



Coface Country Risk Conference 2014

Thursday, 15th May 2014
Johannesburg, South Africa



Agenda

- 8.30 am** Breakfast
- 9.30 am** Introduction
Garth DE KLERK /
CEO, Coface South Africa
- 9.45 am** Economic Outlook, Business Climate & Emerging Markets
Saijil SINGH /
Lead Analyst, Coface South Africa
- 10.30 am** Tracking the Future
Daniel SILKE /
Independent Political Analyst
- 11.15 am** Q & A Session
- 11.30 am** Closing

Economic Outlook, Business Climate & Emerging Markets

Saijil SINGH

Lead Analyst, Coface South Africa



Contents

- The Global Situation
- BRICs and MINTs
- The Next Markets to “Emerge”
- Who will drive the future Global Economy

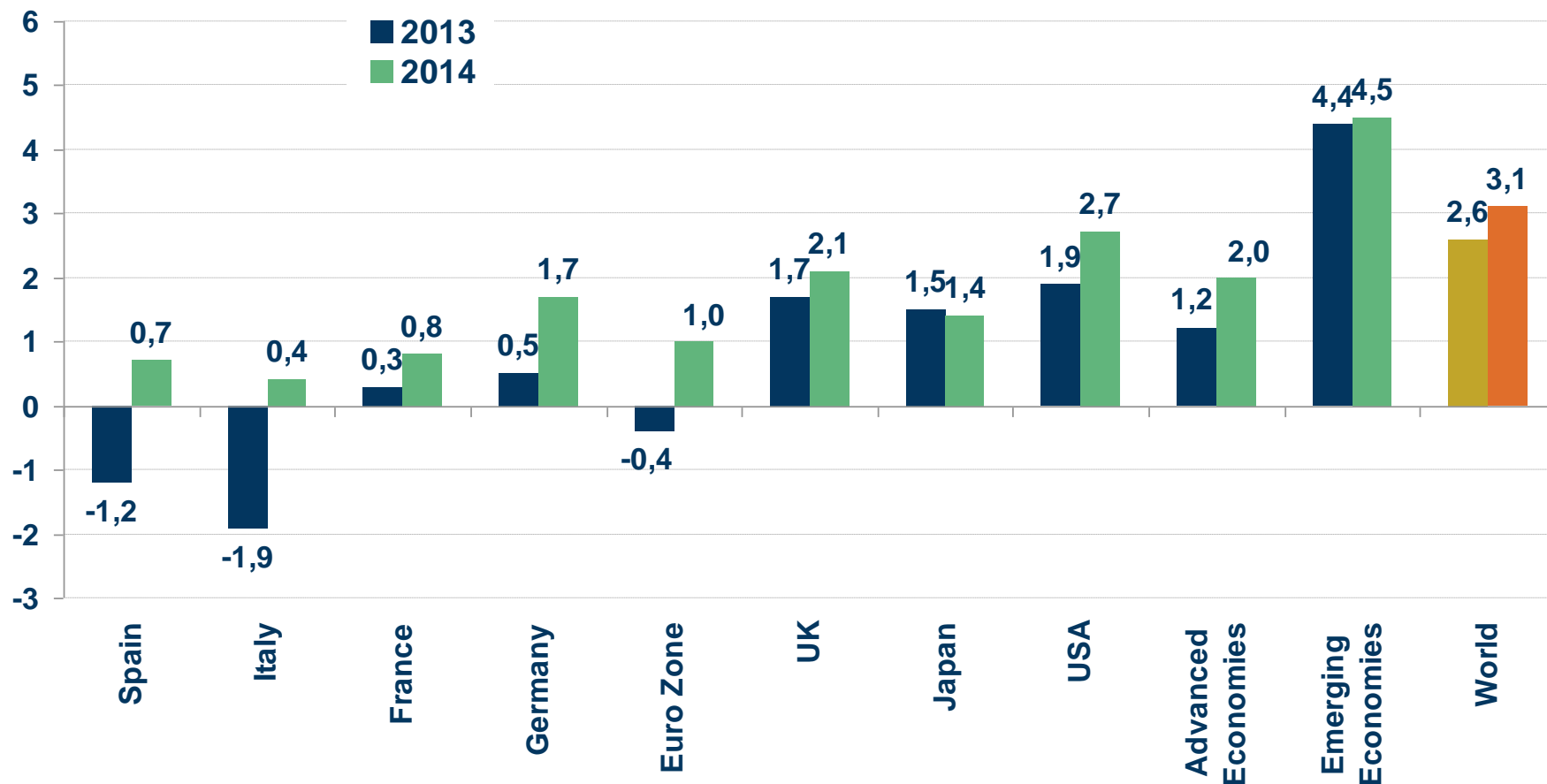


1

How is the Global Economy doing?

Global Growth is picking up

CO GDP Growth (%)



Sources: Coface, Datastream

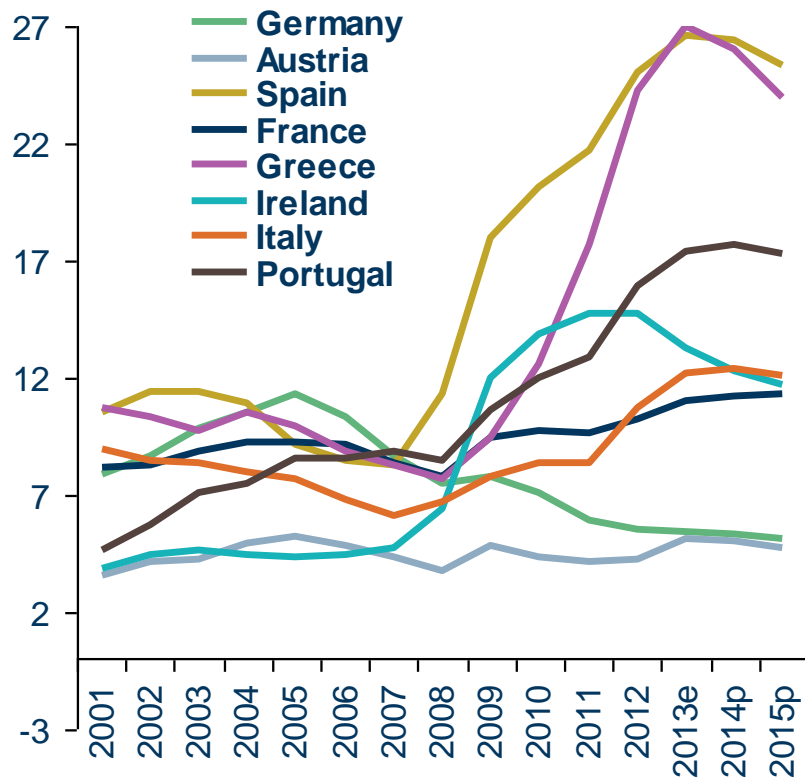
Country risk and business climate assessment

CO Advanced economies

Country Risk Assessment	2011	2012	2013				2014		Business Climate
	January	January	January	March	June	September	January	March	
Canada	A1	A1	A1	A1	A1	A1	A1	A1	A1
United States	A2 ↗	A2	A2	A2	A2	A2 ↗	A2 ↗	A1	A1
Japan	A1	A1 ↘	A1 ↘	A1 ↘	A1	A1	A1	A1	A1
Switzerland	A1	A1	A1	A1	A1	A1	A1	A1	A1
Germany	A2 ↗	A2	A2	A2	A2	A2	A2 ↗	A2 ↗	A1
Austria	A2 ↗	A2	A2	A2	A2	A2	A2 ↗	A2 ↗	A1
Australia	A1	A1	A2	A2	A2	A2	A2	A2	A1
United Kingdom	A3 ↗	A3	A3	A3	A3	A3	A3	A3 ↗	A1
Belgium	A2 ↗	A2	A2 ↘	A3	A3	A3	A3	A3	A1
France	A2 ↗	A2	A2 ↘	A3	A3	A3	A3	A3	A1
Iceland	A4	A4 ↗	A4 ↗	A4 ↗	A3	A3	A3	A3	A1
Netherlands	A2 ↗	A2	A2 ↘	A3	A3	A3	A3	A3	A1
Ireland	A4	A4	A4	A4	A4 ↗	A4 ↗	A3	A3	A1
Spain	A3 ↘	A4	B	B	B	B	B	B	A1
Italy	A3	A4	B	B	B	B	B	B	A2
Portugal	A3 ↘	A4 ↘	B	B	B	B	B	B	A2
Greece	A4	C	C	C	C	C	C	C	A3

Euro zone: Risks are still there

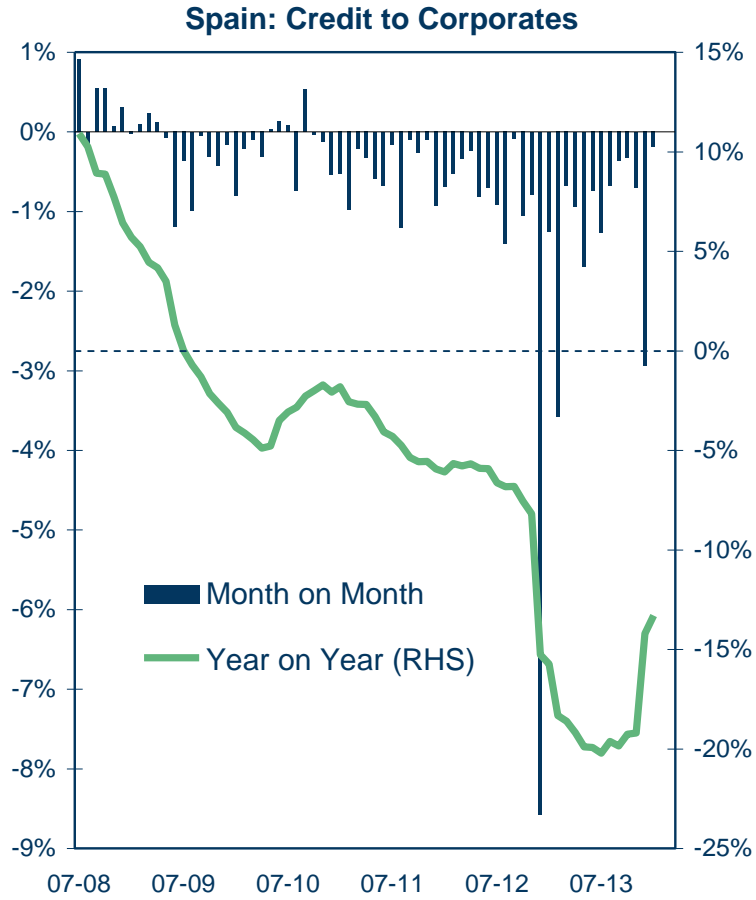
Unemployment rate (European Commission forecasts)



Source: European Commission

Spain: Some light at the end of the tunnel

CO Credit growth (%)



Sources Coface, Datastream



2

Are the BRICs here to stay?

BRIC Factsheet



GDP	GDP per Capita
\$ 2,518B	\$11,600

EOB Index Rank	126
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Population

205.7M

Competitiveness Rank	53
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GDP	GDP per Capita
\$ 1,791B	\$16,700

EOB Index Rank	120
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Population

138.1M

Competitiveness Rank	66
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GDP	GDP per Capita
\$ 1,843B	\$3,700

EOB Index Rank	132
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Population

1.21B

Competitiveness Rank	56
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GDP	GDP per Capita
\$ 6,989B	\$8,400

EOB Index Rank	91
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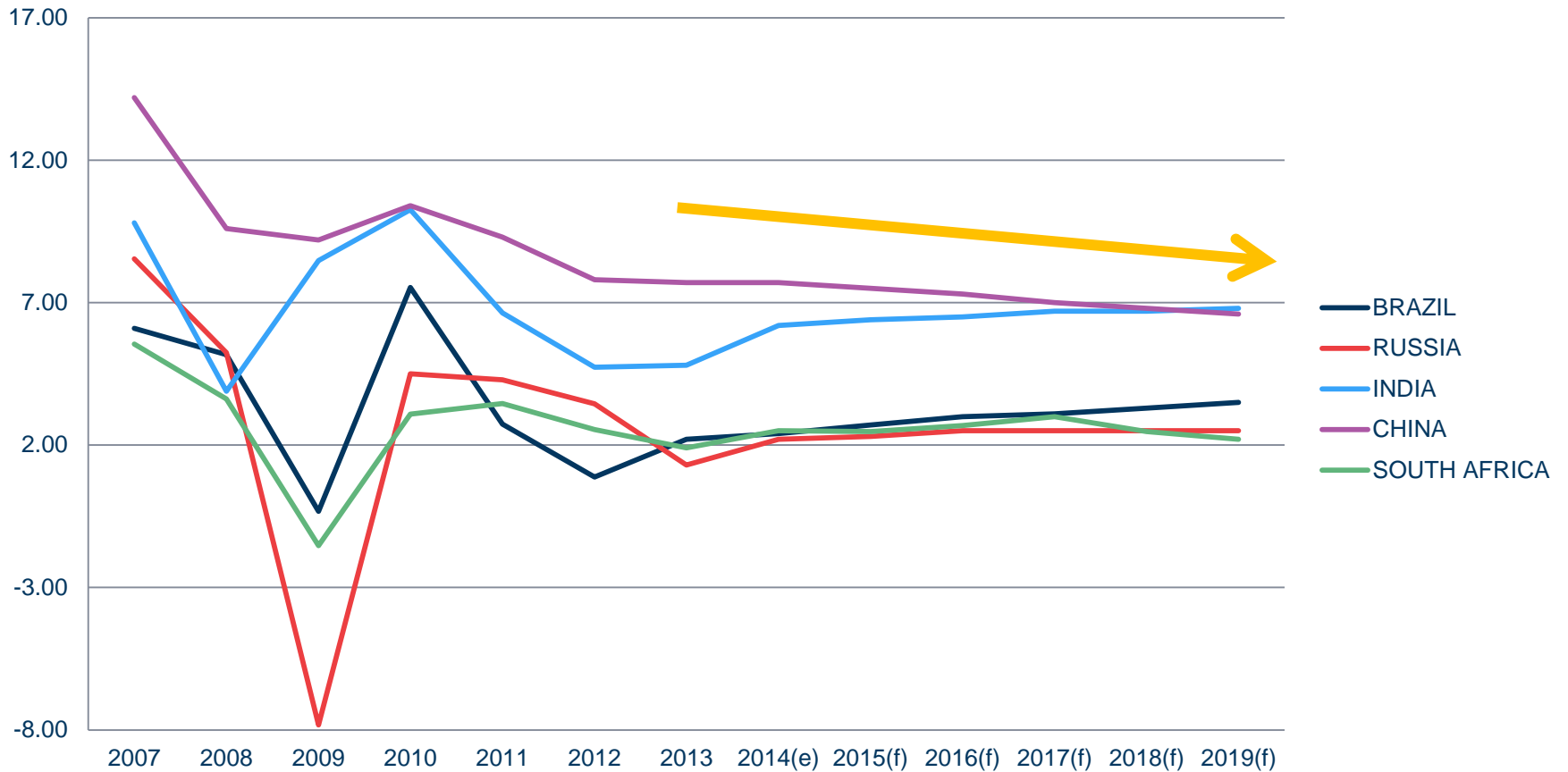
Population

