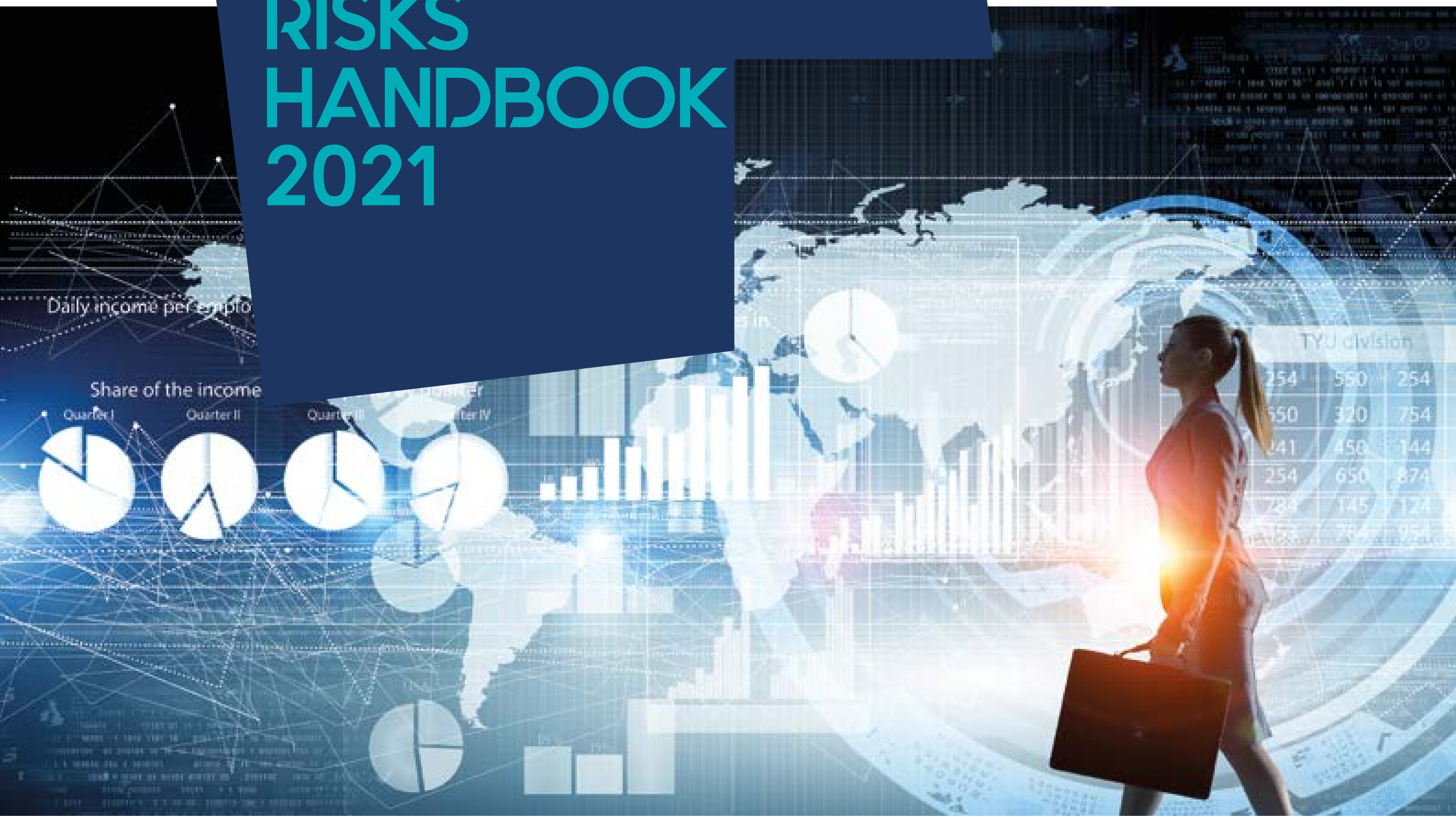
COFACE COUNTRY & SECTOR RISKS HANDBOOK 2021

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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— **Coface Information Department**

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COUNTRY & SECTOR RISKS HANDBOOK 2021

ANALYSIS AND FORECASTS FOR 162 COUNTRIES AND 13 SECTORS

CONTENTS

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

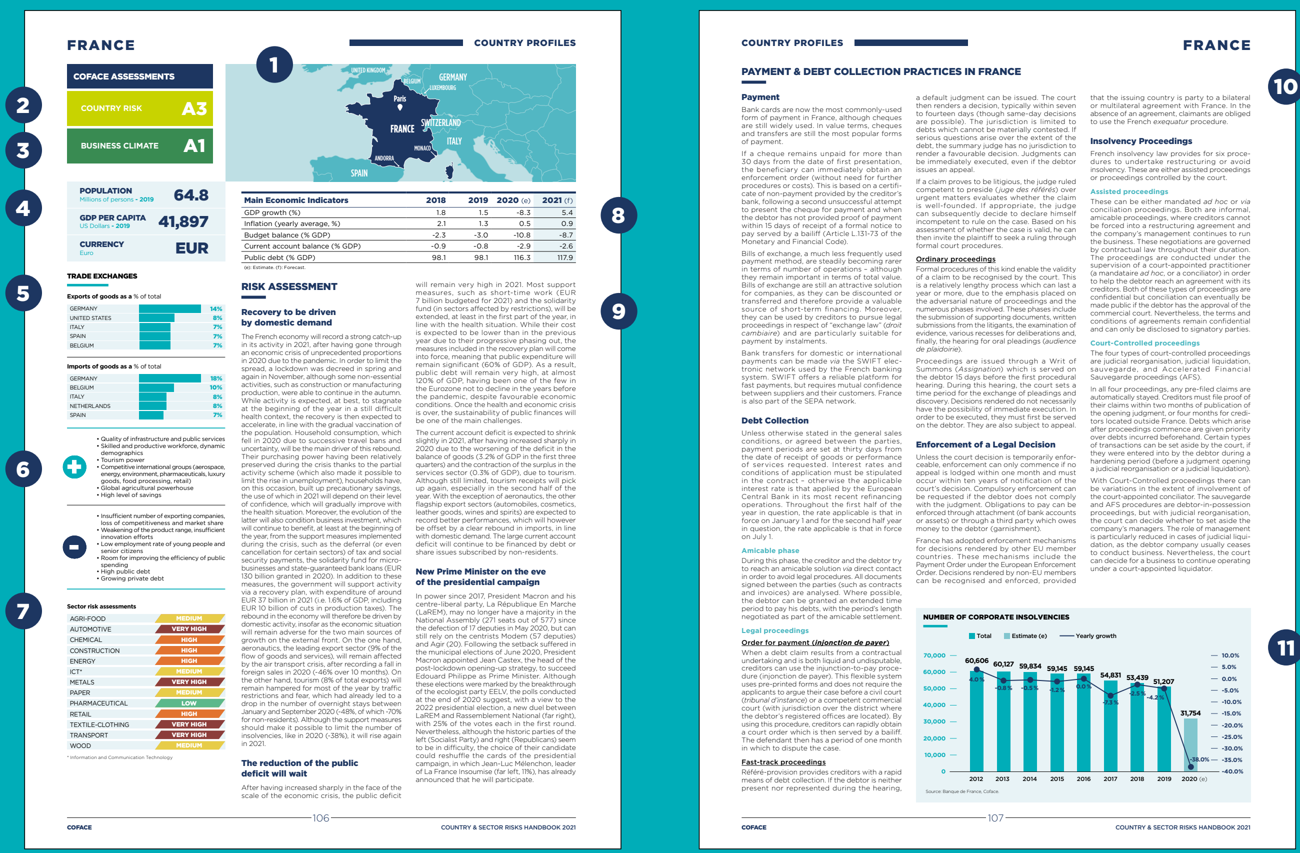
You will find in this section a synthetic analysis of economic and financial development in the markets as well as main risks in the sector in terms of global trends. It broadly summarizes insights presented in the Sector Economic Insights section.

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.



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: 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 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.

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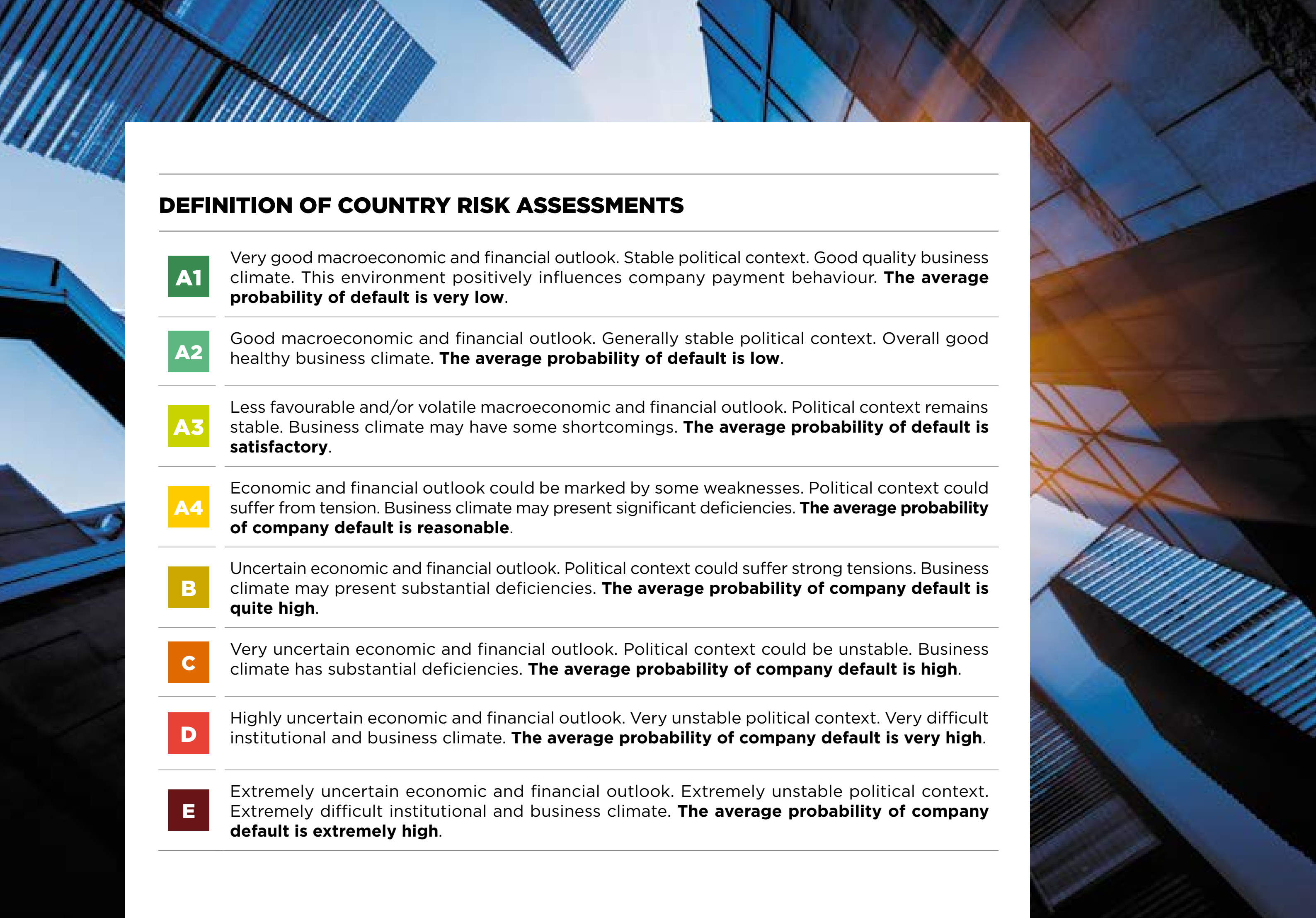
* Assessments and studies available on http://www.coface.com/Economic-Studies-and-Country-Risks.



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.

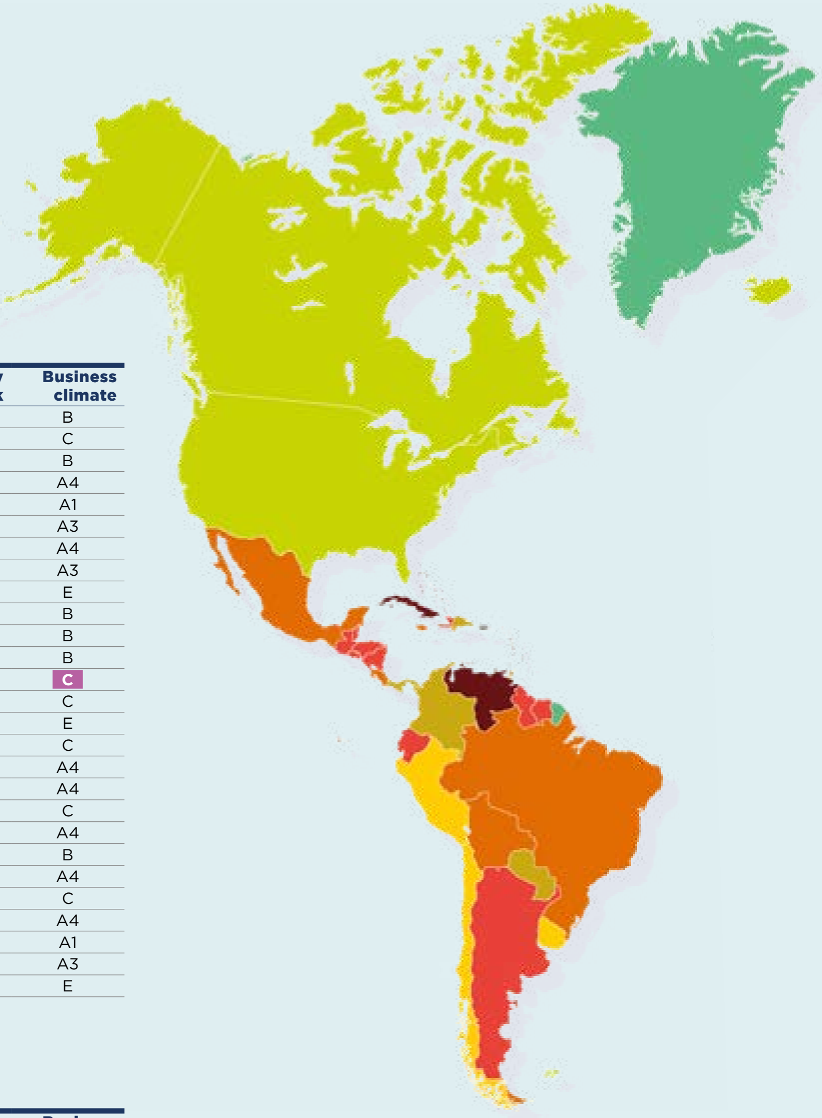
— You can find them on page 14

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 2020

UPGRADES IN 2020



AMERICAS

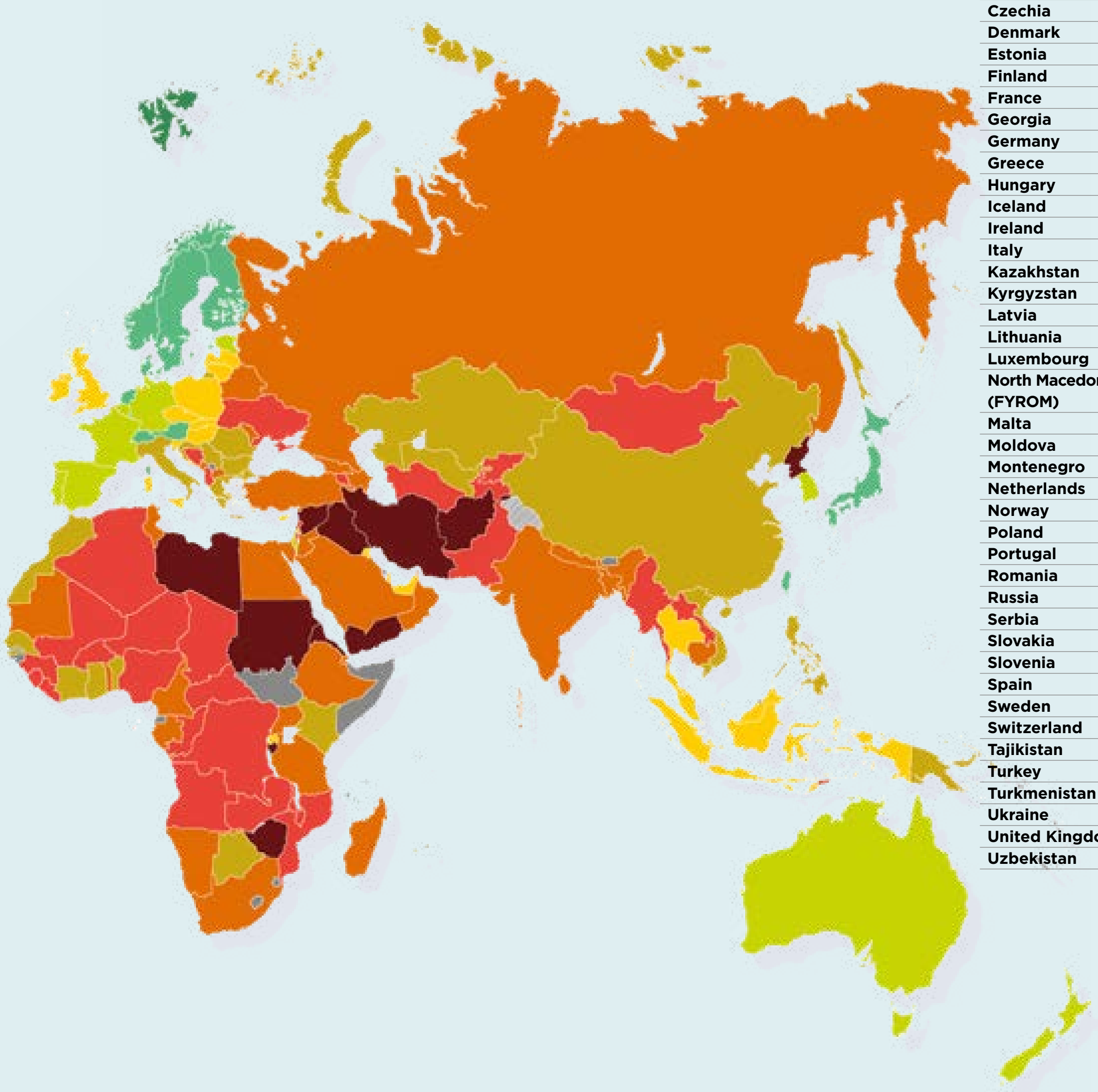
	Country risk	Business climate
Argentina	D	B
Belize	D	C
Bolivia	C	B
Brazil	C	A4
Canada	A3	A1
Chile	A4	A3
Colombia	B	A4
Costa Rica	C	A3
Cuba	E	E
Dominican Republic	B	B
Ecuador	D	B
El Salvador	D	B
Guatemala	D	C
Guyana	D	C
Haiti	D	E
Honduras	D	C
Jamaica	C	A4
Mexico	C	A4
Nicaragua	D	C
Panama	B	A4
Paraguay	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
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

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
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

COUNTRY RISK ASSESSMENT HISTORY OF THE MAIN ECONOMIES

	2021 Jan.	2020 Sept.	2020 June	2020 March	2020 Jan.	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.
A2											
Austria	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1	A2
Denmark	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Japan	A2	A2	A2	A2	A2	A2	A2	A2	A1	A1	A1
Netherlands	A2	A2	A2	A2	A1	A1	A1	A2	A2	A3	A3
New Zealand	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Norway	A2	A2	A2	A2	A1	A1	A1	A1	A1	A1	A1
Sweden	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1
Switzerland	A2	A2	A2	A2	A1	A1	A1	A1	A1	A1	A1
Taiwan	A2	A3	A3	A3	A2	A2	A2	A3	A1	A1	A1
A3											
Australia	A3	A3	A3	A3	A2	A2	A2	A2	A2	A2	A2
Belgium	A3	A3	A3	A3	A2	A2	A2	A2	A2	A3	A3
Canada	A3	A3	A3	A3	A2	A2	A3	A3	A2	A1	A1
France	A3	A3	A3	A3	A2	A2	A2	A2	A3	A3	A3
Germany	A3	A3	A3	A3	A2	A1	A1	A1	A1	A1	A2
Israel	A3	A3	A3	A2	A2	A2	A2	A3	A3	A3	A3
Portugal	A3	A3	A3	A3	A2	A2	A3	A4	A4	B	B
Singapore	A3	A3	A3	A3	A2	A2	A2	A3	A1	A1	A1
South Korea	A3	A3	A3	A3	A2	A2	A2	A3	A2	A2	A2
Spain	A3	A3	A3	A3	A2	A2	A2	A3	A4	A4	B
United States	A3	A3	A3	A3	A2	A2	A2	A2	A1	A1	A2
A4											
Chile	A4	A4	A4	A4	A4	A3	A3	A3	A3	A2	A2
Hong Kong	A4	A4	A3	A3	A3	A2	A2	A3	A1	A1	A1
Hungary	A4	A4	A4	A3	A3	A3	A3	A4	A4	B	B
Indonesia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Ireland	A4	A4	A4	A4	A3	A3	A3	A3	A3	A3	A3
Kuwait	A4	A4	A4	A3	A3	A3	A3	A3	A2	A2	A2
Malaysia	A4	A4	A4	A4	A3	A3	A4	A4	A2	A2	A2
Peru	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Poland	A4	A4	A4	A3	A3	A3	A3	A3	A3	A3	A3
Qatar	A4	A4	A4	A4	A4	A4	A4	A3	A2	A2	A2
Slovakia	A4	A4	A4	A3	A3	A2	A3	A3	A3	A3	A3
Thailand	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A3
United Arab Emirates	A4	A4	A4	A3	A3	A3	A4	A4	A3	A3	A3
United Kingdom	A4	A4	A4	A4	A3	A3	A3	A3	A2	A2	A3
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
B											
Botswana	B	B	B	A4	A4	A4	A4	A4	A4	A4	A4
Bulgaria	B	B	B	A4	A4	A4	A4	A4	B	B	B
China	B	B	B	B	B	B	B	B	A4	A3	A3
Colombia	B	B	B	B	B	A4	A4	A4	A4	A4	A4
Côte d'Ivoire	B	B	B	B	B	B	B	B	C	C	C
Croatia	B	B	B	B	A4	A4	B	B	B	B	B
Ghana	B	B	B	B	B	B	B	B	C	C	B
Greece	B	B	B	B	B	B	B	C	C	C	C
Italy	B	B	B	B	A4	A4	A3	A3	B	B	B
Kazakhstan	B	B	B	B	B	B	B	C	B	B	B

	2021 Jan.	2020 Sept.	2020 June	2020 March	2020 Jan.	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.	2014 Jan.
B											
Morocco	B	B	B	A4	A4	A4	A4	A4	A4	A4	A4
Philippines	B	B	B	A4	A4	A4	A4	A4	A4	A4	A4
Romania	B	B	B	A4	A4	A4	A4	A4	B	B	B
Senegal	B	B	A4	A4	A4	B	B	B	B	B	B
Serbia	B	B	B	B	B	B	B	B	C	C	C
Uzbekistan	B	B	B	B	B	C	C	D	D	D	D
Vietnam	B	B	B	B	B	B	B	B	B	C	C
C											
Bolivia	C	C	C	C	C	C	C	C	C	C	C
Brazil	C	C	C	B	B	B	B	C	C	A4	A3
Cameroon	C	C	C	C	C	C	C	C	C	C	C
Egypt	C	C	C	B	B	B	B	C	C	C	C
Gabon	C	C	C	C	C	C	C	C	C	B	B
India	C	C	B	B	B	B	A4	A4	A4	A4	A4
Madagascar	C	C	C	C	C	D	D	D	D	C	C
Mexico	C	C	C	C	B	B	B	B	A4	A4	A4
Oman	C	C	C	C	B	B	C	B	A3	A3	A3
Russia	C	C	C	B	B	B	B	C	C	C	B
Saudi Arabia	C	C	C	B	B	C	C	B	A4	A4	A4
South Africa	C	C	C	C	B	B	C	C	B	A4	A4
Sri Lanka	C	C	C	C	C	C	B	B	B	B	C
Tanzania	C	C	C	C	C	C	C	C	C	B	B
Tunisia	C	C	C	C	C	C	B	B	B	B	B
Turkey	C	C	C	B	B	C	B	B	B	B	A4
D											
Algeria	D	D	D	D	C	C	C	C	B	A4	A4
Angola	D	D	D	D	C	C	D	D	C	C	C
Argentina	D	D	D	D	C	C	B	B	C	C	C
Armenia	D	D	D	C	C	C	D	E	C	C	C
Haiti	D	D	D	D	D	D	D	D	D	D	D
Mozambique	D	D	D	D	D	D	E	D	C	C	C
Nigeria	D	D	D	D	C	C	D	D	C	C	D
Pakistan	D	D	D	D	D	D	C	C	D	D	D
Ukraine	D	D	D	C	C	C	C	D	D	D	D
E											
Iran	E	E	E	E	E	E	E	E	D	D	D
Iraq	E	E	E	E	E	E	E	E	D	D	D
Libya	E	E	E	E	E	E	E	E	D	D	D
Syria	E	E	E	E	E	E	E	E	D	D	D
Venezuela	E	E	E	E	E	E	E	E	D	D	C
Zimbabwe	E	E	E	E	E	E	E	E	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 2021 outlook for 162 countries

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INTRODUCTION TO SECTOR RISK ASSESSMENTS NOTES

2021 Coface 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 of forecasts on financial data (net debt, profitability).

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.

*ICT: Information and Communication Technology.

AGRI-FOOD

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

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- Highly exposed to climatic hazards and biological risks
- Severely impacted by protectionist tensions
- Volatility of agricultural commodity prices

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.

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 zero from 23 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 on 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 plants 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 bans remain in place.

The agricultural commodities segment benefited from the situation, but it also had some trouble. Pantry stocking (particularly of pasta) during the first general lockdowns, with half 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, temporary 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.

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 is 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 benefitted 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 11% compared to 2019 but is expected to increase by 9% 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.

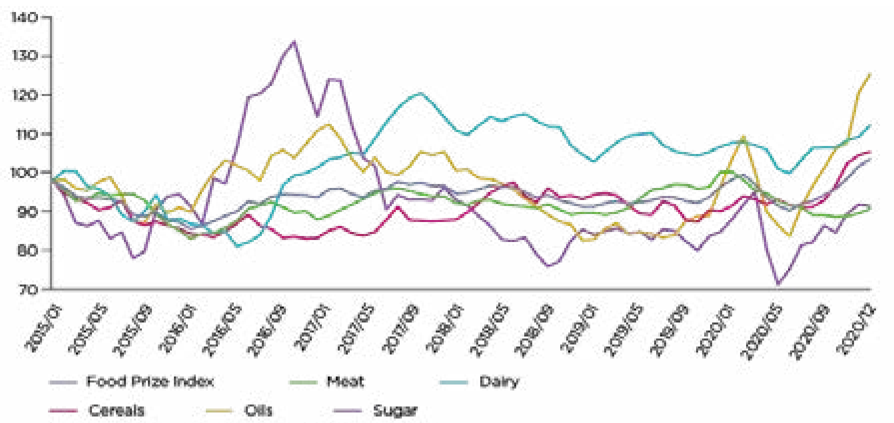
In addition to ASF, fall armyworms (FAW) and locusts are two major biological risks for the agri-food sector. The FAW is a caterpillar that feeds mainly on maize, but also on rice, sorghum and cotton, among others. It was first detected in West Africa in early 2016 but has now spread to several Asian countries, including Vietnam, Myanmar, Bangladesh, Indonesia, Taiwan and China, as well as Australia. China is the world's second-largest maize producer, so the FAW's presence could create inflationary pressures for world maize prices. A locust invasion is underway, particularly in East Africa, the Arabian Peninsula, Iran and Pakistan.

An occurrence of La Niña, a climate phenomenon characterised by below-normal temperatures in the South Pacific that causes weather disturbances around the world, is currently underway and could affect the production of agricultural commodities. The overall effect of La Niña is difficult to assess as losses in some countries could be offset by gains in others. However, the harvest of some commodities could be particularly affected because their production is more geographically concentrated. For instance, the three main producers of soybeans (the United States, Brazil and Argentina, which together account for about 80% of world soybean production), are expected to experience drier weather conditions because of La Niña.

China is increasing its purchases of U.S. agricultural goods under Phase 1 of the trade agreement signed in January 2020

As part of Phase 1 of the trade deal aimed at easing trade tensions between the two countries, China will have to increase its imports of U.S. agricultural goods by USD 12.5 billion in 2020 and USD 19.5 billion in 2021 over 2017 levels. However, there is no guarantee at this stage that China will buy enough U.S. farm goods to meet the terms of the agreement: China has little room to step up its U.S. soybean imports, since they are seasonal and ASF has reduced China's need for soybeans. The increase in agricultural purchases should therefore apply mainly to the meat segment, in which Chinese needs have grown precisely because of ASF.

FAO FOOD PRICE INDEX (100 = JANUARY 2015)



Sources: FAO, Coface - Latest point: December 2020

AUTOMOTIVE

Sector risk assessments

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

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

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- Highly impacted by the COVID-19 crisis
- Increasingly restrictive anti-pollution standards requiring heavy investments
- High uncertainties 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-fueled vehicles.

RISK ANALYSIS SYNTHESIS

The health crisis has strongly affected the global automotive sector. Supply has been reduced because of the consequences of the closure of several plants around the world in the first half of 2020. Meanwhile, demand has been impacted by consumers’ reduced ‘appetite’ for this type of durable goods, in a period of economic uncertainty linked to the consequences of the health crisis. Thus, car industry profitability stood at 0.8% at the end of the third quarter (Q3) of 2020 compared to 4.3% a year ago. As a result, vehicle registrations and production collapsed, before gradually picking up again, and significantly in Asia as from Q4 2020. Globally, car sales had contracted by 22% in October 2020 over 10 months. Vehicle production fell by 22% year-on-year at the end of October 2020.

Economic growth is expected to resume in 2021, following an unprecedented GDP contraction in 2020. Indeed, according to Coface, global GDP is expected to contract by 3.8% in 2020 and to rebound by 4.3% in 2021. However, even if sales in the sector start to recover, they are not expected to be able to offset the losses of the first half of 2020. A gradual recovery has been observed in China since Q2 2020, while Europe and the United States are still battling with the pandemic’s impact on sales and production, despite the slight improvements already noticeable.

Moreover, the sector is still undergoing a major transformation with the development of electric vehicles and increasingly restrictive regulations, which mainly concern CO_2 emissions. The automotive industry is continuing to reconfigure itself with the rise of e-mobility and the emergence of new players in the electric vehicle and driverless car segments. Traditional carmakers and parts makers are continuing to forge new partnerships to face these new challenges.

SECTOR ECONOMIC INSIGHTS

Regarding the current situation, the automotive sector is suffering from both economic uncertainties and the crisis linked to COVID-19.

Drastic total lockdown measures in most parts of the world led to the closure of factories and dealerships in the first half of the year and during Q4 in some countries in Europe, thereby causing the brutal shutdown of the sector. Indeed, because car production came to an abrupt halt, the number of produced vehicles collapsed. From a global perspective, since Q2 2020, a gradual and uneven recovery was observed. The easing of lockdowns enabled plants to reopen, which is supporting the recovery of demand. However, for the United States and Europe, the outlook for the automotive sector is more uncertain, since the health crisis linked to COVID-19 seems to have been poorly controlled.

In China, sales were down 42% in Q1 2020 compared with Q1 2019. Production factories here were able to gradually reopen in March 2020. Since then, monthly sales have surpassed 2019 levels and have been only 4.7% lower than last year’s records at the end of October 2020.

The number of registrations in Europe decreased by approximately 27% year-on-year at the end of October 2020. While registrations hardly recovered in Europe since lockdowns were eased, the rebound in infections during Q4 is exerting pressure due to higher restrictions: -27% in France for November, -3% in Germany and -27% in the UK.

In the United States, light vehicle sales decreased by 17% year-on-year at the end of October 2020. This is, in fact, less significant than in Europe due to less drastic lockdown measures. However, due to fewer selling days, November light vehicles sales fell by 14.3% according to J.D. Power estimates. After adjusting for this factor, the decrease is estimated to be at around 3.4%.

Furthermore, the automotive sector remains in a state of transformation. Indeed, the institutional environment is pushing carmakers and equipment manufacturers to develop electric engines. Before the COVID-19 crisis, new regulations and standards on polluting vehicles had been initiated. Some car manufacturers have asked for

an easing of these regulations, which came into force in 2020 in Europe, because of the health context. With respect to the European institutions, pushing back these new rules to 2021 does not seem possible given the environmental emergency. Consequently, the hybrid and electric segments are those most likely to recover quickly, since they benefit from public support, particularly in Europe, China and the United States.

The pace of recovery in the sector differs from one region to another but remains difficult in all markets.

Regarding Asia, the recovery is in progress but remains fragile, except for China (7.5% economic growth forecasted by Coface for 2021 vs. 2.3% in 2020). Indeed, in China, the fear of taking public transport due to the pandemic may have had an impact on the willingness of households to equip themselves with a car. In order to revive the sector, public authorities have implemented various incentives. For instance, at the local level, 10 cities are providing a subsidy for new energy vehicles sold between March and December 2020. At the national level, the government has extended its financial aid plan for the purchase of electric cars until 2022. In the Eurozone, a rebound in activity is expected in 2021, with economic growth anticipated at 4.9% by Coface, after -7.4% in 2020. However, the sector is gradually recovering, a little later than in Asia due to lockdown measures that have been extended to the winter of 2020. The region is witnessing an uptake in alternative engines vehicles sales due to authorities' subsidies and more stringent environmental protection rules. However, while this phenomenon is gaining momentum, lack of infrastructure will weigh in on future sales. On the American continent, infection levels remain very high because of poor crisis management at the time of writing. However, light vehicle sales have remained relatively resilient and have not collapsed as they have in Europe, for instance. Dealerships continue to sell cars at discounted prices, with price deductions averaging up to USD 4,000 per vehicle.

Production is expected to be affected during the first half of this year due to a semiconductor's shortage. The increasing integration of innovative technologies linked to e-mobility is leading to difficulties in securing access to this equipment, particularly in the face of competition from the ICT sector.

From a structural point of view, the global automotive sector is undergoing major changes. These are mainly linked to a transition towards the decline of thermal engines in favor of electric ones. Coface expects this reconfiguration of the sector to continue in the medium- and long-term.

The rise of e-mobility is mainly linked to new players such as Tesla, a manufacturer of electric vehicles, joining the world leaders. Faced with this trend, the entire automotive sector is investing heavily in Research & Development and is expanding its electric vehicle ranges in order to compete with these new players. The COVID-19 crisis is expected to contribute in accelerating the reconfiguration of the sector. Indeed, e-commerce and the overall digitalisation of the economy have strongly developed during the health crisis, which has led to the emergence of new modes of consumption. A reorganisation of distribution channels has been noticed in the automotive sector. For example, Tesla implemented its sales strategy by closing physical points of sale in order to focus on online sales. This has a dual objective: to adapt to consumer expectations and to save money in order to maintain financial stability in the context of the economic crisis linked to COVID-19. This situation could be an incentive for traditional manufacturers to establish partnerships, with the objective of lowering costs. This is, for instance, the case of Ford and Volkswagen, who will jointly produce 8 million commercial vehicles. Partnerships between vehicle manufacturers and technology service companies are also emerging, like Google and Renault, who are teaming up to improve Renault's industrial processes.

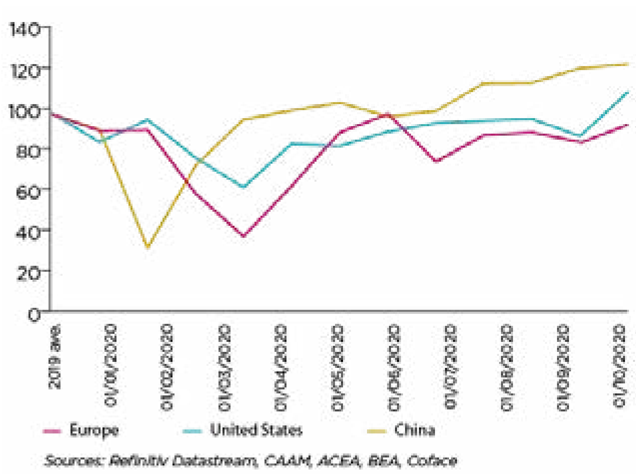
Automotive sector players must adapt to increasing regulations against pollution and global warming, which are becoming more restrictive.

These measures are forcing manufacturers to make heavy investments to comply with standards. In Europe, the new CO2 standard in force since January 2020 aims to limit the number of polluting vehicles sold. Non-compliant carmakers will be fined if their fleet of vehicles for sale emits more than a predefined threshold of CO2. Although there is a natural tendency to converge on the adoption of anti-pollution standards in the main automobile markets, the question of the homogeneity of standards between the main markets still has to be monitored, considering the risk of segmentation. In the United States, the legal divide between the State of California and the U.S. federal government on the Clean Air Act is a good illustration of this risk of fragmentation. Since the Obama presidency, California has had a waiver to set its own anti-pollution standards. The Trump administration revoked the waiver, but California, supported by 13 other States, decided to challenge that revocation in court. This legal battle offers little visibility to carmakers and automotive suppliers, particularly in terms of investment decisions.

GLOBAL AUTOMOTIVE SECTOR NET DEBT AND NET MARGIN EVOLUTION

Sources: Refinitiv Datastream, Coface

VEHICLES' SALES AND REGISTRATIONS EVOLUTION (BASE 100 = AVE. 2019)



Sources: Refinitiv Datastream, CAAM, ACEA, BEA, Coface

CHEMICAL

Sector risk assessments

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

+

- Main input prices remain at historically low levels, which somewhat benefits the petrochemicals segment
- Speciality chemical companies are benefiting from innovative products aimed at tackling environmental risks
- Speciality chemicals companies are less vulnerable to changes in the economic cycle

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- End users highly impacted by the pandemic's knock-on effects on economic activity
- Petrochemicals highly dependent on changes in the economic cycle
- Increasing production capacity in ethylene and its derivatives, which results in overcapacity
- Stricter regulatory environment forcing producers to overhaul their business models
- Significant legal risks resulting from the effects of some chemicals on human health

Notes for the reader

Net margin: ratio of profits to sales.

RISK ANALYSIS SYNTHESIS

Two segments are under our scrutiny when dealing with the chemicals sector: petrochemicals and speciality chemicals. Petrochemicals are more tied to economic conditions, while speciality chemicals appear to be much more resilient. Activity is weak in client sectors, such as automotive, and, to a lesser extent, construction. Moreover, increased supply, brought about by the opening of giant petrochemical plants in the United States, China, India and especially in the Arabian Peninsula, are likely to exert downward pressure on prices, particularly for ethylene and its derivatives. Finally, Coface anticipates that many actors in the industry could face legal cases, such as the ones that targeted the tobacco industry, or those currently underway in the pharmaceuticals sector in connection with the opioid scandal, which may result in financial agreements with some U.S. jurisdictions, in order to avoid harsh penalties.

SECTOR ECONOMIC INSIGHTS

The sector has suffered from a fall in demand due to the pandemic induced lockdowns

For 2020 and 2021, Coface expects annual growth rates of 2.3% and 7.5% in China respectively, while the United States should experience a 3.7% contraction before rebounding to 3.2%. The European Union experienced a large contraction, estimated at -6.9% in 2020, before rebounding modestly to 4.2%.

Major petrochemical commodities and output prices have dropped on the back of the pandemic's effects. European monthly average ethylene prices dropped by 54% between January 2020 and May 2020 (the time series' lowest point). Butadiene prices, for instance, behaved in the same way, as monthly average prices also dropped by 85%. While prices have rebounded since then, by 65% in June 2020, the downward trend persists. This is in fact far from a total recovery, as these represent only 25% of January prices. The current weakness felt in auto markets across the globe is continuing to impact sales of raw materials for tyres. Xylene prices followed a similar path, as they fell by 58% between January and April 2020, before rebounding by 48% between April and June. This solvent is used widely during manufacturing processes, and its trend reflects the woes experienced by several industries such as leather processing, rubber, metalworking, etc. Purified terephthalic acid (PTA) is showing continuous signs of distress due to lower activity and sales in textiles.

Other challenges include the difficulties experienced by client sectors, such as automotive and construction, since chemicals are upstream of their production processes. These industries are coping with various challenges, including the fact that some of their markets are maturing. This is particularly a concern in the automotive sector, with lower or stagnating vehicle sales in the main markets. Meanwhile, the construction sector is recovering at a very different pace depending on the different regions we cover: while activity remains weak overall, a positive dynamic stands out – particularly in the residential real estate segment – despite the difficulties that persist. This recovery is indeed perceptible in major markets such as China and the United States.

Similar to many other sectors, the protectionist environment, is hurting the petrochemicals segment. Measures targeting petrochemicals specifically resulted in China completely closing its market to U.S. petrochemicals. Consequently, American producers are being forced to look for new markets.

Several major projects (launched in the past) are underway, in order to build petrochemical plants with the objective to expand business in parts of the world where the raw material supply is plentiful, including the United States, the Arabian peninsula and Asia (China and India mainly). These plants will boost production capacity and will exert pressure on petrochemical prices, as demand is maturing. The trajectory of companies in the sector at the global level remains worrisome, with decreasing margins and increasing net debt levels. The net debt ratio rose simultaneously by 1.6 and 2.3 percentage points, respectively. This latest evolution may

create pressure for companies in the forthcoming months, when debt will have to be repaid.

Speciality chemical companies, while being impacted by the ongoing pandemic's consequences on economic activity and the risk of an "uncontrolled" second wave, have exhibited better resilience than petrochemicals. Indeed, they were in a relatively more favourable position before the crisis. Entering this niche market requires continuous and costly R&D investment over several years. Another factor that protects speciality chemical companies from competition is the expertise that they have developed over time in a business where the tastes of end consumers are constantly changing. They are also developing high value products, such as particulate emission filters, which open up positive prospects in the context of the fight against environmental risks. However, the fortune of this segment is linked to the pace of the recovery, which is not expected to be fully and globally achieved during 2021.

Differentiated recoveries depending on different regions of the world due to the impact of the pandemic

China seems to have recovered from the effects of the severe lockdown it imposed during the first quarter of 2020. Industrial production rebounded sharply in October from the lows reached in February: 106.9 versus 86.5. The manufacturing sectors in Japan and Korea also showed a strong rebound in their monthly index at the end of October 2020 after suffering the most in May. In the Eurozone, the rebound in manufacturing production was observed at the end of October when compared to the low in April (a month in which lockdowns were fully enforced on the continent): 97.4 versus 73.3. Better car registration figures recorded on the continent since then, brought about by the restarting of many production plants, is one of the main explanations behind these higher figures. However, we should remain cautious when exploiting these trends, as the latest figure is 16 points below the average for January and February 2020 (around 110 points), before the onset of the pandemic on the continent. In the U.S., analyses of manufacturing production figures shows a landscape similar to that of its European counterparts. Thus, as of the end of October 2020, the index rose by around 16 points compared to the low in April, reaching 94. However, the latest data point is 5 points below the 2019 average, while the pandemic is experiencing a third wave in the country.

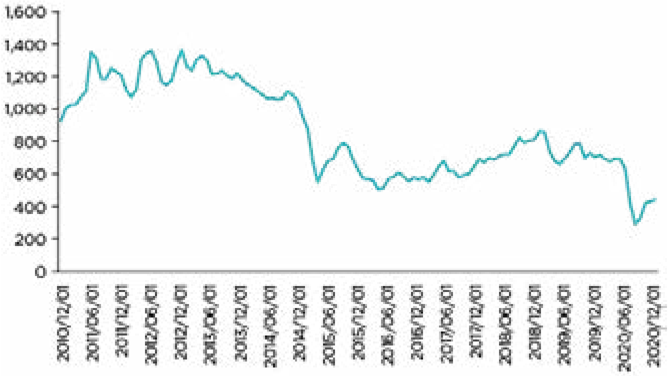
Sectoral reconfiguration will continue to be driven mainly by both regulation and the evolution of consumers' preferences

Like many sectors, the chemical industry is facing stricter regulations. These rules aim at limiting environmental risks resulting from the processes used to produce the chemicals themselves or final chemical products. These rules are increasing production 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 are spurring calls for changes to production models employed by companies in the sector. For instance, the NGO Greenpeace recorded that 34 out of 54 African nations had banned plastics since 2005, notably Eritrea. Many African governments are banning plastic bags, particularly those for single-use, the waste from which is plaguing the continent. In many countries, importing or producing plastic bags is a criminal offence and domestic producers are marketing substitutes made from reusable textile bags, like in Morocco, or biodegradable ones, like in Togo.

The rising demand from consumers and public opinion to limit plastic use for environmental concerns is also prompting shareholders to pressure management boards to comply with these changes in consumers' preferences. The issue of recycling represents a risk for the sector, in view of growing citizen awareness globally about its importance, particularly due to media coverage of the effects of micro-plastics ingestion on marine animals, 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.

The ongoing restructuring among actors in the sector is mainly due to the consequences of long-term price dynamics. According to Wood Mackenzie, 50 million tonnes per year of ethylene projects are underway globally. Some projects could be cancelled, but a large share are already under construction or in the engineering phase. We expect these additional capacities to exert further pressure on prices of ethylene-related products in the coming years, as Wood Mackenzie forecasts additional demand for ethylene to reach 6 million tonnes per year. This trend will have a severe impact on margins. Other chemical commodities, such as paraxylene glycol, methanol and propylene, are following the same trends. There is overcapacity in these products, which exerts downward pressure on prices and will ultimately contribute to a reduction in the main producers' margins. Naphtha and ethane prices have also been highly volatile since 2018, due in particular to the uncertainty of U.S. trade policy and its impact on oil prices, as naphtha is a crude oil-derived product, while ethane prices are correlated to 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.

EUROPEAN XYLENE PRICE EVOLUTION



Sources: Refinitiv Datastream, Coface

NET MARGIN AND NET DEBT EVOLUTION

Sources: Refinitiv Datastream, Coface

CONSTRUCTION

Sector risk assessments

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

+

- World population growth
- Persistent increase in urbanization
- Overall accommodative monetary policies worldwide and low interest rates in advanced economies

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- The level of indebtedness of construction companies remains high, particularly in China
- High household debt at the global level
- Pro-cyclical sector, some segments of which are durably impacted by the consequences of the COVID-19 health crisis

RISK ANALYSIS SYNTHESIS

The COVID-19 pandemic led to containment measures affecting economic activity, including in the construction sector. Coface estimates a 3.8% contraction of world GDP in 2020 and forecasts a world GDP growth of 4.3% this year. Construction sites have mainly been affected by lockdown measures in the first half of 2020 (H1). While these restrictions were implemented at various degrees in different regions of the world, some worksites have not yet recovered their pre-COVID-19 capacity, due to the health protocols in place and constraints related to remote working. The dynamics of the crisis and the impact on the recovery will be different depending on the segments of the construction industry, despite the pro-cyclical nature of the sector. The economic recovery is now underway at global level, partly thanks to government support and accommodative monetary policies. In this context, some sub-segments of the construction sector should be more resilient than others. This is the case of infrastructure, for which projects play a key role in government stimulus packages. The majority of these stimulus packages are part of governments' continued effort to 'decarbonize' the economy in order to address environmental challenges. Moreover, to a lesser extent, private housing is expected to gradually recover, despite still important economic uncertainties and high level of household indebtedness globally. This dynamic, with large disparities expected between regions worldwide, is likely to be supported by changes in household preferences, including rising mobility from megalopolises to less urbanized areas, following several episodes of containment measures. By contrast, the commercial real estate segment outlook worldwide is negative overall in the medium-term. The demand is expected to remain weak despite the economic recovery expected this year, since the mobility crisis triggered by the health crisis has led several enterprises in both different industries and regions of the world to sustainably modify their work organisation, with the general increase in teleworking.

SECTOR ECONOMIC INSIGHTS

Private housing is expected to gradually recover from the health crisis' knock-on effects while the commercial real estate segment is likely to remain in difficulty in the long-term

The construction industry is pro-cyclical and was hit by the global economic recession triggered by the COVID-19 crisis last year. In a context of economic uncertainty and continued high levels of global household debt worldwide, estimated by the Institute of International Finance (IIF) at about 59% of global GDP in the third quarter (Q3) 2020, up from around 57% of global GDP in Q3 2019. However, there are factors that could support household demand for private housing. Firstly, the low level of interest rates in leading economies. Secondly, the growing aspiration of part of the urban population to organise their lifestyle differently in the wake of the general and accelerated increase in teleworking after several episodes of lockdowns. An emblematic example of this trend is the dynamism of the residential segment in the U.S. In December 2020, despite a further increase in COVID-19 contaminations in the country, all indicators of residential construction activity were at new highs. Indeed, homebuilder confidence recorded historically high levels, while building permits and housing starts reached their highest level in 14 years. High demand for private housing and low interest rates have supported this sector. For its part, the outlook for non-residential property was already bleaker than the private housing activity before the COVID-19 crisis in the U.S. Coface expects this trend to continue this year. Firstly, during the first wave of lockdowns in H1 2020, many works had to be interrupted and therefore suffered serious delays, the effect of which is still being felt to a certain extent today. Secondly, even in areas where construction works were permitted during subsequent lockdown periods in the remainder of 2020, demand was low at that time due to various factors. These included uncertainties surrounding economic activity as well as a structural decline in demand due to the new organisation of businesses with

the widespread use of remote work. Finally, the increase in teleworking practices due to the mobility crisis, linked to the health crisis implies that, on the one hand, current commercial leases may not be renewed. On the other hand, in the light of these developments, the attractiveness of new long-term large-scale commercial real estate construction projects is being restored.

Indeed, companies and their employees, who have adapted to remote work, sometimes by constraint, are now in a position to sustain it in their organisation in the long-term. They may therefore question the need to keep all or part of their real estate assets.

This is one of the reasons why an ICT giant like Facebook announced in 2020 that it would continue to promote teleworking massively for its employees, even beyond the COVID-19 crisis.

The infrastructure segment should remain relatively resilient despite the health crisis' shock

Governments see the construction industry as key to economic recovery and a source of jobs. The ongoing recovery in the sector is well illustrated in the rebound of PVC prices in leading economies. PVC is a plastic material that is widely used as input for construction (see chart). In leading advanced economies, public investment should be supported by lower debt servicing costs thanks to accommodative monetary policies. Under these favourable financing circumstances, thanks to the monetary policies pursued, several large infrastructure projects are still underway, particularly those relating to public service infrastructure, as well as the thermal renovation of buildings. Most stimulus packages implemented by major economies to overcome effects of the crisis include support for infrastructure works. For instance, in the U.S., President J. Biden, campaigned, among other things, on the need to renovate the country's infrastructure. These include promises made during his election campaign regarding sources of energy. President J. Biden aims to enable the United States to use only 'clean' energy by 2050. This would require large infrastructure projects notably in order to be implemented. Infrastructure projects in the upcoming stimulus package should also focus on technology.

Overall, infrastructure projects in the major world economies as part of stimulus packages should focus on technology areas. This is the case in the European Union as well as in Asia.

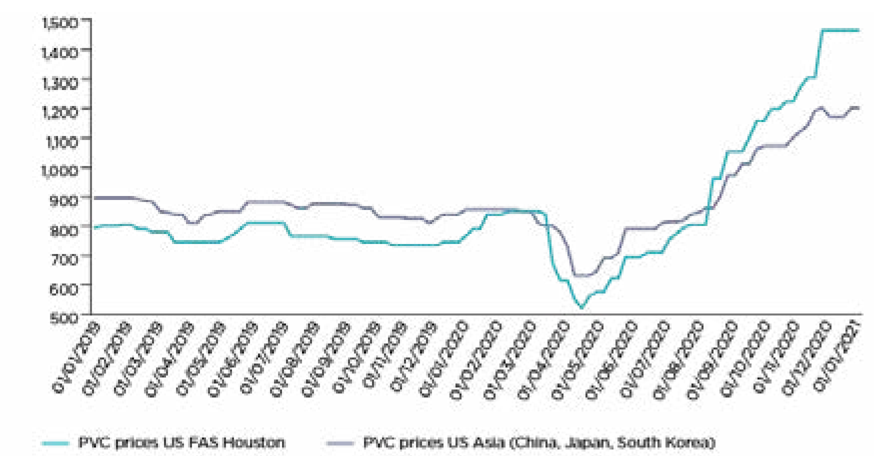
Eastern European countries, which remain attractive thanks to the relatively low cost of skilled labour, should benefit from investments in new infrastructure, particularly in connection with the potential relocation of digital activities induced by the consequences of the crisis. For instance, in June 2020, Google announced its intention to invest USD 2 billion in a data centre in Poland. This latest initiative is one of the examples that illustrates the fact that private investments in infrastructure by the tech giants should continue in the short- and medium-term. Indeed, ICT is one of the sectors that Coface identifies as resilient to the COVID-19 crisis, as it benefits from collateral effects, such as the increased need for products that enable people to obtain digital tools for professional, domestic and leisure purposes, in the context of the mobility crisis generated by the health crisis.

The major transformations underway in the sector before the COVID-19 pandemic, particularly in response to environmental issues, should continue

For several years now, construction sector players have been engaged in a 'de-carbonized' approach, in order to respond to the willingness of consumers and public authorities to prevent environmental risks and fight climate change. For instance, the European Union (EU) has committed to achieve "carbon neutrality" for new constructions by 2050 and to reduce carbon emissions in the sector by 40% by 2030. The European Green New Deal Investment Plan provides a framework for investment in green infrastructure. This will lead to investments in low-carbon transport infrastructure (high-speed rail, public transport, electricity-recharging infrastructure). The health crisis should not alter this approach. Moreover, with the allocation of EUR 49.1 billion to the EU's 2021 "natural resources and environment" budget, the deployment of renewable energies should also benefit the construction sector. Furthermore, in 2012, the Australian government created the Australian Renewable Energy Agency (ARENA), that has committed to 543 projects, for a total investment of USD 1.6 billion. In Latin America, where 80% of the population is urban, the de-carbonization of buildings represents a market worth nearly USD 4 trillion by 2030, according to the World Bank.

The adoption of new technologies, such as Artificial Intelligence (AI) and robotics, is expected to accelerate following the COVID-19 crisis, due to the need to promote remote working. Innovations in this area include AI-controlled robotic systems for sorting, collecting and processing demolition debris for recycling.

PVC PRICES EVOLUTION (USD/MT)



Sources: Datastream Refinitiv, Coface

ENERGY

Sector risk assessments

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

- New methods of financing that share risks between producers and investors
- Efforts by oil companies to lower their breakeven point
- Diversification of large companies
- Renewable energies remain on a dynamic trend despite the crisis

- High levels of debt, especially for companies exploiting non-conventional oils
- Sharp drop in profitability due to the health crisis
- High volatility of crude oil prices
- Overcapacity of companies in the sector, in the oil and gas services segment
- Strong pressure from environmental activists to reduce investments

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

The coronavirus pandemic led to drastic lockdown measures that have affected economic activity. Coface forecasts a 3.8% contraction in global GDP in 2020 and a 4.3% recovery in 2021, following global economic growth of 3.2% and 2.5% in 2018 and 2019, respectively. In this context, oil prices are facing a sharp contraction in demand: the price of crude oil fell by 74% year-on-year in April 2020. As such, Coface estimates the yearly averaged brent price for 2020 at USD 40 per barrel, a record low level since 2016. The price level is too low to enable exploration companies to generate significant cash flow. This is having repercussions on the entire industry, as capital expenditures are low, which destabilises oil-related companies that are already suffering from overcapacity. These financially weakened oil-related companies are among the most at risk in the sector.

Furthermore, refineries are having to deal with new standards, particularly environmental ones, while facing a contraction in demand. Refinery operations are not expected to fully recover before 2022, with disparities depending on geographical areas. The economic recovery depends both on countries' exposure to the virus and on government responses aimed at stimulating the economy. Moreover, it is important to note that the recovery programmes are part of the governments' desire to achieve a low-carbon economy, thereby promoting the development of renewable energies, an orientation already propelled before the COVID-19 crisis. Therefore, this calls into question the sustainability of the hydrocarbon sector, particularly in North America, where unconventional players must now demonstrate (with difficulty) that their activity remains viable, while operating in a region where the energy sector has been dynamic in recent years.

SECTOR ECONOMIC INSIGHTS

COVID-19: a massive shock that is having a strong impact on an industry already weakened before the crisis

The first lockdown measures, which started in many countries in the first half of 2020, halted industrial activity and transport-based travel. The consumption of factories dropped, as they were no longer producing. Moreover, the massive fall in international travel has drastically reduced the demand for kerosene, which, combined with lower car use, has led to a drop in fuel consumption. Consumption of plastic products in the automotive and construction industries has declined because of the drop in activity in these sectors, particularly during Q2 2020. According to the International Energy Agency (IEA), the demand for oil in 2021 will be 3 billion barrels per day lower on average than in 2019. On the supply side, in December 2020, the OPEC+ countries agreed on cuts in oil production more limited than they were previously, from 7.7 million to 7.2 million barrels per day, as from January 2021. The resumption of economic activity following the lifting of lockdown measures has led to a rebound in the consumption of petroleum products. Nevertheless, the drastic drop of activity in the aviation sector is likely to continue to weigh on demand for oil products.

A difficult recovery for fossil fuels in all major markets worldwide

In Asia, the recovery has been underway since the second quarter of 2020, since China lifted its lockdown measures earlier than the Western economies for instance. In China, demand for oil rebounded in March and April. The throughput of Chinese refineries gradually increased through 2020, reaching 13.3 million barrels per day, and is expected to reach 13.8 during 2021. In Europe, uncertainty is weighing more heavily on economic activity. Indeed, authorities enacted lockdowns at the end of 2020, which have put downward pressure on consumption of oil products. A return of drastic health measures that would penalise economic activity cannot be ruled out, which would put the entire upstream sector (exploration-production and oil-related industries in particular) in difficulty. Thus, despite an upturn in activity in June 2020, the level of refinery activity in 2020 and 2021 will remain

below 2019 levels (-2.6 mb/d and -2.4 mb/d, respectively, according to the IEA).

In the Americas, where both the control of the pandemic and limitation of the number of cases per day have proven very difficult since the start of the health crisis, rising unemployment and uncertainty are weighing on purchasing and investment decisions. The pursuit of the economic recovery depends on the evolution of the pandemic in the United States. However, due to the resumption of contaminations, notably at the end of last year, and its consequences on the confidence of agents as well as economic activity, refinery activity is not expected to return to pre-crisis levels before 2022.

Regarding liquefied natural gas (LNG), the COVID-19 crisis and the drop in demand emphasised the problem of overcapacity that the sector has been facing for several years. Despite the crisis, Chinese demand is boosting LNG imports, which increased by 25.4% year-on-year in October 2020. Demand from Europe and China is recovering according to the U.S. Department of Energy, notably due to the arrival of winter in these regions. Thus, U.S. LNG exports are regaining strength: 7.2 Bcf/d at the end of October compared to 2.3 Bcf/d during September.

Deterioration of financial results

The profitability of the various segments in the sector declined overall between Q1 and Q2, quarter-on-quarter. While the profitability of exploration and production companies fell even faster in the third quarter of 2020 (-0.19% vs 5.47% in Q3 2019), the profitability of the other segments (Contractors, Refining and Marketing, Pipelines) was already declining in 2019. The net debt (ratio of net debt to total assets) of every segment analysed by Coface has increased from 14.5% in Q2 to 17.5% in Q3 2020.

The non-conventional oil universe in the United States is struggling in particular, and is characterized by falling prices, declining revenues and investments, as well as deteriorating investor confidence. According to the Institute for Energy Economics and Financial Analysis (IEEFA), revenues in the sector fell by 64% compared to the previous quarter in Q2 2020. In response to this decline, companies in the sector have reduced their fixed capital investments by 45%. Whereas President Barack Obama had forced car manufacturers to reduce CO2 emissions by 5% per year, President Donald Trump lowered this level to 1.5% per year, a measure taken to promote the oil sector as a whole. Despite the deregulations that President Trump carried out during his term in office, the low demand has thwarted these granted benefits. Indeed, according to the August 2020 survey by the American law firm Haynes & Boone, the amount of total debt of companies in the oil sector has increased by 320% compared with 2019. For oil service companies, this increase is 98%. The Biden administration is expected to impose restrictions on oil production on federal land as well as tougher regulations on emissions, which will affect adversely oil demand.

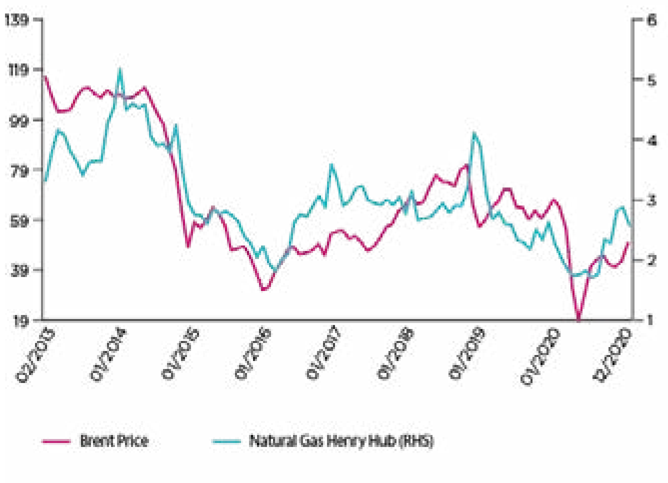
Renewable energies expected to contribute to the reconfiguration of the sector in the near future.

In line with the will of public opinion in a majority of countries, particularly in advanced economies, the transition to a low-carbon economy, which is based in particular on energy transition, is challenging the fossil fuel industry. Stimulus plans in response to the COVID-19 crisis, which include environmental concerns, are expected to accelerate the reconfiguration of the sector, which had begun before the crisis. For instance, there are new regulations in the automotive sector in the main global markets (Asia, Europe, U.S.), whose players are developing models with a lower carbon footprint, as well as electric models, in order to avoid fines.

Ultimately, the drop in demand for plastic and the more systematic use of plastic recycling, thanks to changes in consumption habits and regulations (bottles marketed in the EU will have to contain at least 25% recycled plastic in 2025 and at least 30% in 2030), entails a drop in demand for refined oil (via naphtha).

While the development of renewable energies has slowed down because of the COVID-19 crisis, Coface expects the renewable energy segment to be more resilient than fossil fuels. Indeed, renewable energies have been growing in importance over the last 20 years, increasing from 21.8% of total global installed electrical capacity in 2000 to 34.7% in 2019, according to the International Renewable Energy Agency (IRENA).

NATURAL GAS (HENRY HUB, USA) AND BRENT PRICES EVOLUTION



Sources: Refinitiv Datastream, Coface

OIL & GAS NET PROFIT MARGIN AND NET DEBT RATIOS EVOLUTION

Sources: Refinitiv Datastream, Coface

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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- The globalisation of internet access and market penetration opportunities are accelerating because of the physical distancing linked to the COVID-19 pandemic
- Exponential growth of connected goods
- Strong innovation, with AI having a growing impact on all sectors and future 5G technology

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- Saturation of some hardware in large markets (tablets, smartphones, PCs)
- Long-term challenges regarding rare mineral reserves
- Tougher regulatory environment in the future for ICT giants, notably in terms of taxes, data protection and freedom of speech

Notes for the reader

Coface's sector assessment methodology for the Information and Communication Technologies (ICT) sector incorporates several segments: telecommunications, electronics, media and a final segment comprising computers, software and IT equipment.

WORLD SEMICONDUCTOR TRADE STATISTICS (WSTS): The WSTS is a professional organisation, whose members are key companies in the global semiconductor industry. It is an international reference organisation for the production of statistical data on the semiconductor market.

RISK ANALYSIS SYNTHESIS

Empirically, the boundaries are increasingly blurred between the product and service ranges offered by ICT companies and the firms' traditional business activities.

The COVID-19 crisis has affected the different segments included in ICT to various degrees, even though it remains one of the most resilient sectors overall in the context of this crisis. However, despite the contraction of global GDP (-3.8% in 2020 according to Coface), all segments should remain resilient. Coface expects a global economic recovery, with a global GDP growth forecast of 4.3% for this year. The media segment has benefited from the mobility crisis induced by the pandemic, generating strong demand and an increase in production. As for the telecommunications and electronics segments, they are expected to gradually recover, albeit with disparities between regions. In fact, the aforementioned segments recorded a weaker activity during lockdown periods but a rapid recovery thereafter. The recovery should be weaker in Europe than in the United States and Asia. Finally, the computer hardware segment should continue to recover gradually thanks to significant demand due to the rise in teleworking and increased network performance.

In addition to the management of the shock resulting from the pandemic, challenges that the sector faced before the COVID-19 crisis remain. On the one hand, international trade tensions are increasing and are continuing to focus on technological issues. On the other hand, projects to introduce laws that aim at being more restrictive (notably towards the "Tech giants") in terms of data protection, taxation and freedom of speech are still underway.

SECTOR ECONOMIC INSIGHTS

The media segment has benefited from the COVID-19 crisis

The mobility crisis generated by the pandemic continues to primarily benefit the media segment more than to other segments of the ICT sector. Indeed, the majority of segments have been affected by the double shock on demand and, to a lesser extent, on supply, depending on the different regions of the world, induced by containment measures, which were imposed by almost half of the countries worldwide, including leading economies in the second half of 2020. Supply was impacted by plant closures that led to abrupt production stoppages and supply chain disruptions. Demand has been disrupted by the drop in consumption of both households and businesses.

Indeed, individuals have been forced to stay at home more. Interest in new media has therefore increased, especially the supply of entertainment, resulting in an increase in demand. Because of this strong demand, supply has been vigorously stimulated and production has increased. Coface expects demand to remain dynamic, given an environment in which authorities in different countries around the world are expected to continue to promote teleworking, whenever possible, as well as social distancing, particularly if there are renewed periods in which the level of contamination rises to concerning levels according to the analysis of government health experts. This context, including teleworking, is likely to accelerate changes in lifestyle and work habits, which should maintain the demand for these types of products in the long-term.

A gradual recovery in the telecommunications, electronics and computer hardware segments is expected by 2021

Early signals of recovery in the abovementioned segments already occurred in Q3 2020, with semiconductor shipments (that are essential components to build electronic and computer devices for instance) having increased by 3% year-on-year globally in October 2020, according to the WSTS report. The telecommunications, electronics and computer hardware segments are therefore expected to keep on improving gradually, with a recovery in supply due to the reopening of production plants and an upturn in demand generated by the gradual economic

recovery, both of which started in Q2 2020. The recent shortage of semi-conductors supply to certain sectors such as the automobile sector in the beginning of this year; due to the strong demand for the production of video games and computers, is an additional signal of the on-going economic recovery. The recovery in the electronics and telecommunications segments is expected to be weaker in both Europe and the U.S. than in Asia though. The pandemic continues to result in a high unemployment rate, leading to a drop in income for European households, thus entailing a decrease in consumption. Coface expects the period of 'stop and go' to continue in the first half of the year, notably in Europe and in the U.S., with phases of mobility restrictions ordered by governments and then removed successively. As consumers have adapted to this 'new normality', demand is expected to pick up, although on an erratic trajectory, with a period of acceleration or catch up when restrictions are removed in Europe and the U.S.

However, demand should remain stable and dynamic in Asia. In this context, the propensity to spend on electronic equipment and telecommunications is higher in some Asian countries compared to the United States or Europe. Furthermore, the development of telecommunications is of paramount importance to the Chinese government, particularly in the context of its "Made in China" 2025 plan, under which the authorities aim to make China a global leader in new technologies by 2025. Therefore, public investment in this segment should not suffer from the health situation or the economic environment in the country.

In India, the recovery is more uncertain, due to the difficulties in managing the pandemic. Furthermore, the economic situation is worse than in other major economies in the region, with GDP estimated to have contracted by 9% in 2020 and to rebound by 8% in 2021, according to Coface's estimates.

The purchase of computer equipment was boosted by the first wave of containment measures in the first half of 2020. Indeed, the implementation of teleworking in particular generated a strong demand for IT equipment and services.

This demand is expected to remain strong in the medium- to long-term, given the context. The technology giants, the FAANGs (Facebook, Amazon, Apple, Netflix and Google), have seen their results increase sharply because of containment measures, and they are continuing to invest in order to improve their performance. For instance, Google, which had already invested in wind farms, is continuing to invest in underwater cables in order to respond to the increase in internet traffic, as well as internal needs. The Internet networks of these leaders are becoming increasingly efficient, which could encourage companies and households to consume more, despite the financial difficulties linked to the knock-on effects of the economic crisis.

The pre-COVID-19 crisis challenges remain: the China- U.S. race for innovation and regulatory development

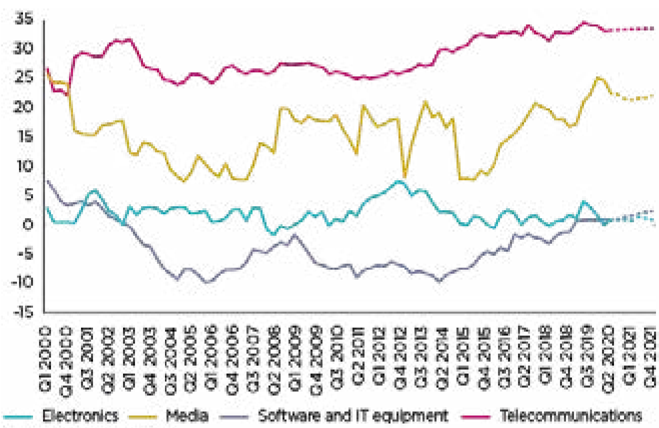
The global race for innovation continue to focus on technological issues. The COVID-19 pandemic demonstrated the need for greater network performance, which could be partly provided by 5G. In this context, trade tensions between China and the United States are expected to persist under Biden's administration, and could hinder electronic commerce and alter the deployment of 5G.

Last year was marked by a tougher stance in terms of restrictions imposed by the Trump administration, including one of China's ICT leaders, Huawei, (notably a leader in information structure), limiting its access to semiconductors. At the time of writing, Huawei is no longer allowed to use American technology to produce components. Any use of American software or manufacturing equipment to produce objects via Huawei requires a licence. Furthermore, former President Trump took important measures against the Chinese applications 'TikTok' and 'We Chat' in summer 2020. The Trump administration accused these applications of data misappropriation from U.S. users to the benefit of the Chinese government. Retaliation by the Chinese government has also been on the technological front. Indeed, in August 2020, China made nearly 47,000 applications in the App store of U.S. technology giant Apple inaccessible. At the time of writing, it was also applied to other mobile game developers and not just to Apple's suppliers. Moreover, the regulatory environment for ICT companies should become increasingly restrictive in the coming years, particularly regarding consumer data protection, following several scandals involving American companies.

Because of the COVID-19 crisis, the IT capabilities of technology companies have been called upon in a number of countries, in particular for the tracking of COVID-19 cases, in order to trace the transmission chains. These tools should be used in case of emergency and only for the common good. Once the emergency is over, the data should no longer be available. However, in order to do so, governments (particularly in advanced economies) could strengthen or implement a legal framework on private data protection to ensure transparency and privacy. This could result in even more stringent regulations.

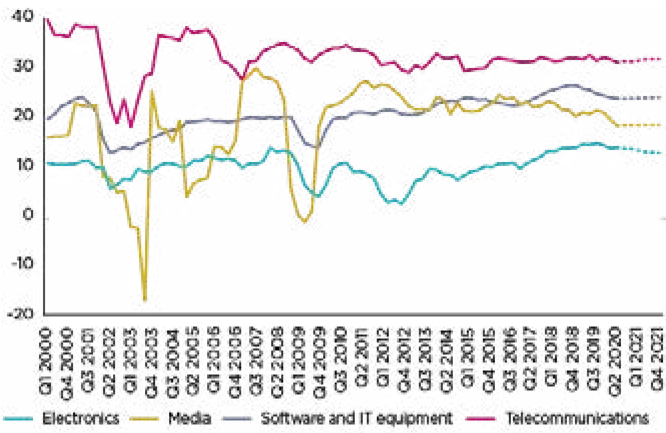
The ongoing increase in data protection standards in important markets, such as Europe or North America, could affect the business models of the ICT giants and contribute to market fragmentation. Indeed, data protection rules could differ significantly from one State to another in the United States, for instance, as well as from one region of the world to another, while large ICT companies operate globally. Large multinational media companies are also expected to be challenged on the regulatory front regarding the freedom of speech. Following criticisms accusing Technology giants of contributing to the propagation of conspiracy theories, Facebook, for instance, pre-empted the call, by blocking selected hashtags that were shared to spread misinformation in the weeks that followed the 2020 U.S. presidential election period.

NET DEBT RATIO OF THE DIFFERENT SEGMENTS OF ICT SECTOR (%)



Sources: Datastream, Coface

PROFITABILITY OF THE DIFFERENT SEGMENTS OF ICT SECTOR (%)



Sources: Datastream, 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	VERY HIGH

+

- Ongoing restructuring of key activities in the various segments of the metals sector (nickel, copper, zinc, rare earths, aluminium)
- Lower production costs for major global producers
- Products used in many industries across the world, notably in the manufacture of electrical batteries and aluminium components intended for use in electric vehicles

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- The pandemic has impacted both supply and demand
- 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
- Difficulties in 'client sectors' (construction, automotive)

RISK ANALYSIS SYNTHESIS

The coronavirus pandemic led to a sudden halt in economic activity in the first half of last year, thus penalising the metals sector as a whole. Coface therefore anticipates a 3.8% drop in global GDP in 2020 and a +4.3% increase in 2021. Many client sectors, such as construction, aeronautics and automotive, have reduced their demand for metals due to the COVID-19 crisis.

According to SteelHome, quarterly averaged steel prices in the United States (U.S.), China and Europe fell by 26%, 0.3% and 7% respectively between Q3 2019 and Q3 2020. Iron ore, on the other hand, experienced an increase in price due to weather-induced conditions (in particular, numerous fires) in Australia and Brazil and mine closures in the latter. Its quarterly price climbed by 7% over the aforementioned period.

However, the economic recovery is underway, although it is disparate between countries and is heavily dependent on various public investment support measures, as well as on countries' health situation with respect to the pandemic, which may, as applicable, give rise to renewed restrictions on movement to slow the spread of the virus. The recovery is also characterised by household consumption, on the global level, which remains below pre-pandemic levels, due to declining incomes and increased precautionary savings because of the uncertainty caused by the health crisis.

SECTOR ECONOMIC INSIGHTS

The coronavirus pandemic led, mainly over the first half of 2020, to drastic lockdown measures affecting economic activity. The metals sector was therefore adversely affected.

Moreover, the metals sector, which is heavily dependent on global economic conditions, is expected to experience differentiated fates depending on the region. Europe and the U.S. are still battling the virus while Asian countries seem to have managed its spread. Coface estimates that 2020 economic growth will reach 2.3%, -6.9% and -3.7% in China, Europe and the U.S. respectively. Nevertheless, Coface anticipates a global economic recovery this year, with growth rates of 7.5%, 4.2% and 3.2% expected in 2021 in China, Europe and the U.S. respectively.

Global consumption of steel, copper and nickel is expected to increase by 4.2%, 5.1% and 10.5% respectively in 2021 according to the Australian Department of Industry, Science, Energy and Resources. Consumption will continue to rebound in China thanks to the stimulus measures implemented by the central government to tackle the consequences of the pandemic. An improvement in the trust of economic actors, in particular in the wake of the COVID-19 vaccination campaigns, which began in numerous advanced economies in late 2020, coupled with a gradual economic recovery in most countries in the world, is liable to stimulate demand for metal consumption, which is expected to improve overall, despite ongoing uncertainties and difficulties. Mine closures have occurred in the largest producing countries, where recovery is taking different forms. The mining region of Antofagasta in Chile, where the world's largest open-pit copper mine (Chuquicamata) is located, is the region of the country most affected by the COVID-19 epidemic, after the capital Santiago. To cope with the virus, the number of workers in the mines has been reduced, resulting in a drop in production. However, the rebound in Chinese demand for key industrial metals enabled quarterly averaged prices to surge by 14% for aluminium, 22% for copper, 16% for nickel and 19% for zinc between Q2 and Q3 2020. The net margin ratio for the various segments analysed by Coface (steel, copper, nickel, zinc, etc.) decreased between Q3 2019 and Q3 2020. Globally, the iron and steel industry recorded a negative net margin ratio for Q3, reaching -0.1%, whereas it was 5.8% in Q3 2019. Only the copper industry seems to have somewhat stabilised its profitability in the last year. Metal activity in Asia is recovering more steadily than in other major world markets, since lockdowns were brought in earlier there. The worldwide reopening of the mines over the last year, mainly starting in

Q2 2020 and which is ongoing, will enable an increase in supply, which is determined by the gradual upturn in activity in the construction and automotive industries, the main users of steel products. This recovery is disparate, depending in particular on different regions of the world.

Steel production has increased by 1% in China while the European Union and North America have experienced declines of 18% and 17% respectively in 2020.

In China, where measures have been eased since April 2020, the recovery has been enabled by the central government's infrastructure projects. By the end of June 2020, steel production in China had returned to its pre-COVID-19 level. Between February and November 2020, the capacity utilisation of steel plate plants in the country increased by 26 percentage points, from 70.5% to 96.7%.

In Europe, demand for metals, linked to the recovery, is also reliant on public infrastructure as demand from the private and non-residential segment is declining due to lower income and investment. According to the European Steel Association, Eurofer, construction output is expected to decline by 3.6% in 2020 before rebounding by 5% in 2021. The construction sector however, which is less responsive to the economic situation, is more resilient than the automotive and mechanical sectors, whose output are expected to decline by 20.6% and 11% respectively in 2020, before rebounding by 18.1% and 7.4% respectively in 2021, according to Eurofer.

In the United States, where the epidemic is not yet under control, the decline in steel demand and production is expected to continue. According to the ISM (Institute of Supply Management), the Manufacturing Index reached 57.5 in November compared to 59.3 in October, demonstrating the fragility of the manufacturing sector.

Trends in the prices of the main metals reflect the trends of the economic and health crisis. After declining in response to the COVID-19 crisis, prices of major metals are on the rise.

According to SteelHome, average quarterly steel prices in China and Europe increased by 9.4% and 6.5% respectively between Q2 2020 and Q3 2020. Over the same period, the price of steel in the United States fell by 3.6%. Nevertheless, quarterly iron ore prices surged by 17%, an uptick which is denting steelmakers' margins. Metal prices in 2020 are still lower than in 2019, but are expected to rebound in 2021 due to increased activity in client sectors in the manufacturing industry. Despite these difficulties, the steel industry as a whole is still a profitable activity in its main markets. It is proving itself to be more resilient in this COVID-19 crisis than during the subprime crisis in 2008-2009. It should be noted, however, that it is the companies with the lowest costs and more sustainable demand that were able to limit the negative effects of this global shock.

In the mid-term, the need to reduce the sector's environmental impact and the continued development of electric engines is expected to continue to have a major impact on its business.

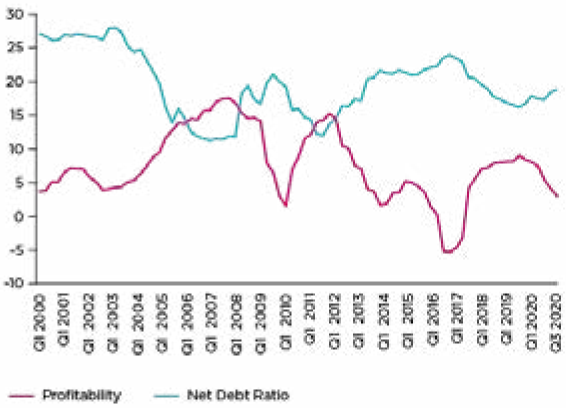
The development of wind and solar energy, as well as the democratisation of the electric car, require very large quantities of copper and nickel. A car with electric propulsion contains 3 times more copper than a car with thermal propulsion. For nickel, the differences can vary from between 3 to 30 times, depending on the technologies and technical characteristics of the vehicles. Car manufacturers, who are looking to reduce the weight of vehicles, will eventually favour aluminium, which is 10 to 40 times lighter than steel. This will help increase the vehicle's autonomy.

In line with the development of a Green Deal, a programme of investment in green energy, the European States are trying to build a consensus to make the continent's economy sustainable, particularly through the exploitation of natural resources. Thus, the demand for metals and alloys such as aluminium, nickel, palladium and platinum will grow in the coming years. We anticipate that small and medium-sized companies in the metals sector will face difficulties, as the transition of the sector will require heavy capital expenditure, particularly in R&D and in the extraction of ore.

STEEL AND IRON ORE PRICES EVOLUTION

Sources: Refinitiv Datastream, SteelHome, Coface

PROFITABILIY AND NET DEBT RATIO EVOLUTION FOR THE METAL SECTOR



Sources: Refinitiv Datastream, Coface

PAPER

Sector risk assessments

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

+

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

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- Demand for cardboard and packaging paper closely linked to the economic situation
- Graphic paper gradually being replaced by digital media because of increasing use of digital technologies
- Sharp drop in demand for graphic paper during the health crisis linked to the COVID-19 pandemic

RISK ANALYSIS SYNTHESIS

As part of its sector risk assessment methodology, Coface includes two segments in its analysis of the paper sector: graphic paper and packaging paper. While the sector had already been facing difficulties, the sector, especially the graphic paper market is strongly impacted by the global economic crisis caused by the health crisis and the measures taken to fight COVID-19. The market is expected to recover in the coming years, thanks in particular to the growth of some sub-sectors.

The effects of the COVID-19 pandemic on this sector varied greatly across sub-sectors.

Graphic paper seems to have been hardest hit by the COVID-19 health crisis. It was already in great difficulty, as use of graphic paper had started to decline in recent years, in line with the gradual digitalisation of the world economy. The crisis exacerbated this trend, mainly because the closure of companies and schools significantly reduced the need for printing paper. Conversely, other sub-sectors have benefited from the current economic situation. Packaging paper, in particular, has benefited from strong growth in e-commerce and hence in delivery activities worldwide, and from growth in paper products for personal hygiene. Demand for the latter type of products is closely linked to growing awareness about safety and hygiene, with the pandemic fuelling a surge in demand for surgical masks, disinfectant wipes, disposable paper towels and other related hygiene products. Specialty medical papers (for paper electrodes, microfluidic chips and paper-based biosensors, for instance) have likewise experienced strong growth in recent months.

Finally, it is worth noting that the sector is heavily dependent on pulp prices, which fell in 2019 and stabilised in 2020. Coface expects the recovery in global pulp prices to remain contained in the first half of 2021. Movements in pulp prices have contrasting effects on market players depending on whether they are producers of pulp or processed paper.

SECTOR ECONOMIC INSIGHTS

Packaging paper is benefiting from the rise in e-commerce, which has been further fuelled by the COVID-19

Packaging paper is benefiting from increased demand for e-commerce following the consequences of the health crisis linked to COVID-19. The impact of COVID-19 was quickly felt on the overall purchasing habits of consumers throughout the world. The lockdowns imposed by the vast majority of countries in 2020 spurred very strong growth in e-commerce, as reflected in the success of world leaders in the sector such as America's Amazon and China's Alibaba. Growth was observed in grocery and hygiene products, but also in food deliveries through online platforms, for example.

The increase in online sales has greatly benefited the packaging industry. Specifically, sales of corrugated cardboard packaging increased during the crisis because this type of packaging is essential for the transport of food, medicines and medical equipment, but also for the very large number of parcel deliveries to individuals.

Packaging paper was also used extensively during the crisis by restaurants offering take-away services, particularly via platforms such as Uber Eats or Deliveroo. This type of catering employs a considerable amount of packaging paper (paper bags, trays, etc.), and quarantine and social distancing measures greatly increased take-away sales, particularly in restaurants. Boxes, straws and bags, as well as food wrapping paper in general, are likely to become new growth drivers for the paper industry.

Protective packaging (glassine paper, cardboard protection, padded pouches, etc.) and traditional cardboard packaging also greatly benefited from the growth of e-commerce and the increased number of parcels sent worldwide.

Intensification of activities in the packaging paper market: a structural trend that goes hand in hand with the rise of e-commerce

E-commerce has grown at an average annual rate of 18% since 2000 and uses about seven times more corrugated cardboard per dollar of goods than traditional logistics.

Before the crisis, the paper sector had already been benefiting from the rise of e-commerce for several years, with e-commerce becoming an important driver of demand for corrugated cardboard and the materials from which it is made. In 2019, the sector estimated that total paper packaging consumption driven by e-commerce demand would increase by 64% between 2019 and 2025. Given the impact of the crisis on e-commerce, this increase could be even higher.

However, while this strong increase is a boon for packaging paper producers, it also creates a strong incentive for online retailers to look for alternatives to corrugated cardboard, such as alternative fibres and biosourced coatings. Retailers are under pressure to reduce the intensity of their cardboard usage, for environmental reasons, but also because the increase in paper pulp prices in 2017 and 2018 highlighted this cost category. However, this incentive to use more sustainable resources still seems marginal, and packaging paper remains the most used material with the rise of e-commerce.

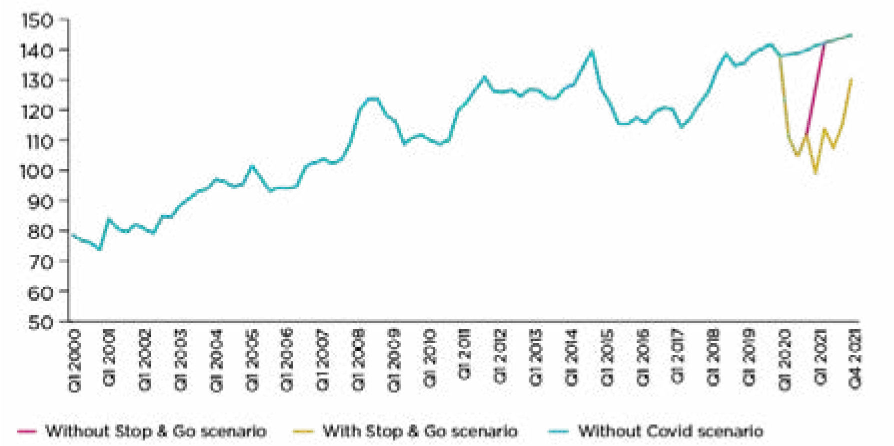
Graphic paper is still the most at-risk segment, although challenges remain for the sector as a whole

The decline in demand for graphic paper has been exacerbated by the consequences of the COVID-19 pandemic. The use of graphic paper was already on a downward slope in recent years, as digital tools such as readers, smartphones and online newspapers have been replacing paper media. 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%. The COVID-19 crisis greatly aggravated this situation. In many countries, bookstores were closed during lockdown, which had a strong impact on the sector. Meanwhile, the closure of schools, universities and many businesses led to a very significant decline in printing. The shift to virtual teaching, meetings and conferences greatly reduced demand for paper in all regions worldwide. Even with some printing for commercial or educational purposes being done at home, the drop in the use of graphic paper will be much greater than in a traditional recession. Accordingly, demand for writing and printing paper, as well as related products such as notebooks and pads, has fallen. The printed advertising (flyers, etc.) and newsprint sectors have also collapsed because of the effects of the COVID-19 crisis. This situation is bound to accentuate further the downward pressure on pulp prices and the decrease in production capacity utilisation rates. In this context, and considering the growing use of digital technology, which has been further intensified by the crisis, Coface expects the sector's activity to continue declining in 2021.

The use of packaging paper is sensitive to changes in economic conditions. Cardboard, kraft paper and other packaging papers are used to package products from other sectors. As a result, demand for packaging paper is intrinsically dependent on other markets (retail, e-commerce, logistics, etc.). The paper industry is thus highly sensitive to changes in economic conditions because it depends directly on the situation of other sectors. When highly procyclical sectors, such as physical or online retail, are depressed, demand for packaging paper necessarily decreases. This will be the case for the coming period because while packaging paper may have benefited from the growth of e-commerce, the global economic crisis, if it continues, is likely to have a significant impact on packaging plants in many countries. For instance, the paper sector in China, the world's number-one paper producer, could be adversely affected by the economic situation of the main pulp exporters such as the United States, for which Coface estimates a GDP contraction of -3.7% in 2020, or Brazil, whose GDP shrank by 4.5% in 2020. Furthermore, beyond the strictly economic conditions, the packaging paper industry is also vulnerable to regulatory and institutional changes. For instance, some countries are seeking to restrict tree cutting and/or promote responsible forestry for paper production due to environmental considerations. The activity of some sector participants may therefore be temporarily hampered by the need to reorganise or adjust practices and operations.

The intensity of the momentum driving the packaging paper industry's activities remains highly contrasted from one region of the world to another. For instance, in regions where e-commerce is less developed, demand for packaging paper is weaker, since e-commerce is one of the main demand drivers for this sub-sector. This is true in Latin America, which accounts for only 2% of world e-commerce, and in Africa and the Middle East, which account for only 1% of the market, despite vigorous growth in the sector in these two regions in recent years. Considering this trend, Coface anticipates that the packaging paper sub-sector will continue to drive growth in the paper industry in the medium- and long-term.

COVID-19 CRISIS: COFACE TURNOVER RECOVERY SCENARIOS FORECASTED FOR THE PAPER SECTOR



Sources: Datastream, Coface.

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 biopharmaceutical companies, particularly acute in the context of the COVID-19 health crisis
- 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 via funding, notably after the onset of the pandemic
- High overall barriers to entry, favouring players in the sector

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- Increasing competition among generics producers
- Greater biosimilars (generics of biological products) access to market
- Pressure from payers to lower drug prices
- Regulators paying closer attention to the health impact of new therapies through value based medicine
- Rising debt due to the need to enhance supply through acquisitions

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

Overall, the pharmaceuticals (pharma) sector remains one of the most resilient sectors (among those for which Coface publishes risk assessments) facing this health crisis, despite challenges remaining, which mainly already existed. The knock-on effects of the COVID-19 shock affected drug sales in many developed countries. Furthermore, clinical trials were delayed or abruptly put to an end due to lockdowns in the second quarter (Q2) of 2020. Moreover, the pharma supply chain was strongly distorted, notably when China closed its borders in Q1 2020. Therefore, governments around the world pledged to support medical research and relocation in order to gain some independence from China. Furthermore, the pandemic led the global economy into the toughest recession since World War II, which has deteriorated public and corporate finances, while pushing unemployment higher. Various challenges that Coface analysed prior to the COVID-19 crisis persist. The latter include official pressure to lower drug prices, criticisms of governments on the perceived lack of transparency in price setting, distributor's segments difficulties and legal risk.

SECTOR ECONOMIC INSIGHTS

COVID 19: a global shock that affects the pharma sector, which remains resilient overall

The pandemic is affecting every sector for which Coface produces sector risk assessments at different degrees. However, the pharma sector has suffered less from the pandemic than others have. Indeed, it is one of the sectors that Coface considers as most resilient due to various factors. The latter include the fact that pharma products are essential and are highly priced for serious illnesses. Finally, high barriers to entry stemming from significant Research and Development (R&D) deter new entrants.

However, major pharmaceutical markets saw their value temporarily shrinking, due to lockdown related measures, particularly in Q2 2020. Drug sales experienced a drop in the main markets (European Union (EU), U.S. and China) during this period, notably that of hospitals, as demand decreased due to the admission of fewer patients, many shying away from going to hospital with fears of being infected. The fall in clinical trials in the first half of 2020 does not bode well for drug productivity. The lockdowns forced clinical trials to slow and medical regulators to lower the pace of their approvals. According to a study from Aaron van Dorn, published in the medical research journal Lancet in August 2020, the pandemic mostly disrupted trials when patients were not enrolled. As such, around 80% of all non-COVID-19 related trials were interrupted in the U.S., according to the National Institute of Health.

Willingness to change the supply chain likely to be challenging

The above-mentioned disruptions to the pharmaceuticals global value chain reached a peak when half of humanity was under lockdown in Q2 2020. The COVID-19 crisis exposed the world's over-reliance on China's manufacturing ability, which is the backbone of pharmaceutical manufacturing. Thus, a sizeable number of governments worldwide, including leading economies such as the EU and the U.S., are considering a reorganisation of the pharmaceuticals global supply chain in particular. In order to do so, they are contemplating relocating certain key parts of production. For instance, France's President Emmanuel Macron has promised to repatriate production of high-value drugs, but the country's pharma plants are mainly subcontractors producing older molecules. This pledge amounts to USD 200 million when additional efforts in R&D are included. This example is a good illustration of how difficult it could be for countries to embark on such a reorganisation.

The pre-COVID-19 pricing challenge remains a key issue for payers in a context of promising but expensive innovations

New therapies coming onto the market for the treatment of what are often potentially lethal or chronical diseases are primarily contributing to the rise in drug prices at the global level. For instance, AstraZeneca and Daiichi Sankyo's Enhertu, which combats cholesterol, will cost USD 13,000 per month. In the United States alone in 2020, 800 drugs saw their prices increase, entailing a 3.3% rise in drugs price according to GoodRx, which tracks drug prices paid at pharmacies. These increases, and the perceived lack of transparency in pricing by pharmaceutical companies, have led political representatives, be they in the Trump administration or Congress, to take up the issue to ensure that U.S. prices are more in line with international standards.

In September 2020, President Donald Trump enacted an executive order that allows federal programmes to ask drug companies to lower prices in order to force them to be in line with prices applied in other advanced economies. Nevertheless, such a measure could face legal challenge given that the U.S. Department of Health and Human Services (HHS) is forbidden to negotiate drug prices, and requires the approval of Congress to ask for drug manufacturers to lower their prices.

In China, the latest 2020 tendering round offered the National Healthcare Security Administration (NHSA) a 53% cut to the price of the winning drugs, allowing them to be sold in public hospitals nationwide. The Chinese State is more aggressive towards drug pricing, as the development of a national health insurance scheme is financially costly, notably following the onset of COVID-19. This situation is likely to impose pressure on the healthcare budget. In Europe, the higher debt brought about by support measures enacted during the lockdowns could lead to cuts in the reimbursement prices of certain drugs. Simultaneously, other strategies currently being considered could emerge in the medium-term, although they seem difficult to implement at present. Such is the case with the strategy being considered by the French government. The latter would offer pharma actors less government pressure on price reductions in exchange for an effort on their part to engage on substantially improving the return of production units for selected active substances and drugs to Europe.

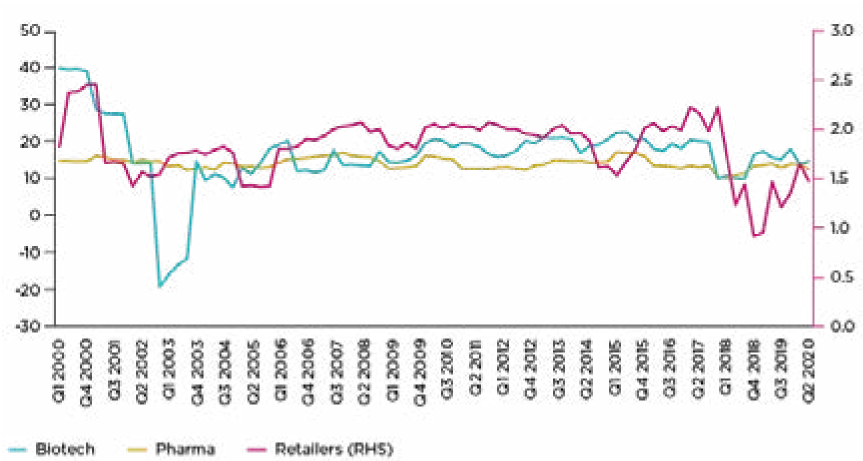
Pharma, notably 'Big pharma' actors are facing criticism and scepticism from governments and public opinion over the lack of transparency in pricing. Calls for greater transparency from pharmaceutical industry players are coming not only from the United States, but also from around the world. In May 2019, the World Health Organisation (WHO) requested that drug companies disclose their methodology for setting the prices charged to payers. Payers have certain tools at their disposal to limit the budget impact of expensive drugs. One of those is the fact that, in addition to having policyholders sharing payments, payers, particularly in Western Europe, have set up 'cost-benefit' assessment systems for each therapy. For example, in the UK, this value-based approach allows the country's National Institute for Clinical Excellence (NICE), to refuse to reimburse a drug if it does not significantly improve the survival or quality of life (measured in monetary terms) of patients treated by the National Health Service (NHS) in 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.

In the U.S., the Institute for Clinical and Economic Review (ICER) is attempting to implement evidence based assessment for industry actors, such as CVS Caremark, a Pharmacy Benefit Manager (PBM), which seeks, among other things, to lower drug prices on behalf of health insurers. Nevertheless, PBM are scrutinised due to the opacity surrounding their operations. They mainly deal with flows of prescriptions and attempt to lower drug prices on behalf of their clients. However, as intermediaries, they are caught in the crossfire, since they do not generate sufficient rebates and are accused of mismanagement, notably by politicians.

Similarly to the pre-COVID-19 period, drug distributors are still the sector's most at-risk segment

The most at-risk segment in the pharmaceuticals sector comprises distributors, including wholesalers, as well as pharmacy chains. These 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 instance, with the fact that some drugs must be delivered quickly, regardless of their destination, while adhering to strict packaging standards. Added to that is increased competition, notably the entry of new actors such as Amazon in the United States. According to Coface estimates, their net margin was 1.65% at the end of Q2 2020 compared to 1% a year ago, and which is much lower than that of pharmaceutical and biotech companies. Meanwhile this sub-sector has the highest net debt-to-asset ratio, which reached 15.7% during the same period. European and Chinese wholesalers have a higher risk profile. In addition to the drastic price reduction policies underway in the region, 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 "double-invoicing" policy makes it easier to monitor transactions: the producer issues an invoice to the distributor, which then invoices its client (hospital or pharmacy).

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



Sources: Refinitiv Datastream, Coface

RETAIL

Sector risk assessments

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

+

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

−

- Fierce competition in the sector
- Severely impacted by the COVID-19 crisis
- Physical points of sale struggling to respond to the growth of online shopping

RISK ANALYSIS SYNTHESIS

The retail sector is suffering as a result of the global economic recession in 2020 caused by the health crisis. Household consumption has plunged in most economies, both emerging and advanced. Mandatory health measures in most regions have affected physical outlets, and retail sales have plummeted. Several reasons account for the decline, including the economic crisis, fear of the virus and health measures that have forced businesses to reorganise and, in some cases, close. This sector, which was already weakened in 2019, may struggle to recover, particularly brick-and-mortar shops.

However, the pandemic has further accelerated the growth of e-commerce, which has been booming in recent years, and should enable a quick rebound for a portion of the sector. This has increased the pressure on traditional players in the sector, who are finding it hard to adapt to this new mode of consumption. To face these challenges and the health crisis, they are having to rethink their strategies, notably by stepping up the use of new digital tools and by using more efficient logistics.

SECTOR ECONOMIC INSIGHTS

COVID-19 has exacerbated the sector's difficulties

Growth is expected to pick up in 2021 after an unprecedented recession in 2020. According to Coface, global GDP contracted by 3.8% in 2020 and is expected to rebound by 4.3% in 2021. The pandemic's effects impacted individual consumption and, in turn, the retail sector in most emerging and advanced economies. Globally, the retail sector has been hurt by the health crisis, with retail sales dropping due to the economic crisis unleashed by COVID-19, as well as to store closures and physical distancing measures, which have limited face-to-face shopping. The outlook for this sector remains uncertain because of the lack of visibility regarding the pandemic's evolution.

In China, where the pandemic originated, retail sales dropped sharply. After an 11.4% decline in retail sales in the January-June 2020 period compared with the same period in 2019, the sector gradually recovered and actually recorded positive growth in Q4 2020 YoY. Coface forecasts that China's economy will expand by 7.5% in 2021, after significantly slowing to 2.3% in 2020, suggesting a recovery for the retail sector in 2021. However, the trade tensions with the United States (U.S.), which dented Chinese consumer confidence last year, are a risk for the sector. China's debt, which reached around 60% of GDP in end-2019, is also a concern.

In Latin America, the picture is mixed. In Brazil, the unemployment rate continues to climb, and the contraction of economic growth caused by COVID-19 is limiting growth in retail sales. Argentina's economic situation continues to worsen, which is negatively impacting the retail sector. After a 11% contraction in 2020, Coface forecasts 3% growth in 2021. Inflation decreased but remained very high, reaching around 36% in December 2020, which is not good for household consumption.

The U.S. outlook is similarly mixed. While the unemployment rate jumped after the outbreak of the health crisis, reaching 14.8% in April 2020, it fell back to 6.7% in December 2020. The growth rate, meanwhile, collapsed, dropping to -3.7% in 2020 according to Coface, after +2.2% in 2019; it is expected to rise to 3.2% in 2021. Following a sharp decline in retail sales in April owing to the health crisis, the retail sector saw an 18.2% YoY increase in sales in May 2020, mainly driven by brisk online sales, which surged by 49% YoY in April 2020. Households have little room for manoeuvre due to their persistently high debt level, which stood at over 80% of GDP in 2020, the highest level since the Second World War.

Eurozone growth contracted by 6.6% in 2020, which was not good for household consumption. Growth could rebound by 4.5% in 2021 according to Coface estimates, potentially lifting a retail sector that was weakened by the pandemic. A drop in retail sales was observed during the months when most European countries were under lockdown. For instance, in France, retail sales fell by 24% in March 2020 compared with February 2020. A global recovery in retail sales

was perceptible after social distancing measures were eased and the economy picked up slightly. However, a resurgence of the epidemic in Q4 and the measures taken to counter it once again put a damper on retail sales and could affect the scale of the recovery in 2021.

The sector is dominated by U.S. global leaders: according to the 2020 Deloitte Global Powers of Retailing ranking (based on 2018 revenues), Walmart Inc., Costco Wholesale Corporation and Amazon.com Inc. were the top three and Schwarz Group, the European leader, came in fourth (with revenues of approximately USD 514 billion, USD 141 billion, USD 140 billion and USD 121 billion, respectively). However, despite the size of these retail giants, the market remains highly fragmented. Market fragmentation is mainly geographical in nature: the world's 250 largest retailers operate in only ten countries on average and generate less than a quarter of their sales outside their home country. Overall, situations differ considerably across countries in the sector.

The acceleration of e-commerce due to the health crisis continues to revolutionize the sector

The retail sector is currently undergoing a major structural transformation, mainly thanks to the rise of online sales, which has accelerated sharply because of the health crisis. COVID-19 has led to major structural changes for the retail sector. Companies have had to adapt to new health regulations and new consumer habits. Lockdown measures in a large number of countries have led consumers to buy online. Meanwhile, fear of the virus has considerably limited the physical movement of individuals, again boosting online shopping. The acceleration of e-commerce is illustrated by the 74% surge in global online order volumes in March 2020 compared with March 2019.

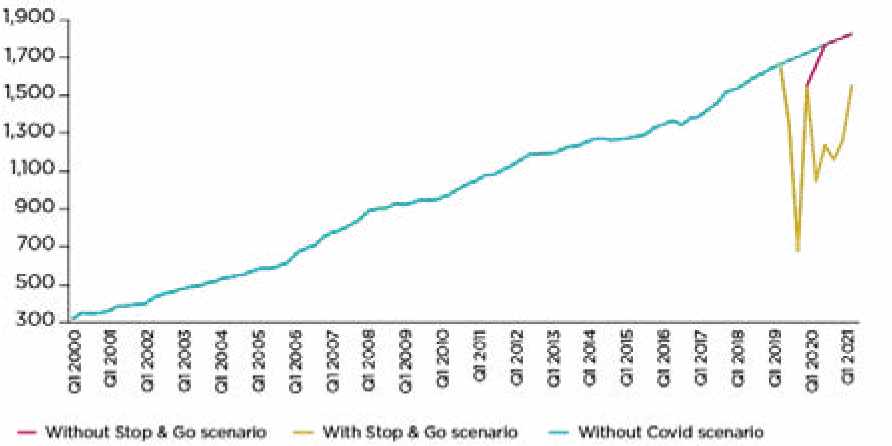
E-commerce leader Amazon saw its operating income increase at a steady pace over the first 9 months of 2020, with a 70% expansion compared to the same period in the previous year, with an acceleration in Q3 (+197% year-on-year). This is severely weakening physical sales outlets, which are struggling to adapt to the new consumption patterns. This weakness was illustrated by the bankruptcy in October 2018 of the U.S. group Sears, which was unable to adapt to competition from online shopping. Conversely, Walmart is very well positioned regarding the increase in e-commerce, recording 97% growth in online sales in the second quarter of 2020 compared to the second quarter of 2019. After quickly adapting and setting up appropriate services to cope with the health situation, while also diversifying its distribution channels, the sector leader is competing strongly with Amazon. It can already rely on a dense network of sales outlets and a highly developed supply chain, making it easy for the group to offer delivery or in-store pick-up of online orders.

China remains by far the largest e-commerce market. Alibaba, JD.com and Pinduoduo, the three e-commerce giants, occupied 83.6% of the 2020 market, compared with 80.3% in 2019. Their growth appears to be due to efforts to adjust and diversify their ranges, coupled with good logistics, which enabled them to cope with and adapt to the pandemic. There are several reasons for China's leadership in e-commerce, starting with the country's high population density and nearly 700 million online shoppers. Other factors include the rise in the average wage, widespread use of smartphones, urbanisation, and the expansion of the WeChat application, which supports many types of online purchases and has 1.1 billion users. E-commerce also increased by 18% in the United States in the first quarter of 2020, partly because of the pandemic.

The health crisis has accelerated the transition towards e-commerce, which continues to transform the retail landscape. That said, other trends are also at work. First, the use of analytical tools related to data collection is likely to increase within stores, helping them to manage inventories more efficiently, for instance. 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 with traditional stores to create theme-based retail outlets that seek to improve the consumer's shopping experience. The desire among consumers to buy more personalised products could also change retailers' strategies, as firms harness increased data availability on consumer profiles and purchasing habits to offer products that are more in synch with different shopper categories and buying regions.

E-commerce, which has been impacted by the global recession and the drop in consumption, is doing relatively well and looks set to recover quite easily, as it is suited to health measures, since sales are at distance. Conversely, brick-and-mortar shops should take longer to recover. With the virus continuing to spread and social distancing measures limiting physical sales, retailers are unlikely to be able to get back to an economically stable situation in the coming months.

COVID-19 CRISIS: COFACE RECOVERY SCENARIOS ON RETAIL TURNOVER (BILLION USD)



Sources: Datastream, Coface.

TEXTILE-CLOTHING

Sector risk assessments

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

+
- Growth of the middle class in emerging countries
- Rise of fast fashion

−
- Products with high price elasticity of demand
- Sector heavily impacted by the health crisis linked to COVID-19
- Price structure very sensitive to swings in commodity prices

Notes for the reader

Global cotton crop year starts on 1 August and ends on 31 July of the following year.

RISK ANALYSIS SYNTHESIS

The textile-clothing sector is composed of two branches: textiles 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.

The textile-clothing sector, which has been struggling for the past decade, was hurt as many countries introduced lockdown measures and closed non-essential stores in an attempt to curtail the COVID-19 pandemic. Weak consumer demand led to lower revenue for brands and stores, which were forced to scale back, postpone or scrap clothing orders for the textile industries, causing imports of textile fibres such as cotton to be reduced or cancelled altogether. While a pound of cotton was trading at USD 0.71 on 9 January 2020, the price plummeted to USD 0.48 on 1 April, the lowest level since 2008, before clawing back to USD 0.75 on 31 December 2020. There were numerous factory closures and production chain disruptions (as it was harder to source inputs) in China, Pakistan, India, Bangladesh and Vietnam. These countries account for 70% of world cotton consumption, according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), which estimates that world cotton consumption in 2019-2020 fell by 15% compared to the previous season.

This supply and demand shock led to a deterioration in the cash flow of companies in the sector, job losses and even bankruptcies, including that of British group Oasis and Warehouse in April 2020. The second wave of the COVID-19 pandemic and measures including renewed lockdowns in Q4 2020 further undermined the situation of the sector's companies, which had already been weakened by the first wave.

Some trends observed before the crisis were exacerbated by measures taken to counter the pandemic such as closures of physical sales outlets. Companies that have managed to adapt by collaborating with companies specialised in online sales or by developing these services internally for their customers will be the least impacted by the crisis, since lockdown measures have led to a significant expansion of e-commerce, reinforcing a trend that was already underway before the crisis.

In 2018, global online sales of clothing and footwear accounted for 16% of total sales, compared to 10% in 2012. The rise of e-commerce has been accompanied by a shift in demand from Europe and the United States (U.S.) to Asia-Pacific, where more than 60% of online sales occur.

SECTOR ECONOMIC INSIGHTS

COVID-19 implications, short- and medium-term prospects

The clothing market is very sensitive to changes in economic conditions. According to Coface, world GDP fell by 3.8% in 2020 and is expected to rebound by 4.3% in 2021, following a global economic growth of 2.5% in 2019. The main garment consuming markets, notably the advanced economies and China, experienced a drastic slowdown in economic activity in 2020 (-5.2% vs. 1.6% in 2019 for advanced economies and 2.3% vs. 6.1% for China). Furthermore, while activity is expected to rebound in 2021, GDP is set to remain below 2019 levels in major advanced economies. In many countries that took strict lockdown measures to curb COVID-19, clothing stores were closed, as they are non-essential businesses. McKinsey expects revenues in the global apparel and footwear industry to decline by 27%-30% in 2020 compared to 2019, and to increase by 2%-4% in 2021 compared to 2019. Sales in the textile-clothing sector in the European Union are expected to drop by half in 2020. In a climate of uncertainty, with consumers preferring to set aside precautionary savings and focus on essential goods, online sales were unable to offset the losses caused by the closure of physical stores and declined by 15%-20% in China, 5%-20% in Europe and 30%-40% in the U.S., according to McKinsey.

The textile-clothing sector is highly globalised. Production chains were disrupted by the crisis. The peak of the epidemic in China led to

shortages of commodities such as cotton, and of inputs, because some factories supplying the sector had to shut down. This hurt manufacturing industries worldwide, particularly in Latin America and East Africa, which are highly dependent on Chinese raw materials. As the epicentre moved to Europe and then to the U.S., factories in many countries were closed to prevent the virus from circulating in the workplace.

Due to a lack of orders, many companies could not pay their employees' wages and were forced to lay off staff. In Vietnam, where economic growth was among the strongest in Asia (6.5% in 2019, according to Coface), between 400,000 and 600,000 people (out of 2.8 million) have lost their jobs in the sector according to the Vietnam Textile and Apparel association.

Cotton production forecasts, consumption forecasts and price trends

Demand for fibre is unlikely to return to pre-COVID-19 levels in the short-term, as orders are declining because of the drop in consumption caused by the recession, as well as inventories of unsold goods and fibre not used by manufacturers. ABARES expects world cotton consumption to increase by 9.5% in 2020-2021, which will still be 7% below the 2018-2019 level. ABARES forecasts an average price of USD 0.73 per pound for 2020-2021, up 2% from the previous season, following a drop in production and an increase in demand.

Government restrictions to stop the spread of COVID-19 in many countries and the interruption of textile production suggest that world cotton stocks will increase (to 22.3 million tonnes by the end of 2020-2021, up 4.9 million tonnes since the beginning of 2019-2020). ABARES expects a 3% rise in world cotton trade in 2020-2021 on the back of increased manufacturing activity in importing countries such as China, Vietnam, Bangladesh, Turkey and Indonesia.

Increased use of synthetic fibres compared to natural fibres

The textile-clothing sector is evolving because of various factors. For one thing, the use of synthetic fibres (mainly polyester) is increasing, at the expense of natural fibres such as cotton. Polyester has several advantages over cotton: its production requires less water and no pesticides. It is also easier to handle and mix with other fibres, and its production is less subject to climatic hazards. Moreover, low oil prices keep the cost of synthetic fibres down. There are incentives to substitute cotton and wool with these synthetic fibres. Another point worth mentioning is the substantial development of environmentally-friendly natural fibres, driven by consumers' growing environmental concerns.

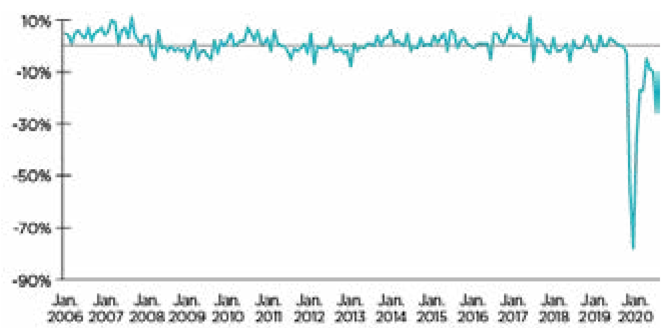
Relocation of textile factories to low-cost countries

Textile manufacturing, especially low value-added manufacturing, is shifting from China, which dominates textile manufacturing worldwide, to other economies with lower production costs such as Vietnam, India, Bangladesh and Ethiopia. China's share in global textile exports decreased from 38.3% to 29.1% between 2015 and 2020, according to Fitch Solutions. This trend, which has been exacerbated recently by trade tensions between the U.S. and China, is expected to continue, as higher Chinese wages push up production costs. Textile industries, which change collections very regularly, have an incentive to set up factories in countries where wages are lower. According to a New York University study, in 2019, the minimum monthly wage in Ethiopia was USD 26 compared to USD 326 in China.

Demand is shifting from Europe and the U.S. to Asia

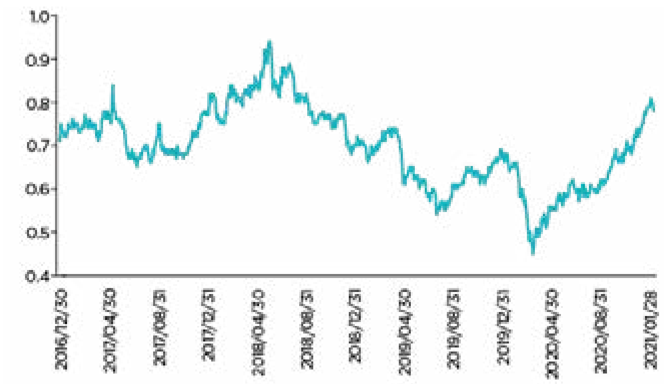
As demand for clothing from Asia (mainly China) grows, the importance of Europe and North America in this sector is declining. Sales of clothing products outside North America and Europe equalled sales in these regions in 2018 and are expected to reach 55% of total world sales of clothing products in 2025. The Asia-Pacific region (Vietnam, Philippines, Indonesia, Malaysia, Thailand and Singapore) is highly attractive to the apparel sector, especially because it has a large proportion of young people, for whom digital solutions play an important and growing role. The three largest e-commerce websites in this region (Lazada, Shopee and Tokopedia) saw the gross value of their merchandise sales increase sevenfold between 2015 and 2018. The luxury industry has also been affected by the shift in activity in the sector: China generated 90% of growth in the luxury sector in 2019, accounting for 35% of purchases according to Bain & Company, an international strategy and management consulting firm. Another important transformation that is taking place in the clothing market is the rise of fast fashion, particularly in advanced economies and China. The term refers to a strategy used by brands that consists in changing 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.

RETAIL SALE OF TEXTILES, CLOTHING, FOOTWARE AND LEATHER GOODS IN SPECIALISED STORES (YOY GROWTH)



Sources: Eurostat, Coface
Latest point: November 2020

COTTON PRICES (USD/POUND)



Source: USDA
Latest point: 28/01/2021

TRANSPORT

Sector risk assessments

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

+

- Sustained long-term momentum in the use of air transport in Asia, thanks to the emergence of the middle classes
- Technological advances contribute to cost reduction

−

- Sector heavily impacted by the COVID-19 crisis
- Sector highly dependent on oil price fluctuations
- Sector hit hard by environmental concerns

RISK ANALYSIS SYNTHESIS

Overall, the transport sector (air, road, sea and rail) has been very strongly penalised by the COVID-19 pandemic, and is not expected to return to its pre-crisis level before 2022, according to Coface. However, in the longer-term, the sector should continue to benefit from mobility needs, the emergence of the Indian and Chinese middle classes and the reduction of costs thanks to technical progress, especially in the air and maritime segments.

World trade is declining because of the pandemic: the World Trade Monitor (which measures global goods trade) fell by around 16.2% year-on-year (YoY) in April 2020 (its lowest point), and was 8% lower in the period January-August 2020 compared to the same period in 2019. Airfreight (measured in tonne-kilometre) dropped by 12% YoY over the January-November 2020 period. Global sea freight has also been impacted: the container throughput index (a measure of the volume of maritime container transport, which accounts for 52% of the value of global sea freight) decreased by just over 8% YoY in May 2020, and, even though the index did rebound afterwards (+7% in October) it remains, over the January-November period, 2% lower than the same period in 2019.

Air passenger traffic has practically come to a stop because of the measures taken to combat the spread of the coronavirus (lockdowns, border closures). The daily number of commercial flights decreased by 75% between 16 January and 12 April 2020 (the lowest point), and, even though it increased afterwards, remained on 23 November 38% lower than on 16 January.

The grounding of the Boeing 737 MAX aircraft, following crashes in October 2018 and March 2019, continue to afflict Boeing's financial health, as well as the financial health of the many airlines (particularly U.S. airlines) that use these planes and that have mechanically experienced a temporary reduction in the size of their fleets. However, on 18 November 2020, the Federal Aviation Administration (FAA) authorised the return of the 737 MAX to American skies. Although the outlook for the related air companies remains difficult, this news could somewhat appease the aforementioned issues. Besides this, Airbus and Boeing have been forced to reduce their respective productions due to the COVID-19 crisis, which affects the entire production chain.

Environmental concerns and measures implemented to combat the emission of greenhouse gases or pollutants could penalise the sector.

SECTOR ECONOMIC INSIGHTS

The transport sector is at the heart of the COVID-19 pandemic

The COVID-19 pandemic and the measures taken to contain it have had a highly significant effect on global economic activity (which was already slowing down in 2019): in 2020, world GDP fell by 3.8% after an increase of 2.6% in 2019. Economic Activity is expected to rebound in 2021 (+4.3% according to Coface) but would remain lower than in 2019. This decrease in economic activity will have an even greater impact on world trade, which was already slowing down before the crisis due to the economic slowdown, affecting the income of companies in the sector. According to the Netherlands Bureau for Economic Policy Analysis (CPB), world trade declined by 16% YoY in April (its lowest point) and by 8% YoY over the January-August 2020 period. Both sea and air freight are being mechanically impacted by the decline in trade. Thus, the maritime transport of goods (which represents 80% of global freight) is declining: the average value of the container throughput index decreased by 2% YoY between January and November of 2020. Airfreight (measured in tonne-kilometre) decreased by 7% YoY in November.

Passenger air transport has been very strongly impacted by the health crisis: in September 2020, international traffic (measured in Passenger Revenue Kilometres (PRK)) decreased by 73% YoY according to IATA, which estimates that airline revenues should decrease by 61% in 2020.

The global aviation market, already impacted by Boeing's setbacks following the crashes of two Boeing 737 MAX aircrafts in October 2018 and March 2019, is also suffering from COVID-19, as Airbus and Boeing, the two largest aircraft manufacturers, were forced to sharply reduce their production, impacting their aircraft equipment suppliers. Furthermore, airlines using the 737 MAX were already suffering from its grounding in 2019: for instance, Southwest Airlines, the company with the world's largest fleet of this aircraft, estimated the loss of operating revenue due to the grounding of the 737 MAX at USD 828 million in 2019.

Estimating the effect on rail freight is more complicated: in some economies, rail freight declined because of COVID-19, as it is complementary to air and sea freight in these countries, to the extent that rail freight is used (alongside road freight) to move goods to and from airports and ports. For example, Union Pacific, one of the largest U.S. rail carriers, recorded a 22% YoY decline in volumes transported between 1 April and 2 June.

In other regions, where rail can partially substitute for sea and air freight, the volumes transported have been able to increase during the COVID-19 crisis. For instance, in Russia, rail freight between China and Europe increased by 35% YoY between January and May.

A difficult recovery for the transport sector

At the global level, the transport sector is not expected to return to pre-crisis levels before 2022. For companies located in countries for which Coface anticipates that the health crisis is largely under control, which should not lead them to apply new measures to contain the COVID-19 epidemic, as should be the case in Asia (Coface's without stop & go scenario), the turnover of listed companies in the transport sector will be 2% lower in Q4 2021 than in Q4 2019. However, it would be 34% lower in the stop & go scenario, leading to an alternation between periods of lockdown and periods of lockdown relaxation, and a return to greater mobility, like it is anticipated in Western Europe, for example. The airline market is expected to be the most impacted: the turnover of its listed companies is expected to decline by 38% in the first scenario and by 69% in the second scenario in 2020. According to IATA, this market will record a loss of USD 118.5 billion in 2020. However, airfreight is expected to take advantage of the situation: as capacity has fallen much more than demand (-29.4% YoY in June against -12.6% for demand), the load factor and the freight rate have increased, leading to a positive net effect: +15% revenue in 2020 according to IATA.

In Europe, air transport, particularly the low-cost segment, is facing a strong overcapacity problem, reducing companies' margins and making them more sensitive to the economic environment and oil price variations. A significant number of airlines went bankrupt in 2019 (WOW air, XL Airways, to name but a few), undermined by the sharp fluctuations in oil prices and the economic slowdown. The COVID-19 crisis could accelerate this trend in the short-term. However, these insolvencies could reduce overcapacity in this market in the long-term, consolidating it and enabling companies to increase their margins.

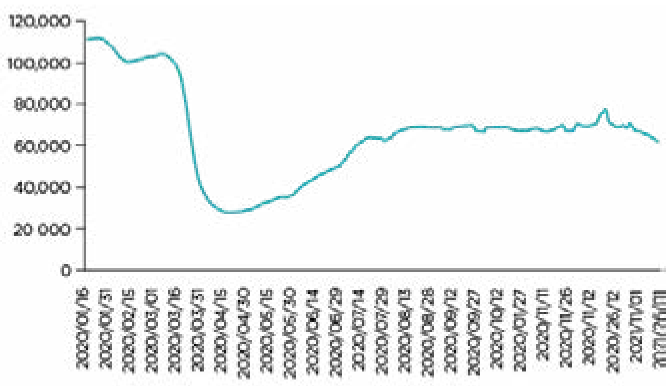
Environmental concerns are disrupting the sector

In order to fight pollution and address environmental concerns, several measures have been implemented to reduce the impact of the transport sector on health and on the environment. For instance, IATA set itself the objective of halving its CO_2 emissions by 2050 (compared to their 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 Organisation (IMO) has set a new limit on sulphur oxide emissions from ships. The latter measure, known as IMO 2020, took effect on 1 January 2020 and limits sulphur emissions to 0.5% (or 5kg per tonne of fuel) compared to 3.5% previously.

Ships have several options for complying with IMO 2020. First, they can use low sulphur fuel oil (LSFO) or marine gas oil (MGO), which will be more expensive than the previously used high sulphur fuel oil (HSFO) due to higher production costs. They also have the option of continuing to use HSFO, if they install purifiers that enable them to emit no more than 0.5% sulphur oxide, but installation is time-consuming and costly. Estimates of the number of ships with purifiers as of 1 January vary between 2,000 and 4,000 ships, while the United Nations Conference on Trade and Development (UNCTAD) estimates the global fleet at over 95,000. Finally, it is possible to use liquefied natural gas (LNG), even though this option seems unlikely in the short-term, as not all ports are able to supply ships with LNG. Therefore, the most likely option for ships in the short-term is the use of LSFO or MGO. In any case, IMO 2020 will penalise shipping companies through the increased costs it induces. The negative effects of IMO 2020 will be all the more significant as the measure comes into force in a context of economic slowdown and deterioration in world trade.

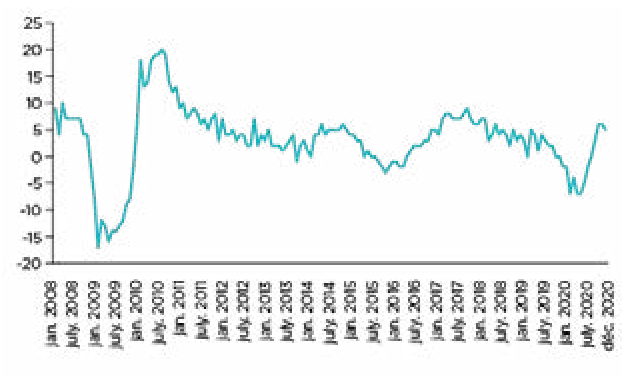
The environmental concerns of consumers are leading some of them to stop flying and look for alternatives to air transport. This movement, known as "*flygskam*" (literally "the shame of flying") is spreading throughout Europe and the United States, and could have a lasting impact on air passenger transport.

NUMBER OF COMMERCIAL FLIGHTS (7-DAYS MOVING AVERAGE)



Source: Flightradar 24 Latest point : 27 January 2021

CONTAINER THROUGHPUT INDEX (YOY GROWTH, %)



Sources: RWI/ISL, Coface Latest point: December 2020

WOOD

Sector risk assessments

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

+

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

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- Dependent on the construction and paper sectors
- Impacted by the COVID-19 crisis
- Efforts by sector participants to adapt to stricter regulation of wood harvesting in order to preserve forests
- Highly exposed to climatic hazards and ongoing trade tensions

Notes for the reader

Wood pulp: paper pulp; pulp for the manufacture of paper and cardboard.

RISK ANALYSIS SYNTHESIS

The wood sector is highly dependent on the construction industry, which uses large amounts of wood as inputs. The COVID-19 pandemic had a severe impact on construction, as worksites were abruptly shut down in several regions of the world, particularly in the first half of 2020. The wood sector is likely to follow the same gradual and contrasting recovery as in the construction sector. Wood is also highly dependent on the paper sector, which has benefited from a surge in packaging demand due to the rise of e-commerce. This in turn has been good for the wood sector.

After an unprecedented GDP contraction in 2020 (-3.8% according to Coface), world economic growth should pick up again in 2021 (+4.3%, again according to Coface). A differentiated recovery is expected for the wood sector.

The sector is still facing profound transformations. The industry continues to suffer from protectionist tensions, notably the customs duties imposed by the United States on Canadian lumber since 2017 tensions seem to have eased nonetheless as (customs duties decreased from 20.2% to 8.9% by the end of 2020), and the trade tensions between China and the United States, which have imposed 25% customs duties on imports of each other's wood and wood-based products. At the global level, participants are facing an increasingly restrictive regulatory framework due to environmental issues and government measures aimed at preserving forests.

SECTOR ECONOMIC INSIGHTS

An already fragile sector's difficulties have been exacerbated by the COVID-19 crisis

Even before the emergence of the COVID-19 crisis, the wood sector was already suffering from the global economic downturn due to weaker demand and its dependence on the construction and paper sectors, which were themselves being by undermined the slower pace of economic growth.

The health crisis had a severe impact on construction, which is the wood sector's primary client. The abrupt shutdown of worksites due to the lockdown measures rolled out in many regions in the second half of 2020 caused demand for wood to plummet. Coface anticipates that the wood sector will follow the contrasting trajectory of the construction sector in its recovery. Fairly strong demand from the infrastructure segment of the construction sector is likely to boost demand for lumber. Meanwhile, Coface expects weaker demand on the real estate market (private and commercial properties) to cause a drop in demand for lumber in this market and the furniture segment.

The wood sector is also dependent on the paper sector, whose packaging paper segment benefited from strong demand as e-commerce activity increased due to the mobility crisis caused by the COVID-19 pandemic and the need to limit physical contact. This latter development and higher demand for packaging paper stimulated demand for wood. However, as e-commerce has not developed to the same extent everywhere, for instance it is not widely used in Latin America, not all regions benefited from the increased demand. Wood pulp* prices rose in 2017 and 2018, but dropped in 2019, with the St. Louis Fed's lumber price index collapsing by 34% between January and December 2019 (see Chart). Trends over most of 2020 show that prices stopped falling but did not move upwards, due, in particular, to supply chain disruptions and timid global demand. Pulp prices are thus expected to recover in 2021.

