

EUROLAND OVERVIEW

Trade Terms

Corporate Tax Rate Range: 10-35%
 VAT Band: 15-22%
 EU Weighted Mean Tariff: 2.1%

Monetary Environment

ECB Refinancing Rate: 1.00%
 HICP Inflation, y/y Mar: 1.5%

Key Fact

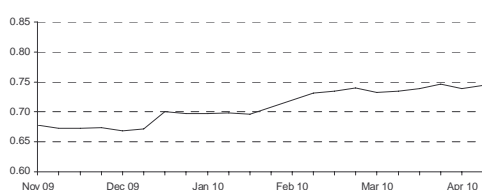
GDP (USD): 13.4trn

Trade & Commercial Environment

Payment risks in the euro-zone eased further in early 2010 as the economic recovery boosted the payments performance of companies based in Euroland. D&B's proprietary cross-border payments data show that 8.3% of payments made by firms based in the five largest euro-zone economies (France, Germany, Italy, Netherlands and Spain) were made 30 or more days over agreed terms in the year to end-Q1. Euroland's payments performance has improved gradually since Q1 2009 but remains weaker than in the 2004-07 period. Among the countries surveyed, payment delays in the 12 months to end-Q1 were the most frequent in Portugal, Spain and Italy, while payment delays were much less common in the Netherlands, Germany and France.

Regional Currency

(Euro [EUR]:USD)



Exchange Rates

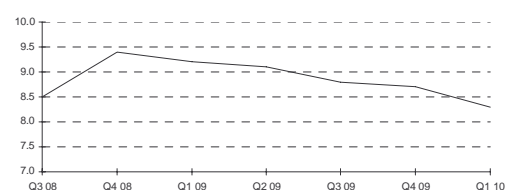
(London, 12 Apr 10)

GBP 1.1419
 JPY* 0.796
 USD 0.7437

*(x 100)

Euroland Payments Performance

(% of payments made 30 or more days over terms)



Economic Indicators	2007	2008	2009e	2010f	2011f	Top-5 economies (% of Euroland GDP, 2009)	Top-5 Euroland trading partners (% of imports and exports, 2008)
Real GDP growth, %	2.7	0.7	-4.0	0.8	1.4	Germany 26.7	UK 12.2
Inflation, annual ave %	2.1	3.3	0.3	1.2	1.6	France 21.4	US 10.2
Govt balance, % GDP	-0.6	-2.0	-6.2	-6.6	-5.8	Italy 16.9	China 7.8
Unemployment, %	7.5	7.5	9.4	10.3	9.9	Spain 11.7	Russian Federation 6.0
C/A balance, % GDP	0.2	-1.5	-0.7	-0.1	0.2	Netherlands 6.3	Switzerland 5.0

The "Euroland Payments Performance" chart reflects experiences of EU (rather than US) companies doing business with firms based in the five largest euro-zone economies (France, Germany, Italy, Netherlands and Spain).

Risk Factor

Financing risks for governments and companies in the euro-zone have eased recently but remain a source for concern for investors and trading companies. In late March/early April, weakening investor trust was reflected in downgrades of the sovereign risk ratings of Greece (from BBB+ to BBB-) and Portugal (from AA to AA-) by ratings agency Fitch. Positively, on 11 April, euro-zone member states finally unveiled a more detailed loan package for debt-stricken Greece, which has found it difficult to borrow at sustainable interest rates. The plan foresees the possibility to lend EUR30bn to Greece over the next year, at an interest rate of 5.0% for a 3-year fixed loan (compared with rates around 7.0% in financial markets). The IMF is also involved in the rescue package, reportedly contributing a further EUR15bn at an interest rate of just 2.7%. The Greek government needs to raise EUR10bn by end-May and an additional EUR20bn by year-end to roll over maturing debt; it plans to launch a large dollar-denominated issue in May. In mid-April Greece sold EUR1.6bn in six-month and one-year debt, more than it had planned. While this shows that the government will not need to draw on the rescue funds immediately, D&B expects the government to do so by the end of the year as interest rates on Greek debt will remain at unsustainable levels.

Despite the rescue deal, contagion risks from Greece's debt crisis remain a major concern. There have been calls to roll

out additional rescue packages to other vulnerable countries, particularly Portugal. Meanwhile, shares in companies in the most vulnerable economies (Greece, Portugal and Spain) have lost considerable value and the cost of insuring against default has risen markedly as investors fear that sovereign debt concerns could spread to companies. Finally, the debt problems have prompted major deficit-reduction programmes in many euro-zone countries. While these packages have eased investor concerns slightly, they might trigger a debt spiral: fiscal austerity could choke off the fragile recoveries in these countries, with falling tax receipts and rising welfare costs exacerbating the debt burden.

The debt crisis raises the risk of a double-dip recession in the euro-zone. Real GDP growth stagnated in Q4 2009. Positively, Euroland returned to its recovery trajectory in Q1 2010: industrial output expanded by 4.1% year on year in February while in March the euro-zone manufacturing Purchasing Managers' Index climbed to its highest level since October 2006. However, much of the manufacturing rebound is driven by strong export orders (with the weaker euro boosting export price competitiveness); we expect domestic demand to remain sluggish amid high unemployment, slow wage growth and excess capacity (which reduces firms' incentives for new investments). Hence, we expect only a shallow recovery in 2010-11.