COFACE ECONOMIC PUBLICATIONS

JULY 2021

BAROMETER
COUNTRY AND SECTOR RISKS BAROMETER
Q2 2021

By the Coface Economic Research team

A two-speed world

A year and a half after the onset of the pandemic, access to vaccination is one of the most crucial factors in our daily lives. The same is true for the global economy: the outlook for regions where a significant proportion of the population has already been vaccinated or is in the process of being so is significantly better than for others. Thus, our expected global GDP growth rate for this year has been revised upwards (+5.6%), mainly due to the positive surprises coming from the United States, whose country rating was upgraded to A2 this quarter.

These improved growth prospects are reflected in world trade: after falling by around 5% in volume last year, our forecasting model indicates an 11% growth this year. Despite the recession in 2020, the volume of international trade in 2021 would therefore be almost 6% higher than its pre-crisis level. In this context of robust growth in international trade, countries exporting commodities are benefiting from an improvement in their terms of trade. According to Coface's new forecasting models for 13 commodities, prices should remain high for the next six months at least.

Unsurprisingly, several of these countries have had their Country Risk Assessments upgraded this quarter, including Russia, Saudi Arabia, Ecuador, Republic of Congo, Azerbaijan, Botswana, Guinea and Mexico. Outside the emerging world and the United States, Australia and Canada also had their assessment upgraded. In total, 11 countries were upgraded this quarter, with none being downgraded despite rising inflation and continued 'stop-and-go' measures that will hurt domestic demand in several major emerging economies in the coming months.

On the sectoral front, 53 sectoral assessments were upgraded. They mainly concern the metals sector and, to a lesser extent, paper and wood.

Europe and North America in 2022: the end of "stop-and-go" and more investment in infrastructure?

The major health trends have been confirmed since the publication of our last quarterly barometer in April: the vaccination process is progressing faster in North America and Europe than in the rest of the world. Within these two regions, the United States and the United Kingdom, which had launched their campaigns faster than the others, have been overtaken by Canada (65% of the population was primo vaccinated by mid-June) and the European Union, where at least 40% of the population had already received at least one dose by mid-June. The acceleration of this vaccination process, combined with the effects of the new mobility restrictions implemented in spring, led to a drop in the number of newly infected people in these two regions. The local authorities were thus able to reopen parts of the economy before the summer. Nevertheless, two risks threaten the continuation of this positive trend:

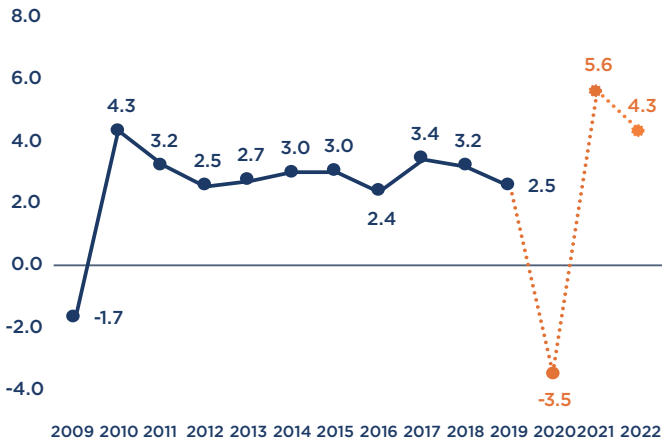
- The slowdown in the rate of vaccination, as a significant proportion of populations do not want to do it. This slowdown has been observed in the U.S. since May and in the EU since June. If it continues in the coming months, it will delay the achievement of herd immunity.

- The threshold for reaching the latter, which is uncertain by nature (between 60 and 90% of the population), is all the more high as the virus rapidly spreads between people. The appearance of new, more aggressive variants raises fears of new waves of contamination in the months to come. The example of the United Kingdom, which had to delay a new phase of the reopening of its economy in June because of a sudden increase in new COVID-19 positive cases (the vast majority of which were non-vaccinated people), illustrates this risk.

Provided that these two risks, and thus a new wave of contamination leading to renewed mobility restrictions, do not materialise, the European and North American economies should be back to near-normal functioning by the end of summer. In this context, there is little change in our GDP growth forecast for 2021 (see **Chart 1**). As in the first quarter, the upward revision of global growth in 2021 (+5.6%, +0.5 points compared with our previous barometer) is once again mostly attributable to the United States (+6.5% this year), whose economy has continued to surprise favourably since last summer. These improved growth prospects are reflected in world trade: after falling by around 5% in volume last year, our forecasting model (which includes U.S. manufacturing confidence, South Korean exports, oil prices and shipping costs as explanatory variables) points to 11% growth this year. Despite the recession in 2020, the volume of international trade in 2021 would therefore be almost 6% higher than its pre-crisis level.

