



PRESS RELEASE

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The financial crisis is confirmed in Europe and is spreading to the most fragile emerging countries

In Europe, the crisis is dragging Spain down, which is pulling Portugal along in its wake. In Denmark, more vulnerable than the other Scandinavian countries, companies are suffering from the economic downturn and from tighter margins.

Although the BRICs (Brazil, Russia, India and China) are still withstanding the crisis well, there is a rising credit risk in the Baltic countries, in South Africa and in Vietnam, all three handicapped by unbearable external balances and an economic slowdown.

The credit crisis is deepening in Europe...

In Spain, activity's drop in the building industry, up until then the main engine for growth, is hampering consumption and investments. The companies' payment behaviour has clearly declined. Coface has observed a 66% increase in payment incidents since January 2008 in this country, half of which occurred in this sector. After having placed its rating under negative watch in September 2007, Coface has reduced Spain's rating to A2.

Portugal has been affected in turn via a domino effect (30% of its exports are intended for its neighbour). Overdue payments have increased twofold since the beginning of the year. Coface has therefore placed its A2 rating under negative watch.

Finally, Denmark is more vulnerable than the other Scandinavian countries due to a fragile construction sector and high levels of household debt. Because of a significant deterioration in the economic situation, the number of bankruptcies has definitely increased (+25% since the beginning of the year). Coface is therefore placing this country's A1 rating under negative watch.

...and is spreading to fragile emerging countries

The activity slowdown, a higher inflation rate and volatility of the rand are causing problems for South African companies. Coface is therefore placing this country's A3 rating under negative watch.

Both in Vietnam and in two Baltic countries (Estonia and Latvia), overheated economies are in evidence. Years of strong growth have deepened external imbalances and stimulated inflation. Moreover, households and businesses are carrying considerable foreign currency debt. Vietnam (B rating placed under negative watch) is facing an important foreign exchange crisis. In Latvia and Estonia (whose ratings have been respectively lowered to A4 and to A3), a brutal landing for business activities is now underway.

The BRICs have so far avoided the crisis. Vigorous domestic demand and the absence of any major imbalance are supporting their performance levels.

“Credit risks are increasing in the vulnerable emerging countries”, explains Yves Zlotowski, Chief economist for Coface. “South African, Vietnamese and Baltic companies are suffering from the brutal curbing of excessive imbalances (ample foreign deficits, overheated economies and accelerating inflation), which are no longer sustainable in the current business climate.”

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About Coface

Coface's mission is to facilitate global business-to-business trade by offering its 120.000 customers four business lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, factoring, ratings and business information, and receivables management. Thanks to the worldwide local service delivered by 7,000 staff in 65 countries, over 45% of the world's 500 largest corporate groups are already customers of Coface.

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