



Decide with Confidence

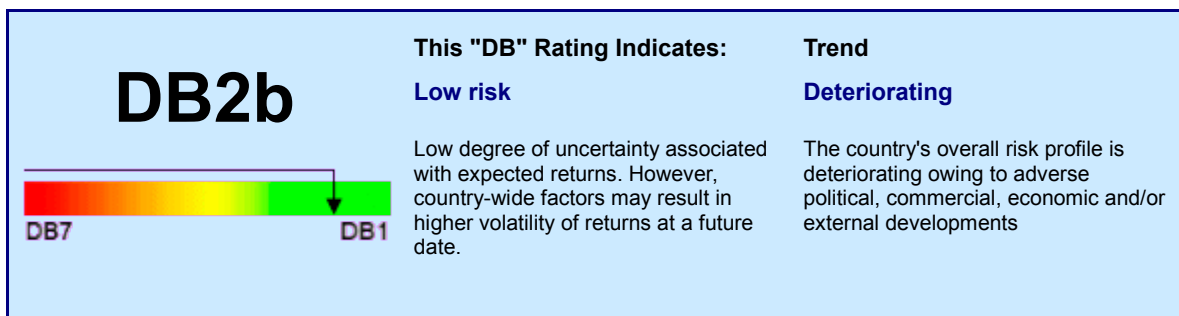
D&B Country RiskLine Report

UNITED KINGDOM

Region : Western Europe

Edition : April 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	62.0m
Surface area (sq km):	243,610
Capital:	London
Timezone:	GMT
Official language:	English
Head of government:	Prime Minister David CAMERON
GDP (USD):	2.3trn
GDP per capita (USD):	36,327
Life expectancy (years):	80
Literacy (% of adult pop.):	99.9

Country Overview:

The UK lies off the northwest of the European mainland and consists of four countries (England, Wales, Scotland and Northern Ireland, the last of which shares a separate island with the Republic of Ireland). As an EU member since 1973, the UK has played an important role in shaping the institution, but has remained reluctant to cede sovereignty in areas that it sees as strategic. Given its imperial past, the UK is a key actor in international politics, while cultural, historical and ideological links make it a natural ally of the US. The UK is a modern, well established democracy. Two main parties (Labour and Conservative) dominate the political scene, with national parties from Scotland and Wales and the Liberal Democrats as secondary forces.

The economy, dominated by the services sector, is highly developed, liberalised and globally integrated. Financial services companies, concentrated in London, one of the foremost global financial centres, have long been a strong driver of economic growth, helping the UK to outperform most other G7 economies in the ten years to 2007. However, the 2008 international financial crisis turned the reliance on banking and related services into a vulnerability.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	SD
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-60 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Though UK inflation fell to 3.7% in February from 3.9% in January year on year (y/y), the future path for inflation will be strongly influenced by oil price movements. Upward pressure on oil prices is expected to arise from tensions within the Middle East. Should inflation remain above the 2% target into 2013, the possibility of additional near-term monetary policy easing to stimulate economic growth will recede. Furthermore, given the recent signs of stabilisation of euro-area sovereign risk and an orderly restructuring in Greece, currency movements will become less volatile as factors affecting sterling gradually become less euro-centric. D&B continues to recommend the use of SD terms when trading with counterparties in the country.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
Euler Hermes UK	Full ST cover available

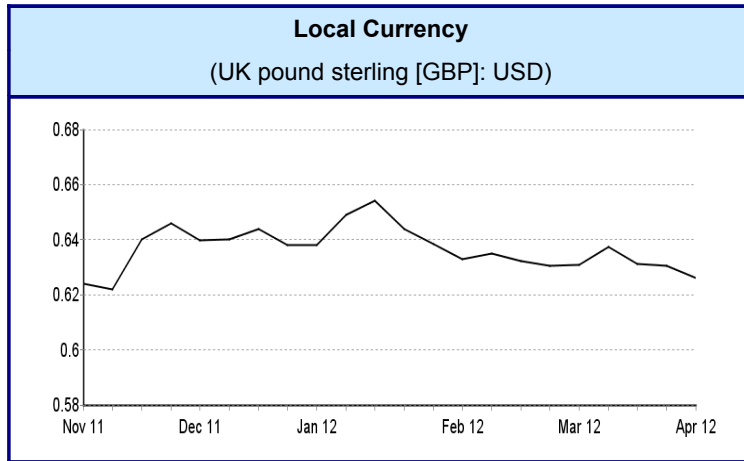
Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-4.4	2.1	0.8	0.6	1.0
Inflation, annual ave, %	2.2	3.3	4.5	2.8	2.4
Govt balance, % GDP	-11.3	-10.1	-8.3	-6.0	-6.0
Unemployment, %	7.6	7.8	8.1	8.3	8.1
C/A balance, % GDP	-1.7	-3.3	-2.3	-1.7	-1.3

Inflation and unemployment are based on EU-harmonised data.