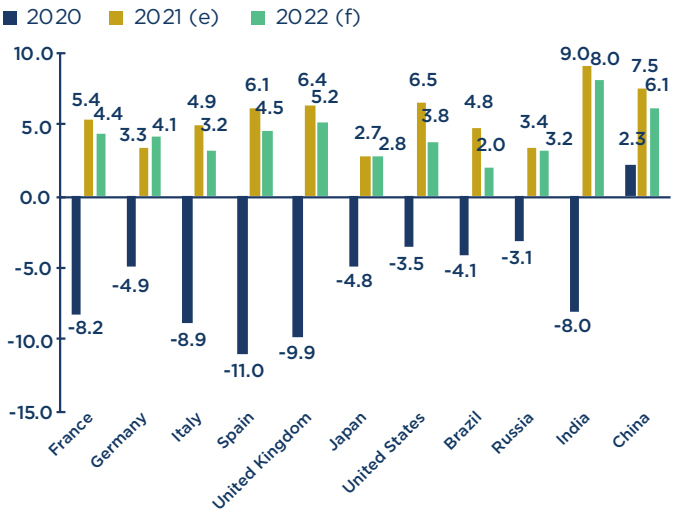
In 2022, global GDP growth will not be as strong as in 2021, as it will no longer benefit from a favourable base effect (see **Chart 2** on Coface's GDP growth forecasts), both in Europe and the United States. U.S. growth is expected to decelerate next year (+3.8%), under the combined effects of a still high savings rate, the end of some fiscal stimulus measures - thus a lower budget deficit - and the probable continuation of a lower than pre-crisis participation rate in the labour market (like after the 2008-2009 crisis). On the positive side, the implementation of the infrastructure plan announced by President Biden in early spring would benefit many sectors (see **Chart 3** on the breakdown of the plan), provided it is passed by the House of Representatives and the Senate by the end of the year. In Europe, the long-awaited release of funds from the recovery plan announced in July 2020 will have differentiated effects on the economies. Among the most important, Italy will be by far the main beneficiary (EUR

Chart 1:
Coface's World GDP Growth Forecast
(annual average, %)



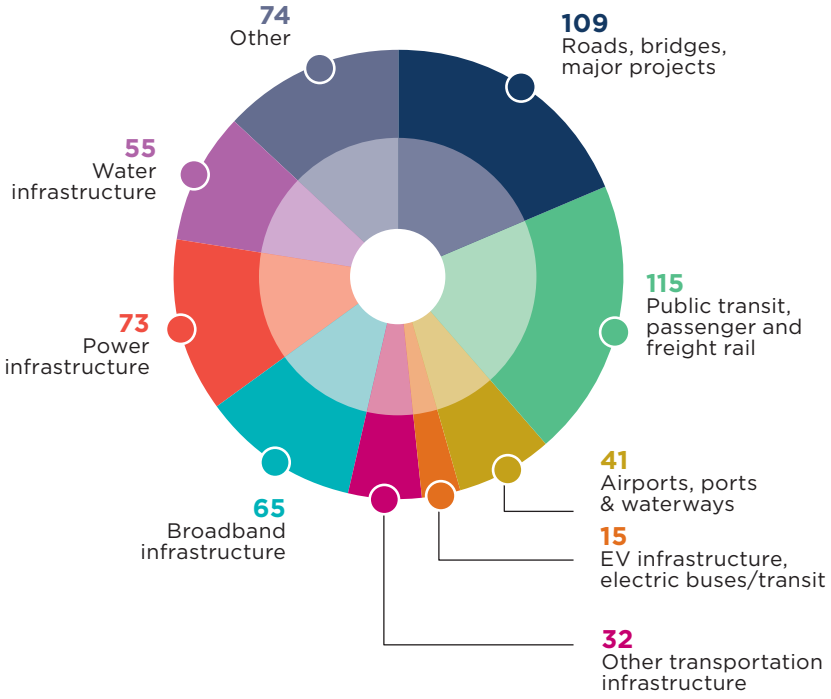
Sources: IMF, National authorities, Refinitiv Datastream, Coface

Chart 2:
Coface GDP evolution forecast
(selected countries, annual average, %)



Sources: IMF, National authorities, Refinitiv Datastream, Coface

Chart 3:
Bipartisan Infrastructure Framework: New spending (amount in billion USD)



Source: White House, Coface

204 billion of investment enabled by the plan[1]), well ahead of Spain (70 billion), France (41) and Germany (27). As in the United States, the Next Generation EU (NGEU) stimulus fund meets two rationales: 1) to support demand and accelerate the recovery, particularly in the countries most affected by the crisis; 2) in the longer-term, to promote the development of buoyant sectors that will increase potential growth. For the European Union, a third objective could even be added: to create a new tool for budgetary solidarity within the EU, particularly through the allocation of subsidies that are not proportional to GDP.

Despite persistent shortages of electronic components...