Different rates of recovery across regions

In Europe, activity in the sector remains impacted by the second wave of coronavirus that occurred during H2 2020 and the measures taken to slow the virus' spread. In the wake of the health crisis, activity collapsed during the second quarter of 2020. In France, production fell during the first lockdown, contracting by 32% in April year-on-year; it rebounded thereafter and by

September was 2% below the previous year's level. In Germany, sales of wood and wood-based products stood up well to the crisis: despite declining in April and May, they increased by 2% year-on-year in the January-September period.

Uncertainty remains over the recovery of the Japanese wood sector. Japan is a special case because it is one of the world's largest importers of wood. For instance, almost all wood chips exported by Australia, the United States and Chile are sent to Japan. Japanese demand is vital to the sector and impacts virtually all wood-exporting countries. Japanese wood imports plummeted because of the health crisis and supply chain disruptions. This had a significant impact on the wood sector globally. Japanese demand is expected to recover gradually but the increase is not expected to make up for the losses in the first half of 2020.

In China, much of the sector's demand comes from the real estate market, which cooled sharply and slowed due to the effects of the pandemic during H2 2020. The gradual economic recovery underway in China since the third quarter of 2020 is likely to boost the country's construction sector, despite its difficulties. This should benefit the wood sector. Regarding exports, for the moment no bilateral agreement has been signed with the European Union certifying that China's products comply with EU sustainability rules. This could depress the sector and negatively impact the anticipated recovery.

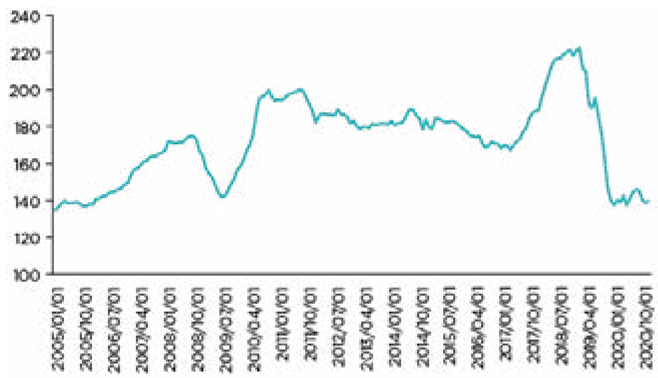
The Americas are also struggling to recover. In Latin America, Coface expects that several factors will make it harder for the sector to pick up again. First, production of furniture decreased by 21% in H1 2020 year-on-year in Argentina as demand waned in the country because of economic difficulties. Second, lumber manufacturing in Brazil fell by 11.8% in H1 2020 year-on-year. A short-term pickup is not expected due to rock-bottom demand. In North America, Coface expects that the sector will also find it tough to recover. Profitability has taken a hit in Canada following the implementation of U.S. tariffs on Canadian lumber in 2017, forest fires and pine beetle epidemics, which are destroying pine forests. This has led to plant closures and layoffs. U.S. wood production has contracted sharply due to plant closures because of the COVID crisis. Falling demand in construction and furniture is also expected to weigh on the sector. Meanwhile, the United States is expected to see a very gradual recovery, with demand remaining lacklustre, particularly in certain segments of the construction sector, such as commercial and private real estate, against the backdrop of an economic crisis and an increase in precautionary savings. This is expected to hamper the wood sector's recovery.

Ongoing transformations in the sector are expected to continue

The sector remains impacted at this stage by the protectionist environment, notably featuring trade tensions between China and the United States, which imposed 25% customs duties on imports of each other's wood and wood-based products. The U.S. wood sector is particularly affected, with 60% of its exports going to China. Between 2017 and 2018, U.S. wood exports to China fell from USD 1.7 billion to USD 1 billion, mainly due to a decline in hardwood, which accounts for the largest share of U.S. wood exports to China. The U.S./China trade war has intensified and tensions between the two countries have increased. This could continue to have a negative impact on the wood sector.

Brexit is creating uncertainty for the sector in Europe, with the UK importing the majority of its wood from the EU. Moreover, the UK has indicated its intention to implement a UK Timber Regulation and its own Forest Law Enforcement, Governance and Trade (FLEGT) programme with significant requirements in terms of standards to be met by participants. This poses a risk to short-term profitability due to the significant investment required for firms to comply.

WOOD PULP, PRICE INDEX (1982 = 100)



Sources: Federal Reserve Bank of St. Louis, Coface
Latest point: October 2020

COFACE RECOVERY SCENARIOS ON THE WOOD SECTOR TURNOVER(BILLION USD)

Sources: Datastream, Coface Latest point: Q4 2021

INTRODUCTION TO COUNTRY PROFILES

Economic record and prospects for 2021 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.

AFGHANISTAN

COFACE ASSESSMENTS

COUNTRY RISK **E**

BUSINESS CLIMATE **E**

POPULATION Millions of persons - 2019	**37.2**
GDP PER CAPITA US Dollars - 2019	**507**
CURRENCY Afghan Afghani	**AFN**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	3.9	-5.0	4.0
Inflation (yearly average, %)	0.6	2.3	5.4	4.8
Budget balance* (% GDP)	1.6	-1.1	-2.8	-2.2
Current account balance* (% GDP)	12.2	11.7	9.5	7.8
Public debt (% GDP)	7.4	6.1	7.8	8.9

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	47%
PAKISTAN	35%
CHINA	4%
TURKEY	3%
UNITED ARAB EMIRATES	3%

Imports of goods as a % of total

IRAN	18%
CHINA	17%
PAKISTAN	16%
KAZAKHSTAN	8%
TURKMENISTAN	6%

+

- Potential for the exploitation of commodities (including gas, oil and minerals)
- Development of transit corridors (Lapis-Lazuli linking Afghanistan to Turkey), launch (at the end of 2020) of negotiations to revise the transit agreement with Pakistan and to conclude a preferential trade agreement
- Development of regional energy corridors (TAPI gas pipeline, Central Asia-South Asia power line (CASA-1000), TAP power line and power line with Uzbekistan)
- International financial support, notably from the International Monetary Fund (IMF), which renewed the Extended Credit Facility (ECF, USD 370 million) at the end of 2020 for three and a half years in return for reforms
- Military support from the international community, as part of the renewed "Afghanistan National Peace and Development Framework" for 2021-2025, aimed at achieving self-sufficiency

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- Dependence on international aid (43% of GDP, 50% of tax revenues)
- Dependence on agriculture (22% of GDP, 40% of employment) vulnerable to weather conditions
- Poorly developed credit (3% of GDP), fragile (29% of non-performing loans in September 2020) and dollarised (48% of loans, 61% of deposits) banking system
- Difficult geography (landlocked and 50% mountainous) and vulnerability to natural disasters
- Inadequate infrastructure (energy, water, transportation, health)
- High poverty (66% of the population), against a backdrop of informality, unemployment and food insecurity
- Weak governance (corruption, 47% of the territory not controlled by the central government, 19% of which is in the hands of the Taliban)
- Ethnic fragmentation and armed conflict, generating significant public spending (50% of the total), population displacements, and military and civilian victims (more than 10,000 civilian victims per year for the last 6 years)

RISK ASSESSMENT

Negotiations between the government and the Taliban begin

Afghanistan has been mired in civil war for four decades. The insurgent groups, led by the Taliban, remain at the height of their territorial expansion since their ousting from power in 2001 by the United States (U.S.)-led military coalition. Following a process that began in late 2018, an agreement was reached at the end of February 2020 between the U.S. and the Taliban, reducing the number of American troops from 13,000 in February 2020 to 2,500 in January 2021 (plus the 8,000 from the other NATO countries). It could be challenged by President Biden. The sine qua non condition of the withdrawal was the conclusion of a peace and power-sharing agreement with the government, talks on which began in September 2020. The actual negotiations are expected to begin in 2021. Their outcome remains uncertain and are not expected to resolve the entire conflict. On the one hand, it will face obstacles such as the ethnic fragmentation of the country, the difficulty of reconciling the Taliban with democratic norms, and the presence of other actors, such as the Islamic State (IS) group. On the other hand, with the February agreement providing only for a reduction in violence, attacks by the Taliban to consolidate their position in the negotiations persist. The balance between this strategy and the breakdown of the agreement is fragile. U.S. troop numbers could increase if the security situation deteriorates.

The talks will be led by a government that remains divided. After five months of waiting, the results of the September 2019 presidential election were announced at the end of February 2020. Outgoing president Ghani was elected in the first round (50.6% of the vote), followed by Abdullah (39.5%). Abdullah's challenge to the results ended, under pressure from the U.S. and, like in 2014, in a power-sharing agreement allowing him to appoint half the government and to appoint himself president of the High Council for National Reconciliation to lead the talks. While internal executive wrangling is expected to continue and despite strained relations, the government is expected to continue to call on Pakistan, which had already facilitated discussions for the February agreement, to use its influence on the Taliban.

A recovery dependent on the pandemic and driven by agriculture

It is in this tense context that Afghanistan entered into recession in 2020. The complex health situation due to its proximity to Iran, the lockdown from mid-March to mid-May 2020 and the closure of borders have disrupted supply chains. Industries (23% of GDP) were impacted, suffering from shortages of raw materials due to trade disruptions. The structural trade deficit widened. The decline in exports (6% of GDP), especially fruit (45% of total), was not offset by the decline in imports (38% of GDP). This deficit is expected to narrow in 2021, as cross-border points with Pakistan were reopened in mid-June 2020 and transit corridors with India in mid-July. Services (55% of GDP) have also been impacted, suffering from the fall in private consumption (113% of GDP) which is facing a decline in remittances (5% of GDP) and a sharp rise in unemployment, poverty and food insecurity. Inflation, probably underestimated, is being pushed up by food prices. Support measures consist of livelihood measures, such as the programme launched in 2020 with the World Bank (1.6% of GDP) to finance cash and in-kind transfers worth up to USD 100 per household.

The recovery in 2021, dependent on the pandemic, is expected to be driven by agriculture, whose growth in 2020 was driven by good harvests and climate conditions. This sector is expected to benefit from the recovery plan (16% of the total) which provides for the construction of storage infrastructure to limit losses. While the security environment is constraining investment (18% of GDP, 6% is private), international aid will remain valuable in exploiting the sector's potential. Work will continue on infrastructure projects, such as those begun in early 2020 for the construction of the Afghan section of the power line of the CASA-1000 project (2.4% of GDP, 78% financed by the World Bank).

A drop in international aid that finances twin deficits

In 2020, one-off expenditures (5% of GDP) and the decline in revenue increased the public deficit excluding grants (-6% of GDP), which is expected to persist in 2021. The sustainability of public finances remains dependent on grants to keep the public debt-to-GDP ratio low. This debt, equivalent to external debt, is medium- to long-term, concessional, and 90% held by multilateral donors.

Trade-related disruptions have widened the already abysmal current account deficit excluding grants (-31% of GDP). The flexible exchange rate remained stable thanks to sales of foreign exchange by the central bank. These were more than offset by the inflow of new grants and concessional loans to mitigate the impacts of the crisis on 2020-2021, including USD 483 million (2.6% of GDP) from the IMF. They have also increased foreign exchange reserves (8 billion USD in November 2020, 15.6 months' worth of import coverage). At the end of November 2020, donors were called upon to renew their aid commitments for 2021-2024, totalling USD 12 billion (including USD 3.3 billion available in 2021), a 21% drop compared to 2016-2020. They are in part conditional on progress in the talks.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	2.9
GDP PER CAPITA US Dollars - 2019	5,323
CURRENCY Albanian lek	ALL

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.1	2.2	-7.5	3.5
Inflation (yearly average, %)	2.0	1.4	1.4	1.7
Budget balance (% GDP)	-1.3	-2.0	-8.4	-4.7
Current account balance (% GDP)	-6.8	-7.6	-11.7	-8.5
Public debt (% GDP)	69.5	67.7	83.3	83.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	70%
KOSOVO	10%
NORTH MACEDONIA	3%
CHINA	2%
MONTENEGRO	2%

Imports of goods as a % of total

EURO AREA	50%
TURKEY	10%
CHINA	9%
SERBIA	4%
SWITZERLAND	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

- Small, open and poorly diversified economy
- Unfavourable demography: ageing and immigration
- Large albeit shrinking informal economy (one-third), which undermines government revenues
- Poverty, low priority given to education, low-skilled workforce
- Dependence on rainfall: agriculture (one-fifth of GDP for 42% of jobs) and hydroelectricity (98% of electricity) and exposure to seismic risk
- Inefficient and politicised court system and administration
- Corruption and organised crime, in some cases linked to drug trafficking

RISK ASSESSMENT

A recovery constrained by external factors

In 2021, the recovery will be mainly supported by household consumption and public investment in reconstruction efforts following the earthquake at the end of 2019. Household consumption, the mainstay of demand, is expected to grow in the second half of the year with the lifting of restrictions aimed at preventing the spread of the pandemic. Low inflation, which is still below the central bank's 3% target, should benefit households, as should the central bank's accommodative policy (rate set at 0.5% since March 2020). However, this private demand will be adversely affected by the high unemployment rate (14.5% at the end of 2020), the large informal economy, which lessens the impact of government aid, and low remittances from Albanian expatriates in Italy and neighbouring countries. Public expenditure will be primarily directed towards investment in infrastructure to complete the post-earthquake reconstruction efforts, which have been hampered by lockdown measures. The need for fiscal consolidation should, however, constrain these investments. Private investment will be largely carried out by foreign investors, who dominate the market, and will remain concentrated in the extractive industry (oil, ore), construction (especially tourism) and telecommunications services. Most of the investment comes from Switzerland, the Netherlands and Canada and is likely to be affected by the climate of uncertainty and the sluggish recovery in Europe. External demand is expected to contribute only marginally to the recovery, held back by persistently weak activity in Italy, the main buyer of manufactured goods and the number-one source of tourist flows in the country. For the same reason, sectors linked to tourism (27% of GDP in total) will continue to be affected by obstacles preventing people from travelling. Agriculture will again be one of the mainstays of the economy (18.7% of GDP in 2019). The extractive industries (oil, ore) are also expected to grow, driven upwards by higher average prices. Manufacturing industry, which is chiefly focused towards low value added goods, such as clothing, should remain constrained by activity in the country's main partner, Italy.

Fiscal consolidation needed and a fragile but sustainable external position

While fiscal consolidation had begun to stall in 2017 with the end of the IMF programme, the pandemic and successive aid plans derailed the trajectory of public finances. In 2021, the government will continue its consolidation strategy, aiming to broaden its tax base and make tax collection more efficient. The planned increase in civil servants' salaries should, however, limit the reduction in the deficit, which will be financed through domestic channels with withdrawals from central bank and bank deposits, as well as through multilateral loans (following disbursements by the European Commission and other EBRD-type project loans). The public debt will remain sustainable, although the gross borrowing requirement is high because of the shorter maturity of its domestic share (50% of the total), which entails a refinancing risk. However, this risk will remain limited thanks to access to multilateral donors (EBRD) and continued low interest rates on international markets as observed at the time of the June 2020 issue. Moreover, external debt remains largely concessional (52% of the total).

The trade deficit (23% of GDP) is expected to increase in 2021 with a rise in imports following the recovery in domestic demand, particularly for high value added goods and to meet reconstruction efforts. This revival will exceed the pick-up in exports (textiles, footwear, oil, ore, electricity), which are being affected by muted Italian demand, notwithstanding strong agricultural exports. Exports of services should continue to be hampered by the dismal performance of the tourism sector, while imports of support services for reconstruction work will increase. The current account deficit is expected to narrow thanks to an increase in the transfer surplus, supported by financial aid, as well as the recovery, albeit moderate, in expatriate remittances. The financing requirement should be covered by foreign direct investment and multilateral aid. Multilateral loans and the aforementioned bond issue have made it possible to replenish foreign exchange reserves (equivalent to 5.3 months of imports at the end of 2020), supporting the lek exchange rate.

Tensions run high in an election year

While the political climate had been tense since the 2017 elections, the November 2019 earthquake and the crisis linked to the COVID-19 pandemic have created a highly unstable situation in the run-up to the legislative elections scheduled for April 2021. With the Socialist Party led by Prime Minister Edi Rama in power, the main opposition parties left parliament in February 2019 in an attempt to move the centre of the political scene to the streets. Tensions are running high in connection with implementation of an electoral reform negotiated with the extra-parliamentary opposition and demanded by the European Union before opening accession talks. The outcome of the battle will be decided in the first few months of 2021. The winner will have much to do to improve administrative and judicial efficiency, and fight corruption, organised crime and smuggling between Albania and Italy.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	43.4
GDP PER CAPITA US Dollars - 2019	3,898
CURRENCY Algerian dinar	DZD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	0.8	-6.5	3.0
Inflation (yearly average, %)	4.2	1.9	3.5	3.8
Budget balance (% GDP)	-6.9	-8.6	-13.5	-12.0
Current account balance (% GDP)	-9.6	-10.1	-13.0	-11.5
Public debt (% GDP)	38.2	46.3	57.2	66.6

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	56%
UNITED STATES	8%
TURKEY	8%
UNITED KINGDOM	7%
BRAZIL	5%

Imports of goods as a % of total

EURO AREA	29%
CHINA	17%
SOUTH AFRICA	8%
TUNISIA	5%
ARGENTINA	3%

+

- Major oil and gas reserves; significant potential for shale gas development
- Potential in agriculture, renewable energies and tourism
- Favourable geographical position, close to the European market

-

- Heavily dependent on hydrocarbon revenues
- High youth unemployment rate; few opportunities for graduates
- Overly large public sector
- Acute political and social crisis triggered in 2019
- Dilapidated infrastructure
- Red tape, financial sector weaknesses and an uncertain business environment

RISK ASSESSMENT

Recovery linked to the future of the hydrocarbon market

Algeria went into recession in 2020 because of the COVID-19 crisis. The country is heavily dependent on the hydrocarbon sector (21% of GDP and 93% of exports) and had to contend with the collapse of hydrocarbon prices linked to weak global demand and the constraints of the OPEC+ agreement on oil production. Furthermore, in order to curb the COVID-19 epidemic, the government imposed lockdown measures in February 2020, which included cancelling commercial flights. This was followed by the closure of schools, businesses, restaurants and borders. In 2021, activity should gradually pick up again. While they should be higher than in 2020, hydrocarbon prices and demand are expected to remain below their pre-crisis levels, which will continue to impact export revenues (21.6% of GDP). Moreover, despite a modest increase in OPEC+ production quotas, the restrictions under the agreement will continue to constrain oil production in 2021. After falling back significantly in 2020, due to rising unemployment (16.5% in 2020 versus 12% in 2019) and the decline in diaspora remittances (1.1% of GDP) as a result of the health crisis in Western Europe, household consumption (44% of GDP) will recover slightly in 2021, as the government has introduced social assistance, which, despite being worth only 0.4% of GDP, should provide a small boost. However, consumption is expected to grow timidly due to persistent political and economic uncertainty, as well as the still high unemployment rate. Investment (37% of GDP), especially public investment, which is mainly concentrated in hydrocarbons, infrastructure and housing, was frozen. In 2021, investment is expected to pick up but only slightly due to difficult budgetary conditions and economic uncertainties, despite the repeal in June 2020 of the law imposing a 49% cap on foreign interest in Algerian firms, excluding strategic sectors, as well as new support to start-ups.

Domestic debt and erosion of foreign exchange reserves

With COVID-19, the government increased its spending on health (0.2% of GDP) as well as on social and economic aid as part of a support plan (1% of GDP). At the same time, tax revenues (41% from hydrocarbons) fell. Despite cuts in capital and current expenditures (excluding subsidies representing more than 8% of GDP), the traditional public deficit widened. In 2021, it is expected to shrink only slightly, as spending to support the economy should remain high, while revenues are set to increase only slightly. External indebtedness will remain low (less than 1% of GDP), although Algeria may seek multi- or bilateral assistance to finance the large deficit. The country could also resort to central bank financing, which ceased in 2019.

The current account deficit also widened, due to the large trade deficit, which increased following the crisis and the decline in hydrocarbon exports. Admittedly, Algeria recorded a decline in imports linked to weaker domestic demand as well as the tightening of import conditions in order to save foreign currency, but not enough to compensate. In 2021, the deficit is expected to narrow only modestly. Despite the slight rebound in exports, imports will resume in line with the recovery in domestic demand. This deficit will continue to be financed by drawing on the foreign exchange reserves, which have fallen sharply (equivalent to 12 months of imports at the end of 2019, but only eight months at the end of 2020), continuing their decline since 2014. FDI will remain low. However, the removal of the cap on foreign equity interest in local companies and the obligation to find a local partner, as well as the ability to obtain foreign financing, could generate additional FDI in the long-term, except in the mining sector, hydrocarbons, electricity transmission, railways and retail trade, which are excluded. As a result, investors, which sometimes tire of working with the national company, Sonatrach, are likely to continue to be lukewarm on the hydrocarbon sector.

Increased political instability

Faced with large-scale protests, which began in February 2019 after he announced his candidacy, President Abdelaziz Bouteflika, who had been in power since 1999, was forced to resign in April 2019. Regular demonstrations (known as the Hirak movement) continued, forcing two postponements of the presidential election, which finally took place in December 2019. Abdelmajid Tebboune, Bouteflika's prime minister in 2017, emerged victorious. He is trying to distinguish his administration from that of his predecessor through greater transparency. He also committed to responding to the Hirak movement's demands by initiating a constitutional reform, which was approved by a referendum on 2 November 2020, although turnout was low (23.7%). The government hopes that the parliamentary election, which took place at the end of 2020, and the constitutional reform will alleviate the political and social risk. Widespread poverty, the lack of employment opportunities and the difficult economic context, all of which have been exacerbated by the health crisis, plus the feeling that nothing is really changing in governance, will likely fuel discontent. Military and government tolerance for unrest may decrease and security measures may be strengthened. Furthermore, the major role played by the army on the domestic scene could increase externally against a backdrop of incursions by jihadists from Libya and Mali, as well as the disagreement with Morocco over the Western Sahara.

ANGOLA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	30.1
GDP PER CAPITA US Dollars - 2019	2,968
CURRENCY Angolan kwanza	AOA

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-2.0	-0.9	-4.0	2.0
Inflation (yearly average, %)	19.6	17.2	21.0	19.0
Budget balance (% GDP)	2.2	0.8	-2.5	-0.3
Current account balance (% GDP)	7.0	5.7	-1.7	0.1
Public debt (% GDP)	89.0	110.0	125.0	115.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	68%
INDIA	8%
EURO AREA	6%
SEYCHELLES	3%
ISRAEL	2%

Imports of goods as a % of total

EURO AREA	31%
CHINA	18%
SOUTH KOREA	7%
BAHAMAS	6%
BRAZIL	4%

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

- Very high public debt (55% commercial, with interests absorbing on third of revenues)
- Vulnerable to an oil price reversal
- High unemployment, high social inequalities, poverty (56% in 2020) and regional disparities
- Deficient infrastructure (transport, water supply and sanitation, education)
- Low-skilled workforce
- Fragile banking sector
- Conflict with separatists in the Cabinda enclave

RISK ASSESSMENT

Recovery mainly driven by hydrocarbons, despite diversification efforts

The Angolan economy recorded a recession for the sixth consecutive year in 2020 because of the COVID-19 crisis. Highly dependent on the hydrocarbon sector (40% of GDP and 96% of exports), the country had to contend with the collapse of oil prices and restrictions under the OPEC+ production agreement. In 2021, Angola's economic growth should gradually resume in line with the recovery in oil demand and the modest increase in its production quotas. However, production will continue to be constrained by the underinvestment of recent years and OPEC+ restrictions. The government is trying to diversify the economy by developing other sectors such as agriculture (11% of GDP but 50% of the labour force). This sector has great potential and has been underdeveloped for years (just five out of 53 million hectares of arable land in use). Accordingly, it could attract a lot of foreign investment.

Household consumption (58% of GDP) declined sharply because of high inflation driven by kwanza depreciation and the lack of foreign exchange, falling incomes and rising unemployment (more than 30% in 2020 against 20% in 2018). To limit the impact on people, the government implemented social assistance measures as part of a stimulus plan, which also included health spending (worth USD 120 million). This plan, coupled with milder inflationary pressures and increased agricultural incomes linked to the good harvest in 2020, will enable domestic demand to recover in 2021. Foreign investment, which had been negative for several years due to the lack of economic diversification, endemic corruption and the difficult business climate, remained negative in 2020 and is not expected to pick up again in 2021, with privatisations on hold given the economic situation. Back in 2018, to attract FDI, the government implemented a privatisation programme covering many oil and diamond companies, including Sonangol and Endiama. Public investment will continue to be constrained by the resumption of fiscal consolidation.

Recovery of current account and public balances

The current account balance, which had been in surplus since 2018, went into deficit in 2020 because of the fall in oil exports, which was not offset by the decline in imports linked to weaker domestic demand. The services and income deficits, which are largely related to oil activity, shrank in line with the significant decline in activity in the sector. In 2021, a small surplus is expected due to the modest upturn in oil exports. However, with imports also recovering, the current account will not return to pre-crisis levels.

The public balance also showed a deficit in 2020 due to the decline in revenues, which was cushioned by the introduction of VAT in October 2019, and increased spending in response to the pandemic. However, the government slashed non-essential spending, which limited the deficit. In 2021, the deficit is expected to shrink as government revenues recover and budget cuts continue. Furthermore, Angola is covered until end-2020 by an IMF programme, through which it obtained, under an Extended Credit Facility, a loan of USD 3.7 billion, which was increased in September to USD 4.5 billion to enable the country to cope with the pandemic and finance a portion of its large deficit. After soaring in 2020, public debt, which is more than 80% denominated in foreign currency, is expected to decline in 2021. Nevertheless, the risk of default remains substantial, as the debt is highly vulnerable to currency depreciation and oil price fluctuations. The external portion benefited from the G20 debt service suspension initiative (2% of GDP) as well as from the restructuring of the portion owed to China (45%). Finally, the kwanza depreciated sharply in 2020, falling by 29% against the dollar. In 2021, pressure on the kwanza will ease as exports make a partial recovery.

Despite reforms, socio-economic challenges have been exacerbated by COVID-19

Since taking office in 2017, President João Lourenço has initiated numerous reforms (National Development Program 2018-2022) aimed at erasing his predecessor's influence. Nevertheless, significant socio-economic challenges remain, and multiple sources of tension persist for a population suffering from poverty, ongoing inequalities and poor access to housing, education and health services. Tensions came to head in October 2020 as demonstrations were held to protest about the government's failure to curb corruption and revive the economy. These demonstrations were violently repressed by the government, which will increase social and political instability in 2021.

On the external front, the president is seeking to maintain Angola's position as a regional power and to strengthen its ties with neighbouring countries through the African Continental Free Trade Area agreement, which was supposed to come into force in July 2020, but which was postponed due to the health crisis and the protectionist policies of many signatory countries. Relations with China are also expected to remain strong.

ARGENTINA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	44.9
GDP PER CAPITA US Dollars - 2019	9,890
CURRENCY Argentine peso	ARS

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-2.6	-2.1	-11.0	3.0
Inflation (yearly average, %)	34.3	53.5	45.4	42.4
Budget balance (% GDP)	-5.2	-3.8	-8.9	-5.5
Current account balance (% GDP)	-5.2	-0.9	1.5	1.0
Public debt (% GDP)	89.8	93.8	117.3	118.3

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	16%
CHINA	11%
EURO AREA	10%
UNITED STATES	6%
CHILE	5%

Imports of goods as a % of total

BRAZIL	21%
CHINA	19%
EURO AREA	15%
UNITED STATES	13%
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
- Capital controls were tightened, in order to curb dropping foreign exchange reserves
- Dependence on agricultural commodity prices and weather conditions
- Sticky and skyrocketing inflation
- Bottlenecks in infrastructure

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	VERY HIGH
CHEMICAL	HIGH
CONSTRUCTION	VERY HIGH
ENERGY	HIGH
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 set to shyly emerge from a three-year recession

The first COVID-19 case was reported on 3 March 2020, bringing the government to implement a strict nationwide quarantine from 20 March 2020 onwards. Initially, this scheme proved quite efficient, as the COVID-19 contagion rate was relatively lower than in some other major Latin American economies. Nonetheless, daily new cases started to rise again in end-May 2020, only reaching a peak in end-October 2020. In order to try to mitigate the negative spillover effects on activity, policymakers implemented fiscal stimuli totalling roughly 6% of GDP. In 2021, the economy is likely to register a modest rebound. Growth should be mainly driven by the gains linked to the expected end of the COVID-19 pandemic, favouring sectors highly affected by physical distancing requirements (such as services related to accommodation and leisure). Household consumption is likely to register a weak improvement, since the sticky high inflation and weak job market conditions will continue to erode purchasing power. Private investments should also perform quite similarly, as the high idle capacity, strong capital controls, and the lack of a clear economic policy are relevant hindrances. Moreover, the sensitive fiscal situation limits the space for an increase in public expenditure. Downside risks are mainly related to the evolution of the COVID-19 pandemic in the country and the limited net foreign currency reserves that may further increase capital controls.

Current account surplus vs. challenging fiscal situation

The current account deficit switched into a surplus in 2020, mainly driven by a strong narrowing of the income deficit (thanks to lower profits and dividends transferred abroad). Conversely, the rise in the trade surplus observed in the first months of the crisis started to revert later in the year. The lack of confidence in the local currency and the fear of a strong devaluation have led some exporters (notably grain farmers) to hold off sales and some industries to advance purchases of imported commodities. In fact, the country continued to run out of foreign exchange reserves. As of early December 2020, gross reserves stood at USD 38.7 billion, with net currency reserves (deducting the central bank's foreign borrowing from BIS, China and dollar reserve requirements) at a much lower level (at roughly USD 4.8 billion). This has increased the stakes that the central bank will either raise controls, which have failed to contain the currency's decline, or allow a large devaluation of the official exchange rate. On the fiscal side, in August 2020, the government reached an agreement with private creditors to restructure USD 66 billion in debt under foreign legislation (equivalent to 26% of debt in foreign currency). Furthermore, it also applied the same changes to USD 42 billion in dollar bonds under Argentine law. Additionally, the government aims to conclude an agreement with the IMF, probably by the end of Q1 2021, to restructure its USD 44 billion debt (part of the USD 57 billion Stand-By Agreement). The IMF will probably request a credible fiscal consolidation program within an Extended Credit Facility, such as lowering the fiscal deficit by cutting into public expenditure and reducing its monetary financing. Indeed, before receiving the IMF envoys in November 2020, policymakers indicated that the government could pursue a primary fiscal deficit for this year below the current 4.5% target. The reduction of stimuli related to COVID-19 and the suspension of the utility tariff freeze would help on this matter.

A credible economic program is still pending

President Alberto Fernandez's prompt decision to impose a lockdown proved positive for his approval rating, which reached a peak of 64.3% in April 2020 (according to the political and economic consultant Ecolatina). Nonetheless, with the prolongation of the pandemic and its economic consequences, his popularity declined below the pre-pandemic level (at 36.5% as of September 2020). In fact, support could fall further, as the poverty rate has increased because of COVID-19 (at 40.9% in H1 2020). Additionally, in December 2020, Congress approved a wealth tax that stipulates a one-off tax of at least 2% on individuals with assets over USD 2.45 million. The aim is to collect around USD 3.7 billion in order to fund measures taken to face the negative impacts of COVID-19. However, the opposition groups argue that it will discourage foreign investment, and that it would not be a one-time tax. Finally, legislative elections will take place in October 2021, when 127 out of the 257 seats in the Chamber of Deputies will be renewed, as well as 24 out of the 72 seats in the Senate. According to polls of November 2020 from Consultant Giacobbe y Asociados, 50.4% of the population wants the incumbent coalition to lose the elections.

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 that facilitates a fast track legal proceeding.

For international commercial transactions, the most common payment instrument is Bank transfer via SWIFT. Since December 2019, the new government has implemented restrictions on foreign exchange and fund transfers from Argentina. Payments to related companies abroad are not allowed.

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	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	3.0
GDP PER CAPITA US Dollars - 2019	4,605
CURRENCY Armenian dram	AMD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.2	7.6	-7.3	1.0
Inflation (yearly average, %)	2.4	1.4	1.0	2.1
Budget balance (% GDP)	-1.8	-1.0	-7.0	-5.6
Current account balance (% GDP)	-6.9	-7.2	-6.0	-6.5
Public debt (% GDP)	51.2	49.9	63.1	69.4

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	28%
SWITZERLAND	17%
EURO AREA	13%
BULGARIA	8%
CHINA	7%

Imports of goods as a % of total

RUSSIA	27%
EURO AREA	17%
CHINA	14%
IRAN	6%
UNITED STATES	5%

+

- Significant mining resources (gold, copper, molybdenum, zinc)
- Comfortable foreign exchange reserves and relative flexibility of the dram's exchange rate
- Significant financial support from international organisations, including the International Monetary Fund (IMF)
- Member of the Eurasian Economic Union (EAEU) and Partnership Agreement with the European Union (EU)
- Will to reform in terms of corruption, justice and competition

−

- Dependence on minerals (50% of exports and 10% of GDP), despite ongoing diversification
- Strong dependence on Russia in terms of security, trade (first partner), remittances (63% of total) and FDI (37% of total)
- Banking system still highly dollarized (42% of deposits and 48% of loans)
- Persistently high levels of poverty (30% of the population) and unemployment (24%)
- Geographic isolation aggravated by a lack of infrastructure and the closure of two out of four borders
- Armed conflict with Azerbaijan around the enclave of Nagorno-Karabakh, which may give rise to occasional clashes, even after the ceasefire of 9 November 2020

RISK ASSESSMENT

Military defeat weakens the government

27 September 2020 marked the resurgence of the armed conflict that has opposed Armenia and Azerbaijan for thirty years in Nagorno-Karabakh. This six-week confrontation was the deadliest since the 1994 war, which led to the proclamation of the independence of this enclave which, although internationally recognised as Azerbaijani territory, was at the end of the war populated by Armenians and under the control of forces supported by Armenia. After several unsuccessful attempts, a ceasefire was concluded on 9 November 2020 under the aegis of Russia, leading to the end of hostilities and restoring Azerbaijan's control over the majority of the territories of Nagorno-Karabakh. While both sides may respect the agreement in the short-term, occasional clashes cannot be excluded. This agreement has been badly received by parts of Armenian public opinion, giving rise to demonstrations organised by the opposition parties demanding the resignation of Prime Minister Pashinyan and his government. Appointed in May 2018 after the Velvet Revolution, which forced the party that had governed for twenty years to relinquish power, he had until then enjoyed strong popular support and support from his coalition, the "My Step" Alliance, which holds 2/3 of the seats in Parliament. While this majority has allowed him to remain in power, his resignation and early elections in 2021 are possible. The implementation of his reform agenda is uncertain. Nevertheless, measures have already been adopted, such as a law facilitating the lifting of banking secrecy or the creation in 2021 of an independent entity responsible for the detection and investigation of corruption offences. A referendum to replace seven of the nine judges of the Constitutional Court is scheduled for the summer of 2021 and may indirectly address Pashinyan's legitimacy.

A sluggish recovery driven by domestic demand

The double shock of the pandemic via, for instance, the lockdown from mid-March to mid-May 2020, and the armed conflict leading to the introduction of martial law, put an end to three years of robust growth. After the recession of 2020, the country is expected to experience very weak growth in 2021. Services (54% of GDP) are expected to rebound slightly and private consumption (82% of GDP) to make a positive but small contribution to growth, thanks notably to the rebound in expatriate remittances (11% of GDP) from Russia (63% of total) and the United States (14%) since August 2020. On the other hand, real wage growth is expected to remain weak and unemployment high, and pressure on the labour market is likely to increase with the arrival of refugees from Nagorno-Karabakh. While individuals could rely on exceptional money transfers in 2020, the reform plan announced in early December 2020 (and to be implemented by June 2021), focusing in particular on social assistance to the victims of the conflict, should have a limited impact. Furthermore, investment (18% of GDP) is still expected to contribute negatively to growth. Constraints on the state budget are expected to result in limited investment, as are state-guaranteed loans in 2020 to businesses in the affected sectors, including tourism (14% of GDP) and agriculture (12% of GDP).

Growth in credit to the private sector (62% of GDP) is expected to slow. Boosted by the fall in the central bank's policy rate in March-November 2020, which returned to its pre-crisis level in December 2020 (5.25%), it could be limited by the risk of an increase in non-performing loans (6.9% of the total in November 2020). Adding the depreciation of the dram and the moderate recovery in oil demand and prices, inflation should increase slightly in 2021 whilst remaining below the central bank's target of 4%.

Trade is expected to contribute negatively to growth. Poorly diversified exports (41% of GDP), driven in particular by the good performance of gold (12% of the total) and copper ore (24%), should be offset by the rebound in imports (54.5% of GDP), capital goods (20.5% of the total) and oil (12%).

Account consolidation will wait

After narrowing thanks to the decline in the trade deficit, which more than offset the decline in remittances and diaspora tourism, the current account deficit is expected to widen slightly in 2021 due to the rebound in imports. While FDI, which is declining, should finance the deficit to a lesser extent, external debt will take over. Foreign exchange reserves remain comfortable (USD 2.2 billion in November 2020, 5.4 months of import coverage), but have nevertheless declined by USD 424 million over January-November 2020, notably to offset the slow but steady depreciation of the dram since the end of September 2020. It will weigh on the external debt-to-GDP ratio (99%), although largely medium- and long-term and concessional in nature.

While fiscal consolidation had been undertaken since 2016, public accounts were severely impacted in 2020 by the increase in military and social spending, particularly with the support plan (2.3% of GDP). After activation of the safeguard clause of the fiscal rule for 2020, spending is expected to decline and the deficit to reduce slightly in 2021. It should be financed by external debt from private actors and multilateral donors, at the cost of a further significant increase in the public debt-to-GDP ratio. Although exclusively medium- and long-term, it is 72% denominated in foreign currency.

AUSTRALIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	25.5
GDP PER CAPITA US Dollars - 2019	54,348
CURRENCY Australian dollar	AUD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.7	1.8	-3.0	3.5
Inflation (yearly average, %)	1.9	1.6	0.7	1.3
Budget balance* (% GDP)	-1.2	-3.9	-10.0	-10.5
Current account balance (% GDP)	-2.1	0.6	1.8	-0.1
Public debt* (% GDP)	41.7	46.3	60.4	70.2

(e): Estimate. (f): Forecast. * FY 2021 : July 2021-June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	38%
JAPAN	15%
SOUTH KOREA	6%
UNITED KINGDOM	4%
UNITED STATES	4%

Imports of goods as a % of total

CHINA	26%
EURO AREA	14%
UNITED STATES	12%
JAPAN	7%
THAILAND	5%

+
- Geographic proximity to dynamic Asian economies
- Attractive quality of life, with immigration contributing to population growth
- Rich endowment of mineral resources
- Moderate levels of public debt
- High tourism potential

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

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Recovery with downside risks

Growth is set to rebound gradually in 2021, although persistent downside risks might point to a longer recovery. The lockdown measures and curfews imposed by the government in March and July of 2020 weighed on household consumption (55% of GDP) through a rise in unemployment, which stood at 6.8% in November 2020 after peaking at 7.5% in July. The household savings ratio climbed to 18.9% in Q3 (22.1% in Q2) compared to 6.2% at the same period of 2019. These savings should partly cushion the household debt - already high before the pandemic - that worsened and reached 121.4% of GDP in Q2, nearly twice of disposable income. Looking ahead, household consumption recovery is therefore likely to remain soft in 2021, considering the high level of debt and the unemployment rate, which are unlikely to be absorbed quickly in the context of moderate growth. Furthermore, international and domestic tourism (10% of GDP before the crisis), hard hit during the pandemic, is unlikely to recover until the second half of 2021, as international borders remain closed. The housing market is set to improve in 2021 due to the increase of home price indexes in Sydney and Brisbane in the second half of 2020, as consumer and business confidence gradually improved. This was driven by interest rate cuts by the Reserve Bank of Australia (RBA) to reach a record low of 0.1%, which reduced mortgage repayment costs. The construction industry (9% of GDP) should also benefit from it. Inflation should slightly increase, but remain below pre-COVID-19 levels and the RBA's target range of 2-3%, as consumption, which would be emerging from the pandemic, is likely to remain sluggish. On the external front, exports (22% of GDP) should remain moderate and under pressure in 2021 due to weak global trade and the ongoing trade war with China, the main trade partner. That being said, some exports should cushion the blow. Iron ore prices and demand, which are unlikely to be concerned by tariffs, will be driven by China's recovery in infrastructure and Australia will remain the largest iron ore supplier to China.

Record high budget deficit

The government should register a record high budget deficit in 2020 and 2021 in order to boost consumption and employment, which were wiped out by strict containment measures. For the fiscal year 2021 (July 2020-June 2021), the budget includes measures (8% of GDP) that cover tax relief for low and middle-income classes, and that bolster hiring, especially among the youth. Debt is expected to increase, but external risks should be limited as foreign investors held 53.1% of the debt as of June 2020 , and this figure is set to drop further as, in November 2020, the RBA started to purchase Australian Government securities (AGS) on the secondary market under the AUD 100 billion bond purchase program.

The current account surplus, which surged in 2020, should fade away in 2021, dragged down by a decreasing surplus in the balance of goods and services. Goods imports should recover faster than exports, as the easing of containment measures should revive domestic demand. The expected rise in exported commodity prices will not suffice to match the increase in imports, as coal exports will be hurt by unofficial Chinese embargo. Furthermore, export of services should drop as well. The intensification of tensions between Australia and China will probably affect services trade with China, which is largely composed of education (27% of total students in 2020) and tourism (16% of total visitors). Moreover, the usual secondary income deficit, which fell in 2020 due to the decrease in dividend repatriation by mining companies and interest payments on external debt - mostly private (mining companies, banks, property sector) and denominated in Australian dollars - should increase slightly in 2021. The capital and financial account deficit will remain negative, as foreign direct investment and overseas borrowing feed liabilities, and the negative international investment position reached 40% of GDP, making Australia one of the largest debtors globally.

Political instability on the rise

The centre right Liberal-National coalition led by Scott Morrison, which was elected in the federal election of May 2019 and secured 77 out of 151 seats in the lower house, started its third consecutive term in office until 2022. This should allow Prime Minister Scott Morrison to continue his policy agenda, which focuses on tax cuts and the maintenance of a balanced government budget. However, the administration's response to the bushfires in 2020 (unwillingly admitting that climate change played a role) combined with the strict restrictions in response to the pandemic fuelled a growing distrust among Australians. On the external front, the relationship with China worsened when Australia called for a global and independent investigation over the pandemic's origins at the World Health Organization's annual meeting in May 2020.

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 proceedings. Parties in the Federal Court and Federal Circuit Court must file a "genuine steps" statement. 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 four to six 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 50,000 Tasmania (Tas), AUD 75,000 Western Australia (WA), AUD 100,000 (NSW, Vic, South Australia (SA)), AUD 150,000 (Qld) or AUD 250,000 (Australian Capital Territory (ACT), Northern Territory (NT)). 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 250,000 in the NT; AUD 250,000 in ACT; 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.

Bankruptcy: creditors who have a judgment debt in excess of $5,000 can serve the debtor with a bankruptcy notice. The debtor must pay the debt or apply to set aside the bankruptcy notice within 21 days of service, otherwise the debtor will be presumed insolvent. The creditor can apply to the Federal Circuit Court to bankrupt and appoint a bankruptcy trustee to the debtor's estate. The trustee collects, protects and realises the debtor's assets into cash, keeps the creditors informed about the debtor's affairs and distributes any proceeds of sale of the debtor's assets. Generally, bankruptcy lasts for three years, but can be extended if the debtor does not co-operate with the trustee.

NUMBER OF CORPORATE INSOLVENCIES

Source: Australian Securities and Investment Commission, Coface

COFACE ASSESSMENTS	
COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	8.9
GDP PER CAPITA US Dollars - 2019	50,380
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	1.4	-7.0	4.0
Inflation (yearly average, %)	2.1	1.5	1.2	1.5
Budget balance (% GDP)	0.2	0.7	-10.0	-5.0
Current account balance (% GDP)	2.3	2.8	2.0	2.5
Public debt (% GDP)	74.0	70.3	85.0	84.0

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	29%
ITALY	6%
UNITED STATES	6%
SWITZERLAND	5%
FRANCE	4%

Imports of goods as a % of total

GERMANY	41%
ITALY	6%
CZECHIA	4%
NETHERLANDS	4%
SWITZERLAND	4%

+
- Industrial and tertiary diversification; high added value
- Comfortable current account surplus
- 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 (federal, Länder, municipalities)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Gradual recovery of growth

The Austrian economy entered a deep recession in 2020 because of COVID-19. The country, which has been affected by the pandemic since March, implemented strict lockdown measures to limit the health consequences, but these have impacted the economy. Like most European countries, Austria then faced the second wave in the autumn, further slowing economic growth in 2020. In 2021, the conditions for an economic recovery seem to be in place, but could again be disrupted. Indeed, the virus is continuing to circulate actively on the European continent and the possibility of a third wave remains. Thus, travel restrictions are expected to continue to weigh on the country in early 2021 and recovery is expected to be slow and gradual.

Austria has been mainly affected by the decline in household consumption, the driving force of its economy (52% of GDP), which has been considerably reduced because of the economic crisis that has led to an increase in unemployment (10% in 2020 compared to 7.4% in 2019) and a drop in income. In order to limit the impact on households, the government, supported by the ECB, has put in place a budget support plan amounting to 13% of GDP. In addition to aid allocated to the medical sector and businesses, the plan includes assistance for households, such as, for instance, deferring the payment of social security contributions and debt servicing, short-time work and the reduction from 25 to 20% of the first bracket of income tax, retroactive to January 2020. Part of this aid has been extended until March 2021, which is expected to stimulate household consumption this year. However, consumption will remain below its pre-crisis level due to a still high household savings rate. Households are expected to continue to consume cautiously.

Furthermore, Austria is affected by the decline in tourism receipts, which account for 15% of GDP. Indeed, lockdown measures and border closures during the second wave prolonged the mobility crisis and had a significant impact on winter tourism. The government has allocated significant financial assistance, especially since tourism is not expected to resume before the spring of 2021, as the virus is still circulating.

Investment (24% of GDP in 2019), hitherto dynamic in all segments, has reduced sharply in 2020 due to COVID-19, except for the public sector, as the budget plan includes a sum dedicated to the latter, mainly in the healthcare system, climate and digital segments. In 2021, investment is expected to resume, but only slightly for housing and research and development, with the public component maintaining its pace. FDI (2.4% of total investment) has also contracted because of COVID-19. In 2021, it is expected to remain low, as economic uncertainties will persist.

Decrease in the public deficit and maintenance of the current account surplus

The traditional public surplus turned into a deep deficit in 2020, following the increase in government spending to cope with the crisis in a context of declining revenues. Indeed, the recovery plan is consequent and concerns many actors and economic sectors in the country. In 2021, the deficit is expected to decline due to gradual fiscal adjustments but will remain substantial due to the extension of certain support measures. The decline in public debt has slowed sharply because of the deficit in 2020. Its reduction will resume in 2021.

The current account surplus shrank in 2020 as a result of the sharp decline in the services surplus linked to the decline in tourism. The trade surplus has changed little, since the significant decline in exports (mainly automotive, electrical and electronic equipment, steel, wood and paper, pharmaceuticals, machinery) was offset by the concomitant reduction in domestic demand and, thus, imports. Remittances from foreign workers continued to sustain the high deficit in secondary income, while the investment income balance remained in balance with an equivalent decline in the proceeds of Austrian investments abroad and foreign investments in the country. In 2021, the current account balance will be close to its pre-crisis level, due to the recovery of international trade, even if constrained by the moderate recovery of the main European partners and a partial recovery in tourism. Recurrent surpluses have given Austria an external credit position.

Coalition government between the ÖVP and the Green

Early elections were held in September 2019, following which the ÖVP, the conservative Christian Democratic Party, once again became the largest party (37.5% of the vote). It began negotiations to form a coalition with the Greens, who came fourth. In January 2020, ÖVP and the Greens reached an agreement to form a coalition government. They have 71 and 26 seats out of 183 in the Nationalrat (Lower House), respectively. Mr Kurz, leader of the ÖVP, remained Chancellor. The two parties are very disparate and are likely to make compromises, particularly on immigration and climate. Kurz's options were limited because the other two major parties, the Social Democratic Party (SPÖ) and the nationalist FPÖ, had withdrawn from the preliminary talks and regional governors belonging to the ÖVP, which has significant influence in that party, supported an ÖVP-Green partnership. However, the inexperience of the Green ministers and the significant influence of the ÖVP could hamper the effectiveness of the government.

PAYMENT & DEBT COLLECTION PRACTICES IN AUSTRIA

Payment

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

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

Debt Collection

As a rule, the collection process begins with the debtor being sent a demand for payment by registered mail, reminding him of his obligation to pay the outstanding sum plus any default interest stipulated in the sales agreement or terms of sale.

Where there is no interest rate clause in the agreement, the rate of interest applicable semi-annually from August 1, 2002 is the Bank of Austria's base rate, calculated by reference to the European Central Bank's refinancing rate, marked up by eight percentage points.

Fast-track proceedings

For claims that are certain, liquid and uncontested, creditors may seek a fast-track court injunction (*Mahnverfahren*) from the district court *via* a pre-printed form. The competent district court for this type of fast-tract procedure expedites the requisite action for ordinary claims up to €75,000 (previously €30,000).

With this procedure, the judge will issue an injunction to pay the amount claimed plus the legal costs incurred. If the debtor does not appeal the injunction (*Einspruch*) within four weeks of service of the ruling, the order is enforceable relatively quickly.

A special procedure (*Wechselmandatsverfahren*) exists for unpaid bills of exchange under which the court immediately serves a writ ordering the debtor to settle within two weeks. However, should the debtor contest the claim, the case will be tried through the normal channels of court proceedings.

If the debtor has assets in other EU countries, the creditor may request the Vienna Commercial Court to issue a European Payment Order for undisputed debts, enforceable in all EU countries (except Denmark).

Ordinary proceedings

Where no settlement can be reached, or where a claim is contested, the last remaining alternative is to file an ordinary action (*Klage*) before the district court (*Bezirksgericht*) or the regional court (*Landesgericht*) depending on the claim amount or type of dispute. Defendants have four weeks to file their own arguments.

With regards to the regional courts, defendants are expected to put forward their own arguments in response to the summons, and are allowed four weeks to do so.

A separate commercial court (*Handelsgericht*) exists in the district of Vienna alone to hear commercial cases (commercial disputes, unfair competition lawsuits, insolvency petitions, etc.).

During the preliminary stage of proceedings, the parties must make written submissions of evidence and file their respective claims. The court then decides on the facts of the case presented to it, but does not investigate cases on its own initiative. At the main hearing, the judge examines the written evidence submitted and hears the parties' arguments as well as witnesses' testimonies. An enforcement order can usually be obtained in the first instance within about ten to twelve months. The Civil Procedure Code provides that the winning party at issue of the lawsuit is entitled to receive full compensation from the losing party of all necessary legal fees previously incurred.

Enforcement of a Legal Decision

A judgement becomes enforceable when it becomes final. If the debtor does not respect the court's judgement, the court can issue an attachment order or a garnishment order. Alternatively, the court can seize and sell the debtor's assets.

For foreign awards, circumstances may vary depending on the issuing country. For EU countries, the two main methods of enforcing an EU judgment are the European Enforcement Order or under the provisions of the Brussels I regulations. For non-EU countries, judgments are recognized and enforced provided that the issuing country is party to an international agreement with Austria.

Insolvency Proceedings

Out-of court proceedings

Out-of court restructuring efforts and negotiations are usually antecedent to insolvency proceedings. They constitute a means to obtain recapitalization loans in exchange for a secured creditor status.

Restructuring

A pre-requisite for a restructuring proceeding is that the debtor files for the opening and at the same time submits a restructuring plan. This proceeding is either self-administrated or administrated by an administration. For self-administrated restructuring, the debtor must file an application of self-administration complemented by qualified documents and a restructuring plan that provides a minimum quota of 30%.

Liquidation

Liquidation proceedings aim to equitably realise the various creditors' rights. The proceedings are led by a trustee in bankruptcy which takes control of the business, sells the assets, and divides the proceeds among the creditors.

Retention of title

Similar to Germany, Retention of Title is a written clause in a contract, which states that the supplier will retain the ownership over the delivered goods until the buyer made full payment of the price. This usually takes one of three forms:

- **simple retention**: the supplier will retain the ownership over the goods supplied until full payment is made by the buyer;
- **expanded retention**: the retention is expanded to further sale of the subsequent goods; the buyer will assign the claims issued from the resale to a third party to the initial supplier;
- **extended retention**: the retention is extended to the goods processed into a new product, and the initial supplier remains the owner or the co-owner up to the value of its delivery.

AZERBAIJAN

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	10.0
GDP PER CAPITA US Dollars - 2019	4,814
CURRENCY Azerbaijan manat	AZN

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.5	2.2	-4.0	2.0
Inflation (yearly average, %)	2.3	2.7	3.0	3.1
Budget balance* (% GDP)	5.5	8.1	-6.3	-5.8
Current account balance (% GDP)	12.8	9.1	-3.6	4.5
Public debt (% GDP)	18.7	17.7	20.1	20.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	44%
TURKEY	15%
ISRAEL	7%
INDIA	5%
CHINA	4%

Imports of goods as a % of total

RUSSIA	17%
EURO AREA	14%
TURKEY	12%
CHINA	10%
SWITZERLAND	9%

+

- Well-endowed sovereign wealth fund thanks to hydrocarbon production, and the net external credit position of the State
- Significant gas potential in the Caspian Sea
- Launch of gas exports to Europe via Turkey and Greece at the end of 2020
- Strategic position between Europe, Russia and China
- Some institutional improvements (legal security, reduction of petty corruption)

-

- Poor economic diversification, high dependence on hydrocarbons (40% of GDP, 90% of exports and two-thirds of tax revenues), declining oil resources
- Anticompetitive market structures (multi-sectoral conglomerates with strong ties to the State)
- Fragile, opaque and dollarised banking system (32% of loans and 59% of deposits), underdeveloped credit to the private sector (13% of GDP)
- Poor governance (corruption, repression, money laundering, politicisation of the judicial system)
- Armed conflict with Armenia around the enclave of Nagorno-Karabakh which may give rise to occasional clashes, even after the ceasefire of 9 November 2020

RISK ASSESSMENT

Risk of occasional military clashes with Armenia

27 September 2020 marked the resurgence of the armed conflict that has opposed Armenia and Azerbaijan for thirty years in Nagorno-Karabakh. This six-week confrontation was the deadliest since the 1994 war, which led to the proclamation of the independence of this enclave which, although internationally recognised as Azerbaijani territory, was at the end of the war populated by Armenians and under the control of forces supported by Armenia. After several unsuccessful attempts, a ceasefire was concluded on 9 November 2020 under the aegis of Russia, leading to the end of hostilities and restoring Azerbaijan's control over the majority of the territories of Nagorno-Karabakh. While both sides may respect the agreement in the short-term, the risk of occasional clashes cannot be excluded. This resumption of control over Nagorno-Karabakh was strongly supported by Azerbaijani public opinion, allowing President Aliyev, re-elected in April 2018 in an election that was neither free nor fair, to consolidate his regime. It was also with this in mind that, under cover of the pandemic, Aliyev intensified the repression of the opposition and the former senior officials who had served under his four terms and those of his father who preceded him. Since 2017, the latter have been replaced in key positions by members of the new guard, younger, influenced by Western management methods and close to the family of the first lady and vice-president. With power concentrated in the hands of the president, his party, the New Azerbaijan Party (YAP) won the February 2020 parliamentary elections.

A recovery dependent on the pandemic and hydrocarbons

Azerbaijan, which went into recession in 2020, is expected to experience modest growth in 2021. The impact of the armed conflict on economic activity seems to have been limited. Conversely, the almost uninterrupted restrictions since March 2020 and extended at least until the end of January 2021, including the closure of borders and non-essential shops, have strongly affected domestic demand through private consumption (65% of GDP) and services (40% of GDP). Several measures (4.3% of GDP) have cushioned the shock, such as transfers to the individuals and businesses affected in construction, agriculture and tourism, on which limited efforts to diversify the economy are focused. The rebound in demand in 2021, dependent on the pandemic, could be driven by the extension of these transfers, real wage growth and public investment with the start of reconstruction in Nagorno-Karabakh. Overall investment (22% of GDP), concentrated in hydrocarbons, is expected to decelerate.

The fall in demand and oil prices accentuated Azerbaijan's recession. Party to the OPEC+ agreement, it has also agreed to reduce its output from April 2020 to April 2022. Growth in 2021 should still be driven by the recovery of oil exports in terms of value and volume, and by the growth of gas production. The Trans-Adriatic Pipeline (TAP), linking Italy to Greece, has been completed and started operating in October 2020. Connected to the Trans-Anatolian Natural Gas Pipeline (TANAP) between Greece and Turkey, and then to the pipeline between Turkey and the Shah Deniz II field in Azerbaijan, it should enable the first gas deliveries to Europe.

The slight increase in oil and food prices should slightly raise inflation, which should remain within the central bank's target (± 2% around 4%). Despite a restructuring of the banking system following the 2015 crisis, weaknesses remain and limit the effects of the cuts in the policy rate (6.25% in December 2020). The high average lending rate (17%), strong dollarisation, and the risk of asset deterioration (7.2% of non-performing loans in September 2020) limit credit to the private sector. Despite a temporary relaxation of prudential rules, four banks with liquidity problems were closed in 2020.

Reduction of the current account deficit, but not the public deficit

The public accounts, in deficit due to the decline in oil revenues, are expected to remain in deficit in 2021. Spending is expected to remain high, directed towards the potential extension of transfers to individuals and enterprises and the start of the reconstruction of Nagorno-Karabakh. The deficit should continue to be financed by the sale of assets of the SOFAZ sovereign fund (USD 43.2 billion in October 2020, 90% of GDP), as the rule limiting transfers to the budget has been temporarily lifted to accommodate it. The public debt-to-GDP ratio should therefore remain moderate, while the risk associated with state-owned enterprises, whose deficits and debt are covered by the government, remains high. Concerned about the sustainability of their debt, the president has called for their privatisation, with no concrete progress at this stage.

After going into deficit in 2020 with the decline in oil revenues, the current account is expected to return to a surplus in 2021 with the rebound in oil prices and demand. FDI, declining since 2014 and directed towards hydrocarbons, is not very dynamic. The foreign exchange reserves of SOFAZ and the central bank (USD 7.1 billion in October 2020, 6.5 months of import coverage) have made it possible to finance this deficit, repay the external debt whose ratio to GDP has remained stable (41%), and maintain the fixity of the manat, under pressure, as it is considered overvalued. This could lead to a devaluation at the risk of reliving the 2015 scenario when two successive devaluations led to a recession and the bankruptcy of many banks.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	1.5
GDP PER CAPITA US Dollars - 2019	25,998
CURRENCY Bahraini dinar	BHD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.8	1.8	-4.9	2.3
Inflation (yearly average, %)	2.1	1.0	0.0	2.8
Budget balance (% GDP)	-11.9	-10.6	-13.1	-9.2
Current account balance (% GDP)	-6.5	-2.1	-8.0	-5.7
Public debt (% GDP)	95.0	103.4	128.3	130.6

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

TRADE EXCHANGES

Exports of goods as a % of total

SAUDI ARABIA	27%
UNITED STATES	10%
OMAN	8%
CHINA	8%
UNITED ARAB EMIRATES	8%

Imports of goods as a % of total

EURO AREA	13%
CHINA	11%
AUSTRALIA	8%
SAUDI ARABIA	7%
UNITED ARAB EMIRATES	7%

- Higher degree of economic diversification among GCC with the world's largest aluminium smelters
- Developed banking sector
- Financial support from the GCC countries

- Weakened external position, wide budget deficit
- Growing public debt
- Dependence on oil in terms of fiscal revenues

RISK ASSESSMENT

Economy expected to recover on higher oil revenues but at a slow pace

After contracting in 2020, Bahrain is expected to post a positive growth rate in 2021, although the pace of the recovery is expected to remain slow. The economic expansion will be supported mostly by higher oil prices and reduced OPEC+ cuts on oil production. Aluminium production is expected to inch up in 2021 (1% YoY), in line with the recovery of Chinese demand and rebound in metals prices. However, profit margins would remain under pressure as key consumer sectors such as automotive and construction will experience a limited recovery worldwide. Tourism revenues, which normally account for nearly 7% of GDP, will remain constrained even if a vaccine or a treatment to COVID-19 is found, because travellers will stay cautious (especially Saudis who represent most of visitors). As a result, the current account deficit is expected to remain high in 2021, although slightly reduced by higher oil prices. Private consumption should increase in 2021, but the risk of a second round of lockdowns in case of a second wave of the pandemic will weigh on its recovery. As of October 2020, Bahrain had 81,200 cases and 317 deaths. Any return to anti-COVID-19 measures similar to that of the March-May period would plunge the economy back into recession. On the other hand, the signature of peace deal with Israel may pave the way for an increased number of tourist arrivals, as well as the implementation of joint projects within the technology, energy and transport sectors.

Fiscal dynamics remain persistently weak

Lower oil revenues (nearly 55% of fiscal revenues) and a USD 1.5 billion fiscal stimulus package (around 4% of GDP, which includes payment of salaries by the unemployment fund, exoneration of electricity and water bills, exemption of companies from certain fees, widened size of the SME liquidity fund, etc.) have widened the budget deficit of Bahrain in 2020. These measures were expanded and extended until the end of 2020. The budget deficit is expected to shrink to pre-crisis levels in 2021, on the back of slightly higher oil prices and fiscal consolidation. In April 2020, the government already asked ministries and government agencies to slash spending by 30% and reschedule some construction projects. This means that the public sector might delay payments to private sector companies. Nevertheless, Bahrain's fiscal break-even price is estimated at USD 83 per barrel for 2021, among the highest in the GCC countries. Consequently, the large budget deficit will continue to increase the public debt-to-GDP ratio (estimated at 130.6% in 2021 compared to 12.6% in 2008). This will force the government to increase its borrowing from international debt markets. In order to do so, the government has increased the debt ceiling to USD 40 billion from USD 35 billion in August 2020, the first increase since 2017. After avoiding a credit crunch in 2018 thanks to a USD 10 billion bailout by Saudi Arabia, the UAE and Kuwait, Bahrain raised USD 4 billion through two bond issuances in May and September of 2020. Foreign reserves fell as low as USD 769 million in April, before rising to USD 1.9 billion following the bond issuances. With reserves covering less than two months of imports, the vulnerability of the currency peg (0.376 Bahraini dinars to USD) and the risk of reserves depletion is increasing. As a result, the country's dependence on foreign aid, particularly from its GCC neighbours, will remain significantly high.

Domestic and regional politics on the front burner

Located between Iran and Saudi Arabia, Bahrain has a big geostrategic importance. The country represents a balancing point between those two countries, which reflect respectively the Shiite and Sunni worlds. This situation leaves an open door for Bahrain to get involved in regional tensions. In September, Bahrain and Israel agreed to normalize diplomatic and other relations, following the United Arab Emirates. Bahrain has been encouraged to strike this deal mainly on the back of concerns about its Shi'a majority being influenced by Iran. The country has experienced social and political stability issues on the matter, as the Shi'a majority complained about a disproportionate representation and lack of economic and political rights. . After Bahrain's late Prime Minister Sheikh Khalifa bin Salman al Khalifa passed away in November 2020, Bahrain's King has named crown prince Salman al-Khalifa as the new prime minister. However, this is not expected to change the balance of power in the political scene.The deal with Israel will reinforce already-close ties with the United States, which are considered as a protection against an aggression from Iran. However, coupled with economic hardship and falling income levels, this deal could create popular discontentment as the biggest opposition group, the Al-Wefaq National Islamic Society, which is outlawed by the Bahraini government, said that the normalization of the ties with Israel had no legitimacy.

BANGLADESH

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	166.6
GDP PER CAPITA US Dollars - 2019	1,816
CURRENCY Bangladeshi taka	BDT

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.7	8.1	3.8	4.4
Inflation (yearly average, %)	5.8	5.5	5.6	5.9
Budget balance* (% GDP)	-4.6	-5.4	-5.4	-6.7
Current account balance (% GDP)	-3.5	-1.7	-1.5	-2.7
Public debt (% GDP)	34.6	35.8	39.6	41.9

(e): Estimate. (f): Forecast. * Fiscal year 2021 from july 2020 to june 2021.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	33%
UNITED STATES	13%
UNITED KINGDOM	8%
POLAND	3%
INDIA	3%

Imports of goods as a % of total

CHINA	24%
INDIA	13%
EURO AREA	5%
SINGAPORE	5%
UNITED STATES	4%

+

- Competitive garment sector thanks to relatively cheap labour
- Substantial remittances from expatriate workers, mainly living in the Gulf States
- International aid helps to cover financing needs
- Moderate level of public debt
- Favourable demographics: a third of Bangladeshis are below the age of 15
- 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 made
- Recurring and growing political, religious and social tensions
- Business climate shortcomings and lack of infrastructure
- One of the countries most vulnerable to climate risk: recurring natural disasters (cyclones, severe floods, landslides) resulting in significant damage and crop losses
- Fragile banking sector; many non-performing loans on banks' balance sheets

RISK ASSESSMENT

Growth crumbling but not collapsing

Growth lost its steam due to the COVID-19 crisis. The country was in lockdown between March and May, resulting in the closure of factories and public places, and travel restrictions. The measures were lifted at the end of May, allowing economic and commercial activities to resume. The authorities are particularly vigilant regarding textile factories, where the environment and organisation are favourable to the spread of the virus. As the textile industry accounts for 80% of exports and 13% of GDP, the COVID-19 crisis has severely penalised the sector due to the closure of factories but also the cancellation of orders from customers. The industry's ability to recover from the health and economic crisis will be a key element in stimulating growth and exports in 2021. Investment will also support recovery, particularly through the government's Annual Development Programme (ADP), which aims to develop infrastructure to fill the gaps in transport, education, water, and energy that limit production in export-oriented sectors. The demographic situation (low labour costs, young population) attracts foreign investors, but the weakness of the banking system is a brake on investment expansion (FDI represents less than 1% of GDP). The inclusion of Bangladesh in projects (ports and roads in particular) within the framework of the Silk Roads in recent years has strengthened already substantial Chinese investments. Inflation will remain stable, but relatively high, due to strong demand pressures linked to the recovery of private consumption (70% of GDP), poor harvests (linked to major floods in July 2020) and the accommodative monetary policy aimed at providing liquidity to the economy.

Twin deficits contained despite the crisis

In addition to the increase in spending to combat COVID-19 (purchases of medical equipment, increase in social transfers and subsidies), infrastructure investments under the ADP (about 30% of spending), such as the Dhaka metro or the Rooppur nuclear power plant, will continue to weigh on the government budget. Tax revenues, limited by a narrow income tax base, make up less than 10% of GDP. However, the new VAT regime, in force since July 2019, should allow them to increase once activity returns to pre-crisis levels. The level of public debt will remain sustainable according to the IMF (more than 60% is concessional debt). Commercial banks are characterised by a high non-performing loans ratio, particularly government-owned banks (where the ratio exceeds 30%), which could threaten financial stability.

Regarding the external accounts, the trade balance (-5.5% of GDP) is structurally in deficit due to the country's dependence on imports (capital goods, energy and cotton). Exports, driven by the competitive and expanding ready-to-wear segment, have picked up but remain dependent on the economic situation of its trading partners and the evolution of the health crisis (the European Union and the United States are the recipients of 43.5% and 19.3% of exports, respectively). Workers' remittances (5% of GDP), which had been affected by the decline in activity in the Middle East, have resumed since July 2020 and will partially offset the trade deficit. The current account deficit will continue to be financed by increasing FDI and international aid. Foreign exchange reserves provide a satisfactory safety net, representing about 5.5 months' worth of imports.

Fragile political stability despite continuity at head of state level

The country has suffered several military coups since its creation in 1971. Political stability is vulnerable to tensions between the ruling Awami League (AL) and the Bangladesh Nationalist Party (BNP). The AL is associated with independence and a more secular ideology than the BNP, linked to the legacy of the military dictatorship and a more traditional and stricter conception of Islam. This could result in friction between the Muslim majority of the population and minority religious groups, while the potential for workers' strikes and terrorist attacks remains. BNP leader Khaleda Zia, sentenced to prison in 2018 for corruption, was released on medical grounds in March 2020 for 6 months (extended to March 2021) on condition that she remains in Dhaka and receives treatment. The AL, in power since 2009, won almost all the seats in the legislative elections at the end of 2018. However, this will not end the risk of social unrest, with accusations of fraud hanging over the party. These risks, coupled with high levels of corruption, contribute to a poor business climate in Bangladesh.

Beyond the fight against COVID-19, the main governance challenges will remain poverty and development. The government, under the "Vision 2041" plan, is setting objectives aligned with the country's ambitions to become an upper middle-income country with a GDP per capita of between USD 4,000 and USD 12,500 (World Bank definition) by 2031 and a high-income country by 2041. The Rohingya refugee crisis is a growing issue as the situation is bogged down. Internationally, Bangladesh will continue to focus on relations with China and India.

BELARUS

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	9.5
GDP PER CAPITA US Dollars - 2019	6,658
CURRENCY Belarusian ruble	BYR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.1	1.2	-3.0	2.2
Inflation (yearly average, %)	4.9	5.6	5.1	5.1
Budget balance* (% GDP)	1.6	0.3	-3.6	-2.2
Current account balance (% GDP)	0.0	-1.2	-1.9	-1.3
Public debt* (% GDP)	47.5	41.9	51.0	48.6

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	42%
EURO AREA	13%
UKRAINE	13%
UNITED KINGDOM	7%
POLAND	4%

Imports of goods as a % of total

RUSSIA	56%
EURO AREA	13%
CHINA	10%
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)
- Decrease in the active population and outmigration of the most educated youth
- Geographically isolated between NATO and Russia

RISK ASSESSMENT

Political turmoil weighs on the recovery

The economy contracted moderately in 2020, more because of the worsening political situation rather than the COVID-19 crisis. The president has refused to impose strict measures to combat the spread of the virus. Only social distancing measures have been implemented, as well as a ban on international flights and ground transport from abroad. Anti-government demonstrations since August 2020, accompanied by strikes, have significantly affected activity. The continuation of demonstrations in 2021 could delay the recovery and continue to weigh on investments (25% of GDP), especially foreign investments, due to political uncertainty. Household consumption (75% of GDP), which has been affected by the closure of shops and supply chain disruptions, had not returned to its pre-COVID-19 level at the start of the protest movement. In 2021, it will continue to face high but still stable inflation, with sluggish demand and control over commodity prices offsetting the impact of the depreciation of the rouble (25% against the euro in 2020) on the prices of imported products. In addition, wages and credit are expected to grow only slightly. Manufacturing production (20% of GDP), is affected by the weakness of domestic demand, as well as by the hesitant recovery of external demand, both in Russia and in Western Europe. Sporadic strike action is also to be expected. Finally, between now and 2023, customs duties on Russian hydrocarbon exports will have disappeared, compensated by the increase in the tax levied on their extraction. As imports of Russian oil by Belarus - for re-export after refining - are largely exempt from these customs duties, the changeover is turning out to be costly. The associated loss of government revenue is expected to negatively affect public investment.

Public and external accounts influenced by Russia

The evolution of Russian taxation on the re-exportation of oil products since 2019, as well as the drop in tax revenues associated with the fall in oil prices, is widening the deficit and increasing the public debt, of which 90% is denominated in foreign currency (end 2020). Its external share (65% of GDP), divided equally between the State and companies, is 70% owned by China and Russia. Guarantees provided to public enterprises (31% of GDP and 28% of employment) and public banks (65% of banking assets) by the central government or its local levels represent around 9% of GDP. The commercial public sector (finance, energy, potash, machinery, mechanics, and agriculture) has to come to terms with a lack of efficiency and the state's instructions are far from always relevant, but benefit from directed credit. Privatisation and reorganisation projects are postponed, delaying the conclusion of a financial program with the IMF.

The balance of trade in goods will remain negative. The Baltic States and Poland are refusing to buy electricity produced by the Astraviets nuclear power station, which came on line in November 2020. However, the start-up of the power station will be accompanied by a drop in gas imports. This deficit is compensated for by the surplus in services linked to the transit of goods and gas between Russia and Western Europe, which has been steady despite the deteriorating European economic situation. Deals on the financial terms of Russian gas supply and transport across the country from 1 January 2021 were reached in December 2020. In fact, the current account deficit will result from the income deficit, linked to the payment of increased interest on the debt and the reduction in the rebate on customs duties on Russian oil. While having reduced, foreign direct investment will finance it. Foreign exchange reserves have melted due to the operations of the Central Bank to limit the depreciation of its currency (25% against the euro in 2020) and covered less than 2 months of imports in November 2020.

Autocracy in difficulty

The re-election, with 80% of the votes, of President Alexander Lukashenko for the 6th time in August 2020 triggered major demonstrations in the country. The campaign was described as neither free nor fair by observers and the ballot was marred by massive fraud. Svetlana Tikhanovskaya, the opposition candidate validated by the government, who took over from opponents who were prevented from standing for election, should have won by a large margin, according to them. After the election, in which she obtained 10% of the votes, she fled to Lithuania and became a leading opposition figure. The population, which is facing increasing economic difficulties, is experiencing the development of a middle class sensitive to democracy. Moreover, the management of COVID-19, minimised by the government, is fuelling discontent. The protesters call for new elections, an end to repression and the release of political prisoners. The Council of the European Union imposed sanctions (ban on entering EU territory and freezing of assets) against 40 individuals considered responsible for acts of repression and intimidation during the demonstrations. Alexander Lukashenko, during a meeting in September 2020 with the Russian President, obtained a loan of USD 1.5 billion and proposed a constitutional amendment, followed by his departure, a solution supported by Russia but which remains unclear. Russia wishes both to avoid a disorderly transition, to ensure that the successor will be favourable to its interests and, in the meantime, to obtain concessions from Belarus on a rapprochement between the two countries by controlling the financial manna.

BELGIUM

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	11.5
GDP PER CAPITA US Dollars - 2019	46,237
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.5	1.2	-6.2	3.7
Inflation (yearly average, %)	2.3	1.2	0.4	1.4
Budget balance (% GDP)	-0.8	-1.9	-11.5	-8.2
Current account balance (% GDP)	-0.8	0.3	0.5	0.7
Public debt (% GDP)	99.8	98.1	118.0	118.5

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	18%
FRANCE	14%
NETHERLANDS	12%
UNITED KINGDOM	8%
UNITED STATES	6%

Imports of goods as a % of total

NETHERLANDS	17%
GERMANY	13%
FRANCE	10%
UNITED STATES	8%
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 educ ation, multilingualism

- Political and financial tensions between Flanders and Wallonia
- Complex institutional structure and multiple administrative levels
- Heavily dependent on the Western European economy (exports of goods and services = 107% of GDP, of which more than 70% to the rest of the EU)
- Exports concentrated on intermediate products
- High structural unemployment
- Heavy public debt
- Tight housing market

RISK ASSESSMENT

A rebound limited by the lagged recovery in world trade

Belgium will make a return to growth in 2021, after being one of the countries hardest hit by the pandemic in 2020, both in terms of health (highest number of deaths per inhabitant at the end of 2020) and the economy. To limit the spread of the virus, the country's governments were forced to impose a lockdown and close non-essential businesses in spring and again in November, leading to an unprecedented drop in activity. As the health situation gradually improves, domestic demand is expected to rebound sharply in 2021. Households, whose purchasing power was boosted by government measures (short-time work scheme, aid for self-employed people), will consume some of the large precautionary savings (18% of gross disposable income by mid-2020) built up during the crisis. With household consumption dictated by the uncertainty surrounding the health situation, the rebound should accelerate in the second half of the year. Companies are also expected to step up their investment after receiving extensive government support (state-guaranteed loans, postponement of social security and tax deadlines). However, the resumption of investment will be limited by economic uncertainty, less fluid trade between the United Kingdom and the European Union (EU) - despite the signing of an agreement in December 2020 - and the gradual reorganisation of production chains. Heavily dependent on regional trade - even though 40% of exports to the rest of the EU are transit imports - the economy will be affected by the lagged catch-up in trade. Furthermore, the government is planning to introduce new measures (estimated by the European Commission at 0.6% of GDP), including increases in health sector wages and the minimum pension, to support the economic recovery.

Public accounts still deep in deficit to support activity

The public deficit will remain very large in 2021, after deteriorating sharply in 2020 due to the expenditure incurred to curb the economic and health consequences of the epidemic (total cost estimated at 3.9% of GDP in 2020), coupled with a fall in revenue linked to activity. As most support measures have been extended at least until the beginning of 2021, the slight reduction in the deficit will essentially be due to a rebound in revenues resulting from economic growth, plus an increase in excise duties on tobacco. After rising sharply in 2020, like in other Eurozone countries, public debt is set to stabilise, albeit at a very high level.

The current account is expected to remain relatively balanced in 2021. Because of the country's integration into European production chains and its status as a regional hub, imports move in line with exports, such that the balance of goods and services has been fairly balanced in recent years. Concomitantly, the income balance has been slightly in deficit (-0.4% of GDP in the first half of 2020), with dividends on foreign investments in the country exceeding those from Belgian investments abroad. Although very large, the external debt (268% of GDP, three-quarters of which corresponds to private liabilities) is much lower than the substantial assets held abroad, with the result that the country had a net external surplus position of 45% of GDP at the end of June 2020.

A disparate coalition made up of four groups

The triple elections (federal, regional and European legislative elections) held in May 2019 led to further fragmentation of the political landscape and were followed by long months of fruitless negotiations. Then, in March 2020, a minority government (38 seats out of 150) led by Sophie Wilmès of the French-speaking Reform Movement (MR, centre-right), was set up as an emergency measure to combat the pandemic. However, it was not until 1 October 2020 that a majority government coalition was formed under the leadership of the Dutch-speaking liberal Alexander De Croo. This coalition, which has 87 seats in the house of representatives, is made up of four groups (socialists, liberals, environmentalists and Christian Democrats), divided into seven parties: the French-speaking (PS, 20 seats) and Dutch-speaking (SPA, 9) socialist parties, the French-speaking (Ecolo, 12) and Dutch-speaking (Groen, 8) environmentalists, the French-speaking (MR, 14) and Dutch-speaking (Open VLD, 12) liberals and the Flemish Christian Democrats (CD&V, 12). In spite of their rapid progress in the elections, the parties at either end of the political spectrum, namely the VB (far-right Flemish nationalists, which went from 3 to 18 seats) and the PTB (unitary far-left, from 2 to 12 seats) are therefore in the opposition, as is the leading party, the N-VA (Flemish conservatives, 25 seats). While the pandemic emergency and the fear of holding new elections in this setting made it possible to form a government coalition 494 days after the legislative elections, the disparate nature of the alliance makes it vulnerable. Political instability seems destined to continue in the country, as the landscape is so fragmented, with a growing divergence between Flanders, which is heading 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 INSOLVENCIES

Source: Statistics Belgium, Coface

BELIZE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	0.4
GDP PER CAPITA US Dollars - 2019	4,498
CURRENCY Belizean dollar	BLZ

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.1	-2.0	-16.0	5.0
Inflation (yearly average, %)	-0.1	0.2	1.1	1.3
Budget balance (% GDP)	-1.9	-4.0	-9.8	-8.2
Current account balance (% GDP)	-8.6	-8.1	-15.3	-11.4
Public debt (% GDP)	101.5	105.1	134.6	137.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED KINGDOM	38%
UNITED STATES	21%
EURO AREA	13%
JAMAICA	7%
TRINIDAD AND TOBAGO	5%

Imports of goods as a % of total

UNITED STATES	44%
CHINA	14%
MEXICO	11%
GUATEMALA	8%
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 climatic events
- Criminality

RISK ASSESSMENT

Hurt by the fall in tourism and at the mercy of weather conditions

Belize, which is largely dependent on tourism, was the region's hardest-hit country during the 2020 recession and will start 2021 on the back foot. With the pandemic taking off again in the United States and Europe at the end of 2020, and given the scale of the economic recession in these countries, it is unlikely that there will be a real pick-up in tourism and cruises from these countries, which are the main sources of visitors to Belize. The tourism sector (40% of GDP) will therefore continue to suffer, which will keep unemployment high. A full 20.9% of the workforce had applied for unemployment assistance by autumn 2020. Simultaneously, agriculture, the second-most important sector in the country's economy (11% of GDP), is also likely to struggle. After a major drought in 2019 triggered a recession, flooding caused by hurricanes Eta and Iota in November 2020 destroyed part of Belize's vegetable, rice and sugar production. Weakness in these two sectors, which are mainstays of the country's exports of goods and services, will be amplified by the moderate recovery in external demand. Recent developments in the two sectors will also have an unfavourable effect on their attractiveness to foreign investment, whereas previously they were the main targets for investors in the country. The overall level of investment in the country is expected to suffer as a result. Domestic demand will therefore be mainly driven by household consumption (82% of GDP in 2019), supported by low inflation and the reopening of the economy, in the absence of new measures to fight the pandemic. The central bank's expansionary policy of supporting credit by lowering bank reserve requirements should likewise boost consumption. Public demand is expected to remain largely constrained by the government's financing difficulties, despite some reconstruction projects following the hurricanes in autumn 2020, financed by international aid. In particular, Taiwan has pledged USD 100,000 to help with reconstruction.

Risk of further public debt restructuring and a fragile current account

The pandemic and efforts to fight its health and economic impacts caused the trend towards consolidation of public finances, which began in 2018, to go into reverse. The public deficit exploded in 2020 and is expected to be only marginally reduced in 2021, with a continuing significant shortfall in tax revenues linked to the recovering tourism sector. Expenditure is not expected to decrease under the new prime minister's recovery plan, which is centred on financing infrastructure and helping the poorest segments of the population. A significant share of the financing should therefore come from international and multilateral donors and the domestic market, as any other type of external financing would be prohibitively expensive. External public debt amounted to 90% of GDP in August 2020, but this share is expected to decrease with greater recourse to the domestic market. In August 2020, the government successfully applied to capitalise interest payments coming due through to February 2021 for dollar bonds maturing in 2034. However, this measure is expected to be largely insufficient, leaving the door open for broader restructuring, which would be the fourth in 13 years.

Beyond these budgetary constraints, the country also has to contend with severe external imbalances, linked to the large goods deficit, which is equivalent to 20% of GDP. The deficit is mainly due to the weak manufacturing sector and the fall in domestic oil production in the absence of discoveries of new reserves. Agricultural exports (cane sugar, citrus fruits, bananas, vegetables) are not expected to compensate, due to the impact of weather conditions. The services surplus, which will remain small due to the poor health of global tourism and expatriate remittances (5% of GDP in 2019), will be unable to make up for this deficit and the income deficit. The current account will therefore remain largely in deficit. This deficit will not be entirely covered by sluggish foreign direct investment, which will increase the pressure on foreign exchange reserves (4.5 months of imports at the end of August 2020) and the Belizean dollar's U.S. dollar peg.

End of an era: the opposition takes power after 12 years

After three consecutive terms under the leadership of Dean Barrow, the United Democratic Party was defeated in the November 2020 elections by the opposition People's United Party, after Dean Barrow announced his retirement from politics. The new leader of the Democratic Party, Patrick Faber, was unable to win over voters who turned out in huge numbers at the polls (80% turnout) following a slew of corruption cases in early 2020. John Antonio Briceno was appointed prime minister, vowing to fight corruption and revive agriculture and tourism. Combating drug trafficking and improving the business climate will also remain priorities for the new government.

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.

BENIN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	11.8
GDP PER CAPITA US Dollars - 2019	1,218
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.7	6.9	2.0	5.0
Inflation (yearly average, %)	0.1	1.0	1.0	1.5
Budget balance (% GDP)	-4.0	-3.0	-3.8	-3.2
Current account balance (% GDP)	-4.6	-4.3	-5.5	-5.0
Public debt (% GDP)	41.1	41.2	42.1	41.0

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

TRADE EXCHANGES

Exports of goods as a % of total

BANGLADESH	27%
INDIA	14%
VIETNAM	10%
CHINA	7%
NIGERIA	6%

Imports of goods as a % of total

EURO AREA	20%
INDIA	14%
CHINA	11%
TOGO	11%
THAILAND	5%

+

- 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 economic activity and tax revenues of Nigeria's economic policy decisions due to significant informal re-exports
- Terrorist threat from neighbouring Nigeria and the Sahel
- Low bank profitability, low government revenues

RISK ASSESSMENT

Slowdown in 2020, comfortable growth projected for 2021

After a slowdown in 2020, and despite having a health system that was ill-prepared to face a health crisis, Benin should return to comfortable growth in 2021. However, the pace of expansion is expected to be slower than before the crisis. Private consumption, which accounts for 63% of GDP, declined slightly in 2020 (-1% estimated) and should just return to its pre-Covid level in 2021. The crisis actually had little impact on consumption, thanks both to the stimulus plan subsidising water and electricity consumption, and to the fact that 40% of the working population depends on agriculture, a sector little affected by the crisis. Investment decreased by around 3% of GDP in 2020, but should also revert to its pre-crisis level in 2021. It will be driven by public investment, notably in the electricity sector and road infrastructure, whose efficiency will be further improved by the Public Investment Management and Governance Support Project (PAGIPG). Against a backdrop of sluggish international trade and falling cotton prices (-40% in the first quarter of 2020 followed by an upturn in the second half of the year), exports fell by 22% between 2019 and 2020, driven down by the decline in cotton exports, which account for 57% of the country's exports. Furthermore, the recession in Nigeria, Benin's main trading partner, coupled with the border closure imposed by Abuja in August 2019, further curtailed Beninese exports. However, they should increase in 2021 as cotton prices rise and the economic situation of trading partners improves.

On the supply side, the primary sector was spared by the crisis, and production (cotton and cereals) is expected to increase by 2.4% in the 2020 - 2021 agricultural season. In 2021, the secondary sector will benefit from infrastructure projects, which will support the construction sector as well as manufacturing industries (cement, reinforcing bars, etc.). The services sector has been most affected by the crisis (average decline of 13% in 2020), and some sub-sectors, such as tourism, which accounts for 6% of GDP and 5% of jobs, will remain in a difficult situation in 2021.

Slight widening of the current account and public deficits following the crisis

To contain the effects of the health crisis, in June 2020 Benin implemented a stimulus plan worth 74 billion CFA francs, or EUR 113 million and about 1% of GDP. The plan aims to support businesses in the hardest hit sectors (tourism, transport, catering) as well as the most vulnerable households. With the decline in resources and the increase in spending due to Covid, the public deficit has deteriorated slightly, but fiscal consolidation is expected to resume in 2021.

The current account deficit deteriorated in 2020. The decline in global demand for cotton and cashew nuts caused the goods deficit to worsen, while the services deficit also increased because of reduced activity in tourism and transportation. This deficit is expected to narrow in 2021 as exports increase by more than imports. However, these figures do not reflect overall trade. Informal trade continues along the border with Nigeria, albeit at a reduced level since the border was closed. This situation, which is due to the inability of the two states to prevent smuggling, explains part of the trade deficit, as Benin's exports are probably more underestimated than imports in the official figures. The country will benefit from concessional loans provided by international institutions in 2020 to fight the coronavirus and support the budget and investment, including USD 125 million from the IMF under the Extended Credit Facility, USD 90 million from the World Bank and USD 7 million from the ADB.

Persistent political tensions

Benin is traditionally one of the most stable countries in French-speaking Africa. But Patrice Talon's presidency seems to be pushing the country towards an authoritarian regime in which political pluralism is being undermined. Benin has many political parties, but changes to the electoral code in 2018 have made it very difficult to participate in elections. After the 2019 legislative elections, only two parties from the presidential party faction made up the parliament. This sparked severe unrest, which resulted in the deaths of several demonstrators. In the municipal elections of May 2020, which were widely criticised as being forced elections, the two main parties of the presidential majority won the vast majority of votes (77%). Only one opposition party, the Cowry Forces for an Emerging Benin (FCBE), managed to make inroads, taking 15% of the vote. The outgoing president is expected to win the April 2021 presidential election, especially in the absence of opposition.

Beyond the slide into authoritarianism, there are other challenges. Benin faces a very real terrorist risk. Boko Haram is nearby in Nigeria and Cameroon, and French citizens were kidnapped near the border with Burkina-Faso in 2019. In addition, the Gulf of Guinea has become a global piracy hotspot.

BOLIVIA

COFACE ASSESSMENTS	
COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	11.6
GDP PER CAPITA US Dollars - 2019	3,566
CURRENCY Boliviano	BOB

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.2	2.2	-8.8	4.2
Inflation (yearly average, %)	2.3	1.8	1.6	4.1
Budget balance (% GDP)	-8.1	-7.2	-8.6	-7.0
Current account balance (% GDP)	-4.6	-3.3	-2.6	-3.5
Public debt (% GDP)	53.9	59.0	69.4	71.0

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	17%
ARGENTINA	16%
UNITED ARAB EMIRATES	10%
EURO AREA	9%
INDIA	8%

Imports of goods as a % of total

CHINA	22%
BRAZIL	16%
ARGENTINA	11%
EURO AREA	9%
PERU	7%

+

- Substantial mineral (gas, oil, zinc, silver, gold, lithium, tin, manganese) and agricultural (quinoa) resources
- 15th largest exporter of natural gas in the world
- Member of the Andean Community and Associate member of Mercosur
- Tourism potential
- Currency pegged to the U.S. dollar

−

- Economy not very diversified and dependent on hydrocarbons
- Low private sector development and high dependence on the public sector
- Landlocked country
- Substantial informal sector
- Insecurity, drug trafficking, corruption
- Risks of social unrest, highly polarised country

RISK ASSESSMENT

A recovery supported by domestic demand

In 2021, economic activity is expected to pick up again after a sharp contraction in 2020, supported by household support and a moderate recovery in external demand. The election to the presidency of Luis Arce in October 2020, former Minister of Economy for Evo Morales, signals the return to power of the MAS (Movimiento al Socialismo) party. This means a return to an economic policy focused on supporting internal demand and public investment, whereas the interim government had focused on the liberalisation of the economy. The new government has announced the provision of aid to the poorest households totalling USD 600 million (or 1.5% of GDP), as well as a plan to refund VAT to the poorest. Households are also expected to benefit from the moderate recovery of remittance flows, 40% of which come from Spain and 20% from the United States, with an improvement in unemployment in both countries compared to 2020. While the Arce government has promised to revive the economy through public demand, its scale is likely to be constrained by the need to avoid a crisis of increasingly fragile public finances. From an investment point of view, the end of political uncertainty is expected to reassure investors, but the new government's highly centralised economic programme could frighten some, particularly in the gas sector. This same sector will be largely dependent on external demand, especially from Brazil and Argentina, the main customers, as well as on prices. Production has fallen in 2020, below the quantities promised for export. For this reason, negotiations between the state-owned company YPFB and Argentina on smoothing natural gas shipments through the seasons, which began at the end of 2020, will be key. However, Argentina's difficulties in developing its own gas programme are expected to encourage some recovery in Bolivian production in 2021. The tourism sector, still below its potential (7% of GDP in 2019) will remain in convalescence in an uncertain global context. The mining sector, for its part, is expected to be boosted by the good performance of gold, zinc, tin and other metal prices.

A growing external constraint

The government's recovery plan is not expected to substantially reduce the public finance deficit. The government plans to reduce VAT in the case of payment by credit card, and to reimburse it to the poorest households. It is unlikely that the new wealth tax will make it possible to offset this increase in spending. The fall in gas revenues (30% of state revenues), indexed to the price of a barrel of WTI, will also weigh on the budget. The financing of the deficit, though still largely reliant on domestic sources and notably the central bank, is expected to call increasingly on multilateral donors, like in 2020: IMF (USD 332 million), Andean Development Cooperation (USD 50 million) and the World Bank (USD 254 million). It is still uncertain whether new payments will be obtained for 2021. The debt is expected to remain sustainable with a low external share (28% of GDP in 2020) and, what is more, largely concessional.

Regarding the current account, the recovery of domestic demand should lead to a further widening of the trade deficit, reinforced by the weak dynamism of the gas sector, the main source of export revenues. The tourism sector will not be able to bring equilibrium to the balance of services, and expatriate remittances (3.3% of GDP) will not be sufficient to compensate, leaving the current account deficit to increase again. Foreign direct investment will be gloomy, affected by the climate of global uncertainty and by the weakening of gas production in the country, which limits returns on investments. In this context, pressure on the Boliviano will increase and the use of foreign exchange reserves will still be necessary to sustain its peg to the dollar, which has been unchanged since 2011, despite its growing overvaluation. Foreign exchange reserves stood at USD 6.3 billion in June 2020, equivalent to 8 months' worth of imports, compared to USD 8.9 billion at the end of 2018. Devaluation by the central bank is possible, but unlikely by 2021, and recourse to multilateral aid may be necessary, despite political reluctance to subscribe to its conditions.

A return to grace for MAS

Luis Arce, Minister of Economy under the presidency of Evo Morales, was widely elected in the first round of the presidential election with 55% of the votes in October 2020. This victory puts an end to a year of political crisis following the expulsion of Evo Morales from the MAS party in October 2019 by the army in response to a vast popular protest movement. The interim presidency, held by Jeanine Áñez, marked the return to power of the right-wing political elite, determined to turn the page on the Morales era. However, the voters once again chose MAS and its policy in favour of indigenous communities. The shadow of Evo Morales, who has been back in the country since November 2020, will weigh on the new president, although he has said he does not wish to return to politics. In terms of international relations, the new administration has already begun to re-establish links with the traditional allies of MAS, which were abandoned by the interim government, in particular growing closer to Nicolas Maduro in Venezuela.

BOSNIA AND HERZEGOVINA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	**3.3**
GDP PER CAPITA US Dollars - 2019	**6,015**
CURRENCY Bosnia and Herzegovina convertible mark	**BAM**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.7	2.7	-6.5	3.0
Inflation (yearly average, %)	1.4	0.6	-0.8	0.4
Budget balance (% GDP)	1.3	1.3	-4.2	-2.7
Current account balance (% GDP)	-3.7	-3.5	-4.4	-5.0
Public debt (% GDP)	34.3	32.8	38.9	40.4

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	52%
CROATIA	12%
TURKEY	3%
HUNGARY	2%
SWITZERLAND	2%

Imports of goods as a % of total

EURO AREA	41%
CROATIA	10%
CHINA	7%
TURKEY	5%
UNITED STATES	3%

+

- 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)
- Member of a Regional Common Market of 6 Balkan countries since November 2020

−

- Institutional, regulatory, economic and community fragmentation (50% Muslim Bosniaks, 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, cronyism, 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

The need to support domestic demand

The economy contracted sharply in 2020 because of the COVID-19 crisis. The government declared a state of emergency in March 2020, but health measures are dependent on each of the two entities (Federation of Bosnia and Herzegovina and Republika Srpska), and have been strict (curfews, closures of schools, public places, borders, movement restrictions). These measures were lifted after the first wave (March-April 2020) but were partially reintroduced in October 2020 due to fears of a second wave. The economic recovery is therefore constrained by the virus. The tourism sector (about 10% of GDP) has been affected by the closure of borders, implying a sharp drop in the number of domestic and foreign tourists (-30% and -84% over the January-October period year-on-year, respectively). The return to pre-crisis tourism activity in 2021 remains very uncertain despite the reopening of borders in July 2020 because the majority of tourists are foreign (75%) and therefore more constrained (negative PCR tests, mandatory quarantine and possible vaccination in the future). Private consumption (75% of GDP) has been impacted by the drop in the flow of remittances from expatriate workers (-10% in the first half of 2020) and an increase in unemployment. The country's complex federal structure has delayed the implementation of household budget support. However, consumption could benefit from a rise in real wages in 2021 and a recovery of expatriate workers. The monetary policy is based on an agreement that pegs the marka to the euro at a fixed rate, supporting its currency. The year 2020 has been marked by the fall in energy prices, which was reflected in the level of inflation. Inflation is expected to rise slightly in 2021 in line with the recovery of domestic demand. Businesses are benefiting from a guarantee programme that facilitates access to credit and increases their level of liquidity. Investment will remain predominantly public, thanks in particular to financing received from the EBRD (EUR 700 million over 2018/2020, in partnership with the private sector) and the European Union (EUR 315 million over 2018/2020).

Twin deficits are increasing

The public accounts of the country's three constituent entities (Central State, Federation of Bosnia and Herzegovina and Republika Srpska) have worsened because of the crisis and are expected to improve in line with the economic recovery and the increase in VAT revenues (40% of the country's tax revenues). Public debt is increasing and will mainly be financed by public, multilateral or bilateral actors, as the government does not have access to markets. The fragmented management carried out between the central government and the other two entities, the future cost of the pension and health systems, and the poor governance of the 500 or so public enterprises (indebted to the tune of 10% of GDP), half of which survive on public aid, call for caution.

Regarding the external accounts, the current account deficit is expected to widen in 2021, under the influence of the chronic trade deficit (24% of GDP in 2020). The resumption of services activities (7% surplus) related to tourism, transport and re-exports, as well as remittances from expatriate workers (8% of GDP) will partially offset the trade deficit. FDI (3% of GDP) and predominantly public international financing will help limit the deterioration of the balance of payments, while maintaining foreign exchange reserves at a level equivalent to 8 months of imports.

The political environment seems to be simplifying

Following the Dayton Accords (1995), Bosnia and Herzegovina is divided into two autonomous entities: the Federation of Bosnia and Herzegovina (FBiH) with Bosniak and Croat dominance, and the Republika Srpska, to which is added the district of Brčko managed by the central state. The central state is headed by a collegial Presidency that represents the three "constituent peoples" and rotates every eight months. The constitution gives the central state very few powers: foreign and monetary policy, customs duties, VAT, transport and defence. Even these powers are difficult to manage because each component has a blocking power in the central parliament. The Bosniak component is trying to strengthen the central government, the Croat component is seeking autonomy and the Serb component is contesting the existence of the country. The presidential and parliamentary elections of October 2018 put the nationalist parties in the lead. Parliament validated the new government after 14 months of deadlock, appointing Zoran Tegeltija, former finance minister of Bosnia's Republika Srpska, as the new prime minister. Municipal elections in November 2020, the first since 2008, gave weight to opposition parties (especially in Sarajevo and other major cities) rather than the ruling nationalist parties. This is expected to make room for new actors on the political scene. Following the municipal elections, the government entered negotiations with the IMF to obtain a loan of USD 892 million (4% of GDP) for 3 years. Republika Srpska and the Federation of Bosnia and Herzegovina agreed, in November 2019, on a four-year reform programme as a condition for EU candidate status and an IMF loan.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	2.4
GDP PER CAPITA US Dollars - 2019	7,773
CURRENCY Botswana pula	BWP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.5	3.0	-9.6	6.0
Inflation (yearly average, %)	3.2	2.8	1.7	2.3
Budget balance* (% GDP)	-4.7	-4.3	-7.3	-5.5
Current account balance (% GDP)	0.6	-7.9	-11.4	-10.4
Public debt* (% GDP)	14.2	15.1	20.6	24.0

(e): Estimate. (f): Forecast. *Fiscal year from 1st April - 31st March; 2021: April 2021 to March 2022

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	64%
NAMIBIA	10%
EURO AREA	7%
CHINA	5%
INDIA	3%

Imports of goods as a % of total

SOUTH AFRICA	58%
NAMIBIA	8%
EURO AREA	8%
CANADA	7%
INDIA	4%

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

Deep recession in 2020, brisk growth set to return in 2021

The COVID-19 crisis plunged Botswana into a deep recession in 2020. However, a sustained growth rate is expected for 2021. Private consumption, which contributes to 56% of GDP, declined in 2020 because of lockdown measures and lower household incomes. It should pick up again in 2021 (+5.5%), if lockdown measures are not as strict as in 2020. Investment fell in 2020 but an accommodative monetary policy – the central bank set its policy rate at a record low 3.75% at the end of 2020 – and a low borrowing rate will drive private foreign investment projects in the mining sector in the coming months. Public spending will also support private investment. In April 2020, the state announced the implementation of a BWP 2 billion stimulus plan, *i.e.* 1.1% of GDP, aimed at partially offsetting the drop in income of employees due to the recession, helping struggling companies (state-backed loans, partial tax deferral in particular) and financing public investment in agriculture, health and transport.

Agriculture, which accounts for only a small share of GDP (2%), was only mildly affected by the crisis in 2020 and is expected to stay on the same growth rate (around 1.5%) in 2021. Conversely, the mining sector, which accounts for a quarter of GDP, and more particularly the diamond industry, fell sharply in 2020, notably due to the collapse in the world diamond price (-25% between February and April, followed by a slow rise of 15% between May and the end of 2020) and higher production costs, not just in diamond mines, but also in copper and nickel mines. After a 25% drop in activity in the first half of 2020 and although a slight recovery is expected, services will probably continue to suffer in 2021 from the collapse of tourism following border closures, since the sector accounts for 14% of GDP and 10% of jobs. These sector developments negatively affected foreign trade, as 90% of the country's exports depend on the primary sector (diamonds and minerals) and tourism.

Public and current accounts show substantial deficits

The stimulus package announced in April 2020 is larger than the average African stimulus package. Implementation of the plan, coupled with a fall in mineral tax revenues (which account for a quarter of total revenues), necessarily widened the public deficit for FY2020-2021. However, the deficit should narrow over FY2021-2022 as the government reduces subsidies and that tax revenues return to pre-COVID levels. Consequently, public debt increased as well, but its level remains low.

The current account deficit widened again in 2020 but should narrow slightly in 2021. Despite a decline in imports due in particular to the reduction in the oil bill, exports of goods (90% of which are minerals) fell in 2020. Services experienced a similar trend, driven by the steep fall in tourism (70% decrease in tourism revenues in 2020). However, the country's trade deficit is expected to shrink in 2021 as the international luxury goods market strengthens and the situation on the diamond market improves in the United States, China and Belgium. Transfers from SACU (8.5% of GDP) decreased in 2020, particularly following the collapse of activity in South Africa. Financing the current account deficit will be straightforward for the country, which has substantial foreign exchange reserves (eight months of imports). Meanwhile, external debt, although on the rise, remains relatively low (21% of GDP).

Stable political situation, but a weak financial system

The Botswana Democratic Party (BDP), which has been in power since the country's independence in 1966, won 56% of the vote in the October 2019 parliamentary elections. The incumbent president, Mokgweetsi Masisi, therefore remained in power. The government has to address high poverty and unemployment (almost 20% of the labour force in 2020), both of which were increased by COVID-19. It also needs to remedy the economy's under-diversification as well as persistent social inequalities, since Botswana is ranked the tenth most unequal country in the world according to the World Bank.

Consistently well positioned among its sub-Saharan African peers in international rankings, Botswana still has some way to go to improve its business environment and support private sector development (87th out of 190 in the Doing Business 2020 ranking). In addition, the country is on the FATF's grey list of countries with weak AML/CFT regulations and was added to the European Commission's grey list in May 2020 for the same reasons. As a result, financial transactions between Botswana and foreign entities will be subject to enhanced due diligence.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	210.1
GDP PER CAPITA US Dollars - 2019	8,751
CURRENCY Brazilian real	BRL

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.3	1.1	-4.5	3.0
Inflation (yearly average, %)	3.7	3.7	2.9	3.3
Budget balance (% GDP)	-7.1	-5.9	-16.2	-7.1
Current account balance (% GDP)	-2.2	-2.8	0.0	0.0
Public debt (% GDP)	76.5	75.8	94.9	95.2

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
EURO AREA	14%
UNITED STATES	13%
ARGENTINA	4%
JAPAN	2%

Imports of goods as a % of total

CHINA	20%
UNITED STATES	17%
EURO AREA	16%
ARGENTINA	6%
SOUTH KOREA	3%

+

- Varied mineral resources and agricultural harvests
- Large population (estimated at 211.9 million)
- Well-diversified industry
- Strong foreign exchange reserves
- Net creditor in foreign currency

-

- Sensitive fiscal position
- Infrastructure bottlenecks
- Low level of investment (roughly 18% of GDP)
- Relatively closed to foreign trade (exports + imports represent only 28% of GDP)
- High costs of production (wages, energy, logistics, credit) that harm competitiveness
- Shortage of qualified labour, inadequate education system

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Economic rebound will be insufficient to return to pre-crisis level

In Brazil, the first COVID-19 case was reported on 26 February 2020 and it did not take long for the virus to spread. This was underpinned by the poor coordination of the authorities regarding the health emergency, as the federal government refused to impose stronger mobility restrictions, which led the state governors to assume this role. The pandemic reached a peak in mid-August. Nonetheless, daily new cases and deaths started to rise strongly again in mid-November. Despite this, the economy observed one of the smoothest dives in Latin America. This outcome can be mostly attributed to the implementation of large fiscal and monetary stimuli. In 2021, economic activity is expected to resume. The recovery in household consumption is likely to lose some momentum in early 2021, as a side effect of lower income aid and the recent increase in food prices. However, the index will still be supported by the gradual improvement on the job market and the maintenance of the policy rate at a historical minimum at least during a large part of the year. Moreover, foreign sales will be bolstered by a global economic rebound, improving depressed manufacturing exports, as primary exports (agriculture and iron ore) will remain at robust levels. Conversely, gross fixed investments will remain lacklustre because of the weak fiscal situation, which limits public investment and creates fear for private investors. Downside risks are related to the COVID-19 pandemic's evolution and the weak political environment.

Strong external position vs. worrying fiscal account

The current account deficit shifted into balance in 2020, bolstered by a stronger trade balance (as imports contracted much faster than exports) and the narrowing of the deficits in the services (driven by lower tourism expenditure) and income (due to the drop in foreign companies' profits) accounts. Regarding the financing, net foreign direct investment (FDI) registered a strong decline, but remained positive. Conversely, a strong outflow in portfolio investments was recorded (notably in H1 2020). As of September 2020, foreign exchange reserves remained as a strong buffer to external headwinds (totalling USD 357 billion and covering 27 months of imports). In 2021, the current account should remain broadly stable, as the lacklustre domestic economic recovery, and the recent strong exchange rate depreciation, will prevent a relevant deterioration. On the financial side, FDI is likely to improve somewhat, in line with a relatively lower global risk aversion. Finally, total gross external debt stood at 25% of GDP in September 2020 (considering intercompany loans and local bonds held by foreigners), with its public share at 6% of GDP (thus net creditor in foreign currency). On the fiscal front, the challenges imposed by COVID-19 have further aggravated the already ailing fiscal accounts, with the impact estimated at 8.6% of GDP in 2020. Drawdown of government deposits from the central bank was a major source of financing. This was, in counterpart, sterilized trough reverse repos in order to keep the monetary policy stance stable. Overall, while it reduced the cost of borrowing on the one hand, it also shortened the maturity of new bonds on the other. In 2021, uncertainty regarding compliance with the spending cap (which prevents public expenditure to increase in real terms, suspended in 2020) should remain until March, when the budget for the year must finally be approved.

Government popularity may be tested

The political temperature soared in April 2020, when the then Justice Minister Sergio Moro resigned and accused President Bolsonaro of attempting to interfere in the federal police's investigations. Nevertheless, the political environment has improved somewhat since then, as J. Bolsonaro has worked on improving his allied base at the congress. Therefore, the presidential mandate's interruption risk is currently low. This is also underpinned by the aid to informal workers, which has shadowed positively on the government´s approval rating. Consequently, the President has been pushing the Ministry of the Economy to design a new welfare program in order to replace the current Bolsa Família. The aim is to increase the aid despite the lack of fiscal space. Conversely, the failure in reaching a broader program, combined with the dismantling of the aid to informal workers, could take a negative toll on the ruling government's popularity. Moreover, in order to ensure governability, the government has built a coalition in Congress with a block of ideologically vacant parties, which normally provide their support in exchange of the control over ministries and departments with sizeable budgets. This reduces the autonomy to conduct economic policies. Therefore, aggravated by the health emergency and the halt for the municipal elections, the reform agenda has been delayed. This includes the much needed tax and administrative reforms (only affecting new servants) that are still in Congress for vote. .

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.

<u>Monitory action</u>

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.

<u>Ordinary proceedings</u>

Ordinary proceedings are presided over by an interrogating judge (inquisitorial procedure), and require examination of evidence submitted by each party in conjunction with study of any expert testimony. The creditor must serve the debtor with a registered Writ of Summons, which the debtor must answer within 15 days of receipt. The initial proceedings encompass an investigation phase and an examination phase. The final step of the process is the main hearing, during which the respective parties are heard. After this, a judgement is made by the court. The tribunal may render a default judgment if a duly served writ is left unanswered. It takes two to three years to obtain an enforceable judgment in first instance.

Enforcement of a Legal Decision

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

Court decision

A final judgment is normally automatically enforced by Brazilian Courts. Since the reforms in 2005 and 2006, attachment of the debtor's assets is possible if the latter fails to obey a final order within three days. In practice, execution can prove difficult, as there are very few methods for tracing assets in Brazil.

Foreign awards can be enforced if they meet certain conditions: the homologation has to be concluded by the Superior Court to be enforced in Brazil, the parties have be notified, and the award has to comply with all the requirements for enforcement (such as being translated from Portuguese by a public sworn translator).

Extrajudicial instruments

The enforcement of extrajudicial instruments is a legal type of enforcement granted to the creditor in order to allow him to claim his rights against the debtor. This is the most direct and effective court vehicle to recover credits in Brazil. This lawsuit does not require prior guarantees from foreign creditors (as the bond in the monitory suit for example). Moreover, Brazilian legislation renders some documents enforceable. These are separated in two main categories: Legal enforcement titles (including judgments made by a local Court recognizing the existence of a contractual obligation, and court-approved conciliations and arbitral awards) and extra-legal enforcement titles, which includes bills of exchange, invoices, promissory notes, duplicata mercantil, cheques, official documents signed by the debtor, private agreements signed by debtor, creditor and two witnesses (obligatory) as an acknowledgement of debt, secured agreements, and so on. It is obligatory to submit the original versions of these documents – copies are not accepted by the court.

Insolvency Proceedings

Out of court restructuring

Debtors can negotiate a restructuring plan informally with their creditors. The plan must represent a minimum of 60% of the total debt amount. This plan must be approved by the court.

Judicial restructuring

Debtors make a restructure to the request to the court, or request the conversion of a liquidation request to the court from their creditor(s). If the plan is accepted by the court, debtors typically have 60 days to present a list with all debts from creditors, and a payment plan. A judge then schedules two creditors' meetings, with the second only occurring if the first one does not take place. During these meetings, the proposed plan must be accepted by a majority of creditors. Once accepted, payments start as decided in the approved plan. The estimated period of this lawsuit is between 5 and 20 years.

Liquidation

The principal stages of liquidation are as follows:

- liquidation can be requested by either debtors (auto-falência), or any of their creditors if the debt totals more than 40 times the minimum wage;
- the initiating party must prove the existence of a net obligation, overdue and defaulted by presenting protested enforceable title (special protest – personal notice of debtor);
- upon analysis of a debtor's financial situation, the judge can decide that the company must be liquidated.

All of the company's assets have to be sold and the obtained amount is shared equally between creditors, respecting eventual privileges. The estimated period of this lawsuit is between 7 and 20 years.

BULGARIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	7.0
GDP PER CAPITA US Dollars - 2019	9,772
CURRENCY Bulgarian lev	BGN

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.1	3.8	-4.5	1.7
Inflation (yearly average, %)	2.8	3.1	1.7	1.3
Budget balance (% GDP)	2.0	1.9	-4.5	-2.0
Current account balance (% GDP)	1.0	3.0	1.0	2.3
Public debt (% GDP)	22.3	20.2	25.0	26.2

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
ROMANIA	9%
ITALY	7%
TURKEY	7%
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, the Bulgarian Lev is pegged to the Euro

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- Corruption and organized crime (No. 74 in the Corruption Perception Index 2019, the most corrupt country in the EU)
- 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 = 24% of the EU average in 2019)
- Strong informal economy

RISK ASSESSMENT

Rocky recovery, after COVID-19 recession and protests

After COVID-19 hit Bulgaria in early spring of 2020, the government announced the state of emergency, until at least end-April 2021, and introduced containment measures for single areas or group of persons, including social distancing and travel restrictions. The number of COVID-19 cases and related deaths was relatively limited. While the Bulgarian GDP did grow slightly at the beginning of the year, it fell dramatically in the second quarter, bringing the economy into the strongest recession since 1999. The main issues were a lack of private consumption and investments, as well as a standstill of foreign trade. From Q3 2020 onwards, the economy entered phase of recovery, initially strong but only progressing modestly since then, as it depends on not only domestic demand, which is again limited due to a strong second pandemic-wave that led into a second lockdown from late November on until at least the end of January, but also on demand from the main export destinations in the European Union. The Union accounts for over two-thirds of exports (especially Germany with 15% of exports). The impact of the recession was cushioned partly by some public stimulus measures, *i.e.* the coverage of some parts of employees' wages (over 1.2% of GDP), corporate tax deferrals (0.5% of GDP), a minimum wage subsidy and VAT reductions for single items and services. Furthermore, the government tried to calm the protest movement with another stimulus package worth of BGN 1.16 billion (1% of GDP) and announced further support for the year 2021 due to the second lockdown.

Emerging public deficit and lower current account surplus

Because of the lower demand for Bulgarian goods and the decrease in tourism, the current account balance should shrink, but remain in surplus in 2020. For 2021, tourism should slowly recover, which would increase the current account surplus again, while the balance of investments (negative) and the balance of personal transfers (positive) compensate each other. However, the goods trade deficit should again increase somewhat in 2021, due to stronger demand for foreign products in Bulgaria. This will cushion the increase of the current account surplus. The public balance registered a strong deficit in 2020, violating the Maastricht criteria, and should persist in 2021, albeit at a reduced level. Public debt will remain very low.

On 11 July 2020, Bulgaria joined the European Exchange Rate Mechanism 2 (ERM II) and the European Banking Union. In this "waiting room" for the Euro, the Bulgarian Central Bank has to hold on to the peg of BGN 1.96 per Euro (+/-15%), as well as to the Maastricht budget and debt criteria. The long-term interest rates should remain near that of the lowest ones in the Eurozone. While this should be manageable for the transition period of 2 years minimum, the criterion that the inflation rate can only be at a maximum of 1.5 pp. above inflation across the three Eurozone member states with the lowest inflation rate could become problematic.

Scandals, protests and elections

Since 9 July 2020, Bulgaria has been in a state of continuous protest against the government, due to various scandals concerning corruption of government members, as well as personal enrichment and influencing press coverage. This culminated in an unfounded raid on Bulgaria's President Rumen Redev (non-partisan), who, while holding a rather ceremonial office, has repeatedly vetoed the legislative proposals of Prime Minister Boiko Borissov (from the centre-right GERB). The anti-government protests mainly involved extensive road blockades, but turned into violent protests in September. While an opposition vote of no confidence failed, the protests led to a change in the government. Furthermore, Borissov offered to resign if a new constitution was voted (although the constitution would provide that only people with a higher level of education would have the right to vote). Several opposition parties have boycotted the parliament since then. In this context, it is difficult to foresee whether the government will be able to stay in power until the next general election on 4 April 2021. Nevertheless, the chances exist, as the government can count on a clear majority in parliament with 137 of 240 seats. Presidential elections are also scheduled for October/November 2021.

BURKINA FASO

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	20.3
GDP PER CAPITA US Dollars - 2019	775
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.8	5.7	-2.0	4.0
Inflation (yearly average, %)	2.0	-3.2	1.5	3.0
Budget balance* (% GDP)	-4.1	3.3	0.4	-0.4
Current account balance* (% GDP)	-4.1	-4.7	-3.4	-3.5
Public debt (% GDP)	37.7	42.7	46.7	48.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	55%
INDIA	18%
SINGAPORE	7%
CÔTE D'IVOIRE	5%
EURO AREA	4%

Imports of goods as a % of total

EURO AREA	23%
CÔTE D'IVOIRE	13%
UNITED STATES	7%
RUSSIA	6%
INDIA	6%

\+

- Major producer of gold (sixth largest in Africa) and cotton (second largest in Africa in 2018)
- Member of the West African Economic and Monetary Union, which ensures the stability of the CFA franc against the euro
- Support from the international financial community (one of the first countries to benefit from the HIPC initiative)

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- 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

A recovery expected in 2021

After a mild recession in 2020, Burkina Faso should return to sustained growth in 2021, but at a slower pace than before the crisis. Private consumption, which accounts for 70% of GDP, is expected to grow vigorously in 2021 after a slight decline in 2020. This will be driven by a strong performance from agriculture, on which many Burkinabe households depend. Gross fixed capital formation may have declined by 5% in 2020, but will pick up again in 2021, rising by 7%, driven by foreign investors who are increasingly interested in the mining sector, particularly because the country's export tariffs are very low. In 2020, several public-private investment projects began to emerge, including one involving French group Urbasolar to build a 30MW solar power plant. Demand will remain sustained by public investment and implementation of the National Economic and Social Development Plan, which led to the launch of more than 30 road infrastructure projects in 2020 and numerous investments in the cotton-textile, food-processing and construction materials sectors. A highway project between Ouagadougou and Yamoussoukro is also under discussion. Although gold sales held up, foreign trade made a negative contribution due to the decline in cotton exports and the increase in imports, especially of capital goods. The situation is unlikely to change much in 2021, with cotton sales picking up slowly and equipment purchases continuing.

Despite the decline in cotton prices (-20% between January and August 2020), agriculture, which employs 80% of the labour force, has not been overly affected by the crisis. The 2020-2021 agricultural season was considered good, and the situation is set to continue thanks to planned investments aimed at making the agricultural production system less weather-dependent. Likewise, the mining sector, which represents 10% of GDP, is benefiting from rising gold prices. The service sector, which is traditionally the main contributor to growth (55% of GDP), was heavily impacted by the crisis, but should see its growth rate increase in 2021.

International aid in support of public and external accounts

In April 2020, the government launched an economic response and recovery plan including health, economic and social measures. The overall cost of these measures is estimated at 394 billion CFA francs, or 4.45% of GDP, including 76 billion CFA francs for social measures such as utility bill waivers, sales of food at subsidised prices and cash transfers. This plan, coupled with the decline in tax revenues following the recession, caused the public finances to deteriorate. The public surplus recorded in 2019 thanks to foreign aid (10% of GDP) and fiscal consolidation vanished in 2020, despite increased aid from international organisations. As a result, Burkina Faso's debt, which is 23% external, increased. In 2021, the budget balance, including grants, should remain close to balance.

The current account deficit narrowed in 2020 and should stabilise in 2021. However, despite the decrease in the oil bill and the rise in the price of gold, the trade in goods surplus shrank in 2020 with the fall in cotton prices and demand. It could continue to decline next year with continued purchases of capital goods and other necessities for investment. The services deficit also worsened in 2020 because of the collapse of tourism and transportation and is not expected to get better in 2021. The improvement is due to multilateral assistance, including a USD 115.3 million disbursement from the IMF to respond to the COVID-19 pandemic, a USD 54.6 million financing package split equally between a grant and a loan from the African Development Fund, and a USD 21.15 million package from the World Bank, again half in grants and half in loans.

Political and security tensions run high

Security will remain the main challenge facing President Roch Marc Christian Kaboré and his government in 2021. The country is sinking into insecurity, with a resurgence of Islamist terrorist attacks, resulting in hundreds of deaths and massive population displacements (the country has more than one million internally displaced persons according to Conasur). With the government losing control of nearly one-third of the territory to armed groups, international observers now fear that the state could fail, especially as the G5 Sahel force is experiencing funding difficulties.

Furthermore, the central government is facing strong internal opposition. A constitutional referendum, originally scheduled for March 2019 and which proposed a ten-year limit on holding the presidency, was postponed to 2021. Legislative and presidential elections in November 2020 resulted in the victory of President Kaboré and his People's Movement for Progress party. However, the fact that the elections could not take place in a third of the country because of insecurity puts the legitimacy of the elected representatives into perspective. The new government, still led by Prime Minister Christophe Dabiré, and little reshuffled, was joined by the opponent Zéphirin Diabré.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	11.5
GDP PER CAPITA US Dollars - 2019	270
CURRENCY Burundi franc	BIF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.6	1.8	1.0	2.8
Inflation (yearly average, %)	-2.8	-0.7	7.5	5.2
Budget balance* (% GDP)	-6.8	-8.3	-9.6	-8.7
Current account balance (% GDP)	-14.5	-17.9	-20.7	-20.8
Public debt** (% GDP)	50.5	57.4	65.0	68.9

(e): Estimate. (f): Forecast. * 1st July N-1 / 30th June N. ** Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	62%
DR CONGO	7%
EURO AREA	5%
SWITZERLAND	5%
PAKISTAN	4%

Imports of goods as a % of total

CHINA	16%
SAUDI ARABIA	15%
EURO AREA	11%
UNITED ARAB EMIRATES	6%
KENYA	6%

+

- Natural resources (coffee, tea, gold)
- Member of the East African Community (EAC)
- World's second-largest nickel reserves (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
- Poorly diversified economy that is vulnerable to external shocks
- Unproductive agricultural sector (30% of GDP and 90% of labour force)
- Geographically isolated
- Activity hampered by lack of infrastructure and access to electricity
- Decrease in the labour force as the political crisis has forced some people to flee the country

RISK ASSESSMENT

Rare earths: the key to recovery

The COVID-19 crisis shattered the fragile recovery that began after the 2015 crisis. Limited measures were taken within the country to combat the epidemic (recommendations on physical distancing and hand washing). The land border with Rwanda was closed to goods and people, the border with DRC was also closed (although not to goods), while the border with Tanzania remained open. Land borders were reopened in August 2020. Commercial flights resumed in November after being banned in March 2020. Burundi's health system is one of the most fragile in the world and requires investment to be able to cope with the pandemic. The pandemic response plan to strengthen the health care system, the social safety net and parts of the road network to facilitate access to patients is worth 4.7% of GDP (USD 150 million) over the period 2020-2021. The services sector was most affected by COVID-19 because of the drop in demand and travel restrictions. Unemployment is expected to increase particularly in the capital Gitega since services (tourism, hotels and commercial services) are concentrated there. This will hurt private consumption (80% of GDP), especially as purchasing power declines. The rise in the prices of food and imported goods following disruptions caused inflation to accelerate, although it is expected to slow as upward price pressures ease. The recovery is set to be driven by the mining industry, especially Rainbow Rare Earths, the company that owns the Gakara mine. The sector has been growing in importance since the United States said it wanted to diversify its rare earth supply in the wake of the trade dispute with China. Burundi is the only African country currently producing rare earths, as a result of which the mining sector is now the main contributor of foreign exchange ahead of coffee and tea. However, industry growth is set to slow due to low investment and a still difficult environment.

Persistent twin deficits

The budget deficit widened in 2020 due to increased public spending related to the elections and the fight against COVID-19. However, mining revenues are expected to increase in 2021. The government will rely on the local market to finance itself by issuing treasury bills and bonds, and on the central bank as a last resort. Public debt is 70% domestic. The government obtained debt relief of 0.2% of GDP for the period July-October 2020 from the IMF under the Catastrophe Containment and Relief Trust. This relief could extend until April 2022 for a total amount of USD 24.97 million (0.8% of GDP).

Regarding the external accounts, the decrease in the cost of imports due to lower oil prices was offset by imports of medical products as part of the battle against COVID-19 in 2020. Dependence on imports due to low local production will continue to fuel the current account deficit in 2021. The trade balance is structurally negative because of substantial imports of manufactured goods and oil. The deficit will be contained by an uptick in exports of mining products (38.2% of the total) and agricultural products (43%), particularly coffee. The low level of external aid will be insufficient to finance the current account deficit. The central bank's foreign exchange reserves (less than one month of imports) will continue to dwindle, accentuating the depreciation of the Burundi franc and the lack of liquidity in the economy.

Despite having a new president, the country remains isolated on the international scene

Following the presidential election of 20 May 2020 and the sudden death of incumbent Pierre Nkurunziza in early June 2020, the newly elected president Evariste Ndayishimiye, from the National Council for the Defence of Democracy – Forces for the Defence of Democracy (CNDD-FDD) Party, took office early on 18 June 2020 after beating the main opposition candidate, Agathon Rwasa, president of the National Freedom Council (CNL). Despite the leadership change, political continuity is the most likely scenario, with some members of the old government joining the new one. As the former president underestimated COVID-19, the fight against the virus was stepped up (soap subsidy, testing policy implemented) after Evariste Ndayishimiye took office. Burundi has been excluded from the international scene since 2015, and relations with the West are expected to remain limited despite the new government's arrival. The International Criminal Court's investigation of crimes against humanity continues despite the death of the former president, who unleashed a political and social crisis when he sought a third term in 2015. The Southern African Development Community (SADC) rejected Burundi's application for membership in 2019 because of the continuing political crisis. However, the country is expected to work with multilateral partners (IMF, World Bank) to fight the pandemic. Burundi is ranked 185/189 in the UN Human Development Index.

CABO VERDE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	0.5
GDP PER CAPITA US Dollars - 2019	3,602
CURRENCY Cabo Verde escudo	CVE

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	90%
UNITED STATES	3%
DR CONGO	2%
TANZANIA	0%
BANGLADESH	0%

Imports of goods as a % of total

EURO AREA	80%
CHINA	4%
BRAZIL	3%
UNITED STATES	2%
LAOS	1%

\+
- Growth in tourism activity (in normal times)
- 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
- Heavily dependent on economic performance of Eurozone countries
- Severely impacted by the COVID-19 crisis
- 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	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.5	5.7	-10.0	4.0
Inflation (yearly average, %)	1.3	1.0	1.0	1.2
Budget balance* (% GDP)	-2.8	-1.5	-9.0	-6.8
Current account balance** (% GDP)	-5.1	0.3	-15.1	-10.0
Public debt (% GDP)	124.5	124.2	136.8	137.6

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

RISK ASSESSMENT

Economic growth to recover in 2021

Cabo Verde suffered only slightly from the COVID-19 crisis health wise, but its economy was severely impacted. A rebound is expected for 2021, but economic growth will remain below pre-crisis levels. The drop in activity recorded in 2020 was mainly due to the decline in tourism, which represents 37% of GDP and 39% of employment. Travel restrictions introduced because of the health crisis and the suspension of flights from the hardest hit European countries severely impacted tourism revenues (51% of total exports). A slow recovery is expected in 2021, despite the gradual lifting of restrictions. The maritime fishing sector (31% of exports) was also affected by disruptions in global supply chains and weakened external demand. In 2021, the situation is expected to return to normal, allowing the fishing sector to recover.

Remittances from expatriates also declined in 2020, affecting the consumption and incomes of the households that depend on them. They are expected to pick up again in 2021, stimulating domestic demand, especially household consumption.

FDI, which comes mainly from Western Europe (United Kingdom, Portugal, Italy and Spain), contracted in 2020, as these countries were rocked by the crisis. This will lead to investment delays in key sectors such as tourism, transport and ICT. Despite a resumption in FDI in 2021, the delays built up in 2020 will impact these sectors.

The public and current account deficits are widening

The current account deficit widened dramatically in 2020 and is not expected to narrow much in 2021. It reflects the massive trade deficit (31% of GDP in 2019) arising from the archipelago's dependence on food and manufactured goods. Tourism revenues and expatriate remittances usually offset the deficit. However, they have been strongly impacted by the health crisis, which explains why the current account deficit has become so high. They should gradually recover in 2021. Exports are also expected to pick up, notably due to the government's desire to diversify the economy away from tourism. However, imports are also poised to start rising again, especially food (70% of total imports), which will continue to pull the current account deficit down. This deficit is traditionally financed by concessional loans from international partners and FDI. The role of partners has increased amid the health crisis: the IMF approved a USD 32 million disbursement through its Rapid Credit Facility to help Cabo Verde finance its large current account deficit.

