PRESS RELEASE

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Coface identifies 10 emerging countries hot on the heels of the BRICS

After 10 years of frenetic growth, the BRICS are slowing down sharply: for 2014, Coface forecasts growth of on average 3.2 points lower than the average growth these countries registered over the previous decade. At the same time, other emerging countries are accelerating their development. Among them, a 'top 10' emerges with good production prospects and sufficient financing to support expansion.

In addition to accelerating high growth, financing is needed to boost investment

Despite a consumer trend that remains favourable, the BRICS are experiencing a growth downturn due to an adjustment in supply and a marked slow-down in investment. Local businesses no longer have sufficient production capacity to meet continued strong demand.

To identify the promising countries that the BRICS are now giving way to, Coface identified several criteria, including two that are essential:

- Countries that have high growth which is accelerating, and whose economy is diversified and resilient to growth slowdowns ;
- Countries that have sufficient funding capacity to finance growth (a minimum level of savings needed to avoid excessive recourse to foreign savings), without the risk of creating a credit bubble or which do not yet have equity markets of a comparable size of those in OECD countries.

Colombia, Indonesia, Peru, the Philippines and Sri Lanka: strong potential confirmed by a sound business environment

Coface identifies only 10 "new emerging" countries which meet all the criteria. However, these countries are not the same in terms of their business environments - the weaknesses of which can stifle growth. This leads Coface to distinguish two groups in the "new emerging" countries:

- **Colombia, Indonesia, Peru, the Philippines and Sri Lanka** have a sound business climate (A4 or B), similar to that of the BRIC countries today.

- **Kenya, Tanzania, Zambia, Bangladesh and Ethiopia** have very difficult (C) or extremely difficult (D) business environments which could hamper their growth prospects.

"Naturally, it will be more difficult for the second group of countries, who could take longer to fully realise their growth potential. However, their business environment problems are relative: in 2001, the quality of governance in Brazil, China, India and Russia was comparable to that of Kenya, Tanzania, Zambia, Bangladesh and Ethiopia today," says Julien Marcilly, Head of country risk at Coface.

Growth of the "new emerging" countries will take a different path than for the BRICS

Some weaknesses compared to the BRICS in the 2000s persist nonetheless. Firstly, the 10 identified "new emerging" countries currently only represent 11% of the world's population while the BRICS accounted for 43% of the population in 2001. Secondly, their GDP level is only 70% of that of the BRICS in 2001. Finally, the BRICS recorded on average a current account surplus while the "new emerging" countries run a deficit of around 6% of GDP.

"*With growth in developed countries being structurally weaker today, the "new emerging" countries may benefit less from trade towards these countries than did the BRICS in the 2000s. Their growth rates will depend more on their domestic markets and on exports to other emerging markets,"* concludes Julien Marcilly.

Despite a less buoyant environment, the "new emerging" countries have advantages over the BRICS of 2001. Their inflation rates are around 2.8 points lower than those the BRIC countries experienced, and their level of public debt is around 40% of GDP compared to 54% for the BRICS at the time.

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About Coface

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