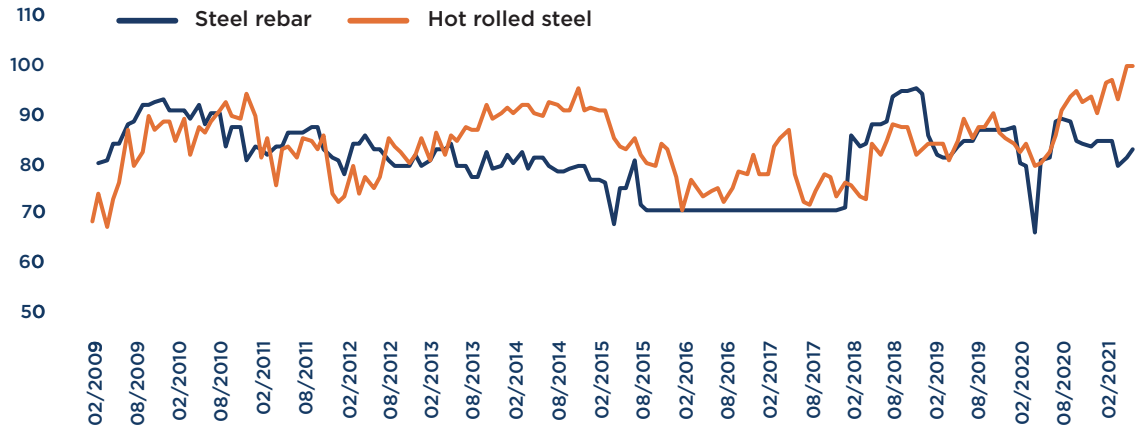
Shortages of specific inputs continue to weaken companies. In the electronics sector, the reasons behind these shortages are diverse: faster than expected recovery of client sectors (automotive, electronics, household equipment, etc.), geopolitical tensions between the United States and China that have led the latter to increase its stocks of components over the last few years, as well as the just-in-time production processes of some sectors that make shortages apparent as soon as they materialise, and, finally, abnormal climatic conditions in Taiwan (drought and lack of water needed in abundance to produce chips).

This is not the first time that a shortage of electronic components has undermined the companies that require them. In 1999, an earthquake on the island of Taiwan slowed down production in the Taiwan Semiconductor Manufacturing Company (TSMC) and its many subcontractors. At the time, Taiwan accounted for 50% of semiconductor production and was an integral part of the computer production chain, manufacturing 60% of motherboards. In the early 2000s, the surge in demand for mobile phones also raised fears of shortages of electronic components in the ICT sector. In 2011, component shortages affected car manufacturers following the tsunami that caused the Fukushima nuclear accident in Japan. The Japanese factories of Toyota and Honda were not damaged, but were unable to restart production immediately due to a lack of components and rubber parts. In Europe and the United States, the major car manufacturers had to reduce their production rate because of the lack of parts from Japan. Since Japan produced 60% of the silicon needed for semiconductors (in addition to semiconductors), the price of the latter increased. The same year, exceptional floods in Thailand paralysed hard disk production, as the country produced 25% of the world's hard disks. Computer manufacturers who had a key part of their product manufactured there announced stock-outs by the end of 2011.

Currently, the world's two largest chip producers, TSMC and the Korean company Samsung, are forecasting that this chip shortage will not be overcome until the first half of 2022, later than anticipated in our previous barometer[2]. However, not all sectors will be on the same footing in the coming months. First, companies supplying home appliances, which use relatively unsophisticated chips in their production processes, are likely to benefit faster from increases in production capacity as they will be able to rely on more suppliers. Next, automotive companies will benefit from the reallocation of some of the production capacity of the world's two largest producers, which should reduce the impact of shortages on their production from the second half of 2021 onwards. Finally, producers of high-end electronic goods (telephones for instance) will undoubtedly be the ones who will suffer from these shortages the longest, as they are still dependent on a very limited number of suppliers who are already producing at full capacity.

1 Source: Bruegel
2 Country & Sector Risks Barometer: Q1 2021 Quarterly Update / Publications / News and Publications - Coface