The Cape Verdean government adopted a stimulus plan in March 2020 to support the economy and the most vulnerable households. The plan includes an increase in the budget for medical equipment, testing and medical staff wages. The government also postponed the payment of taxes until December 2020 and is guaranteeing EUR 36 million in loans to private companies. In addition, social assistance measures are planned, including EUR 2.7 million for 30,000 informal sector workers, food aid for 22,500 families and enhanced welfare for the elderly. The government also introduced a moratorium on insurance premium payments and loan repayments for households, companies and non-profit associations until December 2020. Government measures and the crisis-fuelled revenue decline caused the deficit to explode, necessitating increased borrowing from foreign partners.

Confirmed political stability

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. It also has one of the best business climates in the region, but still suffers from a lack of infrastructure and the absence of regulations governing insolvency.

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 for a second term in the October 2016 presidential elections. During his term, the MPD enjoyed strong public support, enabling it to pursue growth-friendly policies, such as promoting local businesses and stimulating inclusive growth. The government is pursuing the objectives of the Strategic Plan for Sustainable Development (2017/2021), which include developing air and maritime transport, diversifying the economy and improving access to basic public services. Having dealt well with the COVID-19 pandemic, the MPD looks strongly placed to win the next parliamentary and presidential elections to be held in March and October 2021 respectively.

As far as foreign policy is concerned, the country remains closely linked to Western Europe, which is a major source of tourists and FDI. It will also continue to foster its ties with China, whose investment in the territory is constantly increasing and is expected to be concentrated in the tourism sector, infrastructure and the construction of a special economic zone.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	16.5
GDP PER CAPITA US Dollars - 2019	1,620
CURRENCY Cambodian riel	KHR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.5	7.1	-1.6	6.1
Inflation (yearly average, %)	1.6	1.9	1.7	2.0
Budget balance (% GDP)	-1.4	-1.4	-3.1	-2.5
Current account balance (% GDP)	-12.2	-15.0	-22.0	-17.0
Public debt (% GDP)	28.6	29.5	35.0	30.6

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	21%
SINGAPORE	8%
JAPAN	7%
UNITED KINGDOM	6%

Imports of goods as a % of total

CHINA	36%
THAILAND	15%
VIETNAM	13%
JAPAN	4%
TAIWAN	4%

- 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
- Economy strongly impacted by the COVID-19 crisis
- Underdeveloped electricity and transport networks
- Lack of skilled workforce
- Dependent on concessional financing due to weak fiscal resources
- Significant governance shortcomings, high levels of corruption
- Poverty rate remains high, low levels of spending on health and education

RISK ASSESSMENT

An economic recovery is expected

Although not severely affected by the pandemic healthwise, Cambodia has been hard hit economically. Growth is expected to rebound in 2021, after an unprecedented contraction in 2020 that drove the country into recession. Cambodia is highly dependent on its exports of goods and services (about 60% of GDP in 2019) such as textiles-clothing and travel goods (75% of the total). These have declined (-13% in 2020 year-on-year, according to Asian Development Bank estimates) due to the twin supply and demand shock caused by the pandemic. Tourism, another mainstay of the Cambodian economy (about 18.7% of GDP), has also been severely affected by travel restrictions resulting from the crisis. This sector should gradually recover in 2021, thanks in particular to the reopening of borders. In this context, the current account deficit widened dramatically in 2020, but is expected to narrow in 2021 as exports recover. Furthermore, the Cambodian economy has been affected by a decline in FDI, 40% of which comes from China. Indeed, construction, worth one-third of GDP, is driven by FDI, which has seen a significant decline (40% year-on-year over the January-February 2020 period) and is uncertain to recover in 2021. The downturn in FDI might also impact the current account deficit, which it largely finances. In order to finance this deficit, Cambodia may need concessional external financing, particularly from China. Finally, domestic demand, primarily household consumption, has declined sharply because of the measures taken to combat the pandemic and the decline in activity. In 2021, it is expected to show a gradual and timid recovery. Public investment will continue to focus on education, but will be at a lower level than in the previous year amid an across-the-board reduction in public investment in Cambodia.

Public deficit and public debt increased by the crisis

The government began taking action in February 2020 to support the economy. These measures were aimed at helping key sectors such as tourism, textiles and aviation, as well as businesses. In addition, a budget of USD 400 million was released for social assistance, including USD 300 million for cash transfers to the poorest and most vulnerable households. Difficulties in the textile and construction sectors have impacted government revenue, while the financial support package estimated at more than USD 800 million (3.2% of 2019 GDP) has increased spending, widening the public deficit. Public debt is expected to rise in order to finance the deficit, despite increased multilateral and bilateral aid. The public deficit and public debt are expected to shrink slightly in 2021, but will not return to pre-crisis levels. Private sector indebtedness, especially household indebtedness, is extremely high, including among low-income people using microfinance and informal lenders. Moreover, mounting unemployment, rising poverty rates and waning activity in construction and real estate, where credit is concentrated, could affect the stability of the financial sector in 2021. This could lead to payment defaults, as well as a decline in deposits, which are mainly in dollars.

Social unrest and trade sanctions

Prime Minister Hun Sen has led the country for 35 years. His Cambodian People's Party (CPP), a right-wing conservative party, has all the seats in the National Assembly. The government is facing increasing protests against corruption and arrests of opponents. Discontent has been exacerbated by the severe enforcement of anti-pandemic measures and a decline in economic activity, which has led to increased unemployment and poverty. In response, the government is stepping up its repression. This could have a serious impact on the country's social and political stability. Relations with traditional Western partners, the EU and the United States, have deteriorated since flawed national elections in 2018, when repression of the political opposition and local media drew international criticism. In May 2020, the EU implemented trade sanctions, reversing Cambodia's preferential access to the European market under the Everything But Arms (EBA) programme. Some of the country's exports are now subject to common EU customs duties. This poses a risk to the Cambodian economy, which shipped 26.8% of its exports to European markets in 2019, of which more than 90% were exempt from custom duties. The United States also threatened a series of sanctions against government officials and threatened to withdraw its preferential trade agreements with Cambodia. In response, Cambodia redoubled its efforts to strengthen ties with China, through a trade agreement inOctober 2020. In the short-term, Cambodia is expected to remain highly dependent on its main customers, namely the European Union and the United States.

CAMEROON

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	25.5
GDP PER CAPITA US Dollars - 2019	1,524
CURRENCY CFA franc (CEMAC)	XAF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.1	3.8	-3.0	3.0
Inflation (yearly average, %)	1.1	2.5	2.8	2.5
Budget balance (% GDP)	-2.5	-3.3	-4.0	-3.5
Current account balance (% GDP)	-3.6	-4.4	-5.5	-4.5
Public debt (% GDP)	39.5	42.7	45.0	45.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	47%
CHINA	14%
INDIA	10%
UNITED STATES	4%
BANGLADESH	4%

Imports of goods as a % of total

EURO AREA	26%
CHINA	20%
THAILAND	5%
NIGERIA	5%
INDIA	4%

+

- Relatively diversified resources, including forestry, agricultural, oil and mining
- Hydroelectric potential
- Diversified economy, compared to those of other oil-exporting countries
- Efforts to upgrade infrastructure are underway
- 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 commodities
- Low government revenues: 13% of GDP
- Weak but small banking system
- Non-inclusive growth (poverty affects 23% of the population), business environment remains difficult with poor governance (corruption, etc.).
- Inadequate infrastructure, especially electrical infrastructure
- Heightened political risk: insecurity in the far north of the country and tensions in the northwest and southwest regions between the English-speaking minority and the mainly French-speaking regime
- Succession of President Biya (86 years old)

RISK ASSESSMENT

Infrastructure construction and gas support recovery

The COVID-19 crisis triggered a moderate recession in 2020. One of the causes was a decline in exports, which was partially offset by a decrease in imports. The other was the collapse in domestic demand, as investment was put on hold and consumption fell due to social distancing measures, even if they were not applied for long. In 2021, activity should rebound, but without returning to previous growth levels. This should be the case for investment, with construction resuming on the Lom-Pangar and Nachtigal hydroelectric dams, the deepwater port of Kribi, and continued development of the gas sector, wood processing and infrastructure for the African Cup of Nations 2022. Exports (19% of GDP) should benefit from better hydrocarbon prices. Shipments of liquefied natural gas should return to an upward curve with the commissioning of a new terminal in the port of Kribi. Coffee, cocoa, cotton and bananas will benefit from the restoration of supply chains, but will still face persistent unrest in the English-speaking regions, which account for much their production, while vegetable shipments will resume with the reopening of land borders. However, as, at the same time, imports of capital goods are set to pick up with investment and consumption, the contribution of foreign trade to growth will be reduced. Household consumption (70% of GDP), which already benefited from the lifting of social distancing measures, will get further support from the rise in income from agriculture (15% of GDP, but 62% of employment). Services (55% of GDP) are poised to benefit fully from this upturn.

Consolidation of public accounts likely to resume

The crisis only slightly increased the public deficit and debt, which remain moderate. The fiscal policy was rather restrictive before the crisis under the IMF's Extended Credit Facility, which provided the country with USD 666 million between 2017 and 2020. Admittedly, revenues were affected by the decline in demand, both domestic and external, and particularly by the fall in hydrocarbon revenues (16% of the total). Furthermore, the country introduced a modestly-sized support plan. However, significant cuts were made to current expenditure (not security) and investment, while fuel subsidies decreased as prices fell. The additional financing requirement was covered by emergency financing from the IMF to the tune of USD 226 million, the suspension of bilateral debt servicing by Paris Club countries and China, and recourse to the regional market. In 2021, the deficit should return to its previous level, while the debt-to-GDP ratio is expected to stabilise, although COVID-related spending could be prolonged. Higher hydrocarbon prices will be offset by a reduction in oil production, itself partially moderated by an increase in gas production. While amortisation of the debt (80% external) will remain low, its increase from 2022 will likely encourage the authorities to seek a new IMF agreement.

Similar to the public deficit, the current account deficit increased moderately because of the crisis. The trade deficit widened modestly as the decline in imports partly offset the fall in exports. The trade deficit is significant, but is largely attributable to imports linked to infrastructure development and the shutdown of the Cameroon's only refinery (SONARA) following a fire in May 2019, which forced the country to increase its fuel imports. The deficit is financed by FDI flows linked to infrastructure projects and concessional debt. External debt represents only 30% of GDP. In addition to multilateral support, the country benefits, through its membership of CEMAC, from the CFA franc convertibility guarantee provided by the French Treasury.

The regime is facing an uprising in English-speaking regions

The economy is marked by the situation in the far north, which is exposed to terrorist attacks by the Islamist group Boko Haram, but even more so by what is going on in the English-speaking regions in the northwest and southwest. Complaints of marginalisation and poor governance among the English-speaking populations led to the emergence of armed separatist groups, which the central government has been fighting since 2017. This has resulted in major abuses against civilian populations. In late 2020, separatists opposed to the learning of French carried out deadly attacks on bilingual schools. The country has an estimated 850,000 out-of-school children as well as 650,000 displaced people, in addition to Central African and Nigerian refugees. Under pressure from international donors wielding sanctions, a devolution law was passed in December 2019 that provides for special status for these regions. In July 2020, negotiations began between the government and separatist leaders, but their views look irreconcilable, with separatists demanding independence. The central government is dominated by President Paul Biya, who was elected for a seventh term in 2018 and whose party, the Rassemblement Démocratique du peuple camerounais, won 139 of the 167 seats in the March 2020 legislative elections. Maurice Kamto, the main opponent, and other leaders of the Mouvement pour la renaissance are subject to sporadic arrests, like during the December regional elections, which they urged voters to boycott.

CANADA

COFACE ASSESSMENTS	
COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	37.5
GDP PER CAPITA US Dollars - 2019	46,272
CURRENCY Canadian dollar	CAD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	1.9	-5.7	3.7
Inflation (yearly average, %)	2.3	1.9	0.7	1.6
Budget balance* (% GDP)	-0.6	-1.8	-17.7	-6.0
Current account balance (% GDP)	-2.3	-2.1	-1.9	-2.2
Public debt (% GDP)	89.5	88.4	110.7	115.0

(e): Estimate. (f): Forecast. *Fiscal year from April 1st to March 30th: 2021 Data: FY2021/22.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	76%
EURO AREA	4%
CHINA	4%
UNITED KINGDOM	3%
JAPAN	2%

Imports of goods as a % of total

UNITED STATES	51%
CHINA	12%
EURO AREA	10%
MEXICO	6%
JAPAN	3%

+

- Abundant and diversified energy and mineral resources
- Fifth-largest oil and gas producer in the world
- Strong, well-capitalised and well-supervised banking sector
- Fiscal rigour
- Immediate proximity to the large U.S. market
- Development of trade relations (CETA with the EU)
- Excellent business environment

-

- Dependent on the U.S. 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 (158% of disposable income in mid-2020)
- Rapid growth in property prices
- Energy exports weakened by inadequate supply pipelines to the coasts and the United States, and by the U.S.'s own resources

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

After the crisis, a gradual rebound

After suffering its sharpest contraction on record in 2020 because of the COVID-19 pandemic, Canadian growth is expected to bounce back in 2021. Pent-up demand in 2020 owing to restrictions to limit the spread of the disease is expected to make household consumption (almost 60% of GDP) the main driver of the rebound. Household confidence is expected to improve, particularly if a vaccine is rapidly deployed, and incomes should be lifted by the decline in the unemployment rate from its peak in April 2020 (13.7%) and by budgetary support measures to respond to the crisis. Nevertheless, the retail and clothing sectors, whose difficulties have been exacerbated by the crisis, are expected to continue to see numerous bankruptcies. While the government should gradually withdraw support measures, public consumption should still fuel growth in 2021. Exports will benefit from the combined effect of improved economic conditions in the United States and higher oil prices. Nevertheless, prices will still be relatively low and this, combined with a lack of transport capacity, will mean that the energy sector continues to underperform. In this regard, uncertainties surrounding the completion of oil pipeline projects remain, as demonstrated by the U.S. President Joe Biden's decision to cancel the permit for the Keystone pipeline on his first day in office. The oil sector is expected to be a drag on the rebound in corporate investment, which will, moreover, be constrained by increased balance sheet vulnerability in the wake of the crisis. Conversely, low mortgage rates, with the central bank expected to keep its policy rate at a record low 0.25% in 2021 (-150 basis points in 2020), and property demand will support residential investment. A wave of personal bankruptcies was avoided in 2020 thanks to government support and payment deferrals, but vulnerabilities associated with household debt will continue to be monitored.

The recovery plan will maintain a large budget deficit

In the aftermath of the COVID-19 pandemic, the unprecedented support measures taken by the government in response to its impact, coupled with the revenue decline, resulted in a record budget deficit. In fiscal year 2021/22, the deficit is expected to narrow significantly, benefiting from an increase in revenues associated with the rebound in activity and a reduction in expenditure as temporary support measures expire. Employment Insurance (EI) benefits are set to decline, while the Recovery Benefit (for those ineligible for EI) and Emergency Wage Subsidy (to allow employers to partially cover employee wages) programmes are set to expire in 2021. Although shrinking, the deficit is expected to remain high, with the government pledging between CAD 70 and 100 billion (between 3 and 4% of GDP) of spending over three years to stimulate the recovery, with details to be provided in the next budget. The fiscal situations of the provinces and territories, starting with Quebec and Ontario, also deteriorated because of the crisis and contributed to the jump in public debt in 2020. However, after deducting, among other things, assets held by the Canada and Quebec Pension Plans, net public debt remains relatively low (45% of GDP).

In 2021, the current account deficit is projected to widen slightly, driven by the balance of goods deficit. Higher imports, in line with the recovery in domestic demand, will be the major reason for this. In addition, payments for travel and transport services are expected to increase gradually, fuelling the services deficit. After recording a small surplus in 2020 due to accelerated repatriation of FDI profit dividends, the income account could return to a small deficit in 2021. The transfer deficit is expected to continue to make a relatively minor contribution to the current account deficit. The country is heavily dependent on foreign portfolio investment to finance its deficit. External borrowing may also be necessary. This would add to the already substantial external debt (129% of GDP by mid-2020), most of which is owed by the private sector (about 80% of the total).

Federal elections in 2021?

Justin Trudeau, who has been prime minister since November 2015, held onto his job following the October 2019 federal election, but had to form a minority government after his Liberal Party lost 20 seats and the majority (157 of 338). The Conservative Party, which gained 26 seats, remains the main opposition, while the Bloc Québécois became the third largest party in the House of Commons after winning 32 seats, a 22-seat increase. In 2020, the government's handling of the COVID-19 crisis boosted the popularity of the prime minister and his party in the polls. This resurgence, which might enable the Liberals to regain a majority in the event of early elections, continued despite a scandal involving the prime minister over the award of a government contract to WE Charity and the appointment of Erin O'Toole as the new leader of the Conservative opposition. If popularity keeps improving, the government could call a snap election in 2021, as no minority government has ever been able to serve a full term. While strained during Donald Trump's tenure, relations with the United States may warm up following the election of Joe Biden, but differences will remain over trade and energy policy. Moreover, relations with China remain tense since Canada arrested a senior executive of the Chinese company Huawei in 2018.

PAYMENT & DEBT COLLECTION PRACTICES IN CANADA

Payment

A single law governs bills of exchange, promissory notes and cheques throughout Canada; however this law is frequently interpreted according to common law precedents in the nine provinces or according to the Civil Code in Quebec. As such, sellers are well advised to accept such payment methods unless where long-term commercial relations, based on mutual trust, have been established with buyers.

Centralised accounts, which greatly simplify the settlement process by centralising settlement procedures between locally based buyers and sellers, are also used within Canada.

SWIFT bank transfers are the most commonly used payment method for international transactions. The majority of Canadian banks are connected to the SWIFT network, offering a rapid, reliable and cost-effective means of payment, notwithstanding the fact that payment is dependent upon the client's good faith insofar as only the issuer takes the decision to order payment.

The Large Value Transfer System (LVTS) –introduced by the Canadian Payments Association in February 1999 – is a real time electronic fund transfer system that facilitates electronic transfers of Canadian dollars countrywide and can also handle the Canadian portion of international operations.

The letter of credit (L/C) is also frequently used.

Debt Collection

Canada's Constitution Act of 1867, amended in April 1982, divides judicial authority between the federal and provincial Governments. Therefore, each province is responsible for administering justice, organizing provincial courts and enacting the civil procedure rules applicable in its territory. Though the names of courts vary between provinces, the same legal system applies throughout the country, bar Quebec.

Within each province, provincial courts hear most disputes of all kinds concerning small claims, and superior courts hear large claims – for example, the Quebec superior court hears civil and commercial disputes exceeding CAD 70,000 and jury trials of criminal cases. Canadian superior courts comprise two distinct divisions: a court of first instance and a court of appeal.

At federal level, the Supreme Court of Canada, in Ottawa, and only with "leave" of the Court itself (leave is granted if the case raises an important question of law), hears appeals against decisions handed down by the provincial appeal courts, or by the Canadian Federal Court (stating in appeal division), which has special jurisdiction in matters concerning maritime law, immigration, customs and excise, intellectual property, disputes between provinces, and so on.

The collection process begins with the issuance of a final notice, or "seven day letter", reminding the debtor of his obligation to pay together with any contractually agreed interest penalties.

Ordinary proceedings

Ordinary legal action – even if the vocabulary used to describe it may vary within the country – proceeds in three phases.

Firstly, the "writ of summons" whereby the plaintiff files his claim against the defendant with the court, then the "examination for discovery", which outlines the claim against the defendant and takes into account the evidence to be submitted by each party to the court and, finally, the "trial proper" during which the judge hears the adverse parties and their respective witnesses, who are subject to examination and cross-examination by their respective legal counsels, to clarify the facts of the case before making a ruling.

Enforcement of a Legal Decision

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

The change precisely concerns institution of a standard "originating petition" (*requête introductive d'instance*), with the payment of judicial costs joined, introducing a 180-day time limit by which the proceedings must be scheduled for "investigation and hearings" (*pour enquête et audition*), delivery of a judgement on the content within a timeframe of six months after the case was heard and encouragement of the parties to submit to a conciliation stage during legal proceedings, with the judge presiding over an "amicable settlement conference" (*conférence de règlement à l'amiable*).

Insolvency Proceedings

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

NUMBER OF CORPORATE INSOLVENCIES

Source: Statistics Canada (CANSIM), Coface

CENTRAL AFRICAN REPUBLIC

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2019**	**4.7**
GDP PER CAPITA US Dollars - **2019**	**480**
CURRENCY CFA franc (CEMAC)	**XAF**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.8	3.1	0.0	3.0
Inflation (yearly average, %)	1.6	2.7	2.5	3.0
Budget balance* (% GDP)	0.4	1.4	-3.0	-0.6
Current account balance** (% GDP)	-7.9	-5.1	-6.0	-5.5
Public debt (% GDP)	48.8	47.8	47.0	45.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	56%
BANGLADESH	25%
BENIN	5%
CHINA	5%
CHAD	2%

Imports of goods as a % of total

EURO AREA	37%
CAMEROON	11%
CHINA	10%
UNITED STATES	9%
UNITED KINGDOM	5%

+
- 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)
- Economy vulnerable 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 should return to pre-crisis levels

Healthwise, the Central African Republic (CAR) was only slightly impacted by the COVID-19 pandemic. In economic terms, growth in 2020 was anaemic, but should return to its pre-crisis level in 2021.

The CAR economy is dependent on its exports (19% of GDP) and therefore on its partners, particularly France and China, which accounted for 33% and 13% of total exports in 2019, respectively. Demand in these two countries shrank because of the strong impact of the COVID-19 crisis, causing their imports to decline. Diamond sales were particularly affected as demand contracted due to the closure of cutting workshops in India and polishing workshops in Israel, as well as the suspension of certification in Belgium. Furthermore, demand for jewellery fell, as jewellery stores were closed in countries under lockdown. However, demand for diamonds is expected to increase in 2021, the stockpile built up in 2020 should be sold and production should increase. Agricultural production (nearly 40% of GDP) also decreased because of the pandemic. Harvests were poorer and difficulties in obtaining fertilizers affected production. There is considerable uncertainty about whether the agricultural sector will recover in 2021 due to its reliance on unpredictable weather conditions and the timid pick-up in demand. Wood exports (2/3 of total exports) fell sharply due to supply chain disruptions. They are expected to resume in 2021 thanks to massive government investment in the sector and the need to rebuild infrastructure destroyed by the civil war.

The weak export performance widened the current account deficit, which was nonetheless mitigated by lower imports, including lower oil prices and reduced household demand. Household consumption declined due to labour market distortions caused by COVID-19, which fuelled uncertainty about the future and prompted households to save. The deficit should be reduced in 2021 as exports gradually recover, but is expected to remain significant. Imports are also expected to pick up, on the back of a slight upturn in employment, which would stimulate household consumption. Purchases of capital goods are expected to resume rapidly, as the need for reconstruction is significant. Meanwhile, following COVID-19, the government may invest heavily in the health system. Conversely, the recovery of private investment remains uncertain, due to high risk aversion among companies and the economic uncertainties related to the crisis.

Highly dependent on external aid

The government quickly adopted fiscal measures to support the economy, businesses, including through a fund to prevent business failures and job losses, and the poorest and most vulnerable households. The intervention plan for COVID-19 is estimated at about USD 268 million (12% of GDP). In addition to budget support, the plan includes loan rescheduling as well as additional assistance through the WHO. CAR remains highly dependent on external financing due to its low tax rate. This funding enables the country to limit its budget deficit, despite high public spending (17% of GDP in 2019). In the context of the health crisis, the French Development Agency, the African Development Bank, the World Bank and the EU have provided budget support of more than USD 400 million (18% of GDP). The IMF also provided two concessional loans under the Extended Credit Facility approved in December 2019. In terms of external debt, the G20 agreed to a debt service standstill.

A volatile political and security situation

The political and security situation remains highly precarious because of the civil war, which lasted until 2016. Because of the violence by rebels, encouraged by former President Bozizé, only half of those registered were able to participate in the presidential election of December 2020, of which Faustin-Archange Touadéra, the outgoing president, emerged victorious. The second round of legislative elections on 7 February 2021 may not elect enough deputies. The elections focused on security issues, which are critical to economic recovery. Despite a new peace agreement signed in February 2019 between the government and rebel groups, which has contributed to a decrease in violence, the security situation remains very difficult. Clashes continue between factions of ex-Séléka, a mainly Muslim armed group, and anti-Balaka groups, which are mostly Christian. Many other armed groups are taking advantage of the instability to try to impose themselves locally. Sporadic violence continues to occur, particularly in the provinces. The new peace agreement provides for the integration of rebel representatives into the government and is designed to enable the national army to regain control of the territory (70 to 80% is in rebel hands), with units composed of soldiers from both the regular army and rebel groups. However, it is uncertain, to say the least, whether the agreement will be implemented. As of July 2020, the country had more than 680,000 internally displaced persons (13% of the population) and almost as many refugees in neighbouring countries. The UN peace mission, Minusca, appears to be under-resourced and is suffering losses in its ranks.

CHAD

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	15.9
GDP PER CAPITA US Dollars - 2019	686
CURRENCY CFA franc	XAF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.3	3.1	-2.0	4.0
Inflation* (yearly average, %)	4.0	-1.0	3.0	3.0
Budget balance (% GDP)	1.9	-0.4	-1.0	-1.0
Current account balance (% GDP)	-1.4	-2.6	-9.0	-6.0
Public debt (% GDP)	49.1	44.3	46.4	44.4

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	32%
INDIA	18%
EURO AREA	11%
UNITED STATES	10%
TURKEY	3%

Imports of goods as a % of total

CHINA	29%
EURO AREA	19%
CAMEROON	11%
UNITED STATES	9%
INDIA	5%

- 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 (27% of GDP and 75% of exports)
- Business environment not conducive to thriving private sector development and high level of corruption
- Geographically isolated
- Worsening security conditions at the national level and in neighbouring countries (Cameroon, Libya, Nigeria), with which Chad shares porous borders
- Low level of Lake Chad, with negative effects on cotton, fishing and the environment

RISK ASSESSMENT

An upturn following the COVID-19 crisis

In 2020, the crisis triggered a recession due to lockdown measures (curfews, closure of markets and non-essential shops, suspension of air links, border closures and restrictions on internal travel), but also because of reduced international demand, especially for oil.

A recovery is expected in 2021 as restrictions are lifted and external demand is restored. Oil revenues, which account for 75% of exports and 27% of GDP, will benefit from the recovery, albeit moderate, in prices, as well as from the start-up of new fields and new extraction techniques that will allow production to return to pre-crisis levels. Gold sales (20% of exports) are also set to increase with the pick-up in demand, while prices remain high. Barring unfavourable weather conditions, the growth contribution of the agricultural sector (17% of GDP, in terms of supply, but 75% of the labour force), with cotton (3% of exports), livestock farming and gum arabic, should increase through household consumption (76% of GDP, in terms of demand). However, inflationary pressures will be stoked by higher energy prices and the increase in food prices linked to persistent supply issues with Nigeria and Cameroon. Production of seed cotton has been increasing since 2018, the year in which OLAM, a Singaporean group, acquired a majority stake in the capital of Coton Tchad, a former state-owned company with the monopoly on purchasing. The state is promoting this sector, including through annual subsidies for fertiliser purchases. These measures are being taken within the framework of the Five Year Development Plan (2017-2021), which aims to create ten agri-food hubs with private sector involvement, in order to develop agriculture and livestock farming. In the service sector (42% of GDP), transport, commerce and hotels should bounce back, while banking and telecommunications will continue to build momentum.

Multilateral organisations to the rescue

In 2020, the crisis generated additional financial requirements for the state equivalent to 7% of non-oil GDP. Public spending rose from 14% to 19% of GDP. A support plan equivalent to 6% of GDP provided for the creation of a solidarity fund, the suspension of utility bill payments, and food distribution. Settlement of arrears to suppliers, government employees and state-owned banks was accelerated, and a recent wage agreement was implemented. International partners came to the rescue, including the IMF with USD 183 million under its Rapid Credit Facility and six-month debt service relief. With debt service representing 18% of government revenue, debt (70% external and 50% commercial) is still a high risk, even if the rescheduling in 2018 of the portion due to Glencore (15% of the total and 50% commercial) eased some of the pressure. Moreover, the banking sector will remain highly vulnerable due to the close ties between the state and state-owned banks. Finally, the country will have to renegotiate a new Extended Credit Facility with the IMF, after the previous one, which provided USD 310 million between 2017 and 2020, was cancelled in April 2020 because of the crisis.

The current account deficit widened considerably in 2020 due to the deterioration in the terms of trade (oil and cotton prices) and the fall in global demand. By 2021, it is expected to reduce without coming close to its previous level. As the terms of trade improve and external demand rebounds, the trade surplus, which fell from 12% to 5% of GDP between 2019 and 2020, will improve. However, the improvement will be limited, as purchases of equipment needed for oil investment will increase rapidly. Moreover, this positive balance is largely offset by the deficit in the balance of services (especially oil-related), which is heading towards 20% of GDP. The improvement in the current account balance should be sustained by continued transfers (6% of GDP in 2020) from expatriates and from international organisations. As usual, the deficit is expected to be financed by renewed FDI (5% of GDP), plus the compulsory international financing, as in 2020.

A well-established president in a turbulent geopolitical environment

President Idriss Deby, who has been in power for 30 years, has said that legislative elections should, in principle, take place in October 2021, after being postponed several times since 2015. Meanwhile, President Deby is likely to stand again as a candidate in the presidential election scheduled for April 2021. He could win because the opposition is both divided and weakened by the regime's grip on institutions and the electoral process. While he can count on the support of the large parliamentary majority of his party, the Patriotic Movement for Salvation, popular support is fraying due to the difficult conditions in which many people live, with very high youth unemployment. Furthermore, the conflict between herders and farmers in several provinces is ongoing and is compounded by ethnic and religious hostilities. The country enjoys the military support of France, which values Chad's involvement in peace missions, including the G5 Sahel force and the Multinational Joint Task Force in the Lake Chad region to fight against Boko Haram.

CHILE

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	19.1
GDP PER CAPITA US Dollars - 2019	14,772
CURRENCY Chilean peso	CLP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.9	1.1	-6.2	4.5
Inflation (yearly average, %)	2.3	2.3	2.9	2.7
Budget balance (% GDP)	-1.5	-2.6	-8.7	-4.0
Current account balance (% GDP)	-3.6	-3.9	0.0	-2.0
Public debt (% GDP)	25.6	27.9	32.8	37.5

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	32%
UNITED STATES	14%
JAPAN	9%
EURO AREA	9%
SOUTH KOREA	7%

Imports of goods as a % of total

CHINA	24%
UNITED STATES	20%
EURO AREA	13%
BRAZIL	8%
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	MEDIUM
ICT*	HIGH
METALS	MEDIUM
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Economy set to rebound amid supportive copper prices and an expansionist fiscal stance

The first COVID-19 case was reported on 4 March 2020. At first, a well-calibrated and dynamic quarantine model was implemented. Nonetheless, a reckless and hasty easing of mobility restrictions had to be reverted in May, when the number of daily new COVID-19 cases started to surge again. In fact, the number of daily new COVID-19 cases peaked in June 2020 and started to decrease afterwards, allowing for a gradual reopening. In November, a rise in new cases led to the imposition of relatively stricter mobility restrictions. Consequently, the economic contraction in 2020 was larger than initially expected, even in the presence of large expansionary policy stimuli. In 2021, the economy is likely to rebound. First, the ongoing fiscal stimuli will not be fully unwound, including USD 2 billion in subsidies aimed at creating new jobs and recovering those lost during months of lockdown. This adds to a USD 34 billion plan on public works for the 2020-2022 period (roughly 14% of 2019 GDP), with most of the investment set to be private. Moreover, household consumption should also be supported by the slow improvement on the job market, the second withdrawal from pension funds and stable low inflation. Regarding external sales, exports will be bolstered by the gradual resumption of global activity and supportive copper prices. Overall, the downside risks are related to the evolution of the COVID-19 pandemic, and the rewriting process.

Current account back into deficit; fiscal deficit still high

The current account registered a significant correction in 2020, mainly driven by a stronger trade surplus (supported by resilient mineral exports and the drop in imports due to the plunge in domestic activity). Regarding the financing, net foreign direct investment (FDI) remained positive, albeit lower. In 2021, the current account balance is expected to return into deficit, overall driven by the recovery of economic activity. Nonetheless, FDI should be enough to cover the external needs. Concerning the external debt, it stood at around 82% of GDP in Q3 2020, 67% of which is owed by the private sector. The negative net international investment position is still at a moderate level, at roughly -13.8% of GDP in Q3 2020, mainly smoothed by the existence of relevant pension funds' investments abroad (34% of GDP as of September 2020). Moreover, the IMF approved a USD 23.8 billion precautionary two-year Flexible Credit Line in May 2020. Finally, Chile has approximately USD 38 billion in foreign exchange reserves (covering roughly 8 months of imports), while the Treasury held around USD 22 billion in Sovereign Wealth funds at the end of September 2020. However, it is important to note that in July 2020, the Congress approved a law allowing a one-time withdrawal of 10% from pension savings on an individual capitalization account (a second similar withdrawal was approved in Congress in November). Regarding the fiscal account, the government will still run a high deficit in 2021, in line with the social pressures for higher fiscal spending. That said, although gross public debt will continue to climb, Chile´s long record of prudent fiscal policy will allow it to continue accessing affordable market financing.

A fragile political environment at least until the November 2021 general elections

In response to public dissatisfaction, which triggered the violent protests in Q4 2019, Chile held a referendum in October 2020 on whether the country should draft a new constitution in order to replace the one imposed in the 1980s by the Pinochet dictatorship. On this occasion, Chileans overwhelmingly voted in favour of going forward with the rewriting and through a fully elected Constitutional Convention (rather than a mix of this body and current lawmakers). The population will choose the 155-member constitutional body on 11 April 2021. The body will then start discussions in Q2 2021 and will have up to a year to draft the new constitution. Although each clause must be approved by two-thirds of its members (smoothing the risk of extremist inputs), uncertainty on the content of the new constitution will remain high. This is underpinned by the fact that the obligatory ratification referendum will only take place during H1 2022. Overall, the new constitution is expected to enhance the role of the state in the provision of social services. Finally, the popularity of the centre-right President Sebastián Piñera, of the currently divided centre-right Chile Vamos coalition, is expected to remain weak and thus vulnerable to the passage of populist measures by the Congress and new rounds of social protests. Lastly, Chileans will also choose their president on 21 November 2021.

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 - 2019	1,400.1
GDP PER CAPITA US Dollars - 2019	10,522
CURRENCY Yuan Renminbi	CNY

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.6	6.1	2.3	7.5
Inflation (yearly average, %)	2.1	2.9	2.9	2.7
Budget balance (% GDP)	-4.7	-6.3	-11.9	-11.8
Current account balance (% GDP)	0.2	1.0	1.3	0.7
Public debt (% GDP)	48.8	52.6	61.7	66.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	17%
EURO AREA	12%
HONG KONG	11%
JAPAN	6%
SOUTH KOREA	4%

Imports of goods as a % of total

EURO AREA	11%
SOUTH KOREA	8%
TAIWAN	8%
JAPAN	8%
UNITED STATES	6%

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

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- High corporate indebtedness set to impact growth potential
- Dependency on imports of key technology components
- Misallocation of capital to the SOE sector could erode long-term potential growth
- Ageing population, resulting in high public expenditure and higher labour costs
- Environmental issues
- Increasing tensions with India
- Risk that the real estate bubble bursts

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth set to recover amid persisting downside pressures

China's GDP is expected to rebound in 2021, but the recovery should remain uneven due to a weak outlook in domestic demand, despite an uptick in retail sales and investment. China is continuing to rebalance its economy towards a consumption-oriented economy, in line with the "dual circulation" target in its 14th five-year Plan. High corporate indebtedness (151% of GDP in 2019) and demographics remain concerns to the outlook in the longer-term. Cyclical factors will also continue to weigh on the outlook. Trade tensions between the U.S. and China are unlikely to ease under Biden's administration, who is aligned with Trump on a tougher stance towards China, and existing tariffs should continue to exert downside pressure on Chinese growth, shaving off 0.7% from the GDP. While the Phase One trade deal signed in January 2020 had cooled tensions, China is unlikely to meet the import target, which would become a threat to the deal. As of September 2020, China had only imported half (USD 65.9 billion) of the total products required (USD 124.9 billion) from the U.S. That said, exports were resilient in 2020 amid the pandemic, driven by a strong demand for medical supplies and benefited from a reduction in the other countries' manufacturing capacities. This led the Purchase Managers Indexes (PMI) to rebound from their pandemic-induced negative level into the expansion territory, and should extend into 2021, albeit at a slower pace, as trade partners would barely be emerging from the second wave of lockdown measures. The manufacturing sector, which accounts for 40% of GDP, is set to have positive spillovers on domestic demand as unemployment is gradually declining towards pre-COVID-19 levels, reaching 5.2% as of December 2020. Therefore, household demand (39% of GDP) is likely to recover gradually in 2021, albeit slowly. The stimulus package (4.5% of GDP) unveiled in May 2020, aimed at boosting investment, showed only little support for Chinese consumers. As such, the pandemic and the government's response slowed down the shift into a consumption-driven economy. Inflation is expected to drop slightly despite an uptick in demand post pandemic. Pork prices have been easing since September 2020 as African Swine Fever cases are on a downward trend. Private investment should recover in 2021, as business sentiment improves amid higher profits and earnings, after dropping by -29.5% year-on-year in the first half of 2020.

High debt levels exacerbated by the pandemic

The current account surplus is likely to narrow in 2021. Private consumption, which should gradually recover, would spur imports to expand at a faster pace than exports. The currency has been under pressure from trade tensions and the pandemic, but has remained broadly stable, as policymakers tightened capital controls and probably intervened in forex markets to prevent a steep depreciation. Despite the pandemic-induced shock, China appeared to be spared from capital outflows due to the capital controls. 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 finance adequately the systemic build-up in debt in the long-term.

Debt levels, exacerbated by the pandemic, will remain extremely high (335% of GDP according to the IIF), with the bulk of it being owed by non-financial corporations. These corporations, predominantly state-owned, are struggling with high levels of debt and overcapacity. That said, state-owned enterprises (SOE) are mostly owned by provinces, which are inclined to keep them alive in order to avoid popular discontent. Moreover, corporate debt is difficult to assess due to shadow banking. That said, the shadow banking industry might continue to shrink in 2021, as regulators are looking to introduce more restrictions on the sector. For instance, China's Supreme Court cut the ceiling of the legal informal lending rate in August 2020, which is a move aimed at supporting the development of the private lending sector.

Rebalancing towards domestic oriented policies

On the domestic front, Beijing unveiled the 14th five-year Plan with no particular GDP growth target, although it is seeking to increase GDP per capita (USD 10,276 in 2019) to a moderate high-income economy (USD 12,536 according to the World Bank's threshold) by 2035. The new five-year plan will also focus on a dual circulation model, rebalancing the economy from a predominantly export-led strategy over the last decades to a domestic driven economic activity that relies on domestic production, distribution and consumption. As such, this would help to reduce the dependence on foreign markets in times of external shocks. On the external front, despite Biden's election, tensions between the U.S. and China are unlikely to ease much. Biden is expected to take up a tough stance against China, although possibly less confrontational than Trump's, as he would seek to rely more on U.S. allies to confront China.

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: while 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.

Special provisions regarding enterprise bankruptcy proceedings during the 2020 COVID-19 pPandemic:

1. In the event of creditors applying for a company's bankruptcy proceedings due to debtor's debt payment default as a result of the pandemic or pandemic prevention measures, the people's court should endeavour to prevent debtor's bankruptcy by actively facilitating debt negotiation between debtor and creditor with measures such as payment instalments, extension of credit terms, revising the contract prices.
2. The court should distinguish the companies under financial distress mainly due to COVID-19 from the ones already suffering from financial difficulties prior to the pandemic. For the former, the bankruptcy proceeding shall be prevented, while for the latter, the court shall let them go bankrupt.

COLOMBIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	50.4
GDP PER CAPITA US Dollars - 2019	6,423
CURRENCY Colombian peso	COP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.5	3.3	-7.0	3.7
Inflation (yearly average, %)	3.2	3.5	2.4	2.1
Budget balance (% GDP)	-4.7	-2.5	-8.2	-5.2
Current account balance (% GDP)	-3.9	-4.3	-3.3	-3.6
Public debt (% GDP)	53.7	52.3	68.0	68.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	31%
CHINA	12%
EURO AREA	10%
PANAMA	6%
ECUADOR	5%

Imports of goods as a % of total

UNITED STATES	25%
CHINA	21%
EURO AREA	13%
MEXICO	7%
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 commodity price movement and the economic situation in the U.S.
- Relatively undiversified economy (in terms of manufacturing)
- Shortcomings in road and port infrastructures due to historically low levels of investment
- Problematic security situation because of drug trafficking and illegal mining, as the 2016 peace agreement is slowly implemented, particularly in the countryside
- Structural unemployment, poverty and inequality; deficient educational and healthcare systems

RISK ASSESSMENT

A partial economic rebound for Colombia in 2021

Colombia registered its first COVID-19 case on 6 March 2020 and the government declared a lockdown on 25 March. Subsequently, the quarantine ended on 1 September 2020, but with a new rise in contagion during the end of year holiday season, curfews were implemented in January 2021 in selected cities where ICU use was high. Because of the containment measures and the collapse in external demand, and despite the stimulus implemented, the country was still highly impacted by the virus. Moreover, the sharp drop in energy commodity prices also took its toll on GDP, since fuels and extractive industry products account for roughly 56% of total exports and 10% of GDP (according to figures of 2019). In 2021, the economy will partially rebound. Household consumption should be supported by the gradual improvement on the job market and low inflation. Furthermore, gross fixed investment is expected to benefit, to some extent, from the development plan launched by the government in August 2020 named Compromiso por Colombia, which aims at generating USD 30 billion (9% of 2019 GDP) in public and private investments (encompassing existing infrastructure, clean energy generation and rural development), as well as creating one million jobs. Finally, external sales are likely to improve thanks to the recovery of global activity and relatively higher energy prices. Risks to the recovery scenario are related to the evolution of the COVID-19 pandemic, the behaviour of oil prices and the risk of a new round of social protests.

Current account deficit set to widen in 2021, fiscal deficit will remain elevated

The current account deficit narrowed in 2020, thanks to a reduced income deficit amid a strong contraction of profits linked to foreign companies operating in the country. On the other hand, the services and trade deficits remained quite stable, with the latter account reporting large drops in both imports and exports. Meanwhile, FDI registered a sharp slide and were probably not able to fully cover the current account deficit. In order to meet the external financing needs, the government issued bonds on international markets and mainly contracted long-term credits with foreign multilateral banks. As a reference, total external debt stood at 53.6% of GDP in July 2020, up from 42.7% of GDP in December 2019, with 29.6% of GDP public-owed and 23.9% private-owed (up from 22.8% and 19.9%, respectively). Moreover, non-resident holding of local-currency government bonds is another risk factor (around USD 21.5 billion or 7.7% of GDP). As such, to improve the country´s external pillars, the government assured the expansion of the Flexible Credit Line with the IMF from roughly USD 11 billion to USD 17.3 billion (withdrew USD 5.4 billion in December 2020). In September 2020, foreign exchange reserves stood at USD 56.9 billion (covering approximately 16 months of imports). In 2021, the current account deficit will widen, as domestic demand will resume (increasing imports and foreign companies´ profits), which should offset the rise in exports supported by higher external demand and relatively better oil prices. Conversely, the higher economic momentum will support a rebound in FDI, which will recover its role as a major current account financer. Regarding the fiscal accounts, the COVID-19's negative shock led the Fiscal Rule Advisory Committee to suspend government deficit limits in 2020 and 2021, giving the authorities additional fiscal space to face the consequences of the crisis.

Elevated political risk amid weaker social indicators and episodes of violence

The popularity of President Ivan Duque fell to 31% in October 2020, from 52% in April 2020. This sharp drop was induced by the political wear and tear caused by the quarantine, the social consequences of the crisis, and the uptick in violence. After the mass protests in Q4 2019, social tensions regained momentum in September 2020 because of the death of a student in police custody. This led thousands of people to protest against police brutality and to demand an institutional reform. Furthermore, a large number of social organizations and trade unions also resumed their protests in October 2020, condemning violence as well as the government's social and economic policies. Indeed, in early November 2020, thousands of former FARC guerrillas rallied in the country to protest against the murder of 236 ex-combatants since the 2016 peace agreement, who were victims of paramilitaries and criminal gangs. The government condemned the mass killings, but, at the same time, downplayed their recent rise and defended security forces. Overall, the recent rise in social tensions are reducing the government's political capital, blowing the chances of passing important reforms (including the tax reform).

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 - 2019	97.9
GDP PER CAPITA US Dollars - 2019	509
CURRENCY Congolese franc	CDF

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	42%
SOUTH AFRICA	23%
TANZANIA	10%
UNITED ARAB EMIRATES	6%
MOZAMBIQUE	4%

Imports of goods as a % of total

CHINA	27%
SOUTH AFRICA	13%
EURO AREA	8%
ZAMBIA	6%
UNITED ARAB EMIRATES	5%

- Abundant mineral resources (copper, cobalt, diamond, gold, tin etc.)
- Significant hydroelectric potential
- International involvement and regional cooperation in resolving conflicts in the Great Lakes region

- Weak infrastructure (transport, energy, telecommunications)
- Poor security and humanitarian situation, with numerous armed militias in the east of the country
- Risk of a resurgence of an epidemic of the Ebola virus disease
- Extremely dependent on commodity prices
- Poor governance, questionable electoral process

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.8	4.4	-1.7	2.1
Inflation (yearly average, %)	29.3	4.7	16.3	14.0
Budget balance (% GDP)	0.1	-0.7	-2.1	-1.5
Current account balance (% GDP)	-3.6	-3.8	-4.8	-4.1
Public debt (% GDP)	15.3	14.8	16.1	13.4

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

RISK ASSESSMENT

The mining sector is the main benchmark for the recovery

In 2020, measures aimed at limiting the spread of COVID-19 pushed the economy into recession. In 2021, activity, although still limited, is expected to return to growth. It will be supported by increased mining exports (about 17% of GDP). Shaken by the post-pandemic crisis, international metal prices should overall be more favourable, while production volumes should increase. The production of copper and cobalt (over 85% of exports in 2019), which, despite the crisis, increased in 2020, is expected to strengthen. The Kamoa-Kakula project, which should come into production in the summer of 2021, will notably boost copper production. Despite a difficult business environment (insecurity, epidemics, weak infrastructure, unpredictable operating environment, illegal mining), the opportunities presented by this sector should continue to attract private foreign investment. Domestic investment, on the other hand, should suffer from the rise in the key interest rate from 7.5% to 18.5% in August 2020. Moreover, if the favourable outlook for the mining sector (14% of budget revenues) is confirmed, it should support government spending. Nevertheless, the authorities may be forced to exercise restraint in public spending as the deficit widened in 2020. Household consumption will contribute to growth, benefiting from the easing of restrictions to limit the spread of COVID-19 and the recovery in the agricultural sector (about 65% of formal employment). Nevertheless, with nearly 75% of the population living below the international poverty line, its contribution will be limited. Moreover, these low incomes are expected to continue to be put under pressure by high inflation, despite a likely decline in 2021 thanks to a relative stabilisation of the Congolese franc.

Public and external accounts all the more vulnerable as a result of the pandemic

In 2020, low revenue mobilisation and expenditures to respond to the COVID-19 crisis have widened the budget deficit. In 2021, it is expected to narrow thanks to improved revenue collection. Nevertheless, the balance is expected to remain in deficit in view of relatively high expenditures. These will be dominated by the wage bill, which will absorb 57% of the projected revenues according to the initial 2021 budget law. The execution of capital expenditure will depend heavily on donor funding. The low level of public debt limits the risk of over-indebtedness, but the associated servicing costs could quickly become unsustainable given the low tax burden (around 8% of GDP). Benefiting from the G20 debt service suspension initiative, this risk nevertheless seems to be contained in the short term.

In 2021, the current account deficit is expected to narrow, notably owing to a rebound in mineral exports. It should allow for a return to a surplus in the balance of goods. Nevertheless, it will be largely offset by imports of services in this sector, which will fuel a deficit in the services account. Furthermore, repatriation of profits by companies, mainly foreign mining operators established in the DRC, should widen the income deficit. By contrast, the positive balance of the transfers account should grow, to the benefit of an increase in current international cooperation. While the current account deficit should continue to maintain downward pressure on the Congolese franc, which has lost more than 15% of its value in 2020, its financing by FDI in mining projects and concessional external loans should help to slow the depreciation. With foreign exchange reserves at a critical level (less than one month of import cover), the country's external position remains exposed to a commodity price shock. After benefiting from an IMF Rapid Credit Facility in 2020 to address the impact of the pandemic on the terms of trade, the country's authorities have initiated negotiations to conclude a three-year agreement with the Bretton Woods institution.

Growing political divisions in a precarious security and humanitarian climate

In December 2018, after two years of postponing the general elections, and after an electoral process whose integrity was questioned by many observers, including the influential Catholic Church, Felix Tshisekedi was declared winner of the presidential election, marking the end of nearly 18 years as head of state for Joseph Kabila. The latter nevertheless remains a key figure on the political scene, notably retaining influent in Parliament, where his party, the Common Front for Congo (FCC), has retained a majority in both chambers. Nevertheless, the coalition agreement between the FCC and the president's party, Cap for Change (CACH), did not withstand the divisions, particularly over the nominations to the Electoral Commission, between pro-Tshisekedi and pro-Kabila. In December 2020, Felix Tshisekedi thus ended the power-sharing agreement with his predecessor and said he would seek to build a new coalition. These political struggles could precipitate legislative elections in 2021, which would be held in a precarious social climate. In 2020, restrictions aimed at containing the spread of the COVID-19 pandemic have fuelled social demands, in addition to those relating to the prevalence of poverty, corruption, weak governance and insecurity. Despite cooperation efforts with neighbours in the Great Lakes region, armed militia activity in the east of the country (South Kivu, North Kivu, Ituri) remains strong, fuelling a humanitarian crisis aggravated by outbreaks of Ebola disease. Although the 10th and 11th epidemics officially ended in 2020, the risk of resurgence remains high. Social, political, security and humanitarian instability contributes to a highly constraining business climate.

CONGO (REPUBLIC OF THE)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	4.6
GDP PER CAPITA US Dollars - 2019	2,746
CURRENCY CFA franc	XAF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-6.2	-3.5	-8.0	0.0
Inflation (yearly average, %)	1.2	2.2	2.5	2.7
Budget balance (% GDP)	5.8	5.8	-2.0	0.0
Current account balance (% GDP)	1.5	3.5	-6.0	0.0
Public debt* (% GDP)	88.0	90.0	105.0	100.0

(e): Estimate. (f): Forecast. *Excluding disputed arrears, SNPC debt to oil companies, unsecured debts of public companies.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	60%
INDIA	13%
EURO AREA	11%
GIBRALTAR	7%
UNITED STATES	3%

Imports of goods as a % of total

EURO AREA	36%
CHINA	11%
ANGOLA	6%
UNITED STATES	5%
CAMEROON	4%

- Abundant natural resources (oil, gas, iron ore, timber, potash) and agricultural potential
- Potential for economic diversification with the opening of free zones
- Membership of CEMAC
- Patience and discretion on the part of international and bilateral financial partners
- Development projects funded by partners

- High dependence on oil
- Weak manufacturing activity, leading to dependence on imported goods
- Lack of communication, education, health and urban infrastructure
- Insufficient poverty reduction despite oil wealth
- Disadvantageous business environment: poor governance, corruption, informality
- Lack of transparency on the use of the oil windfall, despite progress in the implementation of the EITI standard
- External and domestic over-indebtedness, not taking into account the disputed arrears (14% of GDP), the unsecured debts of public companies (9%) and the debt of the national oil company vis-à-vis operators, which alone increases the debt by a third

RISK ASSESSMENT

Growth conditioned by oil production

The decrease in the price and production (-17% in 2020) of oil (60% of GDP), added to the measures taken to contain the COVID-19 pandemic (lockdown, border closures, curfews, closure of non-essential businesses etc.) led to a deep recession in 2020. 2021 is expected to see a stabilisation of activity. The average price of oil over the year is expected to be slightly higher and production is expected to benefit from the increase in quotas provided for by the OPEC+ agreement. This will automatically benefit exports, of which oil constitutes 90%. However, despite the exploitation of new fields (Moho, Banga-Kayo, Néné-Banga), operational constraints could limit the recovery. Agricultural production (7% of GDP) is also expected to increase, barring further severe flooding. Household consumption, which has suffered greatly from the lockdown and the associated drop in income, will pick up again, with some benefit to services (40% of GDP). Investment is also expected to pick up again in the framework of public-private partnerships, notably with Chinese partners under the aegis of COIDIC for the construction of a refinery and a gas power plant at Pointe-Noire, the renovation of the railway line between the Mayoko iron mine and Pointe-Noire in collaboration with the local operator SAPRO, mobile telephone coverage, or the continued creation of four special economic zones (including one at Pointe-Noire) aimed at diversifying the economy. However, some COVID-19-linked restrictions could persist for at least several months, as a resumption of the epidemic was observed at the end of 2020, due to the observation of measures made difficult by difficult living conditions (close contact, day-to-day income, and informality). Moreover, poor payment behaviour in the public sector will continue to hamper activity in the non-oil sector.

Over-indebtedness that is difficult to reduce

The large public surplus gave way to a small deficit in 2020. This is mainly due to the fall in oil revenues (65% of the total), as the authorities have attempted to increase revenues and reduce non-essential expenditure, while at the same time opting not to pay all their suppliers' bills. With the recovery of oil revenues in 2021, public finances are expected to be close to balance. Moreover, fiscal austerity, focused on increasing revenues and reducing the non-oil primary deficit (i.e. excluding debt interest and oil revenues), will regain the upper hand. This approach aims to remedy the debt overhang the country has been facing since 2016. In 2019, debt repayment absorbed 50% of revenues and represented about 10% of GDP (excluding repayment of amounts owed to commodities traders Trafigura and Glencore, which are being restructured and suspended). The country is, in fact, in the process of negotiating a restructuring of its debt. As already mentioned, since April 2020, negotiations have been underway with two commodity traders who have pre-financed oil deliveries by Congo's national oil company, Société Nationale des Pétroles du Congo, which has a third of the quantities extracted by three major international companies (Chevron, ENI and Total). This amounts to USD 1.7 billion, or a quarter of the external public debt (half of which was subscribed to from official creditors), which itself constitutes 70% of the public debt. Negotiations are also reportedly underway with Chinese creditors for an amount representing one third of this same debt. Furthermore, in October 2020, five local financial institutions constituting the Brazzaville Club advanced EUR 460 million, part of which is to be used to refinance one third of the domestic debt (26% of GDP, more than half of which is in arrears), by direct payment to creditors, but at a discount. These restructurings are an IMF requirement for the unblocking of the USD 450 million three-year Extended Credit Facility granted in 2019 and replenished by the ADB, the World Bank and France, after China had already conceded a restructuring. In their absence, the country has been unable to access COVID-19 emergency aid from multilateral institutions. On the other hand, it has been able to benefit from the suspension of its debt service to the G20 countries, equivalent to 2% of GDP for each of the years 2020 and 2021. Together with drawings on foreign exchange reserves deposited with the Regional Central Bank (BEAC), representing only one month's worth of imports, and external project financing, this has made it possible to cover the external current balance, which shifted from a surplus to a deficit in 2020 due to the fall in oil exports. With the recovery of the latter, it is expected to be balanced in 2020.

Yet another re-election of the president

Denis Sassou Nguesso, who has been in power for 23 years, is expected to once again win the presidential election of March 2021, despite the growing discontent due to the crisis among a population that has hardly benefited from the oil windfall and which has, on the contrary, seen its income decline since 2018. The opposition is weak and divided and its representatives have often served the president. On the external level, relations with China, an important creditor and provider of investment, will remain close, as they will with France, despite the Paris judicial enquiry into the ill-gotten gains of those close to the Congolese government, as well as with Russia (hydrocarbons, military) and Cuba (health).

COFACE ASSESSMENTS

COUNTRY RISK **C**

BUSINESS CLIMATE **A3**

POPULATION **5.1**
Millions of persons - 2019

GDP PER CAPITA **12,244**
US Dollars - 2019

CURRENCY **CRC**
Costa Rican colon

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.6	2.0	-5.0	2.5
Inflation (yearly average, %)	2.4	1.5	0.9	0.8
Budget balance (% GDP)	-6.0	-6.9	-8.4	-7.6
Current account balance (% GDP)	-3.1	-2.5	-4.5	-4.1
Public debt (% GDP)	53.7	58.3	70.1	74.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	42%
EURO AREA	19%
GUATEMALA	5%
PANAMA	5%
NICARAGUA	4%

Imports of goods as a % of total

UNITED STATES	38%
CHINA	13%
EURO AREA	9%
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
- Major income inequality, low redistribution due to limited government revenue (13% of GDP)

RISK ASSESSMENT

A recovery undermined by the drop in tourism and fragile public finances

After being hit by a deep recession in 2020, activity in Costa Rica will not rebound strongly in 2021. Domestic demand will remain constrained as fragile public finances limit the government's investment capacity. Household consumption (over 60% of GDP) will be curbed by high unemployment and underemployment rates, which have declined only very gradually since the economy began to reopen at the end of July 2020. Despite the announcement by Amazon in April 2020 that it needed to fill 2,000 jobs in the country to staff call centres serving European customers, the unemployment and underemployment rates reached 23% and 26% of the labour force respectively in August 2020, against 12.4% and 12.5% at the beginning of the crisis. Deflationary pressures will remain strong in this context, with oil prices still low, prompting the central bank to extend its accommodative policy in an effort to bring inflation back within its target window of 2-4%. Despite this, private investment is expected to remain sluggish overall, affected by the global climate of uncertainty and domestic political tensions. The medical equipment and materials sectors, as well as customer service call centres, will be alone in attracting foreign investment, as investors turn away from tourism. Competition between the government and the private sector for access to domestic financing is also likely to make it more difficult for local firms to invest. While foreign demand should remain buoyant for medical equipment produced in the free trade zone maquilas, demand for textiles and clothing produced by companies subject to the ordinary system will continue to suffer from the moderate recovery in U.S. demand. Finally, the tourism sector, whose revenues represented 7% of GDP in 2019 and which has been a mainstay of growth in recent years, should continue to be severely affected by the low number of visitors in 2021 while health concerns persist. An uncontrolled resurgence of the pandemic either locally or among major trading partners could adversely affect this scenario.

Critical public finances and a widely opposed solution

Despite the fiscal responsibility law passed in late 2018, the government has failed to turn around the public finances, which worsened with the pandemic in 2020. After a collapse in revenues in 2020 (-11.5% compared to 2019), the situation is expected to improve only marginally in 2021. With the interest burden now very heavy (13.5% of GDP), the deficit is expected to remain extremely high, despite a 5.3% decline in primary expenditure, *i.e.* excluding debt service, in 2021. The strategy of replacing expensive commercial debt with loans from multilateral donors has been only partially successful. An agreement was reached with the IMF for the obtention of a USD 1.7 billion Extended Credit Facility at the end of January after a first failed attempt in October 2020 but is widely criticised. Although some of the austerity measures that had sparked street anger in October have been dropped in the new draft, the opposition to the agreement remains strong, potentially endangering the thier application, notably through the vote of implementation laws in Congress where the government is in minority.

The financing requirement for the public accounts is accompanied by financing needs for the external accounts, with the trade deficit set to grow. Imports are poised to increase as the economy and manufacturing production recover, while simultaneously, exports of goods, despite being driven by medical equipment and machinery, and agricultural products (pineapples, bananas), could recover more slowly. With the tourism sector still convalescing, the traditional surplus in services will be less able to absorb part of the deficit in trade in goods and in income due to profit repatriation by foreign investors, leaving the current account still heavily in deficit. FDI, which in normal times comfortably finance smaller current account deficits, will not be able to cover the financing requirement, increasing the need to secure multilateral loans. This, coupled with a higher risk premium related to political tensions in the country, should continue to put downward pressure on the colon.

Plummeting popularity and a divided Congress

While President Carlos Alvaro Quesada, who was elected in April 2018, saw his popularity peak in the spring after his skilful handling of the first wave of the pandemic, popular support waned thereafter as case counts rose in late spring (26% favourable opinion rating at the end of August 2020). The opening of negotiations with the IMF and the potential implementation of austerity measures then caused his popularity to plummet, with protesters blocking roads and highways around the country. Since his party, Partido de Acción Ciudadana, holds only ten of the 57 seats in parliament, any loan negotiations with multilateral donors are likely to prove very difficult.

On the international scene, full membership of the OECD should finally be achieved in 2021, after a drawn-out process. Relations with neighbour Nicaragua, which is still in the midst of a crisis, will continue to be tense.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	26.3
GDP PER CAPITA US Dollars - 2019	2,230
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.8	6.9	1.0	5.0
Inflation (yearly average, %)	0.4	0.8	2.5	2.0
Budget balance (% GDP)	-2.9	-2.3	-5.0	-4.0
Current account balance (% GDP)	-3.6	-2.7	-4.0	-3.0
Public debt (% GDP)	53.2	52.0	57.0	59.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	35%
UNITED STATES	6%
MALAYSIA	5%
VIETNAM	5%
MALI	5%

Imports of goods as a % of total

EURO AREA	24%
CHINA	17%
NIGERIA	13%
UNITED STATES	5%
INDIA	4%

- Diverse resources: agricultural wealth (world's largest producer of cocoa, coffee, sugar, cashew nuts, rubber), hydrocarbons and ore (gold, copper, iron, manganese, bauxite)
- Infrastructure undergoing modernisation
- Expanding middle class, although poverty still affects 40% of the population and child labour has not been eradicated
- Improving business climate and governance
- Inflation kept in check through membership of the WAEMU and its common currency

- Vulnerable to climatic hazards and changes in the price of cocoa, the main export product; agriculture accounts for 22% of the value added of GDP, but employs 70% of the population and represents 40% of exports
- Processing of agricultural products occupies a small place: the manufacturing industry represents 13% of GDP and its products make up 8% of exports
- Deficiencies remain in the management of public finances, infrastructure, access to banking services and the business environment, despite the progress made
- Low government revenues: 14% of GDP
- Massive informal economy: 90% of employment and 70% of added value; illegal cocoa production undermines prices
- Large wealth gap between Abidjan and the rest of the country
- Slow progress in national reconciliation

RISK ASSESSMENT

After the crisis, a return to strong growth

In 2020, the health crisis put an end to a series of strong growth years. Exports of cocoa (50% of the total), coffee, cashew nuts, cotton, bananas and pineapples suffered from the drop in global demand and transport disruptions. Although imports moderated due to softer domestic demand, trade's contribution to growth was negative. However, the weak state of domestic demand was the main reason for the underperformance. Private consumption and investment were affected by the measures taken to combat the pandemic (curfew, Abidjan lockdown, border closures, markets, restaurants and schools shut down, transport restrictions), despite the introduction of a support plan equivalent to 5% of GDP providing aid to farmers, payments to households, and postponement of tax and utility payments. Households also faced higher food prices due to supply problems, while farmers saw their incomes fall amid a decline in volumes of cocoa traded. Services (50% of GDP), including telecommunications, transport, retail trade and construction, were affected.

A clear recovery is expected in 2021, supported by a favourable base effect. Exports should regain strength, as should public investment under the National Development Plan 2021-2025, with the extension of the port of Abidjan, the development of transport infrastructure with Niger and Burkina Faso, infrastructure related to the organisation of the 2023 African Cup of Nations football tournament, and construction of a road to Dakar. Foreign investment will gain momentum, not only in agriculture, but also in the extractive industry. Household consumption is also expected to pick up, in line with the revival of demand and a plentiful cocoa harvest. The minimum price guaranteed to producers has increased by 21% for the 2020-21 harvest (which began in October) thanks to the recovery in prices and the implementation, in cooperation with Ghana, of the USD 400 per tonne income differential payable by buyers if they want to be covered by the fair trade label. Tourism, which was booming until 2019 (7% of GDP), will slowly start to recover. However, a deterioration in the political and social environment after legislative elections in March 2021 could hamper the recovery.

Accounts show a moderate deterioration

Bringing declining revenues and rising expenditures, the crisis led to a moderate deterioration in public accounts. This should only be a blip in the consolidation process, which is based on administrative reforms, digitalisation and under-spending. The increased financing requirement was initially covered by the IMF (USD 886 million), bilateral debt service suspension (USD 205 million) and an issue of "COVID-19" bonds worth 0.6% of GDP via the regional central bank. Subsequently, the country issued COVID-19 bonds on the regional market several times without difficulty, as well as EUR 1 billion on the international market at 5% over 11 years. Fiscal consolidation should resume in the context of negotiations for new financing agreements with the IMF. The low share of investment (4% of GDP in 2019), the high share allocated to the wage bill, the gradual rollout of universal health coverage and improvements to the quality of education and health will be among the challenges.

The current account deficit did not increase by much in 2020, remaining moderate. The fall in exports was partially offset by the decline in imports of capital goods and energy. The services deficit narrowed with purchases of services related to exports and the completion of infrastructure projects. The primary income deficit remained stable, as the increase in debt service was balanced by the decrease in profit repatriation by foreign investors. The same was not true for private transfers, as remittances from expatriates decreased, while those by guest workers stayed much the same. In 2021, the current account deficit is expected to return to its pre-crisis level, with the trends observed in 2020 reversing with the reappearance of a trade surplus. Financing will remain largely assured by a mix of FDI, concessional financing and portfolio investments.

Fragile political situation

Alassane Ouattara, who has been president since 2011, won the presidential election of October 2020 with 94% of the votes. The main opposition candidates, Affi N'Guessan and former president Henri Konan Bédié (1993-1999), had called on voters to boycott the election, which was marred by violence and deaths. They challenged the incumbent's right to run for a third term, since the 2016 constitution imposes a two-term limit. The president and the country's constitutional court argued that the new constitution reset the clock to zero. In addition, the court rejected 40 of the 44 presidential candidacies, including those of former president Laurent Gbagbo (2000-2010) and former president of the national assembly Guillaume Soro, who has been a leading figure in Ivorian politics for over 20 years. The legislative elections were postponed and should be held in March 2021. However, tensions continue to run high, creating the risk of a repeat of the 2010-2011 crisis. All the players are still on the scene and ready to exploit ethnic and regional enmities and inequalities. The presidential party, the Houphouetist Rally for Democracy and Peace (RHDP), is the favourite to win. The opposition believes the electoral commission is biased and that the electoral boundaries favour the RHDP.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	4.1
GDP PER CAPITA US Dollars - 2019	14,853
CURRENCY Croatian kuna	HRK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.8	2.9	-9.5	5.2
Inflation (yearly average, %)	1.6	0.8	0.1	1.1
Budget balance (% GDP)	0.2	0.4	-7.0	-3.1
Current account balance (% GDP)	2.4	3.1	-2.3	-0.5
Public debt (% GDP)	74.3	72.8	86.4	82.9

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

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	14%
GERMANY	13%
SLOVENIA	11%
BOSNIA & HERZEGOVINA	10%
AUSTRIA	6%

Imports of goods as a % of total

GERMANY	15%
ITALY	14%
SLOVENIA	11%
HUNGARY	8%
AUSTRIA	6%

+

- 35% of electricity from renewable sources, 40% imported
- Long coastline
- Oil and gas potential
- The country joined ERM II in 2020
- Support from EU funds
- High-quality infrastructure

-

- Dependence on tourism (25% of GDP), which has strongly suffered from the pandemic
- Private and public debt still high
- Institutional gaps: inefficient administration, health and justice, overlapping administrative levels, corruption
- Time-consuming and inefficient business insolvency procedure
- Low industrial diversification/lack of competitiveness
- High youth unemployment (24% in September 2020), low participation of women
- Emigration is taking away skilled labour, population is declining

RISK ASSESSMENT

Recovery lies ahead, but 2021 will not offset the pandemic's impact

The Croatian economy will rebound in 2021 after a significant contraction recorded in 2020. Nevertheless, it is still strongly dependent on the tourism sector (25% of GDP), which is not likely to fully recover in 2021. Last year, Croatia had already suffered from a much lower inflow of visitors because of contracted demand for tourism services and restrictions in international travel. Despite the lifting of restrictions and a higher number of tourists in the summer months, the total number of tourist arrivals decreased by 63.4% in January-September 2020 compared with the same period of the previous year. Foreign tourists accounted for 82% of all tourist arrivals, so it was hard to compensate those effects on the back of domestic travellers. Still low demand for tourist services this year compared to a pre-pandemic period entails negative consequences for not only the sector's employees but also for other sectors that cooperate with it, including agri-food, transport and retail. Once the measures implemented to support the labour market (to the equivalent of about 3% of GDP) will fade out, households are likely to suffer from higher unemployment rates, especially among the young population that represents a bulk of the seasonal workforce. Furthermore, wage growth is expected to be modest in 2021. Growth of investments, which was already impacted by COVID-19, will recover sluggishly. This applies to both domestic and foreign investments, while public ones are set to increase thanks to infrastructure projects co-financed by the EU. Moreover, the World Bank facilitated a USD 200 million loan, and the EU dedicated EUR 684 million from its Solidarity Fund aimed at rebuilding Zagreb's infrastructure after the March 2020 earthquake.

Public finances go in deficit

After recording budget surpluses in 2017-2019, Croatia's public finances deteriorated significantly in 2020 due to the impact of pandemic, with a strong economic contraction, lower proceeds from tourism (affecting VAT revenues) and measures aimed at protecting employment and businesses. The support measures included wage subsidies, tax deferrals or tax exemptions, access to financing and the establishment of a short-time work scheme, totalling about 9% of GDP. In 2021, tax revenues are expected to increase thanks to recovering household consumption, and will be driven by VAT proceedings as well as rebounding social contributions. Moreover, revenues will be boosted by the usage of EU funds. Simultaneously, public debt should decrease after the surge recorded in 2020, which was largely due to a sizeable drop in GDP.

In 2020, the current account balance, which had been in a surplus exceeding 2% of GDP in the last six years, was affected by a drop in services exports and a trade deficit in goods, leading it into a negative balance. Rebounding exports will result in the improvement of the current account balance, but growing imports and the slow recovery of tourism will maintain it in deficit in 2021.

Political stabilization and strained relations with neighbours

The Croatian Democratic Union (HDZ) won the July 2020 parliamentary election. It formed a government coalition with two liberal parties, namely the Croatian People's Party (HNS) and the Reformists, and with the support of eight ethnic minority members of parliament. The coalition has a majority by only one seat in the 151-seat Hrvatski Sabor (parliament). Before that, in the latest presidential election of January 2020, former prime minister and centre-left candidate Zoran Milanovic defeated the conservative incumbent Kolinda Grabar-Kitarovic, by winning 52.7% of the vote. The opposition Social Democratic Party (SDP) backed Mr Milanovic. At the international level, relations are strained with Bosnia and Herzegovina due to a number of political and geostrategic issues, such as the Peljesac bridge. Work on the latter, which will span Bosnia's maritime access in order to provide a road connection between the north and south of the Croatian coastline, is continuing with the objective to deliver in 2022. Nevertheless, economic ties between the two nations remain strong with high trade volumes, as Croatia is the second-largest foreign investor in Bosnia and Herzegovina.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2019**	**11.3**
GDP PER CAPITA US Dollars - **2018**	**8,821**
CURRENCY Cuban peso	**CUP**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.0	0.5	-8.0	2.0
Inflation (yearly average, %)	2.4	4.5	3.5	4.5
Budget balance (% GDP)	-8.3	-6.5	-10.0	-6.0
Current account balance (% GDP)	0.7	0.6	0.2	0.2
Public debt (% GDP)	51.2	52.1	59.3	59.0

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

TRADE EXCHANGES

Exports of goods as a % of total

VENEZUELA	34%
EURO AREA	24%
RUSSIA	6%
DOMINICAN REPUBLIC	3%
HONG KONG	3%

Imports of goods as a % of total

EURO AREA	33%
CHINA	14%
MEXICO	7%
ARGENTINA	5%
UNITED STATES	5%

- Tourism and mining sectors (nickel, cobalt), and agricultural potential (sugar, tobacco)
- Opening up to the individual and cooperative private sector of agriculture, commerce, catering and construction
- Skilled and inexpensive workforce
- Quality medical and educational sectors
- Relatively satisfactory social indicators
- Low crime and the fight against corruption
- Dialogue and cooperation agreement with the European Union

- External vulnerabilities (climate, commodities)
- Low productivity in the public sector and in agriculture
- Weak investment and infrastructure
- Very cumbersome administrative process and still very recent trade regulations
- State control over wholesale trade, credit and foreign trade, and investment
- Commodity subsidies weighing on public spending
- Reduced access to external funding
- Conversion rate is moving away from the reality, which maintains the dualism of the economy, the black market, the rationing economy and the informal sector

RISK ASSESSMENT

The change of president in the United States, a breath of fresh air for the Cuban economy?

The Cuban economy will begin 2021 on the brink of suffocation, subject to the combined weight of U.S. sanctions, national lockdown measures to stop the spread of the pandemic and the fall in global tourism. Donald Trump's term in office was synonymous with hardening for all sectors. The restriction for U.S. cruise ships to stop at the island, the new measures to block Venezuelan oil shipments to the island, and the application of Title 3 of the Helms Burton Act, which authorises the prosecution of entities benefiting from assets expropriated in Cuba since 1 January 1959, were the first hard blows to the Cuban economy. The extension of sanctions to the FINCIMEX agency, which manages the remittances of expatriates sent through Western Union from the United States, in November 2020, should make it much more difficult to send foreign currency to the country, further complicating the island's dollar supply. With Joe Biden's victory, some easing of tensions could take place, going back to the policy advocated under Barack Obama's presidency, favouring tourism and investment, and re-authorising foreign currency remittances. However, the rapprochement will be complicated by one of the Trump administration's latest decisions that led to the classification of the country as a sponsor of terrorism, while the support of the Cuban regime to Maduro in Venezuela is another hardbone. In this context, the recovery in 2021 will be weak, mainly driven by external demand for medical and pharmaceutical goods and services, and for nickel. Public demand, which weighs heavily on the Cuban economy, is expected to be constrained by the lack of financing, while access to international markets and multilateral donors is still impossible for the country. Investment will remain low given the global context, pending a real lifting of sanctions by the United States. Household demand (56% of GDP in 2018) will suffer from the new obstacles to the sending of remittances by expatriates, as well as from the rising inflation following the abandonment of the convertible peso and the ensuing devaluation against the dollar. This will substantially erode household savings at a time when unemployment has risen sharply among the self-employed, particularly in the tourism sector. The tourism sector is expected to remain in recovery while activity remains sluggish in Europe and North America, the main sources of tourist flows in the country. The manufacturing sector, with the exception of high-tech products in pharmaceuticals or biotechnology, will remain well below its potential, affected by the lack of foreign currency that is constraining imports, despite the recent measures taken by the government in July 2020 to authorise new types of foreign currency exchange. The agricultural sector will be supported by the production of sugar and tobacco, but will remain largely exposed to climatic conditions and the problems of fertiliser imports.

Public accounts deteriorated by the crisis and U.S. sanctions

While public spending has had to be increased to finance the fight against the health crisis, the Cuban government has also had to spend more on oil supplies, while U.S. sanctions have made it very difficult to supply Venezuelan oil, forcing it to buy at market prices. Simultaneously, tourism revenues have collapsed. This led the government to request a moratorium on its debt from Paris Club countries in June 2020. A one-year moratorium was granted as opposed to the two years initially requested. Discussions are expected to resume in spring 2021. Uncertainty persists as to China's behaviour with regard to Cuban debt. The monetisation of the deficit should therefore continue.

Regarding the external accounts, the main development will be the unification of the monetary system with the end of the convertible peso and the prevalence of the Cuban peso at the official rate of 24 CUPs for 1 USD. However, the difficulty in obtaining dollars on the island should lead to a greater depreciation, with a rate of between 30 and 45 CUP on the black market as soon as the reform is implemented in January 2021. This should further complicate imports, despite the feverish recovery of internal demand. However, exports should resume with a certain dynamism, driven by the rise in the price of nickel and sugar production. Pharmaceutical and biotechnological products will remain the island's key exports. The same will be true for medical services, the two sectors representing 48% of export revenues. This will compensate for the collapse of the tourism sector, which will remain weak, leaving the current account in a slight surplus. The surplus could be larger if the Biden administration lifts restrictions on remittances.

Little danger to power

After the implementation of the constitutional reform in 2019, centred on a decentralisation effort for economic planning, as well as the creation of the post of prime minister to divide power at the executive level, little movement has taken place on the island from a political point of view. The government seems to have the capacity to nip in the bud any spirit of dissent that might arise in the context of the economic crisis. The main issue will be the transition between generations, with the end of Raoul Castro's mandate as president of the Communist Party in April 2021. From an international point of view, a decrease in tensions with the United States under the Biden administration is expected.

CYPRUS

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	**0.9**
GDP PER CAPITA US Dollars - 2019	**28,049**
CURRENCY Euro	**EUR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.0	3.2	-6.6	4.0
Inflation (yearly average, %)	0.8	0.6	-0.6	1.0
Budget balance (% GDP)	-4.2	1.7	-5.6	-2.0
Current account balance (% GDP)	-4.4	-6.7	-10.6	-9.0
Public debt (% GDP)	100.6	95.5	118.4	112.4

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

TRADE EXCHANGES

Exports of goods as a % of total

NETHERLANDS	13%
LIBYA	10%
GREECE	8%
UNITED KINGDOM	6%
ISRAEL	3%

Imports of goods as a % of total

GREECE	20%
ITALY	10%
UNITED KINGDOM	7%
GERMANY	6%
ISRAEL	6%

- Central geographical location between Europe, Asia and Africa favours the transhipment industry
- Offshore finance hub
- Rich, unexploited offshore natural gas deposits
- Skilled, English-speaking workforce
- Relatively successful pandemic management

- Divided territory, increasingly tense geopolitical neighbourhood
- Small domestic market, isolated from the rest of Europe
- Highly dependent on Russia and the UK as export markets and sources of financing (Brexit risk)
- Slow legal process, poor enforcement of contracts
- Heavy debt load for the state, banks, companies, and households
- Weak industrial diversification (tourism, construction, natural gas, finance)

RISK ASSESSMENT

A massive contraction, despite a relatively controlled outbreak

The management of the pandemic has been comparatively successful, as protracted lockdown measures were sufficient to put the spread of the virus under control. Therefore, private consumption (65% of GDP) suffered a relatively modest 4% contraction, most of which will be made up for by the 2021 rebound. Employment has been largely insulated from the economic shock thanks to the temporary work suspension scheme, in which up to 65% of eligible employees have participated at some point. Given this protection of employment and accumulation of savings, we can expect important positive pent-up demand effects in 2021. Private investment, set to contract by 11% in 2020, will take longer to recover as uncertainty in the tourism sector will take longer to dissipate and the corporate sector debt burden will increase. Furthermore, the end of the citizenship-by-investment scheme will create a durable negative demand shock for the construction sector, although partially offset in 2021 by continued public infrastructure investment. Two thirds of the GDP contraction were accounted for by negative net exports, and more specifically the tourism sector (15% of GDP), whose revenues contracted by between 80 and 90% in 2020 The external sector's recovery, however, will be more protracted, given that a full normalization of air travel is not expected until late 2021 at best. Brexit is another (more) structural factor weighing on the external recovery. The weaker pound will make traveling to Cyprus more expensive (the UK is the country's main source of visitors, accounting for a third of the total). A return to vigorous growth will therefore depend on the successful development of a natural gas industry, which, despite its potential, faces important geopolitical and environmental challenges.

FDI and tax revenue will suffer from the loss of the citizenship-by-investment scheme

Tarnished by money-laundering accusations, the Citizenship Investment Program (CIP) scheme was abolished in October 2020. The program is estimated to have generated around EUR 10 million in revenue and investment since 2013, which means an average of 1.4% of GDP per year. This adds to the fiscal toll of responding to the pandemic, the total of which amounts to 4.5% of 2019 GDP. Overall, expenditures grew by 12% in 2020 and should start stabilizing in 2021, while revenues contracted by 5% and will rebound vigorously by 10%. Furthermore, the end of the CIP program will imply a smaller flow of reliable FDI (14% of GDP). With a modest exporting goods sector (recreational boats, refined oil, food products), the tourism-driven services surplus is not enough to avoid chronic deficits. Therefore, in the absence of investment-friendly reforms (gas exploitation has been slowed down by bureaucracy), a larger share of the current account deficit will be funded by less dependable capital flows. This is worrying given the country's large negative international investment position (-40% of GDP) and external debt (230% of GDP). The level of Non-Performing Loans in bank portfolios remains high (22%) and should deteriorate further as the damage to the corporate sector materializes, Despite the record-level public debt, yields have dropped to historical lows. This is because, despite the degradation of fundamentals, European fiscal and monetary stimuli have reassured investors.

Tensions over maritime gas reserves escalate

The island of Cyprus is divided between the Greece-aligned 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. While a peaceful stalemate has been maintained since the 1970s, rising geopolitical tensions between Greece, Cyprus and the EU on one side and Turkey on the other have further strained this relationship. The RC is governed by a coalition between the centre-right Democratic Rally and the centrist Democratic Party, which should hold until the 2021 parliamentary elections. President Nicos Anastasiades faces the challenge of navigating the escalating confrontation with Turkey and the TRNC over maritime claims with potential gas deposits. The RC has auctioned exploration rights to European energy firms within its internationally recognized maritime borders, some in areas that Turkey and the TNRC claim as theirs. Since 2018, Turkey has repeatedly sent exploration vessels escorted by military ships into contested waters. This has been condemned as illegal by the EU, which has threatened economic sanctions, while France has deployed naval vessels in the region. Cyprus remains a key member of the EastMed Gas Forum, an alliance with Egypt, Greece, Israel, Italy, Jordan, and Palestine, aimed at fostering a regional gas industry. However, in the wake of the EU's green agenda, critical doubts have emerged concerning the economic and environmental viability of the EastMed pipeline project, which is set to reduce Cypriot influence in the group.

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 EUR 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 it to the debtor via a private bailiff. A writ of summons cannot be in force for more than 12 months from the day of its issue, unless renewed by a court order.

On service of the writ of summons, the defendant has ten days to file an appearance, and then a defence must be filed within 14 days. If the defendant fails to file an appearance within the prescribed period, the claimant can apply for and obtain a default judgment. A defendant can file an appearance outside the prescribed time limit to block the issue of a judgment in default.

If the defendant files an appearance but not a defence, the claimant can file an application for issuance of judgment without a full hearing being conducted. Additionally, where the defendant files an appearance or a defence to a specially endorsed writ of summons, the claimant can, where appropriate, apply for a summary judgment on the grounds that there is no defence to the action.

When a defence is filed, the claimant can file a reply to the defence within seven days from its service. If the defendant submits a counterclaim, the claimant must file a reply to the defence and a defence to the counterclaim within 14 days from its service.

Once the pleadings are closed, the claimant has 90 days to issue and file a summons for directions together and in accordance with form 25 requesting the issuing of specific directions by the court (order 30, rule 1 (a) and (b), CPR).

Once all procedures are concluded, the case will be set for hearing and, depending on the court schedule, it may take more than three years from the date of filing to be heard. At the hearing, the claimant must prove its case on the balance of probabilities by adducing sufficient and admissible evidence regarding all allegations that are not admitted by the defendant. The same applies for the counterclaimant. Following the conclusion of the hearing and the advocates' final addresses, a judgment is issued.

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.

The judgment creditor has several options on how to proceed with execution of the judgment debt. Under the Civil Procedure Law, every court's decision ordering the payment of money can be enforced through many methods such as:

1. A writ of execution for the sale of movables.
2. A writ for sale of immovable property or registration of a charging order over the property.
3. A writ of sequestration of immovable property.
4. An order to the judgment debtor to make payments over the debt on a monthly basis. The amount and dates of the payments will be determined by the court according to the financial position of the judgment debtor etc.

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	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	10.7
GDP PER CAPITA US Dollars - 2019	23,539
CURRENCY Czech koruna	CZK

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%
CHINA	9%
POLAND	9%
NETHERLANDS	6%
SLOVAKIA	5%

+

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

-

- Small, open economy: exports account for 80% of GDP
- Dependent on European demand: 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	HIGH
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	HIGH

* Information and Communication Technology

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.2	2.3	-7.1	3.2
Inflation (yearly average, %)	2.0	2.6	3.3	2.2
Budget balance (% GDP)	0.9	0.3	-6.3	-4.4
Current account balance (% GDP)	-0.8	-0.1	-2.4	-1.3
Public debt (% GDP)	32.1	30.2	38.2	40.8

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

RISK ASSESSMENT

Recovery could be limited by a deteriorated labour market

The Czech economy has entered 2021 while being affected by the second wave of the COVID-19 pandemic, which is stronger than the first wave. Indeed, the total number of Czechs diagnosed with coronavirus exceeded a half of million at the beginning of December 2020, which represents around 5% of the population, and over 8,500 people died from the disease. The new daily cases per 1 million inhabitants peaked at the beginning of October 2020, with the highest level in the European Union. Despite the easing of lockdown measures, domestic demand, still affected by the pandemic, is expected to remain sluggish in early 2021, with an increased propensity to save. Household consumption will recover later on, but the scale of the improvement will be subject to developments on the labour market. The unemployment rate increased to 2.9% in October 2020, from 2.0% a year before, but remained the lowest in the European Union. Once the stimulus measures phase out, the labour market is likely to worsen due to higher unemployment and sluggish wage growth. Investments will recover this year, after the slump in 2020 because of high uncertainty, lockdowns and supply chain disruptions. The rebound in investments will be driven mostly by the public sector, while companies are likely to use their spare capacities at first and will then decide to conduct investments, if the recovery of demand justifies it. The manufacturing sector will still be driven by the automotive industry and the activity in the German economy. Both factors remain crucial for Czechia, as exports to Germany reach nearly one-third of the total. The automotive sector generates over 9% of total gross value added, and accounts for over 8% of total employment and above 26% of exports.

After series of interest rate hikes in 2017-2019, the pandemic forced the central bank to cut interest rates in 2020. It made the cost of lending more attractive, but also resulted in a depreciated currency that supports Czech external competitiveness.

Fiscal position still in deficit

The budget balance will improve in 2021. However, it is not expected to come back to a surplus, which had been recorded before the pandemic. Government support measures have led to deteriorated public finance figures and their possible extension could affect the outcome of the budget balance. The general government debt is likely to cross the 40% of GDP level, but it will remain one of the lowest in the European Union.

The current account deficit increased because of slumping exports. The Czech economy is highly open with various companies participating in global value chains. Moreover, challenges in the automotive sector and a drop in demand for cars hit the Czech economy due to its strong dependence on this sector. By contrast, these factors are likely to benefit Czech exports this year, with the revival of global trade and improving perspectives for the automotive industry. Export dynamics will be closely linked to the performance of Germany as the main trading partner.

ANO remains in power

The ANO 2011 (centre-right) movement led by Andrej Babis won the October 2017 elections by a large margin, obtaining 30% of the votes cast and 78 out 200 seats in parliament. The recent cabinet consists of the coalition between ANO and the Social Democratic Party (CSSD). In the latest Senate elections held in October 2020, opposition parties succeeded to get control of the chamber. Although the upper house is not powerful, elections showed that Czechs are not satisfied with the management of the health crisis and unpopular restrictive measures. However, the turnout in the second-round ballot was low (below 17%) and general elections scheduled for October 2021 could result in a prolonged support for ANO, especially if Czechia goes well through the pandemic.

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 - 2019	5.8
GDP PER CAPITA US Dollars - 2019	59,770
CURRENCY Danish krone	DKK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.2	2.9	-4.2	3.3
Inflation (yearly average, %)	0.8	0.8	0.4	0.8
Budget balance (% GDP)	0.7	3.8	-3.7	-2.5
Current account balance (% GDP)	7.0	8.9	7.1	7.3
Public debt (% GDP)	34.0	33.3	42.0	40.4

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
SWEDEN	11%
UNITED STATES	10%
UNITED KINGDOM	6%
NORWAY	6%

Imports of goods as a % of total

GERMANY	22%
SWEDEN	12%
NETHERLANDS	8%
CHINA	7%
NORWAY	5%

+
- World's largest shipping operator (2019)
- Almost energy self-sufficient (oil and gas in the North Sea and Greenland)
- Niche industries with cyclically non-sensitive export goods (*e.g.* pharmaceuticals)
- Well managed public finances
- Large current account surplus
- Krone pegged to the euro

-
- Small open economy sensitive to external demand, particularly from the UK
- Government instability linked to the fragmentation of parliament (the threshold to enter the parliament is only 2% for a party; 4 extra seats for Faroer Islands and Greenland)
- Very high household debt (265% of disposable income, 2019)
- The public sector constitutes a significant part of the country's employment (26% of employees as of mid-2019)
- High external debt (143% of GDP, 2019)
- Strengthening independence movement in Greenland

RISK ASSESSMENT

Moderate recovery ahead

In 2021, a moderate recovery is expected for the Danish economy. This recovery comes after the global COVID-19 pandemic hit Denmark in spring 2020. The government decided a lockdown that stopped public life, closed many shops, schools, and limited gatherings. This strategy helped to contain the number of COVID-19 cases to a very modest level. A second wave started in early autumn of 2020, which turned out as significantly stronger than the first, was countered by another lockdown with similar measures. Because of the lack of consumption, investment and external trade during the first lockdown, Denmark had entered a severe recession in the first half of 2020. It was partly balanced out by a strong rebound in Q3 2020, as global demand for Danish machinery picked up again and consumption stood up strongly, as Danes stayed at home for their holidays. For 2021, a boost in consumption growth is expected as the government decided on the disbursement of frozen holiday pay in Q4 2020 (holiday pays are often saved for the pre-retirement time), of which DKK 39 billion (1.7% of GDP) should actually go into Danish pockets. Furthermore, 800,000 homeowners will receive a refund of overpaid property tax in Q1 2021. Moreover, the unemployment rate already dropped from its peak of 5.3% in May to 4.3% in September 2020 and should fall further, but will not reach the pre-crisis level of 3.1% anytime soon, as several sectors are still struggling with high unemployment (*e.g.* tourism). The government support of last year should decrease in 2021, as some measures should end in December 2020, while the support for closed shops and gastronomy businesses will be reintroduced. Nevertheless, the agreement on the renovation in the social housing sector and the postponement of the increase of the energy tax should further encourage the economic recovery. The central bank of Denmark had increased its policy rate by 15 basis points to -0.6% in spring 2020 in order to hold the Danish krone in the peg with the euro (its main target). The monetary policymakers should leave this rate unchanged in 2021, but will probably extend their extraordinary lending facilities, in order to mirror the already announced further expansionary measures of the ECB in 2021.

Back to a strong current account surplus

The current account surplus should increase somewhat from its already high level. One reason behind this is the robust export sector that is partly concentrated on pharmaceuticals (16% of all exports) and agricultural/food products (13%). The demand for Danish machinery should pick up further, as the economies of the main export destinations – Germany, Sweden and Norway – should recover moderately. The general government deficit remained subdued in 2020, as the government's relief for business was only used by around 10% of the package. In 2021, the budget balance will improve but stay in the negative area, due to some further expansive measures and reduced revenues. However, it should fall below the Maastricht target of 3% and the public debt level will remain muted.

Popular government coalition with big ecological plans

Prime Minister Mette Frederiksen from the Social Democratic Party (SD) is leading a minority government with the support of the "red-block", the Social Liberal Party, the Socialists People's Party, the Red-Green Alliance and three single parties from Greenland and the Faroes Islands. Since spring 2020, support numbers in polls for the SD skyrocketed and reached 34%, which is one of the highest support share for a single party in the last 10 years. The early and strong response of the government towards COVID-19 was one reason, another one being Denmark's participation in a group of countries that promoted an austerity policy within the EU, which decreased the share of grants in the EU's recovery fund. Furthermore, Denmark could increase its rebate package in the 7-year-budget from DKK 1 billion to DKK 3 billion per year. In mid-July 2020, 95% of the members of parliament voted for a new Climate Act, which declares a 70% reduction of CO_2 emissions compared to 1990 over 11 years. This project, and the manner of its implementation, could become an issue between the "red-block"-parties. Nevertheless, Frederiksen should remain in office until the next regular election in 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 INSOLVENCIES

Source: Statistics Denmark, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	1.0
GDP PER CAPITA US Dollars - 2019	3,103
CURRENCY Djiboutian franc	DJF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	8.4	7.5	-2.0	5.0
Inflation (yearly average, %)	0.1	3.3	1.5	2.6
Budget balance (% GDP)	-2.8	-1.6	-4.4	-2.5
Current account balance (% GDP)	18.0	14.9	-2.9	1.8
Public debt (% GDP)	69.9	66.5	73.1	67.1

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

TRADE EXCHANGES

Exports of goods as a % of total

ETHIOPIA	41%
SOMALIA	20%
BRAZIL	9%
QATAR	6%
YEMEN	6%

Imports of goods as a % of total

EURO AREA	23%
UNITED ARAB EMIRATES	13%
CHINA	12%
OMAN	7%
SAUDI ARABIA	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

- 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

Dependence on re-export activities makes recovery uncertain

The economy contracted in 2020 due to the health crisis. In response to the epidemic, the government introduced border restrictions and suspended travel to and from Djibouti City. Non-essential workers were placed under lockdown and physical distancing measures were encouraged. The economy, which is mainly based on transport and logistics services (85% of GDP) and which had been benefiting from the economic upturn of its neighbour, Ethiopia, with a large share of Ethiopian trade passing through Djibouti, was hurt as Ethiopia's economy weakened. With the easing of some restrictions since May 2020 and the opening of borders in July 2020, the economy has picked up. Whether the recovery continues in 2021 will depend on the vigour of port and free zone activities, and hence on the economic performance of Djibouti's trading partners. In order to meet the country's hydrocarbon needs, a new jetty is under construction in the port of Damerjog as part of a USD 3.8 billion (approximately 100% of GDP) project underway since 2018 to develop an industrial free zone, the cost of which is to be repaid to China over 15 years. Djibouti's ambition is to become a regional trade hub. However, it will face regional competition, which could benefit from the court decision ruling in favour of the Emirati group DP World against Djibouti regarding the management of the Doraleh container port since 2018. Nevertheless, the population, which is heavily dependent on the informal economy (70% of jobs), 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 food and oil prices in 2021 linked to an increase in demand.

Delayed fiscal consolidation and a deterioration in the current account balance

Expenditure to tackle the Covid-19 crisis, equivalent to 2.4% of GDP, has widened the budget deficit. While capital expenditure has decreased, health and social security spending has increased. The crisis has temporarily halted the fiscal consolidation process, which is expected to resume in 2021. Infrastructure financing has been a severe drag on public accounts in recent years, leading to a high risk of over-indebtedness. Public debt, which is almost entirely external, is mainly owed to China (55% in 2018). Despite the 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. In May 2020, the IMF approved a USD 43.4 million loan to help the authorities address the Covid-19 crisis, as well as debt relief under the Catastrophe Containment and Relief Trust to provide additional resources.

The current account surplus vanished in 2020 because of the contraction of world trade and its negative impact on the sale of services related to re-export activity with Ethiopia, on which the country depends (80% of exports). Moreover, excluding re-exports, the decline in imports, linked to lockdown measures and the economic recession, did not offset the decline in exports (livestock). In 2021, the current account should turn slightly positive again. Imports of capital goods are expected to continue to fall in line with infrastructure investment. However, the global trade recovery may not do enough to revive trade with Ethiopia and exports of services. Increased repatriation of profits from foreign investments will mitigate the income surplus generated by the presence of foreign military bases and international aid, which has been on the rise since the onset of the Covid-19 crisis. Moreover, foreign exchange reserves held by the central bank are extremely low, at 1.4 months of imports.

Continuation of the Vision 2035 development plan in a climate of uncertainty

Ismail Omar Guelleh, who has been in power since 1999, is expected to win the presidential elections in 2021, helped by the boycott policy of his opponents. In the short-term, the country is expected to focus on food security for the poorest sections of the population, after agriculture was hit by a locust outbreak. Furthermore, 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. Despite the desire to transform the country, the business environment remains poor, owing in particular to weak governance and corruption (ranked 126th out of 190 by Transparency International). The country's heavy debt burden could harm trade relations with China, the main creditor. Closer bilateral relations, symbolised by the establishment of a Chinese military base in 2017, could cause the Djiboutian authorities to be drawn into the diplomatic game played by the countries with interests and military bases in the region. Moreover, the resumption of diplomatic relations between Eritrea and Ethiopia could affect Djibouti's prospects if Ethiopia were to negotiate agreements to free itself from its trade dependence on Djibouti.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	10.4
GDP PER CAPITA US Dollars - 2019	8,596
CURRENCY Dominican peso	DOP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.0	5.0	-6.0	4.0
Inflation (yearly average, %)	3.6	1.8	3.3	4.0
Budget balance (% GDP)	-4,3	-4,2	-8,5	-4,0
Current account balance (% GDP)	-1,4	-1,4	-6,0	-4,5
Public debt* (% GDP)	50.7	53.8	68.8	68.2

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	50%
HAITI	9%
SWITZERLAND	8%
EURO AREA	7%
INDIA	4%

Imports of goods as a % of total

UNITED STATES	42%
CHINA	15%
EURO AREA	10%
JAPAN	4%
BRAZIL	3%

- Leading Caribbean tourist destination
- Remittances from its diaspora
- Free-trade agreement with the United States (CAFTA-DR) and Economic Partnership agreement with the EU
- Free zones (56% of goods exports in 2019)
- Institutional stability

- Dependence on the U.S. economy
- Dependence on gold prices
- Faulty electricity supply
- High levels of poverty and inequality / low fiscal revenues (14% of GDP)
- Drug trafficking-related crime
- Widespread corruption

RISK ASSESSMENT

A partial rebound for the Dominican Republic in 2021

The economy experienced a recession in 2020 for the first time in decades, as the country was hit by the COVID-19 pandemic. The first COVID-19 case was confirmed in early-March 2020 and a national emergency was implemented since then, leading to the enforcement a national curfew, as well as the closure of borders and non-essential businesses. Moreover, the state of emergency and the curfew have been extended several times. In 2021, GDP is expected to partially rebound, but activity by the end of 2021 will still be 2.2% lower than in 2019. While tourism (which accounts for roughly 16% of GDP) did reopen on 1 July 2020, it is not likely to rebound strongly in 2021. This is underpinned by the fact that some potential travellers will remain cautious until a COVID-19 vaccine is widely applied. This will negatively influence the pace of resumption of gross fixed investments and household consumption (due to a slow recovery on the job market and higher inflation). Regarding the trade balance, exports (gold, tobacco, textiles and electronic) are likely to improve in 2021. This will be driven by the expected recovery of the U.S. economy, the major destination for Dominican Republic's exports (54% of total foreign sales in 2019). Downside risks are mostly related to the COVID-19 pandemic's evolution.

Large COVID-19 induced fiscal and external imbalances partially shrunk

The COVID-19 put the fiscal balance under considerable strain. During his last months in office, the former president Danilo Medina announced a series of countercyclical fiscal stimulus measures. The latter were then extended until the end of 2020 by the newly elected President Abinader, who promulgated a Supplemental Budget Law of around 4.5% of GDP in September 2020. As a result, gross public debt strongly deteriorated last year. In order to cover part of the higher financing needs, policymakers ensured loans from multilateral institutions, such as the IMF (USD 650 million) and the World Bank (USD 250 million). In 2021, the fiscal deficit should only partially ease, since a full-fledged economic recovery is unlikely. Moreover, the COVID-19 also triggered a shock on the external accounts in 2020. On the one hand, taking into account January to September 2020 figures, the trade balance deficit narrowed thanks to a relatively higher drop in imports (particularly the oil bill) compared to exports. Alongside, remittances from Dominicans living abroad surprisingly increased to USD 5.8 billion (+ 11% in comparison with the same period of 2019). Nevertheless, the services account surplus strongly deteriorated (travel revenues plummeted by 65% year-on-year reaching USD 2 billion, down from USD 5.8 billion in the same period of 2019). Meanwhile, foreign direct investment in the country shrunk by 13%, reaching USD 2 billion during the period. In addition, the external public debt amounted to 38% of GDP (26.3% of GDP in September 2019). This increase is mainly due to the amounts disbursed due to sovereign bond issues to combat the economic effects of COVID-19. Finally, foreign reserves stood at USD 10.6 billion in the same period (covering over 6 months of imports.

Despite the change in power, pro-business environment should be preserved

President Luis Abinader of the centre-left opposition Partido Revolucionario Moderno took office on 16 August 2020. His victory put an end to the 16-year power period of the centrist Dominican Liberation Party. Mr. Abinader has a majority in Congress (18 out of 32 Senate seats and 92 out of 190 seats in the lower house). He promised a universal minimum subsistence wage of 10,000 pesos (USD 173) and has indicated his intention to fix the fiscal imbalances, including through measures such as the broadening of the tax base (as recommended by IMF). Nevertheless, the social and economic challenges imposed by COVID-19 will probably delay his plans. Moreover, during the campaign, he stressed out the need to combat corruption, as well as strengthen the government's contracting and procurement processes. In 2017 and 2018, Marcha Verde demonstrations were organised to denounce corruption and call for the conviction of political leaders accused of taking bribes from Odebrecht, a Brazilian company. Finally, regarding the tense cross-border relations with Haiti, president Abinader said in October 2020 that while he is willing to collaborate in solidarity with the constant crisis in Haiti, he defends that any response must come from the entire international community.

ECUADOR

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	17.3
GDP PER CAPITA US Dollars - 2019	6,222
CURRENCY US dollar	USD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.3	0.1	-8.2	3.0
Inflation (yearly average, %)	0.3	-0.1	-0.9	0.0
Budget balance (% GDP)	-3.2	-3.2	-8.9	-2.9
Current account balance (% GDP)	-1.2	-0.1	1.5	1.0
Public debt* (% GDP)	46.1	51.8	68.9	67.4

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	30%
CHINA	13%
EURO AREA	12%
PERU	8%
CHILE	7%

Imports of goods as a % of total

UNITED STATES	23%
CHINA	17%
EURO AREA	12%
COLOMBIA	8%
PANAMA	7%

- Significant mineral potential (copper, gold, etc.), oil and gas potential
- Tourism potential (flora, fauna, heritage)
- Climate diversity allowing for many crops
- Marine resources: number one exporter of shrimp and prawns
- Low inflationary risk due to full dollarization

- Oil-dependent economy
- Competitiveness subject to the evolution of the dollar because of its full dollarization
- Largely informal nature and low qualification of the workforce
- History of sovereign default
- Weak public resources and poor targeting of social protection
- Deficient business environment: corruption, opaque public procurement, interventionism
- Weak domestic and foreign private investment

RISK ASSESSMENT

A recovery limited by local factors

In 2021, the upturn in activity will mainly be driven by household consumption, while the political climate weighs on private investment and austerity on public spending. The gradual end of lockdown measures, in the absence of a new rebound in the epidemic, is expected to allow a recovery in private consumption, supported by very low inflation in a largely dollarized economy. However, the high unemployment rate, at 10% at the end of 2020 compared with 5% at the end of 2019, is expected to limit its dynamism. Public consumption will be constrained by the Moreno government's fiscal consolidation policy implemented under the IMF agreement. Investments are expected to be affected by the gloomy global context and their level is expected to largely depend on who wins the presidential election of February 2021 and the policy towards nationalisations. The various legal actions by indigenous communities against mining projects, such as the one at the San Carlos Panantza copper mine operated by the company ExplorCobres, will also contribute to slow down investment projects. The victory in the presidential elections of Andrés Arauz (a protégé of Rafael Correa, known for his nationalisations) or Yaku Pérez (who is close to the indigenous communities) could further complicate the exploitation of the country's mining potential, limiting the growth of the sector in 2021 beyond a base effect. For its part, the oil sector is expected to benefit from a higher average price, since Ecuador is no longer a member of OPEC since 1 January 2020. The construction sector is expected to suffer from the decline in public spending on infrastructure. The fishing sector will benefit from increased shrimp sales in China, while banana and cocoa exports should be buoyant conditioning on good weather conditions. The tourism sector (6% of GDP) is expected to remain sluggish, as is the case everywhere else in the world.

Fiscal consolidation at the mercy of politics and a strengthened external position

The pandemic crisis has only exacerbated the weaknesses in public finances, despite efforts to comply with the IMF agreement of March 2019. The expected delay in mining projects is unlikely to generate the USD 4 billion in tax revenues expected by the government, while oil revenues have declined with falling prices and are only expected to grow moderately in 2021 with the price of oil still low. The government, which has become heavily dependent on funding from multilateral agencies, is expected to continue to pursue a policy of expenditure reduction, although there is uncertainty related to the February elections. After obtaining initial emergency aid from the IMF in May 2020 to finance the fight against the pandemic, in September 2020, the government negotiated an extended credit facility with the IMF for USD 6.5 billion, receiving USD 2 billion on signature, 2 billion at the end of 2020 and the balance before 2022. Prior to this agreement, a reorganisation of its bilateral debt with China, largely secured by oil revenues, was obtained (USD 900 million over 2020-2021), as well as a restructuring of its bond debt for a total of USD 17.4 billion revolving around ten sovereign bonds maturing between 2022 and 2030. They were swapped for three others maturing in 2030, 2035 and 2040, and the creditors accepted a 9% discount on the principal value. In addition to postponing and extending its service, this reduced debt repayment requirements by USD 1.6 billion.

Regarding the external accounts, the compression of imports and the relatively good performance of non-oil exports during the crisis enabled the current account balance to shift from a deficit to a surplus. This surplus is expected to persist in 2021, albeit at a lower level. Indeed, the recovery of domestic demand is expected to lead to a reduction in the trade balance surplus, but without erasing all the gains made over 2020, thanks to the rise in prices that will boost oil exports. In addition, the restructuring of the debt is expected to reduce interest payments and thus limit the primary income deficit, which is expected to be offset by expatriate remittances, which will be greater thanks to the recovery of activity in the United States, Spain and Italy. This current account surplus, together with the funds obtained from multilateral lenders, is expected to strengthen the stocks of foreign exchange reserves (3.4 months' worth of imports at the end of 2020) and support the dollarization of the economy.

A high-stakes election

Uncertainty persists as to the direction of medium-term policies given the large ideological differences between the candidates for the top job. Candidates for the February 2021 presidential elections, of whom there are 17, are highly fragmented, and no candidate appears likely to win in the first round. Leading the polls are centre-right Guillermo Lasso, Andrés Arauz, protégé of Rafael Correa, on the left, and Yaku Pérez, who is closer to the indigenous groups, also on the left. All the candidates expressed a certain form of reluctance, more or less strong, towards the IMF agreement, with the major demonstrations at the end of 2019 in mind. G. Lasso is, however, most likely to open dialogue with the IMF based on a more inclusive agreement that provides assistance to those most in need. However, the adoption of new reforms could in any case be complicated by an assembly that is likely to break up after the legislative elections scheduled for the same date.

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). Inter-bank 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.

EGYPT

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	99.3
GDP PER CAPITA US Dollars - 2019	3,044
CURRENCY Egyptian pound	EGP

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	22%
UNITED STATES	7%
UNITED ARAB EMIRATES	6%
TURKEY	5%
SAUDI ARABI	5%

Imports of goods as a % of total

EURO AREA	21%
CHINA	15%
UNITED STATES	7%
SAUDI ARABIA	7%
TURKEY	5%

- Large market
- Advantageous geopolitical situation; Suez Canal
- Tourism potential
- Gas (Zohr field) and mineral potential (gold, kaolin, potash, copper, zinc, lead, feldspar)
- Political and financial support from Gulf monarchies and Western countries
- IMF support programme
- Limited external debt (less than 20% of public debt)

- Poverty (one third of the population); low employment rate among young people
- Low government revenues (19% of GDP) and informal economy (half of all jobs)
- Jihadists active in Sinai region
- Tensions between part of the Muslim majority and the Christian minority (10%)
- Lack of water and dependence on the Nile
- Public deficit and public debt
- Banking system vulnerable to sovereign risk, with the public sector absorbing 2/3 of credit
- High cost of credit
- Low and low value-added manufacturing exports; food dependency
- Non-transparency of companies controlled by the military (30% of the economy)
- Corruption, lack of competition and bureaucracy, including in foreign trade

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	5.3	5.6	3.5	2.8
Inflation* (yearly average, %)	20.9	13.9	5.0	6.0
Budget balance* (% GDP)	-9.5	-8.0	-9.0	-10.0
Current account balance* (% GDP)	-2.4	-3.6	-3.5	-3.2
Public debt* (% GDP)	92.7	83.8	87.0	91.0

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2021 data: FY20-21.

RISK ASSESSMENT

Limited impact of the COVID-19 crisis

With its impact spread over fiscal years 2020 and 2021, the COVID-19 crisis will not stop the Egyptian economy from posting moderate growth over these two years. However, it will take until the second half of 2021 for the economy to return to its sustained pre-crisis pace, as, despite the short-lived and moderate nature of the measures introduced to fight the pandemic, household consumption (85% of GDP) still suffered. Expatriate remittances fell as the Gulf experienced an economic downturn and many low-skilled workers' employment contracts were terminated. Tourism (10% of employment and 6% of GDP) evaporated. Services (55% of GDP in terms of supply), especially trade, transport and accommodation, were hardest hit, with many family businesses, supporting half of all households, folding. Informal jobs have become scarcer. It will be necessary to wait until the second half of 2021 to see a rebound in private consumption. Investment (15% of GDP) was impacted by the withdrawal of local and foreign private-sector participants, but should get back on track within the same timeframe, owing to the development of gas and port facilities. Conversely, public investment held up, thanks to international financing, with the continuation of projects in transport (rail and Suez Canal), seawater desalination, housing and the establishment of the new administrative capital east of Cairo. The budget support plan, of which the economic and health measures focused on the most disadvantaged members of society and the most affected sectors, mitigated the shock. The central bank imposed a six-month moratorium on loan repayments, reduced the preferential rate for SME loans from 10% to 8% and guaranteed bank loans up to 1.7% of GDP. Exports were hit by the drop in hydrocarbon sales, weaker European and North American demand for clothing articles, reduced Indian demand for fertilisers, and the lack of tourists. Shipments of citrus fruits, vegetables and electronic and electrical appliances suffered from supply chain disruptions. However, unlike services, industrial (35% of GDP) and agricultural (12%) activity is not expected to have declined. While these negative factors should reverse in 2021, at least partially, tourists will be slow to return. Meanwhile, even though imports of consumer products fell, capital goods imports remained stable, such that trade's negative contribution to growth was maintained, but did shrink.

A break in fiscal consolidation

The already high public deficit increased with the crisis, due to the adoption of a support plan, although the plan's size (nearly 2% of GDP) was limited by the lack of room for manoeuvre. The deterioration was mitigated by cuts to current expenditure and continued tax administration reforms. The substantial debt increased further. Interest was already the largest expenditure item, absorbing half of the revenue. However, its foreign currency portion accounts for less than 20% of the total and is 70% made up of bilateral and multilateral loans. This portion is expected to increase with international financing. Moreover, the domestic debt became less onerous after the central bank cut its policy rate by 400 bps in 2020 to 8.75%. In the framework of the IMF programme, fiscal consolidation should be resuming from fiscal year 2022 onwards with the return of a primary surplus (i.e. excluding interest) and strong growth, but should be constrained by the high cost of debt.

The current account deficit is expected to have narrowed slightly due to the crisis. The large trade deficit (12% of GDP in 2019) shrank as the decline in imports (crude oil, capital and intermediate goods) outweighed that of exports. The surpluses in transfers (8%) and services (4%) decreased in line with expatriate remittances and tourism. Canal revenues resisted with the implementation of environmental standards encouraging shippers to abandon the Cape route. The income deficit (4%) fell slightly. Since the deficit could not be financed through weakened foreign investment alone, it was necessary to tap the market, regional banks (Emirates NBD Capital, First Abu Dhabi Bank) and multilateral organisations (IMF with its Rapid Financing Instrument and a Stand-by Arrangement, EIB and Afreximbank), which fuelled moderate external debt (35% of GDP). Portfolio investments, which vanished at the height of the crisis, were drawn back by the high real rates on offer. In this respect, the central bank is maintaining a prudent policy, even if this means causing the pound to be slightly overvalued. Reserves were maintained at about six months of imports despite market injections.

Concentration of power

Re-elected with 97% of the vote in 2018, President Abdel Fattah al-Sissi saw his powers strengthened after the 2019 referendum led to the adoption of constitutional amendments including the extension of the presidential term from four to six years and allowing him to run for a third consecutive term in 2024. The referendum also gave the president control over judicial appointments and strengthened the role of the army. Elections to both houses of parliament in 2020 confirmed the dominant position of the Future of the Nation Party, which is close to the president. Poverty and a lack of freedom of speech may combine to stoke social unrest. Externally, the Egyptian regime retains a pivotal role in regional stability and the fight against terrorism, enabling it to maintain close relations with Europe and the United States, but also with the United Arab Emirates and Saudi Arabia. Following the construction of the Grand Renaissance Dam, relations with Ethiopia continue to stumble on questions related to sharing water from the Nile, on which about 90% of Egypt's drinking water supply depends. Relations with Turkey have been strained over Libya and gas development in the eastern Mediterranean.

EL SALVADOR (REPUBLIC OF)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	6.5
GDP PER CAPITA US Dollars - 2019	4,187
CURRENCY US dollar	USD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	2.4	-8.5	3.0
Inflation (yearly average, %)	1.1	0.1	0.2	1.1
Budget balance (% GDP)	-2.6	-3.1	-13.3	-8.4
Current account balance (% GDP)	4.7	-2.1	-4.9	-4.5
Public debt (% GDP)	68.0	69.4	89.0	92.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	42%
GUATEMALA	16%
HONDURAS	16%
NICARAGUA	7%
COSTA RICA	4%

Imports of goods as a % of total

UNITED STATES	30%
CHINA	14%
GUATEMALA	11%
MEXICO	8%
HONDURAS	7%

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

RISK ASSESSMENT

A recovery that will be highly dependent on the United States

After being harder hit than its neighbours by the pandemic-related recession in 2020, with the exception of Nicaragua, El Salvador is set to experience a rather sluggish recovery that will not be enough to make up the lost ground. As with its neighbours, this is due to heavy reliance on the U.S. economy, but also to public demand, which is limited by the country's strained financial situation. Domestic demand is mainly based on household consumption (82% of GDP in 2019) for which remittances from expatriates in the United States are an important source of income (21% of GDP in 2019). These expatriates will continue to be more affected by unemployment than other sections of the population, with a rate of 9.2% in December 2020, higher than the U.S. national average. As a result, the catch-up effect observed in remittance flows in the second half of 2020 is not expected to continue on a sustained basis, which will limit the strength of these flows. Public demand, meanwhile, is expected to be constrained by political tension surrounding the approval of the 2021 budget and growing financing needs, despite the government's commitments to increase spending on health, education and security. However, a return to greater consensus between the legislature and the executive following the 2021 legislative elections could boost investment in the country. External demand will remain constrained, particularly in the clothing sector, which is being hurt by weaker demand in the United States and Vietnam's entry into the competition. Besides textiles, the manufacturing sector as a whole is set to be affected, especially maquila companies, which are focused on exports and the United States, producing electronic chips and plastic packaging in addition to textiles. Construction is also expected to be affected by the recession. The agricultural sector will remain active, driven by coffee and sugar exports. A resurgence of the epidemic in the country, however, poses a risk to this scenario.

Financing needs for public and external accounts

The deterioration in the already fragile public finances was one of the main consequences of the pandemic, with a 20 percentage point jump in public debt relative to GDP in 2020. The 2021 budget provides for a 16% increase in spending compared with FY2020. In the absence of measures to boost revenues, the new financing needs should be covered by debt. The country obtained a total of USD 606 million in multilateral loans from the IMF, the World Bank, the Inter-American Development Bank and the Central American Bank for Economic Integration. However, these loans did not meet all of the government's financing needs, prompting it to go into debt by issuing EUR 1 billion in short-term repayable bonds to finance 2020 expenditures. Repaying this high-interest short-term debt is likely to increase the financial constraints on the government, which is counting on new multilateral loans to cope, as the domestic market is already saturated. An agreement with the IMF to obtain financing is unlikely before the February legislative elections and would be conditional on significant fiscal adjustments. The trade deficit is set to stay high, while exports will continue to be stymied by lower global demand for textiles and clothing, despite brisk growth for agricultural products. Imports are expected to increase, driven by renewed domestic demand. With the income balance still in deficit due to dividend repatriation by foreign companies, expatriate transfers will prove insufficient to balance the current account. Foreign direct investment, mainly from the United States, will remain sluggish in an uncertain global context. The government will therefore also have to finance these external needs through multilateral loans.

Will tensions ease between the legislature and the executive?

Since Nayib Bukele came to power at the head of the centre-right GANA party in the February 2019 election, tensions have been running high between the executive and the legislature, which is dominated by the two traditional parties, FMLN and Arena. This situation came to a head on 9 February 2020 when the army entered the National Assembly as the president sought to pressure deputies to fund the fight against gangs. The legislative elections of February 2021 could allow President Bukele to emerge as the winner in the stand-off, with his newly created party, Nuevas Ideas, currently well ahead in the polls (48% support versus 8% combined for Arena and FMLN). A new consensus between the assembly and the president could allow the latter to carry out his reform programme. On the international scene, the president's cordial relations with the United States could grow more strained again following Joe Biden's victory. Several voices have already been heard in the U.S. Congress criticising the president's authoritarian turn and calling for U.S. aid to the country to be suspended if reforms are not carried out.

ERITREA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	3.5
GDP PER CAPITA US Dollars - 2019	567
CURRENCY Nakfa	ERN

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	12.2	3.8	-1.0	5.0
Inflation* (yearly average, %)	-14.4	-16.4	5.0	2.7
Budget balance** (% GDP)	4.2	-1.5	-5.7	-4.9
Current account balance*** (% GDP)	15.4	12.0	8.1	7.0
Public debt (% GDP)	185.6	189.3	185.8	173.5

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	63%
SOUTH KOREA	35%
EURO AREA	0%
SINGAPORE	0%
UNITED ARAB EMIRATES	0%

Imports of goods as a % of total

EURO AREA	24%
CHINA	19%
UNITED ARAB EMIRATES	14%
TURKEY	7%
UNITED STATES	4%

- Extensive mineral resources (potash, copper, gold, silver, zinc)
- Strategic position on the Red Sea
- Potential additional gateway for Ethiopia

- 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

RISK ASSESSMENT

Resumption of growth in 2021

Even though Eritrea was only slightly impacted health wise by the COVID-19 pandemic, the country's growth dropped in 2020 as the economy was hit by a twin supply and demand shock. The national lockdown, caution among consumers and investors, and the collapse of global demand all reduced demand. Supply, meanwhile, was affected by supply chain disruptions. This supply shock caused inflation to rise dramatically after several years of deflation due to low prices for consumer goods imported at an overvalued exchange rate. As supply chains get back to normal and demand, especially external demand, recovers, growth is expected to pick up sharply in 2021 to outstrip pre-crisis levels. The government may invest massively in the health system following COVID-19. The mining sector, the mainstay of the economy, was severely impacted in 2020 by the drop in demand for commodities as industrial and construction activity came to an abrupt halt in many countries. The sector is poised to recover in 2021, with the Bisha copper and zinc mine set to increase its production, which, possibly coupled with higher prices, could boost the country's export revenues. Moreover, the development of the Colluli potash mine is proceeding on schedule, despite government-imposed restrictions due to the health crisis. The facility is expected to begin producing potassium sulphate in 2022.

However, much of the FDI (9.6% of GDP) goes to this sector. Due to uncertainties related to the recovery, these investments are likely to decline, hurting the mining sector and its exports, which are vital at a time when imports are expected to continue to increase. Agriculture (about 30% of GDP and 60% of employment) was hard hit by locust invasions, which sharply reduced yields and forced the country to increase food imports. Reliance on food imports is expected to continue in 2021.

A widening public deficit, but a comfortable current account surplus

The increase in public spending and the decrease in revenues, in connection with the COVID-19 crisis, caused the public deficit to widen. While no plan was officially adopted, the government aligned itself with the WHO in terms of preparedness and response measures. The government also made it easier for micro and small enterprises to access credit, thus limiting business closures and supporting the economy. Furthermore, the authorities are expected to continue vigorously raising donations from citizens and expatriate remittances for the National Pandemic Fund. This fund has made it possible to meet the most urgent health needs and assist the poorest and most vulnerable households. Public debt, which is mainly domestic and denominated in local currency, is still at an extremely high level and will continue to pressure the country's finances in the years to come. In addition, although relations with the international community have improved slightly, access to donor assistance will remain limited.

Looking at the external accounts, the current account surplus is large, thanks to remittances from Eritrean expatriates (12% of GDP), as well as a trade surplus driven by mining exports (25% of GDP). The surplus narrowed in 2020 due to lower net exports. Drawing on foreign exchange reserves fuelled by repeated current account surpluses, the central bank will continue to maintain the nafka's peg to the dollar, which, given the parallel market exchange rate, will remain overvalued.

A return to the international scene to be confirmed

The political landscape is dominated by the People's Front for Democracy and Justice, the only legally authorised party, which has been led by President Issayas Afeworki since 1993. The total absence of democracy and fundamental freedoms, alongside the regime's totalitarian excesses, are widely acknowledged and made Eritrea one of the most closed countries in the world.

However, in July 2018, the president signed a peace declaration with the 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. However, the unilateral decision to close borders with Ethiopia in April 2019, as well as the regime's slowness in complying with the peace agreement and initiating reforms, are fuelling uncertainties among potential investors. A reform of the country's indefinite military service, one of the main reasons prompting Eritreans to emigrate, would be a major signal of openness.

ESTONIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	1.3
GDP PER CAPITA US Dollars - 2019	23,758
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.8	3.2	-4.3	3.4
Inflation (yearly average, %)	3.4	2.4	0.1	1.3
Budget balance (% GDP)	-0.6	-0.2	-10.3	-4.3
Current account balance (% GDP)	2.0	1.4	-0.7	0.6
Public debt (% GDP)	8.4	8.7	18.7	23.0

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

TRADE EXCHANGES

Exports of goods as a % of total

FINLAND	16%
SWEDEN	10%
LATVIA	9%
UNITED STATES	7%
GERMANY	6%

Imports of goods as a % of total

FINLAND	13%
GERMANY	10%
LITHUANIA	10%
SWEDEN	9%
LATVIA	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), although the IMF has stressed the need for more stringent anti-money laundering measures
- 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

Return to growth in 2021 after a difficult year

Relatively unscathed during the first wave, Estonia saw its number of positive COVID-19 cases soar at the end of 2020. In addition its economy, which is heavily dependent on foreign trade, was hurt by the crisis. However It is expected to recover strongly in 2021. Private consumption (46% of GDP) is estimated to have shrunk by 8% in 2020 due to lockdown measures, lower incomes (unemployment rose from 4.5% in 2019 to 6.5% in 2020, while wages fell by 1%) and increased precautionary saving by households. It should rise by 10% in 2021 thanks to the national recovery plan, whose objectives include supporting household consumption, but also because of the recovery in employment. The collapse in investment was the main reason for the drop in domestic demand in 2020. After declining by an estimated 11% in 2020, it is expected to grow only moderately in 2021 (5%), due to the downturn in the capacity utilization rate. This will be offset by increased public investment (+25% in 2020), particularly in infrastructure. These investments will be financed by the national recovery plan and the EUR 1.5 billion in aid received by Estonia under the EU Recovery and Resilience Facility, 70% of which will be disbursed before 2022. Ultimately, reduced foreign demand was responsible for two-thirds of the 2020 recession, with exports of goods and services (which account for about 70% of GDP) declining by almost 14%, driven down by the fall in exports of transport equipment and mineral products. However, these exports could increase by 10% in 2021.

On the supply side, agriculture, which accounts for less than 3% of GDP, was barely affected by the crisis. The secondary sector experienced a sharp decline in 2020 (about 7%), owing to falls in the automotive sector and oil shale, but is set to grow strongly in 2021 (by around 7%). Services fell by approximately 5% in 2020, but could grow by about 3% in 2021 thanks to information and communication services and the IT sector (10% of GDP).

An emerging public deficit, but a comfortable financial situation

Estonia has sound public finances. In mid-March 2020, the government was able to release EUR 2 billion (7% of GDP) to combat the crisis. This stimulus package has increased the country's debt, which is still well below that of its European neighbours. The public deficit, which has increased with the crisis, should improve in 2021. Public finances will also benefit from EU support, as Estonia has been allocated EUR 6 billion under the 2021-2027 multiannual financial framework, of which 14% will be disbursed in 2021. Estonia has also been authorised by the Commission to reduce its co-financing of the framework, which will allow the country to save EUR 1 billion.

After a slight deficit in 2020, the current account is expected to return to a small surplus in 2021. In 2020, while exports of goods were affected by the decline in international demand, imports were more affected by the sharp fall in domestic demand. The goods balance will remain in deficit in 2021, although rising exports (wood, metal, transportation equipment) should support an improvement. The services surplus remained relatively stable, driven by the computer and software sector and despite the fall in transportation and tourism. Dividend repatriations by foreign investors exceeded the income from Estonian investments abroad, leading to an income deficit. Substantial foreign direct investment (3% of GDP in June 2020) is matched by portfolio investments abroad by Estonian pension funds and insurance companies. The capital account surplus is made up of transfers from EU structural funds. Gross external debt, equivalent to about 80% of GDP in 2020, is rising but is more than offset by residents' assets held abroad.

A stable political situation and a good business environment

The March 2019 legislative election saw the liberal Reform Party win with 29% of the vote. The election was marked by the breakthrough of the nationalist EKRE party, which obtained 17.8% of the vote. In the absence of a majority, a coalition government comprising the centrist party, conservatives and EKRE took office at the end of April, led by Prime Minister Jüri Ratas, the head of the Centre Party. In January 2021 Jüri Ratas resigned from his position amid allegations of influence peddling and bribery over the property development project in Tallinn. Kaja Kallas of the Reform party became Estonia's first female prime minister on 25th January after the parliament approved her nomination. A half of ministers in the new government is from the Reform Party and the other half from the Centre Party, despite the latter is subject to a criminal investigation. The current government does not include the EKRE party.

ETHIOPIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	96,6
GDP PER CAPITA US Dollars - 2019	961
CURRENCY Ethiopian birr	ETB

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	8.4	9.0	4.0	-1.0
Inflation** (yearly average, %)	13.8	15.8	21.0	15.0
Budget balance* (% GDP)	-3.0	-2.5	-4.0	-4.0
Current account balance* (% GDP)	-6.5	-5.3	-5.0	-5.0
Public debt* (% GDP)	61.1	57.6	59.0	63.0

(e): Estimate. (f): Forecast. * Fiscal year from 8th July - 7th July; 2021 data: July 8th, 2020 - July 7th, 2021. ** Calendar year.

