

Country Ratings Update – Winter 2009

In January 2009, Coface announced the downgrades of 22 country ratings. For the first time, two of the biggest emerging countries, China and Russia, were negative watch-listed simultaneously.

Worldwide slowdown

On a worldwide level, the growth differential anticipated from 2007 to 2009 is now 3.1 GDP points. During the previous credit crisis between 2000 and 2001, the rate was only 2.5 points. This slackening of growth explains the 50% rise in the Coface payment default index between 2007 and 2008. Coface forecasts that the credit crisis will only end when the year 2009 comes to a close.

A credit crisis similar to those of the 1980s and 1990s

Given the new global growth forecast of 0.9% for 2009, the credit crisis that started at the beginning of 2008 resembles those of the early 1980s and 1990s. The slowdown in growth from 2007 to 2009 should be 3.1 points – just as from 1979 to 1982, and from 1989 to 1991. However, it is below that of the first oil shock (1973). The crisis took on a new dimension in the fourth quarter, when businesses in countries that had managed to hold out so far (such as Germany) were affected. For the year 2008, Coface registered an increase of 47% in its payment default index, with an acceleration during the fourth quarter.

Since its January 2008 start in the United States, the crisis then spread to the other so-called

“bubble” countries (the United Kingdom, Spain, Ireland.) Now, no area appears to be spared. The industrialized countries close to the epicenter of the crisis have been affected, followed by the countries with no speculative bubbles but sustaining flat growth (Italy, France, Germany, Japan), along with the fragile emerging countries (South Africa, Vietnam.)

China and Russia: Negative-watchlisted

All industrialized country ratings were downgraded in 2008, and as of January 2009, Coface has placed the BRIC countries of Russia and China under negative watch. Coface forecasts 7% growth for China in 2009. The Coface survey on Chinese company payment behavior, conducted for the last 6 years, highlights the effects of excessive competition on the private sector’s contracting profit margins. In this context, the slowdown in growth will result in an increase of payment defaults on the part of Chinese companies. China’s A3 rating has been placed on negative watch. Hong Kong and Taiwan have been downgraded to A2.

For Russia, Coface forecasts growth of 2.5% in 2009. Coface business-to-business payment experience in Russia deteriorated in 2008, mainly due to persistent deficiencies in corporate governance. These problems have already been taken into account in Russia’s B rating. The country is now severely affected by the crisis (drop in credit, fall in oil prices). The foreign debt of Russian companies has risen 140% since 2005, which should generate further payment default. For this reason, Russia’s rating has been placed on negative watch.

Coface country ratings

The ratings assess the average risk of payment defaults by companies in a given country. To rate countries, Coface combines:

- Economic and political prospects of the country
- Coface payment experience
- Business climate assessment

Ratings are available for 155 countries, with 7 rating grades: A1, A2, A3, A4, B, C, and D.

"Business Climate" rating

Introduced in 2008, this rating assesses the overall business environment, and more precisely, whether corporate information is available and reliable and whether the legal system provides fair and efficient creditor protection. This rating is based on a yearly survey compiled by Coface entities throughout the world and has seven grades: A1, A2, A3, A4, B, C, and D.

January 2009 ratings changes

	Country	Former classification	Changes	
Industrialized countries	Germany	A1	Negative watch	A1 ↘
	Belgium	A1	Negative watch	A1 ↘
	Australia	A1	Downgrade	A2
	New Zealand	A1 ↘	Downgrade	A2
	Spain	A2	Negative watch	A2 ↘
	Greece	A2	Negative watch	A2 ↘
Asia	Singapore	A1	Negative watch	A1 ↘
	Taiwan	A1 ↘	Downgrade	A2
	Hong Kong	A1 ↘	Downgrade	A2
	China	A3	Negative watch	A3 ↘
	Pakistan	C	Negative watch	C ↘
Emerging Europe and CIS	Slovenia	A1	Negative watch	A1 ↘
	Poland	A3 ↗	Positive watch withdrawal	A3
	Hungary	A3	Negative watch	A3 ↘
	Croatia	A4	Negative watch	A4 ↘
	Russia	B	Negative watch	B ↘
	Ukraine	C	Negative watch	C ↘
	Albania	D ↗	Positive watch withdrawal	D
Latin America	Chile	A2	Negative watch	A2 ↘
	Mexico	A3 ↘	Downgrade	A4
	Ecuador	C	Negative watch	C ↘
Middle East	UAE	A2	Negative watch	A2 ↘

Coface country ratings do not cover sovereign debt. The ratings indicate the average level of risk presented by corporates on their short term commercial transactions.

