COUNTRY & SECTOR RISKS HANDBOOK 2022

MAJOR TRENDS OF THE WORLD ECONOMY

ANALYSIS AND FORECAST FOR 162 COUNTRIES AND 13 SECTORS

coface
FOR TRADE

This handbook is intended for:

— Corporate executives with decisions to make in terms of export, project launches, or investment in high risk countries;

— Managers of risk or international operations in banking, multilateral financial institutions, and insurance or reinsurance companies (acting in a private capacity or on behalf of government);

— Government managers concerned with country risk;

— Consultants and lawyers specialized in international business;

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

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ANALYSIS AND FORECASTS FOR 162 COUNTRIES AND 13 SECTORS

CONTENTS

2022: What kind of landing for the world economy?

— Xavier Durand —
CEO of Coface

Although the year 2021 began under bad auspices, despite the arrival of the first vaccines in the autumn of 2020, it turned out far better than we initially feared. The restrictions imposed in the winter and, to a lesser extent, during spring, did not derail our scenario of a strong rebound in activity: global growth should exceed 5.5%, the best annual performance since the first oil shock (1973) - after, admittedly, the strongest recession recorded in the post-war era (-3.4% in 2020). No matter how flattering these figures are, last year has not been smooth: the reopening of economies and the recovery in trade have sometimes (often) been chaotic, under the perpetual threat of an epidemic recovery, with volatility at all levels. Above all, and in line with what we wrote a year ago, this recovery has been fragmented. On the one hand, advanced countries, thanks to fiscal support and liquidity policies (authorised by ultra-accommodative monetary policies), have kept entire sectors of the economy afloat until the spread of vaccines allowed them to reopen. On the other hand, the least developed countries, with little or no room for manoeuvre in their budgets and currencies, have been infinitely slower to progress with immunisation - when it was possible to launch the process. In the middle, there is a multitude of cases, all - or almost all - specific. These vary according to the emergence of new viral mutations and the resulting epidemic rebounds, the responses of public authorities in terms of health and budget, sectoral and geographical production specialisations and, lastly, the factorial endowments of each country - particularly in terms of energy and mineral resources.

Beyond this dispersion of national performances, 2021 was also marked by very strong disruptions in the value chains. Caused by the disorganisation of production processes (factory closures, restrictions, availability of labour, etc.) and international trade (different health standards and protocols, non-recognition of some vaccines, etc.), these disruptions have led to an increase in bottlenecks, longer supply times and higher input prices. The magnitude of the phenomenon can be observed by looking at the following figures: a doubling of shipping times from China to Europe and the United States (from 50-60 days from the supplier's warehouse to the port of destination before the crisis, to over 110 days in 2021), a threefold increase in the time taken to unload containers in the port of Los Angeles (from around 3 days to almost 9 days), a 50% increase in average supply times for the entire U.S. manufacturing industry (from 60 to 90 days). Furthermore, delivery periods for electronic chips have doubled (from 12 to over 22 weeks) due to the global semiconductor shortage, which alone accounts for more than 10% of the drop in global automobile production, at an estimated cost of over USD 200 billion for the sector as a whole.

These disruptions in the manufacturing value chains largely explain the underperformance - seemingly paradoxical in a phase of rebounding world trade - of the most open and industrialised economies, led by Germany, where the supply difficulties encountered in the automotive sector cost over 1.5 percentage points of GDP last year (nearly one point in Mexico and the Czech Republic, 0.7 points in Japan, etc.).

The very sharp rise in the price of commodities, particularly metals and energy, is the other major factor explaining this "take-over" of the most tertiary economies - with a few exceptions (countries highly dependent on tourism in particular) - over the industrial economies in 2021. On a global scale, commodity prices increased by almost 50% on average over the year - by more than 65% for energy and by almost 35% for non-energy commodities (45% for the main metals used in industry). Here as well, there are strong national and regional disparities, the case of natural gas being the most striking example in this regard.

The main consequence of these bottlenecks and soaring commodity prices has been the return to the fore of an issue that had been off the radar of developed countries for several decades, and which will be at the heart of the economic and social agenda in 2022: inflation.

What will 2022 look like? While a few weeks ago, under the effect of Omicron, one might have feared a massive and generalized return of restrictions, the contrast with the beginning of 2021 is striking: with rare exceptions, this was not the case. The upsurge in volatility and the deterioration in expectations were only short-lived, with leading indicators and stock prices quickly returning to their highs, signalling that macroeconomic momentum remains favourable despite a still uncertain health context. There are two main reasons behind this: first, the Omicron variant turned out to be more contagious than lethal; second, and more importantly, we have gradually learned to live with the virus. Economically at least, the successive epidemic waves have caused less and less economic damage, despite the recurrent stress on health services. Despite its imperfections, vaccination - which reaches or exceeds 80% in most developed countries - is obviously a major factor. Nevertheless, it remains insufficient at the global level (~50%) to avert the health hazard definitively. We therefore believe it is crucial to extend vaccination coverage beyond the advanced countries, starting with the poorest countries, where full vaccination rates are often below 5%. This is obviously for ethical reasons, but

“2021 saw the return to the forefront of an issue that had been off the radar of developed countries for several decades and will be at the heart of the economic and social agenda in 2022: inflation.”
— Xavier Durand

not only: since the virus mutates where it can spread and circulate freely, vaccination of everyone in all countries is of paramount importance. However, this is something that developed countries have yet to realise. Incidentally, the symmetry between epidemic risk management and climate risk management is quite striking in this instance: a worldwide risk can only be managed efficiently and sustainably on a global scale. Twenty-four months of pandemic have clearly shown that COVID-19 variants, like greenhouse gases, ignore the borders that humans can erect.

So, what do we expect for 2022? Excluding the occurrence of extreme risks, the probability of which has increased significantly in recent months (Ukraine, etc.), our scenario is that of a gradual landing of the world economy (+4.1%) after the very strong rebound recorded last year (+5.6%). We could have spoken of “normalisation” rather than landing, but that would require first identifying, and then at least briefly defining, what “normality” means now. Is there a new normal? If so, how is it? What is, as the saying goes, the “world after”? The health crisis was able to create (at least initially) a feeling of belonging to a single community, with a shared destiny, and to bring back to the forefront (at least in some statements) the indispensable respect of environmental balances and aspirations for greater inclusion. However, the widening of inequalities observed since the beginning of the crisis and the conclusions of the COP26 have reminded us that this hypothetical new normal has yet to be constructed, if not (collectively) defined. In purely macroeconomic terms, what is the “normal” level of interest rates, when public (and private) debt has risen dramatically, to unprecedented levels in peacetime? Correspondingly, what is the level of potential GDP and what is the potential growth of world GDP? Are they higher than before the crisis because of, for instance, the progress made in terms of digitalisation and innovation? Are they lower because of capacity destruction, or because the process of creative destruction has been (at least partially) prevented by government intervention? As is often the case, these questions can only be answered definitively with the necessary hindsight, as the premature diagnoses made here and there are mostly the result of hazardous conjecture at best, and, very often, of some form of dogmatism.

Needless to say, the “soft” landing that we foresee in our scenario for 2022 is not guaranteed: numerous uncertainties remain and seldom have there been so many. The crisis we have been experiencing for the past two years is multidimensional, with these dimensions being closely linked to each other: health crisis, economic crisis, energy crisis, geopolitical crisis, climate crisis, and soon (or already the case in some countries) social and political crisis. Rising inflation, especially when it affects primary needs (food, energy, etc.), feeds social discontent and increases the risk of an uprising in many countries: the Coface indicator of social and political fragility, which rose sharply at the end of 2021 and reached its highest levels in both emerging and developed countries, is in line with this observation.

In the best-case scenario, i.e. if the exogenous risks already mentioned do not materialise, the risks associated with a fiscal and/or monetary misstep will return to the forefront. Indeed, the landing that we foresee would inevitably be accompanied by a normalisation of the policy mix, which has already begun in many countries, and we know, in all clarity, what this means on such occasions.

While the lessons of the European sovereign crisis seem to have been learnt and should act as a shield against fast-paced fiscal consolidation, the gradual withdrawal of corporate support schemes should bring back counterpart risk after, once again, two years of abnormality. The process has already begun, with business insolvencies on a firm upward trajectory in the UK (+11% in 2021) and Spain (+23% over the first three quarters).

On the monetary front, the main risk is that of an over-reaction by the main central banks, led by the FED and the ECB, which are increasingly being criticised for their alleged delay in curbing more persistent inflation than expected. Beyond the traditional risk that a rise in U.S. rates poses to many emerging countries, a sudden tightening of financial conditions would also affect the advanced economies. Given the levels of indebtedness and asset valuations, the next episode of this protean crisis could be one of further financial turbulence, leading to a much bumpier landing than currently anticipated. In this regard, the likelihood that, in a year’s time, the main topic will be deflation rather than inflation should not be underestimated either.

The twenty-sixth edition of this guide addresses all these questions and attempts to answer them by adopting, as usual, a dual geographical and sectoral approach. 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

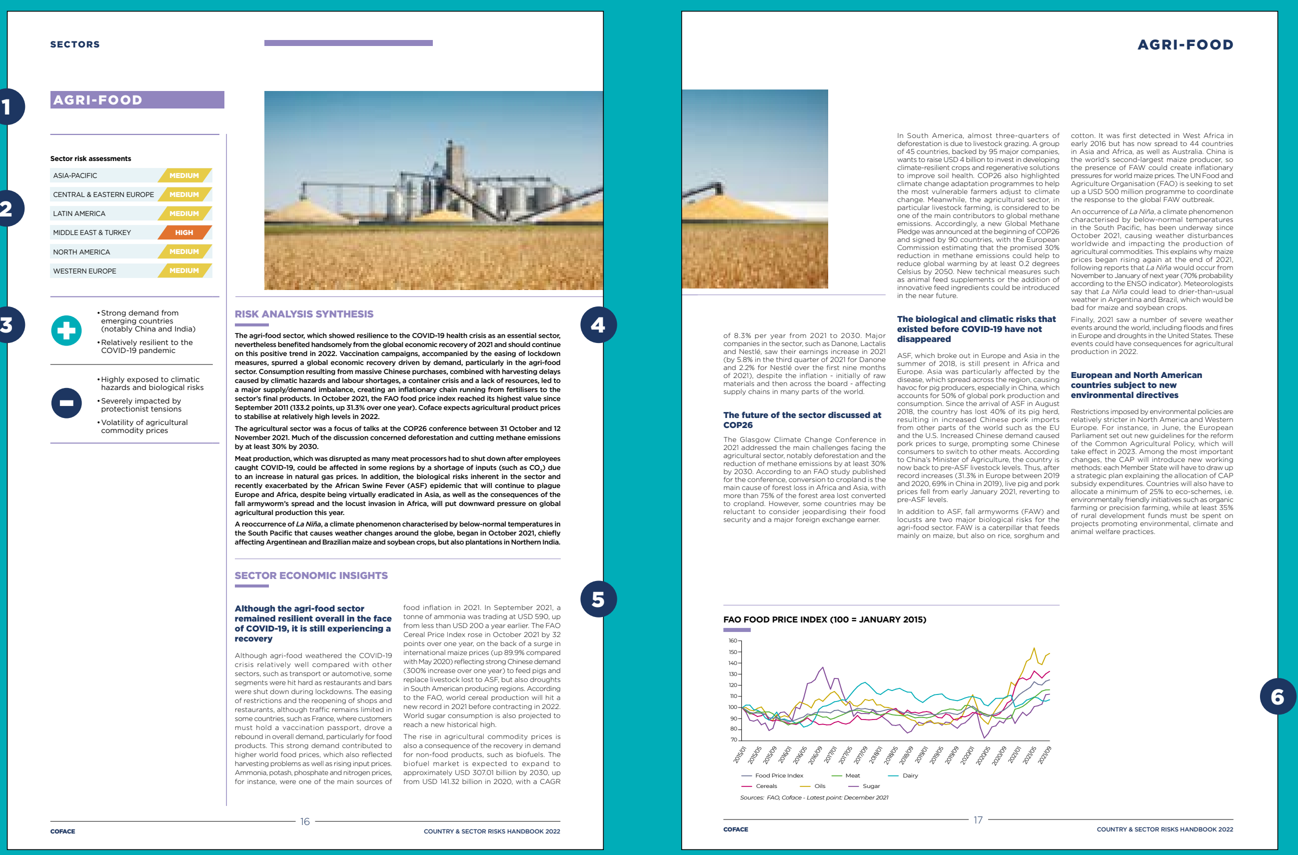
You will find in this section a synthetic analysis of economic and financial development in the markets as well as main risks in the sector in terms of global trends. It broadly summarizes insights presented in the Sector Economic Insights section.

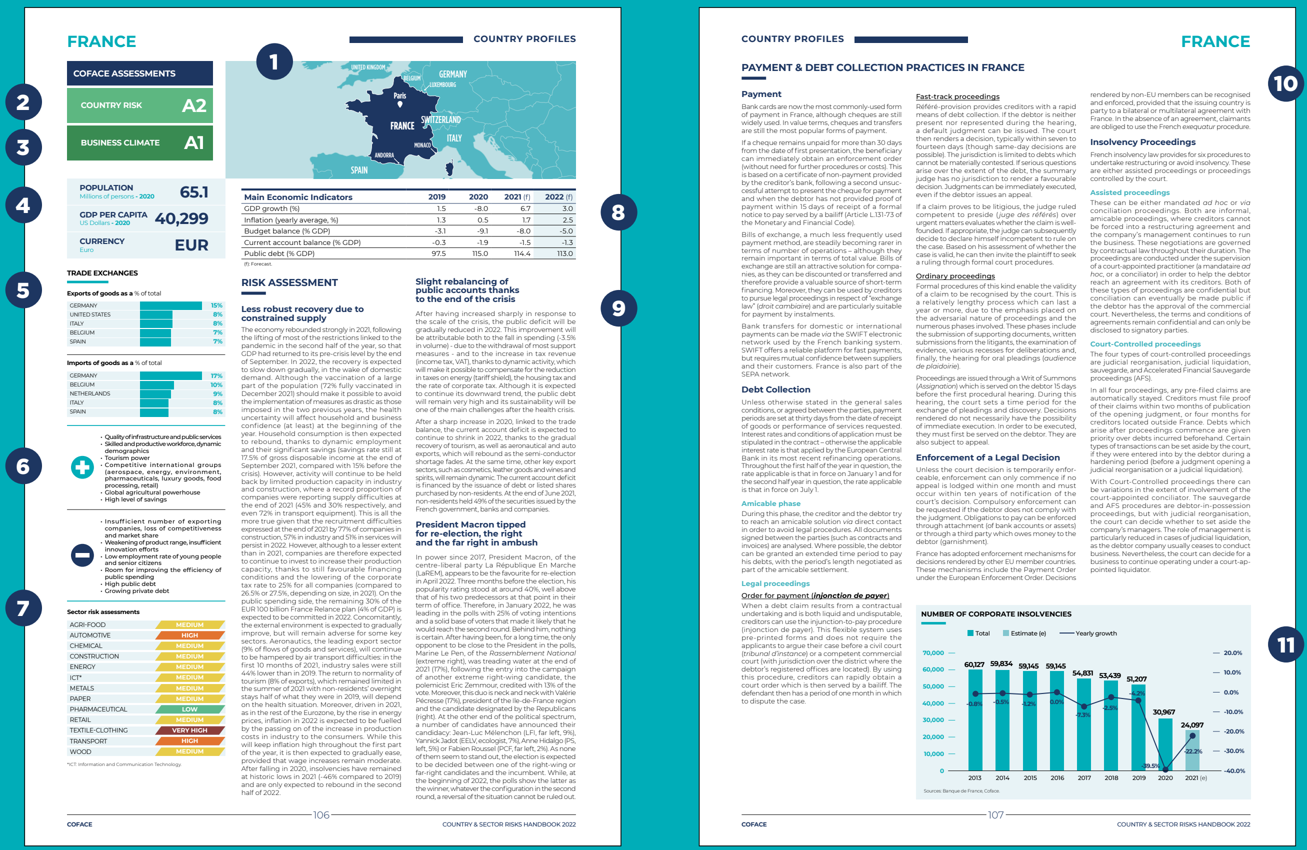
5 Sector Economic Insights

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 2020, the GDP per capita in 2020, 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 2020.

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 how companies' payment behaviour is influenced by the country's economic, financial and political outlook, as well as by the business environment and the emergence of climate risk. It is based on six pillars: macroeconomic analysis, banking system review, political developments, climate risk, but also the assessment of the business environment by Coface entities worldwide, as well as the payment experience recorded by Coface. The country risk assessment covers 162 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 162 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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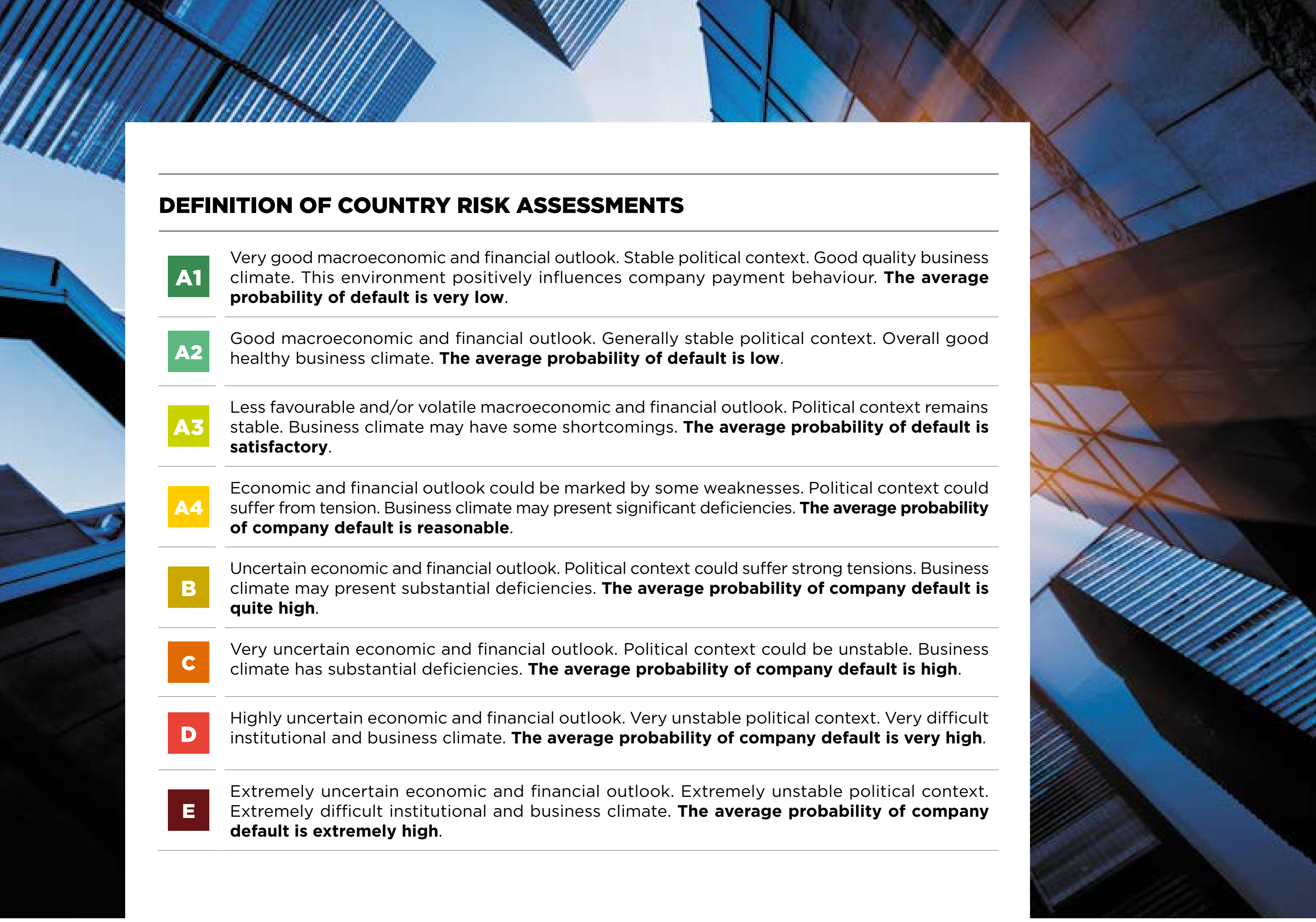
* Assessments and studies available on http://www.coface.com/Economic-Studies-and-Country-Risks.



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.

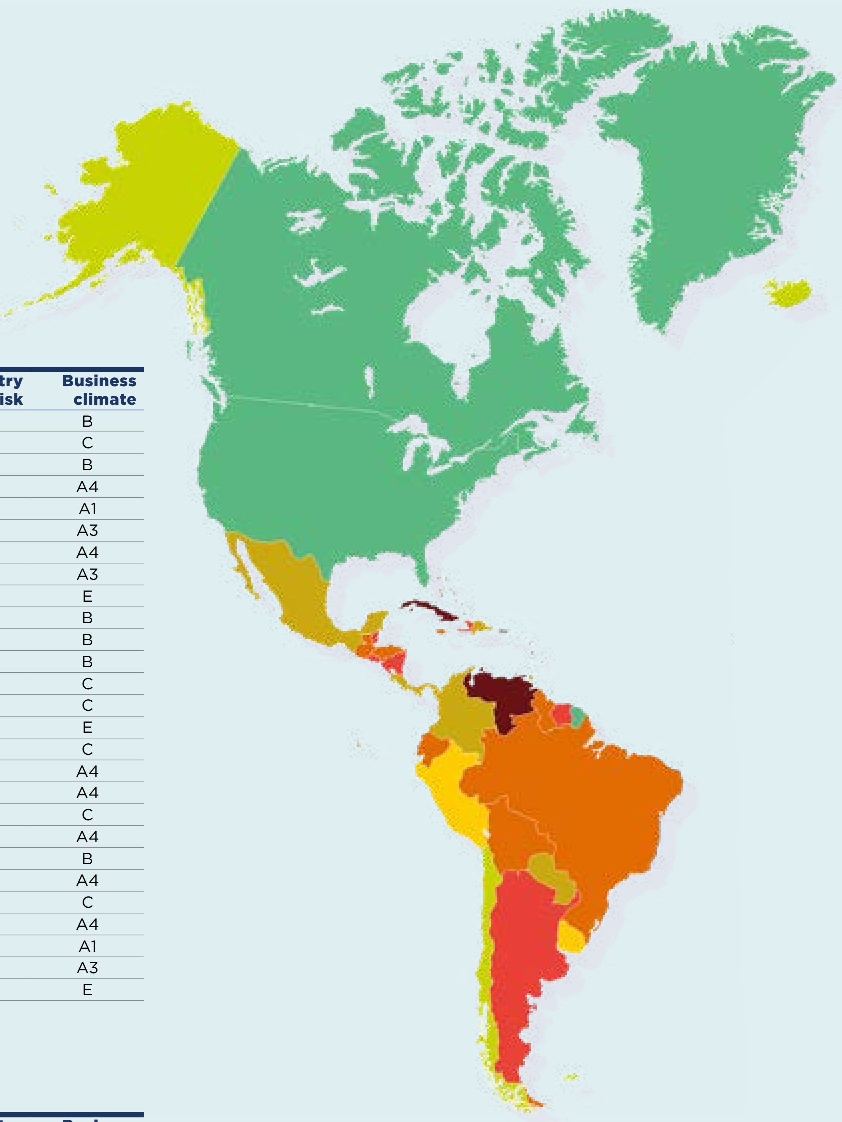
— You can find them on page 14

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 2021

UPGRADES IN 2021



AMERICAS

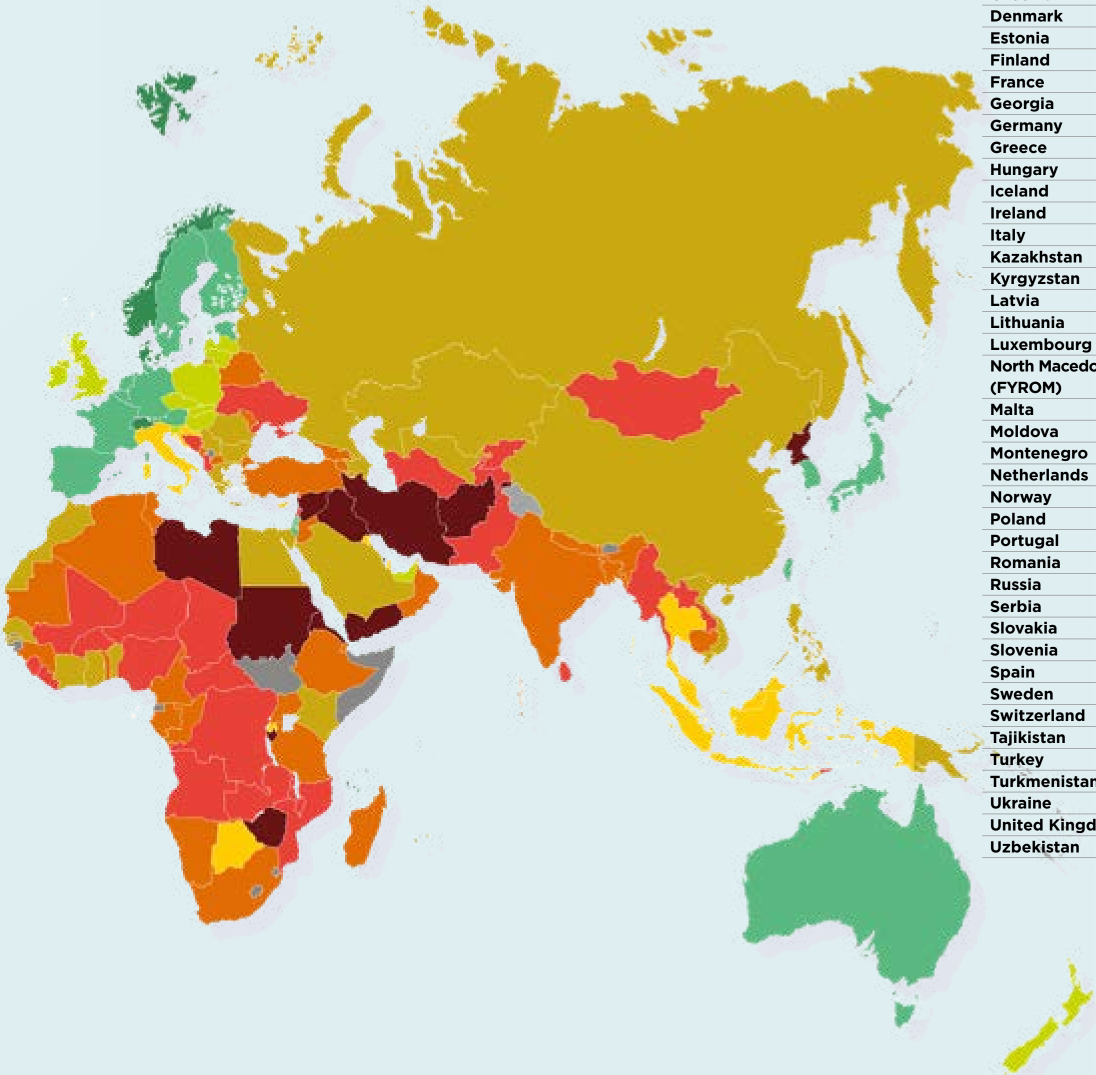
	Country risk	Business climate
Argentina	D	B
Belize	D	C
Bolivia	C	B
Brazil	C	A4
Canada	A2	A1
Chile	A3	A3
Colombia	B	A4
Costa Rica	B	A3
Cuba	E	E
Dominican Republic	B	B
Ecuador	C	B
El Salvador	D	B
Guatemala	C	C
Guyana	C	C
Haiti	D	E
Honduras	C	C
Jamaica	C	A4
Mexico	B	A4
Nicaragua	D	C
Panama	B	A4
Paraguay	B	B
Peru	A4	A4
Suriname	D	C
Trinidad and Tobago	B	A4
United States	A2	A1
Uruguay	A4	A3
Venezuela	E	E

AFRICA

	Country risk	Business climate
Algeria	C	C
Angola	D	D
Benin	B	C
Botswana	A4	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)	C	D
Côte d'Ivoire	B	B
Djibouti	C	C
Egypt	B	B
Eritrea	E	E
Ethiopia	C	D
Gabon	C	D
Ghana	B	B
Guinea	C	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	C	B
Austria	A2	A1
Azerbaijan	B	C
Belarus	C	B
Belgium	A2	A1
Bosnia and Herzegovina	D	B
Bulgaria	B	A3
Croatia	A4	A2
Cyprus	A4	A3
Czechia	A3	A2
Denmark	A1	A1
Estonia	A2	A1
Finland	A2	A1
France	A2	A1
Georgia	C	A3
Germany	A2	A1
Greece	B	A2
Hungary	A3	A3
Iceland	A3	A1
Ireland	A3	A1
Italy	A4	A2
Kazakhstan	B	B
Kyrgyzstan	D	D
Latvia	A3	A1
Lithuania	A3	A1
Luxembourg	A1	A1
North Macedonia (FYROM)	C	A4
Malta	A2	A4
Moldova	C	B
Montenegro	C	A4
Netherlands	A2	A1
Norway	A1	A1
Poland	A3	A2
Portugal	A2	A2
Romania	B	A3
Russia	B	B
Serbia	B	A4
Slovakia	A3	A2
Slovenia	A3	A1
Spain	A2	A1
Sweden	A2	A1
Switzerland	A1	A1
Tajikistan	D	D
Turkey	C	A4
Turkmenistan	D	E
Ukraine	D	C
United Kingdom	A3	A1
Uzbekistan	B	B

For further information

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

MIDDLE EAST

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

ASIA-PACIFIC

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

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

COUNTRY RISK ASSESSMENT HISTORY OF THE MAIN ECONOMIES

	2022 Jan.	2021 Sept.	2021 June	2021 March	2021 Jan.	2020 Jan.	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.
A1											
Denmark	A1	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Norway	A1	A1	A2	A2	A2	A1	A1	A1	A1	A1	A1
Switzerland	A1	A1	A2	A2	A2	A1	A1	A1	A1	A1	A1
A2											
Australia	A2	A2	A2	A3	A3	A2	A2	A2	A2	A2	A2
Austria	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1	A1
Belgium	A2	A2	A3	A3	A3	A2	A2	A2	A2	A2	A3
Canada	A2	A2	A2	A3	A3	A2	A2	A3	A3	A2	A1
France	A2	A2	A3	A3	A3	A2	A2	A2	A2	A3	A3
Germany	A2	A2	A3	A3	A3	A2	A1	A1	A1	A1	A1
Israel	A2	A2	A2	A2	A3	A2	A2	A2	A3	A3	A3
Japan	A2	A2	A2	A2	A2	A2	A2	A2	A2	A1	A1
Netherlands	A2	A2	A2	A2	A2	A1	A1	A1	A2	A2	A3
New Zealand	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Portugal	A2	A2	A3	A3	A3	A2	A2	A3	A4	A4	B
Singapore	A2	A2	A3	A3	A3	A2	A2	A2	A3	A1	A1
South Korea	A2	A2	A3	A3	A3	A2	A2	A2	A3	A2	A2
Spain	A2	A2	A3	A3	A3	A2	A2	A2	A3	A4	A4
Sweden	A2	A2	A2	A2	A2	A2	A2	A1	A1	A1	A1
Taiwan	A2	A2	A2	A2	A2	A2	A2	A2	A3	A1	A1
United States	A2	A2	A2	A3	A3	A2	A2	A2	A2	A1	A1
A3											
Chile	A3	A3	A3	A3	A4	A4	A3	A3	A3	A3	A2
Hong Kong	A3	A3	A4	A4	A4	A3	A2	A2	A3	A1	A1
Hungary	A3	A3	A4	A4	A4	A3	A3	A3	A4	A4	B
Ireland	A3	A3	A4	A4	A4	A3	A3	A3	A3	A3	A3
Poland	A3	A3	A4	A4	A4	A3	A3	A3	A3	A3	A3
Slovakia	A3	A3	A4	A4	A4	A3	A2	A3	A3	A3	A3
United Arab Emirates	A3	A3	A3	A3	A4	A3	A3	A4	A4	A3	A3
United Kingdom	A3	A3	A3	A3	A4	A3	A3	A3	A3	A2	A2
A4											
Botswana	A4	A4	A4	B	B	A4	A4	A4	A4	A4	A4
Croatia	A4	A4	B	B	B	A4	A4	B	B	B	B
Indonesia	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Italy	A4	A4	B	B	B	A4	A4	A3	A3	B	B
Kuwait	A4	A4	A4	A4	A4	A3	A3	A3	A3	A2	A2
Malaysia	A4	A4	A4	A4	A4	A3	A3	A4	A4	A2	A2
Peru	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Qatar	A4	A4	A4	A4	A4	A4	A4	A4	A3	A2	A2
Thailand	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4	A4
B											
Bulgaria	B	B	B	B	B	A4	A4	A4	A4	B	B
China	B	B	B	B	B	B	B	B	B	A4	A3
Colombia	B	B	B	B	B	B	A4	A4	A4	A4	A4
Cote d'Ivoire	B	B	B	B	B	B	B	B	B	C	C
Egypt	B	B	C	C	C	B	B	B	C	C	C
Ghana	B	B	B	B	B	B	B	B	B	C	C

	2022 Jan.	2021 Sept.	2021 June	2021 March	2021 Jan.	2020 Jan.	2019 Jan.	2018 Jan.	2017 Jan.	2016 Jan.	2015 Jan.
B											
Greece	B	B	B	B	B	B	B	B	C	C	C
Kazakhstan	B	B	B	B	B	B	B	B	C	B	B
Mexico	B	B	B	C	C	B	B	B	B	A4	A4
Morocco	B	B	B	B	B	A4	A4	A4	A4	A4	A4
Philippines	B	B	B	B	B	A4	A4	A4	A4	A4	A4
Romania	B	B	B	B	B	A4	A4	A4	A4	B	B
Russia	B	B	B	C	C	B	B	B	C	C	C
Saudi Arabia	B	B	B	C	C	B	C	C	B	A4	A4
Senegal	B	B	B	B	B	A4	B	B	B	B	B
Serbia	B	B	B	B	B	B	B	B	B	C	C
Uzbekistan	B	B	B	B	B	B	C	C	D	D	D
Vietnam	B	B	B	B	B	B	B	B	B	B	C
C											
Algeria	C	C	D	D	D	C	C	C	C	B	A4
Armenia	C	C	D	D	D	C	C	D	E	C	C
Bolivia	C	C	C	C	C	C	C	C	C	C	C
Brazil	C	C	C	C	C	B	B	B	C	C	A4
Cameroon	C	C	C	C	C	C	C	C	C	C	C
Gabon	C	C	C	C	C	C	C	C	C	C	B
India	C	C	C	C	C	B	B	A4	A4	A4	A4
Madagascar	C	C	C	C	C	C	D	D	D	D	C
Oman	C	C	C	C	C	B	B	C	B	A3	A3
South Africa	C	C	C	C	C	B	B	C	C	B	A4
Tanzania	C	C	C	C	C	C	C	C	C	C	B
Tunisia	C	C	C	C	C	C	C	B	B	B	B
Turkey	C	B	C	C	C	B	C	B	B	B	B
D											
Angola	D	D	D	D	D	C	C	D	D	C	C
Argentina	D	D	D	D	D	C	C	B	B	C	C
Haiti	D	D	D	D	D	D	D	D	D	D	D
Mozambique	D	D	D	D	D	D	D	E	D	C	C
Nigeria	D	D	D	D	D	C	C	D	D	C	C
Pakistan	D	D	D	D	D	D	D	C	C	D	D
Sri Lanka	D	C	C	C	C	C	C	B	B	B	B
Ukraine	D	D	D	D	D	C	C	C	D	D	D
E											
Iraq	E	E	E	E	E	E	E	E	E	D	D
Iran	E	E	E	E	E	E	E	E	E	D	D
Libya	E	E	E	E	E	E	E	E	E	D	D
Syria	E	E	E	E	E	E	E	E	E	D	D
Venezuela	E	E	E	E	E	E	E	E	E	D	D
Zimbabwe	E	E	E	E	E	E	E	E	E	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 2022 outlook for 162 countries

42 — 249

INTRODUCTION TO SECTOR RISK ASSESSMENTS NOTES

2022 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.

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

*ICT: Information and Communication Technology.

AGRI-FOOD

Sector risk assessments

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

- Strong demand from emerging countries (notably China and India)
- Relatively resilient to the COVID-19 pandemic

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

RISK ANALYSIS SYNTHESIS

The agri-food sector, which showed resilience to the COVID-19 health crisis as an essential sector, nevertheless benefited handsomely from the global economic recovery of 2021 and should continue on this positive trend in 2022. Vaccination campaigns, accompanied by the easing of lockdown measures, spurred a global economic recovery driven by demand, particularly in the agri-food sector. Consumption resulting from massive Chinese purchases, combined with harvesting delays caused by climatic hazards and labour shortages, a container crisis and a lack of resources, led to a major supply/demand imbalance, creating an inflationary chain running from fertilisers to the sector's final products. In October 2021, the FAO food price index reached its highest value since September 2011 (133.2 points, up 31.3% over one year). Coface expects agricultural product prices to stabilise at relatively high levels in 2022.

The agricultural sector was a focus of talks at the COP26 conference between 31 October and 12 November 2021. Much of the discussion concerned deforestation and cutting methane emissions by at least 30% by 2030.

Meat production, which was disrupted as many meat processors had to shut down after employees caught COVID-19, could be affected in some regions by a shortage of inputs (such as CO_2) due to an increase in natural gas prices. In addition, the biological risks inherent in the sector and recently exacerbated by the African Swine Fever (ASF) epidemic that will continue to plague Europe and Africa, despite being virtually eradicated in Asia, as well as the consequences of the fall armyworm's spread and the locust invasion in Africa, will put downward pressure on global agricultural production this year.

A reoccurrence of *La Niña*, a climate phenomenon characterised by below-normal temperatures in the South Pacific that causes weather changes around the globe, began in October 2021, chiefly affecting Argentinean and Brazilian maize and soybean crops, but also plantations in Northern India.

SECTOR ECONOMIC INSIGHTS

Although the agri-food sector remained resilient overall in the face of COVID-19, it is still experiencing a recovery

Although agri-food weathered the COVID-19 crisis relatively well compared with other sectors, such as transport or automotive, some segments were hit hard as restaurants and bars were shut down during lockdowns. The easing of restrictions and the reopening of shops and restaurants, although traffic remains limited in some countries, such as France, where customers must hold a vaccination passport, drove a rebound in overall demand, particularly for food products. This strong demand contributed to higher world food prices, which also reflected harvesting problems as well as rising input prices. Ammonia, potash, phosphate and nitrogen prices, for instance, were one of the main sources of food inflation in 2021. In September 2021, a tonne of ammonia was trading at USD 590, up from less than USD 200 a year earlier. The FAO Cereal Price Index rose in October 2021 by 32 points over one year, on the back of a surge in international maize prices (up 89.9% compared with May 2020) reflecting strong Chinese demand (300% increase over one year) to feed pigs and replace livestock lost to ASF, but also droughts in South American producing regions. According to the FAO, world cereal production will hit a new record in 2021 before contracting in 2022. World sugar consumption is also projected to reach a new historical high.

The rise in agricultural commodity prices is also a consequence of the recovery in demand for non-food products, such as biofuels. The biofuel market is expected to expand to approximately USD 307.01 billion by 2030, up from USD 141.32 billion in 2020, with a CAGR of

8.3% per year from 2021 to 2030. Major companies in the sector, such as Danone, Lactalis and Nestlé, saw their earnings increase in 2021 (by 5.8% in the third quarter of 2021 for Danone and 2.2% for Nestlé over the first nine months of 2021), despite the inflation - initially of raw materials and then across the board - affecting supply chains in many parts of the world.

The future of the sector discussed at COP26

The Glasgow Climate Change Conference in 2021 addressed the main challenges facing the agricultural sector, notably deforestation and the reduction of methane emissions by at least 30% by 2030. According to an FAO study published for the conference, conversion to cropland is the main cause of forest loss in Africa and Asia, with more than 75% of the forest area lost converted to cropland. However, some countries may be reluctant to consider jeopardising their food security and a major foreign exchange earner.

In South America, almost three-quarters of deforestation is due to livestock grazing. A group of 45 countries, backed by 95 major companies, wants to raise USD 4 billion to invest in developing climate-resilient crops and regenerative solutions to improve soil health. COP26 also highlighted climate change adaptation programmes to help the most vulnerable farmers adjust to climate change. Meanwhile, the agricultural sector, in particular livestock farming, is considered to be one of the main contributors to global methane emissions. Accordingly, a new Global Methane Pledge was announced at the beginning of COP26 and signed by 90 countries, with the European Commission estimating that the promised 30% reduction in methane emissions could help to reduce global warming by at least 0.2 degrees Celsius by 2050. New technical measures such as animal feed supplements or the addition of innovative feed ingredients could be introduced in the near future.

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

ASF, which broke out in Europe and Asia in the summer of 2018, is still present in Africa and Europe. Asia was particularly affected by the disease, which spread across the region, causing havoc for pig producers, especially in China, which accounts for 50% of global pork production and consumption. Since the arrival of ASF in August 2018, the country has lost 40% of its pig herd, resulting in increased Chinese pork imports from other parts of the world such as the EU and the U.S. Increased Chinese demand caused pork prices to surge, prompting some Chinese consumers to switch to other meats. According to China's Minister of Agriculture, the country is now back to pre-ASF livestock levels. Thus, after record increases (31.3% in Europe between 2019 and 2020, 69% in China in 2019), live pig and pork prices fell from early January 2021, reverting to pre-ASF levels.

In addition to ASF, fall armyworms (FAW) and locusts are two major biological risks for the agri-food sector. FAW is a caterpillar that feeds mainly on maize, but also on rice, sorghum and cotton. It was first detected in West Africa in early 2016 but has now spread to 44 countries in Asia and Africa, as well as Australia. China is the world's second-largest maize producer, so the presence of FAW could create inflationary pressures for world maize prices. The UN Food and Agriculture Organisation (FAO) is seeking to set up a USD 500 million programme to coordinate the response to the global FAW outbreak.

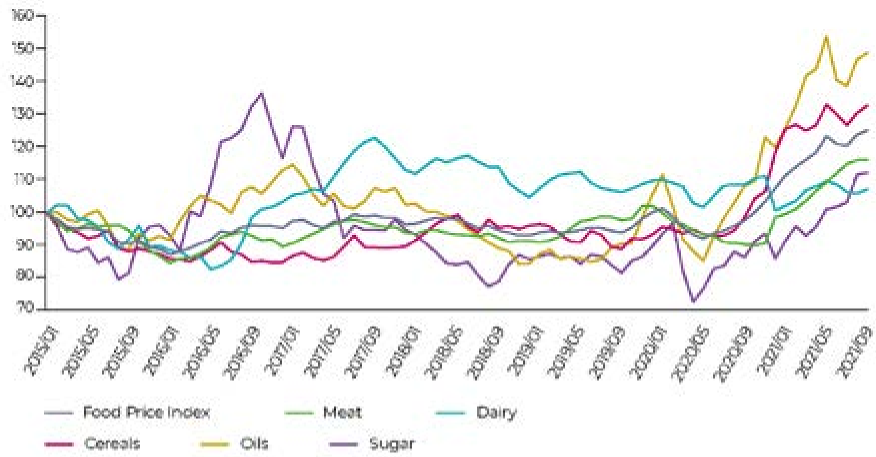
An occurrence of *La Niña*, a climate phenomenon characterised by below-normal temperatures in the South Pacific, has been underway since October 2021, causing weather disturbances worldwide and impacting the production of agricultural commodities. This explains why maize prices began rising again at the end of 2021, following reports that *La Niña* would occur from November to January of next year (70% probability according to the ENSO indicator). Meteorologists say that *La Niña* could lead to drier-than-usual weather in Argentina and Brazil, which would be bad for maize and soybean crops.

Finally, 2021 saw a number of severe weather events around the world, including floods and fires in Europe and droughts in the United States. These events could have consequences for agricultural production in 2022.

European and North American countries subject to new environmental directives

Restrictions imposed by environmental policies are relatively stricter in North America and Western Europe. For instance, in June, the European Parliament set out new guidelines for the reform of the Common Agricultural Policy, which will take effect in 2023. Among the most important changes, the CAP will introduce new working methods: each Member State will have to draw up a strategic plan explaining the allocation of CAP subsidy expenditures. Countries will also have to allocate a minimum of 25% to eco-schemes, i.e. environmentally friendly initiatives such as organic farming or precision farming, while at least 35% of rural development funds must be spent on projects promoting environmental, climate and animal welfare practices.

FAO FOOD PRICE INDEX (100 = JANUARY 2015)



Sources: FAO, Coface - Latest point: December 2021

AUTOMOTIVE

Sector risk assessments

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

+

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

−

- Highly impacted by the COVID-19 crisis
- Semiconductors shortage, a key component in the automotive industry
- Increasingly restrictive anti-pollution standards requiring heavy investments, particularly in anticipation of future European and American announcements
- 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-fuelled vehicles.

RISK ANALYSIS SYNTHESIS

The recovery has been hampered by a global semiconductor shortage since the end of 2020, forcing car manufacturers to stop production lines. Despite this net profit margin for the entire car industry (carmakers and their suppliers) stood at 6% at end Q3 2021. The rebound in profits is the consequence of carmakers opting to sell pricey vehicles to customers eager to buy a new one. Carmakers are privileging vehicles sold with good margins over mass market ones, enabling them to push prices higher. Furthermore, financial arms are able to generate more money as residual values are increasing.

IHS Automotive expects an 11% rebound in global vehicle production in 2022, after a flat growth in 2021. The semiconductors shortage is expected to continue throughout 2022, as demand will outpace supply. Moreover, additional capacity will take time before being able to produce, as demand largely outpaces supply, while building greenfield projects need several quarters.

Coface anticipates a 4.1% global growth rate for 2022, after 5.6% in 2021. The threat of new restrictions weighs on the world economy and on the automotive industry alike. Furthermore, the sector is still undergoing a major transformation with the development of electric vehicles and increasingly restrictive regulations. 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 pressured, and rush to forge new partnerships to face these new challenges.

SECTOR ECONOMIC INSIGHTS

The semiconductor shortage is hitting the automotive sector harshly

The recovery of the North American and Chinese economies, thanks to a massive U.S. stimulus package and an accommodative monetary policy in China, which boosted the manufacturing sector, have allowed a rebound in demand for cars. With longer and lingering containment measures, the recovery of the European sector came later.

Just as manufacturers seemed ready to meet this growing demand, a shortage of semiconductors, an essential part in vehicle manufacturing nowadays (but also in many other industries), is making the recovery of the automotive industry more difficult. As the shortage is still ongoing, the induced loss of production will not be recovered before 2023 or 2024. This imbalance between supply and demand, and the rise in commodity prices, has led to an increase in car prices.

In Europe, the sector is recovering, but at a slower pace. Registrations posted a tiny 1% YoY growth rate over the first ten months of 2021, while they remain 26% lower than in 2019, over the same historical range. Intentions to buy a new vehicle in Europe is constantly increasing since the end of Q2 2020, but the shortage of key components and increasing delivery times are really hurting the sector, notably the supply segment.

In the United States, sales of light vehicles grew by 9% YoY during the first ten months of 2021. However, as it is the case in Europe, 2021 levels are inferior by 9% to 2019 levels. In China, sales of automobiles were up by 6% YoY over the first ten months of 2021, while being 1% higher than 2019 levels.

Moreover, the sector is undergoing a major transformation. Indeed, the institutional environment is pushing manufacturers and equipment suppliers to develop electric engines. The year 2021 marks a tightening of the regulations governing the CO_2 emissions of new passenger cars. For instance, the European Commission has proposed a ban on the sale of new petrol and diesel cars from 2035 onwards, with the aim of achieving completely decarbonised transport by 2050. As a result, the hybrid and electric segments are the most likely to recover quickly as they benefit from public support, particularly in Europe, China and the US.

The recovery of the sector can be observed in all parts of the world, with increasing sales of electric and second-hand vehicles

The recovery has been stronger in China, where production in 2021 is estimated at 0.9% higher than in 2019 and accounts for 30% of global volumes. The fear of taking public transport due to the pandemic may have had an impact on the willingness of households to buy a car. In order to boost the sector's activity, public authorities have implemented incentives such as subsidies for the purchase of electric cars until 2022. Europe is also seeing a rebound in production in 2021 and an increase in sales of alternative engine vehicles due to government subsidies and the enforcement of stringent environmental regulations.

From a structural point of view, the automotive sector is undergoing major changes at a global level. These are mainly linked to a transition towards the decline of thermal engines in favour 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 electric vehicle ranges in order to compete with these new players. For instance, the DS, Lancia and Alfa Romeo brands (all owned by Stellantis) will become 100% electric from 2024, 2026 and 2027 onwards, respectively. However, these radical changes could have an impact on the sector's turnover and employment. The maintenance costs of an electric car are estimated at half the value of a thermal engine. The engine does not need maintenance and the batteries have a longer lifespan than the 7-10 years of combustion engines. Consequently, the volume of after-sales operations and the number of man-hours should decrease because of the change in engines.

The COVID-19 crisis has contributed to accelerate the reconfiguration of the sector, speeding up the digitalisation of sales. Indeed, e-commerce and the digitalisation of the economy in general have developed strongly during the health crisis, which has led to the emergence of new modes of consumption. A reorganisation of distribution channels is notable in the automotive sector. For example, Tesla has adapted its sales strategy by closing its physical sales outlets in order to focus on online sales, with a dual purpose: to adapt to consumer expectations and to reduce costs to maintain financial stability in the context of the economic crisis linked to COVID-19. Other manufacturers and dealers have followed this digital strategy. Companies are now offering a new customer experience by removing some of the barriers to purchase. This includes creating a quick and easy online shopping experience and eliminating waiting time at the dealership through home delivery. However, most players in the industry do not have the staff, processes or technology to provide a frictionless experience that does not require a visit to the dealership. 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.

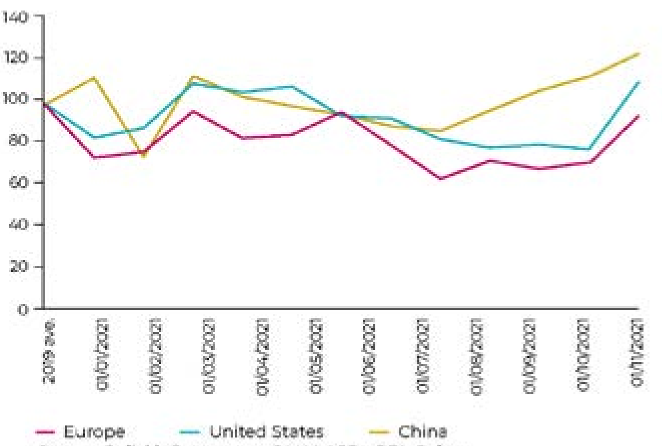
Automotive sector players must adapt to increasing regulations against pollution and global warming, which are becoming more restrictive

These measures are forcing manufacturers to make heavy investments to comply with standards. In Europe, the new CO_2 standard in force since January 2020 aims to limit the quantity of CO_2 for new vehicles sold. Non-compliant carmakers will be fined if their fleet of vehicles for sale emits more than a predefined threshold of CO_2. By 2025, the European Union also plans to implement Euro 7 - a new standard for emissions of other pollutants, namely nitrogen oxides, carbon monoxide, fine airborne particles and unburnt hydrocarbons - for the approval of cars. Those constraints in the emissions limits have already led manufacturers such as Audi and Volvo to announce that they are halting the development of new combustion engine technologies. 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 U.S., President Joe Biden will soon set a new national target for the adoption of electric vehicles, calling for them to account for half of all new car sales by 2030.

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	MEDIUM
NORTH AMERICA	MEDIUM
WESTERN EUROPE	MEDIUM

+

- 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

−

- Petrochemicals are highly dependent on changes in the economic cycle
- Stricter regulatory environment forcing producers to overhaul their business models
- Significant legal risks resulting from the effects of some chemicals on human health
- High raw input prices making operations difficult and denting margins

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 sensitive to changing economic conditions, while speciality chemicals appear to be much more resilient. Because of its pro-cyclical nature, the chemicals sector has benefitted from the global economic recovery, but activity has been impacted by production cuts induced by higher raw materials prices and increased energy bills in both China and Europe. As such, customer sectors will face difficulties in securing key materials during the first half of 2022, which may push petrochemical prices higher, as the mismatch between supply and demand intensifies competition for a secured access to sourcing. Furthermore, higher feedstock and energy prices could translate into higher output prices to preserve profit margins. Lastly, the path to carbon neutrality will influence companies in the global chemicals sector to reduce their environmental footprint in order to gain access to funds, as well as to avoid litigation risks that are growing due to increasing pressure from activists.

SECTOR ECONOMIC INSIGHTS

The sector recovered well after the easing of the pandemic-related restrictions in 2020. Prices of many chemical products experienced a rally as demand outpaced supply, and we expect this trend to persist in 2022 due to supply bottlenecks. For 2021 and 2022, Coface expects annual GDP growth rates of 8.1% and 5.4% in China, respectively. The United States and European Union economies should also recover from the 2020 contraction, with annual growth rates of 5.6% (2021) and 3.7% (2022) in the U.S., and 5.5% (2021) and 3.7% (2022) in Europe. As such, major petrochemical commodities and output prices have recorded increases on the back of strengthened demand and deteriorated sourcing availability. Efforts to refill feedstock inventories have been rendered difficult, notably after the Texas freeze caused outages during Q1 2021. These difficulties affected the major raw materials in the petrochemicals segment: naphtha and ethane prices soared, driving up petrochemical production costs. Coal is also witnessing a surge in its prices and should dent Chinese producers' margins, especially those using the coal-to-ethanol route.

European average monthly ethylene prices increased threefold between the low of May 2020 and September 2021 (EUR 330/t to EUR 1013/t). Planned maintenances and outages removed large quantities of supply in Europe and the United States, which helped prices recover even though demand has not been growing steadily. Butadiene prices also strongly recovered after hitting lows in May 2020 in Europe and June in the United States, with the average price growing six-fold between Q3 2020 and Q3 2021. However, the persistent weakness felt in auto markets across the globe, notably due to chip shortages, continued to impact sales of raw materials for tyres.

Xylene solvent prices followed a similar upward path, as the average price increased by 171% between April 2020 and September 2021. This solvent is widely used during manufacturing processes, and the rising trend reflected the woes experienced by several industries such as fibre and leather processing, rubber, and metalworking. Purified terephthalic acid (PTA) is showing continuous signs of recovery due to the resumption of activity and sales in textiles. Polyvinyl chloride (PVC), a key material for the construction industry, witnessed a price rally due to demand outpacing a tight supply during 2020 and 2021. Outages induced by weather conditions in the United States helped prices to stay at high levels. In 2022, this trend is expected to continue, as power outages in China will lead to a reduction in supply because several provinces in the country are forcing PVC producers to cut output. However, demand in China is softening since the construction industry is impacted by the need to preserve air quality during the winter 2021-2022, and the will of the central government to cool high raw material prices to preserve margins of client sectors.

The petrochemicals industry also faces the same difficulties experienced by client sectors, such as automotive and other manufacturing activities, since chemicals are upstream of their production processes. These industries are coping

with various challenges, including higher energy and feedstock costs, transport delays (notably in maritime freight), key component and material shortages (chips, lithium, magnesium, etc.), and a lack of labour (notably experienced workers). This particularly a concern in the automotive sector, with lower or stagnating vehicle sales in main markets induced by the inability of carmakers to source chips and semiconductors. Hurdles affecting supply will not abate smoothly during H1 2022, as many of the shortages are the direct consequence of years of underinvestment. Several major projects to build petrochemical plants are under construction with the objective to expand business in parts of the world where feedstock is plentiful or end-markets are growing, including the United States, the Arabian peninsula and Asia (China and India mainly). These new plants will boost production capacity and exert downward pressure on petrochemical prices, in addition to when demand softens and outages of key producers cease. The global trajectory of companies in the sector has been worrisome prior to the recovery amid decreasing margins and increasing net debt levels. Rising output prices failed to help the sector as input costs (energy and feedstock prices) were increasing as well.

Speciality chemical companies, while being impacted by the ongoing pandemic's consequences on economic activity, have shown better resilience and lower price volatility than petrochemicals. They were also 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 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.

Differentiated recoveries across the world due to uneven impact of pandemic

China's economic activity decelerated due to increasing infections, power outages and supply bottlenecks. Industrial production is slowing since July 2021. At end-September 2021, activity reached the level of April 2020 (103.1 vs 103.9), and 2022 could witness a low economic activity regime in China. In the Eurozone, the rebound in industrial production observed at the end of 2020 is showing some signs of fragility. For instance, car production in the Eurozone has been strongly hit by the current chip shortage. Moreover, higher energy prices (natural gas mainly) are translated into higher electricity bills. Some chemical companies in the fertiliser segment are reducing their activity on the European continent, being considered unprofitable. In the U.S., analyses of manufacturing production figures show a landscape similar to that of other large economies. American industrial production mostly recovered by Q1 2021, and marginally increased since then.

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

Like many sectors, the chemical industry faces stricter environmental regulations. The chemicals sector produces a lot of carbon emissions and toxic by-products, which makes it a target for activists to press for a reduction of its environmental footprint and impact on human health. These rules, which aim at limiting environmental risks resulting from chemical production processes, will increase production costs by adding multiple layers of complexity. Several areas are highlighted, 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 have banned plastics since 2005. Many African governments are banning plastic bags, particularly those for single-use, the waste from which is plaguing the continent.

The rising demand from consumers and public opinion to limit plastic use for environmental reasons is also prompting shareholders to pressure management boards to respond to these changes in consumers' preferences. There is growing citizen awareness globally about the importance of recycling amid heavy media coverage of the effects of micro-plastics ingestion on marine animals. The issue of recycling represents a risk for the sector, with Coface expecting a more widespread use of recycling practices to 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. Naphtha and ethane prices have also been highly volatile since 2018, notably because of the interruption caused by the pandemic, but also due to a lack of investment. The volatility of the abovementioned inputs (naphtha, ethane) led to a loss of competitiveness for companies in the sector, who also have to hedge themselves against it.

ETHYLENE AND PROPYLENE PRICES EVOLUTION

Sources: Refinitiv, Coface

CONSTRUCTION

Sector risk assessments

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

+

- Permanent inward migration and world population growth
- Persistent increase in urbanization
- High interest in green projects, 3D printing technology and urban mining
- 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
- Vulnerable to supply chain disruptions and labour shortages
- Pro-cyclical sector, some segments of which are durably impacted by the consequences of the COVID-19 health crisis

RISK ANALYSIS SYNTHESIS

The construction sector will remain resilient and continue to grow in 2022. We expect a relatively less volatile macroeconomic climate driven by progress in vaccination rollout and limited stringent restrictions and lockdowns in many countries, but the ongoing presence of COVID-19 variants remains. Coface expects a global GDP growth forecast of 4.1% this year. 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. Economic activity continues to pick up at the global level, partly thanks to government support and accommodative monetary policies. In 2022, we might experience a rise in mortgage rates, which will affect affordability across several countries. 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 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 remain robust, despite still the high level of household indebtedness globally and economic uncertainties such as supply chain disruptions and labour shortages. By contrast, the commercial real estate segment outlook worldwide is less optimistic overall in the medium-term. Demand is expected to remain limited despite the economic recovery expected this year, since the mobility crisis triggered by the pandemic has led several enterprises both in different industries and regions of the world to sustainably modify their work organization with the general increase in teleworking. This working pattern continues to be encouraged in 2022 in many markets.

SECTOR ECONOMIC INSIGHTS

Private housing remains robust in 2022, while the commercial real estate segment continues to be less favourable

According to the Institute of International Finance (IIF), the worldwide household debt rose by USD 1.5 trillion in the first six months of 2021 to USD 55 trillion, which has been in line with rising house prices in almost every major economy. Supply will fail to offset demand, which should continue to encourage home prices growth.

Household demand for private housing will still remain stronger in 2022. In this sense, there are factors that could support household demand for private housing. First, the low level of interest rates in leading economies. An upcoming increase in mortgage rates will drive to limited affordability for economic agents, a slower housing price growth and tighter financing conditions. Second, the growing aspiration of part of the urban population to organize their lifestyle differently in the wake of the generalized and accelerated increase in teleworking after several episodes of lockdowns. In 2022, the remote-working system continues to be encouraged and changes in consumer behaviour for urban area vs. suburban will support housing demand. Moreover, permanent inward migration will contribute to the rise in dwelling demand.

At the time of writing, building permits in the U.S. and Europe have slightly increased and Chinese housing prices experienced a moderate decrease. We expect slowing growth in building permits and house prices in major economies. However, the construction sector will face several difficulties in terms of supply chain disruptions. The increased demand for some building materials such as cement, chemicals and metals, the availability of some inputs such as windows and electric breaker boxes, and labour shortages, will all weigh on the supply side and several construction projects might be delayed. Prices for cement, PVC, aluminium and copper are expected to remain high in 2022. Moreover, the time required to plan processes and land availability across several countries will affect the sector. We consider small enterprises within this sector to be more affected due to the inputs costs. The commercial real estate segment will remain affected by the pandemic and is

expected to gradually recover in the near-term. As teleworking is still in place and encouraged across many countries, people will not return at 100% to their office in 2022.

Resilience of the infrastructure segment

Governments consider the construction industry as key to economic recovery and a source of jobs. Infrastructure activity will support the sector's growth, as government stimulus will remain important in 2022. The U.S. Bipartisan Infrastructure Bill authorizes about USD 550 billion in new spending and extends several federal infrastructure-funding programs. Most of the funds will support transport infrastructure such as roads, bridges, ports, rail, public transit, and the remaining funds will go towards upgrading utilities such as water, power and digital infrastructure. The impact might not be felt immediately because it might take a few quarters to start executing the spending, which will be spread out over 8-10 years. The bill does not address building construction, but the trajectory of the residential segment depends more on private investment. In Europe, the EUR 723 billion Recovery and Resilience Facility (RRF), which represents a major component of the NextGenerationEU fund, will support the construction industry. Green investments, digital transition, energy efficiency of building construction, establishment renovation and low-carbon transport will be encouraged. The Chinese construction sector's activity could be restrained by woes in the real estate sector. This segment is highly indebted and faces defaults as developers suffer from a lack of cash. However, the authorities will support the property market for reasonable housing demand and adopt city-specific policies, which might loosen the property market measures - especially on financing - in 2022. Furthermore, we expect robust fiscal spending, including infrastructure spending next year.

The major transformations underway in the sector before the crisis, particularly in response to environmental issues, should continue

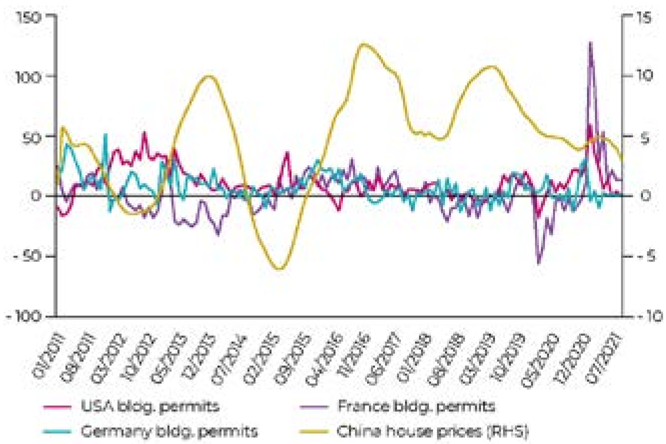
For several years now, construction sector players have been engaged in a decarbonized approach, in order to respond to the willingness of consumers and public authorities to prevent environmental risks and fight climate change. For instance, the European Union (EU) has committed to achieve "carbon neutrality" 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), and 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.

Climate change, energy efficiency and transition to green building materials (urban mining) represent important elements, as authorities will race for reduction in greenhouse gas emissions. Modern techniques of construction such as 3D printing technologies will become a new norm and reshape construction productivity during the next period.

WORLDWIDE CONSTRUCTION FIRMS: MORE PROFIT, LESS DEBT

Sources: Refinitiv Datastream, Coface

YEARLY GROWTH OF BUILDING PERMITS (USA, FRANCE, GERMANY) AND HOUSING PRICE (CHINA)



Sources: Refinitiv Datastream, Coface

ENERGY

Sector risk assessments

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

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

Notes for the reader

LNG: Liquefied Natural Gas.

Bcf/d : Billion cubic feet per day.

RISK ANALYSIS SYNTHESIS

The reopening of economies has led economic activity to rebound. Coface anticipates a 4.1% global growth rate for 2022, after 5.6% in 2021. This will strengthen demand for energy, notably for oil related products used in the transportation sector. Coface forecasts Brent crude oil prices to average USD 75 in 2022, up from USD 71 the year before. This price recovery reverberates on the entire industry, but through heterogeneous effects on upstream and downstream oil activities.

Although the upstream segment benefits from price increases, downstream industries should suffer from higher acquisition costs of crude oil. Furthermore, refineries are having to deal with new standards, particularly environmental ones, and a subdued demand relative to pre-crisis levels. Increased competition due to the emergence of new refineries in the emerging world could also narrow the industry margins. Refinery operations are expected to recover during 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, one must acknowledge that the recovery programmes are part of governments' desire to foster a low-carbon economy, thereby promoting development of renewable energies an ownership of electric vehicles, an orientation that was already being pushed before the COVID-19 crisis. Therefore, this questions 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 and lasting shock with a strong impact on an industry already weakened before the crisis

Lockdown measures, which remain (at least to some extent) in some countries, are affecting industrial activity and, above all, transport-based travels. However the reopening of economies has helped industrial activity and the transportation sector to rebound, even though variants' apparition could impede the pace of demand growth.

A (full?) recovery for fossil fuels in all major markets worldwide

Oil consumption is set to increase during 2022 compared to 2021. The easing of restrictions will help demand to recover, thus pushing prices higher. As such, Coface expects the average price for 2022 to reach USD 75/barrel. Non OPEC+ producers were not able, during 2021, to meet demand with tailored additional supply, while OPEC+ countries barely attempted to fill the gap. Thus, as demand is robust, inventories are being excessively solicited and are now reaching lows (out of the last five years). This will help sustain higher crude prices in 2022.

Demand for travel is expected to gradually recover in 2022, thus pushing jet fuel consumption. The current situation bears some risks though, as the irruption of variants (ones that are more contagious for example) could hamper the reopening of international travel. Furthermore, households that are using their vehicle more will likely help diesel and gasoline demand. We are already witnessing this shift at the time of writing. The increase in electric vehicles in Europe and in China, through higher market shares, is a major event in 2021 and 2022. Electric vehicles in China and in Europe are subsidized *via* financial incentives, which make them affordable for some households. Furthermore, restrictive regulations in major cities in Western Europe are favouring newer, less polluting cars, such as electric vehicles. Even though the irruption of low emission vehicles will undoubtedly impact oil consumption, we expect global end demand, notably for refineries to be less impacted for the time being.

International travels will increase in 2022. The major unknown is the pace of recovery for business travels. The use of digital devices and applications during the lockdowns in 2020 and 2021 showed that business travels could be partly substituted by online meetings.

Petrochemicals, *via* naphtha and liquid petroleum gases, will continue to grow, pushing demand for oil and natural gas related products. The capacity expansion underway in North America, in the Arabian peninsula and in Asia will support demand for such products. Some GCC countries are racing to diversify their economy and to help them reduce their dependence on oil. The Indian and Chinese governments are also enabling policies to be self-sufficient in large swathes of petrochemicals, through joint ventures with big national oil companies, such as ADNOC and Saudi Aramco and its subsidiary Sabic.

Natural gas prices have been higher during winter 2021-2022 (notably in Europe) due to lower temperatures, below average inventories and strong demand for liquefied natural gas (LNG), notably from Asian countries, but also from Brazil which is suffering from severe episode of droughts. The increase electricity generation from renewables has pushed demand for natural sources, as it is used for backup power plants. As such, TTF prices reached record levels in December 2021. Prices are expected to normalize during Q2 2022, but the pace of inventories replenishing should be monitored during spring and summer in the Northern hemisphere.

Coal, which is resurging - notably through higher prices, is benefitting from weather conditions across the Northern hemisphere and attempts to refill inventories, as experienced for natural gas. Consumption will continue to grow, notably in India and China, the world biggest consumers of this commodity. The increase in coal consumption in 2022 will put net zero pledges around the world at risk, but many emerging countries are betting on this commodity for their power generation sector.

Deep tensions in the power market

With natural gas and coal prices reaching new highs, the power market is facing deep risks. This is notably the case for regulated electricity retailers, which are suffering from high wholesale prices while having to sell their electricity to consumers at regulated and quite inelastic prices. In the UK, more than 25 retailers went into bankruptcy in 2021, putting their consumer base at risk. This situation will be exacerbated throughout winter 2021-2022 as gas inventories are very low in Europe, while demand for coal and gas is high in Asia, and geopolitical tensions are rising, notably between Ukraine and Russia.

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

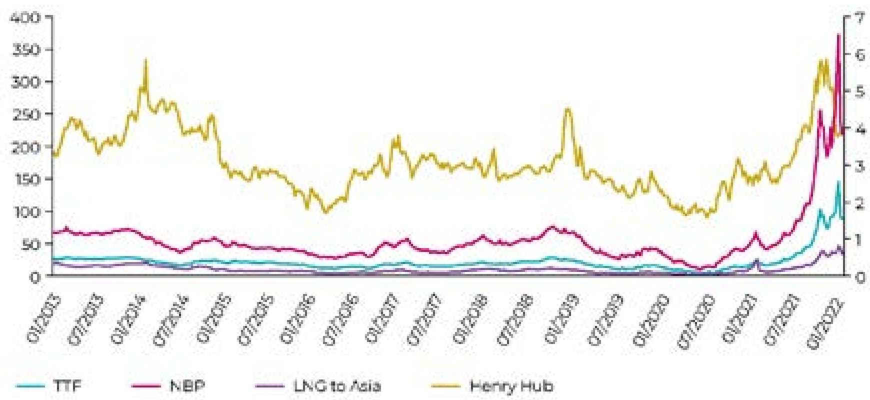
In line with the will of public opinion in a majority of countries, particularly in advanced economies, the transition to a low-carbon economy throughout the world, which is based in particular on energy transition, is challenging the fossil fuel industry. Stimulus plans in response to the COVID-19 crisis, 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.

New Environmental, Social and Governance (ESG) standards exert additional pressure on oil and gas companies. Investors are increasingly more cautious towards the involvement of firms in the transition to carbon-neutrality and to the companies' compliance to ESG norms. These changes could greatly affect the entire industry, increasing both capital and operating costs while also squeezing demand for oil products and their derivatives, *in fine*.

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). In 2020, over 80% of the added electricity capacity was renewable.

NATURAL GAS BENCHMARK PRICES EVOLUTION



Sources: Refinitiv, Coface

ICT

Sector risk assessments

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

+

- 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, freedom of speech and CO_2 emissions
- Concerns about semiconductors shortages and supply chain disruptions

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 pandemic still affects the different segments included in ICT to various degrees, even though it continues to remain one of the most resilient sectors overall in the context of this crisis. Following a stronger recovery of global GDP in 2021 (+5.6% in 2021 according to Coface) and concerns about the supply chain disruptions, all segments should remain resilient. Coface expects a global GDP growth forecast of 4.1% for 2022. The media segment continues to benefit from the mobility crisis induced by the pandemic, generating strong demand and inducing an increase in production. The telecommunications and electronics segments are expected to gradually recover, albeit with disparities between regions. In fact, the aforementioned segments have experienced weaker activity due to semiconductors shortages and a robust supply is expected from end-2022, as chip companies are working to increase the supply.

In addition to the management of shocks resulting from the pandemic, challenges that the sector faced before the COVID-19 crisis remain. On the one hand, international trade and supply-chain 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, freedom of speech and CO_2 emissions are still underway.

SECTOR ECONOMIC INSIGHTS

The media segment continues to remain robust in 2022

The mobility crisis generated by the pandemic continues to benefit the media segment, as opposed to other segments of the ICT sector. In 2022, we expect another year of strong media growth driven by the economic recovery, new product offers and higher advertising intensity across multiple sectors. The videos (games), ePublishing and Music medias' components will continue being enhanced. The gaming segment will benefit from substantial revenues in 2022, as new generation video games consoles (PS5 for Sony and Xbox Series for Microsoft) will be again widely available for sale thanks to component supply. Major companies such as Sony and Microsoft will provide advanced services and new game titles are expected to be released. Indeed, the majority of segments are still affected to a large extent on the supply side - depending on the different regions of the world - by chip shortages and supply chain disruptions. Moreover, businesses continue to invest and promote digital transformation.

Even if the pandemic-related restrictions are lifted and the share of people fully vaccinated worldwide exceeds 46% by the end of 2021, interest in new media continues to rise, especially the supply of entertainment (leisure activities such as streaming), 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 due to concerns of the existence of new variants. This context, including teleworking, continue to accelerate changes in lifestyle and work habits, which should maintain the demand for these types of products in the long-term.

Challenges for the telecommunications, electronics and computer hardware segments are expected in 2022

Despite the current chip shortages, the global semiconductor supply is expected to grow by 8.8% in 2022 and will continue to outperform due to strong pricing power, according to the WSTS report. All product categories, but

mainly the Sensors and Logic category (smart watches, gaming headsets, specific applications in smartphones, car and consumer electronics) will experience positive growth rates due to a rise in demand and interest in innovation, advanced products and digital transformation. Due to substantial investment in 2021, all regions are expected to experience supply growth in 2022 leading to an imbalance between supply and demand. Investments in digital infrastructure such as the optical fibre, 4G/5G, and data centres are supposed to increase.

The telecommunications, electronics and computer hardware segments are therefore supposed to remain resilient and keep improving, with a gradual recovery in supply due to large investments ignited by governments (especially in advanced economies) to diversify the global chip supply chain, and to shorten the distance between production and consumption. However, the industry will remain dependent on Asia for sourcing, as the region established itself as a hub for key electronic components.

Furthermore, we anticipate a growing number of partnerships between telcos (telephone companies) and large companies on 5G networks for industrial use cases in 2022. One of the main actors, Amazon Web Services (AWS), announced in December 2021 a private 5G managed services for its cloud partners and clients. We expect a greater operator activity in digital healthcare and related solutions over 2022 and telemedicine will remain relevant over the near-term, thus presenting a lasting lucrative opportunity for operators.

Moreover, demand should remain 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 leader in new technologies by 2025.

PC demand is expected to remain resilient with stronger demand for commercial PC than for consumer products. However, we tend to be cautious concerning PC demand because of the gradual easing of component supply and limited consumer spending post economic re-opening (we expect it for H2 2022). Chromebook (laptop or tablet with Linux-based Chrome OS operating system) shipments will decrease mainly in U.S. because of market saturation, but there is still room for some improvement in education-related Chromebook demand in Western Europe and Japan due to relatively low penetration rates. Despite the segment shortages, mainly for Power Management Integrated Circuit (PMIC) and networking card, servers' shipments are expected to recover in 2022 driven by substantial spending outlook from major players and progressive optimism for chip offers. China's server market will benefit from moderated spending due to regulatory concerns and economic recovery. In 2022, we expect a rise in data centre construction plans as more people work from home and that demand for these facilities and cloud computing services is increasing. South East Asia remains a key region in digital infrastructure and data centre transformation.

International race for innovation and regulatory development

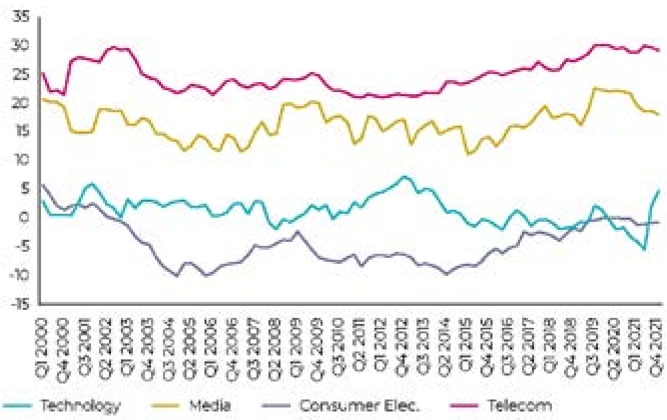
The global race for innovation continues to focus on technological issues. The COVID-19 pandemic demonstrated the need for greater network performance, which could be partly provided by 5G. In this context, tensions between China and the United States are expected to persist under Biden's administration,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

The restrictions imposed by the Trump administration are still in place, including on one of China's ICT leaders, Huawei (notably a leader in information structure), limiting its access to semiconductors. 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 license. Moreover, President Biden signed another legislation ("The Secure Equipment Act") in 2021 to prevent companies (including Huawei) to receive equipment licenses from U.S. regulators. After dropping "WeChat" and "TikTok" bans, the Biden administration is reviewing app security recommendations.

As Internet access is growing and the digitalization of the global economy is continuing to expand, cyber risks exposure has inevitably increased across all industries. In this context, some economies are considering to adopt several projects in order to settle this issue. In this sense, the emerging markets present a higher risk of facing cyber-attacks.

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. Following criticisms accusing technology giants of contributing to the propagation of conspiracy theories, Facebook and Instagram, for instance, pre-empted the call, by blocking selected hashtags that were shared to spread misinformation.

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



Sources: Refinitiv Datastream, Coface

SEMICONDUCTORS SALES

Sources: Datastream, Coface

METALS

Sector risk assessments

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

- General recovery in the sector, coupled with a strong increase in metal prices
- Recovery in demand coming from the manufacturing sector
- Products used in many industries across the world, notably in the manufacture of electrical batteries and aluminium components intended for electric vehicles
- Future opportunities for some metals, such as nickel, with the development of electric vehicles

- Increased pressure from Chinese authorities to reorganise the iron and steel industry
- Highly dependent on Chinese economic policy
- Push to reduce the environmental footprint of mining and metalworking

RISK ANALYSIS SYNTHESIS

Coface anticipates 2022 growth rate to reach 4.1%, after 5.6% in 2021. Demand in the manufacturing sector has rebounded strongly in the richest countries thanks to the mitigation of containment measures. The sustained demand following the easing of the lockdowns created a mismatch between supply and demand, inducing strong pressures on prices. Many base metals suffered years of underinvestment, notably after the "Supercycle", and as such, all the conditions are met to keep the current imbalance between supply and demand somewhat alive in the forthcoming quarters.

However, in recent months, prices of some metals have fallen from the record highs reached in 2021, notably steel prices in China and in Europe. This suggests that the overall recovery in metals may be stagnating. Markets are anticipating a slowdown in Chinese demand, as authorities want to curb the expansion of the steel sector to meet its greenhouse gas reduction targets. Furthermore, authorities are acting swiftly to reduce speculation around metal prices to help downstream sectors cope with higher input prices, while the construction sector is seen as vulnerable due to difficulties experienced by big real estate and property developers.

Finally, although it is very hard to anticipate trends in details, metal prices, which peaked in 2021, seem to be stabilising now, in line with Chinese demand (50% of world metal demand) that is continuing to grow, but at a slower pace. It should be noted that new waves of the pandemic can occur, and may threaten the global economy and therefore the metals sector.

SECTOR ECONOMIC INSIGHTS

Although early in China, the recovery has been widespread thanks to the stimulus plans of the richest countries. Coface estimates GDP growth of 5.4%, 3.7% and 3.7% in 2022 in China, Europe and the United States, respectively.

In 2020, when the COVID-19 pandemic broke out, the metals sector, which is highly dependent on economic conditions, was affected differently across the globe.

According to the Australian Department of Industry, Science, Energy and Resources, global consumption of steel, copper and nickel will grow by 2.7%, 2% and 4.7% in 2022, respectively. General consumption will slow globally as economic activity will shift towards a regime with a lower growth rate. While vaccination rates are increasing, the irruption of a new variant is expected to impact economic activity. Moreover, China policy support for the construction and real estate sectors will be of paramount importance to help sustained metal prices. The current supply chain issues (semis shortage, lack of magnesium, etc.) could well continue into 2022, and affect prices accordingly.

The Chinese recovery, followed by a more global recovery, allowed metal prices to rise. For 2022, prices are expected to stay at high levels due to relatively strong demand and limited supply growth. Years of underinvestment in several segments are posing some limitations on production, while restrictions implemented to contain the spread of new variants could strengthen prices in 2022. However, market balancing could be effective at Q4 2022 if Chinese authorities will not set up an accommodative monetary policy. Finally, an U.S. infrastructure plan could help demand to pick up and thus sustain high levels prices

The steel industry is decelerating in China

Iron ore and steel are suffering from the slowdown in the Chinese construction sector. High indebtedness in the real estate segment is posing a threat to steel consumption due to lower demand from this side. Twelve months steel production grew by a tiny 4% YoY in China at end September 2021, after double digits growth rates during spring 2021.

The Chinese steel industry is very important to the country's manufacturing, construction and real estate sectors as it supplies these industries with

key products. However, this industry has a great environmental footprint as it pollutes excessively per se, notably private steel mills, and it is energy intensive, requiring huge amount of electricity generally supplied by coal firing power plants. Therefore, the industry is at the forefront of the fight against pollution and for carbon neutrality, as pledged by Chinese top decision makers. We expect steel production in the forthcoming years to be capped to the year before, in an attempt to accelerate towards carbon neutrality. Lastly, and this move could be seen as a revolution in the Chinese steel industry, steelmakers could be forced by planners to adopt more scrap instead of iron ore to produce steel. This would force them to invest into new plants while closing the obsolete ones.

In Europe, steel prices are losing steam. Bottlenecks in the supply chain associated with higher energy costs are affecting steelmakers' activity. Lack of raw materials, high shipping costs and shortages of key equipment and components will continue to bite the manufacturing sector during 2022. Even if we witness some easing, notably regarding the shortage of semiconductors that is hitting hard the automotive industry, we expect that the conjunction of such headwinds to hamper steelmakers activity.

In the United States, steelmakers are hit by the same headwinds as their European and Chinese counterparts, even though the property market seems resilient. Steel prices are starting to decrease as demand from the manufacturing sector is impacted by lower orders from the automotive industry, and to a lesser extent by capital goods. The implementation of some measures included in the infrastructure plan will help the steel sector, and the metalworking industry as a whole, during 2022. However, the better financial shape of U.S. steelmakers bodes well, but one can remain cautious about the increase in capacity following the enactment of import duties for foreign steel products during the Trump presidency.

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 still at high levels. However, according to SteelHome, average monthly steel prices in China, Europe and the U.S. decreased by 7%, 12% and 1% respectively at end November 2021 from their peak of summer 2021.Metal prices are expected to remain stable this year, due to strong demand in client sectors such as manufacturing. Despite the difficulties encountered, the steel industry has remained overall a profitable business in the main markets.

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

Many metal producers are heading toward producing more "green" metals, as they pledge to reduce their environmental footprint in order to cut their GHG emissions. This is notably the case for steelmakers in Europe, which are, with the support of authorities, investing large sums of money into projects designed to enable carbon neutrality and reducing their energy consumption or switching to renewables induced electricity generation. As such, the development of wind and solar energy, as well as the democratisation of the electric car, require very large quantities of copper and nickel (amongst others). Such vehicles contain three 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. Carmakers, who are looking to reduce the weight of vehicles, will eventually favour aluminium, which is 10 to 40 times lighter than steel, to increase vehicles' range.

In line with the development of a Green Deal, a programme of investment in green energy promoting energy transition and decarbonisation, 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 such as aluminium, nickel, platinum and palladium, related to electric vehicles will grow in the coming years. We anticipate that small and medium-sized companies in the metals sector will face difficulties, as the sectoral transition will require heavy capital expenditure, to lower the environmental footprint.

STEEL PRICES EVOLUTION

Sources: Refinitiv, Coface

PAPER

Sector risk assessments

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

+

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

−

- Graphic paper gradually being replaced by digital media because of increasing use of digital technologies
- Environmental issues (deforestation)

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. Trends in the two segments differed significantly during the crisis. Graphic paper was quite severely impacted, largely because company and school closures significantly reduced the need for printing paper. Prior to the pandemic, its use was already in decline as the global economy became increasingly digital. Conversely, packaging paper benefited from strong growth in e-commerce and hence in delivery activities worldwide, and also from growth in paper products for personal hygiene, such as surgical masks, disinfectant wipes, disposable paper towels and other related hygiene products.

Both segments, however, reverted to a broad trend in 2021, which is expected to continue into 2022. Moreover, they also suffered from shortages. Between January and September 2021, graphic paper production increased by 6.9% year-on-year (YoY) and packaging paper by 9.8% YoY in response to the global economic recovery, particularly in printing, board and packaging. Nevertheless, total production is expected to remain below pre-crisis levels. Prices also exploded in both segments owing to increased prices for paper pulp (up 60% YoY) and cardboard (up 30% YoY). Other factors driving paper prices up included the global increase in processing and distribution costs, plus higher energy, chemicals, starch and container prices (350% YoY increase in September 2021).

SECTOR ECONOMIC INSIGHTS

Widespread price increases in the sector, mainly driven by the surge in pulp prices...

The two segments that make up the paper sector were not left out of the worldwide economic recovery, mainly as a result of global demand. Paper consumption rebounded strongly as soon as the economy picked up, which was reflected in the prices of the materials that make up paper. Packaging boards, cups and tissues are produced from virgin or recycled paper pulp, which is itself made from plant fibres or waste paper, whose price was extremely volatile in 2021 and is expected to remain high in 2022 in all the main pulp-producing countries, including Brazil, China, Germany and Canada.

China saw the sharpest surge: in 2020, a tonne of standard reference grade cost USD 600; by the end of 2021 the price had risen to around USD 1,000. In January 2021, the country decided to stop importing waste paper for recycling and is buying pulp, or recycled pulp, directly, which contributed to the price increase.

...but also by rising energy and shipping costs

The paper sector was affected by the increases in energy and container prices. Some paper mills did not hedge their purchases of energy, particularly electricity (approx. 30% increase in 2021 and a further 12% expected in 2022 according to Engie), leaving them at the mercy of higher prices in the sector, which they are passing on in their own prices. However, it should be noted that more and more paper manufacturers are improving their energy consumption and have been switching to renewable biomass for many years (around 50% of energy used in the paper sector).

In addition, paper supplies are highly dependent on shipping prices. A large proportion of the world's pulp supplies is shipped from South America and Asia. However, freight costs and the costs of 40-foot (approx. 12-metre) containers have also soared since 2021, driven by the recovery in global demand, particularly in larger economies, after being put on hold for many months, but also by longer ship loading/unloading times in ports owing to measures taken to curb the spread of COVID-19. In October 2020, worldwide, the average cost of leasing a container was around USD 2,240, compared with USD 9,950 at the end of 2021. Pulp and paper manufacturers were

quick to warn of potential price explosions for the main component of paper, but also of potential delivery delays due to transportation shortages.

Packaging paper is benefiting from the continued rise in e-commerce, which has intensified since the COVID-19 crisis

During the COVID-19 pandemic, packaging paper benefited greatly from the rise in e-commerce as shops were closed down. According to the United Nations Conference on Trade and Development (UNCTAD), in 2020, the dramatic rise in online sales propelled the share of online sales to 19% of total global retail sales, up from 16% the year before. Since then, consumer have largely kept up the same habits, as illustrated by the rise in U.S. company Amazon's profits in Q2 2021 (48% YoY: this takes into account the explosion in e-commerce, which accounts for 67% of the company's revenues, but also growth in sales of cloud services offered *via* AWS).

The increase in e-commerce was seen in grocery and hygiene products but also in food delivery *via* online platforms, for example. Beginning in 2021 and continuing into 2022, consumers have had access to new mobile apps, such as France's Cajoo or Germany's Flink, that offer ultra-fast (under 15-minute) grocery delivery services, in addition to existing restaurant take-away services such as Uber Eats and Deliveroo. This has greatly increased the use of packaging paper. Furthermore, this type of catering service uses large amounts of paper packaging (paper bags, trays, etc.). Paper boxes, straws, bags and food wrapping paper in general are set to become new growth drivers for the paper industry.

The increase in online sales has therefore 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 large number of parcel deliveries to individuals. Thus, protective packaging (glassine paper, cardboard protection, padded pouches, etc.) and traditional cardboard packaging benefited greatly from the increase in e-commerce and the number of parcels sent worldwide. By 2022, packaging paper is expected to account for more than two-thirds of paper consumption.

Graphic paper, the most at-risk segment, is also set to improve in 2022

With the easing of health restrictions, particularly the reopening of schools, the trend for graphic paper will improve in 2022. In the years before the pandemic, the use of graphic paper was already on a downward slope, as digital tools such as e-readers, smartphones and newspapers replaced 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%. Despite this, in late 2021 and early 2022, graphic paper is expected to be in short supply, making it difficult for the publishing and printing industries to obtain supplies. Demand for graphic paper has increased as the world's economies have recovered. In the meantime, e-commerce has exploded and so has demand for packaging paper and cardboard. For instance, in France in 2000, the press and publishing sector accounted for 45% of paper and board production, compared with 45.9% for packaging. By 2020, "graphic" production had fallen to 17.4% compared with 66.4%. With wood in heavy demand, during the health crisis, Brazilian pulp suppliers, which are among the world's leading producers, seized an opportunity. Graphic paper involves expensive processing, and Brazilian suppliers chose the cheaper option by switching to packaging paper. As a result of the shortage, European paper manufacturers (mainly German, French and Nordic), which are dependent on paper pulp, greatly extended their delivery times to printers, from an average of three weeks to six weeks or even two months.

A sector facing environmental challenges

The paper industry has long been criticised for its many negative effects on the environment (deforestation, high greenhouse gas emissions, soil contamination). Today, however, the sector is increasingly adapting with the emerging use of recycled paper. Moreover, it will be severely challenged by the COP26 goal of stopping deforestation by 2030. Increased use of cardboard as an alternative to plastic (straws, tableware) will continue to benefit packaging paper in the years to come. Paper and cardboard have a recycling rate of 85% in Europe compared with 40% for plastic packaging.

WOOD PULP, PRICE INDEX (100 = 1982)

Sources: Federal Reserve Bank of St. Louis, Coface

PHARMACEUTICALS

Sector risk assessments

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

- 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 schemes in emerging countries to deal with diseases related to physical inactivity and a richer diet
- Strong government support *via* funding, notably after the onset of the pandemic
- High overall barriers to entry favouring incumbents

- Increasing competition among generics producers
- Greater access to market for biosimilars (generics of biological products)
- 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 fill in pipelines through acquisitions

Notes for the reader

Payer: in the pharmaceuticals 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 facing this health crisis (among those for which Coface publishes risk assessments), despite persistent challenges, most of which predate the crisis. The knock-on effects of the COVID-19 shock affected drug sales in many developed countries and clinical trials, which were delayed or abruptly ended due to lockdowns in the second quarter (Q2) of 2020. However, easing of restrictions helped the sector to recover, particularly in terms of drug sales (notably online), and allowed trials to resume. Nevertheless, the pandemic led the global economy into the deepest recession since World War II, which has deteriorated public and corporate finances. Various challenges that Coface analysed prior to the COVID-19 crisis persist. They include official pressure to lower drug prices, criticisms of governments on the perceived lack of transparency in setting prices, distributor segments' difficulties, and litigations related to drugs' side effects or downplaying addiction to certain substances.

SECTOR ECONOMIC INSIGHTS

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

Coface considers the pharmaceuticals sector as the most resilient amongst those covered. Pharmaceutical 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.

Clinical trials were hit hard at the onset of the pandemic in H1 2020, but picked up - in some therapeutic areas - in 2020 second half. IQVIA analysed global clinical trial data for 2020 and found that the number of new trials increased by 8% last year. Oncology saw an increase in its trial activity, as this area is highly sought after due to strong demand from payers and patients alike. Rare oncology indications are recording a push in their share of all oncology-related trials, reaching 63% at end 2020. Other areas saw a decrease in activity, which IQVIA believes is evidence of sponsors and investigators being more interested in addressing diseases related to small populations and offering higher financial rewards.

Clinical trials have embraced the digitalization of processes, as have other industries. Decentralization of trials and remote working (amongst others) have shortened trial times and have helped to improve productivity, even though complexity of processes is high.

The global vaccine rollout will increase revenue

According to data from Our World In Data (as of 29/11/2021), more than four billion people worldwide received one dose of vaccine, while 3.38 were fully vaccinated. Governments around the world are scrambling to secure supply of vaccines from pharmaceutical and biotechnology companies. Western companies are benefitting the most from this race as Pfizer-BioNTech's vaccine is approved by 95 countries, while AstraZeneca supplies about 91 and Janssen about 76. Sputnik V and Sinopharm reach only 67 and 61 countries, respectively. With such figures, we expect vaccine makers to increase their income in the forthcoming quarters, as governments will request a third or a fourth shot to cope with a surge in variants.

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

New therapies coming on 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 2021, 300 drugs will witness price increases, with hikes ranging from 0.5% to 10% according to "3 Axis", which tracks drug prices paid in pharmacies. To justify price increases, pharmaceutical companies

are citing lost revenue (as the pandemic affected drug prescription volumes) and the need to reward the effort required to develop vaccines and therapies with high content in R&D. These increases, and the perceived lack of transparency in price setting by pharmaceutical companies, have led to bipartisan initiatives in the Congress to dampen drug price inflation.

The Biden plan to lower drug prices (Build Back Better's provisions related to healthcare), in the U.S. Senate for discussion at the time of writing, would allow Medicare to cap price hikes or to lower prices of certain drugs, those thought as the most expensive. According to some analysts, the plan will start in 2023 by imposing caps on hikes, and will continue in 2025 by lowering prices of the ten costlier drugs, aiming to lower the burden on public finances. Those measures are expected to deliver savings estimated at around USD 160 billion over ten years, if voted by the Senate. The top pharma lobby group expects these provisions and laws to affect the pace of drug launches, while for some advocacy groups, if passed, the bill would have only a modest impact on the ability of pharmaceutical and biotechnology companies to develop and market new molecules.

In China, public authorities are increasingly assertive to expand healthcare regulation. Three major themes are highlighted: enabling an environment for domestic innovation, increasing product quality and pushing for more affordability and accessibility for patients (through price cuts). Oncology is the first therapeutic area to see those themes being applied, particularly through stricter standards for clinical trials. Generics and biosimilars are also targeted by public authorities, *via* aggressive price cuts asked during call for tenders. In Europe, the higher public debt induced by support measures enacted during the lockdowns could result in lower reimbursement for some drugs. Similar to China and the United States, affordability is a key issue for public payers due to access to market of drugs with high face-value prices.

Pharmaceuticals, 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 are coming not only from the United States, but also from around the world. Payers have certain tools at their disposal to limit the budget impact of expensive drugs. One of these is that, in addition to having policyholders sharing payments, payers (particularly in Western Europe) have set up "cost-benefit" assessment systems for each therapy. For instance, 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). These methodologies are increasingly being implemented in emerging countries, particularly in China.

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.

Many actors in the pharmaceutical landscape are facing litigations, notably in Europe and in the United States. The opioid crisis in the U.S. will weigh on financial results of some drug distributors and pharmaceutical companies alike. The July 2021 settlement between the three major distributors and the pharmaceutical company Johnson & Johnson with several U.S. local governments reached a total amount of USD 26 billion, which will be paid over 18 years. On the talc powder scandal, Johnson & Johnson will set aside "litigation expenses" up to USD 3.9 billion. However, litigations are not solely tied to companies selling dangerous products. The "price gouging" system developed by Martin Shkreli during the mid-2010's, a scandal in which his company sold an already amortized drug product after a 5,000% price hike, sent him to jail even though the medicine is highly sought after by patients suffering from lethal diseases such as HIV.

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 retail pharmacy chains. They are bearing the full brunt of price reductions demanded by public and private payers, while their fixed costs are high due to fairly dense and specialised distribution networks. They 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 this is increased competition, notably the entry of new players, such as Amazon in the United States. According to Coface estimates, net margin of distributors was slightly above zero (0.25%) at the end of Q3 2021 compared to +1.47% a year ago, a level already much lower than that of pharmaceutical and biotech companies.

Meanwhile, this sub-sector has the second highest net debt-to-asset ratio, which reached 13.1% in Q3. 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 largely plagued by non-transparent practices and the presence of intermediaries that have driven 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 IN THE GLOBAL PHARMACEUTICAL LANDSCAPE

RETAIL

Sector risk assessments

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

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

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- 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, which has been suffering from the global economic recession in 2020, faced several obstacles that hindered its recovery in 2021. The vaccination rollouts that started in early 2021 in advanced economies helped removing mobility restrictions and lockdowns, thus fuelling optimism and return to physical outlets. Household consumption, which had plunged in most economies in 2020 therefore rebounded significantly thanks to vaccination campaigns and accumulated savings through 2020, but did not reach pre-pandemic levels. On the supply side, the retail sector was affected by the disruption of global supply chains, which may further result in inflation and thus impact the retail sector in 2022. Transportation costs, and most importantly, maritime freight rates, increased significantly because of insufficient capacity, thus passing the cost increases on retail prices alongside consequent delivery delays. The Chinese energy crisis could also hurt global supply chains, and in turn, the retail sector.

E-commerce, which has been booming in recent years and enjoying significant success during lockdowns, was not spared by supply chain disruptions. However, as the latter unwind, e-commerce may exert pressure on traditional players in the sector, who are finding it hard to adapt to this new mode of consumption. To face these challenges, they have to rethink their strategies, notably by stepping up the use of new digital tools and by using more efficient logistics.

Despite progress made in terms of vaccination rollouts, the COVID-19 pandemic remains a significant downward risk for the sector's recovery.

SECTOR ECONOMIC INSIGHTS

The sector's recovery faces uncertainty due to the pandemic and supply chain disruptions

Coface expects the global growth rate in 2022 to be slightly lower than in 2021, down from 5.6% to 4.1% according to Coface. There was a significant recovery in the sector in 2021, driven by the rebound in household consumption, but the sector's growth is likely to be hampered by the ongoing supply chain disruptions.

Globally, the retail sector was 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 and the supply chain issues.

In China, where the pandemic originated, retail sales' growth was slow and decelerating, reaching 4.9% YoY in October 2021. The pace is likely to remain slow, as a zero-tolerance policy to the resurgence of the pandemic and drastic measures could hurt consumption demand. Online sales (about 23.6% of retail sales as of August 2021) were also weak. As China is headed into its winter season, and is facing a power shortage, the government forced factories to cut production, thus exerting additional pressure on global supply chains. Coface forecasts that China's economy will expand by 6.1% in 2022 after a 7.5% rebound in 2021, and growth could still help the retail sector to expand, although impeded by the abovementioned factors.

The U.S. outlook was positive during 2021: as of October 2021, retail sales were up by 16.3% relative to October 2020. While the unemployment rate jumped after the outbreak of the health crisis, reaching 14.7% in April 2020, it has been steadily decreasing, down to 4.6% in October 2021. The U.S. economy rebounded by 5.6% in 2021 according to Coface, and it is expected to grow by 3.7% in 2022. Consumer spending has been persistently growing, helped by government financial help to households. However, the inability of supply to meet the spike in demand may result in increased prices, and hurt consumer sentiment in 2022, thus decelerating domestic retail growth in the U.S.

Eurozone growth rebounded by 5.4% in 2021, which benefited household consumption, but insufficiently for a complete return to

pre-pandemic levels. Growth could rebound by 4% in 2022 according to Coface estimates, potentially further lifting the 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. However, a global recovery in retail sales was perceptible after social distancing measures were eased and the economies picked up. As of September 2021, calendar and seasonally adjusted retail trade volumes stood at levels higher relative to pre-pandemic levels. Still, they were losing momentum during the last months of 2021 and the sector may struggle in early 2022 because of the supply chain disruptions and the pandemic.

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 of their home country. Overall, situations differ considerably across countries in the sector.

The pandemic had a strong but short lived effect on e-commerce

The retail sector is currently undergoing a major structural transformation, with the increase in e-commerce, which peaked sharply during lockdowns. 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. In EU-27, the share of e-commerce increased by 2.4 percentage points (pp) in 2020 after +0.6 pp in 2019, +4.8 pp after +1.6 pp in China, +2.7 pp after +1.3 pp in the U.S. and +4.1 pp after +2.7 pp in Canada. However, as lockdowns were lifted, the increase in e-commerce was marginally noticeable: in the U.S, the share of online sales stood at 14% in June 2021, barely higher than the 13% average in 2019.

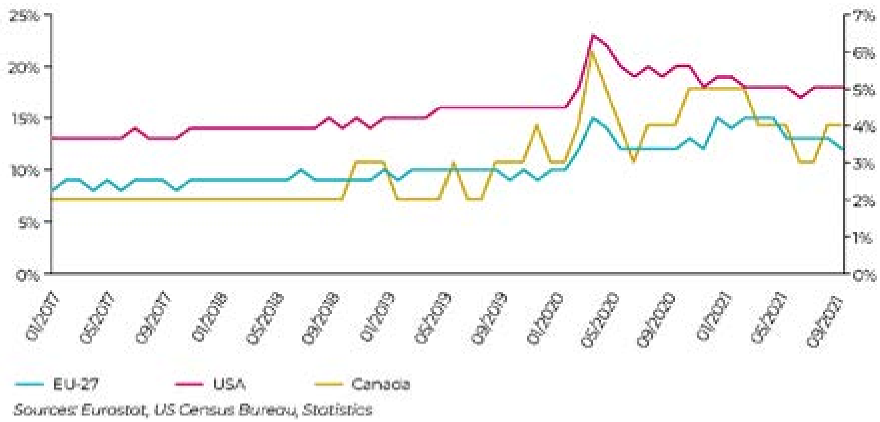
E-commerce leader Amazon saw its operating income increase at a steady pace over the first 9 months of 2020, with a 70% expansion compared to the same period in 2019. However, as economies reopened, the online Amazon sales drastically decelerated.

Walmart, the largest U.S. retailer 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 1.2 billion users. From January to September 2021, the year-on-year increase in Chinese online retail sales was about 18.5%.

The ongoing pandemic crisis could still favourably affect e-commerce in case lockdowns are re-implemented.

SHARE OF E-COMMERCE IN RETAIL SALES



Sources: Eurostat, US Census Bureau, Statistics

TEXTILE-CLOTHING

Sector risk assessments

ASIA-PACIFIC	HIGH
CENTRAL & EASTERN EUROPE	VERY 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

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- Products with high price elasticity of demand
- Sector heavily impacted by the health crisis linked to COVID-19 and supply chain bottlenecks
- 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.

The advanced economies are Europe, the United States, Japan, Australia and New Zealand.

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, is attempting to recover from the COVID-19 pandemic, which severely hurt the sector. With a strong global demand rebound in 2021, the industry may face new challenges related to supply chain disruptions, and increased transportation and production costs, which undermine the sector's growth.

At the beginning of the pandemic, the sector suffered from lower supply (due to the closure of the shops) and weak consumer demand leading 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. As restrictions eased and vaccination rates increased, economic growth fuelled increased consumer spending. The effects were very noticeable in terms of cotton prices: while a pound of cotton was trading at USD 0.71 on 9 January 2020, the price reached 1.04 earlier in December 2021, recording decade highs. According to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), the demand for cotton will be higher than the supply, resulting in higher prices during the 2021-2022 season (by 14%, according to ABARES), relative to 2020-2021.

The pandemic had strong effects on the industry: 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. Business consulting company McKinsey estimates that around 7% of listed companies left the market from January 2021 to September 2021, a rate three to four times higher than usual.

The recovery is very uneven and benefits most to the companies that adapted to new consumption practices. 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 with 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 62.6% 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 rebounded by 5.6% in 2021 and is forecasted to grow by 4.1% in 2022. The main garment consuming markets, notably the advanced economies and China, experienced the resumption of their economic activity in 2021 (5% vs. -4.7% in 2020 for advanced economies and 8.1% vs. 2.3% for China). While economies still experience restrictive measures and lockdowns, most advanced countries have grown beyond their pre-pandemic level over 2021. The textile-clothing sector benefits from this rebound: McKinsey expects revenues in the global apparel and footwear industry to grow, luxury leading with 16% growth. In 2022, further consumer confidence recovery will drive the increase in spending, but it is likely to be uneven, with the European market lagging behind that of the U.S. and China. The reopening of physical stores benefit the sector, as online sales were unable to offset the losses caused by the closures in 2020, with sales during 2020 declining by 15%-20% in China, 5%-20% in Europe and 30%-40% in the U.S., according to McKinsey.

Overall, McKinsey expects the 2022 fashion industry sales to surpass pre-pandemic levels.

The textile-clothing sector is highly globalized. The sector was at first affected by the supply chain disruptions caused by the pandemic. It now faces supply chain bottlenecks, resulting from the lack of capacity in the transport sector. As a result, transportation costs surged through 2021, and the increase is likely to persist in the beginning of 2022. This affects textile-clothing companies' operating costs and consumers may face increased prices in 2022.

There are strong uncertainties surrounding the evolution of the pandemic and the emergence of new variants (at the time of writing, the latest is the Omicron variant) that could lead to a new set of restrictions and the closure of clothing stores, dampening the recovery of the sector.

Cotton production forecasts, consumption forecasts and price trends

ABARES expects world cotton consumption to increase by 5% in 2021-2022, and exceed the global supply. Consequently, global stock levels will further decline, reaching their lowest levels since 2018-2019 and the commodity's average price will reach decade highs. ABARES forecasts an average price of USD 0.95 per pound for 2021-2022, up by 14% from the previous season. This price increase would be a threat for clothing companies, whose consumers are very sensitive to price increases, which should lower their margins to absorb the cost increase.

Cotton production should strongly rebound in major cotton exporting countries, the United States and Brazil, because of more favourable weather conditions in the future season. Production should otherwise decrease in China and India, mainly because of dryness, according to ABARES.

Increased use of synthetic fibres compared to natural fibres

The textile-clothing sector is evolving because of various factors. For one, 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. The current oil prices favour natural fibres, but incentives to substitute cotton and wool with these synthetic fibres are considerable. Another point worth mentioning is the substantial development of environmentally-friendly natural fibres, driven by consumers' growing environmental concerns.

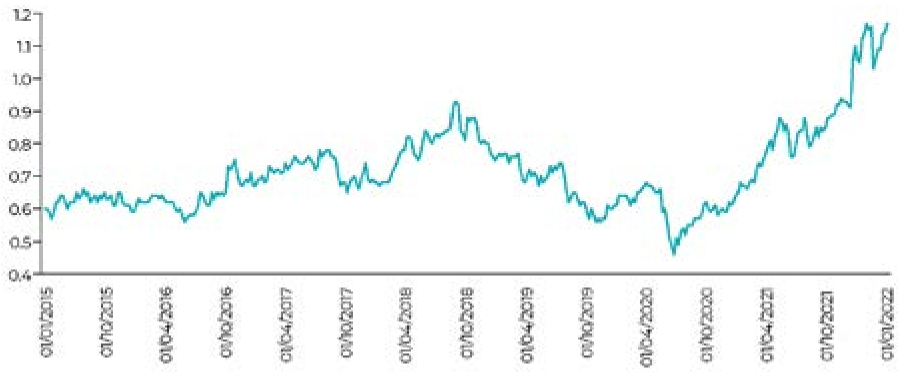
Relocation of textile factories to low-cost countries

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. During the pandemic, supply chain disruptions also enticed some European companies to nearshore textile manufacturing away from China to Turkey and Eastern Europe.

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 the strongest rebound in the luxury sector, and this growth benefits its domestic companies the most as travel restrictions weigh on the demand from China for European luxury products. 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.

COTTON PRICES (USD/POUND)



Source: USDA
Latest point: 13/01/2022

TRANSPORT

Sector risk assessments

ASIA-PACIFIC	HIGH
CENTRAL & EASTERN EUROPE	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

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- Sector heavily impacted by the COVID-19 crisis, supply chain disruptions and operating cost increases
- Sector highly dependent on oil price fluctuations
- Sector hit hard by environmental concerns

RISK ANALYSIS SYNTHESIS

The transport sector (air, road, sea and rail) was very strongly penalised by the COVID-19 pandemic in 2020. However, as consumer spending picked up in 2021, international trade rebounded significantly, and the volume of trade exceeded 2019 levels. The World Trade Monitor (which measures global goods trade) increased by 8.2% year-on-year (YoY) in August 2021, and is roughly 4.5% higher than it was prior to the pandemic. Global sea freight has thus been impacted: the container throughput index (a measure of the volume of maritime container transport, which accounts for 60% of global container traffic) has been increasing and reached 124.8 seasonally adjusted points in September 2021. Air cargo (measured in tonne-kilometre) volumes were 9.1% higher in September 2021 compared to the same period in 2019. The surge in global demand put upward pressure on transportation prices, especially that of containers, which has been lacking in capacity and failing to meet demand. Transportation costs, on the other hand, have been impacted by the persistently high 2021 oil prices, and may further feed transportation price increases.

Air passenger traffic is not expected to fully recover until 2024, as travel restrictions still weigh on global air mobility. Despite vaccine rollouts, the emergence of new variants significantly hampers the number of commercial flights (most significantly international ones), and as of September 2021, the available seat kilometres (ASKs) fell by 43.6% relative to the same period in 2019.

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.

The grounding of the Boeing 737 MAX aircraft, following crashes in October 2018 and March 2019, affected Boeing's financial health in 2020, as well as the financial health of the many airlines (particularly U.S. airlines companies) 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, and so did Europe in early 2021. China has yet to approve the return to service, but is expected to do so by early 2022. The outlook for the related air companies remains difficult as new waves and rising COVID-19 cases impede on the recovery. Both Boeing and Airbus ramped up their production, but the demand for planes should only be increasing as the COVID-19 situation eases.

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 impacted by the COVID-19 crisis and supply chain disruptions

In 2021, economic activity rebounded as vaccine rollouts improved the global outlook. Coface estimates point at a 5.6% world GDP growth rate for 2021. The resumption of activity had a positive impact on world trade, which had fallen drastically in 2020. Both sea and air freight are being mechanically impacted by the increase.

Thus, the maritime transport of goods (which represents 90% of traded goods) recovered: the average value of the container throughput index increased steadily through 2021 and maritime transport is now under stress because of insufficient container capacity. Supply chains are disrupted and major shipping hubs face high levels of congestion, creating significant delays.

In consequence, shipping costs have risen: the Harpex Index (a measure of container rates) is reaching decade highs. The supply chain disruption and the underlying issues are likely to persist through the beginning of 2022, as on the supply side, capacity increase will take time. The Baltic Dry Index, which tracks dry bulk rates, on the other hand has been falling in H2 2021, because of declining Chinese iron imports.

Air cargo (measured in tonne-kilometer) was up by 15.1% YoY in September 2021, and by 9.1% relative to the same period prior to the pandemic. Air cargo benefits from the increased shipment costs and make air transport more convenient for businesses that seek to avoid long delays and that are willing to pay a premium.

Passenger air transport has been very strongly impacted by the health crisis: as of September 2021, international traffic (measured in Revenue Passenger Kilometres (RPK)) decreased by 53.4% relatively to pre-crisis level, according to IATA.

Estimating the effect on rail freight is more complicated: in some economies, rail freight initially declined because of COVID-19, as it is complementary to air and sea freight, in the sense that rail freight is used (alongside road freight) to move goods to and from airports and ports. However, as consumer spending picked up during 2021, and long-distance trade recovered, rail freight now faces capacity and congestion issues. Rail freight is facing significant delays and lower transport capacity, which is contributing to the supply chain bottlenecks.

A difficult recovery for the transport sector

At the global level, pandemic containment and vaccination rollouts contributed to the recovery of consumer spending. As such, international trade strongly rebounded, markedly increasing transportation costs, as capacity did not follow the sudden surge in demand.

The airline market is still expected to be the most impacted by the crisis, because of the disruption in international travel. The emergence of new variants and the possible reimplementation of travel restrictions pose a threat to financial performance recovery of the airline industry.

According to IATA, this market recorded an USD 126.4 billion loss in 2020. The losses in the industry have been decreasing throughout Q1 2021 and Q2 2021, as cargo revenues showed a strong performance because of demand and yield dynamics. In Q3, 2021, EBIT margin of the industry was about -2% of the revenues, IATA reported. Furthermore, the industry has been negatively impacted by the drastic increase in fuel prices.

According to IATA, in Q3 2021, passenger revenues were down by 34% relatively to Q3 2019. While cargo revenues are up by 65%, total revenue is still significantly below the pre-crisis levels (by 29%). Operating costs are also lower, but the decrease in costs is in sufficient to offset the fall in revenue. For 2021, IATA estimates the total loss at around USD 47.7 billion.

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.

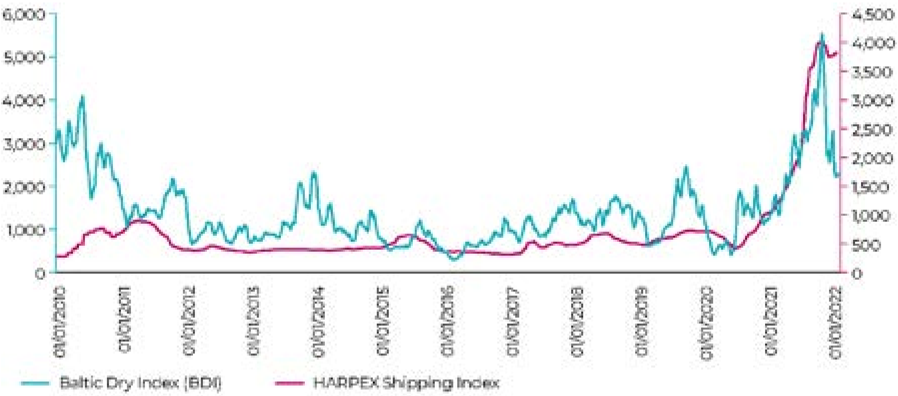
Environmental concerns are disrupting the sector

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.

SEA FREIGHT RATES SOARED IN 2021



Sources: Harpex exchange, Baltic exchange, via Datastream - Latest point: 7 January 2022

WOOD

Sector risk assessments

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

+

- Growing interest in biomass energy is helping to sustain demand for wood
- Increasing demand from emerging countries
- Valued due to the rise of sustainable construction aimed at limiting environmental risks

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- Dependent on the construction and paper sectors
- 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, causing worksites to be shut down abruptly. Accordingly, the global economic recovery (5.6% world growth in 2021 and 4.1% in 2022 according to Coface), accompanied by a resumption of both private-sector projects and public infrastructure construction projects driven by stimulus plans, caused demand for wood to explode. This led to a threat of shortages and fuelled an unprecedented surge in wood prices, which skyrocketed by 377% YoY in May 2021, before finally stabilising at the end of 2021 and in 2022. Wood is also highly dependent on the paper sector, which has seen a sharp increase in packaging demand due to the rise of e-commerce. This was a boon for the wood sector during the COVID-19 crisis, but could stoke inflationary pressures in the industry.

The sector is still facing profound transformations. Activity in the industry continues to suffer from protectionist tensions, such as the customs duties imposed by the United States on Canadian lumber since 2017 (after a temporary easing of tensions between the two countries, which saw customs duties cut from 20.2% to 8.9% at the end of 2020, the United States now wants to increase them again to 18.3%) and the trade disputes 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

A sector whose difficulties were exacerbated by the COVID-19 crisis, but which is booming because of global demand

Before and during the COVID-19 crisis, the wood sector was hurt by the global economic downturn, due to weaker demand and the industry's dependence on the construction and paper sectors, which were themselves undermined by slacker economic growth. Since then, the sector has experienced an exceptional rebound thanks to the recovery of the construction industry, to the extent that it is now suffering from shortages that have caused wood prices to explode.

The health crisis had a severe impact on construction, which is the wood sector's primary client. Since the global economic recovery, driven by Asia and the U.S., construction has resumed after an abrupt shutdown lasting several months. At the beginning of the pandemic, demand for wood was slightly down and mill stocks were reduced. Some companies even stopped production for a few months. The resumption of public and private renovation and construction projects spurred a recovery in activity and a rebound for the sector, with construction growing by 5.2% in 2021, according to GlobalData. This resulted in an explosion in demand for wood, causing delivery delays, scarcities and, above all, a surge in prices. The fact that contracts in the construction sector are often signed months before work begins is complicating matters. The situation is therefore worrying for customers and players in the sector, who face long wait times before taking delivery of their wood orders. However, the construction sector is expected to see a period of flat growth in 2022, particularly in China, which began to emerge from its real estate boom in late 2021.

The wood sector is also dependent on the paper sector, whose packaging segment benefited from strong demand amid the rise of e-commerce due to the mobility crisis caused by COVID-19 and the need to limit physical contacts. This latter development and higher demand for packaging paper stimulated demand for wood. Thus, after declining in 2019 and evening out in 2020, wood pulp prices soared in 2021, with the St. Louis Fed's lumber price index up by 107% over one year in August 2021. It is expected to stabilise in 2022.

The lack of transport to get timber from sawmills to traders also played a role in the increase of

wood prices, as the pandemic reduced driver numbers and impacted rail transport.

A global trend of price increases and shortages in the sector

In Europe, the sector is affected by the tensions between the United States and Canada. Due to the trade dispute with their traditional Canadian suppliers, Americans are acquiring European logs at high prices. As a result, 9,000 European wood processing companies signed a petition against large-scale log exports to non-European countries. For countries such as France and Germany, demand increased so much that it led to near-scarcity and supply delays in the industry.

Japan, as a big importer, has been severely affected by the rise in wood prices. The country is a special case, as although 70% of the country is covered by forests, Japan is nonetheless one of the world's largest importers of wood, mainly from the United States and Chile. Japanese wood imports have picked up sharply since the health crisis, further contributing to the rise in prices. The domestic industry is therefore endeavouring to boost demand for Japanese wood.

In China, much of the sector's demand comes from the real estate market, which rebounded strongly in 2021. The Chinese National Bureau of Statistics announced that between January and May 2021, real estate investment increased by 18.3% compared with the previous year and was 17.9% higher than from January to May 2019. Consequently, the wood sector is growing rapidly, and China is increasing its production area as well as its imports. However, more muted demand in the real estate sector should stabilise demand in construction. China benefited greatly from the global recovery, particularly in terms of demand for wooden furniture, and increased its exports of these products to the U.S. by 125% in Q1 2021.

In the Americas, the recovery in demand for wood is affecting all countries, whether they are consumers or producers. In North America, the U.S. proposal for an increase in tariffs on Canadian lumber (which accounts for 30% of wood consumed in the U.S.), despite the explosion in prices, is straining relations between the two countries. The move comes at a time of strong demand for wood and near-scarcity of the material, driven by the general recovery and particularly the pick-up in the construction sector, but also by consumption of wood furniture products. The situation is forcing major Canadian and U.S. sawmills to consider new investments to meet the strong demand. In July, the U.S. wood product industrial production index hit 219.8, up 56% YoY. Latin America is also benefiting from strong demand for wood. Argentina's wood industry has committed itself to a 44% increase in wages for employees by 2021. Furthermore, revenues from furniture sales increased by 24.5% in 2021 in Argentina and 20.2% in Brazil.

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 have 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 lion's 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 is expected to continue to have a negative impact on the wood sector in 2022.

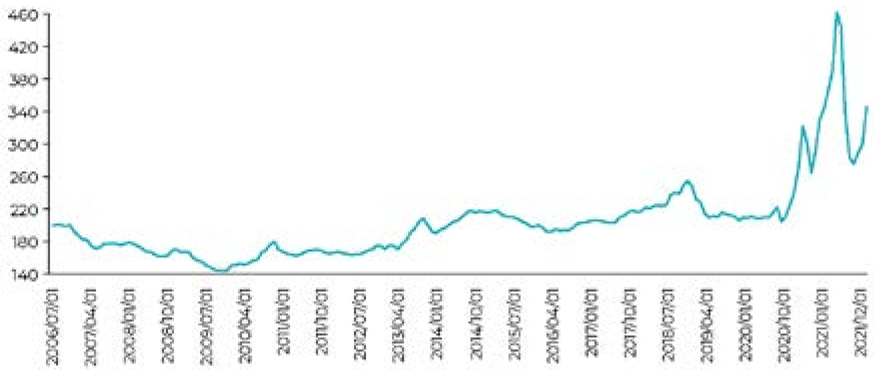
A sector that is highly sensitive to environmental risks

Wildfires in logging forests, particularly in the western United States and Canada, have threatened part of the continent's wood supply. Timber producers have cut back on mill production as the fires have jeopardised supply chains and transportation.

However, wood is increasingly being used in Europe as a material that could meet sustainable development objectives, especially as a steel replacement in frame construction. Moreover, forestry companies are exposed to environmental factors that could affect the supply of wood. For this reason, forestry investors must now take into account a range of ESG issues in their investment strategies, such as the preservation of biodiversity or relations with local communities.

The issue of deforestation was at the centre of discussions at the COP26 UN Climate Change Conference. The leaders of 100 countries committed themselves to stopping deforestation by 2030 to protect the climate. The joint declaration will be adopted by more than 100 countries that are home to 85% of the world's forests The European Commission is preparing a draft law to restrict the import of products that contribute to the destruction of forests in their countries of origin. This could have an impact on the supply and quantity of wood sold.

LUMBER, PRICE INDEX (1982 = 100)



Sources: Federal Reserve Bank of St. Louis, Coface
Latest point: December 2021

INTRODUCTION
TO COUNTRY PROFILES

Economic record and prospects for 2022 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 - 2020	32.9
GDP PER CAPITA US Dollars - 2020	611
CURRENCY Afghan Afghani	AFN

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.9	-1.9	-20.0	-30.0
Inflation (yearly average, %)	2.3	5.4	-	-
Budget balance (% GDP)	-18.6	-20.0	-21.0	-
Current account balance (% GDP)	-21.0	-22.0	-23.0	-
Public debt (% GDP)	6.1	7.8	8.7	-

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	52%
PAKISTAN	27%
CHINA	7%
UNITED ARAB EMIRATES	3%
TURKEY	2%

Imports of goods as a % of total

IRAN	17%
CHINA	15%
PAKISTAN	11%
KAZAKHSTAN	10%
INDIA	7%

- Potential for exploitation of commodities (including gas, oil and minerals)
- Development of transit corridors (Lapis-Lazuli linking Afghanistan to Turkey), launch of negotiations in late 2020 to revise the transit agreement with Pakistan and 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 humanitarian financial support, including through the United Nations Children's and Food programmes

- No longer has access to international development assistance, mostly in the form of grants, since the Taliban took power
- The Taliban-proclaimed Emirate is Sharia-based and since 2016 has been led by Mullah Haibatullah Akhundzada, originally from Kandahar
- Dependence on agriculture (22% of GDP, 40% of employment), vulnerable to weather conditions
- Low credit (4% of GDP), fragile banking system (60% of loans non-performing in 2021) and dollarised (48% of loans, 61% of deposits)
- Difficult geography (landlocked and 50% mountainous) and vulnerability to natural disasters
- Inadequate infrastructure (energy, water, transport, health)
- High poverty (70% of the population), against a backdrop of informal employment (90% of GDP), unemployment (40%) and food insecurity (the 2021 World Hunger Index ranks Afghanistan 103rd out of 116 countries)
- Poor governance (corruption, restrictive regulations, weak rule of law) and authoritarianism, lack of experience in the new regime with respect to administrative and economic management
- Ethnic fragmentation
- Presence of the Islamist terrorist movement

RISK ASSESSMENT

Taliban back in power

Ejected from power in 2001 by the U.S.-led coalition, as part of their fight against Islamic terrorism following the September 11 attacks, the Taliban regained control of the country in August 2021. Following the process initiated in late 2018, the United States signed the Doha Agreement with the Taliban in 2020. This agreement stipulated a U.S. commitment to withdraw its troops in exchange for the Taliban's commitment to prevent terrorist groups from operating and to open talks with the Afghan government for a permanent cease-fire. On 13 April 2021, President Joe Biden announced the withdrawal of U.S. troops by 11 September 2021. However, on 15 August, the Taliban seized Kabul and overthrew the Islamic Republic of Afghanistan as President Ashraf Ghani fled. After overseeing emergency evacuation flights of foreign nationals and Afghans who had worked for the coalition, the United States officially completed its withdrawal on 30 August, when the Taliban declared victory. However, since then, a series of bombings, including by the Islamic State Khorasan Province (ISKP), suggests that the Taliban interim government, established on 7 September, will have difficulty maintaining control and security in the face of both extremist groups and rebels. The Taliban regime has not been recognised by any state as at the end of 2021. In particular, it is accused of trampling on the rights of women, who are prevented from working, and of girls, who are deprived of schooling. The domination of the Pashtuns in the government and administration at the expense of other ethnic groups is also a grievance. This non-recognition is accompanied by the suspension of development aid, on which the country had broadly relied. One of the main consequences is the serious food crisis (60% of the population facing extreme levels of hunger according to the United Nations).