TRADE EXCHANGES

Exports of goods as a % of total

SUDAN	26%
UNITED STATES	10%
EURO AREA	9%
CHINA	9%
SWITZERLAND	6%

Imports of goods as a % of total

CHINA	17%
UNITED ARAB EMIRATES	15%
EURO AREA	9%
INDIA	7%
SAUDI ARABIA	7%

+
- Large market
- Aviation hub
- Remarkable track record in growth and poverty reduction (27%)
- Public investment in infrastructure development
- Hydroelectric, mining (phosphate, hydrocarbons) and tourism potential

−
- Agriculture (70% of employment, but 40% of GDP) is not very productive and is sensitive to weather conditions and changes in world commodity prices
- Low manufacturing value added: 6% of GDP
- Landlocked country: 95% of exports pass through Djibouti
- Low foreign exchange reserves, lack of foreign exchange, import restrictions
- Persistent challenges in the business environment and governance
- Underdeveloped banking system
- Insufficient power supply
- Unstable regional environment and high ethno-political tensions

RISK ASSESSMENT

Waiting for investment to recover

In 2020, the COVID-19 crisis, coupled with a locust invasion and the worsening security situation, put an end to the strong growth of the Ethiopian economy. In 2021, the security risk will persist, as will the health and locust threats, and it will probably be necessary to wait until after the elections to see a resumption of activity in the second half of the year. Investment (more than a third of GDP) has come to a halt. Public investment (more than a third of public expenditure), which is focused on infrastructure (roads and railways linking the country to the ports of neighbouring countries, power lines) held up better than the private component, which is dominated by foreign investors, who are more sensitive to rising risks. However, work will resume and other projects will be launched under the third Growth and Transformation Plan (2021-2025) and privatisations (sugar, metals, rail, electricity, banking), supported by a law passed in 2018 facilitating public-private partnerships. Construction of the gas pipeline linking the Ogaden fields to the port of Djibouti is continuing. Development of industrial parks will resume as Chinese companies set up, especially in the clothing and footwear sectors. Development of agri-food special economic zones will also continue. However, the pace will likely be slower than it was before the crisis because of persistent risks. Growth in the construction sector had already fallen from 30% in 2015 to 15% in 2019. Household consumption (65% of GDP), which was flat in 2020, may grow moderately in 2021, provided that agriculture (nearly 70% of employment and 80% of the population, with coffee, legumes, teff, potatoes and sugar cane) is not hit once again by problems. However, consumption will remain constrained by high inflation and the absence of tourism, which had grown strongly until 2019 (9% of GDP and employment). Exports (8% of GDP) were hurt by the lack of tourism and the fall in activity of Ethiopian Airlines (although freight showed resilience), which together account for 40% of exports. In addition, sales of cut flowers and clothing items declined. Finally, coffee shipments (between a quarter and a third of exported goods) suffered from reduced production caused by security problems and population displacement. This year, the improvement should mainly come from goods, while air transport and tourism will be slow to recover.

External aid is essential

Despite its small size, the support plan, with its additional expenditure (defence, security, food aid, health, agriculture, elections), resulted in a slight increase in the public deficit. It is financed by domestic (commercial banks, all state-owned, central bank) and external sources. Multilateral and bilateral creditors are preferred for external financing, with the authorities holding off on borrowing from private creditors (25% of external debt). The debt, which is mainly denominated in foreign currencies, has increased. However, its profile, with an average maturity of nearly 15 years, half of it domestic, lessens the risk of debt distress. In addition to the suspension of debt service by G20 creditor countries under the DSSI at least until June 2021, the country should benefit from new arrangements for debt owed to China (30% of the external outstanding debt and 42% of its service). Once the crisis is over, consolidation should resume under the IMF's Extended Credit Facility (2020-2022).

Burdened by a substantial trade deficit (15% of GDP), the current account deficit remains large. Nevertheless, it is expected to narrow slightly with the easing of the import bill thanks to lower oil prices and slacker demand for capital goods and intermediate products. Conversely, exports are expected to fall by a smaller amount. The suspension of interest payments on the external debt should reduce the income deficit. With FDI on the decline, official loans will be even more necessary. The current account deficit, along with political problems, put pressure on the birr, which depreciated by almost 20% in 2020, although not enough to curb the parallel market and reduce overvaluation estimated at 25% by the IMF. Foreign exchange reserves, which cover about two months of imports, will remain low, fuelling chronic foreign exchange shortages.

High-risk elections

Ethiopia is mosaic of ethnic groups. Hostilities sometimes break out between these groups, especially the two largest, namely the Oromo and the Amhara groups. Tensions frequently arise between the central government and the regional states. In 2020, the central government forcibly regained control of Tigray from the rebel Tigray People's Liberation Front (TPLF). Abiy Ahmed, an Oromo who has been prime minister since 2018, has embarked on a drive to open up the state-run economy and one-party system and reduce ethnic regionalism, which has fuelled demands (including for self-determination) and opposition, and caused the regime to tighten its grip. The first-ever free and transparent legislative and regional elections were postponed because of COVID-19 and will be held in June 2021. The Prosperity Party, which was created at the initiative of Mr Abiy and which replaced the Ethiopian People's Revolutionary Democratic Front, a coalition of regional parties that had held power since 1991, could win. The Prosperity Party includes the Oromo, Amhara and Southern People's parties as well as five other regional parties. A federalist party is still a long way off. Internationally, the filling of the Renaissance Dam on the Nile is a source of potential conflict with Egypt and Sudan. Finally, the favoured relationship with China for 20 years has given way to an opening towards the West.

FINLAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	5.5
GDP PER CAPITA US Dollars - 2019	48,809
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.5	2.2	-3.4	3.4
Inflation (yearly average, %)	1.1	1.0	0.3	0.9
Budget balance (% GDP)	-0.9	-1.1	-7.2	-3.4
Current account balance (% GDP)	-1.9	-0.2	-0.5	-1.2
Public debt (% GDP)	59.5	59.2	67.8	68.8

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	14%
SWEDEN	10%
UNITED STATES	8%
NETHERLANDS	6%
RUSSIA	6%

Imports of goods as a % of total

GERMANY	18%
SWEDEN	16%
RUSSIA	14%
NETHERLANDS	8%
CHINA	3%

+
- Prudent economic policy overall
- Skilled workforce and favourable business climate
- High standard of living
- Economic growth not dependent on foreign tourists

−
- Highly vulnerable to international economic conditions (goods & services exports = 37% of GDP)
- Crisis in the important Finnish electronic sector, as well as in the metals sector, 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 (in 2020, 21% of the population are pensioners)

RISK ASSESSMENT

Slow recovery after a mild recession

A slow economic recovery is expected in 2021, after the Finish economy went into a recession in 2020 because of the global COVID-19 pandemic. After COVID-19 hit Finland in early 2020, the government reacted fast with restrictive measures from mid-March to early-May. Public life came to a standstill, the Helsinki-Uusimaa region was quarantined for three weeks, gatherings were limited to 10 people and borders were closed. However, shops remained open. These measures helped to contain the number of COVID-19 cases at a very modest level. A second wave starting in early autumn of 2020 turned out to be significantly stronger. The renewed restrictive measures entailed another economic contraction. In the first half of 2020, GDP dropped only by 3.8% in yearly comparison (EU: -24.5% YoY). In addition to the mild development of the pandemic and the relatively milder restrictions, industrial production did not plummet as factories did not close. The backlog of orders before the COVID-19 outbreak was higher, as the Finish industry focuses more on investment goods with longer production times. Furthermore, Finland is less dependent on tourism than other European countries (indeed, the tourism balance is negative). Moreover, the recession in 2020 was cushioned somewhat by the additional fiscal support measures that had a total value of approximately EUR 17 billion or 7.1% of GDP, mainly in the form of support to the health care system, deferrals of tax and pension payments, grants to SMEs, as well as the expansion of parental allowances and the unemployment insurance.

For 2021 we expect a lively recovery, which will be dependent on the further development of the pandemic and the vaccination campaign. The main dynamic should come from private consumption (51% of GDP), generally supported by high welfare state expenditures (24% of GDP). The unemployment rate, which increased significantly in spring 2020 despite the extensive use of furlough, should return to more moderate levels in 2021 and support - alongside a modest wage growth and a low inflation rate - private consumption. Some of the fiscal measures adopted in 2020, such as public investment projects amounting to EUR 1 billion, should foster the economic recovery in 2021. Conversely, private investment expenditures should remain subdued as long as global economic uncertainty remains. The outlook for exports remains highly dependent on the industrial situation in Germany, Sweden, the United States and China, as Finland mainly exports investment goods. Services exports, mainly ICT and business services, should remain strong. Additional support will come from the ECB, which extended its asset purchases by EUR 500 bn. up to EUR 1850 bn., so that it has enough liquidity to buy assets in an unchanged manner until the end of March 2022. Further T-LTROS for an unchanged high credit supply are in the pipeline, too.

Public debt surges

Finland's current account deficit will probably increase moderately in 2021, as the surplus of the goods-trade balance will shrink due to reduced demand for investment goods. Despite still robust services exports, the services trade balance should remain structurally negative (due to Finnish tourists abroad) and, combined with the high foreign direct investments, be the main reason for the persisting current account deficit. The general government budget deficit, which surged in 2020, should decrease somewhat but remain above the Maastricht target of 3% in 2021. This should lead to a record general government debt of above 70% of GDP.

COVID-19 led to a confidence boost for the government

Social Democrat (SDP) PM Sanna Marin is leading 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). The government, especially the SDP, gained a lot of support as 79% of the population were satisfied about the government's handling of the COVID-19 crisis in spring and summer of 2020. The SDP is now clearly leading in polls, while the right-wing populist Finns party, the biggest opposition party in parliament, lost the extra support gained between the last election in spring 2019 and early 2020. The government's position in the negotiations on the EU Recovery Fund could be another reason behind this development, as PM Marin was part of "the frugal five" (an alliance supporting a frugal and strict fiscal policy in the EU). Thanks to the latest boost in support, the government coalition and PM Marin are expected to last until the next parliamentary elections in 2023.

PAYMENT & DEBT COLLECTION PRACTICES IN FINLAND

Payment

Bills of exchange are not commonly used in Finland because they signal the supplier's distrust of the buyer. A bill of exchange primarily substantiates a claim and constitutes a valid acknowledgment of debt.

Cheques, also little used in domestic and international transactions, only constitute acknowledgement of debt. However, cheques that are uncovered at the time of issue can result in the issuers being liable to criminal penalties. Moreover, as cheque collection takes a particularly long time in Finland (20 days for domestic cheques or cheques drawn in European and Mediterranean coastal countries; 70 days for cheques drawn outside Europe), this payment method is not recommended.

Conversely, SWIFT bank transfers are increasingly used to settle domestic and international commercial transactions. When using this instrument, sellers are advised to provide full and accurate bank details to facilitate timely payment, while it should not be forgotten that the transfer payment order will ultimately depend on the buyer's good faith. Banks in Finland have adopted the SEPA standards for euro-denominated payments.

Debt Collection

Amicable phase

The goal of the amicable phase is to reach a voluntary settlement between the creditor and debtor without beginning legal proceedings. Finnish legislation obliges creditors to begin the amicable phase amicable phase *via* letters, followed up as necessary with a final demand for payment by recorded delivery or ordinary mail. This demand for payment asks the debtor to pay the outstanding principal increased by past-due interest as stipulated in the contract.

In the absence of an interest rate clause in the agreement, interest automatically accrues from the due date of the unpaid invoice at a rate equal to the central bank of Finland's (*Suomen Pankki*) six-monthly rate, calculated by reference to the European Central Bank's refinancing rate, plus seven percentage points.

The Interest Act (*Korkolaki*) already required debtors to pay up within contractually agreed timeframes or become liable to interest penalties.

Since 2004, the ordinary statute of limitations for Finnish contract law is three years.

Legal proceedings

Fast-track proceedings

For clear and uncontested claims, creditors may use the fast-track procedure, resulting in an injunction to pay (*suppea haastehakemus*). This is a simple written procedure based on submission of whatever documents substantiate the claim (invoices, bills of exchange, acknowledgement of debt, etc.). The court sets a time limit of approximately two weeks to permit the defendant to either respond to or oppose the petition. In addition, this fast track procedure can also be initiated electronically for cases of undisputed claims. The presence of a lawyer, although commonplace, is not required for this type of action.

Ordinary proceedings

Ordinary legal action usually commences when amicable collection has failed. A written application for summons must be addressed to the registry of the District Court, which then serves the debtor with a Writ of Summons. The debtor is given approximately two weeks to file a defence.

During the preliminary hearing, the court bases its deliberations on the parties' written submissions and supporting documentation. The court then convokes the litigants to hear their arguments and decide on the relevance of the evidence. During this preliminary phase, and with the judge's assistance, it is possible for the litigants to resolve their dispute *via* mediation and subsequently protect their business relationship.

Where the dispute remains unresolved after this preliminary hearing, plenary proceedings are held before the court of first instance (*Käräjäoikeus*) comprising between one and three presiding judges, depending on the case's complexity. During this hearing, the judge examines the submitted evidence and hears the parties' witnesses. The litigants then state their final claims, before the judge delivers the ruling, generally within 14 days.

The losing party is liable for all or part of the legal costs (depending on the judgement) incurred by the winning party. The average time required for obtaining a writ of execution is about 12 months. Undisputed claims in Finland can normally last from three to six months. Disputed claims and the subsequent legal proceedings can take up to a year.

Commercial cases are generally heard by civil courts, although a Market Court (*Markkinaoikeus*) located in Helsinki has been in operation as a single entity since 2002, following a merger of the Competition Council and the former Market Court.

Enforcement of a Legal Decision

A judgment is enforceable for fifteen years as soon as it becomes final. If the debtor fails to comply with the judgment, the creditor may have it enforced by a bailiff, who will try to obtain an instalment agreement with the debtor, or enforce it through a seizure of assets.

For foreign awards, since Finland is part of the EU, it has adopted enforcement mechanisms applicable to court decisions issued by other EU members, such as the EU Payment Order and the European Enforcement Order. For judgments issued by non-EU members, the issuing country must be part of a bilateral or multilateral agreement with Finland.

Insolvency Proceedings

Out-of-Court proceedings

Finnish law provides no specific rules for out-of-court settlements. Negotiations between creditors and debtors are made informally. If an agreement is reached, it must still be validated by the court.

Restructuring proceedings

The goal of restructuring is to allow an insolvent company to remain operational through administration, with the view that if the company is able to continue its business, it will be able to repay a larger part of its debts than would have been possible in the case of bankruptcy of the company. The commencement of these proceedings triggers an automatic moratorium, providing the company with protection from its creditors.

The board of directors maintains its power of decision but the receiver is entitled to control certain aspects of the company's operations, including the creation of new debts and overseeing transfers of ownership.

Liquidation

When debtors are unable to pay their debts when due and this inability is not temporary, they are placed into liquidation. Upon acceptance of a liquidation petition by the court, the debtor is declared bankrupt. A receiver is appointed, and a time limit is established for any creditors to present their claims. The receiver then establishes a proposed distribution scheme, whilst creditors supervise the selling of the estate and the distribution of the sales' proceeds.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Statistics Finland, Coface.

FRANCE

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2019**	**64.8**
GDP PER CAPITA US Dollars - **2019**	**41,897**
CURRENCY Euro	**EUR**

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)	-2.3	-3.0	-10.8	-8.7
Current account balance (% GDP)	-0.9	-0.8	-2.9	-2.6
Public debt (% GDP)	98.1	98.1	116.3	117.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	14%
UNITED STATES	8%
ITALY	7%
SPAIN	7%
BELGIUM	7%

Imports of goods as a % of total

GERMANY	18%
BELGIUM	10%
ITALY	8%
NETHERLANDS	8%
SPAIN	7%

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- Quality of infrastructure and public services
- Skilled and productive workforce, dynamic demographics
- Tourism power
- Competitive international groups (aerospace, energy, environment, pharmaceuticals, luxury goods, food processing, retail)
- Global agricultural powerhouse
- High level of savings

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- Insufficient number of exporting companies, loss of competitiveness and market share
- Weakening of the product range, insufficient innovation efforts
- Low employment rate of young people and senior citizens
- Room for improving the efficiency of public spending
- High public debt
- Growing private debt

Sector risk assessments

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

* Information and Communication Technology

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 this 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 rise in 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 latter will also condition business investment, which will continue to benefit, at least at the beginning of the year, from 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 state-guaranteed bank loans (EUR 130 billion granted in 2020). In addition to these measures, the government will support activity via a recovery plan, with expenditure of around EUR 37 billion in 2021 (i.e. 1.6% of GDP, including EUR 10 billion of cuts in production taxes). The rebound in the economy will therefore be driven by 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, aeronautics, the leading export sector (9% of the flow of goods and services), will remain affected by the air transport crisis, after recording a fall in foreign sales in 2020 (-46% over 10 months). On the other hand, tourism (8% of 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 January and September 2020 (-48%, of which -70% for non-residents). Although the support measures should make it possible to limit the number of insolvencies, like in 2020 (-38%), it will rise again in 2021.

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 will remain very high in 2021. Most support measures, such as short-time work (EUR 7 billion budgeted for 2021) and the solidarity fund (in sectors affected by restrictions), will be extended, at least in the first part of the year, in line with the health situation. While their cost is expected to be lower than in the previous year due to their progressive phasing out, the measures included in the recovery plan will come into force, meaning that public expenditure will remain significant (60% of GDP). As a result, public debt will remain very high, at almost 120% of GDP, having been one of the few in the Eurozone not to decline in the years before the pandemic, despite favourable economic conditions. Once the health and economic crisis is over, the sustainability of public finances will be one of the main challenges.

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 balance of goods (3.2% of GDP in the first three quarters) and the contraction of the surplus in the services sector (0.3% 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 flagship export sectors (automobiles, cosmetics, leather goods, wines 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 centre-liberal party, La République En Marche (LaREM), may no longer have a majority in the National Assembly (271 seats out of 577) since the defection of 17 deputies in May 2020, but can still rely on the centrists Modem (57 deputies) and Agir (20). Following the setback suffered in the municipal elections of June 2020, President Macron appointed Jean Castex, the head of the post-lockdown opening-up strategy, to succeed Edouard 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 suggest, with a view to the 2022 presidential election, a new duel between LaREM and Rassemblement National (far right), with 25% of the votes each in the first round. Nevertheless, although the historic parties of the left (Socialist Party) and right (Republicans) seem to be in difficulty, the choice of their candidate could reshuffle the cards of the presidential campaign, in which Jean-Luc Mélenchon, leader of La France Insoumise (far left, 11%), has already announced that he will participate.

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

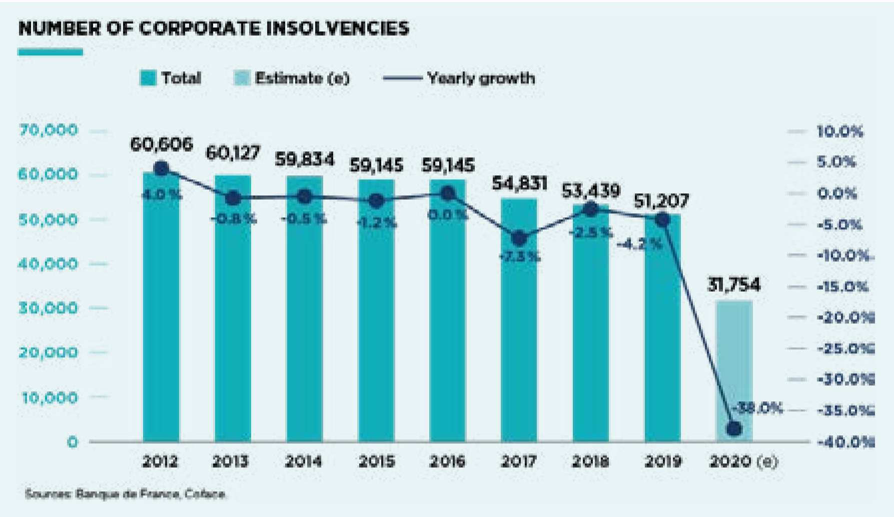
These can be either mandated *ad hoc* or *via* conciliation proceedings. Both are informal, amicable proceedings, where creditors cannot be forced into a restructuring agreement and the company's management continues to run the business. These negotiations are governed by contractual law throughout their 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.



GABON

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2019**	**2.1**
GDP PER CAPITA US Dollars - **2019**	**8,111**
CURRENCY CFA franc (CEMAC)	**XAF**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.8	3.9	-3.0	2.0
Inflation (yearly average, %)	4.8	2.0	2.6	2.7
Budget balance (% GDP)	-0.2	2.1	-5.4	-3.5
Current account balance (% GDP)	-3.2	-0.3	-9.5	-6.8
Public debt (% GDP)	60.6	62.4	74.0	70.2

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	52%
EURO AREA	18%
SOUTH KOREA	8%
UNITED STATES	4%
SINGAPORE	4%

Imports of goods as a % of total

EURO AREA	50%
CHINA	12%
UNITED STATES	6%
INDIA	3%
TURKEY	2%

- Fifth-largest oil producer in sub-Saharan Africa, Africa's second-largest producer of wood, tied with South Africa as world's second-largest producer of manganese
- Drive to diversify the economy undertaken as part of the Emerging Gabon Strategic Plan 2010-2025
- Hydroelectric potential
- Member of CEMAC

- Economy heavily dependent on the oil sector
- High cost of production factors, linked to inadequate infrastructure (transport and electricity)
- Dependent on imports of food and capital goods
- High unemployment, endemic poverty, poor wealth distribution, informal economy (50%)
- Difficult political and social context, pervasive corruption and bureaucracy
- Stock of domestic and external arrears not yet cleared

RISK ASSESSMENT

A timid recovery against a backdrop of diversification

Gabon entered recession in 2020 following the COVID-19 crisis. It was impacted by a double shock. Heavily dependent on oil revenues (39% of GDP), it was hit by the decline in global demand and the corresponding collapse in oil prices. Furthermore, the government quickly imposed lockdown measures, such as border closures, a national curfew and a lockdown in the capital, Libreville, enabling it to successfully halt the spread of the virus. These measures principally affected the Gabonese economy through domestic demand. To limit the impact on the population, the government introduced measures worth EUR 381 million (2.9% of GDP) to ensure the basic needs of households and businesses.

In 2021, activity will return to growth, which, however, is expected to be weak. Oil prices and demand are expected to rise somewhat. Moreover, Gabon does not seem to be strictly respecting its commitment to reduce oil production by 21% within the framework of OPEC+, which suggests that production will increase in 2021. Investment projects in this sector are temporarily on hold but are expected to resume timidly. In the long-term, projects aimed at maximising production at ageing fields and developing recent offshore discoveries should pay off, allowing the country to increase its oil exports. The forestry sector (30% of GDP excluding hydrocarbons, or 5% of total GDP), particularly wood processing, and the mining sector (6% of GDP), especially manganese, shrugged off the crisis and should also see increased activity as supply chains return to normal. They will benefit from investments aimed, in particular, at developing the wood sector. In addition to these investments in the three mainstays of the economy, construction should also benefit from the delayed start of construction on the Kinguélé Aval dam and the Libreville-Franceville Trans-Gabon road, which will last until 2023. The development of agriculture (6% of GDP, but 37% of the population) will continue in palm oil, rubber, cocoa and coffee, again with the aim of reducing dependence on oil. Household consumption (39% of GDP, in terms of demand) declined in 2020 because of the crisis and travel restrictions. However, thanks to government support, it is expected to recover in 2021, which will benefit services (40% of GDP).

Deficits will continue to reflect the impact of the crisis

After plummeting in 2020 due to the drop in oil revenues (37% of revenues) and the increase in expenditures related to COVID-19, despite a 10% spending cut, the deficit should narrow slightly, but without returning to the pre-crisis surplus. However, consolidation is likely to resume, presumably under a new IMF programme, the previous one ending in 2020 with a total of USD 640 million disbursed over three years. While high, debt remains sustainable, even though its external portion reached 50% of GDP in 2020. An audit by the authorities found that an estimated 70% of domestic debt was illegitimate.

The current account deficit widened dramatically in 2020 as a trade deficit emerged following a drop in oil exports (67% of the total) and an increase in imports linked to the health crisis, while traditional food and manufactured goods imports declined only slightly, despite lower domestic demand. In 2021, this deficit is expected to narrow slightly. While oil revenues should show a small increase and those for wood (8%) and manganese (20%) will resume their upward trend, imports will pick up sharply in line with the recovery in domestic demand. The IMF's disbursement of USD 300 million in 2020 under its Rapid Credit Facility should encourage other international donors to contribute to financing the deficit, alongside foreign investors approached for infrastructure and diversification projects.

Leadership succession taking shape

President Ali Bongo Ondimba, who has been in office since 2009 after succeeding his father, won a tumultuous re-election in 2016. He emerged strengthened by the October 2018 legislative elections, which gave his Gabonese Democratic Party (GDP) an absolute majority in the face of an opposition that was divided and weakened by the call for a boycott by Jean Ping, the president's main opponent. Nevertheless, questions about the president's health, following a succession of strokes since 2018, persist, while his wife and son are playing prominent roles. Moreover, widespread unemployment and the high cost of living are fuelling public dissatisfaction, which may be increased by renewed fiscal austerity. However, regular civil service strikes due to salary arrears could cause the authorities to deviate from their budgetary commitments and thus undermine the perception of governance. This situation, combined with the non-transparency and unavailability of trade information and complex administrative procedures, makes for a difficult business climate.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	3.7
GDP PER CAPITA US Dollars - 2019	4,765
CURRENCY Georgian lari	GEL

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.8	5.1	-5.8	4.5
Inflation (yearly average, %)	2.6	4.9	5.3	2.5
Budget balance (% GDP)	-0.8	-1.8	-8.1	-4.8
Current account balance (% GDP)	-6.8	-5.1	-9.8	-8.5
Public debt (% GDP)	40.0	42.6	56.3	59.1

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

TRADE EXCHANGES

Exports of goods as a % of total

AZERBAIJAN	13%
RUSSIA	13%
ARMENIA	11%
EURO AREA	8%
BULGARIA	7%

Imports of goods as a % of total

TURKEY	17%
EURO AREA	17%
RUSSIA	10%
CHINA	9%
UNITED STATES	7%

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- Tourism, agricultural, mineral and hydroelectric potential (almost self-sufficient in electricity)
- Strategic geographical position between Central Asia, Russia, Europe and Turkey (crossing point for the distribution of Azeri oil and gas from the Caspian Sea to Turkey)
- International support, notably from the European Union (EU) and the International Monetary Fund (IMF)
- Numerous trade agreements, especially with the EU and China
- Relatively good and improving business environment (obligation for companies to comply with IFRS, adoption in 2020 of laws on bank resolutions and corporate failures that would strengthen the protection of creditors' rights and insolvency and reorganisation procedures)

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- Small open economy sensitive to regional conditions
- Highly dependent on tourism (26% of GDP including direct and indirect activities, 28% of jobs and 39% of export earnings)
- Low economic diversification, lack of industrial tradition (8.5% of GDP) and low productivity in agriculture (7% of GDP, 50% of the workforce)
- Structural trade deficit and low-value exports
- Highly dollarized banking system (64% of deposits and 57% of loans)
- High poverty (17% of the population) against a background of unemployment, low levels of education, an informal economy (53% of GDP) and a rural population (42% of the total)
- Poor governance (corruption, politicised court system)
- Underdeveloped regional connectivity and transport infrastructure hamper tourism and transit
- Strained relations with Russia due to the situation in the self-proclaimed independent regions of Abkhazia and South Ossetia (20% of the territory, 210,000 inhabitants)

RISK ASSESSMENT

A recovery dependent on domestic demand

After growing solidly over the past decade, Georgia experienced its deepest recession since 1992. While it initially stood out with effective handling of the pandemic, the trend reversed in September 2020 as the number of both cases and deaths surged. They started to decline in early December. The strict lockdown from mid-March to mid-May 2020 and restrictions from end-November 2020 to end-January 2021, such as the closure of non-essential shops, fuelled a drop in private consumption (69% of GDP) and services (77% of GDP). This was compounded by a fall in remittances (10% of GDP), which were hit by economic conditions in Russia (60% of remittances), Turkey and Europe. However, remittances began rising in June 2020, benefiting from foreign stimulus plans and becoming a growth driver for private consumption in 2021. They may be supplemented by measures to support vulnerable individuals, including the adoption in July 2020 of a law providing for minimum annual increases and inflation indexing for basic public pensions from January 2021. These drivers will be particularly important given the uncertainty surrounding the recovery of tourism. Despite being slightly mitigated by domestic tourism, tourist numbers fell by 78% year-on-year in January-September 2020. With borders still closed in January 2021, especially with neighbouring countries that account for two-thirds of tourists, the sector will be able to count on the support measures in force since April 2020, such as VAT exemptions, which could be extended in 2021.

Public and private investment (29% of GDP) are expected to lose momentum, hurt by delays to major infrastructure projects, including the huge deep-water port and container terminal in Anaklia on the eastern coast of the Black Sea (USD 2.5 billion, 14% of GDP). The contract for this public-private partnership, which was signed in 2016, was suspended by the government in January 2020 for political reasons. It went to arbitration in July 2020, pushing back the opportunity to boost trade. The goods deficit narrowed in 2020. The decline in re-exports was offset by renewed exports (28% of GDP) of copper ores (14% of the total), alcohol (9%) and gold (3.6%). Imports (49% of GDP) fell by volume via machinery and equipment (22.5% of the total) and by value via the decline in the oil bill (13%), which should continue to support the trade balance in 2021.

Lower oil prices will help contain inflation, which was driven up by food prices and the weak lari. The central bank was able to lower its policy rate (8% in December 2020), and the return of inflation in 2021 to its 3% target leaves the door open for further cuts to support credit to the private sector, which has remained robust thanks to government subsidies and guarantees for lari-denominated loans. Other measures, such as the temporary lowering of capitalisation requirements, alleviated the banking system, whose fundamentals and profitability have strengthened in recent years (2.2% of loans were non-performing in November 2020).

Budget variance made possible by international financing

The 2020 stimulus plan (5.5% of GDP) caused the budget deficit to increase sharply. With the recovery, it should move closer to the 3% of GDP rule and resume the path of consolidation. It will be financed by domestic and external borrowing, including USD 831 million (4.6% of GDP) from the Asian Development Bank, The World Bank, the IMF and the EU. These funds may go towards the USD 500 million Eurobond that matures in April 2021, but may also be used to ensure the sustainability of the public debt-to-GDP ratio. Although concessional in nature, the debt surged in 2020 and will remain vulnerable to lari depreciation (78% denominated in foreign currencies) and contingent liabilities of poorly managed state-owned enterprises.

The fall in tourism caused the structural current account deficit to widen. Any reduction in 2021 will be constrained by uncertainty over the recovery in this sector. Multilateral financing took over from FDI, causing foreign exchange reserves to edge up (USD 3.7 billion in December 2020, 5.1 months of import coverage). This will help contain lari depreciation, while the central bank sold USD 916 million in foreign exchange in 2020. With multilateral financing, the external debt-to-GDP ratio swelled to 104% (excluding FDI-related loans).

A less stable domestic political environment

The legislative elections at the end of October 2020 saw victory for the party in power since 2012, the Georgian Dream-Democratic Georgia Party (GD-DG, 48% of the votes), followed by the former majority party, the United National Movement (UNM, 27%). The GD-DG won 60% of seats (compared with three-quarters in 2016), allowing it to form a government on its own. At the end of June 2020 and after agreement was reached with the opposition in March 2020, the electoral law was amended to increase the proportionally elected seats in parliament from 50% to 75%. The opposition organised demonstrations after the elections, refused to enter parliament and protested irregularities such as vote buying. While international observers recognised these issues, they declared the election to be generally free and fair. The GD-DG's third term is expected to see recurring demonstrations by a divided opposition.

GERMANY

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	83.1
GDP PER CAPITA US Dollars - 2019	46,473
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.3	0.6	-5.0	3.5
Inflation (yearly average, %)	1.7	1.5	0.5	2.0
Budget balance (% GDP)	1.8	1.5	-6.7	-5.2
Current account balance (% GDP)	7.4	7.1	7.0	7.1
Public debt (% GDP)	61.8	59.6	74.0	73.1

(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%
POLAND	6%

+

- Strong industrial base (24% of GDP, 2019)
- Low structural unemployment; well-developed apprenticeship system
- Importance of family-owned exporting SMEs (Mittelstand)
- Relatively low private household debt (96% of disposable income, 2019)
- Institutional system promoting representativeness

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- Decline in the working population from 2020 onwards, despite immigration
- Low bank profitability
- Prominence of the automotive and mechanical industries, particularly in exports (33% of GDP in 2019)
- Capacity constraints, insufficient investment (especially in internet accessibility) and venture capital limit productivity gains
- Eastern Länder still lagging behind, although the gap is closing

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Bumpy recovery after a dynamic recession

For 2021, a recovery is expected after a historic recession in 2021. However, depending on the development of the COVID-19 pandemic, as well as the progress of the vaccination, the recovery will turn out bumpy. This development was already seen in 2020. After the virus hit Germany in the spring, the government reacted fast by implementing a lockdown for around 6 weeks, when public life came to a standstill and non-essential shops were closed. In Q2 2020, the strict hygiene rules resulted in the sharpest quarterly economic contraction in the last 70 years as not only private consumption collapsed, but also investments. Concomitantly, exports crashed because of the missing demand from Germany's main export destinations. In the summer 2020, due to the lifting of the restrictions, the economy recovered fast. To support private consumption, the VAT was reduced between July and December (by 3pp.). People spent most of their holidays in Germany, which helped the domestic tourism industry. However, a second COVID-19 wave in the autumn turned out much higher, and resulted in another lockdown (starting in early November, with closed shops from mid-December until at least mid-February). This stopped the economic recovery abruptly and let the economy into another recession at the changeover from one year to the next. This second recession, however, should turn out smaller, as the manufacturing sector is only mildly affected and people are already used to this situation in their consumption behavior. Starting in spring 2021, a moderate recovery is expected, led by private consumption. Purchasing power will be higher, as unemployment should further decrease and more people should leave the status of furlough. Many people will have a higher net-income as the income tax credit will be extended by almost EUR 300 and for most people the solidarity surcharge (a subsidy for the Eastern Länder, 5.5% of the income tax) has been abolished. However, in 2021, wage growth will turn out smaller than in the last years (1.6% after 2.0% in 2020) and the energy costs will increase (the government is introducing prices for CO2-emissions for fuels and gas). The economic recovery should also be backed by higher foreign demand for German exports from the main destinations in China, the Eurozone and the U.S. Governmental help packages will remain a big support. Several of the measures introduced in 2020 will continue in 2021, like the furlough-scheme (until the end of 2021). EUR 40 billion (1.2% of GDP) of bridging aid are planned, and almost EUR 69 billion (2.1% of GDP) for investments and public credit-programs will remain in 2021. Additional support will come from the ECB, which extended its asset purchases by EUR 500 billion up to EUR 1850 billion, so that it has enough room for maneuver to buy assets in an unchanged manner until the end of March 2022. Further longer-term-refinancing operations (T-LTROs) for an unchanged high credit supply are in the pipeline as well.

Another year of a public deficit

2021 will be the second year with a public deficit, after nine years of surpluses, as expenditures will remain high and tax revenues will fall. Accordingly, the public debt ratio will remain above the Maastricht target of 60% of GDP. Germany's current account balance, however, should change only mildly. In 2020, the decrease in the goods trade surplus was mainly levelled out by a less important services trade deficit and higher incomes from investments abroad. In 2021, the goods trade balance should improve somewhat, while the services deficit will probably remain muted, which should, in total, increase the current account surplus again.

COVID-19 gives the government a confidence boost

Chancellor Angela Merkel (CDU) is leading the third consecutive Grand Coalition between Conservatives (CDU/CSU) and the Social Democrats (SPD). The half-heartedness in both parties for this coalition led to the change in their leadership and remained a problematic issue even afterwards. However, Chancellor Merkel regained support with her work to fight COVID-19 and the support rate of the Conservatives increased from around 27% in late February 2020 to 37% at the end of the year. This came at the expense of the Greens (18% in late 2020 down from 22% before COVID-19, remained in 2nd place) and the right-wing AfD (9% in late 2020, down from 14% before COVID-19). While the Grand Coalition is expected to remain until the next general election in September 2021, chances are high that the first conservative-green coalition on the federal level could be formed after the election. Angela Merkel, however, will not candidate for the Chancellorship anymore.

PAYMENT & DEBT COLLECTION PRACTICES IN GERMANY

Payment

Bank transfer (*Überweisung*) remains the most common, means of payment. All leading German banks are connected to the SWIFT network, which enables them to provide a quick and efficient funds transfer service. The SEPA Direct Debit Core Scheme and the SEPA Direct Debit B2B are the newest forms of direct debit.

Bills of exchange and cheques are not used very widely in Germany as payment instruments. For Germans, a bill of exchange implies a critical financial position or distrust in the supplier. Cheques are not considered as payment as such, but as a "payment attempt": as German law ignores the principle of certified cheques, the issuer may cancel payment at any time and on any grounds. In addition, banks are able to reject payments when the issuing account contains insufficient funds. Bounced cheques are fairly common. As a general rule, bills of exchange and cheques are not considered as effective payment instruments, even though they entitle creditors to access a "fast track" procedure for debt collection in case of non-payment.

Debt Collection

Amicable phase

The amicable collection is an essential step to the success of collection management. The collection process generally begins with the debtor being sent a final demand for payment, *via* ordinary or registered mail, reminding the debtor of their payment obligations.

According to the law for the acceleration of due payments (*Gesetz zur Beschleunigung fälliger Zahlungen*) a debtor is deemed to be in default if a debt remains unpaid within 30 days of the due payment date and after receipt of an invoice or equivalent request for payment, unless the parties have agreed to a different payment period in the purchase contract. In addition, the debtor is liable for default interest and reminder fees upon expiry of this period.

Debt collection is recommendable and common practice in Germany.

Legal proceedings

Fast-track proceeding

Provided the claim is undisputed, the creditor may seek order to pay (*Mahnbescheid*) through a simplified and cost-efficient procedure. The creditor describes the details of their claim and is subsequently able to obtain a writ of execution fairly quickly *via* the Online-Dunning Service (*Mahnportal*), direct interfaces or (only for private individuals) pre-printed forms. Such automated and centralised (for each *Bundesland*, federal state) procedures are available all over Germany.

This type of action falls within the competence of the local court (*Amtsgericht*) for the region in which the applicant's residence or business is located. For foreign creditors, the competent court is the *Amtsgericht Wedding* (in Berlin). Legal representation is not mandatory.

The debtor is given two weeks after notification to pay their debts or to contest the payment order (*Widerspruch*). If the debtor does not object within this timeframe, the creditor can apply for a writ of execution (*Vollstreckungsbescheid*).

Ordinary proceedings

During ordinary proceedings, the court may instruct the parties or their lawyers to substantiate their claim, which the court alone is then authorised to assess. Each litigant is also requested to submit a pleading memorandum outlining their expectations, within the specified time limit.

Once the claim has been properly examined, a public hearing is held at which the court passes an informed judgement (*begründetes Urteil*).

The losing party will customarily bear all court costs, including the lawyer's fees of the winning party to the extent that those fees are in conformity with the Official Fees Schedule (the *Rechtanwaltsvergütungsgesetz*, RVG). In the case of partial success, fees and expenses are borne by each party on a pro rata basis. Ordinary proceedings can take from three months to a year, while claims brought to the federal Supreme Court can reach up to six years.

An appeal (*Berufung*) may be brought against the decision of the Court of First Instance if the objected amount in dispute exceeds €600. An appeal will also be admitted by the Court of First Instance if a case involves a question of principle or necessitates revision of the law in order to ensure "consistent jurisprudence".

Enforcement of a Legal Decision

Enforcement may commence once a final judgement is made. If debtors fail to respect a judgment, their bank accounts may be closed and/or a local bailiff can proceed with the seizure and sale of their property.

For foreign awards, in order to obtain an *exequatur*, the creditor needs a notarised German translation of the decision which also has to be recognised, an enforcement order of this judgment, and an execution clause. Judgments of courts of EU member states are recognised without further procedure – unless certain restrictions arising from European law are applicable.

Insolvency Proceedings

Out-of-court proceedings

Debtors may attempt to renegotiate their debts with their creditors, which helps to protect debtors from early payment requests. However, the procedure is in the creditors' interest as it can be faster and tends to be less expensive than formal insolvency.

Restructuring

Following a petition filed before insolvency court on the basis of illiquidity or over-indebtedness, the court may open preliminary insolvency proceedings, where it appoints a preliminary administration aimed at exploring the chances of restructuring the company. If the administration authorizes this restructuration, it then initiates formal proceedings and nominates an administrator in charge of continuing the debtor's business whilst preserving its assets.

Liquidation

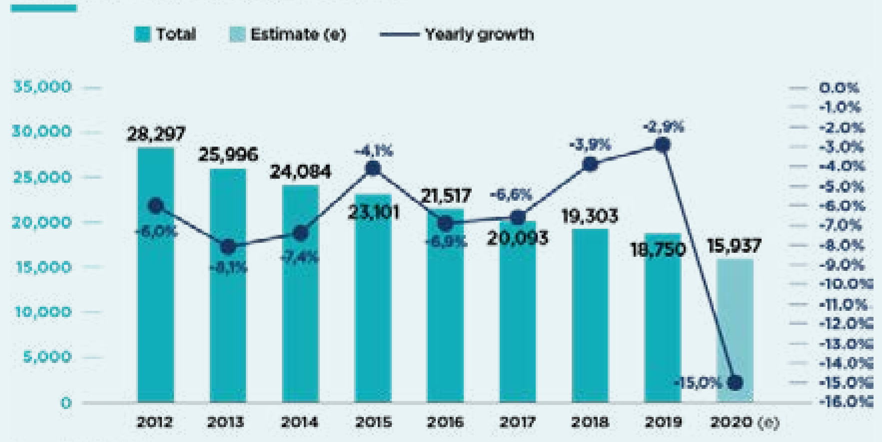
Liquidation may be initiated upon demand of either the debtor or the creditor provided that the debtor is unable to settle its debts as they fall due. Once recognized through a liquidation decision and once the company has been removed from the register, the creditors must file their claims with the liquidation administrator within three months of the publication.

Retention of title

This is a written clause in the contract in which the supplier will retain the ownership over the delivered goods until the buyer has made full payment of the price. There are three versions of this retention:

- **simple retention**: the supplier will retain the ownership over the goods supplied until full payment is made by the buyer;
- **expanded retention**: the retention is expended to further sale of the subsequent goods; the buyer will assign to the initial supplier the claims issued form the resale to a third party;
- **extended retention**: the retention is extended to the goods processed into a new product and the initial supplier remains the owner or the co-owner up to the value of his delivery.

NUMBER OF CORPORATE INSOLVENCIES



Sources: Destatis, Coface

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2019**	**30.2**
GDP PER CAPITA US Dollars - **2019**	**2,221**
CURRENCY Ghana cedi	**GHS**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.3	6.5	1.0	3.0
Inflation (yearly average, %)	9.8	7.2	10.0	9.0
Budget balance* (% GDP)	-7.0	-7.3	-15.0	-9.0
Current account balance (% GDP)	-3.1	-2.7	-3.5	-3.0
Public debt (% GDP)	59.1	62.8	76.0	75.0

(e): Estimate. (f): Forecast. * Financial sector bailout cost included.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	17%
SWITZERLAND	15%
EURO AREA	15%
INDIA	14%
SOUTH AFRICA	12%

Imports of goods as a % of total

CHINA	18%
EURO AREA	17%
UNITED STATES	9%
UNITED KINGDOM	7%
INDIA	6%

+

- Health system highly ranked in Africa
- Significant mining (gold), agricultural (cocoa), oil and gas resources
- Huge rise in mobile telephony
- Stable democracy
- Attractive business environment, favourable to FDI
- International financial support

-

- High level of debt (60% commercial) and risk of fiscal slippage
- Private sector crowded out of the local credit market by public financing needs
- Low public revenue: 13% of GDP
- Infrastructure gaps (energy, transport)
- Dependent on commodity prices: gold and oil (70% of exports), cocoa (16%, 30% with other agricultural products)
- Weak banking sector: 14% doubtful loans in 2019, high credit costs
- Separatist tendencies on the eastern border with Togo

RISK ASSESSMENT

Recovery expected in 2021

Even if the measures to combat the COVID-19 pandemic were not particularly harsh, they still contributed to a fall in growth in 2020. However, the main reason for the growth decrease was the collapse in export revenues from oil, as well as cocoa to a much lesser extent. Despite the support plan (Coronavirus Alleviation Programme, worth 3% of GDP), domestic demand declined, especially investment.

In 2021, barring a resurgence of the pandemic, activity should accelerate. The lifting of the last travel restrictions will revitalise consumption, benefiting services, which have been hard hit in all areas besides telecommunications. Better prospects for the energy market should be accompanied by a rebound in oil exports. Gold production and sales should continue to benefit from high prices, but also from normalisation of logistics and intensified efforts to fight illegal mining and smuggling. Agriculture will continue to be supported by the government plan to develop and modernise the cocoa industry, which provides a livelihood for 800,000 people. Despite the persistence of the cocoa swollen-shoot virus, production is set to increase modestly, and prices should stabilise after slipping in 2020, partly thanks to the adoption of a price support mechanism agreed with major buyers. Infrastructure and industrial site projects aimed at diversifying the economy, which were put on hold in 2020, are expected to be launched under the One District One Factory initiative. The agri-food industry is concerned, but also fertilisers and automobile assembly, with the arrival of large global players. The COVID-19 Alleviation and Revitalisation of Enterprises Support (CARES) initiative is expected to be part of this push. A GHS 100 billion programme (25% of GDP) over 2020-2023, the CARES initiative, which is 30% financed by the government, is intended to revive the economy and attract investment through exemptions from charges and public-private partnerships.

Public accounts made worse by the crisis

Ghana's public accounts, which were already in bad shape, were made worse by the crisis. In 2020, debt exceeded 70% of GDP (not counting the 10% relating to arrears and debts of state-owned companies). To compensate, very partially, for the support plan, the government cut some expenditure items by 0.3% of GDP and imposed a deferral for interest payments on non-negotiable domestic bonds held by public institutions. The financing requirement, including the deficit and debt service, amounted to 16% of GDP. It was covered by issuances on international markets, exceptional multilateral financing (from the IMF and others), investments on the domestic market, and the central bank. Interest absorbed half of the revenues, which were admittedly low, and represented 7% of GDP. The deficit cap provided for in the Fiscal Responsibility Act has been suspended. Once the crisis is over, the deficit will be reduced, although it will remain high, and the debt burden should stabilise in 2021. Moreover, the costly recapitalisation of the banking system ended in 2020, when it represented 5.5% of GDP. Meanwhile, the IPO for Agyapa Royalties, the country's gold royalty company, is expected to go ahead, enabling future revenues to be monetised. However, reforms to struggling public sectors, such as the energy sector, through the Energy Sector Recovery Programme (2019-2023), remain a necessity, despite being put on hold by the crisis. Government arrears to the energy sector represent 1% of GDP each year. Furthermore, the financial sector could be weakened and become a burden again. After the elections, Ghana may commit to a new programme with the IMF, the last Credit Facility having expired in March 2019.

The crisis only slightly widened the current account deficit, which remained modest. Despite the decrease in oil and cocoa exports, gold revenues and declining imports fuelled a substantial trade surplus. As in the past, the surplus largely compensated for the income deficit, which reflected the impact of increased debt servicing, lower expatriate remittances (5% of GDP in 2019) and profit repatriation by foreign investors. It also made up for the services deficit, which is dominated by purchases of services linked to oil development and transport, and which is increasing due to growing use of telecommunications. The slowdown in FDI in oil, with the delayed development of the Pecan field, weakens the financing of the current account deficit, which will no longer be able to count on the exceptional multilateral aid of 2020. The cedi could therefore continue to come under downward pressure, particularly with the partial monetisation of the deficit, which is stoking inflation. Foreign exchange reserves represented 2.7 months of imports at the end of 2020.

The two major parties on an equal footing

At the end of a tense campaign, incumbent President Nana Akufo-Addo and his New Patriotic Party barely retained power following the presidential and legislative elections of December 2020. Their opponent was John Mahama, the president's predecessor, who was defeated in the 2016 elections and was running as a candidate for the National Democratic Congress. In parliament, both parties hold the same number of seats, which will complicate political life. Respect for constitutional norms, entrenched for nearly three decades, should ensure the country's political stability. That being said, the lack of progress in reducing poverty (25%) and fighting corruption is a source of popular frustration.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2019**	**10.7**
GDP PER CAPITA US Dollars - **2019**	**19,570**
CURRENCY Euro	**EUR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.9	1.9	-9.5	4.1
Inflation (yearly average, %)	0.8	0.5	-0.6	0.7
Budget balance (% GDP)	0.9	0.6	-9.0	-3.0
Current account balance (% GDP)	-3.5	-2.1	-7.7	-4.5
Public debt (% GDP)	184.8	180.9	205.2	200.5

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

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	11%
GERMANY	7%
CYPRUS	6%
TURKEY	6%
BULGARIA	5%

Imports of goods as a % of total

GERMANY	11%
ITALY	9%
IRAK	8%
RUSSIA	7%
CHINA	7%

+

- Abundant European financial support, both fiscal and monetary
- World leader in maritime transport
- Competent pandemic management
- Rapidly-improving business climate

-

- Very high public debt
- Very poor quality bank portfolio; high level of non-performing loans
- Cumbersome bureaucracy and judicial system
- Poorly diversified industry, overwhelming tourism dependence
- Increasing security concerns *vis-à-vis* Turkey

RISK ASSESSMENT

Tourism-induced bust, investment-led rebound

As one of the most tourism-dependent economies in Europe (20% of GDP), Greece's road to recovery will be particularly challenging. Tourism revenues are estimated to have contracted by 75% in 2020. In the event of a speedy vaccine rollout across Europe, the sector could be approaching normality in H2 2021. However, the first half of the year will remain tumultuous even in an optimistic scenario, due to ongoing waves of lockdown and reopening in Greece and its neighbours. Exports of goods (refined oil, phar-maceuticals, metals, food products) will lead the recovery of external demand in 2021 with the rebound of maritime trade, but total net exports will continue to have a negative contribution. Private consumption (69% of GDP) has benefited from emergency measures, restraining the 2020 contraction to 6%. While the furlough scheme has kept unemployment at bay, it is nonetheless expected to peak at slightly under 20% (vs a pre-pandemic level of 17%) as corporate insolvencies start materializing. Investment (11% of GDP), bolstered both by business-friendly reforms and by an outpour of European funds, will spearhead the recovery. Greece will be one of the main beneficiaries of the Next Generation EU recovery fund and set to receive EUR 33 billion (18% of GDP) over the next 7 years, spurring 19% investment growth in 2021. If carefully executed, these funds will be used to strengthen the electricity grid (parti-cularly in the islands), build 5G and electric car infrastructure, digitalization ventures including the EUR 870 billion Ultrafast Broadband project, education and worker retraining programs, among other projects set to boost potential output.

European support mitigates the sovereign risk, but banks remain an Achilles' heel

The pandemic led to 5% of GDP in additional spending and 2.5% in foregone revenues in 2020. Support has come overwhelmingly through on-budget spending (as opposed to off-budget measures like loan guarantees). Notable measures include a refundable advance payment to firms (2% of GDP, refunding starts in 2022), wage allowances and coverage of social security contributions (1.5% of GDP), reduction of advance income tax payment (0.7% of GDP), the furlough scheme, extension of unemployment benefits, and increased healthcare spending. Tax cuts, employment subsidies and the refundable advance payment will continue into 2021. The relatively small scale of public guarantees (1.5% of GDP) is consistent with the state's already oversized exposure to the banking sector, which is set to increase further with the nationalization of Piraeus Bank. Existing EU grants (2.5% of GDP) have been frontloaded in order to cover part of the financing gap, thus cushioning the impact on the 2020 deficit. Nevertheless, expenditure is set to grow by 11% in 2020 and moderate by 6% in 2021, while revenues will drop by 6% before rebounding by 5%. Public debt will surpass the 200% of GDP threshold, but sovereign risk is mitigated by creditor structure (80% official) and by EU/ECB stimuli. Notably, the ECB has included Greek bonds in its QE program, bringing borrowing costs to all-time lows. Furthermore, Greece will be the Eurozone country that benefits the most from the EU Next Generation recovery fund (18% of GDP over 2021-2027). The banking sector still bears the scars of the previous crisis (36% non-performing loan ratio). The Hercules bad bank scheme will reduce this stock by half, but the pandemic is expected to increase it by 8%. The possible creation of a European bad bank is an upside risk. The external deficit, driven by the structural goods trade deficit (12% of GDP), is predominantly financed by Eurosystem liquidity flows (TARGET 2 balances) and FDI.

A competent executive keeps the reform agenda on track, tensions escalate with Turkey

Commanding an outright majority in Parliament (158 out of 300 seats), the centre-right New Democracy administration headed by Prime Minister Kyriakos Mitsotakis has had a positive year in power, keeping a comfortable lead over opposition leader Syriza (45% of voting intention vs. 27%). The pandemic response was reactive and the impetus for business-friendly reforms has not been stymied. The overhaul of the insolvency legislation has strengthened bankruptcy prevention, streamlined restructuring and softened conditions on defaulting debtors. Other reforms have strengthened independence and transparency in public sector recruiting, simplified investment licensing, and moved forward the energy sector privatization and bureaucratic digitalization. Future structural reform projects involve abolishing outdated labour market practices, a pension reform, speeding up judicial processes and streamlining urban planning. The main geopolitical challenge will be avoiding an outright conflict with Turkey while asserting energy interests. A long-standing dispute over the maritime claims awarded by the Greek archipelago has intensified after the discovery of hydrocarbon reserves. The risk of military engagement became dangerously high over the summer of 2020 after a naval collision. Despite an EU-mediated deescalation, both parties seem fundamentally unwilling to back down in the long run.

PAYMENT & DEBT COLLECTION PRACTICES IN GREECE

Payment

Bills of exchange, as well as promissory letters, are used by Greek companies in domestic and international transactions. In the event of payment default, a protest certifying the dishonoured bill must be drawn up by a public notary within two working days of the due date.

Similarly, cheques are still widely used in international transactions. In the domestic business environment, however, cheques are customarily used less as an instrument of payment, and more as a credit instrument, making it possible to create successive payment due dates. It is therefore a common and widespread practice for several creditors to endorse post-dated cheques. Furthermore, issuers of dishonoured cheques may be liable to prosecution provided a complaint is lodged.

Promissory letters (*hyposhetiki epistoli*) are another means of payment used by Greek companies in international transactions. They are a written acknowledgement of an obligation to pay, issued to the creditor by the customer's bank, committing the originator to pay the creditor at a contractually fixed date. Although promissory letters are a sufficiently effective instrument in that they constitute a clear acknowledgement of debt on the part of the buyer, they are not deemed a bill of exchange and so fall outside the scope of the "exchange law".

SWIFT bank transfers, well established in Greek banking circles, are used to settle a growing proportion of transactions and offer a quick and secure method of payment. SEPA bank transfers are also becoming more popular, as they are fast, secured and supported by a more developed banking network.

In 2015, Greece imposed restrictions on flows of capital outside the country. All payments directed abroad follow a specific procedure, and are monitored by the banks and the Ministry of Finance, with restrictions placed on the amount and nature of the transfer.

Debt Collection

Amicable phase

Before initiating proceedings in front of the competent court, an alternative method to recover a debt is to try to agree with the debtor on a settlement plan. Reaching the most beneficial arrangement can usually be achieved by means of a negotiating process.

The recovery process commences with the debtor being sent a final demand for payment *via* a registered letter, reminding him of his payment obligations, including any interest penalties as may have been contractually agreed – or, failing this, those accruing at the legal rate of interest. Interest is due from the day following the date of payment stipulated in the invoice or commercial agreement at a rate, unless the parties agree otherwise, equal to the European Central Bank's refinancing rate, plus seven percentage points.

Legal proceedings

Fast track proceedings

Creditors may seek an injunction to pay (*diataghi pliromis*) from the court *via* a lawyer under a fast-track procedure that generally takes one month from the date of lodging the petition. To engage such a procedure, the creditor must possess a written document substantiating the claim underlying his lawsuit, such as an accepted and protested bill, an unpaid promissory letter or promissory note, an acknowledgement of debt established by private deed, or an original invoice summarising the goods sold and bearing the buyer's signature and stamp certifying receipt of delivery or the original delivery slip signed by the buyer.

The ruling issued by the judge allows immediate execution subject to the right granted to the defendant to lodge an objection within 15 days. To obtain suspension of execution, the debtor must petition the court accordingly.

Based on current competence thresholds, a "justice of the peace" (*Eirinodikeio*) hears claims up to €20,000. Above that amount, a court of first instance presided by a single judge (*Monomeles Protodikeio*) hears claims from €20,000 to €250,000. Claims over €250,000 are reviewed by a panel of three judges (*Polymeles Protodikeio*).

Ordinary proceedings

Where creditors do not have written and clear acknowledgement of non-payment from the debtor, or where the claim is disputed, the only remaining alternative is to obtain a summons under ordinary proceedings. The creditor files a claim with the court, who serves the debtor within 60 days. The hearing would be set at least eighteen months later. Greek law allows the court to render a default judgment if the respondent fails to file a defence. Since 2016, the lawsuit procedure has been changed, and is now based exclusively on documentation provided to support the claim.

Enforcement of a Legal Decision

Enforcement of a domestic decision may commence once it is final. If the debtor fails to satisfy the judgment, the latter is enforceable directly through the attachment of the debtor's assets.

For foreign awards rendered in an EU member state, Greece has adopted advantageous enforcement conditions such as the EU Payment Orders or the European Enforcement Order. For decisions rendered by non EU countries, they will be automatically enforced according to reciprocal enforcement treaties. In the absence of an agreement, *exequatur* proceedings will take place.

Insolvency Proceedings

Restructuring proceedings

This procedure aims to help the debtor restore its credibility and viability, and continue its operations beyond bankruptcy. The debtor negotiates an agreement with its creditors. During this procedure, claims and enforcement actions against the debtor may be stayed but the court will appoint an administrator to control the debtor's assets and performances. The reorganisation process starts with the debtor's submission of a plan to the court made by specialists, which conducts a judicial review of the proposed plan whilst a court-appointed mediator assesses the creditors' expectations. The plan can only be validated upon approval by creditors representing 60% of the total debt. (60% is not always applicable, depending on the case and approval by the bank).

Liquidation

The procedure commences with an insolvency petition either by the debtor or the creditor. The court appoints an administrator as soon as the debts are verified. In addition a Pool of Creditors (three members representing each class of creditors) will be given the responsibility of overseeing the proceedings, which terminate once the proceeds of the sale of the business' assets are distributed.

GUATEMALA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	17.6
GDP PER CAPITA US Dollars - 2019	4,354
CURRENCY Guatemalan quetzal	GTQ

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.2	3.8	-2.0	3.5
Inflation (yearly average, %)	3.8	3.7	2.1	3.1
Budget balance (% GDP)	-1.9	-2.3	-5.6	-4.5
Current account balance (% GDP)	0.8	2.4	3.8	2.3
Public debt (% GDP)	26.5	26.6	32.2	33.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	32%
EL SALVADOR	12%
HONDURAS	9%
EURO AREA	8%
MEXICO	5%

Imports of goods as a % of total

UNITED STATES	37%
CHINA	11%
MEXICO	11%
EURO AREA	6%
EL SALVADOR	5%

+

- Financial support from the United States and multilateral lenders
- Free trade agreements with the U.S. and the EU
- Geographic proximity to the United States and Mexico
- High potential for tourism, agriculture (bananas, coffee, sugar), mining, hydroelectricity 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 remittance flows
- Low tax revenues
- Rural poverty, inequalities, under-employment, informal economy, ethnic divisions
- Security issues related to drug trafficking

RISK ASSESSMENT

A more resilient economy than that of its neighbours

As the country least affected by the pandemic-fuelled recession in Central America, Guatemala will return to growth in 2021 with stronger fundamentals than its neighbours. Private consumption will remain the mainstay of domestic demand (88% of GDP in 2019) supported by expatriate remittances (14% of GDP) from the United States. The catch-up effect observed in these currency flows during the second half of 2020, after they came more or less to a standstill during the U.S. lockdown, is expected to fade in 2021. Unemployment is expected to decline more slowly among the U.S. Latino population than for the rest of the population. Accordingly, these flows are not expected to reach the record growth rates seen in 2019 while the poorest households were particularly affected by the storms of November 2020. Aid to the poorest, which was heavily scaled back in the first budget plan for 2021, will depend on the outcome of negotiations following the protests of November 2020. Inflation will remain low, at the bottom end of the central bank's target window (4 +/-1%), with oil prices still moderate. This should lead the central bank to continue its accommodative monetary policy, holding the policy rate at 1.75% to support the recovery. Investors are likely to remain cautious, held back by the business environment, which remains poor pending the reforms under the recovery plan, and worldwide uncertainty. External demand should see some recovery, despite being constrained by weaker U.S. demand, particularly for clothing. External demand for agricultural products should be more resilient. Public demand is expected to grow strongly as part of the stimulus package in the 2021 budget. The plan's focus on infrastructure (60% of planned investments) should benefit the construction sector although adjustments are to be expected at the end of the budget negotiations. The agricultural sector (30% of the working population) is expected to suffer from the aftermath of the storms of November 2020, forcing the production of coffee, sugar and cardamom. However, it will remain highly exposed to climate risk. Activity in the manufacturing sector will grow to a lesser extent, with the clothing sector constrained by U.S. demand. The maquilas, with their focus on textile, pharmaceutical and agri-food production, will be the most affected, as they produce mainly for the United States. The tourist sector (8% of GDP) will still be too uncompetitive and will remain in recovery mode, with flows from Europe and the United States kept in check by persistent health fears. An uncontrolled resurgence of the pandemic, either in the country or among its main trading partners, could affect this scenario.

The external and financial situation remains favourable despite political tensions

While the first version of the budget already foresaw a deficit to finance infrastructure, the consultations should lead to an increase in social spending. With one of the lowest revenue collection rates in the region, expenditure will be partly financed by debt. Funding will be provided through government bonds and multilateral loans. Multilateral loans have been obtained from the IMF, the Inter-American Bank for Economic Cooperation, the Inter-American Development Bank and the World Bank. Thanks to these loans, Guatemala's debt will remain largely under control.

Looking at the external accounts, the trade deficit is expected to increase, with the recovery in imports set to exceed that of exports. The revival of manufacturing production will increase demand for imported intermediate products, while higher oil prices will likely push up the import bill. On the export side, growth will be stymied by weakness in the clothing sector and lower than expected agricultural exports following the storms at the end of 2020. The balance of services should remain in the red as visitor numbers remain low. Expatriate remittance flows should largely cover the twin deficits, but the end of the catch-up effect in late 2020 will cause the current account surplus to narrow. The surplus, in combination with multilateral loans, will allow further consolidation of foreign exchange reserves, which covered the equivalent of ten months of imports in October 2020. These reserves will maintain the stability of the quetzal.

A tense political and social situation

In power since January 2020, Alejandro Giammattei, of the centre-right Vamos party, has been facing a vast social movement since mid-November 2020. While his popularity had already been badly affected by his handling of the COVID-19 crisis, the vote on the 2021 budget set the ball rolling. Widely criticised for its lack of transparency and the emphasis placed on financing the infrastructure in place for social spending, the budget was massively rejected by the population in the aftermath of the storms. Tensions arose within the executive, with the president and vice-president opposing each other on the way forward. The return to calm and unity within the executive couple in December with the opening of negotiations on the budget is only very fragile, and a resumption of political movement and tension cannot be ruled out. On the international scene, the migration issue will remain central while the Biden administration must decide on the safe third country agreement signed in 2019.

COFACE ASSESSMENTS	
COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	13.6
GDP PER CAPITA US Dollars - 2019	1,013
CURRENCY Guinean franc	GNF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.2	5.6	3.5	6.0
Inflation (yearly average, %)	9.8	9.5	9.0	8.0
Budget balance* (% GDP)	-1.1	-0.5	-3.7	-3.0
Current account balance** (% GDP)	-18.7	-13.7	-20.5	-15.7
Public debt (% GDP)	38.0	34.5	45.0	46.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	59%
EURO AREA	9%
UNITED ARAB EMIRATES	6%
GHANA	6%
SWITZERLAND	6%

Imports of goods as a % of total

EURO AREA	31%
CHINA	19%
INDIA	12%
UNITED ARAB EMIRATES	4%
SOUTH AFRICA	3%

+
- One-third of the world's bauxite reserves
- Largely untapped deposits of iron, gold, diamonds, uranium and oil
- Significant hydroelectric potential

–
- Dependent on mining and energy prices
- Dependent on Chinese demand for bauxite
- Low government revenue (13% of GDP)
- Inadequate infrastructure, particularly in the electricity and transportation sectors
- High poverty (53% of the population), informal economy (50% of GDP and 70% of employment), non-inclusive growth
- Difficult business environment (156th out of 190 countries in the Doing Business 2020 ranking)

RISK ASSESSMENT

Strong growth in 2021 after a sluggish year

With the announcement of a national lockdown at the end of March (including border closures and a ban on gatherings) and the decline in world trade, the Guinean economy slowed in 2020. However, it should resume brisk growth as early as 2021. Consumption, which accounts for 70% of GDP, slowed in 2020, but its decline was mitigated by a stimulus plan, which relieved the most vulnerable households of paying their utility bills and provided food supplies. In 2021, consumption is expected to rebound, driven by progress in agricultural productivity. Investment also slackened in the wake of the crisis, although some major projects remained on track, including development of the Simandou iron deposits, for which the government granted a 25-year concession to the SMB-Winning consortium in June 2020. The consortium, owned by Singaporean, Chinese and French interests, with a 10% stake held by the Guinean government, will invest USD 16 billion, including in the construction of a 650 km railway to transport the ore to the future deepwater port of Matakong. Moreover, the Souapiti dam, which is expected to double Guinea's energy supply, will begin operating in 2021.

According to estimates by the National Agricultural Statistics Agency, the agricultural sector, which accounts for 20% of GDP and 60% of jobs, recorded good results for the 2019/2020 season thanks to an increase in the cultivated area. Conversely, the 2020/2021 season will be hurt by the closure of borders (especially coffee and cocoa production). Mining production, which accounts for 25% of GDP, contracted by about 5% between June 2019 and June 2020. Transport-related logistical disruptions and a collapse in Chinese demand weakened the sector, which should however return to its usual growth in 2021. Services, which employ 30% of the population and account for 40% of GDP, were hit as businesses were closed and tourism and transport came to a virtual standstill, but will revive with the lifting of restrictions.

Public and current accounts largely supported by international aid

Following the fiscal consolidation efforts of recent years, public accounts were adversely affected by the crisis. In April 2020, the government announced a USD 318 million stimulus plan, or 2% of GDP, aimed at increasing health spending and helping households and SMEs in difficulty. This plan, combined with a 26% drop in tax revenues, caused the public deficit to widen in 2020. Financing the deficit required greater recourse to debt from donors, including the IMF, the AfDB and the World Bank, increasing the external public debt (30% of GDP, about half of which is owed to China). Furthermore, the country is covered by the Paris Club debt service suspension initiative to the tune of USD 126 million, or 0.9% of GDP.

The current account deficit widened further in 2020, but should approach its pre-crisis level in 2021. Concerning goods, the fall in mining revenues was only partially offset by the decline in imports (reduction in the oil bill and purchases of capital goods). However, the goods deficit should narrow in 2021, driven by mineral exports, while capital goods purchases are set to recover more slowly. Although structurally in deficit, the services deficit narrowed somewhat in 2020 due to lower purchases of technical services related to investment projects. Meanwhile, in 2020, lower profit transfers by mining companies reduced the primary income deficit. Traditionally financed by FDI and project loans, the current account deficit increased and the additional financing requirements in 2020 were met through international assistance, with Guinea receiving USD 197 million from the IMF, USD 80 million from the World Bank and USD 30 million from the AfDB.

Tensions exacerbated by Alpha Condé's third term in office

President Alpha Condé, who is 82, had a new constitution adopted in March 2020 allowing him to run for a third time. Despite opposition from civil society and numerous demonstrations, the new constitution was approved by 89.8% of voters, with a turnout of 58.3%. Legislative elections were held on the same day and resulted in the president's Rally of the Guinean People (RPG) winning 79 of the 114 seats in parliament. In October 2020, Condé was re-elected president with 59.5% of the vote and a 78.9% turnout. In addition to questions raised by international observers, the opposition challenged the election before the constitutional court, but the court ruled in November 2020 that the election had been conducted properly, after weeks of protests that claimed the lives of dozens of civilians.

China-Guinea relations are in in good shape, with multiple infrastructure projects financed by revenues from mining concessions. France and the European Union have expressed doubts about the credibility of the presidential election, but this will not prevent development aid from continuing.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	0.8
GDP PER CAPITA US Dollars - 2019	6,594
CURRENCY Guyana dollar	GYD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.4	5.4	26.2	8.1
Inflation (yearly average, %)	1.3	2.1	1.0	2.7
Budget balance (% GDP)	-4.4	-4.6	-5.3	-0.3
Current account balance (% GDP)	-29.2	-33.9	-22.0	-16.0
Public debt (% GDP)	43.1	39.8	37.0	35.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	42%
CANADA	28%
TRINIDAD AND TOBAGO	8%
UNITED STATES	4%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

UNITED STATES	43%
TRINIDAD AND TOBAGO	24%
CHINA	6%
EURO AREA	5%
UNITED KINGDOM	2%

+

- Attractive prospects for investors in mining, hydroelectric power and agriculture
- Abundant offshore oil and gas reserves, to be developed from 2020 onwards
- 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 climatic events (region severely affected by hurricanes)
- Reliance on international creditors
- High crime rate linked to drug trafficking amid a background of poverty and corruption (ranked 85/198 by Transparency International's Corruption Perceptions Index in 2019)

RISK ASSESSMENT

The ongoing development of the oil sector will continue to drive growth

Guyana registered its first COVID-19 case on 11 March 2020, forcing the then ruling authorities to implement containment and mitigation measures. In June 2020, a six-phase re-opening of the economy was initiated. Nonetheless, in November, new restrictions were placed on non-essential services in some regions of the country. Despite the health emergency, Guyana was probably the only country in Latin America to expand last year. In fact, the ongoing expansion of the local energy sector paved the way for a robust performance in 2020, despite the collapse in oil prices and delays in the production chronogram. Since the American company Exxon-Mobil discovered an offshore oil field off the coast of Guyana in 2015, explorations have revealed higher quantities of oil (surpassing 8 billion barrels). Consequently, oil production was initiated in December 2019 and the country registered its first oil shipment in February 2020. However, the agricultural sector contracted, reflecting lower output in forestry, fishing and livestock, while sugar and rice experienced growth. Regarding the mining and quarrying sector, output of gold increased while that of bauxite and diamond decreased. In 2021, GDP will continue to outperform the regional average thanks to the progress of local energy activity. Moreover, this windfall will also prompt positive spillover effects on gross fixed investments, household consumption and government expenditures (allowing for more social services). Regarding the external contribution, while the recovering global economy and rising oil production will foster exports, imports are also expected to increase due to higher purchase of capital goods. Downside risks are related to the global evolution of the COVID-19 pandemic, the behaviour of oil prices and possible threats to social stability. The latter risk concerns the historical frictions between the Indo and the Afro-Guyanese.

Large twin deficits will shrink in 2021 thanks to oil

The current account deficit narrowed in 2020, mainly on the back of a trade balance surplus (higher oil exports and lower imports). Meanwhile, FDI increased marginally and could cover the current account deficit. Besides, foreign exchange reserves amounted to USD 573 million as of Q2 2020 (equivalent to only 1.7 months of import). In 2021, the current account should continue to benefit from a stronger trade balance and remittances (11% of GDP in 2019), in line with a gradual recovery of the U.S. job market. Finally, FDI in the local oil sector are expected to remain robust in the upcoming years. Regarding the fiscal account, the new government revamped a stronger policy response to the COVID-19 shock. In September 2020, it presented its emergency budget, including funds to combat the health crisis, as well as revitalizing productive and infrastructure sectors. Higher tax revenues and royalties coming from the oil sector should help curbing the fiscal deficit in 2021, despite the accommodative policy.

The political environment is set to improve following the resolution of the presidential election's stalemate

President Irfaan Ali from the centre-left People's Progressive Party/Civic (PPP) took office in August 2020. He succeeded David Granger, who headed a multi-ethnic coalition led by two parties, the APNU and the AFC. He took oath after five months of legal challenges regarding the integrity of the election. Nonetheless, the Guyana Elections Commission ruled in favour of the PPP. This gruelling dispute further aggravated the historical political frictions between the two major parties (the PPP and the dominant party in the APNU+AFC coalition – the People´s National Congress or PNC). While the Indo-Guyanese community broadly supports the PPP, the Afro-Guyanese population favours either APNU or AFC. Mr. Ali's party has 33 parliamentary seats, which gives it a majority in the 65-seat National Assembly (the APNU+AFC coalition having 31 seats). Mr. Ali advocates in favour of cutting taxes and taking measures to foster job creation. Moreover, he is also expected to focus on agriculture projects, as well as increasing investments in public infrastructure and social services that have historically been weak. Moreover, the PPP has also eased its critics on the APNU 2016 deal with ExxonMobil (considered as disproportionally favourable for the company). Coincidentally, in September 2020, the government received the visit of the U.S. Secretary of State, marking a shift in the PPP's historical oppositional approach towards the U.S. On this occasion, the U.S. representative praised Guyana´s participation in the Lima Group (an initiative to facilitate the power transition in Venezuela). Additionally, agreements that aim to provide U.S. private sector investment to build Guyana's physical infrastructure and the energy sector's economy were signed.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	11.2
GDP PER CAPITA US Dollars - 2019	773
CURRENCY Haitian gourde	HTG

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.5	-1.2	-5.0	1.2
Inflation (yearly average, %)	12.9	17.3	22.4	23.8
Budget balance* (% GDP)	-1.7	-2.3	-5.9	-4.7
Current account balance (% GDP)	-3.9	-1.4	-2.5	-0.4
Public debt (% GDP)	39.7	47.7	54.5	52.4

(e): Estimate. (f): Forecast. * 2021 Fiscal year from 1st October 2020 to 30th September 2021.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	77%
CANADA	7%
DOMINICAN REPUBLIC	4%
EURO AREA	3%
MEXICO	2%

Imports of goods as a % of total

CHINA	22%
UNITED STATES	21%
NETHERLANDS ANTILLES	14%
INDONESIA	8%
EURO AREA	7%

+

- Development and reconstruction programs established with international donors
- Membership of regional organisations (Association of Caribbean States, Organization of American States, CARICOM, CARIFORUM)
- Zero interest loans from the IMF and World Bank totalling roughly USD 132 million to deal with the negative COVID-19 shock

-

- Highly vulnerable to natural disasters, including hurricanes and earthquakes
- Low level of development and extreme poverty (HDI ranking of 169 out of 189)
- Dependent on expatriate remittances, international donations and the United States
- 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

A lackluster economic recovery amid high uncertainty and weak political environment

The economy is expected to rebound weakly in 2021, following the two-year recession in 2019-2020. Tourism (accounting for roughly 9% of GDP) is not likely to recover strongly, as the social distancing precautionary measures due to the COVID-19 outbreak will not be fully lifted before a vaccine is widely available. In fact, the sector had already been impacted by the difficult political climate and, more specifically, by Haiti's classification as a dangerous destination by the United States and other countries. Household consumption will be hampered by weak income fundamentals. Furthermore, persistent inflation, induced by the exchange rate depreciation and a chronic shortage of essential items, should continue to erode purchasing power. However, the textile industry (the country´s largest export sector) is likely to rebound partially in 2021, thanks to stronger U.S. demand and preferential access to the U.S. market. Finally, the energy crisis (characterized by fuel shortages and blackouts) has taken a toll on industrial productive capacities, on the daily circulation of people and goods, and on the supply of humanitarian assistance and essential public services for the population. Downside risks are related to COVID-19's evolution and the prolonged political instability.

Public and external accounts are dependent on foreign aid

The challenges imposed by COVID-19 further aggravated the fiscal situation in 2020, because of higher social and health expenditures amid lower tax revenues. Public spending is estimated to have increased by 4% of GDP in 2020, of which 2.3% of GDP was allocated to healthcare, 0.6% to protect the most vulnerable and 0.9% in other transfers. To deal with this situation, the country got access to zero interest loans from the IMF and World Bank, totalling roughly USD 132 million (1.3% of the estimated 2020 GDP). Moreover, while the fiscal and external accounts did benefit from lower international oil prices in 2020, these gains were mitigated by the exchange rate depreciation. In fact, the monetary financing of the deficit has triggered a loop of inflation and exchange rate depreciation of the national currency (gourde), which, in turn, have fuelled further subsidy-related losses. In 2021, the fiscal deficit should only partially ease, in the absence of a bright economic recovery. According to the IMF (April 2020), subsidies alone have raised public debt by 18% of GDP since 2012. It is also worth noting that the Petrocaribe Initiative, which was an important source of financing in post-earthquake Haiti, has been suspended by Venezuela since 2018, putting further pressure on the fiscal accounts. Regarding the external accounts, the country has to deal with a chronic trade deficit (roughly 34% of GDP in 2019), as under-diversified domestic production induces sizeable imports. In 2021, textile exports are likely to experience a partial rebound, but the decline in exports of traditional goods such as coffee, cocoa and mangoes is expected to continue because of the weakness of the agricultural sector. Meanwhile, imports should increase slightly due to some recovery in international oil prices (fuels account for 18% of total imports) and relatively higher activity. Moreover, the current account deficit will be reduced by a rebound in migrant remittances (35% of GDP in 2019) and grants (3.8% of GDP).

A persistently bleak political environment

President Jovenel Moïse has been facing corruption allegations since 2019, when an audit publication of the Court of auditors reported that aid provided under the Venezuelan Petrocaribe programme (over USD 3.8 billion between 2008 and 2016) had been misused. This triggered protests in the country, with the opposition and civilians calling for his resignation. Moreover, the political environment further deteriorated after the country failed to hold legislative elections in October 2019. According to officials, parliamentary elections were not held because of the insecurity caused by the anti-corruption protests. In fact, the president has ruled by decree since January 2020, when the terms of two-thirds of the Chamber of Deputies and Senate expired. Furthermore, international financial assistance could be at risk, as lenders and donors are making their support conditional on the resolution of the ongoing political crisis. These protests temporarily lost strength during the partial lockdown induced by the COVID-19 outbreak. Nonetheless, the murder of Monferrier Dorval, president of the Port-au-Prince Bar Association, in August 2020, not far from the residence of President Moïse, caused indignation among the population. As a result, acts of violence increased significantly: armed gangs occupied more territory, civilian populations were attacked and massacres took place. Students and opposition activists are requesting the authorities to stop the wave of violence that is plaguing the country, mainly in Port-au-Prince. Meanwhile, human rights organizations are accusing the government of colluding with criminal organizations.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	**9.8**
GDP PER CAPITA US Dollars - 2019	**2,551**
CURRENCY Honduran lempira	**HNL**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.7	2.7	-8.0	4.0
Inflation (yearly average, %)	4.8	4.1	3.0	3.5
Budget balance (% GDP)	-0.9	-0.9	-5.0	-3.8
Current account balance (% GDP)	-4.2	-4.2	-0.5	-3.0
Public debt* (% GDP)	42.2	43.1	52.9	53.7

(e): Estimate. (f): Forecast. * including all non-finance public sector.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	41%
EURO AREA	22%
EL SALVADOR	8%
GUATEMALA	5%
NICARAGUA	5%

Imports of goods as a % of total

UNITED STATES	36%
CHINA	16%
MEXICO	8%
EURO AREA	5%
GUATEMALA	5%

+

- Privileged relations with the United States (preferential trade agreements)
- Agricultural, mining and tourism resources
- Under IMF assistance programme until 2021

-

- Dependent on the U.S. economy (exports, FDI and expatriate remittances)
- Dependent on imported fuels and cereals (maize is the staple food)
- High levels of crime and corruption amidst poverty and drug trafficking
- Large informal economy: 70% of the working population is concerned
- Weak fiscal resources

RISK ASSESSMENT

A rebound limited by weather conditions

Economic activity will recover in 2021, but not enough to make up for the drop due to the Covid crisis. Household consumption, the main driver of domestic demand (80% of GDP in 2019), will be hurt by the population displacement following the two storms in November 2020, as well as bythe rise in unemployment both in the country (12% at the end of 2020), as well as among expatriates in the United States. Unemployment rate among the U.S. Latino population is expected to decline more slowly than in other groups, reflecting Latinos' over-representation in the jobs hardest hit by the crisis. The catch-up effect observed on remittance flows in the second half of 2020 should fade away. Expatriate remittances, which accounted for 21.5% of GDP in 2019, should therefore be less dynamic than before the crisis, limiting the growth of one of the main financial windfalls for Honduran households. Public demand is expected to increase as part of the plan to support the economy and the reconstruction programme following the two storms of November 2020.External demand will be constrained by the recovery of demand in the United States, the main destination for the free zones' manufacturing industry. In this context, the central bank is expected to continue with an accommodative monetary policy, with inflation at the bottom end of its target window (4% +/- 1%). the policy rate is expected to be held at 30% following the last cut at the end2020.

On the supply side, construction is expected to benefit from the reconstruction work on infrastructure destroyed by the storms. Restaurant and hotel services, on the other hand, will remain impacted for a prolonged period, ,in a country where tourism is struggling to develop. The manufacturing industry will be driven mainly by the production of protective medical equipment, which is still in high demand worldwide. Conversely, textile production will remain hamstrung by weak growth in global consumption. Agricultural production, which accounted for 15% of GDP in 2019, is set to suffer from the bad weather conditions at the end of 2020, which destroyed part of the agricultural land as well as the roads used to transport goods from the main coffee-growing areas.

Public and current account deficits are largely financed by multilateral organisations

Public accounts deteriorated as the pandemic pushed up spending and narrowed the tax base. Support measures include tax breaks for businesses maintaining employment at pre-epidemic levels and for those that had to close because of the government's health measures. In 2021, revenues are expected to remain below pre-crisis levels as the economy continues to recover, preventing the government from meeting the 1% deficit target that is included in the Fiscal Responsibility Law and one of the key points of the Credit Facility signed in 2019 with the IMF. As a result, the country's debt is expected to continue to increase, although remaining moderate compared to other countries in the region, with debt service swelling (25% of the central government's budget for the year 2021). Financing is largely provided by international lenders. The World Bank, the Inter-American Development Bank and the Central American Bank for Economic Integration have provided nearly USD 400 million in total loans. The IMF provided an emergency loan of USD 143 million in addition to a USD 311 million extension of the Credit Facility of which 88 millions dedicated to reconstruction work since the end of 2020. However, financing needs also required the issuance of USD 600 million of 10-year bonds on the international markets in May 2020.

The economic rebound is expected to result in a deepening of the current account deficit, which was reduced in 2020 by the downturn in domestic demand. Imports will be driven by the revival of manufacturing production, reconstruction works and household consumption, while exports will expand at a sluggish pace, pulled down by lacklustre textile and capital goods sales in the United States, and despite a vibrant performance by agricultural exports (coffee, sugar, pineapple). The balance of services will also remain in deficit as the tourism sector struggles. Weaker expatriate remittances will mean that the current account will not return to balance. Sagging FDI will only partially meet the financing requirement, with the remainder covered by loans from multilateral donors. Reserves should remain at a comfortable level, equivalent to five months of imports, making it possible to maintain the lempira.

A high-stakes election year

Following the deeply controversial presidential elections of 2017, the November 2021 elections are a high-stakes case. Calls for calm and consultation have already been heard from the private sector. The lack of agreement among the parties in Congress to reform the electoral code ahead of the elections points to high tensions ahead. Economic recovery, health, education and security in a country plagued by drug trafficking will be the top issues during the campaign. Internationally, migration will be the central theme in exchanges with the United States.

HONG KONG (SAR)

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	7.5
GDP PER CAPITA US Dollars - 2019	48,627
CURRENCY Hong Kong dollar	HKD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.0	-1.2	-6.1	4.0
Inflation (yearly average, %)	2.4	2.9	0.3	2.4
Budget balance (% GDP)	2.4	-1.5	-11.8	-6.6
Current account balance (% GDP)	3.7	6.2	4.4	4.7
Public debt (% GDP)	0.1	0.3	0.3	0.3

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	55%
UNITED STATES	7%
EURO AREA	6%
INDIA	3%
JAPAN	3%

Imports of goods as a % of total

CHINA	46%
TAIWAN	7%
SINGAPORE	7%
JAPAN	6%
EURO AREA	5%

+

- 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 U.S. dollar

-

- 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
- Caught in between rising U.S.-China tensions

RISK ASSESSMENT

Downside pressures on growth to linger into 2021

GDP growth is likely to remain weak in 2021, as a new wave of COVID-19 infections prompted the government to tighten containment measures once again in November 2020. This will continue to weigh on private consumption and investment. Private consumption (65% of GDP) has suffered from the social unrest that started in June 2019 and from the pandemic over the first half of 2020. That said, since the National Security law was enacted in June 2020, the resurgence of protests should be occasional and the impact on private consumption would ease in 2021. The services sector relies on tourism, of which arrivals dropped by -99.8% YOY as of November 2020 as international borders remain shut. Inflation should increase from a low base in 2020, but would remain weaker than before the pandemic, while the labour market should only partly absorb the rise in unemployment triggered by the pandemic (6.4% in October), which would drag on disposable income in 2021.

Investment (21% of GDP) growth is expected recover,but could be pressured from political uncertainties surrounding the National Security law and Hong Kong's autonomy from western countries. Credit conditions have eased, in line with the zero rate policy undertaken by the U.S. Federal Reserve (Fed) since March 2020 because of the pandemic. The Hong Kong Monetary Authority (HKMA) follows the monetary policy moves of the Fed since the currency is pegged to the U.S. dollar. With a housing shortage, excess liquidity and the Fed unlikely to raise interest rates any time soon, housing prices had hardly experienced a drop and should correct further in 2021, which would drag on consumption through wealth effects. In July 2020, the government unveiled a USD 124 billion fiscal stimulus (9.5% of GDP) package in the 2020-21 budget. This gave little relief to the economy, as only half of it is allocated to employment and businesses.

Large budget deficit ahead, albeit cushioned by large reserves

Hong Kong is set to register the largest budget deficit ever recorded in the financial year ending March 2021. This is mainly due to the pandemic, which urged the government to undertake policies prioritizing the economic recovery and employment, with a package of relief measures amounting to 4.3% of GDP. That being said, the prudent policymaking approach over the years has led to large reserves, accumulated for rainy days, which represent 22 months of expenditure. The trade balance surplus should pick up slightly, as exports should increase faster than imports, since these largely dominated by re-exports to and from China, which is recovering.

Financial services should remain dynamic despite pressures on capital inflows because of geopolitical uncertainties. Banks' balance sheets, which saw a slight deterioration in 2020, as well as a deterioration in credit quality, are still resilient and should remain so in 2021 thanks to strong capital and liquidity positions. Furthermore, 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 such as Singapore and Tokyo.

Further integration into mainland China

Chief Executive Carrie Lam's pro-Beijing establishment coalition lost the majority in the Legislative Council (Legco) in 2019. Her popularity has plummeted since the Extradition bill, and even worsened with the National Security law that China passed on 30 June 2020. This law stipulated four offences - secession, subversion, terrorism and collusion with foreign forces - and granted broader powers to the Hong Kong police. Critics from western countries saw this move as an attempt to curtail protests and freedom of speech. In response to this, the Trump administration put an end to Hong Kong's special status with the U.S. through a call to label imports from Hong Kong as 'Made in China' from September 2020 onwards, and restricting visas for Chinese officials. That said, the impact could be somehow limited, as more than 80% of Hong Kong exports consisted of re-exports from China to the U.S., while only 1.2% were domestic exports.

In her annual policy address in November 2020, Carrie Lam continued to stress the importance of the National Security law and said that she had no plans for Hong Kong's democratic reform until the end of her term. Further integration of the city within mainland China in the future, especially through the Greater Bay Area concept, was at the heart of her policy address. She promoted programs that would boost employment opportunities, particularly among the youth in China, through wage subsidies for tech companies that would send staff in China.

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 75,000 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 75,100 to HKD 3,000,000;
- the High Court deals with much larger legal disputes and is additionally charged with handling claims of over HKD 3,000,000.

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.

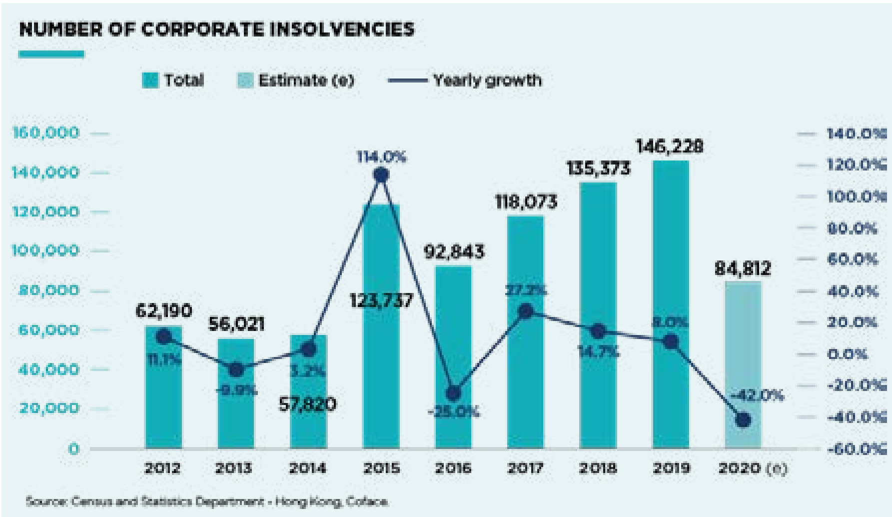
Liquidation

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.



COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	9.8
GDP PER CAPITA US Dollars - 2019	16,470
CURRENCY Hungarian forint	HUF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.4	4.6	-6.6	4.0
Inflation (yearly average, %)	2.9	3.4	3.6	3.4
Budget balance (% GDP)	-2.1	-2.1	-8.1	-5.0
Current account balance (% GDP)	0.3	-0.3	-1.7	-0.6
Public debt (% GDP)	69.1	65.4	76.2	75.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	28%
SLOVAKIA	5%
ROMANIA	5%
ITALY	5%
AUSTRIA	5%

Imports of goods as a % of total

GERMANY	25%
CHINA	7%
AUSTRIA	6%
POLAND	6%
NETHERLANDS	5%

- Diversified economy
- High quality infrastructure thanks to European funds
- Integrated within the European production chain
- Trained workforce
- Low corporate taxation
- Generally positive payment behaviour

- Ageing population, low birth rate
- Open economy exposed to European economic trends
- Regional disparities; lack of mobility
- Deficiencies in vocational education
- Poor levels of innovation and R&D, high content of imported inputs in exports
- High debt level of companies (although decreasing)

RISK ASSESSMENT

Gradual recovery

The Hungarian economy is expected to return to solid growth rates in 2021, following the strong contraction recorded last year due to the pandemic. Both the first and second waves of COVID-19 took a toll on economic activity in the second and fourth quarter of 2020. The recovery in 2021 will be gradual, once the health situation improves and restrictions are eased. Household consumption is expected to rebound thanks to higher disposable income and increased consumer sentiment. Support measures for households have been less generous than in most other European countries, with limited unemployment benefits and a short-time work scheme. The main tool of crisis management was a moratorium on credit repayment for both households and businesses. Despite less stringent measures, the Hungarian economy was affected by the pandemic due to its high openness, strong dependence on the automotive industry, as well as constrained tourism and transport sectors. The revival of global trade and improving perspectives for the automotive sector will support the recovery of the Hungarian economy this year. Hungary has been endowed with production plants of Audi, BMW and Mercedes. Nevertheless, companies' investments are likely to remain subdued as the capacity utilization decreased during the pandemic, and companies will be more willing to use spare capacities rather than deciding to invest, especially if the high level of uncertainty remains. On the other hand, the government is likely to encourage companies to invest by offering attractive financing and grants.

The budget balance has improved, but is still in deficit

After its sizeable widening due to the COVID-19 crisis, the budget deficit is expected to narrow in 2021. Measures taken to soften the impact of the pandemic on the Hungarian economy are likely to expire this year and, therefore, will not burden public finances as much as they did in 2020. These included tax cuts in the most affected sectors and a general cut of employers' social contributions. Moreover, revenues were affected by lower proceeds due to the economic deterioration. In 2021, public finances should benefit from an economic recovery, with growing consumption and the improvement on the labour market, while higher excise duties on tobacco will also drive increases in tax revenues.

The current account deficit is expected to recede this year following a slump in exports that exceeded a decrease in imports in 2020. The lockdown and a drop of international demand affected the Hungarian manufacturing sector, especially the automotive sector, which accounts for about a third of manufacturing output and 20% of exports. Within services, trade, transports and tourism suffered a lot from the pandemic. In 2021, Hungarian exports should benefit from their competiveness, better trade perspectives and improving automotive demand. Nevertheless, a slow improvement of tourism services (8% of GDP) will make it impossible to record a current account surplus this year.

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 with 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 agreements, and increases its control over state institutions. The next parliamentary elections are scheduled for 2022.

In this context, relations with the European Commission have remained tense. In late 2020, Hungary (along with Poland) threatened to veto the European Union's EUR 1.8 trillion long-term budget and pandemic recovery fund, rejecting any attempts to link the rule of law to gain proceeds from the fund. Both countries have been under EU investigations for undermining the independence of courts, media and non-governmental organizations, which therefore poses the risk of losing tens of billions in EU funds.

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%.

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 HUF 30 million (about EUR 9,500-95,000)

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

<u>Ordinary proceedings</u>

In case of objection by the debtor, or if there is no Hungarian address, or if the claim is more than €95,000, the case is treated as a dispute and transferred to ordinary court proceedings. The parties will then be summoned to one or more hearings to plead their respective cases. Ordinary proceedings are partly in writing – with the parties or their attorneys filing submissions accompanied by all supporting case documents (original or certified copies) – and partly oral, with the litigants and their witnesses presenting their cases during the main hearing.

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

If the debt is over 200,000 HUF, the proceedings may be initiated upon demand of either the debtor or the creditor, and a liquidator is subsequently appointed. Creditors must lodge their claim and pay the fees within 40 days of the commencement of the proceedings in order to be listed in the table of creditors and consequently receive a part of the proceeds. The liquidator will then assess the debtor's economic situation together with the claims, and then provide the court with recommendations on how the assets should be distributed. All insolvency procedures are validated by court, but there are very few checks in place that prevent creditors from liquidating their companies, which makes it a very easy and common practice for failed businesses, hence the relatively high number of insolvencies in Hungary.

ICELAND

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	0.4
GDP PER CAPITA US Dollars - 2019	67,857
CURRENCY Iceland krona	ISK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.9	1.9	-8.2	2.5
Inflation (yearly average, %)	2.7	3.0	2.9	2.9
Budget balance (% GDP)	0.8	-1.6	-9.4	-9.2
Current account balance (% GDP)	3.8	6.4	0.3	1.2
Public debt (% GDP)	46.2	47.4	60.8	66.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	55%
UNITED KINGDOM	10%
UNITED STATES	7%
CANADA	4%
NORWAY	4%

Imports of goods as a % of total

EURO AREA	30%
NORWAY	11%
UNITED STATES	8%
CHINA	7%
DENMARK	7%

- Very high standard of living
- Low inequality in the society
- Abundant renewable energy (geothermal, hydropower)
- Flexible labour market with high openness to immigrating workers

- Volcanic risk
- High regulatory burdens for FDI
- Small and very open economy: constraint monetary policy
- Concentration of production and exports (aluminium and seafood products)
- Volatile activity linked to the dependence on tourist inflows (23% of GDP and 22% of employment in 2019)
- Wage growth higher than productivity growth

RISK ASSESSMENT

Tourism remains the key for growth

The economic outlook for 2021 is mainly characterized by a slow and weak recovery after the deep COVID-19 induced recession in 2020. After the virus hit Iceland in early spring 2020, the government reacted fast, but moderately in European comparison. There was only a limited lockdown as most businesses kept operating, except for restaurants, hotels or public places (like libraries). Borders were de-facto closed from late-March to mid-June. Since then, tourists from the EU/EFTA can enter, but only with two negative COVID-19 tests (within a 5-day quarantine) or with a normal 14-day quarantine. These measures helped in limiting the spring outbreak, but could not prevent the second wave that hit in late summer of 2020. Even with mild restrictive measures, the economic damage was strong in Northern European comparison. The Icelandic economy contracted by around 8% in the first half of 2020 compared to the second half of 2019 (seasonally adjusted). The lack of tourism activity became particularly obvious in the second quarter (tourism dropped by 75% compared to 2019). The travel restrictions prevented U.S. citizens (23% of all tourists in 2019) from visiting the country in 2020. Exports of marine products (the second important economic sector in Iceland) remained stable, while aluminium exports had more trouble due to the lack of demand from the industry during the spring. An own trade agreement with UK helped also to prevent any trade distortions in early 2021. The development of the pandemic and, with it, the possible or impossible comeback of tourists, will be the main determinants for the growth dynamic in 2021. Private consumption and private investment should be the main supports to economic growth. The average monthly wage will increase moderately by ISK 15,700 thanks to the wage agreement of 2019. However, with a still high unemployment rate, as many jobs are in the tourism sector, its effect should be limited for the overall economy. Government support measures (two packages, ISK 352 billion, 11.9% of GDP) were mostly concentrated on cushioning the recession in 2020 via tax cuts, increased unemployment benefits and state-guaranteed loans. For 2021, fiscal support will aim at restarting the economy via public investment projects, tax incentives for real estate improvement and temporary tax relief for the tourism sector. Although the inflation rate should remain above the target of 2.5%, the Central Bank of Iceland has room to further decrease the key interest rate in 2021, from its current record low of 0.75%. Its government bond purchasing program worth ISK 150 billion (5.1% of 2019 GDP), with maximum purchases of ISK 20 billion per quarter, could be extended in 2021.

Current account surplus will still suffer from ailing tourism

The current account surplus could show a small comeback depending on the dynamic of tourism in 2021. A supporting factor will be the investment income from abroad, which should remain high. Conversely, the trade in goods deficit will remain a negative factor, as it decreased in 2020 due to a steeper fall in imports compared to exports, and could increase again given the revival in domestic demand. Despite its drop, with the concomitant free fall in tourism receipts, it could not be exceeded by the services surplus like in normal times. In 2021, the situation should remain unchanged. The public deficit in 2021 should remain as high as in 2020, as a lot of tourism-related tax revenue will still be absent. These two large deficits will bring the public debt to a new record at above 60% of GDP.

The limited recovery will be the touchstone for the Grand Coalition

Since the last general election in October 2017, Prime Minister Katrín Jakobsdóttir is leading a Grand Coalition out of the centre-right Independence Party (16 seats), Jakobsdóttir's Left-Green movement (11 seats) and the centrist agrarian Progressive Party (7 seats). For the quick and successful measures implemented to fight COVID-19 in the spring of 2020, the government got a lot of praise at first. However, with rising unemployment and increasing public frustrations because of renewed restrictions on travel, social gatherings and a lack of tourism, this support has been decreasing. While the Independence Party is still leading in the polls, Jakobsdóttir's Left-Green movement is only fourth in the polls (behind the Social Democrats and the Pirate Party). This could still lead to renewed tensions in the government, where the political ideologies remain very divergent. Therefore, it is not sure if the Grand Coalition will hold until the next regular election in October 2021.

INDIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	**1,367.6**
GDP PER CAPITA US Dollars - 2019	**2,098**
CURRENCY Indian rupee	**INR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	6.1	4.2	-9.0	8.0
Inflation (yearly average, %)	3.4	4.8	5.0	4.0
Budget balance* (% GDP)	-6.5	-8.0	-13.0	-11.0
Current account balance* (% GDP)	-2.1	-0.9	0.5	-0.9
Public debt* (% GDP)	69.5	72.0	89.0	90.0

(e): Estimate. (f): Forecast. * FY 2021 : April 2021-March 2022

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	17%
EURO AREA	13%
UNITED ARAB EMIRATES	9%
CHINA	5%
HONG KONG	4%

Imports of goods as a % of total

CHINA	14%
EURO AREA	8%
UNITED STATES	7%
UNITED ARAB EMIRATES	6%
SAUDI ARABIA	6%

+

- Diversified growth drivers
- Immense workforce and population (over 50% of the population under 25) with good command of English
- Efficient private sector, especially services
- Expatriates' remittances, jewellery, garments, vehicles and medicine exports, as well as tourism revenues, contribute positively to the current account
- Moderate level of external debt and adequate FX reserves

-

- High corporate debt and non-performing loans (NPL)
- Net importer of energy resources
- Lack of adequate infrastructure
- Weak public finances
- Bureaucratic red tape, inefficient justice
- Widespread poverty, inequality, and informality
- Military confrontation in Kashmir with China and Pakistan
- Non participation in regional trade agreements (Regional Comprehensive Economic Partnership Agreement)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Recovery with existing downside risks

The economy is set to rebound gradually in 2021, but pre-existing headwinds might impede the growth momentum. Private consumption (57.9% of GDP) is likely to recover slowly due to a weak outlook, as income loss and the increase in unemployment induced by the lockdowns are unlikely to be fully absorbed. Businesses should likely delay capital expenditure because of uncertainties. While the Purchasing Manager's Index (PMI) is back to expansionary territory since September 2020, reflecting higher demand and an increase in production, unemployment has continued to increase because of the social distancing guidelines that are in place. Standing at 8% as of June 2020, the NPL ratio is set to increase, as SMEs were under strain during the lockdown. Moreover, the four additional months announced by the central state in August (until December 2020) on loan guarantees, moratorium and debt restructuring schemes will further add to pressures on India's state lenders. Consequently, banks and shadow lenders might constrain credit conditions when access to credit is most needed to restart the economy.

Inflation is likely to decrease and meet the Reserve Bank of India's (RBI) 2-6% target range, after peaking in 2020 due to disorganized supply chains, floods in eastern India, domestic taxes on petroleum products and a surge in gold prices. This would allow the RBI to conduct further rate cuts in order to support the recovery, after 40 bps rate cuts during the pandemic in the FY 2020-2021. However, a deterioration in asset quality could disrupt monetary policy transmission and weaken the effectiveness of the central bank's easing measures aimed at supporting the recovery.

Public finances will remain weak

The fiscal deficit is expected to decrease, but should remain higher than pre-COVID-19 levels in FY 2021-2022. The deficit breached nearly 120% of the annual budget estimate for the fiscal year 2020-2021 as of November 2020. The lockdown implemented in March, which suspended all business activities and hampered domestic consumption, deteriorated public revenues. Revenue collection from the Goods and Services Tax (GST) was disappointing, before rebounding in November 2020 as containment measures were eased. The large stimulus package (15% of GDP as of November 2020), aimed at stimulating consumer demand and job creation through direct benefit transfers and social security, would support somewhat the recovery in tax collection.

The current account balance will likely go in deficit in 2021 (from a surplus in 2020), for the first time since 2003. Imports should increase faster than exports, as demand should gradually improve. However, they should remain subdued in 2021, as the country is still grappling with COVID-19 infections and supply disruptions. Foreign exchange reserves remain at comfortable levels (nearly 14 months of imports as of June 2020), which should help the RBI to protect the rupee from depreciation.

Increasing nationalism

Prime Minister Narendra Modi's Bharatiya Janata Party (BJP) secured a substantial majority in the Parliamentary elections of May 2019 (349 out of 542 seats). Modi's second mandate focuses on the liberalization of the economy (such as the recent agricultural reform that triggered strikes among farmers), job creation and investments in infrastructure, while tackling corruption and fostering the ideology of Hindu nationalism. In light of the slow progress on the economic front, worsened by the pandemic, the BJP could opt to intensify its nationalist agenda, which would not please foreign investors, who are keen on secular policies.

On the external front, India is unlikely to join the RCEP any time soon - in order to protect local farmers and industrial interests - due to large deficits with its members, especially China, ASEAN and South Korea. However, by doing so, India could lose market shares in the world's largest trade bloc. Instead, it is seeking to resume trade talks with the EU - the largest trading partner (11% of Indian exports) - and the U.S. (10.7%) for a free trade agreement, which have been interrupted since 2013.

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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

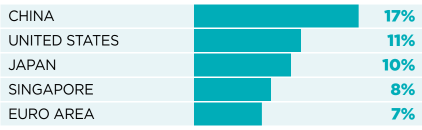
POPULATION Millions of persons - 2019	266.9
GDP PER CAPITA US Dollars - 2019	4,197
CURRENCY Indonesian rupiah	IDR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.2	5.0	-1.7	5.1
Inflation (yearly average, %)	3.2	2.8	2.5	1.6
Budget balance (% GDP)	-1.8	-2.2	-4.5	-3.6
Current account balance (% GDP)	-3.0	-2.7	-1.3	-2.4
Public debt (% GDP)	30.1	30.5	38.5	41.8

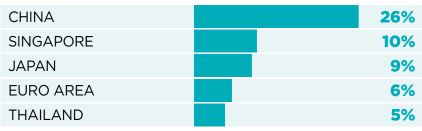
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+

- Diverse natural resources (agriculture, energy, mining)
- Low labour costs and demographic dividend
- Growing tourism industry (10.3% 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 that potentially leads to unrest (Papua)
- Highly exposed to natural disasters (volcanic eruptions, hurricanes and earthquakes)
- Persistent corruption and lack of transparency

RISK ASSESSMENT

A mild recovery as the pandemic persists

Growth is expected to recover in 2021, albeit weakly, as the spread of the COVID-19 outbreak lingers and has yet to be contained at the time of writing. This would continue to exacerbate downside pressures on the key growth drivers. Domestic consumption (58% of GDP) has been hit by the pandemic: first, through containment measures that urged the population to stay at home (particularly in cities), and second, with a longer-term impact through a rise in unemployment, as according to the Planning Minister, the unemployment rate could reach 7.7%-9.1% in 2021. As such, the latter would dampen any strong rebound in domestic consumption. Inflation would continue to remain under the Bank Indonesia (BI) 2%-4% target range due to subdued domestic consumption. This would compel BI to remain on an easing path in order to support growth. In 2020, at the time of writing, BI has slashed the policy interest rate four times by 25 bps (100 bps in total) to 4%. The tourism sector (6.1% of GDP), should remain sluggish through 2021. While the government is considering the reopening of international borders, despite struggling with a high number of COVID-19 cases, a time frame for a decision has not been setup so far. Even if it does, some requirements should be expected upon arrival (testing, quarantine measures), which might discourage some visitors. Investments (32% of GDP), on the other hand, should bounce back in 2021 and drive the economic recovery, thanks to structural changes made in 2020. Indeed, the government passed the Omnibus law – a part of Jokowi’s cornerstone policies in his second mandate – that includes deregulation, changes to foreign investment rules and labour reforms. Exports of manufactured goods and commodities (23.4% of GDP) are expected to recover, supported by the economic recovery in China, one of the major trading partners.

Budget deficit set to narrow, partly financed by the central bank

The budget deficit could narrow slightly, as revenues would gradually recover after being hit by containment measures in 2020, although the pace of the recovery would be slower than government spending. Furthermore, the low existing revenue base would add further challenges in financing the expenditures. The parliament agreed to suspend the budget ceiling of 3% of GDP until 2023 and to expand the 2021 budget deficit to 5.7% of GDP (compared to 6.3% of GDP in 2020) in order to support the recovery. In response to this, as “burden-sharing” (an agreement with the central bank that was introduced in 2020, the government might continue to seek BI’s support in financing the budget deficit through direct bond purchases until 2022, if economic growth does not reach the target of 4.5-5.5% in 2021. Moreover, a bill proposal in September 2020 that aims to reform the central bank by adding ministers to its board, with the right to vote during policy meetings, might raise – if passed next year – further concerns among investors regarding BI’s independence.

The current account is set to remain in deficit, which will widen in 2021, as imports should increase from 2020 when containment measures disrupted supply chains and forced households to delay some purchases. Exports, on the other hand, although supported by the recovery in China, should increase at a slower rate, as oil prices should remain subdued and demand from other key partners, such as the U.S. and the EU, should remain sluggish considering their lockdown measures. FDI inflows might gradually recover thanks to the Omnibus law, which would adequately finance the current account deficit. Foreign exchange reserves should remain adequate, standing at 11.0 months of imports as of September 2020.

Pushing the reforms agenda through a large coalition

President Jokowi was re-elected for a second five-year mandate in April 2019. His legislative coalition – the Indonesian Democratic Party of Struggle (PDIP) – received strong support and controls nearly 70% of the lower house (Dewan Perwakilan Rakyat), which could help to push further his reform agenda that includes two major projects: the relocation of the capital to the province of East Kalimantan and the Omnibus bill. The latter was passed and signed in October 2020 and could reform labour, tax and other major laws in order to cut red tape and spur investments into a post-pandemic economy. It received much disapproval from workers and labour unions, who protested and claimed that these would reduce workers’ rights at a time when the unemployment rate is increasing. On the external front, Indonesia’s stance towards China on the South China Sea should continue to harden, as Beijing reiterated claims of historic rights on areas that overlap Indonesia’s exclusive economic zone.

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.

<u>Ordinary proceedings</u>

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 - 2019: **83.3**

GDP PER CAPITA US Dollars - 2019: **7,010**

CURRENCY Iranian rial: **IRR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-5.4	-6.5	-8.0	2.7
Inflation (yearly average, %)	31.2	41.0	30.5	30.0
Budget balance* (% GDP)	-1.9	-5.5	-9.5	-6.8
Current account balance (% GDP)	6.1	1.1	-0.5	0.3
Public debt (% GDP)	40.3	44.7	45.4	40.4

(e): Estimate. (f): Forecast. * March 21st, 2021-March 20th, 2022.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	41%
TURKEY	11%
INDIA	10%
SOUTH KOREA	6%
AFGHANISTAN	4%

Imports of goods as a % of total

CHINA	24%
UNITED ARAB EMIRATES	15%
EURO AREA	14%
INDIA	12%
TURKEY	8%

+

- Second largest proven oil and gas reserves in the world
- Strategic geopolitical location
- Highly educated population
- Diversified economy, various investment opportunities as the manufacturing tissue is underdeveloped

-

- International sanctions weighing on production, finances and trade volumes
- Weakness of the local currency and increasing inflation
- Fragile banking sector
- Rising regional and geopolitical tensions

RISK ASSESSMENT

A weak economy hit by COVID-19; easing of sanctions eyed

On top of the re-imposition of U.S. sanctions in the second half of 2018 and the fall in oil prices, the Iranian economy has been hit hard by the pandemic with over 570,000 confirmed cases and nearly 33,000 deaths as of October 2020. The services sector, most affected by the COVID-19 pandemic, accounts for around 60% of GDP, followed by mining (including oil and gas) and manufacturing. It is expected to remain weak despite its recovery from the March-May 2020 dip (when it shrank by -3.5% YoY in the first quarter of the 2020-2021 Persian calendar year), mainly because of rising COVID-19 cases, restrained tourism mobility and high inflation (30.4% in September) that weighs on households' real income. Lower capital inflows to the country due to sanctions and the persistent weakness of the rial (the toman, equivalent to 10 rials, weakened from 13,320 vs. USD at the beginning of the year, to 32,200 vs. USD as of mid-October 2020) are expected to fuel inflationary pressures. Domestic factors linked to the distortion in supply chains, credit allocation and the multi-layered currency regime also fuel the chronic inflation. Coupled with the sanctions, this will dampen investment and private consumption. Nevertheless, some stabilization in the economic conditions will be seen in 2021 on the back of an estimated decline in COVID-19 cases in the world. On the other hand, downside risks on growth will become significant in case of another lockdown following a resurgence of the pandemic in Iran or in its key export markets. This can also be the case if the international sanctions are not eased by the new U.S. administration. In these eventualities, economic activity and operating conditions would further deteriorate.

Easing of sanctions will be determinant to narrow the external gap, the budget deficit will widen because of COVID-19

Iran's relations with the United States, after the election of Joe Biden as the new president in November 2020, will be determinant for the improvement in the economic conditions and the trend for Iran's oil exports (nearly 40% of total exports). The Joint Comprehensive Plan of Action (JCPOA, known as "Iran Nuclear Deal") was signed in July 2015 by Iran, the U.S., China, Russia, France, Germany and the UK. Iran agreed to eliminate its uranium stockpile and to enrich uranium up to 3.67% for the next 15 years. In return, the U.S., EU and UN related sanctions on Iran's oil, manufacturing and banking sectors were to be lifted. However, in May 2018, the U.S. announced its withdrawal from JCPOA and re-introduced sanctions in November 2018. Iran's crude and condensate exports averaged 440,000 barrels per day (bpd) and 204,000 bpd in March 2020, respectively. Oil exports are expected to remain below 500,000 bpd compared to nearly 2.8 million bpd in 2018, before the U.S. left the nuclear deal. On the other hand, Iranian authorities have been quoted saying that refined product exports have been less affected by sanctions. The country will also benefit from the increase in daily processing capacity to 480,000 bpd in its Persian Gulf Star Refinery (PGSR). If the nuclear agreement becomes functional again, the U.S. sanctions on Iran will be eased, but this process would take time and be very gradual. Furthermore, easing of the international sanctions will not enable Iran to fully exploit all of its oil and gas capacity, due to the long-time underinvestment in those infrastructures and difficulties in the operational environment. Finally, international companies will tiptoe back to the Iranian market, as they would remain cautious given the past accident in the application of the current nuclear agreement. On the fiscal side, the authorities announced a package of nearly 10% of GDP to counter COVID-19 cases and support households and businesses. With limited financial scope and a fiscal breakeven price estimated at USD 395 according to the IMF, the government will continue to opt for reserves depletion, domestic borrowing and privatization to cover the gap. The part of Iran's gross international reserves that are readily available is estimated at only around USD 10 billion. Consequently, privatizations and domestic borrowing seem to be two preferred options in 2021.

A US return to the nuclear deal?

After the previous U.S. President Donald Trump's hawkish stance, the new President Joe Biden said the U.S. would join the nuclear deal if Iran returns to compliance with the agreement. Such a return to the deal would pave the way for the easing of sanctions on Iran, increase its trade volume with the rest of the world and encourage foreign direct investments into the country. However, a comeback to the deal may not be easy. Iranian authorities estimate the total loss of revenues related to the U.S. withdrawal from the deal at USD 150 billion. On the other hand, Iran will hold presidential elections in 2021. The political stance of the next President will also be important for the future of the Iran-U.S. relations.

IRAQ

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	39.1
GDP PER CAPITA US Dollars - 2019	5,884
CURRENCY Iraqi dinar	IQD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-0.6	3.4	-12.0	1.5
Inflation (yearly average, %)	0.4	-0.2	0.6	0.8
Budget balance (% GDP)	7.8	0.8	-17.5	-13.1
Current account balance (% GDP)	6.7	1.1	-12.6	-3.0
Public debt (% GDP)	48.9	46.9	68.3	75.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	26%
INDIA	24%
EURO AREA	20%
SOUTH KOREA	9%
UNITED STATES	8%

Imports of goods as a % of total

TURKEY	28%
CHINA	26%
EURO AREA	10%
INDIA	5%
SOUTH KOREA	5%

- World's fourth-largest proven crude oil reserves, second-largest OPEC producer and fourth-largest producer worldwide
- Low oil extraction costs
- Strong growth in the labour force
- International financial support (IMF and bilateral loans)

- Under-diversified 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 the 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

Weak recovery in economic activity

Iraq was rocked by the COVID-19 pandemic in 2020. As the case count increased rapidly, the government was forced to limit the spread of the virus by closing borders, schools and universities and imposing a national lockdown. Furthermore, the Iraqi economy is heavily dependent on the energy sector, especially oil activity (one-third of GDP in 2019), but oil production declined sharply during the crisis, in line with the downturn in external demand. Oil exports (44% of GDP in 2019) also suffered from the parallel fall in oil prices, which hurt government revenues too, as oil accounts for 90% of the total. Domestic demand was impacted as well. Household consumption (62% of GDP in 2019) declined due to lower incomes, which had a severe impact on the country's economy, pushing it into a deep recession.

In 2021, growth is expected to rebound slowly, while remaining below its pre-crisis level. Exports and therefore oil production are set to recover. Moreover, oil prices are expected to rise slightly. Oil production should also increase due to investments in many fields, including the Majnoun and Halfaya fields. New developments, such as the Kirkuk extension, will enable the country to boost production. These developments will coincide with the recovery of FDI, which contracted in 2020. However, this expansion of production will be significantly hampered by the application, albeit partial, of the restrictions contained in the OPEC+ agreement, which are expected to continue in 2021. Private sector investment will likely be slow to resume due to corporate risk aversion and economic uncertainties related to the crisis. Despite households' strong propensity to save, consumption should recover slightly owing to spillover from increased oil wealth.

Twin deficits largely determined by oil

The current account balance is mainly determined by oil revenues, which declined sharply in 2020. Notwithstanding the decrease in imports caused by the fall in household consumption, the collapse in oil exports resulted in a large deficit. The deficit is expected to narrow significantly in 2021 as exports resume and oil prices edge up. However, the sharply increased oil surplus will not eliminate the deficit because imports are also set to resume as domestic demand recovers.

A sizeable public deficit opened up in 2020 due to the collapse in oil revenues and increased spending to cope with the pandemic. The Ministry of Finance was forced to provide the Ministry of Health with nearly USD 42 million from the contingency reserve to fight the virus. In addition, the Central Bank of Iraq set up a fund made up of donations from financial institutions, including itself and the Trade Bank of Iraq, to support the Ministry of Health. The central bank also lowered its reserve requirements and implemented a moratorium on interest payments for small and medium-sized enterprises. In 2021, the public deficit will probably remain high, as government revenues are not expected to return to pre-crisis levels due to lower investment levels as well as OPEC restrictions, which will curb oil revenues.

Because of the need for additional financing, both public and external, public debt swelled considerably in 2020 and should continue to deteriorate in 2021. In particular, its external share (60% of GDP in 2019) has increased and has been a source of major concern. The increase in debt could further weaken foreign exchange reserves, which are already stretched by debt servicing, and absorb a portion of the oil revenues. The Iraqi dinar is pegged to the U.S. dollar at a rate of ID 1,182 to USD 1, while the black market rate averaged ID 1,229 over the May-August 2020 period.

A fragile political and social situation

The political and social situation remains unstable. Despite becoming rarer during the lockdown, the demonstrations that began in October 2019 are still ongoing, sometimes turning violent. Protesters are upset about widespread corruption, the lack of public services, the lack of job opportunities, and foreign interference (American and Iranian) in Iraqi politics, through armed militias in the case of Iran. More generally, they believe that they are not benefiting from the country's oil wealth and are calling for the political system to be overhauled. Prime Minister Mustafa al-Kadhimi, who was appointed on a transitional basis after Adel Abdul-Mahdi resigned in November 2019 under popular pressure and that of Ayatollah Ali al-Sistani, is trying to ease tensions as the pro-Iran and nationalist factions clash in parliament. Prime Minister Kadhimi has scheduled early parliamentary elections for June 2021. As far as foreign policy is concerned, Iraq strives to maintain neutral relations with its main allies, the United States and Saudi Arabia on the one hand and Iran on the other. Despite the prime minister's efforts to attract Saudi investment in the energy sector, Saudi Arabia remains cautious in its investment decisions due to the strong Iranian presence in Iraqi politics.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	5.0
GDP PER CAPITA US Dollars - 2019	80,504
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	9.3	5.9	2.9	4.0
Inflation (yearly average, %)	0.7	0.9	-0.5	0.3
Budget balance (% GDP)	0.1	0.5	-6.5	-5.5
Current account balance (% GDP)	6.0	-11.3	5.5	0.1
Public debt (% GDP)	63.0	57.4	62.6	65.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	31%
UNITED KINGDOM	10%
BELGIUM	10%
GERMANY	9%
NETHERLANDS	6%

Imports of goods as a % of total

UNITED KINGDOM	28%
UNITED STATES	14%
FRANCE	13%
GERMANY	9%
NETHERLANDS	5%

+

- 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 business sector
- Presence through multinationals in sectors with high value added, including pharmaceuticals, IT and medical equipment

-

- 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

RISK ASSESSMENT

Activity set to resume, after resilience attributable to multinationals

The Irish economy is expected to record significant growth in 2021, after a year marked by the economic consequences of the pandemic. While, in 2020, the country was one of the few in the region not to see its activity decline, this was exclusively due to the strength of exports by multinationals in the pharmaceutical sector (31% of exports of goods in 2019, 52% including chemicals) and computer services (more than half of exports of services). While the activity of these firms will remain solid in 2021, the acceleration of the Irish economy will be driven by domestic activity, which was hit in 2020 by two lockdowns, first in the spring and then in the autumn. These measures, coupled with uncertainty, hampered household consumption and pushed households to increase their savings considerably, despite having their purchasing power boosted by support measures (short-time work arrangements, temporary reduction in VAT from 23% to 21% from September). Although the return to a normal VAT rate in March and the uncertainty surrounding the health situation should encourage some precautionary saving at the beginning of the year, household consumption should then rebound strongly. In a progressively more upbeat context, businesses should also step up their investments again, after a year marked by the pandemic and uncertainty about future trade relations with the United Kingdom (13% of Irish exports of goods and services). The signing of a trade agreement between London and the European Union in December 2020 is, in this respect, good news, especially for certain sectors that are highly dependent on Britain, such as agri-food (meat, dairy products, bakery).

Public accounts still deep in deficit to sustain activity

The public accounts deteriorated sharply in 2020 due to the support measures implemented to limit the consequences of the pandemic on households and businesses (direct aid to SMEs, state-guaranteed loans, reduction in income tax for self-employed people, VAT cut from 13.5% to 9% in the hotel and catering sector from November 2020 to the end of 2021), for a total amount over two years estimated at EUR 25 billion (7% of GDP). As the majority of these measures have been extended in the 2021 budget, the public deficit will remain significant, despite the increase in revenue in line with activity. The public debt is expected to continue to grow, after falling steadily between 2013 and 2019. The economic and budgetary situation could be severely affected over the next few years if discussions on the introduction of international corporate taxation are successful, given the country's dependence on the activity of multinationals: the share of corporate tax in tax revenues rose from 7% in 2014 to 20% in 2019.

The investment decisions of these firms also have a considerable effect on the external accounts and make the current account extremely volatile. While the balance of goods shows a large structural surplus (38% of GDP at the end of September 2020), the services deficit seesaws depending on R&D services imports (9% of GDP in the first three quarters of 2020, compared with 21% of GDP in 2019). At the same time, the repatriation of dividends by multinationals generates a chronic income deficit (24% of GDP at the end of September 2020). These substantial flows are attributable to the significant foreign direct investments made by these firms, which are, however, likely to vary. Excluding effects related to multinationals, the current account has been in surplus since 2015 (5% of gross national income in 2018).

Despite historic breakthrough, Sinn Féin cannot form government

After four years of negotiations following the vote to take the United Kingdom out of the European Union, the establishment of a physical border between Northern Ireland and the Republic of Ireland was ultimately avoided: customs duties will be levied in the Irish Sea (depending on the final destination of the product), thus complying with the 1998 peace treaty.

Domestically, the February 2020 general elections saw a historic breakthrough for the nationalist Sinn Féin party, which has a left-wing platform but is above all in favour of reunification with Northern Ireland. It came out on top with 24.5% of the votes, but won only 37 seats (out of 160) because it had not put forward enough candidates. However, because of its links with the IRA, a nationalist paramilitary organisation that ended its armed campaign in 2005, the other main parties had ruled out any coalition with Sinn Féin, making it almost impossible for it to come to power. After four months of negotiations, Fianna Fáil (22%, 38 seats) and Fine Gael (21%, 35 seats), the two rival centrist parties that have traded power back and forth for a century, agreed to form a coalition with the Greens (7%, 12 seats) to obtain a parliamentary majority. The new Taoiseach (Prime Minister), Micheál Martin, leader of Fianna Fáil, succeeded Leo Varadkar (Fine Gael) in June 2020. However, according to the rotating leadership agreement, Mr Varadkar will return to power in December 2022 and take charge of the second part of the term. While tensions cannot be ruled out, this agreement should ensure political stability, as in the previous term, where Fine Gael governed as a minority with the non-participating support of Fianna Fáil.

PAYMENT & DEBT COLLECTION PRACTICES IN IRELAND

Payment

Cheques are still used for both domestic and international commercial transactions, however, for international transactions, the use of bills of exchange is preferred, together with letters of credit. Bank transfers are common, with SWIFT transfers being utilised regularly. Direct Debits and standing orders are also becoming more recognised as an effective payment method, and are particularly useful for domestic transactions. Assignment of invoice is accepted both pre- and post-supply of goods and/or services.

Debt Collection

Where there is no specific interest clause, the rate applicable to commercial contracts concluded after August 7, 2002 (Regulation number 388 of 2002) is the benchmark rate (the European Central Bank's refinancing rate, in force before January 1 or July 1 of the relevant year) marked up by seven percentage points and applied to the contracts via a percentage calculated per day past due date. For claims exceeding €1,270, debtors may be threatened with a "statutory demand" for the winding-up (closure) of their business if they fail to make payment or come to acceptable terms within three weeks after they receive a statutory demand for payment (a "21-day notice").

Amicable phase

The debt collection process usually begins with the debtor being sent a demand for payment, followed by a series of further written correspondence, telephone calls, personal visits, and debtor meetings. If the two parties are unable to reach an amicable settlement, the creditor may begin legal proceedings.

Legal proceedings

If a defendant fails to respond within the allotted time to a court summons (either a plenary or summary summons before the High Court, a civil bill before the Circuit Court, or a civil summons before the District Court), the creditor may obtain a judgement by default based on the submission of an affidavit of debt without a court hearing. An affidavit of debt is a sworn statement that substantiates the outstanding amount and cause of the claim. It bears a signature attested by a notary or an Irish consular office. The claim amount at stake will determine the competent court: the District Court, then the Circuit Court, and, for claims exceeding €38,092.14, the High Court in Dublin, which has unlimited jurisdiction to hear civil and criminal cases and to assess, in the first instance, the constitutionality of laws enacted by Parliament (*Oireachtais*).

Fast-track procedure

In any of the three courts, if the debt is certain and undisputed, it is alternatively possible to request a fast-track summary judgment from the competent court.

District Court: amounts up to €6,348

For contested debts, a civil summons is served on the debtor, with the originating court proceedings setting out the claim and amount alleged owed. The debtor then files a Notice of Intention to Defend, indicating that he intends to contest the case, at which point the court fixes a hearing date. The case is heard before a judge, who decides whether to issue an order for judgment (a Decree).

Circuit Court: amounts from €6,349 to €38,092

In this case, a civil bill is served on the debtor, who, in turn, will enter an Appearance (a formal document indicating that the debtor intends to answer the claim). A notice for particulars is then also filed by the debtor, in which he seeks further information about the claim to which the creditor sends replies. The debtor must deliver a defence within a prescribed period. The creditor then serves the defendant with a formal notice advising of hearing date. Each side presents its case and the judge makes a decision.

High Court: amounts over €38,093

In front of the High Court, a summary summons is served on the debtor, who then files an Appearance. The creditor makes an application to the Master of the High Court for judgment by way of motion and grounded by sworn affidavit. The debtor can reply to the claim by sworn affidavit. If the Master is satisfied that the debt is due and owing, liberty to enter final judgment is granted. However, if the Master is satisfied that the debtor has a genuine dispute, the case is sent for a plenary hearing. During the plenary hearing, the merits of the case are heard either as oral evidence or affidavit. A High Court hears the case and makes a determination.

The commercial court – a special division of the High Court, created in 2004 – is competent to hear commercial disputes exceeding €1 million, included in a commercial list or cases concerning intellectual property, and is able to provide a suitable and rapid examination of the cases submitted. At the discretion of the commercial judge, proceedings may be adjourned for up to 28 days to enable the parties to refer to alternative dispute resolution practices, such as conciliation or mediation.