Complete risk assessments for 155 countries is available on www.coface-usa.com.

Recent evolution of country ratings

Industrialized countries

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Canada	A1	A1 ↘	A1 ↘	A1 ↘	A1 ↘	A1
Japan	A1	A1 ↘	A1 ↘	A1 ↘	A1 ↘	A1
United States	A1 ↘	A2	A2	A2	A2	A1
Austria	A1	A1	A1	A1	A1	A1
Netherlands	A1	A1	A1	A1	A1	A1
Sweden	A1	A1	A1	A1	A1	A1
Switzerland	A1	A1	A1	A1	A1	A1
Germany	A1	A1	A1	A1	A1 ↘	A1
Belgium	A1	A1	A1	A1	A1 ↘	A1
Denmark	A1	A1	A1 ↘	A1 ↘	A1 ↘	A1
France	A1	A1	A1	A1 ↘	A1 ↘	A1
Australia	A1	A1	A1	A1	A2	A1
Ireland	A1 ↘	A1 ↘	A1 ↘	A2	A2	A1
United Kingdom	A1 ↘	A1 ↘	A1 ↘	A2	A2	A1
Spain	A1 ↘	A1 ↘	A2	A2	A2 ↘	A1
Greece	A2	A2	A2	A2	A2 ↘	A2
Italy	A2	A2	A2	A2 ↘	A2 ↘	A2
Portugal	A2	A2	A2 ↘	A2 ↘	A2 ↘	A2
Iceland	A1 ↘	A1 ↘	A1 ↘	A3	A3	A1

Emerging Europe

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Slovenia	A1	A1	A1	A1	A1 ↘	A2
Czech Rep.	A2	A2	A2	A2	A2	A2
Estonia	A2 ↘	A2 ↘	A3	A3	A3	A2
Poland	A3 ↗	A3 ↗	A3 ↗	A3 ↗	A3	A3
Slovakia	A3	A3	A3	A3	A3	A2
Hungary	A3	A3	A3	A3	A3 ↘	A2
Lithuania	A3 ↘	A3 ↘	A3 ↘	A3 ↘	A3 ↘	A3
Latvia	A3 ↘	A3 ↘	A4	A4	A4	A3
Bulgaria	A4 ↘	A4 ↘	A4 ↘	A4 ↘	A4 ↘	A4
Croatia	A4	A4	A4	A4	A4 ↘	A3
Romania	A4 ↘	A4 ↘	A4 ↘	A4	A4 ↘	A4
Serbia	C	C	C	C	C	C
Turkey	B	B	B	B	B	A4

CIS

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Kazakhstan	B	B	B	B	B	B
Russia	B	B	B	B	B ↘	B
Azerbaijan	C	C	C	C	C	C
Ukraine	C	C	C	C	C ↘	C
Uzbekistan	D	D	D	D	D	D

Emerging Asia

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Singapore	A1	A1	A1	A1	A1 ↘	A1
Korea	A2	A2	A2	A2	A2	A2
Hong Kong	A1	A1	A1	A1 ↘	A2	A2
Malaysia	A2	A2	A2	A2	A2	A3
Taiwan	A1 ↘	A1 ↘	A1 ↘	A1 ↘	A2	A2
India	A3	A3	A3	A3	A3	A4
Thailand	A3	A3	A3	A3	A3	A3
China	A3	A3	A3	A3	A3 ↘	B
Indonesia	B	B	B	B	B	C
Philippines	B	B	B	B	B	B
Sri Lanka	B	B	B	B	B	B
Vietnam	B	B	B ↘	B ↘	B ↘	C
Bangladesh	C	C	C	C	C	D
Pakistan	C	C	C	C	C ↘	C

Latin America

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Chile	A2	A2	A2	A2	A2 ↘	A2
Brazil	A4	A4	A4	A4	A4	A4
Colombia	A4	A4	A4	A4	A4	B
Mexico	A3	A3 ↘	A3 ↘	A3 ↘	A4	A4
Peru	B	B	B	B	B	B
Uruguay	B	B	B	B	B	A4
Argentina	C	C	C	C	C	B
Venezuela	C	C	C	C	C	C
Ecuador	C	C	C	C	C ↘	C
Bolivia	D	D	D	D	D	C