A severe economic and social crisis

Even before the Taliban took power, poor security, growing uncertainty and recurrent drought, coupled with the COVID-19 pandemic, had been undermining confidence and growth, while already high poverty and unemployment had been increasing. The abrupt halt in the flow of aid in the form of grants, including dollar banknotes (previously 40% of GDP), has led to the afghani depreciating against the dollar by 30% between the end of 2020 and the end of 2021. To address this, the government is auctioning dollars and has imposed a cap on cash withdrawals (USD 400 per family per week). The value of the currency is expected to fall further in 2022, until the economy stabilises at a much lower level of activity. Insufficient liquidity and the inaccessibility of foreign currency accounts domiciled abroad are crippling the banking system. This is compounded by soaring inflation fuelled by the depreciation of the afghani and falling imports: food and fuel prices more than doubled in 2021. Furthermore, the drought resulted in a 20% year-on-year increase in the price of wheat in 2021, a 30% increase in the price of flour and a 70% increase in the price of cooking oil. The purchasing power of Afghans is deteriorating: per capita income could fall by almost a third to around USD 350 by 2022. Many Afghans, especially in the public sector, are working for no pay (70% of teachers). Household consumption (80% of GDP) could then contract by 40%. The restriction of women's employment may inflict an additional economic loss of 3 to 5 percentage points of GDP. For their part, the Taliban launched a food-for-work programme in Kabul in October, offering wheat in exchange for work to more than 40,000 unemployed men, with the intention of gradually expanding it to other regions. Nevertheless, it is estimated that unemployment could double by 2022-23.

In the absence of a resumption of development aid, is the country heading for a sovereign default?

The authorities intend to curb the rising budget deficit in 2022 by adopting a 10% rate of VAT, which could generate net revenues of 1.2% of GDP, as well as phasing out pandemic-related expenditures. The Taliban are generating increasing revenues (up to 60%) from poppy cultivation and opiate trafficking (6.6 billion in 2021). Finally, the country is continuing to receive international humanitarian aid, the UN requested, in early January 2022, a record amount of USD 5 billion in emergency. The World Bank released in December 2021, a humanitarian aid of USD 280 million through the special fund for the reconstruction of the country (ARTF). However, the public debt, which has been mainly external and very low, is expected to increase because of financing the deficit with debt instead of grants. In addition, although the country received USD 10 million in debt service relief from the IMF in 2021, financing this could be complicated. A sovereign debt default cannot be ruled out. The inaugural Sukuk (sharia-compliant bond) issue, scheduled for early 2022, would enable the government to tap into large domestic savings and eventually catalyse the development of a domestic debt market. The current account deficit was largely covered by large inflows of grant aid. With the suspension and freezing of foreign exchange reserves by the U.S., estimated at over USD 9 billion (15 months' worth of imports), the country is now struggling to pay for its imports, and is being forced to reduce them. Expatriate remittances, once again authorised by the United States since 10 December 2021, are a welcome source of funding. The United States, China, Russia and Pakistan, as part of the Troika Plus, are holding talks with Taliban leaders, aware that a deterioration would have repercussions on neighbouring countries and beyond (terrorism, drug trafficking, population exodus).

ALBANIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	2.9
GDP PER CAPITA US Dollars - **2020**	5,153
CURRENCY Albanian lek	ALL

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	-4.0	6.7	3.0
Inflation (yearly average, %)	1.4	1.6	2.2	2.8
Budget balance (% GDP)	-2.0	-6.9	-5.9	-4.2
Current account balance (% GDP)	-7.6	-8.9	-7.9	-7.5
Public debt (% GDP)	67.8	75.7	78.4	76.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	68%
KOSOVO	10%
NORTH MACEDONIA	3%
SERBIA	2%
MONTENEGRO	2%

Imports of goods as a % of total

EURO AREA	50%
TURKEY	10%
CHINA	9%
SERBIA	4%
RUSSIA	2%

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

- Small, open and poorly diversified economy
- Unfavourable demography: ageing and emigration
- Large albeit shrinking informal economy (40% of GDP), 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 (though improving) court system and administration
- Corruption and organized crime, in some cases linked to drug trafficking

RISK ASSESSMENT

Political tensions to ease as incumbents consolidate power

The centre-left Socialist Party of Albania (SPA), headed by prime minister Edi Rama, consolidated its position as the ruling force in Albanian politics by maintaining its slight parliamentary majority (74/140 seats) in the April 2021 elections. Though the main opposition party, the centre-right Democratic Party of Albania (DPA), increased its representation (43 to 59 seats), it did so at the expense of its junior coalition partner, the Socialist Movement for Integration. Indeed, their decision to boycott the system by abandoning parliament for two years appears to have been counterproductive. While clashes between SPA and DPA supporters had resulted in one casualty in the run-up to the election, tensions are expected to ease as the opposition licks its wounds. Although the country has had violent elections in its recent past, it appears to be in an improving governance trend, with Brussels signalling strong optimism on the prospects of EU accession. However, the country remains in the FATF's grey list, meaning it still has progress to make in regulating the informal sector.

Buoyant tourism and Italian spill-overs fuel a stellar recovery

The surprisingly intense rebound of 2021 is expected to moderate swiftly now that output has largely recovered its pre-pandemic level. This trend applies to all categories of domestic demand, and, to a lesser extent, exports, which will benefit from the still dynamic demand for low-end consumer goods in Italy. Favourable spill-overs from Italy will also come in the form of higher expatriates' remittances (10% of GDP). Tourism is showing an impressive capacity to recover, with a summer 2021 season only slightly below 2019 figures. The net contribution from the external sector will therefore be close to null. At 83% of GDP, household consumption has an oversized weight in the economy and will therefore account for the lion's share of growth. Unemployment will continue to decrease but will remain structurally high, stabilizing between 11 and 10%, due to the stubborn pre-eminence of the informal sector. The country has historically had trouble in diversifying its industrial base, but is expected to increasingly attract foreign investment in the following years. This should flow in particular into the construction and real-estate sectors, with post-November 2019 earthquake reconstruction efforts still incomplete and investor enthusiasm for building capacity in the hospitality sector. Authorities will closely monitor the buoyant real-estate market for threats to financial stability and money laundering. The imperative for fiscal consolidation will lead to a scaling back of public investment. Domestic power production, largely hydroelectric, benefited from exceptionally good rainfall in 2021, an equivalent performance in 2022 would be surprising. This will leave the county vulnerable to imported energy inflation. Nonetheless, headline inflation is not expected to overshoot the central bank's 3% target. 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. A comparatively low vaccination rate, however, implies downside risks stemming from possible COVID-19 resurgences.

External and fiscal imbalances remain concerning

While fiscal consolidation had begun to stall in 2017 with the end of the IMF programme, the earthquake, the pandemic, and successive aid plans derailed the trajectory of public finances. In 2022, the government will resume its consolidation strategy, aiming to broaden its tax base and make tax collection more efficient. The 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 (European Commission and EBRD funds) and a Eurobond emission. The public debt will remain sustainable, although the gross borrowing requirement is high (20% of GDP) 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 lenient global financial conditions, despite the coming tightening cycle of key central banks. Moreover, external debt remains largely concessional (52% of the total).

The trade deficit (22% of GDP) is expected to increase in 2022 with a rise in imports following the recovery in domestic demand, particularly for high value added goods and to meet reconstruction efforts. This will not be compensated by the rise in exports, despite the strong Italian rebound. Amid the revival of tourism and remittance flows, the current account deficit will continue to moderate but remain large. The financing requirement should be covered by foreign direct investment and multilateral aid. Standing at around 8 months of imports, foreign reserves provide a comfortable margin, supporting the lek exchange rate.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**44.2**
GDP PER CAPITA US Dollars - **2020**	**3,337**
CURRENCY Algerian dinar	**DZD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.0	-5.1	3.5	2.0
Inflation (yearly average, %)	2.0	2.4	6.5	7.0
Budget balance (% GDP)	-5.6	-6.2	-9.2	-6.5
Current account balance (% GDP)	-9.9	-12.7	-7.6	-5.5
Public debt (% GDP)	45.8	55.6	58.5	63.0

(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%

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

−
- High dependence on hydrocarbon revenues
- High youth unemployment rate, low opportunities for graduates
- Excessive weight of the public sector
- Acute political and social crisis triggered in 2019
- Poor state of infrastructure
- Bureaucratic red tape, corruption, financial sector weaknesses and uncertain business environment

RISK ASSESSMENT

A constrained recovery despite high hydrocarbon prices

The Algerian economy rebounded in 2021, driven by higher energy prices and the increase in OPEC+ production quotas. In 2022, growth, which is heavily dependent on the hydrocarbon market (nearly a third of GDP and more than 93% of export earnings) will slow as the base effect weakens, while oil production could well resume its structural decline owing to under-investment in the sector. However, despite the closure of the Maghreb-Europe gas pipeline following the dispute with Morocco, strong demand from Italy and Spain is expected to result in growth in gas exports. Non-hydrocarbon exports, consisting mainly of fertilisers, mineral products, chemicals and agri-food products, including dates and sugar, will remain modest in 2022. Household consumption (45% of GDP in 2020) recovered timidly in 2021, as the government's support measures failed to sufficiently counter the erosion of household purchasing power caused by food price-driven inflation. In 2022, despite expected progress in the COVID-19 vaccination campaign, purchasing power will continue to be constrained by an unemployment rate of around 15% and stubbornly high inflation. After being put on hold in 2020, public investment, targeting the hydrocarbon, infrastructure and housing sectors, resumed in 2021. In 2022, the government is set to prioritise the mining sector (iron, phosphate), in accordance with the 2021-2023 national mining programme. However, the investment recovery will be significantly restricted by fiscal frailties, while the private share of investment will be constrained by the business environment, which continues to face challenges despite the repeal in June 2020 of the law capping foreign ownership of Algerian firms at 49% (except in strategic sectors) and new support for start-ups.

Substantial deficits and erosion of foreign exchange reserves

In 2021, the public deficit widened further as the increase in spending to support the economy was not offset by the increase in hydrocarbon revenues (45% of government revenues). In 2022, the deficit is projected to decrease on the back of the 9% increase in oil revenues forecast by the government. However, it will remain significant due to the government's substantial operational and capital expenditure and the large share of social transfers (9.5% of GDP). While public debt is rising, external debt will remain low (less than 1% of GDP), as the country is still reluctant to seek external assistance to finance its large deficit. The country is therefore expected to continue with monetary financing via the central bank, which resumed in 2021.

The current account deficit followed the trade deficit in narrowing in 2021, reflecting the sharp recovery in hydrocarbon prices and export volumes, as well as import control policies. In 2022, the current account deficit will continue to shrink, as these policies to restrict foreign purchases, mainly of machinery and food, continue to reduce the import bill. The current transfer surplus will be unchanged, preventing it from offsetting the primary income deficit linked to repatriation of foreign firms' profits. FDI will increase but remain low. The removal of the ceiling on foreign ownership of local companies will generate only a slight increase, as it excludes the most attractive sectors, such as hydrocarbons and mining. Weak investment flows and the government's refusal to take on external debt will continue to put pressure on foreign exchange reserves, which have been falling since 2014, decreasing from USD 193 billion to USD 45,5 billion in September 2021.

Persistent domestic instability, heightened tensions with Morocco

After nearly 20 years in power, President Abdelaziz Bouteflika resigned in April 2019 under pressure from regular protests, known as the Hirak movement, which began in February 2019. Despite his resignation, Hirak protests continued, but after two postponements of the presidential election, Abdelmajid Tebboune, Bouteflika's prime minister in 2017, was elected in December 2019. Against the backdrop of continuing protests and the constitutional reform approved by referendum in November 2020, legislative elections, originally scheduled for 2022, were finally held in June 2021. Like the presidential election and the constitutional referendum, they featured record abstention (77%), reflecting the population's continuing distrust of the political class. While the National Liberation Front (98 of 407 seats), the country's dominant political party since independence in 1962, came out on top in the elections, it lost more than 60 seats, while its traditional ally, the National Democratic Rally (58 seats), lost more than 40 seats. The Movement of Society for Peace (65 seats) and independents (84) made significant gains. Although demonstrations have ceased for the time being, popular discontent and the potential for political instability will persist, with increasing numbers of Hirak prisoners of conscience being put in prison, perceived corruption among political elites, and continuing difficult social and economic conditions.

Relations with Morocco have soured over Western Saharan sovereignty. After the two countries broke diplomatic ties at the end of August 2021, Algeria, Morocco's main supplier of gas, announced in October 2021 the official closure of the Maghreb-Europe gas pipeline. Also in October 2021, the country shut its airspace to French military aircraft over comments by French president Emmanuel Macron about Algeria's history.

ANGOLA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**30.1**
GDP PER CAPITA US Dollars - **2020**	**1,881**
CURRENCY Angolan kwanza	**AOA**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.6	-5.4	0.2	2.5
Inflation (yearly average, %)	17.1	22.3	24.4	18.0
Budget balance (% GDP)	0.7	-1.9	3.2	3.0
Current account balance (% GDP)	6.1	1.5	7.3	6.0
Public debt (% GDP)	107.3	134.4	100.1	92.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	57%
EURO AREA	17%
INDIA	15%
SOUTH AFRICA	2%
SINGAPORE	2%

Imports of goods as a % of total

EURO AREA	31%
CHINA	15%
SOUTH KOREA	9%
SINGAPORE	7%
UNITED STATES	6%

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

- Very high public debt (55% commercial, with interest absorbing one-third of revenues)
- Vulnerable to an oil price reversal
- High unemployment, major 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

A limited economic rebound in 2022 after six years of recession

After being in recession since 2016, mainly due to the decline of the hydrocarbon sector (40% of GDP), Angola's economy stabilized in 2021 and should pick up at last in 2022, thanks in particular to the rebound in exports (35% of GDP). These are 95% made up of hydrocarbons, which are set to benefit from persistently favourable oil prices and limited growth in production. The commissioning of new capacity by BP and TotalEnergies should help stem the downward trend in production associated with the lack of investment and the depletion of existing oil fields – factors that contributed to a more than one-third decline in crude oil production between 2015 and 2021. While oil activity will contribute to growth, non-oil activity will also play a role. In particular, the agricultural sector (11% of GDP) is expected to bounce back from the worst drought in 40 years and a locust invasion in 2021. The rebound in the sector, which employs about half of the workforce, will support private consumption. Government social assistance payments should also provide support. However, inflation is expected to remain high, eroding household disposable income. That said, inflation should decline in 2022 as the drought, and thus its impact on food prices, eases. The improved economic environment is expected to revive the programme of privatisations launched in 2018, including those of diamond company Endima and oil company Sonangol, helping to attract investment. In addition, investment could benefit from diversification projects, particularly in the agricultural sector (only 10% of the 60 million hectares of arable land is reportedly being used) and the mining sector. Diamond development projects, such as the Luaxe project, should help to sustain an increase in production. However, despite the government's efforts to fight corruption and make the business environment attractive, investment will still be constrained, as the public share will continue to be held back by the heavy debt burden, limiting opportunities for private investment.

Fragile public and external finances

In 2021, the current account showed a surplus thanks to higher oil prices and low imports. In 2022, the surplus is expected to narrow with the rebound in imports linked to the recovery in activity. In addition, imports of engineering and logistics services for oil activities will continue to weigh on the services deficit. The primary income deficit will widen, reflecting the burden of interest on the public debt and repatriation of funds by foreign companies. Foreign exchange reserves, standing at about 12 months of import coverage, and the kwanza stabilised thanks to an IMF special drawing rights allocation in mid-2021. In 2022, rising hydrocarbon exports should also provide them with support.

After returning to a surplus in 2021 on higher oil revenues (over 60% of government revenues), the public balance is expected to stabilise. In 2022, oil and gas will drive revenues, but the planned reduction in VAT, which was introduced in 2019, could limit the increase. Expenditure will increase with the rise in spending on healthcare (construction of new hospitals) and debt servicing (25% of total expenditure, especially with the end of the G 20 Debt Service Suspension Initiative). Furthermore, given social pressures and the upcoming elections, fiscal consolidation efforts may slow. Although it will remain at worrying levels, the public debt, which is more than 80% denominated in foreign currency, is expected to decline in 2022 thanks to the primary budget surplus and stabilisation of the exchange rate. The authorities have reached restructuring agreements with Chinese creditors, who hold about half of the external public debt (80% of the total). With the end of the IMF's Extended Fund Facility programme in December 2021, the country may seek further financial support from the Bretton Woods institution in 2022.

Political and social tensions as elections approach

Since taking office in 2017, President João Lourenço has initiated numerous reforms, promising to fight corruption and diversify the economy. 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. Since 2020, protests against the government for its failure to curb corruption and revive the economy have gathered momentum. Social tensions will fuel political instability as the August 2022 general election approaches. In October 2021, in the run-up to these elections, the three main opposition parties formed a coalition, the *Frente Patriótico Unido* (FPU), to channel dissatisfaction with the president and the *Movimento Popular de Libertação de Angola* (MPLA), the party that has dominated Angola's political landscape since independence in 1975. With the MPLA's share of the vote shrinking in the last two elections, this move could further erode its support, although the party is expected to hold onto power. Internationally, relations with China, the country's main creditor and trading partner, remain close.

ARGENTINA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	45.4
GDP PER CAPITA US Dollars - **2020**	8,572
CURRENCY Argentine peso	ARS

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-2.1	-9.9	9.0	2.5
Inflation (yearly average, %)	53.5	42	48	50
Budget balance (% GDP)	-3.8	-8.5	-4	-4.5
Current account balance (% GDP)	-0.9	0.8	1.0	0.8
Public debt (% GDP)	93.8	108.7	87.6	93

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	15%
EURO AREA	10%
CHINA	10%
UNITED STATES	6%
CHILE	5%

Imports of goods as a % of total

BRAZIL	21%
CHINA	20%
EURO AREA	14%
UNITED STATES	10%
PARAGUAY	5%

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

- Weak fiscal accounts
- Capital controls, due to the lack of confidence in the Argentinian Peso and limited 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	HIGH
ENERGY	HIGH
ICT*	VERY HIGH
METALS	HIGH
PAPER	HIGH
PHARMACEUTICAL	MEDIUM
RETAIL	VERY HIGH
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	HIGH

*ICT: Information and Communication Technology.

RISK ASSESSMENT

GDP growth will significantly weaken in 2022

GDP growth should sharply decelerate this year, as the gains related to the activity reopening fade. Household consumption (67% of GDP) is likely to register a shy rise, as the job market gradually recovers. Nonetheless, the high inflation should rise further due to adjustments in repressed prices, the ongoing monetary financing of the fiscal deficit, and as central bank increases the pace of currency depreciation. Meanwhile, exports (21% of GDP) will be supported by the tailwind of still high agriculture and mineral commodity prices that favor Argentina´s foreign sales. Nonetheless, the drought and the strong shock in the global agricultural input markets will reduce producer margins.

In addition, private investment should register a poor performance, as strong capital controls and the lack of a clear economic policy are relevant hindrances. Finally, public investments should remain subdued due to fiscal constraints.

Slight current account surplus and enduring fiscal deficit

The current account remained in surplus in 2021, notably supported by a still strong trade surplus, although imports' growth rate (thanks to the reopening of the economy and fears of exchange rate depreciation) surpassed the rise in exports. Moreover, the primary income deficit narrowed in the period, driven by lower interest payments due to the Q3 2020 external debt restructuring. Conversely, the services deficit widened underpinned by higher freight costs and lower tourism revenues. In fact, the country only reopened its frontiers to foreign tourism in November 2021. Regarding the financing side of the balance of payments, FDI remained at low level as economic and political uncertainties inhibited a brighter rise. In addition, although foreign currency reserves in January 2022 stood at USD 38.8 billion, net reserves (deducting the central bank's foreign borrowing from BIS, China and dollar reserve requirements) were estimated at only USD 3.2 billion (ensuring an import coverage of only one month). The higher USD inflows related to strong commodity export revenues and part of the USD 4.3 billion received from the IMF in Special Drawing Rights (SDR) allowed the country to comply with its foreign debt payments and postpone the restructuring of its USD 44 billion debt with the IMF (part of the 2018 USD 57 billion Stand-By Agreement). In January 2022, the country reached a tentative deal with the IMF to secure a new Stand-By Arrangement. Although more work is still needed to reach a staff-level agreement, this came at key moment, since Argentina faces deadlines for USD 3.9 billion in debt repayments to the IMF in Q1 2022. The new USD 44.5 billion program would match debt payments ahead and payments done along 2021 (leaving estimated USD 5 billion to improve international reserves).

On the fiscal side, the budget deficit narrowed in 2021, driven by higher tax collection, lower real wages and pensions, and the registration of the SDRs as non-tax revenues. In September 2021, a presidential decree established an accounting manoeuvre allowing the government to use the SDR both to reduce the fiscal deficit and to use the equivalent dollars to pay the IMF. The public account shortfall was mostly financed by the central bank. In 2022, the budget deficit should increase as the SDR one-off effect fades (estimated at 1% of GDP) and will not be fully compensated by the reduction in COVID-19 related expenditures. Nonetheless, an IMF agreement would require some public account consolidation and lower monetary financing of the fiscal deficit, with possible positive implication for the deficit.

The social consequences of the long-lasting crisis weakened the ruling coalition position in the Congress

The prolongation of the pandemic, the setbacks in the reopening process and their economic consequences have taken a toll on President Alberto Fernández's - of the Peronist Frente de Todos (FDT) coalition - popularity. In front of the economic and social side effects of the crisis, the divergences between the moderate stance of the government and the more hardliner and interventionist orientation linked to Vice-President Cristina Kirchner have gained momentum. The rulers' declining political capital was evidenced by the result of the 14 November 2021 legislative elections, when almost half of the Lower House (127 seats) and a third of the Senate (24 seats) were renewed. On this occasion, the FDT lost its majority in the Senate, moving to 35 seats (from the previous 42), while the opposition Juntos por el Cambio (JxC), a centre-right coalition, will have 31 senators (adding 6 new seats) out of 72 seats. In the Lower House, the government kept its first minority position with 118 deputies out of a total of 257 seats (albeit losing 2 seats), holding only two more seats than the JxC. Overall, the new Congress and the internal division within the ruling coalition increase the risk of a legislative gridlock. Moreover, the debt renegotiation with the IMF requires the Congress approval. This can be challenging, taking into account the hard-line stance of the FDT and its historically frictional relationship with this organisation.

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.

ARMENIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	3.0
GDP PER CAPITA US Dollars - 2020	4,267
CURRENCY Armenian dram	AMD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.6	-7.4	5.0	5.0
Inflation (yearly average, %)	1.4	1.2	6.8	5.5
Budget balance (% GDP)	-1.0	-3.5	-4.2	-3.2
Current account balance (% GDP)	-7.2	-3.9	-3.0	-4.0
Public debt (% GDP)	49.9	62.8	63.0	60.0

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	27%
SWITZERLAND	18%
CHINA	11%
EURO AREA	10%
IRAQ	6%

Imports of goods as a % of total

RUSSIA	33%
EURO AREA	16%
CHINA	15%
IRAN	7%
TURKEY	5%

+

- Significant mineral resources (gold, copper, molybdenum, zinc)
- Comfortable foreign exchange reserves and relative flexibility of the dram 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)
- Willingness to reform in terms of corruption, justice and competition

−

- Dependence on minerals (50% of exports and 10% of GDP), despite the ongoing diversification effort
- Strong dependence on Russia in terms of security, trade (largest partner), expatriate remittances (63% of total) and FDI (37% of total)
- Banking system still heavily dollarised (42% of deposits and 48% of credits)
- About 75% of Armenia's public debt is denominated in foreign currencies, making it vulnerable to exchange rate fluctuations
- High and persistent levels of poverty (30% of the population) and unemployment (17%)
- Geographic isolation compounded by a lack of infrastructure and the closure of two out of four borders
- Armed conflict with Azerbaijan over the Nagorno-Karabakh enclave, which may lead to occasional clashes even after the 9 November 2020 cease-fire

RISK ASSESSMENT

Inflation control at the heart of concerns

Faced with the double shock of the pandemic and the armed conflict in 2020, the economy witnessed the abrupt end of three years of robust growth. The moderate recovery of 2021 will continue in 2022, despite the weakening of the positive base effect. Private consumption (80% of GDP) will remain the main driver, thanks to rising household incomes and remittances from Russia. The latter are likely to decline due to a lower forecast for Russian growth.

Most businesses, industries and educational institutions have been allowed to reopen. This will help the recovery, as services contribute 60% of GDP. However, a low vaccination rate will prevent further expansion of the economy. As of January 9th, 2022, 25% of the population had been fully vaccinated. In addition, the global rise in oil prices will have a negative effect on the trade position, as Armenia is an oil-importing country. The rebound in imports (40% of GDP) of capital goods and oil to meet rising domestic demand will be more significant than the increase in the level of exports (30% of GDP, driven by the good performance of gold and copper ores). Investment will remain moderate (15% of GDP), as tensions with Azerbaijan will mean foreign investors remain reluctant.

Inflation exceeded the target of 4%, due to the impact of dram depreciation in 2020 and rising commodity prices. By end-2021, the Central Bank of Armenia (CBA) should have raised its policy rate by a cumulative 230 basis points to 7.75%. Further tightening may occur in 2022, as external inflationary pressures remain, but less so, as global supply chains adjust. The high level of dollarization implies that the CBA is closely monitoring the impact of interest rates on the exchange rate, which will appreciate further.

Deficit management to stabilise debt

The government will continue to implement its strategy (2022-26), which aims to stimulate growth through structural reforms (creation of an anti-corruption agency), promotion of agricultural and manufacturing exports, and increased FDI. On 30 September 2021, the government presented its draft budget for 2022. Expenditures, in nominal terms, are expected to increase by 18% compared to 2021, with the bulk of the increase going to social security, the defence sector and education. Nominal revenues will increase by 29%, thanks to the introduction of a progressive tax system and the revision of the taxation of interest earned on bank deposits and corporate bonds. In May 2019, the IMF approved a three-year Stand-By Arrangement (lending facility) for Armenia with an initial amount of SDR 180 million, increased to SDR 308.8 million (USD 432 million) in May 2020. It aims to support the strengthening of economic fundamentals, policy frameworks and structural reforms. In return, Armenia commits to a sustainable budget path. By the end of 2021, USD 72 million had been disbursed, bringing total disbursements to USD 396 million. Public debt (75% external, 25% domestic) is mostly composed of external loans, foreign currency denominated bonds and treasury bills. Mostly denominated in foreign currencies and vulnerable to exchange rate fluctuations, it should nevertheless remain under control, as the government is keen to abide by the fiscal rule introduced in 2022. Nevertheless, the debt-to-GDP ratio will tend to decline; GDP growth will be stronger than debt growth.

The current account deficit is due to the trade deficit (12% of GDP) and the primary income account deficit resulting from the repatriation of foreign investors' income. The surplus on the secondary income account, thanks to expatriate transfers (8% of GDP), will not be enough to cover the negative balance.

The current account deficit is expected to widen slightly, in line with the rise in global oil prices. It is financed by external borrowing and unrecorded foreign exchange inflows.

Conflict with Azerbaijan weighing on the political scene

27 September 2020 marked the resurgence of the 30-year armed conflict between Armenia and Azerbaijan over Nagorno-Karabakh. This confrontation was the deadliest since the 1994 war, which led to the proclamation of 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 signed on 9 November 2020, under the auspices of Russia, ending hostilities and restoring Azerbaijan's control over a fraction of Nagorno-Karabakh and the majority of the territories adjacent to it. Tensions have been rekindled since May 2021, however, by Armenian allegations that the Azerbaijani army is crossing the border in violation of the agreement. Clashes, with casualties on both sides, have been reported again in early January 2022. On the domestic front, the ceasefire led to protests organised by the opposition demanding the resignation of Prime Minister Nikol Pashinian, who has been in power since the Velvet Revolution of 2018. After resigning in April 2021, he called early parliamentary elections for 20 June. He and his "Civil Contract" party, supported by his former coalition the "My Step" Alliance, won the election comfortably (54% of seats compared to 66% in 2018). The opposition grouped in the "Armenian Alliance", under the leadership of former president Robert Kocharian, will keep up the pressure by alleging weakness in the government in negotiations.

AUSTRALIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	25.7
GDP PER CAPITA US Dollars - 2020	52,905
CURRENCY Australian dollar	AUD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.9	2.4	4.0	4.2
Inflation (yearly average, %)	1.6	0.8	2.7	1.9
Budget balance* (% GDP)	-4.3	-6.5	-5.0	-4.6
Current account balance (% GDP)	0.7	2.7	3.6	1.3
Public debt (% GDP)	46.6	57.3	62.1	66.4

(e): Estimate. (f): Forecast. * FY 2022 : July 2022-June 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	40%
JAPAN	12%
SOUTH KOREA	6%
UNITED STATES	5%
TAIWAN	4%

Imports of goods as a % of total

CHINA	29%
EURO AREA	14%
UNITED STATES	12%
JAPAN	6%
THAILAND	5%

+

- Geographic proximity to dynamic Asian economies, member of RCEP
- 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 (183% of gross disposable income)
- Shortage of infrastructure due to the country's vast territory
- Vulnerable to climate change (bushfires and droughts)
- Disparity between federated states

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Accelerated recovery on economic reopening

Growth is set to accelerate modestly in 2022, as Australia continues to reopen its economy and relax border restrictions. High vaccination rates provide the basis for Australia to move ahead with a "COVID normal" plan. Nevertheless, the possibility of a further setback from another outbreak is a major risk to Australia's economic outlook. Looser restrictions should contribute to a firmer recovery in household consumption (53% of GDP) in 2022, supported by sustained job recovery and higher accumulated savings. Increased savings had helped strengthen households' balance sheets over the second half of 2020 and the first quarter of 2021, but the household savings ratio rose again in the September quarter of 2021 after falling to 9.7% in the June quarter, as the Delta-variant outbreak temporarily constrained consumption opportunities.

Household borrowing has increased, lifting outstanding household debt to 126.1% of GDP (and 183.2% of disposable income) in Q2 2021, and may constrain household spending growth. Part of the rising household indebtedness is linked to the housing market rebound amid record-low interest rates. Sharper growth in housing credit raised concerns about financial stability, prompting tighter home lending restrictions. Barring further intervention of the authorities, such as tighter debt-to-income limits on loans or interest rate hikes, the housing market is set to continue growing, which will be positive for the construction sector (7% of GDP). Mining (10% of GDP) is expected to stay in a position of strength as global commodity prices remain at multi-year highs. Long-term electrification trends also benefit lithium and nickel mining firms. Meanwhile, tourism (3.1% of GDP in FY2018-19) is expected to show a gradual recovery as international travel picks up in 2022.

Inflation remains low, despite the increase in 2021 reflecting higher oil prices and global supply chain disruptions. Wage growth remains modest, especially in the public sector. Furthermore, economic reopening and border restrictions easing may attract more temporary workers back into the workforce, helping a rise in the labour participation rate that should limit upward wage pressures.

Meanwhile, growth in Australian exports (25% of GDP), dominated by resources and energy (78% of total exports), should remain robust amid high commodity prices and continued global recovery. However, China's efforts to limit steel output and diversify import sources for iron ore, and a further recovery in Brazilian supply, would negatively impact Australian iron ore prices. High freight fees would weigh on resource firms' profitability.

Budget deficit to shrink

Government revenue is expected to grow faster than expenditure, helping to reduce the budget deficit. Stronger-than-expected receipts helped narrow the cash deficit in 2020-21 from a projected AUD 161 billion (-7.8% of GDP) to AUD 134 billion (-6.5% of GDP). For 2021-22, the AUD 589.3 billion budget (27.6% of GDP) includes an additional AUD 7.8 billion in tax cuts for low-to-middle income earners, an additional AUD 20.7 billion in business tax relief, and an additional AUD 15.2 billion over ten years to finance infrastructure projects. Public debt is still expected to increase, but external risks should be limited as foreign shareholding of Australian Government Securities (AGS) fell from 53.5% in June 2020 to 48.8% in June 2021, partly due to the Reserve Bank of Australia's bond purchasing programme.

Australia has been recording current account balance (CAB) surpluses for consecutive quarters since Q2 2019, supported by a growing trade surplus which, in turn, is backed by strong commodity exports. We expect the CAB surplus to be maintained in 2022, albeit smaller in scale, due to a potential return to a services trade deficit as border control easing should boost travel services imports. Extended trade tensions between China and Australia, however, should continue to weigh on some Australian exports to China, including coal. Meanwhile, the investment income deficit should shrink in 2022 as direct investment picks up, though deteriorating China-Australia relations could constrain Chinese investment growth in Australia.

Tight race expected for 2022 federal election

The centre-right Liberal-National coalition, led by prime minister Scott Morrison, has held a slim majority in the House of Representative (77 out of 151 seats, or 50.9%), with opposition Labour Party at 45% (68 seats). In the Senate, which is vested with significant power, the governing coalition has held 47% of seats, and Labour 34%, with minority parties (19%), particularly the Greens, holding the balance of power. Support for Morrison has waned and remained fragile, but the Labour Party is not in a strong position to gain more support as pre-pandemic issues such as climate policy and political scandals are likely to resurface ahead of the polls (expected to be held between March and May), which could weaken government stability.

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

AUSTRIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	8.9
GDP PER CAPITA US Dollars - **2020**	48,593
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.4	-6.7	4.3	4.9
Inflation (yearly average, %)	1.5	1.4	2.8	3.1
Budget balance (% GDP)	0.6	-8.3	-6.1	-2.5
Current account balance (% GDP)	2.8	2.5	2.0	2.3
Public debt (% GDP)	70.6	83.2	83.7	80.3

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	30%
UNITED STATES	6%
ITALY	6%
SWITZERLAND	5%
FRANCE	4%

Imports of goods as a % of total

GERMANY	41%
ITALY	6%
SWITZERLAND	6%
NETHERLANDS	4%
CZECH REPUBLIC	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 worldwide)
- 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	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Economic growth supported by strong household consumption

After a deep recession in 2020 triggered by the pandemic, the Austrian economy partly rebounded in 2021. The export-oriented economy benefited from the revival of global trade and its intensive business links with Germany and Central & Eastern Europe. In 2022, foreign trade is expected to progress further thanks to the recovery of the main European partners. However, the contribution of net exports to GDP growth will be marginal due to the almost equal improvement in imports. Domestic demand should be the driving force of the economy in 2022. Household savings accumulated during pandemic lockdowns will be directed towards private consumption, although the full increase is unlikely to be channelled into it in 2022. Such a trend has been already observed, as the gross household savings rate reached 14.8% of disposable income at the end of 2019, peaked at 24.5% at the end of 2020, then decreased to 17.1% in mid-2021. It will also fuel wealth formation, and is expected to be spent over several years. Furthermore, incomes will be supported by the tax reform of 2022-2024, which includes tariff reduction of the second stage, increase of the family bonus and child surplus, decrease of the health insurance contribution rate for low-income earners and the climate bonus. The tax reform is estimated to reduce the tax bill of private households by 1.2% of disposable household income in 2022, according to the Austrian Institute of Economic Research (WIFO). Income and consumption will also be supported by an improving labour market after the deterioration experienced in 2020. The unemployment rate should decline from 9.9% in 2020 to 7.1% in 2022, according to the national methodology definition. Concomitantly, wages should grow by 5% in 2022, driven by a tighter labour market, as labour shortages have been reported again after a temporary relief during the first waves of pandemic. Nevertheless, supply shortages and a steep rise in prices of commodities and various inputs will be the main obstacle, affecting Austrian companies in 2022. Along with the reversal of the value-added tax cut, this will keep inflation above 3% in 2022, before gradually declining in the subsequent years. Fixed asset investments will be underpinned by the expansion of the manufacturing sector, allocations from the NextGenerationEU (NGEU) fund, as well as the investment premium. The latter subsidy will trigger additional machinery and equipment investment that probably would not have been made otherwise. At the same time, a reduction in the corporate tax rate and the introduction of an eco-investment tax allowance should limit a drop in investments in the next years.

Declining budget deficit and increasing current account surplus

In 2022, the current account surplus should increase on the back of the trade surplus, thanks to favourable global trade and the improvement in the tourism sector, which accounts for about 15% of GDP. Remittances of foreign workers sending money back to their country of origin will continue to fuel a high secondary income deficit. The primary income account is expected to remain close to balance with an equivalent decline in the proceeds of Austrian investments abroad and foreign investments in the country.

The gradual unwinding of fiscal support, in line with the economic recovery will result in an improvement in both the public deficit and debt. However, the budget balance will remain in deficit, contrasting with the surpluses recorded before the pandemic. A mix of various expenditures will continue to fuel the budget deficit, with the ecological and social tax reform, as well as the pension increase and additional investment measures under the Recovery and Resilience Facility (RRF).

Destabilised coalition

Following snap elections held in September 2019, the centre-right Austrian People's Party (ÖVP) remained the largest party (37.5% of the vote resulting in 71 out of 183 seats). Nonetheless, in October 2021, the ruling coalition, comprising ÖVP and the Greens, was destabilised by the resignation of Sebastian Kurz, the chancellor. This came promptly after the revelation that state prosecutors were investigating corruption allegations related to his aides in 2016, who allegedly used taxpayer money to pay for press advertisements in exchange for favourable coverage, including the publication of manipulated polling data. Mr. Kurz denied the allegations and refused to stand down, but the Greens only wanted to continue the coalition under a different chancellor. Hence, Alexander Schallenberg, formerly the ÖVP foreign minister, took over as chancellor and as head of the ÖVP-Greens coalition, while Mr. Kurz remained the ÖVP chairman and parliamentary leader of the party.

Since November 2021, the Austrian government decided to tighten restrictions for the unvaccinated at the beginning but then also for vaccinated as well as re-introduce a lockdown. The social discontent caused by such measures triggered protests and add challenges to the new chancellor.

PAYMENT & DEBT COLLECTION PRACTICES IN AUSTRIA

Payment

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

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

Debt Collection

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

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

Fast-track proceedings

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

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

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

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

Ordinary proceedings

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

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

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

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

Enforcement of a Legal Decision

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

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

Insolvency Proceedings

Out-of court proceedings

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

Restructuring

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

Liquidation

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

Retention of title

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

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

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	10.1
GDP PER CAPITA US Dollars - 2020	4,232
CURRENCY Azerbaijan manat	AZN

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.5	-4.3	3.0	2.3
Inflation (yearly average, %)	2.7	2.8	4.5	3.3
Budget balance* (% GDP)	-0.3	-2.4	-1.2	-0.8
Current account balance (% GDP)	9.1	-0.5	7.8	7.7
Public debt (% GDP)	17.7	39.1	34.8	33.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	42%
TURKEY	19%
RUSSIA	5%
CROATIA	3%
GEORGIA	3%

Imports of goods as a % of total

RUSSIA	18%
EURO AREA	18%
TURKEY	15%
CHINA	13%
UNITED STATES	6%

- Well-endowed sovereign wealth fund thanks to hydrocarbon production and the state's position as a net external creditor
- Significant gas potential in the Caspian Sea
- Launch of gas exports to Europe via Turkey and Greece in late 2020
- Strategic position between Europe, Russia and China
- Some institutional improvements (legal certainty, reduction of petty corruption)

- Poor economic diversification, high dependence on hydrocarbons (50% of GDP, 90% of exports and two-thirds of tax revenues), declining oil resources
- Anti-competitive market structures (multi-sector conglomerates with close ties to the state)
- Fragile, opaque and dollarised banking system (30% of loans and 45% of deposits), underdeveloped credit to the private sector (26% of GDP)
- Poor governance (corruption, repression, money laundering, politicised judicial system)
- Armed conflict with Armenia over the Nagorno-Karabakh enclave, which may give rise to occasional clashes even after the ceasefire of 9 November 2020
- Low population growth and ageing population

RISK ASSESSMENT

A tense regional situation

The 30-year armed conflict between Armenia and Azerbaijan in Nagorno-Karabakh erupted again on 27 September 2020. The latest confrontation was the deadliest since the 1994 war, which led to the declaration of independence for an enclave which, although internationally recognised as Azerbaijani territory, was populated by Armenians by the end of the war and under the control of Armenian-backed forces. After several unsuccessful attempts, a Russian-brokered ceasefire was reached on 9 November 2020, ending hostilities and restoring Azerbaijan's control over the majority of Nagorno-Karabakh territory. Although both sides may abide by the agreement in the short-term, the risk of occasional clashes cannot be ruled out. Azerbaijan is supported by Turkey and Israel, while Armenia has the backing of Iran and Russia, notwithstanding the latter's position as arbiter. There was renewed friction in early September 2021 in the wake of a military exercise by Azerbaijan, Turkey and Pakistan, followed by Azerbaijani and Turkish naval exercises in the Caspian Sea. Concomitantly, Azerbaijani authorities began taxing Iranian commercial trucks on the main road linking Armenia and Iran, disrupting their trade.

Politically, the decision to retake control of Nagorno-Karabakh was strongly supported by the Azerbaijani public, enabling President Aliyev, who was re-elected in April 2018 in an election that was neither free nor fair, to consolidate his regime. Similarly, using the pandemic as an excuse, Aliyev has intensified his repression of the opposition and former senior civil servants who served during his four previous terms and those of his father, who preceded him as leader. Since 2017, these officials have been replaced in key positions by members of the new guard, who are younger, influenced by Western management methods and close to the family of the first lady and vice president. With power concentrated in Aliyev's hands, the president's New Azerbaijan Party (YAP) won the February 2020 parliamentary elections.

Growth supported by private consumption and energy

After entering a recession in 2020, Azerbaijan's economy rebounded in 2021 and growth is set to continue in 2022. This more robust growth stems firstly from surging private consumption (55% of GDP) thanks to an easing of restrictions related to the health crisis and progress in the vaccination campaign, with a health passport coming into effect in September 2021. Secondly, higher global prices and hydrocarbon production will drive an increase in exports (44% of GDP) in both value and volume terms in 2022. In July 2021, the OPEC+ countries reached an agreement to increase production by 400,000 barrels per day each month, starting in August 2021. Gas exports will be supported by the Trans-Adriatic Pipeline (TAP), which came on stream in 2020. In total, the country's oil and gas production is expected to reach 746,000 barrels per day in 2022, up from 565,000 barrels in 2020. Consequently, the trade balance will contribute positively to growth. Overall investment (20% of GDP), which is mostly in hydrocarbons, is expected to continue and net FDI is set to recover to an average of 1.7% of GDP in 2021-2022.

The recovery in domestic demand, as well as the surge in global food and oil prices, affected inflation, which accelerated in 2021. Although slightly above the Central Bank of Azerbaijan's 4% target, inflation was within the ±2% inflation corridor. On 17 December 2021, the central bank increased its main policy rate by 25 basis points to 7.25% in response to rising inflation. In 2022, inflation is expected to ease as the terms of trade improve, reducing pressure on imported prices.

Public and external accounts back to pre-crisis levels

The current account returned to a significant surplus in 2021, as increased demand and hydrocarbon prices combined with a resumption of expatriate remittances (3% of GDP).

After being suspended in 2020, the fiscal rule was reinstated in January 2022. The rule, which was amended in 2018, sets a limit on the growth of budget spending of 3% year-on-year and provides for a reduction in the non-oil primary deficit. The restored rule also comes with a debt target and an annual decrease of USD 0.2 billion in the transfer from the State Oil Fund of Azerbaijan (SOFAZ) to the budget. This means that increased government revenues and expenditure cuts will probably be needed to reduce the deficit starting in 2022.

SOFAZ's foreign exchange reserves (USD 7.3 billion in the second quarter of 2021, including those of the central bank, or seven months of import coverage) can simultaneously finance this deficit, repay the external debt, and maintain the fixed exchange rate of the manat, which is under pressure and considered overvalued. In this regard, SOFAZ sold USD 4.3 billion at auction between January and September 2021. The fund has assets of more than USD 43.6 billion (about 90% of GDP), which is enough to support the ailing banking sector. That said, the sector is improving slightly, with a Tier 1 ratio of 22%, and a non-performing loan ratio that fell to 6.2% at the end of the first quarter of 2021.

BAHRAIN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	1.5
GDP PER CAPITA US Dollars - **2020**	23,590
CURRENCY Bahraini dinar	BHD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.6	-5.1	3.3	3.1
Inflation (yearly average, %)	1	-2.3	1	2.7
Budget balance (% GDP)	-9	-17.9	-8	-7
Current account balance (% GDP)	-2.1	-9.3	-4.6	-4.4
Public debt (% GDP)	102.1	129.7	123.3	122

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

TRADE EXCHANGES

Exports of goods as a % of total

SAUDI ARABIA	14%
UNITED ARAB EMIRATES	10%
UNITED STATES	6%
EGYPT	6%
OMAN	4%

Imports of goods as a % of total

EURO AREA	14%
AUSTRALIA	10%
SAUDI ARABIA	10%
UNITED ARAB EMIRATES	8%
JAPAN	7%

- One of the most diversified economies in the region with a higher share of services and manufacturing sectors in GDP
- Presence of a strong aluminium sector, a key contributor to national output
- Low level of inflation and interest rate environment encouraging business operating conditions

- Very high external debt-to-GDP ratio (both public and private)
- High budget deficit despite a progressive narrowing from 2021 onwards
- Fiscal revenues still dependent on oil despite a relatively diversified economy

RISK ASSESSMENT

A steady growth

The Bahraini economy should steadily grow in 2022, after its sharp contraction in 2019 and its relatively solid recovery in 2021. Exports (net exports should stand at around 10% of GDP in 2022) will be a key contributor, followed by private consumption (40% of GDP). Indeed, as of early November 2021, the country had been able to fully vaccinate 65% of its population of 1.7 million which, in turn, allowed the progressive lifting of the temporary bans against COVID-19 in the second half of 2021. The normalized mobility will strengthen household spending, but the latter will only grow gradually. As a result, the consumption-driven sectors, such as retail, would reach their pre-COVID level towards the end of 2022. Bahrain, one of the world's largest aluminium producers, will benefit from strong global demand for metal products (around 20% of total exports) on the back of stimulus packages prioritising infrastructure investments and transition to a greener economy across the globe, as well as a resilient manufacturing activity. Investments are expected to stand at around 30% of GDP in 2022. The tourism sector will remain important for the recovery of the Bahraini economy, as it normally accounts (including its indirect effects) for 10% of GDP. Nearly 60% of tourist arrivals to Bahrain are from the Middle East. In this sense, the removal of measures against COVID-19 will help tourism revenues to recover. The re-opening of the King Fahd causeway by Saudi Arabia, linking the Kingdom to Bahrain, the opening of the Bahrain International Exhibition and Convention Center due in 2022, as well as the country's liberal social and political climate will be among the key factors to support tourism revenues, despite rising regional competition. Overall, net exports of goods and services should increase by 2.6% in 2022 after a rise of an estimated 9% in 2021.

Fiscal position remains weak with a high level of public debt

With hydrocarbon making up around 70% of total revenues, higher commodity prices will support fiscal revenue growth. The government seeks to boost revenue as it announced in September 2021 and would double the value-added tax to 10% in order to curb budget deficit. On the other hand, although the 2021-2022 budget included some reforms like reducing electricity and water subsidies, as well as operating expenses, higher energy prices may blunt the will to restrict spending. Even though the budget deficit will slightly recede in 2022, after widening close to 20% during the COVID-19 pandemic in 2020, it will remain large in the upcoming period. As such, Bahrain will miss its target of achieving a balanced budget by 2022, as announced originally in its Fiscal Balance Program (launched in 2018). In October 2021, the government announced it would push back this target by two years to 2024. With the fiscal breakeven oil price estimated to stand at USD 106.6 per barrel in 2022 according to the IMF, the provision of public jobs for citizens and the subsidy system remaining largely in place, the fiscal position will remain weak. The public debt will remain large, keeping the borrowing needs high. Therefore, Bahrain neighbours' willingness to provide funds is important. In 2018, Bahrain received a USD 10 billion aid package over five years from Saudi Arabia, Kuwait and the United Arab Emirates to help the country avoid a credit crunch. Despite the two-year delay in achieving the goal of a balanced budget, these three countries repeated their support for Bahrain, which will continue to encourage investors to lend funds to finance Bahrain's debt on capital markets. The trade in goods and services surplus should continue rising thanks to higher commodities-related revenues and progressive return of tourists, without reaching its pre-COVID level yet. Demand for imported machinery meant for local infrastructure projects and higher transport costs will weigh. Foreign workers' remittances and repatriated income by foreign portfolio investors will maintain the current account deficit.

No major tensions expected shortly, but long-standing political challenges persist

Bahrain's has a functioning parliament and no major political tension is expected in the short-term. However, the feeling of the Shia population (around 60% of the population) to be marginalised in political and economic terms may be a challenge in the upcoming period.

BANGLADESH

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	164.7
GDP PER CAPITA US Dollars - 2020	1,962
CURRENCY Bangladeshi taka	BDT

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth* (%)	8.2	3.5	5.0	7.0
Inflation (yearly average, %)	5.5	5.6	5.8	5.6
Budget balance* (% GDP)	-5.4	-5.5	-6.0	-5.5
Current account balance (% GDP)	-1.7	-1.5	0.4	-1.7
Public debt (% GDP)	35.7	38.9	40.2	40.2

(f): Forecast. * Fiscal year 2022 from July 2021 to June 2022.

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	14%
UNITED STATES	5%
EURO AREA	5%
JAPAN	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 most vulnerable countries 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 set to accelerate

Growth should pick up momentum in FY2022, but headwinds are likely to persist due to a slow vaccination pace. The country relies on the COVAX program, which has experienced vaccine shortages. This will delay COVID-19 herd immunity and would probably push the government to impose strict measures to contain outbreaks. That said, exports (12% of GDP) rebounded in FY2021 and are expected to expand and reach pre-COVID-19 levels, thanks to robust demand from major trading partners, especially for the garment industry, which accounts for 80% of exports and contributes to 20% of GDP. However, rising freight costs and raw materials prices might hamper the recovery. Overseas remittances should continue to support growth in private consumption (69% of GDP), but are expected to slow down, reflecting a high base. They will also depend on workers' vaccination rate, which is essential to work in destination countries and to maintain robust inward remittances.

Investments (30% of GDP) will continue to support recovery, especially through the government's Annual Development Program (ADP), with large-scale public infrastructure projects to improve transport, education, water and energy that limit production in export-oriented sectors. Low labour costs and a young population will continue to support the domestic manufacturing industry in maintaining competitive prices. This will probably attract more foreign companies to source their capacities in the country. However, the vulnerability of the banking system, especially the state-owned commercial banks, which are undercapitalized, will restrain investment expansion. Inflation will remain relatively high, due to higher global oil and commodity prices. However, a favourable outlook in agriculture with improved winter crop harvest should limit inflationary pressures.

The return of twin deficits

In addition to COVID-19 related spending (social transfers and subsidies), infrastructure investment under the Annual Development Program (30% of total expenditure), such as the Rooppur Nuclear power plant or the Matarbari coal-fired power plant will continue to weigh on the government budget. Tax revenues, limited by a low income tax base, account for less than 10% of GDP. The level of public debt, with the external share accounting for 22% of GDP, will remain sustainable according to the IMF (more than 60% is concessional debt). However, commercial banks, especially state-owned commercial banks (SOCB) are vulnerable and could threaten financial stability – their capital adequacy ratios are below the 10% national threshold and the Basel minimum of 8%. The SOCBs are asked to carry out government mandates such as performing public policy roles, extending loans to potential risky borrowers and providing services for the government without charges. Moreover, domestic banks are solicited to finance the public deficit.

On the external front, the trade balance has a structural deficit (-6.0% of GDP in FY2021), as the economy relies on imports (capital goods, energy and cotton), which is unlikely to narrow in FY2022 due to high energy and cotton prices. Exports, driven by the competitive garment industry, remain dependent on the economic situation of its trading partners - the European Union and the United States are the recipients of 45% and 18% of exports, respectively. Workers' remittances (5.6% of GDP), which have reached pre-COVID-19 levels, will continue to partially offset the trade deficit. The current account deficit will be financed by FDI and international aid. FX reserves should remain adequate, accounting for about 9.6 months of imports.

Vulnerable political stability

The country has experienced several military coups since the Bangladesh liberation war in 1971. Despite tensions between the ruling Awami League (AL) and the Bangladesh Nationalist Party (BNP), the latter does little to increase its numbers in parliament (7/350 seats against 298 seats for AL), with poor freedom of speech making it even harder. The absence of a clear opposition may lead to the government's complacency in the policymaking process. Despite a large majority in the parliament, the AL will continue to face risks 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. 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.

The government will also continue to face poverty and development challenges. The "Vision 2041" plan sets objectives to eradicate extreme poverty and to become a upper middle-income country by 2031 with a GDP per capita between USD 4,000 and USD 12,500 (according to the World Bank) and a high income country by 2041.

BELARUS

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	9.4
GDP PER CAPITA US Dollars - 2020	6,398
CURRENCY Belarusian ruble	BYR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.4	-0.9	2.5	1.1
Inflation (yearly average, %)	5.6	5.5	9.5	8.2
Budget balance* (% GDP)	0.9	-2.9	-4.2	-2.8
Current account balance (% GDP)	-0.9	-0.2	0.2	-0.9
Public debt* (% GDP)	41.0	48.0	49.1	51.1

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	45%
EURO AREA	12%
UKRAINE	11%
POLAND	4%
UNITED KINGDOM	3%

Imports of goods as a % of total

RUSSIA	50%
EURO AREA	14%
CHINA	11%
UKRAINE	4%
POLAND	4%

- 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 (31% of GDP in 2020) and agricultural (10% of GDP) sectors
- Little inequality and poverty is rare

- High economic (energy, trade 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 (1/2 of total value added, 2/3 of total employment)
- Poor governance (high corruption, weak legal system, institutional rigidity, absence of pluralism)
- Monetary policy is not independent, the central bank reports directly to the President
- Shrinking labour force
- Geographically isolated between NATO and Russia

RISK ASSESSMENT

Political uncertainty, sanctions, and COVID-19 lead the economy

Considering how politically turbulent the year 2021 turned out, the economic recovery was relatively robust. Private consumption (57% of GDP) and net exports (4.5% of GDP) were the main contributors to this positive result. Due to the absence of strict lockdown measures and less political demonstrations, private consumption could increase. Exports were pulled by a frontloading effect in early summer, ahead of the latest EU sanctions against Belarus that went into effect in late summer (these sanctions included a ban on exports of potash for fertilizers and petroleum products, respectively 10% and 13% of total exports). However, private investments (22% of GDP) decreased noticeably last year as some domestic and, especially, foreign investors were quenched by the political uncertainty. In 2022, private consumption could moderately increase in the second half of the year along with the vaccination progress (by the end of 2021, only 30% of the population had been fully vaccinated and deaths were rising, making people stay at home more voluntarily and reduce their consumption). The fall in the number of employees in the wake of the pandemic has not been recouped and got even worse due to political turmoil in 2021. In 2022, the labour market should not improve to the extent that stronger wage increases are realizable. Furthermore, the inflation rate peaked at over 10% in autumn 2021, its highest level since early 2017. Even though it should slowly recede in the second half of 2022 in step with input prices (once bottlenecks in the global supply-chain dissolve), this will erode households' purchasing power. The central bank of Belarus raised its key interest rate by 150 basis points to 9.25% in 2021 and should increase it further in 2022, less because of the high inflation than to make investments in Belarus more attractive for foreign investors. Nevertheless, private investments should remain muted. On the export front, Belarus will remain subject to sanctions from Western countries and, although Russia will step in and increase its imports, this will probably not compensate.

Public and external accounts influenced by Russia

Before 2019, Belarus had imported Russian oil at a subsidized price, refined it and then sold it at the higher global market price. This was a main source of public funding. Since 2019, Russia has changed its customs duties and tax system for oil, so that Belarus could not profit from this Russian "tax manoeuvre" anymore. However, in 2021, Russia and Belarus negotiated to minimize this loss starting in January 2022. Together with reduced COVID-19 related expenditures, this should lead to a reduction of the public deficit, but will not stop the public debt from increasing. More than 90% of this debt is denominated in foreign currency. External debt (70% of GDP) is equally divided between the State and companies, and 81% is held by Russia. The current account balance could turn again into a slight deficit as the sanctions from the West will increase the trade in goods deficit and reduce the surplus in the services balance related to the transit of goods and gas between Russia and Western Europe. The investment income deficit would only slightly change as increased debt interest and reduced losses out of the Russian tax manoeuvre could level each other out.

Conflict with the EU comes to the fore

The re-election of President Alexander Lukashenko in August 2020 triggered major demonstrations, as the elections were seen as unfree and the ballot marred by massive fraud. The violent reaction of Lukashenko's regime against the demonstrators led the EU, the U.S., the UK and Canada to a first round of sanctions. In May 2021, the Belarusian air traffic control ordered an Irish plane that flew from Greece to Lithuania to make an emergency landing in Belarus, to then arrest a Belarusian opposition journalist, who was on board. This led to further and stricter sanctions from the West (i.e. against up to 166 individuals and 30 state-owned companies). In retaliation, Lukashenko orchestrated a migrant crisis by luring migrants from Afghanistan, Iraq, and Syria, letting them fly into Belarus and pushing them towards the EU borders. Latvia, Lithuania and Poland closed their borders, which left the migrants in the middle without any perspective. This again led to further sanctions. Lukashenko, then threatened to cut off gas supplies from Russia to Europe via the Yamal pipeline (one fifth of the gas imported from Russia, which covers 40% of EU consumption), which runs through Belarus to Poland. However, Russian President Putin dismissed that threat. While the relationship between Lukashenko's Belarus and Western countries seems irreconcilable, the relationship with Russia got even closer with Lukashenko and Putin agreeing on economic integration, which includes the harmonization of economic policies, the financial and banking sector, tax systems, customs and tariffs, as well as labour laws.

BELGIUM

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	**11.5**
GDP PER CAPITA US Dollars - **2020**	**44,688**
CURRENCY Euro	**EUR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.1	-5.7	6.1	2.8
Inflation (yearly average, %)	1.2	0.4	2.4	5.5
Budget balance (% GDP)	-1.9	-9.4	-6.4	-3.9
Current account balance (% GDP)	0.2	0.8	1.3	0.7
Public debt (% GDP)	98.1	114.1	113.1	112.5

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	17%
FRANCE	14%
NETHERLANDS	12%
UNITED KINGDOM	8%
UNITED STATES	7%

Imports of goods as a % of total

NETHERLANDS	17%
GERMANY	14%
FRANCE	10%
UNITED STATES	7%
CHINA	5%

- Optimal location between the United Kingdom, Germany and France
- Presence of European institutions, international organisations and global groups
- Ports of Antwerp (second-largest in Europe) and Zeebrugge, canals, motorways
- Well-trained workforce through vocational education, multilingualism

- Political and financial tensions between Flanders and Wallonia
- Complex institutional structure and multiple administrative levels
- Heavily dependent on the Western European economy (exports of goods and services = 105% 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
- Saturated transport infrastructure

RISK ASSESSMENT

Recovery held back by supply issues and trade

After a strong rebound in 2021, following the lifting of most pandemic-related restrictions in the second half of the year, activity should continue to recover in 2022, while gradually slowing. The vaccination of a large percentage of the population (74% were fully vaccinated in November 2021) should make it possible to avoid the introduction of restrictions as drastic as those imposed in the two previous years. If so, households will consume their substantial savings (savings rate still at 19% of gross disposable income in mid-2021, compared with 12% before the crisis) built up during the crisis. Demand will remain all the more dynamic as unemployment will continue to fall, albeit more moderately than in 2021. However, activity will again be held back by the production capacity of companies, whose utilisation rate was back at its pre-crisis level by the end of 2021. In continuation from the second half of 2021, transport, commodity and industrial input costs will remain high, pushing up the cost of, and potentially hampering, production in industry and construction. This situation will be compounded as the hiring challenges reported at the end of 2021 – by 24% of companies in industry, an all-time high, with record levels in textiles, metals, plastics, paper and agri-food – are set to persist in 2022. In terms of public spending, the stimulus plan financed by European funds, worth EUR 5.9 billion (1.3% of GDP) for the period 2021-2026, is expected to peak in 2022, with EUR 1.5 billion of investments in the energy transition, infrastructure and digital transformation. Heavily dependent on regional trade, although 40% of exports to the rest of the EU are imports in transit, the economy will be affected by the slowdown in trade, against the backdrop of a normalising growth rate in the region and persistent supply constraint in industry.

Slight improvement in public finances thanks to tax revenues

The public deficit will continue to be gradually reduced in 2022. This improvement in the public accounts will be made possible mainly by the increase in tax revenues, driven by the recovery in activity and employment. In addition to the increase in excise duties on tobacco, the additional revenue in 2022 will be attributable to income tax and the tax on securities accounts. Concomitantly, despite the extension of the social energy tariff and increased public investment, expenditure will rise less rapidly due to the phase-out of support measures and spending cuts worth around EUR 300 million (0.1% of GDP) in the civil service, according to the 2022 Budget. Thus, as in the previous year, public debt is expected to fall slightly, while remaining very high.

The current account will remain slightly in surplus in 2022. As the Belgian economy is integrated into European production chains to the point of acting as a regional hub for the transformation of intermediate products into consumer products or capital goods, imports move in line with exports. Although substantial, external debt (252% of GDP, of which almost three-quarters correspond to private liabilities) is much lower than the total assets held abroad, with the result that the country had a net external surplus position of 51% of GDP at the end of June 2021.

Divisive reforms ahead for the Vivaldi coalition

The federal parliamentary elections in May 2019 led to further fragmentation of the political landscape, followed by many months of fruitless negotiations, before an emergency government was established in March 2020 to tackle the pandemic. Seven months later, a majority government coalition, led by the Dutch-speaking liberal Alexander De Croo, was finally formed (87 seats out of 150 in the House of Representatives). This coalition, known as the "Vivaldi" coalition because it is made up of four groups (socialists, liberals, environmentalists and Christian Democrats), includes seven parties: the French-speaking socialists (PS, 19 seats) and the Dutch-speaking socialists (Vooruit, 9), the French-speaking environmentalists (Ecolo, 13) and the Dutch-speaking environmentalists (Groen, 8), the French-speaking liberals (MR, 14) and the Dutch-speaking liberals (Open VLD, 12), and the Flemish Christian Democrats (CD&V, 12). Although the first year of the Vivaldi coalition was devoted to managing the health crisis, and a budgetary agreement was finally reached in October 2021, the disparate nature of the coalition makes it extremely vulnerable, at a time when divisive reforms are looming for the rest of the mandate, including in areas such as the labour market, taxation and pensions. This is all the more true since the opposition ranks include the party that came out on top in 2019, the N-VA (Flemish conservatives, 24 seats), and the two parties that recorded the strongest growth at the time: the VB (far-right and Flemish nationalists, from 3 to 18 seats) and the PTB (united far-left, from 2 to 12 seats). Although the fear of extremist parties coming to power will help the coalition to stay together, political instability seems destined to persist in this fragmented landscape, a situation compounded by a growing divergence between Flanders, which is increasingly to the right, and Wallonia, which is increasingly to the 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

Sources: Statistics South Africa, Coface

BELIZE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**0.4**
GDP PER CAPITA US Dollars - **2020**	**4,077**
CURRENCY Belizean dollar	**BLZ**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.8	-16.8	8.5	5.0
Inflation (yearly average, %)	0.2	0.4	3.0	2.5
Budget balance* (% GDP)	-4.5	-10.0	-8.0	-5.0
Current account balance (% GDP)	-9.3	-7.2	-7.5	-7.5
Public debt (% GDP)	94.4	123.3	119.0	114.0

(e): Estimate. (f): Forecast. * Fiscal year 2022 (April 1st, 2022 – March 31st, 2023).

TRADE EXCHANGES

Exports of goods as a % of total

UNITED KINGDOM	30%
UNITED STATES	23%
EURO AREA	14%
MEXICO	6%
JAMAICA	5%

Imports of goods as a % of total

UNITED STATES	41%
CHINA	15%
MEXICO	13%
GUATEMALA	9%
EURO AREA	4%

- Tourism potential: world's second-largest barrier reef, Maya heritage
- Highly competitive tourism industry compared to regional peers
- Support from international lenders

- Poor fiscal health/ high debt burden
- Undiversified exports, dependence on tourism (40% of the economy)
- Underdeveloped manufacturing sector
- Agricultural sector exposed to climatic events
- Limited access to international markets
- Limited access to education
- Relatively high unemployment
- Criminality

RISK ASSESSMENT

The economic recovery continues

With most COVID-related restrictions lifted, such as borders and airports closures, the economy should stay on the road to recovery in 2022, driven by private consumption, robust tourist arrivals amid completed vaccination in originating countries, and a rebound in exports. Private consumption (63% of GDP) will slightly increase as the last pandemic-related restrictions are lifted in line with the vaccine rollout (around 50% of the population had been fully vaccinated by November 2021). The unemployment rate is supposed to fall from over 11% in 2021 to roughly 9% in 2022 thanks to the gradual economic recovery. The temporary unemployment program and Boost plan (conditional cash transfers) will continue. Conversely, government consumption (20% of GDP) might weigh on growth as fiscal consolidation takes hold. With the country sheltering the world's second-largest barrier reef and travel restrictions removed, tourism is expected to continue its recovery in 2022. As weather conditions and agricultural practices improve, a moderate increase in banana, cattle and poultry production is expected, which will help exports. Sugarcane, shrimp and conch deliveries should also slightly grow due to international demand. Fixed investment (22% of GDP) should be minored due to lower government capital expenditures. As agribusiness companies (American Sugar Refining, Green Tropics) have already made substantial investments, we expect to see additional investment in other low-tech sectors. The tourism sector might attract finances as international travel resumes. However, the opening of borders represent a health hazard for a country that is still only partially vaccinated.

Public debt restructuring and twin deficits

Although still in deficit, the public balance is expected to improve in 2022. Tax collection will increase, as the economy is recovering, and we expect wage cuts as well as reductions in cash transfers and capital expenditure according to the budget for fiscal year 2021/22. In April 2020, the authorities said they wanted to restructure their unique so-called 2034 USD 560 million Super bond. In August, they ceased serving the interests. In November, they reached an agreement with most holders, who were facing a permanent default. Belize bought back the Super bond at 55 cents on the dollar thanks to the USD 364 million financing arranged by The Nature Conservancy, a U.S. conservation charity and backed by the proceeds of a "blue bond" arranged by Credit Suisse. The bond is called "blue" because Belize has pledged to invest a big share of the savings in maritime conservation, with, for instance, the objective to protect 30% of its waters by 2026. Even though the restructuring should substantially improve fiscal sustainability, public debt might continue to weigh on fiscal accounts, as it already contains a substantial part of external debt (around 83.2% of GDP in August 2021). Its dynamic will remain vulnerable to potential shocks on interest rates and the fiscal position might influence it. Besides its public deficit, Belize also has to cope with its external imbalances, due to its large trade deficit, which accounts for 23% of GDP. Although improving, export earnings will remain outbalanced by imports, which will rise faster as domestic demand is recovering and the oil bill is surging. The services account surplus might see some improvements, as tourism is expected to show more dynamism. The income account will remain in deficit, with debt service resuming, and as transfers from foreign companies operating in Belize will increase more than remittances from expatriate workers. The current account deficit might not be covered by foreign direct investment, donations and multilateral financing, putting pressure on international reserves (expected to remain under 5 months of imports in 2022), but not endangering the peg to the dollar.

Slight improvement in the socio-political climate

The legislative election of November 2020 put an end to a 12-year era in power of the centre-right United Democratic Party (UDP). The prime minister John Antonio Briceño, the centre-left People's United Party (PUP) leader, is serving a five-year mandate. The PUP has the legislative majority - 26 in the 31-seat House of Representatives (lower house), which is strengthening political stability. Meanwhile, at the local government level, the UDP enjoys some support in spite of its weak legislative position. For 2022, we expect a peaceful political climate with an improvement in institutional and tax reforms, but which might be tempered by some social discontent due to the fiscal consolidation. Combating drug trafficking and related criminality, improving the business environment, and building resilience to climate change will also remain priorities for the government. Tensions between Belize and neighbouring Guatemala will continue in 2022 as the International Court of Justice (ICJ) decision over border disputes might take quite some time, possibly in 2024.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	12.1
GDP PER CAPITA US Dollars - **2020**	1,291
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.9	3.8	5.5	6.5
Inflation (yearly average, %)	-0.9	3.0	1.7	2.0
Budget balance (% GDP)	-0.5	-4.7	-4.5	-3.8
Current account balance (% GDP)	-4.0	-3.9	-4.0	-4.3
Public debt (% GDP)	41.2	46.1	52.3	48.9

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

TRADE EXCHANGES

Exports of goods as a % of total

BANGLADESH	20%
UKRAINE	19%
SINGAPORE	14%
INDIA	12%
VIETNAM	8%

Imports of goods as a % of total

EURO AREA	26%
INDIA	18%
TOGO	8%
CHINA	6%
THAILAND	4%

- 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 shortcomings: 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

Strengthening of growth driven by foreign trade and public investment

After an upturn in economic activity in 2021, growth should maintain its upward trajectory in 2022, driven by trade, public investment and consumption. External demand, mainly for cotton (20% of exports), is expected to increase in response to the recovery of textile production among Benin's trading partners, particularly in Asia (Bangladesh accounted for 69% of cotton exports in 2020), which should support exports. Besides brisk agricultural exports, services exports should be boosted from the recovery of port activity. In addition, the second phase of the Government Action Plan (PAG) is set to be launched to accompany President Patrice Talon's second term, supporting public consumption. Within this framework, the government plans to continue investing to modernise agriculture (29% of GDP) in order to increase yields (a 70% increase was expected in 2021 for the cotton sector). Public investment will also focus on infrastructure, particularly roads, with the aim of making the port of Cotonou the largest commercial hub in the sub-region and facilitating the flow of goods to landlocked regions. Thus, in addition to the agri-food industries, construction will boost the performance of the secondary sector (18% of GDP). The recovery plan, which includes subsidies for water and electricity, should support private consumption. This will promote the recovery of the services sector, which was hardest hit by the crisis and will be continue to be hurt by the limiting effects on tourism of persistent terrorism and health risks.

Higher global prices for food (particularly rice, which accounts for one-third of imports) and oil fuelled inflationary pressures at the end of 2021. However, the CFA franc's euro peg should temper these pressures, allowing inflation to remain within the BCEAO's target window (1%-3%).

Slight improvement in public and current accounts

Although the government plans to increase public spending to finance the 2021-2026 PAG, it will benefit from increased tax revenues from port activity, helping to reduce the budget deficit in 2022. Benin will continue to receive significant aid from multilateral organisations to finance the programme. The country's risk of debt distress will be moderate in 2022, as more than 60% of its external debt (which makes up over 50% of public debt) is multilateral debt contracted on concessional terms. This should provide the country with the debt leeway to pursue development projects such as the construction of the "Cotton Road", partly financed by the ADB. Furthermore, after an initial Eurobond issue in 2019, the authorities raised nearly EUR 1 billion in two tranches in 2021 to help finance the PAG investments. Although 57% of external debt is denominated in euros, the CFA franc's peg to the European single currency limits the risk.

The current account deficit is expected to widen slightly in 2022, following the lead of the trade deficit: export growth driven by cotton sector performances will not offset the high imports linked to infrastructure construction. The balances of income and services, especially those related to project implementation, will still be in deficit, while the balance of secondary income will remain in surplus thanks to current international cooperation and inflows of expatriate funds. Direct and portfolio investment flows and loans from multilateral organisations should finance this deficit.

Pressure is already building in the president's second term

Benin is traditionally one of the most stable countries in French-speaking Africa, but the political and social situation has become tense in recent years, amid mounting accusations of democratic backsliding under President Patrice Talon. In the April 2021 presidential election, the president, in office since 2016, was re-elected in the first round with 86.4% of the vote, benefiting from the absence of the main opposition candidates. In fact, the controversial adoption of a new electoral code in 2018 made it very difficult to participate in the elections, thus silencing the opposition. The two "Democratic" opposition figure, Joel Adjivo and Reckya Madougou, whose joint candidacy for the presidential election was rejected by the Beninese authorities, were sentenced to heavy prison terms in early December 2021 for "undermining state security" and "plotting terrorist acts". On the eve of the elections, the army intervened to break up demonstrations against the lack of opposition in the presidential elections and the politicisation of the judicial system. President Talon's second term in office could therefore result in increased public discontent and social unrest. However, the social initiatives planned during the second term, such as investment in education and health, could ease these tensions.

Meanwhile, piracy in the Gulf of Guinea may threaten the country's aspirations of becoming a regional transport hub. In addition, Benin is grappling with a precarious security situation due to the presence of jihadist cells in the border areas. Thus, the risk of terrorism is expected to remain high in 2022, as attacks by jihadist groups have already struck the north-western part of the country three times by December 2021.

BOLIVIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	11.6
GDP PER CAPITA US Dollars - 2020	3,168
CURRENCY Boliviano	BOB

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	-8.8	5.5	4.0
Inflation (yearly average, %)	1.8	1.0	1.0	3.0
Budget balance (% GDP)	-7.2	-12.2	-9.7	-8.0
Current account balance (% GDP)	-3.4	-0.5	0.5	-1.5
Public debt (% GDP)	48.2	67.0	73.0	76.0

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	16%
ARGENTINA	15%
INDIA	10%
EURO AREA	9%
JAPAN	8%

Imports of goods as a % of total

CHINA	22%
BRAZIL	17%
ARGENTINA	10%
UNITED STATES	8%
EURO AREA	8%

+

- Substantial mineral (gas, oil, zinc, silver, gold, lithium, tin, manganese) and agricultural (soya, 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

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- Economy not very diversified, dependent on hydrocarbons and ores
- Low private sector development and high dependence on the public sector
- Landlocked country
- Substantial informal sector (3/4 of all business and 60% of households)
- Poor business environment
- Insecurity, drug trafficking, corruption
- Risks of social unrest, highly polarized country
- Limited access to external financing
- Human rights abuses
- Potential risk of a balance payment and/or debt crisis if currency peg abandoned and delays in adjustment

RISK ASSESSMENT

A moderating economic recovery

In 2022, the economy will continue to pick up, but at a slower pace, driven by moderate private and public consumption, as well as limited external demand. Private consumption will rise modestly as the pandemic-related restrictions were lifted and that the vaccination rollout should progress (35% of total population fully vaccinated by end-November 2021). Public expenditure might moderately increase as authorities have considered investments in productive areas such as infrastructure, health and education. Concomitantly, public investment growth will be constrained by the fiscal consolidation and level of public debt. Natural gas exports will rise modestly, benefiting from the supportive international prices. However, exported volumes of natural gas to Argentina and Brazil could decline as Brazilian drought conditions ease and Argentina starts to prioritize the expansion of capacity and connectivity of its own pipeline network. Moreover, the gradual reserves depletion and limited investments might weigh on supply. National resources, mainly natural gas and minerals will remain nationalized and the state-owned enterprises will continue to play a substantial role in the economy. Exports of minerals and soybeans might modestly rise due to an increase in global demand, but might suffer from supply chain disruptions.

Slow fiscal consolidation

The fiscal balance will remain in high deficit although a slight reduction might be expected in 2022, as the government tends to consider fiscal consolidation. Public revenues should slightly increase on the continuing economic recovery and receipts from the direct tax on hydrocarbons (15% of total revenues). Moreover, the wealth tax adopted in December 2020 already brought significant revenue. In addition, we expect a moderated reduction in the hydrocarbon subsidy (1.5% of GDP). Finally, hydrocarbon imports (petrol, diesel) should gradually be replaced as the authorities, the state oil company YPFB, and the Santa Cruz sugar cane mills, reached an agreement on ethanol purchase (160 million litres of ethanol in 2022, 45% more than in 2011), but this will be subject to compliance with the agreement. The financing of the deficit, though still largely reliant on domestic sources - notably the central bank, is expected to rely increasingly on multilateral donors such as FONPLATA (USD 100 million), IBRD and IADB (Pilot Programs for Climate Resilience), and the World Bank via Global Environment Facility plans (USD 1.5 million). The debt will rise further, albeit with a low external share (31% of GDP in 2021) and largely on concessional terms.

The current account balance should return to a small deficit in 2022. The modest (but exceptional) 2021 trade surplus might decrease due to lower regional demand for gas. In addition, civil unrest and new mobility restrictions might hamper mineral production and exports. The smuggling of gold remains an issue for Bolivian exports and a gold trading company might be created in order to settle the issue. The restrictions and controls linked to the pandemic, mostly overseas, continue to have a negative impact on tourism flows (7% of GDP before COVID-19). Expatriates' remittances (3% of GDP) showed a moderate increase in the first semester of 2021 due to progressing vaccination campaigns in some hosting economies (Spain, Chile, U.S.) that contributed to their economic recovery. Foreign Direct Investment will continue to contribute modestly to deficit financing due to the poor business environment. International reserves will continue to decline in 2022 (5.6 months of imports by the end of October 2021). A potential abandonment of the currency peg would be accompanied by a progressive devaluation, but delayed adjustment might lead to a balance of payments crisis.

MAS remains the primary force in national politics

The left-wing Movimiento al Socialismo (MAS) candidate, Luis Arce, won the presidential election with 55.1% of the vote and took office in November 2020. The MAS has the majority in both upper house and lower house. Thereafter, at the local elections, which took place in March 2021, the MAS saw its electoral performance fall in the main urban areas. Despite his solid election victory, Mr. Arce's popularity had declined steadily in the media polls (as of November 2021), with some protesting against his person, political corruption, and the detention (October 2021) of Ex-Interim President, Jeanine Áñez. Moreover, with the economy largely navigating in informality (including in gold extraction and trading), the law 1386, known as "ley madre", which aimed at fighting money laundering and corruption, raised the ire of many categories before being repealed by Mr. Arce after large civil demonstrations. The Arce administration will maintain alliances with traditional MAS supporters and a less confrontational approach with the EU and the U.S.

BOSNIA AND HERZEGOVINA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**3.3**
GDP PER CAPITA US Dollars - **2020**	**6,035**
CURRENCY Bosnia and Herzegovina convertible mark	**BAM**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.8	-3.2	4.0	3.0
Inflation (yearly average, %)	0.6	-1.1	1.8	2.0
Budget balance (% GDP)	1.5	-4.1	-3.3	-1.5
Current account balance (% GDP)	-3.1	-3.3	-3.9	-3.5
Public debt (% GDP)	32.5	36.7	38.9	40.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	52%
CROATIA	13%
TURKEY	3%
SWITZERLAND	3%
HUNGARY	2%

Imports of goods as a % of total

EURO AREA	41%
CROATIA	9%
CHINA	8%
TURKEY	5%
POLAND	3%

+

- Significant transfers from expatriate workers
- Stabilization and Association Agreement with the EU (2015) with pre-accession funds
- Tourism (12% of employment and 10.5% of GDP in 2019, directly and indirectly) and hydroelectric potential (already 35% of electricity produced)
- Member of various trade agreements such as the Central European Free Trade Agreement (CEFTA) since 2007, European Free Trade Association since 2015 and the Regional Common Market of six Balkan countries since November 2020
- Free Trade Agreement under negotiation with Malaysia
- Wage competitiveness

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- Pending opening of accession negotiations since 2016 as few of the 14 priorities set by the Commission have seen progress
- Institutional, regulatory, economic and community fragmentation (50% Muslim Bosniaks, 33% Orthodox Serbs and 15% Catholic Croats)
- Lack of public investment (local transport, education, health)
- Exports sector undiversified and exposed to commodity price movements
- Dependence on Italy and other neighbouring countries for exports and remittances
- Corruption, cronyism, administrative and judiciary delays, defective rule of law
- High emigration estimated at 50,000 people per year, lack of skilled workforce
- Large informal sector (one third of the economy), low labour force participation (47%), high youth unemployment (38%)
- Dependent of external funding

RISK ASSESSMENT

Continuing moderate economic recovery

In 2022, a moderate economy recovery will continue, but at lower rate due to a less favourable base effect, still driven by household consumption, exports, and external support. Private consumption (75% of GDP) remains the main driver of growth as the economy has revived and wage growth has improved in the last four years. Exports (39% of GDP) remain undiversified and exposed to commodities price movements, but will pursue their gradual upturn as demand improves especially from European states. Aluminium, iron and steel, and wood exports will increase as global demand thrives and commodity markets remain favourable. Exports of furniture, electrical machinery and clothing will moderately rise and benefit from regional demand. The economy will remain constrained by the deep and paralysing political and ethnic divisions in the country. External support from international development bodies such as the European Commission, European Investment Bank, European Bank for Reconstruction and Development and IMF will increase in 2022/23. Government expenditure (20% of GDP) will continue to be constrained by fiscal retightening and see its efficacy minored by the country's divisive political system. Fixed investment (23% of GDP) will be held back by political instability and unwelcoming business environment, which heavily weighs on investor sentiment. Although the country received vaccine doses from the EU, potential wave(s) of infection might undermine its recovery, as the vaccination rollout is weak (around 25% of people were fully vaccinated by the end of December 2021), and the country's economy is strongly influenced by the activity of the Eurozone.

Public deficit sharply decreasing

The public accounts of the country's three constituent entities (Central State, Federation of Bosnia and Herzegovina and Republika Srpska) are expected to improve markedly in 2022 in line with the ongoing economic recovery. Public debt should almost stabilize at a moderate level. The public funding requirement is mainly provided by public, multilateral or bilateral partners, as the government does not have access to markets. Financing from the EBRD is focused on infrastructure, agriculture, mobility and digitalization (around EUR 105 million in 2021 in partnership with the private sector). The European Commission secured macro-financial assistance (EUR 250 million in June 2021) and grants for immediate needs and socio-economic response of EUR 80.5 million (September 2021).

The current account deficit is expected to slightly narrow in 2022. Exports will continue to gradually rise as regional demand is increasing, but remain vulnerable to commodities and intermediate goods prices. Meanwhile, imports will rise as domestic demand, including new investment projects, increase. We expect inbound tourism flows (EU, Serbia, Saudi Arabia, Turkey - 7% of GDP in 2021) to continue on their gradual recovery path and a further increase in remittance inflows (9% of GDP in 2021). These will still partially cover the trade in goods deficit (19% of GDP in 2021). Bosnia has the lowest FDIs in the Balkan region, 4% of GDP. They come from Austria, Croatia and Serbia. FDI and predominantly public international financing will finance the current account deficit, while maintaining foreign exchange reserves at a comfortable level equivalent to 8 months of imports as of September 2021. Additionally, the country received an SDR allocation from the IMF in August 2021, equivalent to USD 355 million.

Complex and fragile political and institutional system

Following the Dayton Accords (1995), Bosnia and Herzegovina was divided into two autonomous entities: the Federation of Bosnia and Herzegovina (FBiH) with Bosnian 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 presidential and parliamentary elections of October 2018 put the nationalist parties in the lead. 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. The next parliamentary and presidential elections are scheduled to be held in October 2022. Changes are looming in the political arena because the Bosnian Serbs are threatening to leave central institutions, while Croats plan to boycott the 2022 elections. The latter want to obtain an electoral reform based on the carving of a territorial entity of their own, as they complain they are not well represented within the FBiH. The position of external players such as the EU, the U.S., Russia and neighbouring Serbia will influence the political scene.

BOTSWANA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	2.3
GDP PER CAPITA US Dollars - 2020	6,420
CURRENCY Botswana pula	BWP

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.0	-8.5	9.2	4.7
Inflation (yearly average, %)	2.7	1.9	5.8	5.0
Budget balance* (% GDP)	-8.6	-9.9	-5.0	-6.4
Current account balance (% GDP)	-8.4	-10.6	-4.0	-1.9
Public debt* (% GDP)	16.3	19.5	22.8	27.2

(e): Estimate. (f): Forecast. * Fiscal year 2022 from 1 July 2021 to 30 June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	23%
INDIA	23%
UNITED ARAB EMIRATES	22%
SOUTH AFRICA	15%
ISRAEL	5%

Imports of goods as a % of total

SOUTH AFRICA	62%
EURO AREA	9%
NAMIBIA	7%
UNITED ARAB EMIRATES	6%
CANADA	3%

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- Abundant natural resources (especially diamonds, but also copper and nickel)
- Low public and external debt
- Substantial foreign exchange reserves
- Political stability and the level of governance put the country among the top sub-Saharan African countries in terms of international business environment rankings
- Member of the Southern African Customs Union (SACU)

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- Dependent on the diamond sector (over 90% of exports)
- Inadequate infrastructure (production and distribution of water and electricity)
- High inequality and unemployment, poverty stuck at a relatively high level

RISK ASSESSMENT

At home and abroad, the recovery remains on track

The economy is expected to return to its pre-pandemic level of output in the early months of 2022. Immunization levels are high enough that strict health measures are not expected. While the 2021 rebound was mostly export-driven, in 2022, domestic demand will support the recovery. Indeed, given the sustained reduction in unemployment and persistent positive income effects linked to wage increases for civil servants, private consumption is expected to be the main driver of growth. Foreign capital looking for emerging market returns will boost private investment, notably in mining and infrastructure. Since fiscal consolidation will not fully kick in until 2023, public investment will remain strong, supporting gross fixed capital formation. The performance of the diamond industry, which accounts for 90% of total merchandise export receipts, will strengthen in coming years, with output for 2022 expected at 9% above 2019 levels. Copper will also play an increasingly larger role in the mining sector, as operations in the Khoemacau mine expand. The recovery of the tourism sector, which accounted for 15% of GDP before the recession, will intensify, but is expected to remain below pre-pandemic levels. The recovery in imports will partially mitigate the effect of growing exports, but the external sector should nonetheless bring a positive contribution to growth. Driven by higher oil prices and rising consumption taxes, inflationary pressures will continue to manifest in the first semester. However, the headline figure is expected to remain within the inflation target and to moderate in the back half of the year.

Twin deficits continue to improve, slight financial stability risks loom

The state has deployed substantial means in response to the pandemic and its economic aftershock. The total policy response amounted to around 4% of 2020 GDP, including around 1% of GDP of solvency support for firms. The government further complemented this emergency support with the "Economic Recovery and Transformation" plan, a medium-term expenditure program aimed at diversifying the economy through digitalization investments and other productive infrastructure (supported by a USD 250 million World Bank loan). While all of this is favourable for long-term growth, it creates fiscal pressures on the short run. This is reflected in Moody's decision to downgrade the sovereign rating from A2 to A3 in April 2021. Although public debt increased rapidly during the crisis (as a share of GDP), it remains substantially lower than the average emerging or African country. With the phase-out of pandemic measures and the cyclical recovery of tax revenue (on top of structural measures like hikes in the VAT rate and the fuel levy), the budget deficit will moderate. The current account deficit will continue to narrow as the recovery in diamond revenue and tourism exports will compensate a growing import bill. The narrower deficit will also be on the back of higher transfers from the SACU, which are projected to rise with the recovery in world trade. The primary income deficit will consolidate around its pre-pandemic level of 6% of GDP, driven by recovering outflows of mining revenue. Despite a decline in foreign exchange reserves, they remain at a comfortable level, covering more than 7 months of imports (compared to over 10 months before the pandemic). In addition, external public debt remains low at 13% of GDP. Although banks have proven surprisingly resilient throughout the crisis (in terms of capitalization, liquidity and asset quality), pandemic-related measures such as restructurings and loan guarantees could be delaying solvency risks.

Stable political situation, but inequality is a persistent challenge

The Botswana Democratic Party (BDP), which has been in power since the country's independence in 1966, won 67% of the vote in the October 2019 parliamentary elections. The incumbent president, Mokgweetsi Masisi, therefore remained in power. Despite losing some popularity for his management of the pandemic, and a growing rivalry with his BDP predecessor Ian Khama, Masisi is expected to stay in power at least until the 2024 elections. Having governed over several decades of growth and development, the BDP enjoys substantial political capital. Still, the high levels of unemployment (at 24% in early 2021) and inequality (9th highest Gini coefficient in the world) in a context of declining structural growth could challenge social stability. The country has been a poster-child of good governance in Africa, boasting peaceful and transparent elections. However, some trends appear to point to institutional decline, such as the excessive influence of the executive over the judiciary (WEO Global Competitiveness Report), or questionable budget transparency (Ibrahim Index of African Governance). The judicial environment is broadly business-friendly, with strong property rights and investor protection, special economic zones and relatively light red tape. The country has recently been removed from the FATF's grey list (countries with questionable financial transparency), recognizing the country's efforts in terms of monitoring financial corruption and money laundering.

BRAZIL

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	211.8
GDP PER CAPITA US Dollars - 2020	6,823
CURRENCY Brazilian real	BRL

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.2	-3.9	4.7	0
Inflation (yearly average, %)	3.7	3.2	8.3	7.2
Budget balance (% GDP)	-5.8	-13.6	-5.2	-9.4
Current account balance (% GDP)	-3.5	-1.7	-1.3	-1.4
Public debt (% GDP)	74.3	88.8	82	86

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	32%
EURO AREA	13%
UNITED STATES	10%
ARGENTINA	4%
CANADA	2%

Imports of goods as a % of total

CHINA	21%
UNITED STATES	15%
EURO AREA	15%
ARGENTINA	5%
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 19% of GDP)
- High costs of production (wages, energy, logistics, credit) that harm competitiveness
- Shortage of qualified labour, inadequate education system
- Criticized environmental policy (permissive with deforestation)

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Economy to strongly decelerate in 2022

In 2022, the economy is set to decelerate substantially, mostly driven by base effects and the lagged impact of aggressive monetary policy tightening. Moreover, the combination of a still high unemployment rate, price pressures and tighter credit conditions will cause negative spill-over effects on household consumption (61% of GDP), limiting it to mild growth in 2022. In addition, gross fixed investments are expected to slightly contract, following their strong showing last year and as political uncertainty increases with the proximity of presidential elections. Furthermore, net exports should have a marginal positive contribution. Still supportive commodity prices (accounting for 60% of foreign sales), will allow exports to grow, but at a more moderate rate, as the global economy loses some traction. Still, the volume of agriculture exports could be affected by the La Niña, which has brought notably dryness to the south of the country, putting a downward bias on the 2021/2022 grain crop. Finally, lower domestic demand will also curb imports' expansion from the highs seen in 2021.

A benign current account deficit; laxer fiscal policy

The current account deficit widened in 2021 in value terms, albeit it shrank as a percentage of GDP (higher denominator). The primary income deficit led the deterioration in the period, as repatriated foreign investment income rose strongly. This prevailed over the services deficit reduction (lower international travel and equipment rental) and the higher trade balance surplus. In fact, both exports and imports strongly expanded in the period. While higher agriculture and mineral commodity prices boosted foreign sales, imports advanced as well amid the economic rebound and higher fuel prices. Still, the drought also drove an increase in the purchase of natural gas and electricity from neighbours. On the financing side, foreign direct investment improved from 2020, as the economy reopened, and was able to cover comfortably the external shortfall. In 2022, it should continue to expand (albeit still below 2019 levels), driven by supportive commodity prices and the depreciation of the Brazilian Real (increasing the attractiveness of local assets to foreign investors). Additionally, portfolio investments should remain robust, notably driven by fixed income securities, as Brazil has implemented one of the world´s most hawkish monetary policy. Meanwhile, foreign currency reserves remain robust, ensuring an import coverage of 25 months as of October 2021. Finally, total gross external debt (including intercompany loans and domestic fixed income securities held by non-residents) stood at 39% of GDP in Q3 2021, with the general government and central bank share at 6% of GDP. In 2022, the current account deficit should remain quite similar.

On the fiscal front, the budgetary deficit narrowed markedly in 2021, thanks to rebounding corporate tax revenues, higher dividends from state-owned enterprises and relatively lower fiscal stimulus. Gross public debt reduced driven by higher nominal activity (boosted by inflation). Nonetheless, the budgetary imbalance is set to deteriorate in 2022, amid a rise in public expenditure and a marked increase in debt interest payment (in line with the ongoing sharp retightening of policy rate Selic). A constitutional amendment approved by Congress in December 2021 limited the annual settlement of judicial claims by the central government and modified the indexation of the federal expenditure ceiling. This will allow the government to spend an additional USD 20.8 billion this year (1.2% of the 2022 projected GDP).

Political climate will remain tense as general elections approach

Brazil will hold presidential elections on 2 October 2022, with the new term set to start on 1st January 2023. The incumbent president Jair Bolsonaro from the right-wing Liberal party has signalled his intention to run for re-election. However, preliminary polls have indicated that this will not be an easy task. According to them, the former leftist president Luiz Inácio Lula da Silva (2003-2010) from the Labour party, and a probable candidate, is well placed for the race. Aware of this tough outlook, the ruling government has launched a new welfare program, called Auxílio Brazil, to replace the Bolsa Família. The new program will increase the value and extend it to more beneficiaries. During the October 2022 vote, the country will also renew all State Governors, one-third of the 81 members of the Senate and all 513 members of the Lower House. Overall, the extensive political calendar this year will undermine the chances of passing important reforms in Congress, as politicians switch their focus to the voting. As such, bills currently under discussion in the legislative that could improve fiscal sustainability and curb the cost of doing business (such as the administrative and tax reforms) may not be approved in 2022.

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.

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **A3**

POPULATION Millions of persons - **2020** — **6.9**

GDP PER CAPITA US Dollars - **2020** — **10,006**

CURRENCY Bulgarian lev — **BGN**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.0	-4.4	3.5	2.6
Inflation (yearly average, %)	3.1	1.7	3.3	7.0
Budget balance (% GDP)	2.1	-3.4	-3.2	-2.2
Current account balance (% GDP)	1.9	-0.3	0.3	0.9
Public debt (% GDP)	20.2	25.0	25.5	25.7

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	16%
ROMANIA	9%
ITALY	7%
GREECE	7%
TURKEY	6%

Imports of goods as a % of total

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

- Diversified productive base
- Low public debt
- Tourism potential
- Low production costs and good price competitiveness
- Monetary stability, the Bulgarian Lev is in a peg with the Euro

- Corruption and organised crime (No. 69 in the Corruption Perception Index 2020, together with Romania the most corruptive country in the EU)
- Inefficient public services and judicial system (influence of the business community)
- Fragmented political landscape makes the founding of a stable government complicated
- Lack of skilled labour
- Declining and relatively poor population (GDP per capita = 23% of the EU average in 2020)
- Strong informal economy

RISK ASSESSMENT

Slow vaccination process staggers the economic recovery

In Bulgaria, the pandemic remains the main obstacle for economic growth in 2022, as the vaccination campaign is lagging far behind. The weak pandemic management led to three COVID-19 waves in 2021 (spring, early autumn, late autumn). During the last ones, the numbers of not only cases, but also deaths, remained high. In reaction to that the government first introduced new measures in September and implemented a full lockdown (with single shops remaining open) in November/December 2021. Looking at the spread of the Omicron-mutation, more measures at the beginning of 2022 cannot be excluded. With regard to the GDP forecast, in early 2021, GDP development decoupled somewhat from the lockdown measures, with a strong growth rate during a strict lockdown. The main causes were the increase of the minimum wage by 6.6% to BGN 650 per month in January and the strong exports of goods (70% of GDP), as Bulgaria is exporting a lot of industrial intermediate goods, mainly to the Eurozone (46.9%, Germany representing 16.1% in 2020). Bulgaria was therefore benefiting from the revival of the Western European industry. In the summer of 2021, GDP growth has been moderate due to the reopening of the Bulgarian economy, as well as that of Western European economies. Nevertheless, because of the lingering pandemic, consumers (70% of GDP) and investors (23% of GDP) have remained cautious at the end of 2021 and in the first half of 2022. Furthermore, the growth of industry in the Eurozone has been put on hold due to supply-chain problems, which should also limit the economic growth dynamic in 2022. Public support will probably be limited in the first half of 2022, as many COVID-19 support measures were terminated at the end of 2021. The Bulgarian government has submitted its plan for the usage of its EUR 10.7 billion share in subsidies and cheap loans from the EU recovery Fund in mid-October 2021, but it will take several months for approval, especially regarding the planning time until the programs will materialize in economic growth.

Moderate public deficit in 2022

Thanks to stronger demand for Bulgarian goods, in combination with still robust services exports, the current account remained balanced in 2021 and should increase to a slight surplus thanks to a slow recovery in tourism numbers in 2022. The public balance registered a second moderate deficit in 2021, which should persist in 2022, albeit at a reduced level. Public debt will remain very low.

In mid-2020, Bulgaria joined the European Exchange Rate Mechanism 2 (ERM II). During this transition time of minimum 2 years, 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, which are suspended until the end of 2022 due to the pandemic. The long-term interest rates should remain close to the lowest prevailing in the Eurozone and the inflation rate can only be 1.5 pp. above those across the three Eurozone member states with the lowest rates. In combination with the political deadlock, it is not expected that Bulgaria will be able to join the Euro this year or in 2023.

Three elections in one year

Since July 2020, Bulgaria had been in a state of continuous protest against the government of the centre-right GERB, due to corruption scandals. The protests led to a new election in April 2021, won again by the GERB party. However, due to the fragmented party system, no party could form a government, which resulted into a snap-election in July 2021. In July, the populist party "There is Such a People" ITN, which had been newly founded in 2020 by a Bulgarian singer, won the election. However, due to the unprofessional behaviour of ITN in the parliament, the ITN did not get the support from the other parties to form a government. This led into the second snap election on 14 November 2021, alongside the presidential one. This time, the former caretaker Finance and Economy ministers formed an alliance (PP, 67 out of 240 seats in the parliament), which came in first in the election. The new Prime minister Kiril Petkov formed a broad coalition with the left-wing BSP (26 seats), the ITN (25 seats) and the liberal, environmental DB (16 seats). This result calmed down the protest. The next general election should take place 2025.

BURKINA FASO

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	20.9
GDP PER CAPITA US Dollars - 2020	831
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.7	1.9	5.0	4.0
Inflation (yearly average, %)	-3.2	1.9	3.6	4.0
Budget balance* (% GDP)	-3.2	-5.7	-5.5	-5.0
Current account balance* (% GDP)	-3.3	-0.1	-2.5	-4.0
Public debt (% GDP)	43.9	47.8	49.5	50.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	77%
INDIA	7%
CÔTE D'IVOIRE	3%
SINGAPORE	3%
EURO AREA	3%

Imports of goods as a % of total

EURO AREA	21%
CHINA	12%
CÔTE D'IVOIRE	8%
UNITED STATES	7%
RUSSIA	7%

- Major producer of gold (sixth-largest in Africa) and cotton (third-largest in Africa in 2020)
- 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)

- 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, extremely high poverty rate, increased by massive population displacement, extremely low score on Human Development Index and critical food insecurity
- Significant informal sector and failing business environment
- Presence of armed Islamist groups (foreign and domestic), particularly in the north and east of the country

RISK ASSESSMENT

Growth threatened by security risks

After rebounding in 2021, growth should firm in 2022, but the worsening security situation could hamper activity. Private consumption (70% of GDP) will drive growth as health-related measures are eased. With the agricultural sector (25% of GDP) employing over 80% of the labour force, a good agricultural season should boost household income. However, population displacement due to insecurity, particularly in the northeast of the country, will continue to disrupt agricultural production. High prices for foodstuffs, which account for nearly one-third of the household goods basket, will continue to stoke inflationary pressures. Growth will also be stimulated by government investment under the National Economic and Social Development Plan, which provides for investments in the cotton-textile, agri-food and construction materials sectors, as well as in road infrastructure, including the project to build a motorway linking the capital Ouagadougou and Yamoussoukro in Côte d'Ivoire. Several public-private investment projects are expected to come on stream as part of the Yeleen rural electrification plan. These include the project by French group Urbasolar to build a 30MW solar power plant. Furthermore, low customs duties on ore exports will continue to attract foreign investors in the mining sector (11% of GDP). However, the deteriorating security situation may hinder the flow of investment. The start of production at the Bomboré mine, scheduled for 2022, should boost gold production. As prices are expected to remain relatively high, this should support export earnings (85% gold). Cotton export earnings (10% of exports) are likewise poised to benefit from favourable prices.

International aid to support public and external accounts

Although the budget deficit is set to remain well above the WAEMU criterion (3% of GDP), it should nevertheless continue to decline in 2022. Mining (20% of government revenues) will drive much of the increase in government revenues. Capital investment spending (40% of total spending) and increased security spending (15%) are expected to temper the reduction in the public deficit. Financing will rely on international donors (World Bank and African Development Bank). The country will continue to benefit from the Debt Service Suspension Initiative, which saw a EUR 5.9 million debt deferral agreement signed with France in November 2021.

The current account deficit will widen in 2022, reflecting a smaller trade surplus, as import growth, driven in particular by capital goods and energy products, is set to exceed the increase in export earnings. A larger transportation services bill will cause the services deficit to increase. The primary income deficit will widen as profit repatriation by foreign firms, mainly in the mining sector, increases, while the secondary income account will remain in surplus due to current international cooperation and inflows of expatriate remittances. With the security situation continuing to constrain FDI (excluding ore), loans from multilateral organisations are expected to finance this deficit. In August 2021, the IMF approved a USD 164.4 million disbursement of special drawing rights to WAEMU members to help replenish WAEMU's pooled foreign exchange reserves.

Military coup in the wake of worsening security risk

Since 2015, insecurity in the Sahel region linked to the activity of armed jihadist groups affiliated with al-Qaeda and the Islamic State organisation has resulted in more than 2,000 deaths and 1.4 million displaced persons (nearly 6% of the population), according to the United Nations. Attacks in the three-borders region (shared with Mali and Niger) on civilian and military targets have intensified. In early November 2021, an assault on a gendarmerie outpost in Inata was one of the deadliest attacks on security forces, killing 57 people, including 53 gendarmes, even though personnel stationed at the facility had warned superiors about their precarious situation two weeks before the attack. This fuelled widespread anger with the authorities, and the Prime Minister and his government resigned on 8 December 2021 after a series of protests criticising the administration's inability to combat the recurring jihadist attacks. The November 2020 legislative and presidential elections that had handed victory to President Kaboré and his People's Movement for Progress (MPP) party were marred by turnout of only 50% due to widespread insecurity. The next government did not last long, as it was dissolved and the president arrested in a military coup on 24 January 2022, following mutinies. The troops criticise their living conditions, insufficient equipment and supplies, and demand the departure of their leaders, largely supported by the civilian population.

The country will continue to rely on international cooperation in its fight against terrorism, as it participates in the G5 Sahel force alongside Mali, Chad, Mauritania and Niger. France, which has begun to reorganise its counter-insurgency forces under Operation Barkhane, will continue to deploy troops in the three-borders region as part of the Takuba Task Force, a European multinational military task force.

BURUNDI

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	11.9
GDP PER CAPITA US Dollars - **2020**	256
CURRENCY Burundi franc	BIF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.8	0.3	2.0	3.0
Inflation (yearly average, %)	-0.7	7.3	8.4	8.1
Budget balance* (% GDP)	-8.7	-10.0	-9.0	-8.0
Current account balance (% GDP)	-11.7	-14.7	-15.7	-15.0
Public debt** (% GDP)	60.1	69.5	75.6	76.5

(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	56%
CONGO DR	9%
SWITZERLAND	5%
EURO AREA	5%
PAKISTAN	4%

Imports of goods as a % of total

SAUDI ARABIA	15%
CHINA	15%
INDIA	10%
EURO AREA	9%
TANZANIA	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

−

- Extreme poverty: In 2020, more than 85% of Burundians lived below the extreme poverty line (USD 1.90 per day) and the country was ranked 185th out of 189 countries on the Human Development Index.
- Entrenchment of the political crisis that began in 2015
- International aid reduced because of the political crisis
- Border tensions with Rwanda
- Poorly diversified economy, vulnerable to external shocks
- Unproductive agricultural sector (30% of GDP and 90% of the workforce)
- Geographically isolated
- Activity hampered by lack of infrastructure and access to electricity (only 11% of the population has access)

RISK ASSESSMENT

Growth still fragile in 2022

Burundi's economy, already weakened following the 2015 political crisis that led to the withdrawal of most external aid, was rocked by the COVID-19 pandemic in 2020. The timid recovery in 2021 is expected to continue with a modest pickup in 2022, fuelled mainly by the primary sector via agriculture (30% of GDP and 80% of jobs), with rising global demand supporting the production of coffee, tea and cotton. Exports, driven by these products (coffee accounted for 19% of exports in 2020 and tea for 13%), will increase accordingly, while at the same time being constrained by mining exports. Although the sector has immense potential, the country being the only African producer of rare earths, the dispute between the authorities and mining companies will have an adverse impact. In April 2021, the government suspended the operations of foreign mining companies in order to renegotiate contracts and boost profits from sub-surface resource development. In particular, a row has broken out with UK-based Rainbow Rare Earths, which operates a rare earth mining project in Gakara. These disputes could dampen future investment in the sector, notwithstanding its potential. While the secondary sector will therefore limit growth, support will come from the recovery of the services sector (38% of GDP). The reopening of the borders with Rwanda and the Democratic Republic of Congo, which were closed to contain the spread of COVID-19, will allow transport services to resume. Other services such as trade, telecommunications, banking and insurance will get going again if the health situation stabilises. Nevertheless, the country is highly exposed to a resurgence of the pandemic, as the vaccination campaign remains at a standstill, with only 0.1% of the population fully vaccinated by December 2021.

Twin deficits still very large

In 2020, weak global demand led to a drop in the export prices of coffee and tea, the country's main export products along with gold (28% of exports in 2020). This led to a deterioration in the trade deficit and, subsequently, in the current account deficit. The latter was substantial in 2021 and should remain large in 2022, due to the country's dependence on imports, as domestic production capacity is low. The virtually uninterrupted depreciation of the Burundian franc will continue to push up the share of imports. Surpluses on the primary income account, owing to the remuneration of foreign workers by non-resident companies, and on the secondary income account will not be enough to balance the current account deficit. Foreign exchange reserves, which barely covered one month of imports, have been bolstered, thanks in particular to an allocation of special drawing rights by the IMF (about USD 200 million). The current account deficit is part of an extremely challenging external situation marked by recurrent foreign exchange shortages and continued currency depreciation. The lack of attractiveness to investors and the delicate political situation contribute to this situation and have done so particularly since 2015.

The budget deficit, which worsened during the pandemic due to the loss of government revenue, will remain high owing to heavy capital expenditure (37% of government expenditure in 2020/21), including on the construction of schools and hospitals. To finance itself, the country will rely on domestic debt (70% of public debt) from commercial banks, which will increase debt service. After the country benefited from emergency aid to respond to the pandemic, the authorities' attempts to re-engage with major international creditors may pave the way for greater recourse to concessional external financing. Through to April 2022, under the IMF's Catastrophe Containment and Relief Trust fund, the government is receiving debt relief totalling USD 25 million (0.8% of GDP). In addition, in 2021, the IMF provided USD 76 million under the Rapid Credit Facility to support the economy.

Pace of reform still very slow despite the new president's desire to re-engage

Following the 2020 presidential elections and the sudden death of the outgoing president Pierre Nkurunziza, President-Elect Evariste Ndayishimiye, from the National Council for the Defence of Democracy-Forces for the Defence of Democracy (CNDD-FDD), took office early in June 2020. Since doing so, he has signalled his commitment to modernising the country, improving governance and curbing corruption. Nevertheless, the UN and international observers continue to warn about persistent acts of violence and human rights abuses committed against the population by the country's defence forces. Thus, despite Burundi's stated desire to improve relations with other countries, the European Union renewed its sanctions against certain Burundian individuals and entities until October 2022, due to human rights violations and incitement to violence. However, the United States announced in November 2021 that it would lift its sanctions, praising the improvements made since the election of Evariste Ndayishimiye. Regionally, the president wishes to renew dialogue with partners such as Tanzania and Uganda. In February, the heads of state of the East African Community chose him as rapporteur for the 2021-2022 term and as the next president for the 2022-2023 period. Finally, tensions with Rwanda seem to have eased since 2020 and the meeting of the two countries' foreign ministers. In particular, cooperation to combat rebel forces in both countries has been stepped up.

CABO VERDE

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	0.6
GDP PER CAPITA US Dollars - 2020	3,065
CURRENCY Cabo Verde escudo	CVE

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.7	-14.8	4.0	5.0
Inflation (yearly average, %)	1.3	0.6	1.2	1.5
Budget balance (% GDP)	-2.8	-9.1	-8.0	-5.0
Current account balance (% GDP)	-5.1	-16.0	-14.0	-11.0
Public debt (% GDP)	124.5	137.5	134.0	132.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	89%
UNITED STATES	4%
CHINA	2%
MAURITIUS	1%
ECUADOR	0%

Imports of goods as a % of total

EURO AREA	78%
CHINA	7%
BRAZIL	3%
MOROCCO	2%
UNITED STATES	1%

+

- 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
- 20% of the country's energy consumption currently comes from solar panels and wind turbines, with a target of 50% by 2030

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- Weak diversification of the economy and dependence on tourism
- Very high level of public debt
- Heavily dependent on economic performance of Eurozone countries
- Ageing, poor-quality infrastructure
- Island location: dependent on food imports (70% of total imports) and energy products
- Exposed to climate change, volcanic and earthquake events, and hurricanes

RISK ASSESSMENT

The pick-up in activity will depend on tourism's recovery

In 2022, Cabo Verde will continue the economic recovery started in 2021. Heavily dependent on the tourism sector (more than 50% of total export earnings and 38% of GDP before the COVID-19 pandemic), growth is expected to gain momentum as travel restrictions ease and COVID-19 vaccination rates improve domestically and also in Europe, which is where the majority of tourists come from. Although the sector is not expected to return to its pre-pandemic level of activity, the upturn in tourism export earnings will support the net contribution of trade to growth in 2022. While tourist arrivals are likely to rebound, the emergence of new COVID-19 variants and the changing health situation locally and in Europe will continue to threaten the sector's recovery. The uncertain outlook for this sector will limit growth in private investment, which is traditionally driven by the hotel sector. The authorities, with their emphasis on sustainable development projects and economic diversification, will offer tax breaks to encourage private projects that promote the use of green energy. Public investment will also target the development of projects in the transport and logistics sectors, but the contribution of public investment and consumption will be constrained as the country's fiscal space is limited by high public debt. The other key sectors of the economy, namely fisheries (mainly tuna, 5% of GDP), agriculture, energy, construction and transport, will also see renewed growth, thanks to the recovery of external and domestic consumption. Remittances, which reached a record high in June 2021 (over 15% of GDP), coupled with the easing of domestic mobility restrictions and a relatively successful vaccination campaign (45% of the population was fully vaccinated by the end of 2021), should support the recovery in household spending.

Twin deficits are still large

The current account deficit should improve thanks to the rebound in tourism revenues. However, it will remain substantial due to a structurally high trade deficit, with the country's insularity generating a dependence on imports. This deficit is exacerbated by that of the primary income account (3% of GDP in 2021), which reflects the repatriation of profits from investments made by foreign companies. While remittances help to generate a secondary income surplus, they will not be enough to offset this deficit. The current account deficit will continue to be financed by grants and concessional loans, and will benefit from the recovery of FDI flows. The collapse in tourism revenues resulted in a fall in foreign exchange reserves (6.5 months of the following year's imports in 2021, against 9 in 2019), which nevertheless remain high. The peg to the euro does not seem to be under threat.

Lower tax revenues due to the pandemic and higher spending to support the economy caused the budget deficit to worsen. After being reduced in 2021, and while remaining large in 2022, the deficit is expected to narrow as the government pursues fiscal consolidation efforts. The reversal of measures taken during the pandemic and better management of the risks linked to state-owned enterprises will help contain spending, while tax revenues should benefit from efforts to improve domestic revenue mobilisation. Fiscal consolidation is expected to constrain capital spending, despite the authorities' ambitions. Although public debt is expected to continue on its downward trajectory, it will remain at a very high level. External debt (75% of public debt), held by multilateral (46.2%) and bilateral (24.2%) donors, is largely on concessional terms, tempering the high risk of default. The authorities' reforms aimed at ensuring the sustainability of public finances and debt are being supported by the IMF in the framework of a (non-financial) programme of policy coordination instruments.

Power-sharing in the wake of the 2021 elections

José Maria Neves, a member of the left-wing African Party for the Independence of Cabo Verde (PAICV) and prime minister between 2001 and 2016, was elected president in the first round (51.7% of the vote) of the October 2021 elections. He succeeded Jorge Carlos Fonseca, from the centre-right Movement for Democracy (MpD) party, who had reached the constitutional limit of two consecutive terms. Following his victory, and in accordance with Cabo Verde's semi-parliamentary system, Mr Neves entered into a power-sharing arrangement with Prime Minister Ulisses Correia e Silva (MpD), who has been in office since 2016 and was handed a new term in office in April 2021 after the MpD held onto its absolute majority in the legislative elections (38 seats out of 72), ahead of the PAICV (30 seats). Mr. Neves has promised to work with the MpD government. Previous power-sharing episodes have not traditionally generated major political tensions, including between 2011 and 2016 when Mr. Neves led a PAICV government under the presidency of Jorge Carlos Fonseca. Internationally, the country remains closely linked to Europe (mainly Portugal and the UK), which is an important source of tourists and FDI. It will also continue to develop its links with China, whose investments in the archipelago are on the increase, focusing on the tourism and infrastructure sectors, as well as the construction of a special economic zone.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	15.7
GDP PER CAPITA US Dollars - **2020**	1,607
CURRENCY Cambodian riel	KHR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.1	-3.1	2.2	5.7
Inflation (yearly average, %)	2.0	3.0	2.5	3.2
Budget balance (% GDP)	3.0	-3.4	-3.8	-3.7
Current account balance (% GDP)	15.0	-12.1	-21.3	-16.1
Public debt (% GDP)	28.6	34.2	37.0	38.5

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	36%
EURO AREA	19%
CHINA	8%
JAPAN	7%
UNITED KINGDOM	6%

Imports of goods as a % of total

CHINA	41%
THAILAND	14%
VIETNAM	13%
INDONESIA	4%
JAPAN	4%

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

- High share of agriculture in employment and GDP makes the economy vulnerable to weather conditions
- Underdeveloped electricity and transport networks
- Lack of skilled workforce
- Dependent on concessional financing due to weak fiscal resources (high informality)
- Significant governance shortcomings, high levels of corruption
- Poverty rate remains high, low levels of spending on health and education

RISK ASSESSMENT

Growth will accelerate thanks to a high vaccination rate

Despite surging external demand, the economy recovered modestly in 2021 due to a prolonged COVID-19 outbreak that slowed down the recovery in domestic demand. However, economic growth should gain momentum in 2022 as the country should have completed vaccinations (81% of the population had been fully vaccinated as of December 2021), and that the authorities have a rather "living with COVID" strategy. Cambodia is highly dependent on exports of goods and services (60% of GDP in 2019), especially on garments, travel goods and footwear (75% of total exports in total). Those components were hit by lockdowns, both domestic and overseas, and temporary factory closures to curb the pandemic in 2021. However, thanks to a fast vaccination drive and robust external demand from major trade partners (U.S., the EU and Japan), exports should rebound and be closer to pre-pandemic levels in 2022. Agriculture (20% of GDP) has been resilient despite COVID-19 outbreaks in 2021, and should continue to support exports. The Cambodia-China free trade agreement, ratified in September 2021, should boost trade and investment in this sector as China will grant duty-free status to 95% of agricultural imports from Cambodia. Tourism (18.7% of GDP in 2019) should recover gradually as Cambodia reopened its borders to fully vaccinated tourists in November 2021. However, it is unlikely to reach pre-pandemic levels as China, one of the major sources of inbound tourists (36% of the total), is pursuing a Zero COVID strategy and its borders should remain closed in 2022. Investment should slowly recover from the pandemic. Construction projects, accounting for a third of GDP, are driven by both FDI and the national budget, but high iron and steel prices might delay imports of those commodities and hence projects, as contractors would like to secure their profit margins. Domestic demand, primarily household consumption (70% of GDP) should recover alongside the economic revival. Remittances (5.6% of GDP in 2019) should increase to pre-COVID levels and support it as well.

The current account deficit is set to remain high

The public deficit should remain significant, with an 8.4% increase in expenditures, partially financed by higher tax revenues, as the recovery is set to gain momentum, and the Special Drawing Rights (SDR) allocated by the IMF in August 2021 (8% of GDP). These, changed into foreign currencies, will enable the country to sign more borrowings from China, Japan, France, Thailand and development banks. At this stage, Cambodia already relies heavily on China and Japan, which own 44% and 9% of its total debt, respectively. Despite increased multilateral and bilateral aid, debt is expected to rise to finance the deficit.

Private sector indebtedness (114% of GDP), especially for households, should remain high, including among low-income people using microfinance and informal lenders. Moreover, in the wake of the crisis, higher unemployment, a higher poverty rate, and lower activity in construction and real estate, which concentrate credit, have affected the stability of the financial sector. This could lead to payment defaults, as well as a decline in deposits, which are mainly in dollars.

The current account deficit should narrow but remain high. The recovery in exports is offset by higher commodity prices on the imports front. Having said this, the increase in largely unscathed remittances and FDI, external financial aid (ADB granted a USD 40 million loan in 2021 for instance) and project financing should cover the deficit. FX reserves remain adequate, standing at 6.1 months of imports (as of March 2021).

Pressure from the West draws Cambodia and China closer

Prime Minister Hun Sen, a former military commander of the Khmer Rouge, 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 arresting opponents. Corruption remains high and has not seen improvements in recent years. Discontent among the population was exacerbated by the severe enforcement of anti-pandemic measures and a decline in economic activity, which has led to higher unemployment and poverty. In response, the government stepped up its repression. This could have a serious impact on the country's social and political stability.

Relations with Western countries, the EU and the U.S., have worsened since the national elections in 2018, when repression of the opposition and local media drew international criticism. A year after the EU imposed trade sanctions on Cambodia due to human rights abuses – by which Cambodia lost preferential access to the EU market – Cambodia strengthened ties with China and relies on it to support the economy. On the investment side, Cambodia has already been relying massively on China, which accounts for 90% of FDI in Cambodia.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	26.5
GDP PER CAPITA US Dollars - 2020	1,505
CURRENCY CFA franc (CEMAC)	XAF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.9	0.7	3.4	4.0
Inflation (yearly average, %)	2.5	2.4	2.3	2.5
Budget balance (% GDP)	-3.3	-3.6	-3.0	-2.1
Current account balance (% GDP)	-4.3	-5.5	-3.7	-3.9
Public debt (% GDP)	42.3	45.8	46.0	45.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	44%
CHINA	15%
INDIA	10%
UNITED STATES	7%
MALAYSIA	3%

Imports of goods as a % of total

EURO AREA	25%
CHINA	23%
NIGERIA	4%
INDIA	4%
UNITED STATES	3%

- Relatively diversified resources, including forestry, agriculture (e.g. cocoa and bananas), oil and mining (e.g. aluminium)
- Hydroelectric potential
- Diversified economy, compared to those of other oil-exporting countries
- Efforts to upgrade infrastructure are underway
- Member of the Central African Economic and Monetary Community (CEMAC) and the Economic Community of Central African States (ECCAS), which implies that the CFA-Franc is pegged to the Euro, although the pooled reserves of the Bank of Central African States are limited

- External and public accounts dependent on commodities
- Low government revenues: 13% of GDP in 2020
- Weak but small banking system
- Non-inclusive growth (severe poverty affects 24.6% of the population in 2018, latest data), business environment remains difficult with poor governance (corruption, etc.).
- Inadequate infrastructure, especially electrical infrastructure
- Debt connected to the SONARA refinery, which was damaged by a fire and is unable to produce refined products, which have to be imported for now
- Heightened political risk: insecurity in the far north of the country and tensions in the English-speaking northwest and southwest regions
- Succession of President Biya (89 years old, in office since 1982)

RISK ASSESSMENT

Rocky recovery

In 2022, Cameroon will still be in the middle of the COVID-19 due to a weak pandemic management and a low acceptance of vaccination in the population. The pandemic should therefore have a restraining effect on private consumption (66% of GDP), which should remain below the trend-growth of the last years, as well as on investments (22% of GDP) in 2022, as more restrictive measures could be implemented. Security issues and outbreaks of violence should also hold back some investments. However, there are also some factors that should foster growth in 2022, like the African Cup of Nations, which should have promoted private consumption. The relatively low level of inflation and the stable currency are helping to keep the purchasing power in balance. Economic activity is also pushed by further construction work, e.g. on the Nachtigal dam and further work on the Kribi deep water seaport. The manufacturing and the agricultural sector (15% of GDP, 62% of employment) will also benefit from improved electricity supply thanks to the Lom Pangar-Bertoua transmission line, which connects the power plant of the Lom Pangar dam with 150 villages, from early 2022 onwards. Exports (19% of GDP) should benefit from higher demand for commodities (e.g. agriculture) and rising gas production, while oil exports should fall due to declining production because of underinvestment in the sector. However, extreme weather conditions and deteriorating security could reduce the increase in agricultural exports. Imports should grow with the slowly increasing consumption, but less than exports, which, in combination, will contribute to the economic growth.

Consolidation of public accounts likely to resume

Although the pandemic continues, the government is staying on the frugal budget path. This is the basis for a new three-year financing deal under the Extended Credit Facility of the IMF, approved in August 2021, with an envelope of USD 689.5 million. The first disbursement (USD 177 million) was already paid out in 2021. In addition, the World Bank has approved a USD 740 million envelope that is concentrating on agriculture projects and education for girls. Concomitantly, revenues should increase as the government proposed to eliminate several major tax exemptions and a better collaboration between customs and tax officials to maximize revenue. Furthermore, higher gas output should increase revenues via duties. With almost unchanged expenditures, this should reduce the public deficit and slowly alleviate public debt (domestic: 15% of GDP, external 30% of GDP). The main external creditors are the multilaterals and China. The usual trade deficit should slightly decrease in 2022 due to higher export revenues, while imports will decelerate with the near completion of infrastructures. Official budget support and concessional lending (often linked to projects), as well as foreign direct investments linked to infrastructure projects, will finance this and the small services and income deficits.