Normally, obtaining a decision may take a year. However, this timeframe may be doubled if compulsory enforcement is required. Appeal claims brought before the Supreme Court may take an additional three years.

Enforcement of a Legal Decision

A judgment is enforceable as soon as it becomes final. If the debtor fails to satisfy the judgment, the creditor can request the competent court to order execution by way of attachment and sale of the debtor's assets by the Sheriff. There is also the possibility to obtain payment of a debt through a third party owing money to the debtor (garnishee order).

For foreign awards, enforcement depends on whether the decision is issued in an EU member state or a country outside the EU. For the former, Ireland has adopted enforcement mechanisms; such as the EU Payment Order, or the European Enforcement Order when the claim is undisputed.

Insolvency Proceedings

Out-of-court proceedings

Informal negotiations may take place, and any agreement must be unanimously adopted by all creditors.

Examinership

Examinership is an Irish legal process whereby court protection is obtained to assist the survival of a company; The company may then restructure with the High Court's approval. It provides a maximum 100 day period in which a court appointed official (the examiner) seeks to take control of the company and manage it so that the company may continue to trade. The procedure may be initiated by the company, its directors, or one of its creditors. Once the examiner has been appointed, no proceedings may be commenced against the company. Its functions are to examine the affairs of the company and to formulate proposals for its survival. The examiner must formulate proposals for a compromise or scheme of arrangement to facilitate the survival of the relevant body as a going concern. They can be accepted by the creditors but they must be validated by the court.

Receivership

The procedure arises in the context of secured creditors and provides a framework in which they may act so as to enforce their security interest. A receiver is appointed to a company by either a debenture holder or the court to take control of the assets of a company, with a view to ensure the repayment of the debt owed to the debenture holder, either through receiving income or realising the value of the charged asset.

Liquidation

The terminal process by which a company is wound up and dissolved, this process is conducted by a liquidator who takes possession of assets and distributes the proceeds from their sale in accordance with the priority of repayment. The liquidator is also required to investigate the conduct of the directors of the company and prepare a report for the Office of the Director of Corporate Enforcement (ODCE). Dependent of its view, the liquidator may also be required to bring restriction proceedings against one or more of the directors. The procedure can be started by a competent court (court liquidation), the creditors (creditors' voluntary liquidation) or the debtors (members' voluntary liquidation).

ISRAEL

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	9.1
GDP PER CAPITA US Dollars - 2019	43,603
CURRENCY New Israeli shekel	ILS

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.5	3.4	-5.5	5.0
Inflation (yearly average, %)	0.8	0.8	-0.3	0.2
Budget balance (% GDP)	-3.6	-3.9	-11.7	-7.1
Current account balance (% GDP)	2.1	3.4	2.8	3.5
Public debt (% GDP)	60.9	60.0	73.1	76.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	28%
EURO AREA	19%
UNITED KINGDOM	9%
CHINA	8%
HONG KONG	5%

Imports of goods as a % of total

EURO AREA	29%
UNITED STATES	16%
SWITZERLAND	11%
CHINA	9%
UNITED KINGDOM	6%

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- Technology hub of the region
- Solid institutional structure, positive business environment
- Very competitive production tissue, diversified economy with a large number of start-ups
- Strong international reserves, low inflation
- Improvement of relations with some of the Arab neighbours

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- Weaker fiscal dynamics, higher government debt
- Increased regional tensions
- New elections fuelling political uncertainty

Sector risk assessments

AGRI-FOOD	HIGH
AUTOMOTIVE	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	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

Global growth and smoother regional relations will sustain the economic recovery

Helped by the global economic recovery and gradually rising trade volumes in 2021, Israel's economy is expected to recover from the contraction of 2020, although in a very progressive way. The pre-COVID-19 production level should be reached only after 2021 as, according to the authorities, the economy is expected to lose around USD 1.3 billion per week from the third lockdown implemented in late December 2020. The significant vaccination campaign (15% of the population has been vaccinated in around two weeks) is expected to accelerate the process of freeing the economy from lockdown periods. Thanks to the reopening of the global economy, Israel's exports jumped by 64% on a quarterly basis in the third quarter of 2020, following a drop of 28.5% in the second quarter. Nearly 30% of exports are towards the United States, and 35% to Europe and Central Asia. Consequently, the pace of recovery in those economies will be determinant for Israel's exports and their contribution to growth. The Leviathan field, which delivered its first gas output to the domestic market in December 2019 and its first exports in January 2020, will continue to support Israeli exports. The volume of dry natural gas exports is expected to reach 11 billion cubic meters (bcm) in 2021 compared to an estimated 5.8 bcm in 2020. Private demand, which accounts for over half of GDP, is expected to recover due to the reopening of the economy, but the high level of unemployment (18.2% as of October 2020 compared to 12.4% in September 2020) will weigh on consumer confidence and, thus, on personal consumption. However, growth will be constrained by subdued tourism revenues, which amounted to USD 8.7 billion in 2019 (2.2% of GDP). On the other hand, Israel has signed normalization agreements with the United Arab Emirates (UAE) and Bahrain in late 2020, which provides important trade and investment opportunities. The deal would allow Israel to find new markets for its high tech products, food products, and to attract tourism flows and key investments, the latter primarily in the pharmaceuticals, chemicals and security areas. The deal may also enable Israel to access energy at a discounted price.

Current account surplus set to persist, supporting international reserves

Israel's current account surplus declined in 2020, as goods exports fell more than imports, and tourism revenues declined under lockdowns and border closures during the COVID-19 pandemic. The current account surplus is expected to widen in 2021 thanks to rising gas exports and external demand, in line with the global economic recovery. The still low level of tourism revenues would be compensated by the increase in Israel's pharmaceuticals, high-tech and services exports. The rising current account surplus is expected to support the shekel. After strengthening by nearly 8% versus the USD in 2019, the shekel firmed by another 3% between January and November 2020, reaching a nearly 10-year peak despite the sharp economic contraction. The shekel appreciated by around 2.5% in 2020 against a basket of currencies of Israel's largest trading partners. This pushed the central bank to intervene by buying USD 14 billion on the foreign exchange market. As a result, the central bank's currency reserves rose to USD 161 billion (around 40% of GDP). Strong reserves and external accounts, and high level of savings in Israel (estimated at about 25% of GDP in 2020) constitute a resilient buffer for the Israeli economy against the negative spillovers of COVID-19.

Nevertheless, the fiscal challenges will persist. Despite the expected rise in revenues thanks to the economic recovery, the deficit is set to remain wide. The political uncertainties (Israel will hold a fourth election in only two years) create an obstacle for the introduction of measures aimed at countering the fiscal deficit, and, therefore, expenditure should remain high. The termination of the stimulus package (initially about 6% of GDP would help the government to reduce the budget deficit. However, the high level of unemployment will continue to restrain fiscal revenues. Finally, 17% of the government debt (of 917 billion shekels) was denominated in foreign currency in 2020.

Fourth election in only two years

In December 2020, after the government failed to pass the annual budget through parliament due to the disagreement between Prime Minister Benjamin Netanyahu and his coalition partner Defence Minister Benny Gantz, the Knesset (Israel's parliament) was automatically dissolved as required by law. Consequently, Israel will hold an election in March 2021, which increases the already high political uncertainties. On the other hand, the signature of the normalization agreements with the United Arab Emirates and Bahrain will benefit Israel in terms of security and potential information sharing amid increased regional tensions.

ITALY

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	60.4
GDP PER CAPITA US Dollars - 2019	33,159
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.8	0.3	-8.8	4.2
Inflation (yearly average, %)	1.2	0.6	0.1	0.6
Budget balance (% GDP)	-2.2	-1.6	-13.0	-6.2
Current account balance (% GDP)	2.5	3.0	3.2	3.0
Public debt (% GDP)	134.8	134.8	161.8	158.3

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	12%
FRANCE	10%
UNITED STATES	10%
SWITZERLAND	5%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	16%
FRANCE	9%
CHINA	7%
NETHERLANDS	5%
SPAIN	5%

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- Manufacturing industry still important (machinery, pharmaceuticals, etc.)
- Increasing efforts to combat tax evasion and reduce informality
- Bank asset quality has significantly improved
- Comparative advantage in high-end food products
- European support creates opportunity for modernization

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- Public debt still very high, net international investment position very negative
- Very high youth unemployment that motivates brain drain
- Prevalence of small, low-productivity companies (more than 90% of firms have 10 employees or less)
- Strong exposure to pandemic-sensitive sectors (tourism, automotive, textiles)
- Strong regional disparities, organized crime still influential in the South

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

After a historic contraction and an above-average rebound, the stage is set for recovery

Going into the pandemic, the Italian economy appeared more fragile than its Eurozone peers, featuring chronically stagnant growth. Surprisingly, it has performed better than Spain and France, with a slightly weaker Q2 2020 contraction (IT: -18% YoY, FR: -19%, ES: -21.5%) followed by a more durable summer rebound. Nevertheless, the 2020 contraction will be among the strongest in the industrialized world, creating considerable risk for the most vulnerable firms. The share of firms posting a profit for 2020 is fore-casted to decline to 50-45%, down from 75% in 2019. The govern-ment has deployed extraordinary measures to safeguard viable firms, most notably a robust furlough scheme (covering 30% of the private sector workforce at its peak) and a loan guarantee program (8% of GDP in attributed financing). It is estimated that the pandemic created a liquidity shortfall of EUR 48 billion for 142,000 firms, which was reduced to EUR 17 billion for 32,000 firms thanks to public intervention. Firm leverage (debt/assets) will grow to 45%, lower than the 53% peak reached under the Euro crisis. Nonetheless, some sectors will see their expected probability of default increase substantially, including tourism (from 4.3 to 7.3%), entertainment (4.4 to 6%), construction (6 to 6.9%) and energy (3.5 to 5.2%). All components of demand are in for a doubledigit contraction in 2020 (consump-tion: -10%, investment: -14%, exports: -17%), before a rebound in 2021 (consumption: 4%, investment: 7%, exports: 11%). Only government spending will have a positive contribution over 2020-2021. The rebound should be driven by manufacturing exports to a recovering EU (machinery, automotive, food products) and, more gradually, domestic services.

Public debt reaches new heights, but a radical shift in EU-ECB policy mitigates its risk

Emergency measures cost around 5.5% of GDP. These include several grant programs for vulnerable households and firms, selective suspension of social security contributions, the aforementioned furlough, substantial health spending and tax deferrals. Overall, expenditure will increase by 11%, less than compensated by a 4% decline in 2021. While much of the emergency spending will be dialled back, the fiscal stance will remain expansionary, with continued support for the most vulnerable pockets of industry, a new "family bonus" transfer and poor region tax cut (combined cost of 1% of GDP), and sustained strengthening of research, education and health spending. Revenue will contract by 11% before a resounding 8% rebound. Public debt will reach a level comparable to that of Greece in 2012, but under a very different European context. The ECB has expanded QE by EUR 2.5 trillion and is now engaged in open-ended purchases of bonds of weaker member states. Italy will be the main beneficiary of the EUR 750 billion Next Generation EU fund, receiving EUR 209 billion over 2021-2027. As long as this new consensus holds, the effect of cheap debt service will over-compensate fiscal and economic weaknesses. However, this leaves public finances exposed in a scenario of returning inflation. The pandemic will have a broadly neutral effect on the structural external surplus, with both imports and export of goods and services plunging. Banks remain relatively fragile, but bad loans are not expected to reach the Euro crisis peak.

A fragile executive, a collapsing populist left and a steadily rising nationalist right

Italy is governed by a coalition government led by the centre-left Democratic Party (DP, 13% of seats) and the populist-left 5-star movement (5SM, 29%), with the support of minor parties. Originally a marriage of convenience set up to displace rising right-wing politician Matteo Salvini from power, the coalition was emboldened by PM Giuseppe Conte's rising popularity during the pandemic. But political uncertainty has returned after Italia Viva, one of the minor parties, withdrew its support. Until the pandemic allows for elec-tions, a succession of fragile governments is the likelier outcome. To recover their dwindling support, 5SM lawmakers tend to attack business interests. This has been the driving force behind the fight over ArcelorMittal's legal protections in the Taranto steel plant, as well as the dispute over Atlantia's motorway concession, both of which have involved intense legal confronta-tions between the state and investors. Between the resilience of Salvini's Lega and the rise of Giorgia Meloni's Fratelli d'Italia, the electorate is shifting to the nationalist right.

PAYMENT & DEBT COLLECTION PRACTICES IN ITALY

Payment

Trade notes (*cambiali*) are available in the form of bills of exchange or promissory notes. Cambiali must be duly accepted by the drawee and stamped locally at 12/1000 of their value, being issued and payable in the country. When issued in the country and payable abroad, they are stamped at 9/1000, and finally stamped at 6/1000 in the country if stamped beforehand abroad, with a minimum value of €0.50. In case of default, they constitute *de facto* enforcement orders, as the courts automatically admit them as a writ of execution (*ezecuzione forzata*) against the debtor.

Signed bills of exchange are a reasonably secure means of payment, but are rarely used due to a high stamp duty, the somewhat lengthy cashing period, and the drawee's fear of damage to his reputation caused by the recording and publication of contested unpaid bills at the Chambers of Commerce.

In addition to the date and place of issue, cheques established in amounts exceeding €1,000 and intended to circulate abroad must bear the endorsement *non trasferibile* (not transferable), as they can only be cashed by the beneficiary. To make the use of cheques more secure and efficient, any bank or postal cheque issued without authorisation or with insufficient funds will subject the cheque drawer to administrative penalties and listing by the CAI (*Centrale d'Allarme Interbancaria*), which automatically results in exclusion from the payment system for at least six months.

Bank vouchers (*ricevuta bancaria*) are not a means of payment, but merely a notice of bank domicile drawn up by creditors and submitted to their own bank for presentation to the debtor's bank for the purposes of payment (the vouchers are also available in electronic form, in which case they are known as *RI.BA elettronica*).

Bank transfers are widely used (90% of payments from Italy), particularly SWIFT transfers, as they considerably reduce the length of the processing period. Bank transfers are a cheap and secure means of payment once the contracting parties have established mutual trust.

Debt Collection

Amicable phase

Amicable collection is always preferable to legal action. Postal demands and telephone dunning are quite effective. On-site visits, which provide an opportunity to restore dialogue between supplier and customer with a view to reaching a settlement, can only be conducted once a specific licence has been granted.

Settlement negotiations focus on payment of the principal, plus any contractual default interest as may be provided for in writing and accepted by the buyer.

When an agreement is not reached, the rate applicable to commercial agreements is the six-monthly rate set by the Ministry of Economic Affairs and Finance by reference to the European Central Bank's refinancing rate, raised by eight percentage points.

Legal proceedings

When creditors fail to reach an agreement with their debtors, the type of legal action taken depends on the type of documents justifying the claim.

Fast-track proceedings

Based on *cambiali* (bills of exchange, promissory notes) or cheques, creditors may proceed directly with forced execution, beginning with a demand for payment (*atto di precetto*) served by a bailiff, preliminary to attachment of the debtor's moveable and immoveable property (barring receipt of actual payment within the allotted timeframe). The resulting auction proceeds are used to discharge outstanding claims.

Creditors can obtain an injunction to pay (*decreto ingiuntivo*) if they can produce, in addition to copies of invoices, written proof of the claim's existence by whatever means or a notarized statement of account. A forty-day period is granted to the defendant to lodge an objection.

Ordinary summary proceedings (*procedimento sommario di cognizione*), introduced in 2009, are used for uncomplicated disputes which can be settled upon simple presentation of evidence. Sitting with a single judge, the court determines a hearing for appearance of the parties, and delivers a provisionally executory ruling if it acknowledges the merits of the claim; the debtor however has 30 days to lodge an appeal.

Ordinary proceedings

The creditor must file a claim with the court (*citazione*) and serve summons to the debtor, who will file a defence (*comparsa di constituzione e risposta*) within ninety days *via* a preliminary hearing. The parties then provide briefs and evidence to the court. When the debtor fails to bring a defence, the creditor is entitled to request a default judgment. The court will usually grant remedies in the form of declaratory judgments, constitutive judgments, specific performance and compensatory damages but it cannot award any damages which have not been requested by the parties.

Undisputed claims are typically settled within four months, but the timescale to obtain an enforceable court order depends on the court. Overall, disputed legal proceedings take up to three years on average.

The current civil procedure code is intended to speed up the pace of proceedings by reducing the procedural terms, imposing strict time limits on the parties for submitting evidence and making their cases, and introducing written depositions in addition to oral depositions.

Enforcement of a Legal Decision

A judgment becomes enforceable when all appeal venues have been exhausted. If the debtor fails to comply with a judgement, the court can order compulsory measures, such as an attachment of the debtor's assets or allowing the payment of the debt to be obtained from a third party (garnishee order) – although obtaining payment of a debt *via* the latter option tends to be more cost-effective.

For foreign awards, decisions rendered from a country in the EU will benefit from special procedures such as the EU Payment Order or the European Enforcement Order. Judgment from a non-EU country will have to be recognized and enforced on a reciprocity basis, meaning that the issuing country must be part of a bilateral or multilateral agreement with Italy.

Insolvency Proceedings

Out-of court proceedings

The 2012 legal reform allows a debtor to file an application for composition by anticipation. Negotiation on an agreement commences 60 to 120 days prior to the initiation of judicial debt restructuration proceedings. The debtor retains control over the company's assets and activities. A new pre-agreed composition plan may be agreed with the approval of creditors representing 60% of the debtor company's debt.

Restructuring proceedings

This settlement is a court procedure which allows a company in financial difficulty to propose a debt restructuration plan. The debtor files a proposal to the court to repay the total amount outstanding to the secured creditors. If the court admits it, a commissioner trustee is appointed, and if the majority of the unpaid creditors accept the proposal, the court will officially validate the proceedings.

Alternatively, a debt restructuring agreement (*accordi di ristrutturazione del debito*) aims to restructuring the debt so as to rescue the debtor company from bankruptcy proceedings. The debtor must file a report on its ability to pay the remaining creditors in full, who otherwise can challenge the agreement before a bankruptcy court by requiring verification that their claims will be paid as normal.

Liquidation

This procedure aims to pay out the creditors by realising the debtor's assets and distributing the proceeds to them. The status of insolvency justifies the adjudication of bankruptcy by the court, even where the insolvency is not due to the debtor's misconduct. The court hears the evidences of the creditors' claims and appoints a receiver to control the company and its assets. This receiver must liquidate all of the company's assets and distribute the proceeds to the creditors to have the proceedings formally concluded.

NUMBER OF CORPORATE INSOLVENCIES

Source: Cerved, Coface

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	2.7
GDP PER CAPITA US Dollars - 2019	5,826
CURRENCY Jamaican dollar	JMD

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	35%
EURO AREA	20%
CANADA	10%
ICELAND	7%
NORWAY	4%

Imports of goods as a % of total

UNITED STATES	45%
CHINA	8%
EURO AREA	6%
COLOMBIA	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 service inhibiting growth
- High rates of crime and poverty

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.6	1.1	-10.5	3.5
Inflation (yearly average, %)	3.7	3.9	5.0	5.5
Budget balance* (% GDP)	1.2	0.9	-3.0	-1.5
Current account balance (% GDP)	-1.9	-2.0	-6.2	-5.0
Public debt (% GDP)	94.4	93.9	102.0	95.0

(e): Estimate. (f): Forecast. * Fiscal year 2021 = from April 1st, 2021 to March 31st, 2022.

RISK ASSESSMENT

Gradual growth recovery

Jamaica's economic growth contracted sharply because of the COVID-19 crisis and flooding caused by tropical storms in 2020. In 2021, growth is expected to resume slowly and gradually. The fall in activity in 2020 was mainly due to the decline in tourism, which accounts for 31.1% of GDP and 32.8% of employment. Travel restrictions introduced because of the health crisis and the closure of the island's borders severely impacted tourism revenues (56.7% of total exports). Tourism is expected to recover slowly in 2021, despite the gradual lifting of restrictions since June, as the virus is still present and challenges could persist. The agricultural sector (6.6% of GDP) was also impacted in 2020, primarily by the decline in demand from the hotel and restaurant sector. Farmers found themselves with stocks of unsold fresh produce, leading to significant financial difficulties. The government responded by allocating USD 6.8 million to help farmers cope. This may not be enough, as the year-end crops were damaged by flooding. In 2021, this sector should resume its development and return to its pre-crisis level. The mining sector (4.1% of GDP with bauxite and its derivative, alumina), which was hit by tropical storms at the end of the year and the shutdown of the Jisco Alpart refinery, should benefit from the pickup in demand and prices. However, renovation work on the Jisco Alpart refinery, which was postponed due to COVID-19, will extend the facility's closure to 2021.

Household consumption (76% of GDP) fell sharply in 2020 due to the decline in activity and rising unemployment (12% in 2020 against 7% in 2019). The government introduced mild measures to support the economy and consumption. Expatriate remittances, however, increased, due to savings set aside before the crisis and government aid in host countries, particularly the United States, where the majority of expatriates work. In 2021, household consumption is expected to recover modestly. After contracting in 2020, private investment in tourism, which was substantial before the crisis, should support the recovery in 2021. Although some projects have been delayed, the government's massive support for this sector underpins the confidence of investors, who may invest more in 2021. In addition, the government is seeking to use public-private partnerships to invest in infrastructure projects such as the upgrade of the Sangster airport in Montego Bay or motorway construction.

Improvement in the current account and public deficits

The public balance, which has shown regular surpluses due to the austerity policy, went into deficit in 2020. To cope with the crisis, the government had to considerably relax its fiscal policy and increase spending in a context of declining revenues. In 2021, the public balance is expected to return close to balance as austerity is reinstated. The government is grappling with a colossal public debt burden, which has been exacerbated by the crisis. This is reflected in debt service (approximately 14% of GDP, including 6% for interest in 2019), which continues to eat up public resources.

The current account deficit also widened in 2020, hurt by the deterioration of the trade deficit as tourism dried up. In order to finance the deficit and meet the urgent financial needs created by the crisis, the IMF provided USD 520 million in assistance. This year, the deficit is expected to shrink slightly with the partial return of tourists, without returning to its pre-crisis level due to the resumption of imports and the modest rise in oil prices. Moreover, the increase in exports will be marked by a moderate recovery among partners including the United States and the Eurozone.

Holness remains in power

Although a record percentage of voters stayed away (63%) due to the health crisis, Prime Minister Andrew Holness and his Jamaica Labour Party (JLP) won a second term in the September 2020 parliamentary elections. They were re-elected with an overwhelming majority, securing 17 more seats than in 2016. Holness will continue to enjoy popular support because of his effective handling of the crisis. This should allow him to pursue the fiscal consolidation process undertaken under IMF supervision since 2013, after easing up slightly in 2020 because of the crisis. However, the challenges facing the government remain. On the one hand, the government will need to step up its efforts to fight crime, which remains the country's number-one problem. On the other hand, public perception of corruption and non-transparency seems to be growing, especially after a scandal over the misuse of public funds, which involved a former minister.

On the geopolitical front, the government should focus on relations with the United States, the country's main trading partner and source of remittances from expatriate workers. It is also expected to focus its efforts on regional cooperation, particularly to fight crime and drug trafficking.

JAPAN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	126.2
GDP PER CAPITA US Dollars - 2019	40,256
CURRENCY Japanese yen	JPY

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.3	0.7	-5.3	1.6
Inflation (yearly average, %)	1.0	0.5	-0.1	0.3
Budget balance* (% GDP)	-2.5	-3.3	-14.1	-6.5
Current account balance (% GDP)	3.6	3.6	2.9	3.2
Public debt (% GDP)	236.5	238.0	266.0	264.0

(e): Estimate. (f): Forecast. * April 1st N-1 /31st March N.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	20%
CHINA	19%
EURO AREA	8%
SOUTH KOREA	7%
TAIWAN	6%

Imports of goods as a % of total

CHINA	23%
UNITED STATES	11%
EURO AREA	10%
AUSTRALIA	6%
SOUTH KOREA	4%

+

- Privileged location in a dynamic region
- Very high level of national savings rate (around 23% of GDP)
- Public debt is 90% owned by local investors
- Advanced technology products and diversified industrial sector
- Trade agreement with the EU and Transpacific Partnership (December 2018)
- Regional trade agreement (RCEP) with neighbouring countries
- Excellent corporate payment behaviour

-

- Difficulty in consolidating public finances and ending deflationary pressures
- Reduction of the workforce and low immigration levels, increasing share of precarious workers
- Low growth potential, low productivity of SMEs
- Still insufficient female labour participation, lack of child care
- Ageing population, 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	HIGH
WOOD	MEDIUM

* Information and Communication Technology

RISK ASSESSMENT

Fragile recovery amid headwinds

The economy is set to recover in 2021, amid persistent headwinds. The country was hit by a third wave of infections in late October 2020, with no sign of abating at the time of writing (January 2021), and the government was considering to declare a second state of emergency after the first one declared in April. This situation is likely to continue weighing on domestic consumption (56% of GDP) and tourism (8% of GDP), as restrictions on movement of people are likely to be tightened again. This will in turn exacerbate deflationary pressures. On the external front, exports (18% of GDP) have been under downward pressure due to the trade tensions between the U.S. and China, to which Japan is exposed via supply chains links , further compounded by the COVID-19 outbreak. External demand has been mostly relying on the recovery of China (the largest trade partner), which absorbs up to 18% of total exports, although the margin of improvement started to decline in Q3 2020 as shipments of chip-making equipment to China dropped. Consequently, weak domestic and external demand are set to weigh on private investment (17% of GDP), as industries are looking to cut expenditures on plants and machinery.

Public debt load balloons up

The current account surplus, which narrowed in 2020, should rebound in 2021 on the back of a recovery in the merchandise trade surplus and a decrease in the services deficit. Imports should remain muted, as the new wave of infections is likely to continue weighing on domestic demand. Export growth (transport equipment, construction and manufacturing equipment, electronics, specialty chemicals, optics, etc.) is set to recover, albeit softly, driven by the revival of Chinese demand, while global demand should slowly mend as Japan's other trade partners are still grappling with COVID-19 infections. Furthermore, the ongoing trade disputes with South Korea (7% of total exports) since 2019 and the related exports curbs on semiconductor parts should also continue to be a burden. Additionally, the current account failed to capture inflows on the services front (3.5% of GDP in 2019) due to a collapse in tourism in 2020, as borders have remained closed for international tourists. That said, if the situation improves thanks to vaccination campaigns, and with the Tokyo 2020 Olympics postponed to 2021, the current account should find additional support there. The primary income, which reflects returns on Japanese investments made overseas and usually contributes the most to the current account surplus, eroded in 2020 as the global crisis affected profits.

The fiscal deficit is expected to narrow in the fiscal year starting in April 2021, after three large stimulus packages (two in April 2020, one in December, accounting for USD 3 trillion or two-thirds of the GDP) weighed on FY 2020 (with the fiscal impact representing 14% of GDP). These packages are meant to support employment, consumer spending and to ensure business continuity through subsidies and cash handouts. Even though the budget drafted for FY 2021 will increase to USD 1 trillion, as it will partly fund the December 2020 stimulus package worth USD 700 billion, it may not reflect Japan's final spending for FY2021 given that the country is still grappling with COVID-19 infections and might unveil additional extra budgets to support the recovery.

Stable domestic politics vs. tensed international relations

Prince Naruhito became the 126th emperor of Japan in May 2019. Japan's new prime minister, Yoshihide Suga, will maintain policy continuity after Shinzo Abe, former prime minister and President of the ruling Liberal Democratic Party (LDP), ended his final three-year term prematurely due to health reasons in September 2020. Prime Minister Suga will most likely focus on the fight against COVID-19 in the first place, to restore economic confidence as soon as possible - before the next House of Councilors (Upper house) elections in July 2022 - in order to secure LDP seats. On the international front, Japan's relationship remains delicate with China, over its expanding influence throughout Asia, and South Korea. With the latter, the dispute over the compensation for forced Korean labour during Japan's colonial rule is the issue at the heart of diplomatic and economic disputes between the two countries. Nevertheless, South Korea announced that it would not leave the General Security of Military Information Agreement (GSOMIA), the strategic military information exchange agreement it shares with Japan. Both sides have agreed to hold talks over Japan's export dominance on three chemical products critical to the manufacturing 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.

As of 1 April 2020, statute of limitation period has changed.

For the debts accrued after 1 April , the statute of limitation period of the debts is 5 years from the date of the knowledge of the creditor of the collectability of the debts and 10 years from the date of the accrual of the debts in accordance with Article 166(1) of the Civil Code revised and informed as of 1 April 2020.

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

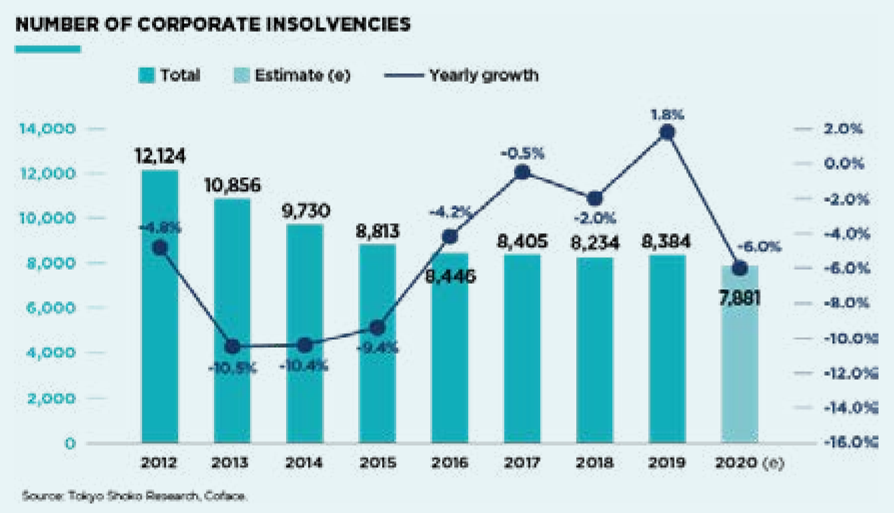
There are two types of restructuring proceedings. The first of these is corporate reorganisation proceedings (kaisha kosei), which are typically used in complex insolvency cases involving stock companies. They come with the mandatory appointment of a reorganisation trustee by the court and with a stay 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.



COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	10.1
GDP PER CAPITA US Dollars - 2019	4,426
CURRENCY Jordanian dinar	JOD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.9	2.0	-4.0	3.7
Inflation (yearly average, %)	4.5	0.8	0.3	0.9
Budget balance (% GDP)	-5.4	-5.9	-13.1	-12.3
Current account balance (% GDP)	-7.0	-2.3	-7.2	-4.1
Public debt (% GDP)	89.0	93.2	116.1	123.2

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	27%
SAUDI ARABIA	11%
INDIA	10%
IRAQ	9%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

SAUDI ARABIA	16%
CHINA	16%
EURO AREA	15%
UNITED STATES	8%
TURKEY	5%

+

- Political and financial support from the Gulf monarchies and the West
- Major producer of phosphate and potash
- Expatriate workforce and tourism are significant sources of foreign currency (although not during the current COVID-19 crisis)
- 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
- Major unrest among teachers that could spread to the rest of the country

RISK ASSESSMENT

Health measures are affecting growth

GDP is expected to contract in 2020 due to the COVID-19 health crisis. The tourism sector, which accounts for between 10 and 15% of GDP depending on the year, has been particularly affected by border closures. A state of emergency was declared on 17 March, leading to lockdown measures (public spaces closed, gatherings banned, restaurants and businesses shut down, international flights suspended). The epidemic has been relatively well controlled, and lockdown measures have been gradually eased since April 2020, leading to a progressive resumption of economic activity. Borders reopened in early September 2020, and travellers from authorised countries can enter Jordan provided they comply with certain rules (PCR test and isolation). However, there has been an increase in cases and deaths since September 2020, which could result in targeted lockdown measures and hurt the economic recovery. That said, the recovery should benefit from the fall in oil prices, as Jordan is a net importer, and from the impetus of structural reforms introduced by the country in recent years. Even so, domestic demand is sagging due to rising unemployment, particularly among women and young people, and IMF-supported fiscal consolidation, which is affecting consumption (80% of GDP). Potash and phosphate companies maintained business going during the lockdown, but the fall in global demand hurt their foreign sales in the first half of 2020. They should benefit from the recovery in Asia in the second quarter of 2020 and in 2021. To stimulate activity, the Central Bank of Jordan cut most of its official rates by 50 basis points on 3 March and by a further 100 basis points on 16 March, and injected USD 705 million (1.6% of GDP) into the economy by lowering the compulsory reserve ratio of commercial banks from 7% to 5%.

Delayed reduction of twin deficits

Rising health and social security spending is affecting the government's fiscal consolidation efforts. The government has decided to defer collection of 70% of the customs duties owed by certain companies and to reduce social security contributions for private sector establishments (from 21.75% to 5.25%). It has committed additional spending (USD 71 million) for the purchase of health equipment and supplies, hotel rental for quarantine purposes and additional security costs related to the virus. It has also introduced a temporary cash transfer programme for unemployed and self-employed people (USD 114 million). Declining profits of potash and phosphate companies in the first half of 2020 are expected to have an adverse impact on the budget deficit.

The current account deficit will worsen in 2020 despite the fall in oil prices. This is due to a drop in expatriates' remittances (10% of GDP in 2019), many of whom live in neighbouring countries but have lost their jobs, as well as a drop in tourism income. Inward foreign investment, mainly in the form of FDI, is declining due to the global recession. Concessional loans from international donors will help finance part of this deficit.

Popular discontent could hurt the government

Despite widespread discontent, which has been further stoked by the COVID-19 crisis, King Abdullah II retains the support of the armed forces and a population wary of radical change. Nevertheless, waves of protest against the government are expected. The freeze on public sector wages, which is scheduled to last until the beginning of 2021, sparked protests by the teachers' union, which had been promised a wage increase of between 35% and 75%. The union's offices were closed for two years, and authorities banned local media from covering the protests. The teachers' protest movement has lost momentum, but the widespread unrest will put pressure on the authorities in the medium-term, potentially prompting them to adopt a more authoritarian approach.

The next elections to the Chamber of Deputies (Lower House) are scheduled for November 2020. Despite the dissolution of the local branch of the Muslim Brotherhood by the Court of Cassation in July 2020, the Islamic Action Front (IAF), the political wing of the Muslim Brotherhood, which holds 15 of the 130 seats in Parliament, plans to participate in the elections. Parliament will remain dominated by nominally independent representatives 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 in the region should ensure continued logistical, financial and military assistance from the United States, its main ally, despite divergences with the U.S. policy in the region.

The business environment should benefit from the structural measures currently being rolled out. Significant headway has been made in obtaining credit, paying taxes and resolving insolvency.

KAZAKHSTAN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	18.6
GDP PER CAPITA US Dollars - 2019	9,750
CURRENCY Kazakhstani tenge	KZT

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.1	4.5	-3.5	2.8
Inflation (yearly average, %)	6.0	5.2	6.9	6.2
Budget balance* (% GDP)	2.6	-0.6	-5.3	-3.3
Current account balance (% GDP)	-0.1	-3.6	-3.3	-2.8
Public debt (% GDP)	20.3	19.9	23.4	24.1

(e): Estimate. (f): Forecast. * Including transfers from the NFRK sovereign fund.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	37%
CHINA	14%
RUSSIA	10%
SOUTH KOREA	5%
SWITZERLAND	5%

Imports of goods as a % of total

RUSSIA	37%
CHINA	17%
EURO AREA	13%
SOUTH KOREA	9%
UNITED STATES	4%

- Significant oil, gas and mining potential
- State enjoys net creditor position and has a well-endowed sovereign wealth fund thanks to hydrocarbon production
- Abundant FDI
- Floating exchange rate
- Member of the Eurasian Economic Union (EAEU) and China's Belt and Road Initiative (BRI)
- Strategically located between Europe, Russia and China

- Heavily dependent on Russia (main partner in diplomacy and security) and China
- Heavily dependent on commodities (oil, gas, uranium, iron, steel, copper); under-diversified economy
- Inadequate road, port and electrical infrastructure
- Weakly competitive market structures (high concentration in key sectors and significant government presence)
- Fragile banking system and significant dollarization (40% of deposits and 16% of loans)
- Weak governance (corruption, politicisation of the court system, deficiencies in collective proceedings)
- Landlocked; low population density; relatively far from global markets; significant non-tariff barriers despite World Trade Organization (WTO) membership

RISK ASSESSMENT

A recovery dependent on the pandemic and hydrocarbons

After plunging into its first recession since 1998, Kazakhstan is expected to return to growth in 2021. Strict lockdown measures from mid-March to mid-May 2020, then again from mid-July to end-August 2020, severely impacted a key source of growth, namely domestic demand, via the services sector (59% of GDP) and private consumption (56.5% of GDP). Lower real wages, rising unemployment and sluggish consumer confidence caused private consumption to collapse. While the scale of the recovery will depend on the pandemic, the upturn could be driven by mild growth in real wages in 2021 and employment support measures, such as the implementation of the Employment Roadmap adopted in March 2020 and aimed at creating 255,000 jobs by 2021 in infrastructure projects. The recovery could also be fuelled by investment (25% of GDP), benefiting from support measures implemented since March 2020, such as the SME loan subsidy programme, which has been extended until March 2021. This momentum will be supplemented by public investment, notably through the development of rural and digital infrastructure with a view to 5G deployment in 2021 and growing integration with China's Belt and Road Initiative.

With an economy dependent on hydrocarbons, which account for two-thirds of exports, the recession worsened in 2020 as oil exports fell in value and volume terms. Party to the OPEC+ agreement, Kazakhstan agreed to cut production from April 2020 to April 2022. The recovery in is expected to be driven by rising demand for oil, higher oil prices and the easing of restrictions. In 2021, the government plans to produce slightly more than allowed under the restrictions, particularly in response to increased production capacity. Investments in the Tengiz field expansion (USD 45 billion, 25% of GDP) are continuing in order to provide a future growth driver.

The government has encouraged the central bank to stimulate credit, mainly for households, even at the cost of suspending its inflation target of 4% to 6% for 2021-2022. In fact, the policy rate, which stood at 9% in December 2020, is likely to remain unchanged, in order to contain inflation, which is running high already, stoked by the tenge's depreciation trend and other factors. Bank restrictions were eased in 2020 and some measures, such as reduced capital requirements, have been extended until mid-2021. While fundamentals have strengthened since the 2015 crisis, which led to mass bailouts, banks remain fragile and asset quality could quickly deteriorate (8.1% of non-performing loans in October 2020).

Well-endowed sovereign wealth fund, but increased risk of capital controls

The support plan (9% of GDP) and the decline in oil revenues (one-third of tax revenues) caused the public deficit to widen in 2020. The deficit is expected to narrow in 2021 as hydrocarbon revenues recover and increase. It will be mainly financed by the sale of assets held by the NFRK sovereign fund. It will also be financed, to a lesser extent, by loans at preferential rates from regional development banks (USD 1.9 billion, 1% of GDP) and funds from bonds issued in September 2020 (a Eurobond of USD 1.4 billion and the first bond on the Russian market of USD 525 million). The public debt-to-GDP ratio is expected to remain low, contracted in the medium and long term, but vulnerable to convertibility risk (50% in foreign currencies). With privatization delayed to 2021-2023, the potential weight of banks and state-owned enterprises is not insignificant.

The current account deficit should not widen significantly in 2020. Lower oil exports reduced the trade surplus, but also the primary income deficit, as FDI revenues declined. The deficit may actually fall slightly in 2021 as oil exports rise. It will be largely financed by the assets and reserves of the central bank and NFRK (USD 94.4 billion in December 2020, 52% of GDP), as inward FDI flows directed to hydrocarbons have declined. Unlike during the 2015 crisis, foreign exchange reserves excluding gold (USD 12.1 billion, 3.8 months of import covered) did not have to protect the tenge that had become flexible. To alleviate the pressure, restrictions on foreign currency withdrawals by companies were implemented in 2020, and there is a risk of more restrictions or capital controls in 2021.

Consolidation of the presidential succession

In June 2019, Senate President Kassym-Jomart Tokayev unsurprisingly succeeded Nursultan Nazarbayev, who had led the country since 1989. Tokayev has yet to assert his authority, but enjoys the political protection of Nazarbayev, who remains a key player as chair of the powerful Security Council and the dominant Nur Otan party. Nazarbayev is relatively old, and his death could trigger a power struggle within the ruling classes. However, the political elite appreciates the increased freedom provided by Tokayev. Conversely, popular confidence is waning. Elections to the lower house of parliament in January 2021, neither free nor fair with no opposition, delivered another big win for Nur Otan. This could spark protests, as might the economic crisis or China's economic presence, which is set to increase. Any protests will probably be small and contained, especially since security has been tightened amid fears of terrorism.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

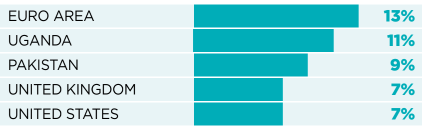
POPULATION Millions of persons - 2019	47.6
GDP PER CAPITA US Dollars - 2019	2,004
CURRENCY Kenyan shilling	KES

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.3	5.4	0.5	4.5
Inflation (yearly average, %)	4.7	5.2	5.0	5.5
Budget balance* (% GDP)	-7.4	-7.7	-8.5	-9.0
Current account balance (% GDP)	-5.7	-5.8	-5.0	-5.5
Public debt* (% GDP)	60.2	62.1	66.0	70.0

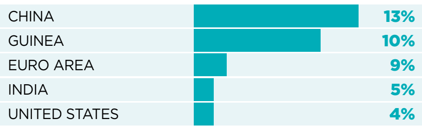
(e): Estimate. (f): Forecast. * Fiscal year from 1st July to 30th June; year 2021 from July 2020 to June 2021.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Seventh-largest African economy (2019), but the biggest in East Africa, playing a pivotal role in the East African Community, Africa's number-one common market
- Diversified agriculture (third-largest tea producer in the world) and expanding services sector (telecommunications and financial services)
- Mombasa is the third-largest port in Africa
- Hydrocarbon deposits discovered in the northwest region of Turkana
- Fast-growing population and emerging middle class
- Continued execution of the president's Big Four Agenda, which is focused on food security, manufacturing employment, universal and affordable access to health, and affordable housing

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- Reliant on hydropower and rain-fed agriculture: sensitive to drought and flooding
- Weak public resources (17% of GDP)
- Persistent bottlenecks due to lack of infrastructure and skills shortages
- Terrorist risk in the north near Somalia; political, social and ethnic divisions
- Persistent corruption

RISK ASSESSMENT

Recovery after a cushioned blow

In 2020, the COVID-19 crisis took the edge off the usual strong growth. The main cause was the fall in tourist activity (10% of GDP and 9% of employment) with international flights suspended until August. Investment (17% of GDP in terms of demand) was hit by budget cuts and a drop in confidence among national and foreign private decision-makers. Despite the reduction in employment, particularly in tourism, consumption was relatively spared due to the absence of a total lockdown, but also because of the resistance of expatriate remittances and tax giveaways. Overall, the fact that agriculture accounts for a major share of the economy (40% in terms of supply) undoubtedly played a protective role.

In 2021, a recovery is expected, but it will not be enough to restore the long-term trend. Barring a resurgence of the epidemic, locally or globally, requiring distancing measures to be re-imposed, consumption should play the main role, given its importance (81% of GDP). Services (45% of GDP), particularly trade and telecommunications with the rise of online money movements, will be the main beneficiaries. Investment will remain timid. Its public component will continue to be constrained by the deterioration in the budgetary situation, which is compounding recurrent deficiencies in areas such as under-execution, under-financing, late payments and judicial remedies. However, housing construction is expected to return to its previous strength, with an estimated shortage of 300,000 units, while water supply, sanitation and roads will benefit from international financing. The private sector will have to contend with caution in the banking sector, with doubtful loans making up 15% of banks' portfolios at the end of 2020, despite restructuring. Furthermore, Total has postponed the decision to bring the Lokichar oil field in Turkana on-stream until the end of 2021. Exports (12% of GDP) will continue to benefit from resilient tea (23% of exports), fruit and vegetable (14%) and coffee (4%) markets. Flower sales will depend on the reopening of European florists. Tourism will be slow to start up again due to caution among potential customers, which will continue to be a drag for transport. Given the upturn in imports, linked to the recovery in consumption, the contribution of trade to growth should be slightly negative.

High public and external deficits

The budget deficit, which was already high, increased slightly in 2020 due to the automatic drop in revenue resulting from tax giveaways (standard VAT rate cut from 16% to 14%, corporation tax reduced from 30% to 25%, tax breaks for the lowest earners, rate for the top bracket lowered from 30% to 25%). At the same time, social and health expenditure increased. The country was forced to turn to the IMF (USD 739 million) and the World Bank (USD 1 billion) both to make up the deficit and to finance projects. As a result, public debt could reach 70% of GDP, excluding state-owned enterprises and state-guaranteed debts, which is considered high risk by the IMF. Once the crisis is over, tightening could take place from fiscal year 2021-2022 onwards, especially if a new programme is agreed with the IMF.

Paradoxically, the substantial current account deficit narrowed in 2020, in parallel with the trade deficit, as imports fell on weaker domestic demand. However, the reduced services surplus linked to the fall in tourism mitigated the movement. Expatriate remittances remained high, as expatriates may have drawn on their savings to compensate for reduced income and taken advantage of shilling depreciation. In 2021, the current account balance should follow the opposite pattern as domestic demand firms. Public external debt (35% of GDP in June 2020) continued to climb, as foreign direct investment remains limited (1% of GDP). However, because of IMF and World Bank loans, the share held by multi- and bilateral creditors (especially China) rose to 70% of the total. Because of the deficits, the currency is expected to continue to depreciate, but not by enough to correct its slight overvaluation due to inflation. Depreciation has been slowed by interventions by the central bank, whose reserves edged down to five months of imports in September 2020.

Relative political stability

Since the reconciliation between President Uhuru Kenyatta and Raila Odinga, his main opponent in the 2018 election, relative political stability has prevailed. Both men want to hold a referendum before the 2022 election on the proposals made as part of the Building Bridges Initiative, which include re-establishing the post of prime minister, reforming the voting system and the electoral commission, and giving a formal role to the leader of the opposition. One of the goals is to reduce ethnic voting. Externally, negotiations have begun with the United States on a trade agreement, which could conflict with the rules of the East African Community and the future Pan-African free trade area. On the security front, incursions by Al Shabab Islamist armed groups from Somalia are taking place in the north of the country.

KOREA (NORTH)

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	25.7
GDP PER CAPITA US Dollars - 2015	1,700
CURRENCY North Korean won	KPW

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	-4.1	0.4	-5.0	-2.0

(e): Estimate. (f): Forecast. * Approximate data based on available sources.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	41%
ETHIOPIA	17%
UKRAINE	13%
SURINAME	4%
DOMINICAN REPUBLIC	3%

Imports of goods as a % of total

CHINA	91%
UKRAINE	2%
RUSSIA	2%
HONDURAS	1%
BRAZIL	1%

- Although currently deadlocked, bilateral talks with the United States and South Korea increase the 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

The pandemic plunges the country into a new recession

The government, which closed borders at the beginning of January 2020, officially recognised the first suspected case of COVID-19 in July 2020 in Kaesong, a town on the border with South Korea, and immediately put the town under a two-week lockdown. While no further official information on the health situation was provided in the following months, the border closures and the introduction of major trade restrictions severely affected the North Korean economy, which fell back into recession in 2020, after GDP more or less stagnated in 2019. Exports to China plummeted by 72% in the first half of 2020, while imports fell by 67% over the same period. During the pandemic, North Korea has mainly imported necessities, such as oil, sugar, flour and medicines. Trade trends with China are particularly instructive as China is virtually the country's sole supplier, and its primary market, taking almost the half of exports. Although North Korean exports rebounded by 30% in 2019, they were still nearly five times lower than their 2017 level, before the vote by the UN Security Council to impose sanctions to substantially reduce trade with the country. As the sanctions affect all of North Korea's main export products – textiles (27% of the total in 2017), coal (22%) and seafood (8%) – the country has significantly increased its exports of watches and wigs, but for now the amounts involved are insignificant (USD 50 million for each product in 2019, compared to USD 450 million in coal exports in 2017). Moreover, the border closures deprive the tourism sector of income, which was still very low due to isolationism, but was tending to grow thanks to the increasing number of Chinese tourists in recent years, particularly in Pyongyang. As the country is expected to remain on high alert as long as the pandemic continues to spread around the world, trade and tourism will continue to be severely impacted in 2021. Given the absence of foreign currency inflows, the won, which is mainly traded on the black market, will remain under downward pressure. Domestically, the expansion of the economy will continue to be hampered by major structural weaknesses: frequent shortages of oil and consumer goods, due to sanctions, will be exacerbated by the border closures. The North Korean economy is characterised by central planning and state ownership of capital and resources. Although gradually declining, the agricultural sector still accounts for more than 20% of GDP and remains largely state-owned and unproductive. Mining has also seen its share decline but still accounts for 10% of GDP. The explanation for the shrinking shares of these two sectors lies with the rise of services (34% of GDP in 2019, five points up on 2012), although the sector's strength is due to services linked to state activity, which represent 74% of the sector's added value. Since coming to power, Kim Jong-Un has established his byungjin policy, which aims to develop simultaneously the nuclear arsenal and the economy, thus paving the way for progressive liberalisation along the lines of the Doi Moi policy pursued by Vietnam in the 1980s. As a result, the state has grown more tolerant of markets (*jangmadangs*), which have increased significantly in size and number.

Diplomatic talks at a standstill

North Korea's Supreme Leader Kim Jong-Un succeeded his father in 2012. He controls the three main administrative organs of the country: the Workers' Party of Korea (WPK), the Korean People's Army (KPA) and the State Commission. The people of North Korea are under total control.

Since 2017, North Korea has been under UN sanctions, with the international community pushing the country to denuclearise. Although in March 2018, then U.S. President Donald Trump relaunched diplomacy and met the North Korean leader three times, but talks remained at a standstill at the end of 2020. The election in November 2020 of Joe Biden, who has taken a hard-line stance on Pyongyang, in contrast to the relatively cordial relationship maintained by his predecessor, could lead to renewed tensions and show-of-force actions. At the end of 2020, the country continued to reject the "final and fully verified" denuclearisation process called for by Washington unless international sanctions are eased. At the same time, while relations with South Korea improved slightly following three meetings between Kim Jong-Un and South Korean President Moon Jae-in, who agreed under the Panmunjom Declaration in April 2018 to work together to end the Korean War and promote the denuclearisation of the Korean Peninsula, they have since become strained once again. In June 2020, North Korea destroyed the symbolic inter-Korean liaison office opened in Kaesong in 2018, and in September 2020 shot a South Korean official who had illegally entered North Korean waters. However, Kim Jong-Un's official apology to President Moon Jae-in, which was reported by the South Korean government, points to a desire to make peace. A rapprochement would stimulate the manufacturing sector (South Korean FDI) and construction, via joint infrastructure projects (rail and road).

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	51.7
GDP PER CAPITA US Dollars - 2019	31,846
CURRENCY South Korean won	KRW

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.7	2.7	-1.0	3.0
Inflation (yearly average, %)	1.5	0.4	0.3	0.4
Budget balance (% GDP)	2.6	0.4	-3.2	-4.2
Current account balance (% GDP)	4.5	3.6	3.3	3.4
Public debt (% GDP)	40.0	41.9	48.4	52.2

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	25%
UNITED STATES	14%
VIETNAM	9%
EURO AREA	6%
HONG KONG (SAR)	6%

Imports of goods as a % of total

CHINA	21%
UNITED STATES	12%
JAPAN	9%
EURO AREA	9%
SAUDI ARABIA	4%

+

- 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
- Increasing tensions with Japan

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth set to rebound despite downside risks

Growth is set to recover gradually through 2021, on the back of a revival in private consumption supported by fiscal stimulus measures, although exports (40% of GDP) should remain modest. A steady recovery in key trade partner China (25% of exports), and semiconductors (17% of exports), have been driving external demand. That said, the recent U.S. curbs on China's technology might add downside pressures, alongside decreasing semiconductor prices in recent years. The four supplementary budgets (3.6% GDP) passed in 2020 should bolster business and consumer sentiments, and result in the revival of private consumption (46% of GDP), although a rising unemployment rate (3.9% in September 2020 compared to 3.4% for the same period in 2019) and high household debt (97.8% of GDP in 2020) might constrain it to some extent. Investment should remain subdued following disruptions in domestic activity and a weaker growth outlook. Inflation should rebound and edge up closer to the BOK (Bank of Korea) 2% target range, but will be unlikely to reach it despite a recovery in domestic demand. After two 25 bps rate cuts in 2020, the BOK should not lower the policy rate any further in order to avoid spurring households' debts (which have already reached high levels), leaving the recovery to rely only on fiscal stimulus measures, which would further dig the budget deficit.

The budget deficit will widen for the second consecutive year

The budget deficit will widen due to expansionary moves that will be extended through 2021 in order to support an economy damaged by the pandemic. The government drafted a record USD 469.9 billion fiscal budget for 2021, marking the second consecutive year where expenditures exceed revenues. Considering the increasing unemployment rate, the budget would mainly focus on health, welfare and employment (30.5% of budget expenditures), and on job creation (5.5%), as President Moon Jae-in pledged to expand public sector jobs before the end of his term in 2022. Public debt is set to deepen in 2021 and would be partially financed through government bonds issuance. The government plans to sell 172.9 trillion won of bonds in 2021 (167 trillion in 2020).

The current account balance should remain positive, as the trade surplus will probably widen in 2021. While the slump in import demand is partially offset by fiscal stimulus measures, exports will be driven by the recovery in China. Given that international borders will remain closed into the first half of 2021, the tourism balance deficit (due to the number of Koreans visiting abroad exceeding that of foreign visitors) should diminish, which in turn would widen the current account surplus. The economy should continue to sit on comfortable foreign exchange reserves, which stood at 10.4 months of imports in September 2020.

No major improvements with its neighbours

President Moon Jae-in's ruling Democratic Party secured a majority in the Parliamentary elections in April 2020, with a strong public support for its management of the COVID-19 pandemic. The left-leaning ruling party could push its reform agenda before the presidential elections in 2022, particularly regarding unemployment and reforming chaebols – which consists in reducing conglomerates' dominance on the economy. Relations with neighbours do not seem to get any better so far. Increasing tensions recently led Pyongyang to blow up the joint liaison office with Seoul near Kaesong (North Korea). It is unlikely that Japan and South Korea's ongoing trade conflict – with South Korea requesting reparations from Japan for crimes committed during the Second World War – could ease under the new Japanese Prime Minister Suga, who inherited Abe's policy line.

KUWAIT

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	4.8
GDP PER CAPITA US Dollars - 2019	28,500
CURRENCY Kuwaiti dinar	KWD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	0.4	-8.1	0.6
Inflation (yearly average, %)	0.6	1.1	1.0	2.3
Budget balance* (% GDP)	9.0	5.4	-8.5	-10.7
Current account balance (% GDP)	14.5	9.4	-6.8	-2.8
Public debt (% GDP)	14.8	11.8	19.3	36.6

(e): Estimate. (f): Forecast. * Fiscal year 2021 : starts on April 1st, 2021 and ends March 31st, 2022.

TRADE EXCHANGES

Exports of goods as a % of total

UNSPECIFIED COUNTRIES (OIL AND GAS)	90%
INDIA	2%
CHINA	1%
IRAQ	1%
SAUDI ARABIA	1%

Imports of goods as a % of total

EURO AREA	18%
CHINA	17%
UNITED STATES	9%
UNITED ARAB EMIRATES	9%
JAPAN	6%

+

- Large financial buffers to offset the impact of low energy prices on the economy
- High level of living standards
- Sound banking system

-

- High dependence on oil and on government spending, slow economic diversification efforts
- Delays in parliament to pass the law on public debt
- Continuous stalemate between the Emir-appointed cabinet and the opposition-dominated legislative power
- Slow-moving bureaucracy
- High dependence on expatriate workers (70% of population)

RISK ASSESSMENT

Looser OPEC-led production cuts will support economic activity

After recording a sharp contraction in 2020, the Kuwaiti economy is expected to slightly recover in 2021 thanks to supportive base effects, higher oil prices and looser OPEC+ oil production cuts. The oil sector's improvement will be vital to bring growth back into positive territory, as it accounts for around 40% of GDP. Increases in global production volumes in 2021 will boost external demand for Kuwait's exports, as 90% of the country's exports consist of oil. Consequently, net exports are expected to contribute positively to growth in 2021. The recovery in oil prices should also support non-oil activity, otherwise supported by looser social distancing measures in the absence of a second lockdown. On the other hand, services, which weigh as much as oil in the GDP, are expected to experience a small recovery due to the weakness of real estate and governmental services. The implementation of the VAT in 2021 is not expected to weigh on private demand, as the government has been reluctant to cut workers' benefits and subsidies. Nevertheless, investments could remain sluggish because of low productivity, slow bureaucracy and labor constraints.

Risk of running-out of cash despite strong financial buffers

Kuwait has very large financial buffers thanks to the vast assets in its General Reserve Fund (GRF) that is managed within its sovereign wealth fund (Kuwait Investment Authority, KIA), of which the assets and income can be used to finance the fiscal deficit. Beyond the GRF, the KIA is responsible of the management of Kuwait's Future Generations Fund (FGF), as well as others funds on behalf of the State of Kuwait. Total and liquid assets of the GRF are estimated at 56% and 24% of GDP respectively in June 2019, according to the IMF. However, the use of these funds to finance deficits has encouraged wider budget imbalances, resulting in increased financing requirements. Due to the lack of public debt laws (which would allow the government to tap into international debt markets) and rising fiscal pressures, the government's liquidity risk will rise during the upcoming period. The parliament's approval of the law halting the automatic transfer of an annual 10% of the state's revenue to the FGF could also contribute to the depletion of these resources. Although oil prices are expected to inch up in 2021, they seem unlikely to stand above the fiscal break-even price of Kuwait, estimated at USD 65.7 per barrel in 2021. Moreover, with nearly 70% of total government expenditure being related to wages and subsidies, productivity inefficiencies and labor market distortions will persist. However, despite the recent deterioration in the cash position, Kuwait should not be facing major fiscal challenges thanks to its large buffers. Total assets of the KIA and central bank reserves are estimated at 435% of Kuwait's GDP. The current account balance is expected to remain in deficit, albeit at a smaller level, in line with the decline in oil exports (nearly 90% of total merchandise exports) because of lower oil prices and output, as well as rising imports.

Domestic and regional politics are on the front row of the political scene

Kuwait's cabinet members resigned early in January 2021, one month after the cabinet was appointed, over a motion submitted by legislators questioning the Prime minister. The Emir accepted the resignation of the government on Jan 18. The new situation indicates further instability in the policymaking process. Indeed the country is already very familiar with tensions between the cabinet and the parliament. The next cabinet will probably confront the National Assembly over critical issues, such as the challenge of whether to establish relations with Israel, following the footsteps of the neighbours such as the United Arab Emirates and Bahrain, a decision that could be highly unpopular among the public.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	6.4
GDP PER CAPITA US Dollars - 2019	1,323
CURRENCY Kyrgyzstani som	KGS

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.5	4.5	-12.0	4.5
Inflation (yearly average, %)	1.5	1.1	8.0	5.5
Budget balance* (% GDP)	-0.6	-0.1	-7.3	-5.5
Current account balance* (% GDP)	-12.1	-5.6	-3.0	-6.8
Public debt (% GDP)	54.8	54.1	68.1	66.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED KINGDOM	42%
KAZAKHSTAN	17%
RUSSIA	14%
UZBEKISTAN	7%
TURKEY	5%

Imports of goods as a % of total

CHINA	35%
RUSSIA	28%
KAZAKHSTAN	12%
EURO AREA	5%
TURKEY	5%

+

- Abundance of metal resources (gold, copper, uranium, mercury, iron)
- Tourism and hydroelectric potential (only 10% exploited)
- Strategic position and transit corridor between China, Russia and Europe
- Financial support from multilateral and bilateral donors and China
- Member of the Eurasian Economic Union (EAEU)
- Member of China's Belt and Road Initiative (BRI)

-

- Small open economy highly dependent on economic fluctuations in Russia via remittances (28% of GDP), in China and Kazakhstan
- High dependence on gold (50% of exports) and agriculture (18% of GDP, 27% of employment)
- Fragile, concentrated and dollarized banking system (41% of deposits and 34% of loans), and expensive, directed and poorly developed credit (23% of GDP)
- Difficult geography (landlocked and 94% mountainous) and high energy dependence
- Deficient infrastructures (energy, water, health)
- Weak governance (corruption, organised crime, strong politicisation of the judicial system, large informal economy (23% of GDP) that reduces public resources) and difficult business environment
- Political and social instability linked to weak institutions, poverty, and ethnic, linguistic and economic opposition between the northern and southern valleys

RISK ASSESSMENT

Political-institutional chaos that will weigh on the recovery

Kyrgyzstan has been marked by political instability since its independence in 1991. The corruption that undermines the country contributed to the two revolts of 2005 and 2010. The turbulent political landscape saw its third political crisis in 15 years when the parliamentary elections of 4 October 2020 gave victory to parties supporting President Jeenbekov. The opposition demonstrated, stormed official buildings and freed imprisoned politicians, including Japarov, a former parliamentarian. The results were cancelled on 6 October. On 8 October, the opposition appointed Japarov as prime minister through a contested parliamentary procedure. Jeenbekov resigned on 15 October and Japarov became acting president. He resigned in mid-November to run in the early presidential election of 10 January 2021. He won with 79% of the vote, while several irregularities were denounced by international observers. He has announced his willingness to return to a presidential system by drafting a new constitution, superseding the one adopted after the 2010 revolts, which enshrined a parliamentary system. This idea was approved with 81% of the vote in a referendum on 10 January 2021, and is criticised, particularly by the West, for undermining the separation of powers and fundamental freedoms. The new Constitution should be put to a referendum in early 2021. Parliamentary elections have been pushed back to June 2021, leaving a high risk, at least in the first half of 2021, of greater political instability and economic repercussions. Mines were attacked during demonstrations, reflecting public hostility to China's economic presence.

A slow and uncertain recovery

This tense context, together with the pandemic, has plunged Kyrgyzstan into its worst recession since 1994. Restrictions from mid-March to mid-May 2020, including the closure of borders, businesses and industries, have had a strong impact on domestic demand, the driving force behind growth. Private consumption (82% of GDP) and, in turn, services (56% of GDP) suffered from the fall in remittances from Russia, the October 2020 demonstrations, but also from the rise in poverty and unemployment. Supply chains were disrupted in 2020, causing manufacturing and mining production (18% of GDP) to fall. Investment (29.5% of GDP, 21% for its private share) collapsed, bringing with it imports of capital goods. In 2021, the recovery of domestic demand is expected to be slow and depend on the political context, the pandemic and the recovery in Russia. It could be driven by the rebound in remittances that began in July 2020 and by the positive contribution of agriculture to growth. Industry, which has benefited from the suspension of business bankruptcy proceedings and deferrals, will benefit from the anti-crisis fund offering subsidised loans (2% of GDP in 2020, 7% in 2021). Despite a potential rebound in exports (one-third of GDP), the contribution of trade to growth is expected to become negative again. Indeed, the good performance of gold exports (50% of the total), driven by production at the Kumtor mine (10% of GDP), could be partially offset by the rebound in imports of capital goods (17%) and oil (10%) linked to a recovery in industry and construction (8% of GDP).

After rising sharply in 2020, inflation should return in 2021 to the 5%-7% target set by the central bank, despite the recovery of domestic demand and the rise in oil prices. Monetary policy, with a low policy rate (5% in December 2020), remains ineffective. The average lending rate is high (17%), which does not allow for an impulse of credit to the private sector that is not subsidised. The capitalisation and liquidity levels of the banking sector have remained stable thanks to the relaxation of prudential rules, but the quality of its assets could deteriorate (10.5% of non-performing loans in November 2020).

Deterioration of twin deficits

The public deficit widened in 2020 and is expected to remain significant in 2021, in particular because of the electoral calendar, which is expected to sustain high public spending. It is financed by concessional loans and foreign grants, such as the USD 592 million (7% of GDP) from the International Monetary Fund (IMF) and the World Bank received in 2020. These loans have increased the public debt. 85% of the debt is denominated in foreign currency and is held by multilateral and bilateral lenders (62%) and the Chinese Eximbank (38%). Its sustainability could be ensured by potential restructuring by Paris Club creditors, who have already agreed to a deferral of its service to 2022-2024. Deferrals have also been agreed with China, which could agree to a restructuring after the elections.

After falling in 2020 with the fall in imports that reduced the trade deficit (34% of GDP), the current account deficit could return to its pre-crisis level in 2021 with their recovery. While FDI may dry up in mining after the October 2020 attacks, multilateral lenders will take over, at the cost of an increase in the external debt-to-GDP ratio (87.5%, two-thirds of which is due to the public sector). Foreign exchange reserves remain comfortable (USD 1.7 billion in December 2020, 4.3 months of import coverage), making it possible to limit the depreciation of the som by intervening on the foreign exchange market.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	**7.2**
GDP PER CAPITA US Dollars - 2019	**2,661**
CURRENCY Lao kip	**LAK**

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	41%
CHINA	35%
VIETNAM	7%
EURO AREA	4%
JAPAN	3%

Imports of goods as a % of total

THAILAND	56%
CHINA	26%
VIETNAM	10%
JAPAN	1%
EURO AREA	1%

+

- Abundant natural resources: minerals (copper, gold, iron), agricultural commodities (maize, rice, sugar cane, rubber, cassava, soybeans, coffee) and forestry (wood and pulp).
- Expansion of the hydroelectric sector and diversification of the economy (agri-food, electronics, clothing)
- Foreign investment in the commodities and energy sectors
- Regional integration (ASEAN) and WTO membership

-

- Large and persistent current account deficit
- Weak foreign exchange reserves
- Governance shortcomings and major inequalities
- Fragile banking sector
- Significant sovereign risk due to high external debt, especially Chinese-owned external debt
- Sensitive to commodity prices as well as regional economic and geopolitical conditions (landlocked location)
- Poor business environment (154th out of 190 countries in the Doing Business 2019 report)
- High levels of corruption (120th/198 on the Transparency International index in 2019)

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	6.3	5.2	0.2	4.8
Inflation* (yearly average, %)	2.0	3.3	6.5	4.9
Budget balance* (% GDP)	-4.7	-4.3	-8.2	-7.2
Current account balance* (% GDP)	-12.0	-6.4	-8.7	-7.7
Public debt* (% GDP)	59.7	62.6	70.9	70.7

(e): Estimate. (f): Forecast. * Fiscal Year 2021 : 1st Oct 2020 - 30th Sept 2021.

RISK ASSESSMENT

A strong rebound expected in 2021

Laos's economic growth cooled significantly in 2020, slowing to almost zero. In 2021, it is expected to make a brisk recovery, approaching pre-crisis levels. Household consumption, which accounts for 67% of GDP, will start growing again after declining due to income losses (the unemployment rate surged to about 20%, and expatriate remittances, which account for 60% of income in 10% of households, plummeted). Investment decreased in 2020 as a number of projects were postponed. It will be supported in 2021 by the implementation of these projects, including the USD 2 billion Luang Prabang dam project by the Chinese company Datang Hydropower, as well as the USD 2 billion investment by the Laos Transmission Company Ltd (a joint venture between Chinese and Laotian companies created in September 2020) to improve power transmission lines to neighbouring countries. Electricity accounts for 10% of the country's GDP and 25% of its exports, and will be one of the engines of growth in 2021. The agricultural sector, which accounts for 15% of GDP but 60% of the workforce, has recovered from the floods of 2018 and, assuming that weather conditions are the same, will continue to grow positively in 2021. The mining sector (6% of GDP) will continue to decline due to the government's suspension of new mining operations since 2016. Maturing copper mines are another factor that is affecting the sector. Services, particularly tourism and trade (each accounting for 12% of GDP), were hard hit by distancing measures, but could resume once these restrictions are lifted.

Vulnerable to external shocks due to persistently high deficits

Despite progress in recent years in curbing the public deficit, the government had little room to manoeuvre when responding to the crisis. In April 2020, the country implemented a USD 330 million stimulus plan, representing 1.9% of GDP, which mainly focused on cash transfers to the poorest workers. This plan, coupled with an estimated 21% drop in revenue, caused the public deficit to widen in FY2020 and increased the public debt. External debt is equivalent to 86% of GDP, with 60% owed by the public sector and the remainder corresponding to unsecured commitments within the framework of public-private partnerships or the Boten-Ventiane railway. The risk associated with this debt, which is largely denominated in dollars, increases during periods when the kip is depreciating, as was the case in 2020. Half of this debt is held by China following its numerous investments in the country as part of its New Silk Road strategy (USD 5.9 billion loan for the Vientiane-Boten high-speed train line, investment in hydroelectricity, etc.). The level of the debt and its servicing prevents the country from financing its expenditures on favourable terms on financial markets, which is why the concessional portion accounts for 65% of external public debt.

The current account deficit, which was already high, widened in 2020 after the trade deficit worsened and expatriate remittances fell by half. The decline in exports, particularly of electricity, ore and tourism, due to the economic slowdown among Laos's main trading partners (Thailand, China and Vietnam) was not offset by a decrease in imports (oil bill and purchases of capital goods). Any improvement in the trade deficit is expected to be limited in 2021, due to the weak tourism sector. Moreover, 70% of expatriate remittances (1.7% of GDP in 2019) come from Thailand, which has been badly affected by the crisis, and will follow the Thai recovery. The current account deficit is usually financed by bilateral and multilateral debt, as well as FDI, especially from China. Given the low foreign exchange reserves (one month of imports), the additional financing requirements for 2020 relied on emergency aid.

Non-transparent political environment

President Boungnang Vorachit and Prime Minister Thongloun Sisoulith are both members of the Lao People's Revolutionary Party (LPRP), which is the only authorised party in the country. This communist party controls all aspects of politics and civil liberties. The next legislative elections, to be held in 2021, are expected to see the LPRP win the vast majority of seats, while a handful of independent, non-partisan candidates approved by the single party will be allowed to sit in the assembly.

Chinese influence will remain strong as the Laotian government seeks to restructure the substantial debt owed to that country. This may be one reason why Laos agreed in September 2020 to allow China to control its national electricity company. Some hydroelectric projects, such as the construction of the Luang Prabang dam, the third Laotian hydroelectric dam on the Mekong river, have upset local populations as well as other riparian countries and environmental NGOs because of the potential disruptions to fishing and agriculture along the river.

LATVIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

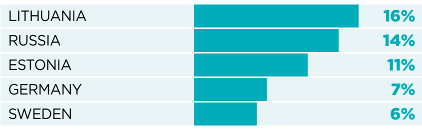
POPULATION Millions of persons - 2019	1.9
GDP PER CAPITA US Dollars - 2019	17,772
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.3	2.2	-4.4	3.0
Inflation (yearly average, %)	2.5	2.7	0.6	1.8
Budget balance (% GDP)	-1.2	-0.6	-4.0	-1.5
Current account balance (% GDP)	-0.7	-0.5	2.0	-0.8
Public debt (% GDP)	36.5	36.8	44.0	45.0

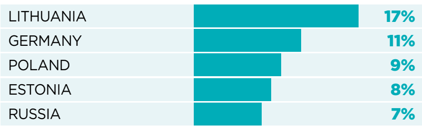
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+

- 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 (non-EU residents account for only 7% of total deposits)
- Transit point between the European Union and Russia (coastline and ports)
- High level of digitalization

−

- Declining workforce (low birth rate, emigration) and high structural unemployment
- Technological lag (R&D = 0.6% 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
- Wealth concentrated in the capital, high income inequality

RISK ASSESSMENT

Activity expected to rebound in 2021

Although mildly affected by the coronavirus in March, Latvia was nevertheless economically impacted and experienced a severe recession in 2020, which is expected to be followed by a strong recovery in 2021. The recession can be attributed in particular to an 8% drop in consumption in 2020. Consumption, which accounts for 58% of GDP, is set to increase by 5% in 2021, but will likely remain constrained by the household deleveraging process underway since the end of the 2008 crisis (household debt now represents 22% of GDP and 42% of net disposable income). Investment slowed in 2020 but will be supported in 2021 by a EUR 2.2 billion plan announced by the Minister of the Economy in May for the implementation of infrastructure projects by 2023, as well as by European funding. Exports (wood products, metals, machinery and equipment) declined by around 5% in 2020 following the slowdown in international trade, but should increase again in 2021. Wood exports, which account for 20% of exports, decreased following the global downturn in construction in 2020, but will benefit in 2021 from the recovery in pulp prices.

Unlike other sectors, agriculture, which accounts for just over 3% of GDP, was not severely affected by the crisis. Industry fell by 7% in 2020, although some sectors, including electronics and chemical manufacturing, managed to resist. The secondary sector is expected to grow by 5% in 2021, driven especially by the resumption of construction owing to growing demand for housing and major infrastructure projects, including Rail Baltica, a European rail project to link Helsinki and Warsaw, the cost of which for Latvia is estimated at EUR 2 billion (7% of GDP). Services declined sharply during the crisis (-8%) but are expected to grow by 5% in 2021, driven by solid results in financial and business services.

Prudent fiscal management impacted by the crisis

Since March 2020, the government has announced a series of measures to support household incomes and the hardest hit sectors, totalling approximately EUR 3 billion, or 11% of GDP. However, demand is likely to be limited for some measures such as state-guaranteed loans, which will reduce the initially planned spending. The public deficit has necessarily worsened due to the implementation of this plan but should be reduced in 2021. Public debt also increased by several percentage points of GDP in 2020 and is expected to rise slightly next year. The public accounts will benefit from European support, including EUR 5 billion under the EU Recovery and Resilience Facility, of which 70% will be disbursed before 2022, and EUR 7.97 billion under the 2021-2027 multiannual financial framework, of which 14% will be distributed in 2021.

The current account showed an unusual surplus in 2020, as, despite declining because of the drop in exports related to tourism and transport (including a collapse in transit traffic with Russia, which accounts for the vast majority of rail freight), the services surplus for once exceeded the goods deficit, which narrowed slightly in 2020 due to a steep drop in imports (fossil fuels, oil and capital goods). The trade balance (goods and services), which showed a small surplus in 2020, is expected to return to a deficit in 2021, as the pick-up in consumption and investment will drive an upturn in imports. This also explains why the current account will return to a deficit in 2021. The financial account will continue to be affected by the fact that FDI inflows are lower than investments abroad. Gross external debt, almost 80% of which is owed by the private sector, has been slashed in recent years and reached 122% of GDP in 2020.

Political stability threatened by community tensions and a flawed financial system

Krišjānis Kariņš was appointed prime minister in 2019 and leads the governing coalition of the New Conservative Party, the populist KPV, the Liberal AP! party, the Nationalist Alliance and the Liberal-Conservative New Unity party. The lack of political representation for the large Russian-speaking minority (30% of the population) in successive governments reflects their exclusion from Latvian society, in a country where language is an important identity issue, and even though the pro-Russian Harmony party came out on top in the 2018 legislative elections. Relations with Russia have become strained again since the construction of a fence at the Russian border in 2019. Although officially intended to limit smuggling and the illegal entry of migrants into Latvia, the fence is seen by some Russian media outlets and politicians as a gesture by Riga against Moscow.

Finally, many Latvian banks serve foreign clients associated with a high risk of money laundering. Although the value of non-resident deposits has decreased, falling from EUR 8.1 billion in 2017 to EUR 3.2 billion euros in 2019, and that the country signed an agreement in 2020 on this subject with the United States, the most recent FinCEN report of September 2020 singles out Latvia and the country's inadequate political response to this issue.

LEBANON

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	6.9
GDP PER CAPITA US Dollars - 2019	7,661
CURRENCY Lebanese pound	LBP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-1.9	-6.9	-25.0	-1.8
Inflation (yearly average, %)	4.6	2.9	90.0	120.0
Budget balance (% GDP)	-11.3	-10.5	-16.5	-13.2
Current account balance (% GDP)	-28.2	-27.4	-16.3	-9.1
Public debt (% GDP)	154.9	174.5	171.7	170.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	22%
UNITED ARAB EMIRATES	15%
EURO AREA	8%
SAUDI ARABIA	5%
SYRIA	5%

Imports of goods as a %

EURO AREA	33%
UNITED STATES	9%
CHINA	8%
RUSSIA	7%
TURKEY	5%

+
- Important regional trading hub
- Strong potential for tourism

−
- Large budget and current account deficits
- Dependence on imports and foreign capital inflows
- Very high inflation, fragile currency peg
- Social instability due to deteriorating living conditions
- High political uncertainty

RISK ASSESSMENT

Stagflation expected to continue

The Lebanese economy, already hit in late 2019 by rising protests due to in-creasing income inequality and declining personal income, was severely im-pacted by a series of factors in 2020. Following the default on its USD 1.2 billion Eurobond in March 2020, the country expe-rienced a drastic dollar shortage and a massive depreciation of the local currency (hitting an all-time low of 10,000 versus the U.S. dollar on the black market in July 2020 compared to the official rate of 1,507.5). Lebanon also suffered from several weeks of lockdown because of COVID-19 and a massive explosion in Beirut in August 2020 that killed nearly 200 people and damaged the main port through which 80% of imports were entering into the country. In 2021, the economy should continue contracting mainly due to deteriorated supply chains, the decline in private consumption in line with still skyrocketing inflation, and high fiscal and external pressures. The sovereign default and the lack of structural reforms will weigh on the country's ability to attract capital inflows. The lack of external funds coupled with a deterio-rated business environ-ment will continue to weigh on investments. The ruinous situation of the electricity sector is another obstacle, as Lebanon does not have the capacity to supply 24-hour electricity across the country. The contribution of net exports to GDP will also remain in the negative territory: exports suffer from closed roads and regional tensions, but also from the dependence on imported inputs, as imports have become costlier due to the lack of dollars. The high level of inflation (hitting 131% in September 2020) will persist due to the loss of an important part of the import capacity after the Beirut explosion and the destruc-tion of a grain silo that threatens grain reserves and food prices.

Current account deficit is narrowing, but very gradually

The Beirut blast caused a decline of around 45% in the port's revenues in January-September 2020 compared to a year earlier. The country's key export markets are the Gulf countries and the European Union. The slow recovery on those markets and the loss of local production capacities due to the economic and social crisis resulted in declining exports. The continuous crisis in Syria is also a drag on land transportation of Lebanese goods. More importantly, imports are also expected to decline because of the economic contraction. Given that imports outweigh exports, the trade deficit, which already narrowed by around 60% year-on-year in the first eight months of 2020, will continue to improve, but at a gradual pace. Services exports will continue to suffer from reduced tourism revenues induced by COVID-19 measures and lower local security. Tourism revenues, which reached USD 12 billion (22% of GDP in 2019), have declined by more than half in 2020 and are expected to slightly pick up to USD 8 billion in 2021. The country will also lack remittances (estimated at 13% of GDP in 2019 according to the World Bank) from its Gulf neighbours and the large Lebanese expatriate population. Finding other external resources will continue to be a difficult challenge for Lebanon. International donors condition their aid to the implementation of much needed reforms on the exchange regime, transparency and accounta-bility. However, the delay in the formation of a new government has intimidated international donors. As a result, the central bank's foreign currency reserves declined to a critically low level in 2020 (down by USD 11.3 billion in January-September 2020 to reach USD 25.9 billion, equivalent to around 30 months of imports). These factors are expected to weigh on the currency peg in 2021. The fiscal deficit will persist in the upcoming period due to the absence of fiscal reforms and a restructuration of the elec-tricity sector, lower budget reve-nues because the economic crisis and the impact of COVID-19.

Rising poverty increases political instability

Following the massive explosion in the port, which has caused an estimated USD 7 billion in damage (around 14% of GDP), poverty increased in Lebanon (55% of the population live in poverty according to the United Nations, compared to 28% in 2019). Furthermore, the country faces an important refugee issue (estimated at 25% of total population) that puts pressure on the country's infra-structure and public services capacities. The crippling financial crisis, rising unemployment and the strong depreciation of the local currency are causing basic goods shortages such as medicine and food, and the rise in inflation is leading the country to political instability. The political scene remains problematic, as the repartition of assembly seats is based on confession, which makes it difficult to find a candidate who can convince all the parties to implement struc-tural reforms. Therefore, the social discontent and protest will continue.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	4.6
GDP PER CAPITA US Dollars - 2019	694
CURRENCY Liberian dollar	LRD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	-2.5	-3.0	3.2
Inflation (yearly average, %)	23.5	27.0	14.0	9.5
Budget balance* (% GDP)	-5.1	-4.5	-3.0	-2.2
Current account balance** (% GDP)	-23.4	-21.5	-21.3	-21.5
Public debt (% GDP)	42.2	53.2	61.7	63.5

(e): Estimate. (f): Forecast. * Inclung grants, Fiscal year 2021 from July 1st, 2020 to June 30th, 2021. ** Including official transfers

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	37%
EURO AREA	20%
UNITED STATES	19%
BANGLADESH	2%
SINGAPORE	1%

Imports of goods as a % of total

CHINA	29%
INDIA	27%
EURO AREA	10%
UNITED STATES	8%
CÔTE D'IVOIRE	6%

+
- Diverse natural resources (rubber, iron, gold, diamonds, oil)
- Financial support from the international community
- Member of the Economic Community of West African States (ECOWAS)

−
- Poor infrastructure
- 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 environment
- Dominant informal sector

RISK ASSESSMENT

Resumption of growth

Liberia's growth has been volatile since the Ebola epidemic in 2014. After being negative in 2019, partly due to currency depreciation and a weak external sector, growth contracted further in 2020 following the COVID-19 pandemic. Measures to combat the spread of the epidemic, such as the closure of certain establishments including schools, churches and cinemas, and restrictions on access to restaurants and banks, impacted domestic demand. To lessen the impact on the population, whose situation is already difficult, the government and its international partners implemented a pandemic response plan, with assistance provided to the poorest and most vulnerable households. The plan also features a component devoted to economic recovery through private sector investment and domestic revenue mobilisation. However, the downturn in activity was mainly due to the decline in exports (29% of GDP in 2019). Mining sector exports (nearly 50% of the total), chiefly gold, declined, despite higher gold prices, owing to weakened external demand. Rubber and palm oil exports fell as well. In 2021, external demand is expected to recover, which should allow exports to resume and thus growth to rebound. Services recorded losses due to restrictions related to the COVID-19 crisis, which affected various sectors such as tourism, transport and financial services, but should be on a more positive trajectory in 2021. Agriculture and forestry (one-third of GDP), which employ 60% of the population, are expected to be resilient in 2021 thanks to increased rubber and palm oil production capacity.

Inflation fell sharply on weaker demand, low oil prices and tighter monetary conditions. A shortage of banknotes led to a contraction in the money supply and consequently to less depreciation of the Liberian dollar, which reduced inflation. Still, inflation remains high as a result of the Liberian dollar's trend depreciation against the U.S. dollar. In 2021, a slight rise in the global price of oil, which is a major import product, will slow the decline in inflation.

Deficits financed by foreign aid

The current account deficit remains very high, despite international assistance, but is stable. It is particularly affected by the large trade deficit (18% of GDP in 2020), which did however continue to shrink thanks to a decline in imports owing to the Liberian dollar's sharp depreciation against the U.S. dollar (1 USD was worth 97 Liberian dollars in July 2017, compared to 195 in October 2020), as well as modest growth in exports. In 2020, the decline in exports was offset by lower imports and lower oil prices. In 2021, the deficit is not expected to change, due to the parallel recovery in exports and oil prices. The current account deficit will be partly financed by FDI (8% of GDP), but the bulk of the financing will come from multilateral concessional loans. The increase in public spending to contain the pandemic, coupled with lower revenues due to the slowdown in activity, caused the public deficit to widen to -20.5% in 2020 versus -18% in 2019. However, grants considerably reduce the deficit, and this situation should continue in 2021 with the additional funds received in response to COVID-19. The IMF has granted USD 50 million under its Rapid Credit Facility and debt service relief under the Catastrophe Containment Relief Trust amounting to USD 45 million over two years. The EU approved the disbursement of USD 59 million under two programmes to promote economic development and post-COVID recovery. The World Bank and the African Development Bank have also released funds for various health and food security projects, and to mitigate the effects of the pandemic. Public debt has increased significantly because of this financing. However, its external share (70% of the total) is almost exclusively multilateral and concessional. The domestic share recently increased due to borrowing from the central bank.

Uncertain political stability

Former footballer George Weah was elected president in December 2017. His election, after two civil wars (1990/97 and 1999/2003), marked the first democratic and peaceful transition between two elected presidents in 73 years. Through his Pro-Poor programme, President Weah affirmed his commitment to tackling the lack of infrastructure, promoting access to basic public services, and fighting corruption. However, the weak economy, inflation and recurring corruption issues are fuelling public protests and undermining political stability. Furthermore, the regime's handling of the COVID-19 crisis, which has been handicapped by the weak health care system, has come in for criticism. This has further eroded the popularity of the president, which had already been damaged by social unrest and corruption scandals. The next elections are scheduled for 2023. In the meantime, political stability may well be challenged by widespread criticism of the Weah administration.

LIBYA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	6.6
GDP PER CAPITA US Dollars - 2019	6,055
CURRENCY Libyan dinar	LYD

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	54%
CHINA	19%
EGYPT	7%
UNITED STATES	4%
AUSTRALIA	3%

Imports of goods as a % of total

CHINA	18%
EURO AREA	16%
TURKEY	15%
SOUTH KOREA	8%
UNITED STATES	4%

+

- Large oil and gas reserves (the largest in Africa)
- Very low external indebtedness
- Large foreign exchange reserves, sovereign funds
- Strategic positioning in the Mediterranean, proximity to Europe

-

- Country divided in two: Tripolitania in the west, managed by the Government of National Accord, led by the Prime Minister of the Presidential Council, Fayez-al Sarraj, recognised by the international community; Cyrenaica in the east, supported by Marshal Haftar
- The south of the country (Fezzan) faces the proliferation of trafficking (human, arms, drugs) and animosity between Tuaregs and Toubous
- Economic and financial fragmentation superimposed on political and tribal divisions
- Selective currency access for importers
- Deficient business environment (186/190 in the Doing Business 2020 ranking)
- Destruction of a large part of the country's infrastructure

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	17.2	2.5	-41.0	21.0
Inflation (yearly average, %)	-1.2	4.6	22.0	15.0
Budget balance (% GDP)	16.3	20.4	-10.0	-5.0
Current account balance (% GDP)	25.7	10.7	-14.0	3.5
Public debt (% GDP)	105.0	110.0	260.0	N/A

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

RISK ASSESSMENT

Slim hope for elections in 2021 and a highly deteriorated security situation

The attack on Tripoli between April 2019 and June 2020, the blockade of oil ports and terminals between January and September 2020, and the health crisis, have created the most severe crisis that Libya has faced since 2011.

Indeed, undermined by the political fractures that reappeared following the 2011 revolution, Libya is a divided territory. Two authorities are vying for power: the self-proclaimed Libyan National Army (LNA) of Marshal Khalifa Haftar in the East and the internationally recognised executive Government of National Accord (GNA) based in Tripoli in the West. Following an offensive against Tripoli launched by Marshal Haftar in April 2019, the country was plunged into a new period of open civil war between the two rival authorities, fuelled by interference from foreign powers (support for the GNA from Turkey and Qatar and for the LNA from the UAE, Russia, and Egypt). The battle of Tripoli ended in June 2020 with the expulsion of the LNA from the suburbs of the capital. A ceasefire agreement, signed on 23 October in Geneva under the aegis of the UN, subsequently brought the fighting to a halt.

The United Nations Mission of Support to Libya (UNSMIL) confirmed in November 2020 that the two parties had agreed to hold parliamentary and presidential elections in December 2021. However, since the new form of the institutions has not been agreed upon, it is unclear as to which bodies Libyans will be asked to vote for. Moreover, while the Geneva Agreement provided for the withdrawal of foreign troops by 23 January 2021, the GNA indicated that the agreement did not concern Turkey and signed a new military cooperation agreement with Qatar.

Economy dependent on the evolution of the conflict and oil activity

The collapse in growth is explained by the near stoppage of the oil sector during the first three quarters of 2020, even though it accounts for 60% of GDP. The blockade of production was in fact due to the armed militias of the Libyan National Army. After 8 months of blockade, Marshal Haftar announced its lifting in August 2020. According to OPEC, oil production went from 1.1 million barrels per day in December 2019 to 107,000 between February and September 2020, a loss in revenue of 95.5% according to the National Oil Corporation.

Since the lifting of the blockade in September, production recovered rapidly, to 1.2 million barrels per day in mid-November, and should continue to do so in 2021, provided no political crisis occurs. However, the degradation of the infrastructure will cost billions of dollars and will require the arrival of foreign investors, who are cautious given the situation in the country.

Aside from the problems related to the oil sector, household consumption (up to 80% of GDP in some years), affected by falling incomes and social distancing measures, fell by 15% in 2020 and is expected to rise by only 3% in 2021. Local private investment is expected to remain low due to the persistence of high uncertainties. The economy has also suffered from currency depreciation on the black market (54% in the first half of 2020) linked to the scarcity of foreign currency, which has widened the gap with the official exchange rate. With the boom in oil revenues, the depreciation should stop in 2021.

Very large twin deficits

The public balance was plunged into an extreme deficit in 2020. Indeed, 55% of public revenues are dependent on oil. However, in 2020, oil revenues are expected to have accounted for only one-fifth of 2019 revenues. To limit the deficit, the GNA cut civil servants' salaries by 20% and reduced its subsidies, particularly on fuel. Furthermore, the tax on foreign exchange sales introduced in December 2018 helped to slightly alleviate the pressure on public finances. The deficit is financed by the Central Bank, but also by local commercial banks, which explains why most of the debt is domestic. In 2021, the resumption of production and the rise in oil prices will improve public accounts.

The 80% drop in exports (97% of which is made up of oil exports) explains a very large part of the huge current account deficit in 2020. In 2021, the lifting of the blockade and the rise in oil prices will allow a 198% increase in exports of goods according to the IMF. By contrast, however, imports are expected to pick up sharply. The structural deficit in services will remain significant given the country's dependence on foreign companies to service its oil industry, while the primary income surplus resulting from investments held abroad will persist. In 2021, the reduction of the current account deficit will alleviate the pressure on Libya's foreign exchange reserves (USD 74 billion at the end of May 2020, more than 20 months' worth of imports), which the central bank has used to try to maintain foreign currency supply to the market in 2020. Moreover, Libya has a sovereign fund estimated at USD 60 billion in 2011, which has since been frozen by decision of the UN.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	2.8
GDP PER CAPITA US Dollars - 2019	19,482
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.9	4.3	-1.3	2.8
Inflation (yearly average, %)	2.7	2.3	1.2	1.0
Budget balance (% GDP)	0.6	0.3	-8.4	-5.0
Current account balance (% GDP)	0.3	3.3	6.8	4.1
Public debt (% GDP)	33.7	35.9	46.8	49.2

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	14%
LATVIA	10%
POLAND	8%
GERMANY	8%
ESTONIA	5%

Imports of goods as a % of total

RUSSIA	15%
POLAND	12%
GERMANY	12%
LATVIA	7%
NETHERLANDS	5%

\+

- Membership of the Eurozone since 2015 and the OECD since 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 informal 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

Recovery after a relatively modest recession

The economic outlook for 2021 is characterized by the recovery following the COVID-19 pandemic induced recession in 2020. After COVID-19 first hit Lithuania in spring, the government reacted fast with a nationwide lockdown for 6 weeks, with all non-essential shops and services closing and public life coming to a standstill. These measures helped to contain the number of COVID-19 cases in a very modest area. A second wave that started in early autumn of 2020 turned out much stronger, and resulted in another lockdown (starting in October 2020 until at least early 2021), again with severe restrictions (e.g. closed shops). While the restrictive measures in Lithuania were similar to other European countries in spring 2020 (e.g. Germany), the economic damage was significantly lower. In the first half of 2020, GDP fell only by 1.2% compared to the same period in 2019, which was the second best result in the EU after Ireland. A strong production in the important food industry and in pharmaceuticals helped to stabilize economic growth. After a dynamic economic recovery in the summer of 2020 and another setback in economic activity in late 2020, because of the second lockdown, GDP growth in 2021 should be positive, but muted. It will depend on the development of the pandemic/the vaccination campaign, as well as the economic performance of the main export destinations: Russia, Poland and Latvia (which together account for 31% of all exports). Private consumption should remain one of the main drivers of economic growth, as the unemployment rate will slowly descend from its 2020 highs to lower but still elevated levels in 2021. Wage growth should be accordingly lower in 2021 (around 3.3% after 6.5% in 2020). Growth support will probably also come from the fiscal stimuli that were already decided in 2020 and that are particularly concentrated on investments. In 2020, the government decided an additional budget of EUR 3.5 billion (7% of GDP) in order to support the health sector and to provide wage subsidies for employees. Moreover, guarantee schemes were expanded (EUR 1.3 billion, 2.6% of GDP) and a business support fund was introduced (EUR 1 billion, 2.1% of GDP). Besides this, an investment plan worth of EUR 6.3 billion (13% of GDP) was approved (EUR 2.2 billion are new, the rest was accelerated) to invest, for instance, into infrastructure and digitalization through the end of 2021. Additional support will come from the ECB, which extended its asset purchases by EUR 500 bn. up to EUR 1850 bn., so that it has enough liquidity to buy assets in an unchanged manner until the end of March 2022. Further T-LTROS for an unchanged high credit supply are in the pipeline, too.

Public debt and the current account surplus reach record highs

The stimuli programs had a price. After four consecutive years of surpluses, the public budget went into a strong deficit in 2020. The additional investment measures in 2021 will lead into another strong deficit (comparable in size with the deficit of 2010). Therefore, pubic debt will increase to almost 50% of GDP, a record in Lithuanian history. The current account surplus has surprisingly reached a record high in 2020. The structural goods trade deficit decreased noticeably, as imports fell stronger than exports, while the services balance remained in surplus and the structural deficit of the income balance (e.g. capital income) decreased. In 2021, the deficit of the trade balance should increase again somewhat with a stronger recovery of domestic demand, but the current account surplus will probably remain relatively high.

New Prime Minister elected to fight the recession

Former Finance Minister and opposition politician Ingrida Šimonytė won, for the conservative party "Homeland Union", the parliamentary elections in October 2020. The party holds now 50 of the 141 seats in parliament. The victory reflected the public support for a comeback of Šimonytė's austerity policy, which she worked on from 2009 to 2012 when she dealt with the repercussions of the financial market crisis and stabilized public finances via harsh cutbacks. The Farmer and Greens-party of the former Prime Minister Saulius Skvernelis, which lost 22 seats and reached 32 seats, came second in the general election. The new Prime Minister Šimonytė formed a coalition with the Liberal Movement (12 seats) and the Freedom Party (11 seats). Together, they have a small majority of 73 seats. The next parliamentary election should take place in October 2024.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	0.6
GDP PER CAPITA US Dollars - 2019	115,839
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.1	2.3	-2.1	1.7
Inflation (yearly average, %)	2.0	1.6	0.2	1.3
Budget balance (% GDP)	3.1	2.4	-8.3	-3.9
Current account balance (% GDP)	0.0	2.2	0.6	1.1
Public debt (% GDP)	21.0	22.0	28.1	29.4

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	25%
FRANCE	16%
BELGIUM	11%
NETHERLANDS	5%
ITALY	5%

Imports of goods as a % of total

BELGIUM	34%
GERMANY	24%
FRANCE	11%
CHINA	7%
NETHERLANDS	6%

- Fiscal stability
- Skilled multilingual workforce
- High-quality infrastructure; business-friendly regulation
- Major international financial centre
- High standard of living

- Heavily dependent on a large financial sector
- Economy vulnerable to Eurozone economic conditions
- Long-term budgetary impact of population ageing
- International pressure for tax reform threatens to reduce the tax base

RISK ASSESSMENT

Rebound in activity, driven by a resilient financial sector

Following a recession of unprecedented proportions, the economy is expected to rebound significantly in 2021, but without fully offsetting the previous year's losses. Faced with the first wave of the pandemic in the spring of 2020, the government introduced a lockdown, closing all non-essential activities, but did not impose travel restrictions. While, as a result, the country recorded a substantial drop in GDP of around 8.5% in the first half of the year, it showed relative resilience in comparison to the rest of the Eurozone, and in particular compared to other countries in the region that had implemented similar lockdowns (average GDP loss of around 20% for France, Italy and Spain). Although household consumption and business investment collapsed in proportions comparable to those of the hardest hit countries, Luxembourg's economy benefited during the crisis from the resilience of the financial sector, which accounts for 27% of GDP and whose jobs are conducive to teleworking. As the world's second-largest fund management centre (EUR 4.7 trillion in assets under management) behind only the United States, the Luxembourg economy is highly exposed to the volatility of the international financial markets, which were overall robust in 2020 after a collapse in the spring. The financial sector is mainly composed of foreign banks (subsidiaries of European banks) — of the 130 banks registered in 2019, only seven were domestically focused commercial banks — and alternative investment funds. Thanks to the diversity of the financial sector's activities, profitability in the sector is less affected by very low interest rates. The end of the transition period following the UK's exit from the European Union will enable an influx of FDI from companies relocating from the UK, particularly in the insurance sector. Regarding financial stability, capitalisation is strong, and the authorities are taking measures to contain property risks (change to the rule on accelerated depreciation of rental property investments). Beyond finance, although Luxembourg has become a hub for scientific R&D, industry's share in GDP is steadily declining (5% of GDP in 2019, with metals accounting for one-third, down from 6% in 2010 and 13% in 1995), replaced by real estate activities and business services (20% of GDP) and non-market services (19%).

Healthy public finances despite pandemic-related expenditure

While 2020 marked the end of a decade of budget surpluses, due to the fall in activity and support measures (unemployment, direct aid to companies, deferral of tax and social security payments), the public deficit is expected to fall significantly in 2021. The public accounts will nevertheless remain clearly in deficit due to the extension of some measures (short-time work scheme, business aid) amid the ongoing pandemic, and the increase in public investment, particularly in transport infrastructure, aimed at reviving activity (4.3% of GDP, up 0.6 points on 2019). Although a broader tax reform initially planned for 2021 was finally postponed due to health uncertainties, a carbon tax of EUR 20/tonne of CO_2 will be introduced in 2021 and increase by EUR 5/tonne per year through to 2023, and real estate income earned by investment funds will be taxed at a flat rate of 20%. Whatever happens, public debt, which was the lowest in the Eurozone before the crisis, will remain at a very low level.

Moreover, after falling sharply in 2020 mainly due to the collapse in the income balance resulting from social contributions paid to cross-border workers during the lockdown (partial unemployment scheme, extraordinary leave for family reasons), the current account surplus is expected to rebound in 2021. While trade is expected to grow, the trade deficit and the income deficit due to cross-border transfers will continue to be offset by a significant surplus in the balance of services, three-quarters of which is attributable to the financial sector (EUR 20 billion).

A government strengthened by its handling of the first wave

At the head of the country since 2013, Prime Minister Xavier Bettel of the centre-right Democratic Party (DP) remained in power following the 2018 legislative elections after reaching a deal, as he did in his previous term, with the Socialist Party (LSAP) and Déi Gréng (environmental), giving the coalition a narrow majority (31 seats out of 60). The Christian Social People's Party (CSV) came out top in the election with 28% of the vote, 11 points ahead of the DP, and is the main opposition party with 21 seats. While the DP has been forced to make concessions to its partners, notably the environmental party, the only one of the main parties to make gains in 2018, as evidenced by the green investment projects and the recent carbon tax, the coalition looks solid. According to a poll in June 2020, the prime minister's party was strengthened by its handling of the first wave of the pandemic, attracting increased voting intentions (21%), which would give the coalition a more comfortable majority (33 seats) in the event of early elections.

MACEDONIA (NORTH)

COFACE ASSESSMENTS

COUNTRY RISK **C**

BUSINESS CLIMATE **A4**

POPULATION Millions of persons - 2019	**2.1**
GDP PER CAPITA US Dollars - 2019	**6,109**
CURRENCY Macedonian denar	**MKD**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.7	3.6	-4.4	5.0
Inflation (yearly average, %)	1.5	0.8	0.9	1.5
Budget balance* (% GDP)	-1.8	-2.0	-6.7	-4.5
Current account balance (% GDP)	-0.1	-2.8	-3.4	-2.5
Public debt** (% GDP)	40.6	40.1	50.2	50.5

(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	65%
BULGARIA	5%
KOSOVO	5%
SERBIA	4%
HUNGARY	3%

Imports of goods as a % of total

EURO AREA	36%
UNITED KINGDOM	11%
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

Domestic and external demand drive the recovery

In 2020, the economy contracted due to the COVID-19 crisis. Household consumption, a key source of growth in recent years (75% of GDP), was severely impacted by the strict lockdown measures in place from March 2020 to the end of June 2020. After falling (16.2% in Q1 2020) because of labour market reforms in recent years, unemployment hit 20% at the end of 2020, causing household income to decline. Combined with the drop in remittances, this loss of income weighed on consumption, which dropped by an estimated 4% in 2020. Reduced demand from the European Union, which accounts for 75% of the country's exports, hurt foreign trade. Investment declined by around 10% in 2020.

Despite the continued presence of restrictive health measures, a recovery began in the second half of 2020, supported by accommodative fiscal and monetary policies and the start of EU accession negotiations. Stimulus measures include tax breaks for businesses, subsidies for specific sectors, notably agriculture and tourism, and loan assistance to borrow at preferential rates. The National Bank of the Republic of North Macedonia (NBRNM) has cut its policy rate twice since the beginning of the crisis, reducing it by a cumulative 50 basis points to 1.5% in March 2020 to stimulate economic activity through lending to households and businesses. The recovery is expected to continue in 2021, in line with the upturn in the EU, particularly in Germany (50% of exports). The country may then benefit from increased investor confidence following the end of the conflict with Greece, while investment projects (financed by the EBRD) will help the country's competitiveness and regional integration (transport and energy).

A halt to fiscal consolidation

The public deficit widened significantly in 2020 on the back of increased health and social security spending. Revenues declined due to the downturn in economic activity, while stimulus plans worth EUR 1 billion (8% of GDP) were introduced in response. To compensate for the fall in tax revenues, borrowing increased, taking away the prospect of stabilising the debt, whose service represents 12% of GDP. Fiscal consolidation is hampered by tax evasion linked to the informal economy (estimated at between 30% and 40% of income and 18% of employment) due to shortcomings in tax administration and the labour inspectorate. Current expenditure on social assistance, wages and pensions leaves little room for public investment. Finally, the advantages granted to foreign investors, such as a ten-year tax exemption and free access to public services, are costly.

Regarding the external accounts, the current account deficit widened in 2020. It is expected to shrink slightly as exports return to pre-crisis levels in 2021, although the rebound in domestic demand and imports will counterbalance this. The income surplus coming from expatriate remittances and cash contributions (15% of GDP), as well as the services surplus (tourism and transport), will partly compensate for the trade deficit (15% of GDP) and the repatriation of income from foreign investments. The current deficit is financed by foreign investment. One-quarter of the external debt (80.3% of GDP as of June 2020) comes from commitments related to foreign investments, with the remainder divided between the public and private sectors. Foreign exchange reserves stood at more than four months of imports in 2020.

EU membership is a long way off

Initially scheduled for November 2020, the legislative elections of July 2020 resulted in a narrow victory for the coalition led by the Social Democratic Alliance of Macedonia (SDSM) and the Albanian party BESA, with Zoran Zaev holding onto his position as prime minister. The coalition agreement with the main Albanian party, DUI, states that Zaev will hand over his post to a member of the Albanian minority for a period of one hundred days following the expiry of a four-year period, before the next elections. Turnout was lower than in 2016 because of the epidemic, but also because people are fed up with the political class, which is accused of corruption and inaction in the face of economic stagnation. The new mandate should be marked by the country's desire to join the European Union. In addition to becoming the 30th member state of NATO in March 2020, the country reached an agreement to start EU accession negotiations. However, officially launching the talks will take time, as they are conditional on numerous reforms in the areas of the rule of law, independence of the judiciary and the fight against corruption. Regarding the business environment, while foreign companies enjoy considerable tax breaks and low wages within the Industrial and Technological Development Zones (free zones), outside these zones they have to contend with a shortage of skilled labour, poor infrastructure, weak research and development, issues relating to judicial independence, corruption and organised crime.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	**26.9**
GDP PER CAPITA US Dollars - 2019	**525**
CURRENCY Malagasy ariary	**MGA**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.6	4.8	-3.2	3.1
Inflation (yearly average, %)	8.6	5.6	4.3	5.5
Budget balance (% GDP)	-1.5	-2.4	-4.8	-3.8
Current account balance (% GDP)	0.7	-2.3	-4.2	-2.9
Public debt (% GDP)	39.9	38.4	44.2	45.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	35%
UNITED STATES	19%
CHINA	6%
JAPAN	6%
SOUTH KOREA	5%

Imports of goods as a % of total

CHINA	21%
EURO AREA	18%
UNITED ARAB EMIRATES	10%
INDIA	8%
SOUTH AFRICA	5%

+
- Significant mineral reserves (precious stones, nickel, cobalt) and petroleum reserves
- Agricultural potential, world's leading producer of vanilla
- Tourism development
- Support from international multilateral and bilateral donors (United States and France)
- Public debt mainly on concessional terms (65% of total)

-
- Reliant on agricultural and mining products (petroleum oil), vulnerable to terms of trade fluctuations
- Vulnerable to climatic hazards and natural disasters: ranked seventh most affected by climate risk in 2018 by 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 (only 13% of people have access to electricity)
- Chronic political instability (crises in 1972, 1991, 2002 and 2009)
- Political corruption

RISK ASSESSMENT

Investment as a driver of recovery

In 2020, activity contracted due to the COVID-19 crisis. The state of emergency (border closures, limited gatherings) introduced on 23 March was lifted in October 2020. While industrial and commercial activities were no longer under severe restrictions, despite the extended state of emergency, only international flights to Nosy Be, a well-known tourist destination, had resumed by early October.

The Supplementary Budget Act (LFR) of June 2020, which was included as part of the Madagascar Emergence Plan 2019/2023 (mainly financed by international donors), focused on health, education, water and sanitation, and transfers to the most vulnerable members of society, while maintaining the ambitious investment programme (9.5% of GDP under the LFR). Madagascar's insularity, combined with its lack of infrastructure, makes commercial transactions more expensive and hinders the competitiveness of the private sector. Investments, which slowed in 2020 due to health priorities, are therefore concentrated on road and energy infrastructure, but also on health and education infrastructure, which is boosting construction and transport. Despite the decline in oil prices, the purchasing power of the Malagasy people fell after the ariary depreciated steeply against the euro, losing 8.9% between 19 March and 30 July 2020 and going from MGA 4089 to MGA 4551 for EUR 1. In 2021, consumption is expected to be affected by the rising cost of imports and foodstuffs.

Given the cyclical nature of harvests, a slowdown in the growth rate of agriculture (which employs 80% of the population and provides 80% of household income) is expected in 2020/21, following a bumper rice harvest in 2019/20.

Twin deficits have deepened in the crisis

The release of USD 43.3 million in January 2020 signalled the end of the IMF programme to which the country had committed in 2016 in return for an Extended Credit Facility (ECF) totalling USD 347 million (3% of GDP). This notwithstanding, the IMF released a total of USD 338 million in emergency funding under the Rapid Credit Facility (in April and again in July 2020). These disbursements helped finance health and economic assistance expenditures under the government's national emergency plan, while a decline in revenues and an increase in public expenditures were recorded in 2020. Beyond 2020 and the crisis, the authorities are committed to pursuing reforms, presumably with a view to a new ECF, by improving mobilisation of customs and tax revenues to create sufficient space for priority investments and necessary social spending, and by pursuing reforms to mitigate fiscal risks, such as those related to state-owned enterprises. The budget deficit, which is mainly financed through multilateral and bilateral aid, is expected to decline slightly in 2021. Public debt, which is 70% external, is expected to barely increase. It is almost exclusively on concessional terms and remains sustainable.

Exports of mining products (15% of total exports), vanilla and textiles declined because of the crisis. Imports also decreased, although to a lesser extent, due to weaker demand and transport disruptions. In 2021, imports and exports will recover in line with the economic upturn in domestic and external markets. However, the increase in export revenues is expected to outpace that of imports given persistently low oil prices. The capital and financial accounts were hit by the 20% reduction in FDI in 2020. Inflows of international financing largely offset both this and the deterioration in the trade deficit, generating a balance of payments surplus and an increase in foreign exchange reserves, which reached the equivalent of 4.8 months of imports at end-2020.

President Andry Rajoelina faces many challenges

Senate elections in December 2020 took place against a tense backdrop. Opposition parties rejected the elections as unconstitutional and rushed, pointing out that several communes did not have electoral college representatives and complaining about irregularities in the approval of the ordinance reducing the number of senators from 63 to 18. Candidates from the president's IRD party won a resounding victory in municipal elections in November 2019. Since these mayors and councillors make up the electoral college, which selects two-thirds of the senate's members (the rest are appointed by the president), President Andry Rajoelina, who was elected in 2018, is set to control the senate.

The government must tackle the perennial socio-economic challenges facing Madagascar. People living in the southwestern part of the island are having to cope with a famine, following a drought. International aid is being mobilised, and the country will receive support from the African Development Bank and the World Bank as part of the Agro-industrial Processing Zone Development Project (PTASO). This will be implemented in 2021 for a period of five years and aims to improve agricultural production infrastructure and marketing of production, in order to reduce dependence on imported agri-food products.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	20.3
GDP PER CAPITA US Dollars - 2019	378
CURRENCY Malawi kwacha	MWK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.2	4.5	1.0	3.0
Inflation (yearly average, %)	9.2	9.4	9.1	9.5
Budget balance*/** (% GDP)	-7.2	-6.9	-8.3	-13.0
Current account balance (% GDP)	-20.5	-17.1	-20.5	-20.3
Public debt* (% GDP)	59.4	59.5	69.1	78.2

(e): Estimate. (f): Forecast. * Fiscal year 2021 from July 1st, 2020 to June 30th, 2021. ** Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	23%
TANZANIA	14%
UNITED ARAB EMIRATES	9%
KENYA	7%
SOUTH AFRICA	6%

Imports of goods as a % of total

SOUTH AFRICA	18%
CHINA	14%
INDIA	10%
EURO AREA	9%
UNITED ARAB EMIRATES	7%

+

- Natural resources (tobacco, tea, coffee, sugar, soybeans)
- Rapidly expanding service sector
- Resumption of support by financial donors (suspended for some time due to corruption)
- Member of Southern African Development Community (SADC) and 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 population in 2020)
- Infrastructure shortcomings (water, energy, transportation, education, health) and weak business environment
- Widespread corruption (123/180 according to Transparency International's Corruption Perceptions Index)
- Diplomatic tensions with Tanzania and Mozambique

RISK ASSESSMENT

Growth to return in 2021 after nearly stagnating in 2020

Although the courts blocked a full lockdown, Malawi introduced various social distancing measures, including closing schools and banning gatherings, which slowed the country's economy in 2020. Even so, the economy held up relatively well thanks to the dominant role played by the agricultural sector, which shrugged off the crisis. Growth will resume in 2021 but is not expected to return to its pre-crisis level.

Agriculture, which employs 60% of the population and accounts for 30% of GDP, did not experience a recession, expanding by 0.5% despite the crisis. This was due, among other things, to the 11% increase in 2020 in maize production, which represents 30% of the agricultural sector. However, agriculture was hurt by lower cotton prices, supply chain disruptions and the decline in tobacco prices and production, although the United States partially lifted its suspension of tobacco imports from Malawi in August 2020. The absence of a recession in the agricultural sector helped to minimise income losses for rural dwellers, thus stemming the decline in consumption (-5% in 2020). In fact, the drop in consumption was primarily due to the sharp decrease in income for the urban population, which was hurt by the collapse of services (-6% in 2020). Other sectors were severely affected by shortages and recurring power outages, but should rebound in 2021 (+2.6% for industry and +2.5% for services). The economy was also damaged by a 7% drop in investment in 2020. Moreover, this decline will not be offset by the 5% increase forecast for 2021, particularly following the flight of foreign investors. However, some investment projects are expected to continue in 2021, such as the World Bank-financed Mozambique-Malawi regional interconnection project, which includes the construction of a high-voltage power line to provide reliable supply to Malawian businesses and households.

Massive deficits largely financed by international aid

Despite international aid amounting to nearly 3% of GDP, not counting off-budget support for development projects by donors, the public deficit is high. It increased with the launch in April 2020 of a USD 212 million recovery plan, which was subsequently raised to USD 345 million, or 4% of GDP. Financing the deficit will entail increased recourse to debt, especially domestic debt, which covers 85% of the financing requirements. Consequently, public debt also increased, particularly the domestic portion (47% of GDP), which is considered high risk by the IMF. However, the public finances got some support from increased foreign aid, including emergency financing and debt service suspension.

The large trade deficit (21% of GDP before the crisis) was already fuelling a substantial current account deficit, which widened slightly in 2020 but is expected to stabilise in 2021. Despite the decline in the oil bill (10% of imports) and capital goods purchases, the goods deficit widened as a result of increased public sector imports (especially health-related capital goods) and a drop in the country's exports (tobacco, tea, sugar), which were constrained by border closures, rising transit costs and, to a lesser extent, lower demand and prices. The situation should reverse in 2021. Tourism revenues fell, but since they account for only 4% of total exports, they had a mild impact on the services deficit, which remained stable in 2020 and is not expected to change much in 2021. Expatriate remittances, usually equivalent to 8% of GDP, declined moderately. Typically, the current account deficit is largely financed by international aid. The same is true for the additional financing requirements resulting from the crisis, with the IMF providing USD 193 million under two Rapid Credit Facilities, USD 204 million coming from international institutions such as the World Bank, the EU and the AfDB, plus contributions from development agencies in various countries and an increase in project aid. This should mean that Malawi does not have to drain its foreign exchange reserves, which are equivalent to three months of imports, or increase its external debt.

Opposition wins presidential election re-run

After the Constitutional Court cancelled the 2019 election, a new presidential election was held in June 2020. Lazarus Chakwera, president of the Malawi Congress Party, previously the country's sole party, which has a relative majority in parliament (62 seats out of 193), beat the incumbent President Peter Mutharika, taking almost 60% of the votes. The new government will face a tense social climate, aggravated by the COVID-19 crisis and marked by public discontent with recurring weak governance, corruption scandals, endemic poverty and poor public services.

In terms of external relations, the country strengthened its ties with Israel by becoming, in October 2020, the first African country to open an embassy in Jerusalem in more than 40 years.

MALAYSIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	32.6
GDP PER CAPITA US Dollars - 2019	11,193
CURRENCY Malaysian ringgit	MYR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.8	4.3	-5.0	6.0
Inflation (yearly average, %)	1.0	0.7	-1.0	2.5
Budget balance (% GDP)	-3.3	-3.5	-6.5	-4.0
Current account balance (% GDP)	2.2	3.5	0.9	1.8
Public debt* (% GDP)	55.5	57.2	67.5	66.0

(e): Estimate. (f): Forecast. * Excluding 1MDB and state-owned enterprises.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	14%
SINGAPORE	14%
UNITED STATES	10%
EURO AREA	8%
HONG KONG	7%

Imports of goods as a % of total

CHINA	21%
SINGAPORE	11%
UNITED STATES	8%
EURO AREA	8%
JAPAN	7%

\+
- Diversified exports
- Growing domestic demand mitigates external headwinds
- Dynamic services sector
- High R&D
- Investment supported by the expansion of the local financial market and access to FDIs
- Exchange rate flexibility
- High per capita income
- Travel hub

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- Budget income highly dependent on performances in the oil and gas
- Very high private debt levels (80% of GDP)
- Low fiscal revenues, lack of transparency in budget spending
- Erosion of price competitiveness due to increasing labour costs
- Persistent regional disparities
- Ethnic and religious disputes

RISK ASSESSMENT

Strong but probably uneven recovery

Growth is set to recover strongly in 2021, due to lower base effects than in 2020 and driven by stronger domestic consumption, but this recovery is likely to be uneven. The resurgence of infections, following the Sabah state elections in September, was stronger than in March 2020. This prompted the government to re-impose partial lockdowns in October and lockdowns in January 2021 under the Movement Control Order (MCO) in the capital and major states, which will delay the growth momentum to 2021. The gradual easing of restrictions on movement should set the stage for a recovery in domestic consumption (58% of GDP) in 2021, supported by five stimulus packages (4.9% of GDP as of September 2020) that include wage subsidies to low-income groups. Interest rates, at a historic low of 1.75% after 125 bps rate cuts in 2020, should also spur the economic recovery. That said, low interest rates in recent years have sustained a high level of household debt (87.5% of GDP) which, alongside a high unemployment rate (4.6% as of September 2020), could pose some risks to the recovery. Inflation should pick up as demand recovers and will be helped by lower base effects. Exports (67% of GDP) should also see some gains, driven by the recovery in key trade partners such as China and a higher demand for electronic components. Furthermore, palm oil exports, which account for 2.8% of GDP, should improve slightly this year on the back of stronger demand from the main export trade partners such as India and China, alongside a pick-up in palm oil price. The services industry contributes more to GDP (56.5% in 2020) than manufacturing, but it is expected to remain sluggish: tourism (13% of GDP) should remain muted due to international border closures. Investment is expected to rebound this year, as infrastructure projects should resume and will be revived under the 2021 budget, of which 4% is allocated for projects such as the largest transport infrastructure Mass Rapid Transit, or the Johor-Woodlands Train that links Malaysia and Singapore.

Fiscal deficit set to narrow amid some risks

The Parliament approved a USD 78.8 billion budget (22% of GDP) for 2021 in order to revive the economy, with an increase in welfare spending and cash handouts, which should support the recovery in consumption. The fiscal deficit is expected to narrow in 2021, as revenues will recover from the pandemic through an expected increase in tax revenue collection (15.1% of GDP). That said, it should remain higher than pre-COVID-19 levels because of support measures and political pressure for higher expenditures. The expected revenues might somehow face challenges due to oil price volatility, as petroleum revenues account for a significant proportion of public income (20% of total revenue). Another COVID-19 resurgence could also threaten revenues if lockdown measures linger on. Public debt, for which the ceiling was increased to 60% of GDP, will remain high. That said, a large share is denominated in local currency and around 24% of public debt is held by non-residents, which should mitigate the risks.

In 2021, the current account surplus is set to reverse some of its 2020 deterioration due to a base effect, as exports have rebounded faster than imports since the end of 2020 thanks to trade gradually restarting with key trade partners such as China (13% of total exports), which has recovered. This surplus is likely to be driven by a better performance in exports of goods, especially for electronic products, alongside a surplus in the secondary income (expatriates' remittances). The services balance deficit increased with the fall in tourism receipts (6% of GDP and 9% of exports). External debt (61% of GDP in Q2 2020) is high but manageable, since one-third is denominated in local currency and half has medium to long-term maturity. Companies (both private and public) and banks mostly owe it. International reserves, fed by the current account surplus and foreign investment, remain adequate and cover 6 months of imports as of October 2020.

The Muhyiddin administration's legitimacy is strengthening

In a twist of events, Muhyiddin Yassin was appointed Prime Minister in February 2020 and was able to form the National Alliance coalition with Malay-majority parties dominating the government (112 out of 222 MPs). The newly formed government is not entirely secure given its razor thin majority and political tensions are likely to linger on. Anwar Ibrahim, leader of the opposition and president of Parti Keadilan Rakyat (PKR), claimed that he had the majority support in the lower house of parliament but failed to win the king's support in order to topple the government, while lawmakers showed support to Muhyiddin's administration by passing the 2021 large budget unanimously. That said, he has been recently facing mounting pressure from its ruling coalition, fueling talks of snap elections soon after the pandemic is under control.

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.

Fast-track proceedings

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 - 2019	0.4
GDP PER CAPITA US Dollars - 2019	15,505
CURRENCY Maldivian rufiyaa	MVR

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	36%
EURO AREA	29%
UNITED STATES	9%
UNITED KINGDOM	7%
SRI LANKA	3%

Imports of goods as a % of total

UNITED ARAB EMIRATES	19%
CHINA	16%
SINGAPORE	12%
INDIA	10%
EURO AREA	9%

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- Good relationship with both regional powers: China and India
- Expanding tourism potential in uninhabited islands
- Improving transport infrastructure
- Improving relations with the West, reliable support from multilateral institutions

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- Extraordinary dependence on tourism
- Geographical isolation
- Precarious public finances
- Political volatility
- Extraordinary exposure to climate risk (rising sea level)
- Environmental issues (pollution)

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.9	5.7	-26	12.7
Inflation (yearly average, %)	1.4	1.3	0.4	2,1
Budget balance (% GDP)	-5.2	-6.4	-21.9	-15.7
Current account balance (% GDP)	-26.4	-26.0	-31.8	-17.0
Public debt (% GDP)	71.3	78.0	118.3	119.2

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

RISK ASSESSMENT

Tourism dependence devastates activity, with a fragile rebound potential in 2021

The archipelago did not manage to escape the pandemic despite its geographical isolation. The Maldivian economy is extraordinarily dependent on tourism, which in a regular year accounts directly for 25% of GDP. As such, the economy will suffer heavily from the mobility restrictions imposed domestically and in Europe, India and China, which account for the lion's share of visitors. Since the first lockdown (H1 2020), there has barely been any recovery in visitor numbers, with arrivals in H2 2020 still only at around 15% of their 2019 levels. The outlook for growth in 2021 is contingent on the course of the pandemic. GDP data for 2020 indicate that the economy operated at around 50% capacity under strict lockdown conditions, mostly due to the services sector (78% of GDP), where retail (7%) and transport (13%) suffered from the spillovers of tourism. The economy's rebound potential during the reopening has been further limited by the almost complete reliance on air transport. As long as global travel does not normalize, prospects for a recovery in 2021 remain fundamentally uncertain and skewed to the downside. Infrastructure investment is expected to be one of the few pillars of recovery, as projects aimed at developing new resorts and substantially expanding capacity at the Hanimaadhoo International Airport (new terminal and runway) remain on track. Fish products (57% of goods exports) will remain relatively resilient and imports subdued, meaning that net exports of goods will have a small but positive contribution.

Twin deficits set to soar amid collapsing tourism income

With tax revenues set to collapse by as much as 50% and expenditures expected to rise by around 15%, the country will post a record budget deficit in 2020. Of the extra 8% of GDP in net spending, health sector expenses accounted for 2%, while the rest concerned special measures to support the economy, including a special unemployment stipend, utility subsidies and liquidity support for firms. Given the limited fiscal space allowed by the very high levels of public debt, cost-cutting measures were implemented, including civil servant wage compression. While insufficient to cushion the blow in 2020, this is an encouraging signal on the new administration's regard for fiscal discipline. The current account is essentially driven by tourism receipts on the income side and imports of goods and services on the expenditure side. While fiscal spending softened the blow on import demand, income from tourism could have contracted by as much as 70-80%, deepening the structurally massive current account deficit. Typically financed through a combination of FDIs and foreign official funds/aid, multilateral action will be key to ensure funding and defending the currency peg. Given the precarious level of currency reserves (under 1 month of imports), the country qualified for the IMF's rapid credit facility, incurring USD 29 million worth of SDR. Thanks to a USD 150 million swap line from the Reserve Bank of India, funding needs should be met. The external deficit should progressively normalize as tourism recovers faster than imports in 2021.

A reform-minded administration meets hurdles in its first year

Political tensions eased with the election of 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 secured 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, major infrastructure projects and industrial diversification. Progress on these fronts have prompted the country to re-join the Commonwealth of Nations, which it had abandoned in 2016 in order to avoid scrutiny on human rights issues. In 2020, some signs of tensions emerged within the ruling Maldivian Democratic Party. Despite President Solih's success in asserting authority, such signs of infighting do not bode well for the government's reform agenda. In fact, the country's Doing Business ranking has continued to deteriorate, ranking 147th in 2020. Still, we expect a full mandate to be served until 2025. 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. Moreover, loans from China make up 45% of the country's national debt. However, the new administration seeks a diplomatic pivot towards India, manifested in a USD 400 million loan to finance various infrastructure projects.

MALI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	19.1
GDP PER CAPITA US Dollars - 2019	907
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.7	5.1	-2.0	4.0
Inflation (yearly average, %)	0.3	-1.7	0.4	1.1
Budget balance* (% GDP)	-3.9	-3.5	-6.2	-4.5
Current account balance** (% GDP)	-5.0	-4.2	-2.0	-1.2
Public debt (% GDP)	37.7	40.5	45.0	46.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	42%
SOUTH AFRICA	21%
BANGLADESH	6%
CÔTE D'IVOIRE	3%
SENEGAL	3%

Imports of goods as a % of total

EURO AREA	20%
SENEGAL	19%
CHINA	17%
CÔTE D'IVOIRE	8%
MAURITANIA	5%

- Substantial natural resources: agriculture (cotton) and mining (gold, bauxite, iron)
- International assistance
- Member of the West African Economic and Monetary Union (WAEMU)

- Economy vulnerable to weather and commodity price fluctuations
- Extreme poverty
- Geographically isolated
- Poor security situation
- Dependent on international aid
- Poor business environment (148th in the Doing Business 2020 ranking)

RISK ASSESSMENT

A recovery is expected in 2021

Hit by the COVID-19 pandemic, a worsened political and security situation and an ECOWAS embargo lasting several months, Mali saw its growth rate drop in 2020. However, the country is expected to return to growth in 2021. After suffering from the fall in world cotton prices (-40% in the first quarter of 2020 followed by an upturn in the second half of the year) and the late arrival of government aid after the rainy season, the agricultural sector is experiencing a 2020-2021 season that is considered satisfactory. While in 2020, the cotton harvest (which traditionally represents 15% of GDP) was expected to be only 80,000 tons (compared to nearly 300,000 tons the previous year), the situation should improve in 2021, driven by higher prices. This recovery will boost household consumption, since 15% of jobs are linked to cotton production. The mining sector, which accounts for 10% of GDP, benefited from favourable gold prices in 2020 and should continue to do so in 2021. The secondary sector, although shaken by the crisis, will be supported in 2021 by public investment aimed in particular at building new road and airport infrastructure, which will boost construction and public works. The services sector, which was hardest hit by restrictions on movement, suffered a revenue loss of about 20% in 2020. However, services started to pick up again as these restrictions were lifted, and this situation is expected to continue in 2021.

Heavily reliant on international aid

After WAEMU public finance rules were relaxed, Mali was able to implement a recovery plan to try to counter the effects of the coronavirus. In May 2020, the government announced a CFAF 500 billion plan, or 5% of GDP, to support businesses and households, including CFAF 100 billion to help the poorest households through measures such as cereal distributions or free water and electricity. The plan necessarily increased the country's public deficit in 2020, but it is expected to improve by 2021 (including grants). Public debt increased in 2020 and should continue to do so in the years to come. However, it was eased by the Paris Club's deferral of payments, which will save about CFAF 23 billion, and by the USD 10 million in debt service relief that the IMF granted the country in April 2020.

The country's current account deficit improved in 2020 and should continue drawing closer to balance in 2021. However, its level is largely attributable to the share of official transfers (about 3.5% of GDP). The trade deficit widened in 2020 despite the decline in oil prices and the rise in the price of gold (which accounts for 62% of exports). The situation will improve in 2021, as borders are reopened with ECOWAS countries and cotton exports resume. Despite the downturn in remittances from the diaspora, which represent 6% of GDP, the large transfer surplus will be increased by international aid. Accordingly, the improvement in the current account reflects assistance worth USD 200 million from the IMF, USD 25.8 million from the World Bank and USD 48.9 million from the AfDB, in order to fight the health crisis.