Middle East and North Africa

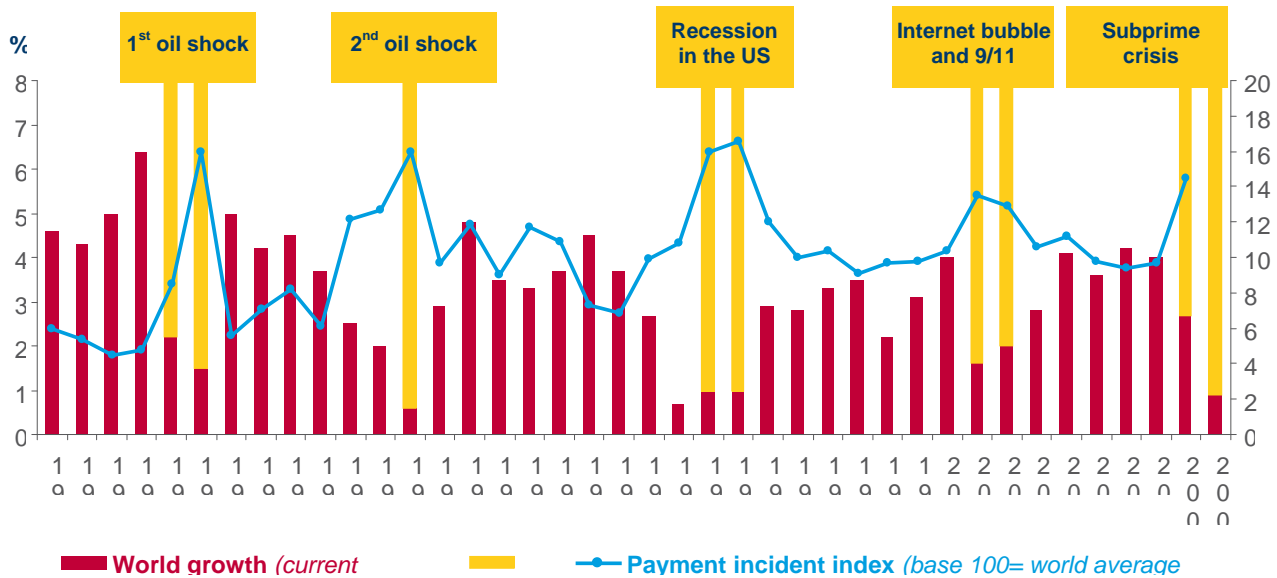
	Country risk rating				Business climate rating	
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
UAE	A2	A2	A2	A2	A2 ↘	A3
Kuwait	A2	A2	A2	A2	A2	A3
Qatar	A2	A2	A2	A2	A2	A3
Bahrain	A3	A3	A3	A3	A3	A3
Oman	A3	A3	A3	A3	A3	A4
Saudi Arabia	A4	A4	A4	A4	A4	B
Libya	C	C	C	C	C	D
Iran	D	D	D	D	D	C
Iraq	D	D	D	D	D	D
Israel	A4	A4	A4	A4	A4	A2
Egypt	B	B	B	B	B	B
Jordan	B ↘	B ↘	B ↘	B ↘	B ↘	A4
Lebanon	C ↘	C ↘	C	C	C	B
Syrian	C	C	C	C	C	C
Yemen	C	C	C	C	C	D
Algeria	A4	A4	A4	A4	A4	B
Morocco	A4	A4	A4	A4	A4	A4
Tunisia	A4 ↗	A4	A4	A4	A4	A4

Sub-Saharan Africa

	Country risk rating					Business climate rating
	January 2008	March 2008	June 2008	September 2008	January 2009	2009
Botswana	A2	A2	A2	A2	A2	A3
Mauritius	A3	A3	A3	A3	A3	A3
Namibia	A3	A3	A3	A3	A3	A4
South Africa	A3	A3	A3 ↓	A3 ↓	A3 ↓	A3
Gabon	B	B	B	B	B	C
Mozambique	B	B	B	B	B	D
Senegal	B	B	B	B	B	B
Tanzania	B	B	B	B	B	D
Angola	C	C	C	C	C	D
Cameroon	B	C	C	C	C	C
Kenya	C	C	C	C	C	C
Zambia	C	C	C	C	C	C
Nigeria	D	D	D	D	D	D
Zimbabwe	D	D	D	D	D	D
Côte d'Ivoire	D	D ↗	D ↗	D ↗	D ↗	C

Non-payment index

The Coface non-payment index reflects payment experience on commercial transactions payable in the short-term.



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About Coface

Coface is a global provider of credit insurance and credit management solutions, serving 120,000 companies in over 90 countries. Our products and services include commercial credit insurance, worldwide business information and ratings, accounts receivable finance and factoring, and commercial debt collection and accounts receivable management. For more information, please contact us.

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