Chart 4:
Capacity utilization of the steel sector in China

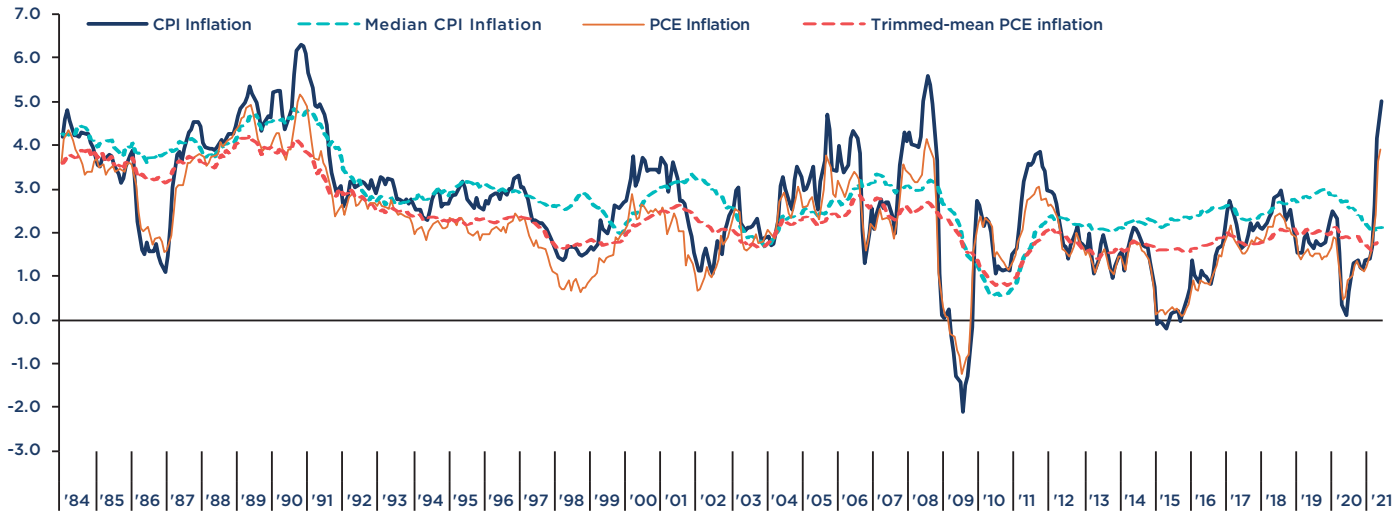


Sources: IMF, National authorities, Refinitiv Datastream, Coface

...and high commodity prices, the acceleration in inflation should be transitory

Inflationary risks have captured the headlines in recent months. In the U.S., inflation accelerated markedly to 5% in May, the highest since 2008. Several reasons explain this trend. Firstly, the acceleration in year-on-year inflation since April is due to base effects: when Europe and the U.S. were in lockdown, the prices of some goods and, above all, services that were less consumed, had fallen. Then, production costs started rising: in addition to the already mentioned electronic components, there was also an increase in transport costs, as well as commodity prices, which should remain high according to our new forecasting models for 13 of them (see **Box 1**). The faster and stronger-than-expected recovery (especially in China) since the beginning of the summer of 2020 had initiated the trend, particularly for oil and metals (50% of global demand comes from China for some metals, such as steel for example). For the latter sector, the partial absorption of overcapacity in the Chinese steel sector over the last five years (see **Chart 4**), the excess demand linked to construction, and the strong development of electric batteries coupled with limited production capacity in the copper, cobalt and nickel segments, suggest that prices will continue to be high until the end of the year. Finally, agricultural commodity prices are also increasing. This trend predates the pandemic, since it began in 2018 because of the African Swine Fever outbreak in China and the country's protectionist measures targeting American products (soybean, pork). It was then fuelled by the demand for foodstuffs during periods of lockdown and the export restriction measures taken by Russia (wheat), Ukraine (wheat) and Vietnam (rice). Finally, climatic phenomena in Latin America (e.g. drought in Brazil) and Asia also had an impact.

Chart 5:
United States: Selected measures of inflation, % YoY



CPI and PCE inflation rates are the two main gauges of inflation in the United States, tracking changes in real prices paid by consumers for goods and services.
Median CPI is the CPI inflation rate of the component whose expenditure weight is in the 50-th percentile
Trimmed-mean PCE is a weighted average of the PCE inflation rates of each component, without the most extreme values.
Median CPI inflation and trimmed-mean PCE inflation omit outliers and can help to track underlying inflation trends.

Source : BLS, BEA, Cleveland Fed, Dallas Fed, Refinitiv Datastream, Coface

At this stage, the major central banks (Fed and ECB) believe that this acceleration in inflation is temporary, particularly because the U.S. and Eurozone economies are far from full employment and that many companies are exiting the crisis in a fragile financial situation. In this context, strong wage pressures are unlikely to materialise, especially as structural downward price effects continue to operate (e.g. digitalisation). In the Eurozone, although consumer inflation reached the 2% threshold in May for the first time since 2018, the index excluding energy and food remained close to 1%. Moreover, even in the U.S., various indicators that omit the most volatile prices in order to capture a signal on the level of underlying inflation (see **Chart 5**), show - for the time being - that while there has been a rebound, inflationary pressures are not widespread despite the very high levels of headline inflation. However, on the flip side, growing social pressures, potential massive relocations to countries with higher labour costs (which is not Coface's central scenario, see Focus of May 2020[3]) and, above all, economic policy mistakes (monetary and/or budgetary policies that are overly expansionary for a prolonged period) could make this rise in inflation more sustainable.