The political and security situation is still very poor

After a military coup forced former president Ibrahim Boubacar Keita to resign on 18 August 2020, an 18-month transitional government was formed in October. In response to the coup, ECOWAS sanctioned the junta in August by ordering the closure of its member states' borders with Mali and halting financial and trade flows until certain democratic requirements were met. Following this decision, a civilian, Moctar Ouane, was appointed prime minister and formed a 25-member cabinet, whose key ministries were, however, taken over by the military. The appointment of this mixed government led ECOWAS to lift its embargo in October 2020. Nevertheless, despite hopes that the violence might subside after the new government released more than 200 jihadists, the latter resumed their attacks on the Malian army after a truce lasting only a few days. The country thus continues to face considerable insecurity resulting from numerous inter-community conflicts, exacerbated by frequent jihadist terrorist attacks.

MALTA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	0.5
GDP PER CAPITA US Dollars - 2019	30,374
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.2	4.9	7.9	3.5
Inflation (yearly average, %)	1.7	1.5	0.8	1.1
Budget balance (% GDP)	1.9	0.5	-9.4	-4.9
Current account balance (% GDP)	11.0	4.4	1.1	1.5
Public debt (% GDP)	45.2	42.6	56.7	59.1

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	17%
FRANCE	9%
ITALY	8%
SINGAPORE	5%
JAPAN	5%

Imports of goods as a % of total

UNITED KINGDOM	21%
ITALY	19%
GERMANY	7%
FRANCE	7%
CHINA	4%

+

- At the crossroads between the Suez Canal and Gibraltar, important Mediterranean transhipment hub
- Public debt held by residents
- Emerging tech hub (online gambling, Blockchain, A.I.)
- Productive, English-speaking, growing and high-income workforce, low taxation

-

- Tourism dependence
- Sizeable incoming/outgoing financial flows (offshore finance, online gambling industry, citizenship-by-investment program)
- Poor road infrastructure
- Inadequate higher education; shortage of highly skilled labour
- Slow legal process; cronyism and corruption

RISK ASSESSMENT

Tourism and immigration shift from comparative advantage to Achilles' heel

On top of the closure of businesses, Malta opted for a limited form of lockdown that concerned only vulnerable populations. In recent years, Malta had emerged as a success story of buoyant growth and structural transformation, capitalizing on its built-in advantage as a tourist destination and developing a nascent tech hub. Since both these pillars of growth depend on the mobility of persons (air transport for tourist visitors, qualified immigration for tech services), international health restrictions will have a strong depressive impact on growth in 2020 and 2021. The impact is particularly hard on tourism (15% of 2019 GDP). The booming tech sector remains operational thanks to remote working, but as the inflow of qualified migration has been interrupted, demand for new dwellings is slowing down. This will generate spillovers that will disrupt the real estate and construction sectors, already hit by lockdown effects. All components of aggregate demand, except public spending, contracted, net exports in particular. However, the combination of strong pre-existing household savings, continued income support for households affected by health measures and a tight labour market should strongly insulate households from the shock and set private consumption for a quick rebound in 2021. In the long-term, Malta will continue to attract investment and qualified labour, as it offers favourable fundamentals for the tech industry. Malta has been one of the world's leading jurisdictions in building a specialized legal framework for i-Gaming (virtual poker, casino games, and sports betting) and database management. The government is following a similar strategy in the fields of Blockchain technology-activities related to virtual financial assets (crypto-assets in particular) and A.I.

EU crackdown on the "golden passport" scheme could entail a structural shock to tax revenue

Like most European countries, Malta is deploying an unprecedented amount of fiscal support to insulate the private sector from the pandemic's economic fallout. Measures include subsidized income for workers and the self-employed, rent subsidies and increased stipends for the unemployed, a cash voucher program meant to stimulate consumption for hotels and restaurants, utility subsidies and tax deferrals for firms, and additional healthcare spending, the whole amounting to around 6% of GDP. On top of materialized spending, a loan guarantee fund for SMEs worth 3% of GDP has been made available through the Malta Development Bank, providing crucial liquidity support for firms, but substantially increasing contingent liabilities. On the revenue side, the bulk of the losses will be accounted for by indirect taxes on consumption, a reduction of taxes on property transactions, and falling corporate taxes. While the pandemic-related shock to tax receipts is acute but transitory, a more permanent loss will probably result from the EU's challenges on the citizenship-by-investment scheme ("individual investor program", IIP). The IIP has been instrumental in reducing the country's public debt burden, raising between 1% and 2% of GDP annually since 2013. Any watering-down or scrapping of the IIP would therefore require fiscal reforms. Because of the acute degradation of net exports (as tourism receipts contracted by more than imports of goods), the current account surplus shrank strongly and will remain subdued. While the financial sector is important in size (400% of GDP), most of it is offshore banking related to foreign groups, and its exposure to the corporate sector is relatively small.

Scandal-ridden governing party tries to clean its image

Although it can still count on a comfortable majority in the legislature (37 out of 67 seats), the governing Labor Party faces the challenge of distancing itself from the scandal-ridden administration of its former leader, Joseph Muscat. After members of his cabinet were linked to the assassination of investigative journalist Daphne Caruana Galizia in 2017, Muscat resigned in January 2020 and was replaced by the newly elected party leader, Robert Abela. While Abela has sought to distance his administration from Muscat's, the Caruana inquiry has continued to raise transparency and governance concerns involving the LP elite. This has led to a cabinet reshuffle in November, only 10 months into Abela's tenure. While the likeliest outcome is that the Abela administration serves a full mandate culminating in 2022, the LP is likely to remain under pressure from within and outside the country. The European Commission has filed infringement proceedings against the citizenship-by-investment program as part of its broader crackdown on money laundering. The IIP is likely to be replaced by a residency-by-investment program and the implementation of substantially stricter transparency standards. Overall, Malta's standing in the EU has deteriorated, the country being now viewed as a member state with a rather questionable rule of law.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	4.1
GDP PER CAPITA US Dollars - 2019	1,873
CURRENCY Mauritanian ouguiya	MRO

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.1	5.9	-1.0	2.5
Inflation (yearly average, %)	3.1	2.3	4.0	4.5
Budget balance* (% GDP)	2.7	2.5	-4.5	-1.0
Current account balance (% GDP)	-13.8	-10.6	-16.0	-17.0
Public debt** (% GDP)	75.8	71.4	80.0	80.0

(e): Estimate. (f): Forecast. *Grants included. **Including debts to the Central Bank and Kuwait.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	40%
EURO AREA	18%
ESWATINI	15%
MALI	14%
TURKEY	2%

Imports of goods as a % of total

SOUTH KOREA	22%
EURO AREA	22%
NORWAY	10%
UNITED ARAB EMIRATES	9%
CHINA	5%

- Lower terrorist risk than its Sahelian neighbours
- Support from donors and international organisations
- Macroeconomic stability to some degree, even in challenging circumstances
- Mineral (iron, gold, copper) and fishery resources
- Energy potential (gas, renewables)
- Relatively significant domestic budgetary resources

- Poor governance including high levels of corruption, non-existent insolvency treatment
- Under-diversified economy is vulnerable to fluctuations in commodity prices
- Growth not very inclusive, weak education system and high unemployment
- Limited formal economy
- Very little arable land
- Persistent community tensions: discrimination against the Haratines, or black Moors, who make up 34% of the population and are descended from slaves of the Beydanes, also known as white Moors

RISK ASSESSMENT

A slow recovery from the crisis

2020 was marked by the impact of COVID-19, which plunged the economy into recession, contrasting with the rapid growth in 2019. Borders were closed, a night curfew was introduced, schools and non-essential shops were shut down and inter-regional travel was banned. To mitigate the impact, the authorities adopted a response plan in May representing 8.5% of current GDP until 2021. The plan includes an assistance fund, scrapping of taxes on necessities, and payments to vulnerable households, whose number is set to reach 100,000 – or 700,000 people – by the end of 2021. In addition to benefiting from exemptions of charges, SMEs will be able to receive subsidised state-backed loans starting in early 2021.

Although iron ore prices held up, exports (30% of total exports) decreased due to weaker demand. Seafood sales (40%) were affected by transport issues. Only sales of gold (25%) increased, owing to the surge in prices, as volumes fell. The improvement expected in 2021, with the rebound in fish shipments, is likely to be limited because of potential saturation of Chinese iron ore needs and competition. Exports' underperformance impacted investment, whose GDP share fell from 45% to around 40% in 2020, reflecting the halt in foreign investment, which accounts for one-third of the total, and in public infrastructure investment. In 2021, investment is expected to remain below its pre-crisis level, one effect of which will be that the start-up of the Grand Tortue Ahmeyin offshore gas field is pushed back to 2023. Consumption was affected by the measures to fight the pandemic, which were gradually lifted from May 2020 onwards. Households also had to contend with rising prices for imported food products, such as rice and wheat, fuelled by supply problems and ouguiya depreciation, despite central bank interventions. Transport and other services, which were hard hit by the lockdown, unlike the extractive industry and fishing, should perform better in 2021. Agriculture was hurt by drought in the Sahel, but will benefit from the government's focus to develop cereal crop growing in the south of Mauritania, which is the only non-arid area of the country.

FDI finances the massive current account deficit in normal times

The crisis was accompanied by the suspension of ongoing fiscal consolidation under the IMF's USD 193 million Extended Credit Facility (2017-2020). The adoption of an amending budget in May 2020 resulted in the target of a primary surplus (*i.e.* excluding interest) being dropped, a 7% reduction in revenue and a 20% increase in expenditure. Despite savings representing 10% of GDP, foreign partners (the IMF, the ADB, the EU and the World Bank) had to come to the rescue in order to finance requirements equivalent to 4.5% of GDP. Emergency aid from the IMF made it possible to cover one-third of this and served as a catalyst. Public debt increased mechanically and therefore still represents a high risk, even if it is almost entirely owed to international public creditors and is of a concessional nature. A full 18% is owed to Kuwait and is under negotiation. In 2021, the deficit should be considerably reduced and the debt burden should stabilise. Tax administration has been improved, and the taxpayer register has been cleaned up under the IMF programme, which may be renewed.

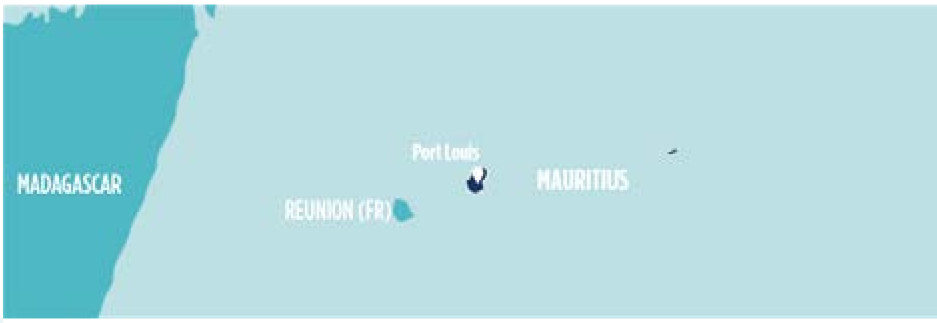
Regarding the external accounts, the already massive current account deficit deepened further in 2020 as the trade deficit worsened from 8% to around 11% of GDP. More expensive food imports and lower exports outweighed the reduction in equipment purchases and the oil bill. In 2021, the current account deficit is not expected to change much, because while the trade deficit will decline due to the rebound in fish sales and the continued increase in gold sales, higher purchases of services related to extractive activities will cause the services deficit to widen (9% of GDP in 2020). An FDI downturn made the contribution from international public financing essential in 2020. A rebound in FDI in 2021 should once again prove sufficient to cover the deficit and maintain foreign exchange reserves at the equivalent of five months of non-extractive imports. The country also has a deposit from Saudi Arabia of USD 300 million.

The president is firmly established but is working with the opposition

Mohamed Ould Cheikh El Ghazouani has been president since easily winning election in 2019, although the opposition challenged this result. His party, the Union for the Republic, has had a solid majority in the Assembly since 2018. The next legislative and presidential elections will be held in 2023 and 2024, respectively. Between now and then, the president intends to continue the fight against corruption, as illustrated by the charges brought against former President Aziz, whom he previously served as right-hand man. Furthermore, he has appealed to the opposition to work together reduce poverty, unemployment and inequality, and to develop the education and health systems.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3



POPULATION Millions of persons - 2019	1.3
GDP PER CAPITA US Dollars - 2019	11,090
CURRENCY Mauritius rupee	MUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.8	3.0	-13.0	6.0
Inflation (yearly average, %)	3.2	0.5	2.5	3.2
Budget balance* (% GDP)	-1.7	-2.2	-10.2	-12.0
Current account balance (% GDP)	-3.9	-5.4	-13.3	-11.0
Public debt* (% GDP)	64.0	66.2	82.8	86.0

(e): Estimate. (f): Forecast. * Fiscal year 2021 = from July, 1st 2020 to June, 30th 2021.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	33%
UNITED KINGDOM	11%
UNITED STATES	11%
SOUTH AFRICA	10%
MADAGASCAR	7%

Imports of goods as a %

EURO AREA	19%
CHINA	17%
INDIA	14%
SOUTH AFRICA	8%
UNITED ARAB EMIRATES	7%

+

- Strong tourism sector (outside pandemic period)
- 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
- Blacklisted (October 2020) by the European Union due to shortcomings in the fight against money laundering

RISK ASSESSMENT

Recovery of tourism-based growth

Mauritius suffered only slightly from the COVID-19 crisis in health terms. However, its economy was strongly impacted. It is expected to rebound gradually in 2021. The drop in activity recorded in 2020 is mainly due to the collapse of tourism (19% of GDP and employment). The restrictions on international travel brought about by the health crisis, as well as the closure of borders, have strongly affected tourism revenues (35% of total exports). The second wave in the autumn of 2020 led to an extension of the mobility crisis and should continue to weigh on tourism in the first quarter of 2021. Thus, it is expected to recover slowly throughout 2021. Furthermore, the construction sector (usually 10% of GDP and 22% of employment) has also contracted sharply because of the health crisis and this has brought construction sites to a standstill. However, it is expected to recover in 2021 and will be one of the key sectors of economic recovery. It will benefit from massive government support, as well as public investments such as the construction of social housing and new roads, which will create jobs and support the economy. Financial services and insurance (12% of the country's value added) were resilient in 2020, as were IT and telecommunications, and their growth is expected to continue in 2021.

Despite government support and the easing of credit policy by the Central Bank, with, for instance, an increase in unemployment benefits or the introduction of a 6-month moratorium on loan repayments, aimed at supporting the most vulnerable households and the sectors most affected by the crisis, household consumption (78% of GDP) has declined. Many faced declining incomes and job losses, while inflation increased due to soaring food prices. However, consumption is expected to recover, aided by the extension of some subsidies to 2021. FDI inflows fell sharply in 2020 because of the health crisis, the halt in tourism and risk aversion in a context of global recession. Mauritius remains an attractive country, thanks to strong public-private partnerships, but FDI is expected to recover slowly in 2021, as the EU blacklisted the island in October 2020 due to inadequate anti-money laundering measures. Public investment (7.6% of GDP), although declining because of COVID-19, will remain significant in 2021, particularly in social housing. Furthermore, Mauritius obtained a USD 354 million external loan from the French Development Agency in order to strengthen its resilience to natural and health disasters. This is expected to boost investment in these sectors.

Public and current account deficits still high

The public deficit increased sharply in the fiscal year 2019-2020 in connection with the pandemic. Indeed, the government has had to increase its spending to cope with the crisis in a context of declining revenues. The fiscal year 2020-2021 continues to be impacted by the fiscal support measures, some of which are being extended into 2021, and the public investments decided to support the economy. The fiscal stance will remain expansionary. Public debt has risen considerably because of the deficit. However, as of June 2020, it was almost exclusively denominated in local currency and 3/4 of it was domestic. Its profile will not change as the authorities continue to favour domestic sources of financing, with an exceptional contribution from the Central Bank in 2020-2021. The debt burden is expected to push the country to engage in fiscal consolidation once the crisis is over. The current account deficit widened sharply following the COVID-19 crisis, aggravated, on the one hand, by the disappearance of the traditional surplus in services due to the collapse of tourism revenues, and, on the other, by the decline in primary income, alongside that of the revenues of the many offshore companies domiciled on the island, due to the general decline in activity and interest rates. Conversely, the usual massive goods deficit narrowed, as imports fell more than exports, which, moreover, once global demand recovered and supply chains were restored, recovered faster. The current account deficit is expected to decline only slightly in 2021, since the reversal of these various factors will be slow as domestic demand recovers and imports of capital goods for infrastructure projects increase.

A disrupted coalition

The coalition led by outgoing Prime Minister Pravind Jugnauth, the centre-left Morisien Alliance, won 42 of the 70 seats in the November 2019 parliamentary elections, thereby retaining a solid majority. The coalition suffers, however, from growing perceptions of cronyism, corruption, its perceived failure to manage the oil spill from the Wakashio wreck (on 25 July 2020), and the economic fallout from COVID-19.

Moreover, despite the island's good ranking in the World Bank's governance indicators, the EU's blacklisting could have consequences on the island's attractiveness. On the external front, Mauritius will continue to maintain strong ties with European countries, China and India, its main economic partners. Moreover, in October 2019, the country signed a free trade agreement with China that eliminates customs duties on a large number of products. Finally, the United Kingdom and Mauritius are still in deep disagreement over sovereignty over the Chagos Islands.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	127.6
GDP PER CAPITA US Dollars - 2019	9,862
CURRENCY Mexican peso	MXN

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.2	-0.1	-8.5	2.5
Inflation (yearly average, %)	4.9	3.6	3.4	3.3
Budget balance (% GDP)	-2.1	-1.6	-3.6	-3.5
Current account balance (% GDP)	-2.1	-0.3	0.2	0.1
Public debt (% GDP)	53.6	53.7	65.5	65.6

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	80%
EURO AREA	4%
CANADA	3%
CHINA	2%
SOUTH KOREA	1%

Imports of goods as a % of total

UNITED STATES	45%
CHINA	18%
EURO AREA	9%
JAPAN	4%
SOUTH KOREA	4%

- Geographic proximity to the U.S. economy
- Membership of USMCA and many other agreements
- Substantial industrial base
- Free-floating exchange rate
- Adequate foreign exchange reserves
- Large population and relatively low labour cost

- High dependence on the U.S. economy
- High income disparities and rising criminality
- High corruption level
- Weaknesses in transport, health and education
- Narrow tax base, with tax revenues representing 21% of GDP
- Oil sector and PEMEX undermined by years of underinvestment
- High informality in job market
- Weak sovereign fund

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Activity will resume weakly in 2021

COVID-19 strongly affected the economy, leading it into a deep recession. Despite the poor evolution of COVID-19 in the country, the government announced plans to begin the normalization of economic activities in May 2020. However, the gradual reopening was not without mishaps (due to the resurgence of the outbreak), forcing some states to restrict non-essential activities again in November 2020. Because of the negative shock caused by the COVID-19 outbreak and the very limited stimuli measures implemented (0.7% of GDP), Mexico´s GDP was highly impacted. The economy should rebound only partially in 2021. Household consumption is expected to improve, helped by the slow recovery on the job market, a still accommodative monetary policy and higher remittances from the U.S. (in line with an improvement on the U.S. job market). Concomitantly, the economic resumption in the U.S. will favour Mexican manufacturing exports. Conversely, the poor economic rebound and the government's controversial policies will prevent gross fixed investments from gaining strong growth momentum. Downside risks are related to the evolution of COVID-19 in the country and in the U.S. Finally, while the recent accession of the Democrat Joe Biden to the U.S. presidency should imply a less aggressive stance on U.S. trade policy, risks will remain. This is underpinned by the fact that his Democratic party may push for stricter compliance or tighter labour and environmental laws within the USCMA agreement.

External and public accounts withstood relatively well thanks to low stimuli

The current account deficit switched to a light surplus in 2020, supported by a higher trade surplus, as imports observed a deeper slide than exports (with the U.S. economy recovering faster than that of Mexico), and a lower primary account deficit (due to lower profits registered and repatriated by foreign companies). These movements outpaced the deterioration in services account because of lower tourism. Concomitantly, despite the rise in the U.S. unemployment rate, remittances (equivalent to roughly 3% of GDP in 2019) also proved more resilient than initially expected. In 2021, the current account will remain broadly balanced. The trade balance will remain in surplus and, assuming stronger tourism by the end of 2021, the services deficit could be relatively lower. Additionally, although FDI are likely to increase from the 2020 level, they will remain subdued amid still weak domestic activity and erratic microeconomic policies. Regarding the external debt, its part owed by the public sector reached 21.8% of GDP in September 2020, while its private part stood at 21.7% of GDP in June 2020. Finally, foreign exchange reserves stood at USD 200 billion in October 2020, covering over 6 months of imports.

Concerning the public account, the fiscal deficit deteriorated moderately in 2020 due to lower tax revenues because of the deep economic recession. This outcome came in a context of timid fiscal stimuli and with oil hedge smoothing the impact of lower oil prices, as well as drawdowns from rainy-day funds. However, gross public debt as a percentage of GDP registered a strong increase, also affected by a lower base effect (as GDP collapsed). This year, the nominal deficit should remain at a similar level, despite the government's estimate at 2.9% of GDP (due to its very optimistic GDP growth estimate of 4.6%). The 2021 budget also includes resources for the Mayan train (0.2% of GDP), the new airport serving Mexico city (0.1% of GDP) and capital transfer to PEMEX (0.2% of GDP) to continue with the construction of the Dos Bocas refinery.

Corruption scandals can influence the 2021 mid-term election

Corruption is an old ailment that has gained momentum in recent months after Emilio Lozoya, the former boss of the state oil company Pemex during the Enrique Pena Nieto (2012-2018) government, was extradited from Spain in July 2020 to face corruption charges in Mexico. He has been accused of taking bribes from a Brazilian construction firm. In a declaration to prosecutors, Lozoya raised corruption charges against more than a dozen former and current politicians (including three ex-presidents). The most notable case refers to the 2013 energy reform that opened the local oil sector to private companies and of which President Andrés Manuel López Obrador (AMLO) is a fierce critic. President AMLO has tried to capitalize on this corruption scandal to improve the ruling National Regeneration Movement party's (MORE-NA) outcome in the June 2021 mid-term elections. Furthermore, if MORENA succeeds in increasing its representation in Congress after the mid-term elections, AMLO may try to roll back the energy reform (a two-thirds majority in Congress is required), hurting investors' confidence in the economy.

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**

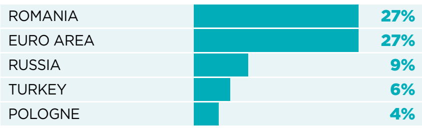
POPULATION Millions of persons - **2019**	**2.7**
GDP PER CAPITA US Dollars - **2019**	**4,458**
CURRENCY Moldovan leu	**MDL**

Main Economic Indicators	**2018**	**2019**	**2020** (e)	**2021** (f)
GDP growth (%)	4.0	3.6	-4.5	4.0
Inflation (yearly average, %)	3.1	4.8	2.8	2.3
Budget balance* (% GDP)	-0.8	-1.4	-8.0	-4.3
Current account balance (% GDP)	-10.7	-8.9	-8.3	-10.5
Public debt (% GDP)	31.6	28.4	37.8	39.0

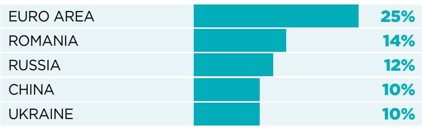
(e): Estimate. (f): Forecast. * Including grants.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



+
- Agricultural potential (wine, fruit, vegetables, sunflower, wheat)
- Association and free trade agreements with the EU (2014)
- International financial support
- Relatively inexpensive labour
- Managed floating currency regime

−
- Europe's poorest country, high emigration (1 million emigrants out of 3.4 million inhabitants)
- Large informal sector, low productivity
- Corruption, weak governance, oligarchic system and cronyism
- Credit not very developed (20% of GDP in 2020)
- Dependence on transfers from expatriate workers
- Secessionist desires in Transnistria

RISK ASSESSMENT

Return to growth expected in 2021

In 2020, the economic and health crisis hit the Moldovan economy at a time when its growth was already decelerating. Although hit by falling consumption and falling exports, Moldova should however return to growth in 2021, Indeed, in normal times, private consumption, which accounts for more than 80% of GDP, is an engine of growth for the country. Its fall in 2020 is explained in particular by the health measures implemented (closure of shops and restaurants until June) and the loss of household income (rise in unemployment and fall in remittances in the first half of the year, which represent half the disposable income of 15% of households). However, these effects were partially offset by the government's support plan, which included lower taxes and higher social benefits. In 2021, the easing of health measures and the return to growth in remittances will allow consumption to grow. In addition, after a slump in 2020, investment is expected to rebound in 2021. However, some major projects could be maintained in 2020. This is notably the case for the inauguration of the 120km Ungheni-Chisinau gas pipeline, which will connect the Moldovan gas network to the EU via Romania and will allow the country to diversify its supply routes and thus increase its energy security.

Moreover, the country is heavily dependent on agriculture (12% of GDP and 30% of the workforce), a sector that has managed to maintain moderate growth in 2020. The agricultural sector, as well as the agri-food sector, will support foreign trade (35% of exports).

High twin deficits

In April 2020, the government announced a stimulus plan of 2% of GDP aimed in particular at lowering VAT on certain services (restaurants, hotels) and helping companies and households in difficulty. The implementation of this plan, coupled with a decline in revenues, has increased the public deficit. Consequently, the country has seen its public debt (70% external) increase. In 2021, the decrease in spending will allow the deficit to be reduced without reducing the country's debt.

The current account deficit narrowed slightly in 2020 thanks to an improvement in the large balance of goods deficit (about 30% of GDP) due to a decline in domestic demand. The decline in exports (half of which are agricultural and capital goods exports) has in fact been offset by a greater fall in imports (machinery and minerals in particular). The sharp decline in remittances in the first half of the year had a limited effect on the year thanks to their recovery from June onwards. In 2021, the deficit will widen following the recovery in domestic demand, which will fuel the trade deficit. The financing needs of the deficit will be met by international assistance, including USD 235 million in financing from the IMF (around 2% of GDP), a Russian loan of USD 217 million, and USD 109 million in aid from the EU. Finally, the reserves held by the Central Bank (more than 6 months' worth of imports in September 2020) are comfortable and the exchange rate has remained relatively stable despite the crisis.

Political instability but improvement of the broken financial system

After several months of instability, Maia Sandu, pro-European candidate of the Action and Solidarity Party (PAS), was elected president on 15 November 2020, defeating outgoing President Igor Dodon of the pro-Russian Socialist Party and causing Prime Minister Ion Chicu to resign on the eve of the presidential inauguration. Although her victory was a surprise, she received nearly 58% of the votes thanks to the strong mobilisation of the diaspora, who voted massively in her favour. Nevertheless, the result of the election shows more the importance given by public opinion to the fight against corruption led by Sandu rather than to his positions towards Europe. The country is indeed plagued by this scourge and is 120th out of 180 in the 2019 ranking of the Transparency International index. However, the PAS and its allies have only 25 seats out of 101 in Parliament while the socialist opposition holds 37, which will necessarily slow down the new President's attempts at reform.

Moreover, the country remains prey to separatist tendencies. Indeed, the Russian-speaking region of Transnistria has enjoyed autonomous status since it self-proclaimed its independence in 1992 under the name of the Pridnestrovian Moldavian Republic. Russian forces are present there, which fuels internal conflicts in the country, especially since this lawless region is home to most of the country's heavy industry and electricity production.

Finally, the banking and financial system, at the heart of a banking fraud scandal in 2014, has been improved. Several new regulations applied since February 2020 have strengthened the supervision of the sector (banning the non-banking sector from accepting deposits from the general public and reporting activities to the administration). Furthermore, transparency regarding the shareholding of the top four banks has been increased and they are now majority owned by foreign shareholders, including BRED. Non-performing loans, which still accounted for 10% of outstanding loans as of October 2019, had fallen to 8.3% of total outstanding loans as of October 2020.

MONGOLIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	3.3
GDP PER CAPITA US Dollars - 2019	4,202
CURRENCY Mongolian tögrög	MNT

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.3	5.1	-2.0	6.0
Inflation (yearly average, %)	7.7	7.2	6.0	7.0
Budget balance (% GDP)	2.6	1.4	-5.2	-4.0
Current account balance (% GDP)	-16.8	-15.6	-12.3	-13.4
Public debt (% GDP)	72.6	69.5	77.3	74.8

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	89%
UNITED KINGDOM	4%
SINGAPORE	2%
EURO AREA	1%
RUSSIA	1%

Imports of goods as a % of total

CHINA	33%
RUSSIA	28%
JAPAN	10%
EURO AREA	7%
UNITED STATES	5%

+
- 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 vulnerable 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% of the population living in poverty in 2018) due to less inclusive mining development
- Insufficient foreign exchange reserves to absorb external shocks

RISK ASSESSMENT

A country spared by the virus but affected by the decline in global demand

In 2020, the economy contracted due to the COVID-19 crisis. Although the spread of the virus within the country was very limited, the global economic slowdown and border closures affected the demand for mining products (80% of total exports – 45% for copper and 15% for coal – and 48% of GDP) and the arrival of tourists in the country. The borders with China were closed as early as January 2020 and a state of emergency was declared in March. Turquoise Hill Resources, a subsidiary of Rio Tinto, which owns 66% of the largest copper and gold mine in Oyu Tolgoi (OT), saw its revenues decline by 27.4% in the second half of 2020 year-on-year due to lower demand and prices. Mining investments, the bulk of foreign direct investment in recent years, half of which has been in the OT project, have come to a halt. The OT mine expansion project, which had already been delayed due to difficult ground conditions and government renegotiations, will not be operational until June 2023. However, the economic recovery in China (which accounts for 88% of its exports), which is faster than in the rest of the world, will stimulate mining exports in 2021 and, consequently, economic recovery and mining investments. Private consumption (60% of GDP), although affected by the restrictive measures, is expected to recover as they are lifted, as household incomes have been broadly maintained. Indeed, the support plan (14.5% of GDP) included increases in family allowances, retirement pensions and pensions for the disabled, reduction of social contributions, for example. Inflation will increase slightly in line with the recovery in consumption. The country's central bank has lowered its key rate three times (March, April and September 2020) by 100 basis points from 10% to 7%, with the aim to stimulate growth and investment.

Deterioration of public accounts and exposure to external shocks

Despite commitments and efforts under the IMF's Extended Fund Credit Facility set up in 2017 to reduce the fiscal deficit, the economy is still burdened with high debt, making it vulnerable to external shocks affecting FDI, commodity prices and Chinese demand. Furthermore, with 90 of public debt denominated in foreign currency, the country is exposed to exchange rate depreciation. The COVID-19 crisis has led to a sharp deterioration in the public accounts: declining revenues and support for the most affected populations have weighed heavily, and 2021 will bring only a partial recovery. The government is financing itself bilaterally (a loan of 236 million at a rate of 0.01% from Japan and one of 114 million from China) and multilaterally (USD 99 million from the IMF under the Rapid Financing Instrument, 160 million from the ADB and 104 million from the EU) in order to alleviate the fiscal pressure.

The current account deficit was reduced in 2020. However, the decline in exports of goods has been much greater than the decline in imports. However, the decrease in profits repatriated by foreign companies and in purchases of services, despite the fall in tourism receipts, has more than compensated for this. In 2021, the situation would be reversed, and the current account deficit would return to its pre-crisis level. The trade balance will remain in surplus, but exports of mining products will remain below their pre-crisis level. The services and income balance will remain in deficit due to freight charges (one third of the services deficit), profit repatriation by mining investors, and interest payments. Strong inflows of mining-related FDI (about 10% of GDP) help finance the current account deficit, but are affected by the global economic situation. Foreign exchange reserves have deteriorated because of the Central Bank's market interventions and covered 4.7 months' worth of imports in 2020. The MINT 6 trillion bilateral currency swap agreement with China was renewed on 31 July 2020 for another three years until 2023.

Some political stability

The legislative elections of June 2020 confirmed the dominance of the unicameral People's Party Parliament by giving it 65 of the 76 seats. The government's good management of the pandemic favoured its victory. However, President Battulga, from the opposition, is expected to be re-elected in the 2021 presidential elections. These re-elections come as the fallout from several corruption scandals revealed in 2018-19 (involving embezzlement of public funds and bribery of public officials) continued to erode public confidence in the country's political elite. Following the dismissal of former Prime Minister Jargaltulga Erdenebat in 2017 on corruption charges, current Prime Minister Ukhnaagiin Khürelsükh is also not spared by such accusations, although none of them threatens his socially oriented economic agenda. Although growth has been strong in recent years, as mining activity is not socially inclusive, the cost of living, as well as the unemployment rate, is rising. Landlocked between Russia and China, the country maintains good relations with both its neighbours, while seeking to diversify its ties through the "third neighbour" foreign policy, notably with India and the United States or Japan.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	**0.6**
GDP PER CAPITA US Dollars - 2019	**8,826**
CURRENCY Euro	**EUR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.1	3.6	-12.0	5.5
Inflation (yearly average, %)	2.6	0.4	-0.1	0.7
Budget balance (% GDP)	-6.2	-2.4	-10.4	-4.9
Current account balance (% GDP)	-17.0	-15.2	-14.2	-13.6
Public debt (% GDP)	71.9	79.3	90.8	88.1

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

TRADE EXCHANGES

Exports of goods as a % of total

SERBIA	26%
EURO AREA	16%
HUNGARY	11%
BOSNIA AND HERZEGOVINA	7%
KOSOVO	7%

Imports of goods as a % of total

EURO AREA	34%
SERBIA	19%
CHINA	9%
BOSNIA AND HERZEGOVINA	6%
CROATIA	6%

+

- Tourism (sea, mountains) and hydroelectric potential
- Use of the euro facilitates trade and contributes to relative financial stability
- International support, notably from the European Union (EU) and the International Monetary Fund (IMF)
- Association and Stabilisation Agreement with the EU and accession negotiations
- Member of the regional common market launched at the end of 2020 comprising the six countries of the Western Balkans seeking EU membership and aiming to eliminate trade barriers among the countries by 2024 and coordinate investment policies
- Member of NATO since 2017

-

- Small market and unfavourable demographics (38% of the population lives abroad)
- Under-diversified economy and heavy dependence on tourism (25% of GDP including direct and indirect activities), resulting in a huge trade deficit
- Electricity generation largely (50%) based on subsidised coal
- Unilateral adoption of the euro precludes European Central Bank (ECB) support and monetary policy independence
- High poverty (20% of the population) against a backdrop of high unemployment (15% in 2019), low levels of education and a large informal economy (25% of the labour force)
- Poor governance: corruption, weak media independence and organised crime, while politicisation of the court system impedes contract enforcement and the treatment of insolvency
- Despite investment, road and electricity networks are deficient, hindering regional connectivity

RISK ASSESSMENT

A timid and uncertain recovery that will depend on tourism

Montenegro had its worst recession in 20 years in 2020. Tourism was hit hard by the border closure from March to June 2020. Overnight stays fell by 80% year-on-year in the first half of 2020. Although borders were reopened in early July 2020, the restrictions in force and Montenegro's worsening health situation made the high season from June to September the worst on record. This, combined with the drop in remittances (10% of GDP) from Serbia, Croatia and Turkey (two-thirds of remittances), caused private consumption (71% of GDP) and services (72% of GDP, 80% of employment) to plummet. The rise in unemployment and poverty should be stemmed by the many measures, including wage subsidies for the most affected sectors (tourism and agriculture), that have been in force since March 2020 and that could be renewed in 2021. These are unlikely to be enough to boost consumption, especially since informal workers cannot access them. The return of tourists will be necessary for a recovery and will support the 2021-2024 stimulus plan (26% of GDP), which targets sectors such as tourism, agriculture and energy.

Investment (27% of GDP), which has driven growth in recent years, is expected to slow in 2021, while benefiting from delays to projects that were due to be completed in 2020, such as the motorway linking Bar in Montenegro to Boljare in Serbia. The deadline for completion of the first 41 km section built by the China Road and Bridge Corporation (CRBC) and linking Podgorica to Matesevo was postponed to June 2021. The aim is to stimulate trade, which is expected to continue to show a substantial deficit, despite a small decrease in 2020. The decline in imports (52% of GDP), as delayed investments reduced imports of machinery and equipment (15.5% of the total) and oil (7%), more than offset the fall in exports (9% of GDP), especially of aluminium (22%).

Sluggish domestic demand in 2020 led to mild deflation. The recovery in 2021 could fuel weak inflation, while the central bank lacks the room to manoeuvre to really boost credit to the private sector. The banking sector is being consolidated, with the two largest banks, CKB and Podgoricka Banka (40% of all assets), set to merge by early 2021 to address rising compliance costs. Strong capitalisation and liquidity levels, and the reasonable share of non-performing loans (5.6% of the total in September 2020), will help the sector cope with waning profitability and moratoria on loan repayments until August 2021, especially in tourism and agriculture.

Public finances are weakening

The 2020 stimulus plans (11% of GDP) caused a sizeable increase in the deficit, which will be financed by the remaining funds from the USD 593 million Eurobond issued in late 2019 and by new domestic and external borrowing, notably from the IMF (USD 84 million), the EU (USD 130 million) and private investment banks (USD 750 million). These loans significantly increased the public debt-to-GDP ratio, which had already been pushed up by the loan from China's Eximbank to finance the first section of the motorway (17% of GDP), whose repayment is due to begin in 2021. There is significant uncertainty about the renewal of a USD 270 million Eurobond maturing in March 2021 and about payment of the debts of state-owned enterprises, after aid was provided to the national airline company in 2020. The government has opted for a public-private partnership with CRBC to fund the second 51 km section linking Bar and Podgarica (cost estimated at 5% of GDP). Resuming the fiscal consolidation that began in 2017 and refraining from major investments in 2021, such as the launch of the third and final 136 km section (cost estimated at 22% of GDP), should ensure that the debt (medium- and long-term, 18% in foreign currency) remains sustainable.

The structurally high current account deficit should narrow slightly with completion of the first section and the possible return of tourism. With multilateral donors replacing weaker FDI, external debt has risen to 191% of GDP. Nearly one-quarter of this is in intra-group loans and 37% is held by the public sector. Foreign exchange reserves remain strong (USD 1.7 billion in December 2020, 8.2 months of import coverage).

An unstable coalition ends the rule of the dominant party

The parliamentary elections of August 2020 marked a change in power with the defeat of the Democratic Party of Socialists (DPS), which had ruled since 1991, as a coalition of opposition parties won a narrow majority (41 seats out of 81). However, once the unifying influence of the crisis fades, the coalition may prove unstable as it is based around three different alliances: For the Future of Montenegro (ZBCG - populist and conservative), Peace is Our Nation (centrist) and United Reform Action (progressive and green). The DPS and its leader, current president Milo Djukanovic who was elected in April 2018, may try to exploit these weaknesses. At the beginning of December 2020, a government was formed around Zdravko Krivokapić, of the ZBCG coalition. The election result followed the souring of the DPS's relations with the Serbian Orthodox Church, the largest denomination in the country. Despite being pro-Serbian and pro-Russian, the ZBCG, which has a majority in the coalition, is committed to remaining in NATO and on the path to EU membership. Closer ties with Russia and Serbia cannot be ruled out.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	35.6
GDP PER CAPITA US Dollars - 2019	3,332
CURRENCY Moroccan dirham	MAD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.0	2.5	-7.0	4.0
Inflation (yearly average, %)	1.6	0.3	0.2	0.8
Budget balance (% GDP)	-3.7	-4.1	-8.0	-6.5
Current account balance (% GDP)	-5.2	-4.2	-7.0	-5.0
Public debt (% GDP)	65.0	65.0	77.0	76.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	60%
BRAZIL	4%
UNITED STATES	4%
INDIA	3%
UNITED KINGDOM	2%

Imports of goods as a % of total

EURO AREA	46%
CHINA	10%
UNITED STATES	8%
TURKEY	5%
RUSSIA	3%

+

- Favourable geographical location, close to the European market
- Strategy to move to high-end markets and diversify industrial production
- Political stability and commitment to reform
- Growing integration in the African market
- Support from the international community, particularly Europe, which is supporting green investments in Morocco to the tune of USD 300 million, through 2 projects.
- Significant and growing market

-

- Economy highly dependent on the performance of the agricultural sector (14% of GDP and 40% of the population) and, therefore, on the climate and water availability, as well as on the European Union
- Competition from other Mediterranean countries such as Turkey or Egypt
- Significant social and regional disparities between urban and rural areas, with recurrent discontent in some regions. Poverty rate remains high.
- High unemployment rate, especially among young people, low participation of women in the labour market and lack of housing
- Weak productivity and low competitiveness
- Political tensions with regional neighbours

RISK ASSESSMENT

Recovery dependent on the European market and tourism

The health crisis, but also a poor harvest due to drought, have strongly affected the country's economic growth in 2020. In 2021, it is expected to experience a modest recovery, partly due to a base effect. Exports of goods and services (39% of GDP in 2019), dependent on European economies, collapsed in 2020. Sales of vehicles and automotive parts (20% of exports of goods and services in 2019) have suffered particularly badly, as have exports of clothing items (7%) and aeronautical parts. On the other hand, exports of fertilisers (10% of exports with rock phosphate and its derivatives), initially hampered by the disruption of Indian supply chains, have resisted ultimately. Sales of agricultural products were also resilient, despite logistical disruptions. In 2021, exports are expected to rebound in line with the economic recovery in key partners. However, their recovery may be limited, as the virus is still circulating in Europe. The European automotive market, the leading source of merchandise exports, is struggling to recover, not to mention aeronautics. The drop in tourism (12% of GDP and employment) has also impacted the Moroccan economy. Travel restrictions and border closures have strongly affected tourism revenues (22% of total exports). The second wave (October 2020) has led to an extension of the mobility crisis, which will continue to weigh on tourism in the first half of 2021. Thus, it is only expected to recover in the summer of 2021. Household consumption (58% of GDP) has declined sharply. However, remittances from the Moroccan diaspora (6% of GDP in 2019), on which a large number of families depend, have held up, as expatriates are likely to draw on their savings. Conversely, the unemployment rate increased (13% in 2020, up from 9.8% in 2019). However, the most significant job losses are in the informal sector (12% of GDP and 36% of the labour force), suggesting a higher unemployment rate. In order to limit the impact on households, the government has allocated, through a special fund to combat COVID-19 (2.7% of GDP), assistance to the most vulnerable households and workers in the informal sector. Household consumption is expected to recover very gradually with the lifting of containment measures. Investment (28% of GDP in 2019) decreased in 2020. However, a USD 5 billion strategic fund to support production activities and finance public-private investment across all sectors has been set up. The inter-ministerial investment commission has also approved a USD 2.5 billion package to support 45 projects in energy, telecom and industry. These investments are designed to create jobs and boost the economy simultaneously. FDI also contracted in 2020 because of the global recession. They are expected to recover moderately, in line with the global economic activity affected by the second wave.

Small decrease in the twin deficits

The public deficit increased considerably because of COVID-19, which led to a large number of additional expenditures while reducing revenues. The decline in government revenue is the result of a drop in customs revenue and domestic taxation. In 2021, the deficit is expected to decline only slightly, as the effects of the crisis are still expected to weigh, especially in the first half of the year. Public debt (67% external at the end of 2020) has mechanically increased, despite substantial privatisation revenues.

The current account deficit also widened in 2020. While the usual large trade deficit has narrowed due to the decline in imports offsetting that of exports, the services surplus collapsed with tourism. In order to finance this deficit and rebuild its foreign exchange reserves, which fell (-4.4%) to maintain the dirham's peg to the euro/dollar basket, Morocco was able to draw on USD 3 billion under its precautionary and liquidity line with the IMF. The World Bank, European Union and ADB also provided liquidity. In December, the Kingdom issued USD 3 billion worth of bonds on the international market. In 2021, the deficit is expected to decline slightly, in line with the moderate recovery of exports and tourism. As the virus is still actively circulating in Europe, their recovery could disappoint. Imports are expected to recover partially, but at a slower pace.

Political and social stability tested by the crisis

The ruling coalition that emerged from the 2016 legislative elections, led by the moderate Islamist Justice and Development Party (PJD) and led by Saaddin El Othmani, is fragmented. It has a comfortable majority (229 out of 395 seats) in Parliament. However, the King and his cabinet play the role of ultimate arbiter and decision-maker. The crisis could exacerbate political and social fragilities. Despite household support measures, rising unemployment and losses of household income suggest that discontent will increase. The high weight of the informal sector, particularly in trade, construction and agribusiness, does not facilitate the payment of aid, which increases inequalities. The lack of employment opportunities, the vulnerability of rural populations to climate change, the perception of corruption, and restrictions on certain freedoms could fuel frustration. The next legislative elections will be held in October 2021, and the PJD could emerge victorious, thanks to its voters, who appreciate its social conservatism.

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 legal system based on French legal tradition and courts based on Islamic traditions (which relate exclusively to the personal status of litigants). 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*).

<u>Emergency proceedings</u>

The order to pay is available when the debt is linked to a title or a recognised promise . 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. If the defendant does not submit a defence within eight days, an enforceable decision may be obtained. If the defendant submits a statement of defence within eight days of receipt of the order for payment, the case will be referred back to the ordinary procedure. However, the appeal chamber of the court of first instance or the court of appeal may, by a reasoned ruling, suspend enforcement in whole or in part.

<u>Ordinary proceedings</u>

A writ of summons is sent by the creditor's representative to the relevant court and served by a bailiff to the debtor, who may subsequently obtain legal representation in the period prescribed by the judge and file a counter claim. Several hearings may be required for the exchange of written submissions, transmissions of documents and to produce the relevant evidence.

The main hearing is set by the judge to hear the presentation of the pleadings. Discussions and pleadings are conducted by the judge during the public hearing. The case is then taken under deliberation to allow judges to discuss the means, grounds, and pronouncement that make up the content of the judgment. After the sitting of the judgers, a reasoned judgment is rendered. It can usually be obtained within an average delivery time of 14 months.

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 redress proceedings and judicial liquidation proceedings).

Because of the COVID-19 situation, Morocco has taken two measures in the framework of the insolvency proceedings:

The possibility for debtor companies to initiate the procedure to request a grace period to enable them to legally suspend payments (if the insolvency is caused by COVID-19).

The possibility of obtaining a stimulus credit dedicated to companies impacted by COVID-19.

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 (conciliation)

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 conciliator 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 conciliator 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 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 receivership

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 receivership 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 continuation 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.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	31.2
GDP PER CAPITA US Dollars - 2019	488
CURRENCY Mozambique metical	MZN

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
INDIA	24%
SOUTH AFRICA	17%
SINGAPORE	9%
CHINA	6%

Imports of goods as a % of total

SOUTH AFRICA	24%
INDIA	14%
EURO AREA	14%
CHINA	9%
UNITED ARAB EMIRATES	8%

- Favourable geographical location: long coastline, proximity to the South African market
- Significant mineral (coal), agricultural and hydroelectric potential
- Huge offshore gas fields discovered in 2010

- Weak diversification; 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

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.4	2.3	-0.8	2.0
Inflation (yearly average, %)	3.9	2.8	3.1	3.6
Budget balance (% GDP)	-5.1	-1.5	-7.1	-5.6
Current account balance (% GDP)	-29.9	-19.6	-32.8	-38.8
Public debt (% GDP)	110.1	108.4	120.4	122.0

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

RISK ASSESSMENT

Development of gas reserves will drive the recovery

The country was still trying to recover from the slowdown resulting from the hidden debt crisis and the damage done by tropical cyclones Idai and Kenneth in 2019, when the crisis triggered by the COVID-19 pandemic plunged the economy into its first full year of recession in 28 years. In 2021, the economy should return to growth, thanks to the gradual recovery in activity. Firmer external demand should support a rebound in exports, particularly of coal and aluminium (about half of the total). Implementation of projects to develop offshore liquefied natural gas (LNG) reserves will support private investment, which will probably be one of the main drivers of activity. The development of new LNG reserves could however be held back by insecurity linked to the Islamist insurgency in the key northern region of Cabo Delgado, which is close to major offshore gas reserves. The heavy debt burden and the fiscal position, which has worsened due to emergency measures taken to deal with the pandemic, will exert a drag on public investment. While social distancing measures had a negative impact, consumption is expected to recover in 2021, supported by the central bank's more accommodative monetary policy. Nevertheless, with around 70% of employment depending on agriculture, drought in parts of the country and population displacements caused by insecurity in Cabo Delgado will remain major constraints on domestic demand.

Public and external accounts under heavy pressure

The additional expenditures related to the COVID-19 pandemic compounded the budgetary challenges of a country already struggling with great difficulties. Fiscal consolidation efforts, which had allowed the country to return to a primary surplus (budget balance excluding interest payments) before the pandemic, are expected to resume in 2021, enabling the deficit to be reduced. Nevertheless, these efforts will be hampered by extended COVID-19 related spending, the state wage bill (over 50% of state revenues), defence expenditure to contain insecurity and debt servicing. On this last point, despite the restructuring agreement with holders of the defaulted Eurobond, the stock of arrears remains high. However, the country will benefit from the G20 debt service suspension initiative until June 2021. Financing for the deficit, which is largely due to the crisis, will rely on emergency funds from international donors and domestic debt, further increasing the already heavy debt burden.

In 2021, the large current account deficit will continue to be fuelled by the impact of major LNG projects on the trade deficit. Capital goods imports for these projects, about 20% of the total in 2019, will affect the balance of goods, while engineering services will be responsible for a huge services deficit. The goods and services deficits are thus expected to widen as the implementation of these projects resumes. Although it is less significant, the income deficit will also be increased by the repatriation of investment profits. The current account deficit will be slightly mitigated by the transfer surplus, which is primarily maintained by current international cooperation. FDI, especially project-related FDI, will finance much of the deficit. However, as recourse to external financing remains difficult since the Eurobond default in January 2017, the large current account deficit is set to keep up the pressure on the metical, which has already lost more than half of its value in a decade.

An increasingly fragile security and social environment

Following general elections in October 2019, the Mozambique Liberation Front (Frelimo) took 184 of the 250 seats in the assembly and its candidate, Filipe Nyusi, won a second presidential term, reaffirming the party's domination of the political scene since the country's independence in 1975. However, the elections, which were marred by accusations of fraud, also confirmed tensions inherited from the post-independence civil war (1975-1992) with the Mozambique National Resistance (Renamo). Although the two parties signed a peace deal in August 2019, several armed wings of Renamo, which had rejected the 1992 peace agreement to take up arms again between 2013 and 2016, broke away and are allegedly behind attacks carried out in Sofala and Manica, two provinces in the centre of the country. These long-running domestic tensions are compounded by the Islamist insurgency in the Cabo Delgado province, which has been raging since 2017 and which intensified in 2020. The Mozambican al-Shabab group (no links to the Somali Islamist group), which has pledged allegiance to the Islamic State, took control of the strategic port city of Macimboa da Praia in August 2020. Meanwhile, the social climate is extremely tense, with the authorities' difficulties in containing the COVID-19 pandemic adding to frustrations over corruption, mismanagement of public finances and widespread poverty.

The unstable political environment and corruption contribute to the perception of a difficult business climate.

MYANMAR

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	52.3
GDP PER CAPITA US Dollars - 2019	1,299
CURRENCY Myanmar kyat	MMK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.4	6.5	2.0	5.6
Inflation (yearly average, %)	6.0	8.6	6.1	6.2
Budget balance* (% GDP)	-3.0	-3.9	-6.0	-6.5
Current account balance (% GDP)	-4.7	-2.6	-3.5	-4.2
Public debt (% GDP)	40.4	38.8	42.8	45.2

(e): Estimate. (f): Forecast. * Fiscal year 2021 : October 2020 to September 2021.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	32%
THAILAND	18%
EURO AREA	13%
JAPAN	8%
UNITED STATES	5%

Imports of goods as a % of total

CHINA	35%
SINGAPORE	18%
THAILAND	12%
MALAYSIA	5%
INDONESIA	5%

- Economy is gradually opening up
- Abundant commodities, including minerals (jade, copper and gold), gas and oil; hydroelectricity opportunities
- Close to fast-growing economies (India, China, Thailand)
- Major tourism potential
- High potential of the primary sector (agriculture)
- Youthful population (27% of the population under 14 years of age)
- Poverty is decreasing
- Availability of low-cost labour
- ASEAN member

- Highly endemic corruption and a failing business environment
- Ethnic problems related to the Buddhist majority's intolerance of the Rohingya Muslim minority but also of Buddhist minorities, including the Shan, Karen and Kachin groups, which have armed wings
- International condemnation of discrimination against minorities: 135 ethnic groups are present in the country, the majority Bamar ethnic group represents 68% of the population
- Ineffective central bank
- Lack of diversification and infrastructure (electricity, refining, education, health)
- Underdeveloped financial sector
- Country highly exposed to natural disasters, including earthquakes, cyclones and floods

RISK ASSESSMENT

Recovery driven by investment

Economic growth slowed significantly in 2020 due to the crisis, although the country remained one of the best performers in the region. A partial lockdown was implemented in cities, along with travel restrictions, and factories (especially textile plants) were closed as the virus spread. The economy was also impacted by the decline in tourism activities (4.6% of GDP and 4.8% of the labour force in 2019), supply chain disruptions for the clothing sector and losses for SMEs, which led to layoffs that hurt private consumption (50% of GDP). However, the decline in consumption moderated inflation. Myanmar's COVID-19 Economic Relief Plan for 2020 included emergency fiscal and monetary measures, such as subsidised credit for small businesses and self-employed people, and food and money for households. Some of these measures will extend into the first months of 2021. The Central Bank of Myanmar lowered its policy rate to 7%. Investment, particularly from abroad, which had been increasing until the crisis, will drive a recovery in activity in 2021. The Myanmar Investment Commission approved 219 new foreign projects in the country between October 2019 and July 2020, for a total of USD 5 billion. Although mainly in power generation, these FDI were also directed towards real estate, manufacturing, and the oil and gas industry. However, as new investments may be delayed due to travel restrictions and business interruption caused by the pandemic, three projects are being given priority: Hlegu Industrial Park, Yangon Amata Smart and Eco City, and the South Korea-Myanmar Industrial Complex.

The current account deficit and FDI are growing

The budget deficit increased due to higher expenditures linked to the fight against COVID-19. At the same time, revenues, mainly from sales of goods and services by state-owned enterprises and taxes, declined because of the economic slowdown. The level of public or state-guaranteed external debt will remain sustainable (about 20% of GDP in 2020) and the associated risk is considered low by the IMF (mostly concessional debt), although it warned that the level of the central bank's foreign exchange reserves (equivalent to three months of imports) is too low. Domestic debt has been purchased by the central bank.

The current account deficit widened as exports (of clothing and gas) fell sharply due to supply chain disruptions, weak external demand and lower international gas prices. Imports declined less steeply, as higher purchases of medical equipment outweighed the decline in demand for capital goods, which was related to the downturn in investment. The income deficit is also expected to increase in line with profit repatriation by foreign companies. Despite declining, FDI will finance the current account deficit. The New Companies Law passed in 2019 facilitates access to the Burmese market for non-residents and should encourage foreign investment in the aftermath of the crisis.

Treatment of minorities inconsistent with democratic improvements

Aung San Suu Kyi, leader of the National League for Democracy (NLD) and winner of the Nobel Peace Prize for her promotion of democracy, became a state councillor in 2015 following the first free parliamentary elections since 1990. This role allows her to govern without being president, as the constitution prohibits her from holding this position because of her family ties abroad. President Win Myint, who was elected in 2018, is the first president without a military background in more than five decades. Nevertheless, a substantial part of power remains in the hands of the military, which has a constitutional right to 25% of the seats in parliament and control of key ministries. Although lockdown measures prevented parties from campaigning, and despite the cancellation of elections in Rahkine State, where the conflict has intensified between the Arakan Army, which is demanding self-rule, and Myanmar's armed forces, elections to the House of Representatives (lower house) and the House of Nationalities (upper house) were held on 8 November 2020. These confirmed the dominant position of the NLD and of Aung San Suu Kyi. Nevertheless, following allegations of electoral fraud, the military seized power in early February 2021 after detaining Aung San Suu Kyi and top leaders in an apparent coup, impeding the democratic shift smoothly. Aung San Suu Kyi's international stature has been tarnished by her passive handling of the Rohingya crisis, but her domestic popularity is still intact. Originally from Bangladesh, members of the Muslim minority Rohingya community have never obtained citizenship. Since August 2017, they have been abused by the army. The UNHCR estimates that 10,000 people have been killed and more than 740,000 have sought refuge in Bangladesh. The UN has called the situation "ethnic cleansing". The EU, the U.S., the UK and Australia have all imposed economic and political sanctions and organised a joint donor conference with the UN Refugee Agency on 22 October 2020 to promote support for Rohingya refugees and host countries. As relations with the West cool, Myanmar is fostering stronger ties to ASEAN and China.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

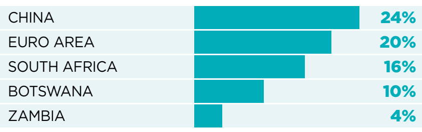
POPULATION Millions of persons - 2019	2.4
GDP PER CAPITA US Dollars - 2019	5,072
CURRENCY Namibia dollar	NAD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.1	-1.6	-7.8	2.1
Inflation (yearly average, %)	4.3	3.7	2.2	3.2
Budget balance* (% GDP)	-5.2	-4.9	-12.5	-9.5
Current account balance (% GDP)	-3.4	-1.7	-0.8	-2.2
Public debt (% GDP)	52.2	56.2	68.1	70.2

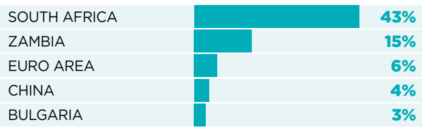
(e): Estimate. (f): Forecast. *Fiscal year from April 1st to March 30th: 2021 Data: FY2021/2022.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- 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

A modest return to growth

In 2020, the lockdown measures implemented to control the COVID-19 pandemic particularly affected key sectors of activity (tourism, mining, transport, trade and construction), pushing the economy into a second consecutive year of recession. Growth is expected to pick up modestly in 2021, supported especially by an increase in mineral exports (diamonds, uranium, zinc), which accounted for more than 45% of the total in 2019, benefiting from a gradual recovery in external demand. Tourism revenues should also rebound from the low base established in 2020, but will remain constrained by the uncertainty related to the spread of the pandemic. The mining sector's recovery should benefit the transport and trade sectors. Private investment, particularly in the mining sector, is also expected to recover, supporting the return to growth. Interest rate cuts by the Bank of Namibia and the announcement of an investment incentive plan by President Hage Geingob could help to drive the recovery. However, the precarious state of public finances – the reason why activity has been so weak since 2016, particularly in the construction sector – will likely constrain the contribution from public investment. While private consumption will benefit from the lifting of strict lockdown measures in the second quarter of 2020, any recovery will be checked by unemployment, estimated at over 20% before the pandemic-related crisis, and per capita income, which has been declining over the past five years.

Fiscal challenges accentuated by the pandemic

The crisis related to the COVID-19 pandemic accentuated fiscal challenges, widening the deficit in 2020/21. In 2021/22, the deficit is expected to start shrinking, but will remain high. Increasing tax revenues should help to bring it down, but will remain constrained by persistently weak economic activity. Moreover, given the one-year lag in their payment, Southern African Custom Union (SACU) revenues will be affected by the impact of the crisis on growth and regional trade. On the expenditure side, the expiration of measures taken to address the urgent economic and health crisis and the resumption of the fiscal consolidation programme should make it possible to reduce the deficit. Even so, the government wage bill, which absorbs half of revenues, and the precarious health of state-owned enterprises will continue to exert spending pressure. Furthermore, increased borrowing will result in higher debt-servicing costs, which will account for about 14% of revenues in 2020/21. Although sovereign risk is mitigated by the large share of domestic debt (about two-thirds of the stock) and debt denominated in local currency or the South African rand (to which the Namibian dollar is pegged; about 70% of the total), the trajectory and level of public debt are a constraint on public finances.

After narrowing as a result of increased SACU transfers and import compression, the current account deficit is expected to widen in 2021. The pick-up in domestic demand will impact the trade deficit, as the rebound in imports exceeds that of exports. The expected decline in transfers related to SACU customs revenue will also contribute to the higher current account deficit. While the services balance should benefit from a rebound in tourism, it is unlikely to record surpluses similar to those before the crisis. The income deficit will be fuelled by repatriation of investment income by multinational companies. External borrowing and investment flows are expected to finance the deficit. With foreign exchange reserves equivalent to about four months of imports, the country's external position should ensure that the peg to the South African rand is maintained.

A challenger to SWAPO?

Dominating the political scene since the country's independence in 1990, SWAPO won another victory in the November 2019 general elections, taking 63 of the 96 seats in the national assembly put to the vote. President Hage Geingob, SWAPO's leader, was re-elected for a second five-year term in the first round with 56% of the vote. Down 31 points from 2014, the president's score, along with the loss of 14 seats in the assembly, nevertheless confirmed the erosion of SWAPO's 30-year hold on power. A difficult economic situation over the past five years, aggravated in 2020 by the COVID-19 pandemic, and the persistence of major inequalities, are playing a part in this loss of influence. The controversial issue of land redistribution to the black population, which, despite being in the majority, owns only 16% of agricultural land, particularly encapsulates the country's divisions. Panduleni Itula, a former member of SWAPO and runner-up in the 2019 presidential election (29% of the vote), has emerged as the main opponent, thanks to the support of young people in urban areas. He launched a new party in August 2020, the Independent Patriots for Change (IPC), to challenge SWAPO's grip in the coming years.

Although relatively favourable compared with other African countries, the business climate suffers from red tape and is subject to competition from many African countries that have made this issue a pillar of their development strategies.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	28.4
GDP PER CAPITA US Dollars - 2019	1,079
CURRENCY Nepalese rupee	NPR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.7	7.1	1.0	3.0
Inflation (yearly average, %)	4.1	4.6	6.7	6.0
Budget balance* (% GDP)	-6.6	-4.6	-6.0	-5.0
Current account balance (% GDP)	-8.1	-7.7	-2.5	-7.0
Public debt (% GDP)	30.2	32.6	39.0	43.0

(e): Estimate. (f): Forecast. * Fiscal year 2021: July 2020 - June 2021.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	67%
UNITED STATES	8%
EURO AREA	6%
CHINA	4%
TURKEY	2%

Imports of goods as a % of total

INDIA	65%
CHINA	14%
CANADA	2%
EURO AREA	2%
UNITED ARAB EMIRATES	2%

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- Reliable remittance flows support 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

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- 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 the Indian economy, notably through a currency peg
- Governance shortcomings

RISK ASSESSMENT

Economic growth slows in the wake of COVID-19

Nepal's economic growth slowed sharply in 2020 and is not expected to return to pre-crisis levels in 2021. The COVID-19 pandemic spread rapidly across the country, resulting in a national lockdown lasting almost four months. The lockdown measures, the suspension of international and domestic flights as well as the closure of borders brought the country's economic activity to a standstill for a quarter, with an unprecedented impact on Nepalese growth.

Tourism (7% of GDP) was one of the sectors hardest hit by the health crisis. Lockdown measures, coupled with drastic travel restrictions, caused activity to slam to halt. This sector should gradually recover in 2021, thanks in particular to the reopening of borders. Construction slowed sharply due to lockdown measures and crisis-fuelled supply chain disruptions. However, it should accelerate in 2021 as the economy picks up. After a difficult year 2019, featuring a devastating monsoon and pest infestation, agriculture (about 25% of GDP and 70% of employment) saw yields decline in 2020 due to supply chain disruptions, which hampered access to fertilizers and delayed agricultural production. The sector should get back on track in 2021, as rice yields are expected to increase due to a favourable monsoon and the restoration of supply chains. Migrant workers' remittances (about 23% of GDP) also declined sharply, impacting the country's growth. As many families depend on these transfers, their consumption was negatively affected. In 2021, remittances should pick up due to an upturn in employment in Qatar and Malaysia, where the majority of expatriates work, which should stimulate consumption. After an estimated decline of 4% in 2020 due to the health crisis, public investment should recover in 2021. It may be harder to revive private investment because of the uncertainties related to the economic crisis and the reduction in capacity utilization.

The public deficit has increased because of the crisis.

The current account deficit, which is traditionally very high due to the trade deficit (30% of GDP), shrank considerably in 2020, but is expected to widen again in 2021. In 2020, the decline in exports, which were heavily affected by the decline in tourism (which accounted for 30.8% of total exports in 2019), was more than offset by the decline in the price of imported oil, as well as a decline in imports linked to weaker domestic demand. In 2021, imports, particularly of consumer goods, are expected to recover, although at a moderate pace due to uncertainty, which will encourage households to save. Tourism is expected to recover at a slow pace. The deficit is financed in part by international financing, which has increased because of COVID-19, and by the central bank's foreign exchange reserves.

The public deficit widened in 2020 due to the increase in health expenditure to fight the pandemic and provide additional insurance for medical personnel. Social assistance was implemented to support the poorest and most vulnerable households. Loans were rescheduled over several months, and companies in the hardest hit sectors were allowed to apply for additional working capital loans. Nepal's central bank asked banks to step up lending to priority sectors. Partial compensation was introduced for workers in the formal sector in the event of job or wage loss, and support was implemented for informal sector workers who lost their jobs. These workers may participate in public works projects in return for a subsistence wage or receive 25% of the daily wage if they opt out. The deficit is expected to reduce in 2021, but will remain significant.

Tensions within the communist government

Nepal is undergoing a significant transformation, marked by the transition to a federal structure of government. The Nepal Communist Party (NCP) led by Prime Minister Sharma Oli won the 2018 elections and has a majority in both houses. On December 20, the Prime Minister dissolved the Lower House following an emergency meeting of his government. Following this decision, he announced that legislative elections would be held early, on 30 April and 10 May. Protests broke out in the capital following the dissolution, underlining its unconstitutionality. 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-largest recipient of Indian aid and is also part of the Chinese Belt and Road initiative. However, growing concern about mounting debt (external debt represented 17% of GDP in 2019), particularly towards China, could limit new construction projects.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	17.2
GDP PER CAPITA US Dollars - 2019	52,646
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	1.7	-4.0	3.5
Inflation (yearly average, %)	1.7	2.6	1.3	1.5
Budget balance (% GDP)	1.4	1.7	-7.1	-5.5
Current account balance (% GDP)	10.8	10.2	8.5	9.0
Public debt (% GDP)	52.4	48.7	59.4	61.7

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	24%
BELGIUM	11%
FRANCE	8%
UNITED KINGDOM	8%
UNITED STATES	5%

Imports of goods as a % of total

CHINA	16%
GERMANY	15%
BELGIUM	8%
UNITED STATES	8%
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% in total exports value added) and external accounts in surplus
- Strong digitalization with lot of home-office, home-schooling and online retail made possible
- High quality infrastructure and good living standards

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- 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 (236% of disposable income in 2019)
- Banks dependent on wholesale financing (loans/deposits = 136%) and real estate
- Ageing population; pension system under pressure

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

A bumpy road to economic recovery

The conditions for reviving the economic are in place for 2021. However, the course of the COVID-19 pandemic is likely to cause punctual setbacks, as it was already the case in 2020. After the virus hit the Netherlands in the spring of 2020, the government reacted cautiously. Public life was partly shut down, but shops remained open, private gatherings were allowed and facemasks were not a part of the public scenery. However, as a result, COVID-19 cases reached very high numbers relative to the population and the Netherlands were among the top 26 countries with the highest COVID-19 death rate in autumn 2020. The economic impact of the pandemic in the Netherlands was as strong as in other Northern European countries. Not only hit by the sharp drop in private consumption and investment in the first half of 2020, the Netherlands were also strongly impacted by the lack of foreign trade, which is crucial for the Dutch economy as it is the "door" to Central Western Europe via its (air-)ports. With the resumption of global trade and the end of the first lockdown, the recovery was therefore even stronger thanks to the revival of foreign trade and, especially, of consumption, as the Dutch people stayed at home for holidays (the Netherlands have a high tourism deficit). Nevertheless, the second wave of COVID-19 starting in mid-autumn turned out to be almost 8 times stronger than the first wave and the government introduced another lockdown with stronger gathering limitations. Therefore, the economy went into a contraction at the end of the year, as private consumption declined again. For 2021, the outlook is cautiously positive, dependent on the pandemic's development and the future trade relationship with the UK. Private consumption, but also private and public investments, should pick up again, as the government has extended its current programs for furlough and help for the self-employed, as well as the public credit guarantee scheme until the end of June 2021 (EUR 12.5 billion, 1.7% of GDP). Moreover, the government has decided to ease the tax system, i.e. to lower the first bracket of the income tax (for the majority of people) by 0.25 percentage points to 37.1% and an increase of the labour tax credit (by EUR 324 to max. EUR 4,205), as well as the general income tax credit (for all income sources, by EUR 82 to max. EUR 2,837). Furthermore, several investment projects are planned (on top of the EUR 2 billion into the housing market) for security projects, education and climate protection. Additional support will come from the ECB, which extended its asset purchases by EUR 500 bn. up to EUR 1850 bn., so that it has enough liquidity to buy assets in an unchanged manner until the end of March 2022. Further T-LTROS for an unchanged high credit supply are in the pipeline, too.

Public balance remains in the red, external ones in the green

After a record high public deficit in 2020, the public balance should only improve lightly in 2021, as, on the one hand, corporate and income taxes will generate lower revenues than in former years and, on the other, the government's expenditures will remain high. This will bring the public debt ratio slightly above the Maastricht-target of 60% of GDP. The Dutch current account surplus, however, should recover in 2021. It is still strongly dependent on the trade in goods surplus, which should improve in line with the main export destinations in the Eurozone, the UK and the US. Moreover, the balance of income, which registered a deficit in 2020, could turn to a surplus again thanks to the recovery in revenues from Dutch assets abroad (net foreign assets reached a record of EUR 267.1 billion in 2019).

Strong public support despite of a high mortality rate

Prime Minister Mark Rutte (VVD, conservative-liberal) had successfully led his third government with a four-party coalition. In mid-January 2021, however, the government stepped down because of a child benefit scandal, in which thousands of families were wrongly accused of defrauding the child welfare system. Nevertheless, PM Rutte and most of his ministers stayed in the office as a caretaker government. Rutte has distanced himself from the scandal. Despite the very high COVID-19 mortality rate, the Dutch public support for the VVD remained on a two-year high, far above the levels of other parties (15 seats ahead of the next party). Therefore, the chances for Mark Rutte and the VVD to lead the next coalition are high in the next general election 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

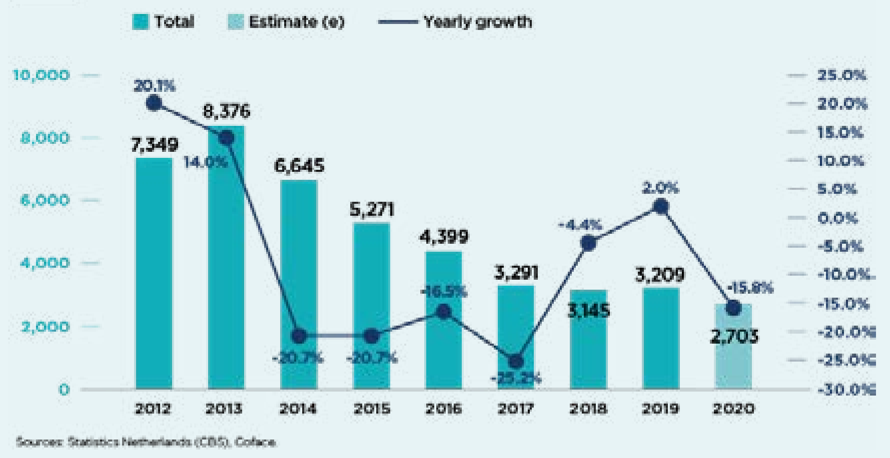
Corporate debt restructuring entails using the suspension of payments (*surseance van betaling*) procedure. The debtor is granted temporary relief from creditors, in order to allow them to reorganise, continue with business operations and ultimately satisfy their creditors' claims, all under the supervision 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 INSOLVENCIES



Sources: Statistics Netherlands (CBS), Coface

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	4.9
GDP PER CAPITA US Dollars - 2019	41,667
CURRENCY New Zealand dollar	NZD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.8	2.5	-4.5	6.0
Inflation (yearly average, %)	1.6	1.4	1.5	1.8
Budget balance* (% GDP)	0.8	0.1	-8.9	-6.3
Current account balance (% GDP)	-3.8	-3.8	-1.3	-2.0
Public debt (% GDP)	29.8	29.8	35.8	39.4

(e): Estimate. (f): Forecast. * Fiscal year 2021 : July 2020 – June 2021.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
AUSTRALIA	15%
UNITED STATES	9%
JAPAN	6%
EURO AREA	5%

Imports of goods as a % of total

CHINA	20%
EURO AREA	14%
AUSTRALIA	12%
UNITED STATES	10%
JAPAN	7%

+

- Proximity to Asia and Australia
- Touristic appeal
- Large and competitive agricultural sector (world's leading exporter of dairy products)
- Balanced public accounts and contained public debt in normal times
- High quality of life
- Excellent business environment (ranked 1st in the Doing Business ranking)

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- Island nation
- Reliance 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 (+85% since 2008, including a 10% increase in 2020)
- Lack of R&D and low labour productivity growth compared to other OECD countries

RISK ASSESSMENT

An economic recovery expected in 2021

Even before the country recorded its first Covid-19 death, New Zealand imposed quarantine requirements for anyone entering the country in mid-March 2020, closed its border to foreigners and shut down all non-essential services. These strict measures led to a sharp decline in New Zealand's GDP in 2020. However, the country is expected to return to a high growth rate in 2021. That being said, after declining by an estimated 6% in 2020, private consumption will be curbed by household deleveraging (their debt amounts to 90% of GDP and 163% of their disposable income) and low population growth (reduced immigration). Moreover, gross fixed capital formation is not expected to reach its pre-crisis level in 2021. Nevertheless, investment will be driven by public investment and the development of numerous public-private partnerships to build road and social infrastructure. Exports of services will remain weak in 2021 because of the fall in tourism, while exports of goods, especially agricultural goods such as dairy products and beef for China, should not suffer from the crisis.

In terms of supply, the primary sector seems to have held up well, as the agricultural sector, which represents 5.8% of GDP, has hardly been affected by the crisis, unlike the mining industry (1% of GDP with gold and coal). New Zealand's agriculture should continue to do well in 2021, as growth in demand, especially for proteins in Asia, should support the prices of meat, dairy and horticultural products. The secondary sector has been hard hit by the crisis, but should make a comeback in 2021 with the resumption of construction, capital goods manufacturing and so on. Services will probably continue to struggle in 2021. It is unlikely that tourism, which accounts for 15% of GDP and 19% of jobs, will pick up again this year, with a second wave of infections hitting the country in the second half of 2020, especially since local tourism is constrained by the impact of the crisis on wages and employment. However, other types of services, such as catering, could see their activity increase again in 2021. The various sectors will be supported by sustained fiscal stimulus. Regarding monetary policy, the central bank's official rates are at almost zero and should remain low, which will facilitate credit.

Although still significant, the public deficit is shrinking

New Zealand has sound public finances, making it easier to implement ambitious stimulus plans when needed. In May 2020, this made it possible to release NZD 50 billion (17% of GDP) as part of the Rebuilding Together budget programme to fight the crisis. These funds are in addition to the initial NZD 12.1 billion package announced in January 2020. Government spending is therefore expected to increase by 24% between FY 2019 and FY 2020 and by a further 10% between 2020 and 2021. The stimulus plan, combined with the recession and the slowdown in world trade, pushed the public balance into the red in 2020 and it will remain negative in 2021, despite a slight improvement. The plan is being partly financed by the country's central bank, which extended the limit of its asset-buying programme in May 2020 to purchase a large number of government bonds over 12 months. Public debt will continue to increase, but its GDP share will remain relatively low. Accordingly, the country will not be punished by the financial markets.

The current account deficit is expected to widen slightly in 2021, but will remain small. In 2020, the decline in domestic demand weighed on imports, while agricultural exports were still in high demand. As the domestic situation improves, imports are expected to recover in 2021. The goods surplus will continue to offset partly the services deficit that emerged in 2020, following the collapse of tourism and transport, and will start to decline very slowly in 2021. The income account, which is structurally in deficit due to profit repatriation by foreign investors, should remain stable. The current account deficit will be financed mainly by portfolio investment and FDI.

A stable political situation

New Zealand is a stable parliamentary democracy with strong institutions. After having been postponed from September to October due to the occurrence of new Covid-19 cases in Auckland, the parliamentary elections of 17 October 2020 resulted in the victory of the Labour Party of outgoing Prime Minister Jacinda Ardern. Rewarded for its management of the crisis, the party won 65 seats out of 120 and is thus the first party to obtain an absolute majority in Parliament for more than a decade. Even though this victory allowed the party to govern alone, Jacinda Ardern invited the Green Party to join her in government under a "cooperation agreement".

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.

Business debt hibernation

The business debt hibernation is a scheme established to help businesses affected by COVID-19. It enables businesses to gain protection from debt recovery actions for a month while they negotiate with creditors, and a further six months' protection if creditors agree to an arrangement for repayment. The scheme has a number of conditions that must be fulfilled before a business can enter business debt hibernation.

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.

Arbitration or mediation (often less expensive than court proceedings) may also be used to resolve disputes and obtain more rapid out-of-court settlements.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Ministry of Business Innovation and Employment, Coface

NICARAGUA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	6.5
GDP PER CAPITA US Dollars - 2019	1,920
CURRENCY Cordoba oro	NIO

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-4.0	-3.9	-4.5	0.5
Inflation (yearly average, %)	4.9	5.4	4.4	4.0
Budget balance (% GDP)	-3.0	-0.5	-4.3	-3.0
Current account balance (% GDP)	-1.9	6.0	10.0	6.0
Public debt* (% GDP)	37.6	42.1	48.3	50.3

(e): Estimate. (f): Forecast. *Including only Central Government, which also covers Social Security.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	61%
EURO AREA	5%
HONDURAS	5%
EL SALVADOR	5%
MEXICO	3%

Imports of goods as a % of total

UNITED STATES	28%
CHINA	13%
MEXICO	10%
HONDURAS	9%
GUATEMALA	7%

+
- Mineral (gold) and agricultural (coffee, sugar, meat) resources
- Membership of the Central America/U.S. and Central America/EU free trade areas
- Large flows of expatriate remittances

−
- High vulnerability to natural disasters
- Inadequate health, education and persistence of poverty
- Insufficient infrastructure (energy, transport)
- Institutional shortcomings: concentration of power in the executive and Sandinista party, corruption
- Highly dollarized economy

RISK ASSESSMENT

End of recession but no rebound

Nicaragua is expected to avoid a fourth successive year of negative growth in 2021, without benefiting from a rebound in activity. The political crisis, still unresolved since its outbreak in the spring of 2018, the U.S. sanctions imposed to put an end to the repression of opponents, the weak dynamism of demand in the United States and climate conditions are all factors that will weigh on the country's activity. In 2020, Nicaragua was one of the few countries in the world not to impose lockdown measures to counter the spread of COVID-19. Domestic demand has therefore been less affected than elsewhere, but the progress of the pandemic is still very uncertain, while public confidence in the information produced by the government on its spread is low. This uncertainty, coupled with the political crisis, is expected to prevent a real recovery in household consumption, which accounted for 72% of GDP in 2019. Nevertheless, the relatively dynamic flows of expatriate remittances will support this sluggish demand. The catch-up effect observed on these flows in the second half of 2020, together with the reopening of the economy in the United States, is expected to fade away in 2021. Decrease in unemployment among the Latino population in the United States, the main source of these flows, is slower than for the rest of the population. Public demand will continue to be constrained by a lack of financing due to U.S. sanctions, which limit access to most multilateral lenders (IMF, World Bank, Inter-American Development Bank). In addition, investment will remain limited because of these same U.S. sanctions and the climate of political uncertainty. Finally, external demand will remain constrained, while the main partners (United States, Europe, Costa Rica) will only experience a moderate recovery. On the supply side, the agricultural sector is expected to suffer from the repercussions of the two hurricanes, Eta and Iota, which hit the country in November 2020, the economic cost of which represents 6% of GDP according to initial estimates. The flooding of agricultural land, but also the destruction of roads, is expected to limit the volume of coffee production in the 2020-2021 season (September-August), as well as sugar production. The manufacturing industry, especially in the free zones (electronic components, clothing), will be affected by the weak recovery in U.S. consumption and will compete with production from other countries, especially Vietnam for clothing. Mining production will be buoyed by a high gold price, boosting the results of the country's main gold companies.

Public accounts under sanctions but a comfortable external position

The 2021 budget planned by the government takes note of poor access to external sources of financing, providing for a limited amount of expenditure, 98.9% of which should be financed by tax revenues, assuming a 6.5% increase in these revenues compared to 2020. Although the 2019 tax reform has led to a significant increase in tax revenues (+8% in 2019), the absence of a rebound in activity in 2021 is expected to make it difficult to achieve this objective in the absence of a further reform. The deficit is therefore expected to be higher than that envisaged by the government. Financing needs are expected to be met by obtaining loans from the Central American Bank for Economic Integration, which is not affected by U.S. sanctions (a loan of USD 300 million obtained in December 2020). From the point of view of the external accounts, the deficit in the balance of goods, although still reduced compared to its pre-crisis level, is expected to increase in 2021. The expected resumption of imports, linked to the stabilisation of the economy, will only partially offset the sharp contraction in imports in 2020 due to the fall in domestic demand and the fall in oil receipts. Exports are not expected to compensate for this recovery, affected by the lower export volumes of coffee, clothing and sugar, despite the rise in gold exports. Expatriate remittances are still largely expected to offset this deficit, but the resulting current account surplus will be lower than that observed in 2020. In this context, the country will continue to consolidate its reserves, up 30% in September 2020 compared to the year 2019, equivalent to 8 months' worth of imports. This will support the mobile pegging of the Cordoba (annual depreciation of 2% per year against the dollar).

Political stagnation in an election year

Anti-government demonstrations against corruption and nepotism, which began in April 2018, occur regularly and are strongly suppressed by President Daniel Ortega (FSLN), who has been in power since 2007. Nevertheless, a way out of the crisis is unlikely in this election year. President Daniel Ortega is most likely to run again in the November elections or leave his seat to his wife, Vice-President Rosario Murillo. In this context, relations with the international community are likely to remain tense as U.S. and European sanctions against those close to the regime pile up. Nicaragua's diplomatic relations with Taiwan, which has provided aid for infrastructure construction and in the fight against the pandemic, play an important role, while the United States and China (which has disappointed Nicaragua in the transoceanic canal project) are competing in the region.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2019**	23.3
GDP PER CAPITA US Dollars - **2019**	554
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.0	5.9	1.2	6.0
Inflation (yearly average, %)	3.0	-2.5	2.8	1.5
Budget balance* (% GDP)	-3.0	-3.6	-6.0	-4.5
Current account balance* (% GDP)	-12.7	-12.3	-13.0	-16.0
Public debt (% GDP)	36.9	39.8	41.7	42.1

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

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	29%
EURO AREA	14%
CHINA	13%
UNITED STATES	11%
PAKISTAN	8%

Imports of goods as a % of total

CHINA	31%
EURO AREA	26%
UNITED STATES	6%
NIGERIA	4%
THAILAND	3%

+
- Sixth largest uranium producer in the world in 2019
- Net exporter of petroleum products and gold
- Investment effort 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 fluctuations in commodity prices
- Economy still largely dependent on subsistence agriculture
- Rapid population growth, high poverty (world's lowest HDI), chronic food crisis situation
- Deficient tax and duty collection system
- Endemic corruption and the size of the informal sector; very poor business environment (132nd in the Doing Business 2020 report)
- Porous borders favouring illegal immigration and trafficking (gold, oil etc.)
- Deteriorating security situation and terrorist attacks

RISK ASSESSMENT

Domestic demand as a driver of recovery

Penalised by the closure of their shared border by Nigeria since August 2019, and the measures implemented to combat COVID-19, Niger experienced low growth in 2020. However, a dynamic recovery is anticipated for 2021. Although it has been significantly slowed by rising poverty and social distancing measures, consumption, which accounts for 70% of GDP, continued to grow in 2020 (+2.3%) thanks to government support for the most vulnerable households (monetary assistance and the suspension of electricity bills). In 2021, it is expected return to its usual growth rate of around 7% as the effects of the crisis dissipate. Investment (30% of GDP) will also drive growth in 2021 (+11%), following the suspension of certain projects during the health crisis. The Kandadji hydroelectric dam (financed to the tune of USD 150 million by the World Bank) will be revived and will help secure the drinking water supply of the Niamey agglomeration by 2025. In addition, the construction of a 2,000 km oil pipeline will be resumed and completed by 2023. This project, led by the China National Petroleum Company, will link the country's oil fields to the Beninese maritime coast and will increase the country's oil production from 20,000 barrels per day to 97,000 once construction is completed. The mining sector is a key sector of the country, representing 8% of GDP. Contrary to gold production, which is doing well, uranium production will fall in 2021 with the expected closure of the Akouta mine, one of the country's two mines.

The construction, mining, and services sectors are therefore expected to be the main beneficiaries of the intensification of projects. Furthermore, agriculture (80% of employment and 40% of GDP), which was only slightly affected by the crisis, will also experience sustained growth in 2021 (+5%), although it is mainly subsistence farming. It will therefore not contribute to exports, while massive imports of capital goods will be necessary to carry out investment projects, leading to a negative contribution of trade to growth.

Twin deficits financed by international aid (13% of GDP)

In April 2020, the government announced an ambitious stimulus plan of 597 billion CFA francs, or 7.4% of GDP, to help households and businesses most affected by the crisis. Despite revenue maintenance aided by the sale of a telecommunications licence, the increase in spending led to a widening of the public deficit and, as a result, a rise in the debt (71% external). Thanks to increased support from international institutions (notably the IMF), a Deutsche Bank loan taken in January (1.9% of GDP) and the Debt Service Suspension Initiative (0.2% of GDP), the country has had the funds to finance its deficit in 2020. In 2021, the resumption of activity and rising revenues will help to reduce the deficit and prevent the country from going deeper into debt.

In 2020, the massive current account deficit had not changed much. Indeed, the trade deficit remained stable, as the decline in imports of capital goods caused by the halt in construction offset the drop in exports. The slight deterioration is explained by the erosion of remittances from expatriates, representing 2.5% of GDP. It was financed largely by international aid, including USD 250 million from the World Bank, USD 114 million and USD 20 million from the IMF under its two credit facilities: the first, rapid to respond to the COVID-19 emergency, and the second, expanded and multi-year, renewable in 2021. In 2021, the deficit will widen because of increased imports of capital goods. In addition, although mining exports (45% of exports) will benefit from favourable prices, they will be limited by the ageing of the uranium mines and the country's refining capacity (only 20,000 barrels per day). The deficit will be financed by the return of FDI, as well as by international aid. Moreover, in 2020, reserves with the WAEMU amounted to 4.5 months' worth of imports.

Degraded security and social situation

The political situation in Niger has long been characterised by the control of President Mahamadou Issoufou (Niger Party for Democracy and Socialism (PNDS)) over the various institutions since the victory of his party in the presidential and legislative elections of 2016. However, he confirmed that he would withdraw peacefully in the upcoming elections, while carefully planning for the future election of his designated successor, former Prime Minister Mohamed Bazoum who came first with 38% of the votes in the first round of the presidential election of December 2020. In addition, the opposition is highly critical of the President's actions and the bias of the new 2019 electoral code, which is accused of favouring the current government.

These political tensions, coupled with increased poverty and a heightened risk of famine, have worsened the social situation in the country. Moreover, the country has been hit hard by the deterioration of the security situation following the actions of terrorist groups in the region (Boko Haram, AQIM, Al-Murabitoun). Despite the difficulties in financing the G5 Sahel force, international cooperation will come to the aid of Niger, a country affected by several attacks and kidnappings of foreign nationals in 2020.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

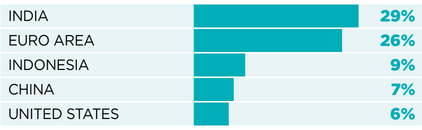
POPULATION Millions of persons - 2019	**201.0**
GDP PER CAPITA US Dollars - 2019	**2,230**
CURRENCY Nigerian naira	**NGN**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.9	2.2	3.5	1.5
Inflation (yearly average, %)	12.1	11.4	13.0	15.0
Budget balance (% GDP)	-4.3	-4.8	-7.0	-5.0
Current account balance (% GDP)	1.0	-3.8	-3.0	-2.0
Public debt* (% GDP)	27.7	29.1	35.0	36.0

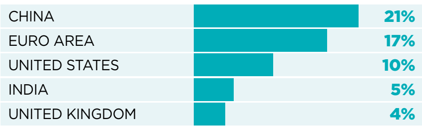
(e): Estimate. (f): Forecast. * including state, local authority and public enterprise debt and arrears.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- Leading African power in GDP terms; most populous country in Africa
- Significant hydrocarbon resources (eleventh in the world for proven reserves, ninth for gas, not counting unproven reserves)
- Considerable agricultural potential (fifth-largest cocoa producer in the world) and mining potential (gold, barite, tin, zinc)
- Relatively low public and external debt

- High unemployment and underemployment
- Heavily dependent on oil revenues (90% of exports, typically about 60% of tax revenues)
- Low tax revenues (6.5% of GDP)
- Poor economic diversification; insufficient agricultural production due to lack of infrastructure and insecurity
- Insufficient oil refining capacity (80% of refined products imported) and gas transport capacity
- Insufficient electricity generation and distribution capacity
- Manufacturing activity represents just 10% of GDP, despite the Made in Nigeria (MINE) project aiming to increase it to 20%.
- Illegal gold mining
- Deficiencies in transport infrastructure: ports, roads, railways
- Ethnic and religious tensions
- Insecurity and corruption constraining the business environment
- Pollution linked to oil development

RISK ASSESSMENT

Oil-driven growth

Oil revenues, which are so critical to Nigeria, fell in 2020. In 2021, as they recover, albeit partially, activity should pick up again, although at a modest pace. Household consumption (77% of GDP) is expected to remain sluggish. Households will face high inflation, much of it imported, as 80% of products sold are imported. The weak naira, import restrictions (importers of around 40 food products cannot access the regulated foreign exchange market) not offset by domestic production, and restrictions on trade with neighbouring countries since October 2019 all contribute to this. Domestically, pressures will be created by the removal of the fuel price cap to encourage investment in refining, but also by the gradual increase in electricity prices, again with the objective to encourage investment. Unemployment is set to remain high and growth will be insufficient to maintain per capita income, due to strong population growth. Investment (23% of GDP) will not be robust either. Public investment was cut in 2020 and any increase in 2021 will correspond to the continuation of ongoing projects. The same applies to the private sector, which is not expected to restart. In the hydrocarbon sector, foreign companies are gradually withdrawing from onshore deposits due to high production costs (average cost per barrel: USD 20 to 22) and strained relations with the Nigerian National Petroleum Company. Further out, however, they may step up their presence in the offshore and gas sectors if the new oil law, which has been in the works for 20 years, is adopted. Meanwhile, construction of the Nigerian group Dangote's 650,000 bpd-capacity refinery is set to be completed. Credit will remain expensive (around 20%), even after the central bank cut the policy rate to 11.5% in November 2020, *i.e.* below the inflation rate. Credit to the private sector is expensive because of crowding-out by the public sector and substantial exposure to hydrocarbons. Fiscal stimuli will remain weak given the deterioration in the accounts. Accordingly, the difficulties will not be confined to the oil sector, but will continue to affect the other sectors, due to persistently limited spillover of oil revenues. Prospects will remain brighter in agriculture (22% of GDP), information technology and telecommunications.

Domestic debt, scarce foreign currency

Despite the support plan, spending increased by only 0.5% in 2020 due to cuts in non-essential spending. Since, at the same time, revenues fell with oil revenues, the deficit widened. As oil prices rise, the deficit should narrow, but will be unlikely to disappear with a breakeven price of USD 140 per barrel. Financing requirements will continue to be covered essentially by the domestic market, which is highly liquid and inexpensive due to negative interest rates on naira debt. However, the Treasury could be forced to obtain financing from the central bank if multilateral assistance is not forthcoming. Recourse to international markets will remain impracticable. Even if the debt, which essentially domestic, continues to represent a small share of GDP, in 2019 debt interest accounted for a quarter of public expenditure and 30% of revenues, which are low, and these levels will probably increase in the future.

The current account deficit shrank in 2020, despite the emergence of a small trade deficit linked to the fall in hydrocarbon revenues, which was partially offset by import compression, and the reduction in expatriate remittances (6.5% of GDP in 2019). This was due to the decrease in the service and revenue deficits resulting from reduced oil freight and lower repatriated profits. The fact that foreign investors were not always able to access foreign currency to transfer the proceeds of their investments in local currency contributed to this. The central bank wants to stabilise its foreign exchange reserves, which is why it is also restricting importers' access to foreign exchange. However, despite emergency assistance from the IMF (amounting to 0.6% of GDP), the central bank had to devaluate the official exchange rate twice in 2020, bringing it closer to the NAFEX, or investor & exporter exchange rate, which is the most widely used rate and which is set by banks, while the parallel rate showed a difference of 25% as of mid-November 2020. The central bank could be forced to do the same again in 2021 due to the persistent weakness of foreign investment (direct and portfolio), with the World Bank making the payment of aid (0.5% of GDP) conditional on unifying the exchange rates and scrapping energy subsidies.

Persistent challenges for the president

President Muhammadu Buhari was re-elected in 2019. He faces a myriad of security challenges, starting with the activities of the Islamist terrorist group Boko Haram in the northeast of the country. These have forced many people to flee their homes, with the country recording almost two million internally displaced people since 2015. Deadly clashes between herders and farmers continue to affect the central part of the country, threatening food security. The closure of borders (lifted in Dec 2020) with Cameroon, Niger and Benin in an effort to reduce food smuggling and promote national production caused tensions with these countries. Added to this is the threat of renewed attacks against oil infrastructure in the Gulf of Guinea, and of theft and sabotage of facilities in the Niger Delta. The president will have to halt the decline in living standards that began with the oil counter-shock of 2014-2016 and that has been amplified by the COVID-19 crisis. Widespread poverty (45% in 2020), corruption, mass unemployment and persistent double-digit inflation are expected to continue to fuel a tense social climate, illustrated by the violent protests in Lagos in late 2020.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	5.4
GDP PER CAPITA US Dollars - 2019	75,294
CURRENCY Norwegian krone	NOK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.1	0.9	-1.6	3.7
Inflation (yearly average, %)	2.8	2.2	1.3	1.8
Budget balance* (% GDP)	7.8	6.2	2.0	4.2
Current account balance (% GDP)	8.0	2.5	2.1	2.9
Public debt (% GDP)	39.1	40.2	43.9	41.0

(e): Estimate. (f): Forecast. * The public budget includes withdrawals from the Sovereign Wealth Fund.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	44%
UNITED KINGDOM	20%
SWEDEN	8%
DENMARK	5%
UNITED STATES	4%

Imports of goods as a % of total

EURO AREA	32%
SWEDEN	12%
CHINA	10%
UNITED STATES	8%
DENMARK	6%

+

- Huge oil and natural gas deposits
- High standard of living
- Broad political consensus
- Well-capitalised banking system
- Large sovereign wealth fund (around 300% of mainland GDP)

-

- Budget deficit when excluding oil and gas revenues
- High household debt
- Significant labour costs
- Shortage of skilled workers

RISK ASSESSMENT

Relatively fast recovery after a punctual recession

The COVID-19 pandemic hit the Norwegian economy in the spring of 2020 in swift and punctuated manner, not only because the government had to introduce a lockdown of several weeks (all public social activity was shut down, although shops remained open), but also because of the collapse of the oil price due to the absence of energy demand from abroad. The Norwegian energy sector accounts for 17% of GDP, 19% of investments and 52% of exports. After the lockdowns in Europe were lifted in spring and the demand for Norwegian oil and gas increased with it, the economy recovered very dynamically because, among other things, the COVID-19 outbreak in Norway had remained relatively limited. Private consumption picked up over the summer for goods, but also services, as most Norwegians spent their holidays at home due to closed borders (Norway has a negative tourism-service balance). Furthermore, oil investments recovered quickly thanks to the partial rebound of the oil price and the government's tax relief package for the oil industry, which will apply to all new development projects started by the end of 2022. Towards the end of 2020, a second wave of the COVID-19 pandemic hit Norway, which led to a renewal of restriction measures (shops remained open). The growth dynamic in the winter half-year 2020/21 is therefore expected to be muted. In spring, consumption should again show a recovery, as the unemployment rate should slowly return to more sustainable levels. The unemployment rate of the Labour and Welfare Administration (NAV) reached an all-time high of 10.6% in March 2020. It should revert to a more sustainable level, but not to the pre-COVID-19 level of 2.1%. Moreover, the majority of Norwegians will again stay at home for the 2021 summer holidays, which will therefore further increase private consumption. The economy will probably be supported by the oil industry, as the Brent-oil price is likely to reach a level of USD 50 per barrel in 2021, from an average of around USD 42 per Barrel in 2020, due to higher demand and still active production cuts of the OPEC. While the government cushioned the recession in 2020 via support measures worth NOK 166 billion (4.5% of total 2019 GDP), most of them will have faded out by the end of the year. The new budget for 2021 includes a new impulse of NOK 128.5 billion (3.6% of GDP), which is mostly concentrated in infrastructure projects, green energy development and defence expenditures. Some of this will be financed via the increase of the CO_2 tax by 5%. On the other hand, the Norges Bank cut its key interest rate from 1.50% to 0% in 2020. Moreover, it provided additional liquidity to banks in the form of loans of diverse maturities. For 2021, the Bank should hold its key interest rate at 0%. However, due to the robust economic development, we cannot rule out a first rate hike of 25 basis points at the end of 2021.

Financial situation remains balanced thanks to the sovereign wealth fund

With still high expenditures on exceptional support measures and slowly increasing oil and gas revenues, the government's net lending should be still very negative in 2021, albeit to a lesser extent (-6.9% of GDP after -9.5% in 2020). However, this will be more than balanced out via withdrawals from the sovereign wealth fund (SWF). In normal times, these are limited to 3% of the fund's return. In 2020, they reached 3.9%, but should return to 3% in 2021. The burden of the public debt will therefore remain moderate. The decreasing goods trade balance was the only brake pad of the current account, while the services balance went positive and the primary balance remained solid in 2020. For 2021, we expect a stronger demand from Norway's main export destinations, which will help to increase the current account surplus again.

Government on a rocky road until the next election in September 2021

Prime Minister Erna Solberg of the Conservative Party (45 out of 169 seats in the parliament) is leading a minority government coalition with the Liberal Party (8 seats) and the Christian Democratic Party (8 seats). The former coalition partner, the Progress Party (FrP, 26 seats) left the coalition in January 2020. The government coalition still needs its support, which is increasingly harder to gain. Solberg's Conservative Party gained support with its successful handling of the COVID-19 outbreak, bringing back its poll result from 18% in February to 24% in early 2021 (the support level enjoyed in the last election in September 2017). The longer the pandemic lasts, the more willingness to work together decreases in the parliamentary system. However, the coalition is expected to hold until the next election on 13 September 2021.

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

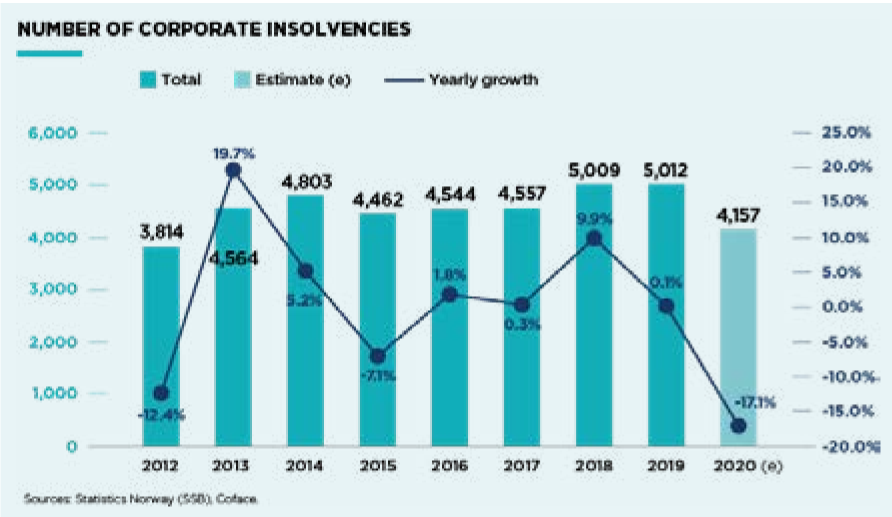
Private non-judicially administered reorganizations are common in Norway; even though there are not regulated by law. Debtors and creditors are free to make any kind of arrangements, but in practice the Debt Reorganization and Bankruptcy Act is often applied. A third party (a lawyer or an accountant) 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.



COFACE ASSESSMENTS	
COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2019**	**4.2**
GDP PER CAPITA US Dollars - **2019**	**18,198**
CURRENCY Rial omani	**OMR**

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	40%
SAUDI ARABIA	10%
SOUTH KOREA	8%
UNITED ARAB EMIRATES	7%
INDIA	6%

Imports of goods as a % of total

UNITED ARAB EMIRATES	46%
EURO AREA	10%
INDIA	7%
CHINA	6%
QATAR	5%

- Strategic location, strong commercial ties
- Ability to attract financial support from neighbouring countries
- High living standards, balanced relations with the regional powers
- Oil and gas resources
- Tourist attractions

- Heavy dependence on hydrocarbons (nearly 40% of GDP)
- Wide budget deficit, high and rising public debt
- Large external financing needs
- Ageing oil reserves

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.9	-0.8	-6.2	1.9
Inflation (yearly average, %)	0.9	0.1	1.0	3.4
Budget balance (% GDP)	-7.9	-7.1	-10.5	-4.2
Current account balance (% GDP)	-5.4	-4.6	-14.6	-9.7
Public debt (% GDP)	53.2	63.1	75.8	74.7

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

RISK ASSESSMENT

Weakness in the non-oil sector will persist due to fiscal consolidation

The Omani economy's recovery in 2021 is expected to be weak because of still low energy prices, lasting negative impacts of the measures implemented to control COVID-19 (including travel restrictions, partial lockdowns, closing of shopping malls, limiting workplace attendances, etc.) and a tighter fiscal stance. The non-oil sector in particular will continue to struggle. Tourism revenues (3-4% of GDP in 2019) will stay low, as it should take a few years for that of Oman to reach pre-COVID-19 levels. This will also weigh on the construction sector. In the first half of 2020, government spending declined by 16% from a year earlier, with investment expenditures falling by 26% versus 0.6% for current expenditures. This trend is expected to continue in 2021, providing less support for the non-oil sector, consumer spending and investment. Any cut in social subsidies, in order to counter the further weakening of financial dynamics, would hit private consumption. Conversely, the gradual pick up in oil exports (60% of total exports consist of oil, while 10% come from natural gas) will narrow the current account deficit. The start of gas production in the Ghazeer field, which is part of Block 61, four months ahead of schedule in October 2020, will increase Oman's gas output. Total production capacity from Block 61, comprising both Khazzan and Ghazeer, is expected to rise to 1.5 billion cubic feet of gas per day and over 65,000 barrels a day of associated condensate, according to British Petroleum (BP), which operates Block 61 with a 60% ownership. Chemicals and plastics will continue to lead non-oil exports of the country, in line with the recovery of key export markets such as the United Arab Emirates, Saudi Arabia and the United States.

Fiscal and external accounts in a perilous situation

The sultanate's fiscal breakeven price for 2021 is estimated at USD 109.5 per barrel according to the IMF, which is among the highest across the Gulf Cooperation Council (GCC) countries. The fiscal deficit will persist due to reduced activity in the non-oil sector and relatively still low energy prices (together, oil and gas represent nearly 70% of total fiscal revenue) despite ongoing cuts in spending. The deficit will be covered by internal and external debt issuance, but lowered credit ratings and a deteriorated fiscal balance will increase the cost of borrowing. Fiscal deficits and external debt maturities are expected to total USD 12-USD 14 billion per year in 2020-2022, according to Fitch Ratings, which also estimates Oman's government related entities' external debt at around USD 12 billion as of June 2020. The authorities might also use other sources to finance the deficit, such as the State General Reserve Fund, but the Fund's assets (around USD 14 billion) are almost equivalent to the estimated USD 10.5 billion deficit in 2021. Financial aid, probably from GCC countries, is likely, but will be conditional on the introduction of more drastic structural fiscal reforms.

Oman's hydrocarbon exports are expected to pick up gradually, in line with recovering global demand and rising demand from China (attracting nearly 90% of Oman's oil exports). Non-oil exports such as chemicals, metals and mineral products will recover partially. On the other hand, weakness in domestic demand will reduce imports. This will all contribute to a lower current account deficit in 2021. Despite the slowdown in foreign direct investments and portfolio flows, estimated by the IIF at USD 2.1 billion (31% of net external financing) and USD 1.3 billion (19%) respectively, Oman should avoid a balance of payment crisis and save the peg to the dollar thanks to the reform agenda improving investor confidence, the potential for financial support from its GCC neighbors and the international reserves (covering 5 months of imports).

Reforms will accelerate under the new Sultan Haitham

After Sultan Qaboos bin Said, who ruled the country for nearly half a century, passed away in January 2020, Sultan Haitham bin Tariq Al Said took over. He introduced 28 royal decrees in August in order to reorganize the government, to reduce bureaucracy and to increase the effectiveness of the policymaking process. He reduced the number of ministries from 26 to 19. Sultan Haitham was already overseeing Oman's Vision 2040 program, which aims to diversify the economy away from oil, indicating that he has a good understanding of the private sector's needs. With the introduction of reforms and fiscal consolidation, his biggest challenge will be related to the management of the country's impartial foreign policy while tensions in the region rise. The need for financial help might bring him closer to GCC countries and to normalize the relationship with Israel.

PAKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	**204.7**
GDP PER CAPITA US Dollars - 2019	**1,349**
CURRENCY Pakistan rupee	**PKR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.5	1.9	-0.4	1.0
Inflation (yearly average, %)	3.9	6.7	10.7	8.8
Budget balance* (% GDP)	-6.5	-9.1	-8.0	-6.9
Current account balance (% GDP)	-6.3	-4.9	-1.1	-2.5
Public debt (% GDP)	72.1	85.5	87.2	85.9

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2021 data: FY20-21.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
UNITED STATES	17%
CHINA	9%
UNITED KINGDOM	7%
AFGHANISTAN	5%

Imports of goods as a % of total

CHINA	25%
UNITED ARAB EMIRATES	13%
EURO AREA	8%
UNITED STATES	5%
SAUDI ARABIA	5%

- Large internal market supported by dynamic demographics
- Large remittances from migrant workers
- Large and inexpensive labour force
- Development of economic corridors with China and Central Asia, door to the Indian Ocean
- A major player in Islamic finance
- Mineral potential

- Tense neighbourhood, political fragility and domestic insecurity
- Informality (40% of GDP and 60% of employment) and low tax revenues (13% of GDP)
- Inadequate education (40% illiterate), health, infrastructure and agriculture
- Delayed development of Balochistan, favouring separatism, and rural areas, conducive to the development of radical Islamism
- Energy dependency, deficient electricity production
- Weak manufacturing (20% of GDP) and export base, weak sectoral diversification
- 20% of GDP and 40% of the workforce depend on the agricultural sector, which is sensitive to climatic hazards and world prices

RISK ASSESSMENT

A constrained recovery

After sharply slowing down in 2019 due to the austerity policy aimed at cutting deficits, the economy contracted slightly in 2020 because of the COVID-19 crisis and the associated health measures. Although the country was under lockdown in April 2020, the government opted for local containment to reduce the impact of the second wave (October to December). Activity, which resumed timidly in the second half of 2020, should gain momentum in 2021 thanks to the arrival of a vaccine in the second half of the year and the improvement in the health situation. Private consumption (80% of GDP) has benefited from the fiscal support plan for households, mainly those in the low income bracket, as well as from the firm flow of remittances from expatriates (8% of GDP), who should benefit from the improved economic situation in Saudi Arabia and the United Arab Emirates. However, households still face unemployment, irregular agricultural income, high inflation linked to the depreciation of the rupee, as well as rising food and energy prices. In addition, the rise in public tariffs could resume and the key interest rate, which was lowered at the height of the crisis by 625 basis points to 7%, could increase again under pressure from the IMF, while public wages and pensions are frozen. Activity in services (60% of GDP, notably trade and transport) will remain constrained. Public investment should remain anaemic, as it is under budgetary constraint. Despite public support for the construction sector, as well as for the purchase of equipment (tax relief and targeting of commercial bank loans), private investment will remain mainly linked to Chinese projects in the framework of the China-Pakistan Economic Corridor (CPEC) and its infrastructure (energy and transport). Finally, the country has been affected by the fall in global demand for "non-essential" goods (textiles, cotton), which account for over 50% of the country's exports (9% of GDP), but these are expected to recover in the second half of the year.

Fragile accounts, but international support

After its sharp deterioration in 2019, following an increase in debt interest, the planned rebalancing of the public deficit in 2020 - following the conclusion of the agreement with the IMF in July 2019 (USD 6 billion over 39 months) - has been halted by the crisis due to falling revenues and rising public expenditure. Spending on social protection, health, education and housing will still be high in fiscal year 2021, while debt interest and defence spending will remain substantial (46% and 20% of spending, respectively). In September 2020, the external share represented 42.2% of the public debt and was held at 40% by multilateral creditors and at 25% by China.

The current account deficit has narrowed in 2019-2020. The trade deficit (20% of GDP) improved due to the fall in imports, notably because of depreciation of the rupee (-4.8% against the dollar). However, exports (mainly textiles, but also rice, sugar and alcohol) were unable to benefit from this depreciation, and workers' remittances remained the main means of financing the trade deficit as FDI flows remained low (0.5% of GDP). In 2020-2021, the current account deficit is projected to increase slightly, due to increased imports, especially of oil products, while exports will recover in line with the demand for non-essential goods in partner countries. Strong expatriate remittances and the suspension of interest payments on bilateral debt under the G20 Initiative will ease the burden. Exchange rate flexibility, as called for by the IMF, should in future prevent the external accounts from diverging from their balance. Thanks to the improvement in the current account balance, foreign exchange reserves have increased, covering three months of imports at the end of 2020. These would not be sufficient to cover the external financing requirement (USD 30 billion in 2020-21) including the amortisation of the external debt (100% of GDP) and the current account deficit. In addition to recourse to the market, the country has secured official external financial support, first bilaterally (China, Saudi Arabia and the United Arab Emirates) and then multilaterally, which has been increasing since the crisis. Disbursements under the IMF's Extended Fund Facility could resume in 2021.

Internal and external tension, but support

Eleven opposition parties, united in the Pakistan Democratic Movement (PDM), are calling for the resignation of Prime Minister Imran Khan, brought to power thanks to the victory of his Pakistan Tehreek-e-Insaf party in 2018, in elections rigged by the army according to them. For the Prime Minister, the opposition is trying to light a fire, while its leaders are weakened by unfavourable court rulings in corruption cases. Members of the MDP have threatened to resign massively from the National Assembly as part of their campaign to delegitimise the current administration. The military, a political player, may be called upon to arbitrate.

On the foreign front, tensions with India over Kashmir have rekindled after the lifting of autonomy for the Indian part of the region. The stormy relationship with the United States will remain important and be focused on military cooperation. Pakistan has used its influence on the Afghan Taliban to negotiate and sign an agreement with the U.S. in February 2020, which will also bring it closer to Afghanistan. China will remain its main economic partner under the CPEC and their trade agreement.

PALESTINIAN (TERRITORIES)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	4.7
GDP PER CAPITA US Dollars - 2018	3,199
CURRENCY No universal currency	-

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	0.9	-12.0	8.2
Inflation (yearly average, %)	-0.2	1.6	-1.2	0.3
Budget balance (% GDP)	0.5	0.3	-6.3	-2.8
Current account balance (% GDP)	-13.1	-10.7	-11.1	-13.7
Public debt (% GDP)	33.1	34.6	44.2	42.1

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

TRADE EXCHANGES

Exports of goods as a % of total

ISRAEL	84%
JORDAN	6%
UNITED ARAB EMIRATES	2%
SAUDI ARABIA	2%
UNITED STATES	1%

Imports of goods as a % of total

ISRAEL	56%
TURKEY	10%
EURO AREA	10%
CHINA	6%
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
- Differing economic trajectories in the Gaza Strip and West Bank

RISK ASSESSMENT

Recovery and uncertainties

After sluggish growth in 2019, the economy contracted sharply in 2020. The authorities declared a state of emergency in March 2020 for 30 days, to be extended depending on the spread of the pandemic. Public spaces such as schools, cultural spaces and places of worship, and non-essential shops were closed, as were borders, limiting the interaction with Israel. However, subsequent measures allowed economic and commercial activity to resume gradually (shops opened at fixed hours, limited capacity in bars and restaurants). With companies producing less, the unemployment rate increased further from an already high level (25% of the population in 2019), especially among young people (42%), which impacted consumption (90% of GDP). Prices fell, declining by 2% in June 2020 year-on-year, due to lower demand and the deflationary effect of shekel appreciation on the prices of imported goods. The economic contraction was also attributable to the drop in public consumption and investment due to the fiscal crisis faced by the Palestinian authorities because of the lack of cash, especially after Israel stopped paying customs revenues from Palestinian exports in May 2020. The Islamic Development Bank (IsDB) Group provided USD 35.7 million to Palestine in July 2020 for its COVID-19 emergency response and is implementing several major initiatives aimed at job creation and economic empowerment for Palestinians. In 2021, the reopening of borders and the end of lockdown measures will allow the economy to pick up again. The recovery will also depend on the authorities' ability to reach an agreement with Israel on customs duties.

Public and current accounts undermined by the conflict with Israel and the crisis

The Palestinian Authority's (PA) budgetary room for manoeuvre remains very limited. On the expenditure side, civil servants' wages still accounted for 49% of current expenditure in 2019. As public funds are mainly allocated to current expenditure (95% of total expenditure), public investment remains very low, especially in a context of declining revenues. Customs duties, which are collected by Israel on behalf of the PA before being transferred to the government, are the main source of income. However, in May 2020, when the PA stopped working with Israel in protest over the announcement of a possible annexation of Palestinian territories, Israel decided to stop transferring these duties. As a result, the stimulus package to combat COVID-19 was worth just 0.8% of GDP. The plan focuses on maintaining wages and transfers while reducing operational and development expenditures. In the budget announced in April 2020, monthly recurrent expenditure was reduced to USD 314 million (2% of GDP) during the crisis period. In 2021, public account developments will depend on relations with Israel, although international donations to the PA budget are expected to increase slightly to combat the crisis. 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). This has not been changed by the closure of the borders with Israel, which negatively affects trade. Conversely, the income balance is usually in surplus thanks to the wages of cross-border workers (16% of GDP) and remittances (12% of GDP) from the large diaspora (seven million worldwide). However, due to the global economic situation and travel restrictions, many members of the diaspora have lost their jobs, particularly in Israel, resulting in a loss of income and reducing the amount of remittances, such that the current account deficit is likely to widen again.

New elections in a tense atmosphere

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 legislative elections, which led to deadly clashes with Fatah, the largest faction of the PLO. While the situation has remained unchanged since then, following on from an announcement by Mr Abbas in September 2019, Fatah and Hamas agreed to hold general elections by March 2021. Initially, parliamentary elections will be held, followed by elections for the PA President and the PLO Council. This is part of a desire by the two movements to come together in order to counter the normalisation of relations between Israel and the Gulf countries, which Palestine sees as a betrayal. Externally, the Israeli-Palestinian conflict escalated in late 2019, following Israel's assassination of a commander of the Islamic Jihad organisation in Gaza. The peace plan proposed by the U.S. in January 2020 for the Israeli-Palestinian conflict, which provides for the annexation by Israel of settlements in return for a USD 50 billion investment in the development of Palestine, was rejected by the Palestinian side. The persistence of the conflict has serious humanitarian consequences, particularly in Gaza. According to the World Bank, because of COVID-19, 64% of people in the Gaza Strip and 30% in the West Bank live below the poverty line of USD 5.5 per day.

PANAMA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	4.2
GDP PER CAPITA US Dollars - 2019	15,834
CURRENCY Panamanian balboa	PAB

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.7	3.0	-9.0	4.0
Inflation (yearly average, %)	0.8	-0.3	-0.8	0.2
Budget balance (% GDP)	-3.8	-4.1	-7.6	-6.6
Current account balance (% GDP)	-8.2	-5.2	-7.0	-6.2
Public debt (% GDP)	36.8	41.0	54.9	60.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
UNITED STATES	21%
INDIA	14%
COSTA RICA	6%
TAIWAN	4%

Imports of goods as a % of total

UNITED STATES	26%
EURO AREA	13%
CHINA	7%
MEXICO	5%
COSTA RICA	3%

+

- Inter-oceanic canal and related infrastructure (ports, airports, roads, railways)
- Fully dollarized economy, financial stability
- Colón Free Zone, second-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 as a driver of recovery

In 2020, Panama's economy contracted sharply due to the COVID-19 crisis. It was impacted by the decline in world trade, as transport, logistics and financial services activities account for 75% of GDP. Moreover, the state of emergency declared on 13 March led to the introduction of strict measures, including the closure of construction sites and free zones and a ban on international commercial flights. After being eased in May, health measures were reintroduced in June. Since September 2020, movement restrictions have depended on changes in the health situation. Tourism activities gradually resumed from October 2020 onwards as international commercial flights were once again allowed. However, the quarantines and closures established in December and January 2021 to stop the advance of Covid-19 put tourism on pause again until 15 March 2021. Looking ahead, recovery will gain momentum as activity in the Panama Canal intensifies due to the resumption of world trade. Investment in infrastructure and transportation will be a feature of 2021. Panama has signed a USD 2.5 billion contract with a consortium led by a South Korean company for the construction of a third metro line in the capital. Construction is expected to last until 2025. The 2021 budget provides for a total of USD 7.7 billion in public investment, which will also go towards airport and road upgrades. As mainstays of the recovery in 2021, construction sites should stimulate employment and thus private consumption. The government raised emergency funding of USD 100 million to help the victims of Hurricane Eta, which hit in November 2020. Losses in the agricultural sector because of the natural disaster are estimated at USD 11 million.

Fiscal consolidation is slipping away

In October 2020, legislators voted to raise the budget deficit ceiling to 10.5% of GDP from the initial 2.0% in order to help address the economic consequences of COVID-19. This is not the first time the ceiling has been increased, which undermines government credibility. The government plans to gradually reduce the budget deficit to the 2.0% target by 2024 (instead of 2022). Regarding the 2021 budget, since President Laurentino Cortizo has ruled out any tax increases, tax revenues will be based on the strength of the recovery. On the expenditure side, capital spending is expected to increase in line with the public investments planned for 2021. The wider budget deficit means an increase in public debt, 80% of which is external, through the issuance of bonds on the market. In January 2021, the IMF approved a USD 2.7 billion credit line to address the coronavirus pandemic. The two-year arrangement under the Precautionary and Liquidity Line (PLL) is to serve as "insurance against extreme external shocks".

The current account deficit widened in 2020 amid reduced demand for transport services (canal) and tourism (29% and 18% of total exports, respectively), as well as re-exports (11% of GDP), and despite the fall in the oil bill. The deficit is expected to narrow in 2021 as world trade recovers, notwithstanding persistently muted tourism activity. The structural surplus in the balance of services (13% of GDP) and re-exports (2%) will offset the income deficit (7% of GDP), which mainly reflects repatriated dividends, but not the goods deficit (12%, copper and bananas in particular). FDI, consisting primarily of reinvested profits, will finance the current account deficit and maintain the balboa's dollar peg. Market issuances will also help finance it. Foreign exchange reserves held by the central bank are expected to remain low, at about 1.3 months of imports.

The fight against corruption continues

Laurentino Cortizo of the centre-left Democratic Revolutionary Party was elected in May 2019 for a five-year term. He has affirmed his commitment to implement the recommendations of the action plan agreed with the Financial Action Task Force on Money Laundering (FATF) and to strengthen the country's position as a major financial centre in the region. Externally, the country will continue to maintain a strong relationship with the United States, while developing its ties with China. In July 2019, when he took office, President Cortizo presented a proposal for constitutional reform that is widely seen as central in the efforts to strengthen institutions that have been discredited in recent years by corruption scandals. The handling of the COVID-19 crisis led to the sacking of the health minister and two cabinet members after two corruption scandals,. In 2018, the country adopted OECD reporting standards and finally criminalised tax evasion in early 2019, after being blacklisted several times. However, in June 2019, the FATF put the country back on its grey list after a four-year absence. In 2020, the Panamanian court system took a stand against corruption by indicting two former presidents, Ricardo Martinelli (2009-2014) and Juan Carlos Varela (2014-2019), for money laundering. Martinelli was accused in connection with the purchase of a publishing group using public funds, while Varela was charged with corruption in a case involving the Odebrecht construction company.

PAPUA NEW GUINEA

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **C**

POPULATION Millions of persons - 2019 **8.6**

GDP PER CAPITA US Dollars - 2019 **2,884**

CURRENCY Papua New Guinean kina **PGK**

TRADE EXCHANGES

Exports of goods as a % of total

AUSTRALIA	22%
CHINA	19%
JAPAN	15%
SINGAPORE	14%
EURO AREA	8%

Imports of goods as a % of total

AUSTRALIA	37%
CHINA	17%
SINGAPORE	12%
MALAYSIA	7%
TAIWAN	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 commodities exports
- Significant shortcomings in terms of governance
- Low literacy rate, lack of skilled labour
- Difficulties in accessing foreign exchange

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-0.8	3.7	-4.0	3.1
Inflation (yearly average, %)	3.7	3.9	3.3	3.9
Budget balance (% GDP)	-2.7	-4.9	-6.4	-3.8
Current account balance (% GDP)	26.2	22.1	14.7	18.9
Public debt (% GDP)	37.7	39.2	47.0	46.5

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

RISK ASSESSMENT

Investment projects in the energy sector might be postponed

The economy contracted in 2020 due to the COVID-19 crisis. Papua New Guinea declared a state of emergency on 24 March, resulting in the closure of schools, universities and non-essential public services, and a ban on all domestic and international flights. Economic and commercial activities resumed after the measures were eased. Energy production was maintained, with 90% of liquefied natural gas (80% of energy exports) sold under long-term contracts. Companies were therefore able to produce at full capacity, but the value of exports decreased due to lower energy prices. Furthermore, the risk that energy investment projects could be postponed is increasing. The decline in world prices linked to the weaker demand outlook and the trend to prioritise renewables over fossil fuels among major global groups in the sector may influence investment decisions. In particular, the Papua LNG project with Total and Exxon was approved by the authorities in September 2019, after the contract was renegotiated to increase profits for the country. The project will be the largest in ten years and represents USD 10 billion in foreign investment (42.7% of GDP). The final stages of approval are underway. In the face of economic uncertainty and a decline in activity in the first half of 2020, many companies in the non-mineral sector also reduced their payroll and put investments on hold.

The central bank's response to stimulate economic activity included cutting the Kina facility rate (KFR) from 5% to 3% in March 2020 and lowering the cash reserve requirement. It also introduced a quantitative easing programme that resulted in a liquidity injection of 1.7% of GDP into the banking system.

After decelerating in 2020, inflation should accelerate in 2021 due to the recovery-related increase in domestic demand, higher food prices and the depreciation of the kina between March and October 2020, after it appreciated in early 2020, which will have delayed effects on inflation in 2021.

Rising government debt, current account surplus maintained

The public deficit is widening, as the COVID-19 crisis led to an increase in health and welfare spending as well as a decline in government revenue in 2020. Moreover, over-optimistic expectations of gas revenues, as well as tax credits and benefits granted under project development agreements, have fuelled recourse to credit and an increase in debt, which has tripled in seven years. The debt is held by domestic banks, which are now more exposed to sovereign risk. The country is trying to boost the share of its external financing, to reduce the exposure of domestic participants, on the one hand, but also to attract foreign exchange. China holds a quarter of the external debt, but leaders are looking for other partners, notably Australia, which granted a loan in 2019. The IMF approved USD 363.6 million in emergency financing to help Papua New Guinea deal with the COVID-19 crisis.

Papua New Guinea's current account continued to show a large surplus, driven by gas, which accounts for 40% of exports. The postponement of major mining projects will depress imports and offset the decline in energy prices and thus exports. Foreign exchange reserves stood at USD 2.14 billion in August 2020, or 5.5 months of imports, an acceptable level.

A government facing new challenges

The government of James Marape, from the opposition party, will have to tackle many challenges stemming from the COVID-19 crisis and the question of independence for the Bougainville region.

The result (98% in favour of independence) of the November 2019 non-binding referendum on this autonomous region has led to negotiations between the government and the province. Ishmael Toroama, a former secessionist military commander, was elected President of Bougainville in August 2020. He has proposed a two- to three-year timetable to resolve the issue of the province's independence. The government is reluctant to grant independence by fear of losing the province's wealth (copper reserves).

The business climate is deteriorating. Governance indicators also place Papua at the bottom of the Pacific region regarding corruption (137th out of 180 according to Transparency International), the rule of law and government effectiveness. However, the government has taken steps to improve the business environment. 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 protecting whistle-blowers' rights are to come.

PARAGUAY

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	7.2
GDP PER CAPITA US Dollars - 2019	5,233
CURRENCY Paraguayan guaraní	PYG

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	3.6	0.0	-2.4	3.0
Inflation (yearly average, %)	4.0	2.6	3.0	3.2
Budget balance (% GDP)	-2.5	-4.5	-6.4	-4.1
Current account balance (% GDP)	0.0	-1.0	-0.7	0.0
Public debt (% GDP)	22.2	26.1	35.4	35.7

(e): Estimate. (f): Forecast. *2021 fiscal year: from july 2020 to june 2021.

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	34%
ARGENTINA	25%
CHILE	8%
RUSSIA	7%
EURO AREA	5%

Imports of goods as a % of total

CHINA	34%
BRAZIL	22%
UNITED STATES	9%
ARGENTINA	9%
EURO AREA	5%

- 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 climate conditions

RISK ASSESSMENT

A solid recovery expected

The economy contracted sharply in 2020. However, it has been one of the most resilient in the region, thanks to the strict health measures taken to combat COVID-19. The first measures (border closures, cancelling rallies, school closures) were introduced in March 2020, followed by a period of lockdown (March-May). The measures were lifted gradually, in several phases: first a "smart quarantine" from June 2020 onwards, until the reopening of the border with Brazil for cars only in October 2020. The recovery is expected to be solid in 2021, thanks to a recovery in consumption, investment and exports. Announced in early October, the budget for 2021 is a balance between counter-cyclical and austerity measures, prioritising spending on education, health and investment to support the recovery and employment. It also provides for investment in infrastructure amounting to 2% of GDP. The already dynamic construction sector, notably with the implementation of the Rutas 2 and 7 project through a USD 520 million public-private partnership (PPP), is expected to benefit from these investments. Private consumption (65% of GDP) is expected to suffer from the shock that the informal sector has suffered because of the crisis. The agricultural sector (50% of GDP) will be the driving force of the recovery, with one third of the World Bank loan (USD 320 million in March 2020) being devoted to it. The accommodative policy of the central bank is being accentuated by the fight against the COVID-19 crisis. In addition to a lowering of key rates by 325 basis points, reaching 0.75% in March 2020, the central bank has set up a national emergency special credit facility (ECF) to provide up to USD 760 million in liquidity support to SMEs. It would also intervene to stabilise the guarani in the event of a sharp depreciation. Inflation is expected to remain at the centre of the central bank's target range (2-6%).