1.34B

Competitiveness Rank	26
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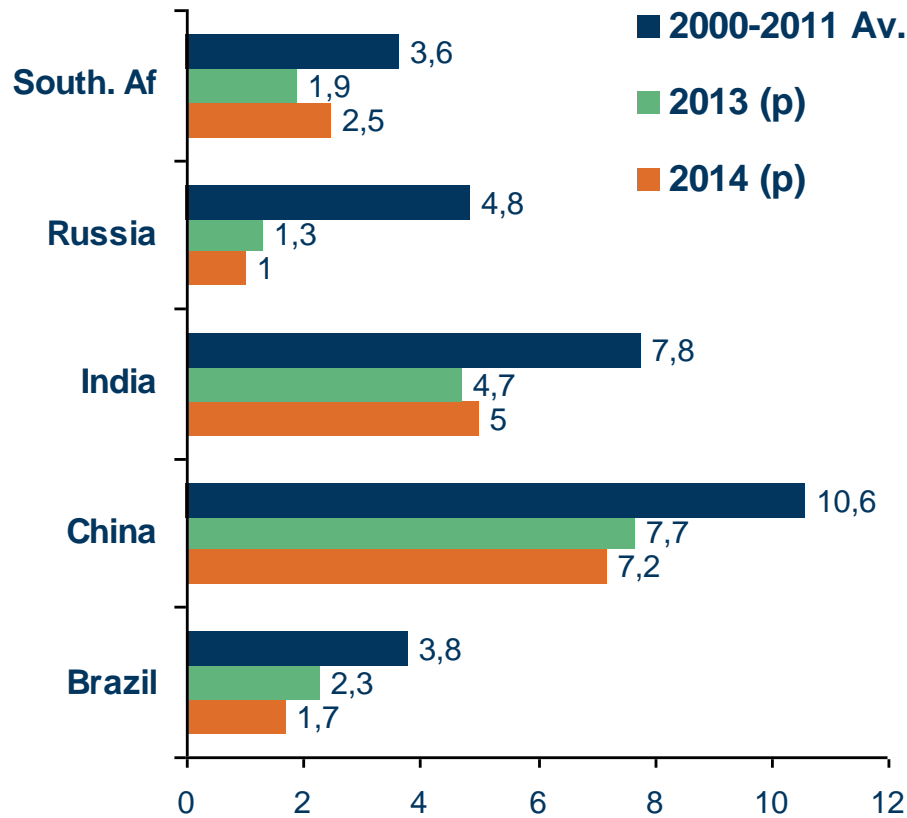
BRIC Nations: Growth Slowdown

 GDP Growth (%)



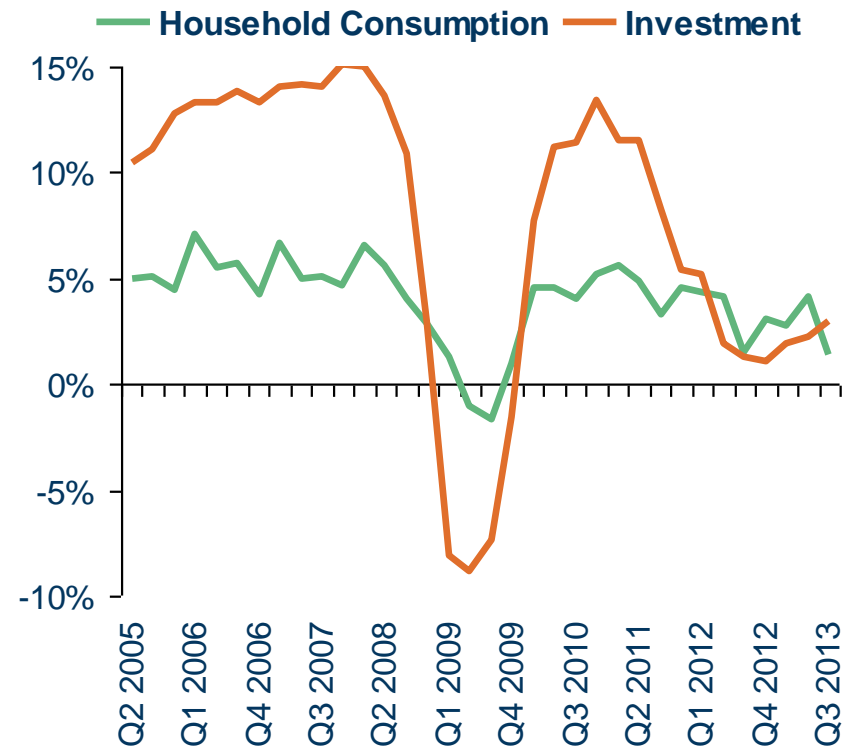
Emerging markets: A “supply-constraint” slowdown...

GDP Growth (%)



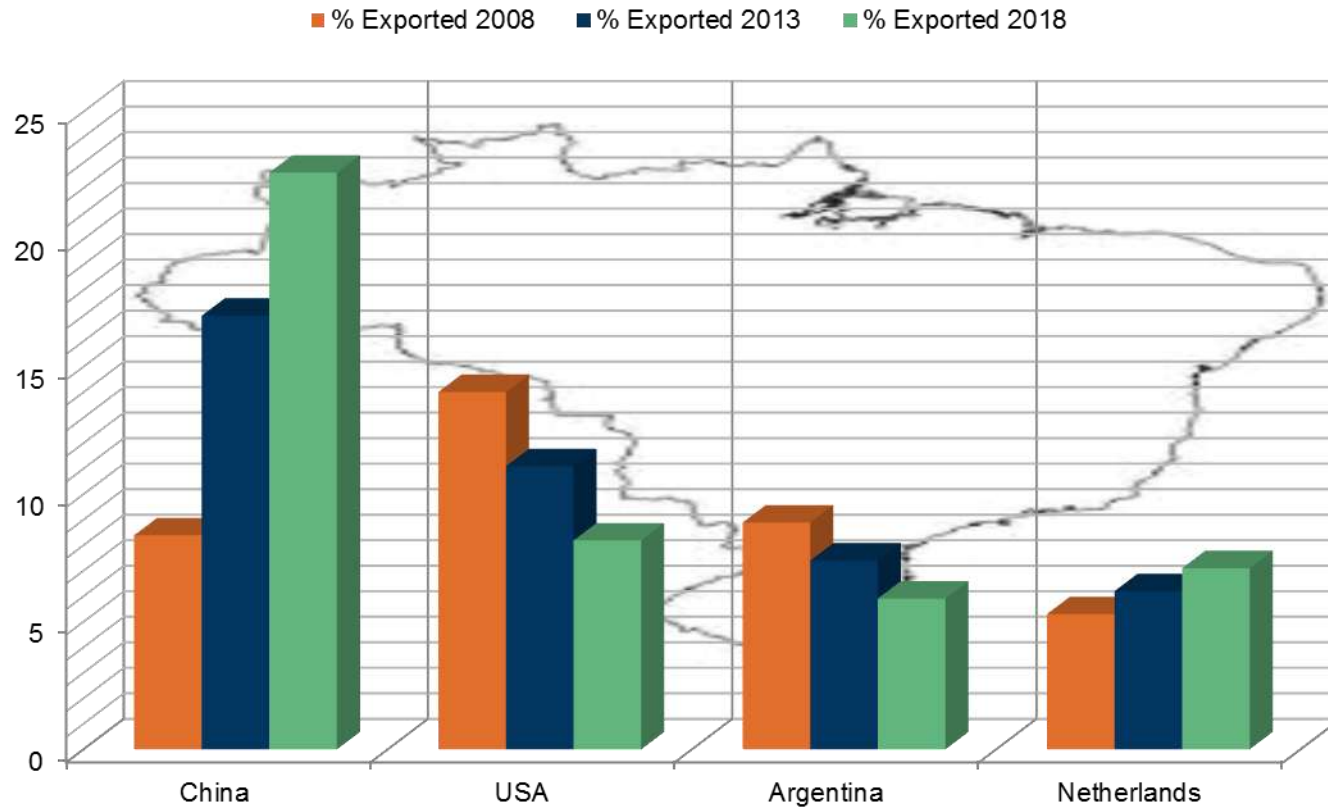
Sources: datastream, Coface forecast

Domestic demand (7 large emerging economies excluding China, Q/Q y-1,%)