Emerging economies: domestic demand constrained by "'stop-and-go" and inflation

Since the beginning of April and the publication of our previous barometer, the health situation has remained challenging in several Latin American countries (notably Brazil and Argentina) and in India. An increase in the number of infections has also been observed in several Asian countries (Malaysia, Thailand, South Korea and Singapore for instance), such that high frequency mobility indicators tend to show a decrease in economic activity in these areas since the beginning of spring. The number of infected people also increased rapidly in Africa and Russia in early summer. The trend is more favourable in Central and Eastern Europe, the Middle East and Turkey. Furthermore, the slow vaccination progress in the emerging world suggests that herd immunity is unlikely to be achieved in the next twelve months. This in turn implies that these "stop-and-go" processes will persist over this period and will continue to constrain domestic demand in most emerging economies. This sentiment seems to be shared by local businesses: their confidence (as measured by PMI indicators) fell in April and May in Brazil, Turkey, India and China. In other words, after the first phase of the recovery marked by a rapid rebound in exports to the United States, China and, to a lesser extent, Western Europe, the recovery of domestic demand will be slower because of the health context.

In addition to the health situation, the rise in inflation (+8.1% year-on-year in May in Brazil, the highest in five years) and the consequent tightening of monetary policies since the beginning of the year are also likely to limit the extent of the recovery in domestic demand. So far, several central banks have hiked their key interest rates in response to rising inflation: Brazil, Russia, Mexico, Czech Republic and Ukraine. In Turkey, the process had already started in the second half of 2020 but the reasons were different: the price increases were mainly due to the past depreciation of the Turkish lira, not to the increase in commodity prices.

Besides these countries, those for which commodities account for a substantial proportion of their imports will be penalised by a significant increase in their import prices. India, whose commodity purchases from foreign countries account for around 40% of total imports, seems to be in the front line, followed by Korea (25%). Egypt, Turkey, South Africa, the United Arab Emirates and Thailand are in a similar situation (between 15 and 20%).

China also imports a lot of commodities, which represent over 30% of its total foreign goods purchases. While consumer inflation remains contained for the time being (+1.3% year-on-year in May), the sharp rise in producer prices (+9% over the same period, the highest in 12 years) suggests that it will accelerate in the coming months. Combined with the authorities' desire to control the country's total debt level, the central bank has decided on monetary tightening measures. However, these measures remain modest in scope, in order to avoid a drastic tightening of credit conditions for businesses that could lead to insolvencies. In April 2021, payment delays, as measured by our annual survey of over 600 companies, had declined compared to the end of 2019. However, some sectors, such as energy and construction, did not benefit from this improvement[4].

In this context of robust growth in China and thus sustained demand for the commodities it consumes, commodity exporting countries are benefiting from an improvement in their terms of trade. Their trade and fiscal balances should therefore be strengthened. Unsurprisingly, the Country Risk Assessment of several commodity exporters was upgraded this quarter (see next section), including Russia, Saudi Arabia, Ecuador, Congo, Azerbaijan, Botswana, Guinea and Mexico (the latter is also, and above all, benefiting from strong U.S. growth). Outside the emerging world, Australia and Canada were also upgraded, partly due to the rebound in the prices of commodities they export.

3 Focus: World Trade - despite a sudden interruption, global value chains still have a bright future / Publications / News and Publications - Coface
4 China Payment Survey 2021: Shorter credit terms for most sectors except construction, food and automotive/News-Publications/Publications/Coface

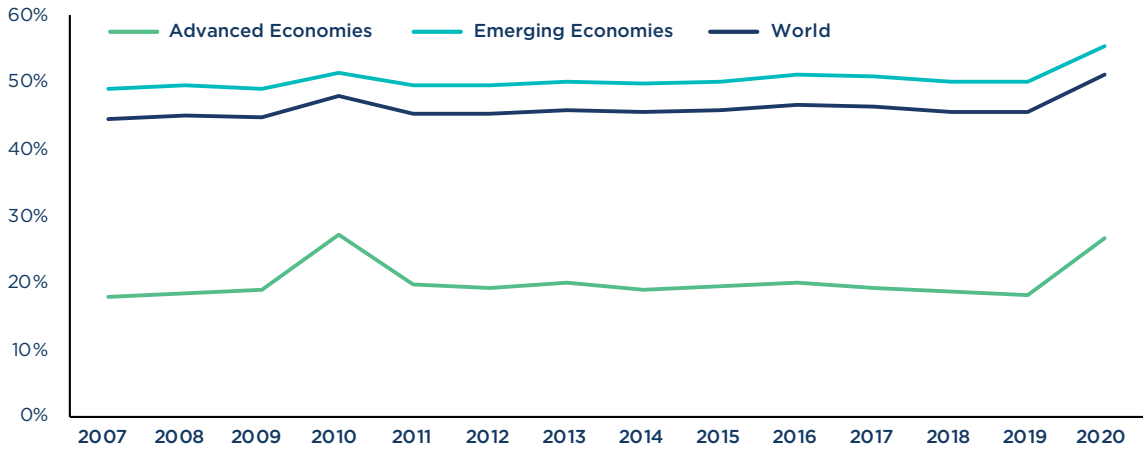
Inflation + health crisis = rise in political risks