Ongoing violence poses a hurdle for economic recovery

Several outbreaks of violence are having a negative impact on the economic outlook. In the northern Sahel border region with Nigeria and Chad, jihadist attacks regularly take place (nine between May and October 2021, that took around 40 people lives) led by groups such as Boko Haram and the Islamic State West Africa Province. This situation could even worsen in 2022 as France decided to wind down its counter-terrorism operation in Q1 2022 in that region. Moreover, the conflict between the central French-speaking authorities and the English-speaking southwest and northwest regions will continue. The English-speaking community is fighting for an independent state, Ambazonia, since 2017. Furthermore, the pressure on natural resources is starting conflicts, including inter-communal violence, like in the summer of 2021 when fights over diminishing water resources between Lousgoum fishermen and Arab Choua cattle herders resulted in dozens of fatalities, the burning of 40 villages and thousands of people on the run. President Paul Biya, aged 89 (in February 2022), has held his office for 40 years and dominates the central government. His high age could result in a fast downturn of his health. By now, a credible successor is not positioned, so there is a high risk of a political vacuum. Biya's party, the Rassemblement Démocratique du peuple camerounais, won 139 of the 167 seats in the March 2020 legislative elections. However, due to a high level of fraud and corruption, the political frustration in Cameroon is strong.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	38.0
GDP PER CAPITA US Dollars - 2020	43,295
CURRENCY Canadian dollar	CAD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.9	-5.2	4.6	3.8
Inflation (yearly average, %)	1.9	0.7	3.4	3.2
Budget balance* (% GDP)	0.6	-10.8	-6.0	-2.7
Current account balance (% GDP)	-2.1	-1.8	0.3	-0.3
Public debt (% GDP)	92.7	127.2	126.8	126.0

(e): Estimate. (f): Forecast. * Fiscal year from April 1st to March 30th: 2022 data: FY2022/23.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	74%
EURO AREA	5%
CHINA	5%
UNITED KINGDOM	4%
JAPAN	2%

Imports of goods as a % of total

UNITED STATES	49%
CHINA	14%
EURO AREA	10%
MEXICO	5%
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
- 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 and energy prices
- Loss of competitiveness in manufacturing companies due to low productivity
- Insufficient R&D expenditure
- Decrease in the share of the working population, only just slowed down by high selective immigration
- High household debt (177.3% 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.' own resources

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Activity moderates, but remains robust

In 2022, the recovery from the recession triggered by the COVID-19 pandemic will continue, enabling GDP to return to its pre-crisis level early in the year. While growth will be less brisk than in 2021, it is nevertheless expected to be robust. Private consumption (around 55% of GDP) will be the main driver. With more than 80% of the population having received a dose of vaccine by the end of 2021, pent-up domestic demand is expected to be freed up by the easing of health-related measures. Spending will be bolstered by savings (11% of disposable income in Q3 2021) built up when households were still under tight restrictions. It will also benefit from rising employment and incomes, in a context of strong labour demand. Nevertheless, although inflation is expected to gradually decline in 2022 as supply chain disruptions and energy prices ease, it will weigh on purchasing power. Disinflation is expected to be accompanied by the Bank of Canada starting a rate hike cycle (0.25% at the end of 2021) in 2022. The tightening of credit conditions could modestly dampen business investment. However, strong earnings and balance sheets, robust demand, and investment to expand production capacity and address supply chain issues is expected to continue to support it. The contribution of government consumption is expected to remain positive, but diminish as support measures are phased out. Supply problems will continue to hamper trade, especially in the automotive sector, but exports are expected to increase as industrial production ramps up and energy prices remain high. The contribution of net exports will be negative, however, as domestic demand fuels a faster rise in imports.

Government deficit declines, but remains above pre-crisis levels

While the budget deficit will remain above pre-crisis levels (below 1% of GDP), it is expected to continue to shrink in 2022. The federal government wants to better target its pandemic-related support to households and businesses (over 15% of GDP). However, in the 2022 budget, it is expected to detail CAD 78 billion in additional spending over five years, promised in the 2021 campaign. These funds will be used to build and renovate 1.4 million homes, hire healthcare workers and end fossil fuel subsidies (in 2023). With inflation looming, the government may spread this spending over time. Debt charges should begin to recover, but will remain low (below 2% of GDP). The increase in federal revenues will be accompanied by the introduction of taxes on underutilised housing and certain luxury goods. The carbon tax will continue to rise. While the government debt ratio is very high, after deducting, among other things, the assets held by the Canada Pension Plan and the Quebec Pension Plan, the net debt ratio (47% of GDP) remains lower than that of its G7 peers.

In deficit since 2009, the current account has moved into a small surplus in 2021. In 2022, it is expected to return to a deficit in the wake of the trade balance. The latter will return to deficit as a result of rising imports. The same could be true for the services account, as travel and transport spending gradually accelerates following the reopening of borders. Favourable metals prices, which many Canadian companies mine abroad, will extend the primary income surplus for a third year running. Remittances will continue to contribute to a small deficit in the transfer account. External debt, largely owed by the private sector (about 80%), is still high (over 130% of GDP) but is expected to stabilise.

2021 federal elections: outcome unchanged

Justin Trudeau (Liberal Party), Prime Minister since November 2015, retained his position following the September 2021 federal election. The election resulted in a Liberal minority government and an unchanged balance of power compared to the 2019 election. Despite favourable polls at the beginning of the campaign, the liberal party (centre-left) ended up winning only three seats (160 out of 338). The Conservative party, led by Erin O'Toole, received the most votes, as it did in 2019, but won 119 seats (-1). The pro-independence *Bloc québécois* (BQ) retained 32 seats, while the New Democratic Party (NDP) held 25 seats (+1). While the lack of a majority will limit the room for manoeuvre of Justin Trudeau's government, his priorities, namely developing social services and combating climate change, could be supported by the NDP and the BQ. With no minority government having ever served a full term, a new election as early as 2022 is possible.

Marked by some tensions under the Trump administration, relations with the United States appear to be more stable under the Biden administration. Differences remain, however, on energy and trade policy, such as the U.S. administration's decision to raise tariffs on Canadian softwood lumber (from 9 to 18%).

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.

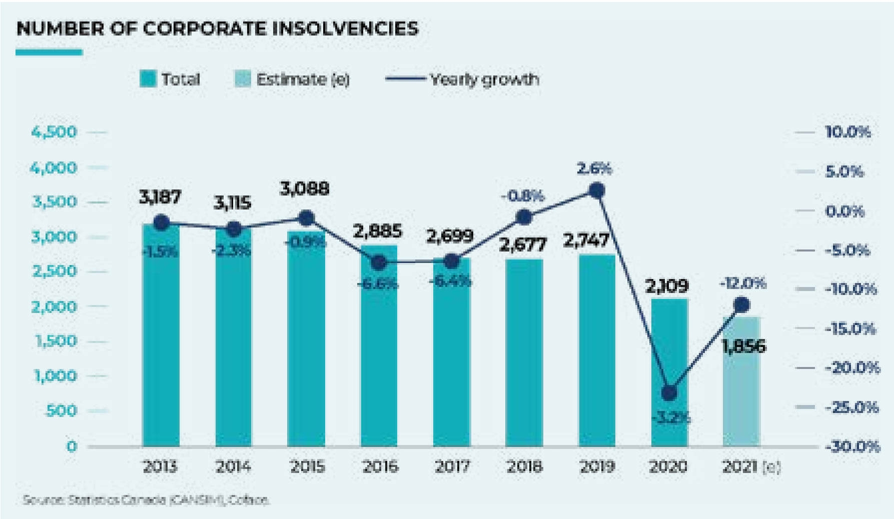
Enforcement of a Legal Decision

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.



CENTRAL AFRICAN REPUBLIC

COFACE ASSESSMENTS	
COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	**4.8**
GDP PER CAPITA US Dollars - **2020**	**494**
CURRENCY CFA franc (CEMAC)	**XAF**

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth (%)	3.1	0.8	-0.6	3.4
Inflation (yearly average, %)	2.7	2.1	3.3	2.5
Budget balance* (% GDP)	1.4	-3.3	-1.1	-1.2
Current account balance (% GDP)	-5.1	-8.7	-6.1	-6.1
Public debt (% GDP)	47.8	44.1	46.4	44

(f): Forecast. * Including grants.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	35%
CAMEROON	15%
CHINA	10%
SWITZERLAND	6%
NIGER	5%

Imports of goods as a % of total

EURO AREA	34%
CHINA	14%
CAMEROON	8%
DENMARK	7%
INDIA	5%

- Agricultural (cotton, coffee), forestry and mining (diamond, gold, uranium) potential
- Substantial international financial support
- Member of the Central Africa Economic and Monetary Community (CEMAC)

- Extreme and widespread poverty
- Fragile and unstable security and political conditions leading to significant population movements both within and out of the country
- Low economic diversification
- High dependence on commodity exports
- Illegal gold and diamond exports undermine government revenues

RISK ASSESSMENT

Growth threatened by insecurity

Although the Central African Republic (CAR) was only slightly affected health-wise by the COVID-19 pandemic, the economic consequences, coupled with major post-electoral conflicts, have affected growth prospects for 2022. The outlook is upbeat but remains hostage to the fragile security situation, which notably prompted Cameroon to close the corridor between Douala (the region's main port) and Bangui for three months in 2021, blocking a large share of Central African trade.

The CAR economy is dependent on exports (15% of GDP), which should be lifted by the post-COVID-19 recovery and firm prices. Wood, gold, diamonds, cocoa, coffee and cotton account for 90% of export earnings. Diamond exports (8% of the total) have resumed after stopping almost entirely at the height of the pandemic. On the agricultural side (35.5% of GDP and 77.1% of employment in 2020), cotton production and exports are also expected to increase, following the government's continued efforts to clear its arrears with producers. Wood-related activities (2/3 of CAR exports) and forestry are in line to increase in 2022 with the global recovery of the construction sector, which has caused wood prices to explode (377% year-on-year increase in May 2021). Surging prices and increased demand for wood, particularly from key customers such as China, should boost Central African exports and enable a shrinking of the current account deficit. Imports are also set to increase owing to higher oil prices (1/3 of imports).

Private consumption, which contracted in 2020 and 2021 because of impoverishment of the population, is expected to pick up and should support growth in 2022. Private investment will be supported by the adoption of business-friendly reforms, including measures to protect minority investors. The introduction and effectiveness of these measures are threatened by the risk of renewed violence and insecurity, which could delay the implementation of economic reforms, but also by the future path of the COVID-19 pandemic. In September 2021, only 0.2% of the Central African population was vaccinated against the disease.

Increasing dependence on external aid

Management of post-election conflicts and the closure of the Bangui-Douala corridor caused the budgetary situation to deteriorate and the deficit to swell. That said, the public debt burden decreased slightly due to IMF relief. It should continue on its downward trend in the long-term, with more than half of public spending covered by external multi- or bilateral financing, much of it in the form of grants. In 2020, international donor grants represented 12.6% of GDP, or more than 60% of total government revenue. For instance, in the context of the health crisis, the French Development Agency, the African Development Bank, the World Bank and the EU provided budget support of more than USD 400 million (18% of GDP). The IMF also granted two concessional loans under its Extended Credit Facility approved in December 2019. Finally, at the end of 2021, the Central African States Development Bank granted a loan of CFAF 15 billion (USD 27 million) to the Central African Republic, notably to help the country fight COVID-19 and strengthen the health system.

Security is the main political challenge

CAR has been in a highly precarious political and security situation since 2013. Although a peace agreement signed in February 2019 between the government and rebel groups helped to reduce the violence, the security situation is still extremely poor. This was the backdrop for the presidential election held at the end of 2020, which saw outgoing President Faustin-Archange Touadéra re-elected. The election focused on security issues, which are key to economic recovery. However, since the election, there have been frequent clashes between supporters of the president and the Coalition of Patriots for Change (CPC), an armed movement made up of six rebel groups. These confrontations prevented the organisation of legislative elections, which were finally held between May and August 2021 and gave the ruling presidential party a relative majority. The first challenges of Faustin-Archange Touadéra's new mandate are to restore security and the country's territorial integrity and to fight the impunity that fuels the cycle of violence.

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 whether the agreement will be implemented.

CAR also has cross-border problems, often linked to population movements. Incidents occurred in 2021 with Chad, whose army sustained losses after CAR armed forces pursued Central African rebels fleeing over the border separating the two countries.

CHAD

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	16.4
GDP PER CAPITA US Dollars - **2020**	660
CURRENCY CFA franc	XAF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.1	-1.0	1.0	1.8
Inflation (yearly average, %)	-1.0	3.5	3.0	3.0
Budget balance* (% GDP)	-0.6	-1.0	-1.3	0.2
Current account balance (% GDP)	-4.9	-7.9	-4.6	-5.3
Public debt (% GDP)	52.3	48.0	44.0	44.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	40%
CHINA	30%
INDIA	8%
TURKEY	5%
BANGLADESH	2%

Imports of goods as a % of total

CHINA	32%
EURO AREA	24%
CAMEROON	10%
INDIA	6%
UNITED STATES	5%

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

−
- Poverty levels are extremely high (41.7% of the population in 2020 according to the World Bank)
- Dependent on oil
- 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

Slow economic recovery in a vulnerable political environment

The economic rebound is expected to remain fragile in 2022, as the continued fallout of the health crisis, as well as political and security instability, are likely to persist. The recovery is expected to be driven by oil exports as international crude oil prices remain supportive and production modestly increases. The recovery in output will depend mostly on higher volumes by the China National Petroleum Corporation, as foreign oil companies (ExxonMobil and Petronas) announced they were trying to exit from the country's oil sector. High extraction costs, an opaque domestic regulatory environment, elevated political and security risks, and the ongoing debt restructuring will keep hampering private investment in 2022. The rise in oil revenues could support government consumption and investment, but the debt restructuring will probably limit the contribution of this growth driver. Furthermore, the easing of restrictions, after authorities lifted the state of health emergency in September 2021, and progress with the vaccine rollout (albeit slowly) might slightly boost the recovery in 2022, supporting consumption (around 86% of GDP). The latter would nonetheless remain constrained by high poverty levels, as the population remains mostly involved in low-value added agricultural activities. Furthermore, population displacement linked with terrorism in the Lake Chad region and the country's high exposure to climate hazards could erode the contribution of consumption to economic activity.

International support contingent on debt restructuring talks

The budget balance is expected to improve, shifting to a slight surplus in 2022. The improvement will largely be on the back of rising oil receipts, which will boost the government's revenues. The gradual removal of COVID-related spending will also help to improve the budget balance. However, in light of the recent political and security instability, spending pressures should remain high, as military and defence expenditures are expected to be on the rise. As the economic and financial burden of the public debt increased because of the pandemic, the decline in oil prices, climate change, as well as political and security issues, the country presented an official public debt restructuring request in January 2021. While official creditors (22% of external debt) decided to restructure their claims (June 2021), an agreement has yet to be reached with Glencore, an Anglo-Swiss commodities trading company holding 98% of the country's commercial debt. A significant part of the external debt (34%) is held by non-Paris Club countries such as Libya, China and Angola. In December 2021, IMF approved a three-year extended credit facility (ECF) for an amount of USD 571 million, which allows for an immediate disbursement of USD 78 million. Further disbursements are contingent on restructuring agreements with official and private creditors by end-March 2022.

In 2022, the current account deficit is expected to widen and to remain substantial, in the wake of deteriorating merchandise and services trade. Nonetheless, it is expected to remain smaller than in 2020, when it had been impacted by the collapse in oil prices. In 2022, while export earnings are expected to increase, growth in imports of goods and services – mostly to support development in the oil sector – is expected to be faster. The smaller deficit in the income account will be maintained by the repatriation of profits from companies based in the country. The positive contribution of the transfers account will be insufficient to compensate for this large shortfall. After a drawdown in CEMAC reserves was necessary in 2020, FDI and financial support from donors, which typically finance the current account deficit, are expected to do so again in 2022. CEMAC regional reserves are expected to slowly recover, but will remain below 5 months of imports in 2022.

President Idriss Déby's death further weakens a vulnerable political environment

After more than 30 years in power, President Idriss Déby died in April 2021 while visiting troops fighting an insurgency of the Front for Change and Concord in Chad (FACT) in the north of the country, and just hours after the preliminary results from the presidential elections confirming that he had won a sixth term. His son, General Mahamat Déby was appointed by the military as the new head of state to oversee an 18-month transition, and head a transitional 15-member military council (CMT). After the transition period, the latter pledged to the African Union to hold legislative and presidential elections in late 2022. However, after the CMT failed to respect the Constitution (elections were supposed to be held within 90 days after the president's position becoming vacant), there is a risk that the military will keep its grip on power. The political environment is thus expected to remain volatile in 2022. If elections were to be held, the long-standing ruling party (Patriotic Salvation Movement or MPS), would probably benefit from strong backing. The unstable political situation is compounded by recurrent social tensions and the persistent threat of Islamist terrorism in the Sahel region.

CHILE

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	19.5
GDP PER CAPITA US Dollars - 2020	12,993
CURRENCY Chilean peso	CLP

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.9	-5.8	11.2	2
Inflation (yearly average, %)	2.3	3.0	4.5	5.3
Budget balance (% GDP)	-2.9	-7.3	-7.8	-3.6
Current account balance (% GDP)	-3.8	1.4	-4.6	-3.3
Public debt (% GDP)	28.2	32.5	34.4	37.3

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	39%
UNITED STATES	13%
JAPAN	9%
EURO AREA	9%
SOUTH KOREA	6%

Imports of goods as a % of total

CHINA	28%
UNITED STATES	18%
EURO AREA	13%
BRAZIL	7%
ARGENTINA	6%

+
- 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
- Solid institutions

−
- 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*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Activity will strongly slowdown in 2022

In 2022, GDP growth will slow strongly, due to a very high base of comparison and as stimuli measures are gradually dismantled. Household consumption (61% of GDP) is expected to post a mild contraction, with the positive impact of the three rounds of pension withdrawals fading (disbursements up to December 2021 totalled USD 47.2 billion or 15% of GDP). It is important to note that after a lengthy discussion, the Congress rejected in Q4 2021 a bill to allow for a fourth round of withdrawals. Furthermore, although the unemployment rate is expected to continue improving towards its pre-crisis level, inflation will still be high and the central bank will keep its hawkish monetary stance. Meanwhile, gross fixed investments (21% of GDP) are also expected to shrink, weighed down by the private side. Actually, investors are likely to remain cautions amid the uncertainty brought by the beginning of a new government, the ongoing constitution rewriting process and the possibility of an increase in royalty taxes for mining companies. Relatively tighter global and domestic credit conditions should also play a negative role. Conversely, net exports are expected to contribute positively to activity. Exports should report a mild expansion, driven by still supportive copper demand (mining accounted for 62% of total foreign sales in 2021, the red metal alone represented 57% of all goods sales). On the other hand, imports are set to fall in line with the softening of domestic demand.

Large twin deficits are expected to evolve positively

The current account registered a broad deterioration in 2021, returning to its usual deficit. The primary income deficit strongly widened, as repatriated foreign investment income rose strongly notably amid high copper prices. In addition, the services deficit also evolved negatively due to higher international freight costs. The trade balance surplus narrowed, despite the bright export expansion. This is because imports registered a relatively swifter growth, thanks to heated domestic demand and high international oil prices. On the financing side, net foreign direct investment improved from the 2020 level, but was not enough to cover the wide external account shortfall. Nonetheless, the more volatile portfolio investments could fill the remaining gap (public, along with non-financial enterprises and banks debt issuance). In 2022, the current account shortfall is expected to narrow as the sharp deceleration in domestic activity will reduce imports and foreign firms' profit repatriation. Concerning the external debt, it stood at 81.3% of GDP in Q3 2021, 65% of which is owed by the private sector. The negative net international investment position is still at a moderate level, at roughly -5% of GDP in Q3 2021, mainly smoothed by the existence of relevant pension funds' investments abroad (estimated at 31% of GDP as of September 2021). Moreover, the central bank has approximately USD 53.3 billion in foreign exchange reserves (covering over 8 months of imports).

On the fiscal side, the budget deficit widened further in 2021, despite the elevated copper-related revenues and the strong rebound in tax revenues amid the robust economic resumption. This was explained by larger fiscal stimulus (equivalent to approximately 7.0% of GDP). As a result, the fiscal gap was majorly financed by the drawing from the sovereign wealth fund (the Treasury held USD 9.9 billion in October 2021, down from USD 19 billion in December 2020) and new debt issuing. In 2022, the public account shortfall is expected to narrow, in line with the 2022 budget, which pointed to a real expenditure contraction of 22.5% compared to 2021.

Political uncertainty amid a new government and the constitution rewriting

In the December 2021 presidential elections runoff, Gabriel Boric from the left-wing Apruebo Dignidad coalition defeated the right-wing candidate of the Republican party Jose Antonio Kast (56/44). Mr. Boric will become Chile´s youngest-ever president (35) and will take office on 11 March 2022. He is a former student leader and had been a congressional representative since 2014. His victory represents a shift from the centrist incumbents, who presided the country since the end of the military dictatorship of Augusto Pinochet in 1990. Mr. Boric describes himself as a moderate socialist and is likely to increase social spending (such as the creation of a universal basic pension). In order to finance it, he advocates in favour of increasing taxes by 5% of GDP in four years, including a wealth tax and higher corporate tax. The governmental program also sets as a goal a public debt that does not exceed 45% of GDP by the end of his four-year term. He has also pushed for strengthening labour protection, creating a carbon tax, tougher environmental rules and higher mining royalties. Nonetheless, the lack of majority in Congress waters down the likelihood of passing meaningful policy changes as consensus will have to be sought. The Apruebo Dignidad Coalition holds 37 out of 155 seats in the very fragmented Lower House and five out 50 of seats in the Senate (split evenly between the centre-right coalition led by Chile Podemos Mas and several left-wing parties and independents). Lastly, the final version of the constitution currently drafted by the left leaning Constitutional Convention should be voted on by July 2022, before its submission to a referendum in September 2022.

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.

CHINA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	1,414.4
GDP PER CAPITA US Dollars - **2020**	10,511
CURRENCY Yuan Renminbi	CNY

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.0	2.3	8.1	5.4
Inflation (yearly average, %)	2.9	2.5	0.9	2.0
Budget balance (% GDP)	-6.3	-11.2	-7.5	-6.8
Current account balance (% GDP)	0.7	1.9	1.6	1.5
Public debt (% GDP)	57.1	66.3	68.9	72.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	17%
EURO AREA	12%
HONG KONG	11%
JAPAN	5%
VIETNAM	4%

Imports of goods as a % of total

EURO AREA	11%
TAIWAN	10%
JAPAN	9%
SOUTH KOREA	8%
UNITED STATES	7%

+

- Sovereign risk contained as public debt remains mainly domestic and denominated in local currency
- Reduced risk of (private) external over-indebtedness thanks to the high level of foreign exchange reserves
- Gradual strengthening of global value-chains as part of China 2025
- Dynamic services sector, led by e-commerce trends
- Good level of infrastructure
- Increasing presence in emerging and developing countries through the BRI

−

- High corporate indebtedness
- Reliance on key technology imports
- Misallocation of capital to the SOE sector could erode long-term potential growth
- Ambiguous government strategy on arbitrating between reform and growth
- Ageing population, resulting in high public expenditure and higher labour costs
- Environmental issues

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Slower growth

China's GDP growth is expected to moderate from its 2021 recovery, and return to its pre-COVID trend in 2022. However, efforts to maintain balance between multiple objectives will be tenuous. In recent years, the government has de-emphasised the importance of GDP targeting, opting not to set a numerical growth target for the 14th Five-Year Plan (2021-2025), and announced only a conservative GDP goal of 'at least 6%' for 2021. The Chinese economy grew 8.1% in 2021, partially lifted by the low base effect in 2020. Total consumption, a combination of household (39% of GDP) and government spending (17% of GDP), contributed 6.4 percentage points (%pts), followed by net exports (2.4% of GDP) at 1.9%pts, and investments (42% of GDP) at 1.5%pts.

Indeed, domestic demand remains subdued. Retail sales rose by 3.9% YoY in November 2021, well short of their approximately 8% growth pre-pandemic, suggesting an impact from prolonged and *ad hoc* mobility restrictions. However, fixed investment growth, particularly in infrastructure spending at local and regional levels, may accelerate in 2022 as the authorities indicated greater fiscal support, stressing the importance in maintaining a stable and healthy economic environment ahead of the 20th National Party Congress (NPC). On foreign trade, the possible boost to demand for Chinese exports (IT, phones, electronics, home furnishing, automotive, clothing) from potential renewed restrictions of production capacities and mobility abroad may be offset by chip and shipping shortages, as well as rising costs of raw materials and energy.

However, in the near term, the prolonged zero-COVID strategy will prevent a full recovery of household consumption, delaying the transition to a consumption-led economy. The authorities will also face formidable challenges to achieve their longer-term dual-carbon goals while avoiding shorter-term energy transition pains, such as power shortages experienced in the second half of 2021. The pandemic's trajectory remains the main immediate risk to China's economic outlook, but the slowdown in the property sector (29% of GDP) is also a major risk, with important implications for real estate development, construction activity, and local governments' finances that have a significant reliance on land sales. While tighter measures will continue to be implemented, the government will seek to avoid a collapse in the housing market by tapping into various policy levers (e.g. normalising property-related financing) to ensure completion of projects and payments to contractors and suppliers, especially by preventing default from major developers. Further monetary easing expected in 2022 should also add some support.

Deleveraging on backburner

We expect the current account surplus in 2022 to be broadly similar to 2021's level, supported by a strong goods trade surplus, while the services balance deficit should see little change as prolonged restrictions on outbound travel will continue to constrain tourism services outflows. The renminbi has appreciated through 2021, with the authorities concerned about the currency strength, and imposing measures such as raising banks' FX reserves twice in the year. China continues to receive a large amount of Foreign Direct Investment (FDI), with FDI growth in January-November 2021 at 15.9%.

Overall domestic non-financial sector debt will remain high (265% of GDP in Q3 2021), with 60% being owed by non-financial corporations. These corporations, many of which are state-owned (SOE), are struggling with high levels of debt and overcapacity. While SOEs are mostly owned by provinces, defaults on their bonds have been on the rise, as a result of Beijing's increasing willingness to impose market discipline and to break away from the idea of an implicit state guarantee for SOE debt. However, deleveraging efforts are expected to slow or even come to a temporary halt in 2022 as the government prioritises stability ahead of the autumn NPC.

Leadership succession in focus

The Chinese Communist Party (CCP) will hold its 20th National Congress in late 2022. This twice-a-decade event will provide clues as to the next generation of leadership, especially potential successors to Xi Jinping, who is widely expected to remain as the top leader for an unprecedented third term. On the external front, strategic competition and tensions between the U.S. and China is a long-term trend.

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.

<u>Fast-Track Procedure</u>

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.

<u>Ordinary Procedure</u>

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 - 2020	50.4
GDP PER CAPITA US Dollars - 2020	5,391
CURRENCY Colombian peso	COP

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.3	-6.8	9.5	3.7
Inflation (yearly average, %)	3.5	2.5	3.8	3.2
Budget balance (% GDP)	-2.5	-7.8	-8.6	-7.0
Current account balance (% GDP)	-4.6	-3.6	-5.0	-4.5
Public debt (% GDP)	50.2	64.8	65.9	67.1

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	30%
EURO AREA	11%
CHINA	9%
ECUADOR	5%
PANAMA	5%

Imports of goods as a % of total

UNITED STATES	25%
CHINA	24%
EURO AREA	12%
MEXICO	7%
BRAZIL	6%

- Ports on two oceans
- Large population (almost 50 million people)
- Plentiful natural resources (coffee, oil and gas, coal, gold)
- Significant tourism potential

- Relatively undiversified economy (in terms of manufacturing)
- Shortcomings in road and port infrastructures due to historically low levels of investment and difficult topography
- Problematic security situation because of drug trafficking and illegal mining, as the 2016 peace agreement with FARC is implemented slowly, particularly in the countryside
- Structural unemployment, poverty and inequality, deficient educational and healthcare systems

RISK ASSESSMENT

Activity will decelerate in 2022, following a bright rebound in 2021

After recovering to its pre-pandemic level in 2021, GDP should lose some momentum in 2022 mostly due to a very strong comparison basis. Household consumption (68% of GDP) will continue to drive the economy, supported by the ongoing recovery on the job market and the extension of some fiscal support programs targeting low-income households. Nonetheless, the recent rise in inflation and the ongoing retightening of monetary policy conducted by the central bank will somewhat cushion the consumption growth rate. Moreover, despite the uncertainty related to the proximity of the May 2022 presidential elections, gross fixed investment (22% of GDP) should also continue to contribute positively to GDP. This is majorly underpinned by investments linked to the oil industry (favoured by current prices) and the development plan launched by the government in August 2020, named Compromiso por Colombia, which aims at generating USD 30 billion (11% of 2020 GDP) in public and private investments (encompassing existing infrastructure, clean energy generation and rural development). Finally, exports (11% of GDP) are expected to expand majorly driven by strong agricultural (coffee, banana and palm oil), gold and energy (oil and coal) prices.

External deficit to remain wide, slow fiscal consolidation

The current account deficit further widened in 2021, notably driven by a higher trade deficit, compounded by rising freight costs and foreign investors' repatriated income. This was underpinned by the strong rebound in domestic activity that boosted imports of capital and consumption goods, which exceeded the rise in exports (despite higher agriculture and energy commodity prices). Meanwhile, on the financing side, rebounding FDI could not fully cover the shortfall. The country still has to rely on more volatile sources (such as portfolio investments) to close the gap. These have proved resilient, despite Colombia´s sovereign rating downgrade to speculative by S&P and Fitch in 2021. Still, total external debt stood at 52.3% of GDP in August 2021, with 31.1% of GDP public-owed and 21.2% private-owed. Moreover, non-resident holding of local-currency government bonds (around USD 26 billion or 8% of GDP) is another risk factor. In 2022, the current account deficit is expected to marginally narrow, as lower domestic growth will moderate imports, while exports will gain dynamism. Its financing will remain vulnerable to the mood on the international markets and the U.S. monetary policy. On the other hand, the government can count on a Flexible Credit Line with the IMF of roughly USD 17.3 billion (USD 5.4 billion withdrawn in 2020). Furthermore, in September 2021, foreign exchange reserves stood at USD 58.8 billion (covering approximately 14 months of imports).

Concerning the public account, rising activity, high oil prices and the September 2021 tax reform will help to somewhat narrow the fiscal deficit, as this will increase tax revenues by 1.5% of GDP in the year. Still, the fiscal rule committee stressed out the need for an additional fiscal adjustment of 0.6% of GDP in the future to reach a sustainable debt path. On the spending side, government expenditures will continue to rise, as some stimuli measures were extended into 2022. Both domestic and external (commercial and multilateral) sources will finance the deficit.

Political risk set to remain high with the general elections

The popularity of the right wing President Ivan Duque (Centro Democratico party) fell from a peak of 52% in April 2020 to a low of 18% in May 2021. This sharp drop was induced by the political wear and tear caused by a proposed (and aborted) tax reform - aimed at increasing VAT on some basic goods and broadening the personal income tax base - and the ensuing widespread violent protests and rise in the police violence (from end-April through to June 2021). In September 2021, a watered down reform was approved and, this time around, mostly focuses on increasing the corporate tax rate from 31% to 35% (from 2022 onwards). Overall, the political climate will remain tense in the run-up to the legislative and presidential elections in March and May 2022, respectively. Initial polls have shown that the left-wing previous Mayor of Bogota, Gustavo Petro, who lost the runoff to Duque in the previous election, is leading the presidential race. In fact, the deterioration of social indicators may fuel an anti-incumbent vote. Still, the new president, who will take office in August 2022, will have to deal with the need for further fiscal reforms, the rising number of Venezuelans immigrants (estimated at 1.8 million) and calls for reforming the national police. Security concerns (notably in rural areas), due to the rising role of paramilitaries and criminal gangs who are filling the space left by the FARC guerrilla group since the 2016 peace deal, are an additional key topic. Moreover, extreme left-wing guerrillas from the National Liberation Army (ELN) have periodically attacked oil infrastructures.

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 - 2020	89.6
GDP PER CAPITA US Dollars - 2020	544
CURRENCY Congolese franc	CDF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.4	1.7	4.0	4.8
Inflation (yearly average, %)	4.7	11.4	10.9	7.5
Budget balance (% GDP)	-2.0	-2.1	-1.5	-1.2
Current account balance (% GDP)	-3.4	-2.3	-2.0	-1.8
Public debt (% GDP)	11.8	12.9	13.5	14.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	51%
SOUTH AFRICA	14%
SINGAPORE	7%
ZAMBIA	5%
TANZANIA	5%

Imports of goods as a % of total

CHINA	17%
SOUTH AFRICA	13%
EURO AREA	9%
ZAMBIA	7%
UNITED ARAB EMIRATES	6%

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

- Weak infrastructure (transport, energy, telecommunications)
- Precarious security and humanitarian situation, with numerous armed militias in the east of the country
- Risk of a new Ebola outbreak
- Extremely dependent on commodity prices
- Poor governance

RISK ASSESSMENT

The mining sector underpins a solid outlook

After a slowdown in activity associated with the fallout from the COVID-19 pandemic, the mining sector bolstered growth in 2021 and is expected to remain the main contributor to the acceleration in activity in 2022. Net exports will support growth thanks to cobalt and copper (about 85% of merchandise exports). With prices for these ores expected to remain high, production and exports are set to increase. Copper production will be driven by the expansion of the Kamoa-Kakula mine, which produced its first concentrates in mid-2021 and could become the second-largest copper mine in the world. Despite an uncertain operational and political environment, the favourable global demand outlook for these ores, which are critical to the energy transition, should continue to attract private investment, particularly from China. Gross fixed capital formation should also be supported by increased public investment, particularly in infrastructure, aimed at achieving the objectives of the National Strategic Development Plan (PSND). Thanks to a relatively more stable Congolese franc, inflation should continue to ease gradually in 2022, supporting private consumption, whose contribution to growth will nevertheless be constrained by the large share of the population living below the poverty line (over 70%). Furthermore, with less than 0.5% of the population vaccinated against COVID-19 at the end of 2021, consumption could be further restricted in urban areas. A potential resurgence of the Ebola virus and the precarious security situation in the east of the country could also constrain consumption.

Twin deficits reduced thanks to mining revenues

In 2022, the budget deficit is expected to continue to narrow, benefiting from robust growth in government revenues. Domestic activity should support tax revenues, including VAT and income tax, while mining revenues, which account for about one-third of the total, will benefit from increased exports. The three-year ECF programme agreed with the IMF in July 2021 for about USD 1.5 billion, the first such facility since the previous one was terminated in 2012, will also aim to accompany reforms to improve domestic resource mobilisation. Government revenues represent barely 10% of GDP. On the expenditure side, in line with the objectives of the IMF programme, the authorities have announced that they want to rationalise the wage bill, which absorbs about 60% of revenue, in order to prioritise health expenditure to meet health challenges, including Ebola and COVID-19. They also hope to be able to allocate more resources to capital expenditure to achieve the objectives of the PSND. The agreement with the IMF could act as a catalyst for concessional external support to finance the deficit, with the government committed to limiting the use of monetary financing. The low level of public debt limits the risk of debt distress, but the associated costs could quickly become unsustainable given the low tax burden.

In 2022, the current account deficit is expected to continue to narrow on the back of increased mining export earnings, which feed into the trade surplus. The services deficit, reflecting demand for services related to infrastructure and mining, may narrow as planned expansions are completed. Conversely, profit repatriation by foreign companies is expected to increase along with exports. Pandemic aid, current international cooperation and expatriate remittances from abroad will support the small surplus in the transfer account. Concessional credit and FDI are expected to finance the deficit. Export growth could help rebuild foreign exchange reserves, which remain low (about one month of imports at end-2021), despite the allocation of special drawing rights and the disbursement of the first tranche of the ECF programme in 2021. An increase in reserves would also relieve some of the downward pressure on the Congolese franc.

A precarious political, social, security and health environment

In December 2018, after two years of postponed general elections, and following an electoral process marred by numerous allegations of irregularities and violence, Félix Tshisekedi was declared the winner of the presidential election, marking the end of nearly 18 years with Joseph Kabila as head of state. While Mr. Kabila initially maintained his influence through a power-sharing agreement, the coalition was terminated by the president in December 2020. In April 2021, a 56-member "Sacred Union of the Nation" government led by Prime Minister Sama Lukonde was appointed, backed by a 24-party coalition of the same name that may struggle to stay together until the next general election, scheduled for late 2023. As the election - which could be contested by the three main candidates in the 2018 elections, namely Félix Tshisekedi, Joseph Kabila and Martin Fayulu - draws nearer, tensions are likely to intensify. This would aggravate the precarious social climate, fuelled by widespread poverty, corruption, weak governance and insecurity. On the security front, armed militias continue to clash in the east of the country, particularly over control of natural resources, despite the imposition of martial law in May 2021 in Ituri and North Kivu provinces. In North Kivu, the government announced a new outbreak of Ebola in October 2021, five months after the end of the twelfth epidemic. Social, political, security, and health instability contribute to a very challenging business climate.

CONGO (REPUBLIC OF THE)

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	4.7
GDP PER CAPITA US Dollars - 2020	2,206
CURRENCY CFA franc	XAF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.1	-7.9	-0.2	2.5
Inflation (yearly average, %)	2.2	1.8	2.0	2.8
Budget balance (% GDP)	4.7	-1.2	1.5	3.3
Current account balance (% GDP)	0.4	-0.1	12.1	6.5
Public debt* (% GDP)	81.7	101.0	84.2	74.3

(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	59%
EURO AREA	18%
VIETNAM	4%
INDIA	3%
CAMEROON	2%

Imports of goods as a % of total

EURO AREA	34%
CHINA	15%
ANGOLA	8%
RUSSIA	5%
UNITED STATES	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 (42% of GDP)
- Weak manufacturing activity, leading to dependence on imported goods
- Lack of communication, education, health and urban infrastructure
- Insufficient progress in poverty reduction despite oil wealth (more than 50% of the population affected)
- Unsupportive business environment: poor governance, corruption, informal economy
- Lack of transparency on use of the oil windfall, despite progress in implementing the EITI standard
- External and domestic over-indebtedness, not taking into account disputed arrears (14% of GDP), the unsecured debts of state-owned companies (9%) and the debt of the national oil company owed to operators, which alone increases the debt by a third

RISK ASSESSMENT

A return to growth in 2022 at last?

The outbreak of the COVID-19 pandemic and its impact in 2020 amplified the economic difficulties linked to the decline of the oil sector and fiscal frailties. In 2021, despite tentative signs of recovery, economic activity contracted for the seventh consecutive year. In 2022, the country is expected to return to moderate growth. While the oil sector should continue to contribute to growth, it will remain constrained. The gradual loosening of OPEC+ production quotas and modest development investments should support a slight rebound in crude production, halting the downward trend due to aging oil fields, at least temporarily. Production volumes will nevertheless be lower than in 2019. Despite the expected increase in oil revenues (about 80% of exports), the net contribution of trade is expected to remain a drag on activity, with imports poised to grow faster on the back of stronger domestic demand. Restrictions implemented to contain the COVID-19 pandemic should be gradually lifted as the vaccination campaign progresses (10% of the population fully vaccinated by the end of 2021), supporting private consumption. Consumption should also benefit from the clearance of public arrears, which include social transfers and pension payments. The payment of arrears to private enterprises will buoy investment. However, as a result of measures to restore fiscal sustainability, public spending and investment are expected to have a growth-suppressing effect. The CFA franc is expected to keep inflation close to the CEMAC criterion of 3%.

Fiscal policy focused on reducing public debt

After the fiscal balance returned to positive territory in 2021, the surplus should increase in 2022 as the authorities keep up their efforts to restore debt sustainability. They will aim to improve the collection of domestic non-oil revenues by, for example, launching a one-stop-shop for tax payments in 2021 and scaling back certain tax exemptions. Oil revenues, which still account for nearly 60% of domestic resources, will also increase. The authorities intend to pursue measures to cut costs and the public wage bill (60% of non-oil revenues). While they will seek to safeguard spending on social programmes, capital expenditure will be limited. Fiscal prudence is aimed at restoring debt sustainability and meeting arrears payment commitments following restructuring agreements with some external creditors, such as China (June 2021) and Trafigura (March 2021). The country will continue restructuring negotiations, including with Glencore, a commodity trading company. Financing from the "Brazzaville Club", a consortium of four local banks, will continue to cover the payment of domestic arrears. This is helping to reduce the rate of non-performing loans and vulnerabilities in the banking sector. Arrears payments are expected to reduce the debt burden in 2022. An agreement with the IMF to free about USD 450 million in financial support under an ECF programme will underpin efforts to consolidate public finances.

In 2021, the country recorded a large current account surplus, due to a combination of import compression and increased oil exports. In 2022, although oil exports will continue to grow, the import bill is expected to rise more rapidly. The trade surplus will continue to be the main contributor to the current account surplus, with oil-related services and repatriation of foreign investment income maintaining the deficits in the services and primary income balances respectively. The balance of transfers, comprising public aid and expatriate remittances, has a marginal impact on the current account. While once again raised by the deterioration in CEMAC's terms of trade in 2020, the threat of devaluation for the CFA franc, which is pegged to the euro, seems to have receded, despite the fact that regional foreign exchange reserves remain relatively low (3.7 months of imports in 2021).

The regime maintains its hold on power despite social unrest

Denis Sassou Nguesso, who has been head of state since 1979, not counting the hiatus between 1992 and 1997, won the presidential election in March 2021 with more than 88% of the vote. Legislative elections scheduled for July 2022 are expected to deliver a new majority for his Congolese Labour Party (PCT). The opposition, which is divided and has limited financial resources, does not appear to be in a position to challenge and prevent the PCT winning an absolute majority. Despite the regime's stable hold on power, the risk of social unrest remains high, fuelled by declining living standards and a high perception of corruption. In the short-term, the payment of some domestic arrears and progress in the vaccination campaign may ease some of the frustration with the government. The authorities are expected to continue to maintain close relations with China, the country's main bilateral creditor and the primary destination for oil exports. France will also remain a privileged economic partner, despite ongoing French judicial investigations into misappropriated assets targeting people close to the president.

COSTA RICA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	5.1
GDP PER CAPITA US Dollars - 2020	12,057
CURRENCY Costa Rican colon	CRC

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	-4.1	5.4	4.5
Inflation (yearly average, %)	2.1	0.7	1.8	2.5
Budget balance (% GDP)	-6.8	-8.7	-5.8	-4.6
Current account balance (% GDP)	-2.3	-2.6	-3.8	-3.1
Public debt (% GDP)	56.8	68.3	69.8	70.2

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	44%
EURO AREA	19%
GUATEMALA	5%
PANAMA	4%
NICARAGUA	4%

Imports of goods as a % of total

UNITED STATES	37%
CHINA	14%
EURO AREA	9%
MEXICO	7%
GUATEMALA	3%

- Democratic institutions (since 1949)
- Best social indicators in the region: education, health
- Services and high-tech industries (pharmaceuticals, microprocessors) attractive for FDI
- Diversified trade thanks to multiple trade agreements
- Tourism resources: hotels, national parks

- Weak public accounts
- Exposure to natural disasters
- Insufficient transport infrastructure
- Dependent on the United States in economic (FDI, exports) and financial (banks) terms

RISK ASSESSMENT

Continued dynamism

With activity returning to its pre-pandemic level in the third quarter of 2021, 2022 should continue to be marked by sustained economic momentum. Growth in the U.S. will support net exports of goods and services. This is expected to benefit manufacturing activities driven primarily by medical instruments and supplies produced in free trade zone maquilas. Tourism is expected to continue to recover - the rebound in 2021 has already closed part of the gap opened since 2019. If measures restricting travel to Europe and the United States are not reintroduced, tourism is expected to return to its pre-crisis levels by 2022. This recovery will benefit the hotel and restaurant industry as well as private construction. On the demand side, support will come mainly from private investment and consumption (19.6% and 64.6% of GDP respectively in 2020). Public consumption will continue to be constrained by efforts to consolidate the public accounts and significant spending cuts. Among these measures is the draft law on public employment, which provides for the standardisation of the salary scale and could weigh heavily on the budget of civil servants if it is ultimately approved. Upward pressure is building on producer prices, with high commodity prices (especially for oil), the depreciation of the colon and rising freight rates. However, the high unemployment rate (16.4% in August 2021), weak growth in credit to the private sector and the output gap are expected to limit the pass-through to consumer prices. This is expected to keep inflation within the central bank's target of 2-4%. In this context, the central bank is expected to maintain its accommodative policy for the first part of 2022 with a rate of 2.9%. Despite the relatively high vaccination rate in the country compared to the regional average (70% of the population received their first jab by November 2021), a resumption of the epidemic cannot be completely ruled out and poses a downside risk to this scenario.

Initial results of fiscal consolidation and narrowing of the current account deficit

After several years of failed attempts to consolidate the public accounts, the efforts seem to be paying off. While a primary surplus (i.e. excluding interest) was only envisaged for 2023, this was achieved in the third quarter of 2021 with a cumulative surplus of 0.3%. The three-year Extended Fund Facility agreement signed with the IMF in March 2021 provides the country with access to a cheap source of financing (up to USD 1.77 billion, first instalment USD 269 million) to replace costly market borrowing. The programme includes reforms to reduce fiscal imbalances, such as the elimination of various tax exemptions and an overhaul of public sector salaries (30% of government spending). However, the full success of the programme remains dependent on political decisions in a highly fragmented parliament. Nevertheless, the high interest payment burden should continue to increase the debt-to-GDP ratio, which is expected to peak in 2023 before declining.

The current account deficit is expected to decline, thanks to a higher surplus in the balance of services, supported by tourism activity. However, this increase will not be sufficient to offset the increase in the goods deficit. Indeed, the dynamism of exports of capital goods and agricultural products (pineapples and bananas) will not be able to balance the growth of imports, driven by the demand for commodities, especially hydrocarbons, which are essential in manufacturing production. The income balance will remain in deficit due to the repatriation of dividends by foreign companies (mainly American), despite expatriate transfers. FDI, boosted by the global and domestic recovery, should be more than enough to cover this current account deficit and help build foreign exchange reserves. This is expected to support the colon following its depreciation in 2021.

Electoral uncertainty in a fragmented political landscape

The February 2022 presidential election, marked by a proliferation of candidates (27 in total), failed to produce a winner, and a runoff in April will be needed to decide between the candidates. The management of the pandemic and the fiscal reforms undertaken by President Carlos Alvaro Quesada, in power since 2018, did not serve the candidate for his centre-left party, the PAC, Welmer Ramos González. The social-democratic candidate of the Partido Liberación Nacional (PLN) and former president, José Maria Figueres Olsen, emerged from the first round in a favourable position. He will face former vice-president (2002-2006) Lineth Saborío of the centre-right Partido Unidad Social Cristiana (PUSC) in the second round. The concomitant parliamentary elections have again created a very fragmented parliament. The political struggles suggest that the next administration will have a turbulent start to its term of office in May 2022.

On the international scene, after joining the OECD, there is now the question of joining the Pacific Alliance, which includes Chile, Colombia, Peru and Mexico. While President Alvaro Quesada was opposed to this, the decision will be made by his successor. Tensions with neighbouring Nicaragua, still in the midst of a political crisis, remain high.

CÔTE D'IVOIRE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	27,0
GDP PER CAPITA US Dollars - 2020	2,271
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.2	2.0	6.2	6.5
Inflation (yearly average, %)	0.8	2.4	2.9	2.5
Budget balance (% GDP)	-2.3	-5.6	-5.6	-4.8
Current account balance (% GDP)	-2.7	-3.8	-4.4	-4.5
Public debt (% GDP)	38.7	47.7	50.0	51.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	35%
UNITED STATES	7%
VIETNAM	5%
MALAYSIA	5%
MALI	5%

Imports of goods as a % of total

EURO AREA	26%
CHINA	17%
NIGERIA	13%
UNITED STATES	5%
INDIA	4%

+

- Variety of resources: agricultural wealth (world's largest producer of cocoa, coffee, sugar, cashew nuts, rubber), hydrocarbons and ore (gold, copper, iron, manganese, bauxite)
- Infrastructure undergoing modernization
- Expanding middle class, although poverty still affects 30% 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

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- Vulnerable to climatic hazards and changes in the price of cocoa, the main export product
- Deficiencies remain in the management of public finances, infrastructure, access to banking services and the business environment, despite the progress made
- Low government revenues (about 15% 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

RISK ASSESSMENT

Robust economic recovery

In 2022, the economy is expected to grow vigorously, driven by robust domestic demand. Investment will increase supported by the implementation of the National Development Plan (NDP) for 2021-2025, with the extension of the port of Abidjan, the Abidjan-Dakar (Senegal) highway, the development of transport infrastructure with Niger and Burkina Faso, infrastructure related to the organization of the 2023 African Cup of Nations football tournament, and Abidjan Metro. Foreign investment is also likely to gain momentum in agriculture, and in the oil and gas industry. Eni, an Italian energy major, announced a significant offshore oil discovery (Baleine) in September 2021. As the company is fast-tracking the project with the ambitious goal of starting oil and gas production in 2023, capital expenditures on the development of the oilfield could be massive this year. While the risk of new COVID-19 waves is still high due to the low inoculation rate (less than 5% of the population fully vaccinated in November 2021), household consumption is likely to continue on its upward trend as the vaccination campaign against COVID-19 progresses. The 17.5% lower farmgate price for cocoa set by the Coffee-Cacao Council for the 2021/22 season could nonetheless limit its expansion, as the crop is estimated to provide a living to about 20% of the population. Government consumption will remain supportive as public spending will remain high on education development, job creation and vaccine procurement. While economic prospects are positive, net exports are likely to be a drag on growth, as cocoa exports (nearly 34% of total exports) are not expected to grow significantly in 2022 because of unfavourable weather conditions and the vegetative rest of cacao trees after three consecutive strong productions and as fuel, consumer and capital goods imports continue to rise.

Twin deficits likely to remain large in 2022

The current account balance deficit is expected to widen slightly in 2022 in spite of a merchandise trade surplus. The latter could decline, as limited export growth, in the wake of cocoa exports, and rising imports will weigh on it. The services deficit is likely to widen, as technical and construction services imports serving the implementation of the NDP rise. The primary and secondary income accounts will also contribute to the current account deficit. The former is fuelled by investment profit repatriation and interest payments on debt, while the latter is burdened by remittances sent by migrants working in Côte d'Ivoire. Financing will remain largely assured by a mix of FDI, concessional external financing and portfolio investments.

The public budget balance remains in deficit and should start to gradually narrow towards the WAEMU objective (3% of GDP) in 2022. On the revenue side, the fiscal consolidation effort will focus on broadening the narrow tax base, as the tax-to-GDP ratio remains below 13%. The elimination of certain tax exemptions and the continued modernization of tax and customs administrations should support growth in public revenues. The authorities will also aim to control recurrent expenditures, most notably the public wage bill (36% of revenues in 2021) in order to prioritize capital spending to achieve the objectives of the NDP. The deficit will be financed mainly through domestic borrowing and, to a lesser extent, through project-loans from bilateral and multilateral partners. The external share of public debt (67%) has been growing with several Eurobond issuances in recent years. The risk associated with debt is somehow mitigated by the large share of debt denominated in EUR, to which the *Franc CFA* is pegged.

Slight improvement in the socio-political climate, but security concerns linger in the North

Alassane Ouattara, who has been president since 2011, won the presidential election of October 2020 with 94% of the votes, as the main opposition parties boycotted his third-term bid. After a 2020 election marred by violence and unrest, the legislative election of March 2021 signalled a relative easing of tensions, as they took place peacefully with a larger participation from opposition parties. The presidential party, Rassemblement des houphouëtistes pour la démocratie et la paix, obtained the largest number of seats (137 of 255) in the National Assembly. Furthermore, after several years of exile, former president Laurent Gbagbo returned to Côte d'Ivoire in June 2021 after the International Criminal Court confirmed his acquittal from alleged crimes against humanity in the post-election violence of 2010-11. Mr. Ouattara met Mr. Gbagbo, sending a favourable sign in the post-2010 national reconciliation process. The progress made in recent months sends a positive signal to international investors. In addition, the NDP's emphasis on improving the business environment, notably by reducing red tape and addressing corruption, is contributing to a better business environment. However, while stability seems to be improving, the security situation has deteriorated with several attacks at the Northern border from Islamist terrorists active in the Sahel region.

CROATIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2020**	**4.0**
GDP PER CAPITA US Dollars - **2020**	**13,896**
CURRENCY Croatian kuna	**HRK**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.5	-8.1	8.0	5.0
Inflation (yearly average, %)	0.8	0.0	2.3	2.0
Budget balance (% GDP)	0.3	-7.4	-4.1	-2.9
Current account balance (% GDP)	2.8	-0.9	0.6	0.7
Public debt (% GDP)	71.1	87.3	82.8	79.6

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	13%
ITALY	12%
SLOVENIA	10%
BOSNIA & HERZEGOVINA	9%
HUNGARY	7%

Imports of goods as a % of total

GERMANY	15%
ITALY	12%
SLOVENIA	11%
HUNGARY	8%
AUSTRIA	6%

- Long coastline
- Oil and gas potential
- The country joined ERM II in 2020, perspectives of joining the Eurozone in 2023
- Support of EU funds
- High-quality infrastructure

- Dependence on tourism (20% 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 (20% in September 2021), low participation of women
- Labour shortages fuelled by emigration of skilled workers and a declining population

RISK ASSESSMENT

Recovery supported by robust domestic demand

The Croatian economy will record a solid growth rate in 2022, albeit at a slower pace than in 2021, as the base effect fades. Domestic demand is expected to remain robust with both household consumption and fixed asset investments contributing to GDP growth. Private consumption will be supported by an improving labour market, accumulated savings and consumer loans growth. Households' spending and employment is already benefitting from the strong recovery in the Croatian tourism industry (20% of GDP) in 2021. Indeed, while it remains 22% below 2019 levels, the country recorded a 46% increase in overnight stays from January to August 2021, compared to the same period of last year. As a result, the vital summer season led to a decrease of the unemployment rate, from 8.6% in mid-2020 to 7.3% in September 2021. The upcoming 2022 summer season should be also supportive for the Croatian economy, especially as the government is likely to continue opening the country to foreign tourists. Net exports' contribution to GDP growth should remain positive, albeit lower due to imports increasing at a faster pace than exports. Nevertheless, the risk of containment measures should not be ruled out for 2022, as the vaccination rate lags behind the EU average (46% of the Croatian population fully vaccinated compared to 66% for the EU average in November 2021). Moreover, the acceleration of household consumption could be limited by a surge in inflation, which hit an eight-year high in September 2021 at 3.3% year-over-year. Increased energy and food prices, as well as pandemic-related supply-chain disruptions have led to growing consumer inflation. While inflationary pressures could ease in 2022, these effects will continue to be felt in the coming months.

Investments, and in turn, economic growth will be boosted by the inflow of EU funds. It includes both "traditional" funds from Multiannual Financial Frameworks, as well as the Recovery and Resilience Facility (RRF). Regarding the latter, in July 2021, the European Commission approved a EUR 6.3 billion grant (12.8% of Croatia's 2020 GDP) for 2021-2026, with Croatia receiving the first payment (EUR 818 million) of this recovery package in October 2021. Funded projects include research and development of self-driving vehicles, investment in broadband access - including infrastructure to develop a 5G network -, energy efficiency and renewable energy projects, as well as decarbonisation initiatives.

Improving public finances amid upcoming euro adoption

Both public deficit and debt are expected to decline in 2022, after an improvement already recorded in 2021. Croatia is focusing on fiscal consolidation to facilitate the adoption of the euro by 2023. Therefore, it is likely that the state deficit will drop below 3% as early as in 2022. Revenues, especially value-added tax, are expected to grow strongly thanks to rising household and tourist consumption. Expenditures will increase in line with higher public investments co-financed by RRF funding. Nevertheless, while Croatia is among the biggest net beneficiaries of such funding, the effectiveness of EU funds will ultimately depend on the country's absorptive capacity.

The current account balance is expected to remain in a slight surplus in 2022 after temporarily turning negative in 2020. Merchandise exports will closely follow the economic activity of Croatia's main trading partners, while services exports growth will still be strongly supported by the tourism sector. Indeed, the surplus in the services balance will continue to offset the merchandise trade balance deficit resulting from the country's high import dependence.

Political stabilization, but strained relations with its neighbour

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 the support of eight ethnic minority members of parliament. The coalition has a majority by just one in the 151-seat Hrvatski Sabor (parliament). Prior to that, in the January 2020 presidential election, 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 with Bosnia and Herzegovina are strained over a number of political and geostrategic issues, like the Peljesac bridge. Work on the latter, which will span Bosnia's maritime access to provide a road connection between the north and south of the Croatian coastline is continuing, and scheduled to be opened in 2022. Nevertheless, economic ties between the two nations remain strong with high trade volumes, while Croatia is the second-largest foreign investor in Bosnia and Herzegovina.

CUBA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2020	11.3
GDP PER CAPITA US Dollars - 2018	8,824
CURRENCY Cuban peso	CUP

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth (%)	-0.2	-10.9	2.2	4.2
Inflation (yearly average, %)	-1.3	18.5	500	30.0
Budget balance (% GDP)	-6.2	-17.7	-18.3	-13.2
Current account balance (% GDP)	1.9	0.9	-2,0	0.1
Public debt (% GDP)	52,1	59,3	151.1	118.9

(f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	34%
VENEZUELA	20%
RUSSIA	13%
SWITZERLAND	4%
CYPRUS	3%

Imports of goods as a % of total

EURO AREA	31%
CHINA	13%
ARGENTINA	7%
MEXICO	6%
RUSSIA	5%

+

- Tourism and mining sectors (nickel, cobalt), and agricultural potential (sugar, tobacco)
- Agriculture, commerce, catering and construction being opened up to the individual and cooperative private sector
- Skilled and inexpensive workforce
- High-quality medical and education sectors
- Relatively satisfactory social indicators
- Low crime and efforts to fight corruption
- Dialogue and cooperation agreement with the European Union

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- External vulnerabilities (climate, commodities)
- Low productivity in the public sector and in agriculture
- Weak investment and infrastructure
- Cumbersome administrative processes; trade regulations still very recent
- State control over wholesale trade, credit, foreign trade and foreign investment
- Subsidies for basic products putting pressure on public spending
- Limited access to external funding
- Major shortages

RISK ASSESSMENT

A slow recovery from the crisis

The country's economic situation should slowly improve over the course of 2022, boosted by the global recovery, while the consequences of the recent and painful reforms implemented by the government will diminish. The initial effects of currency unification, which took place on 1 January 2021, should begin to fade, and the single currency's exchange rate should stabilise after plunging throughout 2021 (CUP 64 to USD 1 on the black market in September 2021 compared with an official exchange rate of 24 to 1). However, supply constraints and growth of the black market will keep upward pressure on prices, while the sanctions implemented by the Trump administration are still in place. As a result, inflation should remain contained at double-digit levels after exploding in 2021, and pressure on households should ease. However, the constraints on household consumption will remain high, while the fourfold increase in the public sector minimum wage in 2021 failed to keep pace with inflation. Public subsidies are trending downwards, while shortages of necessities are accumulating. Expatriate remittances and receipt of foreign currency sent by expatriates will also continue to be restricted by U.S. sanctions and government exchange controls. Public consumption, within a largely state-owned economy, will continue to suffer from the lack of government funding. This is expected to push the government to continue with reforms aimed at partially liberalising the economy, following the expansion of self-employment in February 2021 and the law passed in August 2021 allowing the creation of small and medium-sized enterprises with up to 100 employees. Despite the opening up of 678 projects to foreign investment, 175 more than in 2021, investors will probably remain cautious. Title III of the Helms Burton Act has still not been repealed by the Biden administration and continues to authorise legal action to be taken against entities benefiting from assets expropriated in Cuba since 1 January 1959. External demand should, however, allow the country's exports to pick up somewhat, helped by higher nickel and sugar prices. The agricultural sector is poised to benefit from this, but remains highly vulnerable to climatic events. The manufacturing sector should benefit from global demand for pharmaceuticals and chemicals but will continue to be heavily constrained by supply problems. The tourism sector (10.3% of GDP in 2019), which is largely seasonal, should perk up a little in the first quarter of 2022 after the country reopened to tourists on 15 November 2021.

Limited improvement in the public and current accounts

Following monetary unification, and with GDP no longer being overestimated at a rate of USD 1 = CUC 1 (the old currency used in external trade) = CUP 1, debt as a percentage of GDP surged. The increase was further exacerbated by the high level of the deficit and the elevated share of external debt (131% of GDP). With the country in default since 2020, an agreement was finally reached in spring 2021 with the Paris Club allowing Cuba to meet its obligations under the debt restructuring agreement signed in 2015. A proposal to restructure the debt with private creditors was also sent to the government by the London Club, which suggested a 60% haircut for this debt, most of which is held by CRF I Ltd, an investment fund. Against this backdrop, the public deficit should decrease in 2022. Reduced spending on COVID-19 and the gradual recovery in tourism will provide significant revenue in the face of rising oil prices, at a time when U.S. sanctions prevent Cuba from obtaining low-cost supplies from its ally, Venezuela. Domestic bond issuance will finance this deficit along with some sparse international financing provided through bilateral loans, notably from China.

Turning to the external accounts, the fall of the CUP has increased the import bill, while domestic production is struggling to meet internal needs and oil prices have risen. However, exports, notably of pharmaceuticals, chemicals, agricultural and mining products (nickel), should be made more competitive by the devaluation, allowing them to rebound. The same goes for services exports, which will be driven by the tourism recovery and sales of medical services abroad. Cuban doctors were in high demand during the pandemic and undertook around 40 external missions. This, together with expatriate remittances, should allow a small current account surplus to be restored, while foreign direct investment, particularly from Europe, is set to increase timidly.

Tensions running high in urban areas

In July 2021, the government faced a historic nationwide wave of protests over worsening economic and health conditions. The government responded by taking a repressive stance and making hundreds of arrests, particularly in the cultural sector. Externally, the main issue will remain the normalisation of relations with the United States, a possibility raised by the arrival of Joe Biden in power. However, the prevalence of domestic interests and the new president's need to win votes in Florida ahead of the mid-term elections are likely to slow the pace of this normalisation, as evidenced by the automatic renewal of sanctions implemented by the Trump administration.

CYPRUS

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	0.9
GDP PER CAPITA US Dollars - 2020	26,785
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.1	-5.2	5.4	4.2
Inflation (yearly average, %)	0.6	1.1	1.9	1.7
Budget balance (% GDP)	1.5	-5.7	-4.9	-1.4
Current account balance (% GDP)	-6.3	-10.1	-9.1	-7.3
Public debt (% GDP)	94.0	115.3	104.1	97.6

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

TRADE EXCHANGES

Exports of goods as a % of total

GREECE	8%
LIBERIA	7%
UNITED KINGDOM	7%
LIBYA	6%
NETHERLANDS	6%

Imports of goods as a % of total

GREECE	22%
ITALY	8%
UNITED KINGDOM	8%
GERMANY	7%
CHINA	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

Consumption and Investment fuel a vibrant recovery

Emergency support measures deployed in 2020 and extended in 2021 succeeded in insulating the economy from permanent damage during the pandemic. As a result, activity has recovered to its pre-pandemic levels and is set to pursue a rapid expansion in 2022. Employment has been largely protected thanks to the temporary work suspension scheme, which covered up to 65% of the workforce during the worst of the pandemic. Given this protection of employment and accumulation of savings, household consumption (64% of GDP) will continue booming and remain the main driver of growth. The recovery of investment (20% of GDP), both public and private, will be strongly supported by NGEU funds, which will amount to 6% of GDP over the 2021-2027 period. The tourism industry, which directly and indirectly accounts for 20% of GDP, performed surprisingly well in 2021 and will keep improving in 2022. Still, it will not recover to pre-pandemic levels before the end of 2023. The progressive recoveries in tourism, shipping and professional services will allow for a positive contribution of net exports. Though the corporate sector has shown impressive resilience under the support schemes, underlying vulnerabilities remain. Indeed, many SMEs in the hospitality and passenger transport sector have relied on loan repayment moratoria to remain solvent. Loan restructurings jumped 400% YoY in H1 2021 after the first instalment expired. In the long-run, successful diversification of the economy will depend to a large extent on the development of a natural gas industry, which, despite its potential, faces important geopolitical and environmental challenges.

Fiscal and banking vulnerabilities still loom

With tax revenue rising on the back of the recovery and a slowdown in the growth of expenditure, the budget deficit is set to improve substantially. Still, expenditure growth will remain high (+7%), driven mainly by the structural strengthening of the healthcare system. The favourable economic performance, combined with still low interest rates, will allow for a fast correction of the public debt ratio, which will nonetheless remain high. On the longer term, two items weigh on the sustainability of public finances: contingent liabilities to the banking sector (6% of GDP) and the structural tax revenue gap left by the now abolished Citizenship Investment Program (CIP) scheme. The banking sector still suffers from the scars of the Euro crisis, with an NPL ratio close to 18%, and is exposed to as-of-yet unmaterialized pandemic-related defaults. The CIP is estimated to have generated around EUR 10 million in revenue and investment between 2013 and 2020, an average of 1.4% of GDP per year. 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 services surplus is not enough to avoid chronic current account 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 (-52% of GDP) and external debt (984% of GDP, mostly reflecting offshore financial exposures).

Contested waters at the heart of a fragile geopolitical equilibrium

The island of Cyprus is divided between the Greece-aligned Republic of Cyprus (RC), an 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 2021 parliamentary elections in the RC weakened the minority government of President Nicos Anastasiades, with his liberal conservative party (Disy) still ahead of communist Akel and his centrist nationalist former coalition partner Diko, the first two losing seats to far-right Elam. The RC's presidential system means he will stay in office at least until the 2023 presidential election. The escalating confrontation with Turkey and the TRNC over maritime claims with potential gas deposits remains a crucial challenge. Since 2018, Turkey has repeatedly sent exploration vessels escorted by military ships into contested waters. The RC is supported by the EU and Greece, but diplomatic efforts to alleviate tensions have mostly failed. 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, reducing 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 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	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2020**	10.7
GDP PER CAPITA US Dollars - **2020**	22,943
CURRENCY Czech koruna	CZK

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.0	-5.8	3.4	4.3
Inflation (yearly average, %)	2.6	3.3	3.7	3.8
Budget balance (% GDP)	0.3	-5.6	-7.0	-4.4
Current account balance (% GDP)	-0.9	2.2	-1.5	-1.4
Public debt (% GDP)	30.0	37.7	42.5	44.5

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	33%
SLOVAKIA	8%
POLAND	6%
FRANCE	5%
AUSTRIA	4%

Imports of goods as a % of total

GERMANY	28%
CHINA	11%
POLAND	9%
NETHERLANDS	7%
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	HIGH
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	HIGH

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Recovery shaken by supply chain disruptions

Although the Czech economy rebounded from the pandemic-induced doldrums amid eased restrictions and the economic recovery, the pace of growth was not sufficient to return fully to the pre-pandemic level in 2021. The latter should be reached in the middle of 2022. While strict restrictions that had been in force in late 2020 delayed the recovery, supply chain disruptions became a crucial drag on growth in 2021. This factor will be perceived also in the course of 2022, but diminish closer to year-end. The manufacturing sector is driven by the automotive industry and the activity in the German economy. Both factors remain crucial for Czechia. Exports to Germany reach nearly one-third of the total. The automotive sector generates over 9% of total gross value added, accounts for over 8% of total employment and above 26% of exports. The surge of demand for vehicles has been countered by a shortage of semiconductors, which forced the reduction in the automotive sector's output. Gradually, exports should be improving, but foreign trade's contribution to GDP growth will be impacted by robust imports. Indeed, household spending is expected to remain vivid thanks to increased disposable income, the fall in the savings rate and a favourable situation on the labour market. Despite the pandemic, the unemployment rate increased only marginally and remains the lowest in the European Union. However, labour shortages are again strong, and the shortage of materials has become an important obstacle for companies as well. Rising costs of inputs and higher consumer demand have driven inflationary pressures. Despite several interest rate hikes (by 350 basis points in total in the course of 2021), inflation is expected to remain high due to increased regulated energy prices from 2022 and companies transferring higher costs of production to final consumers.

Companies will be increasing fixed asset investments, while the EU will boost public investments in 2022, but also in the following years. Czechia's recovery and resilience plan enables the disbursement of EUR 7 billion (3.1% of GDP) in grants under the Recovery and Resilience Facility (RRF).

Fiscal consolidation

The budget balance will improve in 2022 thanks to the withdrawal of pandemic support measures. However, some of them, including the decrease in personal income tax, will still affect budget revenues. The recovery of private consumption and higher wages have already led to increases in indirect taxes and social security contributions. Expenditures will be driven by investments, especially those co-financed by "traditional" EU funds, as well as from the Recovery and Resilience Facility (RRF). The public debt remains moderate, although it has increased during the pandemic due to higher financing needs. Indeed, since 2019, the general government debt is expected to rise by almost half until the end of 2022.

The current account balance will remain slightly negative, as supply chains disruptions will still affect Czech foreign trade, especially in the first half of 2022. Thereafter, it should start improving. However, increased imports thanks to solid demand, and higher income repatriated by foreign firms, will prevent the deficit from turning into a surplus. The Czech economy is highly open with various companies participating in global value chains. EU capital transfers and stable projected foreign direct investment inflows will comfortably support the current account balance.

New government

A five-party coalition won the latest parliamentary elections held in October 2021. The conservative Civic Democratic Party (ODS) leads the coalition with other parties in the Together alliance (the Christian and Democratic Union-Czechoslovak People's Party (KDU-CSL) and Top 09), as well as the progressive Pirate Party and the centrist Mayors. The coalition controls 108 of the 200 seats in the Chamber of Deputies (the lower house of parliament). The opposition consists of previously ruling Andrej Babis' party ANO (72 seats) and the radical-right Freedom and Direct Democracy (SPD, 20 seats). Petr Fiala, the leader of ODS, was appointed as prime minister by the president of the Czech Republic, Milos Zeman at the end of November 2021. In December 2021, the new Czech government took office, however, its appointment was delayed by several weeks owing to President Zeman's ill health. The government has declared several general priorities. It plans to balance the budget by cutting government welfare expenditure rather than increasing taxes. It also aims to spend more on research and development, digitalisation and infrastructure projects (primarily highways and high-speed railways). The Czech security policy will be more pro-Western, with higher defence spending and a more hawkish stance towards Russia and China. The most urgent issues includes managing the pandemic and the fiscal budget.

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.

COFACE ASSESSMENTS	
COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	5.8
GDP PER CAPITA US Dollars - 2020	61,154
CURRENCY Danish krone	DKK

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.1	-2.1	3.8	3.3
Inflation (yearly average, %)	0.8	0.4	1.9	3.0
Budget balance (% GDP)	4.1	-0.2	-0.9	1.3
Current account balance (% GDP)	8.8	8.1	7.8	7.6
Public debt (% GDP)	33.6	42.1	40.5	37.8

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	14%
UNITED STATES	11%
SWEDEN	10%
NETHERLANDS	6%
NORWAY	6%

Imports of goods as a % of total

GERMANY	22%
SWEDEN	13%
NETHERLANDS	9%
CHINA	8%
POLAND	5%

+

- World's largest shipping operator (2020)
- Almost energy self-sufficient (oil and gas in the North Sea and Greenland, as well as numerous wind-energy parks)
- Niche industries with cyclically non-sensitive export goods (e.g. pharmaceuticals, wind turbines, food products)
- Well managed public finances
- Large current account surplus
- Krone pegged to the euro

−

- Small open economy sensitive to external demand, especially from Germany and Sweden
- Strong fragmentation of parliament, making coalition building difficult (threshold to enter the parliament is only 2% for a party, 4 extra seats for Faroer Islands and Greenland)
- Very high household debt (215% of disposable income, 2020)
- Public sector constitutes a significant part of the country's employment (32% of employees at mid-2021)
- High but mostly private external debt (157% of GDP, 2020)
- Strengthening independence movement in Greenland

RISK ASSESSMENT

A more sustainable growth path after the strong 2021 rebound

The year 2021 brought a surprisingly strong rebound from the pandemic. Thanks to relatively good pandemic management, with 86% of the adult population fully vaccinated by mid-November 2021, the basis for economic recovery was favourable. Furthermore, the focus of the Danish manufacturing sector on pharmaceuticals (18% of all exports) and machines for renewable energy (13%), which are less dependent on scarce input goods like computer chips, turned out to be a strategic advantage last year. Moreover, the strong export relations of Denmark to well-developed Northern Europe supported growth. Therefore, GDP already reached pre COVID-19 levels in Q2 2021. While this positive economic development should continue in 2022, the strong growth rate of 2021 cannot be maintained. Private consumption should still increase moderately, but not boom. The Danes have not much changed their consumption behaviour in the second half of 2021, although strong savings and early holiday allowance payouts gave them the financial opportunity. Support for consumption comes from the labour market, as the unemployment rate should reach its lowest level since early 2009 this year. This will lead to stronger wage growth. However, some of this higher purchasing-power will be balanced out by a stronger inflation, which should mainly come from higher energy prices, a tax increase on tobacco in January and high industrial input prices that are passed on to the consumers. Machinery and equipment investments, as well as construction, should also progress moderately. The EU Recovery and Resilience Facility plan for Denmark was approved in June 2021 leading to the disbursement of EUR 1.5 billion (0.5% of GDP, 0.2% for 2022) in grants over the period 2021-2026 to mainly finance projects to support the climate objectives and digitalization. While net exports should still contribute to GDP growth, albeit to a lesser extent than in 2021 due to stronger imports, the main change should come from the public sector. According to the budget plan of the government, public spending should decrease from DKK 1,222 billion (49% of GDP) last year, to DKK 790 billion (30% of GDP) this year, due to the phasing out of many pandemic-related support measures. The main initiatives in 2022 will be investments into education, green technology and retraining measures for unemployed people. The central bank of Denmark had increased its policy rate by 10 basis points to 0.7% in March 2021 before returning to 0.6% in September to hold the Danish krone's peg with the euro (its main target). Furthermore, the central bank intervened in most months to sell DKK on the FX market in 2021. This year, the work of the monetary policymakers should become a bit easier, when the ECB finishes its Emergency Purchasing Programme, diminishing the appreciation pressure on the DKK.

Public budget returns to a surplus

After two years of small deficits, the public budget balance should turn positive again in 2022 due to decreased expenditures and increasing tax revenues (starting April, companies that postponed their tax payments during the recession will have to slowly catch up with their arrears). Gross public debt will therefore shrink further and remain very low in European comparison. The current account surplus should remain high. While the goods trade surplus should decrease and transfer payments should increase, this should be levelled out by higher exports of services thanks to tourism and expensive shipping services, as well as higher income from Danish overseas investments.

Social-democratic government with a conservative policy

Since June 2019, Prime Minister Mette Frederiksen from the Social Democratic Party (SD) is leading a minority government with the support of the other "red-block" parties: the Social Liberal Party, the Socialists People's Party, the Red-Green Alliance and three single parties from Greenland and the Faroes Islands. Thanks to an overall successful handling of the pandemic, popular support for the SD has remained high. In addition, the government co-opted many right-wing immigration policies: for instance, in September 2021, the government announced a plan that would force more migrants (targeting women especially) to work in order to be eligible for state benefits. This popular position, in combination with a divided conservative/right-wing opposition, contributes to a clear lead of the SD in the polls. However, investigations are going on about Frederiksen's illegal order to kill all living mink in Denmark in November 2020, as a prophylactic measure to avoid a further spread of a new mutation of the COVID-19 virus. It is unclear if Frederiksen knew that her order was illegal when she gave it, or if she realized it later on. Nevertheless, it is expected that Frederiksen will 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 euro.

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 1 August 2002 is either the Danish National Bank's benchmark, or the lending rate (*udlånsrente*) in force on 1 January or 1 July of the year in question, plus an additional 8%.

Legal proceedings

<u>Fast-track proceedings</u>

Since January 1, 2008, overdue payments which do not exceed DKK 50,000 or EUR 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.

<u>Ordinary proceedings</u>

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

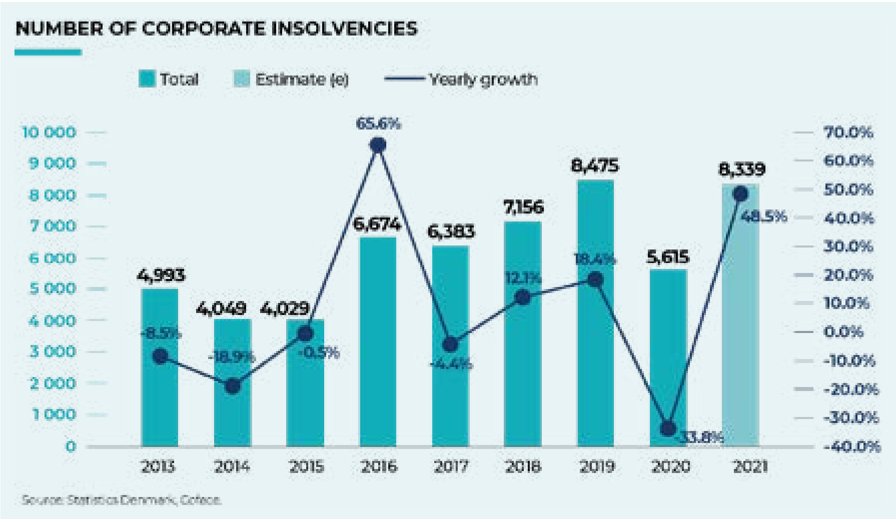
Non-judicial restructuring can take place through formal composition agreements, whereby the debts owed to the creditors are acknowledged and payment instalment agreed upon, without having recourse to a judge. Nevertheless, the efficiency of the Danish court system means that out-of-court proceedings 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.



COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	1.0
GDP PER CAPITA US Dollars - **2020**	3,482
CURRENCY Djiboutian franc	DJF

TRADE EXCHANGES

Exports of goods as a % of total

ETHIOPIA	41%
SOMALIA	18%
BRAZIL	9%
QATAR	7%
UNITED STATES	6%

Imports of goods as a % of total

EURO AREA	22%
CHINA	14%
UNITED ARAB EMIRATES	13%
OMAN	8%
TAIWAN	6%

- Geostrategic location at the entrance to the Red Sea and support from the international community
- Emergence of the country as a regional commercial, logistic and military hub
- Influx of significant foreign direct investment
- Process to modernise port and railway infrastructures, free zones
- At the heart of China's Silk Road project
- Ethiopia's only access to the sea, through which more than 90% of its trade passes

- High risk of debt distress
- Dependence on Ethiopia and China
- Large informal economy: high poverty and unemployment endemic
- Arid climate
- Difficult business environment

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.8	0.5	5.1	5.6
Inflation (yearly average, %)	3.3	1.8	1.6	2.0
Budget balance (% GDP)	-0.3	-1.7	-1.6	-1.3
Current account balance (% GDP)	28.9	11.6	-1.0	-0.5
Public debt (% GDP)	65.3	73.3	71.5	70.0

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

RISK ASSESSMENT

Regional trade and resumption of infrastructure projects as sources of growth in 2022

Benefiting from the recovery in international and regional trade, the economy rebounded in 2021 following a sharp deceleration in growth in 2020 related to the health crisis. In 2022, as the recovery in global trade is expected to continue, the country's activity will continue to be driven by growth in demand for logistics and transhipment services. Exports will therefore continue to be an engine of growth. With over 80% of Djibouti's annual port traffic dependent on Ethiopia, it will be able to benefit from its neighbour's continued recovery, but will also remain vulnerable to possible disruptions due to political instability in the Tigray region. Difficulties in the global supply chain could also dampen the expansion of this growth engine. On the other hand, the country's activity is also expected to be supported by the resumption of public and private investment in infrastructure in support of the country's ambition to become a regional logistics and trade hub. In 2022, the redevelopment of the historic port into a business centre and the further development of the Damerjog port industrial free zone, with the construction of a new oil jetty, will be among these projects. The population, which is largely dependent on the informal economy (70% of jobs), could benefit from the job creation resulting from these investments, which would then support private consumption (nearly 50% of GDP). Nevertheless, private consumption will remain constrained by the very high unemployment rate (nearly 50%). It will also remain vulnerable to developments related to the pandemic, as the vaccination rate, despite the mandatory vaccination of the over-25s, was still very low at the start of the new year.

In 2022, inflation is expected to remain subdued, but food and energy prices could exert upward pressure.

Slight reduction of the twin deficits in 2022

In 2022, the end of crisis support measures (to the tune of 2.6% of GDP) is expected to reduce the budget deficit. Nevertheless, the improvement is expected to be only marginal, due to increased capital investment spending on projects to achieve the development ambitions of the Vision 2035 plan. Furthermore, the crisis has temporarily halted fiscal consolidation efforts, which are not expected to resume immediately. The financing of infrastructure in recent years has weighed heavily on debt dynamics, even leading to a high risk of debt distress. Public debt, almost entirely external, is mainly owed to China (70% of total public debt in 2021). Given this situation, the country is seeking to diversify its sources of financing, giving priority to less costly multilateral sources. After the IMF and AfDB loans to deal with the pandemic, the country has, for example, agreed with the AfDB to receive a concessional loan of USD 13.9 million (out of a total of USD 83.6 million) for its electricity interconnection project with Ethiopia.

Regarding the external accounts, the resumption of growth in 2021 increased imports, pushing the current account into deficit. In 2022, it will remain in deficit, still fuelled by high imports of goods and services needed for infrastructure projects. The significant increase in exports (and re-exports) of goods and services (logistics and transport) is, however, expected to enable the country to reduce the deficit slightly. However, their development will remain subject to how the situation in Ethiopia develops. Repatriation of investment earnings will continue to contribute to the income account deficit. In contrast, the transfers account is expected to remain in surplus thanks to remittances. The current account deficit is expected to be financed mainly by direct investment, which had declined sharply due to the pandemic. Foreign exchange reserves held by the central bank remain moderate, equivalent to more than five months' worth of imports (excluding re-export-related imports).

Continuation of the Vision 2035 development plan

Ismaïl Omar Guelleh, in power since 1999, won the presidential election in April 2021 with more than 97% of the vote, in an election boycotted by a large part of the opposition. The government will continue to implement the Vision 2035 development plan, which aims to triple per capita income and improve social and human development indicators. Despite the will to transform the country, the business environment remains poor, suffering from weak governance and corruption (142nd out of 180 in 2020, according to Transparency International). The country's heavy debt burden could affect trade relations with China, its main creditor. Moreover, the resumption of diplomatic relations between Eritrea and Ethiopia could affect the country's prospects if Ethiopia negotiates agreements that would free it from its dependence on Djibouti for trade.

DOMINICAN REPUBLIC

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**10.4**
GDP PER CAPITA US Dollars - **2020**	**7,554**
CURRENCY Dominican peso	**DOP**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.1	-6.7	9.5	5.5
Inflation (yearly average, %)	1.8	3.8	7.8	4.5
Budget balance (% GDP)	-2.2	-7.9	-4.5	-2.4
Current account balance (% GDP)	-1.3	-2.0	-2.0	-2.0
Public debt (% GDP)	53.5	71.5	66.1	63.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	49%
SWITZERLAND	10%
HAITI	8%
EURO AREA	7%
CANADA	4%

Imports of goods as a % of total

UNITED STATES	41%
CHINA	19%
EURO AREA	10%
MEXICO	3%
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
- Institutional stability

- Dependence on the U.S. economy
- Reliance 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

Growth will remain robust in 2022

After the strong economic rebound in 2021, Dominican Republic will continue to experience robust growth in 2022. Tourism (which accounted for roughly 16% of GDP before the COVID-19 crisis) is expected to have fully recovered by early 2022, as the country has been one of the leaders in vaccination in the Caribbean. Furthermore, as foreign visitors return, the job market should also react positively. The latter, combined with an average 24% readjustment for minimum wages approved in July 2021 and strong remittances from expatriates in the U.S., will bode well for household consumption (70% of GDP). Moreover, exports (gold, tobacco, bananas, textiles, medical instruments and electronics), which account for 13% of GDP, are likely to remain at a high level, driven by still favorable growth momentum in the U.S., which is the major destination for foreign sales (54% of total exports in 2019). In fact, this tailwind and the free trade links between the two countries will also benefit investments in export-oriented sectors. Similarly, the rebound seen in tourism should attract fresh investments to expand and/or renew the country´s lodging capacity. Finally, the Pacto Eléctrico reform, approved in 2021, will also attract private capital to the sector in the coming years.

Fiscal deficit set to shrink, still moderate external deficit

Despite a strong rebound in tax revenues in 2021, the fiscal deficit only partially eased. This is because the government kept some fiscal stimuli to smooth the COVID-19's social impacts, including the extension of social programs and subsidies to reduce inflationary pressures related to electricity and fuel prices. Financing needs were covered by pre-financing operations in 2020 as well as local and external bond placements. For 2022, the fiscal deficit is expected to converge closer to pre-pandemic levels, as activity continues to recover and the need for stimuli eases.

Regarding the external accounts, the country kept a moderate current account deficit in 2021. On the one hand, considering January to September 2021 figures, the trade balance deficit widened, as the rise in imports (particularly the oil bill) surpassed the increase observed in free zone exports. Concomitantly, the primary income deficit also deteriorated due to the recovery in foreign companies' profits. On the other, remittances from Dominicans living abroad (11% of 2020 GDP) posted a strong increase. Furthermore, the services account surplus also improved driven by travel revenues. Meanwhile, foreign direct investment in the country surged by 35%, reaching USD 2.5 billion and was able to cover the current account deficit. Moreover, the external public debt amounted to 36.6% of GDP in September 2021 (vs. 38.0% of GDP in September 2020).

Fighting corruption and the relationship with neighbouring Haiti to remain central issues

Centre-left President Luis Abinader took office in August 2020 and counts with a majority in Congress (18 out of 32 Senate seats and 92 out of 190 seats in the lower house). He has been able to keep a high popularity thanks to one of the fastest COVID-19 vaccination campaigns in the Caribbean and the strong economic rebound that the country has experienced. Moreover, in February 2021, he got the electric sector reform - Pacto Eléctrico - finally signed. Lack of consensus between the parties had hindered the advancement of the reform, announced in 2014 under the mandate of then president Danilo Medina. This should attract private investment into the sector, which often faces outages due to systemic problems. Regarding the fight against corruption, one of Abinader´s main campaign promises, the intention to promote a revision of the Constitution to establish the independence of the Public Prosecutor's Office and the Central Electoral Board (JCE) was announced in August 2021. This would have to be subjected first by one-third of the legislature, and then by a two-thirds majority. Nonetheless, Abinader´s name was embroiled in the Pandora Papers case released in October 2021, which could somewhat impact his political support. He and his brothers were linked to two offshore Panama companies, albeit the administration argues that the holdings are in a trust and were made public before the president was sworn in. Finally, regarding the tense cross-border relations with Haiti, the murder of the latter country's president Jovenel Moise in July 2021 made the situation worse. Abinader called on the international community, notably the U.S., to generate a political dialogue in the neighbouring country. Still, in the last quarter of 2021, Dominican Republic started works on a controversial wall and fence along the border, which was announced in February 2021.

ECUADOR

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**17.5**
GDP PER CAPITA US Dollars - **2020**	**5,643**
CURRENCY US dollar	**USD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.1	-7.8	2.8	3.5
Inflation (yearly average, %)	-0.1	-0.9	1.8	2.2
Budget balance (% GDP)	-2.7	-6.4	-2.3	0.1
Current account balance (% GDP)	-0.1	2.5	1.7	1.7
Public debt (% GDP)	51.4	61.1	60.9	60.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	24%
CHINA	16%
EURO AREA	15%
PANAMA	12%
RUSSIA	5%

Imports of goods as a % of total

UNITED STATES	22%
CHINA	22%
EURO AREA	11%
COLOMBIA	8%
BRAZIL	4%

+

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

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- Oil-dependent economy
- High seismic risk: volcanic eruptions
- Competitiveness subject to the evolution of the dollar because of full dollarization
- Largely informal economy and low qualification of the workforce
- History of sovereign default
- Deficient business environment: corruption, opaque public procurement, interventionism
- Weak domestic and foreign private investment

RISK ASSESSMENT

Continuing moderate economic recovery

In 2022, the economy will continue to pick up supported by private consumption and gross fixed investment. Private consumption (around 59% of GDP) will remain the main driver of the economy as pandemic related measures are lifted, and the vaccination campaign reaches the target (60-70% of population vaccinated at end 2021), making households' demand stronger. Despite the economy being fully dollarized, inflation should still increase as international commodities prices will remain high. Gross fixed investment (25% of GDP) will moderately increase as President Lasso's administration has not sufficient legislative support, despite the submission of a reform package ("Law for Creating Opportunities") in September 2021. An executive decree might be the solution, as President Lasso issued one to attract private investments in the electricity sector (late October 2021). We expect limited investments in the oil sector as Mr. Lasso wants to diversify from it. Four major mining projects (gold and copper) are expected to begin during his mandate. Government consumption (14%) will be moderated as the 27-month Extended Fund Facility (EFF) for USD 6.5billion agreed on with the IMF in September 2020 by the former Moreno administration, and renegotiated with Lasso's administration, comprises a pledge to cut spending. Exports of crude and refined oil products will slightly increase as global demand is growing and international prices are expected to slightly increase, and Ecuador, not anymore an OPEC member, is free to increase its production. Shrimp, canned fish, bananas, cocoa and cut flowers are other main exports, which will benefit from U.S. and European demand, although some issues in terms of delivery chains are expected.

Ample fiscal consolidation and an improved external position

The current account should again be in surplus in 2022 as the global economy continues to pick up. The trade in goods surplus will persist. Oil and non-oil exports will remain resilient, while imports might see an increase as domestic demand gets stronger. Additionally, we expect advanced discussions with the U.S. over a free trade agreement and the regional trade block (Pacific Alliance), which might positively impact trade. The services deficit should remain significant, as inbound tourism is slowly recovering. The primary income deficit will be moderated following the restructuring of the sovereign debt in 2020 (total amount worth USD 17.4 billion in bonds). Meanwhile, secondary income will be in surplus as workers' remittances from the U.S., Spain, and Italy have significantly increased. Foreign companies' direct investment might return as the Lasso administration's reforms boost confidence. FX reserves are expected to remain under 5 months of imports. After years of deficit, the budget balance should record a minor surplus in 2022 as authorities are expected to increase the upper income tax bracket and the wealth tax. Oil Additionally, there should be financing within the IMF's EFF (USD 1.7 billion). Moreover, Ecuador received the equivalent of USD 934 million in Special Drawing Rights from the IMF in August 2021, an amount that was put in an account with the central bank. Non-resident holding of total public debt is relatively high (75%). Official creditors own 40% of total external debt.

Reforms submitted to cohabitation and social unrest

In the second round of the presidential election (April 2021), the centre-right Creando Oportunidades party candidate, Guillermo Lasso won. However, with the National Assembly dominated by leftist parties, his policies could face some headwinds. His initial strong popular support that could have led the National Assembly to compromise has been eroded by his emergence in the Pandora Papers and the 60-day nationwide state of emergency enforced since late October 2021 to fight drug trafficking. As the presence of rival drug cartels is increasing (entailing bloody riots in jails) and that poverty and inequality (especially regarding minorities) have grown with the pandemic, we expect additional social unrest in 2022, which could derail fiscal consolidation and other reforms.

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.

<u>Executive Proceedings</u>

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.

<u>Ordinary Proceedings</u>

Ordinary proceedings are initiated by filing a written complaint with the Court. The case is then assigned to a judge who has 60 working days to decide whether the claim is complete. The judge then issues a writ ordering the serving of the written complaint to the debtor. The debtor has 90 days to respond with a written defence. The judge then orders a single audience during which he will deliver a sentence.

Enforcement of a Legal Decision

A domestic judgment becomes final and enforceable after any appeals have been exhausted. The judge of the court of first instance is responsible for enforcing judgments and issues a writ of execution ordering the relevant party to comply with the judgment within five working days. If the order is not complied with within the five-day period, the judge orders the seizure of the debtor's assets in order for them to be auctioned off.

The Ecuadorian Civil Procedure Code sets out the requirements for the enforcement of foreign judgments, in accordance with the appropriate treaties, international conventions and Ecuadorian law. The approval procedure begins with a phase of knowledge gathering (for ordinary trials) that is performed in the defendant's domicile court before admitting the execution. Ecuador has signed and ratified a number of international treaties for the recognition and enforcement of foreign judgments, including the Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards.

Insolvency Proceedings

There are two phases in Ecuador's insolvency proceedings.

Conciliatory phase

The objective of this phase is to ensure that the debtor company can continue to operate, by putting into place signed agreements with all of its recognised creditors.

Bankruptcy

Bankruptcy proceedings entail the sale of the debtor company and its assets, with profits from the said sales being used to pay its debts to creditors.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	100.9
GDP PER CAPITA US Dollars - 2020	3,601
CURRENCY Egyptian pound	EGP

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	5.6	3.6	3.3	5.0
Inflation* (yearly average, %)	13.9	5.7	4.7	7.0
Budget balance* (% GDP)	-8.1	-8.0	-7.5	-7.0
Current account balance* (% GDP)	-3.6	-3.1	-4.0	-3.5
Public debt* (% GDP)	84.2	90.2	93.0	89.5

(e): Estimate. (f): Forecast. * Fiscal year from 1st July - 30th June. 2022 data: July 2021-June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	21%
UNITED ARAB EMIRATES	11%
SAUDI ARABIA	6%
TURKEY	6%
UNITED STATES	5%

Imports of goods as a % of total

EURO AREA	21%
CHINA	15%
UNITED STATES	7%
SAUDI ARABIA	6%
TURKEY	5%

- Large market: over 100 million inhabitants, youthful and growing population
- 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 (29% of total public debt)

- Poverty (one-third of the population), low employment rate among young people, low female participation
- Low government revenues (20% 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: financing needs exceed 30% of GDP
- 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 military-controlled companies (30% of the economy)
- Corruption, lack of competition and bureaucracy (including in foreign trade) detrimental to investment, particularly foreign investment

RISK ASSESSMENT

A return to strong growth

Despite the COVID-19 crisis, the economy recorded positive, albeit slacker, growth in fiscal years 2020 and 2021. The rebound in activity, which began in the second half of 2021, is expected to accelerate in 2022, helped by the ongoing easing of health measures and the global recovery. Despite higher inflation, mainly due to energy prices, household consumption (85% of GDP) is expected to rebound thanks to remittances and the introduction of a minimum wage for the private sector in July 2021. Household consumption will also depend on the gradual revival of the services sector (55% of GDP), particularly in trade, transport, and accommodation, which are recovering in step with the global economy, giving a lift to the many family businesses that support half of all households. Investment picked up in 2021 thanks to the development of gas and port facilities. With continued support from international funding, public investment in particular will continue in transport (rail and Suez Canal), seawater desalination, rural development, social housing and the creation of the new administrative capital east of Cairo. After being cut from 10% to 8%, the central bank's preferential rate for SME loans is expected to be maintained in fiscal year 2022, promoting private investment. Export earnings remained moderate in FY 2020/21, reflecting lower hydrocarbon sales (1/4 of merchandise exports), weaker demand in Europe (35% of exports) and in North America for apparel, reduced Indian demand for fertilisers, and a lack of tourists. In 2022, energy projects (gas pipeline plans) will boost goods exports, supported mainly by a 5% increase in natural gas production and favourable world prices. After a nearly 70% drop in tourism revenues, the gradual lifting of travel restrictions, including the resumption of flights from Russia to Red Sea resorts, which were suspended in 2015, will support industry (10% of employment and 6% of GDP) and limit the negative contribution of net exports to growth.

Gradual resumption of fiscal consolidation

The government deficit is expected to continue to improve in 2021/22 thanks to higher energy royalties driven by the recovery of world trade and elevated prices. Fiscal consolidation will thus resume with a return to a primary surplus (balance excluding interest) of around 1.5% of NDP. Consequently, public debt, which is mostly held by domestic banks and which increased in 2021 with public spending on health and education, is expected to decline in 2022. Despite a reduction, debt interest will remain the largest expenditure item, absorbing 30% of government revenue, while subsidies will be the second largest at 24%, according to the 2021/22 budget.

The current account deficit widened in 2021 as non-oil export earnings (citrus, vegetables, electronics and electrical goods, gold) were more than offset by higher import costs (intermediate goods, oil, grains), reflecting the recovery of the productive economy and high commodity prices. In FY 2022, the current account deficit is expected to begin narrowing thanks to a recovery in tourism, increased gas exports and strong Suez Canal revenues. The reduction of the current account deficit will rely heavily on the increase in the current transfer surplus, linked to the change in remittances. Besides official and commercial loans, portfolio investment (bonds), attracted by high real rates owing to the prudent policy pursued by the central bank, will continue to finance the deficit, fuelling moderate external debt (33% of GDP). Dependence on these investment flows and high external financing needs will remain a source of vulnerability. FDI, 40% of which is concentrated in the extractive sector, is set to increase with the global recovery and the privatisation programme for state-owned enterprises (digital finance platform, petrochemical company). Reserves stand at about six months of imports despite central bank interventions to support the Egyptian pound.

Concentration of power

Re-elected with 97% of the vote in 2018, President Abdel Fattah al-Sissi saw his powers strengthened after a 2019 referendum, which 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. Despite the low turnout (less than 30%), 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. In October 2021, Egypt lifted the state of emergency in place since April 2017, in order to appease criticism by its allies of its human rights record. The lack of freedom of speech and the detention of many political prisoners will continue to stoke significant social unrest.

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, discussions with Ethiopia on sharing the waters of the Nile are still tense. Relations with Turkey will continue to be strained over Libya.

EL SALVADOR (REPUBLIC OF)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	6.5
GDP PER CAPITA US Dollars - 2020	3,799
CURRENCY US dollar	USD

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	40%
GUATEMALA	17%
HONDURAS	15%
NICARAGUA	7%
COSTA RICA	5%

Imports of goods as a % of total

UNITED STATES	26%
CHINA	14%
GUATEMALA	12%
MEXICO	9%
EURO AREA	8%

- 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, and member of the customs union with Guatemala and Honduras
- 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 inequality and poverty

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.4	-8.9	7.0	3.5
Inflation (yearly average, %)	0.1	-0.1	3.9	2.0
Budget balance (% GDP)	-1.8	-9.0	-7.5	-4.5
Current account balance (% GDP)	-0.6	0.5	-4.1	-3.4
Public debt (% GDP)	71.0	85.8	90.3	94.1

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

RISK ASSESSMENT

Return to long-term growth that is both structurally constrained and dependent on the U.S.

El Salvador's growth will remain heavily dependent on economic activity in the country's main trading partner and source of migration remittances, namely the United States. External demand is expected to drive net exports, particularly of electronic chips, agricultural products and textiles. Expatriate remittances, 95% of which come from the United States, should remain extremely strong after hitting new records in 2021. This strength is due to a drop in unemployment among the U.S. Latino population (6.4% in August 2021 against 5.2% for the general population) and to the maintenance of Temporary Protected Status for some U.S.-based expatriates until December 2022. These remittances (24% of GDP in 2020) will benefit household consumption, which is the mainstay of growth in domestic demand. Inflation is expected to slow as commodity prices and the oil bill stabilise. However, the adoption of bitcoin as a second official currency alongside the dollar could lead to some price volatility and affect household incomes. Public investment is expected to remain constrained by public financing difficulties and weak budget execution (just 12.8% of public spending planned for 2021 in the first half of the year), despite the plans in the 2022 budget. Private investment will suffer from a lack of investor confidence in government policy, especially after the much-criticised implementation of the Bitcoin law in September 2021, and strained relations with the United States. The agricultural sector is expected to benefit from higher sugar prices because of the drought in Brazil, one of the world's leading producers. Manufacturing activity should be boosted by growth in the maquila sector, which will benefit from increased external demand for electronics, textiles and clothing.

Weak public accounts and current account

El Salvador's debt was already well above the level of its neighbours, and the pandemic has only exacerbated the difference. The situation has been further accentuated by investors' doubts about the government's fiscal policy, which have increased the interest burden. Under the 2022 budget, the deficit is forecast to decrease, but it will still be partly financed by commercial debt, while interest rates on government bonds reached the record high of 23% on the shortest maturities. The adoption of bitcoin will strain the public accounts through the expenditure needed to make the system work. Strongly criticised by international organisations, the decision to adopt bitcoin is affecting negotiations with the IMF to obtain an Extended Credit Facility of USD 1.3 billion and to refinance part of the debt at lower interest rates. Some of the necessary financing should again come from other multilateral organisations (World Bank, CABEI), but tensions with the United States could make it more difficult to obtain other loans. In this context, there is a risk that the central bank's foreign exchange reserves, which were used to finance part of the aid during the pandemic, could again be drawn on to provide financing.

In terms of the external accounts, the current account deficit is expected to narrow thanks to a U.S.-demand-driven rebound in exports of textiles, plastic and rubber goods and agricultural products (sugar, coffee). Imports are set to weaken with slower activity (particularly capital goods). Continued strong remittances from expatriates should also help to reduce the current account deficit. However, the deficit will remain substantial and will not be offset by foreign direct investment, which will continue to be skittish. This will strain the already weakened foreign exchange reserves (-19% between June 2020 and 2021), which stood at little over two months of imports in August 2021. The adoption of bitcoin as an official currency alongside the dollar also poses a risk to these reserves, with the need to ensure the convertibility of bitcoin into dollars.

End of the showdown between the country's branches of power, but increased external tensions

Since his election as president in February 2019, former outsider Nayib Bukele has enjoyed widespread popularity thanks to a populist discourse focused on security. His newly formed party, Nuevas Ideas, won a large majority in the February 2020 elections, taking 56 out of 84 seats, plus the five seats held by the allied party Gran Alianza por la Unidad Nacional. This victory of the presidential party ended the confrontation between president and parliament after severe tensions during 2019. However, there are growing voices denouncing the president's stranglehold on the various branches of power, with much of the criticism focusing on the Assembly's vote to dismiss Supreme Court judges and replace them with officials closer to the executive in May 2021, as well as the proposed constitutional reform in September 2021. The Biden administration has taken up these concerns and introduced sanctions in September 2021 against certain officials. Against this backdrop, El Salvador is building a new relationship with China and signed a bilateral cooperation deal including investments of USD 500 million in May 2021.

ERITREA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	3.5
GDP PER CAPITA US Dollars - **2020**	588
CURRENCY Nakfa	ERN

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	82%
SOUTH KOREA	16%
SERBIA	2%
EURO AREA	0%
SINGAPORE	0%

Imports of goods as a % of total

CHINA	20%
EURO AREA	19%
SAUDI ARABIA	13%
UNITED ARAB EMIRATES	12%
UNITED STATES	5%

- Extensive mineral resources (potash, copper, gold, silver, zinc)
- Extensive agricultural resources (maize, barley, vegetables, livestock)
- Large influx of funds from the Eritrean diaspora

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

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.8	-0.6	3.0	4.5
Inflation (yearly average, %)	-16.4	4.7	4.3	4.0
Budget balance (% GDP)	-1.5	-5.2	-4.8	-1.5
Current account balance (% GDP)	12.0	10.1	10.8	10.5
Public debt (% GDP)	189.3	185.6	175.5	165.5

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

RISK ASSESSMENT

Growth supported by mineral exports and the Colluli mine project

After taking a double hit from the COVID-19 pandemic and a locust invasion that decimated agricultural crops, in 2022, the economy will continue the recovery that began in 2021. Despite the authorities' refusal to launch a vaccination campaign, growth should be stimulated mainly by a return to normal in services. Consumption, which began picking up in 2021 thanks in particular to the resumption of remittances inflows, should benefit from this. In 2022, the improvement in the agricultural sector, on which the population is extremely dependent (75% of people earn their livings from agriculture, livestock farming and fishing), should have a positive impact on household income and, consequently, on consumption, which will nevertheless remain fragile, with 69% of the population living below the poverty line. In addition, agricultural activities will remain exposed to the risk of locusts and climate-related hazards. In 2022, growth will also be supported by higher export revenues from mining activities (copper, potash, zinc and gold). After benefiting from the strong recovery in commodity prices in 2021, price levels should remain favourable to growth. In addition, work on the major potash project in Colluli could support exports from 2022. This project will be one of the main sources of growth in private investment, which will otherwise remain weak. The unfavourable business environment, the slow pace of reforms, unpredictable policies, deficient infrastructure and an unstable political environment will continue to make foreign investors wary of a country that is still very closed. The contribution of public investment should also remain weak, owing to recurrent financing difficulties.

After a period of deflation between 2016 and 2019 reflecting a contraction in the money supply, inflation initiated a comeback in 2020. It is expected to be sustained in 2022 by prices of imported commodities, especially oil and food (from Ethiopia).

Public debt still alarmingly high

With the COVID-19 pandemic, the budget deficit increased, due to support measures for businesses and the establishment of a National Pandemic Fund. In 2022, it is expected to narrow thanks to higher revenues resulting from the recovery in activity. Despite the end of support measures, the state wage bill and capital investment in infrastructure, as part of mining projects, will maintain the deficit. However, recurrent financing problems are likely to continue to constrain the authorities' investment capacity. Public debt, which is essentially domestic and denominated in local currency, remains extremely high, as a result of recurrent debt-financed budget deficits, and will continue to put pressure on the country's public finances. Although relations with the international community have improved slightly following the rapprochement with Ethiopia, access to donor assistance will remain limited.

In 2022, the current account will continue to show a significant surplus, thanks to expatriate remittances and the trade surplus. Despite high oil prices, which are expected to increase the import bill, the trade balance will remain in surplus thanks to the simultaneous recovery of mining exports (95% of export earnings in 2019). The income and services accounts will again register slight deficits, driven by interest payments and imports of services needed for mining activity, respectively. By drawing on foreign exchange reserves (three months of imports) fuelled by repeated current account surpluses, the central bank will continue to maintain the nafka's dollar peg, which, given the parallel market exchange rate, will remain overvalued.

Tigray conflict fuels tensions on the border with Ethiopia

Since 1993, the political landscape has been dominated by the People's Front for Democracy and Justice (PFDJ), the only legally authorised party, and by President Isaias Afwerki. The lack of basic freedoms and the regime's totalitarian excesses are widely acknowledged and make the country one of the most closed in the world. However, in 2018, the president signed a peace declaration with neighbouring Ethiopia, ending a 20-year war. The conflict with Ethiopia, which started as a border dispute, 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. These were lifted at the end of 2018 following the peace efforts made with its neighbours, including Ethiopia, but also Somalia, Sudan and Djibouti. Despite the hopes raised by this progress, the country is again under international scrutiny for sending troops to the Tigray region of northern Ethiopia, where a conflict is underway between the regional government and the central government. Many media outlets have reported war crimes and serious human rights violations, including rape and torture. As a result, international pressure is mounting for troops to be withdrawn from the region. The conflict, which began in November 2020, remains unresolved, with Eritrean refugee camps in Tigray particularly at risk.

ESTONIA

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

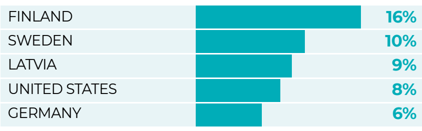
POPULATION Millions of persons - **2020**	**1.3**
GDP PER CAPITA US Dollars - **2020**	**23,036**
CURRENCY Euro	**EUR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.1	-3.0	8.5	4.0
Inflation (yearly average, %)	2.3	-0.6	3.8	4.5
Budget balance (% GDP)	0.5	-4.9	-2.9	-2.5
Current account balance (% GDP)	2.0	-0.6	-1.8	-2.0
Public debt (% GDP)	8.6	18.5	20.0	21.5

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

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total

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- Membership in the Eurozone (2011) and OECD (2010)
- Close commercial, financial and cultural links with Scandinavia
- Near self-sufficiency in energy thanks to oil shale
- Development of high value-added sectors (electronics, IT services)
- Flexibility of economic policy
- Traditionally, external accounts in surplus and low indebtedness
- Digitization of administrative procedures

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- Small open economy sensitive to external shocks
- Declining labour force and shortage of skilled labour
- Lack of land links with the rest of the EU
- Income inequalities and persistent poverty, especially in the predominantly Russian-speaking eastern regions
- Need for stronger anti-money laundering measures highlighted by the IMF

RISK ASSESSMENT

Slowdown in 2022 after a year of strong growth

After experiencing one of the fastest growth rates in the EU in 2021, the Estonian economy will slow in 2022, while maintaining a strong pace. Household consumption (49% of GDP in 2020) benefited from the easing of health measures and grew in 2021. It is expected to remain the main driver of growth in 2022, due to savings accumulated during the pandemic and changes to the pension system that allow savings to be withdrawn at any time from September 2021 onwards. Although the labour market is expected to improve in 2022, the high unemployment rate – 6.9% in 2021 – could be a drag on consumption, which is also constrained by high prices for energy and food (12.5% and 29% of the consumption basket, respectively). Electricity prices, which were up about 75% year-on-year in September 2021, have pushed inflation to a record 6.6% and are expected to keep it high in 2022. However, the government has reduced the fees payable by energy suppliers and is assisting low-income households until March 2022. In addition, growth will be driven by increased public spending as part of the 2022-2025 budget strategy to combat the impact of the pandemic in the medium-term. Public investments, such as those earmarked to upgrade and expand rail infrastructure, will benefit from EUR 969 million in grants (about 3.3% of GDP) under the NextGenerationEU stimulus package and the Recovery and Resilience Facility. To meet demand, companies will need to invest to increase their capacity, mainly in the manufacturing sector (13% of GDP). Growth in fixed investment (19% of GDP in 2021) has been driven by Volkswagen's continued investment in its new subsidiary Car. Software Estonia AS (computer software development services and intellectual property products). Although tourism has only partially recovered due to continuing health restrictions, services (transport, logistics, biotechnology and financial services), which account for about 62.5% of Estonia's GDP and employ about 68% of the workforce, are also set to attract investment. Strong external demand for telephones, petroleum products, wood, components for construction, and measurement equipment should boost exports (71% of GDP in 2021). Trade in services will be particularly brisk thanks to the ICT sector (nearly 10% of GDP).

Low deficits and a small debt burden

The public deficit is expected to shrink further in 2022, remaining below the European target of 3%. However, the government plans to increase current spending (wages and pensions) and capital spending (80% of the National Recovery and Resilience Plan), thereby increasing the public debt, which will nevertheless remain well below the European average.

The current account deficit is expected to continue to widen. Imports related to business and government investment will fuel the trade deficit. The balance of trade in services was exceptionally negative in 2021, due to imports by Volkswagen as part of its investment. Despite being constrained by a mixed recovery in tourism, the balance is expected to return to surplus in 2022 thanks to continued support from transport and logistics, with increased exports in telecommunications and IT. Dividend repatriation by foreign investors will maintain the primary income account deficit. The current account deficit will be financed by structural funds and EU grants, as well as by substantial foreign direct investment (10% of GDP in 2020), although this is partially offset by portfolio investment abroad by Estonian pension funds and insurance companies. External debt, which amounted to about 89% of GDP in 2020, is mainly owed by the private sector and is more than offset by residents' assets held abroad.

Government instability linked to coalition changes

A corruption scandal involving his party forced centrist Prime Minister Jüri Ratas and his three-party coalition government formed in 2019 (Centre Party, the conservative Pro Patria/Isamaa Party, and the far-right nationalists of the Conservative People's Party, EKRE) to resign in January 2021. A new coalition government, consisting of the same centrist party and the liberal, centre-right Reform Party of new Prime Minister Kaja Kallas, took office the same month. The new government has expressed its desire to restore the country's image (which has been damaged by EKRE's anti-European, anti-U.S., xenophobic and homophobic outbursts) and to fight money laundering from Eastern Europe. Alar Karis, the only candidate put forward by the bipartisan coalition, was elected to the presidency, a ceremonial position, in August 2021 by the parliament. He was supported by Isamaa and the Social Democratic Party (SDE), with EKRE choosing to abstain.

Divisions between the Estonian majority and the Russian minority remain a source of internal and external political tensions.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**97.2**
GDP PER CAPITA US Dollars - **2020**	**994**
CURRENCY Ethiopian birr	**ETB**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	9.0	6.1	2.0	4.0
Inflation** (yearly average, %)	15.8	20.4	25.2	22.0
Budget balance* (% GDP)	-2.5	-2.8	-3.0	-3.5
Current account balance* (% GDP)	-5.3	-4.6	-2.9	-3.0
Public debt* (% GDP)	58.0	55.4	57.1	60.0

(e): Estimate. (f): Forecast. * Fiscal year from 8th July to 7th July. 2022 data: July 8th, 2021 - July 7th, 2022. ** Calendar year.

TRADE EXCHANGES

Exports of goods as a % of total

SUDAN	26%
HONG KONG	11%
EURO AREA	10%
CHINA	9%
UNITED STATES	9%

Imports of goods as a % of total

CHINA	25%
EURO AREA	12%
SAUDI ARABIA	9%
INDIA	8%
KUWAIT	4%

+

- Large market (over 100 million people)
- Aviation hub
- Remarkable track record in growth and poverty reduction (26% poverty rate in 2020/2021)
- Public investment in infrastructure development
- Hydroelectric, mining (phosphate, hydrocarbons) and tourism potential
- One of the continent's main coffee exporters

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- Agriculture (70% of employment, but 40% of GDP) is not very productive and is sensitive to weather conditions and changes in world commodity prices
- Underdeveloped manufacturing sector: less than 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

Conflict will weigh on the recovery in 2022

Slowed by the conflict in the Tigray region and the COVID-19 pandemic in fiscal year 2021, economic activity is expected to accelerate moderately in 2022. It will be constrained by ongoing fighting and a fragile health situation, which will continue to depress domestic demand. Population displacement and the disruption of agricultural activity (75% of total employment and 40% of GDP) in the north of the country will affect the contribution of household consumption (65% of GDP) in 2022. Furthermore, by limiting the supply of food products and contributing to the depreciation of the birr, insecurity will continue to fuel high inflation, which will erode purchasing power. With the vaccination campaign progressing slowly (less than 2% of the population was fully vaccinated by the end of 2021), consumption will also remain exposed to further restrictions that could constrain activity, particularly in urban areas. The contribution of investment (more than one-third of GDP in 2019), a key factor in the country's strong growth prior to the pandemic, is also expected to remain sluggish after contracting in 2021 as companies continue to defer investment decisions in response to the conflict. The threat of economic sanctions and the slowdown in debt restructuring negotiations will also be factors discouraging private investors. Public investment under the ten-year programme will be held back by the narrowing fiscal space, while deteriorating relations with major international creditors may also limit financing options. While domestic demand constraints will impact imports, net exports are expected to make only a small contribution to growth, with tourism earnings continuing to be curbed by the slow vaccination campaign and the conflict. Although prices are expected to remain favourable, growth in coffee exports (more than 30% of the total) could be slowed by further locust outbreaks and drought conditions.

Difficulties in accessing external financing due to the conflict

Increased conflict-related expenditures and debt service (mainly owed to China for the 2020-2022 period) will weigh on the public accounts in fiscal year 2021/22, accentuating the budget deficit. The deficit is expected to be financed mainly through domestic sources (commercial banks, central bank), with the conflict affecting relations with major external creditors. External public debt is set to increase owing to depreciation of the birr. The high risk of debt distress forced the country to request a restructuring in January 2021 under the G20/Paris Club Joint Framework. Ethiopia has announced reforms (liberalisation of the exchange rate and currency market) with the aim to reach an agreement and reducing the debt service burden (more than 25% of total exports in 2020), but the restructuring process is taking time.

The current account will remain in deficit in 2022, after being pulled down by the large trade deficit. Birr depreciation will contribute to an increase in the import bill that will not be offset by exports. The surplus in the balance of current transfers (from expatriates), which rebounded in 2021, will remain insufficient to offset the trade deficit. The current account is also burdened by deficits in the services and primary income accounts. Internal conflict and political instability will affect FDI, which is likely to remain low, and official loans will be needed to finance the current account deficit, although accessing these loans will be challenging. Foreign exchange reserves, which cover about two months of imports, remain weak, fuelling chronic foreign exchange shortages and limiting the central bank's ability to slow the birr's depreciation (more than 20% in 2021).

International relations undermined by Tigray conflict

The country is a mosaic of ethnic groups. Hostilities sometimes break out between these groups, and tensions frequently arise between the central government and the regional states. In 2018, Abiy Ahmed, of the Oromia-based Oromo Democratic Party, became prime minister, ending nearly 30 years of dominance by the Tigray People's Liberation Front (TPLF) in the Ethiopian People's Revolutionary Democratic Front (ERPDF), the four-party coalition that governed the country between 1991 and 2019. Mr. Ahmed embarked on a drive to open up the state-run economy and established a new party – the Prosperity Party – in December 2019. However, TPLF leaders refused to join the new party, seeing the reforms as an attempt to centralise power. The feud with the central government intensified in September 2020, when Tigray defied the government by holding its own regional elections. In November 2020, fighting between Tigrayan and Ethiopian (Eritrean-backed) forces began, resulting in several thousand casualties, increased famine, massive internal displacement and a deterioration in relations with the country's main donors. Some multilateral aid was temporarily suspended, and the U.S. government removed Ethiopia from the AGOA trade programme. The special relationship with China, which has significant interests in the country, could also deteriorate.

FINLAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	**5.5**
GDP PER CAPITA US Dollars - **2020**	**48,786**
CURRENCY Euro	**EUR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.3	-2.9	3.6	2.8
Inflation (yearly average, %)	1.0	0.3	2.2	4.0
Budget balance (% GDP)	-0.9	-5.5	-3.7	-2.2
Current account balance (% GDP)	-0.3	0.8	1.2	0.4
Public debt (% GDP)	59.5	69.6	71.0	71.2

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	14%
SWEDEN	10%
UNITED STATES	9%
NETHERLANDS	7%
CHINA	5%

Imports of goods as a % of total

GERMANY	18%
SWEDEN	17%
RUSSIA	10%
NETHERLANDS	9%
CHINA	4%

+

- Generally prudent economic policy, which leads to low interest rates for government bonds
- Favourable business climate and strong institutions
- High standard of living
- Economic growth not dependent on foreign tourists (Finland has a negative structural tourism services balance)
- Strong ICT sector that is rapidly adapting to global changes
- High green capital thanks to forests covering 65% of land

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- Highly vulnerable to international economic conditions (goods & services exports = 40% of GDP in 2019, before the pandemic)
- Dependence of Finnish banking on the Swedish and Danish financial sectors, despite the return of a major institution in 2017
- Ageing population (29% of the population were pensioners at the end of 2020)
- Labour market inflexibility leads to relatively high structural unemployment (a 6% unemployment rate is considered as full employment)

RISK ASSESSMENT

Economy in the fast lane... for now

Finland manoeuvred well through the pandemic-induced recession, thanks to high digitalization and its relatively high share of manufacturing (17% of GDP) that were only mildly affected by COVID-19 restrictions. In addition, the well developed vaccination campaign and the good pandemic management, result in only single restrictive measures. With this tailwind, the outlook for this year remains positive as private consumption (51% of GDP) should increase moderately carried by an exceptionally high household savings rate due to the pandemic and robust wage increases. The wage development is a result of progress on the labour market, where the employment rate already reached pre-COVID levels and job vacancies record highs in autumn 2021. This suggests that the unemployment rate will fall further and keep applying pressure on the labour market. However, a higher inflation rate, which should increase further above 4%, will level out a noticable part of the additional purchasing power provided by wage increases. Private investment should be the second main pillar for economic growth in 2022. Although the financial situation of companies could get more complicated as the support measures of the government phased out in end-2021, further high investments (24% of GDP) are in the pipeline, as several sectors in manufacturing reached their capacity constrains (e.g. metals). Strong investments in machinery and transport equipment should be accompanied by newly announced sizeable projects in the forest industry. The demand for houses has increased noticeably during the pandemic - which will have a positive impact on housing construction - while there will be little need for offices or hotels. Goods exports should again reach very high levels this year thanks to the further economic recovery in the main export destinations, Germany, Sweden, the U.S. and the Netherlands, and their high demand for machinery and paper products from Finland. Furthermore, services exports, mainly ICT and business services, should remain strong. The government will be selective in its expenditures after the main COVID-19 economic support measures end and concentrate on the measures announced in the EU's Recovery and Resilience Facility, from which Finland will receive roughly EUR 2.1 billion (0.9% of GDP) between 2021 and 2026. The first tranche of EUR 238 million was already paid out in 2021 and will be followed by EUR 636 million (0.24% of GDP), invested into projects related to the green transition of the economy, digitalization, labour market projects and the improvement of health and social services. Additional support is still coming from the ECB through its unchanged low deposit rate (-0.5%) and the purchases of assets in its current emergency program with a total envelope of EUR 1850 billion until the end of March 2022. Besides, net purchases under the normal asset purchase programme will continue.

Fiscal policy is slowly returning to austerity

Finland's current account balance should reach its third consecutive surplus in 2022, albeit the latter should be small. While the goods trade surplus should remain noticeable thanks to strong exports, the structural services deficit should broaden, as again more Finns will spend their vacations abroad. In addition, the overseas investment income of Finnish companies should remain very high, while the balance of transfer incomes will remain structurally negative. The government announced a return to an austerity path for its fiscal policy. The reduction in expenditures combined with higher tax revenues will push the public deficit below the Maastricht target of 3% in 2022. This will only stabilize the public debt at around 71% of GDP, which is, however, easy to bear thanks to the very low interest rates.

Mood of the electorate is (temporarily) changing

Social Democratic (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 municipal elections in June 2021 showed that the electoral mood has slightly changed as the main opposition party, the conservative National Coalition party (KOK), won the most votes (21.4%) while Marin's SDP came in second (17.7%). In the general polls, the KOK has also overtaken the SDP since the summer of 2021. However, with a support of 21% vs. 19%, the difference remained small in early 2022. The main reason is Marin's successful pandemic strategy that led to relatively low infection rates, a smaller recession compared to the Eurozone's contraction (-2.9% vs. -6.4%) and a successful vaccination campaign. While the fragmented structure of the party-system - with several coalition partners - makes the government fragile per se, the current government coalition and PM Marin should stay in office 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.

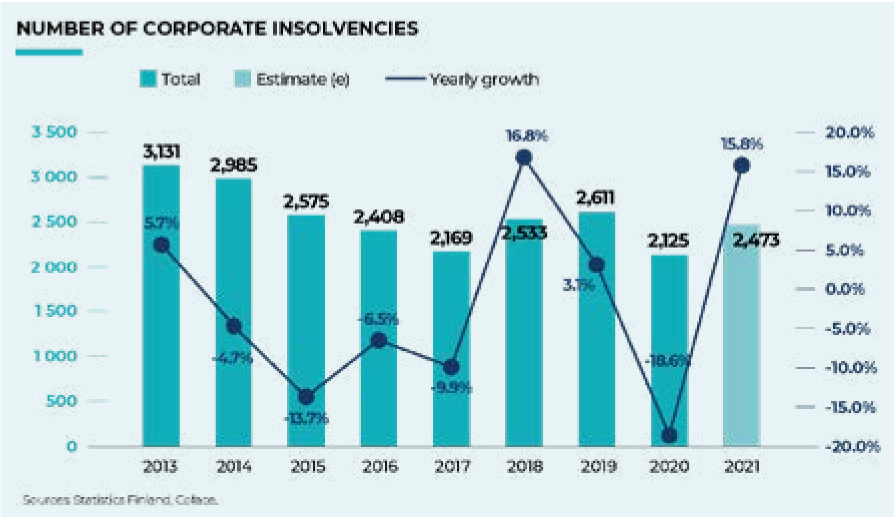
Restructuring proceedings

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.



FRANCE

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	65.1
GDP PER CAPITA US Dollars - 2020	40,299
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.5	-8.0	7.0	3.8
Inflation (yearly average, %)	1.3	0.5	1.7	2.5
Budget balance (% GDP)	-3.1	-9.1	-8.0	-5.0
Current account balance (% GDP)	-0.3	-1.9	-1.5	-1.3
Public debt (% GDP)	97.5	115.0	114.4	113.0

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	15%
UNITED STATES	8%
ITALY	8%
BELGIUM	7%
SPAIN	7%

Imports of goods as a % of total

GERMANY	17%
BELGIUM	10%
NETHERLANDS	9%
ITALY	8%
SPAIN	8%

- 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

- Insufficient number of exporting companies, loss of competitiveness and market share
- Weakening of 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	HIGH
CHEMICAL	MEDIUM
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Less robust recovery due to constrained supply

The economy rebounded strongly in 2021, following the lifting of most of the restrictions linked to the pandemic in the second half of the year, so that GDP had returned to its pre-crisis level by the end of September. In 2022, the recovery is expected to slow down gradually, in the wake of domestic demand. Although the vaccination of a large part of the population (72% fully vaccinated in December 2021) should make it possible to avoid the implementation of measures as drastic as those imposed in the two previous years, the health uncertainty will affect household and business confidence (at least) at the beginning of the year. Household consumption is then expected to rebound, thanks to dynamic employment and their significant savings (savings rate still at 17.5% of gross disposable income at the end of September 2021, compared with 15% before the crisis). However, activity will continue to be held back by limited production capacity in industry and construction, where a record proportion of companies were reporting supply difficulties at the end of 2021 (45% and 30% respectively, and even 72% in transport equipment). This is all the more true given that the recruitment difficulties expressed at the end of 2021 by 77% of companies in construction, 57% in industry and 51% in services will persist in 2022. However, although to a lesser extent than in 2021, companies are therefore expected to continue to invest to increase their production capacity, thanks to still favourable financing conditions and the lowering of the corporate tax rate to 25% for all companies (compared to 26.5% or 27.5%, depending on size, in 2021). On the public spending side, the remaining 30% of the EUR 100 billion France Relance plan (4% of GDP) is expected to be committed in 2022. Concomitantly, the external environment is expected to gradually improve, but will remain adverse for some key sectors. Aeronautics, the leading export sector (9% of flows of goods and services), will continue to be hampered by air transport difficulties: in the first 10 months of 2021, industry sales were still 44% lower than in 2019. The return to normality of tourism (8% of exports), which remained limited in the summer of 2021 with non-residents' overnight stays half of what they were in 2019, will depend on the health situation. Moreover, driven in 2021, as in the rest of the Eurozone, by the rise in energy prices, inflation in 2022 is expected to be fuelled by the passing on of the increase in production costs in industry to the consumers. While this will keep inflation high throughout the first part of the year, it is then expected to gradually ease, provided that wage increases remain moderate. After falling in 2020, insolvencies have remained at historic lows in 2021 (-46% compared to 2019) and are only expected to rebound in the second half of 2022.