Source: datastream

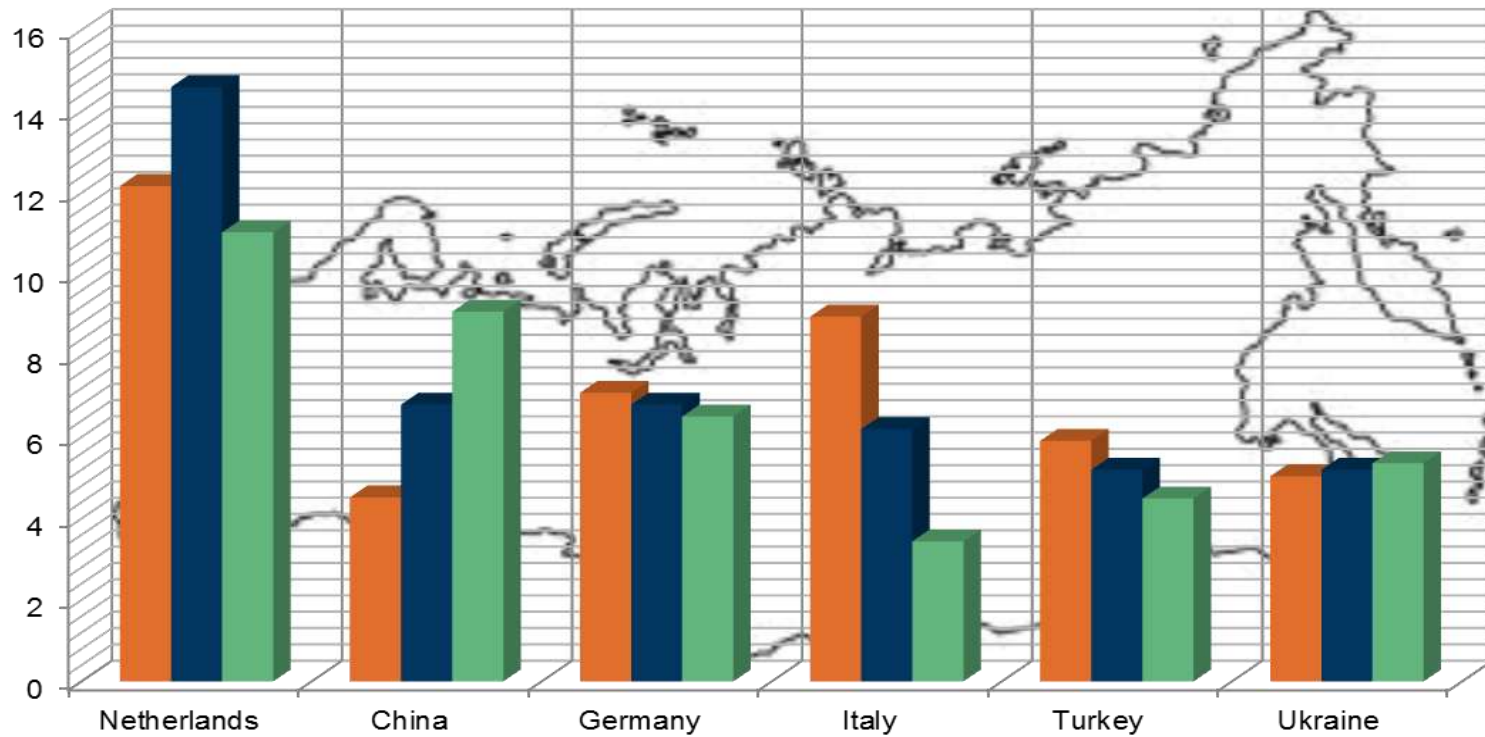
BRICS's Export Partners



BRICS's Export Partners



■ % Exported 2008 ■ % Exported 2013 ■ % Exported 2018

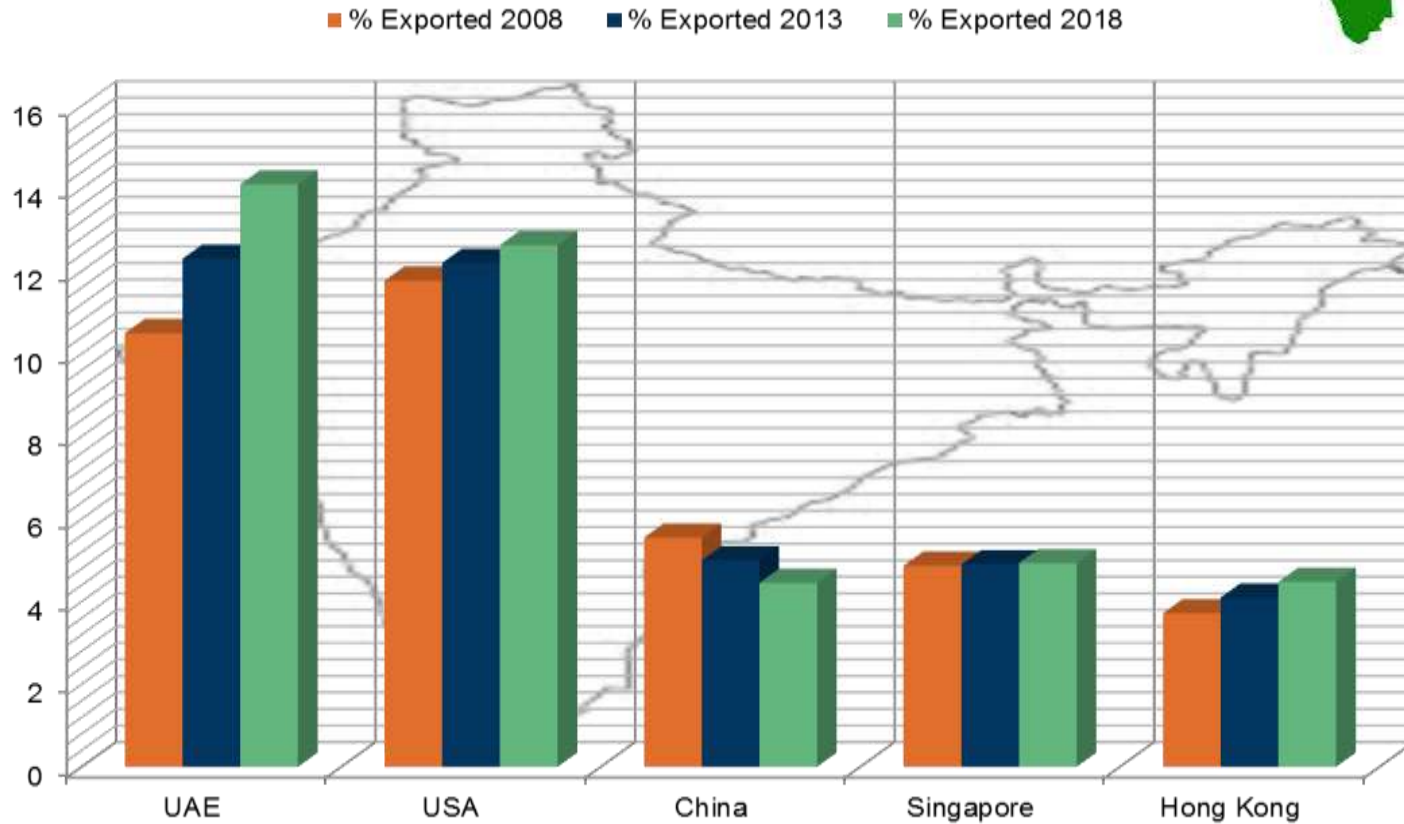


Country risk and business climate assessment

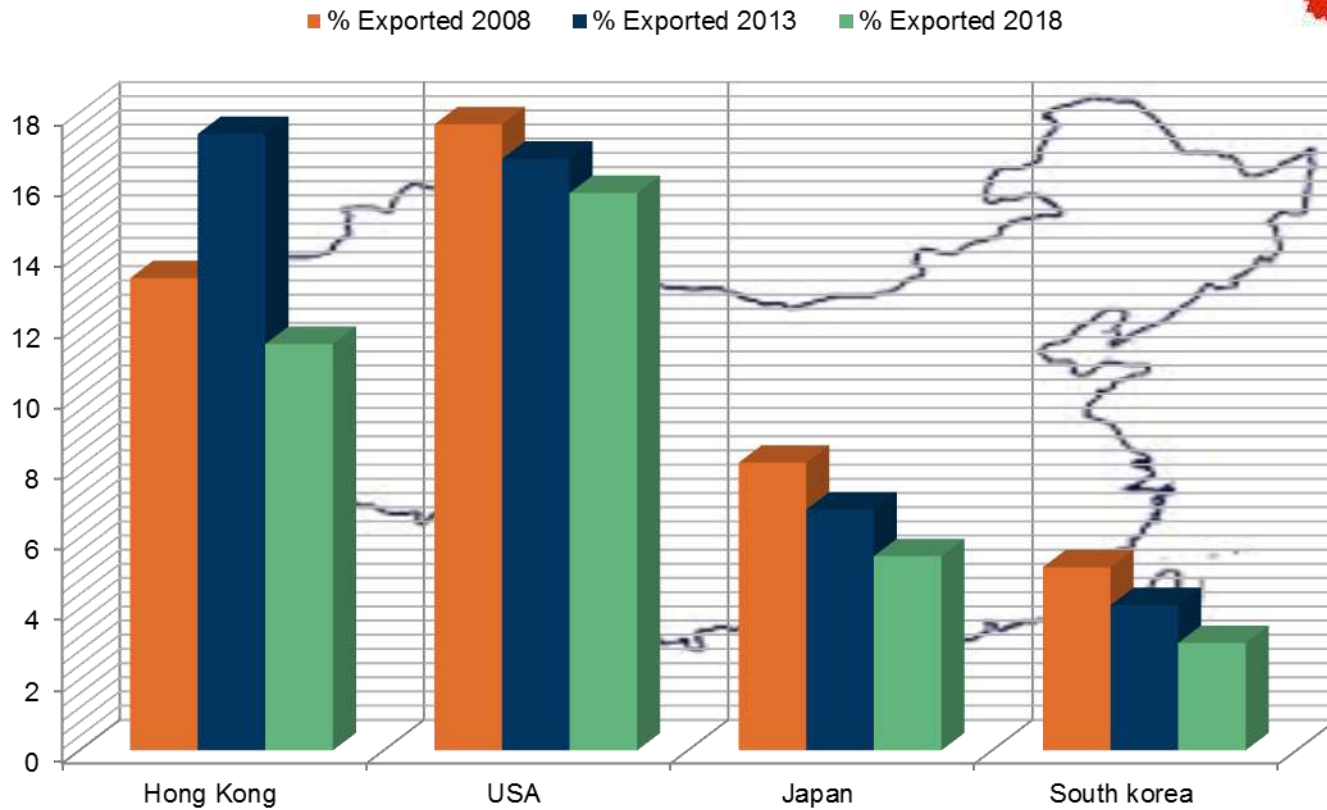


Country Risk Assessment	2011	2012	2013				2014		Business Climate
	January	January	January	March	June	September	January	March	
Kazakhstan	B	B	B	B	B	B	B	B	B
Russia	B	B	B	B	B	B	B	B ↘	B
Armenia	C	C	C	C	C	C	C	C	C
Azerbaijan	C	C	C	C	C	C	C	C	C
Georgia	C	C	C	C	C	C	C	C	C
Belarus	D	D	D	D	D	D	D	D	D
Kirghistan	D	D	D	D	D	D	D	D	D
Moldavia	D	D	D	D	D	D	D	D	C
Uzbekistan	D	D	D	D	D	D	D	D	D
Turkmenistan	D	D	D	D	D	D	D	D	D
Ukraine	D ↗	D ↗	D	D	D	D	D	D	D

BRICS's Export Partners

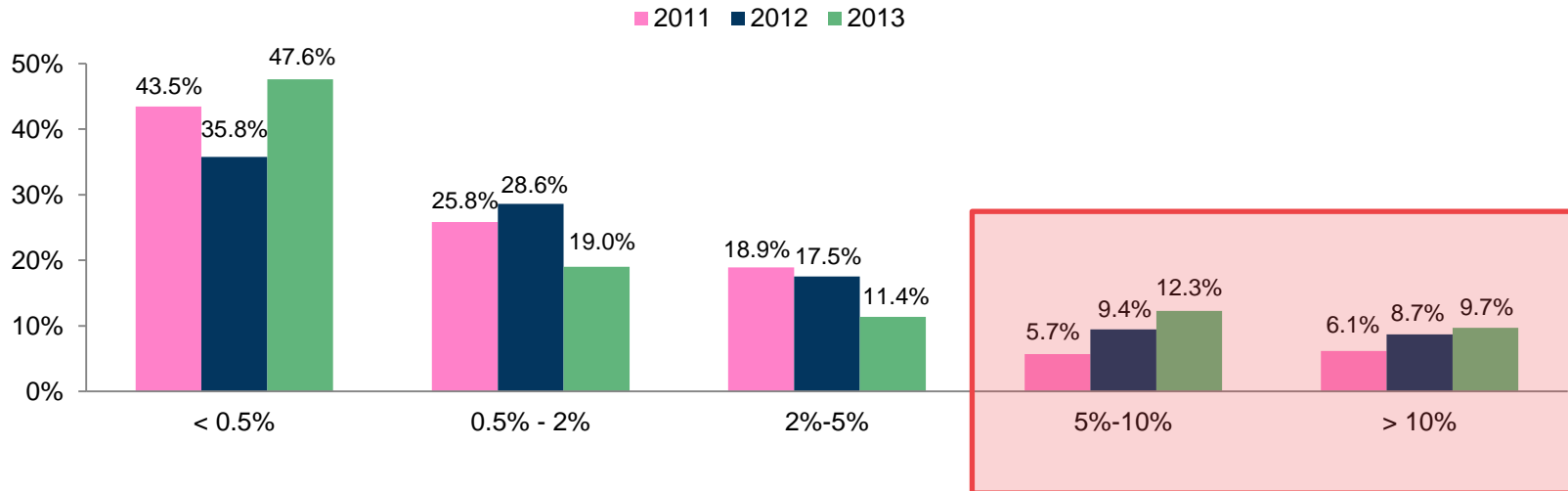


BRICS's Export Partners



China: tensions on the corporate sector...

Percentage of long overdue amount (more than 180 days) in domestic annual turnover

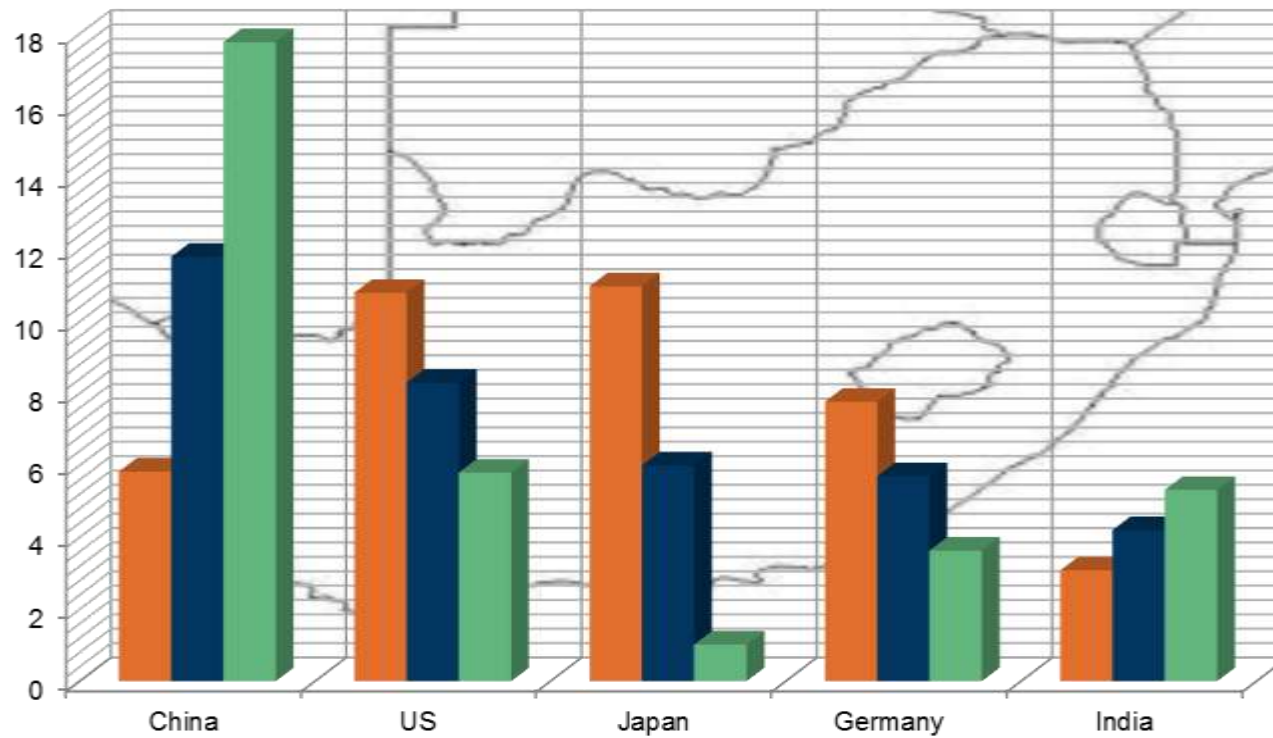


- Overdue payment unpaid for more than 6 months has a high chance to turn into bad debt, and companies with *6-months-or-longer* overdue payment weighing more than 2% of their annual turnover could see liquidity problem.
- 22% of interviewed companies replied that longer overdue amount was larger than 5% of the reported domestic turnover in 2013 (18.1% in 2012).
- Chaori's default : a new era for Chinese corporate risk?

BRICS's Export Partners

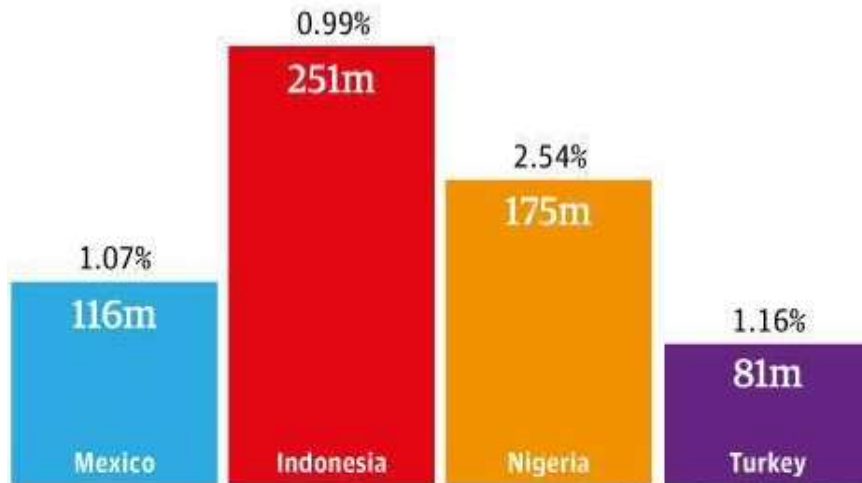


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MINTs : The new BRICs?

