



Risk Outlook of Asean and Indian Market

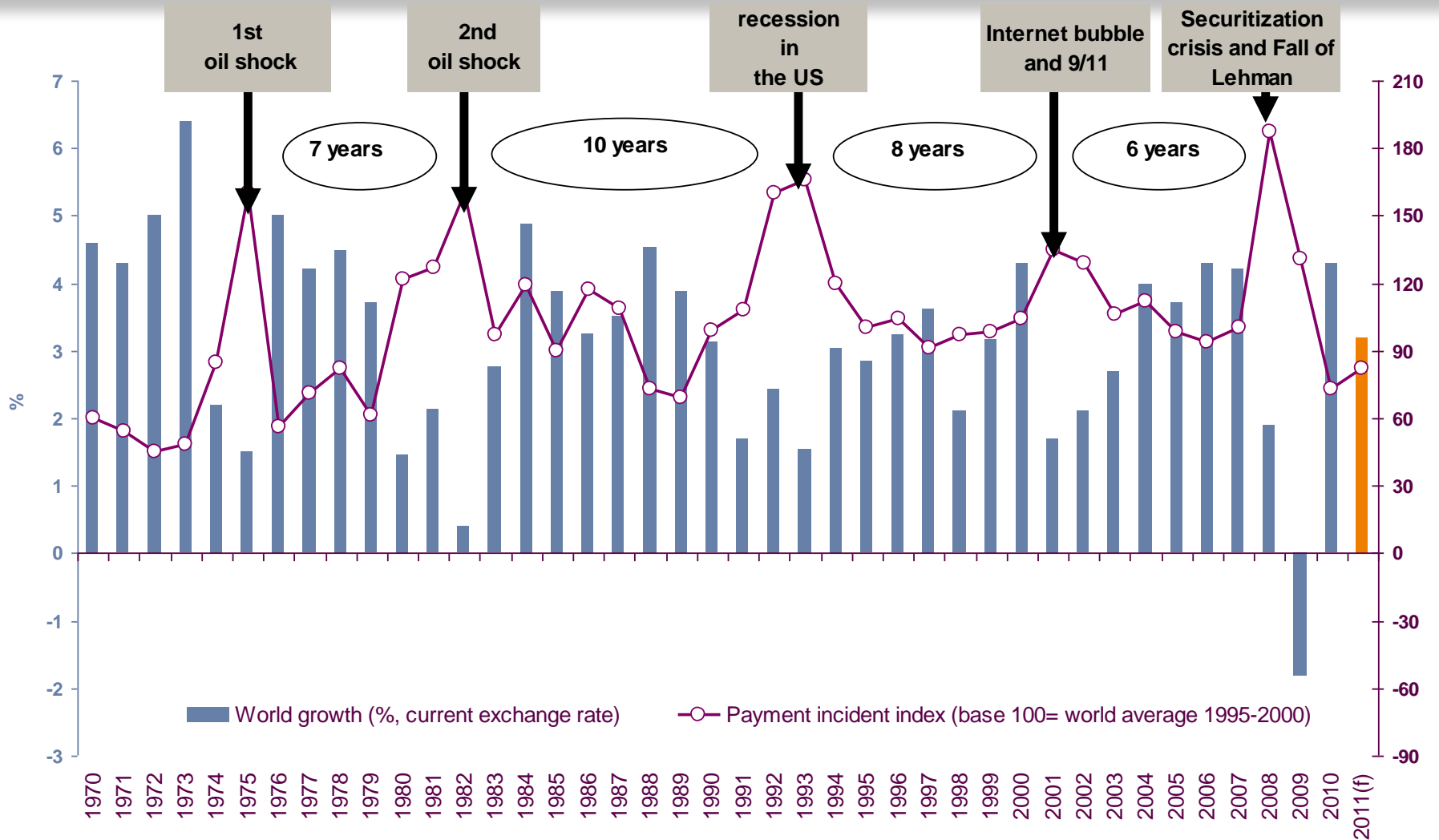