Slight rebalancing of public accounts thanks to the end of the crisis

After having increased sharply in response to the scale of the crisis, the public deficit will be gradually reduced in 2022. This improvement will be attributable both to the fall in spending (-3.5% in volume) - due to the withdrawal of most support measures - and to the increase in tax revenue (income tax, VAT), thanks to dynamic activity, which will make it possible to compensate for the reduction in taxes on energy (tariff shield), the housing tax and the rate of corporate tax. Although it is expected to continue its downward trend, the public debt will remain very high and its sustainability will be one of the main challenges after the health crisis.

After a sharp increase in 2020, linked to the trade balance, the current account deficit is expected to continue to shrink in 2022, thanks to the gradual recovery of tourism, as well as aeronautical and auto exports, which will rebound as the semi-conductor shortage fades. At the same time, other key export sectors, such as cosmetics, leather goods and wines and spirits, will remain dynamic. The current account deficit is financed by the issuance of debt or listed shares purchased by non-residents. At the end of June 2021, non-residents held 49% of the securities issued by the French government, banks and companies.

President Macron tipped for re-election, the right and the far right in ambush

In power since 2017, President Macron, of the centre-liberal party La République En Marche (LaREM), appears to be the favourite for re-election in April 2022. Three months before the election, his popularity rating stood at around 40%, well above that of his two predecessors at that point in their term of office. Therefore, in January 2022, he was leading in the polls with 25% of voting intentions and a solid base of voters that made it likely that he would reach the second round. Behind him, nothing is certain. After having been, for a long time, the only opponent to be close to the President in the polls, Marine Le Pen, of the *Rassemblement National* (extreme right), was treading water at the end of 2021 (17%), following the entry into the campaign of another extreme right-wing candidate, the polemicist Eric Zemmour, credited with 13% of the vote. Moreover, this duo is neck and neck with Valérie Pécresse (17%), president of the Ile-de-France region and the candidate designated by the Republicans (right). At the other end of the political spectrum, a number of candidates have announced their candidacy: Jean-Luc Mélenchon (LFI, far left, 9%), Yannick Jadot (EELV, ecologist, 7%), Anne Hidalgo (PS, left, 5%) or Fabien Roussel (PCF, far left, 2%). As none of them seem to stand out, the election is expected to be decided between one of the right-wing or far-right candidates and the incumbent. While, at the beginning of 2022, the polls show the latter as the winner, whatever the configuration in the second round, a reversal of the situation cannot be ruled out.

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.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**2.1**
GDP PER CAPITA US Dollars - **2020**	**7,277**
CURRENCY CFA franc (CEMAC)	**XAF**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.9	-1.8	1.5	3.7
Inflation (yearly average, %)	2.0	1.3	1.7	1.7
Budget balance (% GDP)	2.1	-2.2	-1.7	-1.0
Current account balance (% GDP)	-0.3	-6.0	-3.2	-1.5
Public debt (% GDP)	62.4	77.0	72.0	69.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	46%
EURO AREA	26%
SOUTH KOREA	7%
UNITED STATES	4%
SINGAPORE	2%

Imports of goods as a % of total

EURO AREA	47%
CHINA	15%
UNITED STATES	4%
INDIA	4%
UNITED KINGDOM	2%

- Abundant natural resources: fourth-largest oil producer in sub-Saharan Africa (2020), fourth-largest manganese producer in the world (2020) and one of the continent's largest producers of tropical wood
- Willingness to strengthen its presence on the international scene
- 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 (estimated at between 40% and 50% of GDP)
- Widespread corruption
- Stock of domestic and external arrears not yet cleared

RISK ASSESSMENT

The gradual recovery continues, driven by the extractive sectors

After being severely affected in 2020 by the drop in oil prices linked to the COVID-19 crisis (oil revenues represent 40% of GDP), Gabon will build on the 2021 recovery in 2022. The rebound will be driven mainly by the increase in production capacity and by strong global demand for the country's export products, including oil products, mining products (manganese, of which production increased by 9.8% year-on-year in 2021, and uranium), agricultural products (palm oil) and forestry products (the objective is to increase timber production in the Nkok special economic zone). In 2022, although growth will be tempered by ageing oil fields, oil production will increase modestly, thanks to the gradual phase-out of OPEC+ quotas. Oil prices, which are expected to remain favourable in 2022, will continue to support activity. The tourism sector (around 3.5% of GDP in 2019) is also expected to pick up and will contribute to export recovery. While the external sector should benefit from persistently sustained demand (24% increase for exports in 2021), household consumption will be hampered by the unemployment rate, which remains high (over 25% in 2021), and COVID-19, which Gabon is struggling to contain due to its low vaccination rate (at the end of 2021, only 4.9% of the population was fully vaccinated). Foreign investment (9% of GDP), particularly in projects aimed at encouraging diversification, could also support activity, as in the case of an Indian group's project to build a wood veneer factory in the Ikolo area, with plans to employ 400 people in 2022. The contribution from investment will, however, be constrained by the public portion, as the authorities carry out fiscal consolidation.

The slow recovery of domestic demand and the CFA franc's peg to the euro should help to control inflationary pressures.

Twin deficits narrow but persist

The 20% drop in government revenues during the pandemic (due to the decline in oil revenues) and the increase in government expenditure led to a budget deficit in 2020. The recovery in oil revenues, improved mobilisation of non-oil revenues and control of current expenditure reduced the deficit in 2021 and will do the same in 2022. This improvement in the budget balance will take place against the backdrop of a continued heavy public debt burden, which, in June 2021, led Gabon to conclude a three-year agreement under its Extended Fund Facility (EFF) for an amount of USD 553 million in order to accompany the structural measures. After surging in 2020, the country's substantial public debt, which is mainly external (60% of the total in 2021) and held by multilateral (African Development Bank) and bilateral (France, China, and others) creditors, should resume its downward trajectory.

The current account deficit, which widened due to a fall in exports during the COVID-19 crisis, will continue to improve in 2022 on increased exports of oil, wood and mining products. In 2021, a bill was passed that obliges the country's food companies to source up to 50% of their agricultural products locally in order to limit the import bill (60% of food needs are imported). Nevertheless, their purchases will continue to curtail the trade surplus, as the country is dependent on imports of food, manufactured goods and capital goods. The current account deficit will be fuelled by deficits in the services account (9% of GDP), reflecting imports of technical and transport services to support oil production, and in the primary income account (11% of GDP), linked to the repatriation of profits from investments. IMF support and foreign investment should help finance the deficit.

After years of crisis, social unrest continues to run high

President Ali Bongo Ondimba, who has been in office since 2009 after succeeding his father, won a tumultuous re-election in 2016. He will be the favourite to win again in the 2023 presidential elections as he takes on a divided opposition. After the president was absent for several months due to health concerns in October 2018, a constitutional amendment was adopted in December 2020 to address a situation where the president is incapacitated. In this case, power would be temporarily transferred to the speakers of both houses of parliament and the defence minister. Pending the next elections, the authorities may have to contend with social movements linked to unemployment, poverty (30% of the population below the national poverty line), fiscal austerity and difficulties in containing COVID-19. The government will also be judged on its credibility in the fight against corruption. Public frustration could be further fuelled by the appearance of the president's name in the Pandora Papers. Regarding international relations, having won a non-permanent seat on the UN Security Council in 2021, Gabon will play a geopolitical role in promoting environmental preservation and regional conflict resolution. Already close to China and France, the country has ambitions to become a member of the Commonwealth, which would deepen diplomatic and economic ties with the UK. Gabon's integration could take place as early as 2022.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A3

POPULATION Millions of persons - **2020**	3.7
GDP PER CAPITA US Dollars - **2020**	4,275
CURRENCY Georgian lari	GEL

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.0	-6.8	7.7	5.5
Inflation (yearly average, %)	4.9	5.2	9.0	5.0
Budget balance (% GDP)	-2.7	-9.2	-6.5	-4.2
Current account balance (% GDP)	-5.5	-12.4	-9.0	-8.0
Public debt (% GDP)	40.4	60.0	52.5	52.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	14%
AZERBAIJAN	13%
RUSSIA	13%
EURO AREA	10%
BULGARIA	9%

Imports of goods as a % of total

TURKEY	17%
EURO AREA	16%
RUSSIA	11%
CHINA	9%
UNITED STATES	7%

- 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 Azerbaijani oil and gas from the Caspian Sea to Turkey)
- International support, including from the European Union (EU) and the International Monetary Fund (IMF)
- Numerous trade agreements, including with the EU and China
- Relatively good and improving business environment (obligation for companies to comply with IFRS, adoption in 2020 of laws governing bank resolutions and corporate failures to strengthen the protection of creditors' rights, as well as insolvency and reorganisation procedures)

- Small open economy sensitive to regional conditions
- High dependence on tourism (27% of GDP including direct and indirect activities, 29.5% of jobs, 36% of export earnings in 2019)
- Low economic diversification, weak manufacturing activity (9% of GDP in 2020) and low productivity in agriculture (7% of GDP, 20% of the workforce in 2020)
- Structural trade deficit and low-value exports
- Highly dollarized banking system (63% of deposits and 55% of loans in 2020)
- High poverty (21.3% of the population in 2020) against a backdrop of unemployment, low levels of education, an informal economy (38% of GDP in 2020) and a rural population (42% of the total in 2019)
- Poor governance (corruption, politicised court system)
- Vulnerability to division between the pro-Western government and pro-Russian opposition blocs
- Strained relations with Russia due to the situation in the self-proclaimed independent regions of Abkhazia and South Ossetia (18% of the territory), occupied by Russian military forces

RISK ASSESSMENT

Private consumption held back by the weak lari

The economy contracted sharply in 2020 due to the pandemic-driven collapse in tourism. Nevertheless, despite rising case numbers, the government has been reluctant to close businesses, in order to keep the economy afloat. The recovery that began in 2021 was fuelled by the services sector (70% of GDP), including retail sales, accommodation, restaurants, arts and entertainment. This trend will continue in 2022, despite the dissipation of the positive base effect. Private consumption (75% of GDP) will remain the main driver, supported by expatriate remittances (estimated at 11% of GDP in 2021). Tourism activity will remain constrained and is unlikely to return to its 2019 level. On 15 March, the government began its vaccination program, but progress is slow: as of 11 January 2022, 25.5% of the population was fully vaccinated.

Exports (copper ore, wine, mineral water) will be held back somewhat by slower growth in China and Russia, two of Georgia's largest trading partners. Moreover, with the recovery of imports driven by rising domestic demand, foreign trade (-13% of GDP) will continue to contribute negatively to growth. On the back of a rapid recovery in domestic demand, high oil and food prices and a weak lari pushed average inflation to high levels, exceeding the 3% target. In response, the National Bank of Georgia (NBG) hiked its policy rate by 100 basis points to 10.5% at the end of 2021. In 2022, the absence of base effects and tighter monetary policy will bring inflation closer to target. Given Georgia's small and open economy, the lari exchange rate is determined by the current account situation. Accordingly, an improvement in the current account in 2022 will stabilise the exchange rate. However, the weak exchange rate makes imports expensive, eroding household purchasing power. Moreover, since the Georgian economy is heavily dollarized, lari depreciation through to 2020 severely impacted households that had borrowed in foreign currency.

Progressive consolidation of the public accounts

The revised budget for 2022 contains higher projections for both revenues and expenditures. The increase in revenue (26% of GDP) will come from enhanced taxation. Tax on profits is projected to increase by 65% over 2021. Property tax and income tax revenues are expected to increase by 9.5% and 26%, respectively. On the expenditure side (30.2% of GDP), most of the increase will go to civil servants' salaries and capital investment spending on infrastructure, education, health and pensions. However, total spending is expected to decline slightly, as it will be offset by lower pandemic-related costs and borrowing. Public debt (52% of GDP, 80% external), which is heavily denominated in foreign currency (42%), is vulnerable to changes in the health situation and political tensions, which could sap investor confidence and weaken the lari. However, the government is committed to fiscal consolidation, which makes the debt sustainable. The current account deficit is driven by the trade deficit and the primary deficit (fuelled by income repatriation by foreign investors), which are partially offset by remittances and transfers from expatriates residing mainly in Russia and Italy. The current account deficit is expected to decline somewhat in 2022, thanks in part to a recovery in tourism. This will be partially offset by an increase in the average price of oil, as Georgia is an energy-importing country. The deficit will continue to be financed mainly by medium and long-term borrowing, as well as by FDI inflows (5% of GDP in 2021, with a rising trend in the energy and transport sectors), allowing foreign exchange reserves to remain stable (five months of imports). External debt (92% of GDP in 2022, excluding intra-group loans), including the public share (46% of the total), is held mainly by multilateral donors (75%), such as the World Bank, the ADB, the EIB and the IMF, on concessional terms, ensuring sustainability.

A former president's return heightens political tensions

The October 2020 parliamentary elections saw the victory of the party in power since 2012, the Georgian Dream-Democratic Georgia Party (GD-DG, 48% of the vote), followed by the former majority party, the United National Movement (UNM, 27%). The GD-DG won 60% of the seats, compared with 75% in 2016, allowing it to form a government on its own. The opposition staged demonstrations after the results, refused to enter parliament and denounced vote buying. In April 2021, an EU-brokered agreement was reached to end the opposition boycott and allow it to return to parliament. Ultimately challenged by the GD-DG and the UNM, the agreement stipulated that if the ruling party received less than 43% of the vote in the next local elections, parliamentary elections would be held in 2022. On 1 October 2021, the authorities arrested former president Mikheil Saakashvili (2004-2013) on his return from Ukraine. His arrest was expected, and his return was probably planned to coincide with the local elections in order to bolster support for the UNM, of which he is honorary president. Although Mr. Saakashvili still has a significant number of supporters, the GD-DG came out on top during the local elections in October 2021, winning 19 out of 20 municipalities. However, early elections in 2022 (instead of in 2024 as scheduled) are likely if there is growing public dissatisfaction with the GD-DG.

GERMANY

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	83.2
GDP PER CAPITA US Dollars - **2020**	46,216
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.1	-4.6	2.8	3.3
Inflation (yearly average, %)	1.5	0.5	3.1	4.4
Budget balance (% GDP)	1.5	-4.3	-6.4	-2.4
Current account balance (% GDP)	7.4	7.0	6.7	6.5
Public debt (% GDP)	58.9	68.7	70.4	67.6

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	9%
CHINA	8%
FRANCE	8%
NETHERLANDS	7%
UNITED KINGDOM	6%

Imports of goods as a % of total

NETHERLANDS	14%
CHINA	8%
POLAND	6%
FRANCE	6%
BELGIUM	6%

+

- Strong industrial base (23% of GDP, 2020)
- Low structural unemployment; well-developed apprenticeship system
- Importance of family-owned exporting SMEs (Mittelstand)
- Resilient private household debt (99% of net disposable income, 2020)
- Consensus orientated politics, institutional system promoting representativeness

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- Declining working population from 2020 onwards, despite immigration
- Low bank profitability
- Prominence of the automotive and mechanical industries, particularly in exports (30% of total exports in 2020)
- 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	LOW
CONSTRUCTION	MEDIUM
ENERGY	HIGH
ICT*	MEDIUM
METALS	MEDIUM
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Delayed recovery slowly catches up in 2022

In 2021, the expected strong economic recovery did not work out. First, because of huge COVID-19 waves, the country was in a severe lockdown until late May. Then, supply-chain issues in form of shortages of raw materials and intermediate goods, in particular semiconductors for auto- and equipment manufacturers, as well as transportation problems, led to an ongoing reduction of industrial production in the second half of the year, although order books built up. In addition, from October onwards, a fourth pandemic wave hit the country and led to a strict lockdown for non-vaccinated people in late 2021. In the first half of 2022, many of these problems will still be overshadowing the economic recovery. However, consumption should then be a main driver of economic growth. It will be supported by the very high savings rate and a strong labour market, where the unemployment rate reached pre-COVID levels already in November 2021 and should decrease further over the year to near full-employment. Accordingly, wages and salaries should record stronger increases and pull the purchasing power of households. However, a large part of this will be levelled out by the ongoing strong consumer price pressure, which should peak in late spring 2022 before slowly decreasing. Besides high energy and food prices, the bottlenecks in the supply-chain, which will initially keep input-prices high, will remain one of the main reasons for these price dynamics. The slow dissolution of the supply-chain issues from mid-2022 onwards should awaken private investments and goods exports from hibernation in the second half of the year to start a strong catch-up process. Conversely, goods imports, especially those meant for consumption, should be strong for the year overall. Some growth support should also come from the public sector, albeit not as strong as in 2021. Nevertheless, the government announced structural investments of EUR 51.8 billion (1.4% of GDP) in 2022 (noticeably more than in 2019, 1.1% of GDP) mainly in the area of environmental protection, the healthcare system and digital infrastructure. Payments within the EU's Recovery and Resilience Facility, which include EUR 25.6 billion in grants (0.7% of GDP) between 2021 and 2026, are already included into this plan for 2022. Further support, especially for investments, will also come from the ECB's unchanged low deposit rate (-0.5%) and the purchases of assets in its current emergency program with a total envelope of EUR 1850 billion until the end of March 2022. Beyond that, net purchases under its normal asset purchase programme will continue at a probable monthly pace of EUR 20 billion or higher.

A public deficit for the third year in a row

Due to reduced expenditures and higher tax receipts, the public balance will improve, but remain in deficit for the third consecutive year. Thanks to the negative interest rates, the public debt ratio should decrease, but remain above the Maastricht-target of 60% of GDP. Germany's current account surplus should remain almost unchanged. After the supply-chain problems slowly dissipate, the trade-in-goods surplus will increase. On the other hand, the services balance could slowly turn into a slight deficit again, after global travel restrictions progressively ease, while the balance of investment income (surplus) and the balance of financial transactions (deficit) should see only cosmetic changes. Due to the high current structural current account surplus, Germany's international investment position reached 61% of GDP in Q2 2021.

The first three-party-governing coalition

In September 2021, the social-democratic SPD won the parliamentary election with 25.7% of the votes just ahead of the Christian-democratic CDU/CSU with 24.1%. This was the worst result for the CDU/CSU in its history and probably a result of Angela Merkel (CDU) not standing for election again. Third in the race were the environmentalist Greens (14.8%), followed by the liberal FDP (11.5%), the right-national AfD (10.3%) and the Left (4.9%). SPD, Greens and FDP formed in December 2021 the very first three-party coalition on the federal level under the leadership of the new chancellor Olaf Scholz (SPD). A main shift in the German policy is not expected, as the SPD was part of the former Grand Coalition (2013–2021) and the policy under Angela Merkel was very consensus orientated. However, the Greens will make sure that environmental issues will become a number one priority, while the FDP will insist that Germany returns to the fiscal break (public finance in balance) soon. This means that the potential for conflicts will be higher in this coalition than in the previous years. Nevertheless, the coalition should hold until the next election in September 2025.

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 - 2020	30.8
GDP PER CAPITA US Dollars - 2020	2,226
CURRENCY Ghana cedi	GHS

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	20%
SWITZERLAND	16%
EURO AREA	15%
SOUTH AFRICA	14%
UNITED STATES	7%

Imports of goods as a % of total

CHINA	15%
EURO AREA	15%
UNITED KINGDOM	14%
UNITED STATES	8%
VIETNAM	4%

- Health system highly ranked in Africa
- Significant mining (gold), agricultural (cocoa), oil and gas resources
- Huge rise in mobile telephony and progress in digitalisation
- Stable democracy
- Attractive business environment, favourable to FDI
- International financial support
- Economic Partnership Agreement with the EU entered into effect in 2021

- High level of debt and risk of fiscal slippage
- Low government revenue: 13% of GDP
- Private sector crowded out of the local credit market by public financing needs
- Weak banking sector: 17.3% doubtful loans in August 2021, high credit costs (12% on average, without inflation), share of government securities in assets (45%)
- Narrow production base: dependence on commodity prices: gold and oil (70% of exports), cocoa (10%, 30% with other agricultural products, such as cashew nuts)
- Large informal economy (27% of GDP)
- Infrastructure gaps (energy, transport)
- Separatist tendencies on the eastern border with Togo

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.5	0.4	4.8	6.0
Inflation (yearly average, %)	7.2	10.0	9.5	9.0
Budget balance* (% GDP)	-7.2	-15.7	-14.5	-11.0
Current account balance (% GDP)	-2.7	-3.2	-2.2	-4.0
Public debt** (% GDP)	62.6	78.9	84.0	85.0

(e): Estimate. (f): Forecast. * Costs of cleaning up the financial sector, as well as consolidating the energy sector, included.
** Including public enterprise debt, government guarantees, financial sector liabilities and public-private partnerships.

RISK ASSESSMENT

The recovery gains momentum

While already clearly apparent in the second half of 2021, the economic recovery will gain momentum in 2022, barring a serious relapse in the health situation, which is always possible given the persistently low vaccination rate at the end of 2021. Household consumption (70% of GDP), by far the main driver of activity, will remain vibrant with the lifting of mobility restrictions, the increase in expatriate remittances (5% of GDP in 2020), and the resumption of tourism (5.5% of GDP in 2019), a major source of informal jobs for young people. Conversely, the public consumption boom of 2021 will be a distant memory due to fiscal difficulties. Capital investment (14% of GDP) will remain strong, although the public portion will be eclipsed by that of the private sector. The One District One Factory initiative, which promotes infrastructure projects and industrial sites to diversify the economy, will continue, as will the COVID-19 Alleviation and Revitalization of Enterprises Support (CARES) initiative. A USD 16 billion (25% of GDP) programme over 2020-2024, the CARES initiative, which is 30% funded by the government, is intended to revive the economy and attract investment through exemptions from charges, specific loans and public-private partnerships. Agribusiness, fertilisers, automotive assembly with the arrival of major global players (Volkswagen, Nissan, Toyota), aluminium and steel are the key target areas. FDI will increase in mining, while development of the Pecan hydrocarbon field will have to be taken over by state-owned companies as foreign players withdraw. Net exports should make a further positive contribution to growth, benefiting from commodity export performances. They will be supported by prices for oil, gold and cocoa (these accounted for 80% of merchandise export earnings in 2020), which remain favourable after the increase recorded in 2021. However, illegal mining and smuggling of gold, competition from cheaper cocoa, and above all increased imports due to the recovery of domestic demand will weigh on the contribution of foreign trade to growth.

A difficult fiscal situation

The crisis exacerbated Ghana's already difficult fiscal situation. The deficit ceiling (5%) provided for in the Fiscal Responsibility Law was suspended. A consolidation process began in 2021, focused on boosting revenues, with taxes on fuel and bank profits and increases for VAT and health insurance contributions, which could bring in the equivalent of 1.4% of GDP. These efforts are expected to continue in 2022, with a freeze on current expenditure (wages and debt interest absorb half of revenues), investment cuts, and the phase-out of COVID-related spending (3% of GDP). This consolidation process is challenging to accomplish, given the government's small majority, and will be insufficient to prevent the debt from increasing further this year. This debt is almost equally divided between domestic creditors (banks and other financial institutions) and foreign creditors (half-public, half-private). The financing requirement arising from the deficit and debt service is 24% of GDP. After being put on hold because of the crisis, efforts to reform ailing public sectors, such as the energy sector, through the Energy Sector Recovery Program (2019-2023), will once again be prioritised. The government's new arrears to the energy sector, in particular due to Take or Pay contracts with independent gas and electricity producers, represent 1% of GDP each year. In addition, the financial sector could be weakened and become a burden again. Overall, the debt represents a high risk that will be manageable only if growth remains strong, the terms of trade stay favourable, and markets are confident.

The crisis only slightly widened the current account deficit, which remained modest in 2020. However, while it narrowed in 2021, the deficit is set to increase slightly in 2022 as the comfortable trade surplus shrinks due to a larger import bill. As in the past, the current account deficit will be driven largely by the income deficit, reflecting increased debt servicing and profit repatriation by foreign investors, and by the services deficit, which is however poised to narrow thanks to a pick-up in tourism. The services deficit is dominated by purchases of services related to oil development and transport, and is increasing due to growing use of telecommunications. The increase in expatriate remittances (5% in 2020) will not make up for these deficits. With FDI for the development of the Pecan hydrocarbon field drying up, financing of the current account deficit has been weakened. In addition, despite central bank interventions, the cedi may continue to depreciate slowly, in line with the still high level of inflation (linked to that of food products). Foreign exchange reserves represented three months of imports at the end of 2021 and were bolstered by the IMF's allocation of USD 1 billion in SDRs in August 2021. Bond issues and a possible new programme with the IMF would complete the financing.

Stable institutions

The December 2020 elections returned President Nana Akufo Addo to a second and final term (51.3% of the vote in the first round). His New Patriotic Party and the main opposition party, the National Democratic Congress, each won 137 of the 275 seats in thessembly. With the lone independent joining the NPP, the president has a slim majority, forcing him to make concessions to maintain party loyalty. Ghana has close ties to the United States and the United Kingdom, as well as with China, an important trading partner.

GREECE

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2020**	10.7
GDP PER CAPITA US Dollars - **2020**	17,657
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.8	-9.0	8.8	4.6
Inflation (yearly average, %)	0.3	-1.3	1.2	4.3
Budget balance (% GDP)	1.1	-10.1	-9.6	-3.7
Current account balance (% GDP)	-1.5	-6.6	-4.5	-4.4
Public debt (% GDP)	180.6	206.4	197.4	190.0

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

TRADE EXCHANGES

Exports of goods as a % of total

ITALY	11%
GERMANY	8%
CYPRUS	6%
FRANCE	6%
BULGARIA	5%

Imports of goods as a % of total

GERMANY	12%
ITALY	9%
CHINA	8%
NETHERLANDS	6%
RUSSIA	6%

- 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
- Low labour participation and lack of skilled workers

RISK ASSESSMENT

An investment bonanza and resurgent tourism drive a vibrant recovery

In 2021, Greece saw a strong economic recovery thanks to a successful pandemic management (the pandemic remained stable, an advantage compared to other Mediterranean countries) and favourable weather enabling a wide-ranging reopening of services, allowing tourist activity to peak at 78% of pre-pandemic levels in the summer. In 2022, this success story should continue. At the end of 2021, already around 70% of the population was fully vaccinated, 25% with a booster shot. This builds the basis for the further robust recovery of tourist activity, which will be one of the main drivers of economic growth. Positive contribution from net exports should be supported by the performance of the trans-shipping sector, which already benefited from global trade tailwinds last year. Sales of pharmaceuticals, food, IT products and aluminium should remain bright. The EU's Recovery and Resilience Facility, of which Greece will be the largest beneficiary in relative terms with grants and loans amounting to roughly 18% of 2019 GDP over the 2021-2027 period, should also be a main pillar of economic growth. These funds will be used to, for instance, strengthen the electricity grid (particularly in the islands) and launch digitalization ventures including the EUR 870 billion ultrafast broadband project. These measures should catalyse a boom in private investments. However, Greek banks will remain cautious in their financing as still 20% of their total loans are non-performing despite some recent improvements. Accounting for almost 70% of GDP, private consumption will, however, play an unusually modest role in the recovery. While the labour market has improved noticeably in 2021 and the unemployment rate reached pre-COVID-19 levels in summer 2021, its level should remain high compared to other EU countries and still weigh on wage growth this year. At least, the minimum wage rose in January by 2% and should support the purchasing power of low-income households. Although inflation was, until early autumn 2021, less a concern than in most European countries, due to spare capacity, it picked up noticeably thereafter, to probably peak in late spring 2022. It is expected to moderate in the back half of the year as transitory factors (*e.g.* high energy prices, COVID-induced supply chain disruptions and pent-up global demand) recede. Some support will still come from the ECB's unchanged low deposit rate (-0.5%) and assets purchases within its emergency program with a total envelope of EUR 1850 billion until the end of March 2022. Beyond that, its normal assets purchase programme will continue at a probable monthly pace of EUR 20 billion or higher.

Greece is only slowly returning to fiscal austerity

While the public balance should improve noticeably in 2022, it will remain negative and above the Maastricht target of 3%. Most COVID-19 related support measures were phased out and giant forest fires like last year are not expected. However, some economic support measures like, for example, lower social security contributions and the suspension of the social solidarity tax in the private sector, were prolonged until mid-2022. In addition, the government announced further tax relief measures and a frontloading of the defence spending program. Public debt remain huge, but will benefit from the still strong economic recovery. The structural current account deficit has narrowed in 2021 and should stabilize in 2022. Due to stronger goods imports compared to exports, in line with robust domestic demand, the trade in goods deficit increased, but was more than levelled out by a higher services trade surplus (tourism) and a positive net income from investment abroad (which turned from a deficit into a surplus), as well as higher international transfer payments with EU grants.

Racing against the clock to reform, tensions 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 enjoys strong popular support and is headed for re-election in 2023. The ordered pandemic response and the impetus for business-friendly reforms have not been stymied. The reforms have, for instance, strengthened independence and transparency in public sector recruiting and moved forward with key privatization projects. However, implementing their ambitious reform agenda could be more difficult in a second mandate. Indeed, it is usual for Greek governments to enjoy majority, as the largest party receives a 50-seat bonus. However, this bonus was cancelled by the former administration and, despite being reinstated by the present one, will not apply in the next elections. Therefore, necessary coalition-building will require compromises. On the geopolitical front, the big challenge will be avoiding an outright conflict with Turkey while managing migrant flows and asserting energy interests. The dispute over the Greek maritime claims based on the entitlement of its numerous islands to the exclusive economic zone (EEZ) and continental shelf (CS) has intensified after the discovery of hydrocarbon reserves.

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	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**18.0**
GDP PER CAPITA US Dollars - **2020**	**4,317**
CURRENCY Guatemalan quetzal	**GTQ**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.9	-1.5	4.6	4.0
Inflation (yearly average, %)	3.4	4.8	4.5	3.6
Budget balance (% GDP)	-2.2	-4.9	-3.4	-2.8
Current account balance (% GDP)	2.3	5.5	2.3	1.7
Public debt (% GDP)	26.5	31.5	32.4	33.4

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	30%
EL SALVADOR	11%
HONDURAS	9%
EURO AREA	8%
NICARAGUA	6%

Imports of goods as a % of total

UNITED STATES	34%
CHINA	12%
MEXICO	12%
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

- Low tax revenues
- Poor health, education, water and power infrastructure
- Rural poverty, inequality, under-employment, informal economy, ethnic divisions
- Vulnerable to external shocks (natural disasters and impact of commodity prices on imports and exports)
- Heavily reliant on low value-added industry and expatriate remittance flows
- Security issues related to drug trafficking
- Social and political instability

RISK ASSESSMENT

Faster economic recovery than its peers

Guatemala will continue to outperform its neighbours with sustained growth driven by net exports and remittances from expatriates in the Unites States. These remittances will be powered by U.S. growth and falling unemployment among the U.S. Latino population, particularly in the construction sector, where many Guatemalans work. Representing around 30% of household income, these flows should continue to support household consumption, which accounts for 85% of GDP. Despite an increase in social spending in the 2022 budget, the high level of poverty, particularly in rural areas hit by two hurricanes at the end of 2020, will continue to favour consumption of essential products with low added value. The return of inflation to the middle of the central bank's target window (4 +/- 1%) should also support consumption. This will allow the central bank to maintain its expansionary policy by keeping its key rate at 1.75%, which should facilitate the growth of credit to the private sector, especially to businesses, as President Giammattei has resumed the implementation of his pro-business policy agenda. The expansion of the free trade zones in May 2021 could reverse the downward trend in activity in these zones over the past few years and attract new foreign investors. Improved investor confidence and stronger growth in the United States should benefit the country's leading sectors, notably agriculture, agri-food, and chemicals. The agricultural sector will benefit from a favourable base effect following a tough year in 2021 due to bad weather at the end of 2020. The construction sector will remain extremely busy, with public investment in infrastructure and increased investment. The tourism sector is set to continue its slow recovery as travel restrictions are lifted in European countries and the United States.

Good fiscal health and a current account surplus

The draft 2022 budget foresees a 3.3% decrease in total expenditure compared with the 2021 budget, which repeated the 2020 plan after the initial draft was rejected. In all, 71.5% of the financing needs are to be covered by budgetary revenues, which are forecast to increase following efforts to boost collection. These revenues hit their lowest level ever in 2019 (11.5% of GDP), and uncertainty remains over the success of reforms undertaken to increase them. The rest of the financing should come from bonds issued at relatively low rates on the international markets. External borrowing, notably from multilateral lenders and the United States for specific development projects, will round out the financing. Public debt will remain largely contained and is particularly low by regional standards.

The current account should show a smaller surplus. The goods deficit will increase on stronger demand for capital goods to support activity coupled with higher energy prices. Brisk chemical, agricultural (sugar, coffee, pineapple) and textile exports will not fully compensate for this increase. The balance of services should also remain in deficit, while the tourism sector has not yet returned to its pre-crisis levels. The income surplus will shrink owing to increased repatriation of dividends by foreign companies and slower growth in expatriate remittances (13.6% of GDP in 2019). However, the current account surplus should allow further consolidation of the foreign exchange reserves, which were already equivalent to eight months of imports at the end of 2021, while FDI (1.0% of GDP in 2019) remains below its target level. These comfortable reserves will make it possible to limit devaluation of the quetzal, which will remain overvalued in real terms, affecting export competitiveness.

The political landscape remains fragmented

Despite enjoying a high popularity rating when he took office in January 2020, Alejandro Giammattei has found his ability to act limited by the political fragmentation of the country's assembly. His party, Vamos, has only 16 of the 160 seats in Congress, which is divided among ten parties. This means that coalitions must be formed on a case-by-case basis when adopting reforms. Building successful coalitions is likely to be made increasingly difficult by the approach of elections scheduled for 2023, while opposition parties may seek to further slow the pace of reform. This situation is compounded by popular discontent, which has been mounting since the start of the pandemic, with protests breaking out at the end of 2020 in connection with adoption of the 2021 budget. Considered insufficiently transparent and overly focused on infrastructure investment at the expense of social programmes, the budget was finally abandoned in the face of massive protests. In this environment, corruption remains a hot topic, particularly following the ousting of anti-corruption prosecutor Juan Francisco Sandoval in the summer of 2021, while he was investigating corruption cases in the president's entourage. The Biden administration has repeatedly made its development aid conditional on the implementation of a genuine anti-corruption strategy. Migration will also remain a central issue. Hopes that the Biden administration would adopt a less strict policy encouraged people to head to America in 2021. A recent U.S. Supreme Court ruling requiring these migrants to wait for a response to their asylum claims on the Mexican side of the border could however change this trend.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**14.0**
GDP PER CAPITA US Dollars - **2020**	**1,102**
CURRENCY Guinean franc	**GNF**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.6	7.1	5.2	6.0
Inflation (yearly average, %)	9.5	10.6	11.6	9.0
Budget balance (% GDP)	-0.5	-2.9	-2.2	-2.5
Current account balance (% GDP)	-10.8	-13.7	-9.2	-11.0
Public debt (% GDP)	33.8	39.1	43.3	43.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	21%
UNITED ARAB EMIRATES	18%
INDIA	16%
CHINA	12%
SWITZERLAND	9%

Imports of goods as a % of total

EURO AREA	24%
CHINA	19%
INDIA	11%
JAPAN	9%
UNITED ARAB EMIRATES	7%

- 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

RISK ASSESSMENT

Growth supported by the mining sector

Despite the COVID-19 pandemic, economic growth increased in 2020, thanks to the mining sector. After remaining robust in 2021, activity should strengthen in 2022. The mining sector (25% of GDP) will continue to be the main driver, driven by rising bauxite production, which accounts for 55% of China's supply and 20% of global aluminium production. Sustained demand for bauxite and continued high gold prices will drive ore exports, curbing the impact of rising investment-related imports on the net contribution from foreign trade. In addition, investment will also support growth, benefiting in particular from improved energy supply following the commissioning of the Souapiti hydroelectric dam in 2021. The mining sector will continue to be a major recipient, through the Simandou iron ore project. Furthermore, government investment in transportation will create opportunities and support growth in the construction sector. In 2021, for instance, the government launched the construction of a 650 km railway to transport future ore production from Simandou to the future deepwater port of Matakong. However, political uncertainty following the coup could discourage some investors if it persists. The recovery of the services sector, which employs 34% of the workforce and accounts for 40% of GDP, could also be affected by political uncertainty in 2022. However, it should be supported by household consumption, which remained modest in 2021 but is poised to strengthen in 2022 as mobility restrictions are eased and inflation falls. The increase in domestic agricultural supply will relieve inflationary pressures from high food import prices. The agricultural sector, which accounts for 25% of GDP and 60% of employment, is expected to perform well in 2022, supported by World Bank financial support aimed at boosting productivity (increased fertiliser use, improved irrigation systems, increased area cultivated).

Financing needs dependent on foreign actors

The budget deficit narrowed slightly in 2021 and is expected to stabilise in 2022. The increase in capital expenditures related to investments should be offset by growth in mining sector revenues and a reduction in electricity subsidies. Financing the deficit will entail borrowing from international donors (IMF, AfDB, World Bank) and from China, the main creditor, which holds half of the external public debt (26% of GDP). The government-debt-to-GDP ratio should nevertheless stabilise in 2022 on the back of rapid economic growth.

After improving in 2021, the current account deficit is expected to widen in 2022. The increase in gold and bauxite exports (90% of exports) will be reflected in the trade balance. Moreover, the completion of the Souapiti project in 2021 should moderate the need for capital goods imports. However, the balance of services will remain largely in deficit with the resumption of purchases of technical services related to these projects, particularly transport services. Owing to the high level of foreign ownership in mining production, almost half of all net export earnings are repatriated as dividends, increasing the primary income deficit. The secondary income balance will remain in surplus thanks to international aid and workers' remittances from abroad. The deficit will be financed by FDI (covering 70% of financing needs) and project loans. However, the country's political uncertainty in 2022 could threaten these sources of financing.

Increased international pressure after the coup

On 5 September 2021, Lieutenant Colonel Mamady Doumbouya, head of the Guinean army's Special Forces Group (GFS), seized power in a coup, announcing the arrest of President Alpha Condé, the dissolution of the government and the suspension of the constitution. After being sworn in as transitional president in October, he appointed Mohamed Beavogui as prime minister to lead the government until elections are held. However, no date has been set for the elections, fuelling uncertainty about how long the transition will last. This political upheaval follows Mr. Condé's controversial re-election for a third term in October 2020, which led to demonstrations, some of which were violently repressed, and the arrest of opponents. Mr. Condé, who had been in power since 2010, had had a new constitution adopted in March 2020 allowing him to run for a third term at the age of 82. While some Guineans may have welcomed the coup, it was unanimously condemned by the international and regional community, including the African Union and ECOWAS, both of which suspended the country. ECOWAS continues to press for democratic elections to be held within six months, starting from September 2021. The situation puts the country at risk of economic sanctions. For example, in November 2021, the United States suspended the country's eligibility for AGOA, a trade programme that facilitates access to the U.S. market.

GUYANA

COFACE ASSESSMENTS

COUNTRY RISK C

BUSINESS CLIMATE C

POPULATION Millions of persons - 2020: **0.8**

GDP PER CAPITA US Dollars - 2020: **6,953**

CURRENCY Guyana dollar: **GYD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.4	43.5	20.4	48.7
Inflation (yearly average, %)	2.1	0.7	3.2	2.7
Budget balance (% GDP)	-2.8	-8.0	-7.2	-2.1
Current account balance (% GDP)	-54.4	-14.5	-16.8	13.8
Public debt (% GDP)	43.9	51.4	47	36.2

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	28%
CANADA	15%
TRINIDAD AND TOBAGO	10%
JAMAICA	7%
UNITED ARAB EMIRATES	6%

Imports of goods as a % of total

UNITED STATES	33%
PORTUGAL	16%
TRINIDAD AND TOBAGO	11%
CHINA	9%
JAPAN	3%

+
- Attractive prospects for investors in mining, hydroelectric power and agriculture
- Abundant offshore oil and gas reserves, being developed since 2020
- Member of the Caribbean Community and Common Market (CARICOM)

−
- Reliance on natural resources (gold, bauxite, sugar, rice, wood and, above all, oil from 2020 onwards)
- Shortcomings in transport, electricity, 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 83/180 by Transparency International's Corruption Perceptions Index in 2020)

RISK ASSESSMENT

The oil sector development will drive dizzying growth

In 2022, activity will continue to post a bright performance, with growth tremendously outpacing that of other neighboring economies. This is majorly underpinned by the recent strong development of the local energy sector and the supportive international oil prices, which have also boosted related services, construction, private investment and exports. As a matter of fact, oil output will increase from 120,000 b/d in 2021 to 320,000 in 2022, thanks to a new facility in Liza field. 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. Indeed, in October 2021, the company increased its estimate of the discovered recoverable resource to approximately 10 billion oil-equivalent barrels. Moreover, rising oil tax revenues will allow the government to increase social spending, while also raising public investment. Still, the oil sector windfall and the economic reopening (amid the progress in COVID-19 vaccination) should also contribute to the increase in household consumption (69% of GDP). Downside risks are related to possible new COVID-19 strains, 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.

Oil will allow the current account to switch to a surplus and the fiscal deficit to shrink

The current account deficit should turn into a surplus in 2022, mostly driven by the positive trade balance, as strong oil prices and rising production will support exports. This should offset the rise in capital goods imports, such as higher purchase of machinery and equipment for oil development and stronger public investments. Likewise, the services deficit should continue to rise driven by oil-related services. Regarding foreign direct investment (33% of GDP), it should increase thanks to investments directed towards the energy sector. Besides, foreign exchange reserves amounted to USD 819 million as of September 2021 (equivalent to only 1.9 months of imports). Looking ahead, the expected shift of the current account to a surplus in 2022 and the strong inflow of FDI could contribute to improve the country´s international reserves position. In addition, Guyana's Natural Resource Fund stood at USD 267.7 million at the end of March 2021 (USD 246.4 million in oil earnings and USD 21.3 million in royalties). Finally, in Q3 2021, external public debt was at USD 1.3 billion (or 25% of 2020 GDP), of which 64% is owed to multilaterals.

Regarding the fiscal account, the government maintained a high deficit in 2021. This was underpinned by the increase in public investment and the still high COVID-19 expenses. In 2022, the fiscal deficit will dramatically narrow, as the strong expected GDP growth and favourable oil prices will support tax intakes and will more than compensate the rise in public expenditure. While COVID-19 related expenditure is set to decline, the government will continue to take advantage of the oil sector windfall to support the expansion of other activities (including public works).

The government has focused on seeking more favourable conditions for future oil contracts and in improving the local power system

President Irfaan Ali from the centre-left People's Progressive Party/Civic (PPP) took office in August 2020. He succeeded David Granger, who had headed a multi-ethnic coalition, the People´s National Congress or PNC led by the APNU and its junior partner, the AFC. There are historical frictions between the two major parties (the PPP and the APNU). 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 him a majority in the 65-seat National Assembly (the APNU+AFC coalition having 31 seats). Since taking office, Mr. Ali´s administration has eased its critics on the APNU 2016 production sharing agreement with ExxonMobil (considered as disproportionally favourable for the company with the government getting 2% royalties and 50% of profits). In August 2021, it rather stated its intention to increase oil royalties as part of a new profit-sharing agreement for future crude and gas projects, while also strengthening environmental regulations. Additionally, the ruling government also aims to improve the expensive and inefficient power system, while reducing its dependence on imported refined oil (the country does not have a local refinery) and constant outages. A cleaner energy strategy announced in October 2021 entails the upgrade of the transmission and distribution lines, the building of a gas-fuelled power plant fed by a 220-kilometer pipeline with offshore fields, and expansion of hydropower capacity. It has sought private investment for starting the construction of the plant in 2022. In a second stage (2027–2032), demand would also be met by solar and wind projects, replacing fuel oil power plants. This will be key, since the country´s power demand is expected to triple over the next five years. Regarding the protracted border dispute with Venezuela, it is unlikely to be resolved in the short-term. In September 2021, Venezuela´s president Nicolás Maduro and opposition leader Juan Guaidó agreed that the oil-rich Essequibo region, which Guyana claims as its own, belongs to Venezuela and rejected the International Court of Justice's role in settling the dispute.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2020	11.7
GDP PER CAPITA US Dollars - 2020	1,235
CURRENCY Haitian gourde	HTG

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	80%
CANADA	6%
EURO AREA	3%
MEXICO	3%
DOMINICAN REPUBLIC	1%

Imports of goods as a % of total

CHINA	25%
UNITED STATES	21%
NETHERLANDS ANTILLES	13%
EURO AREA	7%
INDONESIA	5%

- Development and reconstruction programs established with international donors
- Membership in regional organisations (Association of Caribbean States, Organization of American States, CARICOM, CARIFORUM)
- The country received roughly USD 224 million in August 2021 from the IMF Special Drawing Right (SDR) allocation (roughly 1.5% of GDP)

- Highly vulnerable to natural disasters, including hurricanes and earthquakes
- Low level of development and extreme poverty (HDI ranking of 170 out of 189), deep inequality with poor social policy
- Dependent on expatriate remittances, international donations and the United States
- Lack of infrastructure, particularly energy infrastructure (70% of the population does not have access to electricity)
- Poor governance and low-quality business environment, large informal sector
- Fiscal cost of unreported imports from Dominican Republic
- Political instability and insecurity

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth (%)	-1.7	-3.3	-0.7	1.3
Inflation (yearly average, %)	17.3	22.9	16.2	15.5
Budget balance* (% GDP)	-1.3	-2.2	-2.1	-2.2
Current account balance* (% GDP)	-1.2	3.4	-0.3	0.2
Public debt (% GDP)	27.5	24.3	26.8	26.6

(f): Forecast. *Grants included.

RISK ASSESSMENT

Mild economic expansion amid rising violence and political uncertainty

The economy is expected to slightly rebound in 2022, following the three-year recession (2019-2021). Tourism (accounting for roughly 9% of GDP before the crisis) is not likely to recover strongly, due to the poor progress in terms of COVID-19 vaccination locally and the rising criminality across the country. Moreover, while higher remittances from expatriates in the U.S. support local households, consumption growth should still be somewhat hampered by weak income fundamentals and persistent inflation, induced by the monetary financing of the fiscal deficit and a chronic shortage of essential items. However, investment could increase moderately, thanks to some reconstruction work following the August 2021 7.2 magnitude earthquake, of which the damages and economic losses have been estimated at USD 1.5 billion (about 10% of GDP). Furthermore, the textile industry (the country´s largest export sector) should expand in 2022, thanks to vivid U.S. demand and preferential access to their market. Nonetheless, fuel shortages, security issues at ports and frequent power flicker outs limit the possible gains. Finally, in September 2021, the World Bank approved a donation of USD 75 million from the International Development Association for the Jobs in the Private Sector and Economic Transformation Project in Haiti. The aim is to improve the demand for labour by supporting micro, small and medium enterprises. Downside risks to activity are related to a poor vaccination campaign and the bleak political environment.

Fiscal deficit quite stable, current account should return to a surplus

The challenges imposed by COVID-19 and the August 2021 earthquake further aggravated the fiscal situation in 2020 and 2021, because of higher social and health expenditures amid lower tax revenues. Moreover, the rise in oil international prices during 2021 also pressured fuel subsidy costs. To deal with these challenges, Haiti has counted on the IMF´s debt service payment relief and grants, while also relying on monetary financing and local commercial banks. Still, the country received roughly USD 224 million in August 2021 from the IMF Special Drawing Right (SDR) allocation. In 2022, the fiscal deficit should remain quite stable, in the absence of a bright economic recovery and the elevated social expenditure needs.

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 2022, exports related to textile and traditional goods such as coffee, cocoa and mangoes are likely to expand, mostly due to a weak base of comparison since rural areas were hard-hit by the 2021 earthquake. Meanwhile, imports should recede somewhat mostly due to relatively lower annual average international oil prices (fuels account for 18% of total imports). Finally, the current account deficit should switch to a surplus, also supported by strong migrant remittances (roughly 21% of GDP in 2020) and grants (estimated by the IMF at 1.9% of GDP in 2020).

Murder of president Jovenel Moïse turned the political scenario even bleaker

On 7 July 2021, President Jovenel Moïse was shot dead at his home, deepening the long lasting political crisis in the country. According to the police, a group of mostly foreign mercenaries - 26 Colombians and two Haitian Americans - carried out the assassination. However, the attack´s intellectual authors and their motive remains unclear. Following the murder, then prime minister Claude Joseph took office, but was replaced by Henry Ariel days later. In fact, the latter had been announced as the new prime minister two days before the attack. It is important to note that, in early September 2021, a chief prosecutor was fired hours after asking the judge responsible for investigating Moïse's murder to charge Ariel as a suspect. Regarding elections, Ariel initially announced presidential and legislative votes in November 2021. Nonetheless, he canceled them in late September 2021, after he dismissed all nine members of the country's electoral council. Due to the lack of elections, the Haitian Parliament has had no deputies since January 2020, and only 10 of the 30 senators are still in office (Moïse had ruled by decree). The new election should take place after a referendum expected to take place in the first months of 2022 on a constitutional reform. This would encompass the creation of a unicameral legislative and the elimination of the prime minister position for a vice-president. Meanwhile, since Moïse´s death and the August 2021 earthquake, armed gangs have further gained territory across the country. In October 2021, 17 North American Christian missionaries and their families were kidnapped in the capital Port-au-Prince. Finally, with the worsening of the country´s humanitarian situation, migration has sharply increased. In September 2021, the U.S. deported around 7,000 Haitians who had attempted to enter the country through Mexico.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**9.9**
GDP PER CAPITA US Dollars - **2020**	**2,397**
CURRENCY Honduran lempira	**HNL**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.7	-9.0	4.9	4.4
Inflation (yearly average, %)	4.4	3.5	5.3	3.7
Budget balance (% GDP)	-0.9	-5.5	-6.0	-3.0
Current account balance (% GDP)	-1.4	3.0	-3.2	-3.6
Public debt (% GDP)	46.5	54.9	58.7	59.7

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	36%
EURO AREA	22%
EL SALVADOR	8%
GUATEMALA	6%
NICARAGUA	5%

Imports of goods as a % of total

UNITED STATES	33%
CHINA	15%
GUATEMALA	9%
MEXICO	7%
EL SALVADOR	6%

- Privileged relationship with the United States (preferential trade agreement, military presence)
- Agricultural resources
- Support from international donors

- Dependence on the U.S. economy (exports, FDI and expatriate remittances)
- Dependence on imported fuel and grain
- High levels of crime and corruption against a backdrop of poverty, food insecurity and drug trafficking
- Large informal economy, involving 70% of the working population
- Fiscal resources still too weak (16.9% of GDP in 2020)

RISK ASSESSMENT

Growth dependent on the US

Growth will be driven by activity in the United States and reconstruction work in the country following the two storms at the end of 2020. As the United States is the main place of residence for expatriates, the vibrant American economy will once again support remittance flows (23.7% of GDP in 2020) and, by extension, household consumption (81% of GDP in 2020). The fall in unemployment to below 10%, in connection with the recovery in activity, will support this consumption, as will inflation, which should be contained in the middle of the central bank's target window (4 +/-1%). This should allow the central bank to maintain its accommodative monetary policy, with the key rate set at 3% since the end of November 2020. However, effective transmission from the central bank rate to bank interest rates remains dependent on strengthening the local financial market. Public demand will remain strong owing to the numerous reconstruction projects initiated in response to the storm damage and also due to the extension of the exemption from the Fiscal Responsibility Law until 2023. Investment should benefit from improvements in the business environment brought about, in particular by efforts to clean up the accounts of the state-owned electricity utility (ENEE) and pay associated arrears. In addition, external demand from the United States should support manufacturing production of protective medical equipment and textile & clothing products, particularly in the maquilas, which are set to benefit from a base effect, after their production in the early months of 2021 was impacted by the destruction caused by the storms. This same base effect will play a role in the increase in agricultural production, accompanied by higher coffee prices, as well as sugar prices due to the drought in Brazil, the world's main producer. The tourism sector, which is still largely underdeveloped, could benefit from the opening of the new Palmerola international airport in Tegucigalpa. It will replace the Toncontín airport, which is reputed to be one of the most dangerous in the world.

Resumption of efforts to consolidate the public accounts, but a rising current account deficit

Honduras, which has been under an IMF programme since 2019, obtained a second extension of the programme in September 2021, after an initial one in June 2020, plus a two-month extension until January 2022 to increase reconstruction efforts. In total, the country will have received USD 773 million in aid from the Fund and should continue to benefit from a variety of funding from multilateral (World Bank, Inter-American Development Bank, Central American Development Bank) and bilateral (notably U.S.) agencies. Some of these funds will be used to continue reforming the public sector, notably through efforts to overhaul the state-owned electricity utility and stop technical losses and fraud among some large consumers. Already in a complicated financial situation before the crisis, the power utility was forced to cope with a decline in cash as consumers found it increasingly difficult to pay their bills. On the revenue side, recent developments in terms of digitalising tax collection should improve returns. Likewise, a large number of tax exemptions for special tourist and rural areas as well as renewable energy have been phased out (worth an estimated 1.5% of GDP in total). However, this increase in revenue will not be sufficient to compensate for reconstruction-related expenditure, which explains why the exemption from the Fiscal Responsibility Law that sets the deficit level at 1% of GDP has been extended until 2023.

In terms of the external accounts, the current account deficit will swell, increasing the country's financing needs. Strong agricultural (sugar, coffee, bananas, melon, watermelon) and manufacturing exports will not be enough to offset the increase in imported capital goods for reconstruction and an oil bill driven by high crude prices. In addition to the goods deficit, there will be deficits for services (commercial services, tourism) and primary income, owing to the repatriation of dividends by foreign investors, which will be only partially compensated by remittance flows from expatriates. The remainder of the financing will come from foreign investments, multilateral and bilateral loans (U.S. aid under plans to fight illegal immigration) and potentially by drawing on the substantial foreign exchange reserves (seven months of imports at the end of 2021 with the last IMF payment).

Renewal at the top

The November 2021 presidential elections gave a large victory to the left-wing opposition candidate Xiomara Castro (Libre), with 51% of the vote, over the incumbent Nasry Asfura (*Partido Nacional*), who received 37%. Her victory ends a decade of power for the *Partido Nacional* after three presidential mandates. However, without a majority in parliament following the simultaneous legislative elections, the Libre party will have to negotiate with the other parties to achieve its social reform agenda and tensions are to be expected. The situation will be widely observed by the United States, which fears a worsening of the social situation that could encourage an increase in migratory flows towards the large northern neighbour.

HONG KONG (SAR)

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	7.4
GDP PER CAPITA US Dollars - **2020**	46,657
CURRENCY Hong Kong dollar	HKD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-1.7	-6.1	6.4	3.7
Inflation (yearly average, %)	2.9	0.3	1.6	1.9
Budget balance* (% GDP)	-0.6	-9.2	-3.6	-0.4
Current account balance (% GDP)	5.9	6.5	6.0	5.6
Public debt (% GDP)	0.3	0.3	1.0	2.1

(e): Estimate. (f): Forecast. * Last fiscal year: 1st April 2022 to 31st March 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	55%
UNITED STATES	7%
EURO AREA	5%
UNITED KINGDOM	3%
SWITZERLAND	3%

Imports of goods as a % of total

CHINA	44%
TAIWAN	9%
SINGAPORE	7%
JAPAN	6%
SOUTH KOREA	6%

- Open economy
- High-quality infrastructure
- Top-class global financial centre, airlock between China and the rest of the world
- Healthy banking system
- Currency pegged 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 HKD is pegged to USD
- Real estate sector risks and housing affordability
- Rising income inequality
- Industry has fully relocated to mainland China
- Caught in between U.S. - China tensions

RISK ASSESSMENT

Economic recovery continues

The Hong Kong economy rebounded in 2021, led by a recovery in private spending and investment. A stable epidemic situation for much of the year had underpinned the normalisation of domestic demand, although strict border control measures continued to weigh on the tourism sector. In 2022, we expect growth momentum to moderate, subject to any downside risks posed by the uncertainty of the pandemic's evolution. Financial and insurance services (20% of GDP), which have continued to expand through the pandemic, contributed notably to the recovery.

Private consumption (68% of GDP) grew by 5.5% in the first three quarters of 2021, making a major contribution to recovery in economic activity. The rebound in private consumption was supported by a stable local pandemic situation, financial handouts (consumption vouchers), and an improved labour market. Nevertheless, the job recovery remains incomplete. About 80% of job gains in the first semester of 2021 were in the accommodation and food service sectors (10% of total employment), which saw massive job losses in 2019 and 2020. The labour force participation rate also fell to a record low of 59.1% in October 2021. Furthermore, population ageing and reportedly large exodus of working-age people would see the labour supply continuing to shrink. Household spending is therefore expected to recover at a slower pace in 2022.

Investment (20% of GDP) expanded by 12.8% in the first nine months of 2021, driven by acquisition of machinery, equipment and intellectual property products amid an improved business outlook and strong trade performance. The government's plans to develop the northern part of Hong Kong into an innovation and technology (I&T) hub under the Northern Metropolis Development Strategy, aiming for further integration into Shenzhen and the broader Greater Bay Area that could bode well for investment inflows.

Exports (178% of GDP) have been a key driver for economic recovery, especially in goods and financial services while the tourism sector (4.5% of GDP), remaining at a standstill, contributed to weak travel services exports. Robust growth in merchandise exports (150% of GDP, but 97% being re-exports) is likely to continue in 2022, although prolonged supply bottlenecks would be a key risk. Meanwhile, the tourism outlook remains dim as Hong Kong maintains a strict quarantine regime for international travellers and prioritises reopening borders with mainland China.

Budget deficits to persist

Hong Kong registered a record budget deficit in the financial year ending March 2021, but the fiscal shortfall is expected to narrow for the current fiscal year (ending March 2022) and the next (ending March 2023) on higher revenue and lower spending. Spending cuts will come from constraining growth in civil service and reducing non-livelihood related outlays, with an expected savings of HKD 3.9 billion (0.5% of total government expenditure). On housing, the government planned to provide 316,000 housing units in the coming decade, with 101,400 to be constructed within the five years starting 2020-21. From 2011 to 2021, the stock of public permanent housing units rose by 135,000 to 1.27 million. Further issuances of green bonds to finance eligible capital investments would also help relieve the fiscal pressure on the government. Increased fiscal spending and the rollout of relief measures (4% of GDP) had resulted in the fiscal reserves falling sharply in two years from 23 months of government expenditure to 13 months (or 33% of GDP).

The current account surplus is expected to have remained solid in 2021, before narrowing modestly in 2022. This is in part driven by an anticipated reduction of the trade surplus due to a widening merchandise trade deficit. Owing to a subdued tourism outlook, the services trade surplus is unlikely to notably strengthen as travel services should remain under pressure. Financial services are expected to be resilient as Hong Kong remains an attractive location for wealth and asset management, and corporate fundraising, particularly for mainland China enterprises.

Changing political climate

Following the passage of the National Security Law in June 2020 and the mass resignation of opposition legislators in November 2020, dramatic changes to Hong Kong's election system were made, including reducing the number of directly-elected seats in the Legislative Council (LegCo), and imposing a strict vetting process for candidates. International reactions to Hong Kong's electoral changes were mostly negative, with G7 foreign ministers expressing 'grave concerns'. The tightening of the political system is likely to curb the incidence of widespread (and sometimes chaotic) protests seen during 2019-20.

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 main formal procedures for companies in financial difficulties in Hong Kong are as follows:

a. A scheme of arrangement.

b. Appointment of receivers.

c. A members' voluntary liquidation (which is only available for a company which is still solvent) but may be used where, for example, an entity is itself solvent but is part of a wider group which is in financial difficulty.

d. A creditors' voluntary liquidation.

e. A compulsory liquidation.

Hong Kong legislation also contains a procedure which allows the directors of a company to commence a voluntary liquidation without holding a shareholders' meeting.

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.

Appointment of receivers

An application for the appointment of a receiver by the Court is made by summons to a Judge of the High Court of Hong Kong following a procedure set out in the Rules of the High Court of Hong Kong. Note that a Master of the High Court of Hong Kong also has the power to appoint a receiver where the appointment of the receiver is made by way of equitable execution against a judgment debtor.

As regards the appointment of receivers out of Court, the procedure for appointment will normally be set out in the relevant security document. A receiver appointed under the statutory power implied into mortgages of land must be appointed in writing. In order for the appointment of a Receiver out of Court to be valid, the receiver must accept his appointment.

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.

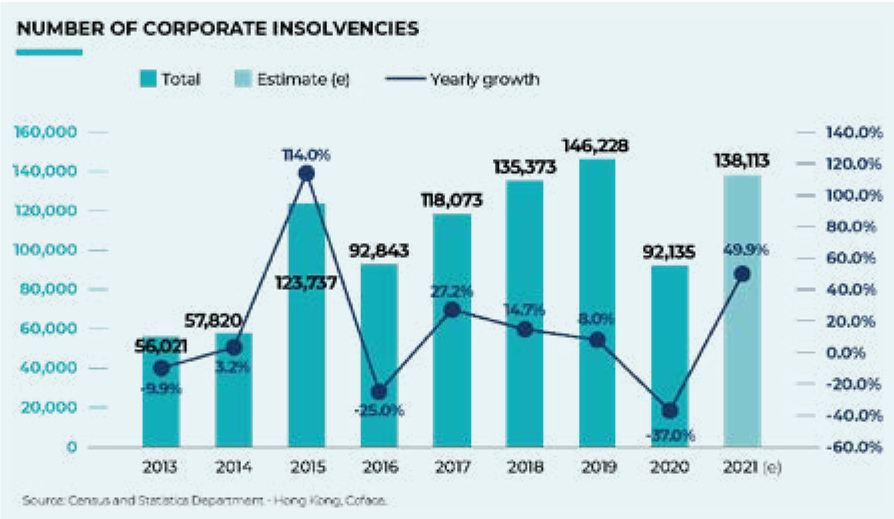
Out-of-court proceedings

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.

This procedure does not provide legal protection from creditors.

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	A3
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	9.8
GDP PER CAPITA US Dollars - 2020	15,866
CURRENCY Hungarian forint	HUF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.6	-4.7	6.8	5.2
Inflation (yearly average, %)	3.4	3.4	5.4	5.0
Budget balance (% GDP)	-2.1	-8.0	-7.6	-5.6
Current account balance (% GDP)	-0.8	-1.6	-1.0	-2.2
Public debt (% GDP)	65.5	80.1	79.4	77.3

(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	24%
CHINA	9%
AUSTRIA	6%
POLAND	6%
NETHERLANDS	5%

- Diversified economy
- High quality infrastructure thanks to European funds
- Integrated within the European supply 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 corporate debt level (although decreasing)

RISK ASSESSMENT

Domestic demand will be the main growth driver

The recovery of the economy in 2022 will be driven mainly by domestic demand. Admittedly, growth will not be as strong as in 2021, when figures were boosted by a strong base effect after the sharp recession linked to the first waves of the pandemic, but it will remain brisk. Household consumption will benefit from fiscal stimulus measures, as well as from robust income gains on the back of a tightening labour market. In terms of government measures, consumption will be boosted by income tax refund to families with children, an income tax cut for workers under 25 years of age, as well as the re-introduction of the 13th monthly pension and administrative wage increases. Nevertheless, inflation will remain a constrain for a stronger acceleration of consumption, as consumer prices have exceeded the central bank's inflation target (3%, ±1 percentage point tolerance band) since April 2021. It reached 7.4% in November as increases of commodities and inputs prices contributed to higher inflation. In 2022, it should accelerate further, but will stay high. Companies are expected to pass higher inputs and wage costs on to consumers, while supply chain disruptions will likely continue to hamper their activity, at least in the first half of the year. The minimum wage was increased by 20% in January 2022 (affecting about 20% of all employees), but the impact on overall wage costs has been dampened by the reduction of employers' social security contributions. To respond to inflationary pressures, the central bank began a tightening cycle in early summer 2021. Furthermore, investment will also be robust, thanks to the improving economy outlook, increasing capacity utilisation and policy support measures offering attractive financing and grants.

The budget balance improves, but is still in deficit

Despite a strong rebound in economic activity, which, in turn, will support robust revenue growth, the general government deficit is expected to stay high in 2022. After a still-expansionary 2021 budget, various measures will be continued, including temporary tax reductions for small local businesses, support for families and further reduction in employers' social security contributions, a service benefit for military and law enforcement employees and a reduction in personal income tax for employees under the age of 25. Moreover, public investments will accelerate significantly. Public debt will be reduced, but it remains at relatively high levels, especially compared to the regional Central and Eastern European average, which remains below 50% of GDP.

In 2022, the current account deficit will deteriorate, as export growth will be sensitive to supply chain disruptions. This is especially true for the automotive sector (about a third of manufacturing output and 20% of exports), which suffers severely from a shortage of semiconductors. Indeed, the global chip shortage has forced factories to reduce production. While Hungarian exports should accelerate in the second half of 2022 thanks to abating material shortages, strong domestic demand will trigger imports' growth, weighing on the trade deficit. In addition, a slow improvement of tourism (8% of GDP) will be a drag on growth of the services balance. The primary income deficit weighs on the current account balance due to the large FDI income on equity.

Upcoming parliamentary elections

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 absolute majority in Parliament allows the government to push through key legislation without needing cross-party agreements, and to increase its control over state institutions. The next parliamentary election is scheduled for the spring of 2022. Six Hungarian opposition parties, including the Democratic Coalition, the Socialists, liberals and the formerly far right and now centre-right, Jobbik, have united in an effort to defeat Fidesz and formed the United Opposition. Polls published in November 2021 indicated a close race between both of them with no certain winner.

Meanwhile, relations with the European Commission remain tense. In late 2020, Hungary (along with Poland) threatened to veto the European Union's 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 worth of 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

Ordinary proceedings

In case of objection by the debtor, or if there is no Hungarian address, or if the claim is more than €95,000, the case is treated as a dispute and transferred to ordinary court proceedings. The parties will then be summoned to one or more hearings to plead their respective cases. Ordinary proceedings are partly in writing – with the parties or their attorneys filing submissions accompanied by all supporting case documents (original or certified copies) – and partly oral, with the litigants and their witnesses presenting their cases during the main hearing.

Since 2011, cases involving an amount of more than HUF 400 million (approximately EUR 1.6 million) must be dealt with quickly by the courts by means of a shortened procedure. At any point in this procedure and subject to feasibility, the judge is entitled to make an attempt at conciliation between the parties.

It is relatively common practice to immediately issue a winding up petition against the debtor so as to prompt a speedier reaction or payment. This practice was sanctioned by the 2007 amendment to the Hungarian bankruptcy law, which authorised creditors to issue a winding up petition against a debtor only in they received no response nor payment from the debtor within 20 days of sending a formal notice. In practice, however, it is simple to request the liquidation of a debtor, and creditors regularly use this as a tool in the negotiation process.

Commercial disputes are heard either by the district courts (járásbíróság), set up in commercial chambers, or by legal tribunals (törvényszék), depending on the size of the claim. Payment claims up to HUF 30 million belong to district courts on first instance; above this rate, regional courts are the first instance for these cases. Insolvency procedures and enforcement belong to regional courts at first instance by default.

Enforcement of a Legal Decision

When all appeal venues have been exhausted, a domestic judgment becomes enforceable. It the debtor fails to satisfy the judgment, the creditor can either request an enforcement order from the court, or for a specific performance (payment) through a bailiff, who will implement the different measures necessary to enforce compliance (from seizure of bank accounts to foreclosing real estate).

Regarding foreign decisions, those rendered in an EU country will benefit from special enforcement conditions such as the European Enforcement Order when the claim is undisputed. Nevertheless, for decisions rendered in a non-EU country, Hungarian law provides for a reciprocity principle: the issuing country must be part of a bilateral or multilateral agreement with Hungary.

Insolvency Proceedings

Out-of-court proceedings

Even though Hungarian law does not provide formal out-of-court proceedings, private and informal negotiations are held between creditors and debtors in order to avoid judicial insolvency proceedings. This constitutes a practical approach in order to avoid liquidation. If an agreement is reached, they can request the suspension of a judicial proceeding until the agreement is respected.

Restructuring the debt

Under Hungarian law, restructuring is not formally regulated, even though the Hungarian Bankruptcy Act regulates all insolvency processes, including specific deadlines, legal requirements, and rights and obligations for participants. Instead, both bankruptcy and liquidation proceedings offer a debtor company a chance of survival by restructuring its debt in a composition agreement in a ninety-day stay. It is extremely rare to conclude a liquidation process with a surviving company, as the aim of the proceedings is by nature not one of restructuring. From this point onwards, the acts of the debtor are overseen by an administrator. The reorganization agreement must be validated by a majority of creditors and the court must also approve the plan. If a compromise is not reached, the court will terminate the proceedings and declare the debtor insolvent.

Liquidation

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 - 2020	0.4
GDP PER CAPITA US Dollars - 2020	59,643
CURRENCY Iceland krona	ISK

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.4	-6.5	3.1	4.0
Inflation (yearly average, %)	3.0	2.9	4.5	4.0
Budget balance (% GDP)	-1.5	-7.3	-9.9	-5.9
Current account balance (% GDP)	5.8	0.9	0.1	1.6
Public debt (% GDP)	61.5	69.1	76.0	80.1

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	58%
UNITED KINGDOM	11%
UNITED STATES	8%
NORWAY	4%
DENMARK	3%

Imports of goods as a % of total

EURO AREA	33%
UNITED STATES	8%
NORWAY	8%
CHINA	8%
DENMARK	8%

- 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: constrained monetary policy
- Concentration of production and exports (aluminium and seafood products accounted for 77% of all goods exports in 2020)
- Volatile activity due to the dependence on tourist inflows (23% of GDP and 22% of employment before the pandemic in 2019)
- Wage growth higher than productivity growth

RISK ASSESSMENT

Outlook stands and falls with tourism

Iceland has managed the pandemic well with high vaccination-rates. This led to an early opening of the economy in spring 2021. The opening of the economy had a positive effect on private consumption, but majorly boosted exports of services as, in June 2021, the borders were opened for all tourists (including from the U.S., who account for 23% of all visitors). Despite this boost, total numbers of touristic overnight stays remained 30% below 2019 levels in the summer-holiday season of 2021. In 2022, tourism numbers should further improve, but will probably not reach pre-COVID-19 levels, as the pandemic's development in some of the home countries could weigh on the outlook (the main home countries are the U.S., UK, Germany, France, China and Poland). Furthermore, exports (36% of GDP) should be boosted via record high catches of fish (e.g. capelin) that are expected for this fishing-season (mid-October 2021 to mid-April 2022). Combined with a still high level of aluminium exports and higher intellectual property services exports, they should foster a dynamic recovery in 2022. Private consumption (53% of GDP) should benefit from the tourism recovery, but also from the increase in the monthly wage by ISK 17,250, thanks to the 4-year-wage agreement of 2019. The labour market recovered fast in 2021 and even reached pre-COVID-19-levels in the third quarter of 2021. While some of this improvement was pushed by hiring subsidies that were in place between May and December 2021, the unemployment rate should decrease further in 2022, but at a slower pace and will remain very dependent on the development of tourism. However, purchasing-power gains coming from the labour market are limited due to a high level of inflation that reached with around 4.8% in late 2021, a 9-year-high. While the inflationary pressure should diminish somewhat in 2022, the level of inflation will remain elevated and noticeable, above the Central Bank of Iceland's inflation target of 2.5%. Faced with very high inflation and strong signs for recovery, the Central Bank lifted its key interest rate (7-day deposit rate) by 50 basis points in 2021. Because of a relatively stable ISK, market interventions of the Central Bank were limited. Due to the still high inflation expectations, further rate hikes are probable in 2022; however, the interest rate level will remain far below its pre-COVID-level of 3%.

Governmental support should decrease a bit from the still very high levels of 2021, as several COVID-19-support measures will terminate and could therefore induce risks to the financial positon of some corporations. Nevertheless, the government will retain high expenditures to invest in the welfare system, infrastructure projects, digitalization and green economy projects.

Current account surplus improves, but increasing public debt ratio remains a concern

The current account surplus decreased further in 2021 to the point of getting nil, due to a very negative first semester, as the goods trade deficit reached a new record high (goods imports increased much faster than exports also because of higher input price-pressure). In the second half of the year, the stronger increase in tourism receipts somewhat equalized this bad start thanks to a stronger services trade balance. In 2022, this development should continue, while the goods trade deficit should return to normal levels thanks to higher fish exports. Further support could also come from overseas investment income, which should remain high. The public deficit should decrease somewhat in 2022, but remain on an elevated level (it will be the third consecutive high deficit in a row). The public debt ratio was upward revised due the inclusion of several state-owned entities. The high public budget should push the debt ratio even higher to around 80% of the GDP in 2022.

Grand Coalition keeps on

In the September 2021 parliamentary election, the parties of the Grand Coalition have increased their share in the parliament (37 out of 63 seats). The liberal-conservative Independence party (16 seats, unchanged) remained the biggest party in the parliament, followed by the agrarian Progressive party (13 seats, + 5 seats) and the Left-Green Party (8 seats, -3 seats) of Prime Minister Katrín Jakobsdóttir. Although the parties differ a lot in their political ideology, it is the first Grand Coalition that was confirmed by votes for a second term, probably due to the very successful management of the pandemic and the recession in 2020. Although Jakobsdóttir's Left-Green party lost votes and is the smallest party, Katrín Jakobsdsóttir is again leading the government. It will focus on the topics of the operational viability of the healthcare system, fighting the climate change and strategies to diversify the economy. The next general election should normally take place in 2025.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	1,378.6
GDP PER CAPITA US Dollars - 2020	1,930
CURRENCY Indian rupee	INR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	4.8	-7.0	8.0	8.1
Inflation (yearly average, %)	3.7	6.6	5.1	5.4
Budget balance* (% GDP)	-7.4	-12.8	-11.3	-9.7
Current account balance* (% GDP)	-1.1	1.3	-1.0	-1.4
Public debt* (% GDP)	74.1	89.6	90.6	88.8

(e): Estimate. (f): Forecast. * FY 2022: April 2022-March 2023.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	18%
EURO AREA	12%
CHINA	7%
UNITED ARAB EMIRATES	7%
HONG KONG	3%

Imports of goods as a % of total

CHINA	16%
EURO AREA	8%
UNITED STATES	7%
UNITED ARAB EMIRATES	7%
SAUDI ARABIA	5%

- Diversified growth drivers
- Immense workforce and population (over 50% of the population under 25) with good command of English
- Efficient IT services
- Expatriates' and diaspora's remittances, jewellery, garments, vehicles and medicine exports, as well as tourism and IT services, contribute positively to the current account
- Low level of external debt and adequate FX reserves

- High corporate debt and non-performing loans (NPL)
- Net importer of energy resources (one fifth of imports)
- 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*	HIGH
METALS	HIGH
PAPER	MEDIUM
PHARMACEUTICAL	LOW
RETAIL	HIGH
TEXTILE-CLOTHING	HIGH
TRANSPORT	HIGH
WOOD	HIGH

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Ongoing recovery

The Indian economy is set to expand further in 2022, building on its 2021 gradual recovery. Private consumption (59% of GDP) rose by 9.3% in the January-September of 2021, and was nearly back to 2019 levels as the labour market improved. The unemployment rate fell from a high of 11.9% in May 2021 at the peak of the Delta wave to around 7% in November 2021. Mobility at recreation, retail and transit stations broadly normalised to pre-pandemic levels. However, strong inflation pressures could weigh on consumption and households could increase their precautionary savings due to greater inflation uncertainty. Business confidence also improved, as reflected by gross fixed investment levels (29% of GDP) restoring to just shy of the 2019 level in the first three quarters of 2021. Public investment (6.9% of GDP) should also be boosted by higher budget allocation (34.5% more in FY21-22 than FY20-21) amid the push to develop much-needed infrastructure under the National Infrastructure Pipeline (NIP) plan to be executed over five years (FY2019-25).

Prior to the pandemic, India's private domestic demand had been waning in the wake of policy reforms, including the banknote de-monetisation in 2016 and the goods and services tax (GST)'s implementation in 2017, leading GDP growth to slow since FY2017 and reach 4% in FY2019. We see the recovery in both consumption and investment to remain gradual amid persistent downside risks, especially potential virus resurgences. While the share of population fully vaccinated (at 40% in mid-December 2021) continues to lag most of its regional peers, a higher sero-prevalence rate could mitigate risks from future waves. On the supply side, manufacturing (16% of GDP) has rebounded solidly with output already back to pre-pandemic level, while services (50% of GDP) were resilient, led by software services (5% of GDP). Shortages of coal has seen India increasing its production to feed its power plants.

The central bank's stress tests results in July 2021 and the lifting of a temporary measure to suspend recognition of pandemic-affected loans as nonperforming suggest that non-performing assets (NPAs) of banks and non-banks may rise, despite extensions to the credit guarantee scheme (till 31 March 2022) for MSMEs and loan restructuring scheme. Despite policy support, bank credit growth has remained subdued. Anticipating a possibly surge in NPLs, banks have increased provisioning and raised capital. The government also announced in September 2021 the establishment of a distressed debt bank (National Asset Reconstruction Company Ltd) to acquire up to INR 2 trillion of bad loans. In October 2021, the minimum capital buffer were raised to 2.5%, thereby increasing minimum CET1 capital ratio to 8%.

Weak public finances

The pandemic has further weakened the fiscal position, with the general government fiscal deficit ballooning to a record 12.8% of GDP in FY20-21 due to economic contraction, lower revenue and support measures. However, the fiscal deficit is expected to narrow as some measures are scaled back amid the recovery. The FY21-22 budget focuses on health-related spending and infrastructure expenditure, and the FY22-23 budget should maintain a mildly expansionary fiscal stance to support the recovery and improve the infrastructure. Therefore, public debt should remain high relative to the pre-pandemic period, but overwhelmingly domestic. Over the medium-term, the government is committed to fiscal consolidation, helped by improvements in GST and income tax buoyancy.

The current account balance is expected to have returned to its usual deficit in 2021, with this shortfall widening in 2022 due to a gradual recovery in domestic demand and higher oil prices. The deficit in the net goods balance for the first half of 2021 was nearly half of the pre-pandemic level. Meanwhile, Indian IT services remain in strong demand, helping to keep the services trade balance in a healthy surplus (3% of GDP). Moreover, India has the largest diaspora population in the world, whose remittances have contributed to a resilient surplus in the secondary income account.

Increasing political pressure

A weakening economic trend in recent years, rising fuel prices and growing dissatisfaction over the government's pandemic response pose a political challenge to the administration. In a sign of increasing political pressure, Modi announced on 19 November 2021 that he would repeal the controversial agricultural reform laws after the year-long farmers' demonstrations, which was followed by a parliamentary vote to scrap the three farm laws that aimed at liberalizing agricultural markets. Nevertheless, a fragmented opposition and limited national appeal for most opposition parties (including the main one, the Congress party) means that the BJP is unlikely to see a serious challenge.

PAYMENT & DEBT COLLECTION PRACTICES IN INDIA

Payment

Due to the increasingly developed banking network in India, SWIFT bank transfers are becoming more popular for both international and domestic transactions.

Standby Letters of Credit constitute a reliable means of payment, as a bank guarantees the debtor's credit quality and repayment abilities. Confirmed Documentary Letters of Credit are also recognised, although these can be more expensive, as the debtor guarantees that a certain amount of money is available to the beneficiary *via* a bank.

Post-dated cheques, a valid method of payment, also act as a debt recognition title. They allow for the initiation of legal and insolvency proceedings in cases of outstanding payments.

Debt Collection

Amicable phase

The practice of amicably settling trade receivables has proven to be one of the most productive solutions, as it allows the parties involved to deal with the underlying issues of the settlement in a more efficient and cost-effective manner. Average payment collection periods vary between 30 to 90 days following the establishment of contact with the debtor. Local working practices mean that debtors pay directly to the creditor, rather than to a collection agency. Indian law does not regulates late payments, or provide for a legal enforceable late payment interest rates. In practice, debtors do not pay interest on overdue amounts.

Major issues in the country currently mean that debtors are facing huge financial difficulties. The situation has deteriorated since demonetisation in November 2016 and the introduction of the GST unified tax structure (the Goods & Service Tax), in July 2017. The other main reason for payment delays is the complexity of payment procedures and approvals by banks for the restructuring plans of major players in the manufacturing sector. India is faced with a severe problem of bad loans and most of them have been declared as NPAs by the banks. This deteriorating asset quality has hit the profitability of banks and eroded their capital, thereby curbing their ability to grant much-needed loans to industries for their restructuring and revitalisation.

Legal proceedings

Indian companies have a preference for amicable recovery methods, as the country's judicial system is both expensive and slow. There is no fixed period for court cases, while the average length is from two to four years. The statute of limitations is three years from the due date of an invoice. The statute of limitations can be extended for an additional three years, if the debtor acknowledges the debt in writing or makes partial payment of the debt.

Legal proceedings are recommended after the amicable phase, if debtor is still operating and in good financial health, is wilfully resisting payment, disputing the claim for insignificant reasons, not honouring payment plans or not providing documentary evidence.

Type of proceedings

- **Arbitration:** arbitration can be initiated if mentioned in the sales contract - otherwise the case can be sent to the National Company Law Tribunal (the NCLT) for registered companies.
- **Recovery Suits:** recovery suits tend to become a long, drawn-out battle and are usually regarded as best avoided.
- **National Company Law Tribunal:** the NCLT was created on June 1, 2016. It has jurisdiction over all aspects of company law concerning registered companies. Its advantages are that it can hear all company affairs in one centralised location and that it offers speedy processes (taking a maximum of 180 days). It also reduces the work load of the High Courts. The NCLT recently enacted a new Insolvency and Bankruptcy Code. Decisions of the NCLT may be appealed to the National Company Law Appellate Tribunal (NCLAT). The NCLAT acts as the appellate forum and hears all appeals from the NCLT. Appeals from the NCLAT are heard by the Supreme Court of India.

Enforcement of a Legal Decision

A local judgment can be enforced either by the court that passed it, or by the court to which it is sent for execution (usually where the defendant resides or has property). Common methods of enforcement include delivery, attachment or sale of property, and appointing a receiver. Less common methods include arrest and detention in prison for a period not exceeding three months.

India is not party to any international conventions governing the recognition and enforcement of foreign judgments. However, the Indian government has entered into 11 reciprocal arrangements, and judgments from the courts of these reciprocating countries can be executed in India in the same way as local judgments. For judgments from non-reciprocating territories, a suit must be brought in India based on the foreign judgment before it can be enforced.

Insolvency Proceedings

The Insolvency and Bankruptcy Code, introduced in 2016, proposes two independent stages:

Insolvency resolution process (IRP)

The IRP provides a collective mechanism for creditors to deal with distressed debtors. A financial creditor (for a financial debt), or an operational creditor (for an unpaid operational debt) can initiate an IRP against a debtor at the National Company Law Tribunal (NCLT). The Court appoints a Resolution professional to administer the IRP. The Resolution professional takes over the management of the corporate debtor and continues to operate its business. It identifies the financial creditors and holds a creditors committee. Operational creditors above a certain threshold are also allowed to attend meetings, but they do not have voting power. Each decision requires a 75% majority vote. The committee considers proposals for the revival of the debtor and must decide whether to proceed with a revival plan, or to liquidate, within 180 days.

Liquidation

A debtor may be put into liquidation if a 75% majority of the creditors' committee resolves to liquidate it during the IRP, if the committee does not approve a resolution plan within 180 days, or if the NCLT rejects the resolution plan submitted on technical grounds. Upon liquidation, secured creditors can choose to realise their securities and receive proceeds from the sale of the secured assets as a priority.

Under the current Insolvency and Bankruptcy Code, the highest priority is given to insolvency resolution process and liquidation costs. Thereafter, proceeds are then allocated to employee compensation and secured creditors, followed by unsecured and government dues.

INDONESIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	270.2
GDP PER CAPITA US Dollars - 2020	3,922
CURRENCY Indonesian rupiah	IDR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.0	-2.1	3.8	5.1
Inflation (yearly average, %)	2.8	2.0	1.6	2.6
Budget balance (% GDP)	-2.2	-6.1	-5.4	-4.8
Current account balance (% GDP)	-2.7	-0.4	-0.3	-1.0
Public debt (% GDP)	30.6	36.6	41.4	43.3

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	19%
UNITED STATES	11%
JAPAN	8%
EURO AREA	7%
SINGAPORE	7%

Imports of goods as a % of total

CHINA	28%
SINGAPORE	9%
JAPAN	7%
EURO AREA	6%
UNITED STATES	6%

- Diverse natural resources (agriculture, energy, mining)
- Low labour costs and demographic dividend
- Growing tourism industry (6% of GDP in 2019)
- Huge domestic 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

Growth will accelerate but downside risks persist

Growth is set to accelerate in 2022, on the back of robust external and domestic demand. However, with a large part of the population still not fully vaccinated (about 60% in December 2021), the economy remains vulnerable to potential future outbreaks. Delays in vaccine shipments under the COVAX scheme and reluctance among the population is slowing down the vaccination drive. Domestic consumption (54% of GDP) is expected to recover, supported by improving labour market conditions while mobility restrictions are gradually eased. The extension of relaxed rules for automotive loans and mortgage loans until end-2022 should spur consumption. That said, an increase in the VAT under the 2022 budget is likely to weigh on the recovery. Consumer inflation should pick up in light of higher domestic demand and commodity prices, but should stick to Bank Indonesia's (BI) 2-4% target range. Policy normalization in the U.S. is likely to pressure BI to tighten the policy rate, which stands at a record low of 3.50% since the beginning of 2021, in tandem to maintain sufficiently high positive yields on Indonesian assets to avert disorderly capital outflows. The tourism industry (6% of GDP in 2019) should remain weak due to border restrictions. While Bali, one of the popular destinations, reopened for vaccinated tourists from 19 countries, inbound travellers are still subject to a five-day quarantine and COVID-19 testing. The government is taking a rather cautious approach as the country is planning to host the G20 summit in Bali in November 2022. Investment (33% of GDP), on the other hand, should rebound in 2022, supported by recent reforms to improve the business and investment climate. The government passed the Omnibus law that includes deregulation, changes to foreign investment rules and labour reforms. Exports of manufactured goods and commodities (23% of GDP) – coal, oil and gas, palm oil, gold, rubber, steel and electronics - should continue to benefit from high commodity and intermediates prices, as well as the power crunch in China, in which the latter eased imports curbs to support its energy shortage.

Budget deficit set to narrow thanks to tax reforms

The budget deficit is set to narrow as the government seeks to return it below 3% of GDP by 2023 through tax reforms to consolidate public finances. The pandemic led the government to suspend the budget deficit ceiling in order to support the recovery. The Harmonized Tax Law (HPP) implemented in Oct 2021 will help to reduce the pandemic-induced tax fall and reduce the fiscal deficit. This will mean an increase in taxes on the wealthy population and consumption through VAT, set to increase from 10% to 11% by April 2022. The tax reforms come at a time when the government is seeking to reduce reliance on the central bank to finance its expenditures under the burden sharing arrangement, which consists of bond purchases. The central bank will purchase up to USD 30 billion (3% of GDP) in 2021 and 2022. This arrangement has kept government interest costs low to finance pandemic relief measures, but increased concerns over a risk of political interference in the monetary policy.

The trade balance will remain in surplus in 2022 on the back of robust export and high commodity prices, but should narrow as imports are set to rebound following the lifting of containment measures that impeded domestic consumption in 2021. The surplus in merchandise trade will partly offset the services trade deficit, as international borders are not likely to fully open to tourists in 2022. FDI inflows might gradually recover thanks to the Omnibus law, which would adequately finance the current account deficit. Foreign exchange reserves should therefore remain adequate, standing at 8 months of imports (as of September 2021).

Large coalition facilitating reforms

President Jokowi was re-elected for a second five-year mandate in April 2019. His legislative and governmental coalition – centred around the Indonesian Democratic Party of Struggle (PDIP) – gathers several parties and controls 81.9% (471 out of 575 seats) of the lower house. This 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, which both draw critics from Indonesians. The government estimated its cost at USD 32 billion of which a fifth would come from the state budget. The project received criticism at a time when the country is freshly recovering from the pandemic, which has depleted public finances. The Omnibus bill passed in October 2020 in order to cut red tape and spur investments, was ruled "unconditionally unconstitutional" a year later. The government was given two years to amend it. On the external front, Indonesia's stance towards China on the South China Sea should continue to firm up, 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.

Ordinary proceedings

Ordinary legal action may commence when the parties have been unable to reach a compromise during the amicable phase. The creditor may file a claim with the District Court, who is subsequently responsible for serving the debtor with a Writ of Summons. If the debtor fails to appear at the hearing to lodge a statement of defence, the court has discretion to organize a second hearing or to release a default judgment (*Verstekvonnis*).

Prior to considering the debtor's defence, as previously mentioned, the court must first verify whether the parties have tried to reach an agreement or amicable settlement through mediation. If the parties have undergone the mediation process, the panel of judges will continue the hearings and the parties' evidence will be examined. The judge will render a decision and may award remedies in the form of compensatory or punitive damages.

District Court will usually take from six months to a year before rendering a decision in the first instance. The proceedings may take longer when a case involves a foreign party.

Enforcement of a Legal Decision

When all appeal venues have been exhausted, a domestic judgment becomes final and enforceable. If the debtor does not comply with the judge decision, the creditor may request the District Court to commend execution by way of attachment and sale of the debtor's assets through public action.

Indonesia is not part to any treaty concerning reciprocal enforcement of judgments, making it highly difficult to enforce foreign judgments in Indonesia, or to enforce Indonesian court decisions abroad. Because foreign judgements cannot be enforced by Indonesian courts within the territory of Indonesia, foreign cases must therefore be re-litigated in the competent Indonesian courts. In such a case, the foreign court judgment may serve as evidence, but this is subject to certain exceptions as regulated by other Indonesian regulations.

Insolvency Proceedings

There are two main procedures for companies who are experiencing financial difficulties:

Suspension of payment proceedings

This procedure is aimed at companies that are facing temporary liquidity problems and are unable to pay their debts, but may be able to do so at some point in the future. It provides debtors with the temporary relief to reorganize and continue their business, and to ultimately satisfy their creditors' claims. The company continues its business activities under the management of its directors, accompanied by a court-appointed administrator under the supervision of a judge. The company must submit a composition plan for the creditors' approval and for ratification by the court. The rejection of the plan by the creditors or the court will result in the debtor's liquidation.

Liquidation

The objective of liquidation is to impose a general attachment over the assets of bankrupt debtors for the purpose of satisfying the claims of their creditors. It can be initiated by either the debtor or its creditors before the Commercial Court. Following the submission of the petition, the court will summon the debtor and its creditors to attend a court hearing. Once bankruptcy has been declared, the directors of the debtor company lose the power to manage the company, which is transferred to the court-appointed receiver who then manage the bankruptcy estate and the settlement of the debts. The debtor's assets will be sold by way of public auction by the appointed receiver.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**84.1**
GDP PER CAPITA US Dollars - **2020**	**9,928**
CURRENCY Iranian rial	**IRR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-6.8	3.4	2.5	2
Inflation (yearly average, %)	34.6	36.4	39.3	27.5
Budget balance* (% GDP)	-5.1	-5.7	-6.5	-7.3
Current account balance (% GDP)	0.6	-0.1	1.3	1
Public debt (% GDP)	47.9	39.5	33.6	33.3

(e): Estimate. (f): Forecast. * Fiscal year 2022: March 21, 2022 - March 20, 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	41%
TURKEY	8%
AFGHANISTAN	7%
UNITED ARAB EMIRATES	6%
TAIWAN	5%

Imports of goods as a % of total

CHINA	29%
EURO AREA	15%
UNITED ARAB EMIRATES	13%
INDIA	9%
TURKEY	8%

+

- Second largest proven oil and gas reserves in the world
- Highly diversified economy with a strong manufacturing sector
- Low penetrated, large consumer market
- Possibly improved relations with the new U.S. administration

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- International sanctions weighing on trade, investments and capital flows
- Limited foreign exchange reserves, existence of multiple exchange rates
- Restricted availability of banking funds for companies due to the fragility of the financial system
- High level of inflation trimming purchasing power of households
- Lack of employment opportunities, especially for youth
- Heavy bureaucracy

RISK ASSESSMENT

Moderate recovery in the horizon

After strongly contracting in 2018 and 2019, in the wake of the reinstatement of sanctions, the Iranian economy was hit by COVID-19 in 2020. The difficulties to access vaccines and the limited health infrastructure made Iran one of the most affected countries worldwide. As of early November 2021, the ratio of fully vaccinated people to total population remained at 39%, while the total death toll reached 126,000. The highly transmissible nature of the Delta variant weighs on the economic outlook for 2022 as well. Growth will be supported by high hydrocarbon (around 15% of GDP) prices and rising external demand for Iran's manufactured products such as chemicals, metals and plastics. Private demand (55% of GDP) should remain weak due to the low level of vaccination - which may cause a new round of mobility restrictions - and high inflation. Consumer prices rose above 45% year-on-year (YoY) in August 2021, on an annual basis, partly due to the rising prices of imported intermediate goods globally and currency depreciation. With these factors extending into 2022, inflation will remain above the central bank's target of 22% set for the fiscal year ending in March 2022. Although the unemployment rate stood at 9.6% in the second quarter of the Iranian year 2021/2022, the participation rate was very low at 41% and the level of employment was estimated to have fallen by over 1 million posts because of the pandemic. This will also weigh on the purchasing power of households. Conversely, after falling sharply over 2019-2020, oil exports are expected to inch up in the upcoming period mainly due to rising energy prices. However, the sector still lacks major investments and expertise, which will weigh on its future export performances. Investments are expected to remain muted due to the difficult business environment (Iran ranked 127 out of 190 countries in the World Bank's Doing Business 2020 report), international sanctions, power cuts caused by low rainfall that hurt hydroelectricity, and insufficient gas to run thermal plants.

Current account surplus maintained by high energy prices, fiscal deficit represents a challenge

For the first time in nearly a decade, the current account balance fell into negative territory in 2020. The traditional trade in goods surplus dropped in the wake of the unilateral withdrawal of the U.S. in 2018 from the nuclear agreement with Iran (known as the Joint Comprehensive Plan of Action) and the re-imposition of the sanctions on oil exports. Crude oil exports have declined as low as to 200,000 barrels per day (b/d) from about 2.8 million b/d in 2018. Similar to 2021, the current account should be in surplus in 2022 on the back of high prices for oil, which accounts for around 60% of total merchandise exports. The inauguration of U.S. President Biden in 2020 has been considered as a good omen for a return of the U.S. to the deal and the lifting of sanctions. In April 2021, Iran and six powers started discussions. Although talks resumed after a halt due to the election of Iran's new President Ebrahim Raisi in June, any potential removal of the sanctions would be unlikely before end-2022. Agricultural exports should remain weak due to the renewed tensions in Afghanistan, an important market for Iran's agricultural exports, following the return of the Taliban. On the other hand, limited import demand due to currency depreciation will contribute to the current account surplus. Indeed, the rial has lost over 75% of its value against the U.S. dollar since 2018, hovering around at 280,000 as of September 2021. The traditional trade in services deficit remains.

Regarding public accounts, the budget deficit to GDP ratio is expected to widen further due to unsustainable sources of public revenue and lack of fiscal discipline. Rising aversion of investors to Iran's Islamic bonds means that the authorities will be obliged to resort to more inflationary monetary financing.

Persistent risks on the political front

President Ebrahim Raisi will face important challenges. Poor economic conditions, such as high inflation and low level of available employment, as well as a new wave of COVID-19 may increase risk of social unrest. The most critical issue is tied to the negotiations over a possible return to the nuclear deal in concomitance with the U.S., as leaders from both countries stated their positive intentions on this eventuality, albeit under different (irreconcilable?) conditions. However, an agreement would not take place before end-2022 at the earliest, especially as Iran's current higher nuclear activity increases tensions with the West, although Iran says it is in its sovereign rights and can be reversed once the U.S. removes sanctions.

IRAQ

COFACE ASSESSMENTS	
COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2020	40.1
GDP PER CAPITA US Dollars - 2020	4,223
CURRENCY Iraqi dinar	IQD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.4	-15.7	3.6	6.0
Inflation (yearly average, %)	-0.2	0.6	6.4	4.5
Budget balance (% GDP)	0.8	-12.8	-1.5	-2.5
Current account balance (% GDP)	1.1	-10.8	6.2	7.0
Public debt (% GDP)	46.9	84.2	59.4	55.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	29%
INDIA	26%
TURKEY	13%
EURO AREA	13%
SOUTH KOREA	7%

Imports of goods as a % of total

CHINA	32%
TURKEY	27%
EURO AREA	10%
INDIA	4%
SOUTH KOREA	3%

- Huge oil reserves (10% of world reserves, fourth-largest proven crude oil reserves in the world, 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 and highly dependent on the oil sector
- Small GDP share of non-oil and gas private sector
- Low public investment, resources focused on salaries, pensions, subsidies and social aid
- Weak and limited banking sector
- Severe tensions between the ruling Shia majority and the rest of the population, including Sunnis and Kurds, with frequent demonstrations
- Tensions with autonomous Kurdistan, a major contributor to the oil sector
- High inequalities, especially between those with access to oil resources and those without
- Deficiencies in institutions, as well as in education, health and welfare systems
- Widespread corruption, nepotism and patronage

RISK ASSESSMENT

A recovery led by the oil industry

Despite some (limited) state support, the Iraqi economy was hard hit by the COVID-19 pandemic and the global economic pause in 2020, especially because of its under-diversification and dependence on oil activity (60% of GDP and 90% of state revenue). In 2022, growth will increase, driven by the recovery of the world economy and the associated demand for hydrocarbons. Between January and September 2021, the price of oil rose by 54%, prompting the country to increase its production, notably at the Kirkuk field. However, this expansion was hampered by the application, albeit partial, of restrictions under the OPEC+ agreement. Iraq's OPEC+ quota is expected to increase in 2022, alongside monthly output increases planned for all members. Iraq will benefit handsomely from this increase in prices and production, via export revenues. The non-oil economy will also rebound owing to spillover from oil wealth.

Despite a slight improvement, the recovery of household consumption remains slow and fragile, a lasting consequence of the 25% dinar devaluation by the Central Bank of Iraq in 2020 (from ID 1,190 per USD 1, to ID 1,450), which reduced Iraqis' buying power, particularly for imported products. This devaluation has had a damaging impact on domestic consumption in an economy that is so dependent on imports and so under-diversified. Thus, while 25% of the population lives below the poverty line, the prices of foodstuffs, electricity (unreliable supply) and water have all increased, feeding severe inflationary pressures.

Investment will be driven by international projects, as illustrated by the USD 27 billion contract signed by the Total Group with Iraq, consisting of four parts spread over 25 years and covering oil and gas development and the construction of a photovoltaic plant. This is the largest investment by a foreign company in Iraq. Non-oil and public investment will lag behind.

Moderate public deficit, but comfortable current account surplus

The Iraqi current account balance is mainly determined by oil revenues, which increased substantially in 2021 and will continue on this trend in 2022. Other Iraqi exports (jewellery, precious metals, aluminium, and agricultural products) will also benefit from strong demand and rising prices. Thus, despite the resumption of imports linked to the rebound in domestic demand, oil revenues will ensure that Iraq has a significant current account surplus.

The budget deficit, which widened considerably in 2020 due to the fall in oil revenues and increased spending to deal with the pandemic, will remain in moderate deficit, despite the surge in hydrocarbon income, which forms the mainstay of government revenue. In 2022, government revenue is not expected to return to pre-crisis levels. The budget balance will remain in deficit, in the absence of a reduction in the public wage bill and reforms to pensions, which absorb much of the resources. The deficit is financed by drawing on foreign exchange reserves.

Public debt, whose share of GDP jumped in 2020 due to the devaluation of the Iraqi dinar, the increase in the deficit and the reduction in domestic product, remains relatively high. Its external portion (48% of GDP in 2020) has increased and is a source of concern. Debt sustainability and reduction will depend on structural measures, notably involving public sector wages.

Much uncertainty after the recent elections

The political and social situation remains unstable, as illustrated by the numerous anti-government protests led by the Tishreen movement across the country since 2019. Protestors are demonstrating against unemployment, corruption, the breakdown of public services, violence by armed militias, sometimes with foreign links (notably to Iran), and are calling for a regime change. To calm the unrest, Prime Minister Mustafa al-Kadhimi, who has been in place since April 2020, was entrusted with organising early legislative elections in October 2021 instead of in 2022 as initially planned. The day before the elections, protest movements called for a boycott. As a result, only 34% of the voters went to the polls. The party of the Shia leader Moqtada al-Sadr (nationalist party) became the leading force in parliament, with 73 seats out of 329, ahead of the Kurdish parties (58), the Sunni party Taqaddum (43), the Shia State of Law coalition led by former Prime Minister Al-Maliki (37), and about 30 independents, some of which emerged from the protest movement. The pro-Iranian Fatah Alliance coalition, which was previously a major political force in parliament, saw a sharp decline from the 2018 elections, taking only around 20 seats, down from 48. Despite high expectations, the likelihood of reform is low for 2022, considering the poor turnout, foreign influences, the lack of a solid majority due to the fragmented parliament, and the stranglehold of traditional parties with regional, religious or ethnic bases and their leaders, who are often backed by armed militias.

IRELAND

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	5.0
GDP PER CAPITA US Dollars - 2020	85,206
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.1	5.8	15.1	4.8
Inflation (yearly average, %)	0.9	-0.5	2.3	3.0
Budget balance (% GDP)	0.5	-4.9	-3.0	-1.8
Current account balance (% GDP)	-19.9	-2.7	14.0	9.0
Public debt (% GDP)	57.2	58.4	55.2	51.9

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	30%
BELGIUM	11%
GERMANY	11%
UNITED KINGDOM	9%
CHINA	7%

Imports of goods as a % of total

UNITED KINGDOM	27%
UNITED STATES	14%
FRANCE	12%
GERMANY	9%
CHINA	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

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- Dependent on the economic situation and tax regimes of the United States and Europe, particularly the United Kingdom
- Vulnerable to changes in the strategies of foreign companies
- Public and private debt levels still high
- Banking sector still vulnerable to shocks

RISK ASSESSMENT

Domestic demand takes over from the momentum provided by multinationals

After being one of the few countries where activity did not shrink in 2020, Ireland recorded exceptional economic growth in 2021, thanks in part to the recovery in domestic demand following the lifting of restrictions, but especially to strong export performances by multinationals in the pharmaceutical sector (31% of goods exports in 2019, 52% including chemical products) and IT services (more than half of services exports). In 2022, activity is expected to return to growth rates similar to those seen in the pre-pandemic years. While exports by multinationals should remain solid, growth will also be driven by the consumption of households, whose savings rate was still substantial at the end of June 2021 (25% of gross disposable income, compared with 10% before the crisis). Household purchasing power will be additionally buoyed by the continued fall in the unemployment rate, which peaked at 8% in March 2021 before rapidly easing back to pre-crisis levels (5.2% six months later). Domestic demand will get a further boost from additional public investment (EUR 1.1 billion increase compared with 2021, or 0.3% of GDP, more than half of which will be in housing), as part of the National Development Plan (NDP), which will run until 2030. However, activity will be held back by the production capacity of companies, whose utilisation rate exceeded the pre-crisis level at the end of 2021, reaching 80.4%, the highest reading in four years. In a continuation from the second half of 2021, the recovery in industry and construction is likely to be hampered by hiring difficulties, which affect 30% and 60% of companies respectively, and, above all, by supply problems, which are reported as a hindrance by 70% of companies in both sectors. While the signing of the trade agreement between the UK (13% of Irish goods and services exports) and the EU in December 2020 was welcome news, the recurring tensions and threats that have plagued the relationship between the two parties since then are likely to generate uncertainty.

Moreover, due to high energy prices and production costs, inflation will continue to rise in the first half of 2022, before gradually easing.

International tax agreement: no effect in 2022, but considerable uncertainty thereafter

Public finances will continue to improve gradually in 2022. The reduction in the deficit will be driven mainly by the increase in tax revenues, which will be boosted by brisk activity and employment, as well as by the re-imposition of 13.5% VAT in the hotel and restaurant sector at the end of August 2022 (it was cut to 9% in November 2020). Concomitantly, despite the additional public investment under the NDP, expenditure will grow less rapidly, due to the phase-out of support measures. Public debt, which is relatively modest compared with the Eurozone average, should thus continue to decline. Having signed the international tax agreement in October 2021, Ireland is going to increase the corporate tax rate for companies generating turnover of EUR 750 million or more from 12.5% to 15%. The hike will happen in the medium-term, probably in 2023. The impact of this agreement on the attractiveness of the Irish economy is as uncertain as it is crucial, given how much tax revenues depend on the activity of multinationals: the share of corporate tax in total tax revenues in Ireland climbed from 7% in 2014 to 20% in 2019.

Beyond their effect on public finances, the investment decisions of these firms also have a considerable influence on the external accounts, which would suffer greatly if multinationals left the country. Reflecting this, Ireland's current account is extremely volatile. While the goods balance shows a large structural surplus (39% of GDP in 2020), the balance of services seesaws (from a deficit of 17% of GDP in 2020 to a 4% surplus at the end of June 2021), depending on R&D services imports. At the same time, dividend repatriation by multinationals generates a structural income deficit (28% of GDP at the end of June 2021). Stripping out the effects related to multinationals, the current account has been in surplus since 2015 (EUR 24 billion in 2020).

Momentum still with Sinn Féin, the main opposition party

The February 2020 legislative elections led, after four months of negotiations, to a coalition between Fianna Fáil (FF, 22%, 38 seats out of 160) and Fine Gael (FG, 21%, 35 seats), the two rival centrist parties that have traded power back and forth for a century, plus the Greens (7%, 12 seats). Micheál Martin, leader of Fianna Fáil, thus succeeded Leo Varadkar (Fine Gael) as Taoiseach (Prime Minister). Under the rotating leadership agreement, Mr. Varadkar will return to power in December 2022 for the second half of the term. But the elections also brought a historic breakthrough for nationalist party Sinn Féin, which came first with 24.5% of the vote. The party has a left-wing platform, but is above all in favour of reunification with Northern Ireland. A year and a half after the elections, polls continue to confirm Sinn Féin's momentum, as the party has 32% of voting intentions, more than ten points ahead of the FF and FG, whose popularity ratings have been steadily waning since the first wave of the pandemic. However, because of its links to the IRA, a nationalist paramilitary organisation that ended its armed campaign in 2005, Sinn Féin is politically isolated and the other main parties are unwilling to join it in a coalition, making it difficult for Sinn Féin to take power.

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	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2020	9.2
GDP PER CAPITA US Dollars - 2020	44,181
CURRENCY New Israeli shekel	ILS

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.8	-2.2	7.0	4.0
Inflation (yearly average, %)	0.8	-0.6	1.5	1.8
Budget balance (% GDP)	-3.9	-11.4	-7.0	-4.5
Current account balance (% GDP)	3.4	5.4	4.5	3.5
Public debt (% GDP)	59.5	72.0	73.0	73.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	26%
EURO AREA	20%
CHINA	9%
UNITED KINGDOM	8%
INDIA	3%

Imports of goods as a % of total

EURO AREA	30%
UNITED STATES	12%
CHINA	11%
SWITZERLAND	7%
TURKEY	5%

+

- Very competitive high-tech sector
- Weak inflation allows for low interest rates, which stimulates investments
- Diversified economy and highly integrated into global trade
- High level of international reserves
- Approval of the 2022 budget by the Parliament, a first in more than three years
- Establishment of diplomatic relations with some Arab countries, supporting investment opportunities

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- Dangerous geopolitical environment
- Small economy
- Concentration of exports on Western countries
- High level of public debt
- Strongly divided and fragmented political landscape leading to political instability and frequent snap elections

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Resilient economy, despite easing momentum in 2022

In 2022, Tthe Israeli economy will continue to benefit from the rapid vaccination campaign, one of the fastest globallyin the world, in 2022. As of late 2021, 62% of total population hads been fully vaccinated. The re-opening of the economyremoval of restrictive measures in line with this steady vaccination rollout will allowwill continue to support the private consumption (around 50% of GDP) that will to be the key driver of growth. In line with the "re-opening", the unemployment rate fell to 5.2% as of September 2021 compared with 5.5% earlier in theat year. Although the unemployment runs above the pre-pandemic level of 3.5-4%, the improvements oin the labor market will help consumer sentiment to advanceincrease and support households' to rise their spending. The investments (20% of GDP) is expected to growth further in 2022 on the back of offshore gas infrastructure attracting foreign investmentscompanies. In April 2021, Abu Dhabi's Mubadala Petroleum announced that it had finalized a deal of USD 1.025 billion with Delek Drilling for a 22% stake in the Tamar gasfield. The resilient high- tech sector will continue to be a bright spot to attracting venture capitalinvestments. In the first three quarters of 2021, Israel's high-h tech sector raised a total funding of USD 17.78 billion throughin 575 deals, doubling the amount ofin 2020, as peraccording to the IVC-Meitar Israel Tech Review. This trend is expected to continue in 2022, including as well on the back of rising need for clean technology. Investments in construction will also continue through several projects such as City Gateway, construction of new business zones in East Jerusalem, southern section of the M1 Tel Aviv metro line, etc. The low level of inflation (average inflation estimated shouldto remain below the average of 2.3% of advanced economies in 2022) will also indirectly support investments as it allows the central bank to keep the policy rate at a low level. The iInflation is expected to remain within the central bank's targeted band of 1-3% in 2022. Consequently, the Bank of Israel may not follow the a global trend of higher policy rates in 2022. On t he other hand, although the Israeli economy is very export-oriented (1/3 of GDP), the pace of growth of exports may slow in 2022 due to global semiconductor shortages, which can be a drag on high- tech exports. The strong base effect from 2021 willl also contribute to a slowdown in the headline growth in 2022. Nevertheless, the growth performance will remain above the pre-pandemic five-year average of 3.4%.

Healthy external position, narrower fiscal deficit

The slowdown in goods exports, pricier higher imports of raw materials, chemicals and metals due to rising commodity prices, and a slow recovery in tourism revenues will expand the trade deficit and drag down the current account surplus. Yet Nevertheless, the external position will continue to remain healthy. Tourism revenues, which used to account for around 2% of GDP before the pandemic, is expected toshould reach only 1% in 2022. However, the Sservices account will remain in surplus on the back of services exports mainly based on services of electronic components, electrical communications equipment, medical equipment, computing services, research and developments. Thisose, as well as electronic components, communications equipment, and precision and medical equipment, will continue to be the key pillars of the resilient external surplus. The Pprimary income balance will remain in deficit mainly due to the income repatriated by transfers of internationalforeign companies, from Israel while the secondary income balance will keep its is expected to record a surplus thanks to the diaspora's transfers. Consequently, the country's international reserves, standing at USD 207 billion (47% of GDP) as of October 2021, will continue to ensure the stability of Israel's external position and encourage the central bank to intervene on the market to avoid further appreciation of the shekel.

The passing of the 2022 budget by the Parliament in November 2021 will improve Israel's short-term fiscal outlook. The fiscal spending will decline in line with the withdrawals of COVID-rovid-related expenditures (mostly due to the rollback of 68.6 billions shekels in healthcare costs). The easing of subsidies in agriculture will also trim spending. Higher tax revenues in line with strong economic growth and new taxes (tax on disposable plasticware and sugary drinks) will also contribute to the narrowing of the fiscal deficit in 2022. This will result in a haltslowdown toofstabilization the accumulation of the public debt burden progressively. Public Eexternal debt, that which increased from 24% of GDP in 2019 to 33% of GDP in 2020, from 24% in 2019 will not cause a balance of payment risk thanks to the strong international reserves of the central bank.

The heteroclite government coalition seems to hold

The coalition that sworn in in June 2021 includes eight parties from different political factions, which can represent could be a sign ofa fragility as they may have difficulties to follow common interests. YetHowever, the passing of the budget showed the coalition's ability to act commonly. This appears to be an important step to improve expectations from the government in terms of maintaining political stability in place. The government is expected to continue with the strategy of improving ties with the United Arab Emirates, Egypt, Morocco, Sudan and Bahrain, providing new investment opportunities and financing for Israel. On the other hand, Israel will remain reluctant oppose to the revival of athe nuclear deal with Iran. However, given the U.S. President Biden's willingness to resume negotiations, this such a move from Israel may harmrepresent a threat to the relations with the U.S.

ITALY

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2020	59.6
GDP PER CAPITA US Dollars - 2020	31,604
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.3	-8.9	6.5	3.9
Inflation (yearly average, %)	0.6	-0.1	1.9	2.6
Budget balance (% GDP)	-1.6	-9.6	-9.2	-5.6
Current account balance (% GDP)	3.2	3.8	3.3	2.5
Public debt (% GDP)	134.6	155.6	154.2	151.0

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	13%
FRANCE	10%
UNITED STATES	10%
SWITZERLAND	6%
UNITED KINGDOM	5%

Imports of goods as a % of total

GERMANY	16%
CHINA	9%
FRANCE	8%
NETHERLANDS	6%
SPAIN	5%

- Resurging manufacturing industry (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, textiles and clothing, furniture, machinery
- European support creates opportunity for modernization

- Public debt still very high
- High energy dependency (75% imported, 45% in natural gas)
- Prevalence of small, low-productivity companies (more than 90% of firms have 10 employees or less)
- Some important sectors remain vulnerable (automotive to supply chain crisis, tourism to the pandemic)
- Strong regional disparities, organized crime still influential in the South

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Draghi brings harmony and stability, but Italian politics can always change on a whim

After decades of chronic parliamentary instability, Italian politics is experiencing a rare period of political consensus under the unity government of PM Mario Draghi. A technocrat without party affiliation, Draghi's background as one of Europe's most experienced policymakers has restored faith in competent governance, particularly among investors and business leaders. Despite the highly fractured parliament, the government is supported by all parties except the radical far-right Fratelli d'Italia (FdI) and commands strong majorities in both chambers. While previous technocratic administrations (Monti and Renzi) quickly depleted their political capital by having to impose austerity, Brussels has given Draghi the means and the mission to modernize the Italian economy. The ensuing economic growth has created a basis for popular support. However, this popularity will be tested as growth moderates and structural reforms (bureaucratic downsizing, tax reform) kick in. While the recovery has forced populists into retreat, anti-establishment sentiment can be easily reignited. In particular, snap elections could be triggered if the right-wing block were to unify under any of its leading personalities: Georgia Meloni (FdI), Matteo Salvini (Lega Nord) or Silvio Berlusconi (Forza Italia). Otherwise, the Draghi government is well positioned to last until the end of the mandate (mid-2023).

EU funds and political stability turbocharge investment

The behaviour of the Italian economy has radically changed after the pandemic shock. Formerly dependent on tourism income and a few key exporting industries to compensate for chronically stagnant domestic demand, it now enjoys a revival in consumption and investment expected to last well into 2022. One of the main factors underlying this trend is the unprecedented fiscal support coming from the EU. Out of the EUR 750 billion of the NGEU fund, 209 will be allotted to Italy (10.4% of 2019 GDP over 2021-2027) making it by far the single largest beneficiary in absolute terms. These funds are set to renovate the productive apparatus by funding the green transition, strengthening physical and digital infrastructures, as well as human capital and the social safety net. Key projects involve the energy efficiency of residential buildings (EUR 12 billion), sustainable transport infrastructure (32 billion), tax credits for corporate digital investment (13 billion), labour force upskilling/reskilling and education (26 billion), among others. Beyond the initial increase in government expenditures, these investments are improving the overall productivity of labour and capital, incentivizing private investment and thus giving a double boost to aggregate demand. Total investment is expected to end 2022 at 11% above its pre-pandemic levels. The successful protection of employment during the pandemic, coupled with intensifying labour shortages, is putting upward pressure on wages, favouring consumer spending. This effect will be partly offset by rising inflationary pressures. Italy's manufacturing sector has fared well during the pandemic, but will have to face the headwinds of an intensifying slowdown in Germany, as well as a spike in energy costs. Tourism (13% of 2019 GDP), while recovering, will not return to pre-crisis levels until 2023, resulting in a null contribution of net exports.

Despite high public debt, fiscal sustainability risks are not imminent

As the pandemic gradually fades, emergency support measures (corporate solvency support, furlough schemes) are set to be phased out progressively, bringing down discretionary spending. The stellar growth performance will exert a positive effect on public finances, both by increasing tax revenue and a favourable denominator effect. Nonetheless, new exceptional spending measures will mitigate the reduction of the deficit, which will nonetheless remain high by historical standards. New discretionary measures amount to 1.2% of GDP and include tax incentives for households and businesses, energy subsidies, healthcare and public investments. Indeed, to the extent that Italy will seek to bring down the debt ratio, this will be through higher growth rather than fiscal consolidation. In the event of a surprise negative shock to the economy, contingent liabilities pose a significant threat. The most concerning part are pre-pandemic guarantees on bank portfolios, which amount to 4.3% of GDP. Pandemic related loan guarantees represent a larger exposure (12% of GDP), but the quality of the underlying assets should be stronger. While the very high public debt is a concern in the long run, the government should not have any issue in meeting debt service commitments in the next few years. This is due, above all, to the persistently accommodative position of the ECB, which will keep interest rates low. Although the PEPP is ending, Italian sovereign bonds should continue to benefit from QE under the traditional assets purchase programme. Despite the surge in inflation, the ECB is expected to lag behind other central banks in tightening policy. With a resilient current account surplus and external liabilities mostly in the form of intra-eurosystem central bank funds (TARGET 2 liabilities), external sector vulnerabilities are low.

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 - 2020	2.7
GDP PER CAPITA US Dollars - 2020	5,103
CURRENCY Jamaican dollar	JMD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.1	-10.0	4.5	3.5
Inflation (yearly average, %)	3.9	5.2	5.6	6.0
Budget balance* (% GDP)	0.9	-3.0	0.8	1.0
Current account balance (% GDP)	-2.0	-0.1	-1.6	-1.5
Public debt* (% GDP)	93.9	105.0	95.0	90.0

(e): Estimate. (f): Forecast. * Fiscal year 2022 : from April 1st, 2022 to March 31st, 2023.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	43%
EURO AREA	16%
CANADA	11%
RUSSIA	6%
UNITED KINGDOM	5%

Imports of goods as a % of total

UNITED STATES	37%
BRAZIL	10%
CHINA	9%
EURO AREA	7%
SWITZERLAND	4%

- Natural resources (bauxite, sugar, bananas, coffee) and tourism
- Financial support from multilateral institutions
- Strategic geographical location
- Substantial remittances from the diaspora
- Stable democratic framework

- Poorly diversified economy and heavy reliance on tourism
- Vulnerable to external shocks (climate, U.S. economic cycle, commodities)
- Very high public debt and debt service inhibiting growth
- High rates of corruption, crime and largely unskilled labour force could dampen investor sentiment

RISK ASSESSMENT

A moderate recovery driven by tourism

The Jamaican economy, which suffered a severe contraction during the COVID-19 pandemic due to its heavy reliance on tourism coupled with the impact of travel restrictions, will continue the recovery that began in 2021, expanding at a more moderate pace in 2022. However, this recovery will continue to be hampered by the low percentage of the vaccinated population. In October 2021, only 11.8% of the population was vaccinated, despite the support of the COVAX initiative led by the World Health Organization.

This low vaccination rate will support only a moderate recovery in domestic demand. The country also remains exposed to climate-related hazards, creating uncertainty for agricultural and mining production (8% and 10% of GDP respectively). In 2022, growth will therefore be driven mainly by external demand and, more particularly, by tourism revenues (35% of GDP and 58% of total exports in 2019), which will however depend on the definitive lifting of travel restrictions and a return to normal for air traffic. In addition, strong global demand for agricultural products (sugar, coffee, cocoa and vanilla) and mining products (10% of the world's production of bauxite, the ore from which aluminium is derived, and 8% of the world's production of aluminium) will contribute to this recovery. By October 2021, aluminium and agricultural commodity prices were up by 70% and 10% in one year, respectively. This, together with the rise in the price of imported energy, is expected to stoke inflation, even though the central bank raised key rates from 0.5% to 1.5% in 2021 and is expected to continue hiking rates. This inflation could impact household consumption (76% of GDP in 2020), which is expected to increase, after receiving only feeble support from public measures during the pandemic. The fall in unemployment (8.5% in July 2021) and remittance flows (20% in 2019) will also contribute to private consumption.

Jamaica will rely on its tourism sector to support its offer and on the development of its logistics platform (which is a key issue for the country due to its strategic location), its transport and telecommunications network, and the expansion of the Panama Canal in 2016. The Jamaican government wants to create an integrated infrastructure network covering air, sea, rail, road and special economic zones, in order to make the island the fourth hub of the global supply chain. Other public investment projects will continue with the support of the Inter-American Development Bank with the goal of reducing poverty. Private investment is also expected to pick up through public-private partnership projects, including the upgrade of Sangster Airport in Montego Bay. Private investment should benefit from the Priority Investment Project initiative launched by the government to facilitate private projects with significant economic impact.

A heavy public debt burden despite a positive outlook

After a limited and temporary suspension of its austerity policy to deal with the health and economic crisis caused by COVID-19, the government reverted to a more restrictive fiscal policy in 2021 in order to restore the budget surplus. This approach combines increased revenues linked to the recovery of production and consumption with spending cuts, in particular by phasing out the few support measures implemented to help households during the pandemic. The return to a surplus in public finances will enable Jamaica to ease its public debt burden, which remains heavy. In October 2021, the rating agency S&P revised Jamaica's economic outlook from negative to stable.

Following the receipt of a USD 520 million emergency loan from the IMF in 2020, the current account deficit will stabilise, with the resumption of imports and rising prices for imported goods, particularly oil, offsetting the long-awaited recovery of the tourism sector and remittances.

A prime minister whose popularity is sagging

Despite a record abstention rate (63%) due to the health crisis, Prime Minister Andrew Holness and his party (Jamaica Labour Party, JLP) won a second term in the September 2020 legislative elections, taking 49 out of the 63 seats in parliament. However, after enjoying widespread support for its initial effective handling of the crisis, the government saw its approval ratings take a beating in late 2021 amid a resurgence in COVID-19 cases and deteriorating public finances. A September 2021 poll reported that only 42% of Jamaicans approved of the prime minister's performance, down by more than a third from 65% in July 2020. The main challenge for the government in 2022 will be to continue the fiscal consolidation process undertaken under IMF supervision since 2013, after easing up slightly in 2020 because of the crisis. In addition, the government will step up its efforts to tackle armed crime, still the country's number-one problem, as well as corruption and the lack of transparency.

Internationally, the government is expected to concentrate on relations with the United States, the country's main trading partner and source of remittances from expatriate workers. It will also focus on regional cooperation, particularly in the fight against crime and drug trafficking.