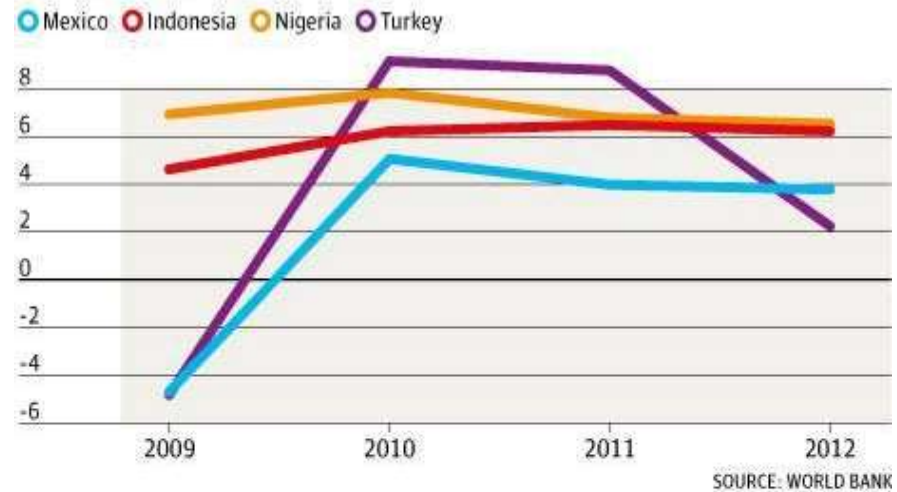
Population and % growth, 2013



GDP, 2012



GDP growth, %

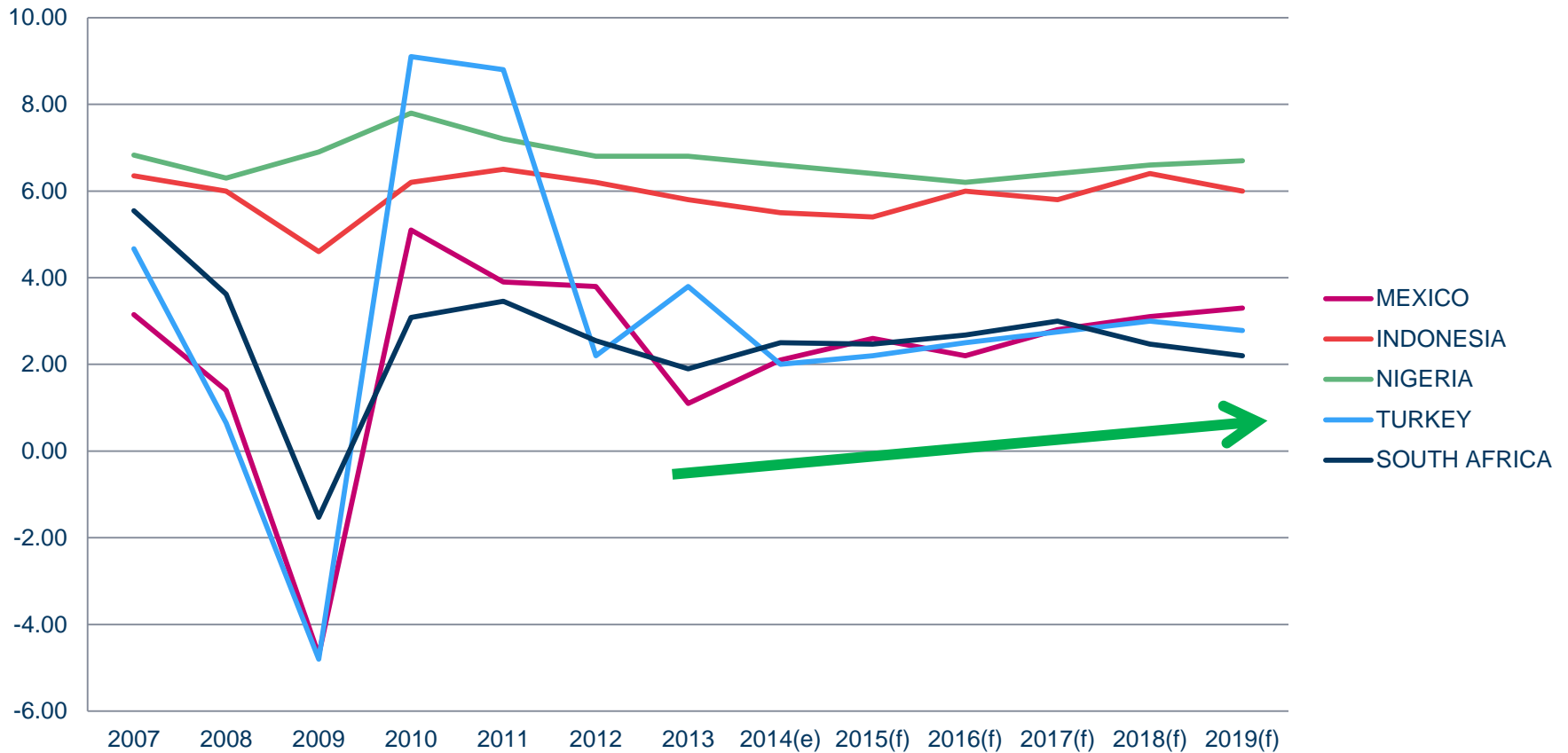


Ease of doing business, World Bank index



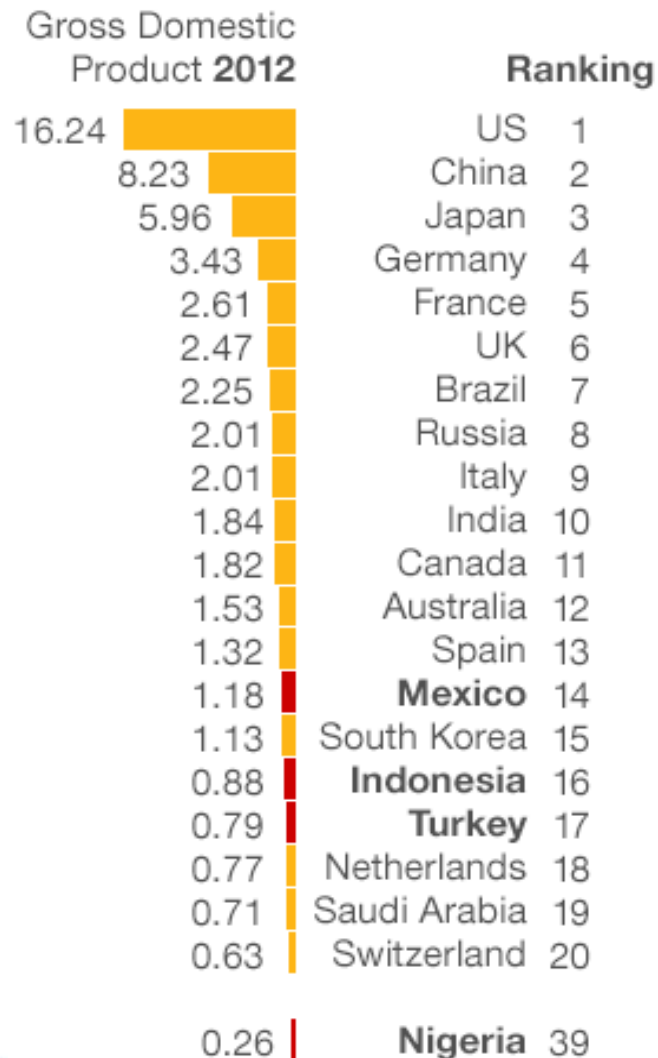
MINT Nations: Better than BRICS?

 GDP Growth (%)



MINTs : Where are they going?

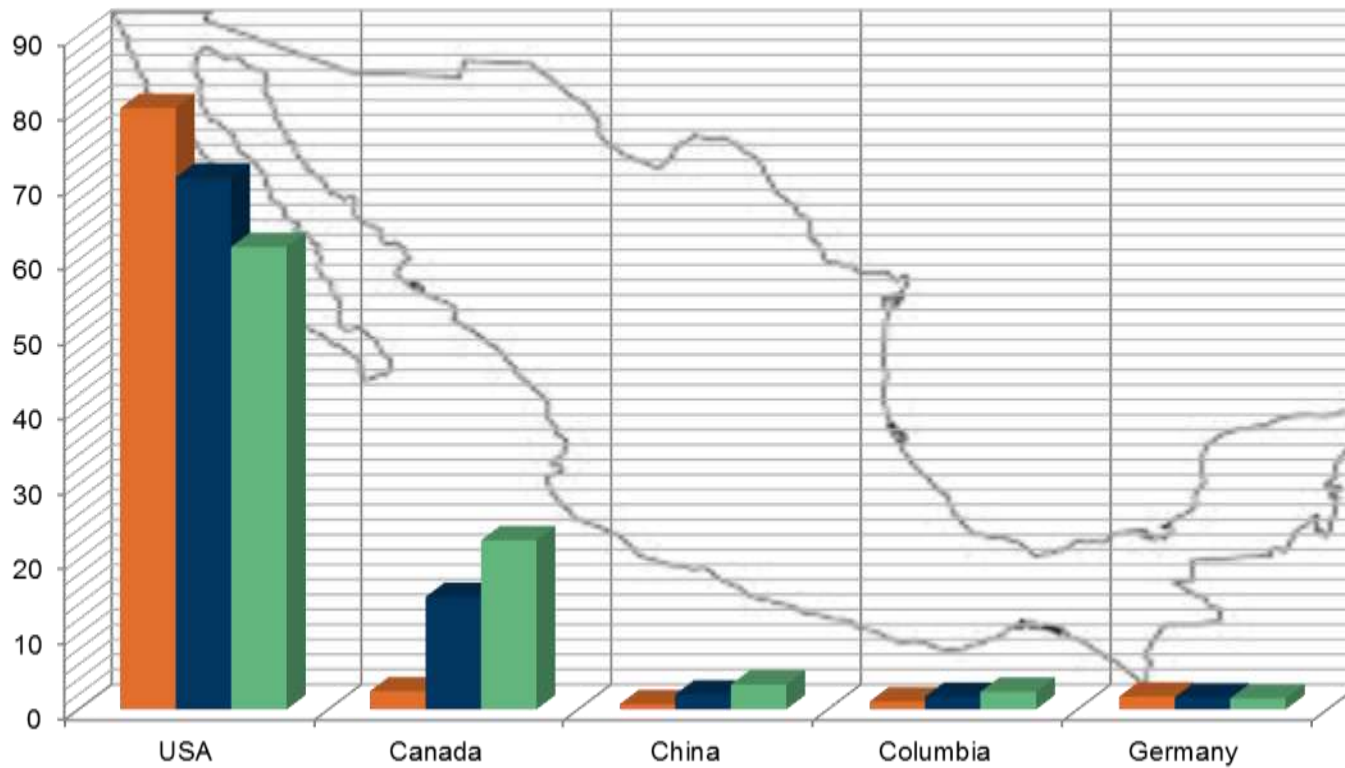
(\$ trillions)



