the government's budget deficit target of 3.6% of GDP will be achieved, as for previous years. Public debt (% GDP) is expected to decline slightly, favored by robust economic growth and a contained budget deficit. While most of the public debt has medium or long-term maturity, around 40% of it is denominated in foreign currency, which exposes it to currency risk. That said, foreign exchange reserves hit a record high in 2019, doubling the level recorded three years ago.

The trade balance surplus is likely to narrow modestly, as weaker global demand on the back of trade tensions have put downward pressure on exports, partially offset by a shift in global value chains out of China and into Vietnam. However, this will take many years, which means the net impact may be negative in the short-term. On the other hand, imports are expected to remain robust, due to solid domestic investment and consumption demand. Vietnam enjoys a trade surplus, but its income account will remain in deficit in 2020 despite steady remittance inflows. Some risks going forward, in case Trump targets Vietnamese exports, as these are the key driver of the current account surplus. Vietnam's trade surplus with the US widened by 43% in the first half of 2019 compared with a year ago. Vietnam has responded by pledging to import more US products.

Domestic stability, but geopolitical tensions

The Communist Party of Vietnam (CPV) maintains a unitary government that has centralized control over the state, media and military. This stability can benefit the promotion of opening and reform policies that have enabled Vietnam to move up the ranks of the World Bank's "Ease of Doing Business" Index, placing 69 out of 190 countries in 2019. Foreign investors are keen on measures that reduce corruption and improve business environment, as the country still lags behind other regional peers in terms of corruption perceptions and data transparency. Geopolitical tensions are back on the table and could escalate further in 2020. In addition to global protectionism, tensions between Vietnam and China in the South China Sea have intensified. Further violations of Vietnam's territorial waters under UN Convention of Law On the Sea (UNCLOS) took place in August and September 2019. China has also restarted military exercises near the disputed Paracel Islands. Finally, Vietnam became part of the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) that came into force in January 2019, adding to Vietnam's already extensive list of FTAs.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	**30.8**
GDP PER CAPITA US Dollars - 2018	**895**
CURRENCY Yemeni rial	**YER**

TRADE EXCHANGES

Exports of goods as a % of total

EGYPT	37%
MALAYSIA	14%
OMAN	12%
THAILAND	8%
BELARUS	5%

Imports of goods as a % of total

CHINA	13%
UNITED ARAB EMIRATES	11%
SAUDI ARABIA	10%
TURKEY	10%
ARGENTINA	5%

- Humanitarian aid and support from international donors
- Key position at the entrance to the Red Sea
- Cultural and architectural heritage
- Gas reserves

- Civil war, accompanied by an economic and humanitarian crisis, and division of the country
- Highest level of poverty in the Arabian Peninsula
- Heavily dependent on international aid
- Heavy demographic pressure
- Poor business climate (bureaucracy, corruption, destroyed or non-existent infrastructure)
- Scarce water resources
- Restricted access to foreign exchange, maritime blockade.

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	-5.1	0.8	2.1	2.0
Inflation (yearly average, %)	30.4	27.6	14.7	35.5
Budget balance (% GDP)	-5.3	-6.3	-6.9	-7.2
Current account balance (% GDP)	-0.2	-1.8	-4.0	1.3
Public debt (% GDP)	84.3	64.8	56.3	56.8

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

RISK ASSESSMENT

A way out of the conflict is emerging

After 5 years of fighting, the Yemeni conflict has seen a small diplomatic breakthrough: the Yemeni government and the Southern Transitional Council, which seceded in 2017, signed a peace agreement brokered by Saudi Arabia in Riyadh on November 5, 2019. A new cabinet, with equal representation, will be formed. As a result, Saudi coalition strikes have been greatly reduced in the areas controlled by the Houthi rebels in the north, with a view to possible talks in Kuwait within the framework of the United Nations, between the new government entity and the Iranian-backed rebels. This was followed by the release of 200 Houthi prisoners by the Saudi coalition, as well as the opening of Yemeni airspace for medical evacuations from Sana'a, the country's capital, which is under rebel control. The situation remains uncertain: the rebels continue their activities and boarded three ships off Hodeidah a few weeks later. Almost all Emirati forces have left the country, strengthening Saudi Arabia's role in negotiations with the Houthis. The conflict had reached a stalemate over the course of the year, with none of the warring parties making any substantial territorial gains. Political and financial costs are rising for Saudi Arabia: its Aramco refineries were targeted on September 14, halving the country's oil production. The parties look to be fatigued and ready to negotiate to achieve peace or de-escalate the conflict.