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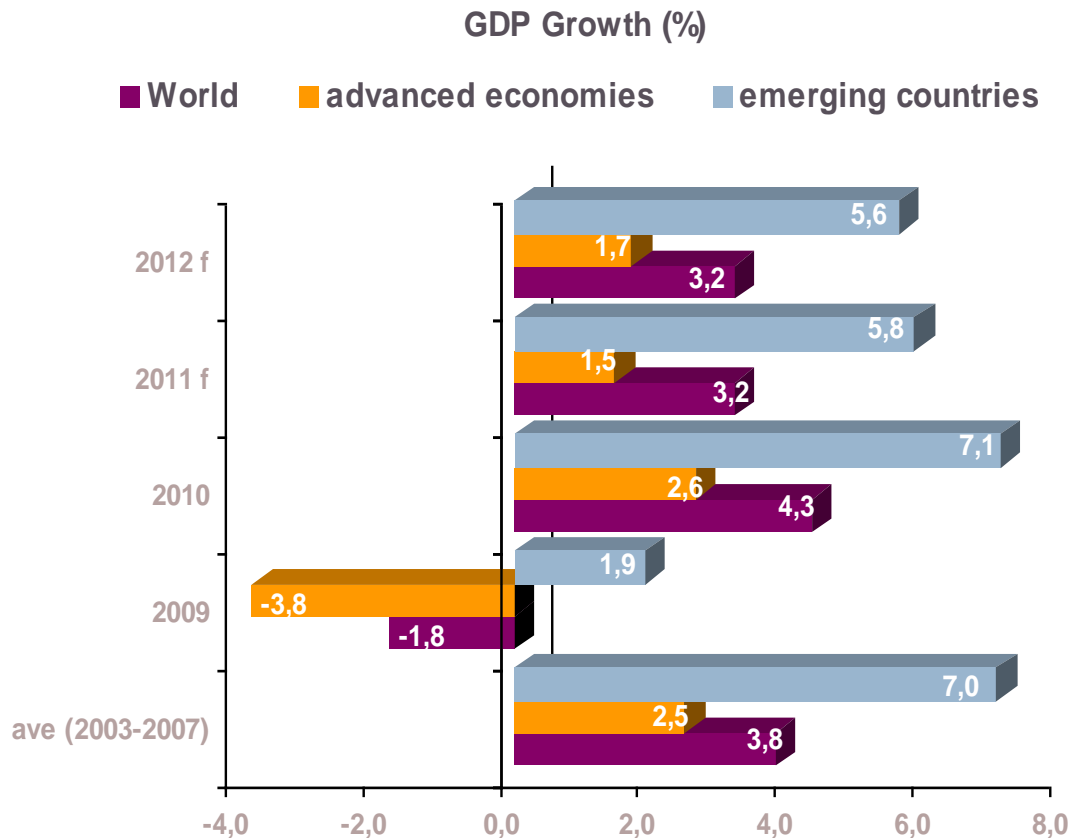
Who is Coface?