JAPAN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	125.8
GDP PER CAPITA US Dollars - 2020	40,089
CURRENCY Japanese yen	JPY

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.0	-4.6	2.0	3.2
Inflation (yearly average, %)	0.5	0.0	-0.2	0.6
Budget balance* (% GDP)	-3.7	-11.7	-8.1	-5.5
Current account balance (% GDP)	3.4	3.3	3.5	3.3
Public debt (% GDP)	235.4	254.1	256.9	252.3

(e): Estimate. (f): Forecast. * FY 2022: April 2022 - March 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	22%
UNITED STATES	19%
EURO AREA	8%
SOUTH KOREA	7%
TAIWAN	7%

Imports of goods as a % of total

CHINA	26%
UNITED STATES	11%
EURO AREA	10%
AUSTRALIA	6%
TAIWAN	4%

- Privileged location in a dynamic region
- High level of national savings rate (around 25% of GDP)
- Public debt is over 90% owned by local investors
- Advanced technology products and diversified industrial sector
- Trade agreement with the EU and Transpacific Partnership (December 2018)
- Regional trade agreements (RCEP, CPTPP)
- Excellent corporate payment behaviour

- Rapidly ageing population, risk of surging social security costs
- Reduction of the workforce and low immigration contribution, increasing share of precarious workers
- Difficulty in fiscal consolidation and reversing deflationary pressures
- Low growth potential, low productivity of SMEs
- Stagnant real wage growth

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Fragile recovery

Japan's economic growth is expected to remain modest in 2022, but several downside risks could weigh on the outlook. After announcing a state of emergency thrice in 2021, with the third lasting nearly six months from April to September, the lifting of the emergency measures should provide a boost to domestic consumption (55% of 2019 GDP). Services business activity, which reflects domestic demand, showed an expansion in October 2021, the first growth recorded since the start of the pandemic in early 2020, according to PMI data. A high vaccination rate (80% of population in early January 2022) also adds resilience to economic reopening efforts. Nevertheless, the course of the pandemic in 2022 remains highly uncertain, and therefore acts as downward pressure on services consumption, and tourism (7% of 2019 GDP). Tight supply conditions would also likely constrain growth in exports and industrial production, particularly in the automotive industry (12% of GDP). Major Japanese automakers have announced output cuts throughout the latter half of 2021 due to shortages in auto components. Merchandise exports (14% of GDP) have been a key driver of Japan's recovery from the pandemic, and could come under pressure in 2022 due to sustained supply disruptions and China's economic slowdown. Business fixed investment will be closely linked to industrial and trade performance. In the longer term, Japan faces significant structural risks to its long-run growth potential, with the most critical being adverse demographic changes. Limited monetary policy space and fiscal consolidation needs are also major risks.

Slow fiscal consolidation

We expect the reduction in the general government fiscal deficit (as % of GDP) in the fiscal year 2022 (FY22, starting April 2022) to be gradual due to higher expenditure needs, particularly health and welfare-related expenses, even as tax collections improve amid continued GDP growth. Combined budget requests for FY22 were at JPY 111 trillion, up 4% from FY21's JPY 106.6 trillion, with debt-servicing at over one-quarter of the total, and welfare spending at JPY 34 trillion (30% of total). In November 2021, the government unveiled an extra budget for FY21 worth JPY 79 trillion, which is expected to raise new bond issuances to JPY 65.7 trillion, though still far lower than the JPY 112.6 trillion issued in FY20. Nevertheless, three rounds of heavy government stimulus since the onset of the pandemic are projected to push the level of outstanding long-term debt to JPY 1,212 trillion (USD 10 trillion) or about 217% of Japan's GDP. However, over 90% of long-term public debt is owned domestically, with the Bank of Japan holding nearly half of outstanding debt after years of massive bond buying.

The current account surplus is expected remain in 2022, albeit slightly narrower, as a projected large positive income balance should offset a negative trade account. The upward trend in investment income since the mid-1990s, due to an increasingly positive net foreign asset (NFA) position linked to the rise in corporate saving, has helped offset a declining trend in the trade (goods and services) balance. A sustained global recovery in 2022 should underpin Japan's investment income inflows. The trade balance is expected to remain in deficit as an estimated narrowing of services trade shortfall is likely to be offset by a smaller goods trade surplus. A gradual pick-up in travel-related services inflows on easing border restrictions and a modest rebound in international tourism should improve the services deficit. Meanwhile, a continued improvement in domestic demand would boost goods imports, thereby weighing on the merchandise trade balance, particularly when export growth (*e.g.* automobiles) is likely to slow amid prolonged supply chain disruptions and key material shortages.

Factional politics

New prime minister Fumio Kishida led the ruling Liberal Democratic Party (LDP) to victory in the 2021 general election, retaining a sole but smaller majority (56%) in the more powerful lower house. The ruling coalition controls 63% of the House of Representative. However, the loss of LDP seats could mean that LDP may need to show more consideration to Komeito when making policies, especially in expenditure items. This is important ahead of the upper house election in summer 2022, where the LDP only held 45% of seats, and had to rely on Komeito for a majority. Factional politics within the LDP could constrain the ability of Kishida's administration for bold reforms, including generational renewal in the party. In the short-term, Kishida will focus on domestic issues, particularly anti-pandemic measures and economic recovery. An adroit ability to balance Japan's relations with China and the United States will be a key foreign policy challenge for Kishida. Meanwhile, relations between Japan and South Korea will likely remain tense.

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.

NUMBER OF CORPORATE INSOLVENCIES

Source: Tokyo Shoko Research, Coface.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	10.2
GDP PER CAPITA US Dollars - 2020	4,286
CURRENCY Jordanian dinar	JOD

Main Economic Indicators	2019	2020 (e)	2021 (f)	2022 (f)
GDP growth (%)	2.0	-2.0	2.0	2.7
Inflation (yearly average, %)	0.7	0.4	2.3	2.0
Budget balance* (% GDP)	-6.0	-9.0	-7.7	-6.0
Current account balance* (% GDP)	-2.1	-8.1	-8.3	-4.0
Public debt (% GDP)	78.0	88.5	91.2	91.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	24%
INDIA	12%
SAUDI ARABIA	11%
IRAQ	9%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

CHINA	16%
EURO AREA	15%
SAUDI ARABIA	12%
UNITED STATES	8%
UNITED ARAB EMIRATES	4%

- Political and financial support from Gulf monarchies and Western countries
- Major producer of phosphate and potash
- Expatriate workforce and tourism are important sources of foreign currency (although not during the COVID-19 crisis)
- Relative political stability, unlike neighbouring countries

- Shortage of natural energy and water resources and weak manufacturing base
- Vulnerability to international economic conditions and political instability in the Middle East
- Public and external account imbalances resulting in dependence on foreign aid and capital
- Very high unemployment rate, especially among youth and women, informal economy, challenges coping with Syrian refugees
- Electricity sector in a perilous financial situation

RISK ASSESSMENT

Weak recovery to continue in 2022

The recovery following the height of the COVID-19 pandemic began in the second half of 2021 and is expected to continue into 2022. The tourism sector (accommodation, food service, transportation), which accounted for nearly 18% of GDP and employment in 2019, was particularly affected by border closures and travel restrictions. Prioritising vaccination of tourism workers and entry controls for the Golden Triangle of Aqaba, Petra and Wadi Rum spurred a partial recovery of the sector, with hotel occupancy rates reaching 70% during the 2021 summer season. Continued vaccination campaigns are expected to improve the economic outlook for consumers and businesses. Thus, the rebound in private consumption (80% of GDP) should be a source of GDP growth in 2022. However, the high unemployment rate, particularly among youth and women, is a drag on the demand side of the recovery. Rising oil and food prices are expected to be a further source of inflation in 2022. Increased demand could also contribute to inflationary pressures. On the monetary side, the central bank has been running an accommodative policy since March 2020, but is sensitive to changes by the Fed and could take a tougher stance. The emergence of a new variant and a sluggish vaccination campaign represent considerable risks and could limit the size of the economic rebound.

Large twin deficits

The increase in COVID-related spending is affecting the government's fiscal consolidation efforts. The fiscal response to the pandemic amounted to 2.4% of GDP in 2020. This included social and health spending, subsidies for tourism and liquidity provision to support businesses. In 2021, some of these measures were extended, such as tax deferrals, subsidised loans for SMEs and social assistance programmes. Together, these measures contributed to widening the budget deficit and increasing public debt in 2020 and 2021. Despite this, Jordan is pushing on with its fiscal consolidation drive (broadening the tax base, combating tax evasion, strengthening the capacity of the tax administration) with the support of the IMF, with which a programme involving a concessional loan of USD 1.5 billion between 2020 and 2024 has been agreed on. The country has already received USD 900 million, comprising USD 600 million in concessional loans and USD 300 million in emergency assistance. In 2022, the government deficit is expected to decline as support measures are phased out and the economy recovers, boosting tax revenues.

Regarding the external accounts, the current account deficit widened further in 2021. Exports and imports increased by 23.1% and 22.3%, respectively, in the first half of 2021 compared with the same period in 2020. With imports weighing more than double the value of exports, the trade deficit increased by 24.6% during the same period. This explains the current account deficit in 2021, which reached 8%. Since the country is a net importer of energy, high prices are taking their toll. The recovery in the tourism sector, which was struggling until the summer of 2021, should enable the current account deficit to narrow in 2022.

Although Jordan has issued foreign-currency bonds on the domestic and international markets, it relies primarily on external support to finance the twin deficits. Grants, particularly from the United States, but also from other Western countries, the Gulf states, multilateral organisations and regional banks, play a significant role in this regard. The return of FDI (about 2% of GDP) should also help finance the deficits. This support additionally makes it possible to keep high foreign exchange reserves (covering 7 months of imports), which are needed to maintain the dinar's dollar peg. Foreign aid also enables Jordan to accommodate Syrian refugees in the country.

Internal tensions

In early 2021, the country faced a political crisis, with Prince Hamzah accused of attempting to destabilise the country. Although the prince pledged allegiance to his half-brother, the reigning King Abdullah II, in response to the accusations, the event tarnished the Jordan's reputation as a stable country. This came against a backdrop of accusations of corruption and widespread poverty. The political system is plagued by another difficulty: in the last elections in November 2020, voter turnout failed to exceed 30%, and the parliament remains dominated by independents and representatives who are loyal to the king. Under pressure to reform, King Abdullah has appointed former prime minister Samir Rifai to head a royal committee to draft modern laws on the organisation of elections and political parties.

Jordan's pro-Western and pro-Gulf state stance will remain the cornerstone of its foreign policy for security and, increasingly, economic reasons. Jordan's central strategic position in the region should ensure continued logistical, financial and military support from the United States, its main ally.

KAZAKHSTAN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	18.9
GDP PER CAPITA US Dollars - **2020**	9,071
CURRENCY Kazakhstani tenge	KZT

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.5	-2.6	3.3	4.3
Inflation (yearly average, %)	5.3	6.8	8.9	6.5
Budget balance* (% GDP)	-1.5	-8.0	-5.4	-4.1
Current account balance (% GDP)	-4.0	-3.7	-2.0	-1.5
Public debt (% GDP)	19.0	24.0	25.4	26.0

(e): Estimate. (f): Forecast. * Transfers from NFRK not included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	36%
CHINA	14%
RUSSIA	10%
SOUTH KOREA	5%
SWITZERLAND	5%

Imports of goods as a % of total

RUSSIA	36%
CHINA	17%
EURO AREA	13%
SOUTH KOREA	10%
UNITED STATES	3%

- Significant oil, gas and mining potential
- The State enjoys a 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

- Highly dependent on Russia (main partner in diplomacy and security) and China
- Highly dependent on commodities (oil, gas, uranium, iron, steel, copper): under-diversified economy
- Inadequate road, port and electricity infrastructure
- Weakly competitive market structures (high concentration in key sectors and significant government presence)
- Banking system still fragile and significant dollarization (37% of deposits and 13% of loans in 2020)
- Weak governance (corruption, politicised court system, deficiencies in collective proceedings, economic power concentrated with the elite)
- Landlocked, low population density, relatively far from major world markets, significant non-tariff barriers despite World Trade Organization (WTO) membership

RISK ASSESSMENT

Growth driven by hydrocarbons and private consumption

Economic growth will strengthen significantly in 2022, thanks to higher hydrocarbon prices and strong growth in private consumption.

The continued global economic recovery will keep energy demand high, contributing to increased exports of goods and services (35% of GDP), of which hydrocarbons account for 65%. World Brent Blend prices will average USD 75/b in 2022, compared with USD 70/b in 2021. Rising demand, particularly from China, along with the loosening of the production cap contained in the OPEC+ agreement, will contribute to an increase in hydrocarbon. The oil potential of the Tengiz field will be significantly tapped.

Private consumption (62% of GDP) will grow. President Tokayev has also ordered increases for some public sector wages (20% increase between 2022 and 2025) and the minimum wage (41% increase as of 1 January 2022). The positive impact of these changes on consumption will be eroded by high inflation. Moreover, such a strong increase in wages could accentuate inflationary pressures. Accordingly, inflation will tend to moderate, but is set to remain above the central bank's target corridor of 4%-6%. There is a risk of heightened price volatility, as inflation expectations are weakly anchored and the monetary policy framework is not well developed. The policy rate could well be tightened further by at least 50 basis points (it was 9.75% in October 2021) as real rates are close to zero.

President Tokayev wants to end public bailouts of state-owned banks. He originally indicated this intention in 2019, but bailouts have continued since then. Despite the injection of KZT 6.3 trillion (USD 14.8 billion) in economic stimulus during the pandemic, commercial banks are not financing small projects, especially in rural areas. He has asked the government to develop measures to support microfinance projects. Credit to the private sector occupies a small place in the economy (22%).

Fiscal tightening to spare the sovereign wealth fund

In 2022, the current account deficit is expected to narrow further due to an increased trade surplus from hydrocarbons and a sharp rise in remittances from expatriates in Russia. It will be largely financed by central bank (NBK) reserves and the assets and income of the NFRK sovereign wealth fund (USD 92 billion in total at the end of the first half of 2021, or 46% of GDP), amid declining net FDI flows (3.3% of GDP in 2022). Unlike during the 2015 crisis, foreign exchange reserves, excluding gold (USD 24 billion, equivalent to 7.5 months of imports), have not been systematically used to bolster the floating tenge, even if occasional interventions by the NBK have provided support.

Reflecting heavy fiscal pressures, the president has instructed the government to refine the rules for drawing down the NFRK in order to limit the impact of the fiscal deficit on the fund's assets, which shrank from USD 62 billion in 2019 to USD 55 billion in 2021. A counter-cyclical fiscal rule will be introduced, which is expected to restrict transfers from the wealth fund as well as the rate of growth of government spending, in order to reduce the fiscal deficit. Nevertheless, fiscal policy will remain expansionary in some areas, such as social assistance and wages, while curbing spending in others, such as support to large enterprises. A privatisation drive has been underway since 2014, so far with mixed results. The president has asked the Supreme Reform Council to draft a new privatisation plan. The government has set a goal of reducing the state's presence in the economy to 14% by 2025, after hitting the target of 14.9% in 2019.

Violent socio-political crisis

Violent protests began on January 2, 2022, in the oil-producing city of Zhanaozen, quickly spreading to the country's largest city, Almaty. The reason: a change in pricing policy for liquefied petroleum gas (LPG), reducing subsidies for the fuel, and letting markets determine its cost. However, this is not the only reason for the protests. The socio-political environment has long been unchanged: low wages, late payments, poor working conditions, environmental devastation and corruption, exacerbated by the health crisis that exposed an inefficient and corrupt health care system. In response, President Tokayev reversed the increase in gasoline prices, extended subsidies to diesel, gasoline and other essential goods. He also announced a freeze on civil servants' salaries, wage increases in some sectors and the creation of a fund to solve social problems, to which the rich would contribute. Former President Nursultan Nazarbayev, who has been acting as an unofficial leader behind the scenes, resigned as head of the country's Security Council. As the violence continued, Tokayev declared a state of emergency and asked for support from the Collective Security Treaty Organization (CSTO), the Russian-dominated regional security bloc, to restore order. With tensions eased, Russian troops completed their withdrawal on January 19. A resurgence of protests is possible, as further radical structural reforms are unlikely. The Russian intervention reaffirms its influence and strategic interests in the region. China has been cautious about the Russian intervention, but once the situation stabilized, it seems to have approved of it. Sino-Kazakh commercial ties have remained intact.

KENYA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	48.7
GDP PER CAPITA US Dollars - 2020	2,104
CURRENCY Kenyan shilling	KES

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.0	-0.3	7.7	5.1
Inflation (yearly average, %)	5.1	5.4	6.2	5.8
Budget balance* (% GDP)	-7.3	-8.1	-8.0	-6.7
Current account balance (% GDP)	-5.5	-4.4	-5.0	-5.1
Public debt* (% GDP)	59.0	67.6	69.7	70.2

(e): Estimate. (f): Forecast. * Fiscal year from 1st July to 30th June; year 2022 from July 2021 to June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	15%
UGANDA	12%
PAKISTAN	9%
UNITED KINGDOM	8%
UNITED STATES	8%

Imports of goods as a % of total

CHINA	22%
INDIA	11%
EURO AREA	11%
UNITED ARAB EMIRATES	6%
JAPAN	5%

- Sixth-largest African economy (2020), but the biggest in East Africa, playing a pivotal role in the East African Community, Africa's number-one common market
- Diversified agriculture (40% of GDP, third-largest tea producer in the world) and dynamic services sector (IT, telecommunications and financial services)
- Mombasa is the third-largest port in Africa
- Mineral sand deposits (comprising ilmenite, rutile and zircon)
- 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 (originally planned until the end of 2022, but probably will go on longer), which is focused on food security, manufacturing employment, universal and affordable access to health, and affordable housing

- Reliant on hydropower and rain-fed agriculture: sensitive to drought and flooding
- Weak public resources (17% of GDP in 2020) and high public debt
- Persistent bottlenecks due to lack of infrastructure and skills shortages
- Terrorist risk in the north, near Somalia; political, social and ethnic divisions
- Persistent corruption and governance deficiencies, including in state-owned companies

RISK ASSESSMENT

Vaccination campaign underpins a stronger recovery

The acceleration of the economic rebound in 2022 partly depends on the vaccination progress which is lagging far behind. This will expose the country to fresh COVID-19 outbreaks that could lead to longer or stricter restrictions, particularly in the first half of the year, and should further discourage tourism from abroad (10% of GDP and 9% of employment in 2019). Private consumption (81% of GDP) is expected to be the key growth driver in 2022 thanks to the recovery on the labour market. With the slow return of tourists from the second half of 2022 onwards, the unemployment rate could fall back to its pre-COVID level of 5%, resulting in higher wages. However, higher inflation - due to higher energy prices following the reduction in subsidies – will erode some of the gains in purchasing power. The price pressure is not reflected in the yearly inflation rate in 2022, due to special effects coming from the previous year. The Central Bank of Kenya is expected to respond to inflation by hiking its interest rate from its decade low of 7% to 7.5%, which could also support capital inflows. A new trade and investment deal with the UK worth USD 184 million will drive investments (17% of GDP). In addition, the British oil exploration firm Tullow Oil has finally presented its plan to bring the Lokichar (Turkana county) oil field on-stream after several postponements, but further investments will likely be postponed again. Growth in public investment and consumption will be limited by fiscal consolidation efforts. This is the basis for a new three-year financing package (Extended Fund Facility and Extended Credit Facility) approved by the IMF in April 2021. Net trade should remain a drag to economic growth. Merchandise exports (12% of GDP) will continue to benefit from the strong demand for fruits and vegetables (14% of exports), but growth of tea exports (23%) should remain sluggish due to strong supply from other exporters on the global market. While services exports should increase noticeably with the slow return of tourists, higher imports should more than offset this development.

High twin deficits and debt

While remaining significant, the deficit forecasted in the 2021-2022 budget falls noticeably. The government removed COVID-19 related subsidies and expenditures, while the further economic recovery will generate higher receipts. Nevertheless, authorities should still increase spending to fight insecurity and drought in the North, as part of the 3rd stimulus package (November 2021. A narrower budget deficit is in line with the current IMF programme, with USD 2.34 billion at stake, of which USD 984 million have already been disbursed. Nevertheless, public debt will still grow, but at a slower pace, up to 70% of GDP. The current account deficit should remain at around 5% of GDP. Positive developments coming from services exports and higher remittances from Kenyans living abroad will be offset by an increase in the huge merchandise trade deficit. Public external debt (37% of GDP), which is divided between commercial (30%), bilateral (30%, around half of it is held by China) and multilateral creditors (40%), should continue to climb, also because of the high debt service that will increase with the end of the suspension of bilateral debt servicing this year.

All eyes on the presidential election

The context of the presidential election, scheduled in August 2022, became more complicated after Kenya's High Court ruled in May 2021 to reject the planned constitutional amendment that would have most notably introduced the position of Prime Minister. This reform was originally part of a truce between President Kenyatta and Raila Odinga, his main opponent in the 2017 election, to secure political stability. This means that Kenyatta will not be able to retain some power by occupying the prime minister position after his second and final presidential term ends this year. Nonetheless, in a country where many still vote along ethnic lines, Kenyatta, an ethnic Kikuyu (17% of the population, largest ethnic group), declared his support for Odinga, a Luo (11% of the population), forming an unusual alliance. This could put Deputy President William Ruto - a member of the Kalenjin ethnic group (13%, the third largest) who has not received the president's support due to personal disagreements - in the best position to win the election with the support of his ethnic group and some of the disappointed Kikuyu. Due to the concentration of power, elections are driven by ethnic voting and often accompanied by violence outbreaks. Ruto has also gained a lot of support among young people by staging himself as the candidate of the "Hustler Nation", in opposition with Kenyatta and Odinga, names that have been at the forefront of the domestic political scene since the 1960s.

KOREA (NORTH)

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	25.8
GDP PER CAPITA US Dollars - **2015**	1,700
CURRENCY North Korean won	KPW

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.4	-4.5	-4.0	0.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	23%
MYANMAR	10%
ETHIOPIA	6%
SURINAME	6%
DOMINICAN REPUBLIC	5%

Imports of goods as a % of total

CHINA	83%
RUSSIA	7%
BRAZIL	1%
HONDURAS	1%
CONGO DR	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 (coal, iron and other minerals such as copper) that remain largely untapped

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- Economically and politically isolated
- Chronic food and electricity shortages
- Dependence on energy and food imports
- Military spending dwarfs investment in productive sectors
- Extreme poverty (half of the population)
- Severe lack of infrastructure

RISK ASSESSMENT

The gradual reopening should lead to recovery and alleviate food shortage

COVID-19 related strict lockdowns and border closures, bad weather, and pre-existing UN sanctions over its nuclear weapon program plunged the country into recession and triggered a food crisis in 2020 and 2021. North Korea shut down its borders in January 2020. Additional strict measures followed, including a ban on domestic travel, restrictions on entry to Pyongyang, the capital, and a 30-day quarantine for those who showed COVID-19 symptoms. These measures weighed on the mining and manufacturing industry (28.1% of GDP in 2020) and services (33.8%). The Bank of Korea (BOK) estimated that GDP decreased by 4.5% in 2020, driven by record decreases in mining (-9.6%), agriculture (-7.6%) and services (-4.0%). External trade, which was already impacted by the UN Security Council's sanctions passed in 2017, plunged by 67.9% in 2020 from a year earlier. With UN sanctions already affecting its main exports - textiles (27% of the total in 2017), coal (22%) and seafood (8%) - the country had shifted and significantly increased its exports of watches and wigs before the pandemic, but both collapsed in 2020: -86.3% and -92.7% respectively compared to a year earlier. Furthermore, the border closures deprived the tourism industry of income, which was already very low before the pandemic due to isolationism. These trends should have continued in 2021.

However, the economy is expected to recover gradually in 2022 on the back of trade as borders with China, the almost unique trade partner, reopened in September 2021. Trade surged and doubled between both economies in September 2021. Nevertheless, risks of coronavirus variant outbreaks in China may trigger renewed border closures in order to prevent spreading. Domestic demand, while still subject to frequent shortages of oil and consumer goods linked to the sanctions, should gradually recover along with imports. External trade is likely to pursue its slow recovery in 2022, easing the food shortage, as the declining agricultural sector (22.4% of GDP in 2020), largely state-owned and unproductive, recorded a poor crop performance due to heavy floods over the summer of 2021. 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 in services (34% of GDP in 2020, 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. Tourism is unlikely to recover in 2022 as borders should be only open to cross border trade. The won, which is mainly traded on the black market (Jangmadang), appreciated by over 25% against the dollar between January and October 2021. A slump in imports with China in 2021 due to border restrictions and the government crackdown on the use of the dollar could explain the currency appreciation. Authorities have been tracking the reserves of foreign currency held by North Koreans, requiring them to deposit all foreign currency at banks. This move appears to be in line with the authorities' plan to strengthen its socialist systems, at a time when the country was further isolated.

Towards a reconciliation between North and South?

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 of the state and its unique party.

North Korea has been under UN sanctions over its nuclear and ballistic missile programs since 2017. Although the former U.S. president Trump met three times with the North Korean leader in 2018 and 2019, no progress has been made on U.S. calls for North Korea to give up its nuclear weapons and Pyongyang's demands to withdraw UN sanctions. The country continued to develop its nuclear missile programs through 2021. This prompted the U.S. and the UK to raise the issue in the UN Security Council, despite calls from China and Russia, both also part of the Council, to lift the sanctions in light of the current food shortage. That being said, despite a stronger stance towards Pyongyang, Biden's administration is willing to offer some relief in sanctions in exchange for efforts towards denuclearization.

Relations between North and South Korea seem to improve as they restored their cross-border hotlines in October 2021, a year after North Korea blew up the joint-liaison office in Kaesong. They are also currently in talks to hold a North-South summit to restore relations. A reconciliation could revive the manufacturing industry through South Korea's FDI inflows and construction through joint infrastructure projects (rail and road) A closer tie could also improve living conditions in North Korea through further trade and help to reduce the food shortage. The Inter-Korean talks might also help to restart negotiations between Pyongyang and Washington.

KOREA (SOUTH)

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	51.8
GDP PER CAPITA US Dollars - **2020**	31,638
CURRENCY South Korean won	KRW

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	-0.9	4.0	3.1
Inflation (yearly average, %)	0.4	0.5	2.5	2.9
Budget balance (% GDP)	-0.6	-3.7	-4.4	-2.6
Current account balance (% GDP)	3.6	4.6	4.5	4.2
Public debt (% GDP)	37.6	43.8	47.3	52.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	26%
UNITED STATES	15%
VIETNAM	9%
EURO AREA	7%
HONG KONG	6%

Imports of goods as a % of total

CHINA	23%
UNITED STATES	12%
EURO AREA	11%
JAPAN	10%
VIETNAM	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, automotive, domestic appliances)
- High level of household debt
- Ageing population
- High youth unemployment
- Net commodity importer
- Overrepresentation of chaebols in the economy
- Geopolitical tensions with North Korea and Japan

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Solid but uneven recovery

With South Korea's GDP set to exceed its pre-pandemic level in 2021, growth momentum in 2022 is expected to moderate as the economic gain from normalising business conditions begins to fade. Exports (about 40% of GDP), which have been the main driver of growth, will continue to be a key pillar of support for the economy, especially as Korean high-tech products remain in great demand. Strong global demand for electronics and semiconductors is expected to sustain through the year, although a prolonged supply chain disruption may constrain export growth. The continued export upturn should spur further investment in construction and facilities (23% of GDP in 2019). In this environment, the manufacturing sector (26% of GDP in 2019) will continue to benefit.

The recovery in private consumption (48% of GDP in 2019) should continue over 2022 as the country seeks to transition into a "living with COVID" approach for the long-term and reopen the economy amid rising vaccination. By early January 2022, South Korea had over 80% of its population fully vaccinated, with over 40% receiving booster shots. Improving labour market conditions will provide a further boost to household spending, especially if the labour participation rate starts to pick up amid strengthening growth prospects. The unemployment rate (not adjusted for seasonality) dropped to an eight-year low of 2.6% in August 2021, but the participation rate remained below its pre-pandemic level, indicating a net outflow of workers from the labour force. The downside risk to the outlook of private spending will come from high household indebtedness (household debt-to-disposal income ratio at a record 92.8% in Q2 2021) in a rising interest rate environment.

Inflation exceeded the Bank of Korea's (BOK) target of 2% in 2021, and we expect growth in consumer prices to intensify in 2022. A further increase in energy prices and a stronger-than-expected strengthening of domestic demand are significant upside risks to our inflation forecast. Following two rate hikes in 2021, rising inflationary pressures and financial imbalances should push the BOK to increase its policy rate further in 2022. Nevertheless, the interest rate environment remains accommodative and, together with an expansionary fiscal policy, will provide support to growth.

Budget deficit to narrow

The government will continue to face a fiscal shortfall in 2022, though the budget deficit is expected to shrink from an estimated 4.4% of GDP in 2021 to 2.6% in 2022 despite aggressive spending plans. The government proposed an expansionary budget of 604.4 trillion won (USD 530 billion and 31% of 2020 GDP) for 2022. However, projections of higher revenue collection explain the lower budget deficit, while spending will be similar to the initial 2021 budget plus additional expenditures. The public debt is set to increase further in 2022 (50.2% of GDP), and should continue rising through to 2025 (58.8%). The rise in national debt will be partially financed through government bond issuances, with the finance ministry planning to sell 167.4 trillion won of bonds in 2022 (176.4 trillion in 2021).

South Korea's external position remains solid, supported by a sustained current account surplus, net external assets and ample official reserves. While the expected easing of border restrictions worldwide could contribute to a rise in the services trade deficit, it should be more than offset by strong merchandise trade growth.

Presidential election

The presidential election on 9 March 2022 is shaping up to be closely contested amid a shift towards conservative. The ruling Democratic Party (DP) is in control of the parliament (57%) until the next legislative elections due April 2024, with the main opposition party, People Power Party (PPP), holding about one-third of parliamentary seats (34.8%). However, the left-leaning DP has been losing more moderate support amid public frustrations with the Moon administration's struggles in responding effectively to emerging coronavirus strains despite early successes, and a failure to rein in rapidly rising home prices. Consequently, the DP lost in the April by-elections for the Seoul and Busan mayoral posts, which were claimed by the conservative PPP. In a scenario where PPP wins in the presidential election, policymaking would be complicated with a DP-majority National Assembly. Furthermore, the PPP is likely to take a harder stance against China, the largest trade partner. Meanwhile, Japan-South Korea relations remain terse, with Japan adamant about South Korea backing down from its wartime compensation demand. Tensions between the two Koreas eased slightly after bilateral communication lines were restored in October 2021, but any meaningful improvement is difficult.

KUWAIT

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - **2020**	4.7
GDP PER CAPITA US Dollars - **2020**	22,684
CURRENCY Kuwaiti dinar	KWD

TRADE EXCHANGES

Exports of goods as a % of total

SAUDI ARABIA	2%
CHINA	2%
UNITED ARAB EMIRATES	1%
INDIA	1%
IRAQ	1%

Imports of goods as a % of total

CHINA	17%
EURO AREA	16%
UNITED STATES	8%
UNITED ARAB EMIRATES	8%
JAPAN	6%

- Large financial buffers
- One of the world's largest oil producers and exporters
- Strategic geographic location allowing the entry to key markets such as Eastern Asia, Europe and Turkey
- Solid public and external accounts

- Low level of economic diversification, oil accounts for about 45% of GDP leaving the country vulnerable to fluctuations in hydrocarbon prices
- Slow bureaucracy that weighs on operational environment for companies
- Continuous standoff between the legislative opposition and the emir-appointed cabinet, which sometimes blocks legislative work
- Shortage of expatriate workers and mismatch between job offers and jobs sought by the Kuwaiti workforce

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.6	-8.9	1.3	4
Inflation (yearly average, %)	1.1	2.1	3	3
Budget balance* (% GDP)	-8.3	-1.5	1	0.5
Current account balance (% GDP)	16.3	16.7	15.5	13
Public debt (% GDP)	11.6	11.7	8	11

(e): Estimate. (f): Forecast. * Fiscal year goes from 1 April to 31 March: last fiscal year is 1 April 2022 - 31 March 2023, fiscal balance includes investment income.

RISK ASSESSMENT

Recovery is expected to be gradual

In line with the opening up of the economy, private consumption (about 40% of GDP) reached almost a decade-high level in 2021. It should continue expanding in 2022 as well, but at a slower pace because of the maturing recovery and fading base effect. Exports will become the key contributor to growth. Indeed, oil production will rise by nearly 13% in 2022 after falling in 2020 and 2021 consecutively due to the OPEC+ agreement. Due to the lack of economic diversification, trends in the oil sector will continue to be determinant for the Kuwaiti economy. Thanks to the rise in oil prices and increased global hydrocarbon demand, net exports will support growth in 2022. Investments (20% of GDP) will inch up in 2022 on the back of the completion of several refineries, such as the Al-Zour refinery project, and LNG import facilities. Other construction projects, such as the development of Sheikh Jaber Al-Ahmad Al-Sabah Causeway, within Kuwait's 2035 Vision program will also sustain investments. Government spending will also edge up in 2022, in line with higher oil prices and national savings (30% of GDP), which will alleviate pressure on the government to restrain expenditure, like cutting the public sector wage bill or introduce revenue measures such as a 5% VAT. These factors will be also supportive for domestic demand. Despite the low level of inflation, the central bank of Kuwait is expected to tighten its policy by raising its discount rate from its 1.5% level to follow the U.S. Fed's example, as the Kuwaiti dinar is pegged to a basket of currencies dominated by the US dollar.

Net creditor to the world with Improved public accounts

Hydrocarbon exports (90% of total merchandise exports) will continue to remain an important source of revenue in line with high oil prices. This will feed into the sovereign wealth funds. The Kuwait Investment Authority (KIA) is responsible for the management and administration of Kuwait's General Reserve Fund (GRF) and its Future Generations Fund (FGF). The GRF is the main repository of all of the state's oil revenues and income, and acts like the state treasury account, while the second is an intergenerational savings platform. The FGF's assets cannot be withdrawn unless sanctioned by law. Some media reports suggest that assets in the sovereign wealth fund exceed USD 700 billion, over five times Kuwait's GDP. Despite rising exports, the fact that imports will also increase on the back of better economic conditions and higher level of income will weigh on current account surplus expansion in 2022.

After plunging into deficit in fiscal year (FY) 2019-2020, the fiscal balance improved and returned to positive territory in FY 2021-2022, reflecting the rebound in hydrocarbon revenue s (two-thirds of total fiscal revenues) and removal of some COVID-19 related measures. The parliament will also work on passing a drafted debt law that envisages a debt ceiling of 60% of GDP, leaving flexibility for debt management and tap into global debt markets. In the absence of the debt law, financing of the deficit has relied mainly on the usage of the GRF's liquid assets, which explains the low level of debt.

Tensions between the cabinet and the parliament will persist

The continuous struggle arising from tensions between Kuwait's executive and legislative branches is a source of instability that weighs on the investment environment and the reform process. The National Assembly is made up of 50 elected members, officially independent, as political parties do not exist, and 16 government-appointed ministers. After the resignation of its government in early November 2021, Sheikh Sabah Al Khaled Al Hamad Al Sabah was re-appointed as the prime minister. That resignation came as several opposition lawmakers wanted to question the prime minister over various issues, including his handling of the COVID-19 pandemic. Al Sabah had already resigned twice in 2020 before being re-appointed each time by royal decree. However, the appointment of the same prime minister to form a third government may not be enough to calm opposition leaders. Having said that, these continuous cabinet reshuffles do not threaten the political stability in the country. Indeed, Kuwait benefits from the existence of a more independent legislative compared with its neighbours in the region. However, it will continue to delay important legislation, such as the passage of the debt law, and slow the development of the private sector and the kuwaitization of its workforce, which would facilitate the reduction of the governmental sector staff that employs 80% of Kuwaiti nationals.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

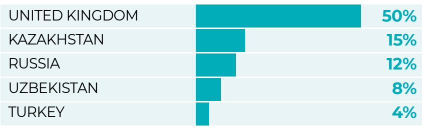
POPULATION Millions of persons - 2020	6.5
GDP PER CAPITA US Dollars - 2020	1,189
CURRENCY Kyrgyzstani som	KGS

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.6	-8.6	2.0	5.5
Inflation (yearly average, %)	1.1	6.3	11.4	6.0
Budget balance (% GDP)	-0.1	-3.3	-4.0	-4.0
Current account balance (% GDP)	-12.1	4.5	-8.0	-7.0
Public debt (% GDP)	51.6	68.0	67.6	63.1

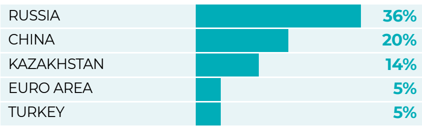
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- Abundant metal resources (gold, copper, uranium, mercury, antimony, lead, iron), whose development represents 30% of GDP
- Tourism and hydroelectric potential (only 10% exploited)
- Strategic position and transit corridor between China, Russia and Europe
- Financial support from multilateral and bilateral donors, as well as from 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), and in China and Kazakhstan, which account for half of all trade
- High dependence on gold (45% of exports) and agriculture (20% of GDP, 40% of jobs)
- Fragile, concentrated and dollarized banking system (43% of deposits and 33% of loans), while credit is expensive, directed and underdeveloped (25% of GDP)
- Challenging geography (landlocked and 94% mountainous) and significant energy dependence
- Deficient infrastructure (energy, water, health)
- Weak governance (corruption, organised crime, heavily politicised judicial system, large informal economy (23% of GDP) that reduces government resources) and difficult business environment
- Political and social instability linked to weak institutions, poverty (20% of the population), and ethnic, linguistic and economic differences between the northern and southern valleys

RISK ASSESSMENT

Gold mining disputes threaten activity

The Kyrgyz economy is expected to expand further in 2022, thanks to a gradual recovery in tourism, transportation, and related services. However, health uncertainty and the slow rollout of vaccines could weigh on the economy. Critically, uncertainty remains over the contribution of gold mining to growth in 2022. On 6 May 2021, a Kyrgyz court ordered Centerra Gold, the Canadian firm that owns 100% of Koumtor Gold Company (KGC), to pay approximately USD 3.2 billion for environmental damage caused. The state has also initiated legal proceedings against KGC for unpaid taxes. On 23 October, the government announced that a state-owned company, Kyrgyzgeologiya, would now be responsible for all precious metals mining in the country. These events may sap investor sentiment and dampen growth in the short and longer term, as mining accounts for 10% of GDP, and foreign investment dominates the mining sector. In addition, on 17 September, the London Bullion Market Association (LBMA) temporarily suspended Kyrgyzaltyn, the country's state-owned gold producer, from its list of refiners for failing to meet the requirements of the responsible sourcing programme, thereby cutting off access to the London international gold market. Furthermore, a New York judge approved the suspension by foreign suppliers of deliveries of mining equipment.

The energy sector is also facing difficulties. On 29 September 2021, the state-owned National Energoholding announced plans to restrict the supply of electricity to businesses and streets in the capital city of Bishkek to deal with shortages due to low water levels in the Toktogul reservoir, which produces 40% of the country's electricity. In order to reduce consumption, as part of the 2021-25 electricity pricing policy overhaul, prices have been increased. Starting in 2022, rates will be adjusted based on the previous year's real inflation rate.

Inflation is expected to ease in 2022 to within the 5%-7% target, thanks to cooler domestic demand and tighter monetary policy. The latter follows changes in the Russian monetary policy, with the som moving in line with the rouble due to the importance of remittances from Russia. Nevertheless, high world oil and food prices represent an upside risk to this forecast. Therefore, the government may decide to extend price regulation.

Debt is sustainable thanks to international support and Chinese patience

The budget deficit, which is mainly due to infrastructure financing, is 60% funded by concessional loans and foreign grants. The external and foreign currency-denominated portion of the public debt (82% of the total) is held by multilateral (IMF, ADB, World Bank, EFSD) and bilateral lenders (60%) and by China's Eximbank (40%). The ratio of public debt to GDP will start to decline in 2022, as activity increases and spending is consolidated. Moreover, on 6 October 2021, the IMF decided to write off USD 12.6 million of the country's debt under its Catastrophe Containment and Relief Fund (CCRF).

The country runs structurally high trade deficits due to its dependence on imported energy and machinery. In 2022, sales of gold and electricity (even if the former are subject to uncertainty), as well as remittances (28% of GDP), should more than compensate for high hydrocarbon prices. FDI (15% of GDP in 2020) will help finance the deficit, but perhaps less than usual. Foreign exchange reserves (five months of import coverage in 2021) make it possible to limit som depreciation through interventions. A full 70% of the external debt is owed or guaranteed by the state; the private share corresponds in part to the debt contracted by foreign companies present in the country, including Chinese firms in the mining sector.

Sadyr Japarov's government refreshes the political scene

Demonstrations following the disputed parliamentary elections in October 2020, protesting electoral fraud and massive vote buying, led to the resignation of the government and President Sooronbay Jeenbekov. A new president, Sadyr Japarov, was elected in January 2021 with a huge majority, and the following April a constitutional referendum transformed the parliamentary system into a presidential one. A new electoral system combining majority and proportional representation was adopted on 27 August. Parliamentary elections were held early on 28 November 2021, to renew all 90 seats in the Supreme Council. Parties openly supporting Mr. Japarov came out on top, while unaffiliated representatives accounted for more than a third of seats. However, people will be ready to take to the streets again to protest political issues and demonstrate against mining operations, which are mostly run by Chinese firms, because of environmental damage (soil, water).

The long-standing border dispute with Tajikistan claimed victims on both sides in 2021 and is set to persist in 2022. Increased militarisation in response to the Taliban takeover in Afghanistan could further exacerbate tensions.

LAOS (LAO PEOPLE'S DEMOCRATIC REPUBLIC)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	7.3
GDP PER CAPITA US Dollars - 2020	2,587
CURRENCY Lao kip	LAK

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth* (%)	4.7	-0.4	2.2	4.6
Inflation* (yearly average, %)	3.3	5.0	4.9	3.7
Budget balance* (% GDP)	-5.0	-6.5	-5.6	-5.3
Current account balance* (% GDP)	-6.5	-5.7	-7.5	-7.2
Public debt* (% GDP)	61.6	68.0	68.2	68.8

(f): Forecast. * Fiscal year 2021: 1st October 2021 - 30th September 2022.

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	45%
CHINA	32%
VIETNAM	7%
EURO AREA	4%
JAPAN	2%

Imports of goods as a % of total

THAILAND	54%
CHINA	25%
VIETNAM	9%
JAPAN	2%
SWITZERLAND	2%

+

- 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

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- 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)
- High levels of corruption (134th/198 on the Transparency International index in 2020)

RISK ASSESSMENT

A weaker-than-expected recovery

The recovery has been held back by an unexpected wave of COVID-19 in the second half of 2021, as consumption and manufacturing activity were hit by containment measures and lockdowns. Household consumption, which accounts for 66% of GDP, should remain weak due to income losses resulting from a surge in unemployment triggered by lockdowns and low overseas remittances, the main source of income for 9% of households. Restrictions will continue to weigh on construction activity (8% of GDP) in the short-term and delay some projects, as manual labourers were fired during lockdowns. However, this does not seem to be the case for larger infrastructure projects: the China-Laos railway, a project under the Belt and Road Initiative, started to operate in December 2021, as scheduled. Moreover, a strong pipeline of large projects, including the Nam Theun 1 Hydropower project (a joint project between the Lao and Thai governments) that is expected to start operating in 2022, and the Sithandone Special Economic Zone by Guangdong Yellow River Industrial Group (a Chinese company planning to invest USD 10 billion) should support the construction outlook and investments in 2022. Electricity, which accounts for 10% of GDP and 25% of exports, will continue to be a key driver of growth in 2022. The agriculture industry (15% of GDP), which employs 60% of the workforce, is expected to expand in 2022 assuming that weather conditions continue to be favourable. However, China's cattle import ban in July 2021 following an outbreak of lumpy skin disease is likely to be a challenge for the industry. The mining industry (6% of GDP) should continue to decline due to the government's suspension of new mining concessions in 2016. Services, especially tourism (accounting for 3.5% of GDP), have been affected by restrictions and should continue to weigh on recovery.

Vulnerable to external shocks due to persisting high level of external public debt

The public deficit is set to narrow slightly in FY2022, as revenue will continue to improve while spending should growth at a slower rate after a 1.9% of GDP stimulus plan was implemented in 2020 to support the economy. External debt amounts to 67% of GDP, with 56% of total external debt 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 external debt is largely denominated in dollars, making it vulnerable to external shocks, and increases during periods when the kip depreciates, which was the case in 2021 (especially since September). Half of the debt is held by China, which has taken part in the country's major investments, under the Belt and Road Initiative (USD 5.9 billion loan for the Vientiane-Boten high-speed train line, hydroelectricity, etc.). The level of debt and debt service prevent the country from financing its expenditures on favourable terms on financial markets, which is why the concessional part accounts for 61% of the external public debt.

The current account deficit is set to narrow slightly as the trade balance deficit should improve thanks to a recovery in external demand. Exports are recovering, especially for copper ore and electricity, due to the recovery in Laos' main trading partners (China, Thailand and Vietnam). That being said, a weak tourism sector should limit the recovery in the trade deficit, as restrictions on borders are likely to remain. 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 its recovery. The current account deficit is usually financed by bilateral and multilateral debt, as well as FDI, especially from China. Foreign exchange reserves reached 3.3 months of imports as of September 2020 (the latest data) and remain adequate for now.

An opaque political system and high dependency on China

President Boungnang Vorachit and Prime Minister Thongloun Sisoulith are both members of the Lao People's Revolutionary Party (LPRP), which is the only authorized ruling party in the country. This communist party controls all aspects of politics and civil liberties. The legislative elections held in February 2021, reinforced the LPRP's position in the parliament, with 14 additional seats (158/164 seats).

China's influence continues to remain strong as the country relies heavily on China for large infrastructure projects such as highway projects (Vientiane expressway), as part of the Belt and Road Initiative in order to support its economic recovery. Concerns are growing about large loans contracted by Laos to finance such projects. In case it fails to repay Chinese creditors, this may drive the country into a debt trap, where assets would be seized by China. This was the case in September 2020, when Laos allowed China to take control of its national electricity company.

LATVIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	1.9
GDP PER CAPITA US Dollars - 2020	17,549
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.5	-3.6	4.6	4.8
Inflation (yearly average, %)	2.7	0.1	3.4	3.7
Budget balance (% GDP)	-0.6	-4.5	-9.5	-4.3
Current account balance (% GDP)	-0.7	2.9	0.8	-0.3
Public debt (% GDP)	36.7	43.2	48.4	51.0

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

TRADE EXCHANGES

Exports of goods as a % of total

LITHUANIA	15%
RUSSIA	13%
ESTONIA	11%
GERMANY	7%
UNITED KINGDOM	5%

Imports of goods as a % of total

LITHUANIA	17%
GERMANY	10%
POLAND	10%
ESTONIA	8%
RUSSIA	6%

- 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
- Poor recovery in the event of default despite reforms to insolvency and justice law
- 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

Strong growth in 2022

The economy already returned to its pre-pandemic level in 2021. Sizeable government measures and exports' acceleration supported economic activity, especially in the first three quarters of 2021. However the last quarter of 2021 indicated a weaker performance due to rapidly rising infection rates that prompted a tightening of containment measures. Nevertheless, the economic recovery is expected to strengthen in 2022, against a backdrop of rising vaccination rates. Strong wage growth and accumulated savings will support household consumption as the main growth driver. The labour market already improved in 2021, and the services sectors will be willing to hire more employees in 2022. Wage growth is supported by increasing job vacancies, while the unemployment rate (6.7% in October 2021) has not yet declined to the pre-pandemic level. However, the acceleration in household consumption will be hampered by high inflation. Global energy prices have soared, pushing up the domestic prices of fuel, heating, gas and electricity. Pressure on prices are expected to decrease in the second half of 2022, at the earliest. Furthermore, exports will be supported by demand from the EU, which remains the main trading partner. Latvia already benefitted from a surge in foreign demand, particularly for mineral products, iron and steel, machinery and equipment, and chemical and wood products. Nonetheless, imports are expected to rebound even stronger and, therefore, make the contribution of net exports to GDP growth negative. Gross fixed capital formation will benefit from EU funds inflows. Moreover, investments in real estate are expected to increase, which is already reflected in the rising number of building permits. After the pandemic receded following the initial wave, households are again willing to incur mortgage loans. Nonetheless, companies' investments were relatively stagnant with still a relatively high level of uncertainty. Their willingness to invest should improve in 2022.

Lower deficit amid fiscal support

Last year's fiscal deficit soared on the back of support measures (totalling nearly 5% of GDP), not only at the beginning of 2021, but also during the final months due to the re-introduction of pandemic-related restrictions. In 2022, the deficit will decrease as those are scaled back, but they would still amount to 2% of GDP. Additional support measures mostly include an increase in non-taxable income tax allowance (from EUR 300 in 2021 to EUR 500 in June 2022), increases in wages for healthcare and social workers as well as teachers, and an investment package to support the economic recovery. Additional funds are also allocated for regional and municipal development. Latvia has been allocated with 6.7% of 2020 GDP in grants from the EU recovery fund, of which 35% is expected to be spent by 2023. About 60% will be devoted to tackle climate change and accelerate Latvia's digital transformation. Although public debt surged during the pandemic, it remains relatively low by European standards. It contributes to low debt-servicing costs (less than 1% of GDP).

In 2022, the current account balance will shift back to a (small) deficit, amid the continuing economic upswing, which will contribute to a larger trade deficit. Growth in goods exports will remain solid while imports will pick up in line with household consumption. The services account surplus is expected to keep recovering, as ICT and other business services should remain buoyant. Moreover, services exports will be boosted once travelling recovers, as the Latvian tourism sector contributed close to 10% to GDP before the pandemic. However, it is unlikely to return to a similar level in 2022. The external debt exceeds 120% of GDP and is a consequence of previous high current account deficits. It remains the highest among EU countries, but is diminishing.

Upcoming elections could bring changes on the political scene

Krišjānis Kariņš was appointed prime minister in 2019 and leads the governing broad coalition of the New Conservative Party, the populist KPV, the Liberal AP! party, the Nationalist Alliance and the Liberal-Conservative New Unity party. Although the pro-Russian Harmony party came out on top in the 2018 legislative elections (20% of votes resulting in 23 out of 100 seats), 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. Relations with Russia have become tense again since the construction of a fence at the border in 2019. Although officially intended to limit smuggling and the illegal entry of migrants into Latvia, the fence is perceived by some Russian media outlets and politicians as a gesture by Riga against Moscow. Risks to political stability could increase due to tighter pandemic measures. The government introduced a four-week lockdown in response to a rapid increase in new coronavirus cases and severe pressure on hospitals in October 2021. The measures were eased in November 2021, however, all services except basic ones are available only with a COVID-19 certificate. The acceleration of new COVID-19 cases could lead to the re-introduction of more restrictive measures in 2022. With the government being increasingly unpopular, the October 2022 parliamentary elections could bring another centre-right coalition.

LEBANON

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**6.8**
GDP PER CAPITA US Dollars - **2020**	**2,785**
CURRENCY Lebanese pound	**LBP**

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	26%
UNITED ARAB EMIRATES	14%
EURO AREA	9%
SAUDI ARABIA	6%
IRAQ	4%

Imports of goods as a % of total

EURO AREA	33%
UNITED STATES	8%
TURKEY	7%
CHINA	7%
UNITED ARAB EMIRATE	6%

- Strategic geopolitical location, in the middle of three continents
- Possibility to attract international aid in case of a commitment by the government on fiscal reforms
- Offshore gas potential
- Tourism potential

- After defaulting in March 2020, access to external funding remains problematic
- Dependence on foreign funds to finance the external deficit
- High-inflation environment, weak local currency
- Loss of an important part of local infrastructure after the Beirut explosion in 2020
- Persistent political uncertainty
- Difficulty to restore tourism flows due to social tensions resulting from the economic crisis and low levels of vaccination

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	- 6.7	-26.2	-8.3	4.0
Inflation (yearly average, %)	2.9	84.9	137.6	84.0
Budget balance (% GDP)	-10.9	-5.2	-4.7	-3.0
Current account balance (% GDP)	-24.3	-22.1	-11.7	-11.0
Public debt (% GDP)	158.9	255.3	236.9	148.0

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

RISK ASSESSMENT

Base effects will drive growth in 2022

After Lebanon defaulted on its international debt in March 2020, the economic situation deteriorated sharply and the national output contracted further in 2021. Despite the formation of a government in September 2021, which ended a 13-month standstill, serious challenges persist amid hyperinflation, shortage of necessities such as medicine, electricity cuts, weak tourism revenues and shortage of U.S. dollars, all weighing on private consumption and investment. Only 27% of the population had been fully vaccinated by the end of 2021, leaving the economy exposed to a new round of lockdowns, which may dampen business activity in 2022. Consequently, the economic recovery, from an extremely low base, should be very slow and gradual. Private consumption, around 90% of GDP in 2019, will be the key driver of growth in 2022, but this growth will be subdued as rising financial and fiscal pressures will be a drag. On the other hand, the inflows of remittances (20% of GDP in 2020 according to the World Bank) will be crucial, as they can support local residents' incomes. Cash remittances are also weak due to the closure of the borders and the Lebanese diaspora's unwillingness to visit the country. Investment will remain weak, due to financial and political uncertainties, as well as worsening operational conditions. The low-key recovery in domestic demand will restrain import growth. Moreover, Banque du Liban is expected to lift most of the subsidies provided on imports through its selective exchange rates, but the impact will depend on the exchange rate that will be used. The Banque already said in August 2021 that it would no longer open lines of credit for fuel imports or subsidize its purchases. As a result, fuel importers have had to buy U.S. dollars from the black market where the Lebanese pound was standing, at that time, at around 20,000 versus USD, far above the central bank's official rate of 1,500. The very little goods exports (USD 4.8 billion in 2020 out of which one third consisted in precious metals and jewellery) will continue to suffer from regional instabilities. Inflation will remain high due to the ailing local currency (a weakening of 90% vs. USD on the parallel market since late 2019) and the surge in fuel prices.

Enduring twin deficits and high debt

In April 2021, the fiscal deficit narrowed by 62.4% from a year earlier as government spending declined by 36% year-on-year (y-o-y), while revenues rose by 5%. The fall in Treasury transfers to Électricité du Liban (EdL), as well as of subsidies, contributed to this trend. Nevetheless, the public accounts will remain in high deficit in 2022 until the adoption of fiscal reforms to contain public sector wages. In order to unlock international support, which has become minimal, the government said in October 2021 that it had resumed interactions with the IMF. However, partners will wait for the conclusion of an agreement with the IMF, not expected before the second half of 2022.

The low vaccination rate will deter inbound tourism (around 18% of GDP in 2019), thus reducing tourism revenues. Coupled with limited export performance, this will contribute to the current account deficit, which will remain double-digit in 2022. Banque du Liban's assets in foreign currency declined by 27% YoY to USD 18.7 billion as of end-October 2021, mainly due to the subsidies on basic goods. This is despite the allocation of special drawing rights (SDR) of USD 1.135 billion by the IMF in September 2021. Although the removal of most of the subsidized exchange rates will help the Bank to restore its reserves partly, they will remain low due to the large external financing gap.

Challenging political scene amid rising regional tensions

As a condition for resuming talks with the IMF, the formation of a government, after a 13-month impasse, was a positive step towards much-needed international financial aid. However, the government will need to update its economic recovery plan in order to conclude a financing programme with the IMF. The government may opt for cautious progress on requested reforms in order to maintain its popularity ahead of the parliamentary elections set to be held in March 2022.

Rising geopolitical tensions may also add to negative pressures already weighing on the Lebanese economy. A video (circulated in late October 2021) showing an old interview of a Lebanese minister criticizing the Saudi-led military intervention in Yemen prompted Saudi Arabia, the United Arab Emirates, Kuwait and Bahrain to recall their envoys from Beirut. Saudi Arabia has also banned all imports from Lebanon and forbidden its citizens to travel to Lebanon. This will weigh further on Lebanese exports and aggravate the shortage of U.S. dollars.

LIBERIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	4.7
GDP PER CAPITA US Dollars - 2020	647
CURRENCY Liberian dollar	LRD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-2.5	-3.0	3.0	3.5
Inflation (yearly average, %)	27.0	17.2	9.0	9.5
Budget balance* (% GDP)	-4.5	-3.7	-3.0	-2.5
Current account balance** (% GDP)	-21.5	-21.7	-21.5	-21.5
Public debt (% GDP)	53.2	51.2	50.3	49.0

(e): Estimate. (f): Forecast. * Inclung grants. Fiscal year 2022 from July 1st, 2021 to June 30th, 2022. ** Including official transfers.

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	36%
EURO AREA	21%
UNITED STATES	19%
BANGLADESH	3%
MALAYSIA	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)
- Strong agricultural sector (30% of GDP) and forestry sector (11% of GDP)
- Financial support from the international community
- Substantial expatriate remittances (25% of GDP, fifth-largest recipient in the world)
- 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

RISK ASSESSMENT

A recovery is in progress but remains fragile

Since the Ebola epidemic in 2014, the country's growth has been volatile. After being negative for two consecutive years, notably due to the impact of the COVID-19 pandemic in 2020, growth returned to positive territory in 2021. In 2022, despite the slow pace of the vaccination campaign (in October 2021, only 0.5% of the population had been fully vaccinated), the recovery will continue. It will be driven by external demand for products from forestry, agriculture (rubber, rubberwood, cocoa, palm oil) and, above all, mining (iron, gold, and diamonds). With prices rising for almost all of these exports in 2021 and expected to remain high in 2022, the country's trade is set to benefit from it. Consumption will continue to rebound in 2022 as well, but the recurrent threat of banknote shortages will likely put pressure on its contribution. Consumption will be additionally supported by remittances flows from abroad, but also by the country's vaccination campaign, which is being bolstered by the WHO's COVAX initiative, after previously receiving 300,000 doses from the United States in 2021, as well as Chinese and French financial aid. Private investment should improve, mainly thanks to a new 25-year agreement reached with ArcelorMittal in September 2021 approving a USD 800 million extension of the Mineral Development Agreement signed in 2005. The agreement covers the expansion of the mine, processing plant, rail and port facilities. From 2023 onwards, it could allow for the annual delivery of between 15 and 30 million tons of iron ore, compared with five million tons previously. Public investment in infrastructure (notably transport and electrification) should continue its slow post-pandemic recovery.

Inflation will rise moderately in 2022, interrupting the disinflationary trend that began at the end of 2019. Despite the increased stability of the Liberian dollar and the monetary policy of the central bank, which is expected to maintain an interest rate of around 20%, high commodity prices should continue to fuel inflationary pressures.

Deficits financed by external aid

Chiefly burdened by a large trade deficit, the current account deficit will remain very high, but relatively stable. In 2022, the prices of export products, mainly agricultural and mining products, are expected to remain high, as are the prices of imported goods, especially oil, keeping the deficit at a relatively similar level. The trade deficit will be partially mitigated by a surplus in the transfer account, thanks to expatriate remittances, which already increased by 36.2% between 2020 and 2021. Services, and to a lesser extent the primary income account, will post deficits. The current account deficit will be financed partly by FDI (8% of GDP), but mainly by concessional multilateral loans. Although they will remain low (2.3 months of import coverage in July 2021), foreign exchange reserves should increase slightly. This could allow the Liberian dollar to continue its recent stabilisation, after a two-decade period of depreciation (its value against the USD fell by more than fourfold between 2000 and 2020).

The government deficit is expected to decline in 2022, thanks to improved mining revenues and spending restraint commitments under the ECF with the IMF. The implementation of the domestic resource recovery strategy, which aims to increase budgetary revenues and minimise tax losses, is expected to boost government revenues. As part of the ECF, the country has also committed to upholding debt rules, which include a reduction in domestic borrowing from the Central Bank of Liberia (CBL). Public debt will remain high, but is expected to decline further in 2022. The external share of the debt makes up the lion's share (70% of the total) and is almost exclusively multilateral and concessional, reducing the risk of debt distress.

Pandemic undermines George Weah's administration

The election of former footballer George Weah in 2017 represented the first peaceful democratic transition in a country marked by two successive civil wars (1990-1997 and 1999-2003). Through his Pro-Poor Agenda for Prosperity and Development (PAPD), President Weah affirmed his desire to remedy the lack of infrastructure, to promote access to basic public services and to fight corruption. However, criticism of the handling of the COVID-19 crisis (numerous lockdown measures, weak health services, etc.), corruption scandals and social unrest linked to widespread poverty and mass unemployment, which have been aggravated by successive economic crises, have eroded the president's popularity, and in the mid-term elections to the Senate in 2020, his party lost its majority to the Collaborating Political Parties, a coalition of opposition parties and independent candidates. By the time of the next presidential elections, scheduled for October 2023, political and social stability could well be tested amid widespread criticism of George Weah's administration.

LIBYA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2020	6.6
GDP PER CAPITA US Dollars - 2020	2,891
CURRENCY Libyan dinar	LYD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.5	-31.3	78.0	5.5
Inflation (yearly average, %)	0.2	2.8	21.0	8.0
Budget balance (% GDP)	19.0	-53.0	17.0	10.0
Current account balance (% GDP)	1.1	-12.2	19.0	15.0
Public debt (% GDP)	105.0	155.0	-	-

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	60%
TURKEY	15%
CHINA	7%
UNITED ARAB EMIRATES	6%
THAILAND	3%

Imports of goods as a % of total

EURO AREA	32%
CHINA	15%
TURKEY	12%
UNITED ARAB EMIRATES	10%
TUNISIA	4%

+

- Large oil and gas reserves (the largest in Africa)
- Very low external debt
- Large foreign exchange reserves, sovereign wealth fund
- Strategic position in the Mediterranean, proximity to Europe

−

- Extreme dependence on hydrocarbons (48% of GDP)
- Economic and financial fragmentation against a backdrop of political and tribal divisions, fuelling insecurity
- Significant insecurity with the presence of armed groups, including mercenaries (Russian, Sudanese, Serbian, Ukrainian, Syrian). These groups are often manipulated by foreign powers (Turkey, Russia, Emirates, Egypt) with conflicting economic and/or strategic interests
- The south-west of the country (Fezzan), which suffers more from poverty than other regions, is having to deal with a rise in trafficking (human, arms, drugs) and tensions between Tuaregs and Toubous
- Non-compliance with UN arms embargo
- Oil smuggling, especially with Tunisia
- Poor business environment (186/190 in the Doing Business 2020 ranking): corruption, bad governance, poor public services
- Destruction of much of the country's infrastructure, especially health and education
- Lack of electricity supply
- Selective currency access for importers

RISK ASSESSMENT

A difficult and delicate reunification process

Efforts to guide the institutional, political, economic, financial and military reunification of the country continued throughout 2021. Following the UN-brokered ceasefire agreement of October 2020 between Marshal Haftar's Libyan National Army (LNA) in the east and the Tripoli-based Government of National Accord (GNA) in the west, a three-member Presidential Council representing the three regions and chaired by Mohamed al-Menfi, and an interim Government of National Unity (GNU), headed by Prime Minister Abdelhamid Dbeibah and bringing together the rival groups, were established in March 2021 by the 75-member UN-appointed Libyan Political Dialogue Forum. However, in September 2021, the eastern-based House of Representatives passed a dubious vote of no-confidence in the GNU on the grounds that the government had exceeded its interim powers. The prime minister declared that he would continue to fulfil his duties. Despite the fact that the electoral process and the role of the president were unilaterally decided by the House and contested by the western-based High Council of State (Senate), presidential and parliamentary elections are scheduled for this year at an unspecified date. A constitutional referendum is also planned. This timetable deviates from that initially envisaged in the Berlin Process under the joint presidency of Germany, France and Italy, and under UN supervision, which made the holding of elections conditional on the adoption of a constitution, reunification of the country, which has been divided since 2014, and departure of the estimated 20,000 foreign fighters. This withdrawal, steered by the Libyan Joint Military Committee under the supervision of the United Nations Support Mission, which was supposed to take place in January 2021, will depend on the goodwill of the fighters' backers. Problems and uncertainty surround acceptance of the election results, as well as the next steps towards reunification (reunification of the two central banks, banking systems and armies) and the end of external interference.

An oil- and security-dependent economy

The dizzying growth of 2021, linked to the resumption of oil activity, will give way to a more reasonable growth rate in 2022, as oil production rises from the 2019 level of 1.15 million barrels per day (b/d) to 1.25 million, while average Brent crude prices remain favourable. This will affect exports (48% of GDP), of which oil and gas make up 87% and 5%, respectively. With exports set to outpace imports, the contribution of trade to growth will remain positive. Obviously, any new security attack on facilities (blocking ports, sabotaging pipelines) would call this scenario into question. Household consumption (68% of GDP in terms of demand) will benefit from this oil boom, but also from the improved institutional situation. Inflation, which surged in 2021 following the 70% devaluation of the official dinar rate in January, should ease. However, a deterioration in the health situation, which is still possible, with only 7% of the population fully vaccinated as of 4 November 2021, would cool household sentiment. In addition, there is insufficient cash availability at banks, due to the reluctance of economic participants to deposit their assets. Investment will remain low. Despite the strong potential, foreign investors remain cautious, due to insecurity and the dilapidated state of the country's infrastructure. However, several foreign companies have decided to carry out development drilling in the Sharara field, the national oil company (NOC) and Total will launch the construction of gas projects worth USD 3 billion, while ENI and Total are set to work on two photovoltaic projects. In February 2021, the Tripoli-based NOC saw the return of its breakaway eastern branch. However, the NOC's powerful chairman Mustafa Sanalla continues to have a stormy relationship with the energy minister, reflecting the stakes involved in controlling oil resources. Public investment, hitherto ephemeral, should benefit from the improved institutional and security situation, as well as from the creation of a fund for the development of the "oil crescent" region and the southeast, with a view to sharing the oil windfall more effectively.

Surplus accounts thanks to oil and comfortable reserves

The budget for 2021, which was to be agreed on only at the end of the year because of "reunification" challenges, showed a substantial surplus, thanks to the surge in oil revenues (55% of revenues). The 2022 budget is also expected to show a surplus, albeit a smaller one due to a bigger increase in expenditure, in which salaries and subsidies account for a very large share. The "two" central banks and local commercial banks will therefore not need to be called upon. Public debt, which is mainly domestic, should therefore decrease.

Hydrocarbon exports will maintain the considerable surplus in the balance of goods, which will be only slightly impacted by the services deficit linked to hydrocarbon development. The country's external debt is only 14% of GDP and the reserves of the two central banks still stood at USD 50 billion at the end of 2020, despite being drained over the year to finance the budget and provide foreign currency to importers. The currency's peg to the Special Drawing Right (SDR), the IMF's unit of account, is not expected to be threatened. In November 2021, the parallel rate was only 4% higher than the official rate. In addition, the Libya Investment Authority, the country's sovereign wealth fund, held over USD 68 billion at the end of 2019, although these funds have been frozen since 2011 by UN resolutions.

LITHUANIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	2.8
GDP PER CAPITA US Dollars - **2020**	19,981
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.6	-0.1	5.1	3.3
Inflation (yearly average, %)	2.3	1.2	4.7	8.9
Budget balance (% GDP)	0.5	-7.4	-7.5	-5.8
Current account balance (% GDP)	3.3	7.4	3.6	3.0
Public debt (% GDP)	35.9	47.2	50.9	53.2

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

TRADE EXCHANGES

Exports of goods as a % of total

RUSSIA	13%
LATVIA	9%
GERMANY	8%
POLAND	6%
NETHERLANDS	5%

Imports of goods as a % of total

POLAND	13%
GERMANY	13%
RUSSIA	9%
LATVIA	8%
NETHERLANDS	6%

- Sound public and external accounts
- Banking system dominated by three Scandinavian institutions
- 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 (20% 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), in 30% of total exports
- Competitiveness eroded by insufficient productivity gains

RISK ASSESSMENT

Further growth progress after a rocky start to the year

While Lithuania exited the COVID-19 induced recession in early 2021, the pandemic has remained an issue for further economic development. Although the vaccination-campaign made good progress, this could not prevent further big COVID-19 waves from happening in autumn/winter 2021. After a relatively strong growth momentum, especially at the beginning of 2021 and in the summer, the new wave should have particularly dampened private consumption (61% of GDP) at the turn of the year. Furthermore, high inflation, which reduces purchasing power, is another factor that negatively affects private consumption. The inflation rate could have reached its peak at around 11% in early 2022, as both individual goods and energy prices became more expensive. Households' heating bills are expected to increase by 50% to 60% above the average of the last years during the winter months. However, inflation should in some part drop over the year 2022, as the price-pressure coming from global supply-chain disruptions and other special events should decrease slowly. Moreover, the labour market should further strengthen and the unemployment rate could retreat to pre-COVID-19 levels by the end of Q1 2022. Finally, on average, wages should grow by around 8% over 2021 according to the central bank and, therefore, increase the purchasing power from early summer onwards. While exports should improve slightly in 2022, they are still very dependent on the pandemic's development in their main destinations, Russia and Latvia (together 23% of total exports), where bigger COVID-19 waves occurred in late 2021. As Lithuania is a small, open economy, imports should increase more than exports, thanks to the domestic recovery, and net foreign trade will have a negative effect on economic growth. Positive impulse should come from public consumption and investments. After the end of additional state support measures for companies in late 2021, there are still EUR 304 million (0.7% of GDP) reserved to deal with the pandemic in 2022. Moreover, national defence expenditures should increase by 12.2% to a total of EUR 1.176 billion. (2.05% of GDP), due to the tense situation with Belarus and Russia. Within the EU's Recovery Fund (NextGenerationEU) EUR 2.2 billion in grants (4.5% of GDP) are reserved for Lithuania between 2021 and 2026. In the second half of 2021, the first tranche (13% of all grants) of the early-approved plan already went to Lithuania, so that investment programs into green energy and education could already start during winter. The ECB will buy its assets in a total envelope of EUR 1,850 billion until the end of March 2022. All maturing bonds of this envelope will be reinvested until the end of 2023. Besides, net purchases under the normal asset purchase programme will continue.

Budget remains solicited, the current account is normalizing

The termination of major public stimuli programs combined with higher defence expenditures will result in a slowly decreasing but still high public deficit in 2022. This will not suffice to stop the widening of the public debt, which will reach a historical record level. Nevertheless, with a share of around 53% of GDP, it remains below the Maastricht-criteria. The current account surplus rose dramatically in 2020, but will fall back to its 2019 level in 2022 due to the normalization of the trade balance in the wake of reviving domestic demand, while the services balance and the income balance (e.g. capital income) will probably not show major changes compared to 2021.

Stable coalition despite some headwinds

Since October 2020, Prime Minister Ingrida Šimonytė of the conservative party "Homeland Union" (50 out of 141 seats in the parliament) is leading a coalition together with the Liberal Movement (12 seats) and the Freedom Party (11 seats). Despite several political problems and declining public support (especially for the Homeland Union) in late 2021, the coalition seems durable. One problem has derived from a noticeable group of COVID-19 deniers, who protested violently in summer 2021 against the introduction of a digital COVID-vaccination pass that allowed the decrease of restrictions for vaccinated, recovered or tested persons, but led to tighter restrictions for all of those without the COVID-pass. In addition, Lithuania was confronted with a strong influx of migrants coming from Belarus in autumn 2021, which was encouraged by the Belarussian government to pressure the EU. This helped some national-conservative parties, although the Lithuanian government announced it would build a fence at the border. Besides that, Lithuania started working on its diplomatic relationship with Taiwan in 2021, which resulted into rising tensions with China. It is expected that the current government will retain power until the next parliamentary election in October 2024.

LUXEMBOURG

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	0.6
GDP PER CAPITA US Dollars - 2020	116,921
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.3	-1.8	7.0	2.1
Inflation (yearly average, %)	1.6	0.8	2.3	1.9
Budget balance (% GDP)	2.4	-3.5	-0.7	0.1
Current account balance (% GDP)	4.5	4.3	4.7	4.5
Public debt (% GDP)	22.0	24.8	25.8	26.3

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	28%
FRANCE	16%
BELGIUM	12%
NETHERLANDS	5%
ITALY	4%

Imports of goods as a % of total

BELGIUM	34%
GERMANY	27%
FRANCE	11%
NETHERLANDS	5%
UNITED STATES	3%

- Fiscal stability
- Skilled multilingual workforce
- High-quality infrastructure, business-friendly regulation
- Major international financial centre
- High standard of living

- Heavily dependent on the financial sector
- Economy vulnerable to Eurozone economic conditions
- Long-term budgetary impact of population ageing

RISK ASSESSMENT

Return to pre-crisis growth rate

The economy has been resilient throughout the pandemic, thanks to its specialisation in financial services (27% of GDP), which have proved robust overall. In mid-2021, GDP was 3.5% above its pre-crisis level, while it was still, on average, 3% lower in the Eurozone. In 2022, activity should return to a growth rate similar to that seen in the years preceding the pandemic. As the second-largest fund management centre in the world (EUR 4,700 billion in assets under management), behind the United States, the economy will depend heavily on the health of international financial markets. The financial sector is mainly composed of foreign banks (subsidiaries of European banks) – of the 130 banks registered in 2019, seven were domestically focused commercial banks – and alternative investment funds. Despite an unsupportive ultra-low interest rate environment, the financial sector has continued to report significant profitability, thanks to its diverse range of activities, and has appeared solid due to its strong capitalisation. Meanwhile, the vaccination of a large section of the population (63% fully vaccinated in November 2021) should make it possible to avoid the implementation of drastic restrictions on economic activity, and thus encourage the consumption of savings built up during the crisis. While demand will remain buoyant, activity will continue to be constrained by companies' production capacity. In continuation from the second half of 2021, transport and commidity costs will remain high. This situation will be compounded since the hiring challenges reported in 2021 – by 45% of companies in construction and 20% in other sectors – are set to persist as the recovery continues in 2022. However, despite becoming a hub for scientific R&D, Luxembourg will be less exposed than the rest of the region to ups and downs in industry, whose weight in GDP has been steadily decreasing (5% of GDP in 2019, with metals accounting for one-third, compared with 13% in 1995), replaced by real estate activities and business services (20% of GDP) and non-market services (19%).

Moreover, driven, as in the rest of the Eurozone, by the rise in energy prices and production costs, but also by the triggering in October 2021 of indexation (2.5% increase in wages, salaries and pensions), inflation will remain high throughout the first part of the year, before gradually decreasing.

Continued rebalancing of public accounts

After two years of deficits, the public accounts will continue to rebalance in 2022, and could even return to a surplus, as in the nine years prior to the pandemic. Rebalancing will be achieved mainly through tax revenues: on the one hand, VAT (+5% according to the 2022 Finance Bill) will be driven by the continuing recovery in activity, on the other, income tax (+3%) and especially taxation of salaries and wages (+9%) will increase strongly with employment and wages. Concomitantly, despite the wage hike for civil servants (+0.4 of a point of GDP compared with 2021), expenditure will increase less rapidly, due to the phase-out of support measures and slightly weaker public investment (4.4% of GDP, -0.1 of a point compared with 2021). Public debt, which was already the lowest in the euro area before the crisis, will remain modest.

The current account will continue to record a large surplus in 2022. The trade balance will again show a substantial surplus (EUR 24 billion in 2020, or 37% of GDP), almost three-quarters of which is attributable to financial services. This offsets the large income deficit, caused in equal parts by cross-border remittances and the repatriation of dividends from massive portfolio investments in the country (16% of GDP each). Holding consistently more assets than liabilities with the rest of the world since 2013, the Grand Duchy continues to have a strong positive net international investment position (47% of GDP at end-June 2021).

The coalition emerges stronger from the pandemic one year ahead of parliamentary elections

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 parliamentary elections by forming a coalition, as in the previous term, with the Socialist Party (LSAP) and Déi Gréng (environmentalist). The Christian Social People's Party (CSV) won 29% of the vote in these elections (compared with 18% for the DP) and is the main opposition party with 21 seats. While the DP was forced to make concessions to its partners, notably the Green Party, the only one of the main parties to make gains in 2018, the coalition looks solid, despite its narrow majority (31 seats out of 60). According to a June 2021 poll, the coalition's position was actually strengthened by the partners' handling of the pandemic, with voting intentions up for the DP and LSAP and indicating that if elections were held, each party would win one more seat than in 2018, unlike the environmentalists (-1). While remaining the largest party in the country, the CSV (-4) would surrender some of its position in the opposition to parties from the other end of the political spectrum, namely Piraten (direct democracy, +2) and Déi Lenk (extreme left, +1). To reverse this trend in the run-up to the parliamentary elections in June 2023, the CSV appointed Claude Wiseler, who headed the national list in the 2018 elections, as party leader in April 2021.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	2.1
GDP PER CAPITA US Dollars - 2020	5,939
CURRENCY Macedonian denar	MKD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.2	-4.5	4.0	4.0
Inflation (yearly average, %)	0.8	1.2	3.0	2.2
Budget balance (% GDP)	-2.2	-8.3	-6.0	-5.0
Current account balance (% GDP)	-3.3	-3.5	-3.0	-2.5
Public debt (% GDP)	49.4	60.2	63.0	65.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	64%
BULGARIA	5%
KOSOVO	4%
SERBIA	4%
HUNGARY	3%

Imports of goods as a % of total

EURO AREA	31%
UNITED KINGDOM	16%
SERBIA	7%
CHINA	7%
TURKEY	5%

- Association and Stabilisation Agreement with the EU, candidate for accession since 2003
- Integrated into the European manufacturing 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 (13.7% of GDP)
- Denar pegged to the euro

- Low employment rate (48%), high structural unemployment and lack of productivity due to inadequate training
- Large informal economy due to inefficient government and cumbersome regulation
- Sustained emigration to the EU of young people, who face a 37.2% unemployment rate
- High level of euroisation (36.7% of bank deposits and 41.4% of credit)
- Inadequate transport, energy, health and education infrastructure
- Polarised political landscape
- Tensions between Slavic majority and Albanian minority
- Lengthy EU accession negotiations in prospect, due to insufficient progress in efforts to fight corruption and organised crime and strengthen the rule of law

RISK ASSESSMENT

Growth still highly vulnerable to the pandemic

The economy began to recover in the second half of 2021 and is expected to continue to do so in 2022. Domestic demand (89% of GDP in 2019) should contribute the most to GDP growth. Vaccination campaigns in 2021 rekindled optimism among households, whose consumption is expected to continue to grow in 2022, albeit at a slower pace. Unemployment is falling slowly but steadily (16.4% in 2020, 15.8% in 2021), and fiscal responses have prevented it from increasing, although weak labour market participation (56%) remains a major structural problem. Private investment (34.5% of GDP with FDI in 2019) plummeted in 2020 due to the crisis and is not expected to return to pre-COVID-19 levels by 2022. The economy remains extremely vulnerable to new variants, as the vaccination rate was only at 35% in October 2021. The tourism sector (6.8% of employment and 6.6% of GDP in 2019) is suffering as a result, and its return to a normal level of activity will be slow. Public spending (36.7% of GDP in 2020) is expected to remain high, exceeding pre-crisis levels, due to the continued fiscal response to the pandemic and infrastructure projects (continuation of the Corridor 8 rail and road project, gas pipeline with Greece). The trade deficit will make a negative contribution to growth in 2022.

The central bank (NBRNM) continues to pursue an accommodative monetary policy, with a rate of 1.25% in September 2021, supporting access to liquidity and credit. Inflation accelerated in 2021, largely owing to higher energy, food and transportation costs. It is expected to decline in 2022.

Twin deficits deteriorate

Continued support measures in response to the pandemic contributed significantly to the government deficit in 2021. In 2022, the deficit will be reduced as these measures are gradually phased out. Fiscal consolidation should further cut the deficit in the medium-term, although these efforts are hampered by tax evasion linked to the informal economy (estimated at between 30% and 40% of income and 18% of employment), and shortcomings in tax administration and the labour inspectorate. Budget deficits in recent years have increased the public debt, which is expected to rise in 2022. Most of the public debt is external (75%) and denominated in euros, but the credibility of the NBRNM, which guarantees the peg to the euro, lessens the exchange rate risk. The NBRNM has additionally signed financing agreements with the ECB and could access EUR 400 million if necessary. Private external debt is also substantial, representing 40.5% of GDP, although a portion of this corresponds to FDI-related intra-group loans.

Regarding the external accounts, the current account deficit narrowed in 2021 as official remittances from expatriates increased due to travel restrictions and the recovery in host countries, which offset the traditional trade deficit (17% in 2021) to a larger degree. This trend is expected to continue in 2022, with the upturn in tourism and continued brisk growth in road transport counteracting the trade deficit, which reflects the country's productive structure, in which capital and consumer goods must be imported. The deficit should be largely financed by FDI (about 3% of GDP), which are recovering. Foreign exchange reserves have increased marginally and, in June 2021, represented the equivalent of more than one-quarter of GDP, or four months of import coverage.

EU membership is a long way off

Early parliamentary elections in July 2020 saw a narrow victory for the coalition of the Social Democratic Alliance of Macedonia (SDSM) and the Albanian party BESA. In the October 2021 local elections, the nationalist opposition party VMRO-DPMNE, the second-largest party in the country, won more mayorships than the SDSM. This could weaken the ruling coalition, which holds only 62 out of 120 seats in parliament, before the next elections in 2024. Prime Minister Zoran Zaev resigned following the defeat.

The government continues to indicate the country's willingness to join the European Union. In addition to becoming the 30th member state of NATO in March 2020, North Macedonia reached a political agreement to begin accession negotiations. In November 2020, Bulgaria blocked the start of talks because of cultural and historical disputes between the two countries.

Pending the start of negotiations, Serbia, Albania and North Macedonia have created an Open Balkan zone, which builds on the Mini-Schengen initiative backed by the European Union and the United States. The zone, which is to be implemented by 2023, provides for greater freedom of movement for goods and people, including in the labour market, and the lifting of border controls.

MADAGASCAR

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	28.5
GDP PER CAPITA US Dollars - 2020	462
CURRENCY Malagasy ariary	MGA

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.4	-6.2	3.5	5.2
Inflation (yearly average, %)	5.6	4.2	5.9	5.2
Budget balance (% GDP)	-1.4	-4.0	-6.2	-4.5
Current account balance (% GDP)	-2.3	-5.3	-5.5	-4.6
Public debt (% GDP)	38.5	46	48.8	49.3

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	40%
UNITED STATES	23%
CHINA	6%
INDIA	4%
UNITED ARAB EMIRATES	4%

Imports of goods as a % of total

CHINA	25%
EURO AREA	16%
INDIA	9%
UNITED ARAB EMIRATES	7%
SOUTH AFRICA	4%

- Significant mineral reserves (precious stones, nickel, cobalt and petroleum)
- Agricultural potential, world's leading producer of vanilla
- Positive tourism development before the pandemic (tourism accounted for 16.1% of GDP in 2019)
- Public debt mainly on concessional terms (65% of total in 2019)

- Reliant on agriculture/farming (22% of GDP in 2019) and mining (especially petroleum and oil, 6% of GDP in 2019), vulnerable to terms of trade fluctuations
- Vulnerable to climatic hazards and natural disasters
- High poverty, with 79% of the population living below the extreme poverty line of USD 1.90 per day
- Highly dependent on foreign aid
- Inadequate road, water and electricity networks (only 27% of people had access to electricity in 2019)
- High corruption, Madagascar is ranked 149th out of 179 countries in Transparency International's 2020 Corruption Perceptions Index
- Chronic political instability (crises in 1972, 1991, 2002 and 2009)

RISK ASSESSMENT

Foreign trade and investment are driving the recovery

At the beginning of 2022, Madagascar was still struggling with the COVID-19 crisis. Due to a chaotic pandemic management and a poor health system, there was no national vaccination campaign set yet. Low vaccine shipments will probably delay a national campaign to the end of the year. Another big obstacle to growth is the fourth consecutive year of draught in the south of the country, which, has led to a famine. 1.1 million people are affected by it (almost double the numbers of 2020). The UN Office for the Coordination of Humanitarian Affairs (UNOCHA) announced in September 2021 that it would send USD 139.6 million in aid for southern Madagascar (until at least May 2022). An additional USD 91 million are coming from other donors. Tourism should remain low (7% of GDP), despite borders being opened for EU citizens (60% of tourists come from France) in early November 2021. However, the pandemic should discourage tourism, which should recover noticeably at the end of 2022. While exports of services should remain muted, exports of goods should further increase due to a prolonged boom of vanilla sales (21% of all goods exports), sustained garments purchases (20%), a strong global demand for nickel and titanium (17%), and a general strong economic recovery in the main export destinations. However, imports of goods should increase too due to a moderate domestic recovery. Private consumption should pick up somewhat from 2021, although it will be held back by the strong inflation pressure coming mainly from food and energy prices, as well as by COVID-related restrictive measures. A further depreciation of the Ariary against the Euro or USD (due to the divergent monetary policy developments) would also lead to higher inflation. A stronger vanilla harvest will not make up for the constraint put on (mostly subsistence) agriculture (which employs 80% of the population and provides 80% of household income) by the draught in the South, so the main domestic growth drivers will be government spending and investments. The Initiative Emergency Madagascar programme (9.5% of GDP) that was launched in 2020 and will last until 2023 is the framework for projects that focus on upgrading transport infrastructure or ensuring reliable water and electricity supplies, e.g. the construction of a 135 km power cable between the industrial cities Antananarivo and Antsirabé. Furthermore, a support program for the South (USD 167 million) should start in 2022, with the construction of a water pipeline from the Efaho River to Ambovombe.

Twin deficits decrease

In March 2021, the IMF approved another 40-month financial rescue package consisting of an Extended Credit Facility (ECF) worth USD 312.4 million. The IMF allowed disbursements of USD 138.4 million for 2021. The programme deals with the social and economic impacts of the pandemic, as well as long-term reforms of the economy and exposure to climate-related shocks. Initial IMF-backed tax reforms should increase public revenues and more than match the increase in expenditures. This should reduce the public deficit, which is mainly financed by multilateral and, to a lesser extent, bilateral aid. However, the significant grant element will limit the increase in public debt. Due to stronger exports, the goods trade deficit should shrink in 2022, even with increasing import prices, especially in the food and energy sectors (18% of all imports). While the services trade deficit should remain muted, the investment income deficit should widen as the profit repatriation of international companies in Madagascar, e.g. in mining, should increase. Overall, this should lead to a moderate decrease of the current account deficit.

An (alleged) coup attempt as a symptom of political frailty

President Andry Rajoelina's position at the beginning of 2021 was already disputed after a senatorial election in 2020, which included changes in the voting system, had given his party full control over both chambers of the parliament. In addition, Rajoelina had initially rejected vaccines against COVID-19, but, instead, promoted some herbal tea. In this context, the Malagasy authorities announced in July 2021 that they had foiled an assassination attempt on several high-profile political persons, including the president. Over 20 persons, including high-ranking army and police officials and two French nationals, were arrested. Whether this was a serious attempt or not is unclear, as the suspects' plans look unsophisticated in "Malagasy terms" (Madagascar was home to several coups in the past; the last one, in 2009, had brought President Rajoelina to power). In mid-August 2021, the president reshuffled his cabinet and fired 10 out of 24 ministers due to incompetence. Moreover, he introduced eight new cabinet posts. Even with all these obstacles, it is expected that Rajoelina will stay in office until at least the next presidential election in 2023.

MALAWI

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	20.9
GDP PER CAPITA US Dollars - 2020	568
CURRENCY Malawi kwacha	MWK

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.4	0.9	2.2	3.0
Inflation (yearly average, %)	9.4	8.6	9.3	8.0
Budget balance* (% GDP)	-4.5	-6.3	-7.1	-9.0
Current account balance (% GDP)	-13.8	-11.7	-11.5	-11.0
Public debt* (% GDP)	45.3	52.8	57.3	62.0

(e): Estimate. (f): Forecast. * Fiscal year 2022 from July 1st, 2021 to June 30th, 2022 / Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	22%
SOUTH AFRICA	7%
KENYA	7%
UKRAINE	5%
CONGO DR	5%

Imports of goods as a % of total

SOUTH AFRICA	19%
CHINA	18%
UNITED ARAB EMIRATES	10%
INDIA	8%
UNITED KINGDOM	6%

- Natural resources (tobacco, tea, coffee, sugar, soybeans)
- Rapidly expanding services 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)

- Economy dominated by agriculture, vulnerable to weather conditions; highly affected by climate change
- Food insecurity, landlocked position
- Increase in extreme poverty (70% of the population in 2020)
- Deficient infrastructure (water, energy, transportation, education, health) and weak business environment
- Widespread corruption (129/180 according to Transparency International's Corruption Perceptions Index)

RISK ASSESSMENT

Growth driven by the agricultural sector

Economic growth, while not reaching pre-pandemic levels, will increase in 2022 as agricultural production regains momentum. Although the outlook for agriculture, which accounts for 23% of GDP, will remain subject to the vagaries of the weather, the sector will be supported by subsidies, notably through the Affordable Input Programme (AIP), which will boost production, mainly of maize. With 76% of jobs linked to agriculture, this recovery will support household consumption (64% of GDP). However, purchasing power will be constrained by high inflation due to depreciation of the Malawian kwacha, which is pushing up the import bill. Stronger private consumption would allow the services sector to continue its recovery in 2022. Public investment, which is mainly focused on infrastructure development (roads, power and irrigation), will also drive growth. The World Bank-funded Mozambique-Malawi regional interconnection project, for example, includes the construction of a high-voltage power line to supply businesses and households. The development of the mining sector could attract private investment, such as the Kaniyka niobium project, which would be the first niobium-mining project in Africa. However, these investments will continue to be severely affected by weak energy supply (70% of the country's electricity is generated by hydroelectric plants) and the difficult operating environment. Trade's net contribution to growth will remain negative, as the increase in agricultural exports, which are dominated by tobacco (53% of export earnings), tea and coffee (10%), will be tempered by rising imports, driven by domestic demand.

Increased risk of debt distress

Despite an increase in tax revenues linked to accelerating growth, the government deficit is expected to grow in 2022. Expenditures, which were already high, will continue to rise as part of investments under the Malawi III growth and development strategy. In addition to increased spending on infrastructure, agricultural subsidies under the AIP programme will weigh heavily on the public deficit. Financing the deficit requires increased recourse to debt, particularly domestic debt, which covers 85% of the financing requirement. Consequently, the public debt continues to grow. The increase in the domestic portion (22% of GDP), which is mainly held by commercial banks, is a major contributor to high interest rates, which are set to absorb more than 27% of the government's projected domestic revenues in 2021/22. Moreover, although the majority of debt is still held by multilateral creditors (nearly 60% of external debt), non-concessional loans from regional development banks (notably Afreximbank) are also contributing to the increase in debt service. The risk of debt distress is extremely high.

The current account deficit, which is structurally large because of the country's dependence on imports of fuel, capital goods and fertilisers, is expected to decrease slightly. The trade deficit will narrow only marginally, as the increase in export earnings (tobacco, tea, sugar) linked to the recovery in external demand and strong performances in agricultural production will be partly offset by imports. The services deficit will widen with the upturn in payments for transport services. The primary income deficit, linked to profit repatriation by foreign companies, will continue to weigh on the current account balance, while the current transfers surplus will be driven by expatriate remittances (about 8% of GDP). The country will continue to rely on external development assistance to finance the current account deficit. The authorities may seek a new programme with the IMF in 2022. The large current account deficit is putting pressure on the Malawian kwacha, which depreciated by more than 6% in 2021 and on the foreign exchange reserves, which represent less than six weeks of imports.

The new government is already facing a tense social climate

After the country's Constitutional Court annulled the 2019 presidential election on the grounds that the results had been tampered with, Lazarus Chakwera, leader of the Malawi Congress Party (MCP), won the new presidential election in June 2020, securing 59% of the vote ahead of incumbent president Peter Mutharika, who had been in office since 2014. The MCP holds 59 seats out of 193 in parliament and is expected to continue to lead a minority government with support from the United Transformation Movement (five seats), the People's Party (also five) and 33 independents, while the Democratic Progressive Party is now the main opposition party. The new government is already facing a tense social climate, aggravated by the COVID-19 crisis. Public discontent is fuelled by endemic poverty, corruption scandals, mismanagement of public funds and poor public services. Against this backdrop, protests against the rising cost of living erupted in November 2021, resulting in violent clashes with police. Prices of basic goods and the threat of COVID-19 are expected to remain a major source of social unrest in 2022.

The authorities are seeking to strengthen ties with China, which already holds half of the country's bilateral external debt and which is, for instance, financing a coal-fired power plant in Kammwamba, in southern Malawi.

MALAYSIA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

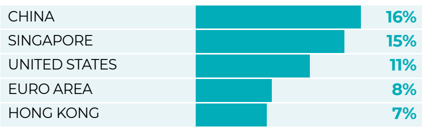
POPULATION Millions of persons - 2020	32.9
GDP PER CAPITA US Dollars - 2020	10,231
CURRENCY Malaysian ringgit	MYR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.4	-5.6	3.5	6.0
Inflation (yearly average, %)	0.7	-1.1	2.5	2.0
Budget balance (% GDP)	-2.2	-5.1	-5.9	-4.1
Current account balance (% GDP)	3.5	4.2	3.8	3.7
Public debt* (% GDP)	57.0	67.4	70.7	69.9

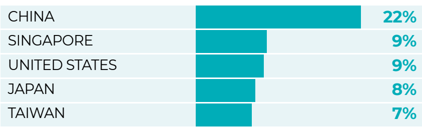
(e): Estimate. (f): Forecast. * Excluding 1MDB and state-owned enterprises.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- Diversified exports
- Large 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

- Budget income highly dependent on performances in the oil and gas sector (16% of revenues)
- Low fiscal revenues (15.9%), lack of transparency in budget spending
- Very high household debt levels (80% of GDP)
- Erosion of price competitiveness due to increasing labour costs
- Persistent regional disparities
- Ethnic and religious disputes
- Political uncertainties and instability

RISK ASSESSMENT

Growth will gain momentum

Growth is expected to accelerate in 2022, supported by continued robust external demand and an active vaccination campaign, which should shield the economy from major COVID-19 outbreaks and containment measures. The recovery was held back in 2021 due to virus resurgences and the re-imposition of movement control order (MCO) that curbed mobility and weighed on private consumption (55% of GDP). In 2022, private consumption should be robust, supported by the fiscal budget, with an improvement in cash assistance, welfare payments and social security system, the expansion of sales tax exemption and personal tax reliefs on passenger vehicles purchases. The recovery in key markets such the U.S. and Japan should continue to support exports (70% of GDP). Robust external demand, particularly for petroleum products, electronics, rubber gloves and chemicals, should boost investment from exporting companies. However, rising commodity prices and the ongoing chip shortage could constrain production. Public investment is expected to recover in 2022 and contribute to growth through investments in transport, infrastructure and education. While no new infrastructure project is expected in the 2022 budget, the government is set to reiterate commitment to complete ongoing infrastructure projects, such as the East Coast Rail Link, the Central Spine Road or the Pan Borneo Highway. Moderate increases in energy prices and domestic demand should ease inflation in 2022, after it rebounded in 2021 from a low base. Bank Negara Malaysia (BNM) should keep policy rates on hold until the U.S. Fed tapering, which could increase risks of capital outflows.

Fiscal deficit will remain high

The fiscal deficit is likely to remain high in 2022 to support the recovery of the economy and long-term reform efforts under the 12th Malaysia Plan (12MP), the new five-year development plan that ensures sustainable economic growth, aims to make Malaysia a high-income country by improving the average household income (RM 10,000 per month), and ensure environmental sustainability.

The 2022 budget should support the resilience of banks in order to facilitate funding access to businesses and households hit by the pandemic. For instance, the BNM will enhance its fund for SMEs by raising allocations for two existing facilities - Targeted Relief and Recovery Facility (RM 8 billion) and Agrofood Facility (RM 2 billion), both increased by 30%. This is expected to support private consumption and improve business confidence. A better economic outlook and high oil prices should support revenue collection (estimated at 10% of GDP for FY2022) and outweigh spending, as petroleum-related receipts remain a major contributor to the federal government's revenue (15-20%). Public debt, of which the ceiling was increased to 60% of GDP, will remain high but manageable, as residents hold most of it in local currency.

The current account is set to remain in surplus as a favourable performance in the goods trade will continue to offset the services deficit – mainly led by the Travel and Transport segments. The goods balance surplus is driven by a robust performance in exports, supported by high commodity prices. External debt is high (67.5% of GDP) but manageable, since 33% of it is denominated in local currency. Companies (both private and public) and banks owe the bulk of external debt. International reserves, fed by the current account surplus and foreign investment, remain adequate and cover 7.7 months of imports (as of December 2021).

The political uncertainty to remain

Following the resignation of the eighth Prime Minister of Malaysia, Muhyiddin Yassin, and his cabinet, Ismail Sabri Yaakob, a veteran politician from the country's longest-ruling party United Malays National Organisation (UMNO), was named Prime Minister in August 2021. This party has ruled Malaysia for six decades before losing the elections in 2018 following the multibillion-dollar corruption scandal involving state fund 1MDB. Several UMNO lawmakers are currently facing corruption charges.

While awaiting new elections (which have been delayed due to the health situation), Ismail Sabri Yaakob and his cabinet do not have a clear parliamentary majority, with the support of only 114 members of parliament (111 required for the majority), who are not always loyal to their party. They are therefore likely to face challenges ahead to pass reforms. However, a pact signed with the main opposition block, the People's Justice Party (PKR) to not dissolve parliament before the end of July 2022, should offer some relative stability and confidence over the first half of the year to the ruling party to pass crucial reforms. Despite an improving relationship with China, notably during the pandemic, the South China Sea dispute remains a sovereignty concern for Malaysia, as Chinese vessels have recently been seen breaching into its exclusive economic zone near the coasts of its Bornean states.

PAYMENT & DEBT COLLECTION PRACTICES IN MALAYSIA

Payment

Bank transfers, cash, and cheques are all popular means of payment in Malaysia. The well-developed banking network allows for online payments. Letters of Credit are also commonly used. As of 2017, the Central Bank requires that 75% of payments in foreign currencies are converted into the Malaysian ringgit (MYR) automatically upon receipt. Payments for transactions within Malaysia are required to be made in ringgit.

Debt Collection

Amicable phase

It is common for disputes and or debt to be settled amiably after negotiations. If there is no response from the buyer, a site visit and online searches are conducted to ascertain the operating status and legal status of the buyer. If the buyer continues to ignore and or neglect to settle the matter amicably, the supplier may begin legal proceedings to recover payments for goods sold and delivered. However, due diligence should be done to ensure that the buyer has sufficient assets to satisfy the debt before proceedings are initiated.

Legal proceedings

The Malaysian legal system is based upon the English common law system. The hierarchy of courts in Malaysia starts with the Magistrates' Court at the first level, followed by the Sessions Court, High Court, Court of Appeal and the Federal Court of Malaysia. The High Court, Court of Appeal and the Federal Court are superior courts, while the Magistrates' Court and the Sessions Courts are subordinate courts. There are also various other courts outside of this hierarchy, *e.g.* Employment Admiralty, Shariah or Muslim matters.

Claims in Magistrates' court are limited up to MYR 100,000, whilst a Sessions Court may hear any civil matters where the amount in dispute does not exceed MYR 1,000,000. Where the amount claimed does not exceed MYR 5,000, a claim should be filed with the small claims division of the Magistrates' Court. However, legal representation is not permitted. The High Court has the jurisdiction to try all civil matters and monetary claims exceeding MYR 1 million.

An unpaid debt normally has a six-year statute of limitation period. The creditor commences a writ action and serves the writ on the debtor within six months from the issue of the writ. When defendants are served with a writ, they have 14 days after service of the writ (or 21 days if the writ was served outside Malaysia) to file a Memorandum of Appearance with the court to indicate their intention to appear in court and defend the suit.

Before a writ can be issued, it must be endorsed with a statement of claim or, with a general endorsement consisting of a concise statement of the nature of the claim made and the requisite relief or remedy. When the writ only has a general endorsement, the statement of claim must be served before the expiration of 14 days after the defendant enters an appearance.

When the defendant has entered appearance, he is required to file and serve his defence on the plaintiff 14 days after the time limit for entering an appearance, or after service of the statement of claim, whichever is later. A defendant may make a counterclaim in the same action brought by the plaintiff. A plaintiff must serve on the defendant his reply and defence to a counterclaim, if any, within 14 days after the defence (and counterclaim) has been served on him.

Proceedings may be resolved and/or otherwise summarily terminated and/or determined and/or disposed of at an early stage before the trial of the action.

<u>Fast-track proceedings</u>

Failure to enter an appearance may result in a plaintiff proceeding to enter a judgment-in-default against a defendant. Ordinarily, when a defendant has filed an appearance and also a statement of defence subsequent to other procedures of filing of documents in support, the matter would be set for trial. If the defendant has entered an appearance and filed a defence, but it is clear that the defendant has no real defence to the claim, the plaintiff may apply to court for summary judgment against the defendant. To avoid summary judgment being entered, the defendant has to show that the dispute concerns a triable issue or that there is some other reason for trial.

Enforcement of a Legal Decision

Writ of Seizure and Sale (WSS)

A WSS may be enforced against both movable and immovable property as well as against securities. When the property to be seized consists of immovable property or any registered interest, the seizure shall be made by an order prohibiting the judgment debtor from transferring, charging or leasing the property.

Garnishee proceedings

A Judgment Creditor may garnish monies a Judgment Debtor is supposed to receive from a third party. If the garnishee does not attend court, then the order is made absolute. If the garnishee does attend, the court can either decide the matter summarily or fix the matter for trial.

Judgment Debtor Summons

The objective of this summons is to give the judgment debtor an opportunity to pay the judgment debt in instalments to commensurate his means. Debtors themselves can apply for such a procedure. Alternatively, under Order 14 the defendant can admit the plaintiff's claim and propose to pay by instalments, which the court can subsequently order if the plaintiff accepts the proposal.

Bankruptcy proceedings

If the total judgment of debt exceeds MYR 30,000, bankruptcy proceedings can be triggered if the judgment debtor has not complied with the judgment or order made against him. Once a debtor has been adjudged bankrupt, other creditors are also entitled to file the Proof of Debt form and Proxy in order to be entitled to share in any distribution from the estate of the bankrupt. The distribution of the estate is according to the priority of the creditors' claim.

Foreign Judgements

Any decision rendered by a foreign country must be recognized as a domestic judgment in order to become enforceable through an *exequatur* procedure. Malaysia has reciprocal Recognition and Enforcement Agreements with some countries, including Hong Kong, India, and New Zealand.

Insolvency Proceedings

There are several insolvency and restructuring procedures available. Under the Companies Act, the available insolvency proceedings include:

- compulsory and voluntary winding-up of companies;
- appointment of receivers and managers;
- restructuring mechanisms.

In a compulsory winding-up, the court can wind up a company on a number of grounds under the Companies Act. The most common of these is the company's inability to pay its debts. The creditor initiates this process by filing a winding-up petition with the court. If an order is made, the court will appoint a liquidator to oversee the liquidation process.

Court-appointed receivers will either manage the company's operations as normal, or take custody and possession of the assets of the company. Alternatively, receivers appointed by debenture holders based on the terms of the debenture agreement (privately-appointed receivers), may take possession of the company's assets subject to the floating charge that has since crystallized in the debenture.

Restructuring mechanisms include:

- scheme of arrangement: a company can enter into a scheme of arrangement with the approval of 75% of the creditors in value and a simple majority. After creditors approve the scheme, the court must sanction it before it can be implemented. Debtors can apply for an order restraining all proceedings against it while it develops its scheme;
- special administration: it involves the appointment of a special administrator. The appointment must serve the public interest;
- conservatorship: the Malaysia Deposit Insurance Corporation takes control of a non-viable financial institution or acquires and takes control of non-performing loans that are outstanding between the financial institution, borrowers and security providers.

MALDIVES

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	0.4
GDP PER CAPITA US Dollars - 2020	9,889
CURRENCY Maldivian rufiyaa	MVR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.0	-32.0	18.9	13.2
Inflation (yearly average, %)	1.3	-1.6	1.4	2.3
Budget balance (% GDP)	-6.6	-22.7	-18.1	-12.8
Current account balance (% GDP)	-26.5	-29.9	-15.9	-13.9
Public debt (% GDP)	78.3	146.0	137.2	133.3

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

TRADE EXCHANGES

Exports of goods as a % of total

THAILAND	44%
EURO AREA	25%
UNITED KINGDOM	7%
UNITED STATES	5%
SRI LANKA	3%

Imports of goods as a % of total

CHINA	15%
INDIA	13%
UNITED ARAB EMIRATES	12%
SINGAPORE	11%
OMAN	8%

- 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

- Extraordinary dependence on tourism
- Geographical isolation
- Precarious public finances
- Political volatility
- Extraordinary exposure to climate risk (rising sea level)
- Low human capital limits diversification potential

RISK ASSESSMENT

A long road to recovery for the tourist-dependent archipelago

The Maldivian economy is extraordinarily dependent on tourism, which in a regular year accounts directly for 25% of GDP, 60% including related sectors such as food suppliers. The broader services sector represents 78% of GDP. As such, the economy will greatly benefit from the gradual withdrawal of mobility restrictions in Europe, India and China, which account for the lion's share of visitors. Key to the country's recovery is the remarkable success of the vaccination campaign, whose speed rivals that of Singapore or most European countries. Indeed, vaccinations have even been offered to attract foreign visitors. Therefore, tourism has been able to reopen quickly: 2021 tourist arrivals are estimated at 65% of those in 2019, double the numbers of 2020. Restoration of tourist arrivals and overall GDP to pre-pandemic levels is expected for early 2023. Other important services sectors, such as retail and transport, will follow the pace of tourism. Inflation will intensify, boosted by rising import prices, but price subsidies will alleviate the punch to consumers. Infrastructure investment is expected to be one of the 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. Exports of key agricultural goods like fish products and coconuts will remain high and resilient, and the growth of imports will not outpace the tourism recovery, so net exports will continue to have a small but positive contribution to growth.

External and fiscal imbalances will moderate, but remain a serious threat

The sovereign risk situation has deteriorated, as reflected by Moody's decision to downgrade the country from B to Caa1 in August 2021, sinking it even further into speculative grade territory. Infrastructure spending, though good for potential output, represents a fiscal burden. Expenditures ae therefore expended to rise by 3.8%, a large part of which is due to higher debt service costs. Despite a significant reduction related to rising tax revenues, the budget deficit will still be double its pre-pandemic figure. Almost half of public debt is external, and 82% of it is denominated in foreign currency. Finally, the maturity structure of the debt is heavily front-loaded, and 51% of it is on variable rate terms. This all makes for a high risk of debt distress. Tourism is recovering too slowly to rebuild foreign currency buffers, with foreign reserves depleting to 1.7 months of imports in 2021 and 2022. The Maldives Monetary Authority has only been able to maintain the rufiyaa's peg to the U.S. dollar thanks to a USD 400 million currency swap line afforded by the Reserve Bank of India, of which around half has been expended. Large external financing needs make the peg vulnerable and the country dependent on concessional financing. The wide, structural external deficit is essentially driven by tourism receipts on the income side and imports of goods and services on the expenditure side. It has been mostly financed through a combination of FDI and concessional financing (including the recent IMF's rapid credit facility and 20 million SDR allocation). However, the role of private creditors is set to grow in coming years, making the country increasingly vulnerable to a sudden stop and increasing debt service costs, which already stand at around 4% of GDP.

Despite signs of division, the ruling party's grip on power is solid

Political instability has eased with the election of Ibrahim Mohamed Solih of the Maldivian Democratic Party (MDP) 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 (65 out of 87 seats), 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. Cracks have opened within the MDP and unity behind Solih is not guaranteed. The next rounds of elections (presidential in late 2023, parliamentary in early 2024) will prove more competitive. After being unexpectedly acquitted of corruption charges in late 2021, Yameen has returned to the political scene and will be a formidable challenger in 2023. 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. The signing of a military agreement with the U.S., which announced plans to open an embassy, signals a trend of geopolitical rapprochement with the West.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	19.7
GDP PER CAPITA US Dollars - **2020**	890
CURRENCY CFA franc (WAEMU)	XOF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.8	-1.6	4.0	5.0
Inflation (yearly average, %)	-2.9	0.5	3.0	2.0
Budget balance (% GDP)	-1.7	-5.4	-5.5	-4.5
Current account balance (% GDP)	-7.5	-0.2	-5.3	-5.0
Public debt (% GDP)	40.6	47.4	50.8	50.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	30%
CÔTE D'IVOIRE	12%
AUSTRALIA	12%
SENEGAL	5%
BANGLADESH	2%

Imports of goods as a % of total

SENEGAL	18%
EURO AREA	18%
CHINA	18%
CÔTE D'IVOIRE	9%
MAURITANIA	5%

+
- Substantial natural resources: agriculture (tobacco, 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

RISK ASSESSMENT

Sustained growth in 2022

After a recovery in growth in 2021, increased cotton exports and a strong gold sector will support further acceleration in 2022. The introduction of a fertiliser subsidy and higher prices in 2021 boosted cotton production (15% of GDP). Although the sector's prospects will remain subject to climatic hazards, this augurs well for a good 2021/2022 agricultural season, which would enable Mali to regain its position as Africa's leading cotton producer in 2022. More generally, the agricultural sector (40% of GDP) will be supported by international financing, including the agreement on a loan from the International Fund for Agricultural Development (IFAD), which was ratified in 2021. With more than 60% of employment linked to the sector (15% to cotton), the recovery of agriculture will support household consumption (64% of GDP). Household purchasing power could also benefit from the low inflation rate, thanks to the CFA franc's euro peg. Consumption should allow the services sector, which was still recovering in 2021, to continue to pick up in 2022. However, this recovery could be threatened by political instability. Uncertainty may also deter international financing and private investment, dampening the contribution of gross fixed capital formation, which should nevertheless be positive. Public investment in infrastructure (especially roads and airports) is expected to increase thanks to cotton and gold revenues. Critically, investment in mining (7% of GDP) is set to continue, as illustrated by the plans by African Gold Group, a Canadian company, to start production at the Kobada mine. The commissioning of this project, and of those led by Barrick Gold and Cora Gold, should boost gold production and exports, supporting the contribution of foreign trade to growth.

Twin deficits narrow but persist

The budget deficit should continue to narrow in 2022 on increased revenues, but will remain above the WAEMU community criterion (3% of GDP). Revenues from gold mining and cotton production, which account for 25% and 12% of government revenues respectively, will increase in line with economic growth. Capital spending, supporting major infrastructure projects, such as a fourth bridge over the Niger River (in Bamako), is expected to temper the reduction in government spending. The public debt, two-thirds of which is external, much of it concessional, will continue to rely on international lenders (World Bank and African Development Bank). The three-year ECF programme, worth a total USD 192 million, granted by the IMF in February 2021, should support financing needs. However, political instability could threaten access to financing.

The current account deficit is expected to narrow slightly. This will be mainly due to an improvement in the trade deficit in 2022 on higher export earnings from gold (two-thirds of the total) and cotton. The import bill will still be large, due to the recovery of domestic demand and high energy prices. The reduction in the current account deficit will be mostly constrained by the services account, which will reflect the impact of the pickup in demand for project-related services and freight transport. The primary income balance will also be in deficit due to repatriation of corporate profits. The secondary income balance will continue to show a sizeable surplus thanks to current international cooperation and expatriate remittances (6% of GDP). Loans from multilateral organisations, which are necessary to finance the deficit, could be constrained, as could FDI (excluding minerals), by the country's political situation.

Political instability and increased security risk

While Mali has faced major political and security challenges dating back to 2012, instability has increased since Colonel Assimi Goïta forced the unpopular former president, Ibrahim Boubacar Keïta, to resign in August 2020. In May 2021, Colonel Goïta became transitional president after a second coup, in which he forced his predecessor, Bah N'Daw, and Prime Minister Moctar Ouane to resign. The international community condemned this latest political upheaval, with ECOWAS and the African Union suspending Mali and calling for elections to be held by February 2022. Malian authorities notified ECOWAS that they would not be able to hold elections in time and suggested a delay of up to five years. This announcement led to the adoption of economic sanctions by ECOWAS and UEMOA on January 9, 2022, including a trade and financial embargo, and border closures. ECOWAS has already briefly imposed these sanctions after the coup in 2020, leading the junta to return to civilian rule. Russia and China condemned the new sanctions; whereas Western countries approved them, while neighboring countries outside ECOWAS expressed some concerns about their implementation. This dispute could also affect cooperation within the G5 Sahel, since its members (with the exception of Mauritania) are also part of the West African organization. In this context, but also given the reduction in Western military support, attacks by Islamist militant groups will pose an increasing threat.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	0.5
GDP PER CAPITA US Dollars - 2020	28,955
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.7	-8.3	5.7	6.0
Inflation (yearly average, %)	1.5	0.8	0.7	2,0
Budget balance (% GDP)	0.4	-10.0	-11.6	-6.0
Current account balance (% GDP)	7,7	1,6	0.4	2,0
Public debt (% GDP)	40.6	53.3	63.0	65.0

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	17%
FRANCE	9%
ITALY	7%
HONG KONG	6%
SINGAPORE	6%

Imports of goods as a % of total

ITALY	20%
UNITED KINGDOM	8%
CHINA	8%
FRANCE	7%
GERMANY	7%

- At the crossroads between the Suez Canal and Gibraltar, major Mediterranean transhipment hub
- Public debt held by residents
- Emerging tech hub (online gambling, Blockchain, AI)
- Productive, English-speaking, growing and high-income workforce, low taxation

- Dependence on tourism
- Sizeable incoming/outgoing financial flows (offshore finance, online gambling industry, citizenship by investment programme)
- Poor road infrastructure
- Inadequate higher education; shortage of highly skilled labour
- Slow legal process; cronyism and corruption
- The country has been placed on the grey list by the FATF, which may affect the competitiveness of its financial sector if this status is maintained

RISK ASSESSMENT

Continued economic rebound in 2022

In 2022, Malta will continue the economic recovery that began in 2021. The country was significantly impacted by the pandemic, and its economy contracted in 2020 with the drop in tourism. Without the support of online services (betting, IT, finance), as well as the pharmaceuticals and electronics industries, the decline would have been even more significant. Nevertheless, Malta continues to suffer from the effects of the pandemic, and its 2019 GDP level is not expected to be reached until late 2022. The tourism sector in particular (16% of GDP and 22% of employment in 2019), remains sluggish due to low mobility of people and continued international restrictions. Nevertheless, the rapid progress of the vaccination campaign (82% of the population covered in December 2021), with an unlikely recourse to local restrictions on mobility, is playing in favour of the expansion of consumption and private investment, especially residential. Furthermore, the low unemployment rate (3.6%) favours its expansion. Finally, despite the return of growth, inflation remains well below the European average.

While the country is suffering from a partial and temporary halt in the inflow of skilled foreign labour, Malta will continue to attract skilled foreign labour and investment in the long-term, as it has favourable fundamentals for the technology industry. Malta was one of the first jurisdictions in the world to establish a specialised legal framework for online gaming (virtual poker, casino games, sports betting) and database management. The government is following a similar strategy in activities related to Blockchain technology applied to virtual financial assets (crypto assets, in particular) and artificial intelligence. With the return, albeit timid, of tourists and the undiminished dynamism of services, foreign trade is expected to contribute significantly to growth in 2022.

The threat of declining budget revenues

Like most European countries, Malta has deployed unprecedented fiscal support measures (4.5% of GDP in 2021) to protect the private sector from the economic fallout of the pandemic. The phasing out of these measures and the normalisation of the fiscal policy will reduce the deficit by 2022. However, the country may see a decline in tax revenues in the future for several reasons. On the one hand, the country is dependent on corporate tax revenues, although the introduction of a global minimum tax rate (15%) could lead to a deterioration in the country's competitiveness in this area. On the other hand, the EU's rethinking of the citizenship by investment programme ("Malta Individual Investor Program", MIIP) is also a concern. The MIIP has helped reduce the country's public debt burden, increasing GDP by 1 to 2% per annum between 2013 and 2020. These developments underscore the country's need for fiscal reforms. Due to the deterioration of the fiscal balance because of the crisis, public debt has increased, but it is expected to decrease in the medium-term.

The current account, traditionally in strong surplus, has shrunk considerably due to the pandemic, which has reduced tourism revenues. As a result, revenues have struggled to offset the merchandise trade deficit, which has been widened by rising energy and food prices, as well as repatriation of earnings by foreign investors. Nevertheless, the gradual normalisation of tourism should allow it to recover in 2022.

The ruling party, shaken by scandals, is trying to restore its image

Although it still has a comfortable majority in the legislature (37 seats out of 67), the Labour Party, in power since 2013, faces the challenge of distancing itself from the scandal-ridden government of its former leader, Joseph Muscat. With members of his cabinet implicated in the 2017 murder of investigative journalist Daphne Caruana Galizia, Muscat resigned in January 2020 and was replaced by newly elected party leader Robert Abela. While Abela has worked to distinguish his government from Muscat's, the Caruana investigation has continued to raise transparency and governance issues involving the LP elite. This led to a cabinet reshuffle in November 2020.

The next parliamentary elections will be held in May 2022, and the Labour Party still appears to be leading in voting intentions, ahead of the opposition Nationalist Party (NP).

The European Commission has launched an infringement procedure against the Citizenship by Investment Programme as part of its fight against money laundering. The MIIP will likely be replaced by a residency by investment programme with much higher transparency standards. Incidentally, the country was placed on the Commission's grey list in June 2021 by the Financial Action Task Force due to the lack of transparency in ownership, as well as the lack of collaboration in the fight against tax evasion.

MAURITANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	4.1
GDP PER CAPITA US Dollars - **2020**	1,956
CURRENCY Mauritanian ouguiya	MRO

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.8	-1.8	2.7	4.1
Inflation (yearly average, %)	2.2	2.4	3.5	4.0
Budget balance* (% GDP)	2.0	2.1	-1.7	-0.6
Current account balance (% GDP)	-10.4	-11.0	-10.9	-9.8
Public debt** (% GDP)	70.4	73.2	65.1	62.9

(e): Estimate. (f): Forecast. * Grants included. ** Including debts to the Central Bank.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	42%
EURO AREA	28%
JAPAN	7%
RUSSIA	5%
CÔTE D'IVOIRE	3%

Imports of goods as a % of total

EURO AREA	36%
UNITED ARAB EMIRATES	14%
CHINA	9%
RUSSIA	6%
UNITED STATES	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 ore, gold, copper) and fishery resources
- Energy potential (gas, oil, 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, as more than 2/3 of country surface is dessert
- Exposure to volatile weather patterns
- Persistent community tensions: discrimination against the Haratines, or black Moors, who make up 30% of the population and are descended from slaves of the Beydanes, also known as white Moors

RISK ASSESSMENT

A gradual improvement in economic activity

In 2022, growth will keep recovering from the recession in 2020, as exports and domestic demand continue to gradually improve. Gold exports are notably expected to increase alongside production. After a fire disrupted operations at the Tasiast gold mine (operated by Kinross Gold) in June 2021, output will rebound and will be further boosted by the planned expansion of the mine. However, the environment will be less favorable for iron ore exports, as prices are expected to moderate due to a slowdown in Chinese demand. On the other hand, copper exports could increase and will benefit from international prices and global demand. Non-extractive exports, driven by fishery products, are expected to increase in 2022. Household consumption will gradually rebound in 2022, as the vaccine rollout continues to progress (around 14% of total population were fully vaccinated in November 2021). Agricultural activities are expected to keep recovering in 2022, supporting household income (50% of the population depends on agriculture, livestock and fishery). As the Priority Plan (ProPEP 2020/22) – notably aiming at supporting economic diversification and develop food security - continues to be implemented, government consumption is expected to be supportive. This will be reflected in growth in the services and industrial sectors. Investment (31.6% of GDP) is expected to remain moderate in 2022, as the authorities' ambition to increase infrastructure investment could be tempered by limited fiscal space. Gross fixed capital formation will nonetheless be supported by investment aimed at tapping into the country's hydrocarbon potential. Revenues from this sector are not expected to benefit the country in 2022, as production at the offshore gas field Grand Tortue Ahmeyim (GTA, shared with Senegal), discovered in 2014, is scheduled for 2023.

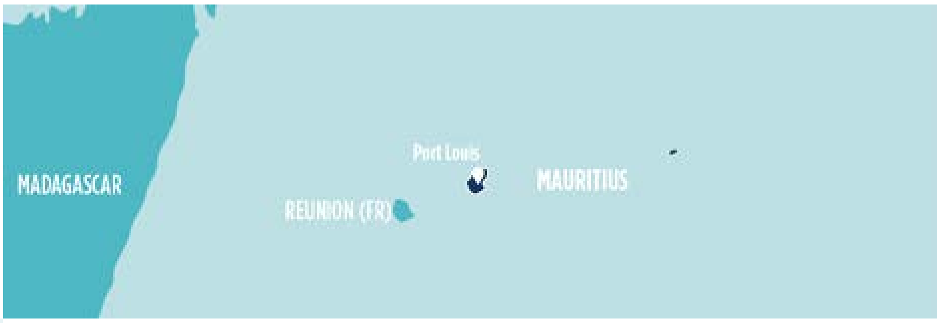
Debt restructuring and twin deficit

The fiscal balance will still be in deficit, but will narrow in 2022. Revenues from mining and fiscal receipts will continue to benefit from the economic recovery. Pending the boost from gas revenues, they will be supported by measures outlined in the 2022 budget to improve revenue mobilization. In 2022, authorities will continue to prioritize social and infrastructure spending by containing growth of recurrent expenditures. The end of the Debt Service Suspension Initiative (DSSI) will also translate into higher debt servicing costs. With the country maintaining a primary fiscal surplus (which excludes interest on debt), public debt is expected decrease slightly in 2022. Authorities are also expected to continue their debt restructuring strategy (ongoing talks with China and India, pending decision on the G20 framework) after they found an agreement with Saudi Arabia (which suspended USD 8.2 million of debt payments) and Kuwait (restructuring of USD 82.7 million) in 2021. The country could also receive further support from the IMF, following the conclusion of the previous ECF arrangement in March 2021. Although it is expected to shrink, the current account deficit will remain large in 2022. Capital goods imports, notably for the development of gas projects, will continue to fuel a large trade deficit despite rising exports. Both the services and primary revenue accounts are also expected to remain deep in deficit. Current international cooperation could increase, supporting inflows in the secondary income account, and a reduction of the current account deficit. The latter will continue to be financed by FDI related to the development of the LNG project and concessional loans. Favourable terms of trade in 2021 supported an increase in gross international reserves, which cover more than 5 months of non-extractive imports.

The president is working with the opposition

Mohamed Ould Ghazouani was sworn in as President in August 2019 after he won the election with 52% of the vote, despite challenges from the opposition. His party, Union for the Republic (UPR) has been holding the majority in the National Assembly since 2018 (97 of 157 seats). The next legislative and presidential elections are scheduled in 2023 and 2024, respectively. The administration is expected to continue his anti-corruption drive, most notably illustrated by the arrest of the former president Mohamed Ould Abdel Aziz (2009-2019) in June 2021 on corruption charges. Furthermore, the president has worked to ease tensions with the opposition, calling on them to tackle poverty, unemployment and inequality, and to improve the education and health systems. Mauritania will continue to consolidate relations with African countries, as suggested by its participation in the African Continental Free-Trade Area (AfCFTA) to strengthen economic ties in the region. In addition, historically close links with Gulf countries helped in the recent restructuring negotiations with Saudi Arabia and Kuwait. Cut in 2017, diplomatic ties with Qatar were re-established in March 2021.

MAURITIUS



COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	1.3
GDP PER CAPITA US Dollars - 2020	8,619
CURRENCY Mauritian rupee	MUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.0	-14.9	3.5	6.0
Inflation (yearly average, %)	0.5	2.5	3.2	2.0
Budget balance* (% GDP)	-3.2	-13.6	-5.6	-5.0
Current account balance (% GDP)	-5.4	-12.6	-18.6	-8.9
Public debt (% GDP)	65.0	83.4	95.0	91.4

(e): Estimate. (f): Forecast. * FY 2022: 1 July 2021 - 30 June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	35%
SOUTH AFRICA	12%
UNITED KINGDOM	10%
UNITED STATES	10%
MADAGASCAR	7%

Imports of goods as a % of total

EURO AREA	20%
CHINA	17%
UNITED ARAB EMIRATES	12%
INDIA	10%
SOUTH AFRICA	8%

- Strong tourism sector (outside pandemic period)
- Free trade agreements with China and India
- Bilingualism (English and French)
- Robust banking system
- Developing offshore financial sector
- Democratic institutions and effective governance

- Commercially and economically dependent on Europe and Asia (tourism, construction)
- Dependence on imported food and energy
- Island location and small domestic market
- Poor infrastructure, especially on Rodrigues Island
- Lack of skilled workers
- Declining export competitiveness

RISK ASSESSMENT

Gradual recovery

The Mauritian economy made a weak recovery in 2021 due to a still-subdued tourism sector (over 20% of GDP and employment). The island has a high vaccination rate (over 70% of population), though the uncertainty over the course of the pandemic remains the top risk for Mauritius' economic outlook. Mobility restrictions were renewed in late November 2021 with the emergence of the Omicron variant. Tourist arrivals in the first half of 2021 were less than 2% of 2019 levels. A stronger recovery for Mauritius in 2022 therefore hinges on a wider global easing of travel restrictions. Partially compensating for the loss of tourism receipts were Financial and Insurance (10% of GDP), and ICT (4% of GDP), the only two sectors that recorded growth in 2020, which expanded at stronger paces in the first half of 2021, up 2.5% and 7% respectively. Meanwhile, the Financial Action Task Force (FATF)'s decision to remove Mauritius from the "grey" list is also a welcome boost to the island's financial sector and its efforts to strengthen its AML/CFT measures. We expect the recovery in export-oriented manufacturing industries (11% of GDP), and agriculture and fishery sectors (3% of GDP) to continue in 2022.