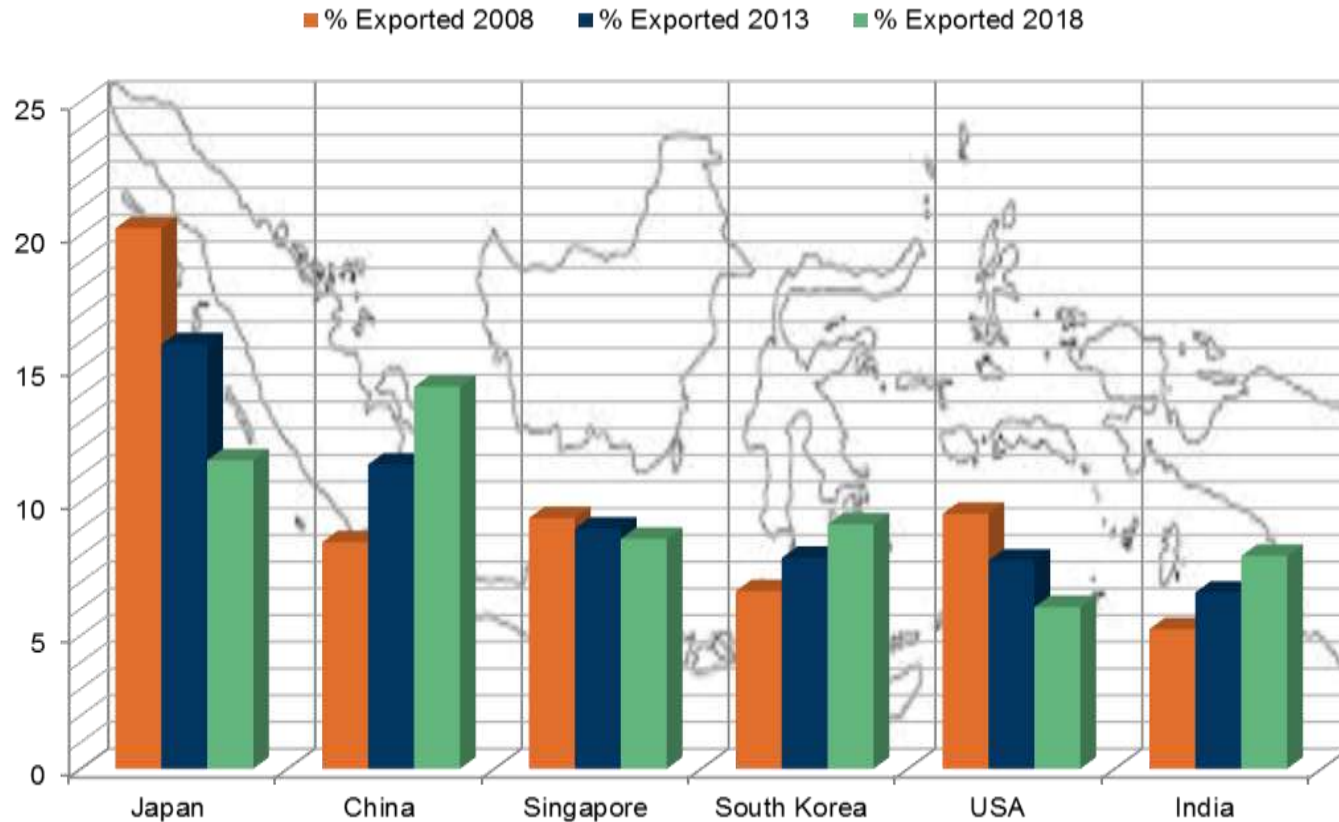
MINT's Export Partners



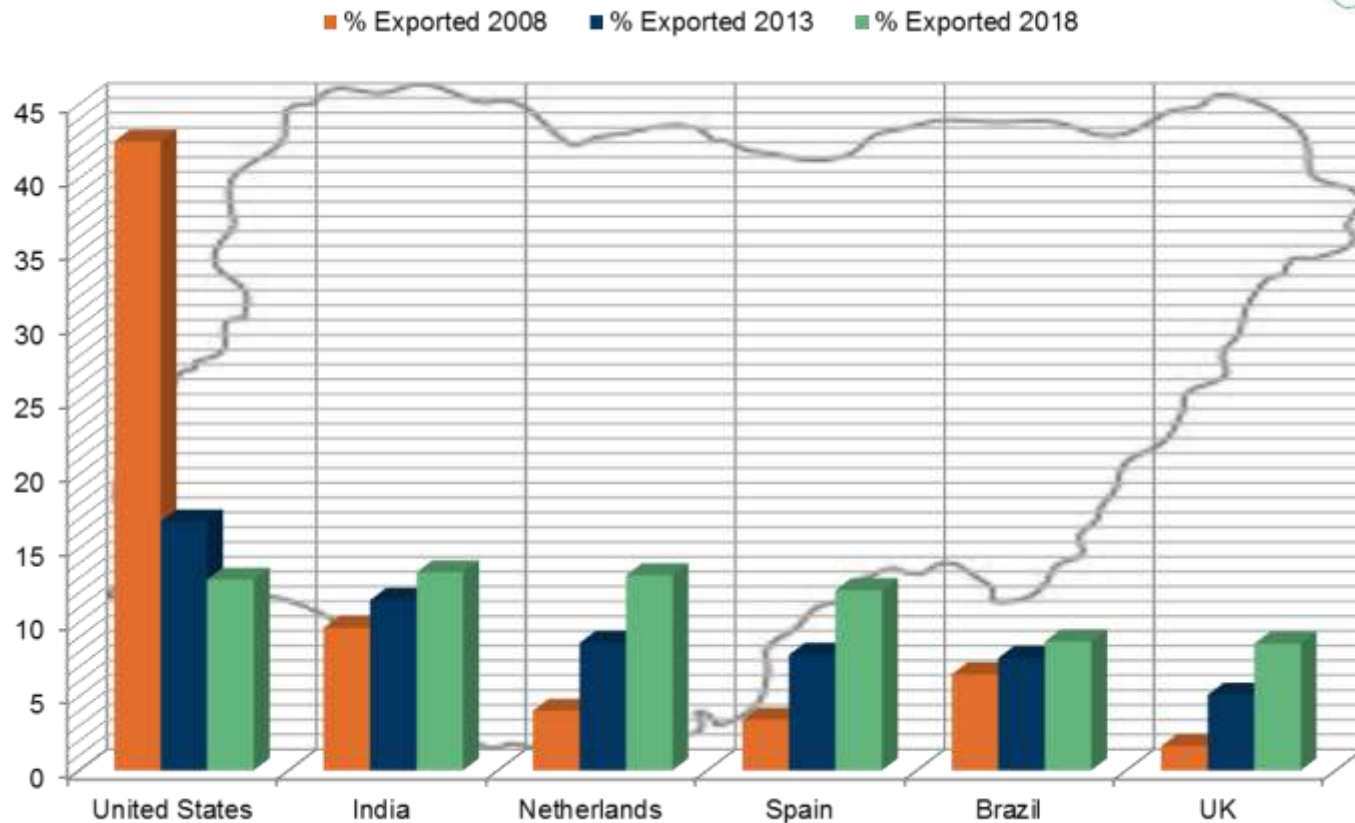
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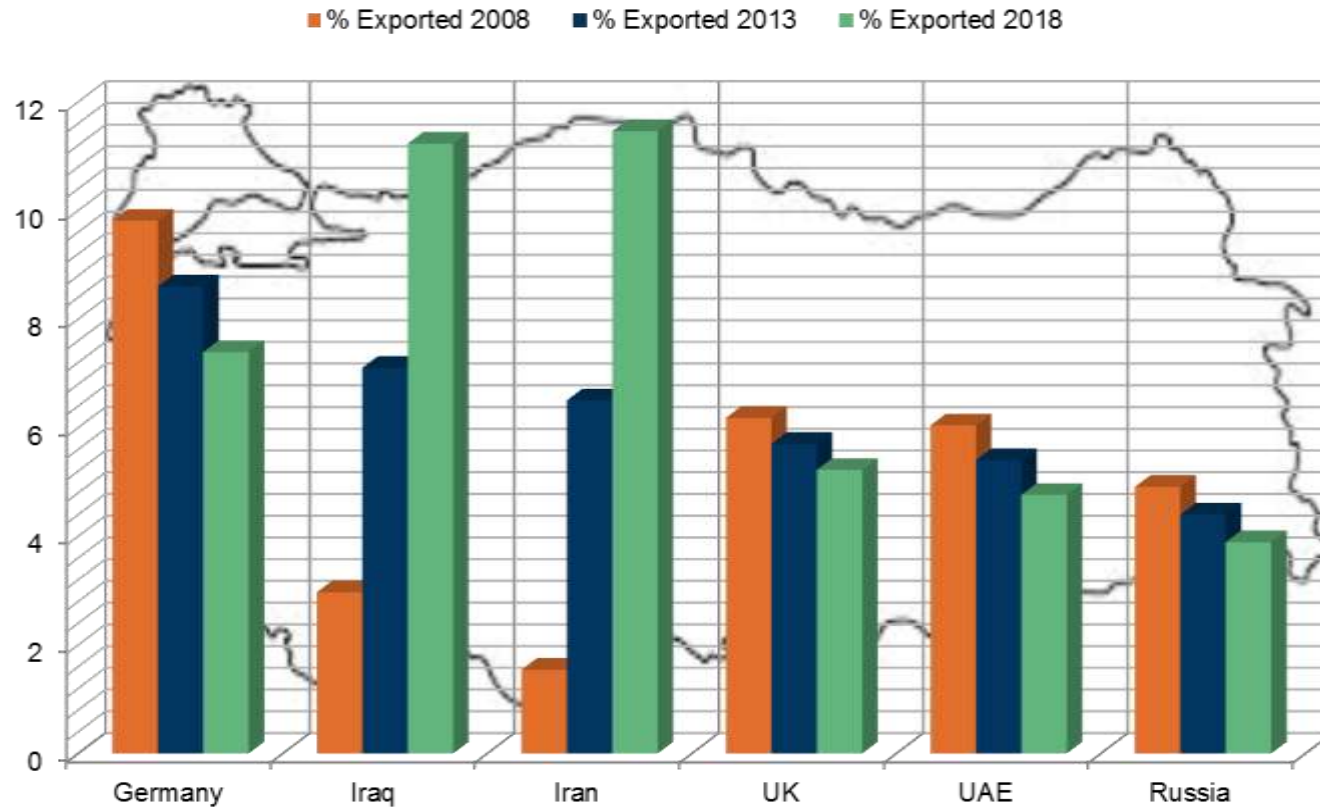
MINT's Export Partners



MINT's Export Partners

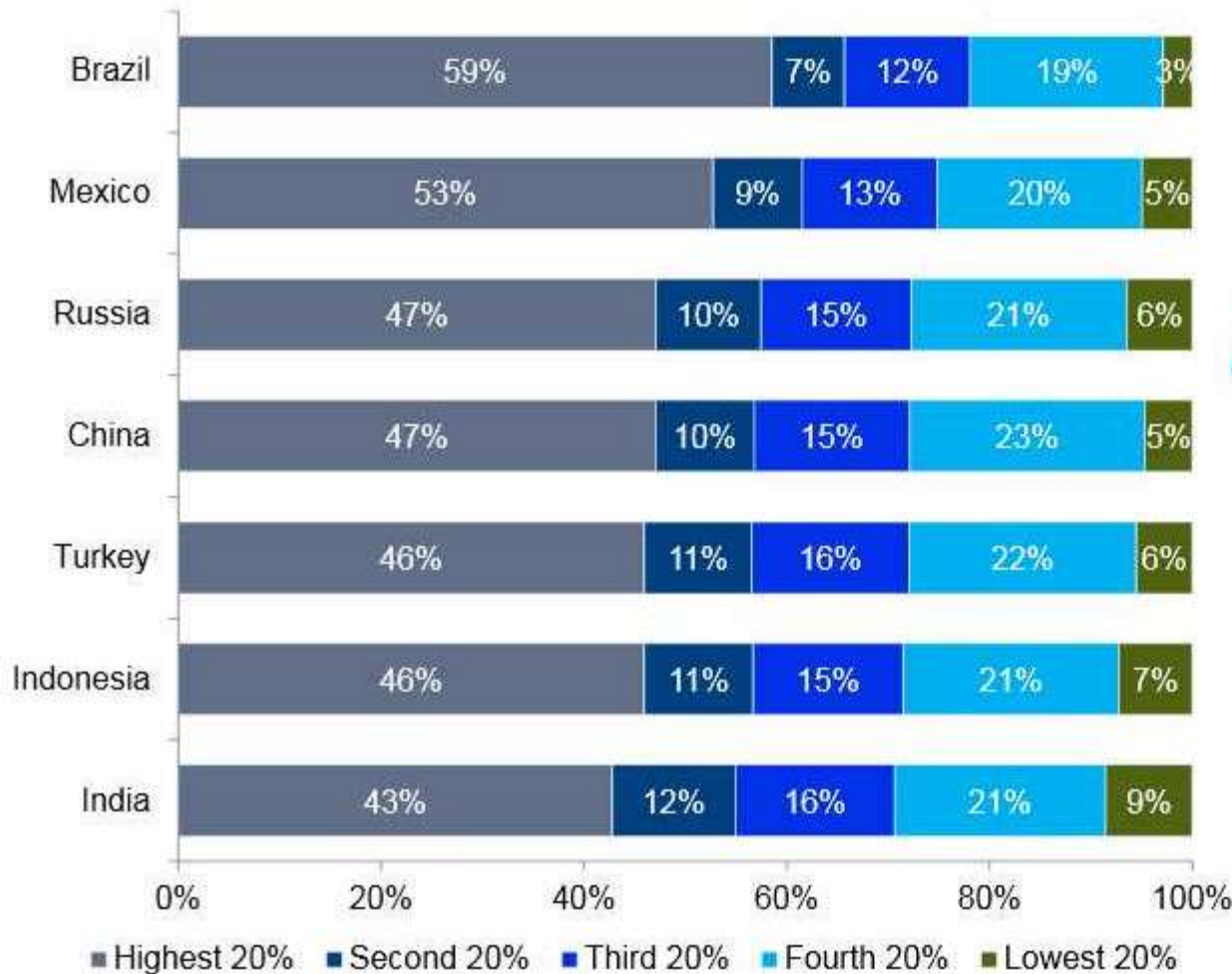


MINT's Export Partners



Emerging Economies: Income Disparities

Share of Income held by Different Population Strata in Emerging Economies (LYA)^{(A),(1)}

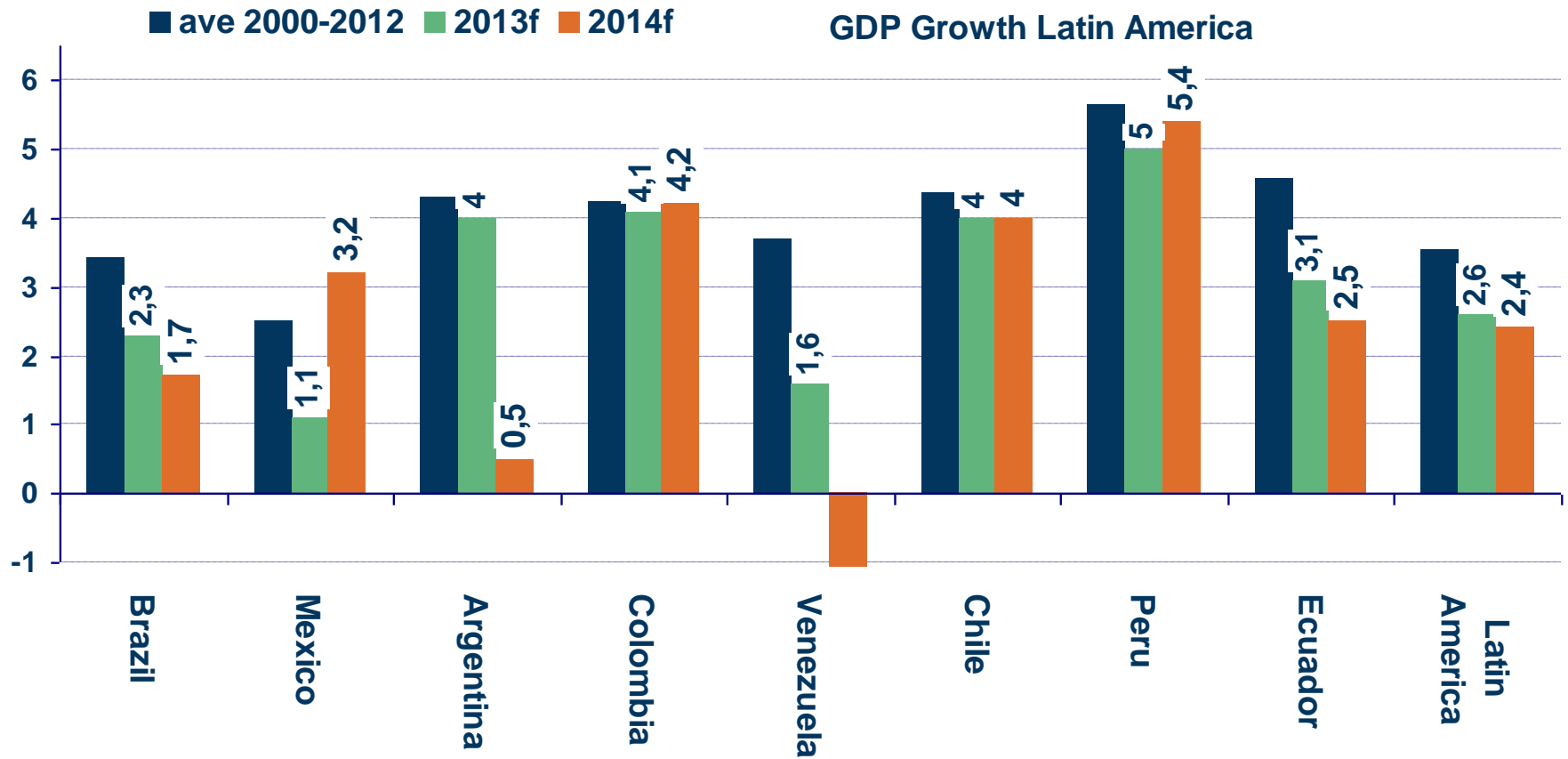


A significant proportion of the wealth in emerging markets is held by top 20-30% of the population

This can mean:

- Smaller consumption base as the majority of population cannot consume
- Significant competition for share of wallet of the wealthiest individuals
- Multiple strategies are needed order to address very different markets within same country
- Poorer asset basis which the country needs to grow, i.e., poorer, often uneducated human capital
- Greater risk of political and social unrest as the disparities become intolerable

