

COFACE COUNTRY & SECTOR RISKS HANDBOOK 2021

MAJOR TRENDS
OF THE WORLD
ECONOMY



ANALYSIS AND FORECAST
FOR 162 COUNTRIES
AND 13 SECTORS

This handbook is intended for:

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

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2021

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FORECASTS FOR
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Coface cannot be held in any way responsible for opinions expressed by those who have contributed to the preparation of this Handbook.

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CEO of Coface



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GLOSSARY

An unequal recovery

— **Xavier Durand** —
CEO of Coface

Last year, we highlighted the many obstacles on the path to corporate growth that we foresaw for 2020: political and environmental risks, excessive indebtedness of many States in the emerging and developing world, to name but a few. However, we could not have imagined that the world economy would experience its deepest recession since the end of the Second World War because of a pandemic. In addition to its dramatic human consequences, this singular crisis has deeply disrupted the daily lives of people, let alone the functioning of businesses and the global economy.

On the bright side, governments quickly grasped the scale of the crisis by letting the automatic stabilisers operate fully and by responding both quickly and vigorously: guaranteed or subsidised loans, deferral and/or cancellation of taxes or social security charges, coverage of short-time working, etc. When aggregated globally, these measures amounted to around USD 11700 billion (12% of global GDP) as of September 2020. About half of these measures were spending increases or tax cuts, the other half being loans and liquidity support from governments or other public sector actors. Not to mention, of course, central banks' actions: new asset purchase programmes (including in some emerging countries for the first time), interest rate cuts and liquidity provision to banks.

This responsiveness of governments and central banks has limited the severity of last year's already historic recession, while reducing the number of jobs destroyed and corporate insolvencies. The strength of the recession is such that many paradoxes, seldom seen before, have been highlighted. For instance, many equity markets in mature economies ended the year in the green despite the deep downturn. The latter did not stop the number of corporate insolvencies from falling in many countries (particularly in major European countries thanks to temporary amendments to insolvency procedures).

However, these major global trends do not necessarily indicate that the economic consequences of the pandemic have been similar everywhere. Differences in performance between countries are even more pronounced today than before the crisis. For the 2020-2021 period taken as a whole, the fifteen economies with the highest GDP growth compared to 2019 are all in Asia or Africa, according to our forecasts. On the other end of the spectrum, half of the fifteen worst performers are in Latin America. Moreover, trajectories also differ within each region, notably owing to sectoral specialisations. Such is



the case in Europe: the more service-oriented an economy is, the stronger the impact of COVID-19, with social distancing measures and the ability to telework being the main discriminatory factors. For most of these economies, the second quarter of 2020 was particularly bad, followed by a rebound in the third. Beneath this general trend, two groups emerge. The first recorded between 3 and 6 percentage points of decline in GDP at the end of the third quarter compared with the end of 2019. Among these countries are the Netherlands, France, Germany, but Italy as well. The shock for the second group is more significant, between -9 and -12 percentage points. Spain and Greece, where services (including tourism) account for a significant share of the GDP, are in the latter group. The United Kingdom, penalised until the last minute by the uncertainties concerning the modalities of exit from the European Union, is also part of the second group. These large differences in growth trajectories are also observable in Asia: China,

“The pandemic is a catalyst for pre-existing structural trends: rising inequalities and political risks, state and corporate indebtedness, digitalisation and energy transition.” — Xavier Durand

Taiwan, Vietnam and South Korea are clearly in the lead, because they managed the health crisis well, but also because they enjoy comparative advantages in sectors that have been resilient in 2020, such as electronics. On the other end of the ladder are India, Indonesia and the Philippines, which will have experienced a deep recession in 2020. Malaysia and Thailand are between these two extremes.