- A world leader in credit insurance and No. 1 in Asia
- With direct subsidiaries in 66 countries and able to provide credit insurance and credit management services in nearly 100 countries via CreditAlliance network.
- Common risk system - 'Atlas', a unique worldwide database of more than 50 million companies which flags payment incidents in 400 billion euros of trade flows.
- Each quarter, Coface publishes its assessments of country risk for 156 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 250 underwriters.
- In France, Coface manages export public guarantees on behalf of the French state.
- Coface is a subsidiary of Natixis.

Towards the shortening of economic cycles?



2011-2012: A significant slowdown, as main scenario



● A slowdown expected :

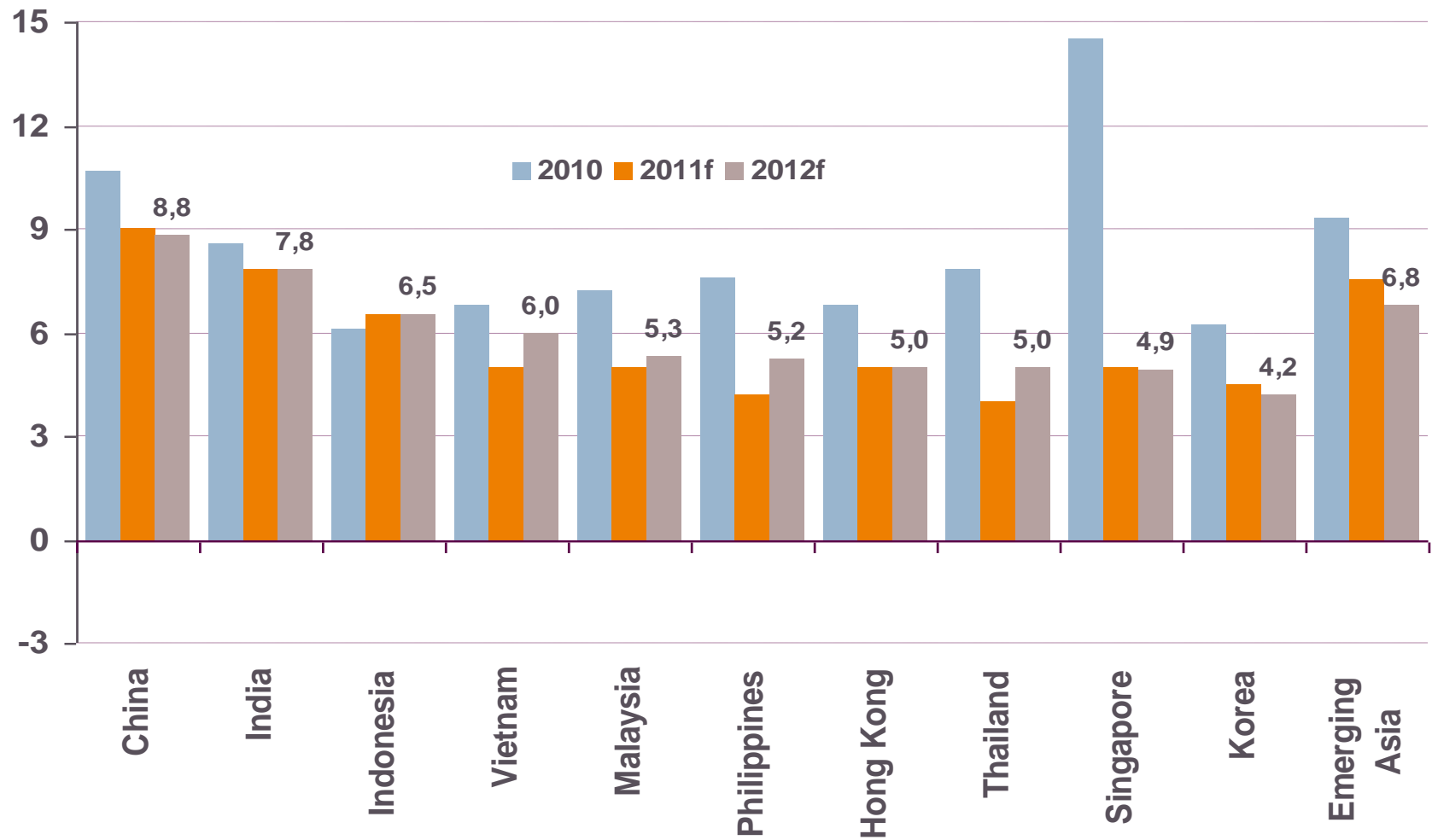
- End of the restocking process
- Rising oil prices in 2011
- Fading stimulus packages and increased austerity measures

● A double dip avoided :

- Emerging market dynamism
- Sustained supportive measures in the US
- A fire-wall is build up between the GIPS and Italy

● **2 major risks on that central scenario** : lack of political consensus in the US and the intensification of the euro zone debt crisis

Emerging Asia: A soft landing



Country Risk according to Coface

- **Country Risk** measures the influence of a country macroeconomic and institutional evolution on companies credit risk
- **Country risk assessment**
 - Evaluates the average risk of payment defaults by companies in a given country
 - To assess country risk, Coface combines economic and political prospects of the country, Coface payment experience and business climate assessment
 - This rating has 7 grades: **A1, A2, A3, A4, B, C, D**
- **Business climate assessment**
 - Assesses overall business environment and more precisely whether corporate information is available and reliable and whether the legal system provides fair and efficient creditor protection
 - This assessment is based on a scale of 7 grades: **A1, A2, A3, A4, B, C, D**

Singapore (A1)

STRENGTHS

- Very high quality-competitiveness
- Development of high value-added sectors (chemicals, pharmaceuticals, finance)
- Large inflows of FDI spurred by an advantageous tax regime, political stability, and an excellent business environment
- Major exporter of capital in Asia via the public holding company Temasek

WEAKNESSES

- Economy dependent on foreign demand
- Shortage of skilled labour
- Aging of the population
- Latent social tensions in a context of increasing inequality and rising long-term unemployment among the less skilled

Malaysia (A2)

STRENGTHS

- Diversified exports
- Dynamic services sector
- Effective education system, good infrastructure, high R&D
- Support for investment via development of the financial market and broader access to foreign direct investment