2014 Latin America's outlook : resilient but under Emerging market average



Country risk and business climate assessment

CO Latin America

Country Risk Assessment	2011	2012	2013				2014		Business Climate
	January	January	January	March	June	September	January	March	
Chile	A2	A2	A2	A2	A2	A2	A2	A2	A2
Brazil	A3	A3	A3	A3	A3	A3↓	A3↓	A4	A4
Colombia	A4	A4	A4	A4	A4	A4	A4	A4	A4
Mexico	A4	A4	A4	A4	A4	A4	A4	A4	A4
Peru	A4	A4	A4	A4	A4	A4	A4	A4	B
Uruguay	A4	A4	A4	A4	A4	A4	A4	A4	A4
Ecuador	C	C	C	C	B	B	B	B	C
Argentina	C↗	C↗	C	C	C	C	C	C	C
Bolivia	C	C	C	C	C	C	C	C	C
Venezuela	C↓	C↓	C	C	C	C	C	C↓	D

Emerging Markets: Graduate Mobility



Source: UNESCO Institute of Statistics

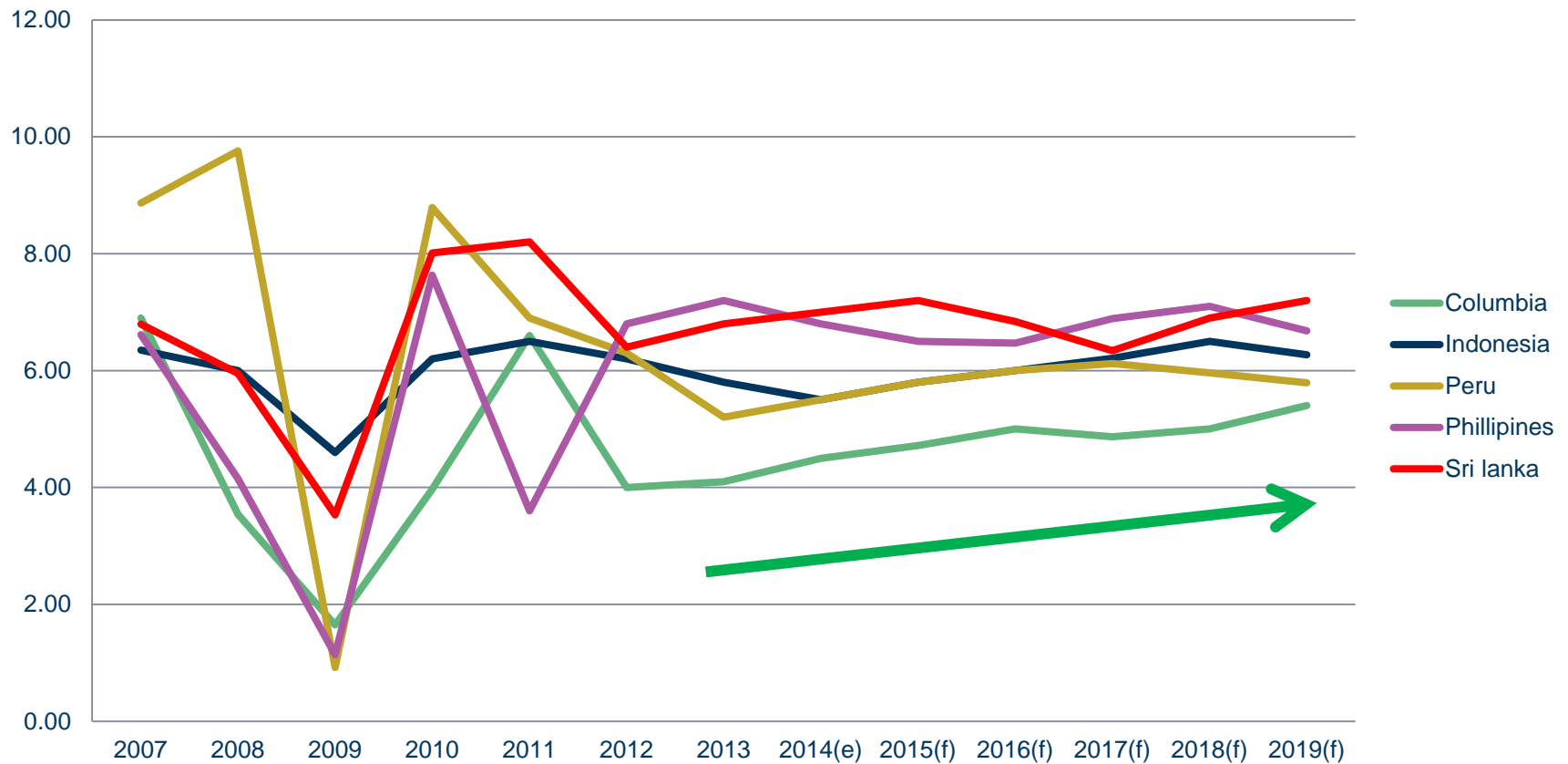


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Who will now pick up the flag?

« New » Emerging players : CIPPS

 GDP Growth (%)

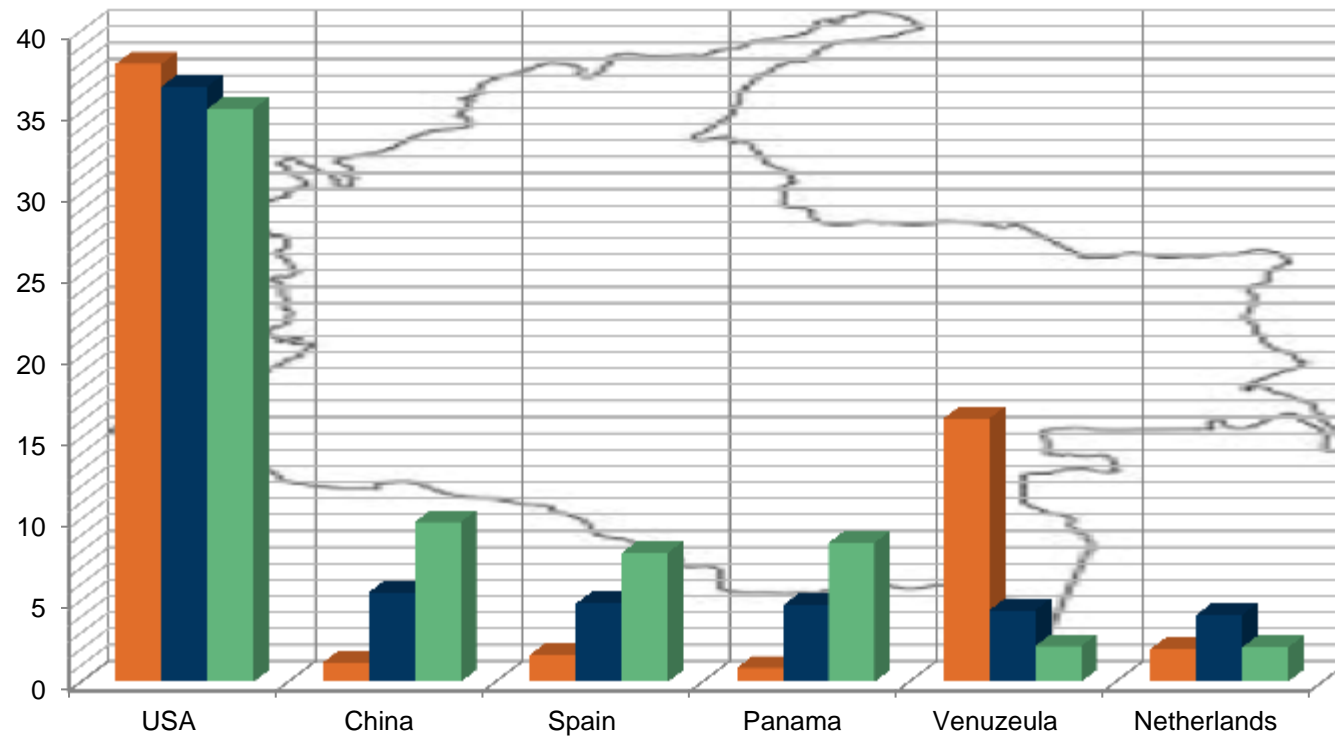


CIPPS's Export Partners



- Columbia

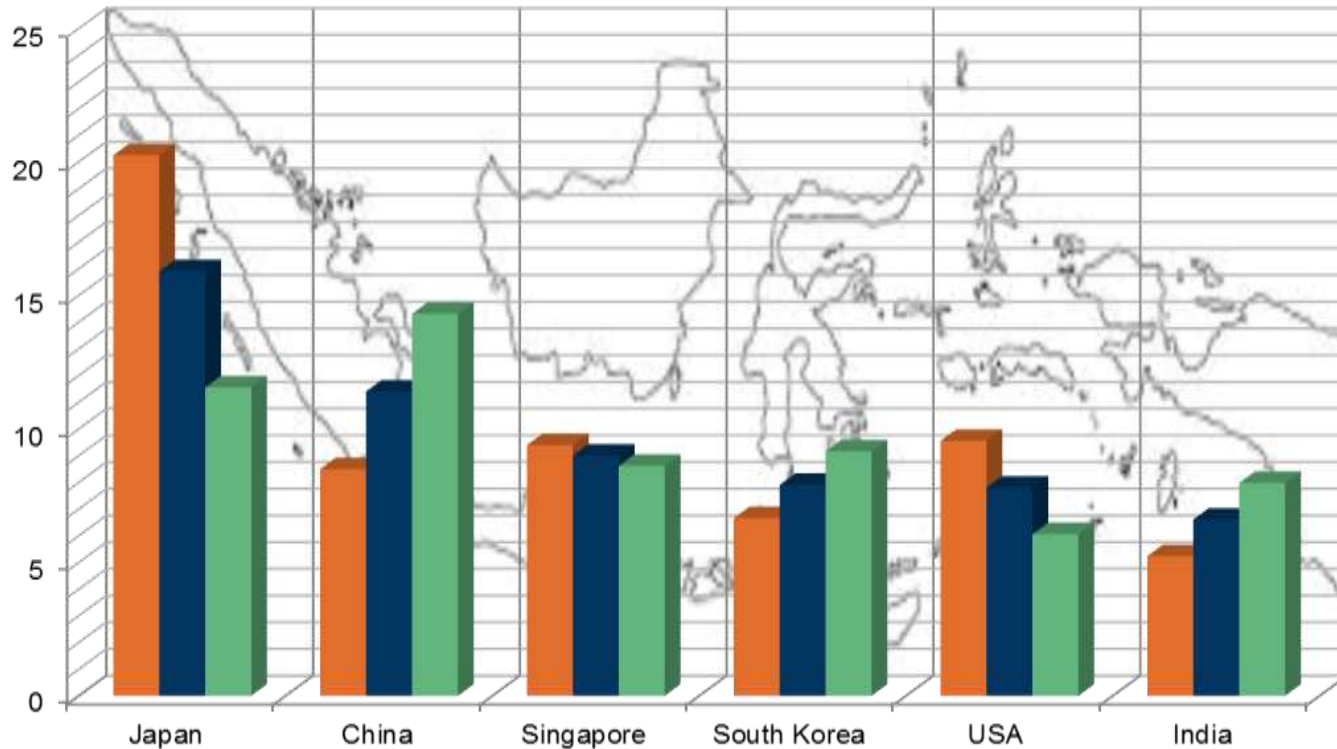
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CIPPS's Export Partners



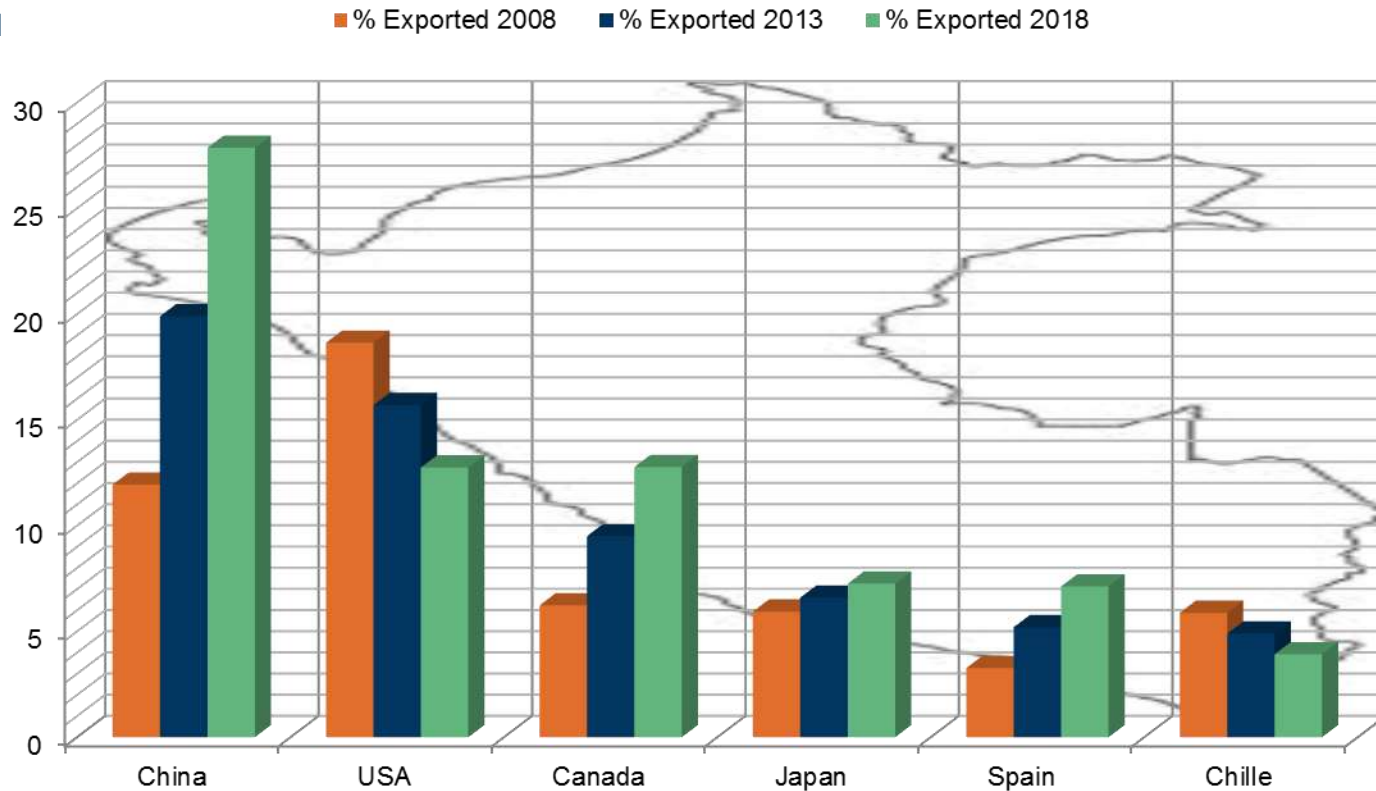
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CIPPS's Export Partners

