



## Number of SA's trading partners handed credit rating downgrades

Coface, the international trade credit insurance company, has downgraded a number of SA's trading partners' business credit rating, the UK being one of the highest profile countries downgraded from A2 to A3. However, Coface notes that the UK's business credit risk remains "quite acceptable".

### KEY RATE

Coface expects the UK's GDP growth to reach just 0.9% next year and says consumers and investors are postponing decisions in regard to Brexit.

Paul Chollet, head of sectors and insolvencies at Coface, says: "Authorities are worried, as highlighted by the decrease in the BoE key rate to 0.25% for the first time since 2009.

"An extension of the quantitative easing programme is also a concern."

Coface has also downgraded Nigeria to D, a very high credit risk, and Mason says Nigeria's GDP is set to shrink on an annual basis in 2016.

Contributing to this is the decrease in oil production, hindered by sabotages of oil facilities in Niger Delta. Since June 2016, the naira has lost more than 35% of its value against the dollar and Nigeria has also been affected by a reduction in oil exports which represent 90% of total exports.

Other countries that have had their business credit rating

downgraded one notch are the US (A2), Canada (A3), South Korea (A3), Hong Kong (A3), Namibia (A4), China (B), Angola (D), Mozambique (D), UAE (A4) and Singapore (A4). Coface has in turn upgraded France (A2) and Italy (A3).

### ECONOMIC SIGNS

"Good growth figures in Europe, a rebound in many emerging currencies and in oil prices indicate improving economic signs in Europe. But the world's two largest economies, the US and China, whose country ratings have been downgraded to A2 and B respectively, illustrate the ongoing level of credit risk,"

### THE US AND CHINA, WHOSE COUNTRY RATINGS HAVE BEEN DOWNGRADED TO A2 AND B RESPECTIVELY, ILLUSTRATE THE ONGOING LEVEL OF CREDIT RISK

#### Paul Chollet

Head of sectors and insolvencies at Coface

Chollet says.

In China, the more widely followed economic indicators such as GDP growth, retail sales and industrial production, show that growth is stabilising, but company insolvencies are growing sharply. In the US, hidden behind a continuous fall in the unemployment rate, there are companies whose profitability is being eroded and are investing less.

In China, companies are experiencing overcapacity and excessive debt, which will take time to reduce.

### CYCLICAL

In the US, he says companies' problems are more cyclical than structural. Six years after the beginning of the recovery process from the economic crisis, 2016 has seen a rise in insolvencies for the first time since 2010 in the US.

Coface's country assessments of France and Italy have been revised upwards to A2 and A3 respectively, under the effect of falling insolvencies, earnings that have ceased declining, as well as more favourable lending conditions.

Coface expects few improvements in world growth in 2017, which is estimated to remain lower than 3% for the sixth year running.

"SA's business rating is unchanged at A4 – acceptable risk," Chollet says.