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## **Coface highlights troubling levels of corporate debt at Country Risk Conference**

The rising level of corporate debt in emerging markets is a significant factor behind a record high index of country risk, according to Coface's Chief Economist. Speaking at the credit insurer's Country Risk Conference on Thursday 9 June, Julien Marcilly suggested the debt burden was the 'hidden part of the iceberg' when evaluating global trade risk.

In his presentation about the state of the global recovery, Julien reported that emerging countries were heavily encumbered by unsustainable levels of corporate debt at a time when trade growth remained slow. He was particularly concerned about China because the Government's short-term corrective measures had not addressed underlying problems in the economy and corporate debt represents more than 150% of GDP.

*"Don't be reassured that there have been no dramatic developments since early 2016," he warned. "We believe business risk in China has entered a danger zone where companies are increasingly exposed to debt, the usurious interest rates of the large shadow banking sector, over-capacity in industries, and higher labour costs. This is borne out by Coface surveys showing an increase in outstanding invoices of more than 150 days, while for a growing number of companies, long-term debts represent more than 5% of turnover."*

As well as emerging markets, the half-day Conference for CEOs, FDs and Coface business partners focused on the uncertainties caused by growing political risk in Europe, typified by the threat of Brexit, doubts about the EU's ability to address migration and the rise of nationalist movements.

Examining the current situation in America, Europe and MENA, geopolitical risk analyst Richard Mallinson of Energy Aspects, posited three themes: the rise of political outsiders such as Donald Trump in advanced economies; doubts about the effectiveness of economic sanctions as a diplomatic tool after their failure to influence President Putin in Russia; and the persistent trans-border threat of militant groups and terrorism. However, at a later round table discussion panellists noted that in the midst of this bad news, there were grounds for qualified optimism about the progress made in much of sub-Saharan Africa, as well as countries such as Iran, Argentina and Myanmar.

Coface UK Managing Director, Frederic Bourgeois, agreed: *"The risk of trading has undoubtedly increased in the twelve months since our last country risk conference but there are still openings for exporters who look for them."*

*"This Country Risk Conference is one of the ways that Coface tries to steer companies towards the best opportunities while helping them stay in control. This year we were delighted to go beyond our conference hall in London and stream the event to delegates in Manchester and Dublin where economists provided distinctive local perspectives. We would like to thank everyone who contributed their expertise and the delegates for their enthusiasm and*



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*interesting questions.”*

In addition to Julien Marcilly and Richard Mallinson, this year's Country Risk Conference featured contributions from:

- David Smith, Economics Editor, The Sunday Times – David considered three critical questions about the UK economy: is the recovery failing, when will there be a change in interest rates and will Britain stay in the EU.
- Oliver Fairbank, Senior Analyst, Control Risks – Oliver examined the evolving security, financial and reputational threat posed by cyber criminals, activists and nation states.
- Louise Cooper, Chartered Financial Analyst, broadcaster and Times financial columnist chaired two round table discussions:
  - The first on economic risks featured David Smith, Julien Marcilly, Paul Hollingsworth of Capital Economics and John Wheeler, Director Credit and Collections Europe at Office Depot.
  - The second round table on geopolitical risk featured Richard Mallinson, Adrian Johnson, International Credit Director, Harley-Davidson Europe, Chris Torrens, Senior Managing Director at Control Risks and Stephanie Vincent, European Credit – Autos chemicals and general industrials at JP Morgan Securities.

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