Within each country, these differentiated rebound prospects conceal a rise in income inequality. China, ahead of the rest of the world in the recovery phase, illustrates this trend: the upturn in consumption since last summer is mainly driven by high-income households and benefits sectors such as automotive, luxury goods and tourism. The wealthiest households have drawn on their savings accumulated during the lockdown. Conversely, low-income households have had to incur more debt in order to cope with unemployment and maintain their lifestyle. According to World Bank estimates, 120 million people worldwide will have fallen below the poverty line in 2020 because of the economic consequences of the pandemic. Half of them will remain so after 2021, despite the expected recovery. This means that while countries are getting their economies back on track, they are not getting everyone on-board the recovery train. This rise in poverty and income inequality, coupled with public dissatisfaction with governments' handling of the pandemic, could lead to further social discontent. In fact, according to Coface's Index, the risk of political and social fragility was already at an all-time high globally before this crisis emerged.

The pandemic is accelerating other pre-existing structural trends. Indebtedness is one of them. Public debt will have increased by about 20 GDP points over the last year in mature economies, and by 10 in emerging and developing economies. While the magnitude of the increase is greater in the former, the latter will be more at risk this year, since they will not benefit (barring exceptions) from the contribution of their central bank to directly or indirectly finance the public deficit. Even before this crisis, a year ago, we were already emphasising the historically high level of public

debt in emerging and developing countries, particularly in Latin America and Africa. The only good news is that awareness of the problem has resulted in emergency multilateral aid. Corporate indebtedness was already a concern; it is even more so today. For instance, the resumption of growth in China has been facilitated by a sharp rise in corporate debt. In the first three quarters of 2020, corporate debt was already at around two-thirds of the record level registered in 2009, which had led to significant overcapacity. The only difference this time around is that the sectors affected by excess debt are more diverse and that infrastructure-related industries are no longer the only concerned. Furthermore, the authorities now seem more inclined to allow some large companies to go bankrupt. The numerous defaults on the bond market by Chinese companies at the end of last year bear witness to this.

The list of structural changes that have been accelerated by this pandemic is extensive: in addition to rising inequality and therefore political risks, as well as debt, digitalisation, energy transition and the growing importance of the circular economy are also part of it.

As we enter 2021, the uncertainties are both large and numerous. To a considerable extent, they concern the singularity of this global crisis: how quickly will vaccines be distributed? What will households do with the savings they accumulated in 2020 during periods of lockdown? Have consumer preferences changed lastingly or is a gradual return to “pre-crisis” standards likely? Will the rise of teleworking bring sustained changes to the way we work and travel, thus to the structure of value chains and trade? Will sectors like air transport or real estate be profoundly changed? Should we expect a wave of social discontent arising from the population's dissatisfaction with governments' management of the health crisis?

This list is, of course, not exhaustive. The twenty-fifth edition of this guide, while attempting to answer these questions, discusses many other economic, political, financial, environmental and sectoral risks. I wish everyone an enjoyable reading of this guide, which 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 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.

SECTORS

1 AGRI-FOOD

2 Sector risk assessments

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

- + Strong demand from emerging countries (notably China and India)
- + Relatively resilient to the COVID-19 pandemic shock
- Highly exposed to climatic hazards and biological risks
- Severely impacted by protectionist tensions
- Volatility of agricultural commodity prices



3 RISK ANALYSIS SYNTHESIS

Overall, as an essential sector, agri-food is showing resilience to the COVID-19 pandemic shock. However, it is also facing challenges in this context, such as the drop in activity in restaurants and bars, which has led to decreased demand for the sector overall.

Meat production has been disrupted, as many meat processors had to temporarily shut down after employees caught the virus. In addition, harvests in Europe and North America were affected by the lack of temporary foreign labour because of border closures.

Coface also expects that biological risks inherent in the sector, and recently exacerbated by the African Swine Fever (ASF) outbreak, the consequences of the fall armyworm's spread, and the locust invasion in Africa, will put downward pressure on global agricultural production this year. ASF, which continues to plague Asia - particularly China - and Europe, is affecting the global pork market, as China is the world's largest consumer and producer.

La Niña, a climate phenomenon characterised by below-normal temperatures in the southern Pacific that causes weather changes around the world, is occurring and is expected to last until spring 2021 at least. Agricultural commodity harvests are set to be affected.