WEAKNESSES

- Economy dependent on foreign demand
- Fiscal revenues highly dependent on gas and oil sector performance
- Very high stock of bank credit granted to the private sector
- Erosion of price competitiveness linked to the high cost of labour
- Regional disparities

Thailand (A3)

STRENGTHS

- Diversified, high-performance production in agriculture and industry
- Move upmarket in manufactured goods
- Regional hub open to dynamic neighbours
- Strengthened banking system

WEAKNESSES

- Thai foreign trade subject to competition from China
- Lack of structural reform
- Business climate marked by persistent ties between the private sector and political circles
- Recurrent political instability since 2006

India (A3)

STRENGTHS

- Diversified growth engines
- Solid fundamentals with high savings and investment rates
- Private sector that performs well in industry and services
- Moderate foreign debt and large foreign exchange reserves

WEAKNESSES

- Lack of infrastructure and deficient education system
- Rise in the wages of skilled workers could result in further erosion of the competitive advantage
- Increase of private corporate debt
- Weak public-sector financial position
- Persistent uncertainty over the Kashmir question

Vietnam (C)

STRENGTHS

- Skilled, low-cost workforce
- Solid agricultural potential and natural resources
- Development strategy based on strengthening the tertiary sector, opening and diversifying the economy

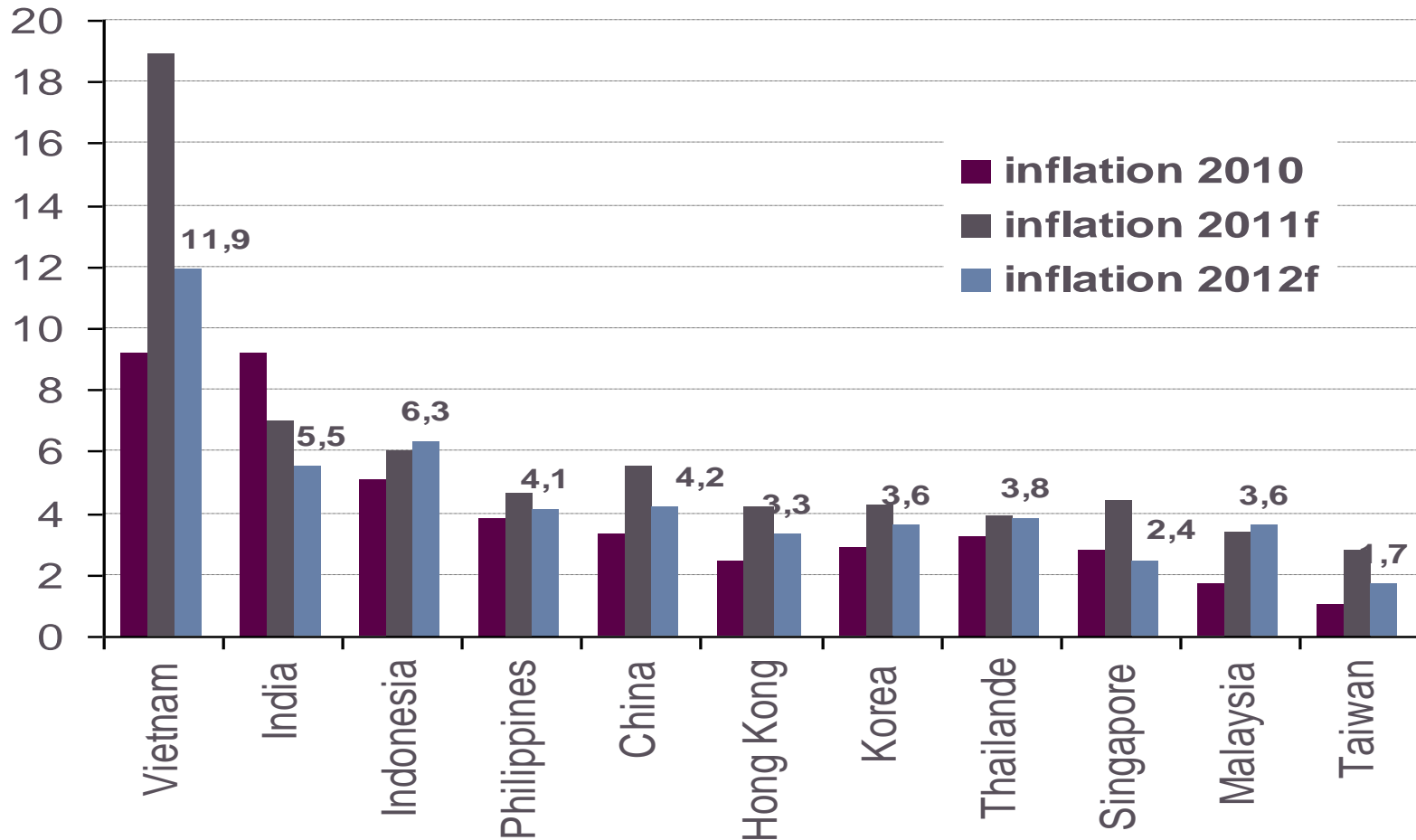
WEAKNESSES

- Vietnam's specialization too focused on price competitiveness and low value-added products
- Persistent deficiencies in the business environment
- Lack of infrastructure
- Unfinished public-sector reform
- Growing inequality

Emerging Asia: Country risk assessment

	Country Risk										Business Climate	
	January 2007	January 2008	January 2009	January 2010	March 2010	June 2010	September 2010	January 2011	March 2011	June 2011		October 2011
Hong Kong	A1	A1	A2	A2	A2	A2↗	A1	A1	A1	A1	A1	A2
Singapore	A1	A1	A1↘	A2↗	A2↗	A1	A1	A1	A1	A1	A1	A1
Taiwan	A1↘	A1↘	A2	A2	A2	A2↗	A1	A1	A1	A1	A1	A2
Korea	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Malaysia	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2	A3
China	A3	A3	A3↘	A3	A3	A3	A3	A3	A3	A3	A3	B
India	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A3	A4
Thailand	A2↘	A3	A3	A3↘	A3↘	A3↘	A3↘	A3↘	A3↘	A3↘	A3	A3
Indonesia	B	B	B	B	B	B	B	B	B	B	B	C
Philippines	B	B	B	B	B	B	B	B	B	B	B	B
Vietnam	B	B	B↘	B↘	B↘	B↘	B↘	B↘	C	C	C	C
Bangladesh	B	C	C	C	C	C	C	C	C	C	C	D
Sri Lanka	B↘	B	B	C	C	C	C	C	C	C	C	B
Pakistan	C	C	C↘	D	D	D	D	D	D	D	D	D

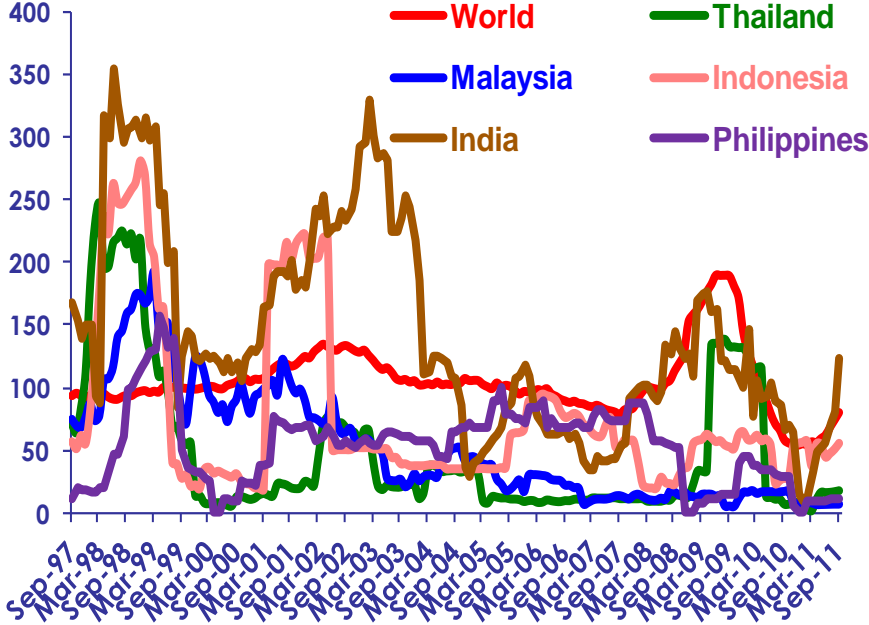
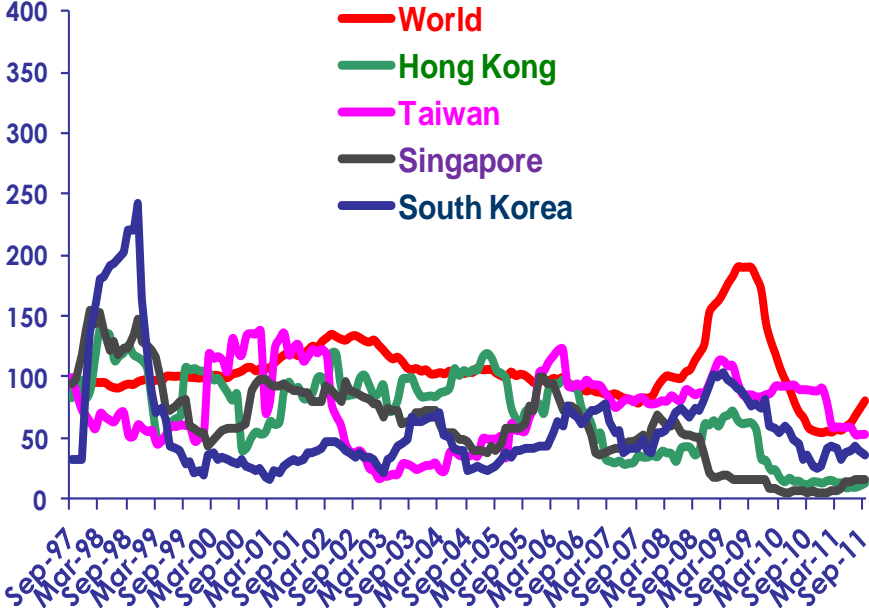
Emerging Asia: Inflation broadly contained, but challenges ahead



