Press release

Euler Hermes upgrades 11 countries risk ratings

PARIS – 8 JULY 2014 - Euler Hermes, the worldwide leader in trade credit insurance, announces the upgrade of 11 countries risk ratings. These are Côte d'Ivoire, Greece, Hungary, India, Ireland, Italy, Nicaragua, Nigeria, Portugal, Serbia, and Spain.

"Global GDP growth is expected to pick up slightly in 2014 (+2.8%), though the pace of the recovery should remain below 3% for the third year in a row," said Ludovic Subran, Euler Hermes' chief economist. "Against a gradually improving global economic outlook, Euler Hermes has upgraded 11 countries ratings. However, while global insolvencies are projected to decrease by -8% in 2014, they remain 13% above the pre-crisis level, meaning the 2009 crisis has not been absorbed yet."

Advanced economies are back in the game with an expected growth of almost +2% in 2014, the fastest since 2010. The eurozone should improve (+1.0%) after two years of contraction, with all major countries registering positive growth. In the southern eurozone, exports should help countries exit recession. Most central European economies will benefit from the eurozone recovery.

Emerging markets remain crucial contributors to global growth (+4.3% in 2014), despite slowing growth outlooks for several large economies such as Brazil, China, Russia, South Africa and Turkey. India should be the exception, with growth forecast to accelerate to +5.6% in 2014.

Overview on Upgraded Country Ratings

Country	New EH Rating	Previous EH Rating
Côte d'Ivoire	D3	D4
Greece	B3	B4
Hungary	B2	C3
India	B1	B2
Ireland	BB2	BB3
Italy	A2	A3
Nicaragua	D3	D4
Nigeria	D3	D4
Portugal	B2	B3
Serbia	D3	D4
Spain	A2	A3

Comments on Upgraded Country Ratings

Côte d'Ivoire: upgraded to D3 from D4. Recovery has gained momentum, reflecting improved political stability. Foreign exchange reserves and import cover are nominally comfortable and external debt ratios and servicing are low, following debt forgiveness and rescheduling initiatives.

Greece: upgraded to B3 from B4. Better economic prospects, stabilization of the insolvency trend. Financial pressure eased significantly and a long-term bond issuance was conducted in April, the first since 2010. Falling consumer prices and the state of the banking sector remain high downside risks short-term.

Hungary: upgraded to B2 from C3. External imbalances and growth prospects have steadily improved. New credit growth is under control and inflationary pressures have declined, allowing two years of continued monetary easing to support the recovery. Nonetheless, the economy remains somewhat vulnerable to external shocks.

India: upgraded to B1 from B2. Improved growth forecast, strong monetary policy response. The recent rebound in capital inflows should be maintained, sustaining the domestic investment recovery.

Ireland: upgraded to BB2 from BB3. Better economic prospects, and insolvencies falling since 2013, but levels remain high. Financial independence has been achieved, and the restructuring of the banking sector has been completed, but vulnerabilities remain. The excessive stock of debt is the main medium-term challenge.

Italy: upgraded to A2 from A3. Better economic prospects and insolvencies expected to decline from the second half of 2014 onward. Companies should benefit from a pick-up in credit and consumer spending in 2015. The country enters a period of political stability but medium term challenges remain.

Nicaragua: upgraded to D3 from D4. Fiscal policy has improved. A wide-ranging tax reform implemented in 2012 improved tax collection and administration, set spending restrictions, and increased fiscal revenues. External vulnerability remains significant, however.

Nigeria: upgraded to D3 from D4. External liquidity and debt indicators in Africa's largest economy have improved to comfortable levels and GDP growth is robust, resulting in improved short-term risk. However, a number of vulnerabilities continue to weigh on medium term prospects, including personal and corporate security risk and a weak business environment.

Portugal: upgraded to B2 from B3. Better economic prospects driven by a recovery in domestic demand and exports, mainly due to improving competitiveness. Insolvencies are falling since 2013. Exit from the joint EU/IMF program in May remains challenging in view of the large public debt and fiscal deficit. The inflation rate is set to remain at very low levels, which could hamper the deleveraging of public and private sectors.

Serbia: upgraded to D3 from D4. The economy has emerged from recession. The exchange rate has stabilized and inflation is forecast to remain low until 2015. Foreign exchange reserves are adequate. The country is still characterized by a number of structural weaknesses (e.g. export structure), ongoing weak domestic demand against the backdrop of credit contraction and high unemployment, deteriorating public finances and a high external debt burden.

Spain: upgraded to A2 from A3. Better economic prospects with insolvencies falling since 2013, after six consecutive years of strong increase. Domestic demand is expected to strengthen and drive growth. Public finances will remain at critical levels, though, with public debt standing above 100% of GDP and fiscal deficit above -6% of GDP in 2014. The inflation rate is set to remain at very low levels, which could hamper the deleveraging of public and private sectors.

"Euler Hermes monitors 242 countries and territories using about 40 short-term and medium-term indicators to measure the risk of payment disruptions in a given country that are outside the control of companies, ," explained Manfred Stamer, senior economist at Euler Hermes. "The assessment results in a medium-term rating (on a scale of AA, A, BB, B, C, D) and a Short-Term Rating (on a scale of 1, 2, 3, 4) which are combined in an overall Country Rating (from AA1 = best to D4 = worst)."

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