The war has triggered one of the world's worst humanitarian crises. 80% of the population suffers from food and health insecurity. 10 million people depend on food aid for their survival. Infrastructure has been severely damaged, and a war economy has been established: 78% of the population is reported to be affected by poverty, and the labour market situation is such that militias offer the best employment opportunities, thus prolonging the conflict. Poor sanitation and poor access to safe drinking water contribute to the spread of disease: Yemen continues to suffer from the largest cholera outbreak in recent history. Yemen's economic prospects depend entirely on the ability of politicians to find a solution to the conflict and are therefore very uncertain.

Growth resumes but is insufficient to meet the needs of the population

The Yemeni economy has finally started growing again, but remains hampered by institutional fragmentation, the interruption of many public services, the country's isolation, and violence. Hydrocarbon production continued to increase in 2019: state-owned company Safer resumed production in the Marib basin in October, delivering 5,000 barrels per day. The trend is expected to continue in 2020, as state companies seem to be paying attention to smaller deposits.

Investment remains almost non-existent and activity is hurt by fuel and electricity shortages. In 2020, making the strong assumption that the current political situation will continue, growth is expected to be around 2%, a meagre success given poverty levels and the economic needs relating to reconstruction.

Slight improvement in public finances

Public finances improved significantly in 2019. The technical framework and administrative capacity have been partially restored, resulting in the first detailed budget in five years. Revenues have recovered thanks to hydrocarbons, which make up 32% of the total, their highest level since 2014. Tax collection has also improved, enabling the State to resume paying civil servant wages and pensions in territories outside its control, boosting household purchasing power. The main challenge for public finances today is to ensure support for vulnerable populations. Deficit financing will depend on international donors. In the case of insufficient support, the government could use inflationary financing methods.

The depletion of reserves caused by the interruption of hydrocarbon exports and operating problems at the central bank continue to hamper vital imports of medicines, food and fuel. The Saudi maritime blockade continues, significantly reducing supplies to areas under rebel control. These factors have contributed to inflation, which is an important factor in the deterioration of household purchasing power. In 2020, improved access to foreign exchange should simplify access to foreign products. Oil exports should make it possible to achieve a current account surplus. The country is ranked as the 176th most corrupt country in the world, according to Transparency International's Corruption Perception Index 2018.

ZAMBIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2018	17.8
GDP PER CAPITA US Dollars - 2018	1,503
CURRENCY Zambian kwacha	ZMW

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	42%
CHINA	14%
DR CONGO	9%
SINGAPORE	8%
SOUTH AFRICA	6%

Imports of goods as a % of total

SOUTH AFRICA	28%
DR CONGO	18%
CHINA	13%
UNITED ARAB EMIRATES	6%
INDIA	5%

+

- Mineral wealth (copper, cobalt, uranium, gold, diamonds, 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 of debt distress due to non-concessional external debt (about three-quarters of external debt) and growing debt service

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	3.5	4.0	2.1	2.3
Inflation (yearly average, %)	6.6	7.5	9.1	10.8
Budget balance (% GDP)	-7.7	-7.6	-7.3	-6.8
Current account balance (% GDP)	-1.7	-1.3	-2.6	-2.8
Public debt (% GDP)	65.5	78.1	81.5	83.9

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

Sluggish activity

Growth declined in 2019, held back by drought, which had a negative impact on agriculture and hydropower generation, as well as by a slowdown in mining activity due to lower copper prices, uncertainty in the operating environment and disruptions in electricity supply. In 2020, it is expected to remain sluggish, despite a rebound in the agricultural and mining sectors. However, private investment in the vital copper sector may continue to be constrained. The adjustment to the increase in mining taxes in 2019, the proposed cut to tax deductions on investment expenditure in 2020, the contested VAT refunds on electricity and the disputed judicial liquidation of the Konkola mine will worsen the perception of the investment climate. The difficulties affecting copper, which accounts for more than two-thirds of export earnings, are likely to impact the contribution of the trade balance to growth, especially since the external environment, and in particular the slowdown in Chinese demand, is not expected to be favourable to ore prices. Zambia's precarious public finances and growing financing constraints will limit the government's ability to increase its investment and consumption. Private consumption is expected to suffer from tight liquidity, pressure on the kwacha and credit constraints due to high interest rates. The manufacturing sector and import-dependent services, first and foremost trade, would be affected by this. In addition, price increases resulting from drought and pass-through of depreciation to input prices are expected to maintain high inflation, which will erode household incomes.