4 SECTOR ECONOMIC INSIGHTS

Agri-food continues to show resilience overall to the COVID-19 crisis, but the impact and recovery will vary across segments

While the agri-food sector is holding up well to the COVID-19 crisis overall and compared with other sectors (such as transport and automotive), some of its segments have been hard hit. For one thing, restaurants and bars were closed in most economies during the lockdown and saw reduced traffic when they did eventually reopen, due to caution among consumers and fear of catching the virus. The resurgence in case counts then led many countries to close bars and restaurants again or impose very restrictive rules to restaurants, which caused a drop in demand for the agri-food sector's products. Activity in restaurants, which represent an important outlet for producers, has crashed since the beginning of the year: restaurant reservations worldwide were down from 25 March to 30 April (-100% year on year). They then recovered to reach a post-outbreak peak in September (-29%), but with the second wave of infections in many parts of the world and new health restrictions, bookings fell again (-60% YoY in 1 December). Alcohol producers were particularly impacted,

but other segments of the agri-food industry were also affected to a lesser extent. In addition to the reduction in restaurant activity, the sector was impacted by COVID-19 via other channels. Fearing that it would bring coronavirus into the country, China banned imports of meat from several states in Brazil, Argentina and North America in Q3 2020, after some of their employees contracted COVID-19. As China is the world's largest importer of meat, these restrictions could have an impact on the affected countries' agri-food markets if the ban remains in place.

The agricultural commodities segment benefited from the situation, but it also had some trouble. Parity stocking (particularly of pasta) during the first general lockdowns, with heat of humanity confined in the second quarter of 2020, boosted demand for the sector. Following this increase in demand, some countries, including Russia, the world's largest wheat exporter, temporarily introduced restrictions on food exports because of fears of shortages and high food inflation. These restrictions fuelled inflationary pressures in international food prices. Meanwhile some countries, such as France, Germany and the United States, faced temporary labour shortages for agricultural commodity harvests.

AGRI-FOOD

4 The biological and climatic risks that existed before COVID-19 have not left

In the medium-term, the impact of the COVID-19 on the sector is expected to remain moderate and vary across segments. Coface expects that catering will continue to be heavily impacted and will recover gradually, due to the measures taken to slow the spread of the virus. This gradual recovery should be particularly evident in demand, which is expected to remain contained.

The biological and climatic risks that existed before COVID-19 have not left

African Swine Fever (ASF) broke out in Europe and Asia in the summer of 2018. The disease has spread throughout Asia, severely affecting the region and causing havoc among pork producers, particularly in China, which accounts for 50% of global pork production and consumption. ASF in China has several consequences. The most direct



5 The increase in Chinese pork imports from other parts of the world, such as the European Union and the United States. Increased Chinese demand has caused pork prices to surge, prompting 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 EU (Brazil is the largest exporter of beef and chicken, the EU is the third largest exporter of beef and the second largest exporter of chicken, while Argentina is the fourth largest exporter of beef). Moreover, the decline in the Chinese pig herd has reduced worldwide demand for soybeans, which are mainly used to feed pigs. According to the U.S. Department of Agriculture (USDA), pork production in China is expected to start increasing again in 2021, mainly due to the gradual rebuilding of the Chinese pig herd. According to the USDA, global pork production fell by 1% compared to 2019 but is expected to increase by 1% in 2021. Pork stocks held by China and sold on the domestic market, in an attempt to maintain prices, are decreasing putting pressure on domestic pork prices, which were 63% higher in August 2020 than in August 2019. In addition, cases of ASF were recently discovered in wild boars in Germany, Europe's largest pork exporter and producer. Consequently, several countries, such as China, South Korea and Japan, stopped importing German pork, while other EU countries stopped importing pork from the ASF-affected regions but continue to import from the rest of the country. Ultimately, all of this could push the price of pork up and, through a substitution effect, that of other meats, which would see increased demand when pork becomes more expensive. In addition to ASF, fall armyworms (FAW) and locusts are two major biological risks for the agri-food sector. The FAW is a caterpillar that feeds mainly on maize, but also on rice, sorghum and cotton among others. It was first detected in West Africa in early 2016 but has now spread to several Asian countries, including Vietnam, Myanmar, Bangladesh, Indonesia, Taiwan and