In this environment of higher inflation and health crisis, the annual update of the Coface index shows a sharp rise in political risk around the world. The measurement of political risk in emerging countries cannot ignore growing social pressures. The Arab Spring episode led Coface to implement a new methodology for evaluating political risk, making it possible to understand the emergence of popular movements by linking the pressures for change with the instruments that facilitate popular mobilisation. The deterioration in living standards and purchasing power, as well as the rise in inequalities observed in the wake of the COVID-19 crisis, make this analysis just as relevant as it was previously. Even if this does not necessarily translate into popular revolt, it remains a sign of increasing social pressures. The mobilisation capacity of the population, however, conditions the effects of these pressures. Traditionally present in the Coface methodology, the indicators of social pressure that weigh negatively on the score are inflation (a high level indicates a deterioration in purchasing power), the unemployment rate (measuring access to employment) and income inequalities. GDP/capita provides information on the resource level of the concerned countries. In addition to these socio-cultural variables, the measure of corruption is also as a pressure factor, as well as another variable that provides information on the population's capacity for self-expression.

In 2020, the social risk index rose sharply (+5 points, see **Chart 6**) to 51% at the global level, thus reaching its highest historical level (it had increased by 3 points to 48% in 2010). Despite the numerous fiscal and monetary support measures, 140 out of the 160 assessed countries saw their GDP decline last year, and the unemployment rate increased in 145. Both these indicators are components of the social risk index. The increase is most marked in high-income economies, which have a lower initial risk level. While all regions worldwide are affected by a sharp increase in the social score, Europe and North America are more so. Their score increased by almost 8 points, due to the decrease in their GDP per capita and the increase in the unemployment rate. Japan, the UK and Singapore are also in a similar situation. Singapore, a global hub that was shut down for several months and subject to strict health policies, saw its GDP decline. The UK is experiencing the same changes, with, additionally, a 3 percentage point increase in unemployment. In the rest of Europe, Germany, Hungary, Austria, France and Sweden are also experiencing their highest risk levels in a decade. In the emerging world, India is among the countries whose risk level has increased the most (see **Chart 7**). Ultimately, despite these very different developments from one country to another, the countries with the highest level of social risk remain Yemen, Syria, Iraq, Venezuela, Libya, Lebanon, Sudan, Iran, Algeria and Saudi Arabia (see **Chart 8**).

Finally, the Conflict Index, the second component of the Coface Political Risk Index, is calculated for each year according to the number of conflicts, their intensity, the number of victims and their duration[5]. In 2020, the risk level of Azerbaijan and Ethiopia increased because of conflicts on their territory. They are followed by countries fighting terrorism or in a civil war: the Central African Republic, Sudan and Mali. These countries join Afghanistan, Mexico, Syria and Nigeria in the group of countries with the highest level of risk.

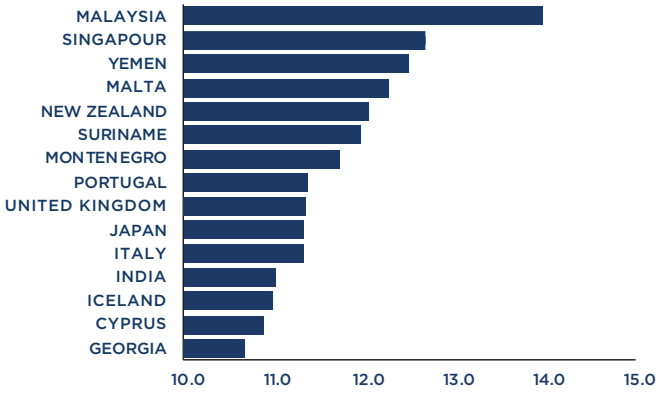
Chart 6:
Evolution of social score from 2007 to 2020



Sources: Coface

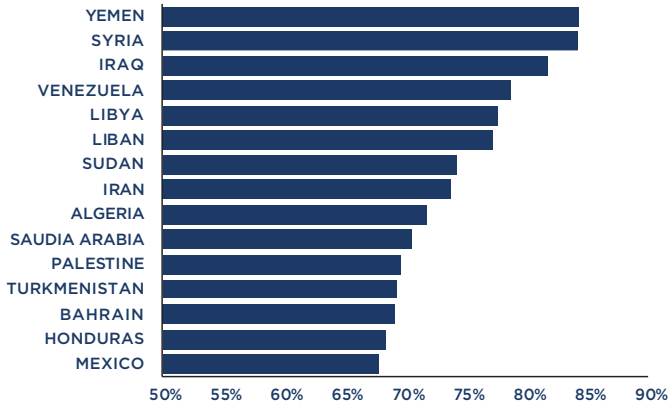
5 Panorama : The rise and rise of political risks (coface.com)