The spectre of debt distress

In 2020, the budget deficit is expected to remain high. The increase in debt service (domestic but especially external), which already absorbs more than 30% of revenues, will continue to weigh on public spending, as will the settlement of domestic arrears. Despite these constraints, the 2020 budget plans to increase spending on infrastructure (especially roads), health and welfare. However, execution of these expenses looks to be compromised by financing difficulties. While revenues may continue to rise through VAT and income taxes, they will struggle to keep up with the increase in public spending. With the budget indicating that almost 10% of domestic income is expected to come from "one-off revenue", debt will probably be necessary to finance the deficit. The rapid accumulation of public debt since 2011, and particularly non-concessional external debt (Eurobonds, loans from Chinese institutions, syndicated loans and other commercial sources) is thus set to continue. The risk of over-indebtedness is therefore expected to remain very high, despite the authorities' commitment to restrict new non-concessional borrowing.

The current account, which has been in deficit since 2015, is expected to remain negative in 2020. It will be burdened by the deficit in the income account, which reflects the impact of higher interest payments. The deterioration in the current account balance is also a consequence of the services deficit, which is being fuelled by transport. Despite softer domestic demand, which should contribute to a lower import bill, the trade surplus is not expected to increase significantly given the persistent constraints on copper exports and the higher cost of imports as a result of depreciation. Maintained by grants and remittances from expatriate workers, the surplus in the transfer account could be eroded if the external environment deteriorates. The current account deficit may struggle to be financed once again as FDI and portfolio investment flows (particularly in domestic debt) have declined. Pressure on the kwacha is therefore expected to persist, especially as foreign exchange reserves now cover less than two months of imports.

Mounting tensions in the run-up to elections?

President Edgar Lungu, a member of the Patriotic Front (PF), was elected in 2016 following a campaign marred by violent clashes and is expected to stand for re-election in August 2021. Uncertainty was removed after Zambia's Constitutional Court decided in December 2018 that he could run for a third term, ruling that the 18-month interim period (January 2015 to August 2016) following the death of his predecessor Michael Sata did not constitute a real first term. While his candidacy no longer seems in doubt, even before the PF's elective conference, the president will nevertheless have to face an increasingly tense social environment. Besides the economic difficulties that contribute to perpetuating endemic poverty, popular frustration is also being fuelled by the perception of an authoritarian shift by the president. In addition to frequent arrests of journalists and opponents, the government is pushing for constitutional changes and electoral reforms. The opposition is fighting these changes, which it sees as attempts to favour the PF. The United Party for National Development is already emerging as the main opposition force in the 2021 elections. Budgetary difficulties, suspicions of an authoritarian drift and corruption cases are hurting the perception of the business climate, despite Zambia's relatively favourable ranking compared with its sub-Saharan African peers in the Doing Business 2020 ranking (85th out of 190 countries).

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2018	14.6
GDP PER CAPITA US Dollars - 2018	1,434
CURRENCY Zimbabwean dollar	ZWL

Main Economic Indicators	2017	2018	2019 (e)	2020 (f)
GDP growth (%)	4.7	3.4	-13.4	-10.4
Inflation (yearly average, %)	0.9	10.5	241.3	152.8
Budget balance (% GDP)	-11.7	-5.3	-6.5	-5.8
Current account balance (% GDP)	-1.3	-4.6	-2.5	-3.1
Public debt (% GDP)	74.1	65.6	60.2	66.6