Prudent fiscal policy put on hold

Due to the COVID-19 crisis, the government is not expected to succeed in complying with the Fiscal Responsibility Law that limits the deficit to 1.5% of GDP. Therefore it sent a request to Congress for a 3-year deviation from this law. The recovery in economic activity is expected to contribute to the projected increase in tax revenues in 2021 and finance the increase in public spending, particularly in education, health and safety. Public debt is expected to be contained and will be financed on international markets. In March 2020, the government borrowed USD 1.6 billion (4.8% of GDP), of which 50% from multilateral organisations and 50% through the issuance of sovereign bonds. In April, it successfully issued international sovereign bonds for USD 1 billion.

Exports of agricultural products (soybeans, beef) and energy (from the bi-national hydroelectric power plants of Itaipú in Brazil and Yacyretá in Argentina), which account for 64% and 24% of total exports respectively, declined in 2020, mainly due to the unfavourable economic situation in Brazil and Argentina, its main trading partners (55% of total exports). The sharp drop in imports has largely offset the drop in exports. Imports are expected to grow as domestic demand picks up, while exports will depend on the strength of the economic recovery in its main trading partners. The services balance will remain in deficit due to growing imports of transport services. Foreign exchange reserves remain satisfactory, covering 5 months' worth of imports in September 2020.

Tense socio-political context

The president, Mario Abdo Benítez, of the Partido Colorado (PC), elected in April 2018, narrowly avoided impeachment in 2019. The renegotiation of the Itaipu Treaty with Brazil on the distribution of hydroelectricity has begun, since it expires in 2023. The terms of the treaty are a source of discontent in Paraguay. A controversial agreement on the Itaipú hydroelectric plant, which was made public at the end of July 2019 and cancelled shortly afterwards, provoked strong anti-government protests and triggered a political crisis. In this context, in addition to a narrow majority in the Senate due to divisions with a moderate PC faction allied to the former president, Horacio Cartes, the government is not expected to push through structural reforms such as the simplification of company law and the reform of real estate guarantees. The municipal elections scheduled for October 2021 (originally scheduled for November 2020) are expected to confirm the president's growing unpopularity.

Moreover, the business environment has become even more difficult, not least because of the above-mentioned facts, but also due to the continuing importance of the informal economy and of corruption.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	33.2
GDP PER CAPITA US Dollars - 2019	6,958
CURRENCY Peruvian sol	PEN

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.0	2.2	-12.0	8.0
Inflation (yearly average, %)	1.3	2.1	1.8	1.9
Budget balance (% GDP)	-2.3	-1.6	-9.4	-4.3
Current account balance (% GDP)	-1.7	-1.5	-1.3	-1.5
Public debt (% GDP)	25.8	26.8	36.5	38.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	29%
UNITED STATES	13%
EURO AREA	12%
CANADA	6%
SWITZERLAND	5%

Imports of goods as a % of total

CHINA	25%
UNITED STATES	20%
EURO AREA	9%
BRAZIL	6%
MEXICO	4%

- Membership of the Pacific Alliance and Andean Community
- Mineral, energy, agricultural, and fishery resources
- Low level of public debt
- Independence of the central bank

- Dependent on commodities and demand from China
- Underdevelopment of credit (42% of GDP)
- Inadequate infrastructure, healthcare, and educational systems
- Huge informal sector (70% of jobs)
- Regional disparities (poverty in the Andean and Amazonian regions)

RISK ASSESSMENT

After the massive COVID-19 shock, a rebound is expected in 2021

Peru registered its first COVID-19 case on 6 March 2020. While the then President Vizcarra did not hesitate much before implementing strict mobility restriction measures, the virus' evolution was dramatic. Therefore, GDP registered a strong slide in H1 2020 (among the worst in the region). Moreover, unlike in Chile, mining was not classified as an essential activity and was put to a standstill. In H2 2020, the economy started to show some recovery at the margin, underpinned by the last phase of the economic reopening initiated on 1 October 2020. Simultaneously, a large fiscal stimulus combined with an expansionary monetary policy also contributed to this rebound. It includes the Reactiva Perú plan (estimated at roughly 8% GDP) that provides additional low-interest loans for small companies to help them resume operations. In contrast with 2020, the economy should outperform the region´s average in 2021 (albeit GDP by the end of 2021 should still be 5% below the 2019 level). This brighter outcome will be supported by the sustained fiscal stimulus measures. Moreover, household consumption will also benefit from the gradual rebound on the job market. Furthermore, exports should return to growth, as the global economy rises from recession and thanks to higher copper prices (also favouring private investments). Downside risks to the economic scenario are related to the uncertainty regarding the COVID-19 pandemic's evolution, the deteriorated political environment and the April 2021 general election that may lead to some investment postponement.

The fiscal deficit will moderately narrow in 2021

The current account deficit remained weak in 2020. The drop in net income payments (resulting mainly from lower profits in foreign-owned mining firms) offset the weaker surplus in the trade balance and the higher deficit in services (due to a decrease in travel revenues). On the financing side, while FDI deteriorated, they still fully covered the small deficit in the current account. As of Q2 2020, international reserves stood at USD 71.5 billion (covering 26 months of imports). Moreover, total external debt stood at 34.9% of GDP (20% of GDP for public debt and 14.9% for the private sector). 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 24% in Q2 2020). Concerning public accounts, the fiscal deficit will narrow in 2021, but will remain high as activity will not fully return to the pre-crisis level (limiting the rebound in tax revenues) and the stimulus will not have been fully dismantled. It is important to note that, in April 2020, a bill allowed Peruvians to withdraw up to 25% of their savings from their private pension accounts (limited to USD 3600). This resulted in an outflow of roughly USD 5.6 billion from the private pension system. As of September 2020, the system's total assets stood at 21% of GDP (49% invested abroad). Additionally, in early November 2020, legislators approved a second withdrawal from private pension funds with a limit of roughly USD 4,800 (outflow could reach USD 4.2 billion according to estimates). Finally, in December 2020, Congress also approved the transfer of a one-off refund of up to USD 1200 towards affiliates of the public pension scheme (in Peru, formal workers must choose between joining the public or the private pension system). Nonetheless, the interim president Sagasti submitted an appeal to the Constitutional Court, aiming to review the legislation (due to the fiscal impact of the bill).

Tension between the legislative and the executive until the 2021 elections

A new legislative took office in March 2020 for the remainder of the 2016–2021 congressional period, but it failed to improve the political environment. In July 2020, the refusal of legislators to eliminate their immunity generated a direct conflict with the executive. Beyond that, in September 2020, the then President Martin Vizcarra faced an impeachment proceeding over alleged links to irregular government contracts with a little-known singer. The then president survived the vote, but the calm did not last. Less than a month later, Vizcarra was involved in a new allegation of corruption and was impeached. This time around, he was accused of accepting bribes from a consortium of construction firms in exchange for a contract to carry out work in the Moquegua region, where he was a Governor from 2011 to 2014. Vizacarras´s successor, Manuel Merino, who was then the president of Congress, resigned however five days after being sworn in (following violent protests against Vizcarra's removal). Finally, on November 16, Congress elected the current interim president Francisco Sagasti, who is seen as a conciliatory figure. Overall, the troubled political environment increases the chances of outsider candidates in the electoral race of April 2021.

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.

The PARC was created by Indecopi to prevent the insolvency and bankruptcy of those companies that, because of the health emergency caused by the coronavirus pandemic, lack liquidity to meet their obligations.

This procedure is regulated in Legislative Decree No. 1511 and its Regulations.

With this bankruptcy procedure, Indecopi offers an alternative that seeks to reschedule the unpaid obligations of the rated entity, avoid its insolvency, the loss of business and sources of employment and, with this, contribute to the recovery of credit and continuity in the chain of payments in the national economy.

Joining the PARC is very simple, fast and safe, since the entire procedure is carried out virtually.

Reorganisation

If creditors decide to allow their debtors to restructure, they will be asked to approve a reorganisation plan within 60 days from the decision to proceed with reorganization. Both the decision to reorganise and the organisation plan must be approved by more than 66.6% of the allowed creditor claims. During the process, creditors decide whether to allow the debtor’s management, to continue operating the business, or to replace the debtor’s management. Once the reorganisation plan is approved and all the pre-publication claims are paid according to their terms, then INDECOPI grants a decision declaring the formal conclusion of the reorganization proceeding.

Liquidation

If the creditors decide to liquidate, then a liquidator will be appointed at the Creditors’ Meeting from the list registered with INDECOPI. The will be asked to approve a liquidation plan for the debtor and decide whether the debtor should be authorized to continue its business during the liquidation. Whether voluntary or involuntary, the liquidator must follow a mandatory order in the payment claims. To conclude the liquidation process, the liquidator files a petition before the Public Registry in order to register the extinction of the company. However, if creditors remain unpaid, then the liquidator must file a petition before a civil judge to obtain a judicial bankruptcy declaration.

PHILIPPINES (THE)

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2019**	**107.3**
GDP PER CAPITA US Dollars - **2019**	**3,512**
CURRENCY Philippine peso	**PHP**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.2	5.8	-9.5	7.0
Inflation (yearly average, %)	5.2	2.5	2.5	3.0
Budget balance (% GDP)	-2.8	-3.2	-6.5	-7.0
Current account balance (% GDP)	-2.5	-0.1	1.5	-1.5
Public debt (% GDP)	37.1	40.0	48.4	52.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	16%
JAPAN	15%
CHINA	14%
HONG KONG	14%
EURO AREA	10%

Imports of goods as a % of total

CHINA	22%
JAPAN	9%
SOUTH KOREA	7%
UNITED STATES	7%
EURO AREA	7%

+

- Large population that is young (50% is under 25), qualified and with good fluency in English
- Diverse geographic and sectoral origins of expatriate workers' remittances (10% of GDP)
- Thriving Business Process Outsourcing (BPO) sector
- Poverty reduction (Pantawid Pamilyang Pilipino Program)

-

- Inadequate infrastructure levels, low fiscal revenues (14% of GDP)
- Governance shortcomings and high corruption perception
- High levels of income inequality, underemployment leading to expatriation
- Terrorism in the South of the country
- Strict bank secrecy and casinos that facilitate money laundering
- Exposure to natural disasters (typhoons)

RISK ASSESSMENT

A recovery with persistent downside risks

Growth should rebound in 2021, but could not reach its momentum due to persisting downside pressures. The pandemic-induced shock on domestic consumption (70% of GDP) and investment (25% of GDP) was significant in 2020. Lockdown measures that were imposed twice (March-June and August-September 2020) in major cities in Luzon (60% of GDP) weighed on consumer and business confidence, compounded by restrictions on movement of the population. While those measures were gradually eased in Q3, the economic shock hit households through a higher unemployment rate (10% in July against 5.4% the previous year) and a higher savings rate that will linger into 2021. On the other hand, overseas remittances have been spared by the pandemic: overseas workers, mostly nurses, caregivers and housekeepers, especially in Asia and Gulf states, have steadily sent remittances back home to help their families. This has partly offset the domestic consumption shock. Nevertheless, the outlook for household consumption recovery is likely to be soft in 2021. The tourism sector, which accounts for 12.7% of GDP and 26% of employment (2019) and already hit by international border closures, will post a small recovery due to the circumspection among potential travellers. Remittances (10% of GDP), which held surprisingly well in 2020, will decelerate as expatriates will not be able to keep up the pace, and this will weigh on the 8% or so households that depend on them. As business confidence and FDI inflows (3% of GDP) should probably remain low, public infrastructure should, after the 2020 blip, drive investments through President Duterte's "Build, Build, Build" public infrastructure project of which the completion is expected for 2022, before the end of Duterte's term. That being said, a resurgence of COVID-19 cases, which would prompt tighter restrictions over the economy, could delay such projects, as government resources would give priority to households and health first.

Budget and trade deficit set to widen

The budget deficit is set to stay wide in 2021 as the government maintains fiscal support in order to restart the economy and domestic consumption amid lingering downside risks. The state budget increased by 9.9%, equivalent to 21.8% of GDP. The bulk of the budget is allocated to social services (36.9%), which support programmes for health systems, social welfare and employment. However, revenue collection is also set to recover at a fast pace amid rebounding growth. This should lead the government to raise USD 70 billion, of which 74% should be sourced on the domestic market in order to limit foreign exchange risks.

Before the pandemic, the current account had registered a slight deficit due to a trade in goods deficit (14% of GDP), mostly offset by secondary income (workers' remittances). However, the trade in goods deficit improved due to a fall in imports as the pandemic-induced shock hit domestic demand, while secondary income remained almost intact, which led to a surplus in the current account. This trend will revert in 2021 as imports are likely to recover through domestic consumption and faster than exports, which should also experience a gradual recovery led by electronics exports, but could remain subdued as the global economy recovers slowly from the effects of COVID-19. Foreign exchange reserves should remain adequate, covering around 11 months of imports as of August 2020.

Duterte's agenda under pressure

Rodrigo Duterte was elected in 2016 for a six-year term. The mid-term elections in 2019 gave him control of the senate and the capacity to push forward his agenda. The latter comprises the fight against drug trafficking through the re-imposition of the death penalty, health and education, and infrastructure. However, the pandemic slowed his agenda, notably in infrastructure: only 34% of the "Build, Build, Build" programme's flagship infrastructure projects have been implemented so far due to under-execution.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2019**	**38.0**
GDP PER CAPITA US Dollars - **2019**	**15,601**
CURRENCY Polish złoty	**PLN**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.4	4.5	-2.8	3.8
Inflation (yearly average, %)	1.2	2.1	3.4	2.0
Budget balance (% GDP)	-0.2	-0.7	-9.2	-4.1
Current account balance (% GDP)	-0.7	1.4	1.7	1.3
Public debt (% GDP)	48.8	45.7	56.9	57.1

(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	9%
RUSSIA	6%
NETHERLANDS	6%
ITALY	5%

+

- Market of 38 million people
- Proximity to Western 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 is too low
- Weakness in R&D; high content of exports in imports
- Developmental lag in 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	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	VERY HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

The recovery delayed by the second wave of the pandemic

Poland, which remained relatively resilient to the financial crisis of 2008/2009, suffered much more from the COVID-19 pandemic this time around. A fall in demand and the restrictions imposed during the first wave of the pandemic led to a significant drop in household consumption, which remains a crucial part of the economy (58% of GDP). Just in the first half of 2020, household consumption decreased by nearly 5% year-over-year, while public consumption, supported by the extraordinary spending, was the only component that increased steadily whilst the economy was hit by the pandemic. The third quarter had ignited the hope that a straight way to recovery was ahead, but the second wave of the pandemic reversed this scenario. The labour market has not suffered significantly thanks to the implemented support measures, such as the short-time work scheme that includes standstill allowance. However, unemployment did increase, reversing the continued downward trend observed since 2013. This puts pressure on the further dynamics of household consumption, which are likely to be limited by low confidence amid pandemic-related uncertainty, lower employment and a higher propensity to save. On the other hand, lower employment reduced the tightness of the labour market due to mounting labour shortages. Fixed asset investments are going to be reduced because companies are still facing a higher level of uncertainty and a drop in their capacity utilization induced by lower demand. As expressed in surveys, firms from various sectors reduced their investments in 2020, with the largest slumps being reported by the construction and retail sectors. Investments are expected to rebound later in 2021, when the economy will be gradually recovering. Nevertheless, the improved economic activity would result in the phasing-out of support measures, which should lead to higher unemployment and growth in business insolvencies. Investments will benefit from the EU structural funds and the new Next Generation EU fund aimed at tackling the negative economic consequences of the COVID-pandemic. The former is the equivalent of 19.2% of GDP to be received in 2021-2027, while the latter totals 12.1% of GDP.

The budget deficit widened significantly

After the relatively low budget deficits recorded in 2018 and 2019, public finance balances have widened due to the pandemic and the measures implemented to contain its effects. Lower tax revenues and a strong increase in expenditures contributed to the deficit. In 2021, the budget deficit is expected to shrink thanks to the recovering economy and phasing-out fiscal measures. However, it is not expected to return below the 3% of GDP threshold level before 2023. The current account balance had turned positive in 2019, and is estimated to have remained in that area in 2020 thanks to trade in services – which has continued to post the largest surplus and was supported by transportation services abroad – and trade in goods. Despite the contraction of demand on external markets at the peak of the first wave of COVID-19, Polish exports rebounded relatively fast thanks to their competitiveness and their inclusion in supply chains. With an expected revival of global trade in 2021, exports are likely to drive the balance of goods even more, but rising imports supported by the recovery will limit the contribution of net exports to GDP growth.

The governing party extends its lead

The ruling right-wing party Law and Justice (PiS) had narrowly won a second term in office in the latest parliamentary elections held in October 2019. However, its grip on power weakened after it lost control of the upper house (Senate) and failed to increase its absolute majority in the more powerful lower chamber (Sejm). Moreover, tensions in the coalition erupted in 2020 when the junior parties, United Poland (SP) and Agreement, refused to back legislation proposed by the PiS. This resulted in a cabinet reshuffle. In late 2020, the government faced mass protests after it had asked for the Constitutional Tribunal's decision that declared most abortions illegal, while abortion laws in Poland have already been among the strictest in Europe. The support for the party has dropped even though it could gain more Catholic and right-wing voters. Before this, the incumbent president Andrzej Duda, who originated from PiS, secured a second term in office after the second round of the presidential election that was held in July 2020.

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 Polish anti-crisis legislation (so called "Anti-Crisis Shield") to a small extent affects issues related to cash receivables in business-to-business relations, although the exception here are receivables resulting from lease contracts in commercial facilities over 2000 square meters. In this respect, the obligation to pay the rent was temporarily suspended for the full-lockdown period.

COVID-19 The most important solutions introduced by this legislation concern bankruptcy proceedings thus the responsibility of management board members for failure to file a bankruptcy petition was suspended. This resulted in a decrease in the number of bankruptcy petitions (instead of the expected increase) in the initial phase of the pandemic. Anti-Crisis Shield also announced a new type of restructuring procedure, namely the simplified restructuring procedure. This procedure is similar to the procedure for approval of an arrangement, which has not been popular so far. The opening of this procedure is associated with undoubted privileges for the debtor, such as the suspension of creditors' obligations for a maximum period of four months while the court approves the arrangements made with creditors. During this period, it is impossible for the creditors to terminate contracts or to start enforcement procedures titles (like court judgements or payment orders). It is all linked with a minor restriction in managing the debtor's company. So far, we observe a certain number of these proceedings being opened.

PORTUGAL

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	10.3
GDP PER CAPITA US Dollars - 2019	23,132
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.6	2.2	-7.6	4.3
Inflation (yearly average, %)	1.2	0.3	0.0	1.1
Budget balance (% GDP)	-0.4	0.2	-8.4	-2.7
Current account balance (% GDP)	0.4	-0.1	-3.1	-3.5
Public debt (% GDP)	122.0	117.7	137.2	130.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SPAIN	25%
FRANCE	13%
GERMANY	12%
UNITED KINGDOM	6%
UNITED STATES	5%

Imports of goods as a % of total

SPAIN	31%
GERMANY	13%
FRANCE	10%
ITALY	5%
NETHERLANDS	5%

- Potential in renewable energy (hydroelectric, wind and photovoltaic)
- Above-average absorption of European funds
- Low labour costs and nascent manufacturing industry (food products, electronics)
- Comparatively stable governance
- Increasingly attractive to foreign talent

- Underdeveloped manufacturing sector with low-to-medium range added value
- Highly exposed to pandemic-sensitive sectors (tourism, textiles, auto parts)
- Slow-functioning legal system
- Poor quality of bank portfolios, high bad debt rates
- Deepening infrastructure gap

RISK ASSESSMENT

Tourism dependence leads to a sizeable contraction and an uncertain recovery

Despite a relatively less severe early outbreak, the Portuguese economy is highly singularly vulnerable to the pandemic. This is in large part due to the overwhelming importance of the tourism sector (17% of GDP, 50% of services exports in 2019), which is expected to lose 65-70% of its annual revenues in 2020 and whose prospects for recovery remain highly uncertain in 2021. Indeed, Portugal's off-centre position in Europe makes it highly dependent on air transport for tourism income. Overall, exports of goods and services (43% of GDP) contracted by 21% in 2020 and should rebound by 10% in 2021. Internal demand and imports are being less elastic, making for a strong negative contribution of net exports (-3%) in 2020, which will become slightly positive in 2021 thanks to the revival of exports. Furthermore, SMEs tend to have lower chances of survival, and they are disproportionately prevalent in the Portuguese industrial landscape: 77% of employment and 68% of value added (EU average: 66% and 56%, respectively). Renewables (30% of the energy mix, mostly solar and offshore wind), on the other hand, will continue expanding, increasing capacity by 7% and generation by 6% in 2021. The contraction in private consumption (62% of GDP) will be contained to 9% in 2020 thanks to a battery of measures including transfers to furloughed workers (0.3% of GDP) and other transfers to households (0.5%). The 2021 budget plans for further employment subsidies (0.5% of GDP), extended transfers for households (0.2% of GDP) and a 20% increase in public spending. Tax deferrals have been instrumental in supporting the private sector (11% of GDP), notably the fractioned payment of VAT that was extended to H1 2021. Under the effect of pent-up demand, consumption will rebound by 5%.

The pandemic response brings unprecedented fiscal pressure, but Europe ensures the funding

Emergency economic measures accounted for 2.5% of GDP. These include the afore-mentioned subsidies, social transfers and tax deferrals. While discretionary measures were smaller relative to Eurozone peers, the effect of automatic stabilizers will be particularly strong given the importance of social benefits (18% of GDP) and taxes on production and income (15%). The 2020 deficit is further amplified by one-off transfers, such as the activation of Novo Banco's contingent capital mechanism (0.5% of GDP) and the bailout of flagship airline TAP (0.6%). Overall, expenditure is expected to increase by 11% in 2020, while revenues plunged by 13%. The deficit is expected to normalize only gradually and mostly thanks to the rebound in activity, as the fiscal stance will remain accommodative in 2021. The new budget includes an expanded subsidy for employment and resumption of activity (0.5% of GDP), resumed hiring in health and education, and a 20% increase in public investment. Indeed, the degradation of public finances will no longer weigh on public investment, as EU rules are set to remain suspended and the Next Generation EU fund is set to provide funds equivalent to 13% of 2019 GDP over 2021-2027. Furthermore, thanks to ECB stimuli, borrowing costs have sunk to record lows. Private debt, which prior to the pandemic had fallen to 149% of GDP from its 210% peak in 2012, is set to gain 20 pp. The oversized dependence on tourism exports will shift the current account back into deficit in 2020, which will linger into 2021. While this is not reassuring given the large external debt (203% of GDP) and negative investment position (-100% of GDP), it is mostly financed through FDI (3% of GDP, much less from 2020 onwards) and Eurosystem funds.

Cracks start to emerge in the left-leaning coalition government

Led by PM Antonio Costa, the centre-left Socialist Party (SP) holds 106 seats out of 230 in the unicameral legislature, 10 short of an absolute majority. After the 2019 election, it looked like Costa would be able to govern comfortably through a left-wing coalition with the support of either the Left Bloc (LB, 19 seats) and/or the Portuguese Communist Party (PCP, 12 seats). It has since become apparent that consolidating the left is easier said than done, as shown by the razor-thin 2-vote majority in the November 2020 budget vote. Indeed, the LB voted against the SP for the first time in the legislature, raising doubts over the coalition's stability. Nevertheless, a complete term ending in 2023 remains the more probable outcome. The most controversial aspect of the bill is an amendment seeking to cancel the state's contingent commitments to Novo Banco. The measure is expected to be overturned by the courts due to its apparent incompatibility with international law (Novo is owned by a U.S. fund). Nonetheless, it is telling that many in parliament are willing to compromise enforcement of property laws, especially considering that the motion was authored by the nominally liberal leader of the opposition, the Social Democrats.

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

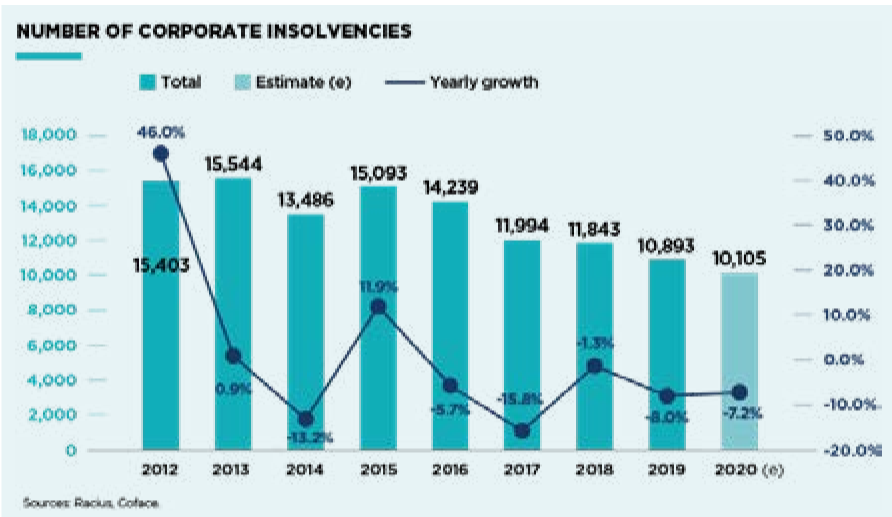
A special extrajudicial administrative procedure (*Regime Extra Juditial de Recuperação de Empresas*, RERE) came into effect on July 1, 2017. This procedure for restructuring company debts is carried out by specialised mediators. It has been designed to enable creditors and debtors to reach a compromise, 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.



COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	2.8
GDP PER CAPITA US Dollars - 2019	62,919
CURRENCY Qatari rial	QAR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	0.8	-4.5	2.9
Inflation (yearly average, %)	0.2	-0.6	-2.2	1.2
Budget balance (% GDP)	5.9	4.9	-4.5	-2.2
Current account balance (% GDP)	9.1	2.4	-0.6	2.6
Public debt (% GDP)	46.5	56.2	68.1	66.0

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

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	19%
SOUTH KOREA	16%
CHINA	12%
INDIA	12%
SINGAPORE	8%

Imports of goods as a % of total

EURO AREA	20%
UNITED STATES	19%
CHINA	12%
UNITED KINGDOM	7%
INDIA	5%

+
- One of the world's biggest gas exporters
- Low fiscal and external breakeven oil & gas prices
- Strong financial buffers, public accounts
- Organization of the 2022 World Cup set to support infrastructure investments
- Very high GDP per capita that supports social stability

−
- Dependence on the oil & gas sector
- Economic exposure to volatility in energy prices
- Lower tourism revenues due to the blockade, COVID-19

RISK ASSESSMENT

The recovery in energy prices and the 2022 World Cup will support economic expansion

After an exceptional contraction in 2020, mostly due to the sharp reduction in the non-oil sector and the decline in energy prices, the Qatari economy is expected to record a gradual rebound through 2021. This recovery will be driven by the relative increase in energy prices led by the economic recovery in Asia (80% of exports in H1 2020), particularly in China, which attracted 13% of total exports. Qatar's net liquefied natural gas (LNG) exports are estimated to increase by 4.9% in 2021 (from the 2020 level), to stand at 107 billion cubic meters (bmc) according to Fitch Solutions, compared to an estimated decline of 3.6% in 2020. Rising demand from Pakistan and Bangladesh should support this increase in LNG supply. Qatari tourism revenues (between 7 and 8% of GDP), already cut off by Bahrain, Egypt, Saudi Arabia and the United Arab Emirates three years ago, have deteriorated because of COVID-19. Qatar was among the Gulf countries that recorded the highest number of cases. After declining by 68% YoY in 2020, international tourism receipts are estimated to recover in 2021. The entrance of Qatar, on 1 September 2020, in the fourth phase of its reopening plan, which targets a gradual return of essential international travelling, will support the recovery. Nevertheless, a renewed spread of the virus would affect negatively not only the recovery in this sector, but the economy as a whole. Growth will be also be backed by government spending in infrastructure projects ahead of the 2022 World Cup. However, almost 90% of the big-ticket projects are now close to completion. Consequently, provisions for major projects (for not only the World Cup ones, but also others in healthcare, transportation and education) are to be cut by 20%. An implementation of the value added tax (VAT) in 2021 could weigh on consumer spending (25% of GDP), which was already hit by the uncertainty related to COVID-19's evolution and job losses. Moreover, government-related entities have been told to reduce spending on foreign workers by 30% (salary cuts, layoffs, etc.) since June 2020. The government itself plans to decrease the allocation for salaries and wages by around 2% from the previous year.

Strong financial buffers and solid accounts underpin growth

Qatar benefits from one of the lowest fiscal breakeven oil prices across the GCC region, estimated at USD 38 per barrel for 2021 according to the IMF. The impact of lower energy prices and exports has been partially compensated by spending cuts from the government in 2020. Nearly half of fiscal revenues come from the hydrocarbon sector, so the relative recovery of energy prices in 2021, in the absence of a second wave of COVID-19, should support the budget. The introduction of a 5% value added tax (VAT) in 2021 would also contribute to non-oil revenues, although there has not been any official announcement yet.

The current account balance is expected to record a small deficit in 2020, before returning into positive territory in 2021. The recovery in energy prices, coupled with a pick-up in demand, will support exports. Expansion of the gas production from the North and Barzan fields will also increase exports. Qatar's assets in its sovereign wealth fund were estimated at USD 330 billion (180% of GDP) in 2019 according to the IIF, and its international reserves, which stand at USD 56 billion as of August 2020, will ensure the peg with the dollar and provide a large space for the government to support economic activity.

Political stability set to persist despite conflicting foreign alliances

The high standard of living thanks to the significant hydrocarbon revenues and the general satisfaction with the quality of life reinforces political stability. The lifting of the blockade imposed by four Arab countries in 2017 should reduce economic and political tensions in the region. Qatar has close relations with Iran, but is home to the largest U.S. military base in the Middle East, which is not part of Iran's foreign policy. On the other hand, while some GCC countries are normalizing their relations with Israel, Qatar has ruled this out.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	19.4
GDP PER CAPITA US Dollars - 2019	12,887
CURRENCY Romanian leu	RON

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.4	4.1	-5.0	3.5
Inflation (yearly average, %)	4.6	3.8	3.0	2.5
Budget balance (% GDP)	-2.8	-4.6	-9.6	-8.0
Current account balance (% GDP)	-4.4	-4.6	-4.2	-4.0
Public debt (% GDP)	36.4	36.8	44.9	50.0

(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, rapeseed, etc.
- Limited energy dependency on coal, oil, gas and uranium
- Large-scale renewable power generation
- Diversified and competitive industry thanks to an inexpensive workforce

-

- Demographic decline: low birth rate and emigration of well-trained youth
- Strong regional disparities in education, vocational training, health and transport; rural areas lag behind
- Low participation rate of Hungarian and Roma minorities, youth and women in the economy
- Large underground economy
- Inefficient agricultural sector
- Slow bureaucratic and legal processes; corruption

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Moderate recovery in 2021

Heavily affected by the COVID-19 pandemic, Romania implemented restrictive measures in the spring of 2020 and had to reinstate some of them, albeit lighter, in the second wave in November. This, combined with the recessionary European context, dragged the economy into recession. It will rebound in 2021, supported, in particular, by the rebound in household consumption. In fact, household consumption, which accounts for 63% of GDP, fell by 7% in 2020 because of social distancing measures and declining incomes (increase in unemployment from 3.8% in 2019 to 7% at the end of 2020, loss of jobs). However, it has been encouraged by the government's support plan, with 75% of short-time working being covered by the government and the freezing of water, gas and electricity prices. In 2021, it is expected to rebound by 3%, driven by the relaxation of health measures, but will remain constrained by lower wage growth and an increase in the unemployment rate, barring favourable provisions in the 2021 budget. Moreover, after stagnating in 2020 thanks to the resilience of the construction sector, investment is expected to grow by 5% in 2021 and benefit from the Next Generation EU recovery plan, under which Romania will receive EUR 33 billion by 2023 (less the 12 billion it has paid into the fund). However, the absorption rate of EU funds is below the regional average due to administrative shortcomings. The investments will mainly concern infrastructure and residential construction. The industrial sector (28% of GDP) is estimated to grow by 7%, despite the slow recovery of the automotive sector (14% of GDP), thanks in part to the rebound in production in the energy sector. Finally, after falling in 2020, foreign trade will pick up again, but its contribution to growth will remain negative. In fact, while exports, which account for just under 40% of GDP, are expected to pick up in 2021 thanks mainly to exports of services (telecommunications and IT), machinery and vehicle exports (42% of exports) will struggle.

High government deficit; stabilisation of the current account deficit

In March 2020, the government announced a support plan equivalent to 3.2% of GDP that would allocate more funds to the health sector, cover short-time work and support companies in difficulty. These measures, combined with the automatic increase in spending and the 14% increase in pensions, have widened the deficit and increased the public debt (50% external). In 2021, the deficit could be reduced somewhat, subject to the content of the 2021 budget. The debt will continue to increase, but will remain moderate. In addition, public finances will receive EUR 79.9 billion (45% of 2019 GDP) under the EU's Multiannual Financial Framework 2021-2027, of which 14% will be distributed in 2021.

The slight reduction in the current account deficit in 2020 is largely due to the reduction in the trade deficit. Indeed, the fall in exports was more than offset by the fall in imports due to the decline in domestic demand. Furthermore, European aid has increased the transfer surplus, further reducing the current account deficit. In 2021, with the recovery in external demand expected to exceed domestic demand, the trade deficit will narrow again. Moreover, remittances (3% of GDP) are expected to pick up when activity in the countries of expatriation resumes (Spain and Italy in particular). The 2020 deficit has been partly financed by several international aid packages, including EUR 400 million from the World Bank. In 2021, given the slow recovery of FDI, the deficit will be largely financed by foreign borrowing and portfolio investment.

At last political stabilisation?

The legislative elections of 6 December 2020 could put an end to the long period of political instability (5 governments in 4 years) caused by a stormy partnership between President Klaus Iohannis, supported by the centre-right National Liberal Party (PNL), and the Chamber of Deputies dominated by the social democrats of the PSD, especially over justice and corruption. The elections placed the Social Democratic Party (PSD) in the lead with 28.9% of the vote, but with a turnout of around 30%, showing the population's disillusionment with its political class. The National Liberal Party (PNL) of the former Prime Minister Ludovic Orban, long a favourite in the polls and winner of the municipal elections of September 2020, came in second, ultimately punished for its poor management of the health crisis. However, the coalition formed by the PNL, the DAHR and the Save Romania Union (USR Plus), which is reformist and very committed to ending corruption, allowed them to gain power, putting an end to their partnership to come to power by appointing Florin Citu as Prime Minister, thus putting an end to cohabitation.

In addition, since the country joined the EU in 2007, the European Commission has had a cooperation and verification mechanism in place to help the country meet European standards for efficient and transparent public authorities, an independent judiciary and the fight against corruption. However, the Commission has repeatedly singled out the country for its legislation in this area. In fact, since laws adopted in 2017 and 2019, promoting the opacity of the system, the country's index is at 44 out of 100 and ranks 70 out of 180 in the 2019 Transparency International corruption perception ranking.

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.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	146.7
GDP PER CAPITA US Dollars - 2019	11,601
CURRENCY Russian ruble	RUB

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.5	1.3	-4.3	3.2
Inflation (yearly average, %)	2.9	4.5	3.6	3.5
Budget balance (% GDP)	2.1	0.4	-4.5	-3.3
Current account balance (% GDP)	6.5	3.4	1.0	2.1
Public debt (% GDP)	13.5	13.9	18.0	20.6

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
CHINA	13%
TURKEY	5%
BELARUS	5%
SOUTH KOREA	4%

Imports of goods as a %

EURO AREA	28%
CHINA	22%
UNITED STATES	6%
BELARUS	5%
JAPAN	4%

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- Abundant natural resources (oil, gas and metals)
- Diversification efforts
- Floating of the rouble since November 2014
- Market size and skilled labour force
- Macroeconomic stability: strong public and external accounts that ensure resilience to external hazards
- Digitalisation and innovation capacity

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- Dependence on hydrocarbon prices
- Declining demographics
- No trade agreements beyond the neighbourhood
- Dependence on foreign technology
- Weak infrastructure aggravated by the lack of investment
- Heavy social security contributions (30% of salaries) favouring informality
- U.S. and European sanctions hinder offshore field development and innovation
- Institutional and governance weaknesses (insolvency treatment, property rights, corruption)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Moderate recovery

In 2021, the Russian economic recovery will be relatively modest. The government refrained from introducing nationwide lockdown measures in order to protect the economy, which is partly the reason for Russia's comparatively mild recession in 2020. However, Russia has been hit hard by the COVID-19 pandemic and was the fourth most affected country globally in terms of cases as of early December 2020. The second wave of the pandemic hit Russia severely, with daily new cases outpacing the peak in April. Households benefited from fiscal stimulus with the programme of subsidised mortgages at an interest rate of 6.5%. Nevertheless, private consumption will not bring a substantial boost for the economy in 2021 due to falling real disposable income and a low savings rate. Indeed, real disposable income contracted by a record 8.4% year-on-year in Q2 2020 and unemployment increased to 6.1% (a nine-year high). These figures do not include Russia's large informal sector, which accounts for about 40% of total employment and with many workers not eligible even for the limited social benefits available. Moreover, the risk of new Western sanctions following the alleged poisoning of opposition politician Alexei Navalny resulted in a weakening of the rouble. The currency could again depreciate, especially if the oil market rebounds slower than expected. Investments will rebound in 2021, but their growth is likely to be weak because of uncertainty and SME's lack of access to financing, despite lower interest rates (the policy rate has been slashed by 175 basis points to 4.25% in 2020). The government has also delayed its flagship USD 360 billion National Projects programme by four years to 2024. The programme was originally launched in 2018, but made only little progress and was delayed again in 2020 due to the COVID-19 crisis. It is dedicated to roads, education and health, and aims to increase growth potential and reduce poverty (14% of the population lives below the subsistence level and 65% is assisted). Although oil prices are expected to gradually increase in the course of 2021, investments in the energy sector will be weak.

Solid public finances despite the pandemic

The fiscal stimulus in response to the pandemic has been relatively modest (about 7% of GDP spent in 2020-2021, which includes guarantees and tax deferrals), despite ample fiscal space thanks to a budget surplus and low public debt figures recorded in 2019. Moreover, the government has also built-up liquid reserves that are worth over 7% of GDP since 2017 in the National Wealth Fund. The budget balance, which turned into deficit in 2020, will improve slightly this year. Revenue measures include higher corporate taxes in the oil industry, increased mineral extraction taxes on metals and chemicals, changes to a flat personal income tax, a tax on interests from bank deposits over RUB 1 million, as well as a hike in the excise tax on tobacco. The oil price remains crucial for the Russian budget, with the break-even price required to balance it set at USD 42.4 per barrel. The updated fiscal rule was introduced in 2018 and it reduced the break-even crude oil price, which was at USD 110 in 2013. Nonetheless, the economy's dependence on the oil and gas sector remains high. It accounts for about a quarter of GDP, 63% of exports and 35% of federal revenue. Sanctions that restrict investment and the export of some technological equipment to Russia, as well as the gradual depletion of mature fields, will limit Russian oil production.

Changes in the government

Vladimir Putin, who has been in power for 17 years, began a new 6-year presidential term in May 2018. His popularity has been eroded by the pension reform. Weakened approval ratings led to the sudden resignation of the government, including the prime minister Dmitry Medvedev, in January 2020. Mikhail Mishustin, the former head of the federal tax service, became the new prime minister. In July 2020, a nationwide vote ratified constitutional reforms proposed by President Putin. It concerned promises of increased state support for citizens and, most importantly, an amendment allowing President Putin to run for the presidency again in 2024 and stay in power until 2036. Moreover, changes also include giving presidents lifetime immunity from prosecution. A second cabinet reshuffle, put forward by Prime Minister Mishustin and then approved by President Putin, was announced in November 2020.

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 - 2019	12.4
GDP PER CAPITA US Dollars - 2019	816
CURRENCY Rwanda franc	RWF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	8.6	9.4	-0.2	5.7
Inflation* (yearly average, %)	1.4	2.4	7,7	4.0
Budget balance** (% GDP)	-4.7	-6.3	-11.5	-12.2
Current account balance (% GDP)	-7.9	-9.2	-14.5	-11.2
Public debt (% GDP)	53.1	58.9	67.5	75.4

(e): Estimate. (f): Forecast. * Urban inflation, main gauge of inflation. ** Fiscal year from 1st July - 30th June. 2021 data: FY20-21..

TRADE EXCHANGES

Exports of goods as a % of total

CONGO DR	32%
UNITED ARAB EMIRATES	29%
UGANDA	5%
SWITZERLAND	5%
EURO AREA	4%

Imports of goods as a % of total

CHINA	20%
INDIA	9%
KENYA	9%
EURO AREA	8%
TANZANIA	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

- Highly dependent on commodity prices and international aid
- Landlocked and exposed to geopolitical tensions in the Great Lakes region
- High demographic pressure, population density among the highest in Africa

RISK ASSESSMENT

Despite strong growth, the pandemic will depress activity

Hard hit by the crisis following the COVID-19 pandemic in 2020, growth is expected to pick up again in 2021 with the gradual lifting of the lockdown measures taken to stem the progression of the disease. Private consumption should benefit from this reopening process. In particular, the recovery in services should support employment in urban centres, while the income of rural households could benefit from the pick-up in agriculture (over 60% of total employment), whose recovery will nevertheless remain threatened by climatic hazards, such as floods and droughts, and also potentially by the desert locusts that are ravaging East Africa. In the absence of a climate shock affecting food supply, inflation should gradually decline and support the recovery in consumption. Public investment, which has driven the country's strong economic momentum in recent years, should continue to play a leading role through accelerated implementation of infrastructure projects that had to slow down because of the crisis. The National Strategic Transformation Plan (NST) will keep prioritizing trade-related infrastructure projects, while work on the Bugesera International Airport will continue, supporting the construction sector. Despite continued efforts to support private investment in the agriculture and mining sectors, and historically low interest rates, progress in this area will be constrained by a persistently uncertain international environment. While tourism should recover, it is also expected to continue to be hurt by the uncertainty associated with the pandemic, particularly business travel. Furthermore, despite the expected recovery in export crop revenues (coffee, tea, horticulture) and international gold prices, which are set to remain relatively high in 2021, export growth will remain constrained.

The stimulus plan accelerates indebtedness

The budget deficit is expected to remain high in 2021, given the additional spending associated with the country's economic stimulus package. In addition to health measures (purchase of personal protective equipment, establishment of quarantine facilities), the plan includes, for households, cash payments to precarious workers and support for the purchase of agricultural inputs and, for businesses, the establishment of an economic stimulus fund. The stimulus plan also provides for capital investment spending in public works in fiscal year 2020/21. These funds will supplement the infrastructure investment planned under the NST. Thus, 40% of the budgetary resources will be allocated to capital investment expenditure. With the budget forecasting a decline in tax revenue in FY2020/21, the government will rely on domestic borrowing and external loans, mainly concessional, to finance the deficit. Although external public debt accounts for about three-quarters of the total, it is mainly concessional (over 80%), limiting the risk of debt distress. However, its rapid rise is expected to reduce fiscal space in the future.

The crisis accentuates external imbalances

In 2021, the trade deficit, burdened by capital goods imports, will continue to fuel a large current account deficit. However, the recovery in tourism should mitigate the services deficit and help to reduce it. Given the impact of the crisis, repatriation of profits by foreign companies should be limited, lessening the income deficit. Transfers related to current international cooperation and paid to combat the pandemic will continue to contribute to a surplus in the transfer account. Although the deficit will be partly financed by FDI and subsidies, foreign exchange reserves, which have benefited from an IMF RCF, and the Rwandan franc, which depreciated by more than 4% in 2020, will remain under pressure.

Border relations still fragile, social climate tested by the pandemic

President Paul Kagame was re-elected for a third consecutive term in August 2017, officially securing nearly 99% of the vote. The Rwandan Patriotic Front (RPF) and Mr Kagame's grip on power was reaffirmed during the September 2018 legislative elections, as the RPF, acting within an expanded six-party coalition, won 74% of the votes and 40 of the 53 seats on the ballot. Regularly accused of muzzling dissent and controlling the political space, President Kagame and the RPF are also credited with restoring peace and political stability. Nevertheless, this stability could be tested by the increased economic difficulties resulting from the pandemic. Even so, the political dominance of the RPF and President Kagame is unlikely to be called into question between now and the elections in 2023 (legislative) and 2024 (presidential). The country is continuing reforms aimed at improving the attractiveness of its business environment, including measures to reduce financing and transportation costs. Although there is room for improvement, it is already among the most attractive on the continent.

Insecurity and fragile relations with its neighbours in the Great Lakes region are likely to remain the main political risks. Accusations of foreign state support for anti-Kagame armed groups will remain a major source of friction, particularly with Burundi. Moreover, the governments of Rwanda, Burundi and Uganda continue to accuse each other of fighting through insurgent groups in the DRC.

SÃO TOMÉ AND PRÍNCIPE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	0.2
GDP PER CAPITA US Dollars - 2019	1,980
CURRENCY São Tomé and Príncipe dobra	STD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.9	1.3	-8.0	3.0
Inflation (yearly average, %)	8.2	8.3	7.8	8.0
Budget balance* (% GDP)	-1.8	-1.3	-4.5	-4.0
Current account balance** (% GDP)	-12.4	-12.4	-17.0	-11.7
Public debt (% GDP)	96.2	94.6	105.0	100.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	31%
EURO AREA	25%
NEW ZEALAND	25%
CÔTE D'IVOIRE	4%
UNITED STATES	3%

Imports of goods as a % of total

EURO AREA	56%
ANGOLA	20%
CHINA	6%
NIGERIA	5%
BRAZIL	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
- Low government revenue: 15% of GDP
- Economy still dominated by agriculture and fishing
- Poor business climate
- Lack of infrastructure and weak legal and regulatory environment constrain the operating environment
- High export and import costs due to remote island location
- Underdeveloped and weak banking sector (non-performing loans exceed 25% of the portfolio)
- High level of public debt

RISK ASSESSMENT

Economic growth facing a challenging recovery

Although São Tomé and Principe was not severely impacted health-wise by the COVID-19 pandemic, its economy took a major hit. However, economic growth is expected to make a timid return in 2021.

The tourism sector (6% of GDP in 2019), one of the archipelago's main drivers of economic growth, collapsed in 2020 because of the mobility restrictions associated with the health crisis, such as border closures. A weak and gradual recovery is expected in 2021. In the long-term, foreign investment, particularly from Portugal and South Africa, should enable this sector to develop significantly. The country's economy is also dependent on agriculture (cocoa, coffee, pepper), which is an underperforming sector. For instance, cocoa, the most exported product, represents only 1.6% of GDP. After declining sharply in 2020, cocoa exports are expected to recover only slightly in 2021 due to the impact of supply chain disruptions, as well as reduced use of fertilizers and pesticides, which could hamper production.

To deal with the pandemic and support the economy, health and the most vulnerable households, the government announced a fiscal stimulus package in April 2020 worth 1.7% of GDP. The plan included, among other things, an increase in health spending (drugs, equipment, medical staff and treatment centres). Moreover, financial aid was allocated to small and medium enterprises, as well as to workers, including in the informal sector, and a moratorium was placed on interest payments. The central bank, meanwhile, cut its policy rate, lowered reserve requirements for local banks, reduced bank charges, and opened a line of credit to businesses. Domestic demand plummeted in 2020 due to the decline in household incomes. To reduce the impact of this on the population, with 67% of people living below the poverty line, and stimulate consumption, the government implemented aid for the poorest and most vulnerable members of society. As a result, domestic demand should grow in 2021. Similarly, investment contracted sharply in 2020 as investor confidence plunged, and the uncertainties associated with the end of the crisis pose a risk to a recovery in investment in 2021. In the short-term, public investment is expected to concentrate on the health sector, which is weak and a priority. In the long-term, the government will likely focus its policies on infrastructure development, with external support.

External aid and a halt to fiscal consolidation

Despite the reduction in the traditionally high trade deficit (18% of GDP in 2020 against 27% of GDP in 2019) and substantial foreign aid, the current account deficit widened considerably in 2020 because of the fall in tourism revenues. In 2021, the deficit is expected to narrow slightly with the pick-up in exports and a recovery - albeit limited - in tourism, which will offset increased imports due to the rebound in domestic demand. The deficit will continue to be financed by external assistance, mainly through grants.

The public deficit increased in 2020 due to the plan to support the economy, but is expected to stabilise in 2021. Public debt, which was already very high, rose in 2020, as external aid (while partly made up of grants) does not constitute the entire amount and is not enough to cover all of the additional financing, necessitating recourse to domestic debt. The fiscal consolidation called for by the IMF under its Extended Credit Facility, which was granted in October 2019 (USD 18 million over 40 months), has been put on hold until 2021. At the same time, international assistance has been substantial, with the IMF providing support amounting to just over USD 17 million, including USD 5 million under its Extended Credit Facility, USD 12 million under its Rapid Credit Facility, and USD 0.2 million in debt service relief. The country also received assistance from the European Union and the World Bank.

A well-established coalition

Since the October 2018 legislative 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-UDD-MDFM) has been in power, despite the relative majority (25 seats out of 55) of the Independent Democratic Action (IDA) party, the main opposition party, which previously held an 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, who was elected in 2016 and is theoretically neutral, but who is a member of the IDA. Presidential elections will take place in October 2021, and the MLSTP-PSD candidate, after his skilful handling of the crisis, is well positioned to win, which would allow peaceful power-sharing to be restored. Externally, cooperation will remain crucial for the archipelago. Relations with Portuguese-speaking countries (Portugal, Angola, Brazil) and international organisations remain very important. Since recognising the One China policy at Taiwan's expense in 2016, São Tomé and Principe has strengthened its relations with China, as illustrated by the increase in funding granted to the archipelago.

SAUDI ARABIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	**34.1**
GDP PER CAPITA US Dollars - 2019	**23,266**
CURRENCY Saudi riyal	**SAR**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	0.3	-4.3	2.7
Inflation (yearly average, %)	2.5	-2.1	3.6	3.7
Budget balance (% GDP)	-5.9	-4.5	-12.0	-7.0
Current account balance (% GDP)	-1.6	-1.6	-2.7	-1.6
Public debt (% GDP)	34.3	33.4	40.0	38.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	18%
EURO AREA	11%
INDIA	10%
JAPAN	10%
SOUTH KOREA	8%

Imports of goods as a % of total

CHINA	19%
EURO AREA	18%
UNITED STATES	12%
UNITED ARAB EMIRATES	8%
INDIA	5%

+

- Key oil producer of OPEC, vast proven oil reserves
- Large financial resources
- Economic diversification and reform efforts to attract foreign investments
- Growing population fueling domestic demand
- Rising government support for tourism

-

- High dependence on hydrocarbon despite economic diversification efforts
- Exposure to volatility in energy prices
- Dependence on foreign labor
- Weakness in the non-oil sector exacerbated by COVID-19

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Growth expected to be sluggish

After being hit by the negative impacts of the COVID-19 pandemic and low oil prices in 2020, Saudi Arabia's economy is expected to expand in 2021. Growth will be driven mostly by the recovery in energy prices and the uptick in the non-oil economy thanks to the easing of most of the COVID-19 related restrictive measures. The loosening of the OPEC+ output cuts will help the Kingdom's oil production volume to grow by around 2% to 3% in 2021 after falling to 8.8 million barrels per day (bpd) in the third quarter of 2020, from nearly 10 million bpd in 2019. However, growth will remain tepid mainly due to the fiscal consolidation that will be key for domestic demand. Although the government introduced a fiscal stimulus package amounting to 2.8% of GDP in March 2020, current spending has been rationalized and more non-oil revenue will be collected in order to relieve part of the pressure on public finances. This will weigh on the growth performance as government expenditure accounts for nearly one quarter of GDP. It will also slow down the economic diversification process within Vision 2030, which is mostly based on public spending. Furthermore, lower consumer confidence and the tripling of the value-added tax (VAT) from 5% to 15% will restrain domestic demand. However, the construction and retail sectors are expected to recover slightly thanks to increased mobility and government support that encourages home ownership. Nevertheless, unless there is a recovery in global tourism and travel, global demand for oil is expected to remain sluggish, which will put downward pressure on growth. This will also keep business confidence low and weigh on private investment. Therefore, investment, which had contracted for the three quarters leading to Q2 2020 on an annual basis, will remain low.

More vulnerable fiscal dynamics despite strong foreign assets

The COVID-19 pandemic and, consequently, the drastic plunge in oil prices have resulted in an extreme widening of the budget deficit in 2020. The budget deficit is expected to remain wide in 2021, as oil revenues represent more than half of total fiscal revenues. Nevertheless, the implementation of fiscal consolidation measures in order to collect more non-oil revenues and reduce expenditure (i.e. tripling of the VAT, cuts in some public investments, suspension of cost-of-living allowances, etc.) will help to reduce the deficit. As oil prices are expected to increase only moderately, the fiscal policy should remain tight in the upcoming period. The deficit is expected to be financed mostly through debt issuance on the domestic market. Part of the deficit can be covered through foreign exchange reserves, which stand at nearly USD 450 billion (almost 30 months of imports). The central bank's reserves were affected by a transfer of USD 40 billion to the Public Investment Fund (PIF) in March and April 2020. The government debt will inch up due to the wider budget deficit, but will remain manageable compared to the national output.

The current account balance will also remain in deficit due to a moderate increase in price and demand for oil, which accounts for around 70% of the Kingdom's total merchandise exports. After falling by 23% in the first half of 2020, non-oil exports (mostly plastic and chemicals) are expected to rise on the back of the recovery in global growth. However, tourism revenues (around 2% of GDP) will need more time due to the COVID-19 pandemic's conditions. Therefore, the current account deficit will only shrink. On the other hand, while imports will increase gradually, the fiscal consolidation will weigh on import demand for capital and consumer goods. The financial account should remain partly in deficit due to the resident capital outflows (estimated at around USD 80 billion) backed by increased regional tensions, low oil prices and slow economic growth.

Political status quo is expected to continue amid rising challenges

During his campaign programme, U.S. President Joe Biden stated that his administration will aim to strengthen and extend the nuclear deal with Iran (seen as a threat to regional stability by the Kingdom), which is a complicated topic that will take time to be solved. He also said he would terminate the support for the war in Yemen, where the Saudi-led military coalition has been confronting the Iran-backed Houthis for years. Nonetheless, Saudi Arabia will continue to remain as a critical partner for the U.S. in the region. With the end of the three-year blockade imposed by Saudi Arabia and three other countries on Qatar in January 2021, any normalization with Turkey would ease regional tensions. On the domestic front, the fiscal consolidation based on cutting social subsidies and increasing taxes will drag down household income, making the conservation of living standards costlier for people. Despite possible social discontent, no political instability is expected in the near-term.

SENEGAL

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	16.3
GDP PER CAPITA US Dollars - 2019	1,446
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.4	5.3	-1.5	4.0
Inflation (yearly average, %)	0.5	1.0	2.7	2.2
Budget balance* (% GDP)	-3.6	-3.8	-6.0	-4.5
Current account balance (% GDP)	-8.8	-7.7	-9.0	-10.0
Public debt (% GDP)	63.2	64.1	68.0	68.0

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

TRADE EXCHANGES

Exports of goods as a % of total

MALI	22%
SWITZERLAND	14%
EURO AREA	11%
INDIA	8%
CHINA	6%

Imports of goods as a % of total

EURO AREA	40%
CHINA	11%
NIGERIA	5%
RUSSIA	4%
TURKEY	4%

- Strong track record of political stability
- Relatively diversified economy
- Support from international donors under the Emerging Senegal Plan, in particular the IMF with its Economic Policy Coordination Instrument
- Part of the West African Monetary Union (WAEMU)
- Headway in business climate (average score, except for insolvency resolution) and governance (even though corruption persists)
- Significant oil and natural gas reserves off the coast, as well as many other minerals, including gold, phosphate, platinoids, iron and barite
- Fast population growth

- Growth and exports at the mercy of weather events and commodity prices (groundnuts, cotton, horticulture)
- Net importer of energy and food products
- Inadequate energy and transport infrastructure
- Significant debt
- Half the population is affected by poverty

RISK ASSESSMENT

Rebounding from the mild recession

In 2020, the COVID-19 crisis derailed the strong growth recorded by the country over the past few years. Even in the absence of a strict lockdown, the measures taken to combat the virus, combined with the collapse in external demand, were enough to cause a mild recession.

The recovery that began in the second half of 2020 is expected to gain momentum in 2021. Agriculture (17% of GDP, but 70% of the labour force) will act as the main channel for the rebound. The sector should benefit from a return to normal (or at least an improvement) in transport, as disruptions in this area had made it difficult to sell production and hindered access to imported inputs. The resulting increase in agricultural incomes will have a beneficial effect on household consumption (72% of GDP), which has been relatively spared thanks to the resilience of agriculture. Consumption should also benefit from an improvement in expatriate remittances (between 10% and 15% of GDP in normal times), which were badly hit by the crisis in Europe. Conversely, households will not be able to count on a pronounced recovery in tourism (8% of GDP and 9% of jobs). The transport and accommodation sectors will therefore continue to struggle. Investment (25% of GDP) is set to improve, without regaining its pre-crisis level. Concerning gas, phase I development of the Grand Tortue Ahmeyim field, which is shared with Mauritania, and the Sangomar field will return to a normal pace following the delays caused by the crisis. Under phase II of the Emerging Senegal Plan (2014-2035), the second Priority Action Plan (PAP 2a), which has been adjusted as a result of the crisis, plans to focus on food, health and pharmaceutical sovereignty by 2023, while continuing the development of renewable energies, tourism, transport, information technology and telecommunications. Public investment, which was put on hold momentarily due to the crisis and the urgent needs that it created, will therefore be restarted and should be widely supported by domestic and foreign private participants (e.g. Sambagalou hydroelectric dam). Development of the gold sector is also expected to continue. Exports (22% of GDP) will benefit as transport gets back on track, but also as global demand recovers. This will be true for refined petroleum products, gold and rare metals, phosphoric acid, fish and shellfish, groundnuts and cement, but not really for tourism.

Accounts reflect the prospects for gas revenues

Senegal's public deficit was already slightly over the WAEMU criterion (3% of GDP), but the pandemic caused the public accounts to moderately worsen in 2020. The increase in public spending under the Resilience Plan (7% of GDP), despite cuts and the maintenance of revenues thanks to increased international aid, caused the deficit to widen and increased the debt, 80% of which is held by foreign, mostly official, creditors. The deficit was once again financed by increased aid from international donors, as well as regional debt issuances, while the G20 debt service suspension initiative (DSSI) saved the equivalent of 0.6% of GDP. In 2021, the deficit is expected to shrink, without returning to its previous level, due to the absence of exceptional spending, increased domestic revenues and the DSSI extension. The risk associated with the debt was previously considered moderate but has increased due to the delay in bringing the gas fields on-stream (pushed back from 2020 to 2023) and the reduced likelihood of additional revenues.

The large current account deficit is linked to the goods deficit (over 10% of GDP), which in turn reflects imports of equipment for projects, particularly in the gas sector. Transfers from expatriates and international partners are a mitigating factor. Despite the emergency aid granted by multilateral institutions, the deficit is thought to have increased slightly in 2020 because of the decline in expatriate remittances, exports and tourism revenue, which was partially offset by the decrease in imports of goods and services due to the slowdown in major projects and the fall in oil prices. Because of the reduction in foreign direct investment (FDI: 4% of GDP in normal times), multi- and bilateral partners covered a larger share of the deficit than usual through project loans. In 2021, the current account deficit could widen further as imports recover faster than exports, while tourism and remittances continue to recuperate. However, FDI will accelerate, facilitating financing of the deficit.

A stable political situation but tensions are present

The 2019 presidential election saw Macky Sall win a second term. Since 2017, he has had a large parliamentary majority (125 seats out of 165) through the Benno Bokk Yaakaar coalition. Since its re-election, his second government, which he formed in November 2020, featured seven members of the opposition, including his main opponent in the presidential election, Idrissa Seck. Conversely, several heavyweights from the president's own party were not reappointed. The new government will have to tackle growing discontent caused by rising unemployment and poverty, as well as loss of income. Even before the crisis, the country experienced numerous civil service strikes.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	7.0
GDP PER CAPITA US Dollars - 2019	7,382
CURRENCY Serbian dinar	RSD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.4	4.2	-2.5	5.5
Inflation (yearly average, %)	2.0	1.9	1.5	1.9
Budget balance (% GDP)	0.8	0.0	-8.1	-1.6
Current account balance (% GDP)	-4.8	-6.9	-6.4	-6.5
Public debt (% GDP)	54.5	52.8	59.5	57.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	41%
BOSNIA AND HERZEGOVINA	8%
ROMANIA	6%
RUSSIA	5%
MONTENEGRO	4%

Imports of goods as a % of total

EURO AREA	38%
RUSSIA	10%
CHINA	9%
HUNGARY	4%
TURKEY	4%

+

- Stabilisation and Association Agreement with the EU allowing 93% of Serbian products to enter without customs duties
- Ongoing EU accession process (18 out 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
- Rising automotive industry

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- Landlocked with poor road infrastructure
- Massive and inefficient public sector
- Slow judicial proceedings, customs harassment, corruption, lack of transparency in the government
- Large informal sector: 24% of GDP and 20% of employment
- Difficult relations with several neighbouring countries
- Brain drain (youth unemployment: 27% in Q3 2020)

RISK ASSESSMENT

A comparatively forgiving outbreak sets the stage for a vigorous rebound

The contraction of activity in 2020 was significant, but modest in comparison to its neighbours, due to the relatively smaller role of tourism in the economy (7% of GDP). The response to the pandemic was swift, with a general lockdown being imposed one week after the first confirmed case (which lasted from mid-March to late April), and lighter restrictions in August and November. Although the strong crisis on the European market led to an 8% contraction of exports (51% of GDP), domestic consumption (the main driver of growth at 65% of GDP) will provide some resilience, contracting by only 2%. The contraction in remittance flows (8% of GDP) will be subtle as well, supported by the decent performances of the German and Austrian economies. Similarly, private investment should contract modestly by 3% in 2020, but should resume at its buoyant pace in 2021, expanding by 12%. Domestic demand will therefore recover faster than in the EU, making up for the small negative contribution of net exports. Serbia's rise as a regional manufacturing hub was only slightly set back in 2020. As the European automotive supply chain reorganizes, FDI will keep flowing thanks to the country's comparative advantage in low-margin components. Furthermore, Chinese credit support for infrastructure development will continue. Due to fiscal pressures, business-friendly reforms such as SOE privatizations are likely to be streamlined. Thus, Serbia will be among the countries that will end 2021 with output above late-2019 levels.

Despite the pandemic's fiscal toll, public finances remain sustainable

The economic response to the pandemic amounted to roughly 8% of GDP in 2020. Liquidity aid to businesses came mainly through wage subsidies, tax deferrals, a loan guarantee fund (5% of GDP) and a 3-month moratorium on tax debt. This combined with higher healthcare spending and emergency social transfers pushed the fiscal deficit past the 8% mark. Therefore, public debt is set to approach the 60% threshold. Nonetheless, consolidation is expected to resume once the virus-induced recession fades. Public investment is set to rebound by 33% in 2021 after contracting by 24% in 2020, and tighter wage management should keep the deficit under 3%, preventing debt from spiralling out of control. Furthermore, as the maturity structure of liabilities is geared towards the long-term, financing needs remain manageable. Downside risks include the materialization of contingent liabilities stemming from stressed SOEs, notably Air Serbia for which a EUR 250 million recapitalization plan is already in the works.

A good kind of current account deficit

With mutually offsetting contractions of 8% in imports and exports, the pandemic will have a broadly neutral effect on the current account. Serbia will therefore continue to run deficits for the near future, mainly driven by a structural deficit in the goods balance (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. The net revenue outflow from foreign investors' dividends and interest repatriations (4% of GDP) is more than offset by expatriated workers' remittances (6%) and the services surplus (3%) thanks to enduring road haulage. While there is a non-trivial amount of hot portfolio inflows subject to capital flight (3.5% of GDP), external financing risks are mitigated by a reliable and substantial base of FDI (4.7%). The stocks of external and foreign currency debt are high (60% and 77% of GDP, respectively), but a majority of it is multilateral or bilateral, cheap and at a fixed interest rate; and its private component is heavy on intra-company lending. The Central Bank of Serbia holds a large stock of reserves (over 5 months of imports) and has been successful in stabilizing the exchange rate, which is important in a heavily euroized economy (65% of deposits are in euro).

A strong (but questioned) government cultivates diplomatic links on multiple fronts

The incumbent Progressive Party (SNS), led by President Aleksandar Vucic, ratified its electoral supremacy in June with a landslide victory (61% the vote). With two-thirds of parliamentary seats (92% counting allied parties), the SNS will be unconstrained in pursuing its agenda. Nonetheless, the weak turnout (48%) and election boycott organized by the opposition suggest that the results overstate the government's perceived legitimacy/integrity. The EU has questioned the electoral integrity and rule of law (judiciary and press freedom), an issue that could hamper Serbia's thus far promising membership bid. Other sore spots are the non-recognition of Kosovo, a former province that broke off in 2008, and tense relations with Montenegro. Serbia is not in NATO and does not apply sanctions on Russia, making it its closest ally in the Balkans.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	7.8
GDP PER CAPITA US Dollars - 2019	539
CURRENCY Sierra Leonean leone	SLL

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.4	5.5	-3.0	3.0
Inflation (yearly average, %)	16.0	14.8	15.7	15.5
Budget balance (% GDP)	-5.8	-2.7	-4.9	-4.4
Current account balance (% GDP)	-18.6	-13.5	-12.1	-13.2
Public debt (% GDP)	69.1	70.0	77.4	78.5

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

TRADE EXCHANGES

Exports of goods as a % of total

LIBERIA	18%
EURO AREA	17%
CÔTE D'IVOIRE	13%
KAZAKHSZTAN	9%
CONGO DR	8%

Imports of goods as a % of total

CHINA	19%
EURO AREA	14%
UNITED KINGDOM	9%
INDIA	8%
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

A recovery driven by the mining sector

In 2020, the economy contracted due to the COVID-19 crisis. To limit the spread of the virus, the government announced a 12-month state of emergency in March 2020. Border controls were tightened, some travel was restricted, social distancing was encouraged, and a partial and then total lockdown was imposed in April. These measures, which have since been eased, were accompanied by a Health Response Plan (which received USD 7.5 million in funding from the World Bank) to fight the pandemic, while the central bank pursued an accommodative monetary policy, cutting the policy rate from 16.5% to 15% in March 2020, for instance.

Activity in the extractive industries (62% of exports) was impacted by weak global demand, but also by low iron ore production, as the government revoked the licenses of the international companies operating the Tonkolili and Marampa mining projects at the end of 2019. The agricultural sector (60% of GDP and 75% of the labour force) experienced a slight contraction in line with the decline in global demand for cocoa and coffee. Services, particularly transport, were hardest hit by the crisis, notably because of international and domestic travel restrictions.

In 2021, the recovery is expected to be driven by a strong expansion in the mining sector, particularly in the diamond and rutile segments as production steps up, notably at the Tongo diamond mine. The agricultural sector will benefit from higher prices in 2021 and increased investments under the National Development Plan (NDP). Higher food prices, which have not been offset by the drop in oil prices and exchange rate depreciation, are maintaining high inflation, which could put a damper on household consumption (90% of GDP in 2019).

Consolidation of public finances has stalled

Prior to the COVID-19 crisis, the government's fiscal consolidation efforts under the USD 172 million (4.5% of GDP) Extended Credit Facility with the IMF (for 2018/2022) had led to an improvement in the public accounts, thanks to higher revenues and rationalisation of public spending. The crisis resulted in an increase in public spending (26% of GDP in 2020 versus 20% in 2019) and a decline in public revenue (15.3% of GDP in 2020 versus 17.7% in 2019). In 2021, the government is expected to focus on revenue mobilisation to limit the consequences of higher public spending. The IMF has disbursed USD 143 million under its Rapid Credit Facility to support Sierra Leone's virus response. Despite efforts in recent years to mitigate its increase, debt, which was already substantial, rose considerably because of the crisis, with 70% held by non-residents (mainly multilateral partners) in 2020.

The trade deficit (14.5% of GDP in 2020) is expected to narrow in 2021, with iron ore production set to resume early in the year following the resolution of the dispute, accompanied by an upturn in diamond production and bauxite and rutile exports. However, the country remains dependent on imports of energy, capital goods and food, since the agricultural system is mainly export-oriented. The services deficit (4.9% of GDP in 2020) and the income deficit (2% of GDP), linked to the presence of foreign investors, will also weigh heavily. FDI, which declined in 2020, shrinking by 53% compared to 2019, is expected to increase in 2021. Faced with this situation and the rising bill for food and medical imports, the country has appealed for help from international organisations, which has allowed it to maintain foreign exchange reserves equivalent to three months of imports.

The regime secures a majority in parliament

The Sierra Leone People's Party (SLPP) of President Julius Maada Bio dominates the political landscape. The All People's Congress (APC), the main opposition party, won the most seats in the March 2018 parliamentary elections. However, in May 2019, the country's high court revoked the seats of ten APC deputies and replaced them with members of the SLPP, leaving the SLPP as the party with the largest number of seats. The government will therefore continue to implement the NDP (2019-2023), which gives priority to macroeconomic stability, infrastructure development and the maintenance of key social programmes, including the flagship free education programme, plus health and welfare. The government is also stepping up the 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 under the administration of former president Ernest Bai Koroma. A commission of inquiry was created in October 2018 and began hearings in February 2019. Several officials from the Koroma administration have already been arrested. The resolution of the dispute with SL Mining at the Marampa site, expected in early 2021, could improve the business environment, which had deteriorated after the licenses were revoked.

SINGAPORE

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	5.7
GDP PER CAPITA US Dollars - 2019	65,234
CURRENCY Singapore dollar	SGD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.4	0.7	-5.8	4.9
Inflation (yearly average, %)	0.4	0.6	-0.4	0.3
Budget balance (% GDP)	3.7	3.8	-12.3	-2.8
Current account balance* (% GDP)	17.2	17.0	15.5	15.1
Public debt (% GDP)	108.4	110.4	132.0	137.1

(e): Estimate. (f): Forecast. * Fiscal year 2021: April 2021 - March 2022.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	13%
HONG KONG (SAR)	11%
MALAYSIA	11%
UNITED STATES	9%
EURO AREA	7%

Imports of goods as a % of total

CHINA	14%
UNITED STATES	12%
MALAYSIA	12%
EURO AREA	10%
TAIWAN	9%

+

- High non-price competitiveness
- High value-added industry (new technologies, finance, chemistry, pharmaceuticals)
- Major goods transport and trading hub (air and sea), financial centre
- Large FDI inflows thanks to the advantageous tax regime, political stability and excellent business climate
- Asia's leading exporter of capital through sovereign wealth funds

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- Dependent on exports and imports (energy and food)
- Skilled labour and housing shortages, ageing population
- Limited freedom of speech
- Vulnerable to the structural slowdown of the Chinese economy and U.S.-China geopolitical tensions

RISK ASSESSMENT

Return to growth despite limited international trade

After a year marked by a severe recession amid a global pandemic, the Singaporean economy will return to growth in 2021. Despite a remarkably positive health record – at the end of November 2020, Singapore had the world's lowest ratio of deaths to total population – the country recorded a substantial fall in activity in 2020 linked to the contraction in world trade and the lockdown that went from early April to early June. As the quintessential small open economy, Singapore is highly sensitive to the world economic cycle and international trade developments, with imports and exports representing 150% and 160% of GDP respectively. While the country's health situation was under control at the end of 2020, pointing to a strong rebound in domestic activity, any expansion will be curbed by the deteriorating international economic situation due to the economic repercussions of the ongoing pandemic elsewhere in the world – particularly in North America and Europe for at least the first part of the year – and by uncertainties linked to the U.S.-China trade war. The manufacturing industry, especially machinery and electronics, which account for almost half of all exported goods, will be particularly affected by this environment. Conversely, the financial sector, which is the main source of the services surplus (USD 22 billion in 2019), and the pharmaceutical industry will continue to grow briskly, after acting as a shock absorber in 2020. However, private investment, which plays a particularly large role compared with the situation in other developed countries (23.4% of GDP in 2019), will remain hampered by economic and health uncertainty. Buoyed by a decline in the unemployment rate, which hit a 16-year high of 3.6% in the third quarter of 2020, private consumption, which represents only 34% of GDP, should rebound vigorously, despite consumers being tempted to set aside precautionary savings in the face of the uncertain health situation. In this setting, and in the absence of inflationary pressures, the central bank should maintain an accommodative monetary policy in 2021, after easing policy in March 2020.

Public finances temporarily in deficit to support activity

As announced by Prime Minister Lee Hsien Loong, the economic and health situation will force the government to post a public deficit in 2021, for the second consecutive year, in order to support the economy under a countercyclical approach. However, the deficit will be significantly lower than in 2020, when several successive stimulus plans were announced (direct benefits for households and the self-employed, partial unemployment scheme, aid to companies, moratorium on loan repayments), worth a total USD 70 billion (20% of GDP). Until that point, the only time over the previous three decades when public accounts had been in deficit was during the 2009 financial crisis. The government can therefore easily finance the deficit by drawing on the substantial fiscal reserves accumulated over the period – while the exact amount is secret, they were estimated at 300% of GDP before the pandemic. Although seemingly high, the public debt is actually mainly made up of long-term bonds and securities issued to develop local markets and provide a risk-free savings option for individuals, and of non-marketable bonds issued for the Central Provident Fund (CPF), a system of compulsory contributions to finance social protection. Constitutionally ring-fenced from the financing of government expenditure, the public debt is exclusively denominated in local currency and held by residents. At the same time, the country will continue to post a substantial current account surplus, thanks to a trade surplus exceeding 20% of GDP. Driven over the past two decades by vigorous demand for electronic components and consumer electronics, foreign trade is now facing protectionist headwinds and, more importantly, a maturing technology cycle, over and above the pandemic-related slowdown in world trade. As the country is easily a net recipient of FDI, the income balance is in deficit. Despite these FDI inflows, the financial account reflects significant net capital outflows (about 10% of GDP), mainly due to portfolio investment abroad.

Political stability despite breakthrough results for the opposition

Although it won 83 seats out of 95, the People's Action Party (PAP), which has ruled the country since independence in 1965, emerged relatively weakened from the July 2020 legislative elections, where it won 61% of the vote, down from 70% in 2015. These elections brought breakthrough results for the opposition parties, with the Workers' Party (WP) winning ten seats, up from six in 2015, and the Progress Singapore Party, created a year earlier, entering parliament with two (non-constituent) seats. While he initially promised that he would relinquish power before turning 70 in February 2022, Prime Minister Lee Hsien Loong, son of founding statesman Lee Kwan Yew, ultimately said that he would not step down until the economic and health crisis was fully resolved. The business environment is a global benchmark: political stability, an apparent absence of corruption and a reliable legal framework put the country second in the World Bank's 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 INSOLVENCIES

Sources: Statistics Singapore, Coface

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2019	5.5
GDP PER CAPITA US Dollars - 2019	19,344
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.8	2.3	-7.6	4.3
Inflation (yearly average, %)	2.5	2.8	1.9	1.4
Budget balance (% GDP)	-1.0	-1.4	-9.3	-7.3
Current account balance (% GDP)	-0.1	-1.7	-3.6	-1.6
Public debt (% GDP)	49.9	48.5	62.8	64.9

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	22%
CZECH REPUBLIC	11%
POLAND	8%
FRANCE	7%
HUNGARY	6%

Imports of goods as a % of total

GERMANY	20%
CZECH REPUBLIC	16%
AUSTRIA	9%
POLAND	8%
HUNGARY	7%

- Eurozone membership
- Production platform for the European automotive and electronics industries
- Satisfactory public and external accounts (in normal times)
- 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 is lagging behind (infrastructure and training)
- Insufficient research and development; exports relying on assembly activities (low value-added)
- Shortage of skilled labour and high long-term unemployment

RISK ASSESSMENT

Recovery after a strong contraction

In 2021, the Slovak economy is expected to recover with a solid GDP growth rate. However, it will not fully compensate the effects of the sizeable economic deterioration caused by the COVID-19 pandemic. Lockdown measures took a toll on domestic demand, which will remain subdued in 2021. This applies mostly to companies' fixed asset investments, as the rebound from uncertainty and low capacity utilization will not be immediate, and will be recorded in the second half of the year. Another component of domestic demand, i.e. household consumption, is expected to recover faster, especially thanks to government support measures that will limit the deterioration on the labour market. Indeed, the unemployment rate increased to 7% in October 2020 compared to 5.7% a year before. 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 curbs unemployment. Nevertheless, the expiry of the protective measures implemented on the labour market (such as the short-time work scheme) is likely to keep unemployment at higher levels than before the pandemic, while wage growth is likely to be weaker.

Manufacturing experienced a sizeable contraction during the pandemic, but it has started to recover relatively fast. This applies particularly to automotive, which is a crucial sector of Slovak economy, with plants of Volkswagen Bratislava, PSA Peugeot Citroen, Kia Motors and Jaguar Land Rover. All of these closed for some time during the pandemic. Although Slovakia's competitiveness supports the recovery of the sector, global automotive demand remains sluggish.

Widened public account deficits set to narrow

The government deficit is expected to shrink in 2021 after widening significantly because of the government measures implemented in 2020. Its reduction will be supported by an increase in the tobacco excise duty and increased revenues from higher consumer spending. Nevertheless, if the pandemic extends further into 2021, the government is likely to maintain support measures that would affect the country's budgetary situation. The government announced that it intends to dedicate proceeds from the Next Generation EU recovery fund (8.5% of GDP) to fiscal reforms, the green economy, the labour market and social sustainability, education, science, research and innovation, health, public institutions and regulations, as well as digitalisation.

The current account deficit deepened last year due to a slump in exports during the peak of the pandemic. Imports dropped as well, but to a lesser extent than exports. Slovakia remains strongly dependent on external markets, with exports of goods and services reaching 92.4% of its GDP in 2019. Moreover, companies in various sectors are included in global supply chains and therefore indirectly subject to global demand. The revival of global trade in 2021, as well as better perspectives for Slovakia's key trading partners and the automotive sector, will contribute to improvements in the current account balance, which, however, will remain in negative territory because of recovering imports.

Changes in the political scene

Anti-corruption campaigner Zuzana Caputova was sworn in as Slovakia's first female president in 2019. She promised to fight impunity and champion justice. This particularly attracted people's attention after a journalist's murder in 2018. Indeed, the killing of Jan Kuciak - who investigated high-level graft cases - and his fiancée at their home sparked mass street protests. The latest parliamentary election took place in February 2020, only a few days before the first coronavirus case was diagnosed in Slovakia. The anti-corruption party, Ordinary People and Independent Personalities (OL'aNO), won the election. Taking over from the previous government led by Peter Pellegrini, a centre-right four-party coalition government led by Igor Matovic was sworn into office at the end of March 2020. In the course of 2020, there were series of arrests (including former top police officials) linked to Kuciak's killing.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	2.1
GDP PER CAPITA US Dollars - 2019	25,992
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.4	3.2	-7.4	4.9
Inflation (yearly average, %)	1.9	1.7	0.0	0.9
Budget balance (% GDP)	0.7	0.5	-9.5	-6.2
Current account balance (% GDP)	6.0	5.7	5.0	4.6
Public debt (% GDP)	70.3	65.6	82.6	80.4

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	18%
ITALY	11%
CROATIA	8%
AUSTRIA	7%
SWITZERLAND	6%

Imports of goods as a % of total

GERMANY	14%
ITALY	12%
AUSTRIA	9%
SWITZERLAND	8%
TURKEY	6%

- Eurozone 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
- Before the pandemic, public debt was on a downward trend

- Small domestic market
- Ageing population and demographic growth at a standstill, resulting in a labour shortage
- Dependent on regional economic conditions and automobile
- Inefficient state-owned companies
- Slow administrative and judicial procedures
- Fragile and disparate coalition at the head of government

RISK ASSESSMENT

Heading for a rebound whose size will depend on regional conditions

Economic activity will pick up again in 2021 after an unprecedented fall in 2020 linked to the pandemic. Although Slovenia posted strong health results during the first wave of the pandemic in the spring of 2020, this was because it closed non-essential shops for over a month, which led to a 14% drop in activity in the first semester. The second wave of the pandemic in the autumn hit the country harder, forcing it to shut non-essential shops again, derailing the recovery that had begun in the summer of 2020. Buoyed by the gradual improvement in the health situation in 2021, economic activity should rebound vigorously, but without recouping all the losses recorded in 2020. Households, whose purchasing power was supported during the crisis by measures such as the short-time work scheme, which limited the rise in the unemployment rate (5.2% mid-2020, +1 point over one year), and support for self-employed people, will consume some of the sizeable savings built up during the crisis (savings rate of 29% in mid-2020, compared with 9% at the end of 2019). Nevertheless, because the economy is very open (exports of goods and services represent 88% of GDP), the rebound will remain largely dependent on the economic situation of neighbouring countries. Slovenia is integrated within German and Austrian production chains for automobiles and electrical and electronic equipment, and in Swiss chains for the pharmaceuticals industry, and generates more than half of its goods exports from these four sectors. While the major tourism sector (direct income estimated at 6% of GDP) should rebound in 2021 after recording a 70% drop in arrivals of foreign tourists over the first nine months of 2020 (slightly offset by a 50% increase in domestic overnight stays), the size of the recovery will largely depend on the vaccine timetable and ultimately on freedom of movement in Europe. To support the rebound, the government will boost public investment (+2 points of GDP compared with 2020) in transport, the environmental transition and digital transformation.

Budget 2021: public investment to stimulate activity

After being hard hit by the economic and health effects of the pandemic in 2020, the public accounts will remain largely in deficit in 2021. However, they should improve slightly due to the increase in tax revenues made possible by the rebound in activity. While some support measures for households (short-time work scheme, aid for self-employed people) and businesses (social security and tax deadlines deferred, state-guaranteed loans) will be extended in line with the health situation, the public deficit will, this time, be mainly attributable to the sharp rise in investment. The public debt should stabilise or even resume the downward trend recorded between 2015 and 2019, which gave the country some room for manoeuvre in terms of public finances. Although 61% owned by non-residents, the public debt was solid at the end of 2019, since 99.9% of it was denominated in euros and only a small part (3%) matured during the year. The banking sector, which was rocked by a crisis in 2012-2013, looks much sturdier this time around, thanks to measures taken by the authorities (bad bank set up, recapitalisations, restructuring and privatisations) in the years preceding the pandemic. The share of doubtful loans thus remained very low at the end of July 2020 (1.9%, against 32% five years earlier) and profitability ratios were more resilient than the Eurozone average. Moreover, the country will continue to post a significant current account surplus. While the balance of goods is balanced, the services balance consistently shows a significant surplus, thanks to transport and tourism, which should rebound in 2021. The income balance is in deficit due to the repatriation of dividends generated by substantial inward foreign investments (2.3% of GDP in 2019). External debt rose sharply last year (from 91% of GDP at the end of 2019 to 105% in August 2020) due to the government and the central bank, which account for 60% of commitments, but should start to fall again from 2021.

Prime Minister Janša returns thanks to a disparate coalition

Following the fall of Marjan Šarec's centre-left coalition government in January 2020, Conservative Prime Minister Janez Janša (SDS, 26 seats) returned to power, after serving two terms in 2004-2008 and 2012-2013, as part of a coalition with the Modern Centre Party (SMC), the Christian Democrats (NSi) and the Democratic Party of Slovenian Pensioners (DeSUS). The coalition initially held 48 of the 90 seats in parliament, but two SMC MPs defected in May. After this, in order to strengthen its one-seat majority, the government signed a cooperation deal with the nationalist SNS party and representatives of the Italian and Hungarian minorities. While this should allow the government to hold out until the next elections scheduled for June 2022 at the latest, the disparate make-up of the coalition and the economic situation will preclude any structural reforms between now and then. In November 2020, the country gave its support to countries blocking the adoption of the European Recovery Plan (under which Slovenia would receive the equivalent of 11% of GDP, a third in grants) to protest the mechanism linking the disbursement of funds to respect for the rule of law.

SOUTH AFRICA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	58.8
GDP PER CAPITA US Dollars - 2019	5,978
CURRENCY South African rand	ZAR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.8	0.2	-8.0	3.0
Inflation (yearly average, %)	4.6	4.1	3.3	4.0
Budget balance* (% GDP)	-4.1	-6.3	-15.5	-12.0
Current account balance (% GDP)	-3.5	-3.0	-1.0	-2.0
Public debt* (% GDP)	56.7	62.2	83.0	90.0

(e): Estimate. (f): Forecast. * Fiscal year from 1st April to 31st March. 2021 data: FY 21-22.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	18%
CHINA	11%
UNITED STATES	7%
UNITED KINGDOM	5%
JAPAN	5%

Imports of goods as a % of total

EURO AREA	22%
CHINA	18%
UNITED STATES	7%
INDIA	5%
SAUDI ARABIA	4%

+

- Regional economic and political power with a large, young population
- Rich in natural resources (gold, platinum, coal, chromium, rare metals, oil, etc.)
- Developed services (71% of GDP) and financial market
- Floating exchange rate regime, central bank independence
- Healthy banking system
- Public debt mostly in rand and long maturity (12 years on average)
- External credit situation (8% of GDP thanks to assets exceeding liabilities to foreign countries)

−

- Weak growth
- Poverty (22% of 2020 population), growing inequalities, high unemployment (especially among young people), sources of social risk (crime, strikes and demonstrations)
- Skill shortages, labour market rigidity
- Low efficiency of public spending, corruption
- Scarcity of foreign direct investment, hindering the development of the extractive sector
- Fragility of public accounts and public enterprises (guaranteed Eskom debt = 9% of GDP)
- Dependence on volatile foreign capital flows, exchange reserves (6 months' worth of imports)
- Ageing and insufficient infrastructure (transport, energy) with frequent power cuts
- Deindustrialisation (manufacturing industry=12% of GDP), large share of minerals in exports (60%)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Timid recovery from a deep recession

While growth was already very weak, the severe lockdown to combat the COVID-19 pandemic, coupled with the fall in external demand, caused a deep recession in 2020. With the lifting of restrictions and the external upturn, activity is expected to show moderate growth in 2021, which will owe much to the base effect. Household consumption (60% of GDP), heavily affected by lockdown, should recover moderately. Even if unemployment falls from its peak (43% in Q3 2020), it will remain high. Cut back by the fall in employment, incomes have also been affected by the fall in wages in the private sector, which is largely informal. Public sector wages could see a sharp deceleration in the context of fiscal consolidation. Furthermore, households will be faced with an increase in electricity prices of more than 9%, as well as weak consumer credit due to the prudence of banks. Investment (18% of GDP) will recover only slightly. The public sector, which is in a poor financial position, is counting on the involvement of the private sector for the implementation of the infrastructure (transport, energy, housing) and reindustrialisation components of the Economic Reconstruction and Recovery Plan announced in October 2020. Attracting foreign investment will remain difficult because of the uncertain electricity supply, numerous strikes, corruption and crime. Exports of goods and services (30% of GDP) will continue to benefit from the good performance of mineral prices, for which the essential Chinese demand will remain well oriented. Other products, notably automobiles, should benefit from an intensification of the recovery in Africa, as well as in North America and Western Europe. Conversely, tourism (9% of GDP) will struggle to recover, which will continue to weigh on the accommodation and transport sectors.

Public accounts remain the Achilles' heel

The public accounts deteriorated significantly during the 2020-2021 fiscal year. The deficit may have exceeded 15% of GDP and the debt at the end of the fiscal year may have amounted to 83% of GDP (albeit reduced). This is due mainly to the large revenue shortfall caused by the recession, but also to capital injections into public enterprises. Additional expenditure related to COVID-19 (10% of GDP), of which only a third will have affected the budget, also contributed, although this was largely offset by cuts in other expenditure. The gross financing requirement, including deficit and debt refinancing, is expected to have reached 25% of GDP compared to 15% a year earlier. This has prompted the government to seek multilateral financing (notably the IMF) for around 10% of this need. On the bright side, 88% of the public debt is denominated in rand, 70% of which is held by residents (mainly banks). It is easily found on the large domestic market thanks to comfortable yields (4.4% at 2 years, 9% at 10 years) while the key rate of the central bank was only 3.5% at the end of November 2020. This leaves 38% for non-residents, including foreign currency denominated debt, even after their divestments in the wake of the global market turbulence in spring 2020, which temporarily led to a depreciation of the rand and a rise in yields. Although debt repayment is expected to be low in 2021, the market could be shaken again, especially since the major rating agencies rate sovereign risk as speculative. The fiscal year 2021-2022 will bring only limited improvement in public accounts and will see further increases in debt. Their consolidation will require major efforts, given that wages represent one third of public spending, transfers to public enterprises another third, and interest 13%.

The current account deficit has almost disappeared as of 2020. The trade surplus has increased due to the contraction in imports linked to reduced domestic demand, while the contraction in exports has been smaller due to their recovery in the second half of the year. Moreover, the terms of trade improved with the decrease in the price of hydrocarbons and the increase in the price of precious metals. The balance of services, usually balanced, deteriorated with the fall in tourism. The income deficit persisted with transfers to other members of the Southern African Customs Union (SACU), remittances from migrant workers, and repatriations by foreign investors not offset by the income from South African investments abroad. A small current account deficit will reappear in 2021 with the resumption of imports. FDI will remain scarce, and its financing will therefore rely on portfolio investment. The refinancing of external debt (53% of GDP at the end of 2019, half in rand) will be essentially linked in 2020-2021 to its private share (more than half).

Pressing social and economic challenges

The crisis has exacerbated unemployment, poverty, divisions, corruption, and generated a seventh year of declining per capita income. The ANC, in power since the end of apartheid, with little competition from the opposition and 230 of the 400 seats in the Assembly since the 2019 elections, is more divided than ever, with prominent members accused of corruption. Its left-wing faction wants land redistribution with limited compensation, increased Black Economic Empowerment, opposes wage moderation in the civil service and is impeding the reform of the electricity market. The government and unions are fighting in court over a 4.4% to 5.4% increase in public wages. President Ramaphosa hopes that the ANC's National General Council scheduled for spring 2021, ahead of the municipal elections, will help shed some light and convince public opinion and the market that reforms are possible.

PAYMENT & DEBT COLLECTION PRACTICES IN SOUTH AFRICA

Payment

Electronic Funds Transfers (ETF), including SWIFT payments and international transfers, are used for payments in foreign currencies. Cheques are rarely used, outdated, expensive to process, and vulnerable to fraud. Cheque payments are also subject to a clearing period of 10 working days. The majority of businesses no longer use them. Cash payments do still occur but have the same disadvantages. Letters of credit are issued between banks and serve as a guarantee for payments made to a specified person under specified conditions, including imports and exports. In most cases, irrevocable credits and confirmed irrevocable credits are issued. The terms and conditions can be onerous and should be fully understood before acceptance of these letters. Parties can sometimes secure payment on delivery *via* bank guarantee. Monies are deposited into a bank account, and the bank in turn issues a guarantee for payment on confirmation of delivery. This type of payment is mainly used in matters pertaining to property transfers.

Debt Collection

Amicable phase

The National Credit Act states that the creditor must try to contact the debtor *via* a phone call, before issuing a formal letter of demand (outlining the outstanding obligation, and sent *via* email, registered post, or delivered by hand). Once this is done, the parties attempt to negotiate a settlement over an acceptable period of time. As creditors are not obliged to accept payment in instalments, they can opt to proceed with legal action to secure a full one-time payment. This phase is much less costly than immediately proceeding with legal action. This phase also provides greater insight for preparing for the litigation phase. Depending on the nature and value of the claim involved, it is sometimes possible to skip this phase and proceed immediately to litigation.

Legal proceedings

The administration of justice and application of law in South Africa is carried out by the civil and criminal courts. The ordinary courts are the district and regional magistrates' courts, the provincial divisions of the High Court and the Supreme Court of Appeal. The Constitutional Court is the highest court for constitutional matters. Specialist courts have been established for various legal sectors, including Labour Courts, the Land Claims Court, Special Income Tax Courts, and the Electoral Court.

Determining whether to proceed in a lower court or in the High Court will depend on the type and value of the claim. Decisions of the lower courts can be passed for review or brought to appeal in the higher courts. Some types of cases can only be heard by the High Court, regardless of the quantum of the claim. As a general rule, a court will exercise jurisdiction on the basis that the defendant is resident or domiciled in the area of the court, or if the cause of action arose in that area.

Proceedings in the Magistrates and Regional Courts generally involve a trial (action) process. Motion (by way of affidavit) proceedings are limited to certain cases only. The High Court can hold both trial (action) and motion (application) proceedings. In action proceedings, the process commences with a summons and is concluded with a trial stage, where witnesses give testimonies. With application (motion) proceedings, the matter will be determined with reference only to written documents and, as a general rule, no oral evidence is permitted. Evidence is set out in affidavits and cannot be contested by cross-examination. Although motion proceedings were generally quicker and cheaper than actions, applications can now end up costing more than action proceedings. When the court is faced with an application in which it is evident that there is a material dispute of facts between the parties, it will then refer the matter to trial.

The alternative to court proceedings is to refer the dispute or claim to arbitration, although few parties are willing to agree the required costs. Arbitration can be faster than court processes and the costs of proceedings are divided equally between the parties. Disputes or decisions at the arbitration hearing can be reviewed through an application to court. Arbitrations can be made an order of court by application, for the purposes of execution.

Enforcement of a Legal Decision

The High Court deals extensively with execution against property, whether movable or immovable. The rules of the Court provide for the attachment and sale of property in order to satisfy the judgment made on the debt.

Foreign judgments are enforced in South Africa by way of provisional sentence proceedings. They are not directly enforceable. The courts which pronounced the judgment must have had the necessary jurisdiction required to entertain the case, according to the principles recognised by South African law on the jurisdiction of foreign courts.

Insolvency Proceedings

Creditor compromise procedure

A compromise can be initiated by a resolution of the board of directors, or by direction of a liquidator. They can propose a compromise to all creditors, or a specific class of, creditors and must notify the Companies and Intellectual Property Commission (CIPC) of the proposal. A receiver is appointed to supervise the process. The proposal must be approved by a majority of at least 75%, in value, of the relevant creditors or proxies present at the meeting. If the proposal is accepted, it can be presented to court for confirmation. Once confirmed, the order must be filed by the company with the CIPC within five days.

Business rescue

The objective of a business rescue is to allow financially distressed companies to restructure and reorganise, in order to avoid insolvency. A business rescue is initiated by a resolution of the company's board, adopted by a simple majority. Supervision and control is conducted by a business rescue practitioner, appointed by the company and licensed by the CIPC. The process concludes when either:

- the court sets aside the resolution or order that initiated the proceedings;
- the court converts the business rescue into liquidation proceedings;
- the practitioner files a notice of termination of business rescue proceedings;
- the business rescue plan is rejected; or
- the business rescue plan is adopted and a notice of substantial implementation is filed.!

Liquidation

Liquidation proceedings for a company begin with either a court order on the request of any persons and on the grounds set out in the Companies Act 2008, a request for voluntary liquidation, or an application to court by the shareholders, the creditors, or the company for liquidation (when the company is insolvent). A liquidator is appointed to wind up the company. The liquidator collects all the assets and claims due to the company, sells them and distributes the proceeds amongst the creditors. It is essential that the creditor lodges its claim with the liquidator, regardless of whether it has a judgment or a court order. Once all the proceeds have been distributed, the liquidator files its final liquidation and distribution accounts and makes any payments set out within it. The liquidator then advises the Master of the High Court that the administration of the estate is complete.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Statistics South Africa, Coface

SPAIN

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	46.5
GDP PER CAPITA US Dollars - 2019	29,993
CURRENCY Euro	EUR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.4	2.0	-11.0	6.1
Inflation (yearly average, %)	1.7	0.7	-0.2	0.8
Budget balance (% GDP)	-2.5	-2.8	-14.1	-7.5
Current account balance (% GDP)	1.9	2.0	0.5	0.9
Public debt (% GDP)	97.6	95.5	123.0	121.3

(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	11%
CHINA	7%
ITALY	6%
NETHERLANDS	5%

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- Strong comparative advantage in renewable energy (solar, wind)
- Important reforms (labour market, banking sector, bankruptcy law, etc.)
- Increasing financial support from European institutions
- Important private-sector deleveraging (pre-pandemic)
- Manufacturing sector has shown reinvention capacity in recent times

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- High private and public debt, very negative international investment position
- Dual labour market, high structural unemployment
- Large quota of small, low-productivity companies
- High exposure to pandemic-sensitive sectors
- Fragmented and polarized political landscape, territorial unity threatened by the Catalan independence movement

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Comparative advantages in tourism and automotive become a double-edged sword

Spain's productive apparatus is heavily reliant on pandemic-sensitive sectors. Tourism (14% of GDP and 15% of employment) ended 2020 with a 65-70% contraction and should keep severely underperforming at least until mid-2021. The automotive industry (11% of GDP, 18% of exports) has been recovering from the dramatic Q2 2020 contraction thanks to pent-up demand, but contracted by 20-30% nonetheless. Despite the robust government support (ERTE furlough scheme, loans and loan guarantees, specific support packages for tourism (EUR 4.2 billion) and automotive (EUR 3.7 billion), some of the most vulnerable firms are unlikely to survive. The percentage of vulnerable firms (unprofitable and/or overleveraged) will rise from 20% to around 35%, reaching 65% in tourism, 55% in automotive and 40% in transport. Spanish firms have resorted more to loan guarantees (ES: 9% of GDP, IT: 7%, FR: 5%) than to furlough (at its peak, 21% of Spanish workers were in furlough, FR: 45%, IT: 38%). Thus, Spain is the only major European economy to register a noticeable rise in unemployment (from 13.7 to 16.2% by end 2020), as some of the cost adjustment has come through layoffs. All components of demand are in for a double-digit contraction in 2020 (consumption: -13%, investment: -18%, exports: -23%), before a rebound in 2021 (consumption: 5%, investment: 6%, exports: 13%). Only government spending will have a positive contribution in 2020-2021. A noticeable rise in bankruptcies is expected in 2021, but abnormally high household savings will cushion its effect on demand. With corporate debt set to increase from 127 to 136% of GDP in 2020, firm zombification will be a serious risk without insolvency reforms.

A "whatever it takes" European policy mix is a game-changer for fiscal sustainability

In order to sustain incomes while the economy is in hibernation, extraordinary deficit spending has been the order of the day. Automatic stabilizers (unemployment insurance and other social transfers, income tax, etc.) accounted for two-thirds of the deficit increase, with the rest coming from emergency discretionary measures (furlough, health spending, grants, and tax deferrals). Overall, expenditure rose by 10% and tax income fell by 13%, bringing the deficit to a record 14% of GDP. It will then decrease sharply as the economy recovers and emergency measures are phased out, but it will remain well above normal until at least 2022. Despite the record rise in debt, bond yields have reached record lows and appetite for Spanish bonds has never been higher. This comes from a radical shift in EU/ECB policy. Not only has the ECB fully embraced a "whatever it takes" philosophy by expanding QE by EUR 2.5 trillion, it is now purchasing the bonds of weaker member states in large quantities. Fiscal rules for 2020 and 2021 have been suspended and the European Stability Mechanism's lending capacity has been boosted (EUR 240 billion), The EUR 750 billion Next Generation EU fund will be strongly geared towards the countries most affected by the crisis, with Spain set to receive EUR 140 billion over the next seven years. As long as this new consensus holds, Spanish debt can be seen as sustainable, not because of good economic fundamentals, but because European institutions will do whatever it takes to keep debt serviceable. A return of inflation would bring this consensus into question. The pandemic will have a broadly neutral effect on the current account, with both imports and exports of goods and services plunging. Banks are relatively fragile, although much stronger than on the eve of the 2008 crisis.

Urgency brings polarized parties to an uneasy equilibrium, but tensions escalate between regional and central governments

Prime Minister Pedro Sanchez of the centre-left socialist party (PSOE, 34% of seats) leads a fragile coalition government, supported by left-wing Unidas Podemos (UP, 10%) and smaller players including pro-independence parties. On the eve of the pandemic, the political landscape was becoming increasingly polarized and fragmented, with the historic two-party duopoly of the PSOE and centre-right Popular Party losing votes to ideological radicals (UP on the left and Vox on the right) and regionalist parties. This resulted in a durable governance paralysis, manifested by recurrent snap elections (four in as many years) and an inability to pass a budget. Under the pressure of the pandemic, a new budget was passed with a wide majority, the first since 2018. Tensions between the central and regional governments arose over mobility restrictions, escalating into a standoff in Madrid. Catalan independentism remains relevant. It is thus hard to say whether the coalition government will fulfil its 4-year mandate. The country is also strongly exposed to European political developments, as European stimulus depends on continued German support.

PAYMENT & DEBT COLLECTION PRACTICES IN SPAIN

Payment

Cheques are widely used for corporate transactions in Spain. They offer similar legal safeguards under the *juicio cambiario* (Civil Prodecures Code) in the event of default. The same is true of promissory notes (*pagaré*), which, like bills of exchange and cheques, are instruments enforceable by law. If unpaid, they are recorded in the registry of unpaid acceptances (RAI, *Registro de Aceptationes Impagadas*). Attached to the Centre for Interbank Cooperation, the RAI is the country's most important registry. It records all commercial payment defaults of over €300, thus allowing banks and other deposit institutions to verify a company's payment record before extending credit.

In contrast, bills of exchange are rarely used commercially. In the event of defaults, they offer creditors certain safeguards, including access to special collection proceedings with instruments for negotiation under the civil procedures code (*juicio cambiario*). Bills of exchange that have been guaranteed by a bank can be somewhat difficult to obtain, but they do limit the risk of payment default by offering creditors recourse to the endorser of the bill of exchange.

Electronic transfers *via* the SWIFT network, widely used by Spanish banks, are a fast, fairly reliable and cheap payment instrument, provided the purchaser orders payment in good faith. If the buyer fails to order a transfer, the legal recourse is to institute ordinary proceedings, based on the unpaid invoice. Banks in Spain have also been implementing SEPA standards for euro-denominated payments.

Debt Collection

Unless there are special clauses included in the commercial contract, the applicable rate of interest is that applied by the European Central Bank in its most recent refinancing operation (performed prior to the first calendar day of the half year concerned), with an additional eight percentage points. The rate is published by the Finance Minister every six months, in the *Boletín Oficial del Estado*. The statute of limitations for ordinary claims is five years.

Amicable phase

There are no formalities or conditions for the dispatch of a reminder to the debtor, but it is advisable to send a claim to the debtor first. The creditor can obtain guarantees for the payment of the debt.

Legal proceedings

If no settlement agreement is reached with the customer, the creditor can initiate a legal collection process, using civil procedure law (*ley de Enjuiciamento civil*).

Exchange proceedings

Exchange proceedings are used for claims based on bills of exchange, promissory notes and cheques. A judge of the first instance (*juzgado de primera instancia*) verifies that the "exchange title" has been correctly implemented and then orders the debtor to make payment of both the principal amount and the late interests and costs, within ten days. The judge will also order a seizure for security (*embargo preventivo*) on the debtor's assets, equivalent to the outstanding amount. The debtor has ten days to dispute the ruling.

If there is no payment received or opposition within the prescribed time, the judge will order enforcement measures. If necessary, the judicial representative will carry out attachment. When claims are contested, a court hearing is held to examine both parties' arguments and a judgement should be handed down within ten additional days. Although this is time frame that is prescribed under Spanish law, it is rarely adhered to by the courts.

Ordinary proceedings

In addition to the *juicio cambiario*, creditors unable to reach a payment settlement out of court can enforce their rights through a civil procedure (*juicio declarativo*). Civil procedures are divided into ordinary proceedings (*juicio ordinario*) for claims of over €6,000 and oral proceedings (*juicio verbal*) – a more simplified system – for smaller claims. Both proceedings are initiated with a lawsuit served on the debtor.

The claimant is required to explain the facts of his claim and provide all supporting documents – either originals, or copies that have been certified by a public notary – on filing its initial petition. Prior to the investigation of the case, the judge will summon the parties during a first hearing (*audiencia previa*), using ordinary proceedings, to encourage a conciliation. If this is unsuccessful, the lawsuit will be pursued. The court can then order specific measures to clarify issues or facts that remain unclear, before passing judgment.

Monitory proceedings (*juicio monitorio*)

For monetary, liquid and overdue claims, whatever the outstanding amount (previously limited to up to €250,000), creditors can now benefit from a more flexible summary procedure. The filing of a *petición inicial* is directly submitted to the judge of first instance (*juzgado de primera instancia*) where the debtor is located. After reviewing the supporting documents, the judge can order the debtor to pay within 20 days.

If the debtor does not respond, the judicial representative will inform the judge and request confirmation of the decision in favour of the initial request. The judicial representative then hands down a ruling confirming the conclusion of monitory proceedings, which is transmitted to the creditor. This allows the creditor to contact the Enforcement Office for the next phase. If the debtor disputes the ruling and provides motivated arguments for this within a written statement signed by a barrister and a solicitor, a full trial on the case will be instigated.

Enforcement of a Legal Decision

When all appeal venues have been exhausted, domestic court decisions become enforceable. If the debtor fails to satisfy the judgment within 20 days, the Court Clerk, upon request, can seek out the debtor's assets and seize them.

Decisions on foreign awards rendered by EU countries benefit from enforcement conditions, such as EU Payment orders and the European Enforcement Order. Judgements rendered by non-EU countries are recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with Spain. If no such agreement is in place, Spanish *exequatur* proceedings will be followed.

Insolvency Proceedings

Pre-insolvency proceedings

A debtor has the possibility of negotiating a formal refinancing agreement (*acuerdo de refinanciacion formal*) with his creditors. This agreement must be signed by the court. Within this agreement, the parties are free to write off as much of the debt as they deem necessary.

Bankruptcy proceedings

Bankruptcy proceedings are launched by filing a petition for an insolvency order. After examination of the petition, the judge makes an insolvency order. Creditors are expected to notify their claims within one month of publication of the insolvency order. The court appoints an insolvency manager, who examines the debtor's financial situation and establishes a report on its debts. If there is no opposition to the report, the insolvency manager submits the final version to the judge. The judge subsequently orders the commencement of the arrangement phase with its repayment schedule, viability plan and alternative proposals for repayment.

During these proceedings, the debtor may file for liquidation:

- upon petition of the debtor, at any time;
- when the debtor is no longer able to make the scheduled payments or the obligations incurred, as defined in the arrangement;
- upon petition of a creditor, for breach of the arrangement;
- upon petition of the judicial administration, upon termination of professional or commercial activity.

The judicial administration draws up a liquidation plan in order to realise (sell) the assets, consisting of the bankruptcy estate, which is submitted to the judge for approval.

Liquidation

Liquidation in Spain aims to sell the company's assets. During this phase, the company retains its legal persona. Liquidators are appointed to execute the process and they can also take over the function of administrative body and company representative.

The liquidator cannot redistribute the company's assets among its associates until all of its creditors have been paid and payment demands against the company have been settled. Aggrieved creditors can contest transactions that they believe may have taken place illegally during the allocation of the assets.

NUMBER OF CORPORATE INSOLVENCIES

Sources: National Statistics Institute Spain (INE), Coface

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	21.8
GDP PER CAPITA US Dollars - 2019	3,852
CURRENCY Sri Lanka rupee	LKR

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	3.3	2.3	-4.5	5.3
Inflation* (yearly average, %)	4.3	4.3	4.7	4.6
Budget balance* (% GDP)	-5.4	-6.9	-8.8	-8.6
Current account balance* (% GDP)	-3.1	-2.1	-3.6	-3.2
Public debt* (% GDP)	83.8	86.8	98.2	98.3

(e): Estimate. (f): Forecast. *Fiscal year 2021: April 2021 - March 2022.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	20%
INDIA	7%
UNITED KINGDOM	7%
UNITED ARAB EMIRATES	3%

Imports of goods as a % of total

CHINA	20%
INDIA	17%
SINGAPORE	9%
JAPAN	8%
EURO AREA	7%

+

- Diversified agricultural production (tea, rice, coconuts, rubber)
- Strategically located at the centre of trade routes between Asia and the Middle East
- Indian, Chinese and Japanese interests
- 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
- Reliance on short-term external financing
- Lack of infrastructure
- Ethnic tensions between Sinhalese and Tamils

RISK ASSESSMENT

Recovery constrained by the tourism sector, which is at a standstill

The economy contracted in 2020 due to the COVID-19 crisis. To deal with the pandemic, the government first imposed a quarantine for travellers from at-risk countries. Local lockdowns were then imposed as the epidemic evolved. The latter took a toll on economic activity. Tourism (11% of GDP), which had already been affected by the Easter 2019 attacks, suffered from the closure of borders between March and August 2020, and then from the conditions of travel and access that remained constraining for tourists despite their reopening. The textile industry (15% of the labour force and 50% of exports) is exposed to the spread of the virus and may create clusters. It has been affected by the decline in both external and internal demand. In 2021, the economic recovery in partner countries (United States, Europe) is expected to help increase exports and support the recovery. Periods of drought observed throughout 2020 are expected to affect future agricultural yields. In this difficult context for businesses, there is a moratorium on bank loans for the tourism, garment and ICT sectors, as well as for SMEs, until April 2021. Investment is expected to rely mainly on the public sphere in 2021. However, in order to stimulate private investment, the central bank will maintain an accommodative policy. It lowered its key rates by 200 basis points in March 2020 to stimulate lending. Inflation is expected to remain high due to rising demand and import controls, which reduce competition in the domestic market.

Sri Lanka's public finances continue to deteriorate

Sri Lanka's public finances continue to deteriorate: the effect of the attacks and then the border closures on tourism, and the decline in exports, have reduced revenues and worsened deficits, leading to failure to achieve the targeted primary balance criterion. Nevertheless, the IMF granted it USD 800 million (1% of GDP) under the Rapid Credit Facility. Previously initiated reforms to improve the public accounts are expected to be suspended temporarily because of the COVID-19 crisis. The introduction of a mandatory electronic tax collection system, beginning in April 2021, is expected to facilitate public revenue collection. Public debt is high and weighs heavily on the government budget: interest payments accounted for 44% of 2019 revenues. Financing needs are high, debt is expensive and external dependence is high. Half of this debt is in foreign currencies and is therefore exposed to the risk of depreciation. Over the period 2021/2024, external debt obligations will amount to USD 23.2 billion, while foreign exchange reserves amounted to USD 5.9 billion in October 2020, or about 5 months' worth of imports.

In 2020, despite the decline in tourism revenues and textile exports, the current accounts have been saved from too great a deterioration thanks to the drop in imports linked to the controls in place and the continued flow of remittances from expatriate workers. Import restrictions have led to a slight improvement in the trade balance, which will nevertheless remain in deficit (10% of GDP), while the services balance, which was affected by lower tourist arrivals, remained in surplus (3% of GDP) and is expected to improve with the recovery in 2021.

The Rajapaksa clan, which holds power, is causing people to fear abuses

Gotabaya Rajapaksa, a former member of the military who is popular for ending the civil war in 2009, won the November 2019 presidential elections. His victory, on a nationalist and security agenda, is symptomatic of the continuing ethnic tensions in Sri Lanka: the president had the support of the Sinhalese ethnic majority, but received few Tamil votes. Parliamentary elections in August 2020 resulted in the victory of Sri Lanka Podujana Peramuna (SLLP), the president's party. The appointment as prime minister of his brother and former president Mahinda Rajapaksa, who had ruled on a nationalist, centralist and authoritarian line between 2005 and 2015, has raised fears that the previous government's achievements in terms of corruption, separation of powers, and press freedom would be reversed. The SLLP, which now has a majority in parliament, passed the 20th Amendment on 22 October 2020, strengthening most of the constitutional powers of the president, which had been abolished by the 19th Amendment in 2015.

Externally, the Rajapaksa clan seems to be trying to slip away from the international scene. Sri Lanka withdrew from the UN Human Rights Council in February 2020. Relations with China have been greatly strengthened under Mahinda Rajapaksa's two terms of office, and may deepen again in the coming years. The Sino-Indian conflict of influence remains significant, but Indian projects have stagnated, while China helped the Rajapaksa family escape international investigations into war crimes committed in 2009, and holds about a quarter of the public debt. China is heavily involved in Sri Lanka's development, for instance, financing the Colombo Financial District to the tune of USD 1.4 billion, the country's largest foreign investment. The question of dependence on this financing arises: when it became impossible to repay the debt taken on to finance the port of Hambantota, the authorities were forced to cede the latter to China for 99 years in 2017.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	43.2
GDP PER CAPITA US Dollars - 2019	772
CURRENCY Sudanese pound	SDG

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-2.3	-2.5	-8.3	1.5
Inflation (yearly average, %)	73.0	50.4	105.2	72.8
Budget balance (% GDP)	-3.8	-6.2	-9.9	-7.6
Current account balance (% GDP)	-13.1	-15.1	-12.7	-10.7
Public debt (% GDP)	186.7	201.6	259.4	250.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	30%
MACAO	24%
SAUDI ARABIA	15%
EGYPT	10%
INDIA	5%

Imports of goods as a % of total

MACAO	21%
UNITED ARAB EMIRATES	13%
INDIA	8%
EURO AREA	7%
EGYPT	6%

+

- 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
- Improved diplomatic relations with South Sudan (ceasefire signed in 2018)
- Ongoing democratic transition process, which has been welcomed by the international community
- Removed from the U.S. list of state sponsors of terrorism

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- Unsustainable external debt (USD 60 billion, including a significant portion in arrears)
- Access to IMF financing denied, but a reform programme in partnership with the IMF was introduced in June 2020
- Lack of investment in infrastructure
- Significant deficiencies in business environment and governance; endemic corruption (173rd out of 198 in Transparency International's Corruption Perceptions Index 2019)
- Currency shortages and a considerable gap between the official exchange rate and the black market exchange rate
- Sickly banking system and weak central bank independence
- Persistent human and food insecurity
- High levels of unemployment (especially among young people) and poverty

RISK ASSESSMENT

Slow and uncertain exit from the crisis

Sudan's recession deepened in 2020, as the usual challenges were compounded by a health crisis, as well as a locust infestation and floods that hit agricultural production. The country is expected to recover only with great difficulty from this situation, recording very weak growth in 2021. Private consumption, which represents 70% of GDP, fell in 2020 (-8.3%) and will continue to decline in 2021, as galloping inflation and internal conflicts disrupt the ability of households to maintain income levels. Private investment also fell in 2020 and cannot be replaced by public investment due to the dilapidated public finances. However, FDI may return to extractive activities in the medium-term. The economy is suffering from hyperinflation, fuelled by monetisation of the budget deficit and the reason for repeated devaluations of the Sudanese pound, as well as from low agricultural productivity. The shortage of foreign exchange intensifies downward pressures on the official exchange rate, which is largely overvalued and whose gap with the parallel rate has widened to a ratio of one to three.

The economy relies heavily on the agricultural sector (80% of employment and 30% of GDP), whose production fell by 5% in 2020 and is expected to grow by only 1% in 2021. The primary sector was also affected by the drop in oil prices, but may be revived by the expected rise in prices in 2021. It will, however, be supported by the country's gold production, which will be buoyed by the price of gold but hurt by insufficient productivity and smuggling. Services, which declined sharply in 2020 following the implementation of lockdown measures (-11%), will grow very slightly in 2021 (+0.5%). These sector developments negatively affected foreign trade, as 80% of the country's exports depend on the primary sector (oil, gold and agriculture in particular).

Perilous budgetary and external situation

Budgetary revenues, which represented 6.8% of GDP in 2020, one of the lowest rates in the world, fell because of the crisis. This, coupled with an increase in public spending (estimated at 1% compared to 2019), caused the already large public deficit to widen still further. Sudan's extreme indebtedness worsened consequently, but is expected to stabilise in 2021. Moreover, since nearly 90% of the public debt is external and denominated in foreign currency, it is increasing because of successive devaluations. However, with Sudan's removal from the U.S. list of state sponsors of terrorism, public finances should benefit from international budgetary aid in the form of participation in the Family Support Programme, which will compensate for the elimination of subsidies (12% of GDP), aiming to target aid more effectively.

The massive current account deficit improved in 2020 thanks to a reduction in the trade deficit. This was because imports (cereals, sugar, capital goods) declined by more than exports due to the drop in domestic demand. However, the decline in imports also led to many shortages of traditionally imported necessities. The reduction in the current account deficit is expected to continue in 2021. Moreover, the large public debt, which is essentially external and 90% in arrears, generates interest on top of the arrears. Despite the government's efforts to attract FDI, investment will remain too scarce to finance the current account deficit. Since foreign exchange reserves are very low (0.3 months of imports), international financial assistance will continue to be indispensable. As part of the USD 1.8 billion pledged in June 2020 by the Friends of Sudan Group (55 countries and international organisations), in October 2020, Sudan received USD 370 million in humanitarian aid and funding for development projects from the World Bank and the European Union, as well as EUR 555 million from the United Arab Emirates. Although the country has not had access to IMF resources since 1984 due to its arrears, in June 2020, Sudan and the IMF were able to sign a reform programme, whose execution will pave the way for international aid and debt relief.

Fragile internal situation, ongoing diplomatic efforts

After 30 years in power, Omar al-Bashir was impeached and arrested by the army in April 2019, following a popular uprising in December 2018. The establishment of the Sovereign Council in August 2019 and the formation of a new interim government in September ushered in a period of greater stability for the country. The government, which comprises civilian and military representatives, will be headed by General Abdel Fattah al-Burhan until 2021 after which it will be led by a civilian. Several local groups have traditionally opposed the government, but in October 2020, a historic peace agreement between them and the government was signed and is expected to end 17 years of deadly conflict.

External relations improved in 2020. While sanctions against legal or natural persons are expected to remain in place, the U.S. removed Sudan from the list of state sponsors of terrorism after the country agreed to pay USD 335 million to U.S. victims of terrorist attacks blamed on Sudan. Moreover, to improve its relations with the United States, Sudan signed a normalization agreement with Israel in January 2021 and obtained in exchange a financial aid of more than one billion dollars from the United States.

SURINAME

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	0.6
GDP PER CAPITA US Dollars - 2019	6,191
CURRENCY Surinam dollar	SRD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.6	0.3	-13.1	1.5
Inflation (yearly average, %)	6.9	4.4	49.8	51.0
Budget balance (% GDP)	-7.7	-11.0	-12.9	-8.0
Current account balance (% GDP)	-3.0	-11.1	-8.0	-6.6
Public debt (% GDP)	75.6	82.3	145.3	107.7

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	60%
EURO AREA	17%
BRAZIL	4%
SWITZERLAND	3%
CHINA	3%

Imports of goods as a % of total

UNITED STATES	22%
EURO AREA	16%
CHINA	8%
TRINITAD AND TOBAGO	7%
ANTIGUA AND BARBUDA	6%

+

- Mineral resources and agricultural potential (rice, wood)
- Support from international donors and foreign investors

-

- 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 enterprises
- Inadequate transport infrastructure (roads, ports)
- Difficult business climate, ineffective justice system
- Vulnerable banking sector: high share of non-performing loans and low profitability

RISK ASSESSMENT

High inflation will hold the recovery back

The COVID-19 crisis caused the already fragile economy to contract sharply in 2020. In March 2020, borders were closed and the government imposed a partial lockdown, a night curfew and stopped public transportation. A second wave of the pandemic began in September 2020. Despite this, health measures were eased in October 2020 and remained more flexible than in the first wave, with many places staying open under health protocols and international flights to and from the Netherlands continuing. In 2021, investments will remain limited due to political instability. Investments in the extractive industry are not expected to extend beyond those already planned, unless there are new discoveries of significant resources. However, the extractive industry will be the driving force behind the recovery, with Newmont's Merian gold mine set to increase production from 400,000 to 500,000 ounces of gold per year over the period 2021-2025. At the end of September 2020, the Central Bank of Suriname sharply devalued the Surinamese dollar against the U.S. dollar from SRd 7.46 to SRd 14.15 for USD 1, thus closing the gap between the official exchange rate and the parallel market rate. This should have consequences for inflation, which is soaring, and thus hamper private consumption (30% of GDP) but also private investment as the cost of imports rises.

Debt restructuring under negotiation

An amendment to the National Debt Act in November 2019 removed the 60% GDP ceiling on public debt, following persistently high deficits. External debt, which is increasing significantly, is at risk of default. Debt service payments correspond to 40% of total public spending. In July, the government reached an agreement with private creditors to defer payment of USD 15 million (on the USD 125 million due in 2023). Furthermore, after missing interest payments of USD 25 million on its 2026 bonds, it invoked a 30-day grace period starting on 26 October 2020 in order to hold talks with creditors on tackling debt sustainability issues. It hopes to reach an agreement with the IMF on restructuring its external debt. However, the government's fiscal consolidation measures will increase the cost of living while bringing down incomes, as they consist in reducing electricity and water subsidies, curbing wage growth in the public sector, and limiting hiring in the public sector (which employs 60% of the labour force). Revenues are expected to increase thanks to revenues from gold production and a new solidarity tax on the two highest income brackets.

The current account deficit is expected to remain high in 2020. Total exports of raw gold (61%) are increasing in line with production, while imports are declining due to lower demand for capital goods and oil as domestic production increases. The balance of services (15% of GDP in 2019) and the balance of investment income (10% of GDP in 2019) are structurally in deficit, but should remain stable. Expatriate remittances, which fuel the transfer surplus, are expected to decline in line with the difficult global economic situation. The current account deficit, which is usually financed by FDI, is expected to suffer from the downturn in hydrocarbon investment. The devaluation of the Surinamese dollar is expected to make up for the balance of payments deficit. Foreign exchange reserves will remain low, at less than three months of imports.

Hopes for a return to normality in political life

Following the parliamentary elections of May 2020, the Vooruitstrevende Hervormings Partij (VHP) won 20 of the 50 seats and became the largest party in the country. After a decade in power, the National Democratische Partij (NDP) refused to participate in the presidential election of July 2020, so Chandrikapersad "Chan" Santokhi of the VHP was elected president. The VHP's victory was the result of voter fatigue with the NDP, whose terms were marked by economic mismanagement and corruption. Former dictator Désiré Bouterse, leader of the NDP, was sentenced in November 2019 to 20 years in prison for the 1982 killings of 15 political opponents. Internationally, Santokhi is expected to strengthen ties with the United States and the Netherlands, whose relations with the former president were strained. Meanwhile, the border with French Guyana remains unclearly defined and is a continuous source of rivalry between the two countries. For this reason, since the beginning of 2019, the governments of both countries have been working to meticulously identify and determine the national ownership of islands. On 4 September 2020, the Prefect of French Guyana met with five ministers from the new government regarding border management, with the aim to implement measures to regulate traffic while building a formal relationship of trust with France. Limited access to credit, underdeveloped infrastructure and a lack of skilled labour will continue to be a drag on the business environment.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	10.3
GDP PER CAPITA US Dollars - 2019	51,404
CURRENCY Swedish krona	SEK

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.0	1.3	-2.8	2.6
Inflation (yearly average, %)	2.0	1.8	0.5	1.2
Budget balance (% GDP)	0.8	0.5	-3.6	-2.5
Current account balance (% GDP)	2.6	4.6	4.9	4.1
Public debt (% GDP)	38.9	35.1	39.9	40.8

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

TRADE EXCHANGES

Exports of goods as a % of total

NORWAY	11%
GERMANY	11%
UNITED STATES	8%
FINLAND	7%
DENMARK	7%

Imports of goods as a % of total

GERMANY	18%
NETHERLANDS	9%
NORWAY	8%
DENMARK	7%
CHINA	6%

- Very favourable business environment
- Very diversified economy, specialized in high-tech products and the green economy
- Sound public finances
- Increasingly dynamic demographics

- Highly dependent on global demand
- Tensions on the real-estate market
- Substantial household debt (188% of personal disposable income, 2019)
- Highly concentrated banking sector

RISK ASSESSMENT

Nobody is an island

In 2021, a moderate economic recovery is expected, after the Swedish economy went into a recession in 2020 due to the global COVID-19 pandemic. After the virus hit Sweden in spring 2020, the government reacted unconventionally with the softest restrictions in Europe, which were mainly based on voluntary social distancing. While the aim was to reach a herd-immunity fast and keep the economy alive, the result was the tenth highest COVID-19 death rate in the world. Furthermore, the voluntary social distancing had negative economic results in Sweden in Q2 2020, like everywhere else in Europe, with a sharp decline in private consumption and investments. Moreover, as the main export partners – Germany, the U.S. or the UK – partly shut down their production, Swedish exports fell sharply too. In parallel to other European countries, the Swedish economy recovered fast in the third quarter of 2020, especially since private consumption and exports picked up again. A second wave of COVID-19 starting in mid-autumn turned out to be considerably stronger than the first wave. However, governmental restrictions only sharpened in single parts. Therefore, the economic growth dynamic should remain limited during the winter, but will then gain some momentum. Private consumption should pick up again, as the unemployment rate should slowly drop from its peak-level of above 9% in 2020 to a more sustainable level of around 8%, which will still be above the pre-crisis level. The financial situation of households will probably improve in 2021, with a stronger savings rate as a background and robust housing prices. The new collective wage deal, negotiated between unions and employers in the manufacturing industry in October 2020, resulted in a wage growth rate of 5.4% starting in October until March 2023. This result is less than the last 3-year deal that had a wage growth of 2.2% per year, but still builds a foundation for moderate consumption growth. Investment expenditures should remain limited in 2021 as long as the overall global economic uncertainty remains, while exports should pick up when demand from the Nordic neighbours, as well as Germany, the UK and the U.S., is revived.

Surprisingly, businesses did not deplete the government's stimulus package in 2020, as only 3/4th of the financial support was used, *e.g.* the furlough scheme. The remaining amount of around SEK 105 billion (2.2% of GDP) is now planned in for 2021, including welfare measures, extended turnover support for businesses and income tax cuts for low- and middle-income earners. The Riksbank initiated a corporate loan programme in 2020 (SEK 500 billion, 10% of GDP) and the asset purchase programme was extended from SEK 130 billion to SEK 700 billion until the end of 2021. In 2021, the key interest rate is expected to remain at 0%. Thanks to the public support measures, the Swedish financial sector did relatively well in 2020 with stable lending to households and companies. Nevertheless, a rise in corporate debt and bankruptcies is one of the main risks for the banking sector, which will focus on rebuilding the bank's capital buffer.

External accounts will remain positive

In 2021, the country's external position will return to a moderate level following the strong increase in 2020. Last year, disproportionally high returns on investments abroad led the current account balance to surge, alongside only a mild decrease in the goods-trade balance. The investment balance is likely to come back to more sustainable levels in 2021, while goods exports should increase again. Conversely, the general government budget balance will remain negative in 2021 and should not already return to its 2019-level. However, the budget deficit should remain limited, which will keep the public debt at a sustainable level.

Resilient coalition despite the pandemic

Prime Minister Stefan Löfven from the Social Democratic Party (100 seats out of 349 seats in the parliament) is leading a minority government with the Green party (16 seats), supported by the social-liberal Centre Party (31 seats), the Liberals (19 seats) and the Left Party (27 seats). At first, the unconventional strategy to fight COVID-19 increased the support share of the government in polls. However, with the advent of the economic recession, in combination with the disproportionally high death rate, public support dropped down to almost pre-crisis-levels. Nevertheless, the current coalition is expected to make it until the next general election in 2022, as the supporting parties, who would be needed for a vote of no confidence, lost support in the polls too and would not risk an election in the current difficult circumstances.

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.