Chart 7:
Top 15 of evolutions in the social score between 2020 and 2021



Sources: Coface

Chart 8:
Top 15 of social scores in 2021



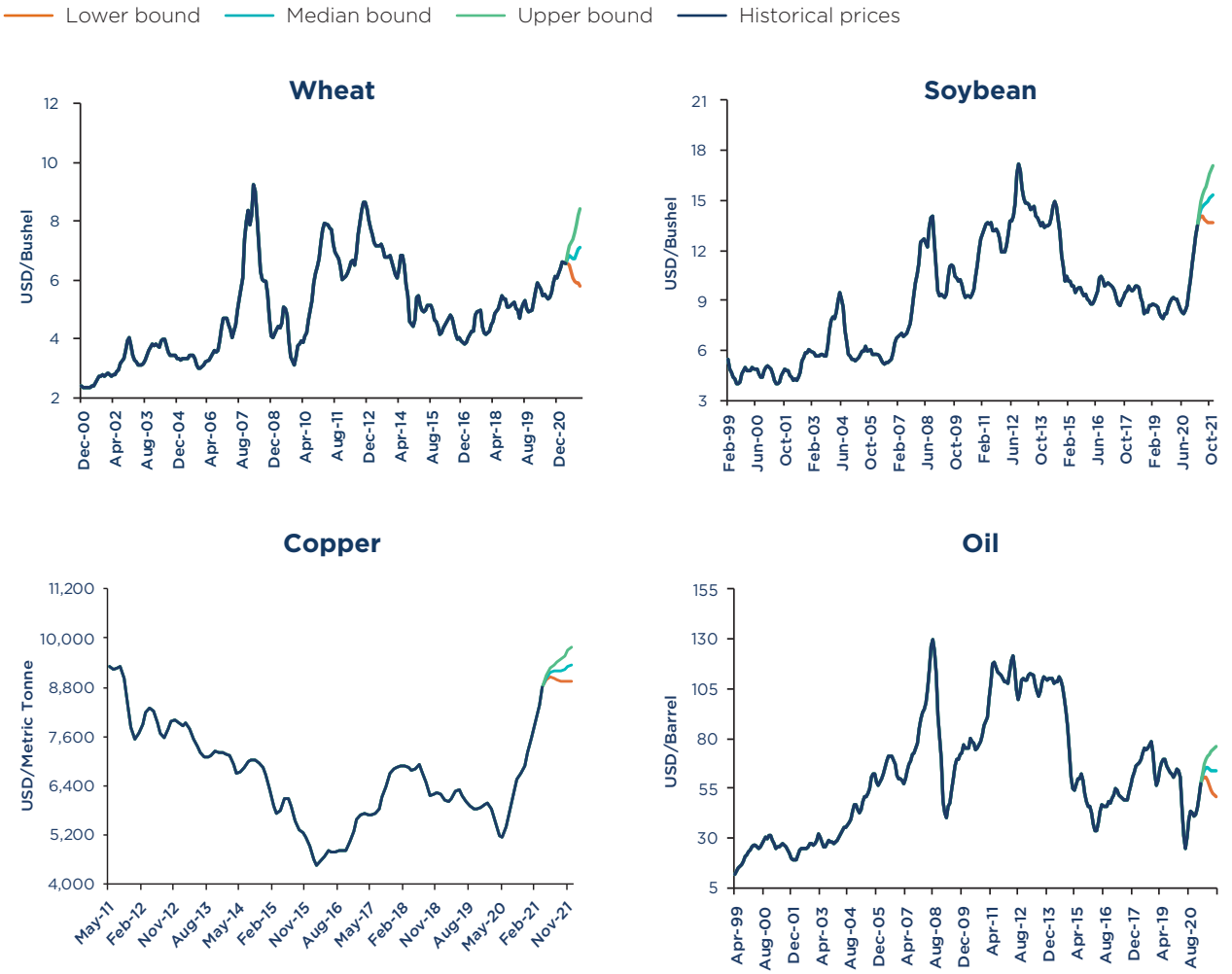
Sources: Coface

BOX 1:

Commodity prices forecasts

Commodity prices are a key concern for market players, as they affect their costs and revenues. Forecasting commodity prices has thus become a major preoccupation. For these purposes, Coface has developed its own methodology to forecast various commodity prices, including agricultural commodities, oil and metals.

Chart 9:
Coface's new forecasting model points to higher prices by the end of 2021



Sources: Refinitiv, Datastream, Coface

We selected the variables to include in the model according to each commodity, which depend on the main global players. Then, for those countries, variables such as inflation, real interest rates and the real effective exchange rate index were selected. We then added "global" variables, such as oil prices and the Baltic Dry Index (a price index for dry bulk cargo). Furthermore, a three-month rolling average is calculated on all variables to remove short-term noise and improve the model.

Among the several tested models, we chose the LASSO (Least Absolute Selection Shrinkage Operator), as it minimises forecast errors. The intuition behind LASSO is that the model only retains "important" variables and sets the coefficients of other variables to exactly zero. This type of model is useful to deal with highly dimensional data – something that "regular" linear models (such as Least Squares) cannot properly cover.