FRANCE

COFACE ASSESSMENTS

COUNTRY RISK **A3**

BUSINESS CLIMATE **A1**

POPULATION
 (thousands of persons) - 2019 **64.8**

GDP PER CAPITA
 US Dollars - 2019 **41,897**

CURRENCY
 Euro



- Quality of infrastructure and public services
- Small and productive workforce, dynamic demographics
- High employment rate of young people
- Competitive educational system (science, energy, environment, pharmaceuticals, luxury goods, food processing, retail)
- Global agricultural powerhouse
- High level of savings

- Insufficient number of reporting companies, bias of competitiveness and market share
- Weakening of the product range, insufficient R&D investment
- Low employment rate of young people and senior citizens
- Risk for improving the efficiency of public spending
- High public debt
- Growing private debt



Main Economic Indicators

	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.8	1.5	-8.3	5.4
Inflation (yearly average, %)	2.1	1.3	0.5	0.9
Budget balance (% GDP)	-2.2	-3.0	-10.8	-8.2
Current account balance (% GDP)	-0.9	-0.8	-2.9	-2.6
Public debt (% GDP)	98.1	98.1	116.3	117.9

(e) as revised; (f) forecast

RISK ASSESSMENT

Recovery to be driven by domestic demand

The French economy will record a strong catch-up in its activity in 2021, after having gone through an economic crisis of unprecedented proportions in 2020 due to the pandemic. In order to limit the spread, a lockdown was decreed in spring and again in November, although some non-essential activities, such as construction or manufacturing production, were able to continue in the autumn. While activity is expected, at best, to stagnate at the beginning of the year in a still difficult health context, the recovery is then expected to accelerate in line with the gradual vaccination of the population. Household consumption, which fell in 2020 due to successive travel bans and uncertainty, will be the main driver of the rebound. Their purchasing power having been relatively preserved during the crisis thanks to the partial activity scheme (which also made it possible to limit the fire unemployment), households have, on this occasion, built up precautionary savings. The use of which in 2021 will depend on their level of confidence, which will gradually improve with the health situation. Moreover, the evolution of the offer will also condition business investment, which will continue to benefit. At least at the beginning of the year, the support measures implemented during the crisis, such as the deferral (or even cancellation for certain sectors) of tax and social security payments, the solidarity fund for micro-businesses and other state-aided loans (EUR 10 billion granted in 2020). In addition to these measures, the government will support activity via a recovery plan, with expenditure of around EUR 17 billion in 2021 (i.e. 1.6% of GDP) including domestic activity, insofar as the economic situation will remain adverse for the two main sources of growth on the external front. On the one hand, new goods and services, will remain affected by the at least temporary crisis, after a fall in foreign sales in 2020 (-4% over total exports) will remain hampered for most of the year by traffic restrictions and fear, which had already led to a drop in the number of overnight stays between early and September 2020 (-48% of which -70% for non-residents). However, the support measures should make it possible to limit the number of job losses. In 2021, the recovery will rise again in 2021.

The current account deficit is expected to shrink slightly in 2021 after having increased sharply in 2020 due to the worsening of the deficit in the services sector (52.7% of GDP in the first three quarters) and the contraction of the surplus in the goods sector (52.8% of GDP). Due to tourism, although still limited, tourism receipts will pick up again, especially in the second half of the year. With the exception of aeronautics, the other flagging export sectors (automobiles, cosmetics, leather goods, wine and spirits) are expected to record better performances, which will however be offset by a clear rebound in imports. In line with domestic demand, The large current account deficit will continue to be financed by debt or share issues subscribed by non-residents.

New Prime Minister on the eve of the presidential campaign

In power since 2017, President Macron and his centrist-liberal party, La République En Marche (LREM), may no longer have a majority in the National Assembly (NT) seats out of 577 since the election of 17 deputies in May 2020, but can still rely on the centrist Modem (57 deputies) and Agri (20). Following the setback suffered in the municipal elections of May 2020, President Macron appointed Jean Castex, the head of the post-lockdown opening up strategy, to succeed Édouard Philippe as Prime Minister. Although these elections were marked by the breakthrough of the ecologist party EELV, the polls conducted at the end of 2020, supported, with a view to the 2022 presidential election, a new deal between the ecologist party EELV, the polls conducted at the end of 2020, supported, with a view to the 2022 presidential election, a new deal between the left (Socialist Party) and right (Republicans) seem to be in difficulty, the choice of their candidates could restructure the cards of the presidential campaign, in which Jean-Luc Mélenchon, leader of La France Insoumise (far left, 1%), has already announced that he will participate.