The construction sector (4% of GDP and 9% of labour force), which reported robust growth in first half of 2021, backed by public infrastructure projects. Strong expansion in construction activity is expected to continue in 2022. In the 2021-22 budget the government allocated MUR 65 billion (13% of GDP) to public works over the next three years. Funds (MUR 2 billion) to support residential land and property purchases, and exemption of registration duty will also boost the construction sector. FDI inflows continued to fall in the first semester of 2021, after a 36% drop in 2020, though the accommodation and food service sector received a significant inflow on expectations of a recovery in tourism. FDI is expected to recover in 2022 as Mauritius remains an attractive country, thanks to years of successful public-private collaboration, and with the country taken off the FATF list for inadequate anti-money laundering measures.

Despite government fiscal support, including wage subsidies, unemployment remained high and rose through the first semester of 2021, reaching 10.5%. As a result, the recovery in household spending (75% of GDP) was relatively subdued in the first half of 2021, with many also facing rising inflation, especially in food and transport costs. However, a revival in the tourism sector in 2022 is expected to lead to an improvement in household consumption.

Twin deficits still wide

After a sharp increase in FY2019-20, the budget deficit narrowed in FY2020-21 owing to higher revenue collection. FY2021-22 is expected to see a further narrowing of fiscal shortfall as more fiscal measures are phased out amid the economic recovery. To finance the deficit, the government took on more debt, though almost exclusively denominated in local currency, with public debt rising considerably (nearly MUR 100 billion) between June 2019 and June 2021. The share of external borrowing also rose from 17% of total public debt to 25%, but is expected to decline from 2023. Its debt profile is unlikely to change significantly as the authorities continue to favour domestic sources of financing, with a large one-off transfer of MUR 60 billion (14% of GDP) from the central bank in FY2020-21.

The current account deficit jumped to 13.3% of GDP in 2020, and is expected to have widened further in 2021 due mainly to a deepening trade account deficit as much-reduced tourism revenues contributed to a shortfall in the services trade account, while goods trade deficit widened as imports recovered faster. The current account deficit, typically financed by foreign direct investment from the Global Business Companies (GBC), is expected to narrow in 2022 as a rise in primary income, driven partially by revenue recovery of the many offshore companies domiciled on the island, as well as an improvement in services trade balance, could provide greater support.

Political stability

The Militant Socialist Movement (MSM), a centre-left party led by Prime Minister Pravind Jugnauth, is the dominant party in Mauritian politics. Together with its coalition partners, the Morisien Alliance has retained a strong majority (60%) in the National Assembly following the 2019 parliamentary polls, with the next general election due in 2024. On the external front, Mauritius will continue to maintain strong ties with European countries, China and India, its main economic partners. Mauritius and India signed a Comprehensive Economic Partnership Agreement (CECPA) in February 2021, which took effect in April 2021. Negotiations for a preferential trade agreement with Indonesia are ongoing. Finally, despite the United Nations court ruling that the United Kingdom has no sovereignty over the Chagos Islands, the return of the disputed islands to Mauritius remains uncertain.

MEXICO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	127.8
GDP PER CAPITA US Dollars - 2020	8,404
CURRENCY Mexican peso	MXN

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.2	-8.3	5.7	2.8
Inflation (yearly average, %)	3.6	3.6	5.5	4.0
Budget balance* (% GDP)	-1.6	-2.9	-3.2	-3.5
Current account balance (% GDP)	-0.3	2.4	-0.1	-0.3
Public debt* (% GDP)	53.3	61	59.8	60.1

(e): Estimate. (f): Forecast. * The data exclude state and local governments and include public development banks and state-owned enterprises, such as the oil company Mexican Petroleum (PEMEX) and the electricity firm Federal Electricity Commission (CFE).

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	81%
EURO AREA	4%
CANADA	3%
CHINA	2%
SOUTH KOREA	1%

Imports of goods as a % of total

UNITED STATES	44%
CHINA	19%
EURO AREA	9%
SOUTH KOREA	4%
JAPAN	4%

- Geographic proximity to the U.S. economy
- Membership of USMCA and many other agreements
- Substantial industrial base
- Prudent fiscal and monetary policies
- Free-floating exchange rate
- Adequate foreign exchange reserves
- Large population and relatively low labour cost

- High dependence on the U.S. economy
- Rising criminality linked to drug cartels and trafficking, high corruption level
- High income disparities widened by the crisis and lack of universal social protection
- Weaknesses in transport, health and education
- High informality in the economy (56%) and the job market
- Narrow tax base, with tax revenues representing 21% of GDP, depleted sovereign funds
- Oil sector and PEMEX undermined by years of underinvestment

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Activity will decelerate in 2022

Partly due to the disappearance of the favourable base effect, Mexico´s growth momentum is expected to lose steam in 2022. However, GDP will recover to the pre-pandemic level by the end of the year. Activity should be led by household consumption (66% of GDP), as remittances from expatriates (3.7% of GDP in 2020) remain strong, fuelled by the recovery of the U.S. job market and thanks to the gradual reduction of the local unemployment rate. This effect should prevail over the still high inflation (at 5.5% per year in December 2021) and the ongoing retightening of monetary policy. In addition, exports (38% of GDP) should also expand, despite the expected activity growth deceleration in the U.S. This sound performance of foreign sales is underpinned by the assumption of a gradual alleviation in global supply chain disruptions, which would notably benefit the automotive exports (accounting for 34% of Mexico´s total foreign sales) that have suffered. Meanwhile, private investment is expected to continue underperforming due to the government´s controversial policies that have hurt it, such as the bill that would increase the state's role in the electricity and mining sectors. Moreover, there are concerns that this bill could violate the USMCA trade deal policies on investment and competition. In fact, its passage is uncertain, as it would need the support of some members of the opposition (due to the two-third majority required).

Current account and fiscal deficits will remain benign

The current account switched back to a slight deficit in 2021, as the trade balance returned to deficit and the imbalance in the services account got deeper (notably due to higher freight costs). Regarding the former, imports increased faster than exports, as domestic activity rebounded, and manufactured foreign sales growth was cushioned by global supply chain disruptions. Moreover, the oil trade deficit (linked to insufficient refining capacity) also widened. Conversely, the primary deficit narrowed somewhat (due to lower profit and dividends repatriation by foreign firms), while secondary income remained robust thanks to remittances. FDI were able to comfortably cover the mild external account deficit. The external debt stood at 38% of GDP in September 2021 (18.7% of GDP for the part owed by the public sector). Overall, Mexico should keep a solid external position supported by foreign currency reserves of USD 212 billion (covering roughly 5 months of imports) and a preventive USD 50 billion Flexible Credit Line with the IMF (renewed for two years in November 2021). Still, the current account shortfall should marginally rise in 2022, notably driven by a higher income deficit (assuming a rise in repatriation of profits by foreign investors).

Concerning the fiscal account, the government is expected to generally maintain fiscal discipline during the second half of its mandate. The nominal deficit should marginally rise in 2022, driven by higher expenditure. This includes spending on state-owned oil company Pemex (tax burden reduced from 54% to 40% and a capitalization worth roughly 0.2% of GDP), social programs and President Obrador´s key infrastructure projects, including the Mayan Train and the Dos Bocas refinery. Finally, the budget also introduced very modest tax rates (1% per year) for small companies that earn up to USD 15,000 a year to encourage them to leave informality.

The government will continue to defend a stronger state role in the energy sector, while facing violence and migration topics

In June 2021, the country held midterm elections, when the full Lower House was renewed. The ruling Morena party and its allies maintained a simple majority in the House, failing in their attempt to achieve the required two-third majority to pass constitutional changes, like the one required to pass a possible controversial bill to revert the 2013 energy sector liberalization, which opened the oil and power sectors to private investment. Despite this, President Obrador sent a proposal of a constitutional reform to Congress in October 2021 to protect public sector interests over private companies in the electricity market. The objective is that CFE would have a guaranteed 54% participation in electricity generation. The law currently gives preference to dispatching the lowest cost energy to the grid, which is often produced by private companies. Additionally, the projected bill would also reserve future lithium extraction for the state. It is important to note that, for now, the courts have generally ruled against controversial policies affecting the energy sector passed in Congress. Still, the bill´s discussing in the legislative was pushed back to April 2022, after a referendum proposed by President Obrador. The latter is expected to take place in March 2022, when citizens will be asked whether they want Obrador´s six-year term to be revoked due to "loss of confidence" or for him to remain in office until the end of his term in 2024.

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:

<u>Summary business proceeding</u>

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.

<u>Ordinary business proceeding</u>

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.

<u>Oral proceedings</u>

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 - 2020	2.6
GDP PER CAPITA US Dollars - 2020	4,523
CURRENCY Moldovan leu	MDL

TRADE EXCHANGES

Exports of goods as a % of total

ROMANIA	28%
EURO AREA	27%
RUSSIA	9%
TURKEY	7%
POLAND	4%

Imports of goods as a % of total

EURO AREA	24%
CHINA	12%
ROMANIA	12%
RUSSIA	11%
UKRAINE	10%

+

- Agricultural potential (wine, fruit, vegetables, sunflower, wheat)
- Association and free trade agreements with the EU (2014, extended to Transnistria in 2016)
- International financial support
- Relatively inexpensive labour
- Managed floating currency regime

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- 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
- Separatism in Transnistria

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.7	- 7.0	4.5	4.0
Inflation (yearly average, %)	4.3	4.4	3.0	6.0
Budget balance (% GDP)	- 1.4	- 5.2	- 4.3	- 6.0
Current account balance (% GDP)	- 9.3	- 6.7	- 8.5	- 9.5
Public debt (% GDP)	28.3	34.8	38.1	39.5

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

RISK ASSESSMENT

Domestic demand will drive the recovery

Driven by private consumption, which accounts for more than 80% of GDP, the economy returned to a sustained growth rate in 2021. Consumption increased with the improvement in household income from higher wages, social assistance and remittances. In 2022, the recovery will continue, but private consumption may be constrained by pressures related to inflation, which hit 6.7% in August 2021. Higher food prices, due to a poor harvest in early 2021, and record energy prices are fuelling inflation, which is expected to exceed the central bank's 5% target in 2022. The slowdown in the global recovery due to supply chain disruptions and the risk of a return of the health crisis in the winter of 2021/2022 could also reduce remittances from Moldova's million-strong diaspora, which account for half of the disposable income of 15% of households. In addition, while investments, thanks to favourable monetary conditions, rose by nearly 28% in 2021, they could be hampered by the hike in the central bank's policy rate (to 5.5% in October 2021) in response to rising inflation. However, they should be helped by the new government's ambitious anti-corruption programme, provided it is implemented. Moreover, in the context of the energy crisis linked to soaring gas prices, the country, which relies entirely on the Russian company Gazprom for its energy supply, is set to continue the efforts to diversify supply, despite its limited fiscal capacity. After inaugurating the 120-km Ungheni-Chisinau pipeline linking Moldova's gas network to the EU via Romania, the country signed a gas purchase agreement with Poland in October 2021 and will benefit from a EUR 60 million EU subsidy representing two months of supply.

Brisk domestic demand and inventory rebuilding led to strong import growth in 2021, which will continue into 2022. Exports (27% of GDP in 2020) will depend on the pace of recovery of the main trading partners (EU and Russia). They will be driven mainly by the agricultural sector (12% of GDP and 35% of the workforce) and the agri-food sector (35% of exports). The contribution of foreign trade to growth will therefore remain negative.

High twin deficits

The public deficit, which had risen sharply in 2020, fell in 2021 thanks to increased revenue generated by the economic rebound. In 2022, the deficit is poised to widen again in the face of increased public spending, particularly on health, education and social protection. As a result, public debt (45% external) will increase, while remaining relatively moderate by international standards. European aid will provide considerable support to the public finances with a EUR 600 million EU stimulus package between 2021 and 2024.

The external position deteriorated as imports (mainly oil derivatives and machinery) rose rapidly in volume and value terms, outpacing exports. Not being offset by the small services surplus, the swelling trade deficit is causing the current account deficit to increase. Meanwhile, growth in remittances failed to increase the surplus on the current transfers account to a sufficient degree. The country will continue to rely heavily on borrowing and financial assistance from multi-lateral organisations to meet its external financing needs. Three-quarters of the external debt (68% of GDP) is owed by the private sector (and mostly by non-financial companies).

New pro-EU government and tensions with Russia

The reformist, pro-EU Action and Solidarity Party (PAS) won a comfortable majority (63 of 101 seats) in early parliamentary elections held on 11 July 2021, taking 52.8% of the vote. The PAS, the party of President Maia Sandu, who was elected in November 2020 and replaced Idor Dodon of the pro-Russian Socialist Party, won 86% of the Moldovan diaspora vote, confirming the trend of strong diaspora support seen in the presidential election. The PAS's parliamentary majority – it held only 24 seats before the election – should usher in an era of political stability not seen in over a decade. The appointment of Natalia Gavrilita as the country's prime minister should set the stage for proactive efforts to push forward with reforms, particularly in terms of corruption, and bring the country closer to the European Union.

However, the election of a pro-European president is shaking up relations with Russia, which has been accused of using gas as a lever to influence ties with the EU. Gazprom cut its supply by one-third after the contract expired at the end of September 2021, before concluding a new five-year contract starting in November, still at a lower price than in European markets, reflecting the likely European influence in the negotiations. In addition, the gas supplied by Russia passes through Transnistria, a pro-Russian separatist territory that declared its independence as the Pridnestrovian Moldavian Republic in 1992, and where Russian forces are stationed.

MONGOLIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	3.4
GDP PER CAPITA US Dollars - **2020**	3,916
CURRENCY Mongolian tögrög	MNT

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.2	-4.4	3.5	7.5
Inflation (yearly average, %)	7.3	3.7	7.1	7.3
Budget balance (% GDP)	0.8	-9.8	-5.6	-1.7
Current account balance (% GDP)	-15.4	-5.1	-8.5	-13.3
Public debt (% GDP)	68.4	77.0	77.7	70.7

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	92%
UNITED KINGDOM	1%
SWITZERLAND	1%
EURO AREA	1%
RUSSIA	1%

Imports of goods as a % of total

CHINA	33%
RUSSIA	30%
EURO AREA	8%
JAPAN	7%
SOUTH KOREA	4%

+

- Development of colossal mining resources (coal, copper, gold) with investment reaching 40% of GDP
- Strategic geographical position between China and Europe/Russia (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)

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- Small economy vulnerable to changes in commodity prices and Chinese demand
- Landlocked country
- 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

Increase in private consumption and demand for minerals set to drive the economy

In 2021, economic growth was driven by a strong recovery in mining (48% of GDP) and services, supported by strong demand for mining products and high commodity prices. 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 rebound by 118% in the first nine months of 2021. However, despite a relatively high vaccination rate and strong demand, COVID-19 outbreaks amid new variants disrupted coal exports to the main trading partner China (92.5% of Mongolia's total exports), as restrictions reduced truck movements across the border. Going forward, the economy is expected to accelerate in 2022 and recover to its pre-COVID level as the vaccination rate was high in late 2021 (65% of the population was fully vaccinated as of December 2021), transportation issues affecting exports should be resolved with the pandemic kept under control, and domestic demand is set to increase. Strong Chinese demand should continue to stimulate mining exports (especially coking coal) to China, and, as a result, mining investments, which were delayed to some extent by the pandemic. Private consumption (60% of GDP) is expected to expand, assuming there will be no further lockdowns and that employment increases, and is still benefiting from social protection and household support that were implemented during the pandemic and extended through the second half of 2021. The support plan has included an exemption of utility bills (electricity, heat, water and waste) for households and some companies. However, inflation – which rose sharply in the second half of 2021 due in part to supply-side factors – is expected to remain high in 2022. If it stays over the 4-8% target range, Bank of Mongolia is likely to raise its policy rate, standing at 6% since the end of 2020, but its policy would still be relatively accommodative.

Public finances will recover but remain exposed to external shocks

Despite commitments and efforts under the IMF's Extended Fund Credit Facility set up for three years 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 over 90% of public debt denominated in foreign currency, the country is exposed to exchange rate depreciation. The pandemic has deteriorated the public accounts through declining revenues and support for the most affected households. That being said, the fiscal deficit should continue to narrow in 2022 with an increase in revenues, while expenditures should remain high to support the economy. The government is financing itself mostly bilaterally and multilaterally (with AIIB for 21 million in July 2021) in order to alleviate the fiscal pressure.

The current account deficit widened in 2021 due to disrupted exports to China. It is expected to widen further in 2022, with an increase in imports due to rising mining investments. However, the trade balance should remain in surplus thanks to mining exports and their high prices. The services balance will remain in deficit due to freight charges (one third of that deficit), as will the income account: foreign companies will repatriate more profits from their mining activities and interests on debt are to be paid. That said, strong mining related FDI inflows (10% of GDP), in light of high demand, should increase, and alongside bilateral and multilateral loans, will continue to finance the current account deficit. Foreign exchange reserves remain ample and stood at 6.4 months of imports as of July 2021.The bilateral currency swap agreement with China - 15 billion yuan for 6 trillion togrog (USD 2.2 billion) - was renewed on 31 July 2020 for another three years until 2023.

Corruption weakens the ruling party's credibility

The presidential election in June 2021 consolidated the power of the Mongolian People's Party (MPP) in the unicameral Parliament (62/76 seats from June 2020) with the former Mongolian Prime Minister and MPP leader, Ukhnaa Khurelsukh winning the election by a landslide. His socially oriented agenda focuses on supporting the Mongolian middle-class and the independence of the legislative and judicial systems through the Vision 2050, the long-term development policy. For instance, he proposes the implementation of a sovereign wealth fund and equal benefits from Mongolia's mining resources to all citizens. However, those projects could face scrutiny as the country has been facing a high unemployment rate (8.8% in 2021) and corruption scandals - it is ranked 111th out of 180 countries in Transparency International's corruption perceptions index. If unfulfilled, this could fuel disillusion among the population and could pose increase risks to social stability. Externally, the country maintains good relations with the neighbouring countries, Russia and China, while seeking to diversify its ties through the "third neighbour" foreign policy, especially with India, the United States, Japan and more recently, South Korea, its 6th strategic partner.

MONTENEGRO

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	0.6
GDP PER CAPITA US Dollars - 2020	7,703
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.1	-15.2	7.0	5.5
Inflation (yearly average, %)	0.4	-0.2	2.1	2.0
Budget balance (% GDP)	-2.9	-10.0	-1.7	- 2.0
Current account balance (% GDP)	-14.3	-25.0	-17.4	-15.5
Public debt (% GDP)	78.8	107.2	93.4	82.4

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

TRADE EXCHANGES

Exports of goods as a % of total

SERBIA	28%
EURO AREA	23%
KOSOVO	7%
BOSNIA & HERZEGOVINA	6%
HUNGARY	6%

Imports of goods as a % of total

EURO AREA	33%
SERBIA	20%
CHINA	11%
BOSNIA & 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 since 2012
- Member of the regional common market launched in late 2020 comprising the six Western Balkan countries seeking EU membership and aiming to eliminate trade barriers between 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 reliance on tourism (22% of GDP, including direct and indirect activities), resulting in a huge trade deficit
- Electricity generation (50%) largely based on subsidised coal, underdeveloped hydroelectric sector (about 20% of potential used).
- Unilateral adoption of the euro precludes European Central Bank (ECB) support and monetary policy independence
- Significant poverty (25% of the population in 2018) against a backdrop of high unemployment (25% in 2022), low levels of education and a large informal economy (25% of the working population)
- Poor governance: corruption, weak media independence and organised crime; politicised court system impedes contract enforcement and the treatment of insolvency
- Despite investment, road and electricity networks are poor, hindering regional connectivity

RISK ASSESSMENT

Economic activity stabilises thanks to the gradual recovery of tourism

After a strong rebound in 2021 driven by a recovery in tourism, the Montenegrin economy will return to its normal growth rate in 2022. However, the recovery remains fragile, as the pandemic has severely impacted tourism and, partly by extension, private consumption and investment. While tourist numbers have increased since the second quarter of 2021, they remain well below 2019 levels. Uncertainty related to the health crisis will discourage travellers until vaccines are rolled out across Europe. Montenegro continues to lag behind; as of 13 January, 41.2% of the total population had been fully vaccinated.

In 2022, the main drivers of growth will be private consumption (73% of GDP) and net exports (-21% of GDP). Private consumption will increase by 6%, thanks in particular to the lifting of restrictions related to the health situation, since most of the population will be vaccinated by mid-2022. The recovery in tourism activity will support a drop in the unemployment rate, which is forecast to be 25.4% in 2022 after reaching 29.6% in 2021 following the withdrawal of public aid measures in response to the pandemic. Inflation, which got back to positive territory in the second half of 2021 due to rising prices for restaurants, hotels, transportation and foodstuffs, coupled with higher global oil prices, should moderate in 2022. The improving health situation and waning inflation will spur an increase in the disposable income of households and thus their propensity to consume.

Goods and services exports will support growth more than in previous years. They will benefit from a recovery in commodity prices (aluminium) and an improvement in tourism. However, imports will increase more rapidly due to the needs of infrastructure projects. The trade balance will therefore contribute negatively to growth, but less than previously.

Austerity measures to save the public finances

The government has been forced to take austerity measures to counter the impact of COVID-19 on public finances. In July 2020, it adopted a stimulus package worth EUR 1.2 billion (26.6% of GDP), causing the budget deficit to explode. The rebound in activity has since boosted government revenues, which, combined with prudent fiscal management, will reduce the deficit. Austerity will keep public spending relatively low, resulting in a slowdown in fixed capital investment (27% of GDP in 2021), which is expected to contribute 1.4 percentage points to growth in 2022, compared with an average of 3.6 points in 2015-2020. To consolidate the public accounts, the Minister of Finance has indicated that a tax reform will be implemented between 2022 and 2023. Planned measures include the introduction of an income tax for legal entities, as well as a progressive income tax for individuals, while increasing the gross monthly tax-free salary to EUR 700. Health insurance contributions are to be phased out, while excise duties will increase. The government also plans to introduce a special levy on cash withdrawals to combat the informal economy. The country has received EU assistance to repay a 2014 loan from Eximbank of China for the construction of the first 41 km section of the Bar-Boljare motorway (171 km in total) to connect the coast to the Serbian border. The first repayment of USD 33 million was made in July 2021, out of a total amount of USD 944 million. The EU has indicated its intention to finance the remainder of the motorway. The country also issued a EUR 750 million Eurobond in December 2020 to repay the principal of loans maturing in 2021 and to finance the budget deficit. The country will seek financial support from its European partners to meet its commitments.

Montenegro produces and exports relatively few goods and has a structural trade deficit. A rebound in the services surplus (20% of GDP), thanks to tourism and, to a lesser extent, expatriate remittances, will help reduce the current account deficit.

The governing coalition grows increasingly unstable

The August 2020 parliamentary elections marked a major change as the Democratic Party of Socialists (DPS), which had been in power since 1991, lost to a disparate coalition (41 of 81 seats). However, once the unifying influences of the desire to get rid of the DPS, the fight against corruption and the crisis fade, the coalition could collapse before the August 2024 elections, since it is built around three very different alliances: For the Future of Montenegro (ZBCG - populist and conservative), led by Prime Minister Zdravko Krivokapic, 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. On 5 September 2021, following the passage of a law transferring ownership of some religious buildings to the state, violent protests attempted to prevent the inauguration of the new head of the local branch of the Serbian Orthodox Church, the largest denomination in the country, in the presence of the Serbian patriarch. Despite being pro-Serbian and pro-Russian, the ZBCG, which represents people who assert their ties to Serbia and its church, is committed to remaining in NATO and on the path to EU membership. However, closer relations with Russia and Serbia cannot be ruled out.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	**36.0**
GDP PER CAPITA US Dollars - **2020**	**3,188**
CURRENCY Moroccan dirham	**MAD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.6	-6.3	5.7	3.0
Inflation (yearly average, %)	0.2	0.7	1.3	1.5
Budget balance (% GDP)	-4.1	-7.6	-6.7	-6.5
Current account balance (% GDP)	-3.7	-1.5	-3.7	-3.5
Public debt (% GDP)	64.8	76.4	77.9	79.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	65%
UNITED STATES	4%
BRAZIL	4%
TURKEY	2%
DJIBOUTI	2%

Imports of goods as a % of total

EURO AREA	45%
CHINA	10%
UNITED STATES	7%
SAUDI ARABIA	6%
TURKEY	5%

- Favourable geographical position, close to the European market
- Strategy to move upmarket and diversify production in industry
- Political stability and commitment to reform
- Growing integration into the African market
- Support from the international community, particularly the European community, which is supporting green investments in Morocco: USD 300 million, through 2 projects
- Significant and growing market

- Economy highly dependent on the performance of the agricultural sector (12% of GDP and 30% of the population), therefore on 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 cities and the countryside, with recurrent discontent in certain regions. The poverty rate remains high
- High unemployment rate, especially among young people, low participation of women in the labour market, and lack of housing
- Low productivity and competitiveness

RISK ASSESSMENT

Growth will moderate after a strong rebound

After rebounding strongly in 2021 thanks to the recovery of household consumption (57% of GDP in 2020) and a favourable base effect, economic growth is expected to slow in 2022. Although extremely exposed to variations in weather conditions, household consumption will remain an engine of growth in 2022 as incomes improve with the strong pickup in the agricultural sector (12% of GDP, 30% of the labour force) and increased remittances from Moroccans abroad (5% of GDP in 2020). Despite making a more moderate contribution in 2022, consumption will benefit from progress in vaccination and contained inflation, after a good agricultural season. The Mohammed VI Investment Fund, which focuses on the tourism (12% of GDP), transport and infrastructure sectors, will continue to stimulate investment. Under the 2021-2025 Industrialisation Acceleration Plan, which promotes roads, ports and railways, public investment could also provide new opportunities for the private sector. FDI (35% from France), which were modest in 2021, will increase in 2022 with the establishment of a Chinese vaccine manufacturing plant in Morocco. Manufacturing exports, supported by the recovery in Europe (80% of exports), also drove growth in 2021. Exports of automotive parts, food products and phosphate (and its derivatives) rebounded with rising global demand. Despite the shortage of semiconductors, which will continue to affect production in the automotive sector in 2022, the construction of a new automotive plant in the city of Kenitra is expected to boost vehicle production capacity, and thus exports. After a sluggish year 2021, tourism, whose revenues account for 22% of total exports, and the hotel and restaurant sectors, are expected to recover in 2022 without regaining their pre-crisis levels, given health-related travel restrictions. While the increase in export earnings will therefore be constrained, it will mitigate the impact of the increase in investment-related imports on the net contribution from foreign trade.

Small reduction in the twin deficits

The government deficit was reduced only slightly in 2021, amid the persisting effects of the crisis, and is expected to stabilise in 2022. Although the government has announced fiscal consolidation efforts, the expansion of the tax base as well as the goods and services subject to VAT is not expected to offset the increase in capital spending (notably through infrastructure investment) and social spending (mainly in health). Public debt, 25% of which was held by external creditors at the end of 2020, has increased, despite substantial privatisation revenues. However, bilateral and multilateral creditors finance nearly 70% of external public debt, lessening the burden (8% of projected expenditures in the 2022 Finance Bill).

The current account deficit deteriorated in 2021 because of the increased trade deficit. While the surge in oil prices (hydrocarbons make up 12.5% of imports) and firmer domestic demand pushed up the import bill (21% allocated to capital goods and machinery), the increase in manufacturing exports was unable to make up for the weak recovery in services exports, which reflected the impact of the still recovering tourism sector. After a modest upturn in 2021, tourism revenues should continue to rebound in 2022, improving the services surplus. However, the trade deficit will continue to weigh on the current account deficit, resulting in a relatively unchanged balance in 2022. The secondary income surplus will continue to be driven by expatriate remittances. The European recovery will encourage capital repatriation, causing the primary income deficit to widen. External financing needs will be met by foreign exchange reserves, which still provide more than six months of import coverage, and the resumption of FDI, if tensions with Algeria do not discourage investors.

Islamists suffer a major defeat amid a tense social climate

The October 2021 legislative elections resulted in the formation of a new coalition, led by Prime Minister Aziz Akhannouch. The liberal-centre-right coalition is composed of the liberal National Rally of Independents (RNI), the Authenticity and Modernity Party (PAM) and the Istiqlal (Independence) Party (PI). The moderate Islamist Justice and Development Party (PJD), which has led the government since 2011, saw its share collapse from 125 seats in the assembly to only 13 seats out of 395. The crisis has exacerbated social demands, leading to a major reshuffle in the assembly. Despite the measures to support households, rising unemployment, income losses and growing inequality will continue to fuel discontent. Further health restrictions could also lead to demonstrations. To restore stability to the social situation, the RNI is set to follow a reform agenda backed by the Royal Court, which acts as final arbiter and decision-maker.

Externally, relations with Algeria have deteriorated over the issue of Western Saharan sovereignty, and the two countries formally severed diplomatic ties at the end of August 2021. In the absence of progress in recent mediation efforts, the dispute between Morocco and the Algerian-backed Polisario Front, which seeks independence for Western Sahara, will keep tensions running high.

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). Courts include 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*).

Emergency proceedings

Where the debt is linked to a recognised title or promise, it is possible to obtain an order for payment. To do this, an application must be sent to the registry of the competent court. The debt must be proven, liquid (i.e. free), payable and not disputed. If the defendant does not file a defence within eight days, it is possible to obtain an enforceable decision. If the defendant submits a defence within eight days of receiving the order for payment, the case is returned to the ordinary procedure. However, the appeals chamber of the court of first instance or the court of appeal may, by reasoned judgment, suspend enforcement in whole or in part.

Ordinary proceedings

A writ of summons is sent by the creditor's representative to the relevant court and served by a bailiff to the debtor, who may subsequently obtain legal representation in the period prescribed by the judge and file a counter claim. Several hearings may be required for the exchange of written submissions, transmissions of documents and to produce the relevant evidence.

The main hearing is set by the judge to hear the presentation of the pleadings. Discussions and pleadings are conducted by the judge during the public hearing. The case is then taken under deliberation to allow judges to discuss the means, grounds, and pronouncement that make up the content of the judgment. After the sitting of the judgers, a reasoned judgment is rendered. It can usually be obtained within an average delivery time of 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 is mechanism is intended to allow a company to reorganize in order to continue to survive. To benefit from it, the company must establish that it is not in a state of cessation of payments. However, in the context of this procedure, it is still possible to negotiate with your creditors, in order to avoid arriving at to this cessation of payments, to the receivership proceedings. It is the company that seizes the court, which pronounces a judgment of opening of the safeguard procedure. The procedure starts with a six-month observation period (renewable once) during which the insolvency administrator, in collaboration with the manager, draws up a "economic and social balance sheet" (BES) for the company: an update on the origin of the difficulties, he current financial situation, the corrective measures to be envisaged and the resulting prospects. During this period, the company takes appropriate measures to correct the situation, and it helps the administrator to develop a backup plan. The adoption of such a plan by the court marks the end of the observation period and the beginning of the actual plan, which can last up to five years. Here again, the manager remains master aboard his company but, above all, the company will benefit from radical measures that the court can only impose:

- suspension of maturities of debts;
- stop individual prosecutions;
- obligation for all creditors to declare their claims;
- stop interest rate.

Judicial 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.

MOZAMBIQUE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**31.3**
GDP PER CAPITA US Dollars - **2020**	**449**
CURRENCY Mozambique metical	**MZN**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.3	-1.2	1.8	4.2
Inflation (yearly average, %)	2.8	3.1	5.7	6.4
Budget balance* (% GDP)	-0.4	-4.6	-6.2	-4.5
Current account balance (% GDP)	-19.6	-27.2	-32.1	-30.0
Public debt (% GDP)	107.5	125.3	121.4	120.6

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	23%
INDIA	21%
SOUTH AFRICA	18%
CHINA	8%
POLAND	3%

Imports of goods as a % of total

SOUTH AFRICA	23%
SINGAPORE	19%
CHINA	11%
EURO AREA	10%
UNITED ARAB EMIRATES	8%

- Favourable geographical location: long coastline, proximity to the South African market
- Significant mineral (coal) and agricultural resources, and hydroelectric potential
- Huge offshore gas fields discovered in 2010

- Under-diversified, dependent on commodity prices (aluminium, coal)
- Inadequate transport and port infrastructure, which constrains the country's commodity export capacities
- Banking system constrained by government financing needs
- Unstable political and security environment
- Weak governance
- Difficult climatic conditions

RISK ASSESSMENT

Despite the security threat, economic activity continues to recover

Plunged into its first full year of recession in nearly 30 years in 2020 by the COVID-19 pandemic crisis, the economy returned to modest growth in 2021. In 2022, activity is expected to strengthen, supported by the start of liquefied natural gas (LNG) production at the Coral South offshore site. With an annual capacity of 3.4 million tons, the project is expected to strengthen exports from June. The contribution of net exports to activity will also be driven by the favourable trend in external demand for coal and aluminium. The contribution of investment should remain supportive thanks to opportunities in LNG. However, the Islamist insurgency in Cabo Delgado, a key region for gas production, will delay private investment in the most important projects, dampening its contribution. The security situation forced French company TotalEnergies to halt a major development project (USD 20 billion investment) in April 2021, and a resumption in 2022 remains highly uncertain. A project led by U.S. company ExxonMobil has also been delayed. While public investment spending is expected to increase, fiscal difficulties will limit the contribution of gross fixed capital formation. Private consumption will continue to recover as the COVID-19 vaccination campaign progresses (20% of the population fully vaccinated by the end of 2021) and as restrictions are lifted. Private consumption should also benefit from growth in agricultural production in 2022, as more than 70% of the population still depends on income from this sector. However, a resumption of the epidemic and forced population displacement in Cabo Delgado will be significant risks.

Twin deficits reduced, but vulnerability persists

In 2022, fiscal consolidation efforts, which were derailed by the pandemic, are expected to resume. By broadening the tax base, modernising the collection system and encouraging taxpayers to meet their tax obligations, the authorities hope to improve tax revenue. The increase in government revenue will be supported by receipts from the start of operations at the Coral South project. Debt payments (15% of government revenue) and the wage bill (more than 50%) will continue to put pressure on government spending, but some measures should be rolled out to curb these expenditures, such as the rule that one civil servant should be hired only after three have left. The increase in capital expenditure will be financed mainly by external grants. These will limit the use of debt, although it remains at worrying levels. Delays in gas projects, and the associated revenues, could lead to a reworking of the restructuring agreement for the Eurobond that defaulted in 2017.

In 2022, the large current account deficit will be maintained due to the impact of major projects, especially in LNG, on the trade deficit. However, the suspension of these projects could reduce imports of capital goods, as well as the use of technical services. The trade balance could also improve with the start of exports from the Coral South site. Although it is less significant, the income deficit will be increased by the repatriation of investment profits. The current account deficit will be slightly mitigated by the transfer surplus, which is mainly maintained by current international cooperation. FDI and international aid will finance much of the deficit. However, the suspension of projects poses a risk to FDI inflows, threatening to put further pressure on the metical and foreign exchange reserves (six months of imports excluding major projects).

Security situation still a concern in the North of the country

The Al-Shabab Islamist group, which has pledged allegiance to the Islamic State, is continuing its insurgency, which began in 2017, in the northern region of Cabo Delgado. Following an attack in late March 2021 on the port city of Palma, TotalEnergies suspended the gas project that it is leading near that location. The support of Rwandan troops from July 2021 made it possible to retake the towns of Mocímboa da Praia, Palma and Mueda, but the major oil companies are unlikely to return until the situation is under better control. Despite the support of SADC troops, the Islamist insurgency will remain the main security threat. In contrast, the threat posed by the Renamo military junta (RMJ) appeared to diminish in 2021. The assassination of Mariano Nhongo, the self-proclaimed leader of the RMJ, by Mozambican forces in October 2021 and the surrender of many of its members should prove a blow to the rebellion. These armed factions have been responsible for attacks in the central provinces of Sofala and Manica since 2019. They emerged from Renamo's political wing, breaking away after Renamo's elected leader, Ossufo Momade, signed a peace agreement with President Filipe Nyusi, who was re-elected for a second five-year term following general elections in October 2019, although these were marred by accusations of fraud. The elections also saw Frelimo, which has been in power since the country obtained its independence in 1975, win 184 of the 250 seats in the assembly. The long-standing tensions between these two parties, inherited from the post-independence civil war (1975-1992), could be rekindled in the next national elections, scheduled for 2024. In this context, the social climate remains extremely tense.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**53.2**
GDP PER CAPITA US Dollars - **2020**	**1,527**
CURRENCY Myanmar kyat	**MMK**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.8	3.2	-18.0	-0.1
Inflation (yearly average, %)	8.6	5.7	4.1	6.5
Budget balance* (% GDP)	-3.9	-5.6	-7.8	-7.0
Current account balance (% GDP)	-2.8	-3.4	-0.8	-1.0
Public debt (% GDP)	40.6	53.3	63.0	65.3

(e): Estimate. (f): Forecast. * Interim period: October 2021 to March 2022. New fiscal year starting 1 April 2022, ending 31 March 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	32%
THAILAND	18%
EURO AREA	13%
JAPAN	7%
UNITED STATES	5%

Imports of goods as a % of total

CHINA	37%
SINGAPORE	14%
THAILAND	11%
INDONESIA	6%
MALAYSIA	6%

- Abundant commodities (minerals including jade, ruby, copper, gold, gas and oil), hydroelectricity opportunities
- Proximity to dynamic economies (India, China, Thailand)
- Great potential for tourism
- High potential of the primary sector (agriculture)
- Young population (27% of the population is under 14 years old)
- Reduction of poverty
- Availability of low-cost labour
- Member of ASEAN

- The coup d'état has isolated the country and its economy, despite some relations with its neighbours
- Corruption is highly endemic and the business environment is poor
- Ethnic problems related to the lack of tolerance towards the Rohingya Muslim minority by the Buddhist majority, but also towards Buddhist minorities who have armed groups (Shan, Karen, Kachin...). 135 ethnic groups are present in the country, with the majority Bamar ethnic group representing 68% of the population.
- Inefficient central bank
- Lack of diversification and infrastructure (electricity, refining, education, healthcare)
- Underdeveloped financial sector
- Country highly exposed to natural disasters (earthquakes, cyclones, floods, etc.)

RISK ASSESSMENT

The 2021 coup d'état closes the democratic interlude that began in 2011

Alleging electoral fraud (denied by all international observers) in the November 2020 legislative elections for the renewal of both houses, in which Aung San Suu Kyi's party emerged victorious, the military seized power in early February 2021, but not without detaining Aung San Suu Kyi and the other main leaders. Aung San Suu Kyi, leader of the National League for Democracy (NLD) and winner of the Nobel Peace Prize for her promotion of democracy, had become a state advisor in 2015 following the first free parliamentary elections since 1990. This role was given to her to govern without being president (the Constitution prohibits it because of her family ties abroad). President Win Myint, elected in 2018, was the first president not to be part of the military in more than five decades. The military takeover under the command of General Min Aung Hlaing led to major protests, with episodes of heavy violence: more than 1,000 deaths and tens of thousands of arrests. Some of the protesters also joined the pre-existing armed rebellions of minorities, setting aside ethnic antagonisms. Following the coup, the Biden administration and the European Union announced sanctions in March 2021. In December 2021, the United Nations postponed its decision on the country's representation, as most countries did not recognise the new leadership. The political crisis is also affecting the relationship with ASEAN. Although Myanmar has been excluded from the organisation's annual meeting, it has not been suspended, as some member countries are insisting on the principle of non-interference. Despite international pressure, the military junta sentenced Aung San Suu Kyi to four years in prison in December 2021.

Sharp contraction of the economy due to the coup and the pandemic

Myanmar's economy contracted sharply in 2021, due to the situation brought about by the health crisis and the military coup. In 2022, GDP is expected to stabilise at a far lower level than before the crisis. Tourism revenues (4.6% of GDP and 4.8% of the labour force), will remain trivial. Revenues from exports of goods (25% of GDP in 2020) also fell. Clothing exports (27% of the total) contracted sharply (-27% between September 2020 and June 2021). Exports of natural gas (20% of the total), especially to Thailand, also declined, and may continue to do so in 2022 with the cessation of activities of foreign operating companies, under Western pressure. Gemstone exports (10% of the total) have collapsed. The agricultural sector (23% of DP and 20% of exports) has performed well in terms of exports (+31%) despite a 10% contraction in production in FY2021. The trade balance is still expected to contribute negatively to growth in 2022: the depreciation of the kyat will increase the cost of even reduced imports, and exports will remain constrained by the situation in the country. Domestic demand will remain weak because of household impoverishment in 2021. In addition to rising unemployment, households face significant inflation of imported goods, further reducing their purchasing power. Inflation, though mitigated by weak domestic demand, will be strong due to the huge depreciation of the kyat and likely monetary financing of the deficit. The country remains extremely vulnerable to the virus, the proportion of the population vaccinated not exceeding 20% in November 2021. Political instability, economic disruption, and violence have strongly discouraged investment by many partners. Moreover, some major global companies have suspended their projects in the country. Major industrial and infrastructure projects, particularly in Yangon, have been affected. However, Myanmar continues to receive Chinese investment as part of the New Silk Road project.

Sharp deterioration of public accounts

In fiscal year 2021, the public deficit increased due to the decline in tax revenues (30% of total government revenues in 2019). Impoverishment and lower household consumption have thus played an important role in the reduction of these revenues. Revenues from state-owned energy companies (the bulk of non-tax revenues) have also declined. As a result of the increase in the public deficit, the public debt rose considerably. This increase is further explained by the significant contraction of GDP over the year and the depreciation of the kyat. The persistence of the deficit and the depreciation of the kyat could cause a further increase in public debt in the 2021-2022 fiscal year. Before the crisis, the share of bilateral debt constituted the majority, held largely by China and Japan.

The current account has traditionally been in deficit. The economy is dependent on imports of refined petroleum products, capital and consumer goods, and materials for infrastructure projects and medical equipment. This deficit was financed by FDI and Chinese loans. The current account deficit is expected to almost disappear in fiscal years 2021 and 2022. Indeed, the trade deficit will decline as imports fall more than exports due to falling domestic demand and import controls. Foreign exchange reserves represented about five months' worth of imports in 2020 and will change little.

NAMIBIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	**2.5**
GDP PER CAPITA US Dollars - **2020**	**4,276**
CURRENCY Namibia dollar	**NAD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.9	-8.5	1.3	3.6
Inflation (yearly average, %)	3.7	2.2	3.6	4.4
Budget balance* (% GDP)	-5.0	-9.5	-8.4	-7.6
Current account balance (% GDP)	-1.8	2.6	-7.0	-4.5
Public debt (% GDP)	61.7	69.2	76.1	80.5

(e): Estimate. (f): Forecast. * Fiscal year from April 1st to March 30th. 2022 data: FY2022/2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	36%
EURO AREA	18%
SOUTH AFRICA	15%
BOTSWANA	8%
ZAMBIA	4%

Imports of goods as a % of total

SOUTH AFRICA	39%
ZAMBIA	20%
CONGO DR	6%
EURO AREA	5%
CHINA	5%

+

- Significant mineral resources (diamonds, uranium, copper) and fisheries
- Good transport infrastructure
- Good governance
- Tourism potential

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- Dependent on the mining sector
- High unemployment and persistent inequalities
- Agricultural sector exposed to climatic hazards
- Dependent on South Africa

RISK ASSESSMENT

Diamond sector fuels the recovery

After contracting sharply due to the impact of the COVID-19 pandemic on tourism (11% of GDP in 2019) and external demand, the economy crept back to growth in 2021. In 2022, despite persistent constraints, activity should be more robust. Mining (10% of GDP), particularly diamond mining and, to a lesser extent, uranium mining, should spearhead the recovery. The resumption of activity at the Elizabeth Bay mine, the agreement to extend the life of the Namdeb land-based mines (50/50 joint venture between De Beers and the government), and the deployment of a new Debmarine diamond recovery vessel (another De Beers/government JV) early in the year will help boost gem production. Although they will remain below pre-pandemic levels and are vulnerable to a resurgence of the epidemic, tourism revenues are expected to continue the slow rebound that began in 2021, supporting the positive contribution of net exports to activity. Private consumption (70% of GDP) should remain a major driver of growth thanks to the expected progress of the COVID-19 vaccination campaign (less than 15% of the population was fully vaccinated by the end of 2021), which will fuel business and household confidence. The precarious situation of the 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. This could also limit opportunities for private investment.

Food and transport prices are expected to fuel higher inflation in 2022.

Authorities resume long road to fiscal consolidation

The COVID-19 crisis exacerbated fiscal challenges, increasing the deficit in 2020/21. While the deficit is expected to narrow in 2021/22 and 2022/23, it will remain high. As the economy recovers, government revenues will increase and will be supported in 2022/23 by an expected increase in payments from the Southern African Custom Union (SACU). Expenditure growth is expected to be very contained, as the authorities resume the path of fiscal consolidation initiated in 2016/17 but interrupted by the crisis. Capital spending will remain restrained, while measures are expected to be taken to curb the public wage bill, which absorbs about 50% of revenues, and restructure state-owned enterprises. Expenditures associated with debt servicing (more than 16% of revenues) are set to continue to rise. Fiscal consolidation aims to halt the upward trajectory of the debt, which is expected to continue in 2022/23. To reduce the risk associated with indebtedness, the authorities are attempting to diversify their sources of financing, increasing external borrowing (more than 30% of the public debt stock) and extending maturities on domestic debt, which is mainly composed of government securities.

In 2022, the current account deficit is expected to narrow because of increased mining exports and transfers related to SACU customs revenues. This will result in a reduction in the structural trade deficit and an increase in the secondary income surplus, respectively. While the services balance should benefit from a revival in tourism, it is unlikely to record surpluses similar to those seen before the crisis. The primary income deficit will be fuelled by repatriation of investment income by multinational enterprises. External borrowing and investment flows are expected to finance the deficit. Furthermore, in the context of the pandemic, capital transfers in the form of donations of vaccines and medical equipment are helping to finance imports related to the health situation. With foreign exchange reserves equivalent to more than six months of imports, the country's external position should help maintain the peg to the South African rand.

Hage Geingob's succession at stake at SWAPO's elective Congress

Dominating the political scene since the country's independence in 1990, SWAPO secured another victory in the November 2019 general elections, winning 63 of the 96 seats up for contention in the National Assembly. President Hage Geingob, the leader of SWAPO, 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 since 2016, aggravated by the COVID-19 pandemic, and the persistence of major inequalities are playing a part in this loss of influence. The contentious issue of land redistribution to the black population, which, despite being the majority, owns only 16% of farmland, remains symptomatic of the country's divisions. Before the 2024 election, land reform could be an issue at the 2022 SWAPO Congress, when the party is expected to choose a new leader and a likely presidential candidate in 2024 to succeed Hage Geingob.

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.

NEPAL

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	28.8
GDP PER CAPITA US Dollars - 2020	1,178
CURRENCY Nepalese rupee	NPR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.5	-1.9	2.7	4
Inflation (yearly average, %)	4.6	6.1	4.9	5
Budget balance* (% GDP)	-4.6	-5.2	-6.9	-7.7
Current account balance (% GDP)	-7.7	-0.9	-8	-5
Public debt (% GDP)	32.6	36.4	41.9	45

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	71%
UNITED STATES	9%
EURO AREA	5%
CHINA	2%
UNITED KINGDOM	2%

Imports of goods as a % of total

INDIA	64%
CHINA	14%
CANADA	3%
EURO AREA	2%
UNITED STATES	1%

- Expatriate remittance flows (23% of GDP) support household consumption, the main driver of growth
- Strong agricultural sector (26% of GDP in 2021 and 80% of employment)
- Financial and technical support from India and China
- Recipient of vast sums of regional aid (in particular from the Asian Development Bank) and international aid

- Landlocked, poor accessibility, dependence on Indian ports
- Lack of infrastructure, electricity and fuel shortages, undiversified export basket (clothing and agriculture)
- Heavy dependence on the Indian economy through imports (65% of total imports), exports (57% of total exports) and a currency peg

RISK ASSESSMENT

A slow and fragile recovery

After a collapse in economic activity at the height of the COVID-19 pandemic in the first half of 2020, which caused the transport, tourism and education sectors to shut down almost completely, Nepal gradually recovered, despite a new and particularly devastating wave in July 2021. This economic rebound is expected to continue into 2022.

Wholesale and retail trade, transport and financial services initially drove the recovery, while favourable monsoons boosted agricultural production. In 2021, tourism (10% of GDP) was at a standstill. In 2022, growth should be driven particularly by services (60% of GDP), thanks to a recovery in the hotel and tourism industries, by agriculture, which will be boosted by government investment programmes in irrigation, and by industrial activity, in areas including textiles, carpets, cigarettes and cement.

On the demand side, private consumption (80% of GDP) will remain the main driver of the recovery, thanks to improved household confidence (strengthened by continued employment aid measures), the ongoing vaccination campaign (by September 2021, 19.5% of the population had been fully vaccinated) and the resumption of expatriate remittance flows, which are expected to pick up notably due to an upturn in employment in Qatar and Malaysia, where the majority of Nepalese expatriates work. Private investment (23% of GDP) began a rebound in 2021 that should continue, thanks to government support programmes, especially for the sectors hardest hit by the crisis, and to relatively low (subsidised) interest rates. However, the rebound is threatened by the health and political uncertainty of the coming months. Public investment should also pick up, as it is a priority for the Nepalese government. In this regard, a national project bank has been created to improve the management and implementation of public investments. All projects above NPR 500 million (USD 4 million) will now have to be evaluated before being funded, in order to target those needed by the country.

Deficits widen with the recovery

The current account deficit widened in 2021 and is expected to continue on this trend in 2022 as imports recover faster than exports and remittance flows. Imports will be driven by firmer domestic demand, particularly in the construction sector, and by the rise in prices of commodities such as oil (+40% between January and September 2021), Nepal's main import. Exports will also pick up, to a lesser extent, in response to the recovery in global demand, particularly for agricultural products, which account for 30% of Nepal's exports (palm oil, soybean oil, cardamom, etc.). Exports will remain below pre-crisis levels until international tourism recovers fully. The current account deficit is financed in part by international financing, which has increased because of COVID-19, and by the central bank's foreign exchange reserves, which remain high (over 10 months of imports), allowing the currency to remain pegged to the Indian rupee.

The budget deficit is expected to persist. Government revenues will remain insufficient, while spending will continue to be necessary to maintain support for the economy, including measures to facilitate market access for smaller companies, fund vaccination campaigns and finance numerous public investments. As a result, public debt will increase in 2022, but will remain manageable.

A country on the brink of political crisis

Political uncertainty has increased since December 2020, when the then Marxist-Leninist prime minister, K.P. Sharma Oli, who had been in office since 2018, dissolved parliament in response to tensions within his majority, an alliance of Marxist-Leninists and Maoists. Tens of thousands of the prime minister's supporters took to the streets to express their support for him. The Supreme Court overturned the dissolution decision and reinstated parliament in February 2021, precipitating a split in the two-party majority coalition. In May, after trying for a second time to dissolve parliament, Oli lost a confidence vote. After a final attempt by the prime minister in July 2021, the Supreme Court finally removed him from office and appointed the main opposition leader, Sher Bahadur Deuba, a member of the Nepali Congress (NC) party, in his place. The new prime minister-designate, who will be taking up the post for the fourth time, faces many challenges, which include strengthening agreement within his party and between the different parties, and, most importantly of all, ensuring that the next local, provincial and federal elections, scheduled for November 2022, are duly held. If the elections are delayed, Nepal may face a political and constitutional crisis.

Geopolitically, the new prime minister is reversing the trend of his predecessor to pursue a gradual realignment towards India and away from China. 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 China's Belt and Road initiative.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	17.4
GDP PER CAPITA US Dollars - 2020	52,456
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.0	-3.8	4.7	4.0
Inflation (yearly average, %)	2.6	1.3	2.7	5.8
Budget balance (% GDP)	1.7	-4.2	-5.2	-2.2
Current account balance (% GDP)	9.4	7.0	10.2	8.9
Public debt (% GDP)	48.5	54.3	56.7	54.8

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	23%
BELGIUM	10%
FRANCE	9%
UNITED KINGDOM	8%
UNITED STATES	4%

Imports of goods as a % of total

CHINA	18%
GERMANY	15%
BELGIUM	8%
UNITED STATES	8%
UNITED KINGDOM	4%

+

- Port activity (Rotterdam is Europe's number-one port)
- Establishment of home-grown international companies working with a dense network of SMEs
- Diversified and flexible exports (services have a share of 45% in total exports) and external accounts in surplus
- Strong digitalization with lot of home office, home schooling and online retail possible
- High quality infrastructure and good living standards

−

- Exposure to the European economy, especially Germany and Belgium (22% and 10% of all good's exports 2020)
- Debt of private households is very high (230% of disposable income in 2020)
- Banks dependent on wholesale financing (loans/deposits = 195% in Q1 2021) and real estate
- Ageing population; pension system under pressure

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

The recovery continues

The Netherlands enjoyed a strong economic recovery in 2021. After a longer strict lockdown in spring, which resulted in a decrease of GDP, economic activity increased sharply and reached pre-COVID-19 levels in Q3 2021. Towards the end of the year, the economic momentum decelerated because of the 6th pandemic wave and, again, lockdown measures. In 2022, growth should remain broad-based, although its dynamic will be reduced by ongoing supply-chain problems in the first half of the year. In the second half, these problems should slowly diminish and, together with still strong demand in the main export destinations, net-exports could grow stronger again. Private consumption should remain high for the year overall, supported by a very high savings-rate (31% in Q2 2021). In addition, the government will cut taxes and social insurance contributions for low incomes, thus increasing their purchasing power. Besides, the labour market improved a lot in 2021 reaching pre-COVID-19 levels in October 2021. Even with the expiration of corona-support measures in early 2022, the labour market should further improve over this year resulting in stronger wage growth. However, a lot of the resulting higher purchasing power will be balanced out by an over-boarding inflation pressure, coming especially from higher gas prices (gas is the most important energy source with 38% in the energy mix), as the flexible energy contracts were updated in January 2022, but also due to higher input prices. The inflation rate should remain very high until late summer 2022 before receding noticeably, once problems in the supply-chain diminish. Private investments should pick up over the year 2022 as well. The fiscal support will be lower this year compared to the last. However, the government parties are planning a EUR 20 billion investment fund (2.5% of GDP) over the next five years, which would include the EUR 6 billion grants out of the EU's Recovery and Resilience Facility. The biggest part of it should go into green-energy investments and climate spending. Support for investments will also come from the ECB's unchanged low deposit rate (-0.5%) and the purchases of assets in its current emergency program with a total envelope of EUR 1850 billion until the end of March 2022. Beyond that, net purchases under the normal assets purchase programme will continue at a probable monthly pace of EUR 20 billion or higher.

Public finances begin their return to surplus, external surplus remains high

After two exceptional years of relatively high public deficits, the public balance should improve and the deficit fall below the Maastricht target. Higher tax income thanks to the strong economic recovery (even with tax cuts for single groups), as well as a reduction of COVID-19 related expenditures, will make it possible. This will reduce the public debt ratio that has remained below 60%. The Dutch current account surplus will decrease from its high level of 2021, due to a normalization of the trade in goods and services surplus from its high 2021 levels (Dutch goods trade benefited from the recovery of the European manufacturing sector via re-exports). The balance of income should retain the small surplus it regained in 2021, after a strong deficit in 2020, thanks to the ongoing recovery in revenues from Dutch assets abroad. Dutch net international investment surplus reached 114% of GDP in early 2021 as corporate and households are creditors to the rest of the world.

The resurrection of the previous government

In March 2021, Prime Minister Mark Rutte and his party VVD (conservative-liberal) won for the fourth time in a row the general election, although the government had been involved into a social benefit scandal that made the government step down from its office before the election. The VVD reached 34 seats out of the 150 seats in the lower house (1 more than in 2017). Right after the election, coalition negotiation failed as PM Rutte prematurely talked about ministerial positions and lied about this publicly. Nevertheless, after months of standstill, the caretaking government coalition out of VVD, the social-liberal D66 (24 seats), Christian-democratic CDA (14 seats) and the centrist CU (5 seats), resumed negotiations in late 2021, because of a lack of alternatives. In addition, the caretaker government cannot implement reforms and officially apply for the EU's Recovery Fund. The new (old) government started their work at the beginning of 2022, however, the long process of forming a coalition shows the instability of this alliance. The next election of the upper house, which can reject legislation, will take place before May 2023.

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.

NEW ZEALAND

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	5.1
GDP PER CAPITA US Dollars - **2020**	41,165
CURRENCY New Zealand dollar	NZD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.4	-2.1	4.7	3.3
Inflation (yearly average, %)	1.6	1.7	3.9	3.5
Budget balance* (% GDP)	-2.3	-5.9	-7.4	-5.9
Current account balance (% GDP)	-2.9	-0.8	-3.3	-3.5
Public debt (% GDP)	32.0	43.6	51.9	56.9

(e): Estimate. (f): Forecast. * Fiscal year 2022: July 2021 – June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	28%
AUSTRALIA	14%
UNITED STATES	11%
JAPAN	6%
EURO AREA	5%

Imports of goods as a % of total

CHINA	23%
EURO AREA	13%
AUSTRALIA	12%
UNITED STATES	10%
JAPAN	6%

- Proximity to Asia and Australia
- Attractive tourist destination
- Large and competitive agricultural sector (world's leading exporter of dairy products)
- Contained public debt
- High quality of life
- Excellent business environment

- 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

Economic activity will remain robust

The economy is expected to grow vigorously in 2022, albeit at a weaker pace than in 2021. While the country pursued a "zero-COVID strategy" since the beginning of the pandemic, prompting strict lockdowns (notably soon after the first community transmission of the Delta variant in August 2021), the country adopted a new system of living with COVID-19. The new "traffic-light" system (depending on exposure to COVID-19 and vaccination rates) aims at ending strict restrictions on mobility and allow businesses to reopen, including in Auckland, the country's largest city (38% of GDP in 2019). Lesser restrictions in 2022 will support private consumption (over 60% of GDP), which will drive economic activity. It will be further supported by a record low unemployment rate (3.4% in September 2021). Nonetheless, household debt - fuelled by a surge in housing prices (99.4% of GDP and 168% of their disposable income) and low population growth due to lower immigration - will continue to weigh on private consumption. Furthermore, inflation, which is expected to remain high, could erode household disposable income. Inflationary pressures are nonetheless expected to gradually ease, as supply chain disruptions slowly fade. The Reserve Bank of New Zealand (RBNZ) started to tighten its policy and increased interest rates twice by 25 bps in October and November s2021 to 0.75% and should continue in order to curb inflation. Despite rising interest rates, investment is expected to remain dynamic. Gross fixed capital formation recovered in 2021 to its pre-COVID levels and should continue to increase on the back of a robust housing market. It should also be boosted by public investment and the development of numerous public-private partnerships for infrastructure projects. Exports of services should recover as tourism (15% of GDP, 19% of jobs) is expected to rebound gradually after the country announced it would allow fully vaccinated international travellers to enter the country by the end of April 2022. It is nonetheless very unlikely to reach its pre-COVID level. Moreover, exports of goods, especially agricultural goods (5.8% of GDP) in Asia and in China, its main trading partner, should remain robust.

Public deficit should continue to narrow

Before the pandemic, New Zealand had a strong fiscal position, which allowed it to boost expenditure to support firms and households during the crisis. The total fiscal response represented about 20% of GDP and translated into a large fiscal deficit. However, with some of those fiscal support measures expiring, it is expected to start narrowing in the 2021/22 fiscal year. Expenditures will still remain high, with a large bulk of spending allocated to social welfare (31% of total spending) and health (17%) in the budget. With robust economic activity, revenues, driven by tax receipts, are expected to keep growing. While public debt should continue to increase, its share relative to GDP will remain relatively low compared to most developed economy peers.

The current account deficit is expected to widen further in 2022. In 2021, despite robust exports, supported by external demand for agricultural products, the trade balance shifted to a deficit, as domestic demand improved and weighed on the import bill. In 2022, it should deteriorate further due to improving consumption. After turning into a deficit in 2021, the balance of trade in services is likely to narrow, as easing border restrictions will support tourism receipts. The current account deficit will be further aggravated by the income account, which is structurally in deficit due to profit repatriation by foreign investors and debt servicing costs (external debt accounts for 93% of GDP). The current account deficit is traditionally financed by large financial and capital inflows, mostly in the form of portfolio investment and FDI.

A relatively stable political situation

New Zealand is a stable parliamentary democracy with strong institutions. Rewarded for its management of the crisis in the parliamentary elections in October 2020, the Labour Party, led by Prime Minister Jacinda Ardern, secured 65 seats (out of 120, with 19 additional seats), allowing it to obtain an absolute majority in Parliament. However, the Prime Minister's popularity has somehow faded in 2021 (47% in November 2021 compared to 65% during the first lockdowns) as the country struggled to contain COVID-19 outbreaks despite strict containment measures. This could have exacerbated discontent in Auckland, which had been in lockdown for three months from August - after transmission of the Delta variant was confirmed - to early December 2021.

Regarding international relations, the country chose not to align with the Five-Eyes initiative (an intelligence alliance with the U.S., UK, Australia, and Canada) on China's matters such as the democracy crackdown in Hong Kong or the Uighurs and has been strengthening economic ties with the Asian economy. Most notably, in January 2021, the China-New Zealand free trade agreement was upgraded, expanding market access and removing further tariffs for New Zealand exporters.

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

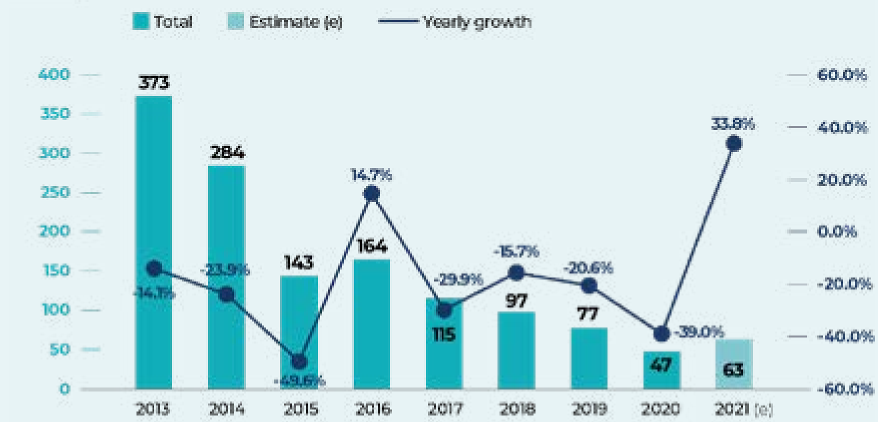
The business debt hibernation is a scheme established to help businesses affected by COVID-19. It enables businesses to gain protection from debt recovery actions for a month while they negotiate with creditors, and a further six months' protection if creditors agree to an arrangement for repayment. 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 - 2020	6.5
GDP PER CAPITA US Dollars - 2020	1,943
CURRENCY Cordoba oro	NIO

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-3.7	-2.0	6.0	3.5
Inflation (yearly average, %)	5.4	3.7	6.0	4.0
Budget balance (% GDP)	-0.3	-2.2	-1.5	-2.0
Current account balance (% GDP)	6.0	7.6	2.5	3.0
Public debt (% GDP)	41.7	47.9	49.5	50.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	51%
EL SALVADOR	11%
EURO AREA	6%
COSTA RICA	5%
GUATEMALA	4%

Imports of goods as a % of total

UNITED STATES	22%
CHINA	13%
GUATEMALA	10%
MEXICO	9%
COSTA RICA	9%

+
- Mineral (gold), agricultural (coffee, sugar, meat) and fishery (shellfish) 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
- Health and education deficiencies, persistent poverty
- Insufficient infrastructure (energy, transport)
- Institutional shortcomings: power concentrated with the executive and Sandinista party, corruption
- Highly dollarized economy

RISK ASSESSMENT

A recovery that is running out of steam

The economic recovery observed in 2021 is expected to slow in response to the cooling U.S. economy, which is the main destination for exports and the source of expatriate remittances. However, remittance flows will remain high and will support household consumption amid the sluggish labour market, without regaining the pre-crisis levels of 2017. In addition, with Daniel Ortega's re-election in November 2021, many of the household transfers used by the government to shore up popular support are likely to be phased out. In this context, the return of inflation to the upper end of the central bank's target window (3 +/- 1%) in 2022 will be a welcome development for the poorest households. This should allow the central bank to maintain its accommodative policy in the early part of the year, before tightening once the recovery is sufficiently established. This will underpin continued growth in credit to the private sector, which has been underway since the end of 2021 but is too weak to meet the needs of the economy, as, given the default risk in the productive sector, banks tend to lend primarily to the public sector, leaving the private sector in a vicious circle of under-investment. Foreign investment will remain restricted to a few areas of activity, such as mining and energy (e.g. U.S. firm New Fortress Energy's gas refinery project on the Pacific coast). U.S. sanctions against the primary contact persons for investors in the country pose a threat to the success of these investments. If these projects fail, they could deter future investments. Public demand is expected to remain focused on infrastructure and reconstruction following the storms of late 2020, with the humanitarian exemption used to access funds from multilateral agencies, which are normally blocked by international sanctions. U.S. demand will support ore production, especially gold, as well as agricultural production (coffee, sugar, meat), which will be helped by a base effect following the losses in the 2021 harvest due to storms. Manufacturing production, including cables, electrical appliances and clothing, should see some momentum. Construction will be driven by public demand, while the tourism sector remains underdeveloped, affecting hotels and restaurants.

Sound public accounts and a comfortable external position

The increase in revenues in 2021 allowed the government to significantly reduce the public deficit. However, cooling demand is expected to lead to lower revenue growth in 2022, causing the deficit to swell again. The deficit will be financed through multilateral loans from the Central American Bank for Economic Integration, whose share of the country's financing has increased in recent years. Because of its regional ownership, the CABEI is not subject to the U.S. sanctions that affect the provision of funds by other multilateral agencies. That said, the government is expected to invoke the humanitarian exemption again to obtain funds from the Inter-American Development Bank, the IMF and the World Bank to finance reconstruction and fight COVID-19. Largely concessional (93% of disbursements in 2021 came from multilateral agencies), the country's debt remains limited in GDP terms and is therefore sustainable.

Looking at the external accounts, the goods deficit is expected to narrow as slacker domestic demand limits import growth and offsets higher oil prices. Exports of agricultural products, ore and manufactured goods will benefit from U.S. demand. The services surplus will remain tiny, while the income surplus is expected to shrink, reflecting increased dividend repatriation against slower growth in remittance flows. The current account surplus will boost the very comfortable foreign exchange reserves (eight months of imports in September 2021), which should be enough to keep the cordoba pegged to the dollar.

Strained relations with the international community following disputed elections

On 7 November 2021, Daniel Ortega, who has been in power since 2007, and his vice president and first lady, Rosario Murillo, won the presidential election with 75% of the vote, as well as the legislative elections. The process was widely boycotted by the opposition and criticised internationally. Given that the government had systematically arrested all opposition candidates in the preceding months, turnout was low. While the government claimed that turnout was 65%, the opposition said it was only 20%, suggesting that only Ortega's supporters showed up to vote (18% of people said they intended to vote for the president, according to some polls). The election was widely criticised by the United States, the European Union and the Organization of American States, which initiated an expulsion procedure. For its part, the United States stepped up sanctions against the country's top officials. The adoption of the Renacer Act by Congress on 3 November 2021 obliges the executive branch to take such measures. The Biden administration has, however, stated that it wants to avoid comprehensive economic sanctions that would add to the economic stresses faced by households. However, the sanctions are unlikely to facilitate a democratic transition. Any financial impact is followed by an adjustment in spending at the expense of the population, with the regime clamping down on any attempted uprising.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**24.2**
GDP PER CAPITA US Dollars - **2020**	**568**
CURRENCY CFA franc (WAEMU)	**XOF**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.9	3.6	5.5	6.2
Inflation (yearly average, %)	-2.5	2.8	2.9	2.5
Budget balance (% GDP)	-3.6	-4.9	-6.8	-5.3
Current account balance (% GDP)	-12.7	-13.5	-15.3	-16.0
Public debt (% GDP)	39.8	45.0	48.5	49.4

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

TRADE EXCHANGES

Exports of goods as a % of total

NIGERIA	26%
MALI	19%
BURKINA FASO	12%
CHINA	11%
UNITED STATES	6%

Imports of goods as a % of total

CHINA	34%
EURO AREA	20%
UNITED STATES	13%
NIGERIA	5%
MALAYSIA	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 creditors

- Economy vulnerable to climate shocks and commodity price fluctuations
- Economy still largely dependent on subsistence agriculture
- Rapid population growth, high poverty (lowest HDI in the world), chronic food crisis situation
- Poor tax and duty collection system
- Endemic corruption and large informal sector
- Porous borders favouring illegal immigration and trafficking (gold, oil...)
- Deteriorating security situation and terrorist attacks

RISK ASSESSMENT

Growth supported by investment projects in the oil sector

In 2021, growth in economic activity got back to levels close to those seen before the COVID-19 crisis. In 2022, the continuation of major infrastructure projects and the development of new oil fields for export should support an acceleration of the growth rate. Investment will be particularly buoyed by the construction of the nearly 2,000 km long Niger-Benin oil pipeline by the China National Petroleum Company. Delayed by the pandemic, this USD 7 billion project was revived in May 2021 and could significantly increase the country's export capacity by 2023. In addition, investment in the Lomé-Ouagadougou-Niamey economic corridor, which could improve regional connectivity, and in the Kandadji hydroelectric dam will also provide a lift. The construction and service sectors stand to benefit from these massive investments. Strong performances in gold and oil production thanks to high commodity prices should also support the recovery in exports. However, uranium production will fall following the closure of the Akouta mine in March 2021, limiting the contribution of foreign trade to growth. Agriculture (42% of GDP), on which 80% of the population depends, will benefit from the reopening of the borders with Nigeria. In addition, the 3N initiative (which translates as "Nigeriens Feed Nigeriens") will support strong production in the agricultural sector, whose bright outlook will bolster household consumption. However, this recovery, like that of private investment, could be hampered by climatic conditions (flooding, drought, locust invasion) and persistent security threats.

Fiscal consolidation and a widening current account deficit

The fiscal deficit is expected to continue to shrink, mainly due to increased revenues. Customs duties and improved tax revenue mobilisation following a pandemic-related deterioration will contribute to this. On the expenditure side, the government will focus on reducing the wage bill, which absorbs almost one-third of tax revenues. Capital expenditure, financed from external resources, will increase. Fiscal pressures will continue owing to Niger's unstable security situation, with nearly 10% of the country's budget devoted to military and security spending in 2021. Financing will rely mainly on concessional external resources. External public debt, which accounts for nearly 70% of public debt, is already largely held by multilateral creditors, reducing the risk of debt distress. Niger will continue to benefit from the three-year ECF programme of USD 278.5 million, approved in December 2021 by the IMF, following the USD 167.9 million programme from 2017 to 2020.

In 2022, the current account deficit is expected to widen, with the gradual increase in export earnings unable to offset the higher import bill. The trade balance will therefore remain largely in deficit, mainly because of imports of capital goods needed for infrastructure projects. The primary income account deficit will widen due to the repatriation of dividends by non-residents, while the current transfers account will continue to show a surplus, linked to current international cooperation and expatriate remittances. In addition to multilateral aid, the deficit will also be financed by a rebound in FDI, chiefly from China and France, which is expected to double between 2021 and 2022 as the deployment of public infrastructure attracts private investment.

A new president, but socio-political and security challenges persist

Former minister Mohamed Bazoum of the Niger Party for Democracy and Socialism (PNDS) was sworn in as president in April 2021 after surviving an attempted coup by dissidents in the army. The outcome of the election, held in February, was contested by opposition candidate Mahamane Ousmane (a former president overthrown in a 1986 coup), stoking opposition anger after years of contentious results under the PNDS. Social and political stability will remain extremely fragile in a country where poverty continues to be widespread and famines are a regular occurrence.

Meanwhile, the political risk associated with terrorist attacks remains high. The Tilllabéri region, also known as the tri-border region because of its borders with Benin, Burkina Faso and Mali, is regularly hit by jihadist groups affiliated with al-Qaeda or the Islamic State, killing at least 69 people in the November 2, 2021 attack in Banibangou. The fight against the terrorist threat in the Sahel remains at the heart of the country's international cooperation, particularly within the G5 Sahel framework.

NIGERIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - **2020**	**206.1**
GDP PER CAPITA US Dollars - **2020**	**2,083**
CURRENCY Nigerian naira	**NGN**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	- 1.8	2.5	3.0
Inflation (yearly average, %)	11.4	13.2	17.0	14.0
Budget balance (% GDP)	-4.7	-5.8	-6.0	-5.0
Current account balance (% GDP)	-3.3	-4.0	-2.8	-1.8
Public debt* (% GDP)	29.2	35.0	36.0	37.0

(e): Estimate. (f): Forecast. * Including state, local authority and public enterprise debt and arrears.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	24%
EURO AREA	24%
INDONESIA	11%
CHINA	10%
SOUTH AFRICA	5%

Imports of goods as a % of total

CHINA	25%
EURO AREA	16%
UNITED STATES	9%
INDIA	4%
UNITED KINGDOM	3%

- 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)
- Rapidly developing financial technology and movie industry
- Relatively low public and external debt

- High unemployment (40%), underemployment and poverty (45%)
- Heavily dependent on oil revenues (80% of exports, 50% of tax revenues in normal times)
- Low tax revenues (7% of GDP)
- Poor economic diversification, insufficient agricultural production due to lack of infrastructure and insecurity
- Insufficient oil refining capacity (80% of refined products imported, although this will diminish with the start-up of the Dangote refinery) 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 (Muslim north, Christian south)
- Insecurity and corruption constraining the business environment
- Pollution linked to oil development

RISK ASSESSMENT

Oil-backed growth

In 2022, economic activity will accelerate, supported by an average oil price higher than the previous year, as well as by an increase in oil production. All components of the economy will contribute. Investments (31% of GDP in 2020), mainly of domestic origin, will be largely directed towards services, such as financial engineering and audiovisual production. Industry and agriculture will be less well supported, despite subsidies and public guarantees designed to promote these sectors in order to diversify the economy. In November 2021, the central bank (CBN) launched its 100 for 100 Policy on Production and Productivity, a new initiative aimed at financing 100 selected companies every 100 days. This was the central bank's 35th sector financing initiative. The CBN's proactive stance is not preventing commercial banks from expanding their lending activity, spurred on by a 27.5% reserve requirement and a requirement to maintain a loan-to-deposit ratio above 65%. Conversely, foreign investment will be further discouraged by foreign exchange and import restrictions, as well as insecurity and power outages. The long-awaited enactment of the Petroleum Industry Act (16 August 2021), featuring measures such as the transformation of the national oil company NNPC into a joint-stock company, the adoption of tax treatment that reflects operating conditions, 30% of NNPC profits to be allocated to identifying new deposits, and 3% of operating expenses to be allocated to local communities, will make little difference. Exports (10% of GDP), of which oil accounts for 80%, will benefit from the boom in oil sales. At the same time, imports (17% of GDP) will continue to be constrained, so the contribution of foreign trade to growth will be positive. Household consumption (65% of GDP) will benefit from the oil spillover, but also from the good performance of agriculture and services, which make up the bulk of GDP. However, households will continue to be confronted with high unemployment and inflation. Inflation is fuelled by import restrictions that domestic production, which the restrictions are supposed to encourage, is unable to fully offset.

Domestic debt, less pressure on foreign exchange reserves

The 2022 budget (9% of GDP) projects an unlikely deficit of 3.4%. This figure is based on a barrel price of USD 57, oil production of 1.88 million b/d (1.6 in 2021), inflation of 13%, growth of 4.2% and an official exchange rate of 410 naira to the dollar (379 to the dollar in 2021). The last two assumptions are optimistic. Even if moderate, the debt will generate interest payments that will absorb 40% of the country's scarce resources, while security and defence will account for 20% of non-interest expenditures. It is unlikely that the removal of costly fuel subsidies, or any budget reform for that matter, will occur before the 2023 elections. Financing will still be provided mainly by the domestic market, which is both very liquid and also inexpensive because of the negative interest rate on naira debt. The central bank could participate. Its holdings of government securities amounted to NGN 35.5 trillion (USD 38 billion) as of October 2021. There is a plan to convert these liabilities into 30-year securities placed with commercial banks, but this could cause private credit to dry up.

The current account deficit will continue to narrow as the country returns to a trade surplus, driven by higher oil revenues. In addition, the start-up of the Dangote refinery in July 2022 will reduce purchases of refined oil products (10% of imports). Finally, the compression of imports will continue. Conversely, the services and investment income deficits are set to widen due to the higher cost of oil freight and increased profits of foreign companies. Expatriate remittances will continue to make a positive contribution. In the absence of an agreement with the IMF, particularly on subsidies and the exchange rate regime, and with foreign investors put off by the difficulty of repatriating revenues and the low yield on domestic securities, financing will rely on the issuance of securities on international markets. The external debt will nevertheless remain modest (15% of GDP). At the end of October 2021, foreign exchange reserves represented the equivalent of nine months of imports, after the issuance of USD 4 billion in bonds (30-yr at 8.25%). The smaller current account deficit should ease pressure on the naira, allowing the central bank to reduce its interventions to limit the gap (37% in October 2021) between the quasi-official exchange rate (NAFEX) and the parallel market.

Security challenges

President Buhari, who was re-elected in 2019, faces a myriad of security challenges, starting with the activities of the Islamic State in West Africa Province (Iswap) and Boko Haram in the northeast of the country, banditry further west, deadly clashes between herders and farmers in the centre, and separatism in the southwest and southeast, all against the backdrop of disputes over the distribution of oil wealth. Widespread poverty (45% in 2020), corruption, mass unemployment and double-digit inflation fuel a tense social climate. General elections will be held in February 2023. If the North-South rotation of power is respected, the presidency is expected to go to a southerner, most likely from the PDP, given the disenchantment with the incumbent president and his APC party.

NORWAY

COFACE ASSESSMENTS	
COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	5.4
GDP PER CAPITA US Dollars - **2020**	67,326
CURRENCY Norwegian krone	NOK

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.9	-0.7	4.1	4.0
Inflation (yearly average, %)	2.2	1.3	3.5	4.1
Budget balance* (% GDP)	6.6	-1.1	-0.6	5.5
Current account balance (% GDP)	2.8	2.0	6.5	7.3
Public debt (% GDP)	40.9	41.4	40.5	39.5

(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	39%
UNITED KINGDOM	18%
SWEDEN	10%
CHINA	8%
DENMARK	4%

Imports of goods as a % of total

EURO AREA	33%
CHINA	12%
SWEDEN	11%
UNITED STATES	7%
UNITED KINGDOM	5%

- Huge oil and natural gas deposits, the energy sector accounts for 17% of GDP, 19% of investments and 52% of exports
- High standard of living
- Broad political consensus
- Well-capitalised banking system
- Largest sovereign wealth fund in the world (around 300% of mainland GDP in 2020, the fund owns almost 1.5% of all shares in the world)
- As a member of the European Economic Area, Norway has a preferential access to the EU market

- Structural budget deficit when excluding oil and gas revenues
- High household debt (111% of nominal GDP in 2020)
- Significant labour costs
- Shortage of skilled workers

RISK ASSESSMENT

Norway adapts to the pandemic

Norway keeps on with its successful management of the pandemic with a high vaccination rate and low death numbers, so that COVID-19 related measures remain relatively muted and do not noticeably thwart economic growth. After already strong growth in 2021, the Norwegian energy sector should further boost the economy this year. The strong energy demand should remain thanks to the global economic recovery and will keep oil and gas prices high, at least in the first months of 2022, before the OPEC+ and the U.S. production eventually adapt. While production should be high, oil-investments should decrease. Although the tax relief package, which applies for all new oil and gas development initiated before the end of 2022, will attract more projects in the second half of 2022, these will not balance out the missing volume from those completed in 2021. Outside of the energy sector, the Norwegian mainland economy is also set for dynamic growth this year. Thanks to higher savings that built up during the pandemic, private consumption should be strong, although slowly turning from a growth in goods to a growth in services. The boost in consumption is also induced by the recovery of the labour market, which already reached pre-COVID levels in autumn 2021. While the scarcity of labour remains a problem in the beginning of 2022, this should be partly levelled out when more foreign workers return to Norway after travel restrictions are lifted. Nevertheless, wages should increase slightly more this year compared to 2021. The high inflationary pressure, which is mainly due to high energy prices and higher import-costs, will absorb some of the resulting higher income. The Norges Bank reacted to the inflation-induced pressure with two rate hikes in 2021, to a level of 0.5%. Amid the forward guidance of the Central Bank, three more rate hikes of 25 basis points are expected, pushing the key interest rate up to 1.25% at the end of this year. Due to very high capacity utilization, non-oil corporations will probably invest more than last year and goods exports (mainly fish and seafood products, machinery and aluminium) should remain strong thanks to the economic recovery in the main export destinations, i.e. the UK, Germany, Netherlands and Sweden. The NOK should only slightly appreciate against the EUR and be no obstacle for export growth. The government terminated the COVID-19 support packages in 2021, but replaced it to some extent via investments into the green economy and digitalization, as well as vocational training to support the labour market.

Public accounts are turning positive thanks to the sovereign wealth fund

Due to noticeably stronger (corporate) tax revenues and slightly reduced expenditures, the government's net lending (excluding oil and gas revenues and withdrawals from the pension fund) should shift from a deficit of -11.5% of GDP in 2021 to -7.8% in 2022. However, this will be more than balanced out via profits from direct transfers of the oil industry and withdrawals from the sovereign wealth fund (SWF). In normal times, the withdrawals are limited to 3% of the fund's value, which corresponds to the expected annual return of the fund. In 2021, they reached 3.6%, but should be reduced to 2.6% in 2022. The burden of the public debt will therefore remain moderate. Higher oil and industry exports, as well as strong investment revenues from abroad will boost the current account surplus, which will reach its highest level since 2018.

The Social Democrats take the helm

The social-democratic Labour party won the general election in September 2021 with 26.3% (48 seats, -1 seat), while the formerly ruling Conservatives reached only 20.4% (36 seats, -9 seats). The agrarian Center party (13.5%, 28 seats, +9 seats) came in third, followed by the right-wing Progress party (11.6%, 21 seats, -6 seats), the Socialist Left (7.6%, 13 seats, +2 seats) and five smaller parties. Labour chairman Jonas Gahr Støre formed a minority government with the Center party (76 out of 169 seats together), after the Socialist Left declined to enter the coalition because they see the Labour's climate policy as not aggressive enough and disagree as well on the welfare policies. The main disagreement is the exploration of new oil resources, as the Socialist Left want them to be halted, while the Labour party and Center have rejected this idea. Nevertheless, the Socialist Left announced they would support the policy of the government on common grounds topics. Minority governments are common in Norway. Although the Center party does not support Norway's tight relationship with the EU, the new government will not change the status quo, as it has a wide support in the labour party as well as in the population. The new Prime Minister Jonas Gahr Støre should stay in office until at least the next election in September 2025.

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 BIC/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, is widely used.

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 a competent court.

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 on the basis of the base rate determined by the Central Bank of Norway (Norges Bank) in effect as of either January 1 or July 1 of the relevant year, raised by eight 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 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 (*tingrett*). 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 court of first instance 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 they 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 assessed and a list of approved claims is established.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Statistics Norway (SSB), Coface.

OMAN

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	4.4
GDP PER CAPITA US Dollars - 2020	14,255
CURRENCY Rial omani	OMR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.8	-2.8	2.5	3
Inflation (yearly average, %)	0.1	-0.9	3	2.5
Budget balance (% GDP)	-5.6	-18.7	-2.6	1
Current account balance (% GDP)	-5.5	-13.7	-5.8	-1
Public debt* (% GDP)	60.5	81.2	68.2	62

(e): Estimate. (f): Forecast. * State-owned enterprises' debt not included.

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%

- Budget consolidation in progress
- Strong tourism potential
- Balanced relations with regional neighbours and global powers (the U.S., China, the UK), independence of foreign policy
- Small oil producer, but gas production offers a good potential
- Strategic location with focus on becoming a logistic hub

- Dependence on oil & gas and services sectors, vulnerability to global energy prices
- High level of debt, large external financial needs due to low financial buffers
- Lack of capacity in the economy to create enough jobs and absorb unemployment

RISK ASSESSMENT

Energy and services will support higher growth in 2022

After moderately rebounding in 2021, mainly on the back of a base effect and higher energy prices, the Omani economy should register a relatively stronger growth rate in 2022. The key contributors will be rising hydrocarbon production and prices, and the easing of COVID-19 restrictive measures. The share of fully vaccinated people to total population rose to 50% towards the end of 2021, which has helped the services sector (35% of GDP) to recover. In line with the global vaccination efforts, Oman's tourism revenues (nearly 4% of GDP pre-COVID) are expected to surge by over 80% year-on-year (YoY) in 2022 to USD 1.5 billion, also helped by a favourable base effect (it fell by more than 70% in 2020 and 3% in 2021). However, the fall in the number of expatriates will still weigh on construction, real estate, services and retail sales. Indeed, Oman's expatriate population (around 40% of total population) had declined nearly by 40% as of March 2021, mainly due to COVID-19 conditions. On the other hand, the phasing out of the OPEC+ cuts in April 2022 would allow Oman's oil production to rise by nearly 10% YoY, bringing its daily crude and other liquids production to 1.1 million barrels per day (b/d). As the country's oil reserves are ageing, Oman is focusing more on gas production development (the mining sector accounts for nearly 45% of GDP) and gas production could rise by 4% YoY in 2022 on the back of the development of the Khazzan and Mabrouk gas projects. Coupled with rising energy prices, this will sustain Oman's growth performance. The increase in private consumption will also have a positive impact on growth. However, higher inflation following the introduction of a 5% value added tax (VAT) in April 2021 would further restrain the expansion of domestic demand. Investment growth will remain weak, mainly due to the government's efforts to reduce fiscal spending to narrow the budget deficit. The economic diversification efforts and tax incentives for companies will also improve the business environment. These efforts underline the government's willingness to attract foreign investments to diversify the economy away from oil by supporting sectors such as tourism, logistics, manufacturing, fisheries and mining, as mentioned in its 2040 Vision program.

Fiscal position will improve, but debt will remain high

Before the COVID-19 crisis, Oman was already suffering from weak fiscal performance and twin deficits, which increased its debt level (out of which around 70% is external). With the budget deficit widening close to 20% of GDP in 2020 due to the COVID-19 crisis and oil price shock, it has become a major issue. After implementing frontloaded fiscal consolidation efforts (implementation of the VAT, cut in water and electricity subsidies, reduction in capital spending etc.) and with higher-than-budgeted oil & gas prices, the budget deficit should turn into surplus in 2022. Fiscal consolidation has allowed Oman to reduce its fiscal break-even price from close to USD 120 per barrel in 2018 to an estimated USD 106 in 2022, according to the IMF. Nevertheless, the headline fiscal balance will remain exposed to the volatility in oil prices (hydrocarbon accounts for around 75% of total revenues). International reserves are expected to stand at USD 15 billion (nearly 4 months of imports), while other public sovereign assets (including sovereign wealth funds) are seen at around USD 27.7 billion (around 30% of GDP) as per the IIF. Nevertheless, despite sufficient reserves, the country will need further long-term financing from its neighbours and international capital markets. The country has USD 6.3 billion debt repayments scheduled for 2022, after USD 4.6 billion in 2021. In order to develop a debt strategy and strengthen the fiscal framework, Oman has asked technical assistance from the IMF. This should help the country to continue borrowing from international markets at a lower cost. The current account deficit will narrow in 2022 in line with higher hydrocarbon production and exports (around 60% of total merchandise exports), which will also help to maintain the peg to the U.S. dollar.

Political stability will remain

The new Sultan Haitham bin Tariq al-Said, who was named as successor after the death of Sultan Qaboos in 2020, announced his politics will be focused on reducing debt and creating employment, particularly for young people. In May 2021, the country experienced social unrest from Omani protesters demanding jobs. In order to keep the situation under control, the authorities pledged some measures aimed at creating jobs in the public and private sectors and providing additional social benefits. Although the discontent may emerge again due to the implementation of further fiscal austerity measures, the government seems to be able to take measures to defuse public anger. Geopolitically, Oman is expected to keep its role of diplomatic bridge between the U.S. and Iran in the upcoming period.

PAKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**208.6**
GDP PER CAPITA US Dollars - **2020**	**1,255**
CURRENCY Pakistani rupee	**PKR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	2.1	-0.5	5.4	4.0
Inflation* (yearly average, %)	6.7	10.7	8.9	8.5
Budget balance* (% GDP)	-9.0	-8.0	-7.1	-6.2
Current account balance* (% GDP)	-4.9	-1.7	-0.6	-3.1
Public debt* (% GDP)	85.9	87.6	83.5	80.9

(e): Estimate. (f): Forecast. * Fiscal year 2022: 1st July 2021 - 30th June 2022.

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	25%
UNITED STATES	19%
CHINA	8%
UNITED KINGDOM	8%
UNITED ARAB EMIRATES	5%

Imports of goods as a % of total

CHINA	27%
UNITED ARAB EMIRATES	10%
EURO AREA	7%
UNITED STATES	6%
INDONESIA	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 (14.5% of GDP)
- Inadequate education (40% illiterate, three parallel systems producing three hardly connected groups), health, infrastructure and agriculture
- Delayed development of Balochistan, favouring separatism, and rural areas, conducive to the development of radical Islamism
- Energy dependency (oil = 25% of imports), 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 global prices

RISK ASSESSMENT

High inflation undermine growth

The Pakistani economy recovered solidly in FY21, supported by robust fiscal and monetary responses to the pandemic. The government implemented temporary fiscal measures, expanded the social safety net, reduced interest rates, provided soft loans and relief on loan servicing. Growth in economic activity gained momentum in the first half of 2021, and FY22 GDP could maintain a solid pace, backed by supportive fiscal measures announced in the FY2022 budget. However, the outlook remains clouded due to the uncertainty of the course of the pandemic, with less than majority of the population fully vaccinated as of early January 2022. Furthermore, strong inflationary pressures, driven partly by a weakening currency, may undermine private consumption (80% of GDP). A food subsidy programme worth 120 billion rupee (0.9% of GDP), together with the 260 billion rupee Elsas social welfare programme could offset some of the inflation impact. A sustained strong inflow of remittances (10% of FY21 GDP and majorly from Gulf countries like Saudi Arabia and UAE) would also support private consumption. The government has earmarked up to USD 6 billion for development spending in large infrastructure projects for FY21, which could boost public investment (3-4% of GDP). To control inflation amid sharp currency depreciation, the central bank raised its policy rate by 150 bps to 8.75% in November 2021 (+175 bps cumulatively over 2021) and increased the annual number of monetary policy meetings to eight.

Twin imbalances

Pakistan's public finances improved in FY21. Revenue collection rose by 19.4%, driven by greater tax receipts, and, against a 4.5% increase in expenditure, helped shrink the fiscal deficit. Interest payment also rose at a far lower 2% in FY21, compared to the 78% surge in FY20. Pakistan's qualification for the G20 Debt Service Suspension Initiative (DSSI) provided temporary debt payment relief of nearly 2% of GDP to the country. Lowering the budget deficit in FY22 will require greater revenue mobilisation, which remains among the lowest in the world as a percentage of GDP (14.5%). Reform measures will include widening its tax base by reducing exemptions and preferential rates, and improving the national rate of tax compliance. On 21 November 2021, IMF and Pakistan reached a Staff-Level Agreement under IMF's Extended Fund Facility, which would revive Pakistan's "suspended" IMF programme and make available about USD 1 billion in disbursement if the agreement is approved by the IMF Executive Board, which could bring additional financing from other multilateral organisations. In addition, Pakistan received a USD 3 billion loan from Saudi Arabia as part of an economic support package. Budget spending is problematic: 20% was allocated to defence, while 43% to the servicing of government debt. The FY21 federal deficit was financed mainly by domestic sources, such as the local banking system, with 24% provided by external sources. External debt represented 31.2% of gross public debt as of June 2021 (down from 32.5% in June 2020), and 36.1% of it was held by multilateral creditors.

The current account deficit narrowed in FY21, the smallest in a decade, driven by strong remittances growth, solid export receipts, and a smaller primary income deficit owing to reduced foreign interest payments after Pakistan joined the G20 DSSI. Workers' remittances surged by 27% in FY21 to hit a record high of USD 29.4 billion. Exports (10% of GDP) benefitted from improved competitiveness linked to a weaker rupee, with major exports such as textile manufactures (59% of goods exports) increasing by over 30% in the first 10 months of 2021. Nevertheless, the trade deficit widened as the growth in import value was much higher than export because of rupee depreciation and higher global oil prices. The improvement is likely to reverse in FY22 as the primary income deficit should widen on the expiry of the DSSI (December 2021), and import value is set to rise further on improving domestic demand and higher international crude prices.

Government under pressure

Pakistan's Prime Minister Imran Khan, elected in 2018, is under increasing pressure from main opposition parties, religious groups, and even political allies amid the Pakistan Tehreek-e-Insaf (PTI) government's struggle to stabilise the economy. The PTI, which holds 45.6% of legislative seats, relies on junior coalition partners to hold a slim majority (51.8%) in the lower house. In its 70-year history, no prime minister has lasted a full five-year term, and the key to ensuring the longevity of Khan's administration is the ability to keep the army's support. The security situation in the country remains tenuous, with a significant increase in attacks targeting religious minorities. The recent developments in Afghanistan should see China and Pakistan, which already enjoyed long-standing ties, to further deepen their military and strategic partnership. Tensions with India over Kashmir remain volatile.

PALESTINE (TERRITORIES)

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	5.1
GDP PER CAPITA US Dollars - 2018	3,051
CURRENCY No universal currency	-

TRADE EXCHANGES

Exports of goods as a % of total

ISRAEL	75%
JORDAN	8%
UNITED STATES	3%
UNITED ARAB EMIRATES	3%
SAUDI ARABIA	2%

Imports of goods as a % of total

ISRAEL	55%
EURO AREA	11%
TURKEY	11%
CHINA	7%
JORDAN	3%

- Young population
- Remittances from the diaspora

- Lack of geographical, political and economic unity
- Dependence on Israeli supply for key commodities such as water and electricity
- Dependence on Israel for exports and imports to and from third countries
- High unemployment
- Budget performance dependent on international aid and relations with Israel

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.4	-11.5	4.4	3.4
Inflation (yearly average, %)	1.6	-0.7	1.3	1.7
Budget balance (% GDP)	-4.5	-7.7	-7.7	-7
Current account balance (% GDP)	-10.4	-6.9	-9.5	-10
Public debt (% GDP)	34.5	47.2	44.5	44

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

RISK ASSESSMENT

Economic recovery to continue despite unstable environment

In line with the easing of COVID-related restrictions and pick up in the vaccination campaign (27% of total population fully vaccinated as of December 2021), the business environment will gradually return to normal and growth will pick up more in 2022. This will benefit the economy, which consists mostly in services, retail, and construction. This should also help creating new jobs that will support domestic demand. However, even though the unemployment rate (27% in Q3 2021 compared with 23% in December 2019) will gradually decline, its level is expected to remain high. Although investors' sentiment will recover slightly, it will remain constrained by several factors including high political risks, uncertainty about the continuity of the ceasefire agreement signed between Israel and Gaza Strip's Hamas in May 2021, and deteriorating social conditions. Budget performance will continue to remain poor, mainly on the back of low external aid from gulf countries, lower EU contribution and high public spending. As a result, the financing need will remain high, increasing domestic borrowing and arrears from/with the private sector, the latter estimated at USD 923 million accumulated along the years according to the World Bank. The domestic debt stock rose from USD 2.3 billion in December 2020 to USD 2.5 billion as of August 2021. As this will withdraw funds from the market, less resources will be available for the private sector. A lack of additional financing would force the authorities to reduce social spending, which would in turn aggravate the health conditions, weigh on domestic economic activity, and increase popular discontent with the authorities. Moreover, significant tax transfers payments from Israel, linked with customs duties and cross-border workers' income, will remain unstable in line with ups and downs with Israel. Energy shortages in Gaza (17% of Palestinian Territories' GDP) will persist due to the lack of Israeli energy supply and autonomous power generation, which will restrain local economic growth and improvement of public services and quality of life. Exports (mostly limestone, marble, scrap iron and olive oil) are expected to perform well. The latter, as well as imports, will remain subject to Israeli will, as they are conducted *via* Israel or Israeli-monitored land crossings through Jordan. They will continue to depend on Israel's security and health policies, although the pressure of the international community has helped to remove some of the border restrictions. On the other side, restrictions imposed by Israel on access to Gaza Strip for people and goods, as well as the Egyptian blockade, will continue to weigh on its trade activities. The trade deficit will remain huge (around 30%) due to the lack of local production of capital, intermediate and consumer goods, and the lack of competitiveness of local production, billed in strong shekel. It is partially balanced out by international aid, expatriates' remittances and compensation of employees working in Israel. Inflation will remain tamed, modelled on Israel given the trade and economic intricacies. The Territories have no currency of their own and use the shekel.

Political instability will persist

Living standards will continue to remain low. According to the World Bank, 22% of Palestinians lived with less than USD 5.5/day in 2016-2017. The poverty rate has increased since then, reaching nearly 29% in 2020, equivalent to around 1.4 million living in poverty. The conflict between Israel and Gaza in May 2021 added to the latter's poverty, estimated to affect 59% of its population in 2021. Although economic growth will increase in 2022, economic and social conditions will not improve much for a rapidly growing population. This can increase the risk of social instability. On the other hand, Israel has approved residency for 4,000 Palestinians in October 2021 in a move to strengthen the Fatah-led Palestinian Authority, the legitimacy of which is shaken (as shown by periodic violent demonstrations), by the parliamentary and presidential elections' indefinite postponement, new Israeli settlements, and competition from Gaza's Hamas. Additionally, with the improvement in health situation, it should get easier for day workers to cross the border with Israel. Although this can be considered as a positive effort to improve the social and political situation, tensions will remain as Israel rules out a two-state solution. It will stay a major player in the economy and politics of Palestine. Lack of democratic representation, difficult economic conditions and Israel's occupation of part of the West Bank could easily result in a new intifada.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	4.3
GDP PER CAPITA US Dollars - 2020	12,373
CURRENCY Panamanian balboa	PAB

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	24%
CHINA	21%
SOUTH KOREA	8%
BRAZIL	7%
JAPAN	7%

Imports of goods as a % of total

UNITED STATES	32%
CHINA	13%
EURO AREA	11%
MEXICO	7%
COSTA RICA	6%

- 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

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.0	-17.9	12.0	5.0
Inflation (yearly average, %)	-0.3	-1.6	1.4	2.0
Budget balance (% GDP)	-3.6	-10.1	-7.4	-5.2
Current account balance (% GDP)	-5.0	2.3	-3.7	-3.5
Public debt (% GDP)	42.2	66.3	62.2	61.2

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

RISK ASSESSMENT

Economic growth will remain robust

GDP growth rate should continue outpacing the regional average, but the economy will only recover to the pre-pandemic level by 2023 because of the deep 2020 collapse. In 2022, tourism (which accounted for 15% of GDP before the COVID-19 shock) will rebound, boosted by the progress made in dealing with the COVID-19 health crisis at local and global levels. Meanwhile, activity in the Panama Canal will rise, as world trade remains robust, benefiting transport, logistics and financial services (75% of GDP). This conjecture is also expected to bode well for investment in infrastructure and transportation. In July 2021, President Laurentino Cortizo announced USD 12 billion (22% of GDP) in public investments, which encompass projects such the extension of line 1 of the capital's Metro, the construction of line 3 and a tunnel under the Panama Canal, and power transmission lines. Moreover, he has also bet on public-private partnerships. Overall, the canal's strong activity and a heated construction sector will contribute to the ongoing recovery of the job market, and thus, to household consumption (65% of GDP). Furthermore, mining and quarrying (4% of GDP) is also expected to register a bright expansion, driven by rising production at the Cobre Panamá, a large open-pit copper mine that was put in operation in 2019 and is owned by the Canadian company First Quantum Minerals.

Slow fiscal consolidation, mild improvement in the external account shortfall

The budget deficit will continue to narrow in 2022, mostly driven by the ongoing economic resumption and the Panama Canal traffic (equivalent to roughly 20% of government revenue) that will underpin the rise in tax intakes. However, the fiscal shortfall will remain above the pre-pandemic level, as the government maintains high public expenditure (notably infrastructure investments).

Although the government has defended fiscal consolidation during the first ruling months, its poor popularity (the approval rate stood at 28% in October 2021) and the social side-effects of COVID-19 will probably prevent it. In response to the COVID-19 crisis, the Fiscal Social Responsibility Law has been modified to accommodate wider deficits.

Regarding public debt, it is majorly external (83%), through the issuance of bonds on the market. Although global borrowing costs are expected to somewhat increase this year, Panama´s dollarized economy and bright economic growth outlook will keep its financing costs low. In January 2021, the IMF approved a USD 2.7 billion credit line to address the COVID-19 pandemic. The two-year arrangement under the Precautionary and Liquidity Line (PLL) is to serve as "insurance against extreme external shocks".

After a one-year interlude, the current account switched back into deficit in 2021, driven by the strong widening of the primary income deficit (due to higher repatriated foreign investment income). This offset the rise in the services surplus, amid higher demand for transport services (canal). The trade balance deficit also narrowed somewhat, due to the strong rise of non-agriculture exports (climbing domestic copper production) and re-exports (11% of GDP). Both prevailed over the increase in imports linked to the resumption of economic activity and higher international oil prices. In 2022, the current account shortfall should marginally improve, notably driven by a full recovery of tourism. 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 at about 5 months of imports.

The fight against money laundering continues

Laurentino Cortizo of the centre-left Democratic Revolutionary Party (PRD) was elected in May 2019 for a five-year term. Together with its coalition partner, the centre-right *Movimiento Liberal Republicano Nacionalista* party, PRD holds 40 out of 71 seats in the National Assembly. Mr. Cortizo 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. 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 November 2021, the President sanctioned a law on international fiscal transparency and anti-money-laundering, which aims to adjust local legal norms to international standards. Still in the same month, the governments of Panama, Costa Rica and Dominican Republic demanded the U.S.' assistance to curb the rising flow of migrants. The latter cross the dangerous jungles from Colombia to Panama on their way to the U.S. In the first nine months of 2021, the country registered over 91,000 migrants who entered from Colombia (mostly from Haiti and Cuba).

PAPUA NEW GUINEA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	**8.8**
GDP PER CAPITA US Dollars - **2020**	**2,651**
CURRENCY Papua New Guinean kina	**PGK**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.9	-3.9	1.2	4.0
Inflation (yearly average, %)	3.7	4.9	3.6	4.5
Budget balance (% GDP)	-4.4	-9.0	-7.1	-6.0
Current account balance (% GDP)	20.1	13.2	22.2	21.0
Public debt (% GDP)	40.0	48.9	45.5	49.0

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

TRADE EXCHANGES

Exports of goods as a % of total

AUSTRALIA	19%
SINGAPORE	17%
CHINA	16%
JAPAN	13%
EURO AREA	9%

Imports of goods as a % of total

AUSTRALIA	33%
CHINA	22%
SINGAPORE	10%
MALAYSIA	6%
TAIWAN	5%

- Abundant natural resources: ore (gold, copper, silver, nickel, cobalt), hydrocarbons (oil, gas), agricultural products (coffee, cocoa, palm oil), wood and seafood products
- Plans to develop new gas fields and build liquefied natural gas production units (P'Nyang, Papua, Pasca A, Pandora), as well as new mines (Wafi-Golpu)
- 15% of the world's tropical rainforests
- Financial support from multilateral and bilateral partners
- Member of the Commonwealth and the Asia-Pacific Economic Cooperation forum

- Highly exposed to natural and climatic disasters
- Weak infrastructure network (roads, electricity, health)
- Weak budgetary resources (15% of GDP)
- Economy dependent on commodity exports (90% of total exports, more than one-quarter of value added locally, but 1% of budgetary revenues)
- Significant governance shortcomings: corruption, red tape delaying gas and mining projects, ambiguous land laws
- Low literacy rate, lack of skilled labour, rural poverty, tribal conflicts
- Difficulties in accessing foreign exchange

RISK ASSESSMENT

Mining recovery to drive growth

Papua New Guinea's (PNG) economy began to recover in 2021, albeit slowly, after tax and monetary support kept it from contracting for two consecutive years. It will continue to suffer the effects of the pandemic in 2022, as the country remains highly exposed to the virus: the vaccination rate did not exceed 1% in October 2021 and is not expected to reach 60% until 2023. Rising cases forced the government to impose new restrictions in October 2021, which will probably be maintained until the beginning of 2022. New measures may be introduced later, and while household consumption is expected to rebound, it may still be constrained by the climate of uncertainty. As a result, growth is expected to come mainly from the recovery of mining activity (10.3% of GDP in 2019). Activity at the Porgera gold mine is expected to resume upon completion of negotiations between the government and Barrick Niugini Ltd on the distribution of profits under the new lease, scheduled for early Q2 2022. In energy, PNG will focus on expanding natural gas extraction and liquefaction capacity through projects with foreign partners, while maximising its own interests. Natural gas already accounts for more than a third of PNG's exports. The agricultural sector, which employs 85% of the population, mostly informally, and accounts for a quarter of GDP (2019), is expected to grow in 2022, as are fishing and forestry. Accordingly, the economy will rebound, but without reaching its pre-crisis level.

At the end of 2021, the central bank was sticking with its accommodative monetary policy: the key interest rate, the Kina Facility Rate, was 3%, down from 5% in March 2020, and reserve requirements for commercial banks were set at 7%, compared with 10% previously. With inflation expected to rise slightly, policy could be tightened.

Fragile fiscal situation, but current account surplus maintained

After widening in 2020 owing to the closure of the Porgera gold mine and the arrival of the pandemic, the public deficit narrowed in 2021 on the back of increased revenues, but remains extremely large. The government is planning to correct the imbalance and is counting on revenues to rise by more than expenditures to achieve this. The increase in revenues is expected to come from mining, thanks to the resumption of activity at Porgera and boosted capacity. The government also plans to increase non-commodity tax revenues (80% of revenues) by introducing a bank tax and a telecommunications tax for firms with a large share of the domestic market. However, this will not be enough to generate a budget surplus. Consequently, public debt is expected to continue to grow. It has tripled in less than a decade, with a considerable increase in bilateral debt, especially to China. The country is increasing the share of its external financing, giving priority to multilateral concessional debt, given the high cost of domestic debt (8.5% interest rate on average). The share of external debt in total debt has been rising steadily since 2017 and made up almost the same percentage as domestic debt in 2021.

In 2021, higher prices for the main exported commodities (gold, liquefied natural gas, wood) drove a significant improvement in the current account surplus. The resumption of investment-related imports, coupled with less favourable commodity prices (gold), could lead to a marginal deterioration in the trade and current account surpluses in 2022. In June 2021, foreign exchange reserves stood at a comfortable level, equivalent to 8.6 months of imports, and should continue to increase in 2022.

Government faces health and separatist challenges

James Marape's government is facing the COVID-19 crisis as well as the question of independence for Bougainville. The result of a November 2019 non-binding referendum held in this autonomous region (98% in favour of independence) 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 for resolving the independence issue. The government is reluctant for Bougainville to become independent for fear of losing the province's resources (copper reserves). Parliamentary elections will be held in June 2022.

PARAGUAY

COFACE ASSESSMENTS

COUNTRY RISK **B**

BUSINESS CLIMATE **B**

POPULATION Millions of persons - **2020** — **7.3**

GDP PER CAPITA US Dollars - **2020** — **4,918**

CURRENCY Paraguayan guaraní — **PYG**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-0.4	-0.6	5.0	0.5
Inflation (yearly average, %)	2.8	1.7	3.5	4.0
Budget balance (% GDP)	-2.9	-6.1	-4.0	-3.0
Current account balance (% GDP)	-1.1	2.2	3.5	2.1
Public debt (% GDP)	25.8	36.7	38.4	39.5

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

TRADE EXCHANGES

Exports of goods as a % of total

BRAZIL	37%
ARGENTINA	26%
CHILE	9%
RUSSIA	6%
EURO AREA	3%

Imports of goods as a % of total

CHINA	31%
BRAZIL	24%
ARGENTINA	9%
EURO AREA	7%
UNITED STATES	7%

- Well-developed agricultural sector (soybeans and beef)
- Abundant hydroelectric resources
- Prudent fiscal and monetary policies

- Poor infrastructure (river transport, roads, power lines)
- Defective health and education services
- Low fiscal resources (17% of GDP)
- 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

Growth to strongly decelerate in 2022

In 2022, household consumption (65% of GDP) will expand, driven by the gradual recovery on the job market as the economy reopens. This should prevail over the recent inflationary pressures (amid higher international commodity prices) that have led the central bank to tighten its monetary policy since August 2021 (expected to continue in 2022). Moreover, private and public investments should remain robust, notably in manufacturing and infrastructure, respectively, favouring the construction sector as well. In fact, the government has tried to increase public-private partnerships (PPP), which includes the ongoing implementation of the USD 520 million Rutas 2 and 7 road project. Nonetheless, the agricultural sector (50% of GDP) will contribute negatively despite still supportive international prices. Paraguayan authorities expect the 2021/2022 crop (mostly soybean) to reach 6-7 million tonnes, (from 10 million tonnes in the previous year), due to the dryness brought by the La Niña. In addition, the Parana River, which winds through Brazil, Paraguay and Argentina, has dropped to its lowest levels in 77 years. This could compromise exporters' ability to get their products to port, forcing them to look for alternatives, such as land routes to ports in Brazil. Lastly, the drought also affects power generation at the large Itaipu hydroelectric plant that straddles the Brazil-Paraguay border.

Not yet back to Fiscal Responsibility law, current account surplus to narrow

The 2022 budget estimates the fiscal deficit at 3% of GDP. This means, that the Fiscal Responsibility Law, which limits the nominal deficit to 1.5% of GDP, will remain suspended (the deficit would return below the ceiling only by 2024). In 2022, the fiscal deficit will narrow mostly due to the rollback of COVID-19 related expenditure, still making up for lower revenues from reduced hydroelectricity exports. Still, by year-end, gross public debt will hover the 40% of GDP limit established by the statutory fiscal framework. It is important to note that as roughly 80% of its debt is external, the government is likely to face rising financing costs (albeit rates should remain low) amid the expected gradual dismantling of the accommodative monetary policy by developed markets´ central banks.

Regarding the external accounts, Paraguay should continue to observe a current account surplus, albeit it will narrow due to a lower trade balance surplus. While agricultural commodity prices should remain strong, favouring the sector´s exports (including soybean and meat, and accounting for 64% of total foreign sales), the current drought tends to affect the volume of grain and energy exported (24% of total exports). In addition, the services balance will remain in deficit due to growing transport costs. Finally, the primary income deficit is expected to widen somewhat due to higher profit repatriation by foreign companies, while the secondary income surplus will remain supported by expatriate remittances (1.6% of GDP). Foreign exchange reserves covered roughly 9 months of imports in October 2021.

Ruling political capital will remain weak

President Mario Abdo Benítez, of the country´s long dominant conservative Partido Colorado (PC), counts with a fragile political capital. In March 2021, the main opposition party, Partido Liberal Radical Auténtico, filed an impeachment against the president in Congress. Mr. Benítez was accused of mismanaging the COVID-19 response, but the lower house rejected it (The PC holds 42 out of 80 seats in the house). Indeed, this was the second impeachment request (the first one was triggered in 2019 amid the discovery of a controversial agreement with Brazil on the Itaipu hydroelectric plant). Benitez managed to keep his post thanks to the support of the Colorado´s party faction linked to previous president Horacio Cartes (2013-2018). In fact, the ruling party split into two factions during the 2018 general election. In this occasion, supporters of former president Horacio Cartes built the Honor Colorado. As a result, Cartes still holds a relevant political role. Moreover, despite the government´s weak popularity, the Colorado Party won mayoral seats in 11 out of 17 department capitals (including capital of Asunción) during the October 2021 municipal elections. Overall, Benítez' lack of political support, and frictions within his party, will probably hamper the passing of relevant legislative bills until the end of his mandate in 2023. Finally, the government must renegotiate the agreement signed with Brazil on the creation of the Itaipu hydroelectric plant. In August 2023, the 50-year period in which there was no possibility for changes in topics such as energy tariffs and commercialization will expire. Currently, Paraguay can only sell the electricity it does not use to Brazil. It has signalled that it wants to be free to sell the surplus either on the Brazilian free market or to Argentina, for a higher price.

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	33.5
GDP PER CAPITA US Dollars - 2020	6,134
CURRENCY Peruvian sol	PEN

Main Economic Indicators	2019	2020	2021 (f)	2022 (f)
GDP growth (%)	2.2	-11.1	12.5	3.0
Inflation (yearly average, %)	2.1	1.8	4.2	4.0
Budget balance (% GDP)	-1.6	-8.9	-4.7	-3.9
Current account balance (% GDP)	-0.9	0.8	-1.6	0.5
Public debt (% GDP)	26.8	34.7	35.3	36.6

(f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	30%
UNITED STATES	14%
EURO AREA	12%
SOUTH KOREA	7%
JAPAN	6%

Imports of goods as a % of total

UNITED STATES	23%
CHINA	18%
EURO AREA	9%
ARGENTINA	6%
BRAZIL	5%

- Membership of the Pacific Alliance, Andean Community, and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP)
- Mineral, energy, agricultural, and fishery resources (including copper, gold, zinc, mineral fuels, fish, coffee, tea & spices)
- Low level of public debt
- Independence of the central bank

- Dependent on commodities and demand from China
- Underdevelopment of credit (48% of GDP)
- Inadequate infrastructure, healthcare, and educational systems
- Huge informal sector (70% of jobs), tax evasion keeping fiscal revenues low (15% of GDP)
- Regional disparities (poverty in the Andean and Amazonian regions)

RISK ASSESSMENT

Growth will decelerate after the strong rebound in 2021

In 2022, activity growth should lose steam, mainly because of a strong base of comparison. Household consumption (66% of GDP) will expand, driven by the gradual recovery on the job market, which is expected to prevail over inflationary pressures (fuelled by food and energy prices) and the retightening of monetary policy by the central bank. In addition, public investment should grow and be mostly directed towards social infrastructure, majorly education and healthcare. Conversely, the outlook for private investment is bleaker, as the uncertainty regarding the economic policies to be implemented by the new government has eroded business confidence. While the country holds strong potential for mining investments, the lack of clear guidance on royalty policies could limit its investment potential in the short-term. Credit will remain limited, even with successful curbing of dollarization (from the peak of 51% of total credit in 2008 to 23.8% of GDP in Q2 2021). Finally, exports (19% of GDP) are likely to continue benefiting from high copper prices and the rising global green agenda that requires higher volumes of the red metal (including for renewables and electric vehicles).

Nonetheless, blockages of roads used for the transport of minerals are somewhat common, affecting the sector´s activity. These are carried out by local communities concerned by the environmental and social impacts of mining. Additionally, prices for agro and sea products, as well as oil and gas, will remain favourable. Downside risks to the economic scenario are mostly related to the uncertainty regarding possible new COVID-19 strains and a fragile political environment.

Balanced current account and narrower fiscal deficit

Despite rebounding goods exports and the better terms of trade, the current account shifted back to slight deficit in 2021, majorly driven by a strong widening of the income deficit (thanks to the increase in repatriated foreign companies' profits), as the services deficit remained wide (travel revenues have not returned to their pre-pandemic levels yet, while transport costs have soared). On the financing side, FDI recovered from their poor 2020 levels and more than covered the deficit of the current account. As of end-October 2021, international reserves stood at USD 75.7 billion (covering 19 months of imports). Total external debt as of Q3 2021 stood at 43.6% of GDP (with only 24.5% of GDP as medium and long-term public debt). A balanced current account is expected in 2022, notably driven by the recovery in travel revenue that will reduce the services deficit and a still large surplus in goods. Lastly, FDI may see its growth potential somewhat limited by the local political environment.

The 2022 budget is in line with a gradual narrowing of the public deficit. In 2022, public accounts will improve as activity continues to recover and the fiscal stimulus (3% of GDP in 2021) is gradually dismantled. Downside risks are related to higher social expenditures (particularly in education and healthcare), as promised during the presidential election campaign.

Leftist president Pedro Castillo increases uncertainty for business (in the short-term, at least)

The leftist Pedro Castillo took office on 28 July 2021, after winning the runoff of the presidential elections in June 2021, defeating by a small margin candidate Keiko Fujimori from the Fuerza Popular party. Schoolteacher, union leader, and son of peasant farmers, Pedro Castillo has never held an elected position before. His victory has worried financial markets, since his Perú Libre party defines itself as Marxist-Leninist, and that he has defended the redrafting of the constitution to increase the state's role in the economy. Nonetheless, he has eased his positions. Overall, he is expected to increase public spending in health, education and rural communities, to be financed mostly by higher royalties and taxes on mining. In addition, Julio Velarde, the Central Bank's chief since 2006, agreed on staying as acting head of the institution, ensuring its credibility. In October 2021, prime minister Guido Bellido resigned amid a conflictive relation with the private sector, including threats to nationalize companies that exploit gas fields. Castillo replaced Bellido by the more moderate leftist Mirtha Vasquez, in October 2021. Nonetheless, in January 2022 she resigned causing the president to renew his ministry once again. Castillo does not have a majority in the centre-right dominated Congress (his party got 37 out of 130 seats, and is split since Bellido's dismissal between those supporting the government and the hardliners.) Moreover, opposition parties are likely to block a possible constitution reform process. This reduces the risk of passing disruptive changes to the current economic model that would drive away investors.

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 - **2020**	**108.8**
GDP PER CAPITA US Dollars - **2020**	**3,323**
CURRENCY Philippine peso	**PHP**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.1	-9.6	5.3	4.4
Inflation (yearly average, %)	2.5	2.6	4.4	3.0
Budget balance (% GDP)	-3.4	-7.6	-9.6	-7.5
Current account balance (% GDP)	-0.8	3.6	0.4	-1.8
Public debt (% GDP)	37.0	51.7	59.1	62.3

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

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	16%
UNITED STATES	15%
CHINA	15%
HONG KONG	14%
EURO AREA	9%

Imports of goods as a % of total

CHINA	23%
JAPAN	10%
UNITED STATES	8%
SOUTH KOREA	8%
INDONESIA	6%

+

- 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
- Exposed to natural disasters (typhoons)

RISK ASSESSMENT

Growth with persistent downside risks

Economic growth should come closer to its pre-pandemic levels in 2022, but should remain fragile and uncertain due to frequent tight restrictions, especially in Metro Manila, which accounts for a third of the economy. The government is targeting an 80-90% vaccination rate before reopening the borders. However, a slow vaccination pace (less than half of the population was fully vaccinated as of 1 January) indicates the restrictions are likely to linger into at least early 2022. Household consumption (74% of GDP) would thus recover gradually through 2022, supported by an increase in overseas remittances (9.7% of GDP, the U.S., Malaysia and South Korea being their main sources). However, household consumption should remain constrained also by weak labour market prospects (the unemployment rate increased to 8.9% in September 2021) and a low participation rate (59.8% in Q2 21). Ongoing reforms should address the labour market's structural weaknesses: the National Employment Recovery Strategy would harmonize employment, improve social protection and training. Exports should remain robust, especially for electronic products, and benefit from recoveries in major trading partners such as China, the U.S. and Japan. Inflationary pressures, driven by elevated food and energy prices, should be transitionary and are likely to ease through 2022 – the Central bank (BSP) forecasts inflation to return within the 2-4% target at 3.2-3.3%. The return of policy normalization in the U.S. could prompt the BSP to start tightening its monetary policy by the end of the first half of 2022. Business confidence should gradually improve and FDI inflows should experience a recovery. Public infrastructure with Duterte's flagship "Build, Build, Build" program should probably continue to drive investments but the pre-election spending ban covering infrastructure projects will take effect in early 2022 and could delay some projects in the pipeline.

Budget deficit to improve, while the current account deficit will reappear

The budget deficit is set to narrow as revenues should improve, supported by a stronger economic recovery. The government expects the budget deficit to narrow from 9.6% to 7.5%. Most of the budget is allocated to social services (nearly 38%), with a focus on education, infrastructure and social welfare. Most of the deficit financing (77%) is sourced from the domestic market.

The balance of payments strengthened over the pandemic, showing a current account surplus that supported an appreciation of the peso and the accumulation of reserves. However, it is set to normalize. The current account is set to experience a slight deficit due to a higher trade in goods deficit, only partially offset by the further recovery in overseas remittances. Despite a strong external demand for electronic products, the trade in goods deficit should widen due to an expected increase in imports, as domestic demand should gradually recover and commodities remain expensive. Tourism (12.7% of GDP in 2019) would slowly recover with the vaccination rollout. The free-floating peso is expected to weaken, however, Philippines' reserves are ample and stood at 9.4 months of imports as of August 2021, and should give some buffer to the authorities against a depreciation of the currency.

Incoming elections could threaten or delay reforms and policymaking

Rodrigo Duterte finishes his only six-year term in May 2022 and won't be eligible to run again under the Philippines constitution. His agenda was mostly centred on the fight against drug trafficking, health, education and infrastructure. The pandemic has, however, slowed his agenda, particularly in infrastructure – only 11 out of 119 projects under the "Build, Build, Build" programme had been completed by November 2021. Ferdinand Marcos Jr who runs for presidency, adopted Sara Duterte, Rodrigo's daughter, as his vice-presidential choice. Duterte will bring her father's legacy, mitigating the Philippines' former dictator son's unpopularity among voters and activists who recall the 1972 martial law.

On the external front, the new government might possibly tighten its stance towards China and cancel several projects backed by the Chinese government. While the Chinese government intended to contribute to an overall equivalent of USD 24 billion in form of soft loans and direct investments, only a few were materialized (three are under construction). Furthermore, Chinese vessels intensified activity in disputed territory claimed by the Philippines in the South China Sea. This leaves numerous potential candidates to challenge Duterte's relaxed policy stance towards China.

POLAND

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2020	38.0
GDP PER CAPITA US Dollars - 2020	15,699
CURRENCY Polish złoty	PLN

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.7	-2.5	5.5	5.0
Inflation (yearly average, %)	2.1	3.7	5.2	5.9
Budget balance (% GDP)	-0.7	-7.1	-3.4	-1.9
Current account balance (% GDP)	0.8	3.4	2.5	2.6
Public debt (% GDP)	45.6	57.4	55.0	52.1

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	29%
CZECH REPUBLIC	6%
UNITED KINGDOM	6%
FRANCE	6%
ITALY	4%

Imports of goods as a % of total

GERMANY	27%
CHINA	10%
NETHERLANDS	6%
ITALY	5%
RUSSIA	4%

+

- 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 too low
- Weakness in R&D; high content of exports in imports
- Developmental lag of Eastern regions
- Structural unemployment, low level of female employment
- The EU rule-of-law dispute

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

The solid recovery continues

The Polish economy will stay on its recovery path in 2022 - it returned to its pre-pandemic level in the middle of 2021. Household consumption (58% of GDP) remains a crucial part of the economy. Its acceleration will be supported by increasing incomes, declining household savings, which soared during the pandemic, as well as changes in the personal income tax for low earners that will likely propel their consumption. Moreover, the labour market has weathered pandemic disruptions relatively well, with the unemployment rate coming close to pre-pandemic levels in October 2021. Meanwhile, wage growth has turned solid again, reaching an 8.4% year-over-year increase in October 2021. Finally, the return of severe labour shortages will put further pressure on wage growth. However, the gain in purchasing power could be limited by accelerated inflation, which reached 7.7% in November 2021. Higher prices for commodities, supply chains disruption and recovering demand, on the back of capacity constraints, have all fed it. Price pressure will remain high in 2022 with a further increase in energy prices, rising natural gas prices reverberating on food production costs, and overall high producer prices passed on to final consumers. Inflationary pressures prompted the central bank to tighten its monetary policy, as its inflation target is set at 2.5% ±1 p.p. tolerance band. Moreover, the government introduced the so-called anti-inflationary shield since the beginning of 2022 to curb inflation. The programme includes the decrease of value-added and excise taxes on energy and natural gas, a reduction in taxes on fuels as well as the decrease of value-added tax on certain food products for six months. Concomitantly, low-income households got a one-time benefit, which could increase inflation through higher consumption.