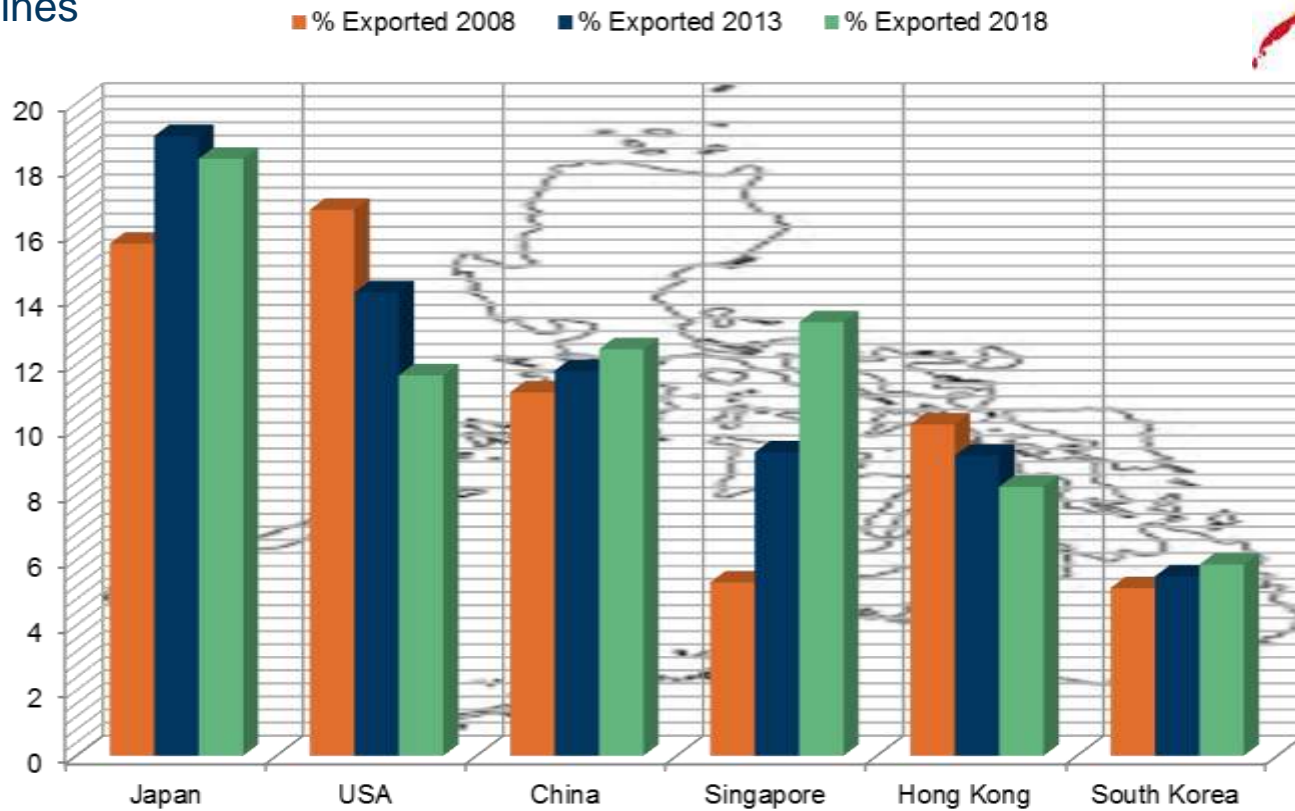


- Peru



CIPPS's Export Partners

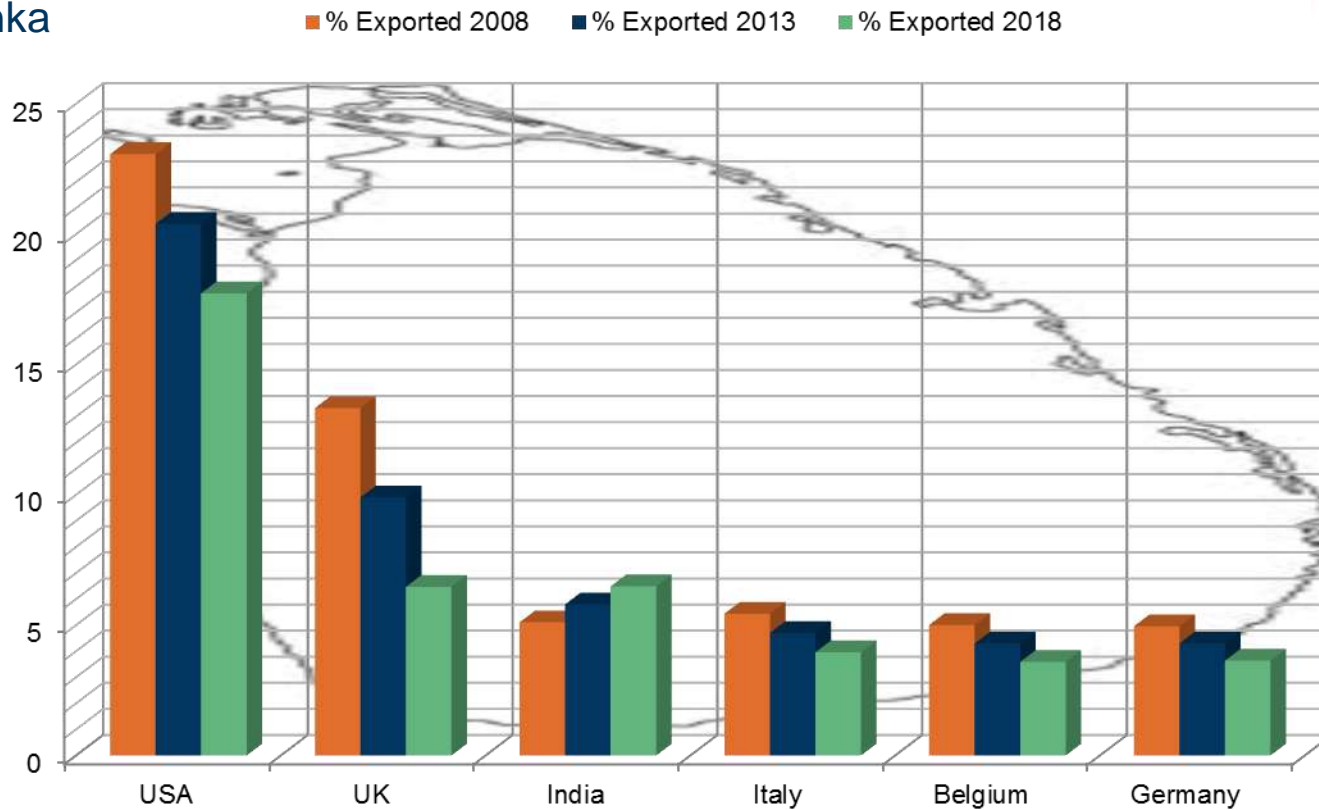
- Philippines



CIPPS's Export Partners

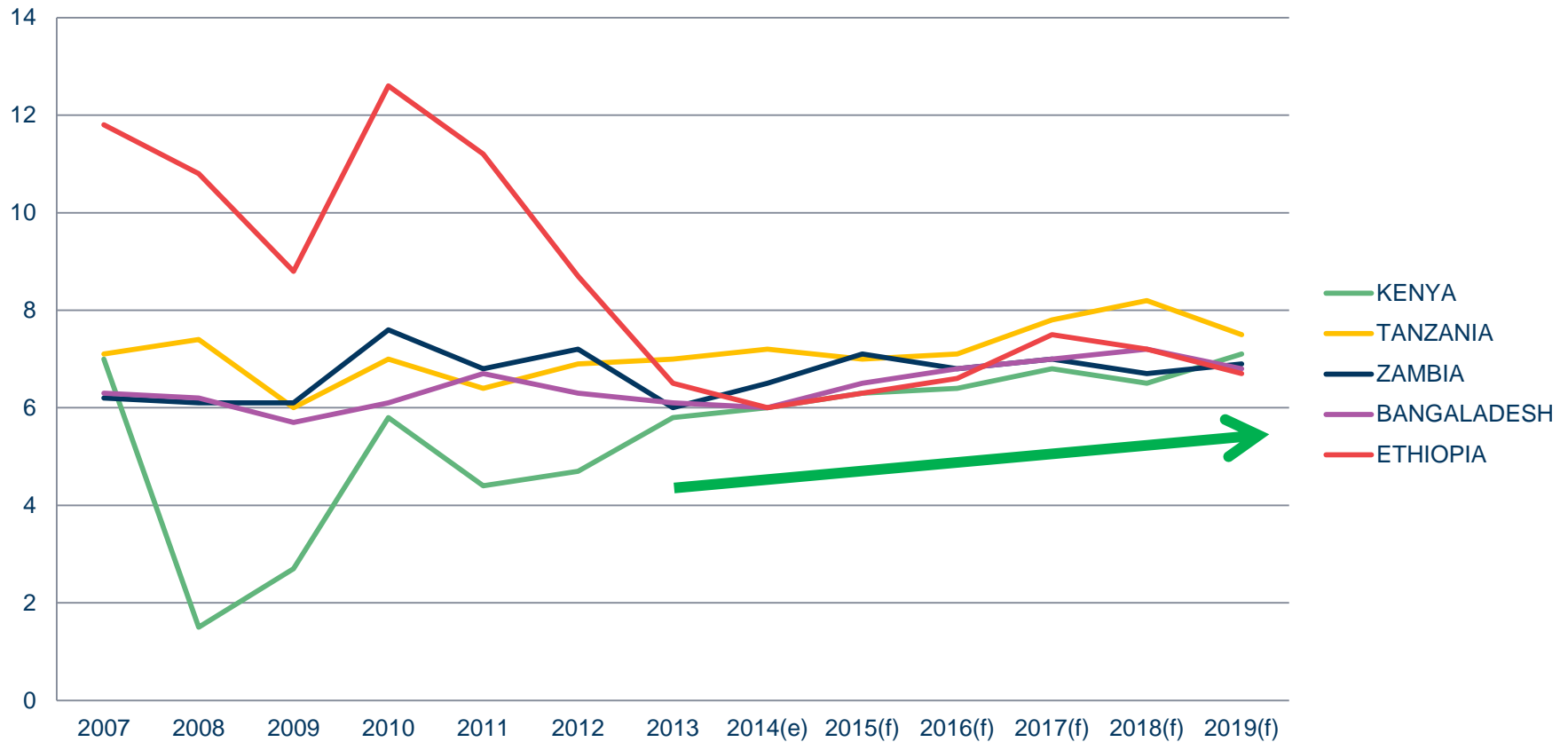


- Sri Lanka

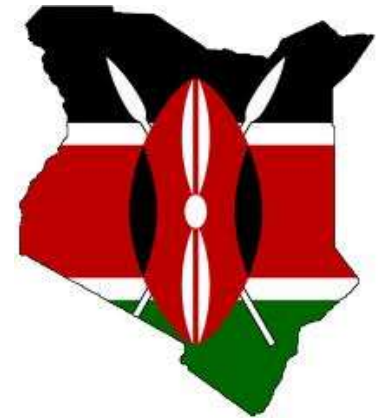


KTZBE Nations: High Risk and Good Returns

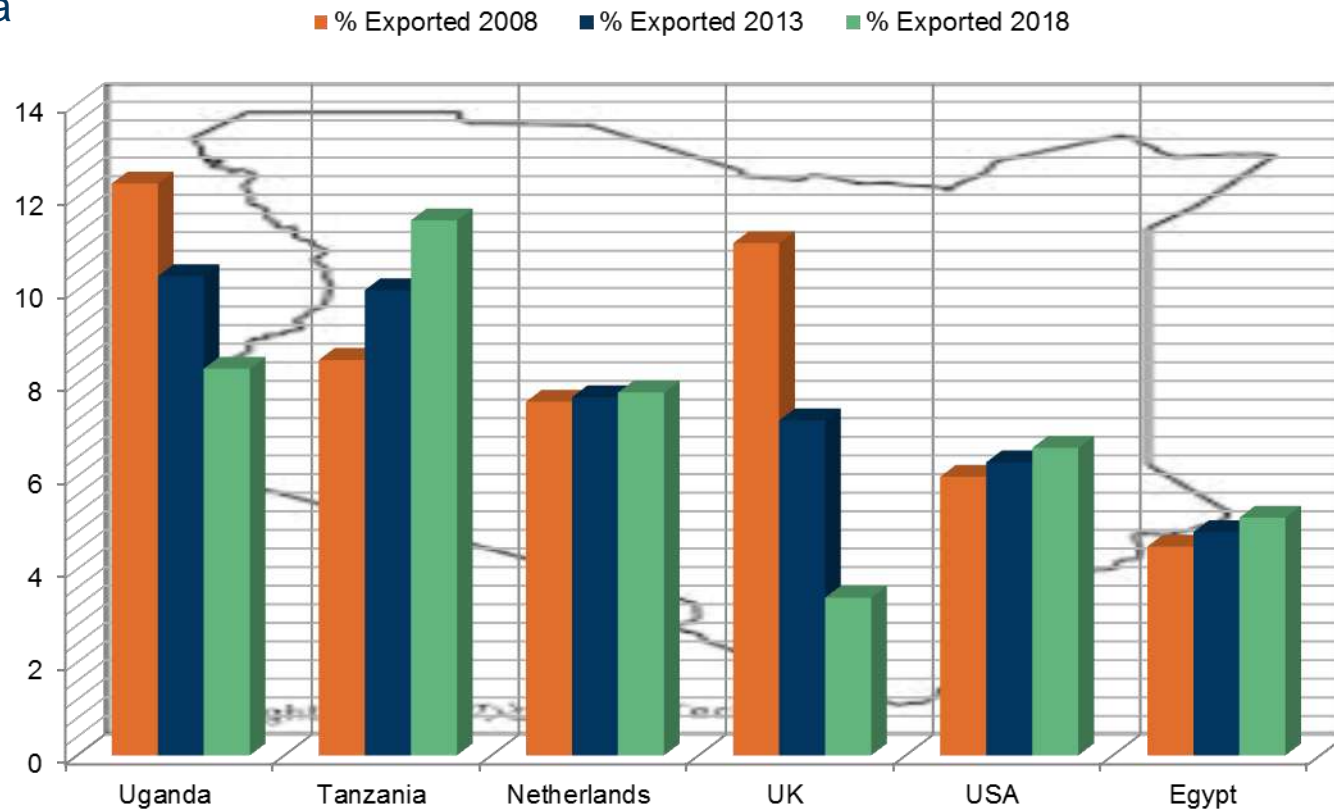
 GDP Growth (%)