Currency Information

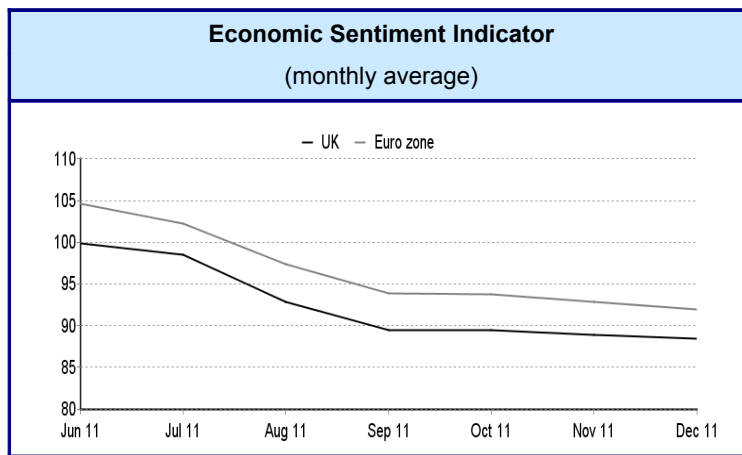
Exchange Rates	
(London, 26 Mar 12)	
EUR	0.8361
JPY*	0.7655
USD	0.6304
*(x 100)	



Local Currency
(UK pound sterling [GBP]: USD)

	Nov 11	Dec 11	Jan 12	Feb 12	Mar 12	Apr 12
Week 1	0.624	0.640	0.638	0.633	0.631	0.626
Week 2	0.622	0.640	0.649	0.635	0.637	
Week 3	0.640	0.644	0.654	0.632	0.631	
Week 4	0.646	0.638	0.644	0.631	0.630	
Week 5			0.638			

Economic Sentiment Indicator



Data Table

Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11
99.9	98.5	92.9	89.5	89.5	88.9	88.4
104.6	102.3	97.4	93.9	93.8	92.8	92.0

Risk Factor

D&B believes that the budget for fiscal 2012/13 delivered by Chancellor (finance minister) George Osborne is unlikely to change the overall picture for the UK's public finances. The macroeconomic effects of this budget are fairly mild: over time it neither injects nor withdraws much demand from the economy, whereas fiscal austerity is still the main theme driving public finances over the next several years.

There were plenty of policy changes announced in the 2012 budget that either lower revenue and incur costs or raise revenue and cut expenditure. The former big ticket changes include: raising the initial income tax threshold to GBP9,205 from GBP8100 (costing GBP3.5bn a year); a gradual lowering of corporation tax to 22% by 2014, from the current 25% (with the banking sector being additionally taxed on its assets to offset any gain for the sector); and maintaining child benefit for families earning below GBP50,000. The latter embraces freezing age-related allowances (saving GBP1bn a year), which is currently higher than personal income tax allowances; cuts to the 'Special Reserve', which reflects the end of combat operations in Afghanistan; and closing tax loopholes and cracking down on tax avoidance, which includes a 7% stamp duty on properties worth more than GBP2m. Several other changes featured in the budget will have a much smaller impact on public finances, although the political importance may prove to be greater. This includes the cut in the top rate of income tax, being introduced from April 2013, to 45% from 50%. This is set to cost around GBP100m a year. The overall net cost of all these changes in 2013-14 will be a modest GBP1.7bn, barely more than 0.1% of GDP.

As a result there were no major changes to the Office for Budget Responsibility (OBR) economic forecasts compared to those provided in November 2011. The OBR expects the UK to avoid a technical recession and increased its forecast for 2012 GDP by one-tenth to 0.8%, but reduced its estimate for 2013 by a similar magnitude. The medium-term GDP forecast at 2.7-3% for 2014-16 was left unchanged, with the main risks stemming from the situation in the euro area and a further spike in oil prices. Our GDP forecast is slightly lower than that of the OBR due to the weak growth of household real income and tight credit conditions worsened by 2012 budget consolidation measures. Public finances continue to look unhealthy. D&B supports the OBR budget deficit forecast of 6.0% of GDP in 2013/14, which will not allow government debt as a percentage of GDP to fall until 2015-16. The reduction in the 2012 budget balance by more than GBP20bn, compared to November 2011 figures, was mainly superficial, as this is largely due to the inclusion in the budget of GBP28bn Royal Mail pension assets, but not liabilities (whose ultimate scale is still uncertain).

Glossary & Definitions

DEFINITIONS

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

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F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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