Investments are expected to stay robust after their acceleration in 2021 linked with an increasing capacity utilisation. Even further interest rate hikes should not diminish businesses' willingness to invest more in fixed assets thanks to their favourable financial position.

The budget deficit has been narrowing

In 2022, the general government deficit-to-GDP ratio is expected to decrease further thanks to the phasing out of pandemic-related measures and the vivid economic recovery. Revenues from indirect taxes should increase despite the introduction of the costly new stimulus programme called the Polish Deal. This fiscal package focuses on lowering taxes for the middle-class and increasing health spending, as well as on infrastructural investments (a network of expressways, railroad lines, the New Central Polish Airport, cultural and sports infrastructure in municipalities and digital infrastructure) that should boost the economy from 2022 onwards. The increase in the tax burden for the wealthier part of the society will not balance out its alleviation for the low- and mid-income taxpayers.

The current account balance had turned positive in 2019 and has remained in the green in the following years, including in our forecast for 2022. This relies on the trade in services, which continues to post the largest surplus, supported by transportation services abroad, and the surplus in the trade in goods. Despite the contraction of external demand at the beginning of the pandemic, Polish exports rebounded relatively fast thanks to their competitiveness and their inclusion in manufacturing supply chains. In 2022, exports are expected to increase, however, supply constraints will be a drag on their acceleration. Moreover, increasing imports, supported by the domestic recovery, will limit the contribution of net exports to GDP growth.

The governing party's lead shaken by defections

The ruling right-wing party Law and Justice (PiS) has 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, which resulted in a cabinet reshuffle. The PiS lost the absolute majority in the lower chamber, but still benefits from the support of several non-members in the voting process. Externally, the relationship with the European Commission remain tense, making the disbursement of EU recovery funds uncertain, which, if not paid, could drag on the recovery. These disagreements have already resulted in the Polish currency depreciation. In December 2021, the advocate general of the European Court of Justice (ECJ) recommended the ECJ to dismiss the two lawsuits brought by Hungary and Poland against the rule-of-law conditionality mechanism introduced in 2020 for these funds. Both countries, which are the targets of this measure, have alleged that the mechanism lacked an appropriate legal basis, is incompatible with the EU treaty and violates the principle of legal certainty. Moreover, the migration crisis at the border between Poland and Belarus in late 2021 has also brought additional risks.

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	A2
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2020	10.3
GDP PER CAPITA US Dollars - 2020	22,149
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.7	-8.4	4.9	6.0
Inflation (yearly average, %)	0.3	-0.1	1.0	1.9
Budget balance (% GDP)	0.1	-5.8	-4.4	-3.6
Current account balance (% GDP)	0.4	-1.1	-1.1	-0.3
Public debt (% GDP)	116.6	135.2	128.0	123.5

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

TRADE EXCHANGES

Exports of goods as a % of total

SPAIN	25%
FRANCE	14%
GERMANY	12%
UNITED KINGDOM	6%
UNITED STATES	5%

Imports of goods as a % of total

SPAIN	32%
GERMANY	13%
FRANCE	7%
NETHERLANDS	6%
ITALY	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)
- 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

Accelerated recovery in 2022 thanks to the rebound of tourism

The economy was particularly affected by the pandemic due to its dependence on the tourism sector (17% of GDP, 50% of services exports in 2019), whose recovery remained incomplete in the summer of 2021, with still a third fewer foreign tourists than two years earlier. Therefore, at the end of September 2021, GDP was 3% below its pre-crisis level, while it was, on average, only 0.5% lower in the Eurozone. In 2022, activity is expected to accelerate, thanks to a highly effective vaccination campaign (87% of the population was fully vaccinated by November 2021), which should make it possible to avoid the implementation of restrictions as drastic as in the previous two years. In this regard, domestic consumption is also expected to remain dynamic, as households still have significant savings (savings rate still at 11.5% of gross disposable income in mid-2021, compared with 7% before the crisis) built up during the crisis. Moreover, their purchasing power will be supported by the continued decline in the unemployment rate, which peaked at 8.2% in August 2020, before rapidly falling back to its pre-crisis level (6.3% one year later). However, as in the rest of the region, the rebound in activity will be held back, particularly in the significant automotive sector (15% of goods exports in 2019), by difficulties linked to supply chains, which had reached their highest level in two decades in industry by the end of 2021 (13% of companies citing these as the main obstacle). Recruitment difficulties, at their highest since 2008, will also persist in the context of the recovery in 2022. Concomitantly, business investment is expected to remain buoyant in the face of the need to increase production capacity, the utilisation rate of which was already above the pre-crisis level at the end of September 2021. As the country is one of the main beneficiaries of EU funds, with EUR 13.9 billion in grants (6.5% of 2019 GDP) - plus EUR 2.7 billion in loans - for the period 2021-2026, activity will be driven over the next few years by investments in the energy transition, infrastructure and digital transformation.

On the path towards a reduction in the double deficit

Despite a 30% increase in public investment and a reduction in income tax for part of the middle class through the addition of two new tax brackets, the 2022 budget is expected to keep the public deficit on a downward trend, thanks to a rebound in activity and high tax revenues. Rejected in late 2021 by some members of the left-wing coalition, this budget is likely to be eventually approved by the new socialist majority in the first quarter of 2022. The deficit and public debt are therefore expected to continue to decrease in 2022.

Consistently in surplus between 2013 and 2019, the current account has since turned into a deficit due to falling tourism revenues. Although the goods balance is largely in deficit (6% of GDP in 2020), it was, until the outbreak of the pandemic, more than offset by the services surplus (over 8% of GDP in 2019), fuelled by tourism revenues. The expected rebound of the sector is therefore expected to enable a reduction in the current account deficit in 2022. Moreover, the income balance is relatively balanced, with remittances from the Portuguese diaspora making up for dividends repatriated by foreign investors. In 2020, the country had the third largest net external debt in the European Union (87% of GDP), behind Cyprus and Greece.

Absolute majority for Prime Minister António Costa

After two years in power, the left-wing coalition led by António Costa (PS), had not survived the rejection of the 2022 budget - a first since the advent of democracy in 1974 - by its partners in the Left Bloc (BE) and the Unitary Democratic Coalition (CDU, union of communists and ecologists). At the beginning of November 2021, the President of the Republic, Marcelo Rebelo de Sousa, dissolved the Parliament and called early legislative elections for January 2022. These elections saw the PS secure an absolute majority in Parliament with 117 seats out of 230 (9 more than in 2019), that will enable the party to govern this time without the support of its former allies. The BE (5 seats, -14 compared to 2019) and the CDU (6 seats, -6) were definitely the losers in these early elections. On the other side of the political spectrum, while the main opposition party remains the PSD (centre-right, 76 seats), the main breakthrough was achieved by the far-right Chega party (12 seats, up from 1 in 2019), which has become the country's third political force. In this recomposed political landscape, António Costa will benefit, for his third mandate, from a stability not seen for more than a decade.

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 Judicial de Recuperação de Empresas*, RERE) came into effect on July 1, 2017. This procedure for restructuring company debts is carried out by specialised mediators. It has been designed to enable creditors and debtors to reach a compromise, in a confidential and consensual manner.

Restructuring proceedings

The reforms implemented in 2012 included the introduction of a special rescue procedure (*Processo Especial de Revitalizaçao*, PER). The aim of this new procedure is to ensure the recovery of debts from debtors that are in a “difficult economic situation” without starting an insolvency procedure. The management is obliged to request permission from the provisional judicial administrator in order to perform “particularly relevant acts”. During this process, the administrator prepares a recovery plan which must be approved by the creditors and a judge.

Bankruptcy

Insolvency law in Portugal also provides for insolvency proceedings (*Processo de Insolvência*). The main goal of these proceedings is to obtain payment for the company’s creditors through the implementation of an insolvency plan. Insolvency plans can be established under which the company is restructured and can continue to operate. Should this prove unfeasible, the insolvent’s estate is liquidated, and the subsequent proceeds are distributed among the creditors.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Racius, Coface

QATAR

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	2.7
GDP PER CAPITA US Dollars - 2020	54,185
CURRENCY Qatari rial	QAR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.8	-3.6	3.7	4
Inflation (yearly average, %)	-0.7	-2.7	2.5	3.2
Budget balance (% GDP)	4.9	1.3	2.8	5.7
Current account balance (% GDP)	2.4	-2.4	4.0	4.0
Public debt (% GDP)	62.3	72.1	59	53

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

TRADE EXCHANGES

Exports of goods as a % of total

JAPAN	16%
CHINA	15%
INDIA	14%
SOUTH KOREA	13%
SINGAPORE	7%

Imports of goods as a % of total

EURO AREA	20%
UNITED STATES	16%
CHINA	15%
UNITED KINGDOM	7%
INDIA	5%

+
- World 3rd largest natural gas reserves, sizeable oil reserves
- Low public debt, strong public accounts
- Social and domestic political stability, high per capita income
- Business friendly environment, up to 100% foreign ownership allowed in all sectors, low level of corporate tax
- Reduced geopolitical risks in line with GCC reconciliation
- Efficient infrastructure and logistics services

−
- Small economy, mostly dependent on hydrocarbons
- Exposure to volatility in energy prices

RISK ASSESSMENT

Resilient growth in 2022

The strong demand for gas, its rising price, the holding of the FIFA World Cup 2022 and the re-opening of the economy in line with the vaccination campaign will continue to support growth in 2022. As of November 2021, 76% of Qatar's total population had been fully vaccinated. The authorities announced the removal of all mobility restrictions in late-July 2021, which will continue to boost consumer and business confidence. Private consumption (25% of GDP) will accelerate ahead and during the FIFA Soccer World Cup due in November 2022. Revived tourism in line with the completion of the vaccination campaign in originating countries and the organization of the World Cup will also add to its performance. Tourism receipts (around 10% of GDP in normal times) are expected to increase in 2022 to USD 8 billion after falling as low as an estimated USD 4 billion in 2021. Moreover, the removal of the blockage by its neighbours will allow Qatar to benefit from a higher level of tourism revenues. Indeed, 30% of total tourist arrivals in Qatar were from the Middle East in 2019. Within the Vision 2030 program, the authorities earmarked up to USD 6.9 billion for transport and infrastructure projects ahead of the World Cup and nearly 3 billion for event facilities and event-specific projects. These investments will contribute less to the national output compared with the 2015-2019 average as many of the World Cup-related projects are close to completion. However, Qatar's willingness to expand its gas and oil assets will sustain investment (40% of GDP). Qatar Petroleum announced plans to spend USD 82.5 billion in capital expenditure between 2021-2025, mainly to expand its existing oil and gas assets. Official data indicates that the country has around 100 hotels and tourism related accommodation projects in the pipeline with over 21,000 rooms under construction. Data suggest that Qatar will have nearly 185 hotels and services apartments by the end of 2022. Improvement of the relations with neighbours will create new opportunities for Qatar to attract investments.

Strong external and fiscal accounts

Qatar's external position will remain strong on the back of continuous current account surpluses resulting from the high level of energy prices and demand. However, Qatar's decision to cut its gas export prices in order to expand into the Asian spot markets will weigh on exports revenues. Hydrocarbon exports (90% of total exports) will gradually rise in line with the expansion of the gas North Field. On the other side, the completion of many World Cup-related projects will drag down import demand in 2022.

Growth in hydrocarbon revenues will sustain fiscal revenues amid higher business activity. A likely introduction of a 5% VAT, probably ahead of the World Cup, will also support these revenues. Nevertheless, revenues will continue to remain mostly dependent on hydrocarbon revenues (40% of total revenue). Fiscal spending will decline in 2022 due to the fall in capital expenditures and the roll back of COVID-related expenses. Most of the state-owned enterprises are tapping into international markets to raise funds they need to pursue new investments. Indeed, Qatar Petroleum sold USD 12.5 billion in bonds in June 2021, its first issuance. In line with higher budget surplus, Qatar's debt position is expected to improve in the upcoming period. Sizable assets in Qatar's sovereign wealth fund (QIA) (estimated at around USD 300 billion or 170% of GDP), on top of foreign exchange reserves representing close to 40% of GDP, will continue to act as a shield to protect the country from any external shocks, reducing fiscal risks.

Reconciliation with Arab neighbours reinforces mediation role

In January 2021, Saudi Arabia, the United Arab Emirates, Egypt and Bahrain (the quartet) decided to restore relations with Qatar, thus terminating their blockade instated in 2017. Their relations are expected to improve further in 2022 because of a higher need of regional cooperation in the perspective of any agreement between the U.S. and Iran. Qatar will continue to play a mediator role in the region as it holds close relations with Turkey and Iran. Qatar and the U.S. also agreed that Doha would represent the diplomatic interests of the U.S. in Afghanistan. The country, under the rule of emir Sheikh Tamim bin Hamad al-Thani, will maintain its domestic political stability in the upcoming period in line with its high per capita income. On the other hand, the dependence of fiscal and export revenues on hydrocarbons will leave the country vulnerable to any sustained fall in prices.

ROMANIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	19.3
GDP PER CAPITA US Dollars - 2020	12,868
CURRENCY Romanian leu	RON

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.1	-3.9	7.0	5.0
Inflation (yearly average, %)	3.8	2.6	4.5	3.5
Budget balance (% GDP)	-4.4	-9.2	-7.4	-6.0
Current account balance (% GDP)	-4.7	-5.0	-6.1	-6.0
Public debt (% GDP)	32.5	47.3	51.2	55.0

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

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	23%
ITALY	11%
FRANCE	7%
HUNGARY	5%
POLAND	4%

Imports of goods as a % of total

GERMANY	21%
ITALY	9%
HUNGARY	7%
CHINA	6%
POLAND	6%

- Large domestic market
- Important agricultural potential: wheat, barley, colza, etc.
- Limited energy dependence thanks to local coal, oil, gas and uranium
- Large scale renewable electricity generation
- Diversified and competitive industry thanks to cheap labour

- Demographic downturn: low birth rate and emigration of well-educated youth
- Strong regional disparities in terms of education, vocational training, health and transport; rural areas lag behind
- Low participation of Hungarian and Roma minorities, youth and women in the economy
- Large underground economy
- Inefficient agricultural sector
- Slow administrative and legal processes, corruption, bureaucracy, poor management of the workforce and procurement

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Recovery set to decelerate in 2022

Thanks to the recovery in household consumption, the economy rebounded strongly in 2021, with significant growth of 13% in the second quarter, allowing GDP to return to pre-crisis levels. In 2022, domestic demand will remain the main driver of growth, but the pace is set to slacken. Household consumption (63% of GDP), although brisk, will remain constrained by a persistently high unemployment rate (5%) and soaring energy prices. Domestic investment (25% of GDP) will be supported by the resumption of EU-financed projects, provided the Romanian Parliament approves them. Under the National Recovery and Resilience Plan (NRRP) approved by the European Commission in September 2021, Romania stands to receive nearly EUR 29 billion (12% of GDP) by 2027, in addition to structural funds (12% of GDP) provided in particular to upgrade the country's infrastructure. However, in a tense political environment, the effectiveness of these investments, which are concentrated in infrastructure, will depend on the absorption rate of European funds, which is still below the regional average due to administrative shortcomings. Furthermore, rising energy prices, coupled with a recovery in domestic demand, stoked inflationary pressures in 2021, with record inflation of over 5% in September. After hiking its main policy rate to 1.5% in October 2021, the National Bank of Romania is expected to continue tightening monetary policy in 2022 in order to bring inflation back to its 2.5% +/-1pp target window. Net exports should make a negative contribution to growth again in 2022, as supply chain disruptions are hurting exports, while buoyant domestic demand and rising energy prices will increase the import bill. Exports will depend on the recovery of European partners (more than 75% of trade is intra-EU), particularly Germany, which absorbs 23% of Romanian exports. Contrasting with brisk services and cereals exports, exports of electrical components, telephones, machinery, and motor vehicles and parts (42% of exports) will struggle, particularly with the persistent shortage of semiconductors. The fourth wave of COVID-19, which appeared in early October 2021 following the rapid spread of the delta variant, was the deadliest since the beginning of the epidemic. Given the low vaccination rate of the population and the fragility of the health system, which suffers from dilapidated hospital infrastructure (made worse by three fires in 2021), the health crisis, which depressed growth in the last quarter of 2021, will remain a major risk to economic stability in 2022.

Twin deficits financed by European aid

The fiscal consolidation that began in 2021 should continue in 2022. Supported by the economic recovery, public revenues are expected to stabilise at around 30% of GDP, while public expenditure, benefiting from the moderation of pensions and public wages, is set to decline to account for only 36% of GDP. Public finances will benefit from record aid of more than 24% of GDP over the 2021-2027 period under the EU's Multiannual Financial Framework and Next Generation Recovery Plan. Thanks to these European funds, 14% of which were paid out in 2021, the budget deficit should shrink in 2022. Public debt (52% external) will continue to increase, but should remain moderate. However, political divisions could undermine fiscal consolidation.

In 2021, the recovery in domestic demand boosted import volumes, largely offsetting a strong rebound in exports and causing the trade deficit to widen (-9% of GDP in 2021). Even so, the current account deficit is expected to stabilise in 2022. The surplus in services (4.2% of GDP), which is attributable to the IT sector, outsourcing and transport, will not be enough to ensure a balanced trade balance. Moreover, agricultural subsidies and expatriate remittances will not fully compensate for the repatriation of income by foreign investors. The gradual resumption of FDI, new European funds in the form of grants or loans, and portfolio investments (sovereign bond issues) will finance the current account deficit.

A new alliance between rival parties

Following the December 2020 parliamentary elections, Florin Citu was appointed prime minister of a coalition government that included his National Liberal Party (PNL), the Save Romania Union (USR-PLUS) and the Democratic Alliance of Hungarians in Romania (UDMR), which together held 56% of parliamentary seats. However, strained relations between the PNL and the USR-PLUS led to a vote of no confidence in the liberal government on 5 October 2021. After two months of political paralysis, the PNL has formed a new coalition government, this time with the centre-left Social Democratic Party (PSD), historically its biggest rival, and the UDMR. Appointed by President Klaus Iohannis, Nicolae Ciuca (PNL) will serve as Prime Minister for 18 months and then be replaced by a PSD candidate until parliamentary elections are held in 2024.

PAYMENT & DEBT COLLECTION PRACTICES IN ROMANIA

Payment

Bank transfers are becoming the most common payment method in Romania. The main Romanian banks are now linked to the SWIFT electronic network, which provides low-cost, flexible and rapid processing of domestic and international payments.

Professionals often choose to use cheques as a payment method for the equivalent value of purchased and received goods and services. Although cheques are considered to be a secure method of payment, the beneficiary of the cheque can only present it to the bank and cash-in the amount designated.

While promissory notes are mainly used as a means to guarantee a professional's trade debts, in practice they are often used as a payment method. In Romanian law, promissory notes represent a credit instrument under private signature, created by the issuer as debtor, by which the issuer promises to pay a fixed amount of money on a certain date, or upon presentation to another beneficiary acting in the capacity of a creditor.

Both cheques and promissory notes become enforceable titles once signed by both parties. If they are not cleared due to the absence of cash, forced execution proceedings can be initiated against the debtor.

Debt Collection

Fast-track proceedings

Summons for payment

This procedure applies to certain liquid and eligible debts with a value exceeding RON 10,001, resulting from a civil contract. These include contracts concluded between a professional and a contracting authority, with the exception of debts registered in a statement of affairs, within an insolvency procedure. The debtor will be summoned to pay the due amount within 15 days of receipt. The ordinance is enforceable even if a request for cancellation is brought against it. Nevertheless, the debtor may raise an appeal against enforcement, under common law.

Summons of a lower value

This procedure was designed as an alternative to common law proceedings and to the ordinance procedure. Its aim is to enable a fast resolution to patrimony litigations, when the value does not exceed RON 10,000 and does not refer to matters excepted by the law. The procedure entails the use of standard forms, approved by Minister of Justice. These include the request form, the form for completion and/or rectification of the request form and the response form. Romanian legislation expressly states that only documents can be presented as evidence.

The decision of the court can be submitted to appeal within 30 days under common law, except for requests relating to debts with a maximum amount of RON 2,000. By way of derogation from the common law however, the exercise of appeal does not suspend the enforcement procedure.

Ordinary proceedings

Common Law procedure

The judge orders the communication of the request to the debtor, who must submit a statement of defence within 25 days of the petition. The creditor is obliged to submit an answer within 10 days, while the debtor must acknowledge the answer. Within three days of the date of the answer to the statement of defence, the court establishes the first trial date, where both parties will be summoned within a maximum period of 60 days. This process is somewhat lengthier, as further evidence is considered such as accounting expertise, cross-examination of the parties involved and witness testimonies. Following these deliberations, the court renders a legal decision. Appeals can be made to the upper court within 30 days of the decision being rendered. Extraordinary remedies are the appeal, the appeal for annulment and revision.

Enforcement of a Legal Decision

The enforcement procedure implies the existence of a valid and legally rendered enforceable title. It necessitates the failure of the debtor to execute its obligations, the existence of an enforcement procedure request formulated by the rightful creditor to a bailiff and finally the fulfilment of conditions within the execution procedure. The enforcement procedure commences at the request of a creditor through various means such as sequestration and sale of tangible or non-tangible assets

For judgments rendered in EU countries, special enforcement mechanisms are at the creditor's disposal. These include EU Payment Orders and the European Enforcement Order. Awards issued by non-EU members are normally recognised and enforced, provided that the issuing country is party to a bilateral or multilateral agreement with Romania. If this is not the case, *exequatur* proceedings will ensue in front of domestic courts, as stated under Romanian private international law.

Insolvency Proceedings

Out-of-Court proceedings

According to the 2014 insolvency law, the concordat preventiv consists of an agreement with the creditors whereby the debtor proposes a business recovery plan, which includes a payment scheme for the creditors'receivables. By signing this agreement, the creditors confirm their support in helping the debtor to overcome its financial difficulties. The procedure is managed by a special receiver, who draws up an offer to the creditors. This must be approved by at least 75% of the creditors within 60 days from the date when they receive it. It is also subject to the approval of a syndic judge.

Insolvency proceedings

This is a preliminary procedure, which can be followed by a reorganisation procedure, or a bankruptcy procedure.

Reorganisation proceedings

The judicial reorganisation procedure requires the drafting, approval and implementation of a reorganisation plan aimed at the debtor successfully redressing its activity and performing the repayment of its debts, in accordance with an agreed payment schedule.

The plan can provide for the financial or operational restructuring of the debtor's activity, corporate restructuring by modifying the share capital structure, or selling assets. The reorganisation plan is subject to the approval of the general meeting of creditors. During this period, the debtor is represented by a special administrator.

Bankruptcy proceedings

In the event that no reorganisation agreement is reached, the debtors will enter bankruptcy. The purpose of bankruptcy proceedings is to convert the debtor's assets, for the repayment of creditors' receivables. During this procedure, the debtor is represented by the judicial liquidator. The latter will perform the clearance of all the assets of the debtor and the sums obtained will be distributed to the creditors, based on the priority ranking as documented in the final consolidated debt table.

RUSSIA (RUSSIAN FEDERATION)

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - 2020	146.2
GDP PER CAPITA US Dollars - 2020	10,115
CURRENCY Russian ruble	RUB

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	27%
CHINA	15%
UNITED KINGDOM	7%
BELARUS	5%
TURKEY	5%

Imports of goods as a % of total

EURO AREA	27%
CHINA	24%
UNITED STATES	6%
BELARUS	5%
SOUTH KOREA	3%

- Abundant natural resources (oil, gas, wood, cereals and metals)
- Diversification efforts (within import substitution)
- 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

- Dependence on hydrocarbon (39% of GDP) 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

Sector risk assessments

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

*ICT: Information and Communication Technology.

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.0	-3.0	4.3	2.6
Inflation (yearly average, %)	4.5	3.4	6.4	4.8
Budget balance (% GDP)	2.0	-5.4	-0.7	-0.1
Current account balance (% GDP)	3.9	2.2	4.4	4.9
Public debt (% GDP)	13.8	19.9	17.8	15.7

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

RISK ASSESSMENT

Moderating growth

In 2022, the Russian economy will grow at a slower pace than in 2021. Nevertheless, last year's growth was driven by a statistical base effect while globally recovering demand contributed as well. In terms of the latter, global demand for commodities such as energy, metals, agriproducts and chemicals should be still supportive for the economic activity. Oil and gas production is expected to continue its recovery amid an easing in the OPEC+ restrictions and higher global demand for gas, at least in the winter season. While investments will be recovering slowly as the weaknesses in the business climate still play a role and national infrastructure projects are delayed, planned infrastructure projects of up to USD 12 billion annually in 2022-24 from the sovereign fund (12% of GDP) should be supportive, especially for construction companies dealing with such investments.

Growth has been mostly driven by household consumption and the same pattern should continue. Public transfers, improved consumer sentiment, the usage of accumulated savings and credit expansion triggered consumption growth. The unemployment rate has been gradually declining and reached 4.3% in October 2021, while real wage growth remains positive. Nevertheless, the latter is constrained by increased inflation. Consumer prices increased by 8.1% in October 2021, i.e. much higher than the central bank's target of 4%. Similar to other countries, it has been fuelled by disruptions in supply chains, and rising energy and food prices (such as poultry). The acceleration has continued despite implemented moves (such as export bans) and series of interest rate hikes. Indeed, the benchmark policy rate increased by 425 basis points in the course of 2021. The tightening of monetary policy could be continued depending on inflationary pressures, which would further erode real disposable incomes.

Despite Russia being a producer of vaccines, the share of fully vaccinated persons reached only 40% of total population at the beginning of December 2021. Moreover, the hesitancy is bolstered by a limited recognition of the Russian vaccine in a case of travelling abroad, while production levels suffer from bottlenecks.

Solid public finances despite the pandemic

The budget balance should be again in a slight deficit in 2022. The economic recovery and surging energy prices have already soared revenues last year. Fiscal buffers will remain supported by oil and gas profits. The oil price remains crucial for the Russian budget, with the fiscal breakeven price set at USD 42.4 per barrel. The fiscal rule, designed to shield the country from fluctuations in oil prices defines that Russia cannot spend more than its non-oil and gas revenues together with proceeds from selling oil above a particular level. However, Russia relaxed the rule in 2019 by allowing extra spending approved by President Vladimir Putin, and boosted state spending and borrowing to overcome the pandemic in 2020-2021. Higher state spending should help offset the negative economic impact of a tighter monetary policy. Public debt widened during 2020, but has remained low and started to decline. Even though the pre-crisis level should not be reached before 2023, the current level makes Russia outstanding compared to other emerging countries.

The ruling party keeps the constitutional majority

Vladimir Putin, who has been in power for 18 years, began a new 6-year presidential term in May 2018. 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 included giving presidents lifetime immunity from prosecution. The parliamentary election in September 2021 preserved the constitutional majority of the ruling United Russia party (49.8% of the votes, 324 seats/450). However, the Communist Party came a strong second, with 18.9% of the votes. The president's popularity had been already weakening before the pandemic as unpopular pension reforms and lagging living standards had fuelled public discontent, while increased COVID-19 infections made his popularity further decline. Amid the partial lockdown at the end of 2021, Russians' approval of the president's job performance dropped to 63% in November from 67% in October, according to the Levada Center pollster.

On the external side, Nord Stream 2 gas pipeline is disputed. In November 2021, Germany's energy regulator temporarily halted the approval process for the pipeline, expressing that the operating company first needs to become compliant with German law. Furthermore, tensions between Russia and Ukraine, with the movement of Russian troops near the Ukrainian border, have been fuelling geopolitical risks.

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.

RWANDA

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	12.7
GDP PER CAPITA US Dollars - 2020	816
CURRENCY Rwanda franc	RWF

TRADE EXCHANGES

Exports of goods as a % of total

CONGO DR	36%
UNITED ARAB EMIRATES	26%
TURKEY	19%
PAKISTAN	3%
EURO AREA	3%

Imports of goods as a % of total

CHINA	19%
KENYA	13%
TANZANIA	11%
CAMEROON	10%
EURO AREA	8%

- Geological potential: cassiterite, coltan, gold, precious stones (aquamarine, ruby, sapphire)
- Tourism potential
- Developing industrial and financial 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

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	9.5	-3.4	8.2	7.0
Inflation* (yearly average, %)	2.4	7.7	0.8	3.7
Budget balance** (% GDP)	-7.0	-9.5	-9.2	-9.0
Current account balance (% GDP)	-12.1	-12.3	-10.9	-11.2
Public debt (% GDP)	56.8	71.3	79.1	81.3

(e): Estimate. (f): Forecast. * Urban inflation, main gauge of inflation. ** Fiscal year from 1st July to 30th June. 2022 data: FY21-22.

RISK ASSESSMENT

Domestic demand supports growth momentum

In 2021, despite occasional lockdowns, activity has recovered strongly from the recession brought on by the COVID-19 pandemic. In 2022, although the base effect will fade, resulting in a lower growth rate than in 2021, activity will still be strong. Private consumption will drive activity, benefiting from the increase in the COVID-19 inoculation rate. Although the vaccination campaign remains incomplete, raising the risk of a resurgence of the epidemic, the country is one of the most advanced on the continent in terms of deployment of the vaccine (more than 40% of the population fully vaccinated by the end of 2021, 9% in Africa). Moreover, with over 70% of the population employed in agriculture, household incomes are expected to benefit from the still relatively favourable prices of export crops (coffee, tea). Inflation, which is expected to remain modest, should not significantly erode these. Indeed, although it is expected to rise sharply as a result of a rebound in food prices, the likely continuation of the subsidy on petroleum products (introduced in May 2021) for part of the year is expected to contain inflationary pressures. Investment will also play a driving role. Its public share will be further supported by the implementation of the National Transformation Strategy (NST1), which is also expected to create a pull for private investment. The NST1 will emphasise investment in infrastructure, such as the Bugesera airport (to be delivered in 2023), and the development of the manufacturing sector. These industries are also expected to benefit from additional funds from the Economic Recovery Fund (ERF). Rwanda will also receive investment for the construction of a Pfizer-BioNTech vaccine manufacturing facility, which will commence in mid-2022. Imports of capital goods related to these investments will continue to weigh on the contribution of net exports, despite favourable prices for export commodities (coffee, tea, gold, tungsten).

Government spending still high, debt continuing to rise

In 2021/22, the budget deficit will remain large. The procurement of COVID-19 vaccines, additional funds allocated to the Economic Recovery Fund, the investment effort to support the recovery, the increase in the state wage bill to recruit teachers and health workers and the support to public enterprises will contribute to a significant increase in public spending. The deficit could be reduced slightly thanks to revenue growth, which will benefit from the impacts of strong activity, coupled with the implementation of the Medium-Term Revenue Strategy. This Strategy includes fiscal policy and administrative reforms to improve domestic resource mobilisation. However, even though the authorities will focus on concessional sources, they will have to resort to external (more than 75% of the total debt stock) and domestic debt to finance the deficit. Public debt, which has more than tripled relative to GDP since 2010, will therefore continue on its upward trajectory. While this is a source of vulnerability, the small share of commercial debt (less than 10% of external debt) is tempering interest payments (7% of public expenditure).

In 2022, the trade deficit, which is mainly burdened by imports of capital goods, is expected to fuel a larger current account deficit. The recovery in tourism receipts, which is likely to remain incomplete in 2022, is not expected to offset the higher import bill. Profit remittances from foreign companies are expected to increase, in line with investment trends. While the transfer account surplus will mitigate the current account deficit, the decline in emergency international cooperation to combat the pandemic will reduce it. FDI and grants will finance a large part of the deficit. However, while reserves cover more than four months' worth of imports, the Rwandan franc is expected to continue its slow depreciation.

Some signs of improvement for regional stability

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 as part of an expanded, six-party coalition, won 74% of the votes and 40 out of the 53 seats on the ballot. Regularly accused of muzzling dissent and controlling the political arena, President Kagame and the RPF are also credited with restoring peace and political stability. The political dominance of the RPF and Paul Kagame is unlikely to be called into question between now and the elections in 2023 (legislative) and 2024 (presidential) Their popularity could even benefit from the deployment of the vaccine. Although it is already one of the most attractive countries on the continent, it is continuing reforms aimed at improving its business environment. Regionally, the country sent troops to Mozambique to combat the Islamist insurgency there. In addition, efforts to normalise troubled relations with Burundi and the DRC were reported in 2021. In July 2021, the country repatriated 19 Burundian fighters and held a series of meetings with political and military officials of its northern neighbour, while three bilateral cooperation agreements were signed with the DRC in June 2021. On 31 January 2022, Rwanda reopened its land border with Uganda, ending the border dispute between the two neighbours.

SÃO TOMÉ AND PRÍNCIPE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	0.2
GDP PER CAPITA US Dollars - 2020	2,190
CURRENCY São Tomé and Príncipe dobra	STD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.2	3.0	2.1	3.0
Inflation (yearly average, %)	7.8	9.9	8.2	7.5
Budget balance* (% GDP)	-1.3	-3.7	-1.5	-0.5
Current account balance** (% GDP)	-17.5	-12.4	-11.3	7.5
Public debt (% GDP)	99.9	87.4	87.9	86.5

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

TRADE EXCHANGES

Exports of goods as a % of total

POLAND	12%
EURO AREA	10%
NEW ZEALAND	7%
CANADA	2%
MEXICO	1%

Imports of goods as a % of total

EURO AREA	53%
CHINA	13%
TANZANIA	11%
NIGERIA	5%
JAPAN	5%

- 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 driven by a stronger recovery in tourism

Activity was curtailed in 2021 as tourism continued to recuperate, but should accelerate in 2022. The sector, which accounts for 15% of GDP, is expected to see a swifter recovery in 2022 as restrictions are eased and the COVID-19 vaccination rate increases (39% of people had received at least one dose by December 2021 and 23% were fully vaccinated). However, tourism will remain at the mercy of developments in the health situation and is unlikely to return to its pre-pandemic level. Trade, which accounts for more than one-third of the services sector's contribution to GDP, is expected to increase in 2022 as domestic demand picks up, aided by an increase in purchasing power linked to the rise in income in the services sector (70% of GDP and 60% of employment) and more muted inflationary pressures. The dobra's peg to the euro, coupled with the fact that commodity prices are not expected to rise by as much as they did in 2021, will help to contain imported inflation. Foreign investment and financing, particularly in tourism, should support growth in the secondary sector, which is dominated by construction. The USD 1.3 billion Malanza Free Trade Zone development project could also attract investment. Furthermore, the country is set to receive a grant from the AfDB's African Development Fund worth USD 10.7 million to support small and medium enterprises in tourism and agriculture. The economy will continue to rely heavily on the agricultural sector, which accounts for 20% of GDP and nearly 70% of exports. High cocoa prices (75% of agricultural exports) are expected to boost production and export earnings.

Reducing deficits and international dependence

The pickup in activity will boost tax revenues, thereby reducing the public deficit. The collection of tax arrears owed by state-owned enterprises will also contribute to the increase. In addition, the government is expected to scale back its support measures for households after halting fiscal consolidation in 2021. Efforts to streamline spending are expected to resume with the goal to reduce administrative costs by 30% as well as a commitment to freeze new hiring and promotions of civil servants. In contrast, introduction of the 15% VAT rate has been postponed and is now scheduled for the last quarter of 2022. The cost of debt, which is mainly concessional, remains low, at less than 4% of the government budget. The country will continue its efforts to clear external arrears, which are equivalent to 2.2% of GDP. A restructuring agreement with Brazil has already been reached.

The current account deficit is expected to improve in 2022 on the back of a brisker recovery in the services sector, as increased tourism earnings restore the services surplus. The trade balance will narrow only marginally, since spending on oil imports (20% of imports) and capital goods will offset rising cocoa exports. Current international cooperation will fuel the transfer surplus. The country will continue to rely on support from multilateral and bilateral lenders to finance the current account deficit. It will continue to benefit from IMF assistance under an ECF programme granted in October 2019 (USD 18 million over 40 months). Foreign exchange reserves, representing almost four months of imports, were strengthened by the allocation of special drawing rights by the IMF for USD 20 million in August 2021.

Legislative elections in 2022

After being postponed by more than a month amid accusations of fraud, the September 2021 presidential election run-off was won by Carlos Vila Nova of the centre-right Independent Democratic Action (ADI) Party with nearly 58% of the vote. He succeeded Evaristo Carvalho (ADI), who was elected in 2016 but decided not to run for a second term. Pending legislative elections scheduled for October 2022, this election prolongs the power sharing arrangement with the prime minister and leader of the Movement for the Liberation of São Tomé and Príncipe - Social Democratic Party (MLSTP-PSD), Jorge Bom Jesus, who was appointed following the October 2018 legislative elections by the coalition formed by the MLSTP-PSD (23 seats out of 55) and other small parties (PCD-UDD-MDFM), which holds power despite the ADI's relative majority (25 seats). The previous round of power sharing went smoothly, and collaboration is not expected to be a problem in the lead-up to the legislative elections. The archipelago has a relatively strong democratic record compared with its sub-Saharan African peers. However, with more than one-third of the population living below the international poverty line and unemployment still high (about 15% in 2021), the risk of social unrest cannot be ruled out.

Because of its island location, relations with Portuguese-speaking countries (Portugal, Angola, and Brazil) and international organisations remain crucial. Since recognising the One China policy at Taiwan's expense in 2016, São Tomé and Príncipe has strengthened its ties to China, as illustrated by the increase in funding granted to the archipelago.

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**35.0**
GDP PER CAPITA US Dollars - **2020**	**19,996**
CURRENCY Saudi riyal	**SAR**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.3	-4.1	3	4.5
Inflation (yearly average, %)	-2.1	3.4	3.2	2.2
Budget balance (% GDP)	-4.5	-11.3	-3.1	-1.8
Current account balance (% GDP)	4.8	-2.8	4.5	4
Public debt (% GDP)	22.8	32.5	30	31

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	18%
EURO AREA	10%
INDIA	9%
JAPAN	9%
SOUTH KOREA	8%

Imports of goods as a % of total

CHINA	20%
EURO AREA	18%
UNITED STATES	11%
UNITED ARAB EMIRATES	7%
INDIA	5%

+

- Key oil producer with over 15% of the world's proven reserves, leading role in OPEC
- Strong financial buffers
- Intensified economic diversification efforts within the Vision 2030 program
- Improved diplomatic relations with neighbouring countries
- Young population and rising inclusion of women into the workforce

−

- Economy still driven by the oil sector and fiscal spending despite diversification efforts, slow progress in reforms
- Dependence on foreign workers
- Persistent tensions with Iran, geopolitical uncertainties

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Consolidating recovery

Hit by the fall in oil prices/demand and COVID-19 in 2020, the Saudi economy will consolidate its recovery in 2022, mainly on the back of high oil prices and increased oil production (hydrocarbon accounts for 35-40% of GDP). The kingdom's oil production, which stood at 9.8 million barrels per day (b/d) as of October 2021, should rise close to 12 million b/d in 2022, as the parked 3.76 million b/d supply capacity will return to the market in line with the OPEC+ agreement. Additionally, Saudi Arabia's reference level will increase to 11.5 million b/d from 11 million b/d, which could add 500,000 b/d to its oil production from May 2022 onwards. The easing of COVID-related measures, thanks to the progress in vaccination, the low level of interest rates and correlated higher consumer lending will sustain private consumption (around 40% of GDP). However, these impacts will be mitigated by fiscal prudence and increased taxes (VAT was tripled as of 1 July 2020). In line with the easing of travel restrictions, tourism revenues (contribution to GDP at 3% pre-COVID) are expected to rise by more than 90% YoY to USD 8 billion in 2022. Investment (22% of GDP) will continue to grow. The key financing sources will be the Public Investment Fund (PIF) and foreign investments. The government aims to attract more investments, both domestic and foreign, through privatization and partnerships. More foreign investment is expected after the government announced in 2021 that it would no longer work with foreign companies that do not have their regional headquarters located in the Kingdom after 2023. Net exports (5-6% of GDP) will also contribute more to growth in line with the expiration of the OPEC+ supply restrictions. The inflationary pressures should decline in 2022 as the impact of the tripling the VAT in 2020 - to support fiscal revenues amid falling energy prices - will fade and as the government decided to cap local energy prices.

Strong external accounts, oil prices will be eyed

High energy prices (hydrocarbon accounts for 70% of total export revenues) will feed into Saudi Arabia's current account surplus. However, a stabilization in prices would weigh on export earnings. Moreover, any slowdown in China's growth, the Kingdom's key export market, would also hamper exports growth and reduce the current account surplus. On the other hand, higher domestic demand and easing of travel restrictions will result in higher demand for capital and consumer goods imports as well as outbound travelling. The Kingdom's international reserves (USD 465 billion as of September 2021) and the net worth of USD 430 billion estimated in its sovereign wealth fund (Public Investment Fund) will allow the country to easily meet its foreign exchange (fx) denominated debt obligations. External debt (both private and public) and central government debt account each for around 30% of GDP, with public external debt representing 12% of GDP. The public debt increased by USD 6.8 billion in the third quarter of 2021, bringing total debt to USD 253 billion The kingdom is due to pay a total of USD 77.6 billion in fx-denominated maturing debt obligations between 2021 and 2025.

High energy prices (fiscal breakeven price expected at USD 74 per barrel in 2022, Coface forecasts oil prices at USD 75 on average in 2022) and increased oil production will also contribute to narrow the fiscal deficit. The increase in household spending will contribute as well through higher tax revenues. On the other hand, the government's fiscal consolidation plans will drag down spending. Capital expenditure, which fell by 35% in the first half of 2021 from a year earlier, should continue to decline in 2022 as well. Wages, which account for over 50% of total expenditure, are unlikely to grow given the government's willingness to cut spending by 5.9% in 2022.

Changing regional balances amid a continuous political status quo

Following the announcement of the Abraham Accords in 2020 that initiated diplomatic rapprochement between Israel, the United Arab Emirates and Bahrain (joined later by Sudan and Morocco), it seems that Saudi Arabia will keep its option to normalize open. On the other hand, talks took place in Iraq between Saudi Arabia and Iran during 2021, following the reduction of U.S. presence in the region and their willingness to restart nuclear negotiations with Iran. Additionally, the need for Saudi Arabia to extract itself from seven-year war in Yemen, where it has been battling Iran-backed rebels, and Iran's intention to build regional relations are other reasons encouraging both countries to start a dialogue. However, no concrete outcome is likely to appear soon.

SENEGAL

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	16.7
GDP PER CAPITA US Dollars - **2020**	1,474
CURRENCY CFA franc (WAEMU)	XOF

TRADE EXCHANGES

Exports of goods as a % of total

MALI	18%
SWITZERLAND	11%
EURO AREA	9%
INDIA	7%
CHINA	6%

Imports of goods as a % of total

EURO AREA	39%
CHINA	9%
NIGERIA	6%
RUSSIA	5%
INDIA	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 terms of the business climate 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, minerals)
- Net importer of energy and food products
- Inadequate energy and transport infrastructure
- Significant debt
- Half the population is affected by poverty

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.4	1.5	5.1	5.9
Inflation (yearly average, %)	1.0	2.5	2.2	2.3
Budget balance* (% GDP)	-3.9	-6.4	-5.4	-4.8
Current account balance (% GDP)	-8.1	-10.7	-12.1	-11.6
Public debt (% GDP)	63.8	68.7	70.9	70.1

(e): Estimate. (f): Forecast. * Grants included.

RISK ASSESSMENT

Pending the start of hydrocarbon production, investment is boosting activity

After the slowdown resulting from the COVID-19 pandemic, activity rebounded and is expected to gain momentum in 2022. The risk associated with the pandemic will remain high as vaccination is progressing slowly, but the improvement in the vaccination rate should help avoid further strict lockdown measures in 2022. This will provide the impetus for an increased contribution by private consumption to economic activity. Agriculture, which directly employs 30% of the population, is expected to remain buoyant and will also drive household income and consumption. The latter will also benefit from expatriate remittances (10% of GDP), which should remain strong. Public investment, with support from private investment, will be a major driver of growth. As the start of commercial production approaches, scheduled for 2023, the development of the Grand Tortue Ahmeyin (gas, shared with Mauritania) and Sangomar (oil) hydrocarbon projects will make the sector a major recipient of investment. Agriculture, fisheries, textiles, information technology, tourism, energy (Sambangalou hydroelectric dam) and transport infrastructure, starting with the development of the Ndayane deepwater port, will also present opportunities for private companies. In addition, BioNTech, a German biotechnology firm, is expected to begin construction of a COVID-19 vaccine production facility by mid-year. Construction activity will therefore remain strong. Exports are expected to continue to grow, driven in particular by the booming gold mining industry. Fishery products, phosphoric acids, cement and groundnuts will contribute to export earnings as well. The easing of travel restrictions should support a partial rebound in earnings generated by tourism. Capital goods and fuel imports, however, will limit the net contribution of trade to growth.

Large twin deficits before the boost from oil and gas revenues

After peaking in 2020 because of the COVID-19 pandemic, the budget deficit has been on a gradual downward trajectory towards the WAEMU community standard (3% of GDP). In 2022, the deficit reduction will be mainly attributable to the increase in government revenues, accompanied by the continuation of the Medium-Term Revenue Strategy (MTRS). Pending the additional revenues generated by the development of hydrocarbon projects from 2023, this strategy aims to broaden the tax base. In order to control spending, the focus on investment spending will continue. The upward trajectory of the debt, accentuated by the crisis, remains a source of concern, with interest set to absorb 11% of the internal revenue projected in the 2022 Budget. The authorities therefore intend to prioritise debt on concessional terms and on the regional financial market in order to limit the burden.

The large current account deficit is linked to the merchandise trade deficit (over 10% of GDP), which is due to imports of capital goods required for projects, particularly in the gas sector. The slight improvement in this deficit, thanks to brisk exports, should help reduce the current account deficit in 2022. In addition, the deficit generated by trade in services should be mitigated by increased tourism revenues. Debt interest will continue to generate a more marginal deficit in the primary income account. Remittances from expatriates and, to a lesser extent, from international partners, which contribute to the secondary income surplus, will temper the large current account deficit. FDI in numerous projects, particularly hydrocarbon development projects, will help finance the current account deficit, along with concessional borrowing. Recourse to external commercial debt should thus be limited.

Stable political situation but tensions simmer

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 (BBY) coalition. His second government since his re-election, which he formed in November 2020, featured seven opposition figures, including one of his main opponents in the presidential election, Idrissa Seck. The government will continue to face discontent generated by high unemployment, particularly among urban youth, widespread poverty and the perception of growing inequality. Dissatisfaction with the government was particularly evident in the violent protests of March 2021, which were triggered by the arrest of opposition leader Ousmane Sonko and were fuelled by these underlying social conditions. The controversial question of a third consecutive term for Macky Sall will be a potential factor in tensions as the 2024 presidential election approaches. The legislative elections scheduled for July 2022 could also spark renewed tension. Nevertheless, while the BBY could lose seats, it still enjoys broad support, particularly in rural areas, and should be able to retain its majority, ensuring a relative political stability.

SERBIA

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	**6.9**
GDP PER CAPITA US Dollars - **2020**	**7,646**
CURRENCY Serbian dinar	**RSD**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	4.3	-0.9	6.8	4.7
Inflation (yearly average, %)	1.9	1.6	4.1	6.4
Budget balance (% GDP)	0.0	-7.3	-6.4	-2.3
Current account balance (% GDP)	-6.5	-3.9	-3.5	-3.7
Public debt (% GDP)	52.8	58.4	59.1	58.2

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
BOSNIA & HERZEGOVINA	7%
ROMANIA	7%
HUNGARY	5%
RUSSIA	5%

Imports of goods as a % of total

EURO AREA	26%
CHINA	7%
GEORGIA	6%
CHILE	6%
RUSSIA	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, unchanged since October 2020)
- Public sector reform in coordination with the IMF and EU
- Natural resources (coal, bauxite, copper, zinc, gold, lithium) and food self-sufficiency
- Rising automotive industry

- 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: 26% of GDP and 19% of employment (in 2019, latest data)
- Difficult relations with several neighbouring countries
- Brain drain (youth unemployment: 32% in Q1 2021)

RISK ASSESSMENT

Normalization after a strong recovery

2021 was characterized by a strong economic recovery. While a lockdown was implemented in early 2021, the relatively strong focus of the Serbian economy on agriculture (8% of GDP), construction (7% of the GDP) and manufacturing (25%, especially basic products such as food and metals), helped to cushion the impact on the economy, which still grew dynamically at the beginning of the year. In addition, the vaccination campaign was very successful in the first half of 2021, but slowed down a lot in early December. The vaccination level did not save Serbia from two big COVID-19 waves last year. This year the economy should cool and return to a more gradual growth path. Investments (22% of GDP) and private consumption (68% of GDP) should be the main drivers of economic growth. Public and private investments are supported by big projects like the construction of the first metro network in Belgrade that started in November 2021 and will continue until 2026. Alongside further investments in automotive-manufacturing, the mining group Rio Tinto announced a USD 2.4 billion investment into the Jadar lithium mine in summer 2021, which has a potential production of 58,000 tonnes annually from 2026 onwards. However, due to protests, the future of this project is unclear. Private consumption should be benefiting from a still high savings rate (15.5% average in first half of 2021) and some progress in the labour market with the participation rate already reaching an all-time-high in autumn 2021. This should encourage wage growth. However, the purchasing power will probably decrease due to the strong rise of the inflation rate, which should peak above 8% this spring, because of high energy and food prices, as well as high import-prices. This price pressure should then slowly decrease, but the inflation rate will probably remain above the inflation target of the National Bank of Serbia (NBS) of 3% +/-1.5 percentage points until autumn. Therefore, the SNB could decide to increase its key interest rate by 50 basis points up to 1.5% in the first half of the year, which would be still noticeably below the pre-COVID-19 level of 2.25%. While the stronger increase of consumption should further pull imports, concomitantly, the expected recovery in the European manufacturing sector, especially in the second half of the year, should favour exports. Nevertheless, net exports should still weigh on the growth outlook, but not as much as in 2021.

Consolidating public finances

In April 2021, Serbia signed in a new Policy Coordination Instrument with the IMF, which will be in force until 2023. While it includes no financing, it still gives the government incentive for a sustainable budget. In 2022, most pandemic-related support measures will have expired, while revenues should further increase due to higher tax income (economic recovery + payment of postponed taxes from 2020/21). This should push the public deficit down below the Maastricht-target of 3% and stabilize the public debt below 60%. The structural trade-in-goods deficit should decrease slightly in 2022 with their exports somewhat accelerating. Only cosmetic changes are expected in the structural net primary income outflow (repatriated foreign investors' dividends and interests), which will still be more than offset by expatriated workers' remittances. Services trade will remain in surplus. The stocks of external and foreign currency debt remain high (62% and 77% of GDP, respectively).

Environmental issues are becoming a problem for the authoritarian government

President Aleksandar Vučić is leading the country with his Progressive Party (SNS), which had, in late 2021, 173 out of 250 seats in the parliament. Including the other coalition and support parties, the alliance has 92% of all seats. The main reason for this huge majority was the boycott of the last elections in 2020 by major opposition groups that resulted into a weak turnout (48%). However, the power of the SNS, which has a strong control over the media and judiciary, crumbled in late 2021. From mid-September, thousands of people demonstrated on streets to protest against the lithium mining project of Rio Tinto due to the fear of resulting pollution of water and earth, and new legislation allowing the seizure of private property more easily for public projects. Although Vučić announced the road blockades were illegal, he suspended two key laws that would help the lithium-mining project, maybe to calm the public ahead of the next legislative election that was advanced to April 2022 to coincide with the presidential and municipal elections. In the meantime, Serbia has made no progress in its EU's accession process in 2021, as-well-as in the dialogue to normalize its relationship with Kosovo, whose independence Serbia does not accept. Serbia is not in NATO and has close ties with Russia and China.

SIERRA LEONE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	8.0
GDP PER CAPITA US Dollars - 2020	527
CURRENCY Sierra Leonean leone	SLL

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.3	-2.0	4.0	5.0
Inflation (yearly average, %)	14.8	13.5	10.5	10.0
Budget balance (% GDP)	-2.7	-5.8	-4.0	-3.0
Current account balance (% GDP)	-20.0	-16.0	-14.5	-13.5
Public debt (% GDP)	70.0	73.7	73.0	72.5

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

TRADE EXCHANGES

Exports of goods as a % of total

SOMALIA	17%
EURO AREA	17%
CHINA	14%
SOUTH KOREA	12%
SENEGAL	6%

Imports of goods as a % of total

CHINA	23%
EURO AREA	17%
INDIA	9%
TURKEY	8%
UNITED STATES	6%

- Significant mining resources (diamonds, rutile, bauxite, gold, iron ore, limonite, platinum, chromite, coltan, tantalite, columbite and zircon)
- Coffee, rice, cocoa and palm oil production
- Financial support from international institutions (IMF, World Bank, African Development Bank)
- 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 and agricultural sectors

After the economy contracted in response to the COVID-19 pandemic and its impact on the country's mining sector (around 60% of exports), the rebound that began in 2021 will continue in 2022. As in 2021, growth will be driven in particular by the resumption of investment in mining activities (gold, diamonds, rutile, and iron ore). The settlement of disputes with Kingho and Gerald Group, which operate the Tonkolili and Marampa iron mines respectively, will improve the country's image as an investment destination for mining companies. Policies to promote private investment in agriculture should also support gross fixed capital formation. While fiscal consolidation efforts will limit spending, the public share of infrastructure spending is expected to increase under the National Development Plan (NDP). Private consumption will also be an engine of growth in 2022, thanks to the recovery of agriculture (61% of GDP and two-thirds of jobs in 2020) and to expatriate remittances. Nevertheless, consumption will remain severely impacted by high global food prices, which will keep inflation high. Stronger domestic demand will result in a higher import bill, limiting the contribution of foreign trade to growth. It should nevertheless be positive thanks to the growth of ore exports. The ramp-up of production at the Tonkolili and Marampa sites, which resumed in 2021 after being suspended in 2019, will support this growth. Furthermore, the opening of the country's first cocoa processing plant in November 2021 is expected to boost cocoa export earnings. Although still at the mercy of COVID-19-related travel restrictions, tourism revenues (5.5% of exports) are also expected to grow. This sector and the recovery in trade will benefit the services sector (29% of GDP in 2020).

Twin deficits improve, but remain a source of vulnerability

The fiscal deficit, which widened during the pandemic, narrowed in 2021. It is expected to shrink further in 2022 thanks to higher mining revenues and the fiscal consolidation plan. The government's reform programme, which aims to create room to finance the priorities of the NDP, can count on continued IMF support under the USD 172 million ECF programme, provided it meets its commitments in terms of delivering on targets. For the final year of the programme, the government is expected to adopt measures to contain current expenditure, including a freeze on public sector recruitment and pension reform. To increase revenue mobilisation, the government intends to fight tax evasion and limit tax breaks. Due to the cost of domestic debt (26% of public debt), concessional loans will be given priority to finance the deficit. They already make up 30% of the public debt and temper the significant risk of debt distress associated with level of the public debt.

Although it will narrow in 2022, the current account deficit is set to remain very large. The country's dependence on imports, particularly of food (80% of consumption has to be imported), will continue to fuel a large trade deficit, which will, however, continue to shrink thanks to the recovery of exports (33% increase in 2021), mainly of mining products. The deficits in the services account (4.9% of GDP in 2020) and income (2% of GDP), both linked to the presence of foreign investors, will also have an impact. The current account deficit will be financed chiefly by FDI, mainly in the mining and agricultural sectors, and by aid from international organisations. The country maintains foreign exchange reserves equivalent to six months of imports, thanks to the IMF's allocation of special drawing rights in 2021. The level of reserves and additional export earnings should help to slow leone depreciation. Following an announcement by the central bank in 2021, a currency redenomination is expected this year: the "new leone" will replace the current currency in circulation at a rate of 1:1,000.

2023 elections loom in a fragile political and social climate

Julius Maada Bio of the Sierra Leone People's Party (SLPP) was elected president in the March 2018 elections. The main opposition party, the All People's Congress (APC), won the most seats in the parliamentary elections held on the same day, but lost its majority when ten APC MPs were impeached by the High Court in 2019 and replaced by SLPP members. While the SLPP does not have an absolute majority, the government can rely on the support of the 14 independent MPs to carry out its reforms, including implementation of the NDP. Another focus is the fight against corruption. Moreover, the settlement of the Tonkolili and Marampa mining disputes could send a positive signal on the business environment. However, with the 2023 presidential and parliamentary elections approaching, tensions between SLPP and APC supporters could become increasingly acute. Claims of fraud during the Koinadugu district elections in October 2021 are an indication of frictions. Furthermore, in one of the poorest countries in the world, persistent socio-economic challenges, amplified by the pandemic, are fuelling social unrest.

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	5.7
GDP PER CAPITA US Dollars - 2020	59,795
CURRENCY Singapore dollar	SGD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.3	-5.4	7.2	3.4
Inflation (yearly average, %)	0.6	-0.2	2.3	3.0
Budget balance* (% GDP)	0.2	-13.9	-2.2	2.0
Current account balance (% GDP)	14.3	17.6	19.5	17.0
Public debt (% GDP)	125.5	150.2	137.9	139.0

(e): Estimate. (f): Forecast. * Fiscal year 2022: 1st April 2022 - 31 March 2023.

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	14%
HONG KONG	12%
UNITED STATES	11%
MALAYSIA	9%
EURO AREA	8%

Imports of goods as a % of total

CHINA	14%
MALAYSIA	13%
TAIWAN	11%
UNITED STATES	11%
EURO AREA	9%

- High non-price competitiveness
- High value-added industry (new technologies, finance, chemicals, 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

- Dependent on exports and imports (energy and food)
- Skilled labour and housing shortages, ageing population
- Vulnerable to the structural slowdown of the Chinese economy and U.S.-China geopolitical tensions

RISK ASSESSMENT

Solid growth expected in 2022

Singapore's economic recovery will broaden out as the country moves into endemic living and continues to reopen borders. While we expect the GDP growth rate to moderate in 2022 after a solid rebound in 2021, it is still likely to remain above trend. A sustained global economic expansion will benefit the Singaporean economy given its heavy reliance on international trade. Singapore's trade-to-GDP ratio is over 300%, with net exports of goods and services accounting for over a quarter of GDP. The manufacturing industry (>20% of GDP), where electronic products and machinery and transport equipment account for almost half of all domestic exports, will perform strongly in this environment. The info-communications and financial sectors (nearly 20% of GDP) will also continue to grow robustly in the COVID-19 era, alongside the pharmaceutical industry. Construction should continue to face challenges related to higher material costs and labour shortages. Private investment (around 25% of GDP) may improve amid a brightening economic outlook, a gradual relaxation of border restrictions, and a sustained global recovery, with Singapore also expected to take progressively less stringent containment measures.

Further improvement on the labour market should support household spending (34% of GDP). Meanwhile, inflationary pressures are accumulating amid strengthening global demand and intensifying supply constraints. A quicker-than-expected rise in consumer prices and strong upward pressure on the local currency could prompt the Monetary Authority of Singapore to further tighten its monetary policy, after already doing so in October 2021 and an off-cycle meeting in January 2022.

Restoring fiscal balance

The budget deficit is expected to narrow from 13.9% in FY2020 to 2.2% in FY2021. Solid revenue collection in the current fiscal year (ending March 2022) could see Singapore moving closer to a balanced budget. As the crisis subsides, we anticipate Singapore to return to a budget surplus in the next fiscal year (starting April 2022), which will help the government to achieve the fiscal rule of a balanced budget over its five-year term in office.

After spending 20% of GDP (SGD 100 billion) in 2020, the government's relief measures became more targeted in 2021, aiming at supporting businesses and workers in vulnerable sectors (e.g. retail, food & beverage, aviation), as export-facing sectors have mounted a strong recovery. Despite a significant drawdown of SGD 53.7 billion (11% of GDP) in the past reserves, Singapore's fiscal reserves remain substantial, estimated at between 200% and 300% of GDP.

Singapore is a net creditor country, with a strong balance sheet and zero net debt. The seemingly high public debt (125% of GDP in 2019) comprises mainly long-term bonds and securities issued for reasons unrelated to the government's fiscal needs. However, the parliament passed the Significant Infrastructure Government Loan Act in May 2021, which allows the government to borrow up to SGD 90 billion to finance long-term and large infrastructure projects (costing at least SGD 4 billion each). The plan to increase the goods and services tax (GST) between 2022 and 2025, will help raise SGD 3.0 to 3.6 billion of revenue each year.

Singapore continues to enjoy a substantial current account surplus (20% of GDP in H121), driven by a trade surplus exceeding 20% of GDP. The country is a net recipient of foreign direct investment (15-20% of GDP in recent years), which is more than offset by its outflows of portfolio investment, financial derivatives and other investments. Despite a sharp drop in net inflows of FDI in 2020, net outflows of portfolio investment were reduced, and that of other investments turned into net inflows, all of which contributed to Singapore registering a net inflow in its financial account for the first time since 1993.

Political leadership succession

The People's Action Party (PAP) remains a dominant ruling party in Singapore's politics, although its 2020 general elections saw its popular vote drop from 70% in 2015 to 61%. While the PAP government remains firmly in power, the plan for Singapore's leadership succession was disrupted when DPM Heng Swee Keat announced that he will step aside as the leader of the fourth-generation PAP leadership team in April 2021. The search for clarity as to the next successor to replace Prime Minister Lee Hsien Loong, who has been premier since 2004, will be a key political theme in 2022 as Singapore emerges from the pandemic.

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

SLOVAKIA

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - **2020**	5.5
GDP PER CAPITA US Dollars - **2020**	19,145
CURRENCY Euro	EUR

TRADE EXCHANGES

Exports of goods as a % of total

GERMANY	23%
CZECH REPUBLIC	11%
POLAND	8%
FRANCE	7%
HUNGARY	6%

Imports of goods as a % of total

GERMANY	20%
CZECH REPUBLIC	18%
AUSTRIA	9%
POLAND	8%
HUNGARY	7%

- Eurozone membership
- Production platform for the European automotive and electronics industries
- Satisfactory public and external accounts
- Robust financial system dominated by foreign groups

- Small and open economy dependent on European investment and markets
- Strong sectorial concentration of exports: automotive and consumer electronics
- Regional development inequalities: the east 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

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.6	-4.4	3.9	5.0
Inflation (yearly average, %)	2.8	2.0	3.0	4.3
Budget balance (% GDP)	-1.3	-5.5	-7.3	-4.2
Current account balance (% GDP)	-2.0	-0.8	-1.6	-1.1
Public debt (% GDP)	48.1	59.7	62.1	60.4

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

RISK ASSESSMENT

Recovery weakened by supply constraints

The economic recovery of Slovakia should progress in 2022. Last year, its economic activity strengthened, however, Slovakia's growth accelerated less than in most of other CEE countries. It resulted from restrictive pandemic-related measures implemented at the beginning and the end of 2021 (lockdown and closure of non-essential shops), as well as from supply shortages. Indeed, supply chain disruptions hurt the Slovak economy, which is driven by the manufacturing sector. Vehicle production accounts for 36% of the country's exports and 13.9% of GDP. While the automotive sector initially benefited from the revival of demand after the initial impact of pandemic, it has thereafter suffered from a shortage of semiconductors. The latter caused all major automotive companies in Slovakia, including Volkswagen Slovakia, KIA Motors Slovakia, Stellantis (previously PSA Peugeot-Citroen) and Jaguar Land Rover, to either suspend production for several days, cut work shifts or drop certain production lines. Global semiconductor shortages are assumed to persist throughout 2022 and, therefore, exports' growth will be limited by such a supply constraint. That said, it should be noted that the slump in net exports' contribution to GDP growth will be limited by lower import demand due to the large content of imported intermediate inputs in exports.

Domestic demand will remain a growth driver in 2022. Household consumption should accelerate despite inflation staying high (mostly due to energy prices and higher prices of inputs transferred by companies). Although labour market indicators weakened during the pandemic, supportive measures limited the scale of deterioration. Labour shortages has become evident again, especially for highly skilled workforce.

Private investments already accelerated as growing demand made companies increase their capacity utilisation levels. Public investments will be boosted from the NextGenerationEU fund not only in 2022, but also in the following years.

Widened public account deficit set to narrow

The government deficit is expected to shrink in 2022 thanks to the progressing economic recovery and phasing out pandemic-related support measures, which widened the deficit, both in 2020 and 2021. Slovakia will benefit from EUR 6.3 billion from the EU's Recovery and Resilience Facility. The planned spending includes, at first, funding for health (hospitals), the judiciary (reorganisation of courts) and education (changes in the financing and evaluation of universities). Public expenditures will be gradually more dedicated to facilitating the green and digital transformation. Moderating primary deficits (that is with interest payments deducted), accelerated GDP growth and low financing costs will contribute to lowering the public debt-load and the resumption of pre-COVID fiscal consolidation.

The current account balance will remain in a slight deficit due to exports growing slower than imports because of supply issues. Vivid private consumption will also foster imports' growth. Slovakia remains strongly dependent on external markets, with exports of goods and services reaching 85.4% of its GDP in 2020. Moreover, companies in various sectors are included in global supply chains and, therefore, indirectly subject to global demand.

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. 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. However, in March 2021, Matovič stepped down amid a political scandal triggered by a secret deal to buy Russia's Sputnik V coronavirus vaccine despite disagreement of coalition allies. Several cabinet members also resigned from their posts. The country's previous deputy prime minister and minister of finance, Eduard Heger took over the position of prime minister. In May 2021, opposition leaders, including Smer-SD party, which had been governing previously, collected sufficient signatures to demand a referendum on an early parliamentary election with opinion polls showing a sharp decline in popularity of OL'aNO. However, President Caputova turned the petition over to the Constitutional Court, which determined that a referendum for a snap election does not comply with Slovakia's constitution. According to the Court, it would violate the constitutional articles, according to which the election period is four years long and the national council is dissolved by the president.

SLOVENIA

COFACE ASSESSMENTS

COUNTRY RISK **A3**

BUSINESS CLIMATE **A1**

POPULATION **2.1**
Millions of persons - **2020**

GDP PER CAPITA **25,549**
US Dollars - **2020**

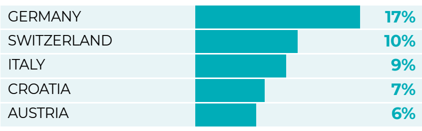
CURRENCY **EUR**
Euro

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.2	-4.8	6.9	4.1
Inflation (yearly average, %)	1.6	-0.1	1.9	4.3
Budget balance (% GDP)	0.4	-7.7	-7.1	-5.0
Current account balance (% GDP)	6.0	7.4	4.4	4.7
Public debt (% GDP)	65.6	79.8	77.3	74.4

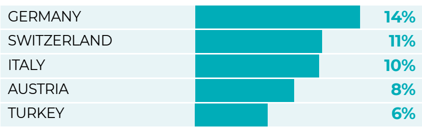
(e): Estimate. (f): Forecast.

TRADE EXCHANGES

Exports of goods as a % of total



Imports of goods as a % of total



- Eurozone member
- Diversified economy (automotive, pharmaceuticals, electrics, electronics, tourism)
- Integrated in the European production chain
- External accounts in surplus
- Efforts to clean up the banking sector

- Small domestic market, very open economy (exports of goods and services represent 80% of GDP in 2020)
- Ageing population and demographic growth at a standstill, resulting in a labour shortage
- Dependence on regional economic conditions and automotive
- Inefficient state-owned companies
- Slow administrative and judicial procedures

RISK ASSESSMENT

Private consumption and investment as the key growth drivers in 2022

Slovenia has recorded a very strong economic rebound in 2021 after the recession in 2020. With the removal of COVID-restrictions early in the year, the economy grew dynamically. However, towards the end of the year, Slovenia was hit hard by the pandemic because of a very hesitant vaccination campaign. This resulted in new restrictions. Furthermore, the global supply problems increasingly reached Slovenia, which is integrated within German, Austrian and Italian production chains, especially for the automotive sector. These problems will throw a shadow on the first half of 2022. However, starting mid-2022, supply-chain issues should be slowly resolved, which would give a push to goods exports. They should, then, slowly outpace import growth and lead to a positive contribution of net exports. In addition, foreign tourism should pick up more significantly this year (direct income estimated at 6% of GDP before the pandemic), with a further progress in vaccination. Besides of that, the domestic market should overall remain robust for the year. Private consumption should benefit from lower tax on capital income and more favourable income tax brackets. Moreover, the still strong savings rate should give more financial room for further consumption. Together with a very positive development on the labour market (the unemployment rate already reached pre-COVID levels in mid-2021), the labour shortage should lead to a strong wage growth. However, a part of this extra purchasing power will be balanced out by the strong increase in consumer prices. Pulled by high energy and imports prices, the yearly inflation rate increased sharply at the end of 2021 and should reach its peak at above 5% in spring 2022. With a decrease of the supply-chain issues, the price increase should slowly calm down thereafter. While a strong increase in construction and in machinery investments is expected (despite an increase of corporate tax), public investments will be a big focus this year. Within the EU Recovery and Resilience Facility, Slovenia will get a total of EUR 1.8 billion in grants (3.8% of GDP) and EUR 705 million in loans, with a first tranche of grants (EUR 231 million) already paid out in September 2021. In 2022, disbursements of 0.3% of GDP are planned to invest into renewable energy projects and digitalization, but also to reform the healthcare and pension systems. Additional support is still coming from the ECB from its unchanged low deposit rate (-0.5%) and the reinvestment of its maturing assets in the balance sheet.

A still noticeable public deficit

Although lower than in 2020 and 2021, the public deficit will remain noticeable this year. On the revenue side, the recovery will increase the indirect taxes more than the tax reform will decrease direct taxes. Expenditures connected to the COVID-19 recession will be markedly smaller. However, due to a stimulus plan implemented between 2020 and 2027, public investment remains high. Public debt should slowly decline but remain above its pre-COVID-19 level. After its impressive fall last year, the usually prominent current account surplus should only show a small increase in 2022 as the trade in goods surplus should remain uncharacteristically low during at least the first half of the year. The services trade surplus should increase due to a recovery in foreign tourism, while the structural negative investment income balance should be only mildly changed.

Prime Minister Janša constantly challenged in the National Assembly

Since March 2020, Prime Minister Janez Janša (from the populist national-conservative SDS, 26 seats out of 90 seats in the parliament) is leading a minority government together with Christian-democratic NSi (7 seats) and the social-liberal party Concretely (5 seats). This coalition is supported by the far right SNS (3 seats) and the representatives of the Italian and Hungarian national minorities (2 seats), but still lacks the majority in the parliament, which makes it hard to pass key legislation. The position of the government is difficult as there were already two votes of no confidence against Janša (February and May 2021), one against the minister of education (August 2021) and one against the minister of justice (November 2021). All of them failed by a small margin. The main reasons for them were the government's inability to deal with the COVID-19 pandemic, the political pressure on the media and the jurisdiction, as well as the authoritarian style of the Prime Minister. To reduce this political pressure, President Borut Pahor advanced the next general election, which was scheduled for June 2022, to 24 April 2022 (the earliest date possible). While Janša's SDS still led the polls in early 2022, the SDS lost many allies in the parliament, so a centre-left coalition is likely to win the election. In addition, the election could be further advanced by a new successful vote of no confidence.

SOUTH AFRICA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - 2020	59.6
GDP PER CAPITA US Dollars - 2020	5,625
CURRENCY South African rand	ZAR

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	18%
CHINA	12%
UNITED STATES	8%
UNITED KINGDOM	5%
JAPAN	4%

Imports of goods as a % of total

EURO AREA	22%
CHINA	21%
UNITED STATES	6%
INDIA	5%
SAUDI ARABIA	4%

- Regional economic and political power with a large, youthful population
- Rich in natural resources
- Developed services (67% of GDP) and financial market
- Floating exchange rate regime, central bank independence
- Healthy banking system
- Public debt mostly in rand
- External credit situation (24.8% of GDP in June 2021, as assets exceed liabilities to foreign countries)
- Independent judiciary

- Weak growth in the last ten years
- Poverty (22% of the population), growing inequalities, high unemployment, crime, strikes
- Skill shortages, labour market rigidity
- Inefficient public spending, corruption
- Lack of foreign investment
- Weak public accounts and state-owned companies (notably Eskom, a power utility)
- Dependence on volatile foreign capital
- Dependence on ore prices (57% of export)
- Inadequate infrastructure (transport, energy) with power cuts
- Deindustrialisation (manufacturing = 12% of GDP)

Sector risk assessments

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

*ICT: Information and Communication Technology.

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.1	-6.4	4.9	2.0
Inflation (yearly average, %)	4.1	3.3	4.5	4.3
Budget balance* (% GDP)	-4.8	-10.8	-8.0	-6.5
Current account balance (% GDP)	-2.7	2.0	3.5	0.5
Public debt*/** (% GDP)	56.3	69.4	70.0	73.0

(e): Estimate. (f): Forecast. * Fiscal year from 1st April to 31st March. 2022 data: FY 22-23. ** Excluding state guarantees on public enterprise debt (7% of GDP in 2020/2021).

RISK ASSESSMENT

Weak and constrained growth

The South African economy rebounded in 2021. This was largely due to the positive base effect and the boom in commodity exports, as activity was further disrupted by COVID-19, the July riots and the resumption of power cuts in the second half of the year. In 2022, economic growth is expected to ease back to its usual sluggish pace. Domestic demand will be the main driver. However, household consumption (60% of GDP) will remain constrained by extremely high unemployment, a lack of hiring and low wage increases in the public sector, coupled with a slowdown in consumer credit as monetary policy is tightened. In November 2021, responding to 5% annual inflation, the central bank hiked its key rate for the first time in three years, raising it by 25 basis points to 3.75%. Rates are expected to continue increasing in step with tighter U.S. and UK monetary policies. This will put pressure on the rand, which, added to high energy and food prices, will stoke inflationary pressures. Commercial banks will therefore be forced to raise their rates, even though their average prime rate was already 7.25% at the end of 2021. Public investment and consumption will be subject to fiscal consolidation. Private investment (13% of GDP with the public component), whether foreign or domestic, will continue to be lacking, as the perception of the business environment suffers from high operating costs and recurrent social initiatives. Only the renewable energy sector is expected to do well. This shortage of investment is a major impediment to job creation. The contribution of foreign trade is expected to turn slightly negative. While demand and prices of exported minerals (38% of exports) could weaken, the growth of domestic demand (even if moderate) and higher energy prices will drive imports. Moreover, automotive exports (10% of the total) are likely to remain hampered by a lack of components, while tourism (7% of GDP in 2019) will see a slow recovery. The pace of growth could deviate from our forecast depending on developments in the health situation (about one-quarter of the population was fully vaccinated by the end of 2021), ore and energy prices, the frequency of power cuts, and the social situation.

Modest and conditional fiscal consolidation

The public deficit could once again be reduced in the 2022/23 fiscal year. In addition to the continued positive revenue impacts from the substantial profits generated by mining companies and consumption (27% of GDP), the budget could be less burdened by the pandemic and wages (37% of expenditure), provided the authorities manage to ensure that moderation prevails. Yet this will not stabilise the debt burden, whose interest accounts for an estimated 15% of expenditure and 4.8% of GDP. Although the debt is mostly domestic and in rand (89%) and has a long maturity, its amortisation, coupled with the deficit, will account for an estimated 13.3% of GDP in 2021/22. Moreover, the fact that non-residents hold 30% of the domestic share implies sensitivity to international capital movements. Consolidation will depend on ore prices, wage pressures, the health situation, and also on possible new capital injections into weak state-owned enterprises, including Eskom, whose difficult restructuring process continues and who would like the state to take over half of its USD 26 billion debt.

The exceptional current account surplus of the last two years is poised to diminish in line with the goods surplus. While exports (27% of GDP) will be less buoyant, imports will be driven by domestic demand and oil prices, which are likely to be moderately higher. The reduction in the services deficit with the recovery of tourism will not compensate for these developments, especially since the transfer and income deficits will persist owing to payment of customs duties to other SACU members, remittances by foreign workers and income repatriation by foreign investors. FDI remains limited, but foreign exchange reserves are comfortable (equivalent to about five months of imports), especially since they were boosted in August 2021 by the allocation of special drawing rights by the IMF (9% of pre-existing reserves). External debt, 62% of which is owed by the public sector, represented 53% of GDP at the end of June 2021.

Widespread social and economic challenges

In the November 2021 municipal elections, the ANC, which has been in power since the end of apartheid, took 46% of the votes amid low turnout. The ANC's share thus fell below 50% for the first time, reflecting widespread social discontent. The crisis has exacerbated unemployment, poverty, division and corruption, culminating in July 2021 in riots and looting in KwaZulu-Natal and Gauteng. The traditional opposition parties (DA, EFF) were not the beneficiaries, but independents and regionally-based parties were. While the ANC still has 230 of the 400 seats in the assembly from the 2019 elections, it is more divided than ever, while some prominent members, including former president Jacob Zuma, have been accused of corruption. Its left-wing faction wants land redistribution with limited compensation and increased Black Economic Empowerment (BEE), opposes wage moderation in the civil service, and is holding back the electricity market reform. So far, the judiciary has stuck to a conservative interpretation of BEE, while expropriation would require an unlikely constitutional reform. President Cyril Ramaphosa's term as ANC leader will end in December 2022, when the party is expected to hold a national conference to elect a new leader. Externally, South Africa provides troops to support SACU military engagement in Mozambique.

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

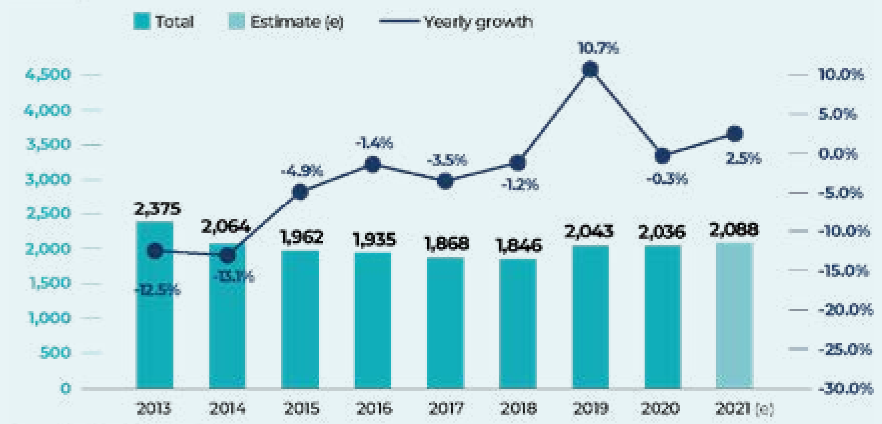
The objective of a business rescue is to allow financially distressed companies to restructure and reorganise, in order to avoid insolvency. A business rescue is initiated by a resolution of the company's board, adopted by a simple majority. Supervision and control is conducted by a business rescue practitioner, 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	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	47.1
GDP PER CAPITA US Dollars - 2020	27,179
CURRENCY Euro	EUR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.0	-10.8	5.0	6.1
Inflation (yearly average, %)	0.8	-0.3	3.1	3.3
Budget balance (% GDP)	-2.9	-11.0	-8.2	-5.8
Current account balance (% GDP)	2.1	0.8	0.4	0.7
Public debt (% GDP)	95.5	120.0	120.8	119.0

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

TRADE EXCHANGES

Exports of goods as a % of total

FRANCE	16%
GERMANY	11%
ITALY	8%
PORTUGAL	7%
UNITED KINGDOM	7%

Imports of goods as a % of total

GERMANY	14%
FRANCE	11%
CHINA	9%
ITALY	7%
NETHERLANDS	6%

- Comparative advantage in renewable energy (solar, wind)
- Major reforms (labour market, banking sector, bankruptcy law, etc.)
- Increasing financial support from European institutions
- Significant private-sector deleveraging before the pandemic
- Manufacturing sector has shown ability to reinvent itself in recent times

- Heavily dependent on the financial sector
- Economy vulnerable to Eurozone economic conditions
- Long-term budgetary impact of population ageing

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Recovery driven by domestic demand, but still held back by tourism

Because of its dependence on the tourism sector (14% of GDP and 15% of employment), which by the summer of 2021 was still recording half as many foreign visitors as two years earlier, Spain was the Eurozone economy that was hardest hit by the COVID-19 pandemic. At the end of September 2021, GDP was still 6% below its pre-crisis level, compared with only 0.5% on average in the Eurozone. In 2022, activity should continue to catch up, thanks to an extremely effective vaccination campaign (79% of the population was fully vaccinated in November 2021), which should make it possible to avoid the need for restrictions as drastic as those imposed in the two previous years. While health-related uncertainty will slow the return of foreign tourists in the first part of the year, activity will be driven by domestic demand. Household consumption will continue to rebound thanks to the decline in the unemployment rate, which fell to 14.6% in September 2021 from a peak of 16.6% in August 2020, while remaining higher than its pre-crisis level (13.7% in February 2020) and well above the Eurozone average (7.6%). Meanwhile, Spain is one of the main beneficiaries of European funds, receiving EUR 69.5 billion in subsidies (6% of GDP) for the period 2021-2026, 40% of which will be disbursed in 2022. The construction sector, where activity was still 15% below pre-crisis levels at end-September 2021, will benefit greatly from investment in infrastructure and building renovation. However, the recovery will be hampered in industry, particularly the automotive sector (16% of goods exports), by supply difficulties, which at the end of 2021 were the main hindrance to activity for 22% of companies, an all-time high. Concomitantly, the high rate of capacity utilisation, which was already back to its pre-crisis level by the end of 2021 (79%), will encourage companies to invest in order to meet strong demand.

Inflation will remain high throughout the first half of the year before gradually easing. As in the rest of the Eurozone, inflation will be driven by the rise in energy prices, which is spreading rapidly due to the large number of contracts whose prices vary daily, and in production costs, but also by the indexation of pensions, which are set to increase by 2.5% in January 2022.

Investment of EU funds and consolidation of public accounts

The public accounts will gradually improve in 2022. The reduction in the deficit will be mainly due to the increase in revenue (+13%), particularly tax revenue, reflecting brisk activity and strong employment performances. At the same time, the improving health situation should allow support measures to be phased out, so that expenditure will grow much less rapidly (+0.6%). Most of the massive additional public investment will be financed by European funds (EUR 27.6 billion, or 2.2% of GDP). Although public debt remains very high, its financing cost is extremely low and demand for Spanish securities is strong. Indeed, although the Pandemic Emergency Purchase Programme is scheduled to end in March 2022, the ECB repeatedly signalled in the second half of 2021 that it wants to keep monetary policy accommodative in the short-term despite inflationary pressures.

Since 2012, the country has consistently run a current account surplus, which narrowed significantly in 2020 due to the fall in tourism earnings. The large services surplus (5% of GDP before the pandemic, 2% since) offsets structural deficits in the balance of goods, largely due to the country's energy dependence, and in the balance of income (remittances from Latin American and Moroccan diasporas to their countries of origin). As numbers of incoming foreign tourists will continue to be affected by health-related uncertainty at least in the first part of the year, the current account surplus is expected to be modest in 2022. Despite a downward trend in recent years, the country's net external debt remains among the highest in the EU and stood at 79% of GDP in mid-2021.

A mid-term revival for the PP, the main opposition party

Since January 2020, Prime Minister Pedro Sanchez of the Socialist Party (PSOE, 120 seats out of 350) has led a fragile coalition government, supported by Unidas Podemos (UP, far-left, 35 seats) and a host of smaller parties, including regionalist parties. While some signals, such as the approval of the 2022 budget, suggest that the coalition will hold until the next elections in November 2023, the second year in office has been fraught with tensions, notably over the labour reform. On the eve of the pandemic, the political landscape was increasingly polarised and fragmented, with the long-standing duopoly enjoyed by the PSOE and the centre-right Popular Party (PP) losing ground to extreme (UP and far-right Vox) and regionalist parties. However, the PP's victory in the Madrid regional elections in May 2021 marked a return to the limelight. Halfway through the term, in the run-up to the next general elections, the main opposition party leads in voting intentions, with 29% of the vote, compared with 25% for the PSOE. In this configuration, the PP could govern with the support of Vox, which would remain the third-largest political force in the country on 15% of the vote. Although in a bid to ease tensions, Mr. Sanchez granted a pardon to nine separatist leaders sentenced in 2019 for organising the independence referendum, the issue of Catalonian independence has not gone away.

PAYMENT & DEBT COLLECTION PRACTICES IN NORWAY

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).

<u>Exchange proceedings</u>

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.

<u>Ordinary proceedings</u>

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.

<u>Monitory proceedings (*Juicio monitorio*)</u>

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	D
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	21.9
GDP PER CAPITA US Dollars - **2020**	3,682
CURRENCY Sri Lankan rupee	LKR

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.3	-3.6	3.3	2.7
Inflation (yearly average, %)	4.3	4.6	4.4	5.0
Budget balance (% GDP)	-8.2	-11.9	-10.5	-9.7
Current account balance (% GDP)	-2.2	-1.4	-2.3	-2.2
Public debt (% GDP)	86.8	100.1	105.4	107.7

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	25%
EURO AREA	20%
UNITED KINGDOM	9%
INDIA	6%
CHINA	2%

Imports of goods as a % of total

CHINA	22%
INDIA	19%
EURO AREA	7%
UNITED ARAB EMIRATES	6%
MALAYSIA	4%

+

- 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

−

- 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

COVID-19 outbreaks likely to wane growth momentum

A deterioration of the health situation in the second half of 2021, due to delays in vaccination, pushed the government to impose containment measures, from October. The vaccine rollout has experienced delays due to shipment suspensions from India, as India which was grappling with the Delta variant in May 2021. This drag on the economy could persist at least in the first half of 2022. While the three major GDP components – Agriculture, Industry and Services – have recorded expansions from a low base, the economy has not reached pre-COVID-19 levels. The manufacturing sector (15.5% of GDP) should continue to improve, and has been supported by strong external demand from its major trade partners (U.S. and Europe), notably for textile (50% of exports). However, PMI figures have shown the industry's vulnerability to factory disruptions linked to the spread of COVID-19 among employees, hampering production and employment. Unemployment remains high and weighs on household consumption (70% of GDP). Agriculture (8.3%) has been highly affected by the government-approved ban of chemical fertilisers and agro-pesticides imposed in April 2021. Although it has been removed a few months later, farmers would face difficulties in 2022. Still in an effort to promote organic agriculture, the government will not reinstate subsidies for chemical fertilisers. Tourism (11% of GDP) is unlikely to recover anytime soon due to the border restrictions: tourist arrivals dropped by 61.7% in 2021 compared to 2020. To support the recovery, the government extended the coronavirus debt moratorium until December 2021, especially for the tourism industry. However, the central bank signalled monetary policy tightening in August 2021 and January 2022 by increasing the deposit and lending facility rate to 5.5% and 6.5% respectively due to strong inflationary pressures, which will constrain lending.

Public finances in distress

With a wide deficit, Sri Lanka's public finances should remain weak and, thus, face tighter external financing conditions. Public debt is sky high and weighs on the budget: over 70% of government revenues were spent on interest payments in the first half of 2021. External dependence is high: half of the debt is denominated in foreign currencies and therefore exposed to a high risk of depreciation. The main creditors are China (10% of debt stock), ADB (13%), Japan (10%), World Bank (9%) and Market Borrowings (47%). Foreign exchange reserves got low (one month of imports as of October 2021) after the repayment of international sovereign bonds which prompted the government to obtain a currency loan from currency swaps from Bangladesh and India in 2021. The special drawing rights (SDR) allocation from the IMF (USD 797 million) also temporarily mitigates the depletion of foreign exchange reserves. They should remain in distress as other bond repayments are scheduled for 2022. An increase in workers' remittances (8.8%GDP) and in exports, which both reached pre-COVID-19 levels in 2021, should continue to offset the impact of weak tourism revenues on the current account. The trade balance should remain in deficit, as exports have not recovered as fast as imports, despite indefinite import restrictions to mitigate the foreign exchange crisis.

The Rajapaksa clan consolidates its power

Gotabaya Rajapaksa, who is popular for ending the civil war in 2009, has ruled since 2019. His nationalist and security agenda is symptomatic of the persistent ethnic tensions in Sri Lanka: he 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, which secured a two-third majority. The appointment as prime minister of his brother and former president Mahinda Rajapaksa, who had adopted 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 passed the 20th Amendment on October 2020, expanding the President's immunity, and allowing the President to appoint anyone to the government without approbation from the parliament: Rajapaksa appointed his brother as Finance Minister, tightening the family's grip over power.

Externally, the Rajapaksa clan seems to be under international scrutiny. The Office of the UN High Commissioner for Human Rights received a mandate to collect evidence of crimes during Sri Lanka's civil war, which ended with the defeat of the separatist Tamil Tigers and a spate of civilian deaths. Relations with China may deepen again in the coming years. China is heavily involved in Sri Lanka's development, for instance, in the Colombo Port City Economic Commission Act. However, the question of dependence on this financing arose: the authorities failed to repay and were forced to cede the port of Hambantota to China for 99 years in 2017.

SUDAN

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	**44.3**
GDP PER CAPITA US Dollars - **2020**	**776**
CURRENCY Sudanese pound	**SDG**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-2.2	-3.6	0.7	3.0
Inflation (yearly average, %)	51.0	163.0	350.0	100.0
Budget balance (% GDP)	-10.8	-6.0	-2.0	-3.0
Current account balance (% GDP)	-15.6	-17.5	-11.0	-9.0
Public debt (% GDP)	200.3	272.9	242.0	170.0

(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 mineral (gold and oil) resources
- Strategic position between the Middle East and West Africa
- Gradual easing since 2017 of sanctions imposed by the U.S. in 1997 completed with removal from the U.S. list of state sponsors of terrorism (December 2020), making access to multilateral funding possible again
- International financial support
- Successful implementation of an economic reform programme in partnership with the IMF between June 2020 and September 2021
- Accepted into the IMF's Heavily Indebted Poor Countries (HIPC) Initiative in June 2021
- Improved diplomatic relations with South Sudan (ceasefire signed in 2018); relations resumed with Israel

- Democratic transition process and economic stabilisation severely weakened by the October 2021 coup
- Dependence on agriculture (peanuts, sesame, cattle, cotton), oil, gold and international aid
- Persistent human and food insecurity
- High levels of unemployment (especially among young people) and poverty
- Numerous rebel groups in several provinces, persistent inter-community conflicts in Darfur
- Significant deficiencies in business environment and governance; endemic corruption (174th out of 198 in Transparency International's Corruption Perceptions Index 2020)
- Lack of investment in infrastructure
- External debt, much of which in arrears, is unsustainable, despite being halved from USD 60 billion to USD 28 billion under the HIPC Initiative
- Extremely low foreign exchange reserves
- Sickly banking system and weak central bank independence

RISK ASSESSMENT

A weakened democratic transition

On 25 October 2021, the head of the army, General Abdel Fattah al-Burhan, dissolved the interim government and the transitional Sovereign Council, placed Prime Minister Abdallah Hamdok under house arrest and declared a state of emergency. He also suspended the constitutional charter organising civilian-military power-sharing arrangements, put in place following the ouster of dictator Omar al-Bashir in April 2019, until elections scheduled for early 2024. Following nearly a month of street protests, on 21 November, General al-Burhan reinstated Prime Minister Hamdok after a new transition agreement was reached, tasking him with forming a technocratic government ahead of elections in July 2023. Despite the prime minister's return, people continued to protest, criticising Hamdok for making a deal with the army, seeing his return and a future civilian government as window dressing to satisfy the international community while maintaining control. The international community, led by the United States and multilateral organisations, expressed approval, but made the resumption of its essential financial aid conditional on the formation of a civilian government, the release of people detained since 25 October, the lifting of the state of emergency, and an end to violence against peaceful demonstrators. The transition's sustainability is questionable, especially since, in the face of popular opposition, in a difficult economic environment, and with civilian forces divided, the prime minister resigned on 2 January 2022. Forming a government acceptable to all parties will be challenging, as the Forces for Freedom and Change (FFC) coalition and local Resistance Committees, which spearheaded the 2019 revolution, are demanding the removal of the military from politics. However, military leaders may fear losing their economic interests and being prosecuted for their actions against civilians.

Economic stabilisation subject to conditions

Economic stabilisation is closely linked to the financial assistance provided by foreign partners, including the United States, IMF, World Bank, France, Saudi Arabia, United Arab Emirates and Egypt. This aid in turn is dependent on the partners' acceptance of the new institutional arrangements. Even if these conditions are met, household consumption (70% of GDP) will remain constrained by sky-high unemployment, violence and insecurity. Households will continue to face hyperinflation, fuelled by monetisation of the deficit, but above all disruptions in food and fuel supplies due to the protests, which have also affected Red Sea port cities, as well as low agricultural productivity. Private investment will remain limited in the cities. However, foreign investors are expected to continue to back oil field development, while a fund financed by Saudi Arabia and the United Arab Emirates will continue efforts to develop transport and agriculture, compensating for the failing state. Exports of oil, gold and agricultural products (80% of the total) will benefit from brisk demand and high prices, despite being slowed by violence in the Red Sea province and hindered by smuggling and poor productivity in the gold sector. Despite increased imports linked to stronger domestic demand, the contribution of net exports to growth is expected to be positive. Furthermore, the future development of the health crisis in a country with low vaccination levels, and climatic conditions, which have a critical bearing on a population dependent on agriculture (80% of employment and 30% of GDP), will continue to be major factors.

Foreign aid essential to balance the books

Budgetary revenue is expected to increase, but will represent only 9% of GDP in 2022. Revenue will benefit from the strong performance in transit fees charged on South Sudan's oil, as well as from sales of mining licences. External budgetary aid (notably American, French, British and multilateral), which was suspended following the coup, could resume in early 2022. Already earmarked for the health sector and the payment of targeted allowances to households to compensate for the phase-out of fuel subsidies, this aid will be especially vital in the lead-up to elections in 2023. The World Bank plans to allocate USD 2 billion to family allowances under the Thamarat programme. The deficit may be financed less by money issuance by the central bank and more by aid. Following the country's acceptance into the IMF's HIPC Initiative, external debt (80% of total debt), which is mainly with bilateral and multilateral creditors, and 90% of which is in arrears, is expected to be halved, with the remainder gradually cancelled by 2024. The signing of an Extended Credit Facility with the IMF should be accompanied by additional foreign financing. All of this is subject to the re-engagement of partners.

The current account deficit should continue to narrow. The trade deficit, which is massive due to imports of consumer goods, will decrease as exports increase. Transit fees paid by South Sudan will go up, as will expatriate remittances, supported by the small gap between the official and parallel exchange rates following the controlled float of the pound since February 2021. Conversely, profit repatriation by foreign oil and gold operators is set to increase. Uncertainty surrounds the resumption of much-needed international aid, as FDI remains too scarce to finance the deficit.

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	0.6
GDP PER CAPITA US Dollars - 2020	4,787
CURRENCY Surinam dollar	SRD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.1	-15.9	0.7	1.5
Inflation (yearly average, %)	4.4	34.9	54.0	32.0
Budget balance (% GDP)	-21.9	-13.2	-8.2	-11.3
Current account balance (% GDP)	-11.3	9.0	3.4	-2.0
Public debt (% GDP)	85.3	148.2	140.5	138.0

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	67%
EURO AREA	10%
UNITED STATES	5%
CHINA	4%
SWITZERLAND	4%

Imports of goods as a % of total

UNITED STATES	18%
EURO AREA	17%
TRINIDAD AND TOBAGO	12%
CHINA	10%
ANTIGUA AND BARBUDA	5%

+

- Mineral resources (gold, oil, gas, bauxite) and agricultural (rice, bananas) and forestry (wood) potential
- Support from international donors and foreign investors
- 95% of the territory covered by rainforest
- Financial aid from the Netherlands, the former colonial power, and expatriate remittances (4.3% of GDP in 2020)
- Active member of the Caribbean Community (CARICOM)

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- Poorly diversified economy: dependent on gold, oil and aluminium
- Large informal economy (30% of GDP) with casinos, gold panning and smuggling
- Difficulties in managing state-owned enterprises
- Unsustainable public debt
- Inadequate transport infrastructure (roads, ports)
- Difficult business climate, inefficient justice system
- Vulnerable banking sector: high proportion of bad loans and low profitability
- Difficulties in accessing credit
- Lack of skilled labour

RISK ASSESSMENT

High inflation takes its toll

With the economy already teetering, the outbreak of the COVID-19 pandemic caused a sharp contraction in activity in 2020. The country is still struggling to recover, and 2022 is expected to see very modest growth.

In late 2020, Suriname defaulted on its public debt. To help cope with the crisis, the country negotiated an Extended Fund Facility with the IMF worth USD 690 million (about 15% of GDP) over 36 months. Although the agreement in principle was obtained in April 2021, the IMF did not give its final approval until December 2021, after Suriname adopted a floating exchange rate regime in June 2021. This caused the national currency to depreciate sharply, and inflation soared, leading to the impoverishment of households, whose consumption (60% of GDP in 2019) was affected. As tax and monetary reforms are implemented, inflation should decline, but consumption will remain constrained in 2022, while the climate of uncertainty persists. Given the vaccination rate (40% in December 2021), the population remains highly exposed to health risks, and the government is maintaining drastic distancing measures.

Foreign investment should be buoyant. The discovery of new hydrocarbon deposits, along with the exploration of new blocks off the coast, will generate, probably as early as 2022, substantial investments by major companies in this sector, which will constitute a source of growth. Already, DP World (Dubai) is expected to invest USD 100 million in 2022 for the construction of an offshore development base. However, for the time being, gold remains the main export resource (more than 75% of the total, over a third of GDP), and the Merian mine operated by Newmont is expected to boost production from 320,000 to 350,000 ounces in 2022.

International assistance essential for debt restructuring

An amendment to the National Debt Act in November 2019 removed the 60% GDP ceiling on public debt, which had been breached because of successive high deficits against a backdrop of low growth. Following the devaluation of its currency and the downturn in activity, the country was faced with a debt explosion and found itself in default at the end of 2020. Suriname then began negotiations to restructure its debt, with the support of the IMF. The government proposed a nominal debt haircut of 70% on the 2023 and 2026 Eurobonds (one-third of the total debt) and a 30% haircut for the official lenders (two-thirds of the debt), but had not yet reached an agreement by the end of 2021. The government is working with IMF support on fiscal consolidation measures, with the aim of reducing the large public finance deficit. Planned measures include the introduction of VAT, the elimination of electricity and water subsidies, and a reduction in the public sector wage bill (one-fifth of the employed population), which has ballooned in recent years. All of these measures will directly impact the population. To address the crisis, in addition to the IMF Fund Facility, the country will receive financial support of USD 450 million from the Inter-American Development Bank between 2021 and 2025.

The currency devaluation, with its pushback effect on imports, and increased demand for gold, the country's main export, saw the current account balance move into positive territory in 2020. The same causes, strengthened by the shift to a floating exchange rate regime, kept the account in surplus in 2021. In 2022, slightly softer gold prices, coupled with the resumption of imports, both of consumer goods, which slowed during the crisis, and of capital goods, in response to investments, could push the current account back into deficit. The effect of the deterioration of the trade balance on the current account will be partially offset by increased remittances from expatriates in the Netherlands. The current account deficit is expected to be fully financed by FDI. Foreign exchange reserves represent about eight months of imports.

Hopes for a return to normality in political life, which continues to be based around ethnicity

In the May 2020 parliamentary elections, the Vooruitstrevende Hervormings Partij (VHP), which has historically represented the Indo-Surinamese population, managed to reach across ethnic lines to win 20 of the 51 seats in parliament and became the largest party in the country, leading a four-party coalition that gave the government an absolute majority. After a decade in power, the Nationale Democratische Partij (NDP) refused to participate in the July 2020 presidential election, so Chandrikapersad "Chan" Santokhi of the VHP was elected president. The VHP's victory reflected voter fatigue with the NDP, whose terms in office were marked by economic mismanagement and corruption. Former president Désiré Bouterse, leader of the NDP, was sentenced in November 2019 to 20 years in prison for the extrajudicial killings of 15 political opponents in 1982 during the military dictatorship, a sentence upheld by court martial in August 2021. Internationally, Santokhi has managed to strengthen ties to the United States and the Netherlands, after strained relations under the former presidency. The government will have the difficult task of carrying out the necessary but unpopular reforms that must be implemented to restore Suriname's financial health.

SWEDEN

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - **2020**	10.4
GDP PER CAPITA US Dollars - **2020**	52,129
CURRENCY Swedish krona	SEK

TRADE EXCHANGES

Exports of goods as a % of total

NORWAY	11%
GERMANY	11%
UNITED STATES	8%
DENMARK	8%
FINLAND	7%

Imports of goods as a % of total

GERMANY	18%
NETHERLANDS	10%
NORWAY	9%
DENMARK	7%
CHINA	6%

- Very favourable business climate
- Very diversified economy, specialized in high-tech products (automotive, aviation, telecommunications, nuclear power)
- High standard of living
- Sound public finances
- Positive demographical development due to immigration

- Highly dependent on global demand (exports = 45% of GDP in 2020)
- Tensions on the real estate market
- Substantial household debt (198% of personal disposable income 2020)
- Highly concentrated banking sector

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.0	-2.8	4.9	3.7
Inflation (yearly average, %)	1.8	0.5	2.1	3.9
Budget balance (% GDP)	0.6	-2.8	-0.9	-0.3
Current account balance (% GDP)	5.5	5.7	5.5	5.0
Public debt (% GDP)	34.9	39.7	37.9	35.7

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

RISK ASSESSMENT

Recovery continues in 2022, but at a slower pace

Sweden showed a strong rebound in 2021 after a moderate recession in 2020. The country had a different approach to the pandemic. Without any strict lockdowns, growth was already back to pre-COVID levels in Q2 2021 and remained on a dynamic path during the summer. Even in the autumn, GDP had developed relatively well compared to other European countries due to relatively low COVID-19 numbers until December 2021. Nevertheless, GDP development is expected to flatten somewhat over the winter/spring 2022 due to persistent supply-chain issues, with a strong lack of input goods and transportation issues. From summer onwards, these obstacles should slowly dissipate and growth should accelerate again. Regardless of the problems in the industry, the main growth drivers should be private consumption and investments. A temporary tax reduction for middle-income groups should support consumption, as well as a positive development of employment. However, this has only a limited impact on the wage dynamic, which was already negotiated in 2020 and resulted in a wage increase of 5.4% by March 2023 (less than the previous 3-year deal that included a rise of 2.2% per year). A noticeable part of the increasing purchasing power will be balanced out by the high inflation, partly resulting from higher energy prices and higher input prices. The price pressure should peak in late summer 2022 and then slowly decrease. The Riksbank already reacted to the higher inflation (2% inflation target) and ended its assets purchase programme with a total envelope of SEK 700 billion at the end of 2021. That said, assets worth SEK 145 billion, which will mature this year, will be reinvested. In the meantime, the key interest rate will be held at 0%. Additionally, foreign trade will be a little less supportive. Goods exports should increase at a slower pace due to supply-chain issues, while imports will be stronger because of further domestic recovery. Nevertheless, tourists should come back stronger this summer. Some support will still come from the public sector as well. While most COVID-19 related support measures ended in the autumn of 2021, the government decided to implement a "reform package" of SEK 74 billion (0.9% of GDP) this year that includes investments into climate transition, digitalization and strengthening of the welfare system. Some of these measures are combined with the EU Recovery and Resilience Facility that includes disbursements for Sweden worth 0.2% of GDP.

Almost back to a twin surplus

The country's current account surplus should shrink a bit this year as the decrease in the trade in goods surplus cannot be balanced out by a higher trade in services surplus combined with higher investment revenues from abroad. The general government budget balance will improve somewhat due to higher revenues and lower expenditures. Nevertheless, there should be small deficit at the end of the year. Still, the public debt should decrease further and remain very low.

New Prime Minister without major support in the parliament

Magdalena Andersson is the first female Swedish Prime Minister and was elected in a politically turbulent summer/autumn 2021. Previous Prime Minister Stefan Löfven's Social Democratic Party (100 seats out of 349 in the parliament) won the last general election in 2018. Due to the strong result for the right-wing Sweden Democrats (62 seats), none of the classical political blocks (left vs. conservative) reached a majority in the parliament. Therefore, Löfven led a centre-left minority government (quite usual in Sweden) with the Green party (16 seats), supported by the social-liberal Centre Party (31 seats) and the Left Party (27 seats). In June 2021, the Left Party left the support-block after a fight in the government about rent controls. Against this background, Löfven lost a vote of no confidence in the parliament and resigned. Because no other party could found a new government coalition, Löfven was again appointed as a Primer Minister in July. He then announced that he would pass on the office to another social democratic candidate in the next months. In late November 2021, the parliament narrowly elected previous Finance Minister Magdalena Andersson as the new Prime Minister. However, hours after this election, the Green party left the government because of disputes over the budget plan. Andersson had to resign again, but was elected by the parliament once more a few days later with a government consisting only of the Social Democratic Party, again with a very narrow margin. She should be leading the government until the next regular election in September 2022. However, reforms are not on the horizon, as she has to find majorities every single time for the different topics in parliament.

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 23,800, approximately EUR 2,390).

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.

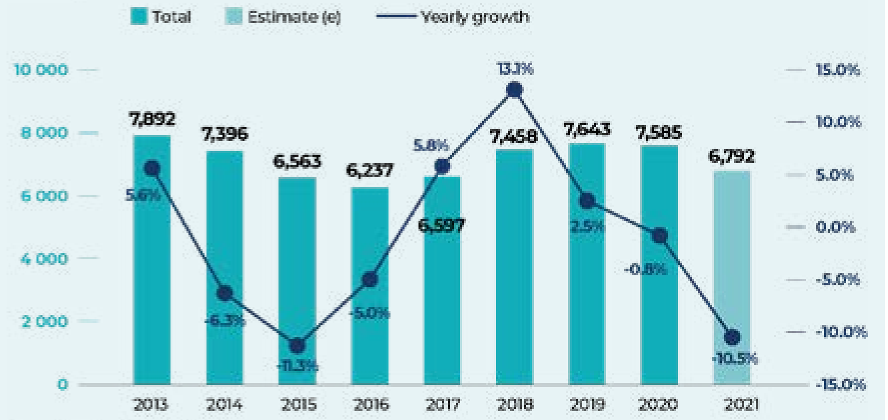
Restructuring

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.

SWITZERLAND

COFACE ASSESSMENTS

COUNTRY RISK	A1
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	8.6
GDP PER CAPITA US Dollars - 2020	87,367
CURRENCY Swiss franc	CHF

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.2	-2.5	3.5	2.3
Inflation (yearly average, %)	0.4	-0.7	0.6	0.7
Budget balance (% GDP)	1.3	-2.8	-2.3	-0.7
Current account balance (% GDP)	6.7	3.8	7.0	7.2
Public debt (% GDP)	39.8	42.4	42.9	42.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	38%
UNITED STATES	22%
CHINA	5%
UNITED KINGDOM	5%
INDIA	3%

Imports of goods as a % of total

EURO AREA	46%
UNITED STATES	7%
CHINA	6%
UNITED KINGDOM	6%
HONG KONG	4%

+

- 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 banks 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	LOW
CONSTRUCTION	MEDIUM
ENERGY	MEDIUM
ICT*	MEDIUM
METALS	MEDIUM
PAPER	HIGH
PHARMACEUTICAL	LOW
RETAIL	MEDIUM
TEXTILE-CLOTHING	VERY HIGH
TRANSPORT	HIGH
WOOD	MEDIUM

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Continued recovery, driven by domestic demand

The economy was relatively resilient throughout the pandemic, thanks to its specialisation in the financial sector (10% of GDP including insurance) and in the chemical and pharmaceutical industries (6.4% of GDP in 2019, one-third of the manufacturing sector). Thus, in mid-2021, GDP was only 0.5% below its pre-crisis level, compared with 3% in France and Germany. In 2022, activity should continue to catch up on the back of strong domestic demand. While public spending is set to decrease (by 4.8% according to the 2021 budget), household consumption will be the main driver of the recovery. The vaccination of much of the population (66% of people were fully vaccinated in November 2021) should make it possible to avoid having to introduce restrictions as drastic as in previous years. This should therefore encourage the consumption of savings built up during the crisis – the savings rate stood at 19.9% of gross disposable income at the end of 2020, compared with 13.3% a year earlier. However, the recovery will be hampered by supply difficulties and the production capacity of companies, whose utilisation rate hit the highest reading in over a decade at the end of 2021 (85%), which will prompt them to continue investing in 2022. Furthermore, while imports will accelerate in line with domestic demand, trade should continue to make a positive contribution to growth, notably thanks to licence sales generated in 2022 in connection with staging the Winter Olympics and the Soccer World Cup, which are considered to be services exports (these sales earn revenue for the IOC and FIFA, which are based in Switzerland).

In line with recent years (key rate unchanged at -0.75% since 2015), and despite the slight rebound in inflation at the end of 2021, the Swiss National Bank should continue its ultra-accommodative policy in 2022 by means of targeted interventions on the foreign exchange market and the provision of liquidity to commercial banks, in order to limit the appreciation of the Swiss franc and support activity.

Public accounts back in balance, but the international tax agreement is a challenge

After two years of deficits due to the collapse in activity and support measures, public finances will recover in 2022, and could even return to a surplus, as in the 15 years preceding the pandemic, with the exception of 2013 and 2014. This rebalancing will be achieved by both a rebound in tax revenue (3.3% increase according to the 2022 budget), thanks to strong performances by companies in the financial and pharmaceutical sectors, and by the scrapping of support measures. Public debt, which should thus resume its downward trend in 2022, is particularly low for a developed economy, with ten-year yields in negative territory (-0.2%) at the end of 2021. However, having signed, in October 2021, the international agreement that sets the minimum tax rate on corporate profits at 15%, which is higher than the rate in force in 18 of the country's 26 cantons, Switzerland will have to address attractiveness challenges in the medium-term (most likely 2023). Accordingly, the Federal Council has announced that a tax reform plan will be drawn up in the first quarter of 2022.

The country consistently posts a large current account surplus, thanks to the balance of goods and, to a lesser extent, services (thanks to finance and sports licences). This substantial trade surplus (10% of GDP in 2019) largely offsets the structural deficit in the income balance, which is attributable in particular to transfers by foreign workers domiciled in Switzerland and cross-border commuters. Swiss assets abroad allow the country to have a substantial net foreign asset position (96% of GDP at the end of June 2021), the size of which varies with stock market prices and the USD/CHF exchange rate.

Debate on party representation in the Federal Council likely to return in 2023

Despite the historic breakthrough achieved by left-wing environmentalists (Greens, which increased their share from 7% to 13% of the vote) in the October 2019 elections, the composition of the Federal Council (government) remained unchanged, with all seven members re-elected by the National Council (lower house of the Federal Assembly). Despite losing ground in the election, nationalist conservatives (SVP, 26%), the Socialist Party (17%) and the liberal democrats (FDP, 15%) each retained two ministerial posts, while the Christian democrats (CVP, 11%) held onto their councillor. The Greens' attempt to enter the Federal Council by replacing one of the two councillors provided by the FDP, whose government representation appeared disproportionate to the party's electoral result, came up against a desire for stability in the assembly, where the centre and right continue to hold the majority. At mid-term, polls confirmed that support for the FDP was slipping, with the party receiving only 13% of voting intentions for the October 2023 elections, i.e. the same as the Greens and The Centre (a merger of the CVP and the centre-right BDP). If these poll findings are borne out in the next elections, this would definitely rekindle the debate on party representation in the Federal Council, especially with the rise of the Green Liberal Party (10%, up 2 points) adding to the evidence of the environmentalist movement's growing momentum.

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.

SYRIA

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - 2020	17.5
GDP PER CAPITA US Dollars - 2020	-
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%

- Geostrategic position
- Financial support from Russia, Iran and China
- Hydrocarbon potential

- Ongoing civil war since 2011 has caused hundreds of thousands of deaths, millions of refugees, and destruction of much of the country's productive tissue including manufacturing, energy and agricultural infrastructure
- Dire economic, social, and security conditions
- Loss of long-term human capital, severely damaged economic balances
- Divided territory, under the control of different armed groups
- International isolation and sanctions

RISK ASSESSMENT

Very challenging economic conditions as civil war continues

The economic situation will remain very weak and unstable in Syria due to a decade-long civil war, which has resulted in territorial divisions, devastation of the country's population and economy. The war has caused the displacement (mostly to neighbouring countries) of nearly 21 million people and the economic activity had collapsed by more than 50% in 2019 compared with 2010 according to the World Bank. Neighbouring Lebanon's economic crisis worsens the economic chaos in Syria, as it further restrains the country's economic ties with the world and feeds into the fuel and food shortages, as well as rampant inflation. Coupled with electricity cuts, this aggravates the economic crisis. In July 2021, the government increased the price of subsidized fuel by around 178% due to the global increase in fuel prices. Sanctions imposed on Syria continue to disrupt fuel imports according to the local authorities. Collapsing currency and skyrocketing inflation are expected to persist, which will continue to erode purchasing power. The hike in prices of electricity, fuel and butane gas due to the rising energy prices will also weigh on domestic demand. Moreover, the population suffers from the poor health system. The share of people fully vaccinated was at 4% of total population as of December 2021. There is no serious investment perspective on the horizon for now, while the estimates of reconstruction costs of Syria's productive capacity range between USD 250 billion to 400 billion. Still, there is some hope emerging from the recent improvement of ties with some Arab countries. Although there are no specific commitments attached to these improvements, the Arab countries' willingness to reduce Iranian influence in Syria might result in financial assistance to revive its economy. However, the fact that Syria's territory remains dismantled will be the key obstacle to any investment decision. Consequently, lands under the control of the Assad regime would benefit from reconstruction efforts in the first place, but operating conditions for companies will remain very difficult.

Reconstruction efforts conditional on rapprochement with Arab countries and Western attitude

With the Assad regime gaining strength, supported by Russia and Iran, most Arab states are expected to keep up with their efforts to approach Syria, although they supported opposition forces against the regime since the start of the civil war in 2011. The Arab countries have already made steps in order to reduce the Iranian, Russian and Turkish influence, as well as Assad's reliance on Iran and Russia for the reconstruction of the country. After reopening its embassy in Damascus in 2018, the United Arab Emirates (UAE) announced a plan to develop economic relations with Syria and their foreign minister visited the country. The move came after the UAE and Iraq called in March 2021 for Syria to return to the Arab League, from which it was suspended in November 2011. In October, both leaders of Syria and Jordan had a phone call. Jordan fully reopened its border with Syria, which could offer some economic support. Egypt has also intensified its efforts to bring back Syria to the Arab League with a meeting between the Egyptian foreign minister and its Syrian counterpart late in September, for the first time since 2011. However, late in September 2021, the U.S. administration announced that it has no plans to normalise relations with Syria. This statement suggests that the U.S. will not remove the sanctions mandated by the Caesar Syria Civilian Protection Act implemented in June 2020, which punishes people or companies that do business or deals with sanctioned Syrians. On the other hand, Russia is lobbying Israel to encourage the U.S. to ease some of their sanctions, some media reported. Such a move would result in a reduction of Iranian companies' influence in the reconstruction process and allow Russian, as well as Arab companies, to take part. The Assad regime is striving to gain control of the south of Idlib canton, the last stronghold of the Syrian armed rebellion in the northwest, and of the northeast, which harbours the oil fields and currently administered by the U.S.-backed Syrian Democratic Forces (SDF), the main Kurdish fighting forces. Russian and U.S. forces are present in that zone. Additionally, long strips of land along the border with Turkey are under the control of Turkish-backed forces. Meanwhile, Israel regularly air strikes Iran's positions all over the country. Given the presence of these different actors with conflicting interests, perspectives of a peace deal remain remote. Consequently, the security situation will take long time to stabilise, continuing to weigh on the economic conditions and business environment. Coupled with the notorious political repression, this will not encourage the millions of displaced to come back.

TAIWAN (REPUBLIC OF CHINA)

COFACE ASSESSMENTS	
COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	23.6
GDP PER CAPITA US Dollars - 2020	28,358
CURRENCY New Taiwan dollar	TWD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.0	3.1	5.6	3.9
Inflation (yearly average, %)	0.5	-0.2	1.9	1.8
Budget balance (% GDP)	0.1	-1.0	-2.1	-1.5
Current account balance (% GDP)	10.6	14.2	15.0	14.5
Public debt (% GDP)	33.9	33.7	29.6	29.2

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	30%
UNITED STATES	15%
HONG KONG	14%
JAPAN	7%
SINGAPORE	6%

Imports of goods as a % of total

CHINA	23%
JAPAN	17%
UNITED STATES	12%
EURO AREA	10%
SOUTH KOREA	7%

- Robust external financial position
- Support for R&D through public expenditure
- 4th largest electronics producer in the world
- Diversified FDI portfolio in Asia

- Strained cross-straits relations
- Concentration in technology sector and Chinese demand
- Stagnant wage growth, low labour productivity and brain drain
- Lack of competitiveness in the services sector
- Infrastructure gap compared to other advanced Asian economies
- Ageing population
- Diplomatic isolation

RISK ASSESSMENT

Growth drivers broadening

Taiwan's economy continues to benefit from strong global demand in the goods market during the pandemic because of its heavy export-oriented structure, and its important position in worldwide electronics value chain. Merchandise exports (54% of 2019 GDP) rose by 30% in January-October 2021 from a year earlier, making exports of goods and services contribute 57% to the 6.7% GDP growth rate in that period. The export boom, especially in technology (ICT, electronics products), led to greater domestic investment in manufacturing capacity, expansion, replacement and productivity. Gross capital investment rose by 20% in the first three quarters of 2021.

We expect Taiwan to maintain a strong pace of export growth in 2022, albeit slower than in 2021, which will continue to support investment. However, the extent to which Taiwan's technology exports can increase may be constrained by a protracted tightness in supply conditions as increasing supply capacity, particularly in semiconductor production, requires time amid a strong and sustained demand.

Private consumption (52% of 2019 GDP) remained subdued in 2021, but should see some improvement in 2022 on improved employment conditions, and the quintuple stimulus vouchers (worth USD 5.8 billion). When at least 70-80% of the population are fully vaccinated, further economic reopening and an easing of border controls should help revive the tourism industry (4.4% of 2019 GDP). By early January 2022, just over 70% of the population had received two doses. Overall, the Taiwanese economy is expected to see growth momentum moderate in 2022 as gains from a low base effect fade. Meanwhile, inflation, which had risen in 2021 owing to higher energy and food prices, should moderate slightly in 2022.

Narrower budget deficit

The 2022 general government budget of TWD 3.4 trillion (USD 123 billion) is lower by 6.3% compared with 2021, with the central government budget focusing heavily on social welfare funding (25.9% of total spending), education, science and culture (19.8%), and defence (16.3%). The 2022 defence allocation (TWD 471.7 billion) is increasing by 4% from 2021, and is split three ways, including a special budget of TWD 40.1 billion to purchase F-16 fighter jets amid escalating tensions with China. Revenue growth will continue, with general government collection estimated to rise by 7% to TWD 3.1 trillion (15.7% of GDP) in 2022, and with a gradual reduction of pandemic-related spending, should entail a budget deficit narrowing. The lower amount of financing needed, coupled with the use of previous years' fiscal surpluses to pay for part of the planned expenditures, is expected to see outstanding public debt load decrease.

The current account balance will remain in a strong surplus, supported by a large trade surplus. Exports of technology-related goods, including semiconductors, will remain robust due to sustained global demand amid a broader move towards digitalisation. Continued export growth in transport services would also help support the current account. Concomitantly, imports should increase at a faster pace in 2022 as further vaccination progress would pave the way for domestic demand to move closer to normality. Taiwan remained the fifth largest net creditor in the world during 2020, with total external assets growing by 10.5% to USD 2.5 trillion, generating solid income. Its net external position is 205% of GDP, and the level of external debt (30% of GDP, but entirely private-owed) does not compromise the stability of the island's external position.

Heightened cross-straits tensions

Geopolitical tensions and potential military miscalculations remain significant risks to Taiwan's outlook. The landslide victory of President Tsai Ing-wen, and her Democratic Progressive Party (DPP) in the 2020 elections strengthened their position to oppose the "One China, Two Systems" framework (the so-called 1992 Consensus). Consequently, China has intensified military measures to pressure Taiwan, mounting record numbers of aircraft incursions in 2021. Despite pressure from hard-line pro-independence politicians, Tsai is unlikely to push hard for a formal independence through constitutional reforms, which itself would be a formidable task. Amending the constitution requires a high threshold (75%) of legislators to be present and to pass the vote, followed by a six-month period of public consultation before passing a referendum with at least 50% of votes cast in the previous presidential election. This means the ruling DPP would need a large number of opposition Kuomintang (KMT) lawmakers' support (over 20) to push the proposed reforms through the Legislative Yuan.

TAJIKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	D

POPULATION Millions of persons - 2020	9.5
GDP PER CAPITA US Dollars - 2020	844
CURRENCY Tajikistani somoni	TJS

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.5	4.5	5.0	5.5
Inflation (yearly average, %)	7.8	8.6	9.5	9.0
Budget balance (% GDP)	-2.1	-4.4	-4.5	-5.0
Current account balance (% GDP)	-2.3	4.3	-1.0	-1.5
Public debt (% GDP)	43.1	49.9	49.4	50.0

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	44%
RUSSIA	13%
TURKEY	11%
CHINA	11%
UZBEKISTAN	6%

Imports of goods as a % of total

RUSSIA	33%
SWITZERLAND	14%
UZBEKISTAN	9%
KAZAKHSTAN	9%
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, including China
- Member of China's Belt and Road Initiative (BRI)

- High dependence on the Russian economy, via transfers from expatriate workers (25% of GDP), and on China (seventh-largest export market, creditor and provider of two-thirds of total FDI)
- High dependence on commodities (cotton, aluminium), under-diversified economy
- Tightly controlled foreign exchange market and trade
- Weak and concentrated banking system; credit is expensive, underdeveloped, directed and dollarized (50% of total)
- Challenging geography (landlocked and 90% mountainous) and high vulnerability to natural disasters
- Inadequate infrastructure (energy, water, transportation, health)
- High poverty (27.4% of the population in 2018), poorly educated and unproductive workforce
- Limited role of the private sector, difficult business environment constraining FDI (1.8% of GDP)
- Poor governance (corruption, organised crime, politicised judiciary)
- Proximity of Afghanistan, destabilisation risk (terrorism on the rise, potential refugee flows)

RISK ASSESSMENT

Growth driven by remittances and exports

After being strong for 20 years, growth slowed significantly in 2020 due to the health crisis, but subsequently stabilised after a slight rebound in 2021. In 2022, it will be supported by an increase in private consumption (80% of GDP) and exports (17%). With the global economic recovery, and particularly the pickup in Russia, expatriate remittances (25% of GDP) will contribute positively. Public consumption (11% of GDP) will increase slightly, but less than in 2021, due to the country's weak public finances. Growth will, however, depend on the speed with which vaccinations are rolled out (only 38.7% of the population had received two doses by 13 January 2022), regular flights with the main countries that host expatriates, and a recovery in public investment (22% of GDP). The last of these is expected to be boosted by activity in the mining sectors, including aluminium, copper and gold.

