



## PRESS RELEASE

### Coface Assesses Business Environment of Countries: Seven Upgrades, Three Downgrades

Paris, France – July 12, 2011 – Coface, one of the world's leading trade credit insurers, today announced changes to its Business Environment Assessments of nine countries. Seven emerging countries were upgraded (Colombia, Ghana, Lithuania, Mozambique, Macedonia, Poland and Tanzania). Three countries were downgraded (Bahrain, Cyprus and Greece.)

The improvements in the Business Environment Assessments go hand in hand with the strength of emerging economies. Coface forecasts emerging country economic growth of 5.7% in 2011, in contrast with 1.8% growth expected for developed countries. Coface Business Environment Assessments are derived from Coface's own experience with company payments due to risk underwriting and debt collection activities throughout its international network.

In addition, Coface announced changes in its Country Risk Assessments for three countries. Cyprus and Greece were downgraded, while Luxembourg was upgraded.

- **Central Europe: Marked improvement in the business environment**

The Business Environment Assessments of three central European countries have been upgraded: **Poland** (from A3 to A2), **Lithuania** (from A3 to A2) and **Macedonia** (from C to B). All three countries have seen improved access to company financial information. Poland and Lithuania have additionally benefited from the process of their integration into the European Union. Lithuania has developed its infrastructure, while in Poland there have been notable improvements in the quality of regulation due to the streamlining of administrative procedures and the tax system, and improved supervision of the banking system. Macedonia, which plans to join the European Union, has made great strides in terms of governance, reducing corruption and increasing respect for the law.

- **Greece and Cyprus among the worst rated countries in Europe**

In contrast, the Business Environment Assessments of **Greece** and **Cyprus** have been downgraded to A3, which places them among the worst-rated countries in the European Union. Only Romania and Bulgaria (A4) have lower assessments. Coface finds access to financial information to be difficult and notes a worsening of company payment behavior, which indicates greater difficulties concerning debt collection. Cyprus also stands out for its opaque banking system.

The Coface Country Risk Assessments for Greece (B) and Cyprus (A4) have also been lowered. These downgrades reflect the impact of the Greek sovereign debt crisis on companies in these countries. Bank credit is difficult to obtain and expensive, and the macroeconomic climate is deteriorating as the recession deepens. Additionally, companies are bearing the brunt of the austerity budget plan, which in some cases could lead to overdue payments by the government. Coface notes a deterioration in the payment behavior of Greek companies in 2011. Country risk for Cyprus has increased due to the exposure of its banks to Greek risk.

- **Africa and Latin America: Progress in the reliability of financial data**

Coface has raised the Business Environment Assessment of **Colombia** (from B to A4), placing it above the average of emerging countries and ranking it first in Latin America in terms of accessibility and reliability of financial data. Despite the country's persistent corruption, Coface has observed the increased reliability of financial information due to stringent tax audits.

In Sub-Saharan Africa, three countries have seen their Business Environment Assessments raised: **Ghana** (from C to B), **Mozambique** and **Tanzania** (both from D to C). These upgrades are in part due to the progress made in fighting corruption. However, Coface finds that the less-than-stringent legal obligations of Mozambique and Tanzania mean financial information is difficult to access in both countries. Ghana has made notable progress, confirmed by the fact that it is placed above the average of the 212 countries ranked by the World Bank.

- **Middle East: Institutional environment impacted by the Arab Spring**

**Bahrain's** downgrade from A3 to A4 comes within the context of the Arab Spring, in which the government's efficiency is hampered by the population's strong resentment towards those in power. Though the country remains above the average of emerging countries, Coface observes that access to financial information has worsened.

*"Since the launch of the Business Environment Assessment in 2007, Coface has revised the assessments of some ten countries, reflecting the improvement in the payment records of companies in emerging countries. Upgrades of seven emerging countries support our finding of a gradual improvement in country risk of emerging economies, an improvement that is not solely due to a resilient economic situation. It is also due to more structural developments, that is, the improved governance of these countries,"* comments Yves Zlotowski, Chief Economist of Coface.

**North America press contact:** Sue Hinton / 📞 (212) 389-6484 / [sue\\_hinton@coface.com](mailto:sue_hinton@coface.com)

### **About Coface**

Coface's mission is to facilitate global business-to-business trade by offering its 135,000 customers solutions to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, business information and receivables management. Due to the worldwide local service delivered by 6,600 staff in 65 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface. Coface is a subsidiary of Natixis whose share capital (Tier 1) was 16.8 billion Euros at the end of December 2010. Visit us at [www.coface.com](http://www.coface.com).

## APPENDIX

**Coface country risk assessments** reflect the average level of risk displayed by the companies in a country within the framework of their commercial transactions. The assessments do not pertain to sovereign debt.

**Coface business environment assessments** are a component of Coface's overall country assessments. The business environment assessments take into account the quality of the institutional environment in 156 countries by evaluating the accessibility and reliability of company information and the legal protection afforded to creditors. Countries are graded on a scale of increasing order of risk -- A1, A2, A3, A4, B, C, and D -- where A1 represents the least risk.

### COUNTRY RISK ASSESSMENT CHANGES

	Country	March 2011	July 2011 Update
Europe	Luxembourg	A1 ↘	A1
	Cyprus	A3	A4
	Greece	A4	B

### BUSINESS CLIMATE ASSESSMENT CHANGES

	Country	March 2011	July 2011 Update	Country ratings
Europe	Lithuania	A3	A2	A4
	Poland	A3	A2	A3
	Cyprus	A2	A3	A4
	Greece	A2	A3	B
	Macedonia	C	B	C
Latin America	Colombia	B	A4	A4
Middle East / Africa	Bahrain	A3	A4	A4
	Ghana	C	B	C
	Mozambique	D	C	B
	Tanzania	D	C	B

↘ Denotes negative watchlist