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

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	60%
UNITED ARAB EMIRATES	21%
MOZAMBIQUE	11%
EURO AREA	2%
CHINA	1%

Imports of goods as a % of total

SOUTH AFRICA	49%
CHINA	3%
UNITED STATES	3%
KUWEIT	3%
MALAWI	3%

\+

- Abundant mineral resources (platinum, gold, diamonds, nickel)
- Agricultural wealth (maize, tobacco, cotton)
- Tourism development potential
- Member of the Southern African Development Community (SADC)

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- Cash and currency shortages
- 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 donors

RISK ASSESSMENT

Badly weakened activity

Hurt by lack of liquidity, inflation, Cyclone Idai, drought and electricity supply disruptions, the economy plunged into recession in 2019. In 2020, it is likely to remain there, continuing to be suffocated by the currency and liquidity crisis. Households will continue to suffer from shortages of basic goods, limited access to a stable currency and high inflation, resulting in a negative contribution from private consumption, which is also expected to be affected by the impact of drought on household incomes. The reconstruction of infrastructure affected by Cyclone Idai is likely to support public consumption and investment. Nevertheless, the government, which is still in arrears with international donors, will remain deprived of external funding sources, constraining its ability to act. The economic crisis and unclear policy formulation are expected to weigh on the contribution from private investment. Budget support measures (reduction of VAT and corporate tax rates) are unlikely to be sufficient to offset the many obstacles to domestic demand. In addition, shortages of basic necessities are expected to lead to increased imports of cereals and energy, affecting the contribution from foreign trade. Further disruptions in electricity supply, precipitated by drought and years of underinvestment, could affect mining exports. In addition, late rains for the 2019/2020 season and the downward trend in international tobacco prices bode ill for the country's main export crop revenues.

The Zimbabwean dollar makes a comeback

The budget deficit is expected to remain high in 2020. Revenue growth will be driven mainly by the increase in inflation-indexed taxes, but is expected to be limited, given how inhibited activity is. Expenditure pressures, particularly on the public wage bill, will be exacerbated by demands for higher wages. Most of the budgetary resources are expected to remain allocated to current expenditure, at the expense of capital investment spending. Without the support of international donors and wishing to avoid monetary creation by the central bank (in order to prevent an inflationary spiral), Zimbabwe is expected to base its financing essentially on the issuance of debt on the domestic market. Debt remains unsustainable due to the continued accumulation of external arrears and the expansion of domestic debt.

After weak domestic demand constrained imports, reducing the current account deficit in 2019, the deficit is expected to widen again, mainly as a result of higher imports of basic necessities. The trade deficit (including services) will therefore continue to increase the current account deficit. The primary income deficit will also contribute to this. Expatriate remittances, mainly from South Africa, will continue to contribute to a transfer surplus. Financing the current account deficit is expected to remain difficult and will certainly require the accumulation of external arrears.

The twin deficits are expected to keep up the pressure on the new currency introduced in November 2019, fuelling inflation. Foreign exchange reserves, which cover less than one month of imports, will remain at a minimal level. Abandoned in 2009 following a bout of hyperinflation that caused the currency to lose all its value, the Zimbabwean dollar was replaced by a multiple exchange rate system, dominated by the USD. However, the stability of this system has been undermined by the recurrent twin deficits, which have led to a foreign currency shortage. From 2016 onwards, the use of bond notes and electronic balances, officially at par with the USD, created a parallel market where these quasi-currencies were traded at a discount. The gap with the parallel market led the authorities to break the formal parity between locally issued instruments and the US dollar (February 2019) before abandoning the multiple exchange rate regime (June 2019) and introducing a new currency (November 2019).

The economic crisis is weakening Emmerson Mnangagwa

President Emmerson Mnangagwa came to power following the November 2017 "army-assisted transition" that forced President Robert Mugabe to resign. Despite fierce protests, Mr Mnangagwa and ZANU-PF, the party in power since independence, won the July 2018 general elections. Nevertheless, regular demonstrations resulting from the worsening economic crisis, leading in some cases to violence, suggest that the President's authority is already being challenged. As the economic situation deteriorates, his position could be weakened by the emergence of divisions within ZANU-PF. The loss of army support, particularly in the event of difficulty in paying military wages, could also threaten the President. Despite the willingness to engage in dialogue, relations with the international community remain difficult, as evidenced by the tensions surrounding the extension of US sanctions in 2019.

GLOSSARY

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

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

SAR: Special administrative region

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

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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