The reduction of the public deficit will wait

After having increased sharply in the face of the scale of the economic crisis, the public deficit

COUNTRY PROFILES

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 equal 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.1173 of the Monetary and Financial Code).

Bank 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' (short call) 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 supplier and their customer. 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 period to pay his debts, with the period's length reduced as part of the amicable settlement.

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 reduced 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 undisputed, creditors may use the injunction de payer (order for payment). This flexible system uses pre-printed forms and allows the creditor applicants to argue their case before a civil court (with jurisdiction over the district where the debtor's registered office is located). By using this procedure, creditors can rapidly obtain a court order which they can serve by a bailiff. The defendant then has a period of one month in which to dispute the claim.

Fast-track proceedings

Référé-provision provides creditors with a rapid means of debt collection. If the debtor neither presents 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.

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 negotiators 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, safeguard, and Accelerated Financial Safeguard 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 the court-appointed conciliator, the safeguard 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.

FRANCE

NUMBER OF CORPORATE INSOLVENCIES



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 2019, the GDP per capita in 2019, 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 2019.

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: macro-economic, 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 in 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, which is based on three pillars and eight criteria, and has been strengthened with more quantitative criteria. The first pillar focuses on data relative to Coface's expertise on

corporate payment behaviour worldwide, in the various sectors under consideration. The second pillar concerns forecasts of processed financial data. The last pillar brings together key multifactorial criteria (evolution of commodity price forecasts, risks linked to structural changes that may occur in a sector, and country risk assessments, which have an impact on the risk assessment of a given sector in a particular country).

The criteria included in the first two pillars are summarised below.

Coface's expertise regarding payment experience:

- Unpaid ratio level for companies of the same sector in a given country.
- Forecasts on changes in default amounts in a given sector at the global level.
- Sector risk assessment from Coface's underwriting services.

Pillar regarding the use of corporate financial data:

- Daily Sales Outstanding (DSO).
- Analysis of quantiles for forecasts in financial data (net debt, profitability).

The sector risk assessment is on a 4-step scale: low, medium high, very high, in order of increasing risk (see p. 11).

Assessment of company default rate

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

Economic publications*

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

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

DEFINITION OF COUNTRY RISK ASSESSMENTS

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

DEFINITION OF BUSINESS CLIMATE ASSESSMENTS

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

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.

