PRESS RELEASE

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Five advanced economies will avoid the risk of "secular stagnation" within the next decade

More than three years after the official recovery, advanced economies are struggling to return to a path of sustained growth. Some are even forecasting stagnant growth, a situation sometimes seen as irreversible. But not all advanced economies are in the same position when it comes to this risk of long-term stagnation and some exceptions stand out in what is a fragile global landscape. Which of the OECD's advanced economies have what it takes to accelerate their growth over the next decade?

Traditional indicators vs. decisive criteria revealed by the recent crisis

To identify those advanced economies at the least risk of entering a prolonged period of low growth or even stagnation, Coface economists analysed a sample of 23 countries based on five criteria:

- **Demographics and innovation**, two traditionally decisive factors in potential long-term growth. The UK is seeing acceleration in the growth of its assets, while Spain is seeing its immigration fall. The countries' appeal plays an important role in both cases. The United States remains one of the leading countries in terms of innovation, particularly in the field of biotechnologies. This advantage helps ensure its long-term growth.
- **Income inequality** in OECD countries partly explains the 2008-2009 crisis and the shaky recovery, since it leads to long-term weakness in purchasing power for households on low incomes. Sweden, Denmark, the United States and France have experienced rising levels of inequality according to the GINI index, contributing to the slowdown in their growth.
- **Public and private debt** which, having become excessive (between 300% and 350% of GDP in most cases in the OECD), increases players' financial vulnerability, by exposing borrowers to insolvency and liquidity risk. Countries such as Spain and the UK, which saw a sharp increase in private debt before the crisis, then experienced some of the deepest recessions. Germany, Australia, Switzerland and Finland are among the least indebted.
- Performances in terms of **exports**, which are highly dependent on competitiveness – both in terms of prices and non-cost aspects (innovation, quality, design, etc.). Southern Europe and Ireland have become more competitive thanks to the reduction in their real exchange rate. The UK, Japan and Germany benefit from their products' image as high value-add.

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

Top 5 most solid countries: Germany, South Korea, Switzerland, Belgium and the Netherlands

Following analysis, five OECD countries stand out positively.

	Demographics	Innovation	Inequalities	Debt	Trade
Australia	faible	moyen	fort	faible	moyen
Austria	moyen	moyen	moyen	faible	moyen
Belgium	faible	moyen	faible	moyen	faible
Canada	moyen	moyen	moyen	fort	moyen
Denmark	moyen	faible	moyen	moyen	moyen
Finland	moyen	moyen	faible	moyen	fort
France	moyen	moyen	fort	moyen	moyen
Germany	moyen	faible	moyen	faible	faible
Greece	fort	fort	moyen	moyen	moyen
Iceland	fort	moyen	faible	fort	faible
Ireland	fort	moyen	faible	fort	moyen
Israel	moyen	faible	moyen	moyen	moyen
Italy	moyen	fort	moyen	moyen	fort
Japan	moyen	faible	fort	fort	faible
Netherlands	moyen	moyen	faible	moyen	faible
Norway	faible	moyen	faible	moyen	fort
Portugal	fort	fort	moyen	fort	faible
South Korea	faible	faible	fort	faible	faible
Spain	fort	moyen	moyen	moyen	faible
Sweden	moyen	moyen	fort	moyen	fort
Switzerland	faible	faible	moyen	moyen	faible
United Kingdom	faible	moyen	fort	fort	moyen
United States	moyen	faible	fort	moyen	moyen

source: Coface

- faible
- moyen
- fort

- **Germany**

Research and development expenditure, supported mainly by private German companies, is higher than the OECD average. Funding systems encourage small companies to grow. Finally, in addition to a sustained pace of exports, the country enjoys a high level of competitiveness, excluding cost.

- **South Korea**

A leader in high-quality electronics, South Korea is achieving significant productivity gains by building on its strong innovation capacity, including a high-quality education system, a high level of public expenditure on research and development and a large number of filed patents. Despite the slowdown in China, its cutting-edge innovative technology ensures it retains economic potential in terms of exports.

- **Switzerland**

Innovation is a key priority for Switzerland, which has adopted a strong position in biotechnologies. Its financing system encourages access to bank loans for SMEs and its sources of research and development funding are mainly private. It also has very high non-cost competitiveness excluding cost, with Swiss companies enjoying a high-end brand image. Swiss exports increased by 27% between 2007 and 2013.

- **Belgium**

Belgium is one of the countries with the lowest levels of inequality in the OECD. The country also has one of the highest degrees of openness in the OECD, at 82% of GDP. This dynamic external trade makes the country particularly competitive.

- **Netherlands**

The Netherlands enjoys well-balanced and relatively positive indicators. Although the country's total debt is fairly high (355% of GDP), the level of public debt (78%) could allow the government to support the private sector in the event of an expected change in growth. Port activity is also a particular advantage for the country, with Rotterdam being Europe's largest port. Again, the country enjoys one of the highest openness rates in the OECD (83% of GDP).

MEDIA CONTACTS:
Gert LAMBRECHT – T. +352 26 10 81 43 gert.lambrecht@coface.com

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