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New Coface Political Risk Index in 159 countries

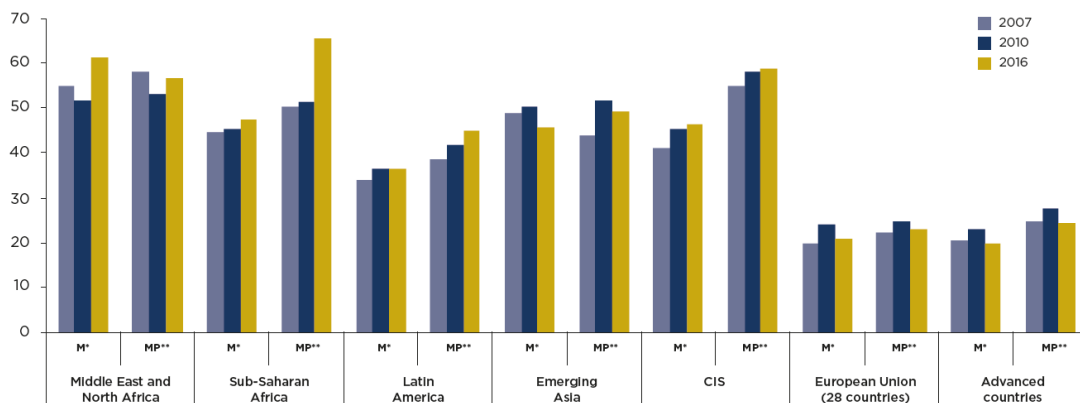
The widespread rise in the political risk conceals mixed regional dynamics

- The index has been rising since 2013
- Two major risks are taken into account: the security risk (conflicts and terrorism) and political and social fragility. While the first directly prevents companies from carrying out their activities, the second has a more indirect effect, via confidence
- The risk of conflicts doubled between 2007 and 2015
- The increase in terrorist risk (multiplied by 2.8 since 2008) indicates that these conflicts are becoming more international
- Specific variables for advanced economies to take into account the rise in populism

A complete global index to quantify political risks rooted in the current state of affairs

Following the political risk index specific for Western Europe (2016) and emerging countries (2013), Coface launches a global index for 159 countries. Combination of two major components - the security risks (conflict and terrorism) and the political and social risks - allows a complete ranking of the political risk.

Global political risk index by region



M* is the regional average - M** is the regional average weighted by GDP

Source : Political risk model Coface

The score for the **Middle East and North Africa** is high (Afghanistan, Iraq, Libya, Nigeria: 100%) and on the increase since 2010 (+22 points for the Lebanon, +20 points for Egypt). In **Sub-Saharan Africa**, the risk has been growing since 2013 due to the conflicts that are

discouraging investors: +36 points in Nigeria (-30% FDI since 2013), +28 points in Central African Republic (note that Côte d'Ivoire is showing slight improvement: -6 points).

The countries of the **Commonwealth of Independent States** are also significantly above the average. The deterioration in the scores of Russia (+2 points) and Ukraine (+41 points) is not the sole reason for this. A rise may also be noted in the political and social fragilities of Tajikistan (+10 points) and Azerbaijan (+8 points).

Latin America, where social fragility is rising, is on an upward slope (Mexico +25 points and Venezuela +9 points).

Trends are mixed in **Asia**, with the exception of the two giants, China (+10 points) and India (stable), the political risk has been gradually improving since 2010 (Sri Lanka: -60 points; Nepal: -25 points).

Three components of the index confirm that the risk is spreading out

- *The conflict index*

The conflict index is based on the occurrence of conflicts, their intensity, and the types of actors involved. The countries in a state of war are at the top of the ranking: Afghanistan, Iraq, Sudan, Nigeria and Syria. Mexico, because of the cartels war; Colombia; Algeria and India, also stand out with a high level of risk.

- *The terrorist risk*

The security risk cannot be measured without taking account of the terrorism indicator which has increased 2.8-fold since 2008 and is likely to affect the confidence of businesses, households and foreign investors. Most of the countries of the OECD engaged in combating the so-called Islamic State have seen their score increase between 2011 and 2015: France is the number-one developed country in the rating with a score of 77% (+24 points). The risk have also been progressing in the USA (+23 points), Australia (+27 points) and Germany (+27 points).

- *The political and social fragility index*

The political and social fragility indices take account, on the one hand, of the nature of the political regime, ethnic and linguistic fragmentation, and political and civil liberties and, on the other, of the pressures and instruments of the social risk. Here again, the countries where the conflicts are intense manifest the highest risk levels. Between 2007 and 2015, the rise was particularly marked in the CIS and Latin America.



P R E S S R E L E A S E

Developed countries put to the test of the populist wave

For the developed countries, the "Manifesto" project data has been added, taking into account the rising populism. It surveys the proportion of political manifestos allocated to an electoral theme (protectionism, security, public order, national values, etc). The analysis conducted by Coface demonstrates that the countries in which the pressure of populism has reached the highest level are the United Kingdom (score of 73%) and France (70%) with a relatively significant share of themes linked to public order, followed by Austria (64%) and the Netherlands (63%), where a significant share deals with distrust of multiculturalism.

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About Coface

Coface, a world-leading credit insurer, offers 50,000 companies around the globe solutions to protect them against the risk of financial default of their clients, both on their domestic and export markets. The Group, which aims to be the most agile global credit insurer in the industry, is present in 100 countries, employs 4,300 people, and posted consolidated turnover of €1.411 billion in 2016. Coface publishes quarterly country and sector risk assessments based on its unique knowledge of companies' payment behavior and on the expertise of its 660 underwriters and credit analysts located close to clients and their debtors.

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Final rating according to Coface political risk index 2016

Rank	Countries	Score in 2016	Level of political risk
1	Afghanistan	100%	Extreme political risk
2	Iraq	100%	Extreme political risk
3	Libya	100%	Extreme political risk
8	Central African Republic	90%	Extreme political risk
10	Chad	74%	Very high Political risk
15	Mexico	70%	Very high Political risk
22	Russia	62%	Very high Political risk
25	West Bank and Gaza Strip	60%	High political risk
26	Turkey	60%	High political risk
30	Algeria	57%	High political risk
32	India	56%	High political risk
36	China	53%	High political risk
37	Tajikistan	49%	Relatively high political risk
39	Venezuela	49%	Relatively high political risk
44	Turkmenistan	47%	Relatively high political risk
56	Azerbaijan	44%	Relatively high political risk
58	South Africa	43%	Relatively high political risk
60	Nepal	43%	Relatively high political risk
63	United Arab Emirates	42%	Relatively high political risk
67	Morocco	41%	Relatively high political risk
71	Sri Lanka	40%	Moderate political risk
92	Israel	35%	Moderate political risk
103	United States	30%	Moderate political risk
107	France	29%	Low political risk
108	Greece	29%	Low political risk
116	United Kingdom	27%	Low political risk
126	Spain	23%	Low political risk
132	Germany	22%	Low political risk
134	Belgium	21%	Low political risk
140	Australia	19%	Very low Political risk
143	Sweden	18%	Very low Political risk
144	Netherlands	18%	Very low Political risk
152	Japan	16%	Very low Political risk
156	Poland	14%	Very low Political risk
159	Iceland	9%	Very low Political risk