KBETZ's Export Partners



- Kenya

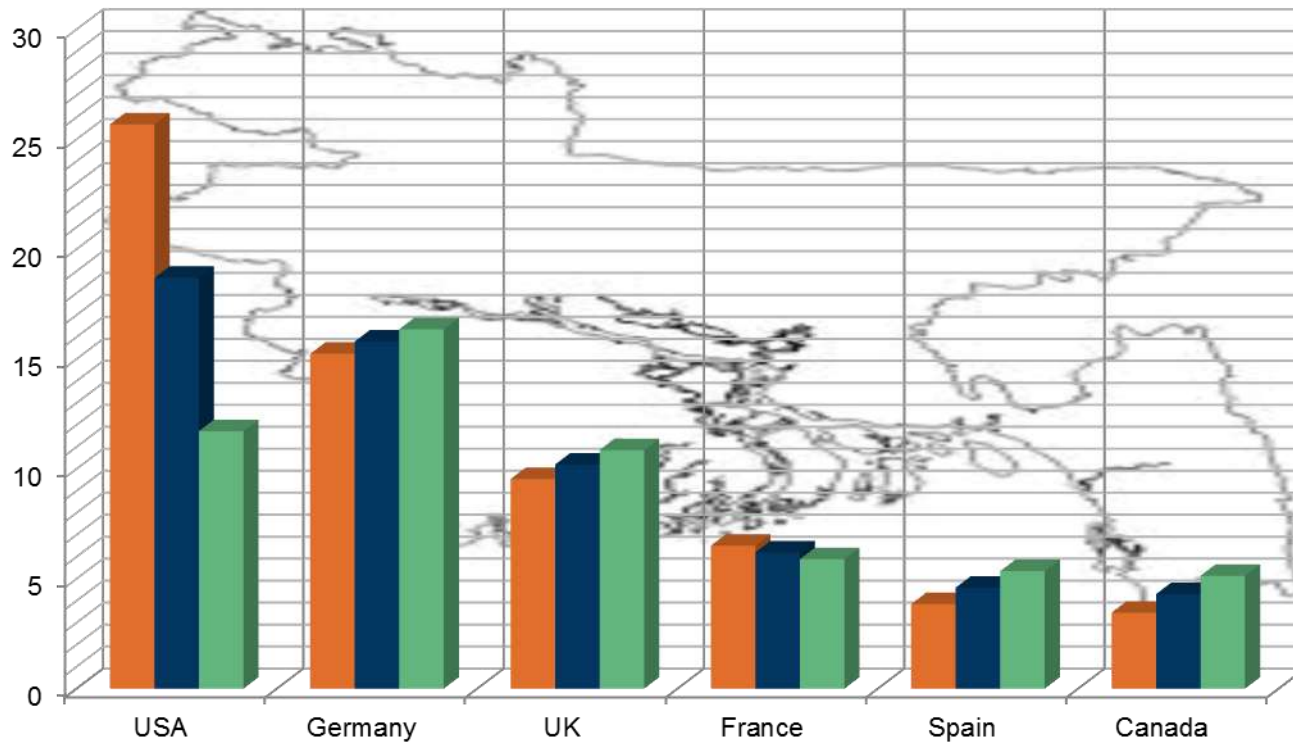


KBETZ's Export Partners



- Bangladesh

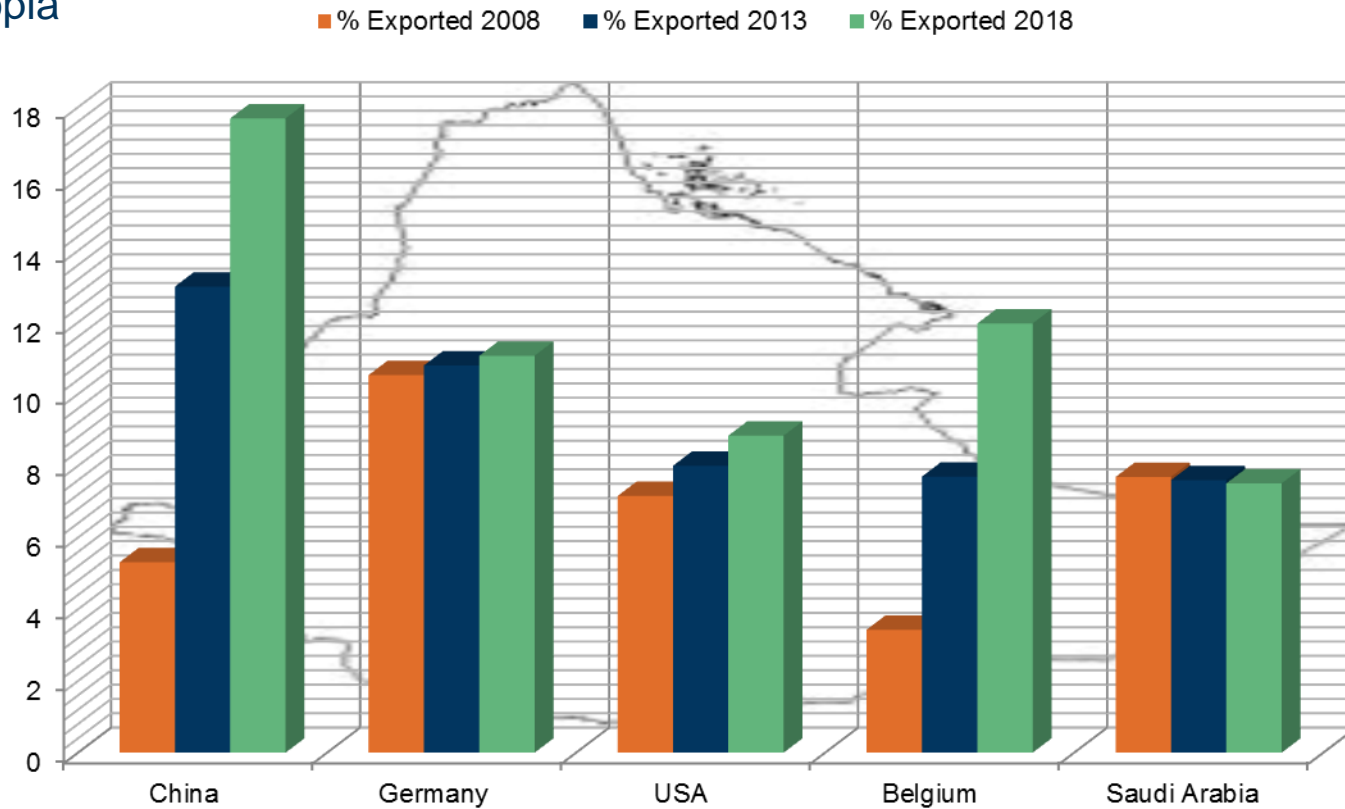
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KBETZ's Export Partners



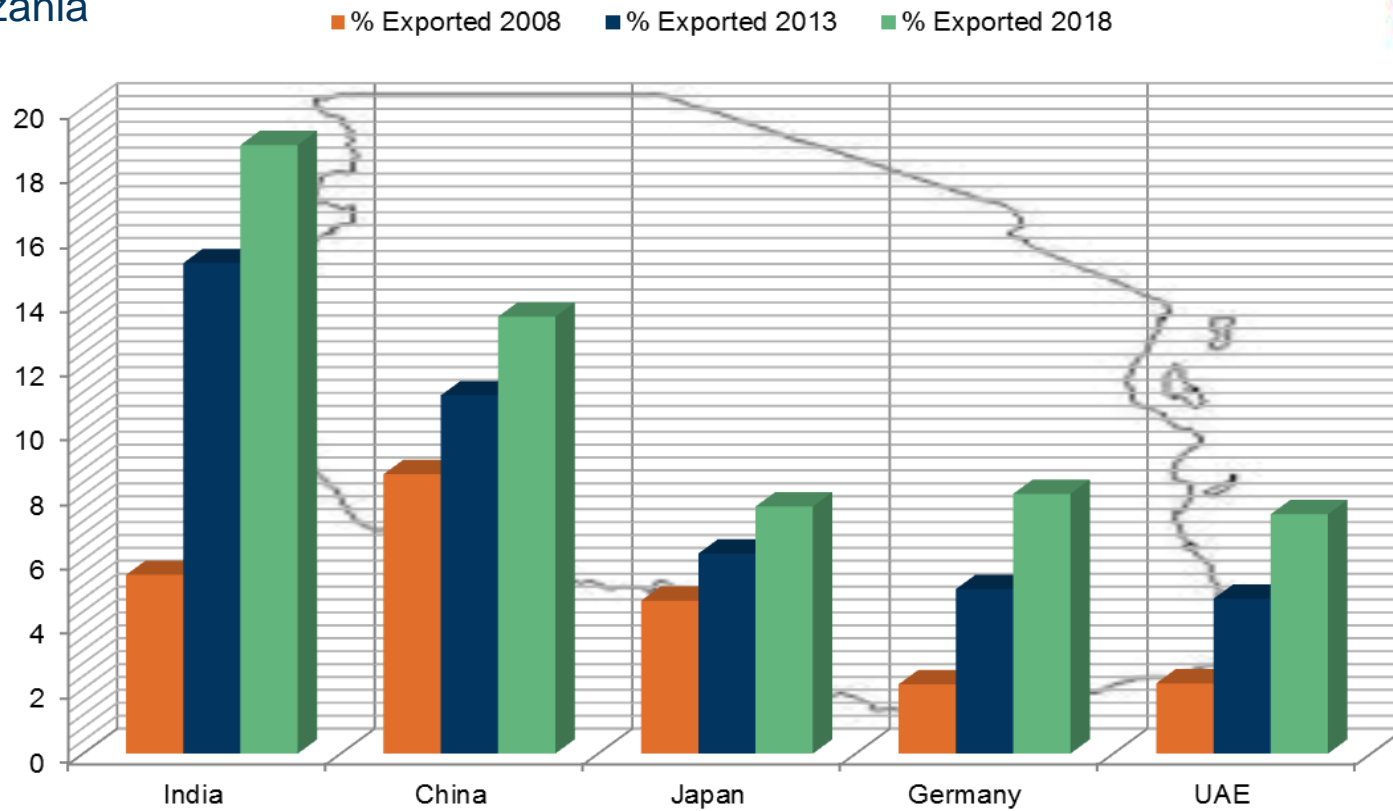
- Ethiopia



KBETZ's Export Partners



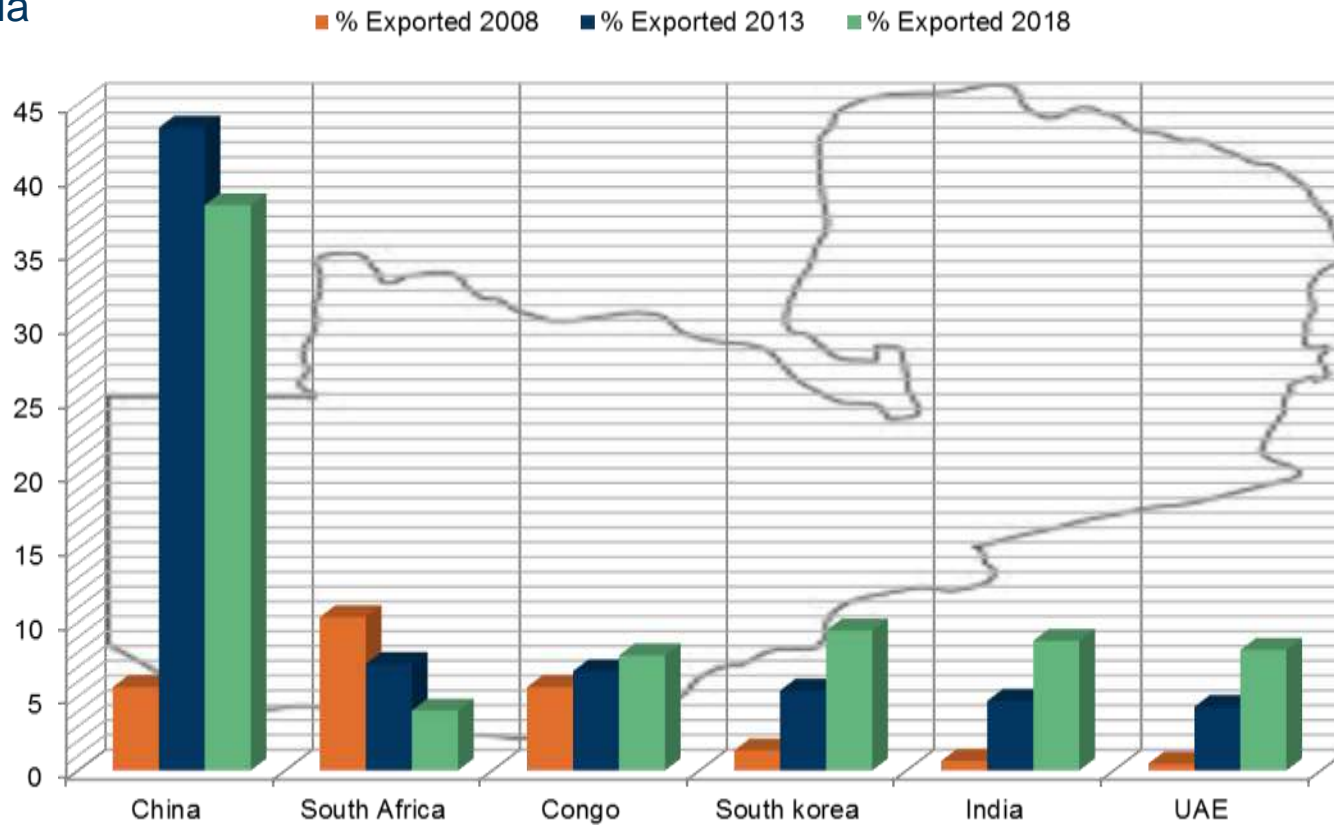
- Tanzania



KBETZ's Export Partners



- Zambia



« New » Emerging players : Why the grouping?



- Good Growth
- Resilience to Global shocks
- Political Stability
- Pronounced benefit of trade with BRIC nations
- Positive infrastructure developments
- Improving financial systems
- Better socio-economic and education policies



- Good Growth
- Resilience to Global shocks
- Political threat
- Lack of good trade agreements
- Poor infrastructure
- Developing financial systems and policies
- Poorer socio-economic and education policies



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