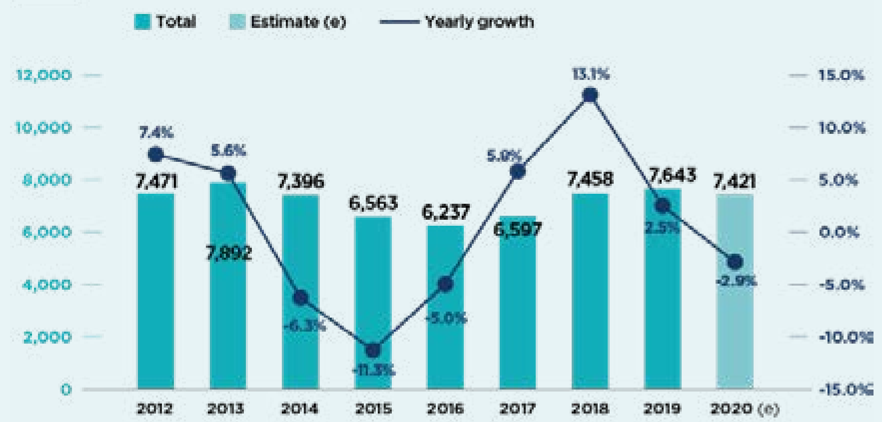
Restructuring

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 INSOLVENCIES



Sources: Statistics Sweden (SCB), Coface

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	8.5
GDP PER CAPITA US Dollars - 2019	82,484
CURRENCY Swiss franc	CHF

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.0	1.1	-3.2	2.3
Inflation (yearly average, %)	0.9	0.4	-0.8	0.1
Budget balance (% GDP)	1.5	1.6	-4.0	-1.6
Current account balance (% GDP)	10.5	10.3	9.6	9.4
Public debt (% GDP)	39.3	40.6	45.9	45.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
UNITED STATES	14%
UNITED KINGDOM	9%
CHINA	7%
INDIA	6%

Imports of goods as a % of total

EURO AREA	50%
UNITED STATES	7%
UNITED KINGDOM	6%
CHINA	5%
UNITED ARAB EMIRATES	5%

+

- Political, economic and social stability and consensus; role of direct democracy
- Close relations with the EU
- International financial centre, headquarters of international groups and organisations
- Limited sensitivity of exports to foreign exchange due to the emphasis on high technology and quality
- Very strong public and external accounts
- European crossroads with excellent communication network

-

- Small, open economy (foreign trade = 116% of GDP) and landlocked
- Swiss franc as a safe-haven currency
- High dependence on trading and financial services
- High housing prices with rising vacancy rates
- Exposure of banks to real estate (85% of domestic loans), two of which account for half of domestic assets
- Demographic ageing compensated by immigration (33% of the working population is foreign)

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Following (relative) resilience, the rebound

The country will return to growth in 2021, after experiencing its worst recession in decades in 2020 because of the consequences of COVID-19. In order to curb the spread of the pandemic, many activities deemed "non-essential" were suspended in the spring and autumn of 2020, leading to an unprecedented drop in activity. However, this fall was less pronounced than in the rest of the region (a 9% fall in GDP between the end of 2019 and mid-2020, compared to -15% in the Eurozone), due to the faster lifting of restrictions and the sectoral structure of the economy. The important chemicals and pharmaceuticals industries (6.4% of GDP in 2019, a third of the manufacturing sector) and the financial sector (10% of GDP, including insurance), relatively less affected, have slightly compensated for the fall in activity in the other main export sectors (metals, jewellery, mechanics, watchmaking). The rebound in activity in 2021 should be driven mainly by household consumption which, despite the ongoing health uncertainty, should consume part of the large precautionary savings built up in 2020, thanks to government support measures (short-time work, aid to the self-employed) that have limited the rise in the unemployment rate (3.3% in October, compared to 2.3% before the crisis) and their loss of purchasing power (-1.1% in the second quarter), despite the collapse in activity. While the uncertain environment will also affect business decisions, investment should rebound, driven by the recovery in domestic and – albeit more gradual – external demand, after having fallen sharply in 2020, despite major public support measures (state-guaranteed loans, postponement of tax and social security payments). Moreover, unless postponed or cancelled at the last minute – a scenario that cannot be totally ruled out at the end of 2020 – the sales of licences generated by the holding of the Olympic Games and Euro 2020 (to the benefit of the IOC and UEFA, which are based in Switzerland), considered as exports of services, should allow a positive contribution from trade.

In line with recent years (key interest rate of -0.75%, unchanged since 2015), the Swiss National Bank has pursued a very accommodative policy in 2020 by intervening on the foreign exchange market and providing liquidity to commercial banks in order to limit the appreciation of the franc, the safe haven value par excellence in times of crisis, to alleviate deflationary pressures and to support activity. For the same reasons, the SNB will continue to pursue this strategy in 2021.

Public finances in deficit but still strong

For once, the public accounts will remain in deficit in 2021, after having deteriorated considerably in 2020, due to the successive measures implemented to support households and businesses, at a total cost of over 10% of GDP. Despite the probable extension of certain support measures, such as short-time work (cost estimated at 2% of GDP in 2020), at least in the first part of the year, in connection with the health situation, the deficit is expected to be reduced, particularly thanks to the rebound in tax revenues made possible by the growth in activity. Having consistently recorded – with the exception of 2013 and 2014 – budget surpluses over the previous 15 years, the government has significant fiscal room for manoeuvre. After rising in 2020, public debt is expected to stabilise at a particularly low level for a developed economy. Divided between the Confederation (48% of the total), the cantons (30%) and the municipalities (22%), its cost remained extremely low at the end of 2020 with a negative return (-0.5%) on 10-year issues.

Moreover, the country will continue to show a large current account surplus, thanks to both the balance of goods (7% of GDP in 2019) and the balance of services (3% of GDP, thanks to finance and sports licences). The balance of income is balanced, with revenues from Switzerland's considerable investments abroad offsetting transfers from foreign workers domiciled in Switzerland and cross-border commuters. Switzerland's substantial assets abroad enable the country to have a substantial net foreign asset position (120% of GDP at the end of June 2020), the extent of which varies with stock market prices.

Federal Council unchanged despite breakthrough by the Ecologists

Despite their historic breakthrough in the October 2019 elections, the left-wing Ecologists (PES), which on that occasion became the fourth largest political force in the National Council (lower house of the Assembly) with 28 out of 200 seats (+17), were unable to enter the Federal Council (government), whose 7 members were re-elected by the National Council. Despite their electoral setback, the nationalist conservatives (UDC, 53 seats), the Socialist Party (39 seats) and the Liberal Democrats (PLR, 29 seats) each retained two ministerial posts, and the Christian Democrats (PDC, 25 seats) retained their councillor. The attempt by the Greens to enter the Federal Council to replace one of the two PLR councillors, whose weight in the government appeared disproportionate to its electoral result, ran up against the desire for stability in the Assembly, where the centre and the right remain the majority.

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 - **2019**	17.1
GDP PER CAPITA US Dollars - **2019**	-
CURRENCY Syrian pound	SYP

TRADE EXCHANGES

Exports of goods as a % of total

LEBANON	25%
SAUDI ARABIA	11%
IRAQ	9%
UNITED ARAB EMIRATES	8%
EURO AREA	7%

Imports of goods as a % of total

CHINA	9%
EURO AREA	7%
UKRAINE	7%
RUSSIA	5%
ARGENTINA	3%

+
- 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

Humanitarian challenges exacerbated by COVID-19 and continued foreign influence

After ten years of civil war, the situation in Syria will remain very unstable in 2021. Compounding unresolved territorial tensions, the COVID-19 crisis further undermined the already shaky socio-economic conditions, which will continue to weigh on the country in 2021. The health system, already extremely damaged by the war, found itself on the brink of collapse as health care workers were highly exposed to the disease. Moreover, the lack of transparency about the numbers of infections and deaths and the almost non-existent government response to the crisis further weakened the country and increased humanitarian needs. The chaotic economic situation was exacerbated by the health crisis, particularly by the significant drop in household consumption due to rampant inflation and the resulting explosion in food prices, which soared by 250% compared with 2019. Humanitarian challenges are mounting and are expected to persist in 2021.

Meanwhile, the regime is growing stronger but the influence of foreign powers remains. Since the fall of Aleppo in 2016, the regime of Bashar al-Assad has retaken much of the territory. Other participants have joined the confrontation between the regime and the Free Syrian Army. On one side, Russia, Iran and Hezbollah are providing the military and logistical support needed to keep the Damascus regime in place. 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. Some Islamist militias continue to be active in the desert areas of southern Syria. Turkey, which shares a land border with Syria, has intervened several times in the conflict to protect its borders and interests in the region. While supporting the rebellion against the regime of Bashar al-Assad, 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. Despite the ceasefire in the Idlib region, violence persists in the area, which is torn between jihadist groups and opposition rebels.

In September 2019, the UN established a constitutional committee, composed of members of the government, the opposition and civil society, to initiate a political transition. The committee met again on 23 November to draft a new constitution. However, it is unclear at this time what progress this committee might achieve.

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 ten years of conflict, to which the impact of the health crisis has now been added. Syrian GDP shrank by more than 60% during the 2010/2016 period, according to World Bank estimates, and recorded its worst economic performance in 2020. Much of the country's infrastructure was destroyed during the fighting. Industry has shrivelled up, while economic sanctions make it difficult to access financing. Bashar al-Assad's regime has been under American 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. Ten years of war have taken a severe human toll. The number of conflict-related deaths is estimated at 586,000 (Syrian Observatory for Human Rights, March 2020). In addition, 6.2 million people, including 2.5 million children, have been displaced in the country and 5.6 million are officially registered as refugees (UNHCR, November 2020), mainly 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 mixed 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 property law to seize the assets of displaced persons. In addition, many refugees fear conscription or arbitrary arrests, not to mention the threat of insecurity that persists in many Syrian regions.

TAIWAN (REPUBLIC OF CHINA)

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	23.6
GDP PER CAPITA US Dollars - 2019	25,873
CURRENCY New Taiwan dollar	TWD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.7	2.7	3.0	3.0
Inflation (yearly average, %)	1.5	0.5	-0.1	1.0
Budget balance (% GDP)	-1.9	-1.8	-4.5	-3.0
Current account balance (% GDP)	11.6	10.8	9.5	9.7
Public debt (% GDP)	32.0	30.9	33.5	33.7

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
HONG KONG	13%
UNITED STATES	12%
JAPAN	7%
EURO AREA	7%

Imports of goods as a % of total

CHINA	20%
JAPAN	16%
UNITED STATES	13%
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 services sector
- Infrastructure gap compared to other advanced Asian economies
- Isolation on the international diplomatic scene

RISK ASSESSMENT

Sustained and strong growth with the pandemic under control

Growth is expected to accelerate in 2021 thanks to Taiwan's early success in curbing the pandemic. Indeed, Taiwan is among the few countries that managed to control the pandemic with a quick response and a good centralized coordination. It activated the Central Epidemic Command Centre (CECC) in January 2020, which aims to coordinate ministries and governmental agencies, and manages testing, quarantine and contact tracing. This eased concerns over the possibility of a second wave and, alongside fiscal stimulus packages (6% of GDP) in 2020, has spurred consumer confidence and will continue to support domestic consumption (48% of GDP) in 2021. Inflation will increase with the improvement of domestic demand. On the external front, exports (70% of GDP) are likely to remain robust thanks to high demand for hi-tech products and electronic components (semiconductors). U.S.-China frictions and the pandemic have spurred chip exports from Taiwan. Investment (22% of GDP) will remain strong and will be supported by reshoring of activities to Taiwan and a flourishing semiconductor industry. While trade tensions between the U.S. and China are unlikely to ease and have accelerated with the U.S. crackdown on Huawei Technologies and other Chinese manufacturers, Taiwanese companies - especially tech ones (Quanta, Innolux) - will probably continue to relocate their activities from China back to homeland in order to avoid tariffs from the U.S. and higher labour costs. This move is encouraged by the Taiwanese authorities with investment incentives implemented in 2019.

Strong external accounts

The 2021 budget will increase by 4% to support social welfare policies and defence. Defence expenditures are set to increase by 10% under the 2021 budget, which is 3% of GDP, for national security purposes amid China's combat drills drawing nearer Taiwan in September. The budget deficit is set to narrow, but will remain above its pre-crisis level, due to improved tax collection following slower growth because of the pandemic. This led to an increase in government spending through a 5.5% of GDP worth fiscal package in order to support growth in 2020, along with the central bank's preferential loans, extended into 2021 for businesses hit by the pandemic.

Regarding the external accounts, the current account will remain in surplus thanks to a large trade surplus. Exports of electronics, such as semiconductors, have soared on the back of high global demand for 5G technologies and work-from-home devices. Going forward, external demand will be further boosted by a rebound in global economic activity in 2021, which started by that of key trading partners such as China. That said, imports should grow faster due to a recovery in domestic demand, which may drag the current account surplus slightly. 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 2.3 trillion that generates solid income. Furthermore, the primary income posted a strong surplus in 2020 due to an increase in residents' income from outward FDIs. This environment should strengthen on the back of the government's "New Southbound policy" adopted since 2016, which aims at strengthening ties with ASEAN members, South Asia, Australia and New Zealand. The level of external debt (30% of GDP, but entirely private-owed) does not compromise the stability of the island's external position.

Increasing tensions with China but global role model for pandemic management

Pro-independence candidate Tsai Ing-wen won a second term by a landslide victory during the Presidential Election in January 2020, following strong anti-Beijing sentiment after months of social unrest in Hong Kong. Relations with mainland China have soured since Tsai's Democratic Progressive Party (DPP) came into power in 2016. Tsai's DPP has remained firm in its conviction that it will not join the "1992 Consensus" that governs cross-strait relations, in opposition to the "One China" principle. As a result, China has resorted to economic measures and an intensification of military exercises to put pressure on Taiwan. Despite these pressures, the President is unlikely to call for a referendum on an official declaration of independence, preferring the status quo. On the international front, Taiwan is a global role model for managing the pandemic efficiently, without receiving any assistance from the World Health Organization, due to China's insistence that Taiwan is under China's jurisdiction. This may accelerate Taiwan's recognition and visibility as a country on the international diplomatic stage – so far only 15 countries do so.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2019	9.3
GDP PER CAPITA US Dollars - 2019	873
CURRENCY Tajikistani somoni	TJS

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.3	7.5	-3.8	6.0
Inflation (yearly average, %)	3.8	7.8	8.1	7.0
Budget balance (% GDP)	-2.8	-2.1	-6.0	-4.4
Current account balance (% GDP)	-5.0	-2.3	-7.2	-4.5
Public debt (% GDP)	47.8	43.1	47.8	48.9

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	21%
TURKEY	18%
RUSSIA	13%
SWITZERLAND	12%
UZBEKISTAN	11%

Imports of goods as a % of total

RUSSIA	49%
KAZAKHSTAN	9%
CHINA	9%
UZBEKISTAN	7%
EURO AREA	7%

- Plentiful natural resources (hydroelectric potential, cotton, aluminium, gold)
- Untapped agricultural and tourism potential
- Transit corridor between Uzbekistan, Kyrgyzstan, Afghanistan, Pakistan and China
- Youthful population (50% under 25 years old)
- Financial support from multilateral and bilateral donors, and China
- Member of China's Belt and Road Initiative (BRI)

- Heavily dependent on the Russian economy, via remittances (25% of GDP), and on China (main export market, creditor and provider of FDI).
- Heavily dependent on commodities (cotton, aluminium); under-diversified economy
- Foreign exchange market and trade under tight control
- Weak and concentrated banking system; credit is expensive, underdeveloped, directed and dollarized (53% of the total)
- Challenging geography (landlocked and 90% mountainous); highly vulnerable to natural disasters
- Inadequate infrastructure (energy, water, transportation, health)
- High level of poverty (26.5% of the population); poorly educated and unproductive workers
- Limited role of the private sector; difficult business environment constrains FDI (1.2% of GDP)
- Poor governance (corruption, organised crime, politicisation of the court system)
- Proximity to Afghanistan; increased terrorist risk

RISK ASSESSMENT

A recovery dependent on the pandemic, Russia and China

After growing strongly over the last 20 years, Tajikistan entered recession in 2020. In 2021, it is expected to return to a growth rate on a par with pre-crisis levels. Travel restrictions affected transport services. Moreover, with the recession in Russia, many Tajiks who worked there have returned to Tajikistan. Remittances (25% of GDP in 2019) fell by 15% year-on-year in the first half of 2020, and the number of Tajiks leaving the country to work abroad halved. Adding in the increase in poverty and unemployment due to the rigid labour market, private consumption (109% of GDP in 2019) and services (47% of GDP) were both severely impacted. The recovery in consumption, which will depend on the pandemic and the Russian economy, could be driven by the 10%-15% increases in benefits under the Targeted Social Assistance Programme and in public sector wages and pensions starting in September 2020.

Tajikistan's recession was also due to the slowdown in China, its main export market, as well as to the drop in the prices of and demand for aluminium (17% of exports) and cotton (10%). As Chinese demand firms, the recovery in 2021 should be driven by an increase in exports by extractive industries, particularly gold. The chronic trade deficit will tend to shrink, with imports (43% of GDP in 2019) contracting both in value terms, through the decline in the oil bill, and in volume terms through the capital goods needed for public investment. The sluggishness of these investments, which are constrained by the economic situation, has delayed infrastructure projects aimed at diversifying exports, such as the Rogun dam, whose objective is to double energy production by 2029. Multilateral grants will partly compensate for this, such as the World Bank's USD 132 million grant for transport infrastructure under the CARs-4 programme.

To support activity, the central bank cut its policy rate. The rate is expected to remain high (10.75% in September 2020) in order to keep inflation, which is fuelled by rising food prices and the somoni's depreciation trend, in the target corridor of 6% (±2%). The central bank also lowered banks' reserve requirements and encouraged them to restructure their loans. These measures, which are expected to generate liquidity primarily for the benefit of state-owned enterprises, pose risks to a banking sector that is still recovering from the 2015 crisis. While profitability has improved and the level of capitalisation is high, this may not be sufficient to absorb potential losses from non-performing loans (31% of the total by mid-2020).

International aid prevents a balance of payments crisis

The crisis and support measures caused the public deficit to widen. It is expected to narrow again in 2021 with the recovery, but will remain significant. To finance the deficit, the authorities sold gold reserves and called for emergency multilateral financing. The International Monetary Fund (IMF) granted the country a Rapid Credit Facility (RCF) worth USD 189.5 million, while the Asian Development Bank (ADB) provided USD 323 million in grants for 2021-2023. The recovery, accompanied by fiscal consolidation, should safeguard the sustainability of the public debt-to-GDP ratio, which is exposed to potential risks in relation to state-owned enterprises. Public debt, which is external and in foreign currencies (USD 3.1 billion), is mainly held by Eximbank, a Chinese bank (38%), and bilateral and multilateral lenders (46%). Its sustainability will depend on negotiations with these lenders, which have already granted USD 50 million in relief, and Chinese creditors, which are expected to grant relief in return for land or mining concessions.

The crisis also sharply widened the current account deficit. While the trade deficit narrowed, lower remittances also reduced the secondary income surplus. FDI (67% in the extractive industry and 76% from China), which already financed little of the deficit, declined in 2020. While foreign exchange reserves (USD 1.25 billion in September 2020, or 5.1 months of imports covered) allow the central bank to intervene on an ad hoc basis to limit excessive volatility in the somoni exchange rate, multilateral financing will be crucial in helping to avert a balance of payments crisis.

A family succession in prospect?

In October 2020, President Emomali Rahmon, who has been in charge since independence in 1992, was predictably re-elected for a fifth consecutive term, after winning 91% of the votes in elections that were neither free nor fair. Likewise, in the legislative elections for the lower house in March 2020, his People's Democratic Party of Tajikistan (PDP) held onto three-quarters of the seats. Rahmon, who is relatively elderly, appears to be preparing to hand power over to his son, who was elected president of the upper house in April 2020. This position will allow him to become president if his father dies, becomes unfit to hold office or resigns, notably because of his state of health or due to developments in the pandemic or the economy. Internationally, ties with Russia, which provides security with its military base, remain strong, as do economic ties with China.

TANZANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	56.3
GDP PER CAPITA US Dollars - 2019	1,080
CURRENCY Tanzanian shilling	TZS

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	19%
INDIA	15%
UNITED ARAB EMIRATES	9%
VIETNAM	8%
EURO AREA	8%

Imports of goods as a % of total

CHINA	21%
INDIA	17%
JAPAN	9%
EURO AREA	8%
UNITED ARAB EMIRATES	7%

+
- Rich in mineral resources (gold, copper)
- Gas potential: offshore reserves discovered in 2010
- Tourism attractions (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

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth* (%)	7.1	7.0	1.9	3.8
Inflation (yearly average, %)	3.5	3.4	3.3	3.5
Budget balance** (% GDP)	-1.4	-3.2	-1.5	-2.5
Current account balance (% GDP)	-3.3	-1.9	-1.5	-2.3
Public debt (% GDP)	38.2	37.9	37.2	37.9

(e): Estimate. (f): Forecast. *Data for 2018 and 2019 are official National Statistics Office data, but these estimates are subject to doubts. The World Bank estimates growth rates of 5.4% and 5.8% respectively for these years.

RISK ASSESSMENT

Public works to boost the recovery

In 2020, the impact of the COVID-19 pandemic on tourism and external demand led to a significant slowdown in activity, but as the country did not impose a strict lockdown, domestic demand resisted. In 2021, growth is expected to increase, lifted by the recovery in tourism revenues, which will support export revenues despite continuing to be constrained by uncertainty surrounding the future spread of the pandemic. Export revenues will likewise be boosted by international gold prices, which are likely to remain high. Following the victory of John Magufuli and Chama Cha Mapinduzi (CCM) in the October elections, public investment in flagship projects, such as the Rujifi dam and hydroelectric power station, as well as continued work on the railway network, should accelerate, affirming its place as one of the engines of recovery. Work on the oil pipeline linking Uganda's future oil production to the Tanzanian port of Tanga could also begin in 2021 after the two countries signed a deal in September 2020. Conversely, in the wake of the pandemic, investment in the expansion of Air Tanzania, the national airline, is likely to be hampered by the bleak prospects for tourism and air transport. Private investment is also expected to contribute to growth, but will be constrained by the uncertain international environment and the unattractive business climate, particularly in the mining sector. Despite the resolution of the well-publicised dispute with Acacia Mining at the end of 2019, investor confidence has been undermined by reforms to the mining legal framework in 2017, which included increased royalty rates, compulsory state interest of 16% and a ban on international arbitration for foreign companies. Consumption will benefit from the easing of social distancing measures and from inflation, which is expected to remain relatively benign.

Twin deficits keep pressure on the shilling

Despite the impact of the decline in tax revenues following the pandemic, the budget deficit narrowed in 2019/20, thanks to improved tax collection prior to the shock. In 2020/21, tax revenues are expected to continue to fall, contributing to a widening of the deficit. Moreover, as this is the last fiscal year of the five-year development plan, capital investment spending on infrastructure projects remains a priority. Health expenditure is also increasing amid the pandemic. Although Tanzania is benefiting from debt service relief initiatives (IMF and G20), debt service will continue to dominate current expenditure alongside the state wage bill. External (including concessional loans) and domestic borrowing will finance the small deficit. The increase in debt, almost three-quarters of which is external, is expected to be limited, but the growing share of non-concessional loans (over 40% of external debt) could prove problematic if borrowing costs rise.

In 2021, the current account deficit is expected to increase. While the lower imports of capital goods contributed to a reduction in 2020, their likely growth in 2021 will cause the trade deficit to swell. Meanwhile, the improvement in the services surplus, which will depend on tourism revenues, is expected to be held back by uncertainty surrounding the sector. Moreover, while the income deficit will benefit from the relief in external debt service payments, on the one hand, it will be fuelled by repatriation of profits by foreign investors, on the other. Finally, in a crisis setting, current international cooperation should support the transfer surplus, but expatriate remittances are likely to be hurt by the deteriorating global economic situation. FDI, mainly those linked to infrastructure projects, and external borrowing are financing the current account deficit. Given the financing needs, the Tanzanian shilling is expected to continue gradually depreciating, but the measured current account deficit and foreign exchange reserves, which cover about six months of imports, should prevent a sharp movement.

The "Bulldozer" and CCM crush competition in 2020 elections

In October 2020, President John Magufuli, nicknamed Tingatinga ("Bulldozer" in Swahili) since his time in the Ministry of Public Works, was elected for a second term, obtaining nearly 85% of the vote, much more than in 2015 (58.5%). His party, the CCM, which has been in power since 1977, increased its majority in the assembly by winning seats in almost all constituencies. With the government's authoritarian shift and the sense that the regime is tightening its grip on freedom of expression, which is receiving widespread criticism, the main opposition parties (Chadema and ACT Wazendo) rejected the election results. The few international observers, including U.S. observers, also reported interference in the election process. Tundu Lissu (Chadema), the runner-up in the presidential election, was arrested prior to a demonstration protesting the election results, signalling the authorities' limited tolerance for perceived threats to social stability. Upon his release, he fled to Belgium, saying that he had received death threats. President Magufuli's governance, unfavourable decisions to foreign investors taken by his government and indications that the regime is increasingly clamping down on freedom of expression all contribute to the perception of a poor business climate. In foreign policy, efforts to position the country as a regional trade hub, such as the joint oil pipeline project with Uganda, could strengthen ties with neighbouring countries. Meanwhile, the October 2020 attack on the village of Kitaya, near the border with Mozambique, signalled that the country is exposed to insecurity linked to the Islamist insurgency in its neighbour.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	69.6
GDP PER CAPITA US Dollars - 2019	7,807
CURRENCY Thai baht	THB

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	13%
CHINA	12%
EURO AREA	7%
VIETNAM	5%
HONG KONG (SAR)	5%

Imports of goods as a % of total

CHINA	21%
JAPAN	14%
UNITED STATES	7%
EURO AREA	7%
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 infrastructure
- 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

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.1	2.3	-5.5	3.6
Inflation (yearly average, %)	1.1	0.8	-0.4	1.8
Budget balance* (% GDP)	-2.5	-2.0	-6.0	-5.5
Current account balance (% GDP)	6.4	7.0	4.2	4.6
Public debt (% GDP)	42.1	42.4	50.5	56.4

(e): Estimate. (f): Forecast. * Fiscal year 2021 from 1st October 2020 to 30th September 2021.

RISK ASSESSMENT

Gradual growth recovery

Thailand's economic growth contracted sharply because of COVID-19. The main reason was the decline in exports of goods and services (60% of pre-crisis GDP), which were hit by softer global demand, supply chain disruptions and border closures. In 2021, economic growth should gradually resume. Exports are expected to recover in line with the economic upturn and rising external demand, while remaining constrained by economic uncertainties.

Tourism (20% of GDP, 21.5% of employment and 21% of exports) was severely impacted by the mobility crisis triggered by COVID-19. In 2021, it should recover as travel restrictions are eased, but will not return to pre-crisis levels as, with the virus still present, obstacles may remain. The manufacturing sector, which is integrated within regional and global value chains, notably for electronics and automobiles, was likewise rocked by the crisis and the decline in domestic and external demand. In 2021, it is expected to rebound with the recovery.

Household consumption declined (50% of GDP). It was already affected by high debt levels (80% of GDP in Q1 2020) and also had to contend with rising unemployment (3% in 2020 against 1% in 2019). However, the government implemented significant fiscal measures (9.6% of GDP), including health measures as well as social and economic aid (financial support for households, businesses and sectors hardest hit by the crisis) that will continue to be implemented in 2021 and that should help next year's recovery. Investments, which contracted sharply because of the crisis, are expected to recover strongly despite the uncertain economic and social environment. Thailand is planning for public-private partnership investments worth USD 33 billion between 2020 and 2027, in order to boost its economy over the long-term. The plan includes 92 projects, 18 of which are focused on infrastructure. Furthermore, the Eastern Economic Corridor, a development plan aimed at creating a vast industrial and technological cluster in an area southeast of Bangkok and that is a government priority, will continue to attract foreign investment.

Current account surplus and public deficit

The current account balance, which is traditionally positive due to a high trade surplus, showed a smaller surplus because of COVID-19, as the decline in exports affected the trade balance, which then reduced the current account surplus. While the trade balance remained in surplus, the services balance showed a deficit for the first time since 2014, notably due to the downturn in tourism. In 2021, it is expected to grow only modestly, without returning to its pre-crisis level because of the weak tourism sector, which is not expected to fully recover because travel restrictions have not yet been lifted. Growth in goods exports will be affected by the moderate recovery of some of Thailand's partners, such as the United States, which continue to be severely impacted by the health crisis. However, the external situation will remain strong, with recurring current account surpluses helping to fuel official reserves, which stood at over 12 months of imports in 2019. This will support the exchange rate and enable the baht to be resilient.

The public deficit widened in 2020 due to increased spending and lower revenues following the health crisis. In 2021, it will remain high since government revenues will only gradually recover and additional spending to address the crisis will continue to act as a drag. Public debt increased but remains at relatively low risk: it is almost entirely denominated in Thai baht and contracted over the medium- to long-term.

Demonstrations are testing the government

Thailand has been a constitutional monarchy since 1932. It is plagued by chronic political instability and numerous army-led coups. Since the beginning of 2020, the country has seen a series of student-led demonstrations, which have been further exacerbated by the crisis. The mass protests are the largest since the 2014 coup d'état that led to the appointment as prime minister of Prayuth Chan-o-cha of the pro-military Phalang Pracharat (PP) Party. Following disputed elections in 2019, Prayuth Chan-o-cha remained in power. The protests began in response to the constitutional court's decision to dissolve the Future Forward Party founded by Thanathorn Juangroongruangkit, a young politician. His party had 81 seats in the lower house. This decision allowed the government to strengthen its majority in the house (270 of the 500 seats). The protestors' main demands include reforming the monarchy, including the monarch's status, and rewriting the 2017 constitution, which gives broad powers to the 250 senators chosen by the army. They are also calling for parliament to be dissolved and for the prime minister to resign. With the authorities refusing to make concessions, protests are continuing, despite being banned, and may be more severely repressed.

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). (Latest amendment in 2018, B.E. 2561)

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	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	1.3
GDP PER CAPITA US Dollars - 2019	1,252
CURRENCY US dollar	USD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-0.8	3.4	-6.5	4.0
Inflation (yearly average. %)	2.3	0.9	1.0	2.0
Budget balance (% GDP)	-27.5	-30.8	-25.0	-33.0
Current account balance (% GDP)	-12.2	8.2	-14.0	-20.0
Public debt (% GDP)	9.2	11.4	12.0	16.0

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

TRADE EXCHANGES

Exports of goods as a % of total

INDONESIA	38%
CHINA	26%
SINGAPORE	10%
VIETNAM	6%
MALAYSIA	6%

Imports of goods as a % of total

INDONESIA	43%
SINGAPORE	13%
CHINA	12%
HONG KONG (SAR)	7%
VIETNAM	7%

- Oil and gas reserves in the Timor Sea
- Support from the Community of Portuguese Language Countries
- Attractive tourist destination (protected natural sites, rich cultural heritage)
- 41/167 in the EIU Democracy Index 2019 (fourth-ranked Asian country)

- Vulnerable to natural disasters (landslides, typhoons, floods); underdeveloped infrastructure (health, education, transportation)
- Heavily dependent on oil revenues and food imports (underdeveloped agriculture)
- Human capital deficit
- Nearly half of the population lives below the poverty line
- High unemployment among young people (40%)
- Weak bank intermediation

RISK ASSESSMENT

Expected recovery from the 2020 recession

Timor-Leste is one of the few countries that successfully contained the spread of COVID-19, with only a few dozen cases officially recorded in 2020. This was achieved through the implementation of distancing measures (including travel restrictions and school closures) between March and June 2020. However, these measures hurt the economy, which experienced a severe recession in 2020. In 2021, buoyed by a rise in oil prices and a rebound in consumption, activity will pick up again.

Consumption, which represents 38% of GDP, fell by 1% in 2020. The decline was mitigated by the implementation of a support plan providing USD 200 transfers to the most vulnerable households, as well as 60% coverage for short-time work. In 2021, consumption is expected to grow by 5%, even though it will still be hampered by structural problems in a country where 67% of employees earn less than USD 2 a day. Moreover, despite the almost 30% drop in public investment in 2020 after parliament blocked the budget, public spending still represented about 60% of GDP. In addition, although some private projects, such as the USD 500 million Tibar port project, were able to continue during the health crisis, several projects in the 2011-2030 Strategic Development Plan were temporarily suspended or delayed. These projects, which include road upgrades and water supply infrastructure, will resume in 2021.

The economy will remain heavily dependent on hydrocarbons (98% of exports). Although oil production is expected to end in 2022, the Greater Sunrise gas project offers hope to the country, which is counting on production from this offshore field to continue Timor-Leste's development.

Public and current accounts show large deficits

As political tensions prevented the budget vote in early 2020, public spending decreased by 7% in the first half of 2020, leading to a tiny reduction in the huge public deficit. The drop in spending mainly concerned investments, which cannot be financed without a vote. However, a USD 220 million stimulus plan was implemented through the creation of a COVID-19 fund in April. The adoption of the budget, which finally went through at the end of the year, resulted in a public spending increase in November-December 2020. As usual, the 2021 budget will focus on investments in agriculture, tourism and social policies (increased budget for the construction of secondary schools and improved training of health personnel, among others). The country has a Petroleum Fund (PF), which was valued at USD 19 billion as of June 2020. Withdrawals from the fund are limited to 3% of estimated wealth (fund balance plus expected hydrocarbon revenues), although excess withdrawals are allowed. The government manages the fund in an unsustainable manner and uses it to finance a large portion of public spending. However, this also allows it to maintain a low level of debt.

The current account showed a substantial deficit in 2020. This was because the trade deficit (excluding oil exports, as these are included in primary income) widened as the collapse of imports due to weaker domestic demand failed to offset the steep decline in tourism and transport (70% of total exports) and the decrease in coffee exports. In 2021, the resumption of investment will increase imports of capital goods while tourism is unlikely to return to its pre-crisis level, which will further widen the deficit. The current account deficit is also due to the collapse in primary income earned from the PF's investments abroad, but especially from oil, as income fell by 43% in the first half of 2020, but should increase in 2021. Although reserves provided by the PF fell, the reserves, coupled with an increase in external debt (which now stands at 14% of GDP), will make it possible to finance the deficit.

Power-sharing arrangements

Timor-Leste is a democratic republic that has been led by President Francisco Guterres since May 2017. Following early elections in 2018, Prime Minister Taur Matan Ruak's government was supported by the Alliance for Change and Progress coalition, which comprised three parties: President Guterres' CNRT, the People's Liberation Party and the KHUNTO Party. But in early 2020, disagreements with the CNRT caused the vote on the 2020 budget to be blocked and led to the formation of a new coalition comprising the People's Liberation Party, the Revolutionary Front (Fretilin), the Democratic Party and the KHUNTO Party. Although the coalition has considerably reduced the risk of political crisis, the situation in the country remains complex, as the presidency, which is not powerless, is held by a party that is not in government.

Relations with Australia eased with the drafting of a treaty that resolved the issue of the Greater Sunrise oil and gas field in favour of Timor-Leste by allocating the bulk of the field's revenues to it.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	8.1
GDP PER CAPITA US Dollars - 2019	675
CURRENCY CFA franc (WAEMU)	XOF

TRADE EXCHANGES

Exports of goods as a % of total

BURKINA FASO	14%
BENIN	12%
INDIA	12%
NIGER	9%
GHANA	9%

Imports of goods as a % of total

EURO AREA	24%
CHINA	22%
UNITED STATES	7%
INDIA	5%
JAPAN	4%

- Mining resources (phosphate, limestone and clay transformed into clinker) and agricultural resources (coffee, cocoa, cotton)
- Has the only deep-water port in West Africa (port of Lomé), potential to become a regional hub
- Public and private investment in infrastructure
- Ongoing structural reforms (public finances, banking system, agriculture, phosphate and cotton sectors)
- Member of WAEMU and ECOWAS
- Mostly concessional external debt

- Strong socio-political tensions
- Deficient business environment
- High unemployment and poverty rates (46.2% of the population in extreme poverty in 2020 according to the World Bank)
- Deficient agricultural infrastructure: storage, processing, irrigation, inputs
- Inadequate education, public health, and transport infrastructure
- Poor health of the banking sector; high bad-debt rate (especially in public banks)

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.9	5.3	0.0	3.0
Inflation (yearly average, %)	0.9	0.7	1.5	1.5
Budget balance (% GDP)	-0.8	-2.1	-7.1	-3.5
Current account balance (% GDP)	-3.5	-4.3	-6.3	-4.4
Public debt (% GDP)	76.2	70.9	73.5	71.1

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

RISK ASSESSMENT

A rebound in activity expected in 2021

The lockdown in effect between late March and early June and the weakening of demand from its partners led Togo to experience its first year without growth since over 15 years. It will pick up again in 2021, supported in particular by agriculture, phosphate mining, and port traffic. Consumption, which accounts for 80% of GDP, fell by 3.1% in 2020 because of falling incomes and renewed inflationary pressures in the first half of the year. It is expected to grow by 2% in 2021 thanks to the resumption of agricultural production, on which 60% of the labour force depends, provided there are no further lockdowns. Private investment fell by 16% in 2020 due to increased uncertainty, but should rebound in 2021 (+11%). Even if the deterioration of public finances and the global tightening of credit conditions for investors poses medium-term risks to its financing, public investment will be supported by the National Development Plan 2018-2022 (USD 7.8 billion), as well as by several infrastructure construction projects (including 4,000 km of rural roads that will be built or rehabilitated in 2021).

Agriculture, which accounts for 40% of GDP, has been supported by the COVID-19 Agricultural Response Plan implemented by the government in April 2020 (distribution of agricultural equipment and granting of subsidised credits) and USD 3 million in aid from the ADB for the purchase of pesticides, fertilisers and seeds. This has allowed the sector to grow by 1% in 2020 and these investments will then allow for a growth of 3.3% in 2021. By contrast, services, which account for more than half of GDP, have been deeply affected by social distancing measures and border closures. In 2021, the resumption of container traffic, aided by China's return to growth, will support the logistics sector and strengthen the Port of Lomé's status as a regional hub. Finally, the secondary sector has been tested by the decline in exports in 2020, but will be buoyed in 2021 by the expected rise in the price of phosphate.

Growing current account and public deficits

After several years of restrictive fiscal policy that have reduced public debt, the economic slowdown mechanically reduced budget revenues by 7% and increased public spending by 10% (with the implementation of various economic and social plans representing about 1.8% of GDP), thus sharply increasing the public deficit. As a result, debt has risen, even though Togo already devotes 65% of its public resources, excluding grants, to debt servicing, according to the IMF. The G20 debt service suspension initiative will have only a very moderate impact according to Moody's (0.4% of GDP in 2020), given that debt service payments to external creditors covered by this initiative are much lower than those to domestic creditors (1.4% versus 13.8% of GDP, respectively) due to the highly concessional nature of the external share of the debt (34% of GDP).

The current account deficit widened in 2020, mainly due to a drop in exports. Indeed, the large deficit in goods was aggravated by a 7.4% decrease in exports, due to the fall in the price of phosphate in the first quarter of 2020 (27% of exports), even though the fall in oil prices helped to contain the import bill. The services surplus has also widened, following a sharp decline in transport and tourism (7% and 15% of exports respectively). Moreover, remittances, which accounted for 7% of GDP in 2019, declined because of the consequences of the pandemic in developed countries. In 2021, despite moderate demand from trading partners, the expected recovery in the prices of the main export products (phosphate, cocoa, cotton) will allow for a 10% rebound in exports. Due to the decline in FDI, the increased deficit in 2020 could only be financed by increased recourse to international aid: USD 70 million from the World Bank, USD 29 million from the EU and an additional USD 97 million from the IMF under its Extended Fund Facility.

Socio-political instability but continuity of power

In May 2019, despite protests, some of which were violently repressed, Parliament passed a constitutional amendment limiting the number of consecutive presidential terms to two, but without retroactive effect. The outgoing President, Faure Gnassingbé, was then able to run for re-election in the February 2020 presidential elections, in which he won with 72.4% of the vote with a turnout of 76.6%, thereby allowing him to serve a fourth consecutive term. The result was contested and an appeal was filed by Agbéyomé Kodjo, former Prime Minister, but was rejected by the Constitutional Court for lack of evidence. These socio-political tensions, coupled with security problems in the region, will affect the business environment. The government's efforts have enabled the country to move up 40 places in one year in the Doing Business 2020 ranking (97th place), but governance remains very poorly ranked by the World Bank.

TRINIDAD AND TOBAGO

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **A4**

POPULATION 1.4
Millions of persons - 2019

GDP PER CAPITA 17,276
US Dollars - 2019

CURRENCY TTD
Trinidad and Tobago dollar

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.3	0.0	-7.1	2.6
Inflation (yearly average, %)	1.0	1.0	0.2	0.9
Budget balance* (% GDP)	-6.0	-3.6	-13.6	-7.3
Current account balance (% GDP)	5.8	4.8	-3.3	1.4
Public debt (% GDP)	60.3	60.8	63.2	68.0

(e): Estimate. (f): Forecast. * Fiscal year 2021 from 1st October 2020 to 30th September 2021.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	40%
EURO AREA	19%
GUYANA	5%
SOUTH KOREA	3%
JAMAICA	2%

Imports of goods as a % of total

UNITED STATES	38%
EURO AREA	12%
CHINA	9%
BRAZIL	5%
CANADA	5%

- World's eighth-largest producer of liquefied natural gas
- Petrochemical industry (global 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

- Small economy that is 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
- Uneven wealth distribution (20% of the population lives below the poverty line)
- Drug trafficking related crime

RISK ASSESSMENT

Modest growth set to return at last in 2021

Economic activity in Trinidad and Tobago, which was already anaemic, was severely impacted by the COVID-19 crisis. To contain the pandemic, the government implemented lockdown measures, including closing borders and shutting down schools and universities. These measures, coupled with the fall in external demand, caused the country to plunge into recession in 2020. Consequently, the government announced fiscal measures (3.3% of GDP) to mitigate the effects of the crisis. These measures included subsidised loans to individuals and businesses, and financial and food support for the poorest households. Even so, household consumption declined due to the restrictions resulting from COVID-19. It is expected to recover only marginally in 2021 due to the uncertainties associated with the crisis, which are pushing households to save. Private investors have put their decisions on hold, while public investment has been confined to health infrastructure. Investment in new projects is expected to continue to lag in 2021.

The energy sector (40% of GDP and 70% of exports in 2019) is one of the mainstays of the country's economy. Hydrocarbon exports (natural gas accounts for 34% of exports, crude oil for 11%, and refined products for 4%), which had already been affected by the depletion of national oil reserves, were hit hard in 2020 by the decline in external demand and prices. In 2021, hydrocarbon production and exports are expected to pick up due to firmer global demand and a slight increase in prices. More importantly, new gas projects are being completed, including the discovery of natural gas in an exploration well east of the Cashima field and the Cassia Compression project, which aims to maximise production from existing fields. These projects should enable the country to boost production as early as 2021. Conversely, oil refining will remain severely handicapped by the drop in crude oil production in Venezuela, its main supplier. The petrochemicals (methanol and ammonia account for 14% and 9% of exports respectively) and steel industries (iron and steel, 6%) are not likely to be any better off, due to their dependence on the economic situation of end markets, *i.e.* primarily construction and automotive. Although a slight recovery is expected in 2021, these two sectors are set to remain weak, which will negatively affect both prices and production. Fertilisers (3%) are benefiting from the agricultural sector's resilience in the face of the crisis and should get back to pre-crisis levels in 2021. Although they account for a smaller share of the petrochemical industry, they limit the negative impact on it.

Return to a modest current account surplus and a large public deficit

The traditional current account surplus resulting from massive exports of hydrocarbons and petroleum derivatives momentarily turned into a deficit in 2020 as the energy market fell. At the same time, despite the drop in domestic demand, imports did not really decrease, as they are mainly made up of necessities. Meanwhile, imported food products, on which the country depends, became more expensive. Furthermore, the decline in tourism and the increase in maritime transport costs caused the services deficit to widen. In 2021, the current account is expected to return to a small surplus due to the recovery in external demand for energy, while the services deficit will not decline and nor will the deficit in income related to profit repatriation by foreign investors.

The public deficit widened dramatically because of the situation. Government revenue (22.5% made up of energy revenues) contracted, while expenditure rose sharply, particularly in the health sector (equipment, medical staff and infrastructure). The support plan also had an impact. In order to finance the budget deficit, the government called on multilateral institutions for help, with the Inter-American Development Bank, for example, providing USD 50 million. The government also made greater use of its sovereign fund, the Heritage and Stabilisation Fund, which traditionally finances the deficit. The deficit will be reduced in 2021 due to increased revenues, but will remain high. Because of this increased deficit, the debt is increasing.

Fragile political stability

Prime Minister Keith Rowley, a member of the People's National Movement (PNM), who has led the government since the 2015 elections, was reappointed following the August 2020 elections, in which the PNM retained an absolute majority in parliament (22 of 41 seats). The United National Congress (UNC), the opposition party led by former Prime Minister Kamla Persad-Bissessar, won 19 seats. Effective handling of the COVID-19 crisis played a decisive role in the election outcome. The political environment will remain tense due to the economic fallout from the crisis, the high crime rate, corruption and ethnic tensions. Voting in the country tends to take place along ethnic lines, with Afro-Trinidadians voting for the PNM and Indo-Trinidadians voting for the UNC. The fact that the two groups are equally sized explains the small gap separating the parties, leaving the rest of the population to determine the outcome.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	11.8
GDP PER CAPITA US Dollars - 2019	3,293
CURRENCY Tunisian dinar	TND

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	2.7	1.0	-9.0	4.5
Inflation (yearly average, %)	7.3	6.7	5.5	5.5
Budget balance (% GDP)	-4.4	-3.3	-11.0	-8.0
Current account balance (% GDP)	-11.2	-8.5	-7.0	-7.5
Public debt (% GDP)	77.3	72.5	89.0	91.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	67%
LIBYA	4%
ALGERIA	3%
UNITED KINGDOM	2%
UNITED STATES	2%

Imports of goods as a % of total

EURO AREA	45%
CHINA	9%
ALGERIA	6%
TURKEY	4%
UNITED STATES	3%

+

- Fully democratic system with freedom of expression
- Increasing integration of women in political and economic
- governance positions
- Support from international, multilateral, European and Arab donors
- Economy in the process of diversification
- Proximity to the European market and association agreement with the EU
- Tourism potential
- Natural resources (phosphates and hydrocarbons in particular)

-

- High social and geographical inequalities, high unemployment, especially among young people (36.5%), leading to increased social unrest and demonstrations
- Structural imbalance in the public accounts (public enterprises in deficit, wages = 60% of primary expenditure, high weight of subsidies) and yet deficient public services
- Economy strongly impacted by the COVID-19 crisis
- Fragmentation of political representation reflecting that of society and learning about democracy
- Tourism confronted with security problems, increased foreign competition, lack of investment, and little diversified in both range and themes
- Porous border with Libya, source of insecurity

RISK ASSESSMENT

A fragile recovery that will not erase the crisis

The COVID-19 crisis, through its internal and external lockdown measures, as well as the fall in European demand, hit an already anaemic economy hard, dragging it into a deep recession. 2021 is expected to bring a significant recovery, but not commensurate with the fall in activity recorded the previous year. Household consumption (70% of GDP), already weak, has been badly affected by rising unemployment and falling incomes. It should pick up modestly in 2021. Similarly for commercial services (nearly 50% of GDP), with tourism at the forefront. The 60% drop in 2020 in its revenues, which contribute 14% to GDP and employment, should only be marginally erased, which will depend, in any case, on the control of the pandemic. Accommodation and catering, but also transport and crafts, will therefore continue to suffer. The manufacturing industries (16% of GDP), in particular textiles, clothing, and automobile and aeronautical parts, should grow in line with European demand. On the other hand, the other industries (hydrocarbons, phosphates and derived fertilisers, plaster) could still suffer from strikes and blockages, as was the case in 2020 when oil and gas production fell by 8%. However, rising oil prices and the firmness of fertiliser prices will be good for export earnings. More broadly, exports, which have moved from 50% to around 40% of GDP between 2019 and 2020, will, above all, have to improve for goods, even though the reopening of the border with Libya in November 2020 will have a favourable impact on tourism, especially medical tourism. Faced with this mixed recovery, investment (15% of GDP), which fell sharply in 2020, will only timidly resume. Agriculture (12% of GDP), which has been affected by unfavourable weather conditions and an erratic supply of fertilisers, should show an increase. Olive oil exports, one of the rare sectors not to have experienced the crisis, will continue to prosper.

Fiscal consolidation postponed

Fiscal consolidation, which was well advanced at the end of 2019 under the IMF's Extended Credit Facility, whose four-year term expired in May 2020, reversed in 2020 with the onset of the crisis. While revenues fell by about 20%, expenditure increased by 10% despite cuts in non-essential spending. The deficit widened significantly, requiring the increased involvement of multilateral and European partners, alongside increased recourse to the domestic market and central bank financing. In 2021, the deficit is expected to decline only slightly, as some revenues will be delayed by the crisis, while some aid will need to be extended and some spending, such as payments to suppliers and arrears to public enterprises, can no longer be postponed. The financing requirement, including the deficit and debt amortisation (27% of GDP), should be covered overwhelmingly by external sources, reflecting a debt at 67% external and 71% in foreign currency (September 2020). There is also talk of a national loan and an appeal to expatriates.

The ratio of the current account deficit to GDP continued to fall in 2020, despite the fall in GDP. This is because imports, linked to domestic demand, have fallen more than exports of goods, allowing the trade deficit to be reduced from 14 to 10% of GDP. However, the surplus in services linked to tourism (3% of GDP in 2019) has vanished. Concomitantly, remittances from expatriates (5%) have held up fairly well and dividend and interest payments to foreign investors (2%) have varied little. The current account balance should change little in 2021. While exports of goods are expected to recover faster than imports (energy, which constitutes a third of them, will fall by 20% with the increased output from the Nawara gas field), tourism receipts will be anaemic and the interest on the debt will increase slightly. The inadequacy of foreign investment (between 1 and 2% of GDP) is forcing the State to go into debt, with overlapping public and external financing needs. Foreign exchange reserves approached the equivalent of 5 months of imports at the end of 2020. Despite the (effective) interventions of the Central Bank to strengthen the dinar, they have held up well thanks to external aid. In 2021, fewer interventions are expected and the erosion of the exchange rate will resume.

Political and social tension

The political scene remains turbulent. The government of Prime Minister Hichem Mechichi, an independent who took office in September 2020, is the fourth since the October 2019 elections, after major reshuffle in January 2021. Government instability reflects both political fragmentation and the opposition between the secularists and clerics (represented by Ennahdha, the conservative Islamist party, which holds 52 seats out of 217) in the Assembly of the Representatives of the People, which requires majority votes. Added to the quarrels between President Kaïs Saïed, the prime minister, and the Assembly, this complicates the handling of the economic and social problems, and of the public service deficiencies, all persistent, and particularly acute in the governorate of Tataouine (unemployment > 30%, but 40% of Tunisia's oil and 20% of its gas) in the south of the country. These are breeding ground for numerous strikes, demonstrations, riots, blockades of industrial sites, and terrorist acts. Under these conditions, the restoration of public accounts, probably with the conclusion of a new agreement with the IMF and tied foreign aid, will be difficult. Early elections in 2021 are a possibility.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2019	83.2
GDP PER CAPITA US Dollars - 2019	9,151
CURRENCY Turkish lira	TRY

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.0	0.9	0.5	4.0
Inflation (yearly average, %)	16.3	15.2	12.3	13.4
Budget balance (% GDP)	-2.0	-2.9	-3.5	-3.1
Current account balance (% GDP)	-2.7	1.2	-4.7	-2.0
Public debt (% GDP)	30.2	32.5	41.7	45.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
UNITED KINGDOM	6%
IRAQ	6%
UNITED STATES	5%
ISRAEL	2%

Imports of goods as a % of total

EURO AREA	26%
RUSSIA	11%
CHINA	9%
UNITED STATES	6%
INDIA	3%

+

- Young and educated workforce
- Well developed and flexible manufacturing tissue
- Strategic geopolitical location
- Strong economic recovery after COVID-19
- Recovering export performance that reduces current account risks

−

- Large dependence on external financing
- Import-dependent structure of the manufacturing sector
- High inflationary pressures resulting from the lira's weakness
- Weakened central bank reserves, higher public debt
- Increased regional and geopolitical tensions

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Resilient post-pandemic growth, persisting financing challenges

The Turkish economy recovered by a stronger-than-expected 6.7% year-on-year (YoY) in the third quarter of 2020 after contracting by nearly 10% YoY in the second quarter, as anti-COVID-19 measures hit the economy. The growth was fuelled by large and cheap credit expansion (50% YoY in June), fiscal stimulus (12.8% of GDP in 2020) and recovering external demand thanks to the easing of the lockdown measures. However, the loose monetary and accommodative fiscal policies resulted in a widening of both public and external deficits, as well as a surge in inflation (14% YoY in November 2020 compared to the official target of 5%). Although the central bank adopted a more conventional monetary policy in November by hiking its policy rate by 475 basis points to support the ailing lira, the cumulative depreciation of the latter (around 30% versus USD in 2020) will continue to create an obstacle for reducing inflation. An increase in oil prices on the global markets would add to inflationary pressures, as the Turkish economy remains dependent on energy imports despite the recent gas drilling efforts in the Black Sea and East Mediterranean. Tighter financial conditions and reduced consumer confidence due to high inflation will weigh on household consumption (60% of GDP) growth in 2021. Furthermore, higher interest rates and imported inputs costs will weigh on investments. Conversely, the fiscal stimulus is expected to remain for some time in order to support households and businesses. Nevertheless, a renewed increase in COVID-19 cases in the last quarter of 2020 slowed the recovery in retail and of the economy. Therefore, the developments regarding the vaccine will be important, as it will both affect domestic and external demand.

Lower current account and fiscal deficits after COVID-19

In January-October 2020, the current account recorded a deficit of USD 31 billion, compared to a surplus of USD 9.6 billion in 2019. The deficit is expected to narrow in 2021 on the back of a recovery in tourism revenues (nearly USD 26 billion in 2019, around 3.5% of GDP), which will depend on the vaccine-related developments. Additionally, higher exports in 2021, due to the global economic recovery, and slower gold imports (requested by households as a traditional self-protection instrument against inflation), will also contribute to this narrowing. Moreover, the strong depreciation of the lira and subdued internal demand will soften imports overall. Regarding the financing, foreign direct investments (which stood at USD 3 billion in January-October 2020, i.e. below 1% of GDP) and portfolio investments (net outflow of USD 12 billion in January-October 2020) will remain weak due to the higher risk aversion of international investors versus Turkish assets. Depleted reserves, high inflation, lira volatility and sudden changes in regulations represent key challenges for the Turkish economy. The central bank's gross international reserves (excluding gold) fell to USD 44 billion as of November 2020 compared to USD 78 billion at the beginning of 2020. Excluding banks' required reserves, net foreign exchange reserves are negative. Moreover, the swap-reliance increased during 2020, as the net short position increased from USD 18.2 billion in end-2019 to USD 61.3 billion as of October 2020. Turkey's short-term external debt rose to USD 124 billion (nearly 20% of GDP) as of the second quarter of 2020, with 62% owed by companies and banks. Falling reserves and a high level of external debt increase Turkey's risk premium and borrowing costs. However, the new economic team has returned to policies that are more conventional and the authorities have repeatedly underlined their willingness to implement reforms targeting the improvement of the business environment. Low level of public debt (almost evenly split between domestic and external creditors) gives the government the comfort to maintain the fiscal stimulus during 2021. However, increased interest payments, guarantees provided under the public private partnership projects and reduced level of tax collection due to slower growth under COVID-19 will weigh on fiscal performance.

Rising geopolitical tensions amid stretched relations with the EU and the U.S.

The geopolitical priorities of Turkey and some of its Western allies have started to diverge in the last few years. Turkey's active policy in its region seems likely to persist in the upcoming period, in line with the country's national geopolitical stance. Consequently, relations between some European countries and Turkey may remain strained. However, their close economic ties and their willingness to increase trade volumes and reduce their supply chain risks after COVID-19 represent a potential of improvement to their relations. On the other hand, relations with the U.S. under the new president Joe Biden will have to be monitored closely, particularly in terms of sanctions over the S400 missile system.

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 creditor decides to serve the debtor with an injunction to pay despite the fact that it does not hold negotiable instruments, such as bills of exchange, promissory notes and cheques, the debtor can object to the injunction to pay in 7 days after receiving it. This objection suspends the enforcement proceedings until the creditor files and wins an action for annulment of objection suit regarding its claim. With the regulation that came into force on 1.1.2019

applying to the mediator became a precondition for the cases that are filed against the claims for the payment of a certain amount of money and compensation. Therefore, in order for the creditor to file the action for annulment of objection suit to resume the execution process it first has to apply to the mediator.

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.

TURKMENISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

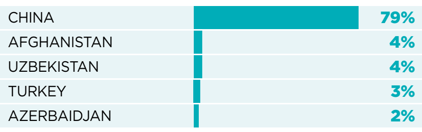
POPULATION Millions of persons - 2019	**5.9**
GDP PER CAPITA US Dollars - 2019	**7,724**
CURRENCY Turkmenistan New Manat	**TMT**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.2	6.3	1.8	4.6
Inflation (yearly average, %)	13.3	5.1	10.0	8.0
Budget balance (% GDP)	-0.2	-0.3	-1.4	-0.7
Current account balance (% GDP)	5.5	5.1	1.0	1.8
Public debt (% GDP)	31.4	32.8	30.9	26.7

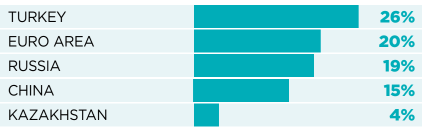
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Fourth largest natural gas reserves in the world (nearly 10% of the total)
- Strategic position in Central Asia and between China on the one hand, and Russia and Europe, via the Caspian Sea, on the other
- Healthy public accounts and a moderate level of debt
- Obtained observer status at the World Trade Organisation (WTO) in July 2020, with the intention of commencing accession negotiations by 2025

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- High dependence on hydrocarbons (93% of exports, of which 83% gas), while the levers for export growth remain constrained
- Strong dependence on China (which receives nearly 85% of gas exports)
- Low share of private sector, anticompetitive market structures (State monopolies dominating the economy, credit and investment management)
- Very difficult business climate, tight trade, price and foreign exchange restrictions and controls that hamper FDI
- Poor infrastructure (especially transport and health) and underdeveloped regional connectivity
- Weak governance (corruption, authoritarianism, repression, politicisation of the judiciary, opacity of the statistics system)
- Porous border with Afghanistan (presence of the Taliban) and weak military resources

RISK ASSESSMENT

Growth still driven by gas purchases from China

In 2020, Turkmenistan experienced a slowdown in its growth, which is expected to pick up again in 2021. While officially the country has no cases of COVID-19, unofficial sources indicate otherwise. Restrictions have been adopted, including restrictions on domestic and cross-border movements, which were already restricted prior to the pandemic. They have further compressed private consumption (50% of GDP) and services (48.5% of GDP). Household purchasing power, eroded by the elimination of many social expenditures, is being undermined by galloping inflation, pushed up by food prices, which are being temporarily controlled and are subject, among other things, to the effects of new import restrictions. The list of commodities subject to tariffs, which have been increased across the board, has been extended, and a commission has been established to direct imports of essential goods. These measures are in line with the import substitution policy initiated in recent years, for inputs in the chemical industries (10% of exports), but also for food via wheat, for which harvests were better than in 2019, and textiles via cotton (2%), whose production targets seem to have been met. This policy is expected to force a rebound in demand in 2021, while credit, which is poorly developed, is directed to state-owned enterprises and financial support measures for sectors and individuals affected by health restrictions are non-existent.

In 2021, growth in value and volume is expected to be driven by the recovery in gas exports, which began in the second half of 2020 with the rebound in Chinese purchases. They had plunged due to the combined effect of lower prices and Chinese demand. Gas exports to Russia will continue under the contract signed in mid-2019 with Gazprom, although volumes are expected to be significantly lower than three years ago, when trade was suspended (5.5 billion cubic meters (bcm) per year in 2019-2024). Export growth levers remain constrained, particularly to China, since delivery of the fourth branch ("line D") of the Central Asia-China gas pipeline, which is expected to double export volumes (to 65 bcm per year), has been delayed until 2022. The diversification of Chinese supplies, especially from Russia, could have an impact on the terms of trade, and will hardly be offset by the diversification of Turkmenistan's customers. The commissioning of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, which is expected to have a maximum capacity of 33 bcm per year, has been postponed from 2021 to 2023 after several disputes over gas prices, difficulties in completing financing (13.6% of GDP) and construction delays in Afghanistan. However, oil production and export capacities could increase thanks to the extension of the contract with the Russian company Tatneft until 2028 to increase extraction in the Goturdepe field. Private investment (36% of GDP) is expected to decelerate and public investment to make a positive, but small, contribution to growth.

Tighter restrictions and exchange controls

The decline in gas export revenues widened the deficit in 2020, which is expected to narrow in 2021 as they rebound. The deficit is expected to be covered by domestic bank financing. The government is focusing on its programme to digitalize public services by 2025, which is expected to guarantee an increase in tax revenues. Therefore, since August 2020, an online platform has been introduced to facilitate the processes regarding registration, tax return and company liquidation.

Lower gas exports have reduced the current account surplus. Capital controls are strict, limiting FDI concentrated in hydrocarbons. The official exchange rate of the manat, largely overvalued, is expected to remain fixed, while the parallel exchange rate, much weaker, is estimated to have depreciated by 56% in 2020. Access to foreign exchange at the official rate remains limited, and the decline in foreign exchange inflows has prompted the authorities to tighten exchange controls and import restrictions. They provide for restrictions on international payments and the impossibility for private companies to exchange their manat assets. As for state-owned enterprises, they must pay 100% (previously 50%) of their foreign exchange earnings to the sovereign fund, which are exchanged at the official rate.

Cosmetic constitutional reforms

While the security policy was already severe, the pandemic was used as a pretext to restrict political freedoms. Social unrest remains unlikely, despite the disaffection with the government. President Berdymukhamedov, who has been in power since 2006 and was re-elected for seven years in February 2017 in an election that was neither free nor fair, retains, along with his Democratic Party of Turkmenistan, complete control over institutions. The transition from a unicameral to a bicameral parliament from January 2021 was adopted at the end of 2020. The upper house is expected to automatically approve the president's proposed candidates for key posts. The lower house is expected to automatically approve the president's proposed legislation. While the president has presented this reform as a strengthening of the legislature, it is mainly a strategy to consolidate his power and perhaps to guarantee the succession to his son. He could become president of the upper house, acting in the event of the resignation, the incapacity or the death of the president.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	39.8
GDP PER CAPITA US Dollars - 2019	916
CURRENCY Uganda shilling	UGX

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	6.1	6.7	0.2	3.9
Inflation (yearly average, %)	2.6	2.9	3.8	4.6
Budget balance* (% GDP)	-4.1	-4.9	-7.2	-8.0
Current account balance (% GDP)	-6.1	-6.3	-5.8	-6.6
Public debt (% GDP)	36.2	37.3	40.2	46.2

(e): Estimate. (f): Forecast. * Fiscal year from July 1st to June 30th. 2021 Data: FY2020/21.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	34%
EURO AREA	13%
KENYA	13%
CONGO DR	7%
TURKEY	4%

Imports of goods as a % of total

CHINA	17%
INDIA	11%
UNITED ARAB EMIRATES	11%
KENYA	10%
TANZANIA	6%

+

- 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
- Africa's leading coffee exporter

-

- Endemic poverty, persistent inequalities
- Inadequate infrastructure
- Insecurity in border areas (Democratic Republic of Congo, South Sudan)
- Slow progress in governance (particularly control of corruption)

RISK ASSESSMENT

Health, political and climate uncertainties will hamper the recovery

In 2020, growth was hit hard by the effects of the COVID-19 pandemic, which chiefly impacted tourism, trade, manufacturing, construction and agriculture. In 2021, public investment is expected to support recovery through the development of transport and energy infrastructure, which remains a priority. In particular, construction of a pipeline to bring future Ugandan oil production to the Tanzanian port of Tanga could be a catalyst for growth following the signature of an implementation agreement in September 2020, with construction scheduled to begin in March 2021. However, since the final investment decision has not been made, this project could be subject to delays. As the increase in imports of capital goods is expected to outpace the more gradual recovery in export revenues (especially those related to tourism), foreign trade is likely to be a drag on activity in 2021. As incomes and remittances from abroad recover, consumption should be a growth driver in 2021. However, household and business confidence could be affected by the uncertainty related to the evolution of the pandemic. Moreover, low rainfall forecasts and locust invasions could threaten the incomes of households dependent on agriculture (which provides more than 70% of employment opportunities). Lower agricultural yields could feed through to inflation, which may also be sensitive to increased tariff barriers to support the import substitution strategy, and to potential shilling depreciation.

The crisis increases the risks to external accounts

The budget deficit is expected to continue to widen in 2020/21, after being hit by reduced domestic revenue collection and increased spending because of the pandemic-related crisis. The increase in the deficit will be fuelled by higher capital expenditure. However, since domestic revenues and subsidies are expected to rise only gradually, the increase in these expenditures is likely to be constrained by limited financing possibilities. While interest payments absorbed about 15% of revenues before the crisis, current expenditure is expected to be eased through the G20 initiative to suspend debt service until end June 2021. The risk of debt distress should thus remain limited thanks to the large share of concessional debt (over 60% of the external debt stock).

The current account deficit was smaller in 2020, notably due to the rapid decline in imports, but is expected to widen in 2021. Despite an expected recovery in exports, which should be supported by high gold prices, the recovery in imports, especially of capital goods, will contribute to a larger goods deficit. Uncertainty related to the pandemic is expected to curb growth in tourism revenue, maintaining a high deficit in the services account. It could also depress remittances from abroad and weaken their contribution to the transfer surplus. Profit repatriation by foreign investors will continue to sustain the income deficit. With the decline in FDI in 2020, financing of the current account deficit relied on the support of international financial institutions and foreign exchange reserves (which cover about five months of imports). The current account deficit will expose the shilling to depreciation.

Tensions still elevated following the 2021 elections

President Yoweri Museveni, in power since 1986, and his party, the National Resistance Movement (NRM), won the contested general elections of 14 January 2021. Declared the winner with more than 58% of the vote, the president won a sixth term in office, ahead of Robert Kyagulanyi (also known as Bobi Wine), a singer-turned-deputy who won 34% of the vote. The latter's party, the National Unity Platform (NUP), established itself as the main opposition force in parliament. However, following the elections, which are subject to accusations of fraud by the NUP, political tensions are expected to remain high. The house arrest of Robert Kiagulanyi following the elections is expected to amplify dissatisfaction with the tight grip on power by the NRM and Yoweri Museveni over the past three decades. Already in late November 2020, the police arrest of Mr. Kyagulanyi triggered demonstrations, which turned into violent clashes with the police, resulting in at least 54 deaths. These political tensions could worsen in a context of the prevalence of poverty, exacerbated by the economic crisis and the health emergency linked to the pandemic. The country also faces an unstable political and security situation on its borders (South Sudan, Democratic Republic of Congo) and recurring border tensions with Rwanda.

Despite the authorities' focus on making improvements, the business climate continues to suffer from weak governance, difficulties in access to credit, and a lack of infrastructure.

UKRAINE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2019**	**41.7**
GDP PER CAPITA US Dollars - **2019**	**3,707**
CURRENCY Hryvnia	**UAH**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.4	3.2	-5.2	2.5
Inflation (yearly average, %)	10.9	7.9	2.6	4.9
Budget balance (% GDP)	-1.9	-2.2	-6.8	-5.1
Current account balance (% GDP)	-4.9	-2.7	2.8	-1.0
Public debt (% GDP)	60.9	50.3	60.4	63.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
CHINA	7%
POLAND	7%
RUSSIA	7%
TURKEY	5%

Imports of goods as a % of total

EURO AREA	26%
CHINA	15%
RUSSIA	12%
POLAND	7%
BELARUS	6%

+

- Strategic position in Europe
- Association and Free Trade Agreement with the European Union (2016), which enables a reorientation of foreign trade
- Significant potential in agriculture, with 55% of arable land (wheat, maize, barley, rapeseed, sunflower, beet, soybeans), and in metals (iron)
- Skilled and low-cost labour force
- Low private debt levels
- International financial and political support, although conditional on reforms

-

- Conflict with Russia and Russian-speaking populations in the Donbass region, which is affecting territorial integrity and preventing EU entry
- Business environment marred by corruption, 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 and high real interest rates

RISK ASSESSMENT

Recovery driven by private consumption

The COVID-19 pandemic has come on top of the various structural weaknesses of Ukraine's economy and contributed to the recession in 2020. A severe decline of economic activity was recorded in the second quarter of 2020. Private consumption, which had remained strong in previous years, recorded its first negative result since 2015. Its 10% year-over-year (YoY) decrease in the second quarter of 2020, during the first wave of pandemic, was detrimental to the economy because it accounts for 74% of GDP. Fixed asset investment dropped even deeper by more than 22%. Companies have been postponing their investments due to high uncertainty and a drop in demand. Indeed, the impact of pandemic led to negative growth in all sectors, with the deepest contractions experienced by restaurants and hotels, agriculture and transports.

As a response to COVID-19 from the monetary policy side, the central bank, in several successive steps, lowered the key policy rate from 13.5% at the end of 2019 to 6% in June 2020. However, considering that the inflation rate has remained relatively modest (2.6% in October 2020), real interest rates are not enough attractive to boost an increase in loans that could lead to improved economic activity. Moreover, corporates still face double-digit interest rates on loans. In addition to the monetary policy, support for the economy impacted by the pandemic has mostly consisted of tax deferrals and employment-related measures. Another wave of COVID-19 is a significant threat for the economy and its fragile health system, especially since official numbers of cases could not show the real scale because of a low number of COVID-19 tests. All these challenges will limit a fast recovery in 2021 and the economy will take more time to return to pre-crisis levels. Household consumption, supported by remittances and wage growth, will remain the growth driver, but investments' growth is going to be limited due to the lack of progress in reforms.

External and fiscal vulnerabilities despite the support of the IMF

In the first eight months of 2020, imports decreased faster than exports. The latter benefited from rising global prices for grain and iron ore, which are the crucial export commodities of Ukraine. Remittances, which accounted for 8% of GDP in 2019, remain important, as they particularly support household consumption. Indeed, 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. Remittances decreased (a 6.4% YoY drop in USD terms in January-August 2020) due to Ukrainians coming back to their homeland because of the pandemic. While the government is interested in limiting the international movement of Ukrainian workers, an inflow of remittances is still likely to affect positively the current account, which is expected to turn positive in 2021. Ukraine's foreign exchange reserves have dropped to USD 24.5 billion in October 2020, after already a 9% slump a month earlier.

Ukraine's access to external financing is threatened by the government's inability in tackling corruption. In June 2020, the IMF approved the 18-month USD 5 billion Stand-By Arrangement with Ukraine, in order to help the country cope with the economic challenges brought by the COVID-19 pandemic and address balance of payments and fiscal financing needs. However, the lack of progress on reforms of the judiciary system, as well as the efforts to undermine the independence of the national bank and anti-corruption institutions, forced the IMF to put the next disbursements on hold. Similar postponements were implemented by the European Union and the World Bank.

Constitutional crisis resulting from key anti-corruption reforms

In 2019, Volodymyr Zelenskiy, an actor and TV producer, won the presidential election with over 73% of the vote, after entering politics four months earlier. Few months later, his Servant of the People Party obtained the absolute majority (251 seats out of 450) in the legislative elections. In October 2020, the constitutional crisis blew up when the Constitutional Court of Ukraine (CCU) cancelled key anti-corruption legislation, including a mandatory electronic income declaration and penalties for lying on the form, effectively decriminalising corruption. This move pushed Ukraine's key donors, including the IMF, to suspend their financing. Neither the president nor the parliament have the power to sack or appoint judges of the CCU. Despite an absolute majority in parliament, Mr Zelenskyi's Servant of the People party is unable to push through the necessary legislation to resolve the situation.

UNITED ARAB EMIRATES (UAE)

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

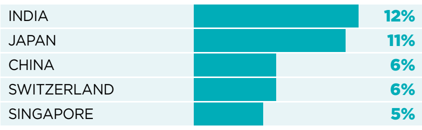
POPULATION Millions of persons - 2019	10.7
GDP PER CAPITA US Dollars - 2019	39,180
CURRENCY UAE dirham	AED

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.2	1.7	-6.1	3.1
Inflation (yearly average, %)	3.1	-1.9	-1.5	1.3
Budget balance (% GDP)	1.9	-0.8	-9.9	-5.0
Current account balance (% GDP)	9.6	8.4	1.8	2.0
Public debt (% GDP)	20.9	27.3	36.9	38.2

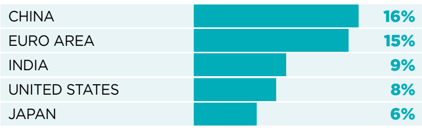
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



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- Regional trading hub
- Higher degree of economic diversification compared to its neighbors
- Political stability
- Vast financial assets of Abu Dhabi
- New investment opportunities related to the normalization with Israel

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- Weak oil prices weigh on growth performance
- Subdued outlook for non-oil activity
- Increasing debt, fiscal revenues mostly depend on hydrocarbons
- Lower tourism revenues due to COVID-19
- Rising regional tensions

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

The Dubai Expo and the recovery in oil prices will support growth

In 2021, recovering hydrocarbon prices and improving global trade volumes will sustain growth. Private consumption is expected to support growth on the back of the implemented fiscal stimulus (around 3% of GDP) and improved consumer sentiment thanks to the positive news on vaccines against COVID-19. Low interest rates (the central bank cut its rates by 125 basis points in 2020, following the U.S. Federal Reserve's moves), coupled with the central bank's monetary stimulus package equivalent to 20% of GDP, will also help private consumption. Dubai Expo, which will be held from October 2021 onwards and will run for six months, may attract less than the 11 million visitors expected because of the pandemic's conditions. Nevertheless, the event would increase employment and reinforce consumer spending. A gradual easing of travel bans and an improvement in the transport and tourism sectors will also support the growth performance. The recovery in investment will be mild due to COVID-19 and the termination of most of the Expo-related investments. The recovery in the non-oil sector will be gradual due to the slow recovery in trading activity in line with the weak global growth performance, the second wave of lockdown measures and restrictive fiscal spending.

Borrowing rather than tapping into reserves

In 2021, the deficit is expected to persist due to the continuous need for fiscal stimulus in the economy, as the pandemic's conditions will probably not disappear quickly. Oil prices, which are estimated to stand below the UAE's fiscal break-even price (estimated at USD 66.5 in 2021), will still weigh on fiscal revenues (40% of which come from hydrocarbons) and make them more volatile. However, the VAT collection, in line with the recovery of private consumption, will have a positive impact. The public debt is expected to be funded mostly by tapping into the international capital markets, on Abu Dhabi preference, instead of using the vast cash reserves. Indeed, the central bank's gross international reserves stood at USD 98 billion as of September 2020 and the foreign assets in the country's sovereign wealth fund are estimated at USD 743 billion (around 200% of GDP) according to the IIF. In 2018, the federal government passed a law allowing the government to issue sovereign debt. Therefore, new bond issuances are expected in 2021.

The slight recovery in oil prices, the gradual loosening of the OPEC+ production cuts and rising global demand will support the UAE's hydrocarbon exports, which still account for a third of total goods exports. The economic diversification strategy will continue to sustain import demand for capital goods. The recovery in consumer spending will also increase consumer goods imports. In 2021, the economic recovery and the expected increase in activity in the tourism sector and infrastructure projects may increase the need for foreign labor, which will in turn raise the level of outward remittances. Thus, the current account balance will continue to remain in surplus, but at a lower level compared to previous periods.

Political stability intact amid rising regional tensions

The UAE are expected to maintain their political stability despite continuous tensions i.e. with Iran, turmoil in Yemen, etc. The normalization of the relations with Israel is expected to pave the way to reciprocal investments particularly in the energy, agri-food, tourism, and ICT sectors. The end of the Qatar blockade would also help to revive the trade flows and transportation volume within the region. A further drop in oil prices may represent a challenge, as social order is mostly maintained through social spending and increasing the living standards through public employment. Such a situation could force the government to reduce spending and increase taxes, which both increase the risk of upsetting the society. However, this risk remains low thanks to its ample financial reserves.

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.

The latest law update in UAE is related to commercial claims, which can now be filed via performance order lawsuits if the financial claim is subject to the enforcement of a commercial contract, or the right holder is a creditor with a commercial paper and debt is acknowledged.

Procedures and Duration of Order:

- Sending a notary public legal notice to the debtor.
- Notifying the notice to the debtor with a successful result.
- Five days minimum from the date the debtor receives the notice as a period to allow the debtor to settle the dues.
- Register the Performance Order at the court or on the electronic system of the court according to the spatial jurisdiction of each court.
- The decision shall be issued by the judge within 3 working days by either acceptance or rejection.
- In case of issuance of the decision in creditor favor, a request to notify the debtor shall be submitted.
- The court shall notify the debtor in the manner prescribed by the law.
- An appeal period of 15 days from the date of the decision is notified if the debtor will appeal.
- The appeal court will review the debtor defense if it's valid the court will schedule a hearing and invite both parties to investigate, if the court see the defense is not valid, the court will reject the appeal directly.
- If the debtor didn't appeal in a period of 15 days from the date, he receives the decision notice, then the execution shall take place.
- Duration of the whole process approximately: 90 to 120 days.

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.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	66.8
GDP PER CAPITA US Dollars - 2019	42,379
CURRENCY Pound sterling	GBP

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.4	1.3	-10.8	4.0
Inflation (yearly average, %)	2.5	1.8	0.7	1.3
Budget balance* (% GDP)	-2.2	-2.3	-19.2	-8.5
Current account balance (% GDP)	-3.7	-4.3	-3.0	-2.7
Public debt (% GDP)	84.7	84.1	105.8	108.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	16%
GERMANY	10%
FRANCE	7%
NETHERLANDS	6%
CHINA	6%

Imports of goods as a % of total

GERMANY	12%
UNITED STATES	10%
CHINA	9%
NETHERLANDS	8%
FRANCE	6%

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- Production of hydrocarbons covers three-quarters of energy needs
- Cutting-edge sectors (aeronautics, pharmaceuticals, automotive)
- Financial services
- Competitive and attractive tax regime

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- High public and household debt (120% of disposable income)
- Low productivity and training deficit not conducive to innovation
- Regional disparities between the South-East (especially London) 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	HIGH
ENERGY	VERY HIGH
ICT*	MEDIUM
METALS	VERY HIGH
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	HIGH
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	VERY HIGH
WOOD	HIGH

* Information and Communication Technology

RISK ASSESSMENT

Heading towards a partial rebound, mainly driven by consumption

The British economy will only partially rebound in 2021, after having been among the most affected in terms of health and economy in 2020. As the government was forced to introduce a lockdown in the spring and again in November to curb the spread of the pandemic, the country experienced, in 2020, a peacetime recession on a scale never before seen. The rebound in activity, which will gradually accelerate in line with the health situation, is expected to be driven by household consumption, after it was hampered by travel restrictions and the closing of shops. The recovery in consumption should provide all the more driving force for growth as household purchasing power has been relatively unaffected during the crisis, thanks to support measures such as short-time work and the allowance for the self-employed. Concomitantly, business investment, which has also benefited from unprecedented support from the government - via state-guaranteed loans, the deferral of tax deadlines (income tax for the self-employed, VAT) or the abolition of corporate tax for the most affected sectors (retail trade, hotels, leisure) -, is also expected to pick up, but in a less dynamic way. Affected by the health uncertainty at the beginning of the year, businesses will also have to face the repayment of maturities and loans, after a 12-month grace period. Moreover, despite the signing of a trade agreement with the European Union (EU) in December 2020, conditions will become less favourable in 2021, as administrative procedures and border checks will be implemented. In addition, the government will support the recovery with additional public spending, notably on infrastructure (transport, environment, fibre), amounting to an estimated GBP 27 billion (1.2% of GDP). After falling in 2020, due to support measures and the impossibility for creditors to open proceedings, making the procedure de facto voluntary, the number of insolvencies is expected to rise sharply in 2021.

Large public deficit, largely financed by the Bank of England

The public deficit will remain very large, after having soared in 2020 due to successive emergency measures taken by the government totalling GBP 280 billion (13.6% of GDP, a third of which is due to the short-time work scheme alone). While the support measures are expected to be phased out in 2021, in line with the health situation, most of them will be extended to (at least) the beginning of the year, meaning that their cost will decrease, but is expected to reach at least GBP 50 billion (2.3% of GDP). In addition to these measures, there will be continuing high health and capital expenditure, which cannot be offset by freezing the salaries of half the best paid workers in the civil service (excluding health workers). Simultaneously, the reduction in the deficit will be made possible in particular by the rebound in tax revenues, linked to activity. Public debt is expected to continue increasing, after having exceeded 100% of GDP. In this context, the Bank of England should continue to finance public spending by engaging in the mass buying of government bonds. In November 2020, the monetary authority increased the amount of its asset purchases from GBP 745 billion to 895 billion, of which 98% were bonds issued by the UK government.

Although external accounts improved in 2020, the fall in imports of goods and services (tourism) - linked to domestic demand - exceeding that of exports, the current account will remain in deficit in 2021. On the one hand, the balance of goods is constantly in deficit (4.3% of GDP over the first three quarters of 2020). On the other hand, the balance of services is still in surplus (5.8% of GDP), thanks to financial and insurance services (two thirds of the surplus). At the same time, the income balance is structurally in deficit (2.5% of GDP), due to the repatriation of income from substantial foreign investments in the country. As the country will settle part of the financial commitments stipulated in the EU exit agreement in 2021, the balance of transfers will remain largely in deficit (1.5% of GDP). As a key player in the global financial system, the United Kingdom easily finances its current account deficit through foreign investment, mainly portfolio investment.

Tension in the majority and declining popularity of the Prime Minister

Prime Minister Boris Johnson, who has been in power since his election as leader of the Conservative party in July 2019, succeeded in his gamble to dissolve Parliament, strengthening his majority in the December 2019 election, winning 365 seats out of 650 (50 more than in the 2017 election). Although this large majority allowed him to finally effect the exit of the United Kingdom from the EU in January 2020, he then faced the rebellion of several dozen MPs during the deployment of 5G (from which Huawei was ultimately excluded) and the implementation of health restrictions at the end of 2020. Moreover, after reaching a peak in April, his popularity rating halved in the following months, reaching 34% at the end of November 2020, with an overall negative opinion among Conservative voters, due to a management of the health crisis that has been deemed a failure.

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

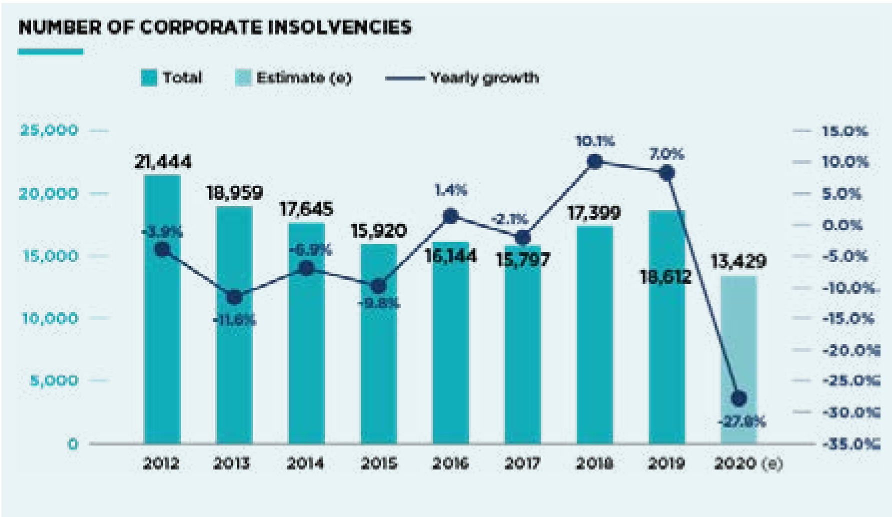
The Creditor's Scheme of Arrangement is a court-approved compromise or arrangement, between a corporate debtor and all classes of its creditors, for the reorganisation or rescheduling of its debts. It is not an insolvency procedure and does not include a moratorium on creditor action. It can, however, 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.



COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2019	328.5
GDP PER CAPITA US Dollars - 2019	65,254
CURRENCY US dollar	USD

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.0	2.2	-3.5	3.2
Inflation (yearly average, %)	2.4	1.8	1.3	1.7
Budget balance* (% GDP)	-3.8	-4.6	-14.9	-8.6
Current account balance (% GDP)	-2.2	-2.2	-2.6	-2.5
Public debt (% GDP)	106.6	108.2	130.5	133.0

(e): Estimate. (f): Forecast. * Fiscal year from October 1 to September 30. 2021 Data: 2020/21.

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	18%
MEXICO	16%
EURO AREA	15%
CHINA	6%
JAPAN	5%

Imports of goods as a % of total

CHINA	18%
EURO AREA	16%
MEXICO	14%
CANADA	13%
JAPAN	6%

+
- Flexible labour market
- Full employment is one of the Federal Reserve's objectives
- The dollar's predominant role in the global economy
- 70% of public debt held by residents
- Highly attractive: leader in research & innovation, huge market
- Favourable corporate taxation

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- 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
- Growing inequalities

Sector risk assessments

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

* Information and Communication Technology

RISK ASSESSMENT

Domestic demand will support the recovery

Plunged into its first recession in more than a decade following the impact of the COVID-19 pandemic, the economy is expected to rebound in 2021. Constrained in 2020 by restrictions to contain the spread of the coronavirus, household consumption (more than two-thirds of GDP) will be the main driver of the recovery. However, household confidence will remain dependent on the course of the pandemic and will probably have to wait for vaccines to be widely distributed to fully rebound. While the Federal Reserve (Fed) is expected to keep its key interest rate close to zero in 2021, low mortgage rates are expected to encourage residential investment. In the context of the development of teleworking and the relatively low supply of existing housing, residential construction will benefit. Business investment, is also expected to rebound. Nevertheless, uncertain demand for commercial and office space, and oil prices that may discourage new drilling, will hamper it. The contribution of foreign trade is expected to be negative, with imports growing faster than exports. Moreover, the country is not expected to regain its short-lived status as a net exporter of crude oil. While making little positive contribution to growth in 2020, thanks to the federal fiscal stimulus, government consumption is expected to be less buoyant. While inflation is expected to rise in line with the rebound in domestic demand, it is expected to remain subdued in view of the unfinished recovery of the labour market (employment 6.5% below the pre-crisis level at the end of 2020). Business bankruptcies are expected to accelerate in 2021, after support measures and payment deferrals prevented a wave in 2020. The retail, clothing, entertainment, energy, air transport, and hospitality sectors will be vulnerable.

Record public debt after an unprecedented fiscal response

In 2020, the public deficit reached a record level because of the exceptional measures taken to respond to the impact of the pandemic. In 2021, while the deficit is expected to decline, particularly in the light of a gradual recovery in revenues, it will remain high due to pandemic-related expenditure. Aid voted for in 2020, equivalent to 14% of GDP, will continue to affect the deficit in 2021. Spending is expected to increase, even more so since a new aid plan, including new guaranteed loans for SMEs, "improved" unemployment benefits, and new cheques sent directly to households, was voted on at the end of 2020. In adition, the new administration is expected to push for further relief spending. Despite the surge in public debt, one of the highest in the world, the country enjoys unparalleled financing flexibility, thanks to its status as the issuer of the USD, the world's main reserve currency. State and local government finances have also come under pressure. The latter benefited from a municipal liquidity facility with the Fed, which expired on 31 December 2020.

In 2021, the current account deficit is expected to improve slightly. It will continue to be driven mainly by the large balance of goods deficit (4.0% of GDP), which is expected to widen under the impetus of rising imports. However, the surplus in the services account, which has been strongly affected by the crisis, is projected to increase. The positive primary income balance, which also declined in 2020, is expected to rebound thanks to profit repatriations from multinational companies. Remaining relatively stable in 2020, the remittances deficit is expected to change little. Flows into the financial account will finance the deficit. Nevertheless, the net international investment position, which has been in deficit for three decades (more than 60% of GDP in 2020), is expected to continue to widen.

Joe Biden, President of a divided America

Following the elections of 3 November 2020, Democratic candidate Joe Biden, Vice President from 2009 to 2017, was elected the 46th President of the United States at the expense of the outgoing President, the Republican Donald Trump. At the end of a campaign disrupted by the COVID-19 pandemic, the elections were characterised by the highest turnout in 120 years (66.9%) and a jump in absentee voting. The transition period before the swearing-in of the president on 20 January 2021 has proved unusually turbulent, culminating with the storming of Capitol Hill by Donald Trump supporters on January 6. For his role in these events, he is subject to a second impeachment proceeding. Promising to work to reconcile America, President Biden made managing the health crisis, deploying vaccines, and economic recovery a priority. He will be able to rely on a Democratic majority in the House of Representatives (222 of 435 seats) and the Senate (50 of 100 seats). The narrow Senate majority will, however, limit Biden's ability to carry out his program. In terms of foreign policy, he is expected to break with his predecessor's "America First" strategy, committing to a multilateral approach and re-engaging with traditional partners (Europe, North America). However, some tensions, such as the taxation of technological giants or the dispute over subsidies to aircraft manufacturers, will remain. Above all, trade tensions with China will not vanish, as the new president has indicated that he does not intend to immediately reverse the tariffs applied by the previous administration.

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

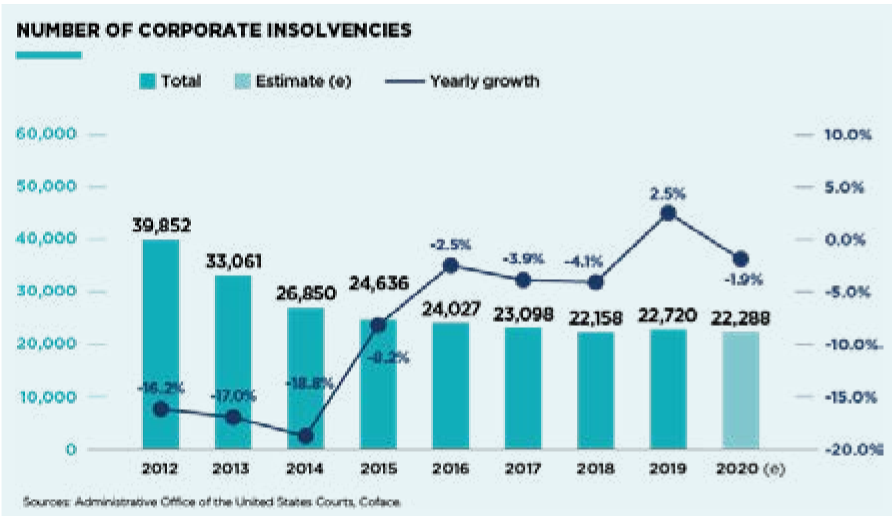
Different state laws can propose out-of court proceedings in order to avoid any formal judicial proceedings, such as the Assignment for the benefit of creditors in the state of California, where a company turns over all of its assets to an independent third party, who liquidates and distributes them 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.



COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2019	3.5
GDP PER CAPITA US Dollars - 2019	16,111
CURRENCY Uruguayan peso	UYU

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	1.6	0.4	-4.0	3.0
Inflation (yearly average, %)	7.6	7.8	9.8	7.7
Budget balance (% GDP)	-2.9	-3.2	-5.9	-4.1
Current account balance (% GDP)	-0.6	0.7	-1.8	-3.0
Public debt (% GDP)	63.5	66.0	69.6	69.1

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	25%
BRAZIL	14%
EURO AREA	8%
UNITED STATES	6%
ARGENTINA	5%

Imports of goods as a % of total

BRAZIL	20%
CHINA	18%
ARGENTINA	12%
EURO AREA	10%
UNITED STATES	9%

- Abundant agricultural and forestry resources
- Social homogeneity (universal health coverage, free education) and political stability
- Active reform policy (business environment, public finances, social security coverage)
- Favourable business environment
- Substantial foreign direct investment
- Member of Mercosur, preferential trade relations with the EU and the United States

- Economy vulnerable to commodity prices (soybeans, beef, dairy products, wood, rice)
- Dependent on Argentinian, Brazilian and Chinese economic conditions
- Inadequate transport infrastructure
- Reduced competitiveness due to high inflation and market rigidity
- Public debt (mitigated by a longer maturity and less and less in dollars)

RISK ASSESSMENT

Gradual economic recovery

The COVID-19 crisis had relatively little impact on Uruguay's economy in 2020 compared with many of the country's neighbours. Admittedly, manufacturing production and exports, mainly paper, were affected by the drop in global demand, and tourism, a mainstay of the economy (16.4% of GDP and 16.3% of employment in 2019), which had already been hurt by the Argentinian crisis, was reduced to almost nothing by travel restrictions such as border closures. Despite the construction of a second pulp mill by the Finnish group UPM (under negotiation with the government since 2016 and finally approved in July 2019), the unfavourable economic situation sapped investor confidence and FDI declined. Furthermore, in order to curb the epidemic, the government introduced restrictions, including the closure of schools, and recommended a two-month lockdown starting in mid-March. Consequently, household consumption (67% of GDP in 2019) fell considerably and was also affected by rising inflation. To mitigate this trend, the government implemented assistance for the poorest and most vulnerable members of society through increased cash transfers, subsidised employment and deferral of certain tax obligations. Agricultural specialisation, meanwhile, supported exports thanks to the resilience of demand and prices. In 2021, activity should pick up again, but slowly, as domestic restrictions are lifted, as assistance is extended (especially for domestic tourism) and as external demand returns to a stronger trajectory and is better served thanks to the normalisation of supply chains. With the new border closure decided in November 2020 in response to the second wave of COVID-19 in other countries, particularly Argentina, tourism activity could be compromised until March 2021. Investment, especially foreign investment, should pick up again due to the political and social stability that makes the country attractive.

Public and external accounts in deficit, but comfortably financed

The public deficit swelled because of the crisis in 2020. This was partly due to the increase in expenditures related to COVID-19 (2.4% of GDP), while government revenues decreased. The new President Luis Lacalle Pou had committed to budget cuts of USD 900 million (2% of GDP) in 2020, with more targeted spending and better management of state-owned companies, without any impact on social spending. However, due to the health crisis, the government scrapped this commitment, deciding to prioritise support for the economy and social spending. Fiscal consolidation is not expected to occur in 2021, with some assistance being extended and a programme to support tourism being implemented at the end of 2020. The public deficit is thus expected to shrink only slightly in 2021.

The current account went into deficit in 2020 because of the decline in the trade surplus and the downturn in tourism flows. Despite a probable resumption of exports, the trade surplus could be further reduced in 2021 by the increase in imports, particularly of equipment related to the UPM group's project, but also by higher prices for fuel purchases, which will weigh on the current account deficit. FDI and external borrowing should continue to largely finance the current account deficit and debt repayment, paving the way for a moderate increase in the already substantial foreign exchange reserves (13 months of imports in 2019). While public debt is large and has increased as a result of the crisis, the authorities have gradually increased the share denominated in local currency and held by residents (more than half in the second quarter of 2019, compared to barely 30% in 2007) and lengthened its average maturity (14 years), thereby reducing its vulnerability.

A well-established democracy

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% versus 47.48% of the votes). The president took office in March 2020 for a five-year term. The PN failed to win an outright majority in parliamentary elections held in October 2019. 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 was able to obtain a legislative majority. The coalition has 17 of 30 seats in the senate and 57 of 99 deputies in the lower house. Luis Lacalle Pou is the president with the weakest majority since the return of democracy in Uruguay, and the broad spectrum of parties in his coalition may be a source of political fragility. However, his effective handling of the health crisis will give him the political capital to implement a more restrictive fiscal policy and a conservative security line once the crisis is over. In 2020, Uruguay had one of the lowest crime rates in the region, demonstrating greater social and political cohesion. Furthermore, Uruguay is one of the most egalitarian countries (universal medical coverage, free education) in the region, which helps in reducing social risk.

UZBEKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

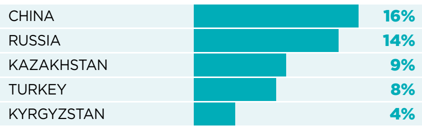
POPULATION Millions of persons - 2019	33.3
GDP PER CAPITA US Dollars - 2019	1,742
CURRENCY Uzbekistan sum	UZS

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	5.4	5.6	1.0	5.5
Inflation (yearly average, %)	17.5	14.5	13.0	10.7
Budget balance * (% GDP)	-2.1	-3.9	-5.6	-3.5
Current account balance (% GDP)	-7.1	-5.6	-6.4	-7.4
Public debt (% GDP)	20.4	29.3	36.1	40.1

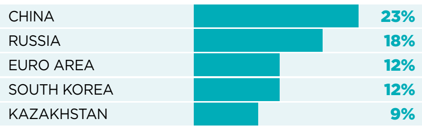
(e): Estimate. (f): Forecast. * Balance including off-budgeted public expenditures financed by borrowing.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- More resilient economy than the rest of Central Asia (more diversified, less sensitive to external shocks)
- Abundant natural resources (gas, gold, copper, hydroelectric potential)
- Young population (50% under the age of 30)
- International financial support, net credit position of the State
- Economic reforms (liberalisation, privatisation, diversification), credit development (42% of GDP, 30% to the private sector) and public investments (electricity, transport, health) encouraging FDI
- Increasingly dynamic bilateral relations and negotiations to conclude preferential trade agreements with key partners (Turkey, Singapore, South Korea, etc.) and an Enhanced Partnership and Cooperation Agreement with the European Union (EU)
- Negotiation process to join the World Trade Organisation (WTO) and observer member of the Eurasian Economic Union (EAEU) since 2020
- Improved relations with Central Asian countries, good diplomatic relations and strategic position between Europe, Russia and China

- Strong dependence on Russia and China (leading trading partners, recipients of 80% of gas exports)
- Dependence on commodities, climate conditions for agriculture (28% of GDP) and remittances (15% of GDP)
- Manufacturing activity still limited (16% of GDP)
- Market structures still weakly competitive (highly concentrated in key sectors) and, although on the rise, low share of the private sector in the economy (50% of GDP)
- High unemployment, low living standards, large rural population and still widespread informality (58% of employment)
- Slow institutional progress (corruption, weakness of parliament, lack of real opposition) that constrains the business environment

RISK ASSESSMENT

Recovery driven by domestic demand and investment

In 2020, Uzbekistan recorded its worst economic performance since 1995. Its growth remained positive and is expected to accelerate in 2021. Restrictions from mid-March to mid-May 2020 and from mid-July to mid-August, including border closures and the closing of non-essential businesses, increased unemployment and poverty, depressing domestic demand. Private consumption (54% of GDP) and services (44% of GDP) were also impacted by the decline in tourism (6% of GDP) and, due to the recessions in Russia and Kazakhstan, in remittances. The rebound in these remittances since May 2020 and the increase in social spending could boost domestic demand in 2021. It is with this in mind that an anti-crisis fund (2% of GDP) has been created to finance transfers to households, with the aim of sustaining them so that the share of households receiving social benefits doubles (to 15%). They are expected to increase the income of the rural population (50% of the total), which will also benefit from the good health of the agricultural sector which, like in 2020, is expected to contribute positively to growth. Investment (39.5% of GDP) is also expected to drive growth, benefiting from credit and the return of FDI in fossil and renewable energies. They are expected to be sensitive to the reform of the energy sector initiated in 2020 to make it more competitive, as well as to the public investment plan in infrastructure (6% of GDP) over 2020-2022, including energy and transport, which will boost the construction sector (10% of GDP).

Together with the slow but continued depreciation of the sum and the rise in food and energy prices, the recovery of domestic demand is expected to keep inflation high. However, the postponement of the increase in utility tariffs is expected to continue bringing it down, in order to reach the target of 5% by 2023, allowing for a decline in the policy rate (14% in December 2020, target of 10% in 2021 and 5% in 2023). Although the average lending rate remains high (18%), growth of credit to the private sector is expected to continue, but it is expected to continue to decelerate after its strong growth in 2018-2019. This will ensure the stability of banks, which are mostly public and exposed to foreign exchange risks, state-owned enterprises (60% of loans), and deterioration of assets (2.4% of non-performing loans).

While the recovery in external demand would benefit industry, the contribution of trade would remain negative. The increase in imports (37% of GDP), particularly of machinery and equipment (31% of the total) and oil (4%), is expected to be greater than that of exports (24% of GDP). However, the good performance of gold (27.5% of the total) is expected to continue and exports of gas (23%) to Russia and China and cotton (9%), are expected to rebound in value and volume.

Public finances soon to be alleviated by privatisation

Support measures in 2020 have widened the deficit, which is expected to reduce in 2021. It was largely financed by concessional borrowing, including USD 1.4 billion (2.4% of GDP) from the Asian Development Bank, the International Monetary Fund (IMF) and the World Bank. It was also financed, after a first issue in 2019, by the issuance of bonds (USD 750 million) denominated in sum and in USD in November 2020. The government is expected to issue a Eurobond (USD 700 million) in 2021 and sum bonds on the domestic market, serving as a benchmark for state-owned enterprises and banks entering the markets with an objective of privatisation by 2025. The principle of the sale of government holdings (25% to 100% in 612 state-owned enterprises, including 32 of the largest) was adopted at the end of 2020. Another plan was adopted in mid-2020 to reduce the State's control over banking assets from 85% to 40%. These plans are expected to reduce the quasi-sovereign risk to the government debt-to-GDP ratio, which, although rising and denominated in foreign currency, is medium- to long-term and concessional.

The current account deficit, which deteriorated due to the decline in remittances and a trade deficit driven by purchases of capital goods to diversify the economy, is expected to deteriorate further in 2021 with the rebound in imports. It will be financed by concessional borrowing, the return of FDI and bond issuances. Foreign exchange reserves remain comfortable (USD 14.3 billion in December 2020, 8.1 months' worth of import coverage), as do gold reserves (USD 20.2 billion). External debt, at 46% of GDP, 74% of which is owed to the public sector, is medium- to long-term.

Major economic reforms but small political reforms

President Mirziyoyev, for thirteen years prime minister to President Karimov who had ruled the country since 1991, and elected in September 2016 after the death of the latter, dominates the political scene. He is very likely to obtain a second five-year term in the presidential elections of December 2021, which should be neither free nor fair. Power remains concentrated in the hands of the president and the parliament consists of parties in his favour. These cosmetic reforms contrast with the many economic reforms to attract investors. This is the case of the one adopted in mid-2020, creating a panel of judges within the Supreme Court to examine disputes with large investors and to provide them with greater legal security.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	27.8
GDP PER CAPITA US Dollars - 2019	2,299
CURRENCY Venezuelan bolívar soberano	VES

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	-19.6	-35.0	-30.0	-10.0
Inflation (yearly average, %)	130,060.0	9,585.0	4,000.0	6,500
Budget balance (% GDP)	-17.8	-9.2	-8.4	-12.9
Current account balance (% GDP)	8.7	8.4	-4.1	-4.1
Public debt* (% GDP)	180.8	232.8	350.0	390.0

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	31%
CHINA	20%
UNITED STATES	10%
UNITED ARAB EMIRATES	10%
EURO AREA	9%

Imports of goods as a %

CHINA	22%
UNITED STATES	13%
EURO AREA	9%
BRAZIL	5%
MEXICO	5%

+

- Major oil reserves along the Orinoco River and offshore gas potential

-

- In default on its sovereign and quasi-sovereign debt (PDVSA), payment delays in everyday business
- Economy heavily dependent on hydrocarbons, loans from China and Russia, and Iranian aid
- Non-transparent and discretionary management of oil revenues
- Hyperinflation
- Shortage of foreign currency and goods (basic foodstuffs, medicines)
- Serious political insecurity
- Crime (homicides), corruption, trafficking of all kinds, black market

RISK ASSESSMENT

A collapsing economy

The Venezuelan economy will enter 2021 with GDP 74% below the level recorded in 2013 when the crisis began. The combined effects of the pandemic at local and global level, and the stepping-up of sanctions by the Trump administration, dealt further blows to an already weakened economy. The COVID-19 crisis led to the introduction of restrictive measures in the country. These measures are expected to be only partially lifted in early 2021, as the virus is still circulating in the country and hospital care capacities are weak, so sluggish household demand is unlikely to be revived. However, the ongoing dollarization of the economy should prevent a return to the hyperinflationary episodes of 2017-2018. In this context, remittances sent by the 5.2 million Venezuelans living abroad will be central in providing foreign exchange to households. As emigration accelerates, structural issues for the economy, such as those presented by an ageing and increasingly uneducated population, will arise. Government spending will continue to be constrained by lack of access to financing, and investment will be non-existent, with even China reluctant to undertake new projects due to poor returns on previous investments. The Trump administration's decision in November 2020 to ban crude-for-diesel swaps, which were previously allowed on humanitarian grounds, will also weaken the economy as a whole. For companies in the non-oil sector, this energy constraint will compound the problem of access to foreign currency for imports. While aid measures have been announced to support companies amid the pandemic, they are unlikely to materialise given the government's weak financing capacity. In the oil sector, production hit record lows in 2020 (367,000 barrels per day in October 2020 against 687,000 in October 2019), while expiring exemptions led PDVSA's last remaining European clients (Repsol, Eni) to terminate their crude orders. The situation is expected to improve only marginally in 2021, assuming the Biden administration reinstates the diesel exemption, as the drop in production is set to continue due to the massive lack of investment and the flight of skilled workers.

External and current accounts in a deep hole

After the semblance of an attempt to consolidate the public finances at the end of 2019 and in 2020 in a bid to break the vicious circle of monetisation of the deficit and hyperinflation, the government was back to its old ways in the run-up to the legislative elections of December 2020. The 2021 budget provides for spending equal to USD 8.1 billion compared to USD 5.4 billion in 2020, mainly driven by social spending. Meanwhile, oil revenues continue to decline, and the country has lost access to multilateral financing following the 2017 suspension of interest and principal payments on 2019 and 2024 bonds. The amount of arrears was four times the amount available in reserves in June 2020. In partial default, the country was only able to obtain a moratorium from China, its main creditor, on USD 19 billion in debt (repaid in oil deliveries) until the end of 2020, with no extension to 2021 so far.

Because of the collapse in refining capacity, Venezuela now imports gas condensate from Iran to be mixed with its crude to make it exportable. The fall in crude oil production, coupled with the necessary discount to sell lower quality crude subject to North American sanctions (a barrel sold at around USD 27 versus USD 40-50 a barrel for Brent in 2020), leaves a major hole in export earnings. A structural transformation appears to be underway in an effort to give non-oil activities, which are still weak, a bigger share of the country's exports. After contracting sharply in 2020, imports will increase marginally with the smaller drop in activity. This will generate a trade deficit that will not be compensated by expatriate remittances, leaving the current account in deficit. Pressure on international reserves, now mainly composed of gold rather than foreign currency, will increase. Exchange rate pressures will also increase, after the accelerated monetisation of the deficit by the central bank ahead of the elections pushed the bolivar below 1 million to 1 USD, closing the gap with the unofficial exchange rate.

Regime change still unlikely

Despite the recognition of Juan Guaido, president of the national assembly, as the legitimate head of state by the majority of the international community, President Nicolás Maduro, who has the backing of the military, seems disinclined to relinquish power. The legislative elections of December 2020, in which the opposition refused to participate, allowed the regime to regain control of the last institutional bastion held by the opposition. The departure of opposition leader Leopoldo Lopez, who escaped the regime by fleeing to Spain, has not changed the situation. The Guaido camp suffered a major blow after a U.S. court ruled in November 2020 to uphold demands by bond creditors to seize a portion of Citgo, the country's only remaining profitable asset, which is located in the United States. The election of Joe Biden in the United States is also unlikely to change the country's position towards the regime, with bipartisan support in Congress for sanctions.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2019	96.5
GDP PER CAPITA US Dollars - 2019	3,416
CURRENCY Vietnamese đồng	VND

Main economic indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	7.1	6.8	2.9	7.8
Inflation (yearly average, %)	3.5	2.8	3.8	3.9
Budget balance (% GDP)	-1.0	-3.3	-6.0	-5.0
Current account balance (% GDP)	1.9	3.4	1.7	0.9
Public debt (% GDP)	43.6	43.4	46.6	45.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	24%
CHINA	16%
EURO AREA	12%
JAPAN	8%
SOUTH KOREA	8%

Imports of goods as a % of total

CHINA	30%
SOUTH KOREA	19%
JAPAN	8%
TAIWAN	6%
UNITED STATES	6%

- Dynamic economy featuring one of the fastest growth rates in the region
- Development strategy based upon production upscaling and diversification from footwear, apparel, and furniture into electronics: manufacturing accounts for 35% to GDP
- Development of fish and crustacean production
- Large labour pool and low labour costs
- Strong agricultural potential and good endowment of natural resources
- Potential beneficiary of the U.S.-China trade war

- Shortcomings in the business climate, led by concerns surrounding data transparency and corruption perceptions
- Incomplete reforms of the public sector, with a high level of indebtedness amongst SOEs and diminishing ROAs.
- Inadequate infrastructure levels
- Increasing inequalities
- Fragile banking system

RISK ASSESSMENT

Reaching growth momentum in 2021

Growth is set to rebound faster than for ASEAN peers in 2021, as the government managed to keep the pandemic under control in 2020 and unveiled a COVID-19 relief fiscal support package (3.6% of GDP) in April 2020 in order to support the economy. Despite sluggish global external demand, the economy has experienced an increase in exports of steel, electronics and personal computers, as the global workforce has been working from home due to the pandemic. Furthermore, the recent free trade agreement ratified with the EU – a top trade partner (accounting for 18.4% of total exports in 2019) – in August 2020 should further boost exports (75% of GDP). The economy has also been benefiting from supply-chain shifts from China as firms seek to avoid U.S.-China trade war tariffs. This led to a surge in exports to the U.S. and fuelled a trade surplus that reached record highs, prompting the U.S. administration to launch an investigation into Vietnam, which led to a preliminary anti-subsidy tariff on vehicle tires from Vietnam (6%-10% tariff range) due to an undervalued currency, and potentially more tariffs could come. Vietnam has been placed on the U.S. Treasury's currency manipulation watch list since 2019 given its undervalued currency against the dollar, the current account surplus and the trade surplus with the United States.

Foreign direct investment (FDI) dropped by 19% in the first nine months of 2020. It should bounce back with the pandemic under control, and thanks to foreign investors seeking for diversification and moving out businesses from China. Tourism, which accounted for less than 10% of GDP in 2019, took a toll as international borders were closed from March 2020 onwards. Domestic tourism supported by government incentives could partly offset the impact, as social distancing rules have been eased since May 2020. Household consumption (53% of GDP), supported by a recovery on the labour market (unemployment dropped to 2.5% in September 2020 after peaking in June), will recover gradually since restrictions on movement were quickly removed. Inflation could get closer to the 4% target in 2021 (but remain below it), which would allow the State Bank of Vietnam (SBV) to implement further monetary easing, in order to continue supporting the growth momentum.

Fiscal deficit set to narrow on the back of stronger growth

The fiscal deficit will narrow slightly in 2021 thanks to stronger fiscal revenue collection supported by a continued economic recovery. That said, it will not return to its pre-crisis level. Expenditures should continue to grow faster than revenues, as the government is seeking to accelerate disbursements for public investments on major infrastructure projects, which only met 57% of the target set by the Prime Minister in the first nine months of 2020. The pandemic, combined with difficulties between local authorities and landowners in reaching agreements on land handover, delayed infrastructure projects. The public debt-to-GDP ratio should decrease slightly, favoured by the growth momentum and a contained budget deficit. However, the debt remains exposed to currency risks as 46% of the public debt is denominated in foreign currency.

The trade balance (and current account) surplus is likely to narrow because of a still weak global demand, although partially offset by a shift in global value chains from China and the recent trade agreement with the EU. Imports should continue to strengthen due to the revival in consumption and investment demand. FDI will largely continue to finance the deficit. Foreign exchanges reserves remain adequate, equalling 3.8 months of import as of July 2020.

A leadership reshuffle to be expected

The Communist Party of Vietnam (CPV) has maintained a unitary government, which has centralized control over the state, media and military. The CPV should expect a leadership reshuffle in February 2021 during the 13th National Congress, with seven members of the current Politburo set to retire. Given that such discussions are opaque in Vietnam, as media is run by the state, it may be difficult to predict the shift in political figures. Externally, tensions with China over the South China Sea dispute recently eased, as Vietnam is calling for talks while China has launched military exercises, including drills near the Paracels islands. Both are seeking further cooperation this year, marking the 70th anniversary of diplomatic relations between the two countries.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2019	31.6
GDP PER CAPITA US Dollars - 2019	713
CURRENCY Yemeni rial	YER

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	0.7	2.1	-5.0	0.5
Inflation (yearly average, %)	27.6	10.0	26.0	31.0
Budget balance (% GDP)	-7.8	-5.3	-9.0	-6.0
Current account balance (% GDP)	-2.0	-3.9	-6.5	-8.0
Public debt (% GDP)	74.5	76.5	81.5	80.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	26%
AUSTRALIA	16%
MALAYSIA	13%
EGYPT	4%
VIETNAM	2%

Imports of goods as a % of total

UNITED ARAB EMIRATES	24%
CHINA	10%
SAUDI ARABIA	6%
OMAN	5%
TURKEY	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
- Severe demographic pressure
- Poor business climate (bureaucracy, corruption, destroyed or non-existent infrastructure)
- Scarce water resources
- Restricted access to foreign exchange, maritime blockade

RISK ASSESSMENT

The war drags on

In 2020, affected by the coronavirus, major floods and five years of war, Yemen sank further into one of the world's worst humanitarian crises.

The country is ruled by two administrations: the Revolutionary Committee, led by Mohammed al-Houti in the north, and the alliance established in December 2020 between the internationally recognised Hadi government and the CST, led by its president Aidarous al-Zubaid who initially controlled the south of the country. This new unity government allows the reconstitution of an anti-Hadi front and provides for the balanced distribution of the 24 ministries between the two camps with Moeen Abdulmalik Saeed, former Prime Minister of the Hadi government, as head of government. After a brief truce following the COVID-19 pandemic, fighting resumed after the summer in the south of the country, raising doubts about the possibility of reconciliation between the two sides in the short term. Furthermore, the Houthis, who have held the north of the country for several years, are fighting to gain control of the Marib region. The last region in the north controlled by the Hadi government and long considered a refuge for internally displaced persons, Marib has significant and coveted oil resources. The Houthis are in the process of winning the region, which would deal a fatal blow to the unity government by stripping it of a large share of its tax revenues. The conflict continues to be fuelled by foreign interference, which is preventing peace. The coalition of mainly Arab countries opposing the Houthi rebels is dominated by Saudi Arabia, while Iran remains the only country to officially support them. However, states in the region are seeking to extricate themselves from a conflict that has dragged on for years. The United Arab Emirates has sharply reduced its military involvement, and Saudi Arabia, although a major supporter of Hadi, is trying to end a war that has cost it almost USD 100 billion.

Moreover, the country faces the threat posed by the oil tanker Safer, which has been moored off the coast of Hodeida for several years and could spill more than a million barrels of crude oil onto the Red Sea coast, unleashing an unprecedented environmental disaster.

No recovery expected for 2021

The country's economy was badly affected by the civil war, but also by the coronavirus, which limited remittances and foreign aid from Gulf countries. Activity fell by 5% in 2020, and growth is expected to show a very slight recovery in 2021. Private consumption declined because of numerous shortages of necessities, lockdown measures and the sharp rise in inflation. It is expected to fall further in 2021, driven down by the continuing conflict and inflation. Inflation is being stoked by a range of factors, including depreciation of the Yemeni riyal, which lost about 30% of its value on the black market in the space of a year.

In 2020, the oil sector suffered from falling prices and a slowdown in production because of the conflict. However, in 2021 it will get a lift from favourable oil prices. The agricultural sector, which employs more than half of the workforce, was severely affected after exceptional floods destroyed crops. The floods damaged the country's already very dilapidated water and electricity systems. With only half of all medical facilities in working order, the floods increased the risks associated with the country's cholera epidemic.

Large public and current account deficits

The current account deficit widened in 2020 despite an improvement in the trade deficit, as imports declined because of currency depreciation and the naval blockade of Houthi-controlled territories. In 2021, the trade balance will benefit from a resumption in exports (+60% according to the IMF), although it will be hurt by the rise in the price of oil, as the country is a net importer. The 70% drop in remittances, which represent 10% of GDP, weighed heavily on the balance of transfers. Financing the deficit will be difficult, as the central bank has almost exhausted its foreign exchange reserves. However, it will be made possible by the multilateral and bilateral international aid that the country receives (even though the USD 1.35 billion raised at the donors' conference for Yemen in June 2020 was only half of what was collected in 2019).

The public deficit grew in 2020 as the country faced a decline in oil revenues (the main source of income) and tax collection challenges. Public debt has thus increased but repayment will be facilitated by the debt service suspension initiative granted by the Paris Club, which will result in savings of USD 211 million, or 0.9% of GDP.

ZAMBIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2019	18.3
GDP PER CAPITA US Dollars - 2019	1,318
CURRENCY Zambian kwacha	ZMW

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	4.0	1.4	-2.1	0.5
Inflation (yearly average, %)	7.5	9.1	15.7	15.0
Budget balance (% GDP)	-7.6	-9.1	-12.0	-10.0
Current account balance (% GDP)	-1.3	0.6	1.2	-0.4
Public debt (% GDP)	77.2	91.9	120.5	120.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	40%
CHINA	21%
CONGO DR	12%
SINGAPORE	8%
UNITED KINGDOM	4%

Imports of goods as a % of total

SOUTH AFRICA	31%
CHINA	14%
UNITED ARAB EMIRATES	10%
EURO AREA	6%
INDIA	5%

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- Mineral wealth (copper, cobalt, uranium, gold, diamonds, manganese)
- Agricultural wealth (maize, tobacco)
- Significant hydroelectric potential

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- 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
- Sovereign default in 2020 and unsustainable external debt

Debt crisis succeeds pandemic crisis

In 2020, the economy recorded its first full year of recession since 1998, with the impact of the COVID-19 pandemic exacerbating an already unfavourable situation. In 2021, recovery will be sluggish, constrained by the debt crisis. It will be mainly driven by household consumption, which should benefit from the easing of restrictions associated with the pandemic. However, high inflation, which will be sustained by the depreciation of the kwacha and a probable rise in electricity prices, will contain the rebound. After defaulting on its debt in November 2020, Zambia will be cut off from much of its external financing. In the absence of this financing, fiscal consolidation policies are likely to impact the contribution of public investment and consumption. In particular, the lack of external credits will be an obstacle to electricity imports. Low water levels at the Kariba hydroelectric dam, which generates power for the mineral-rich Copperbelt province, have already prompted the Minister of Energy to warn of electricity rationing until March 2021. This is expected to affect activity in the mining sector. Thus, while copper prices (about 70% of goods exports) are expected to be more favourable in 2021, export volumes could be hurt by power supply shortages, like in 2019. Furthermore, with tourism making a timid recovery, the contribution of foreign trade will probably be limited. Reputational damage caused by the sovereign default, coupled with changes to the operating environment, especially in the mining sector, will hamper the contribution from private investment. Investor and consumer confidence could also be undermined by an unstable social climate in an election year.

Post-default budgetary and external challenges start to build

While the country was already on a worrying debt trajectory, the post-pandemic crisis made default inevitable. It became official on 13 November 2020, 30 days after Zambia missed the deadline for a USD 42.5 million coupon payment on one of its three Eurobonds. This followed chronic budget deficits financed by non-concessional external debt (more than 75% of the external debt), which also comprised loans from China and syndicated loans. The kwacha's almost decade-long depreciation has further increased the debt burden, 65% of which is denominated in foreign currency. As a result, the country is expected to face difficulties in obtaining external financing, forcing the government to cut spending, particularly on capital investment. Consequently, the budget deficit is expected to narrow in 2021, but will remain high, fuelled by the cost of debt as, despite benefiting from the G20 debt service suspension initiative, debt servicing will be only marginally eased and will absorb over 40% of the budget, according to the 2021 budget. While the government hopes to conclude restructuring agreements, these may take time. Progress in these talks will also depend on whether an agreement is reached with the IMF. In this context, the government, which has pledged not to take out new external commercial loans, is expected to increase domestic borrowing to finance the deficit.

In 2021, after two consecutive years of surplus, the current account is expected to return to deficit, following a reduction in the trade surplus, with imports set to rebound after declining for two consecutive years, despite a jump in copper exports. A recovery in tourism should help to reduce the services deficit, but debt service payments will fuel the income deficit. Current international cooperation, following the default, is expected to decline, limiting the positive contribution from the transfer account. Weak capital flows are also expected to lead to a deficit in the financial and capital accounts, maintaining the country's fragile external position. Therefore, severe pressure will continue to be exerted on foreign exchange reserves (about two months of imports covered) and the kwacha, which depreciated by more than 30% in 2020.

Controversial elections ahead in 2021?

Edgar Lungu, a member of the Patriotic Front (PF), who was elected in 2016, will undoubtedly stand for re-election in August 2021, despite the controversy surrounding his candidacy. Zambia's Constitutional Court ruled in 2018 that the 18-month interim period (2015-2016) served by the president following the death of Michael Sata did not constitute a first term and that he could therefore run without exceeding the limit of two terms. After two years of declining per capita income, probably followed by a third in 2021, the debt crisis, widespread poverty, the perception of an authoritarian shift and tension over China's role in the country will fuel social frustration and could undermine support for the PF and Edgar Lungu. While he avoided a second round in 2016 by squeaking past the 50% threshold, the president may have to face one this time around. He could come up against Hakainde Hichilema, the candidate of the United Party for National Development (UPND), whom he had already faced in 2016. A victory for President Lungu and the PF in the legislative elections would probably be challenged. The aborted October 2020 attempt at a constitutional reform, criticised as an attempt to consolidate the power of the PF and the president, is an indicator that the electoral process is likely to feature controversy. Threats to withdraw Glencore's mining licence in April 2020 were another signal to participants of a deteriorating business climate. In 2021, the precarious health of public finances may push the government to increase mining taxes, in a further blow to sector participants.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2019**	**14.9**
GDP PER CAPITA US Dollars - **2019**	**1,254**
CURRENCY Zimbabwean dollar	**ZWL**

Main Economic Indicators	2018	2019	2020 (e)	2021 (f)
GDP growth (%)	3.1	-8.1	-11.4	2.5
Inflation (yearly average, %)	10.5	237.3	621.5	118.2
Budget balance (% GDP)	-5.9	0.3	-1.2	-3.1
Current account balance (% GDP)	-5.3	0.2	6.3	3.1
Public debt (% GDP)	61.4	53.8	63.1	64.9

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

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	59%
UNITED ARAB EMIRATES	23%
MOZAMBIQUE	10%
EURO AREA	2%
BOTSWANA	1%

Imports of goods as a % of total

SOUTH AFRICA	49%
UNITED STATES	4%
CHINA	3%
BOTSWANA	2%
MALAWI	2%

- Abundant mining resources (platinum, gold, diamonds, nickel)
- Agricultural wealth (maize, tobacco, cotton)
- Tourism development potential
- Member of the SADC (Southern African Development Community)

- Liquidity and currency shortages
- Economic and financial situation affected by the long period of hyperinflation (2000 to 2009)
- Under-investment in infrastructure (especially energy)
- Precarious food and health situations: the majority of the population depends on humanitarian aid and AIDS prevalence rates are among the highest in Africa and the world
- Payment arrears with international donors
- Subject to numerous international sanctions

RISK ASSESSMENT

The economic crisis continues

Due to the rapid devaluation of the new currency, a restrictive fiscal policy, drought, power supply disruptions, Cyclone Idai and the COVID-19 pandemic, activity recorded two consecutive years of sharp contraction in 2019 and 2020. While the economy is expected to return to growth in 2021, the outlook remains very difficult. A modest rebound in household consumption, due to the easing of social distancing measures, will be stifled by persistent foreign exchange shortages and still very high inflation. Furthermore, even if the drought gradually subsides, the impact of pandemic-related movement restrictions on planning for the next harvest and the difficulty for farmers to obtain inputs is expected to threaten the income of those dependent on farming revenues (60-70% of the population). Concomitantly, the slow pace of the country's international re-engagement since the September 2018 elections means that it remains largely deprived of external financing due to its debt arrears. The contribution of public investment is therefore expected to be negative. This economic context, coupled with an unpredictable and constraining business climate, will not be conducive to private investment. This will also be hampered by the tightening of lending conditions, with the increase in the key rate from 15% to 35% in June 2020 aimed at curbing the depreciation of the Zimbabwean dollar. If the likely disruptions to electricity supply (after Zambia warned of the low water level of the Kariba dam, which supplies electricity to both countries) do not disrupt activity in the mining sector, exports could benefit from gold prices and, to a lesser extent, of platinoids, which are expected to remain relatively high.

The Zimbabwean dollar in a tailspin

In 2021, the budget deficit is projected to widen because of increased spending to meet high social needs. In a context of very high inflation, recurrent strikes in the civil service, particularly among teachers, have already pushed the government to increase wages by 41%. These will put pressure on the state wage bill, which absorbs more than 40% of revenues. Nevertheless, very limited government revenue and borrowing capacity will limit the execution of spending, especially capital investment. Financing constraints, which could hamper the achievement of the objectives of the new National Development Strategy 2021-2025 presented in November 2020, and the government's ability to respond to social demands, could encourage financing through the printing of money, which would fuel currency depreciation and inflation.

Following two years of recession that took a toll on imports, the current account would have recorded surpluses in 2019 and 2020. In 2021, it is expected to remain in surplus, again thanks to low imports and a surplus in the transfer account. However, mainly driven by remittances from expatriates in South Africa, the current account is expected to shrink, after surging in 2020 due to travel restrictions that have led to the use of official channels. Weak domestic demand will continue to weigh on inward trade flows, but the recovery in exports, still limited, is expected to maintain the trade deficit. The narrower income account deficit is also expected to remain. Weak capital and FDI flows will maintain the net external liability position, forcing the country to accumulate external arrears.

With demand for the U.S. dollar remaining strong, the adjustment following the collapse of the multi-currency regime (introduced after the hyperinflation episode in 2009) is expected to continue. After the break in the formal parity between locally issued quasi-currencies (RTGS dollar) and the USD (February 2019), the change to the name of the currency and the formal abandonment of the multi-currency system (June 2019), and the introduction of the new Zimbabwean dollar (November 2019), the exchange rate regime underwent another new reform in June 2020. The currency peg was removed, and an auction system introduced. Although the Zimbabwean dollar lost about 80% of its value in 2020, reducing the gap with parallel market exchange rates, depreciation will continue in 2021. With insufficient foreign exchange reserves to cover more than a few weeks of imports, the central bank does not have the capacity to support the currency.

Emmerson Mnangagwa faces growing risk to his authority

President Emmerson Mnangagwa came to power following the "army assisted transition" of November 2017, which forced the resignation of President Robert Mugabe. Despite his victory and that of ZANU-PF (in power since independence) in the 2018 general elections, he will continue to be weakened by a very difficult social and political climate. The lockdown and management of the pandemic come in addition to the fierce protests fuelled by a long economic crisis that has led to shortages of necessities. The year 2021 will therefore be further troubled by social unrest, while a new law criminalising criticism of the country's human rights record (October 2020) signals an increasingly limited tolerance for dissent. The growing social risk increases the likelihood that President Mnangagwa's regime will lose the crucial support of the military.

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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