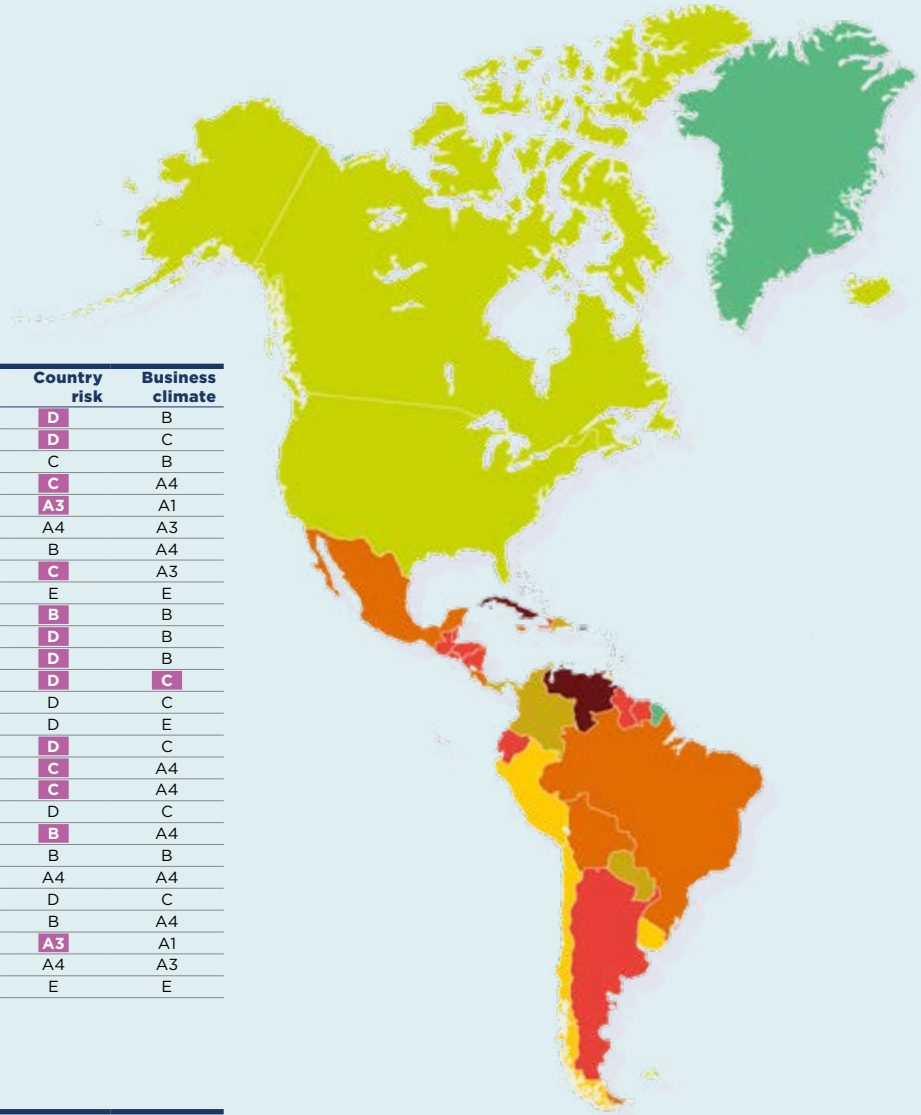
— You can find them on page 14

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 2020**

**UPGRADES
IN 2020**



AMERICAS

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

AFRICA

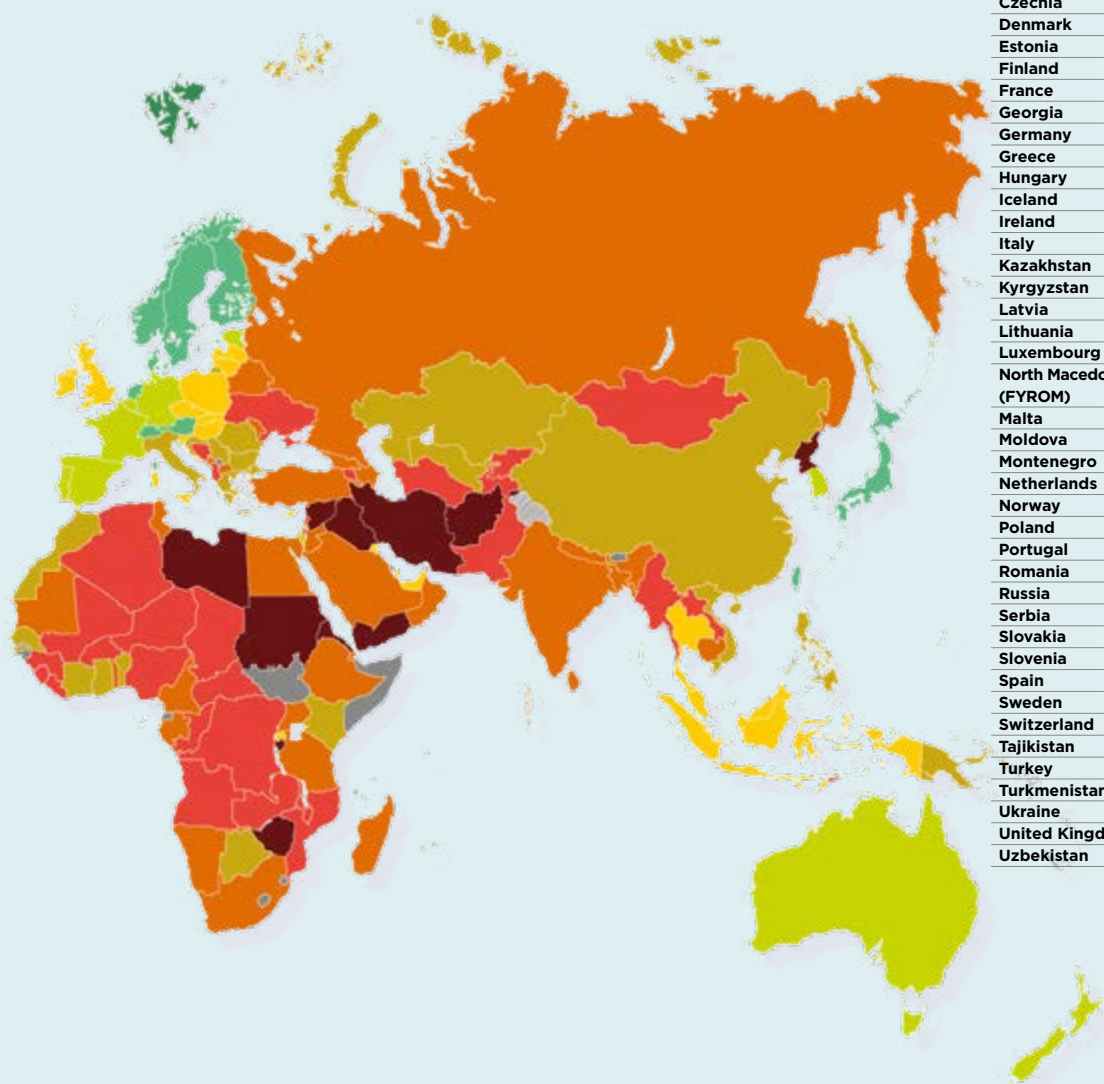
	Country risk	Business climate
Algeria	D	C
Angola	D	D
Benin	B	C
Botswana	B	A4
Burkina Faso	D	C
Burundi	E	E
Cameroon	C	D
Cabo Verde	C	B
Central African Republic	D	E
Chad	D	E
Congo (Democratic Republic of the)	D	E
Congo (Republic of the)	D	D
Côte d'Ivoire	B	B
Djibouti	C	C
Egypt	C	B
Eritrea	E	E
Ethiopia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

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

**COUNTRY RISK
ASSESSMENT MAP**

BUSINESS DEFAULT RISK

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



EUROPE AND CIS

	Country risk	Business climate
Albania	D	C
Armenia	D	B
Austria	A2	A1
Azerbaijan	C	C
Belarus	C	B
Belgium	A3	A1
Bosnia and Herzegovina	D	B