ASEAN & India: a contrasting situation

- Export dependent economies weakened by US fallout and EU debt crisis
 - Singapore, Malaysia, Thailand to grow slower than expected in 2011 (5.4%)
 - ASEAN exports to China, USA and Europe are softening due to shrinking end users demand
 - Manufacturing is stalling due as inventories draw down and exports markets tighten.
 - Thailand suffered the most due to Japan earthquake / tsunami disrupting automotive supplier lines + now flood negative impact on automobile & electronics sectors.
- Domestic oriented markets more resilient to the crisis
 - India
 - Indonesia

Payment Incidents Index : Emerging Asia



World growth forecasts updated – Emerging Asia still driving world growth

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011(p)
World production	2.1	2.7	4	3.7	4.3	4.2	1.9	-1.8	4.3	3.2
Industrialised countries	1.4	1.8	2.9	2.4	2.8	2.4	0	-3.8	2.6	1.4
United States	1.8	2.5	3.5	3.1	2.7	1.9	-0.3	-3.5	3	1.7
Japan	0.3	1.4	2.7	1.9	2	2.4	-1.2	-5.2	4	-0.3
Euro zone	1.2	0.8	2.1	1.7	3.3	2.8	0.3	-4	1.7	1.6
Germany	0	-0.2	1.2	0.8	3.4	2.7	1	-4.7	3.5	3
United Kingdom	2.1	2.8	3	2.2	2.8	2.7	0.1	-4.9	1.3	1.1
France	1	1.1	2.5	1.9	2.2	2.4	-0.2	-2.6	1.4	1.7
Italy	0.5	0	1.5	0.7	2.1	1.4	-1.3	-5.2	1.2	0.6
Spain			3.3	3.6	4	3.6	0.9	-3.7	-0.1	0.8
Emerging countries	4.4	5.7	7.2	6.8	7.6	7.9	5.6	1.9	7.1	5.8
Emerging Asia	6.5	7.1	7.9	8.3	9.2	10.1	6.9	6.2	9.3	7.5
Latin America	0.5	1.9	5.9	4.5	5.6	5.6	4.2	-1.7	6.2	4.5
Emerging Europe	4	4.6	6.9	6	6.6	5.7	3	-4.1	4.4	3.9
CIS	5.3	7.8	8.1	6.8	8.2	8.6	5.5	-6.6	4.5	4.4
Middle East	2.5	6.3	6.9	6.2	5.8	5.4	5.7	1.3	4	4.1
Africa	6.3	6.4	6	6	6.9	7	5.7	1.6	4.6	4.9
China	9.1	10	10.1	11.3	12.7	14.2	9.6	9.2	10.7	9
India	3.8	8.5	7.5	9.5	9.6	9.3	6.8	8	8.6	7.8
Brazil	2.7	1.2	5.7	3	4	5.7	5.2	-0.6	7.5	4
Russia	4.7	7.3	7.2	6.4	7.4	8.1	5.6	-7.9	4	4.5
World trade	3.4	5.4	10.3	7	7.4	7.3	2.8	-10.7	14.5	5

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