The trade deficit will tend to widen compared with 2021. While exports of minerals, textiles and especially gold are expected to increase, electricity exports will probably be held back by the country's potential decision to cut off supply to Afghanistan for non-payment and by the delay of the Rogun hydroelectric project. Imports (55% of GDP) are set to grow faster than exports due to purchases of food and manufactured goods, despite substitution efforts.

This increase in imports, combined with a rise in world food prices, is fuelling inflation. Inflation is expected to move out of the 6% (± 2%) target corridor, but the central bank (NBT) will restrict somoni depreciation by tightening liquidity. The NBT has already hiked its policy rate, which it increased to the high level of 13.25% in October 2021 (up 230 basis points since early 2021). However, inflation expectations are weakly anchored and monetary policy transmission is weak. Accordingly, the NBT will likely tighten capital controls in 2021-2022.

Public debt is increasingly unsustainable

The fiscal policy is expected to remain expansionary, leaving the government deficit almost unchanged in 2022. Expenditures are expected to increase, in particular because of COVID-19 and financing for social programmes to address rising poverty. Expenditures could be higher still if steps are taken to recapitalise troubled banks or clear the arrears of state-owned enterprises, or if the currency depreciates more swiftly. Revenues will be constrained by the continuing impact of the pandemic, although a new tax code should revitalise them in 2022.

Public, external and foreign currency debt is estimated at around 50% of GDP for 2021-2022, with the main creditor being China's Eximbank (40% of the total). The country's second largest debt is its USD 500 million Eurobond issued in 2017 (7% of GDP). The authorities rely on international assistance to finance the debt burden. The International Monetary Fund (IMF) provided a rapid credit facility (RCF) worth USD 189.5 million (2% of GDP) in 2020, while the Asian Development Bank (ADB) supplied USD 323 million in grants (3.5%) for 2021-2023. As part of the Debt Service Suspension Initiative (DSSI), the Paris Club also suspended payments on debt obligations to Eximbank, the Kuwait Fund for Arab Economic Development (KFAED) and the German development bank, KfW. However, the country has started road works, which are costly given the rugged terrain and which will continue in 2022, thanks to multilateral loans (ADB, OPEC Investment Fund, etc.).

After a temporary improvement in 2020 due to the compression of imports, the current account deteriorated in 2021 with the recovery of domestic demand, and this trend is expected to continue in 2022. Despite the resumption of expatriate remittances, the end of pandemic-related restrictions will cause import volumes to return to pre-pandemic levels. FDI flows should also get back to pre-crisis levels (2% of GDP), enabling the current account deficit to be financed. Foreign exchange reserves will remain at around USD 2 billion (i.e. eight months of import coverage) covering about 50% of the total debt. Debt sustainability will depend on the willingness of multilateral donors to continue supporting Tajikistan.

Risk of destabilisation in the region

In October 2020, President Emomali Rahmon, who has held power since independence in 1992, was unsurprisingly re-elected with 91% of the vote for his fifth consecutive term. Previously, parliamentary elections for the lower house in March 2020 saw his People's Democratic Party of Tajikistan (PDP) retain three-quarters of the seats. The relatively elderly Rahmon appears to be preparing to hand over power to his son, who was elected speaker of the upper house in April 2020. Internationally, a violent border conflict broke out between Tajikistan and Kyrgyzstan on 28 April 2021 over an old water dispute. Despite a cease-fire in May, there were clashes in July, suggesting that the violence may not be over yet. Furthermore, the return of the Taliban to power in Afghanistan raises the question of coping with an influx of Afghan refugees in the country. Foreign policy, aimed at attracting investment, financial aid and military support from China, Russia and the United States, remains strong.

TANZANIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	58.0
GDP PER CAPITA US Dollars - 2020	1,110
CURRENCY Tanzanian shilling	TZS

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	5.8	2.0	4.0	5.0
Inflation* (yearly average, %)	3.4	3.3	3.5	3.7
Budget balance*/** (% GDP)	-3.1	-1.9	-3.4	-3.9
Current account balance* (% GDP)	-3.5	-1.6	-1.9	-4.5
Public debt* (% GDP)	39.7	38.7	40.4	41.0

(e): Estimate. (f): Forecast. * Last year: July 2021 - June 2022. ** Grants included.

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	19%
SWITZERLAND	14%
UNITED ARAB EMIRATES	12%
VENEZUELA	10%
INDIA	9%

Imports of goods as a % of total

CHINA	25%
INDIA	13%
EURO AREA	10%
UNITED ARAB EMIRATES	10%
JAPAN	4%

+

- Rich in mineral resources (gold, copper)
- Gas potential thanks to offshore reserves discovered in 2010
- Tourism attractions (national parks, coastline)
- Regional cooperation strategy, accelerated integration into the East African Community (EAC) under President Samia Suluhu Hassan
- International support in the form of concessional loans
- Development of monetary policy instruments

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- Heavily reliant on gold prices
- Agriculture (29% of GDP and 65% of employment) vulnerable to climatic conditions
- Inadequate infrastructure, especially in power and transportation
- Inconsistent industrial policy d poor business environment
- Religious tensions between Zanzibar and the mainland

RISK ASSESSMENT

Numerous infrastructure projects boost activity

Although the Tanzanian economy was hurt by the COVID-19 pandemic in 2020 and 2021, growth remained positive thanks to gold exports (40% of total exports) and the authorities' refusal to impose excessive health restrictions. In 2022, growth is expected to gain momentum on the back of private consumption (55% of GDP), supported by cuts to income tax and other levies, including VAT, as well by the 30% reduction in the mobile money tax following protests in July and August 2021. Investment (43% of GDP), both public and private, will continue to be stimulated by the country's numerous infrastructure projects (railway lines, ports, energy infrastructure and motorway upgrades). These include the upcoming construction phases of the Standard Gauge Railway (SGR) project, which aims to link Tanzania to Rwanda and Uganda, before crossing these two countries to reach Burundi and the Democratic Republic of Congo, as part of the East African Railway Master Plan. In addition, construction of the East African Crude Oil Pipeline (EACOP) to transport crude from Uganda's oil fields to the port of Tanga in Tanzania will continue, also attracting investment. Conversely, although talks between the government and international oil companies have resumed, the estimated USD 30 billion project for the development and liquefaction of offshore natural gas reserves is unlikely to get under way in 2022, as investments will only begin once an agreement is reached. The government hopes to see work start in mid-2023. Foreign trade is expected to contribute negatively to growth. The need to import materials for infrastructure projects, as well as medical equipment and vaccines, will push up the import bill. This will be only partially offset by increased export earnings (gold, gems, and tobacco). Tourism earnings are also poised to rebound, but will remain below their pre-crisis level. Despite the increase in imported goods and persistently high commodity prices, inflation will nevertheless remain below the central bank's 5% target.

Pandemic and development projects cause twin deficits to widen

Despite the reductions to taxes and other levies in 2021, budgetary revenues will increase in the 2021-2022 fiscal year thanks to the proceeds from import taxes. The government also plans to improve revenue collection by strengthening tax administration and implementing a «friendly" mechanism for collecting revenue from the informal sector (39% of GDP). However, this increase in revenue will not be enough to cover expenditures, which are themselves on the rise, causing the budget deficit to widen. Development expenditures (31.0% increase) and the Tanzania COVID-19 Socioeconomic Response Plan (TCRP) (10.0% of the initial budget) will contribute to this. Public debt, which is mostly external (73% at end-November 2021), will remain sustainable, as 71% of its external share is made up of concessional loans granted by multilateral and bilateral partners. Its domestic share is held mainly by commercial banks and pension funds. The current account deficit will widen significantly in fiscal year 2021-2022, due to strong demand for imported capital goods. The wider trade deficit will mask a rising surplus in the services account, which is expected to grow as tourism recovers. The primary income account (mainly investment income) is structurally in deficit, only half of which is offset by the surplus in the secondary income account, which is mainly fuelled by remittances. Concessional and non-concessional loans, FDI and project aid will easily cover more than 60% of the external financing requirement. The balance will be covered by exceptional financing granted by the IMF to fight the pandemic, comprising a first disbursement of USD 189 million in September 2021 and a second in November of USD 378 million. Reserves, which were bolstered in August 2021 by a USD 543 million SDR allocation from the IMF, will remain strong, covering about 6.8 months of imports as of November 2021.

New president breaks with predecessor's policies

John Magufuli died in March 2021 after being re-elected in October 2020 for a second five-year term, taking nearly 85% of the vote in a tense election. Vice President Samia Suluhu Hassan was sworn in as president to complete Magufuli's term (2025). Although she was unanimously elected president, her support within Chama Cha Mapinduzi (CCM), the party that has dominated the domestic political scene since the country's independence, is not entirely secure. Parliamentary speaker Job Ndugai resigned in January 2022 after his criticism of external borrowing angered Hassan. On the domestic front, the new president has taken steps to restore calm to the social climate. The complete reversal of the country's pandemic response strategy will help, as will cutting the mobile money tax. Externally, efforts to position the country as a regional trade hub could strengthen ties to neighbouring countries (e.g. pipeline project with Uganda, steps to strengthen the country's integration into the EAC). However, the October 2020 attack on Kitaya near the border with Mozambique showed that Tanzania is exposed to insecurity linked to its neighbour's Islamist insurgency, which is proving hard to contain.

THAILAND

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - **2020**	**69.8**
GDP PER CAPITA US Dollars - **2020**	**7,188**
CURRENCY Thai baht	**THB**

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	15%
CHINA	13%
EURO AREA	6%
HONG KONG	5%
VIETNAM	5%

Imports of goods as a % of total

CHINA	24%
JAPAN	13%
UNITED STATES	7%
EURO AREA	6%
MALAYSIA	5%

- Regional hub, long coastlines, proximity to fast-growing Asian markets
- Strong external accounts and substantial foreign exchange reserves
- Richly endowed in agricultural resources (natural rubber, rice and sugar cane)
- Diversified exports: tourism, machines, car parts, electronic components, agri-food products, fish and shellfish

- Inadequate 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	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.3	-6.1	1.0	3.9
Inflation (yearly average, %)	0.7	-0.8	1.2	1.0
Budget balance* (% GDP)	-3.0	-5.2	-5.7	-3.5
Current account balance (% GDP)	7.0	4.2	-1.8	2.0
Public debt (% GDP)	40.8	51.8	58.9	62.6

(e): Estimate. (f): Forecast. * Fiscal year 2022 from 1st October 2021 to 30th September 2022.

RISK ASSESSMENT

Cautious recovery

Thailand's economic recovery in 2021 was subdued as renewed mobility restrictions to contain fresh COVID-19 outbreaks weighed on economic activity, especially household consumption, and delayed the tourism rebound. We expect Thailand's growth momentum to accelerate in 2022, however, with external demand, particularly for merchandise exports (48% of GDP), remaining a key driver of growth over the year. Meanwhile, services exports, mainly tourism-related services, should gradually pick up. In 2021, tourist arrivals in the January-October period were less than 1% of 2019 levels (40 million). But as global travel restrictions are likely to be loosened in 2022, the tourism sector should see a gradual recovery, contingent on the development of the Omicron variant and further emergence of concerning variants, as well as any prolonged international travel restrictions in China (28% of 2019 tourist arrivals in Thailand).

Private consumption (49% of GDP) growth was meagre in 2021. While the pace is expected to accelerate in 2022 as mobility improves, the extent of growth may be restrained by a weak labour market, tepid wage growth and high household debt (85-90% of GDP).

Meanwhile, the government announced lower fiscal spending for fiscal year 2022 (FY22) at THB 3.1 trillion, down nearly 6% from FY2021 budget, though expenditure for Finance, Public Health and Social Development have been expanded. The allocation for public investment also fell to THB 465 billion, from THB 500 billion, with slow disbursement being an implementation risk. Thailand has planned a pipeline of 77 mega-infrastructure projects worth THB 1 trillion (USD 30 billion) between 2020 and 2027 to increase connectivity and support long-term economic development. Four such projects (THB 160 billions) focusing on mass rapid transit construction and highway improvements, under the public-private partnership arrangement, were announced in 2021.

Rising public debt

The large fiscal stimulus response to support the economy and public health saw Thailand's public debt increase from 41.2% of GDP at end-2019 to 59% in October 2021, though still below the raised debt ceiling of 70%. However, most of the public debt is long term (85.7%) and domestically sourced (98.2%). Foreign currency debt is only at 1.8% (of total public debt), with all of the direct government external debt borrowed from the World Bank, Asian Development Bank and foreign governments. Off-budget expenditure was, meanwhile, supported by legislated borrowing of THB 1.9 trillion in three emergency decrees during 2020, and a new set of emergency loans (THB 500 billion) in May 2021. While the budget deficit is expected to narrow in the fiscal year 2022 (FY22), the size of the projected fiscal shortfall nevertheless suggests that additional pressure remains on Thailand's public debt profile. Consequently, the authorities expect public debt to rise to 62.6% of GDP in FY22.

The current account balance is expected to have fallen into a slight deficit in 2021. The goods trade surplus should have shrunk as imports recovered faster, while the services trade deficit would have widened significantly, primarily due to a surge in freight payments, and severely-reduced tourism receipts. We expect the current account balance to return to a modest surplus in 2022, helped by an expected gradual recovery in tourism and a slight reduction in transport service payments. Growth in goods exports should remain solid on robust global demand. An improvement in the current account position would also support the baht, which has been one of the worst performing Asian currencies (-10% against USD in Jan-Oct 2021).

Return of protests

After fading for much of 2021, political protests returned to Bangkok later in the year after the easing of mobility restrictions, with demonstrators again calling for the PM's resignation, and reforms to the monarchy and government. The next general election must be held by the first quarter of 2023, but there is growing speculation of the polls being brought forward to as early as 2022. The ruling coalition has held a slim majority in the parliament (55%), with the Palang Pracharath Party the largest at 24%. Meanwhile, a constitutional amendment in September 2021 to restore the pre-2017 parallel voting system, where a voter casts two ballots, one for the constituency parliamentary candidate, and one for the party of their choice, is expected to favour larger parties in winning more seats.

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.

Although cash remains the dominant payment method in Thailand, telegraphic transfer of money is increasing its popularity along with the cashless trend accelerated by COVID-19.

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.

The Civil Mediation before Litigation

Recent amendments to Thailand's Civil Procedure Code in 2020 and already applied since November 2020 will allow parties to submit a matter for court-supervised mediation prior to the actual filing of the case. Encouraging mediation prior to filing a complaint is intended to save time and resources that would otherwise be expended on a trial. The meditation processes introduced by the new act are not subject to any court fees, exempting the postal fee in delivering the letter to the debtor.

Prior to filing a complaint, one of the parties in a dispute may petition the appropriate court to appoint a mediator to resolve the dispute. If the petition is accepted, and the opposing party consents to the mediation, the court will bring the parties together (with or without their lawyers) and appoint the mediator. If the mediation yields a successful settlement, the court will consider to:

1) Arrange a compromise agreement and assuming it is fair, made in good faith, and in accordance with both the law and the parties. In case if any parties breached the agreement, they are still able to bring the case to ordinary lawsuit process.
2) Or, the parties may agree and request the court to issue a judgment in accordance with the compromise agreement with mutually agreed by the parties. If the court agrees that it is necessary, it will issue the judgment accordingly. The judgment would be enforced if the debtor has failed to do so, leading to the execution process at the end.

The court's judgment is considered final and can only be appealed if there is an allegation of fraud against any party to the case, or if the judgment is alleged to go against either the agreement or a provision of law involving public order.

If, on the other hand, the mediation is unsuccessful, any limitation period that was either barred after the submission of the petition or will be barred soon will be extended for 60 days from the end of the mediation. After that, the creditor still has a right to file the case into the lawsuit as an ordinary proceeding.

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. 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 - 2020	1.3
GDP PER CAPITA US Dollars - 2020	1,348
CURRENCY US dollar	USD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth* (%)	1.8	-8.5	1.9	4.0
Inflation (yearly average. %)	0.9	0.5	1.6	2.5
Budget balance* (% GDP)	-30.5	-26.2	- 29.7	- 32.5
Current account balance* (% GDP)	7.9	-20.3	-31.1	- 40.0
Public debt* (% GDP)	9.6	12.3	16.5	18.5

(e): Estimate. (f): Forecast. * Non-oil GDP.

TRADE EXCHANGES

Exports of goods as a % of total

INDONESIA	34%
SOUTH KOREA	26%
JAPAN	15%
UNITED STATES	11%
CHINA	5%

Imports of goods as a % of total

INDONESIA	30%
SWITZERLAND	24%
CHINA	13%
SINGAPORE	9%
VIETNAM	6%

- Oil and gas reserves in the Timor Sea
- Sovereign wealth fund (1200% of GDP)
- Total dollarization limiting the inflationary risk
- Support from the Community of Portuguese Speaking Countries
- Attractive tourist destination (protected natural sites, rich cultural heritage)
- 44th out of 167 in the EIU Democracy Index 2020 (5th Asian country/ 7th with Australia and New Zealand)

- Vulnerability to natural disasters (landslides, typhoons, floods), underdeveloped infrastructure (health, education, transportation)
- Very high dependence on oil revenues and food imports (low agricultural development)
- Deficit in human capital
- Almost half of the population lives below the poverty line
- High unemployment rate among young people (40%)
- Weak banking intermediation

RISK ASSESSMENT

Economic growth supported by the rebound in public investment

Driven by a partial recovery in consumption and higher oil revenues, economic activity rebounded in 2021, regaining its pre-crisis growth rate. Growth will accelerate in 2022 with the gradual lifting of the state of emergency and the recovery of agriculture after Cyclone Seroja and the flash floods of 2021. After consumption growth (1.5% in 2021) was limited by the resurgence of COVID-19 cases and flooding in many areas, it is expected to pick up in 2022. The economy will be boosted by significant public investment in partnership with the private sector, mainly in infrastructure improvements, focusing on road construction, social housing, port development (Dili, Tibar) and tourism infrastructure (Cristo Rei), as well as the development of offshore fields (the Greater Sunrise gas project). The oil sector will also boost GDP growth through the infill drilling campaign led by the Australian oil company Santos. Scheduled to be completed in 2022, this project is expected to develop additional natural gas reserves to extend the life of the Bayu-Undan field, which is forecast to run out of resources by 2023. Oil production increased by 30.7% year-over-year in the second quarter of 2021 and is expected to continue on this upward trend in 2022. In addition, subject to the completion of the Tibar Bay deepwater port, scheduled for 2022, the country will benefit from improved access to the global market, enhancing its trade. This public-private partnership, awarded to the French company Bolloré Ports, will invest nearly USD 500 million over 30 years. While the agricultural sector will contribute massively to the rebound in exports (coffee) and imports (rice and corn), the services sector will still be severely impacted by international travel restrictions. Growth prospects in 2022 are subject to threat from climate-related risks (floods, deadly floods, typhoons) that could jeopardise crops and destroy infrastructure. In April 2021, for instance, floods destroyed 12% and 9% of the area planted with rice and corn, respectively.

Twin deficits financed by the Petroleum Fund

The government's stimulus plan, which calls for a 30% increase in public spending over three years, will increase the public deficit. Modelled on the 2021 budget, the 2022 budget, estimated at USD 1.7 billion, will emphasise investment in agriculture, tourism and social policy (increased budget for the construction of secondary schools and improved training for health personnel). All of these projects will be financed mainly by the Petroleum Fund (PF) and international aid, which provide 75% and 20% of government revenues, respectively. Although withdrawals from the fund are limited to 3% of estimated wealth (fund assets and anticipated hydrocarbon revenues), excess withdrawals are allowed and do take place. The government's management of the fund, which is financed by investment income and hydrocarbon revenues, is unsustainable, as it uses the fund to finance a large part of public spending. However, this approach also allows it to maintain a low level of debt.

The current account deficit will increase in 2022 due to the large trade deficit. The import bill for capital goods, which will be driven by public investment, and for cereals (representing about 40% of the country's total food needs), which will be pushed higher by the increase in global prices, will more than offset oil and gas revenues (95% of export earnings). The balance of services will also remain in deficit, with tourism not set to return to pre-crisis levels. Despite a decrease in the amounts from the PF, these funds, coupled with an increase in external public debt, which is entirely concessional and multilateral and which remains small, will finance the deficit.

A fragmented political scene featuring periodic power-sharing arrangements

In 2020, following the breakup of the governing coalition, Prime Minister José Maria de Vasconcelos, also known as Taur Matan Ruak, formed a new, quadripartite coalition, comprising the People's Liberation Party, the Revolutionary Front (Fretilin), to which President Francisco Guterres elected in 2017 and the prime minister both belong, the Democratic Party and the KHUNTO party. The new coalition's control of the majority of seats in parliament helped restore calm on the political front and ensure the implementation of reforms essential for economic recovery. However, the next presidential election in 2022, which will be followed quickly by a parliamentary election, is expected to be hotly contested between Fretilin and the main opposition party CNRT, and could mark a return to political instability and a fractious power-sharing arrangement, should the CNRT candidate win.

After numerous disputes over the maritime border with Australia, the two countries adopted a treaty in 2019 resolving the matter of the Greater Sunrise oil and gas field in favour of Timor-Leste. The allocation of the bulk of the field's revenues to Timor-Leste then eased tensions. The country's application to join ASEAN, submitted in 2011, is still under negotiation.

TOGO

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**8.3**
GDP PER CAPITA US Dollars - **2020**	**916**
CURRENCY CFA franc (WAEMU)	**XOF**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.5	1.8	4.7	5.8
Inflation (yearly average, %)	0.7	1.8	3.5	2.5
Budget balance (% GDP)	-0.9	-6.9	-5.9	-5.0
Current account balance (% GDP)	-0.8	-1.5	-2.6	-2.6
Public debt (% GDP)	52.4	60.3	62.4	61.4

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

TRADE EXCHANGES

Exports of goods as a % of total

BURKINA FASO	14%
MALI	13%
BENIN	10%
EURO AREA	9%
NIGER	9%

Imports of goods as a % of total

EURO AREA	23%
CHINA	20%
INDIA	7%
GHANA	6%
JAPAN	4%

- Mining resources (phosphate, limestone and clay transformed into clinker) and agricultural resources (coffee, cocoa, cotton)
- Has the only deepwater 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

- Severe 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
- Sickly banking sector, high bad-debt rate, especially among state-owned banks

RISK ASSESSMENT

Economic recovery supported by public investment

After suffering because of lockdown measures and the collapse of trade linked to the pandemic, economic activity recovered in 2021 and should firm in 2022. Household consumption (nearly 80% of GDP), which had contracted in 2020 due to impoverishment of the population, rebounded in 2021. It is expected to increase in 2022 as agricultural production, on which 60% of the working population depends, picks up. National producer support programmes, such as the National Agricultural Investment and Food and Nutritional Security Programme (PNIASAN), should stimulate agricultural production. However, the agricultural sector (40% of GDP) will remain vulnerable to bad weather, as illustrated by the impact of flooding in the north of the country, which led to a 43% decrease in cotton production in 2021. As part of the USD 7.8 billion National Development Plan 2018-2022, public investment in infrastructure will drive activity in 2022. It will include the construction and upgrading of rural roads linking the capital to other cities (Lomé, Kpalimé, Aného). In addition, the Adetikiopé industrial platform (PIA), which is focused on processing and exporting natural resources and which was opened in June 2021, could attract private investment. Improved port logistics should increase the development potential of the port of Lomé as a regional trade hub. In addition, the contribution of foreign trade should benefit from increased value added generated by the processing of agricultural (coffee, cocoa, cotton) and mineral (phosphate) export products. The continued recovery of the world economy will continue to stimulate external demand for these products. The services sector, which accounts for more than half of GDP, rebounded strongly in 2021, driven by the recovery of container traffic through the port of Lomé. However, global supply chain disruptions could affect these activities.

Twin deficits financed by international aid

The fiscal balance recorded a large deficit in 2021, because of spending to support the recovery, notably through increased capital investment. Although this spending is expected to remain a priority, the deficit should narrow in 2022, mainly due to the pickup in activity at the port of Lomé, which accounts for 60% of government revenue, excluding external aid. In 2022, public debt is expected to resume the downward trajectory initiated by fiscal consolidation efforts undertaken under IMF supervision, which were interrupted in 2020 and 2021 amid the pandemic. Although the financing arrangement with the IMF (2017-2020) expired at the onset of the COVID-19 crisis, Togo's authorities have expressed interest in a USD 240 million ECF programme from the IMF to support the post-COVID recovery.

The current account deficit is expected to stabilise. This deficit largely reflects the structural deficit in merchandise trade, with increased exports only partially offsetting the rebound in imports, which comprise purchases of capital goods and a high oil bill. The services surplus, which suffered from the pandemic, should continue gradually recovering to its pre-crisis level thanks to activity at the port of Lomé. The surplus in current transfers should likewise recover, benefiting from increased remittances from abroad against the backdrop of the global recovery. The primary income account will also remain in surplus. Owing to weak net capital inflows, external grants and loans, mainly on concessional terms, should largely finance the deficit.

Socio-political instability and security threats

President Faure Gnassingbé has been in power since 2005 and was re-elected in 2020 following elections marred by accusations of fraud. Notwithstanding his re-election, dissatisfaction with nearly six decades of Gnassingbe rule (Gnassingbe Eyadema, the current president's father, was president from 1967 to 2005) remains strong. In September 2021, the president had parliament vote to extend the country's state of health emergency, which had been in place since April 2020, for another year, allowing him to govern by decree. There are those who believe that the president is using these emergency measures to strengthen the regime's grip and repress opposition, which is fuelling discontent. The risk of social unrest therefore remains high. However, although public discontent is growing, the support of the military and security forces should ensure that the regime remains in place. Concerns about electoral fraud, widespread corruption and the rollback of basic freedoms could jeopardise the country's relationship with Western donors. The business environment is further threatened by the exposure of the north of the country to terrorist activity in the Sahel region (Burkina Faso, Mali and Niger). It could also be hurt by increasing piracy activity in the Gulf of Guinea, which could slow down activity at the port of Lomé and dampen the port's growth aspirations.

TRINIDAD AND TOBAGO

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	1.4
GDP PER CAPITA US Dollars - **2020**	15,425
CURRENCY Trinidad and Tobago dollar	TTD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.0	-7.5	-0.8	5.0
Inflation (yearly average, %)	1.0	0.6	1.5	2.0
Budget balance* (% GDP)	-3.6	-11.0	-10.5	-7.5
Current account balance (% GDP)	4.8	0.1	8.0	12.0
Public debt (% GDP)	60.8	82.0	87.0	88.0

(e): Estimate. (f): Forecast. * Fiscal year 2022 from 1st October 2021 to 30th September 2022.

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	39%
GUYANA	11%
EURO AREA	10%
BRAZIL	3%
CHINA	3%

Imports of goods as a % of total

UNITED STATES	38%
EURO AREA	11%
CHINA	10%
BRAZIL	5%
JAPAN	4%

- World's ninth-largest exporter of liquefied natural gas (2020)
- Large oil and gas reserves
- Petrochemical industry (global exporter of methanol and ammonia) supported by gas production (ranked 25th worldwide)
- Large sovereign wealth fund (25% of GDP) and currency reserves (seven months of imports)
- Lead country in the Caribbean Community (Caricom)

- Weakly diversified economy due to heavy dependence on gas and petrochemicals
- Ineffective public initiatives
- Uneven distribution of hydrocarbon wealth (20% of the population lives below the poverty line)
- Growing crime, especially linked to drug trafficking
- On Europe's list of non-cooperative tax jurisdictions since 2021

RISK ASSESSMENT

Recovery driven by exports of gas and gas derivatives

Trinidad and Tobago was hard hit economically by the COVID-19 pandemic through the energy sector (40% of GDP and 80% of exports), where demand fell and production was partially put on hold in 2020, tourism (8% of GDP in 2019), and the strict lockdown measures adopted to fight the spread of the virus. The recovery of the energy sector, in terms of both volume and price, enabled activity to stabilise in 2021. This upturn, which is set to continue in 2022, combined with an easing of health-related restrictions, should result in comfortable growth. The main driver will be exports of crude oil (11% of exports), liquefied natural gas (34%), methanol (14%) and ammonia (9%), as well as iron, steel and aluminium. However, the petrochemical and steel industries will remain dependent on local hydrocarbon supplies, which are in fierce competition with exports, even as the quantities of hydrocarbons extracted decrease amid a downward trend that predates the crisis. Illustrating this point, a shortage of available natural gas forced the closure in 2020 of Atlantic LNG Train 1, a major liquefaction plant belonging to the state-owned National Gas Company. The facility has yet to reopen. In parallel, however, new gas resources are being or will be developed from this year onwards, including a well east of the Cashima field, and the Cassia Compression project, which aims to maximise production from existing fields. Other sectors will be much less dynamic. Tourism, a major sector for the country, will recover gradually but is at the mercy of a potential re-imposition of restrictions on air travel. The agricultural sector, which is smaller (0.5% of GDP and 4% of employment), should also pick up, via citrus, flowers, cocoa, coffee and sugar cane crops.

On the demand side, private consumption could remain subdued due to the gradual lifting of health restrictions, the vaccination campaign backed by the WHO's COVAX Facility, which saw just 46% of people fully vaccinated by the end of November 2021, and the slow decline in the unemployment rate. For the same reasons, residential construction is expected to pick up tentatively. Public consumption will be hampered by fiscal consolidation, while the annual Public Sector Investment Programme (PSIP) will focus on enhancing productivity through improved infrastructure and on tackling climate change. The majority of private investment will continue to be in the gas sector.

An increased current account surplus and a shrinking public deficit

After vanishing in 2020, the current account surplus will resume the upward trend that began in 2021, driven by the rebound of hydrocarbon and petrochemical exports, whose prices will be kept high by strong global demand. The slow recovery of the tourism sector will only slightly mitigate the services deficit, which will persist, especially as freight costs are poised to remain high. The income account will remain in deficit due to income repatriation by the many foreign oil companies operating in the country.

The fiscal deficit widened significantly because of the support measures implemented during the pandemic and the fall in revenue from the energy sector (about 30% of government revenue). Next year, it will continue the improvement that began in 2021, on the back of increased energy revenue and improved tax collection, with the creation of a gambling tax in 2021. The government will continue to draw on its sovereign wealth fund, the Heritage and Stabilisation Fund, which finances part of the deficit. However, despite this additional but slight improvement, the public debt (whose external portion makes up between 25% and 30% of the total) will increase. In 2021, credit rating agency Moody's downgraded Trinidad and Tobago's rating from Ba1 to Ba2, due to the country's persistently high level of debt, dependence on the oil and gas sectors and under-diversification. However, the prospects for improvement over the coming years are positive, with the development of new gas resources.

Political stability undermined by high levels of insecurity

Prime Minister Keith Rowley, leader of the centrist People's National Movement (PNM), has been at the head of the government since 2015 and was re-elected in the 2020 elections to lead the country until 2025, with a narrow absolute majority in parliament (22 out of 41 seats against 19 for the United National Congress, the opposition party led by Kamla Persad-Bissessar, a former prime minister). In 2022, the government will have to continue dealing with high levels of corruption, rising crime and extensive drug trafficking, which reflect the country's institutional weaknesses. Trinidad and Tobago has the sixth-highest crime rate in the world. People are angry about the climate of insecurity, feeling that the police are not doing enough to protect citizens. Acting police chief Gary Griffith has spoken of a "fear factor" in police dealings with criminals. There are also tensions between Afro-Trinidadians, who vote for the PNM, and Indo-Trinidadians, who vote for the UNC.

The number of migrants from Venezuela trying to escape the economic and humanitarian crisis in that country is increasing, rising from 24,000 in 2020 to 30,000 in 2021. In response, the prime minister, who is a staunch ally of Nicolas Maduro, has no compunction about expelling migrants and opposes further opening of the borders.

TUNISIA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	11.9
GDP PER CAPITA US Dollars - **2020**	3,295
CURRENCY Tunisian dinar	TND

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	64%
LIBYA	5%
ALGERIA	3%
UNITED STATES	3%
MOROCCO	2%

Imports of goods as a % of total

EURO AREA	45%
CHINA	9%
ALGERIA	6%
TURKEY	5%
UNITED STATES	4%

- 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 (41%) - leading to increased social unrest and demonstrations
- Economy strongly impacted by COVID-19 and the political crisis
- Fragmentation of political representation reflecting that of society
- Tourism confronted with security problems, increased foreign competition, lack of investment, and little diversification in both range and themes

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.5	-9.2	3.0	3.3
Inflation (yearly average, %)	6.7	5.6	5.7	6.5
Budget balance (% GDP)	-3.9	-9.8	-8.3	-7.6
Current account balance (% GDP)	-8.4	-6.8	-7.3	-8.4
Public debt (% GDP)	74.2	89.7	90.2	92.7

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

RISK ASSESSMENT

The Arab Spring's "success story" at risk of democratic backsliding

Using a highly contentious reading of the 2014 Constitution, President Kaïs Saïed, elected in October 2019, suspended Parliament activity in late July 2021, dismissed the prime minister Hichem Mechichi and his government, and took the executive power. This was a response to social unrest, political stalemate, and quarrelling between president, prime minister and parliament. The Assembly of the Representatives of the People was deeply fragmented, with an opposition between the secularists and clerics (represented by Ennahdha, the conservative Islamist party, which holds 52 seats out of 217). In September 2021, Saïed suspended most of the constitution and declared that he would rule by decree, then, appointed a cabinet of technocrats in October. Although it is expected that Parliament will eventually be allowed to reconvene, M. Saïed will likely try to undermine its power. Even if he cannot amend the Constitution without a two-third parliamentary majority, the president is planning a constitutional referendum in July 2022. Furthermore, he will seek to capitalize his strong popularity by triggering snap elections in December 2022. The political and constitutional standoff will likely delay or water down structural reforms to the costly debt-laden SOEs. The business climate is further hampered by the high frequency of strikes. The government will be under increasing pressure from the U.S. and the EU to re-establish constitutional order, and reaching an agreement with the IMF will be crucial for avoiding a full-blown financial crisis.

Between the pandemic and the political crisis, the scope for recovery is limited

The health and political crises, combined with social unrest, continue to affect the economy. While the country has started to recover, convergence to pre-pandemic output will be heavily constrained by a slow vaccine rollout, the ongoing political crisis and the underlying threat of social unrest. These uncertainties, alongside still high unemployment (expected at 16% in 2022), are expected to undermine consumer confidence, weighing on the contribution of household consumption (75% of GDP). The unfavourable effect of uncertainty is even stronger for investment, as businesses will likely adopt a "wait and see" attitude until the political situation is resolved and a deal with the IMF is reached. Public investment will be constrained by the need to keep fiscal spending under control. The fragile banking sector will not be able to support the real economy in the event of an adverse shock, which poses a further downside risk to the investment outlook. The hard-hit services sector (50% of GDP), led by tourism, will rebound in tandem with the vaccination campaign. Still, tourist activity is not set to recover to pre-pandemic levels before 2024. The manufacturing industry (16% of GDP) is relatively well-diversified (hydrocarbons, chemicals, phosphates, basic electronics, automobile and aeronautical parts) and should benefit from recovering external demand, particularly from Europe. Olive oil producers (one of the rare sectors not to have suffered from the crisis) benefitted from the commodity price boom and should continue to prosper. Despite a rising energy import bill, higher exports and still subdued imports due to weak domestic demand will lead to a smaller negative contribution of net exports.

Without IMF support, a sudden stop crisis cannot be ruled out

Tunisia received assistance support from the EU in mid-2021 (EUR 300 million) and the African Development Bank (EUR 60 million) for economic recovery and social integration. This partly compensated the amortization of maturing loans and the pressure on foreign exchange reserves, which still stand at around 4 months of imports. However, the ongoing political crisis is putting strain on relationships with key foreign backers. Chief among these is the IMF: without a new extended facility, short-term financing needs are unlikely to be covered, posing a serious threat of restructuring or default. Nonetheless, a deal can be reached if the government makes the necessary fiscal commitments. Although still high, the fiscal deficit is expected to narrow as revenues pick up (modestly) and capital and current expenditures decline. Although the foreign currency share of debt is high (56% in Euro), around 70% of it is owed to multilateral and bilateral creditors. Moreover, the debt ratio will be vulnerable to currency depreciation. The external debt (over 90% of GDP) is expected to remain high and the majority of it (80%) will continue to be public or publicly-guaranteed debt. The dinar has remained stable in recent years, but failure to ensure debt sustainability could trigger capital flight and a currency crisis.

While the modest recovery in tourism will help improve the services balance, this will be more than compe nsated by a deterioration in the goods balance due to rising import prices (energy in particular). Hence, and in spite of positive contributions from the income and current transfers accounts, the current account deficit will widen. Failure to resolve the political crisis will result in lower FDI, adding further pressure on the dinar and on currency reserves.

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	A4

POPULATION Millions of persons - **2020**	**83.6**
GDP PER CAPITA US Dollars - **2020**	**8,610**
CURRENCY Turkish lira	**TRY**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.9	1.8	9.8	3.5
Inflation (yearly average, %)	15.2	12.3	19.6	48.0
Budget balance (% GDP)	-2.9	-2.9	-2.5	-3.5
Current account balance (% GDP)	0.9	-4.9	-2.5	-1.5
Public debt (% GDP)	32.6	39.7	36.5	36.5

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	32%
UNITED KINGDOM	7%
UNITED STATES	6%
IRAQ	5%
ISRAEL	3%

Imports of goods as a % of total

EURO AREA	27%
CHINA	10%
RUSSIA	8%
UNITED STATES	5%
IRAQ	4%

+

- Strong recovery from COVID-19 conditions
- Strategic geographic location, proximity to key export markets
- Very diversified manufacturing tissue, strong production knowledge
- Young population, educated workforce
- Narrowing current account deficit
- Renewables reaching 53% of Turkey's total installed power capacity

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- Dependence on imported energy and intermediate goods
- High inflation, local currency hitting record weak levels
- Vulnerability resulting from high level of short-term private external debt, low level of gross international reserves
- Credit-driven growth performance causing a high level of debt, overheating risk
- Uncertainty over the monetary policy

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Worsening inflation outlook amid slower growth in 2022

Turkey's strong growth performance will slow in 2022 mainly due to the negative base effect and lower growth in private consumption (60% of GDP). Persistently above-target inflation, negative real interest rates and the continued sharp lira depreciation (which lost around 60% of its value vs. USD in 2021) encouraged households to pull forward their purchases in 2021, which may weigh on their demand in 2022, despite an increase of 50% in the minimum wage for 2022. Producer prices rose by 80% on an annual basis in December 2021 on the back of the lira's sharp depreciation in November and December 2021, and the rise in global commodity prices in 2021. Thanks to the solid growth, companies will retain their pricing power and be able to pass a major part of their rising production costs on to consumers in 2022. Consequently, headline inflation would average around 50% in 2022. With the front-loaded central bank rate cuts (500 basis points between September and December 2021), the resulting lira depreciation and cheaper credit, the authorities aim to boost investment, exports, and employment. The government announcement of a new financial mechanism based on protecting local currency deposits from the lira's depreciation may shield the lira in the short-term. The central bank also announced a tool that would provide support to the conversion of FX and gold deposits into lira time deposits. On the back of three-year high capacity utilisation rates (78% as of December 2021), machinery and equipment investments had been increasing for eight consecutive quarters as of Q3 2021. However, uncertainty over the monetary policy and fragile financial stability may weigh on companies' decisions in 2022. Manufacturing activity is expected to remain resilient, driven primarily by exports, even though further depreciation of the lira may squeeze profit margins due to the companies' dependence on imported raw materials.

Narrowing current account deficit, strong public accounts

Exports outlook remains resilient for 2022, as companies will benefit from a weaker lira and diversification of supply chains globally. Continuous growth in Turkey's main markets such as EU countries, U.S., UK and the MENA region will also sustain exports. The key risk to this outlook is related to the lira's high volatility that complicates the pricing of exported goods and new COVID-19 variants that may cause a new round of social restrictions. Imports will continue to rise on energy needs, high level of global commodity prices and manufacturers' willingness to build inventories to counter supply issues. However, the slowdown in domestic demand will mitigate import growth. Rising tourism revenues will also contribute to the narrowing of the current account deficit. Turkey's need to attract foreign investments will remain elevated due to the high short-term external debt level (as of Q2 2021, gross international reserves covered 77% of short-term external liabilities) that leaves the economy vulnerable to the volatility in international investors' sentiment.

The public accounts should remain strong, although the government should increase current spending from the second half of 2022, ahead of the presidential election (June 2023). Although growth will still contribute positively to tax collection, higher fiscal spending would increase the budget deficit to GDP ratio. Additionally, the state-proposed protection of savings against lira depreciation may also create a burden on the budget. Despite the rise in 2020 due to the COVID-19 pandemic, the outlook of the public debt should not represent a key risk to Turkey's outlook, as it remains low as a share of GDP and its amortization small at 2.5% of GDP on average. However, it is important to note that rising stock of FX debt (60% of the total as of October 2021 compared with 45% in 2018) may represent a source of volatility.

Domestic political tensions may increase ahead of elections

As elections get closer (June 2023), risk of polarisation within the society may increase. However, this should not threaten the political stability of the country. Recently, moving beyond regional issues of contention, Turkey has restored its relations with the United Arab Emirates (UAE). In November 2021, both countries signed bilateral cooperation agreements in multiple fields including trade, energy and environment. According to some media reports, Saudi Arabia, Egypt and Israel have also taken action to create a new level of relations with Turkey. These improvements are expected to have positive economic contributions reciprocally.

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

<u>Debt execution procedure – *via* an Administrative Body</u>

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.

<u>Litigation procedure – examined by the Court</u>

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

<u>Ordinary bankruptcy</u>

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.

<u>Direct bankruptcy</u>

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 - **2020**	5.9
GDP PER CAPITA US Dollars - **2020**	7,674
CURRENCY Turkmenistan New Manat	TMT

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.3	-0.8	4.6	3.9
Inflation (yearly average, %)	5.1	10.0	10.0	10.0
Budget balance (% GDP)	-0.3	-1.4	0.4	0.1
Current account balance (% GDP)	5.1	0.5	0.4	-0.1
Public debt (% GDP)	32.8	30.9	26.7	25.5

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	69%
AFGHANISTAN	7%
UZBEKISTAN	6%
RUSSIA	5%
TURKEY	5%

Imports of goods as a % of total

TURKEY	26%
RUSSIA	21%
EURO AREA	17%
CHINA	13%
JAPAN	4%

+

- 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 (90% of exports, of which 83% gas)
- High dependence on China, which receives nearly 85% of gas exports
- Small private sector, anticompetitive market structures (state monopolies dominate the economy, management of credit and investment)
- Difficult business climate: strict trade, price and foreign exchange restrictions and controls hamper FDI
- Poor infrastructure (especially transport and health) and underdeveloped regional connectivity
- Weak governance (corruption, authoritarianism, repression, politicised judiciary, opaque statistical system)
- Porous border with Afghanistan (presence of the Taliban) and weak military resources

RISK ASSESSMENT

Growth driven by gas purchases by China and Russia

The double shock of the health crisis and the decline in world hydrocarbon prices, exacerbated by more muted Chinese demand, depressed growth in 2020. The rebound that began in 2021 will continue in 2022 on the back of increased demand for oil and gas and improved global prices, which should stimulate hydrocarbon production and exports. Moreover, record wheat harvests gave a boost to the agricultural sector, and cotton will likely meet government production targets. On the demand side, the negative effects of inflation on real household income dampened private consumption (20% of GDP) and services growth. Even so, both components are expected to recover in 2022, with each growing by 5% thanks to the lifting of pandemic-related restrictions. Public investment (50% of GDP) and net exports (25% of GDP) will continue to support growth. The trade surplus expected in 2021 will tend to shrink in 2022 as import growth accelerates due to a relaxation of import controls.

In July 2019, Gazprom, Russia's state-owned gas monopoly, announced a contract with the Turkmen government to import 5.5 billion m^3 of natural gas per year in 2019-2024. In August 2021, China's state-owned energy company, CNPC, said that China would receive an additional 17 billion m^3 of gas from Turkmenistan per year for three years in exchange for the installation of three new wells in the Galkynysh field. However, these plans to increase exports to China will be difficult to achieve without the rapid delivery of the fourth leg ("Line D") of the Central Asia-China gas pipeline, which is not expected to be completed until 2023. Diversification of Chinese supplies, particularly with Russia, could impact the terms of trade and will be offset only to a limited degree by the diversification of Turkmenistan's customer base. The Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, which is expected to double exports, is not going to come onstream until 2023, after several disputes over gas prices, difficulties in completing financing, and construction delays in Afghanistan. However, oil production and export capacity could increase with the extension until 2028 of the contract with Russia's Tatneft to increase extraction in the Goturdepe field.

Resilient public accounts and strict exchange controls

With increased gas export revenues, the budget balance will be in surplus in 2021 and 2022, with a current account surplus in 2021 and a small deficit in 2022. These strong performances should allow for the timely repayment of obligations relating to the country's external debt, almost all of which is sovereign. Furthermore, the government is focusing on its programme to digitalise public services by 2025, which should ensure higher tax revenues.

The parallel exchange rate, which is much weaker than the official exchange rate, appreciated slightly in June to TMT 32.7: USD 1 from TMT 39: USD 1 in April, so the gap between the rates has slightly narrowed. Import restrictions and the resulting shortages continue to drive inflation, particularly for foodstuffs. The government will continue to be able to control inflation by limiting the amount of cash in circulation and maintaining the official exchange rate at TMT 3.5: USD 1, together with price controls and the distribution of some foodstuffs at subsidised prices. Access to foreign currency will continue to be severely restricted, which could increase the black market rate. The authorities also plan to restrict international payments and prevent private companies from exchanging manat-denominated assets. State-owned enterprises must pay 100% (previously 50%) of their foreign exchange earnings to the sovereign wealth fund. These earnings are exchanged at the official rate.

Strengthening the president's grip on power

While the security policy was already extremely harsh, the pandemic was used as a pretext to restrict political freedoms. President Berdymukhamedov, who has been in power since 2006 and was re-elected for seven years in February 2017, retains complete control over the country's institutions with his Democratic Party of Turkmenistan. The decision to move from a unicameral to a bicameral parliament in January 2021 was adopted in late 2020. Berdymukhamedov unexpectedly ran for (and won) a seat on the "People's Council" (the new upper house of parliament) on 28 March 2021. His election flouts the constitutional ban on the president holding a seat in parliament and strengthens the already impregnable power of the executive over the legislature. In addition, the upper and lower houses are required, respectively, to automatically approve the president's nominees for key positions and to approve bills put forward by the president. While the president presented this reform as a measure to strengthen the legislature, it is primarily a strategy to consolidate his power and perhaps one day ensure the succession of his son, who was promoted to deputy prime minister in February.

The return of the Taliban to power in the region could lead to increased migration flows in the coming months. This situation could also undermine investor confidence.

UGANDA

COFACE ASSESSMENTS

COUNTRY RISK	C
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	41.2
GDP PER CAPITA US Dollars - 2020	925
CURRENCY Uganda shilling	UGX

TRADE EXCHANGES

Exports of goods as a % of total

UNITED ARAB EMIRATES	45%
KENYA	11%
EURO AREA	11%
CONGO DR	6%
TANZANIA	2%

Imports of goods as a % of total

CHINA	16%
INDIA	11%
KENYA	9%
TANZANIA	9%
EURO AREA	7%

- Natural resources: fertile soils, oil deposits, hydroelectric potential
- Diversification efforts, particularly in the agri-food sector
- International support for infrastructure projects
- Debt mainly on concessional terms
- Main coffee exporter on the continent, alongside Ethiopia

- Endemic poverty, persistent inequalities
- Inadequate infrastructure
- Lack of security in border areas (Democratic Republic of Congo and South Sudan) and recurring tensions with neighbouring Rwanda
- Poor progress in governance (particularly in terms of combating corruption)

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	6.4	3.0	4.2	5.5
Inflation (yearly average, %)	2.6	2.3	2.5	4.0
Budget balance* (% GDP)	-4.8	-7.1	-9.2	-6.4
Current account balance (% GDP)	-7.2	-6.7	-9.1	-9.5
Public debt* (% GDP)	36.6	40.5	50.2	53.0

(e): Estimate. (f): Forecast. * Fiscal year from July 1st to June 30th. 2022 data: FY2021/22.

RISK ASSESSMENT

Growth driven by domestic demand and hydrocarbons

Growth rebounded in 2021. It is expected to be more dynamic in 2022 thanks to household consumption. Household consumption is expected to improve as remittances recover and health restrictions are eased. Increased domestic demand will boost the services sector (50% of GDP). However, low rainfall forecasts and locust outbreaks could threaten the incomes of households dependent on agriculture (25% of GDP and 70% of the labour force). This will also affect inflation, which will nevertheless remain moderate. Furthermore, investments in hydrocarbons to exploit Lake Albert's resources and build a pipeline will also be an important driver of growth. Construction of the Tilenga and Kingfisher development projects, operated by TotalEnergies and China National Offshore Oil Corporation respectively, is expected to start in 2022, with exports expected to begin in 2025. In addition, the Karuma hydropower plant, which is expected to come online in 2022, will improve the country's energy supply, contributing to an improved operating environment. While donor funding will support public investment in infrastructure, reforms aimed at rebalancing the public accounts could dampen the authorities' ambitions. Investment will result in higher imports of capital goods, which will weigh on the contribution of net exports. This will be even more the case with a likely decline in gold revenues (44% of exports in 2020), following the suspension of its export by mining operators in response to the imposition of a 5% levy on refined gold and 10% on unrefined gold (July 2021). Exports will also continue to be constrained by the trade dispute with Kenya, which has, for instance, imposed a 7% surcharge on imports of Ugandan milk. However, coffee exports (12% of exports), supported by high prices, could buck this trend.

Twin deficits supported by international aid

The budget deficit is expected to narrow in 2021/22 as growth accelerates. Reforms in tax administration, the introduction of new taxes on internet packages and an increase in customs duties will help mobilise revenue. On the expenditure side, capital investment in infrastructure and security will be a priority. However, interest on debt, which represented more than 20% of fiscal revenues in 2020/21 (mainly due to interest on domestic debt), will continue to weigh on public finances. To support fiscal consolidation efforts, the country will benefit from IMF support under a three-year ECF programme for an amount of USD 1 billion. Moreover, the financing of the public deficit will rely mainly on concessional sources, notably multilateral creditors, who already hold more than 60% of external debt (64% of the public debt). Less concessional debt to China (20% of public external debt) is also expected to continue.

The current account deficit is expected to widen in 2022. The increase in export revenues linked to the recovery in activity will be offset by imports of capital goods, particularly those needed for hydrocarbon projects. The services deficit will also deteriorate, as the slow recovery in tourism receipts will not offset payments for transport and construction services in the Lake Albert development. Accelerated repatriation of profits by foreign firms and interest payments on debt will widen the primary income balance, while increased remittances and foreign aid will fuel the secondary income surplus. Financing of the current account deficit is expected to rely on international donor support and FDI in oil projects. A widening current account deficit will increase domestic demand for USD, encouraging a modest depreciation of the shilling, but the allocation of Special Drawing Rights in 2021 (worth USD 492 million) strengthened foreign reserves (covering four months' worth of imports).

Social frustration and security crisis

President Yoweri Museveni, in power since 1986, and his party, the National Resistance Movement (NRM), won the general election in January 2021. With more than 58% of the vote, the president won a sixth term, beating Robert Kyagulanyi (also known as Bobi Wine), a singer and member of parliament. However, given that the results have been subject to accusations of fraud, political tensions are expected to remain high. Surveillance of opponents, starting with Robert Kiagulanyi, who is again under house arrest in December 2021, is expected to amplify dissatisfaction with the regime's grip on power. His arrest in November 2020 sparked protests that were repressed by law enforcement, resulting in 54 deaths, according to Human Rights Watch. Poor socio-economic conditions and perceived corruption also fuel tensions. Concomitantly, the security situation has deteriorated with the activity of Allied Democratic Forces (ADF) insurgents affiliated with the Islamic State. In late 2021, they claimed responsibility for several attacks, including the double suicide bombing in Kampala (November 2021). In response, Uganda and the Democratic Republic of Congo launched a joint military operation in North Kivu and Ituri (DRC).

UKRAINE

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - 2020	41.5
GDP PER CAPITA US Dollars - 2020	3,741
CURRENCY Hryvnia	UAH

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.2	-4.0	3.7	3.5
Inflation (yearly average, %)	7.9	2.7	9.3	6.0
Budget balance (% GDP)	-2.2	-5.4	-4.9	-3.1
Current account balance (% GDP)	-2.7	3.4	-0.7	-2.0
Public debt (% GDP)	50.2	60.9	58.2	56.3

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

TRADE EXCHANGES

Exports of goods as a % of total

EURO AREA	22%
CHINA	14%
POLAND	7%
RUSSIA	6%
TURKEY	5%

Imports of goods as a % of total

EURO AREA	27%
CHINA	15%
RUSSIA	8%
POLAND	8%
UNITED STATES	5%

- Strategic position in Europe
- Association and Free Trade Agreement with the European Union (2016), enabling a reorientation of foreign trade
- Significant potential in agriculture, with 55% of arable land (wheat, maize, barley, rapeseed, sunflower, beet, soybeans), and in metallurgy (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, affecting territorial integrity and preventing EU entry
- Business environment marred by corruption (notably in the justice system), oligarchy and monopolies, weak property rights, a lack of competition and inefficient public services
- Low economic diversification, sensitivity to weather and commodity prices
- Declining demographics, regional inequalities featuring poverty and the informal sector
- Credit constrained by doubtful loans and high real interest rates
- Managed float of the hryvnia, continued restrictions on capital movements

RISK ASSESSMENT

Slow recovery

In 2021, the economic recovery was supported by a surge in household consumption and investments, however, a large part of growth was thanks to a favourable base effect and the pre-pandemic level was not reached. Moreover, Ukraine benefited from a strong rise in prices for its major export products, including cereals and iron. Higher volumes of exports, thanks to strong harvests, should still contribute to the first months of 2022. Household consumption (74% of GDP) will remain a growth driver, with inflation slowing down because of higher base effects and the price stabilisation of the highest inflationary components. Rising food and energy prices made inflation accelerate to 11% in September 2021, which triggered several interest rate hikes from the National Bank of Ukraine (reaching 8.5% as of November 2021).

The COVID-19 pandemic still poses a risk to the recovery process. The number of cases and hospitalisations have increased amid the slow vaccination process in autumn 2021. Indeed, Ukraine has among the lowest vaccination rates in Europe, with only 17.2% of the population fully vaccinated at the end of October 2021 and a high vaccine hesitancy. At the same time, companies are aware that it could limit the recovery process. According to the survey published in September 2021 by the American Chamber of Commerce and Citi Ukraine, 61% of surveyed companies indicated the possibility of a new lockdown as their biggest concern. On the other hand, 93% of surveyed companies advocated that eradicating corruption and implementing real judicial reforms are crucial steps the government should take to improve the business climate and attract foreign investment. Indeed, the weak process in implementing reforms affects the investment climate in the country, impacting the economy as a consequence.

Improving public finances under IMF supervision

Expatriates' remittances (10% of GDP, mostly from Poland, Hungary and the Czech Rep.) remain important, not only as a support for household consumption, but also as a contribution to external accounts. Indeed, the current account balance turned exceptionally positive (3.4%) in 2020 thanks, in particular, to the resilient inflow of remittances, while it would have fell beyond -6% without such a contribution.

The budget deficit has been narrowing since the pandemic year 2020 caused it to expand, and should gradually return to the pre-pandemic level, but probably only after 2022. Concomitantly, Ukraine's access to external financing remains important for public finances, especially short-term budget needs, including external debt repayments. Ukraine is due to receive USD 2.7 billion (10% of foreign currency reserves) as part of a Special Drawing Rights (SDR) allocation by the International Monetary Fund (IMF). The first tranche (USD 1.9 billion) was received in August 2021. In October 2021, it was announced that Ukraine would receive a USD 700 million disbursement and secure an extension to its USD 5 billion loan program through to June 2022. Previously, loan disbursals stalled over concerns about reforms and the independence of the central bank. Maintaining cooperation with the IMF is crucial for Ukraine's financial stability, especially considering the country's high external financing needs. Indeed, the external debt constitutes 54% of total State debt, mostly denominated in USD.

Government focused on anti-corruption reform

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. A few months later, his Servant of the People Party obtained the absolute majority (251 seats out of 450) in the legislative elections. However, Servant of the People has seen its support collapse in last two years. The latest polls show a drop in support, from the 43% of votes that it obtained at the time of election to 14% in October 2021.The next presidential and parliamentary elections are scheduled for 2024.

The government intends to demonstrate a progress in rebuilding anti-corruption infrastructure to improve the investment climate and secure the IMF financing. In its 2020 Corruption Perception Index, Transparency International ranked Ukraine 117 out of 180 countries globally, giving it 33 out of a maximum of 100 points, where zero indicates that "corruption effectively replaces the government". In October 2021, the parliament passed a new law strengthening the independence of the National Anti-Corruption Bureau of Ukraine.

Relations between Russia and Ukraine remain tough. In November 2021, reports and satellite imagery of Russian troops' movements towards the border caused renewed concerns about Russia's intentions following a similar build-up of troops in April. Moreover, if the Nord Stream 2 starts operating, Ukraine could lose a proportion of its gas transit revenues from Russia.

UNITED ARAB EMIRATES (UAE)

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A2

POPULATION Millions of persons - 2020	9.3
GDP PER CAPITA US Dollars - 2020	38,661
CURRENCY UAE dirham	AED

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	3.4	-6.1	3.7	4.0
Inflation (yearly average, %)	-1.9	-2.1	2.0	2.2
Budget balance* (% GDP)	0.6	-5.6	-0.5	-0.2
Current account balance (% GDP)	8.5	5.9	8.0	9.5
Public debt (% GDP)	27.1	39.4	37.5	38.5

(e): Estimate. (f): Forecast. * Includes investment income.

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	13%
JAPAN	9%
CHINA	9%
SWITZERLAND	5%
EURO AREA	5%

Imports of goods as a % of total

CHINA	16%
EURO AREA	13%
INDIA	11%
UNITED STATES	8%
JAPAN	5%

+
- Higher, and progressing, degree of economic diversification compared with neighbouring countries
- Regional trading hub
- Strong financial buffers
- Political stability

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- Rising regional challenges against the UAE's trading hub position
- High level of dependence of fiscal revenues on hydrocarbon
- Gradually increasing public debt
- Dependence on foreign workforce (85% of the population is foreign)

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Growth will accelerate in 2022

The UAE are among the countries having the highest vaccination rate in the world. As of December 2021, nearly 90% of the population had been fully vaccinated. Coupled with the Expo 2020 (to be held until March 2022), the removal of the COVID-related restrictions will allow growth performance to accelerate in 2022. Private consumption (35% of GDP) should again be the key driver on the back of economic normalisation, rising confidence, and some reforms implemented by the authorities to attract foreign workers and residents who had deserted in 2020 (i.e. long-term residence visa, retirement visa, prohibition on keeping employees' passports, etc.). The Expo 2020's boost to employment will also sustain household spending. Tourism revenues (around 8% of GDP in 2019) could increase by around 8% in 2022 from the previous year to reach USD 33 billion. The withdrawal of OPEC+ production restrictions in 2022 will be the other principal growth driver. After rising by a weak 2% in 2021, the UAE's hydrocarbon production (around 30% of GDP) should increase by nearly 11%. Investments (20% of GDP) will also rise, backed by the economic diversification plan of Abu Dhabi. The emirate announced plans to invest USD 6 billion over the next five years in cultural and creative industries to reduce its dependence on oil, after around USD 2.5 billion being spent in the past five years. On the other hand, Abu Dhabi National Oil Company (ADNOC) launched a five-year USD 122 billion plan to increase its crude oil production that will support both investment and export. The authorities are also making efforts to develop the natural gas industry. In November 2021, ADNOC announced investments worth up to USD 6 billion to enable drilling, boost its oil production to 5 million barrels per day (m/d) by 2030 and reach gas self-sufficiency. The construction sector (9% of GDP) is expected to grow by around 3% in 2022 after collapsing by 10% in 2020 due to the sharp fall in tourism and expatriate population. The delayed Expo 2020 has helped the construction sector in 2021, but the project pipeline for commercial and residential buildings will be weaker in 2022 as many of the projects have been completed. Nevertheless, projects such as Heart of Europe, Hassyan IWP project and Ruwais expansion will continue to sustain the sector.

Current account surplus will rise on higher oil prices

High oil prices (20% of total merchandise exports) and the removal of OPEC+ cap on oil output will allow hydrocarbon exports to increase by around 5% YoY in 2022. Regarding non-oil exports, the growth in the key trading partners, such as Saudi Arabia, the U.S., China and India, will result in higher demand for polymers, chemicals, jewels, gold and diamond re-exports, sulphur, limestone, cement, glass, metals, machines, etc. The rise in tourism revenues on the back of Expo 2020 will improve the trade in services surplus during 2022. The high level of vaccination and the removal of all travel restrictions for vaccinated people will allow the country to benefit greatly from international tourist inflows. A downside risk to this outlook relates to the new variants of COVID-19, which would result in a closure of borders. On the other hand, the secondary income deficit should widen because of higher remittances outflows from expatriates. In 2020, net private transfers were close to 10% of GDP. The UAE will continue to benefit from large financial buffers. By mid-2021, the central bank had nearly USD 110 billion in foreign exchange reserves, equivalent to more than five months of imports. Additionally, the country has around USD 700 billion of assets in its sovereign wealth funds. High oil prices will also boost fiscal revenues, 50% of which are generated by hydrocarbons. Meanwhile, rising private consumption will increase non-hydrocarbon revenues. The global economic recovery will allow the government to benefit from higher investment income from the sovereign wealth fund (estimated at around USD 24 billion in 2022, about 20% of total revenue). Spending is expected to remain the same in 2022 at 59 billion dirham, so that rising revenues will allow the authorities to narrow the fiscal deficit.

Political stability will remain, regional competition on the rise

The UAE should remain one of the most politically stable countries in the Gulf region. It will continue to have close relations with the U.S. Improved relations with Israel will open doors for new investments and trade opportunities particularly in the tourism, infrastructure, and technology sectors. Economic ties between the UAE and Turkey are also growing stronger, which will offer greater opportunities especially for trade and investment. Rising competition with Saudi Arabia may be economically challenging as some Saudi decisions (i.e. pushing multinationals to move their operations to Saudi Arabia,) threaten the UAE's global and regional shipment and trade hub position. However, this competition is expected to remain on the economic front and not affect their political cooperation. A series of programs worth USD 150 billion announced in September 2021 by the UAE to diversify its economy away from oil will feed that competition.

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.

<u>Fast-track proceedings</u>

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.

<u>Ordinary proceedings</u>

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.

UNITED KINGDOM

COFACE ASSESSMENTS

COUNTRY RISK	A3
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	67.1
GDP PER CAPITA US Dollars - 2020	40,394
CURRENCY Pound sterling	GBP

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.3	-9.8	6.7	3.2
Inflation (yearly average, %)	1.8	0.9	2.4	4.0
Budget balance* (% GDP)	-2.3	-12.9	-9.5	-5.9
Current account balance (% GDP)	-2.7	-2.6	-2.8	-3.1
Public debt (% GDP)	83.8	102.3	103.2	104.3

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	14%
GERMANY	10%
IRELAND	7%
NETHERLANDS	6%
FRANCE	6%

Imports of goods as a % of total

CHINA	12%
GERMANY	11%
UNITED STATES	9%
NETHERLANDS	7%
FRANCE	5%

+

- Hydrocarbon production covers three-quarters of energy needs
- Cutting-edge sectors (aerospace, pharmaceuticals, automotive)
- Financial services
- Competitive and attractive tax regime

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- High public debt and household debt (120% of disposable income, more than three-quarters in mortgage loans)
- 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
- Strained relations with the European Union (especially over Northern Ireland) despite the signing of the trade agreement

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Recovery held back by inflation and supply problems

While it was one of the hardest hit countries health-wise and economically, the United Kingdom (UK) was also among the first economies in the region to rebound, as it rolled out one of the world's earliest vaccination campaigns. However, at the end of September 2021, GDP was still 2% below its pre-crisis level, while it was, on average, only 0.5% lower in the Eurozone. In 2022, activity is expected to continue to catch up, while still cooling fairly sharply. However, provided that the vaccination of a large proportion of the population (70% of people were fully vaccinated in November 2021) makes it possible to avoid introducing restrictions that would depress activity, household consumption should remain strong. For one thing, household purchasing power was relatively spared during the crisis, thanks to the massive furlough scheme (GBP 69 billion, or 3.1% of GDP, double that of the region's main economies) and grants for self-employed people, resulting in the savings rate still standing at 11% of gross disposable income in mid-2021, compared with 6% before the pandemic. For another, the national living wage (minimum wage) will be raised by 6.6% in April 2022, and employment is expected to continue to grow, despite the recruitment difficulties illustrated by the record number of vacancies (1.2 million in October 2021, compared with 800,000 before the crisis). Furthermore, business investment, which started to pick up slowly in 2021, should accelerate this year as companies look to boost production capacity to meet strong demand, especially as the 130% "super deduction" for capital expenditure will remain in force until March 2023. However, as in the second half of 2021, supply problems will limit the rebound in activity, especially since the hiring difficulties reported at the end of 2021 - by 19% of companies in construction, 22% in industry and 38% in hotels and restaurants – are set to persist into 2022. Furthermore, inflation will remain high in the first part of the year, driven, as in the rest of the region, by rising energy prices and production costs, but also by the minimum wage hike. As a result, the Bank of England (BoE) will have to continue to raise its interest rate, after an initial increase from 0.1% to 0.25% at the end of 2021, in order to curb inflationary pressures. After remaining very low throughout the crisis, the number of insolvencies started climbing again in August 2021 as support measures were phased out. In 2022, insolvencies are expected to continue on this trend.

Fiscal tightening *via* contributions and income tax

After two years of large deficits due to successive rounds of emergency measures between 2020 and 2021 worth a total of 19% of GDP, the public accounts will begin to rebalance in 2022. This will mainly be made possible by the increase in revenue driven by the recovery in activity and employment, but also by the 1.25-point hike in social security contributions (additional GBP 15 billion, 0.7% of GDP) and the four-year freeze on the top income tax bracket (additional GBP 3 billion in 2022). Concomitantly, despite additional investment in transport infrastructure (additional GBP 7 billion) and health (GBP 6 billion), spending will grow less quickly as support measures are discontinued. However, public debt will remain very high. In this context, the BoE has purchased a massive amount of government bonds on the financial markets, totalling GBP 895 billion. However, in August 2021, the BoE announced its intention to stop reinvesting maturing assets once its policy rate reaches 0.5%. The BoE will therefore start to scale back its stock of assets as early as 2022.

The current account is persistently in deficit, and 2022 will be no exception. Although the UK runs a large structural services surplus (5% of GDP in recent years), thanks to financial and insurance services (two-thirds of the surplus), this does not fully compensate for the goods deficit (6% of GDP). As a key hub in the international financial system, the country easily finances its current account deficit through foreign portfolio investment.

Boris Johnson undermined by scandals

Prime Minister Boris Johnson, who has been in power since being elected as head of the Conservative Party in July 2019, succeeded in his gamble to dissolve parliament, strengthening his majority in the December 2019 elections, winning 365 seats out of 650 (50 more than in 2017). After seeing his popularity fluctuate with his handling of the health crisis - the success of the vaccination campaign propelled his popularity rating to 48% in May 2021 - Boris Johnson was well behind with Labour leader Keir Starmer in polls conducted in January 2022 (28% vs 38%), after admitting attending a drinks party during the first lockdown in May 2020. In this context, a party leadership contest cannot be ruled out in 2022.

PAYMENT & DEBT COLLECTION PRACTICES IN THE UNITED KINGDOM

Payment

Cheques are frequently used for domestic and international commercial payments, although bills of exchange and letters of credit are preferred for international transactions. Bank transfers – particularly SWIFT transfers – are also often used and are viewed as a fast and reliable method of payment. Direct Debits and Standing orders are also recognised as practical solutions for making regular or anticipated payments and are particularly widely used in domestic transactions. It is acceptable to issue invoices both before and after the supply of goods or services.

Debt Collection

Amicable phase

The debt collection process usually begins with the debtor being sent a demand for payment, followed by a series of further written correspondence, telephone calls and (if the value of the debt permits), personal visits and debtor meetings. The collection process has been designed as a progression of stages, beginning with an amicable (pre-legal) collection phase and escalating up to litigation, should the debtor fail to meet his obligations.

Legal proceedings

The County Court only has civil jurisdiction. Judges handle claims for debt collection, personal injury, breach of contract concerning goods or property, land recovery and family issues (such as divorce and adoption). Cases valued at less than GBP 25,000 (or under GBP 50,000 for personal injury cases) must have their first hearing in the county court.

The High Court is based in London, but also has provincial districts known as "District Registries" all over England and Wales. It has three divisions: the Queen's Bench Division, the Chancery Division, and the Family Division.

The Court of Appeal has two divisions – the Civil Division and the Criminal Division.

The Supreme Court is composed of a president, a deputy president, and twelve professional justices.

Fast-track proceedings (Summary Judgments)

In order to apply for a summary judgment, the claimant must obtain an Application Notice Form from the court. This should be supported by a Statement in which the claimant sets out why he believes that summary judgment should be given – either because the defendant has no real prospect of successfully defending the claim, or because there is no reason why the case should be decided by a full trial.

A copy of this statement is served on the opponent seven days before the summary judgment hearing. The opponent also has the opportunity of presenting a statement, but this must be sent no later than three days before the hearing. The claimant cannot apply for summary judgment until the debtor has either returned an acknowledgment of service form, or has filed a defence. If the court agrees with the claimant, it will return a favourable judgment. The application will be dismissed if the court does not agree with the claimant.

Ordinary proceedings

There are now identical procedures and jurisdictions for the County Court and the High Court. A number of litigation "tracks" have been created, each with their own procedural timetables. Claims are allocated to a track by a procedural judge, according to their monetary value. There are transaction processes that need to be followed before initiating a court action. These processes have been designed to encourage the parties concerned to settle disputes without the need for court proceedings, thus minimising costs and court time.

Proceedings formally commence when the claimant (formerly "the plaintiff") files a Claim Form with the County Court or the High Court. Full details of the complaint are set out in the Particulars of Claim, which is usually a separate document which supports the Claim Form. The Claim Form must be served on the defendant by the court, or by the claimant. The defendant can then respond to the claim form within 14 days of service. A time extension of 28 days is agreed for the debtor to file a defence and/or a counter-claim. Once these formal documents have been exchanged, the court orders both parties to complete an "Allocation Questionnaire".

Freezing order (formerly Mareva injunction)

A freezing order (or freezing injunction) is a special interim order which prevents the defendant from disposing of assets or removing them from the country. One of the conditions attached to the granting of such an order is often that the applicant will pay full costs to the person against whom it was made, if it turns out to be inappropriate. A typical commercial dispute can take 18-24 months to reach a judgment, starting from the time legal action is first initiated.

Enforcement of a Legal Decision

A number of enforcement mechanisms are available. These include the Warrant of Execution (which allows a County Court Bailiff to request payment from the debtor) and the Writ of Fieri Facias for debts exceeding GBP 600, under which a High Court Enforcement Officer can make a levy on goods to the equivalent value of the judgment debt (for subsequent sale at auction and offsetting against the amount due).

As a member of the European Union, the UK has adopted several enforcement mechanisms for decisions rendered in other EU countries. These include EU payment orders which are directly enforceable in domestic courts and the European Enforcement Order, for undisputed claims. Judgments issued in non-EU countries are recognised and enforced if the issuing country has an agreement with the UK. If no such agreement is in place, an *exequatur* procedure is provided by English Private International Law.

Insolvency Proceedings

Administration

Administration is intended as a rescue mechanism which enables companies (wherever possible) to continue with their business operations. The procedure is initiated either by applying to the court for an administration order, or by filing papers with the court documenting the out-of-court appointment of an administrator.

Company Voluntary Arrangement (CVA)

The CVA is an informal but binding agreement, between a company and its unsecured creditors, in which the company's debts are renegotiated. It can be used to avoid or support other insolvency procedures, such as administration or liquidation. It provides for a restructuring plan which imposes the support of dissenting creditors.

Creditor's Scheme of Arrangement

The Creditor's Scheme of Arrangement is a court-approved compromise or arrangement, between a corporate debtor and all classes of its creditors, for the reorganisation or rescheduling of its debts. It is not an insolvency procedure and does not include a moratorium on creditor action. It can, however, be implemented in conjunction with formal insolvency proceedings, (administration or liquidation). It can also be implemented on a standalone basis by the debtor company itself.

Receivership

There are three types of receivers. The first of these is a receiver appointed with statutory powers. The second type of receiver is one who is appointed under the terms of a fixed charge or a security trust deed. The third category is an administrator (who is appointed under the terms of a floating charge over all, or a substantial share, of the debtor company's property.

Liquidation

A company can enter voluntary or compulsory liquidation. Voluntary liquidations can be either a "members' voluntary liquidation" or a "creditors' voluntary liquidation". Both of these proceedings are initiated by the company itself, by passing a resolution during a meeting of members. The company then ceases trading and a liquidator collects the company's assets and distributes the benefits to the creditors so as to satisfy, as far as possible, the company's liabilities.

NUMBER OF CORPORATE INSOLVENCIES

Source: The Insolvency Service, Coface

UNITED STATES

COFACE ASSESSMENTS

COUNTRY RISK	A2
BUSINESS CLIMATE	A1

POPULATION Millions of persons - 2020	329.8
GDP PER CAPITA US Dollars - 2020	63,358
CURRENCY US dollar	USD

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.3	-3.4	5.7	3.7
Inflation (yearly average, %)	1.8	1.2	4.7	4.8
Budget balance* (% GDP)	-4.7	-15.0	-12.4	-5.6
Current account balance (% GDP)	-2.2	-2.9	-3.5	-3.5
Public debt (% GDP)	108.6	132.8	129.9	127.0

(e): Estimate. (f): Forecast. * Fiscal year from October 1 to September 30. 2022 data: 2021/22.

TRADE EXCHANGES

Exports of goods as a % of total

CANADA	18%
EURO AREA	15%
MEXICO	15%
CHINA	9%
JAPAN	4%

Imports of goods as a % of total

CHINA	19%
EURO AREA	16%
MEXICO	14%
CANADA	12%
JAPAN	5%

- 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

- 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 income and wealth inequalities overlapping with territorial and racial inequalities

Sector risk assessments

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

*ICT: Information and Communication Technology.

RISK ASSESSMENT

Rapid growth despite inflation

Thanks to a sharp growth recovery in 2021, driven by a rebound in private consumption and accommodative fiscal and monetary policies, America was the first G7 country to see GDP return to pre-pandemic levels. Although activity will slow in 2022, it will remain strong, still driven by household consumption, which accounts for more than two-thirds of GDP. If the health situation surrounding the COVID-19 pandemic makes it possible to avoid re-imposing restrictions, household spending will be supported by pent-up demand for services. Consumption will also benefit from the surplus savings accumulated during the crisis (about USD 2.5 trillion). A tightening labour market, with unemployment falling to 3.9% at the end of 2021 from a peak of 14.8% in April 2020, will drive wages, but inflation will erode purchasing power. After soaring in 2021, mainly on energy and vehicle prices, inflation will remain high in 2022. However, it should gradually ease, as imbalances between supply and demand abate. Policy tightening by the Federal Reserve (Fed) will also help to bring inflation closer to its 2% target, although it will probably continue to exceed this level at the end of 2022. The Fed is expected to raise its policy rate by 25 basis points at least three times this year. Despite less favourable financial conditions, the expansion of production capacity to address supply difficulties will promote investment. Investment will likewise begin to be supported by the infrastructure plan enacted in November 2021. Primarily targeting transportation infrastructure, the plan includes USD 550 billion in new spending over the next decade. However, even if the social and environmental spending plan under the Build Back Better Act (BBBA) is approved, the fiscal impulse will remain negative due to the withdrawal of pandemic-related aid. Despite a recovery among the country's major trading partners and a gradual easing of supply chain constraints, domestic demand is expected to result in a negative growth contribution by net exports.

Twin deficits remain higher than before the pandemic

In 2022, the federal government deficit will continue to decline, mainly due to the withdrawal of most of the aid provided in response to the crisis and pandemic, while buoyant economic activity will support increased tax revenues. However, the deficit is expected to remain high, reflecting the impact of expenditures associated with the infrastructure plan. Spending under the BBBA and approved by the House of Representatives (estimated at about USD 1.7 trillion over 10 years) could also add to the deficit if passed by the Senate. The impact is expected to be partially cushioned by revenue-raising measures, such as a 15% minimum tax on companies earning over USD 1 billion in profits and a surtax on millionaires. While public debt is high, interest payments (1.6% of GDP in 2021) remain low. In addition, the country enjoys unparalleled financing flexibility through its status as issuer of the USD, the world's main reserve currency.

In 2022, the current account deficit will remain substantial, driven mainly by a large trade deficit (4.7% of GDP). Brisk domestic demand, business inventory rebuilding and the gradual easing of supply chain tensions will continue to generate strong imports. The surplus in the services account (0.9% of GDP) could gradually increase as travel restrictions are relaxed. The positive primary income balance (1% of GDP) is expected to rebound with increased profit repatriation by multinational corporations. The current transfers' deficit will remain stable at around 0.6% of GDP. The attractiveness of U.S. assets and the USD generates the capital flows needed to finance the deficit.

Another divisive campaign on the horizon

Democrat Joe Biden became president in January 2021 after a tumultuous transition, marked by the 6 January assault on the Capitol by supporters of his predecessor, Republican Donald Trump. The passage of a massive USD 1.9 trillion stimulus package, the American Rescue Plan (March), and an infrastructure investment plan (November) were the main legislative advances during his first year in office. After missing the end-of-year deadline, the BBBA could be adopted in early 2022. With Democrats enjoying a Senate majority only thanks to the vote of Vice President Kamala Harris, internal wrangling could further delay the bill's passage. The prospect of the midterm elections in November 2022 will add to the intense political pressure surrounding the legislation. The Democrats' razor-thin majority in both houses of Congress seems at risk, as growing concerns about inflation are contributing to a decline in the president's popularity. The political environment remains highly polarised between the two major parties, as evidenced by the difficulties in reaching an agreement to raise the debt ceiling. Externally, the Biden administration is working to break with its predecessor, pledging to return to a multilateral approach and re-engage with traditional partners, although some disagreements remain. For instance, it has rejoined the Paris climate agreement and the WHO. Tensions with China continue to run high, as evidenced by the diplomatic boycott of the Beijing Winter Olympics.

PAYMENT & DEBT COLLECTION PRACTICES IN THE UNITED STATES

Payment

Exporters should pay close attention to sales contract clauses on the respective obligations of the parties and determine payment terms best suited to the context, particularly where credit payment obligations are involved. In this regard, cheques and bills of exchange are very basic payment devices that do not allow creditors to bring actions for recovery in respect of "exchange law" (*droit cambiaire*) as is possible in other signatory countries of the 1930 and 1931 Geneva Conventions on uniform legal treatment of bills of exchange and cheques.

Cheques are widely used but, as they are not required to be covered at their issue, offer relatively limited guarantees. Account holders may stop payment on a cheque by submitting a written request to the bank within 14 days of the cheque's issue. Moreover, in the event of default, payees must still provide proof of claim. Certified checks offer greater security to suppliers, as the bank certifying the cheque thereby confirms the presence of sufficient funds in the account and makes a commitment to pay it. Although more difficult to obtain and therefore less commonplace, cashier's checks – cheques drawn directly on a bank's own account – provide complete security as they constitute a direct undertaking to pay from the bank.

Bills of exchange and promissory notes are less commonly used and offer no specific proof of debt. The open account system is only justified after a continuing business relationship has been established.

Transfers are used frequently – especially *via* the SWIFT electronic network, to which most American banks are connected, and which provides speedy and low-cost processing of international payments. SWIFT transfers are particularly suitable where real trust exists between the contracting parties, since the seller is dependent on the buyer acting in good faith and effectively initiating the transfer order.

For large amounts, major American companies also use two other highly automated interbank transfer systems – the Clearing House Interbank Payments System (CHIPS), operated by private financial institutions, and the Fedwire Funds Service System, operated by the Federal Reserve.

Debt Collection

Amicable phase

Since the American legal system is complex and costly (especially regarding lawyers' fees), it is advisable to negotiate and settle out of court with customers wherever possible, or otherwise hire a collection agency.

Legal proceedings

The judicial system comprises two basic types of court: the federal District Courts with at least one such court in each state and the Circuit or County Courts under the jurisdiction of each state.

Fast-track proceedings

If the debt is certain and undisputed, US law provides for a "summary judgment" procedure, where a motion for summary judgment is based upon a claim by one party that all necessary factual issues are settled or that no trial is necessary. This is appropriate when the court determines there are no factual issues remaining to be tried, and therefore a cause of action or all causes of action in the complaint can be decided without a trial. If the judge decides that there are facts in dispute, the court will deny the motion for summary judgment and order a trial.

Ordinary proceedings

The vast majority of proceedings are heard by state courts, which apply state and federal law to disputes falling within their jurisdictions (*i.e.* legal actions concerning persons domiciled or resident in the state).

Federal courts, on the other hand, rule on disputes involving state governments, cases involving interpretations of the constitution or federal treaties, and claims above USD 75,000 between citizens of different American states or between an American citizen and a foreign national or foreign state body or, in some cases, between plaintiffs and defendants from foreign countries.

A key feature of the American judicial system is the pre-trial "discovery" phase, whereby each party may demand evidence and testimonies relating to the dispute from the adversary before the court hears the case. During the trial itself, judges give plaintiffs and their lawyers a considerable leeway to produce pertinent documents at any time and conduct the trial in general. This is an adversarial procedure, where the judge has more the role of an arbitrator, ensuring compliance with the procedural rules, although more and more practices enhances the role of the judge in the running of the case. The discovery phase can last several months, even years. It can entail high costs due to each adversary's insistence on constantly providing pertinent evidence (argued by each party), and involve various means – such as investigations, requests for supporting documents, witness testimony, and detective reports – which are then submitted for court approval during the final phase of the proceedings.

In civil cases, the jury determines whether the demand is justified and also determines the penalty to impose on the offender. For especially complex, lengthy, or expensive litigations, such as insolvency cases, courts have been known to allow creditors to hold as liable the professionals (*e.g.* auditors) who have counselled the defaulting party, where such advisors have demonstrably acted improperly.

Enforcement of a Legal Decision

Domestic judgments in the United States give the creditors additional rights, such as the seizure and selling of the debtor's assets or the garnishment of their bank account. As a federal state, decisions rendered in one of the country's states may be executed in another state's court, provided that the enforcing court considers that it is competent to enforce any judgement.

For foreign awards, each state has its own legislation. Nevertheless, they must be first recognised as domestic judgments. If a reciprocal recognition treaty exists, the requirement is fulfilled. However, in the absence of one, *exequatur* proceedings aim at ensuring enforcement in domestic court, after verifying the judgment meets certain criteria provided by the state law.

Insolvency Proceedings

Out-of court proceedings

Different state laws can propose out-of court proceedings in order to avoid any formal judicial proceedings, such as the Assignment for the benefit of creditors in the state of California, where a company turns over all of its assets to an independent third party, who liquidates and distributes them to all creditors in an equitable fashion.

Restructuring proceedings

Chapter 11 of the American Bankruptcy Code provides a distressed entity with the opportunity to preserve its business as a going concern while implementing an operation of financial restructuring. The debtor can seek to adjust its debt by reduction the amount owed or extending repayment terms. The debtor entity and its management continue to operate the business as the debtor-in-possession. The Bankruptcy Court supervises the proceedings.

Liquidation

According to Chapter 7 of the American Bankruptcy Code, the purpose of these proceedings is to implement an orderly liquidation of the distressed entity. The court-supervised process involves a trustee selling assets and distributing the proceeds to creditors in accordance with the statutory priorities provided in the Bankruptcy Code as well as pursuing available causes of action. The US Trustee appoints an independent interim trustee to administer the case. The interim trustee holds a meeting of creditors after the petition is filed. He is responsible for liquidating the estate's assets and distributing the proceeds to the creditors. The court supervises the proceedings. State law can also provide different mechanism for liquidation of a debtor's assets such as receivership.

NUMBER OF CORPORATE INSOLVENCIES

Sources: Administrative Office of the United States Courts, Coface

COFACE ASSESSMENTS

COUNTRY RISK	A4
BUSINESS CLIMATE	A3

POPULATION Millions of persons - 2020	3.5
GDP PER CAPITA US Dollars - 2020	16,023
CURRENCY Uruguayan peso	UYU

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	0.4	- 5.9	3.2	3.0
Inflation (yearly average, %)	7.9	9.8	7.8	6.1
Budget balance (% GDP)	-3.4	-6.1	-5.5	-3.8
Current account balance (% GDP)	1.6	-0.6	-1.0	-1.0
Public debt (% GDP)	60.7	74.3	73	72

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	20%
BRAZIL	16%
UNITED STATES	8%
EURO AREA	7%
ARGENTINA	5%

Imports of goods as a % of total

CHINA	20%
BRAZIL	19%
ARGENTINA	11%
UNITED STATES	11%
EURO AREA	10%

- Abundant agricultural and forestry resources
- Social homogeneity (universal health coverage, free education) and institutional stability
- Active reform policy (business environment, public finances, social security coverage)
- Substantial foreign direct investment
- Member of Mercosur, preferential trade relations with the EU and the United States

- Vulnerability to commodity prices (soybeans, beef, dairy products, wood, rice)
- Dependent on Argentinian, Brazilian (tourism) and Chinese (commodities) economic conditions
- Inadequate transport infrastructure
- Reduced competitiveness due to high inflation and market rigidity
- Public debt (mitigated by a longer maturity and diminishing denomination in dollars)

RISK ASSESSMENT

Activity will recover to the pre-pandemic level in 2022

The economy will return to its pre-COVID-19 level in 2022, albeit growth should marginally lose momentum. Household consumption (63% of GDP) is expected to drive activity, as the unemployment rate continues to fall, notably amid a full rebound in tourism in 2022. The sector is a mainstay of the economy and accounted for 16.4% of GDP and 16.3% of employment in 2019, before the COVID-19 shock. The country has implemented one of the fastest COVID-19 vaccination campaigns in the region, which has contributed to a sharp improvement in the health crisis. On 1 November 2021, Uruguay reopened its borders to fully vaccinated foreigners. However, the lower depreciation of the Uruguayan Peso in comparison with the currencies of neighbouring Brazil and Argentina could somewhat refrain the country´s tourism impulse. Meanwhile, exports expansion (which includes bovine meat, soybean, dairies, rice and wood products, and accounts for 25% of GDP) will decelerate from the strong showing in 2021, as growth momentum in its main trade partners (China, Brazil and European Union) weakens. Moreover, the La Niña represents a downside risk to the 2021/2022 crop. Finally, gross fixed investment should continue to grow and be mostly directed towards export-related industries and the continuation of the construction of the UPM pulp factory (pulling both construction and employment).

Current account deficit will remain mild, slow fiscal consolidation set to continue

The current account deficit slightly widened in 2021, majorly driven by a higher primary income deficit due to greater repatriation of foreign companies' profits. Moreover, the services account shifted to a deficit, as freight expenditures increased and travel revenues dropped further. In fact, Uruguay was hit by COVID-19 in March 2020, thus right after the tourism high season that goes from late December to February. However, in 2021, borders were closed until early November. Still, the trade balance registered a higher surplus, as export recovery outpaced the rise in imports. On the financing side, foreign direct investment rebounded in 2021and was able to comfortably cover the current account deficit. Finally, as of September 2021, foreign currency reserves stood at USD 17.1 billion, covering roughly 21 months of imports. In 2022, the current account deficit should remain quite stable. On the one hand, the trade surplus should narrow somewhat, driven by lower global growth momentum and higher oil imports amid high international prices. Conversely, the services balance is expected to return to a surplus, thanks to a recovery in travel revenues.

Regarding the public account, the fiscal deficit posted a timid narrowing in 2021. This was majorly driven by the improvement in tax revenues amid activity resumption, while expenditure remained high due to the extension of emergency pandemic spending. This year, the gradual fiscal consolidation should continue. The 2022 budget considered spending cuts notably related to salaries and social transfers, but also for investments and operating expenses. Nonetheless, this could prove politically difficult and be somewhat watered down by fierce union opposition. In addition, the government continues to count on one of the lowest borrowing costs in Latin America. While public debt is large and increased because of the crisis, the authorities have gradually increased its share denominated in local currency (47.3% in Q2 2021, compared to barely 11.5% in 2005) and lengthened its average maturity, thereby reducing its vulnerability.

President Lacalle Pou's high popular support will likely help to prevent a partial repeal of its Urgent Consideration Act (LUC)

Luis Lacalle Pou of the centre-right Partido Nacional (PN), who took office in March 2020 for a five-year term, does not count with an outright majority in Uruguay´s bicameral General Assembly. 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. In July 2020, President Lacalle enacted the Urgent Consideration Act (LUC), a central pillar of his governmental agenda. It consists of 476 articles and covers broad topics, such as toughening sentences for crime, restricting the right to go on strike, reforming education, implementing fiscal constraints and increasing the role of the private sector. Nonetheless, it has faced strong rejection from the centre-left Frente Amplio party and labour unions, notably the Pit-Cnt union. In addition to promoting strikes, they collected the needed signatures to call for a public referendum in March 2022 against the matter. More precisely, they want to repeal 135 articles of the law that, in their view, would raise poverty and exclusion, while also increasing concentration of power and wealth. Despite this, preliminary polls have indicated that support for the articles' reversal is unlikely to be achieved. In fact, Mr. Lacalle Pou has conserved a high political support (his approval rating stood at 61% in September 2021), thanks to his relatively effective handling of the health crisis. Lastly, regarding foreign trade policy, the ruling government has defended the possibility that Mercosur countries could negotiate free trade agreements separately from the other members of the bloc. It also stated in July 2021 that it would negotiate a trade agreement with China on its own (currently the major export destination).

UZBEKISTAN

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**33.9**
GDP PER CAPITA US Dollars - **2020**	**1,767**
CURRENCY Uzbekistan sum	**UZS**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	5.6	1.6	5.2	5.5
Inflation (yearly average, %)	14.5	12.9	10.0	9.0
Budget balance (% GDP)	-3.9	-4.4	-4.8	-3.0
Current account balance (% GDP)	-5.6	-5.4	-6.0	-5.5
Public debt (% GDP)	29.3	36.4	40.1	41.0

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

TRADE EXCHANGES

Exports of goods as a % of total

CHINA	10%
RUSSIA	9%
TURKEY	8%
KAZAKHSTAN	6%
KYRGYZSTAN	6%

Imports of goods as a % of total

CHINA	22%
RUSSIA	20%
EURO AREA	13%
KAZAKHSTAN	10%
SOUTH KOREA	10%

- More resilient economy than the rest of Central Asia (more diversified, less sensitive to external shocks)
- Abundant natural resources (gas, gold, copper, hydroelectric potential)
- Youthful population (50% under 30)
- International financial support; state enjoys net creditor position
- Economic reforms (liberalisation, privatisation, diversification), credit development (42% of GDP, 37% to private sector) and public investment (electricity, transport, health) encouraging FDI
- Increasingly dynamic bilateral relations and negotiations for 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 Organization (WTO) and observer member of the Eurasian Economic Union (EAEU) since 2020
- Improved relations with neighbouring countries and good diplomatic relations with Europe, Russia and China, which value its strategic position

- High dependence on Russia and China (recipients of 80% of gas exports)
- Dependence on commodities, weather conditions for agriculture (25% of GDP) and expatriate remittances (15% of GDP)
- Limited manufacturing activity (16% of GDP)
- Weakly competitive markets (high concentration in key sectors) and low share of the private sector in the economy (50% of GDP)
- High unemployment, lack of jobs leading to migration, low standard of living, large rural population and informal economy (58% of employment)
- Low financial intermediation, high dollarisation, mostly directed credit, low bank deposits
- Slow institutional progress (corruption, bureaucracy, weak parliament, lack of effective opposition)

RISK ASSESSMENT

Pre-pandemic economic growth rate restored

Uzbekistan is one of the few economies in the world that did not contract in 2020 because of the pandemic, although growth slowed sharply. Real GDP returned to its previous rate of increase in 2021 and will continue on this strong growth trend in 2022. Investments (42% of GDP) in infrastructure development (construction of the Uzbekistan-Kyrgyzstan-China railway line, implementation of "Smart City" technologies) and modernisation of industrial machinery and equipment, as well as exports (28% of GDP) of gold, oil, gas, copper and cotton, will be the main drivers of growth. Industry (33% of GDP) will be boosted by the manufacturing, mining and quarrying sectors. Growth in services (32% of GDP) will also accelerate thanks to gains in trade, transportation and warehousing. In 2022, government reforms should allow the construction (10% of GDP) and agricultural (25%) sectors to benefit from growth, unlike in the previous year. Private consumption (54% of GDP) will also support the economy as the government continues its policy of increasing social spending and reducing poverty. The trade balance (-12% of GDP) will again contribute negatively to growth in 2022, despite an increase in gas exports to Russia and China, which will be partially offset by a probable decline in gold prices (37% of exports). Rising domestic demand will contribute to an increase in imports of machinery and equipment, which will outpace export growth.

The Central Bank of Uzbekistan (CBU) maintains a highly controlled floating exchange rate. The CBU will continue this policy to prevent the resurgence of an unofficial exchange rate and to guard against excessive volatility. Inflation slowed somewhat in 2021 as the effects of the massive 2017 devaluation faded. In 2022, the main driver of inflation will continue to be high global food prices, which will offset declining inflation in non-food and service prices.

The pandemic remains a significant downside risk to growth. The government launched a mass vaccination program in April 2021 and has since made vaccination mandatory for some groups. However, as of the start of 2022, less than 5% of the population had been fully vaccinated.

Further fiscal and debt reforms

After increasing further in 2021, the budget deficit is expected to decrease in 2022. The state budget includes a 3%-of-GDP ceiling for the deficit. The authorities are prioritising investment spending on health (11% of spending in 2022) and education (45%). Public debt, 96% of which is denominated in foreign currencies, is expected to increase only marginally, while the government has a high level of liquid assets (25% of GDP) and plans to increase the share of local currency financing by issuing more domestic debt. In addition, the government plans to propose a public debt bill that will include some measures that were already in the 2021 budget, such as the introduction of a debt ceiling of 60% of GDP (for government and government-guaranteed bonds), annual borrowing limits, and the obligation to take corrective measures if debt exceeds 50% of GDP. The authorities are also working with multilateral partners to develop a fiscal rule to improve policy predictability.

The authorities will push on with their privatisation programme (natural gas producer Uzbekneftegaz, mining and metallurgy conglomerate Navoi, Uzbekistan Airways, Uzbekistan Railways) and restructuring of state-owned enterprises (sale of a stake in the Uzbek subsidiary of Coca-Cola, sale of shares in the national telecommunications company Ucell).

The current account deficit will remain large in 2022 as supply chains are re-established and imports of goods increase due to higher domestic demand. In addition, the balances of services and foreign investment income are expected to show persistent deficits. However, multilateral (World Bank, ADB) and bilateral (Eximbank of China, JICA) loans, FDI inflows and bond issues will help to finance the deficit and avoid the need to draw on reserves, which are 62% made up of gold and estimated at 12 months of imports in 2022.

Presidential elections keep Mirziyoyev in power

President Shavkat Mirziyoyev was for 13 years prime minister to President Islam Karimov, who had ruled the country since 1991. After being elected president in September 2016 after Karimov's death, Mirziyoyev now dominates the political scene. The last presidential elections on 24 October 2021 unsurprisingly handed him a second term in office, as he defeated a non-existent opposition. Power remains concentrated in the hands of the president, and the parliament is composed of parties that support him. Cosmetic political reforms contrast with numerous economic reforms aimed at attracting investors, such as the reform adopted in mid-2020, which created a panel of judges within the Supreme Court to review disputes with major investors and provide them with greater legal certainty.

Following the Taliban takeover of Afghanistan, the risks to stability in terms of a resurgence in terrorist movements and large waves of refugees have increased. Uzbekistan has requested military assistance from Russia to preserve its security.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	**28.0**
GDP PER CAPITA US Dollars - **2020**	**1,691**
CURRENCY Venezuelan bolívar soberano	**VES**

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-35.0	-30.0	-1.0	4.0
Inflation (yearly average, %)	19,906.0	2,355.0	700.0	600.0
Budget balance (% GDP)	-10.0	-5.0	-4.0	-3.5
Current account balance (% GDP)	7.8	-4.3	0.3	1.0
Public debt (% GDP)	232.9	304.0	315	310

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

TRADE EXCHANGES

Exports of goods as a % of total

INDIA	38%
UNITED ARAB EMIRATES	13%
EURO AREA	10%
ARUBA	6%
MALAYSIA	6%

Imports of goods as a % of total

CHINA	21%
INDIA	13%
UNITED STATES	11%
BRAZIL	9%
EURO AREA	9%

+
- Major oil reserves along the Orinoco River and offshore gas potential

−
- In default on its sovereign and quasi-sovereign (PDVSA) debt, 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
- Under U.S. sanctions: oil trade blockade, financial sanctions

RISK ASSESSMENT

The end of a multi-year crisis, but the situation remains critical

In 2022, the Venezuelan economy should finally stop shrinking, after eight years of decline. At the end of 2021, GDP will be only 24% of its pre-crisis level in 2013. This return to growth will be mainly due to the recovery of oil GDP, driven by higher oil prices and the agreement signed in October 2021 with Iran, which should enable the country's oil production to increase. This agreement between the Venezuelan company PDVSA and its Iranian counterpart NIOC provides for the exchange of Venezuelan heavy crude oil for Iranian light condensate. These deliveries of light condensate for a renewable period of six months should allow PDVSA to dilute its heavy oil from the main Orinoco extraction area and reduce the country's diesel shortage. Exports should also benefit following initial results in late 2021. Non-oil GDP recovery is expected to be slower, as years of underinvestment and shortages have destroyed the productive apparatus and encouraged a brain drain. Growth in the host countries of Venezuelan expatriates (Colombia, Spain, the United States) should increase remittance flows and support some recovery in household consumption, while restrictions on internal mobility have ended, provided there is no rebound in the epidemic (53% of the population vaccinated according to official figures in October 2021). These transfers are the main source of income for a large number of households, with 95% of the population below the poverty line in 2021 according to the recent Encovi study carried out by the country's leading universities. The constraints on households are, however, expected to remain severe, as successive increases in the full minimum wage (salary & vouchers) have failed to keep pace with three-digit price growth. The increasing dollarization of the economy, through the payment of some wages by companies in foreign currencies to limit the brain drain abroad, coupled with remittances, should partly limit the impact of this inflation on households, but will not be sufficient. A currency redenomination was introduced in October 2021, the third since the beginning of the crisis, with sovereign bolivars being converted to digital bolivars at a rate of one million to one. The move is not expected to make up for the lack of structural reform and monetisation of the public deficit to reduce inflation. Public consumption will remain largely constrained by the lack of financing, while investment will remain sluggish in the face of continuing U.S. sanctions and a poor business environment. From the point of view of external demand, the recovery of the country's partners (mainly Russia and China) should support crude oil exports.

Massive public debt and a slightly positive current account

Tax revenues are heavily dependent on oil and are expected to increase, while expenditure linked to the fight against the pandemic should decrease. The public deficit should therefore be slightly lower in 2022. The budget, described as "realistic" by the government, includes spending on health, education, transport and reducing red tape. This deficit will be largely financed by printing money, as the country lost all access to international financing following the 2017 suspension of interest and principal payments on 2019 and 2024 bonds. There is still uncertainty about the negotiations on the debt held by China, after a first moratorium was obtained in 2020.

The current account is expected to get back in the green thanks to strong expatriate remittance flows. The goods deficit should remain stable, as higher oil prices support exports but also push up the import bill, since the country has become a net importer of petrol and diesel. The slow recovery of household consumption should also support imports, which will however remain constrained by the lack of foreign currency. In the absence of foreign direct investment, foreign exchange reserves are expected to remain under pressure. These reserves reached their lowest level ever in July 2021, down 72% from December 2014, exhausted by central bank interventions to limit the depreciation of various versions of the currency.

Periodic negotiations are expected to bring little change

While the international community has recognised Juan Guaido, former president of the National Assembly, as the legitimate head of government since 2019, Nicolas Maduro, supported by the security forces, seems disinclined to relinquish power. The opposition agreed to participate in local elections in November 2021 after boycotting the legislative elections in late 2020. The strong local presence of Maduro's PSUV, the massive repression of recent years and widespread disillusionment allowed the ruling party to secure victory. Negotiations between the two parties led to the signing of two low-stakes agreements in September 2021 on the territorial dispute with Guyana and the establishment of a working group to provide humanitarian services. The deportation to the U.S. by Cabo Verde of Alex Saab, a Colombian businessman and Maduro ally, to face corruption charges, caused these negotiations to be put on hold. Five U.S. citizens, executives of PDVSA's U.S. subsidiary Citgo Petroleum, were arrested to serve as bargaining chips. However, it is unlikely that this strategy will work on the Biden administration, which is awaiting democratic progress in the country.

VIETNAM

COFACE ASSESSMENTS

COUNTRY RISK	B
BUSINESS CLIMATE	B

POPULATION Millions of persons - **2020**	**97.4**
GDP PER CAPITA US Dollars - **2020**	**3,523**
CURRENCY Vietnamese đồng	**VND**

Main economic indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	7.2	2.9	3.8	6.6
Inflation (yearly average, %)	2.8	3.2	2.0	2.3
Budget balance (% GDP)	-3.3	-3.9	-4.7	-4.7
Current account balance (% GDP)	3.8	3.7	1.8	3.2
Public debt (% GDP)	43.6	46.3	47.9	47.8

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

TRADE EXCHANGES

Exports of goods as a % of total

UNITED STATES	28%
CHINA	18%
EURO AREA	11%
JAPAN	7%
SOUTH KOREA	7%

Imports of goods as a % of total

CHINA	33%
SOUTH KOREA	18%
JAPAN	8%
TAIWAN	6%
UNITED STATES	5%

- 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 17% to GDP
- Development of fish and crustacean production
- Large labour pool and low labour costs
- Strong agricultural potential and good endowment of natural resources
- 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
- Dependent on China's supply chains

RISK ASSESSMENT

Growth will converge to pre-pandemic levels

Growth is expected to gain momentum in 2022 driven by ongoing recoveries in trading partners and domestic demand, but pandemic headwinds could linger at domestic and international levels. The government might extend restrictions if outbreaks persist. Consequently, this would continue to weigh on the manufacturing industry (17% of GDP) and agriculture supply chains through labour shortages. However, external demand should remain buoyant in 2022 especially for textile, garments and electronics, as its key trading partners, China, the EU and the U.S. recovered and Vietnam is no longer threatened by punitive tariffs from the latter, who labelled Vietnam as a currency manipulator in 2020. Foreign Direct Investment (FDI) inflows barely recovered in the first nine months of 2021, as factories reduced their production due to restrictions. However, it should bounce back as Vietnam remains attractive among foreign investors seeking diversification and moving out businesses from China. Tourism, which accounted for nearly 10% of GDP in 2019, has been hard-hit by the closure of international borders since March 2020. The sector should recover slowly in 2022, due to persisting travel restrictions in China (Zero COVID strategy) and cautiousness among Koreans. That being said, domestic tourism should continue to partly offset the impact thanks to government incentives. Household consumption (69% of GDP in 2019) should gradually recover provided the restrictions are eased, especially on factories and workers: the unemployment rate reached records in the second part of 2021, standing at 2.9% in September 2021, and time would be needed to reabsorb it. While domestic demand recovers, inflation should get closer to the 4% target in 2022. The SBV (the central bank) should therefore maintains its policy rate, or rise it back to pre-pandemic levels. Credit demand should bounce back in 2022 and will continue to benefit from credit relief measures until June 2022, through debt restructuring or lowering interest rates on existing loans. In contrast, non-performing loans are expected to rise in 2022.

Fiscal deficit still high, current account strengthened

The fiscal deficit is likely to remain relatively high as the impact of the COVID-19 outbreaks that developed in late 2021 could linger in 2022. Moreover, expenditures will increase, as the government seeks to accelerate ongoing public infrastructure projects, which were impeded by containment measures in the construction sites. However, revenues, supported by growth momentum, should balance out a rise in expenditures. The public debt-to-GDP ratio is set to dip. However, the debt is still exposed to currency fluctuations as 40% is denominated in foreign currency.

The current account surplus is set to rebound, driven by a higher trade surplus and robust external demand. The country has been benefiting from foreign manufacturing relocations and should continue to strengthen its export driven economy, hence the country's trade balance. Imports should continue to strengthen with the revival in consumption and investment demand. Furthermore, Vietnam is among the world's top 10 remittance recipient countries and its current account should also benefit from sustained remittances inflows (6% of GDP as of 2019) with the recovery in the main sources (the U.S., Australia and Canada). Foreign exchanges reserves remain adequate, equalling 3.5 months of imports as of July 2021.

Towards further cooperation with China

The Communist Party of Vietnam (CPV) has maintained a unitary government, which has centralized control over the state, media and military. The CPV re-elected Nguyen Phu Trong for a rare third five-year term as general secretary of the ruling Communist Party in early 2021. He will continue his current domestic agenda with a focus on the anti-corruption campaign. He should also give priority on developing a new leadership to be elected at the next party congress for a smooth transition, as the leader's health has been deteriorating since 2019. Externally, relations with China improved recently, through trade facilitation between both socialist economies and a bilateral cooperation plan in the 2021-2025 period. The pandemic has also offered Beijing the opportunity to strengthen ties through its vaccine diplomacy amid pandemic-induced disruptions in Vietnam. On the South China Sea dispute, China has been pressuring Vietnam to drop oil and gas projects from international oil companies. While the U.S. offered Vietnam its support to counter Beijing in the South China Sea, it is therefore unlikely to accept it in order to maintain close relations with China.

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	32.5
GDP PER CAPITA US Dollars - **2020**	580
CURRENCY Yemeni rial	YER

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	2.1	-8.5	-2.0	1.5
Inflation (yearly average, %)	10.0	30.0	32.0	25.0
Budget balance (% GDP)	-5.3	-5.2	-5.0	-5.0
Current account balance (% GDP)	-3.9	-5.8	-8.0	-7.0
Public debt (% GDP)	76.5	83.0	75.0	62.0

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

TRADE EXCHANGES

Exports of goods as a % of total

EGYPT	43%
TURKEY	29%
OMAN	6%
SUDAN	5%
LUXEMBOURG	2%

Imports of goods as a % of total

UNITED ARAB EMIRATES	22%
CHINA	11%
SAUDI ARABIA	8%
ARGENTINA	7%
BRAZIL	5%

- Large, though largely untapped, gas reserves, which could increase in production in the coming years
- Strategic position on the Bab el Mandeb Strait, at the threshold of the Red Sea

- Civil war, accompanied by an economic and humanitarian crisis, and division of the country
- Extreme poverty: 80% of the population lives below the poverty line, making it the poorest country in the Arabian Peninsula and one of the poorest in the world
- Famine due to shortages of basic necessities
- Lack of infrastructure in the healthcare, education and water sanitation sectors
- Water resources in short supply
- Net importer of energy
- Poor business climate (bureaucracy, corruption, destroyed or non-existent infrastructure)

RISK ASSESSMENT

Houthis on the verge of running the country

Already extremely weakened by the civil war that has been raging for the past seven years and which has caused the deaths of 370,000 people (according to the UN), Yemen has been severely affected by the COVID-19 pandemic, leading the country into one of the most serious humanitarian crises in the world. The country is divided into two territories, each with its own administration, making coherent overall management impossible. Since 2015, the north and the capital Sana'a have been controlled by Houthi rebels, led by Mohammed al-Houti and his Revolutionary Council. In the south, with Aden, it is the loyalists, bringing together, since 2020, the government of President Hadi, internationally recognised, and the Southern Transitional Council (autonomist), led by Aidarous al-Zubaid, supported by Saudi Arabia. Despite several attempts by the UN and the U.S., a UN resolution imposing an arms embargo and targeted sanctions on the Houthis, and calling on them to withdraw, the conflict has remained largely unabated. After a brief truce following the outbreak of the COVID-19 pandemic, fighting resumed in the south, even intensifying in 2021. In November, pro-government troops withdrew from the strategic port of Hodeida, the main entry point for humanitarian aid and imports, on which the country depends for almost 90% of its food supplies, leaving the field open to the Houthis. This strategy came from a decision to refocus on the Marib region, considered until then as one of the last oases of stability in the country, in order to protect it from the arrival of the Houthis. This last government-controlled region in the north has significant oil resources that are a source of envy. Despite this, the Houthis have managed to encircle the city of the same name, displacing tens of thousands of civilians. In response to the drone attacks on Saudi sites, the Saudi-led military coalition of Gulf states carried out bombings. In 2022, the Houthis could emerge victorious from this battle, which would be a turning point in the Yemen crisis, cutting into a large part of the government's fiscal revenues. Moreover, this would have dramatic economic and social consequences, if the country, in which 2/3 of the population suffers from famine, were indeed ruled by the Houthis, whose methods, including towards civilians, are not kind. Encouraged by the United States, Saudi Arabia, the main supporter of the Hadi government, is attempting to extricate itself from a conflict that has been bogged down for years and which is proving costly to it (almost USD 100 billion spent). Its ally, the United Arab Emirates, has already sharply reduced its military commitment.

A divided economy dependent on foreign aid

The Yemeni economy has been extremely affected by the war and will only improve very slowly as long as that war continues. Firstly, private consumption, by far its main component, is constantly weakening because of shortages of basic goods and a sharp rise in inflation. It is largely financed by expatriate remittances and international aid, which have suffered from COVID-19. However, as of September 2021, the United States, the European Union and other countries have provided a total of USD 600 million in support. International aid supports healthcare, food, drinking water and education in a country with zero public investment. Inflation will remain high in 2022, particularly in the south, where monetary deficit financing and military setbacks are contributing to the collapse in the value of the local riyal. Supply problems will continue with the Houthi takeover of the port of Hodeida pushing up prices for basic goods. By July 2021, the southern riyal had reached its lowest level since the start of the war (in 2015 there were 215 rials to the dollar, and in July 2021 there were 1400 rials to the dollar, compared to 600 for the Sana'a riyal). However, the oil sector, which is important to the economy, will lead the way out of the recession in 2022. Nevertheless, the depletion of oil fields, coupled with the lack of drilling to find new ones, is reducing oil and gas production. Finally, the agricultural sector (10% of GDP and 65% of jobs), which focuses on the cultivation of wheat, millet, khat, cotton and coffee, suffers from a real problem in terms of infrastructure, notably irrigation and water purification systems.

Public and external deficits financed by international aid

The current account deficit should be reduced in 2022 through an improvement in the trade deficit. Indeed, the country will benefit from continued high oil prices (70% of the country's exports in 2019). Concomitantly, imports will continue to suffer from the depreciation of the currency, weak consumption and the seizure of several goods entry points by the Houthis. The sharp fall in remittances (10% of GDP), which constitute the main source of foreign currency, weighed heavily on the balance of transfers and are expected to recover. With low foreign exchange reserves, financing will rely on international aid. Pledges in 2021 amounted to USD 1.7 billion, which will not be enough.

The public deficit will remain high if the government loses control of the Marib region and its oil resources (the main source of revenue). Finally, the public debt, which had benefited from the repayment facility put in place via the Paris Club debt service suspension initiative until 2021, will be gradually reduced.

ZAMBIA

COFACE ASSESSMENTS

COUNTRY RISK	D
BUSINESS CLIMATE	C

POPULATION Millions of persons - **2020**	18.9
GDP PER CAPITA US Dollars - **2020**	1,023
CURRENCY Zambian kwacha	ZMW

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	1.4	-3.0	3.1	3.3
Inflation (yearly average, %)	9.1	15.7	22.1	15.0
Budget balance (% GDP)	-9.5	-14.2	-10.4	-7.2
Current account balance (% GDP)	0.6	12.6	9.5	8.1
Public debt (% GDP)	88.4	130.4	130.0	130.5

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

TRADE EXCHANGES

Exports of goods as a % of total

SWITZERLAND	44%
CHINA	19%
CONGO DR	12%
SINGAPORE	12%
SOUTH AFRICA	3%

Imports of goods as a % of total

SOUTH AFRICA	33%
CHINA	17%
UNITED ARAB EMIRATES	9%
EURO AREA	7%
INDIA	5%

+

- Mining wealth (copper, cobalt, uranium, gold, diamonds, manganese)
- Agricultural wealth (maize, tobacco)
- Major hydroelectric potential

−

- Dependence on copper, which is further accentuated by dependence on China, the main importer of ore
- Landlocked and dependent on the transport routes of neighbouring countries
- Electricity production is insufficient and based almost exclusively on hydropower; transport networks are unreliable
- High levels of inequality; healthcare, educational and administrative deficiencies
- Sovereign default in 2020 and unsustainable external debt

RISK ASSESSMENT

Despite fiscal pressures, the recovery continues

High copper prices, the commissioning of the Kafue Gorge Lower hydroelectric plant, and a return to normal rainfall patterns allowed the economy to resume growing in 2021 after its first year of recession since 1998. In 2022, while still facing many challenges, activity should strengthen on the back of private consumption. Household incomes should benefit from the easing of inflationary pressures, which were fuelled in 2021 by the pass-through effect of kwacha depreciation and rising food prices. Renewed investor confidence following the change in government and favourable copper prices should help contain pressure on the currency, supporting gradual disinflation in 2022. This will be accompanied by the Bank of Zambia, which already raised its key interest rate from 8.5% to 9% in November 2021. If weather conditions remain favourable, the launch of a new agricultural support programme for the 2022/23 season could also boost household incomes (nearly 50% of the workforce is employed in the sector). In addition, consumption will benefit from the reopening of the economy as COVID-19 vaccinations progress. However, the threat of restrictions will continue to loom, as only 6% of the population was fully vaccinated by the end of 2021. While COVID-19 will continue to dampen the recovery of tourism (7% of GDP in 2019), associated revenues are expected to grow more strongly in 2022. Copper production and prices (70% of exports) will also support increased export earnings. However, the rise in imports associated with the pickup in domestic demand is expected to result in a negative net contribution from foreign trade. The recovery will be further supported by private investment. While high copper prices and the reintroduction of measures allowing mining royalties to be deducted from corporate income tax will support investment in the mining sector, the development of the manufacturing sector could benefit from further tax breaks for export-oriented investments and the reduction of the corporate tax rate from 35% to 30%. However, fiscal consolidation efforts following the November 2020 sovereign default will put pressure on public consumption and investment.

The new administration faces fiscal challenges

Thanks to higher mining revenues and a record dividend payment from the central bank, the government deficit narrowed in 2021. However, it remained substantial, due to increased government spending, including on fuel, agricultural input subsidies, and election-related spending. In 2022, the new government is expected to implement fiscal consolidation efforts to put the public debt back on a sustainable path, following the default on the external debt (nearly 65% of the public debt) in November 2020. Pending agreements with the IMF and debt restructuring with private creditors and China, which the authorities hope to achieve this year, the 2022 budget projects that debt service will account for nearly half of expenditures and more than 75% of revenues. While the authorities will try to preserve social spending, especially on health and agricultural support, investment spending is expected to decline. Revenue growth, thanks to brisker activity, will be curbed by the tax breaks and cuts aimed at attracting private investment. To limit the accumulation of debt, the authorities intend not to take out new non-concessional loans (nearly 70% of external debt), except for refinancing operations.

The current account surplus, which remained substantial in 2021, is expected to narrow in 2022. Rising imports are set to erode the large trade surplus, while further growth in copper exports and the rebound in tourism revenues will be modest. Significant interest payments on external debt are also expected to result in a large primary income deficit. The modest surplus in the transfer account is expected to remain relatively unchanged. The SDR allocation from the IMF boosted foreign exchange reserves (from 2.6 months of import coverage in June 2021 to 4.9 in September), giving the Bank of Zambia more room for manoeuvre.

Political and social tensions ease following transition

The August 2021 presidential elections resulted in a heavy defeat for incumbent president Edgar Lungu and the Patriotic Front (PF) in the first round of voting, as opposition candidate Hakainde Hichilema and the United Party for National Development (UPND) took over 59% of the vote to end the PF's ten-year rule. Despite some pre-election fears, the transfer of power went relatively smoothly. With a majority in the assembly (91 of 165 seats), the new president announced steps to fight corruption, restore debt sustainability and promote investment. Negotiations with the IMF, with which a preliminary agreement has been reached at the end of 2021, and external creditors, which were launched in 2021, are one of the first steps in achieving the latter two goals. Getting the health situation under control and enabling access to vaccines will also be a priority. The social climate was strained in the run-up to the elections but appears to be easing. However, frustration with the weak economic situation, widespread poverty, tensions over China's role and COVID-19 could quickly resurface.

ZIMBABWE

COFACE ASSESSMENTS

COUNTRY RISK	E
BUSINESS CLIMATE	E

POPULATION Millions of persons - **2020**	**15.2**
GDP PER CAPITA US Dollars - **2020**	**1,443**
CURRENCY Zimbabwean dollar	**ZWL**

TRADE EXCHANGES

Exports of goods as a % of total

SOUTH AFRICA	39%
UNITED ARAB EMIRATES	20%
MOZAMBIQUE	9%
UGANDA	3%
EURO AREA	2%

Imports of goods as a % of total

SOUTH AFRICA	50%
ZAMBIA	20%
CHINA	4%
UNITED STATES	3%
MALAWI	2%

- Abundant mining resources (platinum, gold, diamonds, nickel)
- Agricultural wealth (maize, tobacco, cotton)
- Tourism development potential
- Member of the Southern African Development Community (SADC)

- Liquidity and currency shortages
- Dependence on volatile commodity prices
- Rain-fed agriculture exposed to climatic hazards
- Economic and financial situation affected by the long period of hyperinflation (2000 to 2009)
- Under-investment in infrastructure (especially energy)
- Precarious food and health situation: 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

Main Economic Indicators	2019	2020	2021 (e)	2022 (f)
GDP growth (%)	-6.1	-4.1	5.2	3.8
Inflation (yearly average, %)	237.3	621.5	143.0	42.5
Budget balance (% GDP)	-1.1	1.7	-0.7	-1.4
Current account balance (% GDP)	5.5	6.5	4.0	3.5
Public debt (% GDP)	113.9	86.1	68.0	64.0

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

RISK ASSESSMENT

Despite persistent challenges, the recovery continues

After two consecutive years of recession precipitated by the shocks associated with Cyclone Idai, drought, and then the COVID-19 pandemic, activity rebounded, supported by an exceptional 2020/21 agricultural season and mining activity. In 2022, although growth is expected to moderate, it will remain relatively robust. Private consumption should provide support as the COVID-19 vaccination campaign progresses. With more than a quarter of the population having received at least one dose of the vaccine by the end of 2021, one of the highest rates on the continent, restrictions associated with the pandemic are expected to be eased. This will support spending, which is also set to benefit from reduced erosion of household income as inflation moderates, while remaining extremely high. Decent rainfall would further boost purchasing power among the two-thirds of the population that depend on agriculture. Reliance on rain-fed agriculture means, however, that the sector is unlikely to repeat its 2021 performance. Public investment in transport and energy infrastructure under the National Development Plan will promote growth, but will be hampered by the country's limited access to international financing. Private investor sentiment will remain dampened by a difficult operating environment and the unstable exchange rate regime, further limiting the contribution of gross fixed capital formation. Rainfall would also provide support for hydroelectricity generation and, by extension, mining production. While exports are expected to grow accordingly, the net contribution of foreign trade is likely to be negative, as imports are set to grow faster in the wake of the recovery in domestic demand.

Limited access to international markets

In 2022, the budget deficit is expected to widen but remain moderate. While revenues are expected to rise as the economy improves, they will be outpaced by spending, which will focus on support for agriculture and industry, investment in health, education and infrastructure. Spending on state-owned enterprises, including recapitalisation of the national airline, and wages, which absorb over 30% of revenues, will also contribute to the increase. Part of the IMF's 2021 special drawing rights (SDR) allocation will go towards financing the deficit, along with domestic Treasury issuance and some external loans. Beyond Afreximbank's support, however, external loans will remain very limited, as the country is in a situation of debt distress. External arrears (about 60% of public debt), including with the World Bank and the AfDB, are a major obstacle to accessing financing. The authorities should continue to avoid monetary financing, which was largely responsible for triple-digit inflation in the past.

In 2022, as since 2019, the current account is expected to record a surplus, driven mainly by expatriate remittances, which maintain a positive balance on the transfer account. The surplus will narrow, however, due to an increase in imports of goods and services in response to the recovery in domestic demand. Despite the authorities' attempts to reduce them, imports of energy, food and capital goods are expected to grow faster than ore exports. The primary income account will remain in deficit due to profit repatriation by foreign firms. Despite the current account surplus, the external position is fragile due to low capital inflows. Although the SDR allocation helped rebuild foreign exchange reserves, they remain extremely low, at less than two months of import coverage. High demand for the USD is expected to continue to fuel depreciation of the Zimbabwean dollar, which lost 30% of its value in 2021, after being formally reintroduced in 2019 following the scrapping of the multi-currency system. The Zimbabwean dollar's official rate, which has been determined by an auction system since June 2020, was still about half that of the parallel market rate at the end of 2021. To finance the auctions, the foreign exchange retention rule, which requires most companies to convert 40% of their export earnings into local currency, is expected to remain in place. While it may be less pronounced, depreciation will keep the cost of imported goods rising.

Increased risk of instability as 2023 elections approach

President Emmerson Mnangagwa came to power following the November 2017 "military-assisted transition" that forced Robert Mugabe to resign after more than 30 years in power. Despite his victory and that of ZANU-PF (the party in power since independence) in the 2018 general elections, he will continue to be weakened by a very difficult social and political climate. Fuelled by repeated economic crises, tensions could intensify in the run-up to the 2023 presidential and parliamentary elections. Although economic conditions are expected to improve slightly in 2022, protests and strikes are expected to continue to occur regularly. However, President Mnangagwa and ZANU-PF control the main levers of power and have support in rural communities (70% of the vote in 2018), putting them in pole position to win the elections. A disrupted electoral process would put a damper on the government's international re-engagement strategy. Progress in this regard (beyond aid to address the COVID-19 pandemic) has been slow, despite the stated goals when President Mnangagwa came to power.

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

AML/CFT: These are international standards recommended by the FATF for the fight against money laundering and terrorist financing. The Financial Action Task Force (FATF) is an inter-governmental policymaking body whose purpose is to establish international standards

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

CABEI: Central American Bank for Economic Integration (in Spanish, *Banco Centroamericano de Integración Económica*)

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

COVAX: COVAX is the vaccine pillar of the Accelerating Access to Vaccines for COVID-19, or ACT Accelerator, a global collaboration to accelerate the production of and equal access to COVID-19 diagnostics, treatments and vaccines, including for the poorest countries. The Covax facility was established in 2020 under the leadership of Gavi, the Vaccine Alliance, the World Health Organization (WHO), Unicef and others

CPEC: China-Pakistan Economic Corridor

CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership involving 11 countries in the Pacific area

CSG: Contribution Sociale Généralisée (Generalised Social Contribution)

D

DSSI: G20 Debt Service Suspension Initiative

DRC: Democratic Republic of Congo

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

FIFA: Fédération Internationale de Football Association

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

IOC: International Olympic Committee

J

JICA: Japan International Cooperation Agency

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

MENA: Middle East and North Africa

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

NDP: Net Domestic Product measures the aggregate output of resident economic agents over the period (GDP), net of the consumption of fixed capital (CFC), which corresponds to the cost of wearing out capital over the same period

NGEU: NextGenerationEU, a temporary EU instrument to support recovery through the Recovery and Resilience Facility (see definition above)

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

PSUV: United Socialist Party of Venezuela

PVC: Polyvinyl Chloride

R

RCEP: Regional Comprehensive Economic Partnership involving 15 countries in the Asia-Pacific region

R&D: Research and Development

RRF: The EU Recovery and Resilience Facility is the budget associated with NextGenerationEU (NGEU) (see definition below)

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

GLOSSARY

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

WHO: World Health Organisation

WTO: World Trade Organization

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FOR TRADE

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