Bulgaria	B	A3
Croatia	B	A2
Cyprus	A4	A3
Czechia	A4	A2
Denmark	A2	A1
Estonia	A3	A1
Finland	A2	A1
France	A3	A1
Georgia	C	A3
Germany	A3	A1
Greece	B	A2
Hungary	A4	A3
Iceland	A3	A1
Ireland	A4	A1
Italy	B	A2
Kazakhstan	B	B
Kyrgyzstan	D	D
Latvia	A4	A1
Lithuania	A4	A1
Luxembourg	A2	A1
North Macedonia (FYROM)	C	A4
Malta	A2	A4
Moldova	C	B
Montenegro	C	A4
Netherlands	A2	A1
Norway	A2	A1
Poland	A4	A2
Portugal	A3	A2
Romania	B	A3
Russia	C	B
Serbia	B	A4
Slovakia	A4	A2
Slovenia	A4	A1
Spain	A3	A1
Sweden	A2	A1
Switzerland	A2	A1
Tajikistan	D	D
Turkey	C	A4
Turkmenistan	D	E
Ukraine	D	C
United Kingdom	A4	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	D	A4
Iraq	E	E
Iran	E	D
Israel	A3	A2
Jordan	C	B
Kuwait	A4	A3
Lebanon	D	D
Oman	C	A4
Palestinian Territories	D	D
Qatar	A4	A3
Saudi Arabia	C	B
Syria	E	E
United Arab Emirates	A4	A2
Yemen	E	E

ASIA-PACIFIC

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

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