Mathematically speaking, we have the following linear model:

$$Y=X\beta+\varepsilon$$

The estimator $\hat{\beta}$ comes from the following minimisation program:

$$\hat{\beta} = \underset{\beta \varepsilon R^p}{arg\ min} \frac{1}{2} \|Y-X\beta\|_2^2 + \lambda \|\beta\|_1$$

Where:

- Y is the first difference of the three-month rolling average of commodity prices
- X is the matrix of the explanatory variables
- $\hat{\beta}$ is the estimated vector of the true vector parameter

A confidence interval was then added to the forecast, by simulating residuals, following the distribution of the observed errors. This allows the "use" of the information that the LASSO did not model. We chose a 60% confidence interval.

Table 1:
Summary of the forecasting models' results

	Lower	Median	Upper	Last forecasted point	Unit of measure
Corn	-10%	5%	21%	Dec-21	USD/Bushel
Wheat	-12%	8%	28%	Dec-21	USD/Bushel
Soybeans	1%	14%	26%	Nov-21	USD/Bushel
Sugar	-24%	-2%	19%	Nov-21	USD/Pound
Oil	-11%	11%	33%	Nov-21	USD/Barrel
Rice	-8%	7%	22%	Nov-21	USD/Ton
Sorghum	-19%	1%	21%	Nov-21	USD/Bushel
Natural Gas	-31%	-3%	24%	Nov-21	USD/Million BTU
Aluminium	-5%	3%	11%	Dec-21	USD/Metric Ton
Copper	2%	6%	11%	Dec-21	USD/Metric Ton
Steel	-7%	0%	8%	Dec-21	CNY/points
Nickel	-1%	8%	17%	Dec-21	USD/Metric Ton
Zinc	1%	8%	15%	Dec-21	USD/Metric Ton

Sources: Coface

Table 1 summarizes the results of the forecasting models. The columns "Lower", "Median" and "Upper" show the forecasts with the 60% interval - "Lower" and "Upper" being the lower and the upper bounds respectively. The figures in those columns show the growth rate on the forecasted period:

- Between April and December for corn, wheat, aluminium, copper, steel, nickel and zinc.
- Between March and November for soybean, sugar, oil, rice, sorghum and natural gas.

Looking at these forecasts, it appears that the median scenario is the increase in prices until the end of the year, except for natural gas (-3%), sugar (-2%) and steel (0%). This can be explained by several factors: adverse weather conditions (partly due to La Niña) that affected production, the reopening of economies and higher commodity imports from China.

Country Risk Assessment Changes

AREA	Previous Assessment		Current Assessment
AUSTRALIA	A3	↗	A2
AZERBAIJAN	C	↗	B
BOTSWANA	B	↗	A4
CANADA	A3	↗	A2
ECUADOR	D	↗	C
GUINEA	D	↗	C
MEXICO	C	↗	B
REPUBLIC OF CONGO	D	↗	C
RUSSIA	C	↗	B
SAUDI ARABIA	C	↗	B
UNITED STATES	A3	↗	A2

BUSINESS DEFAULT RISK

- A1 Very Low
- A2 Low
- A3 Satisfactory
- A4 Reasonable
- B Fairly High
- C High
- D Very High
- E Extreme
- ↗ Upgrade
- ↘ Downgrade

Sector Risk Assessment Changes

(Q2 2021)

REGIONAL SECTOR RISK ASSESSMENTS

	Asia-Pacific	Central & Eastern Europe	Latin America	Middle East & Turkey	North America	Western Europe
Agri-food			↗		↗	
Automotive						
Chemical						
Construction						↗
Energy						
ICT*						
Metals	↗	↗	↗		↗	
Paper			↗		↗	
Pharmaceuticals						
Retail						
Textile-Clothing						
Transport						
Wood						↗

** Information and Communication Technologies*
Source: Coface

BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

ASIA-PACIFIC

	Asia-Pacific	Australia	China	India	Japan	South Korea
Agri-food						
Automotive						
Chemical						
Construction						
Energy						
ICT*				↗	↗	
Metals	↗		↗			↗
Paper						
Pharmaceuticals						
Retail						
Textile-Clothing						
Transport						
Wood						

** Information and Communication Technologies*
Source: Coface

CENTRAL & EASTERN EUROPE

	Central & Eastern Europe	Czechia	Poland	Romania
Agri-food				
Automotive				
Chemical				
Construction				
Energy				
ICT*				
Metals	↗	↗	↗	↗
Paper				
Pharmaceuticals				
Retail				
Textile-Clothing				
Transport				
Wood				

* Information and Communication Technologies
Source: Coface

LATIN AMERICA

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food	↗				↗
Automotive					
Chemical					
Construction					
Energy					
ICT*					↗
Metals	↗		↗		↗
Paper	↗		↗	↗	
Pharmaceuticals					
Retail			↗		
Textile-Clothing					
Transport					
Wood			↗		

* Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

MIDDLE EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food					
Automotive					
Chemical					
Construction					
Energy					
ICT*					
Metals					
Paper					
Pharmaceuticals					
Retail					
Textile-Clothing					
Transport					
Wood					

** Information and Communication Technologies*
Source: Coface

NORTH AMERICA

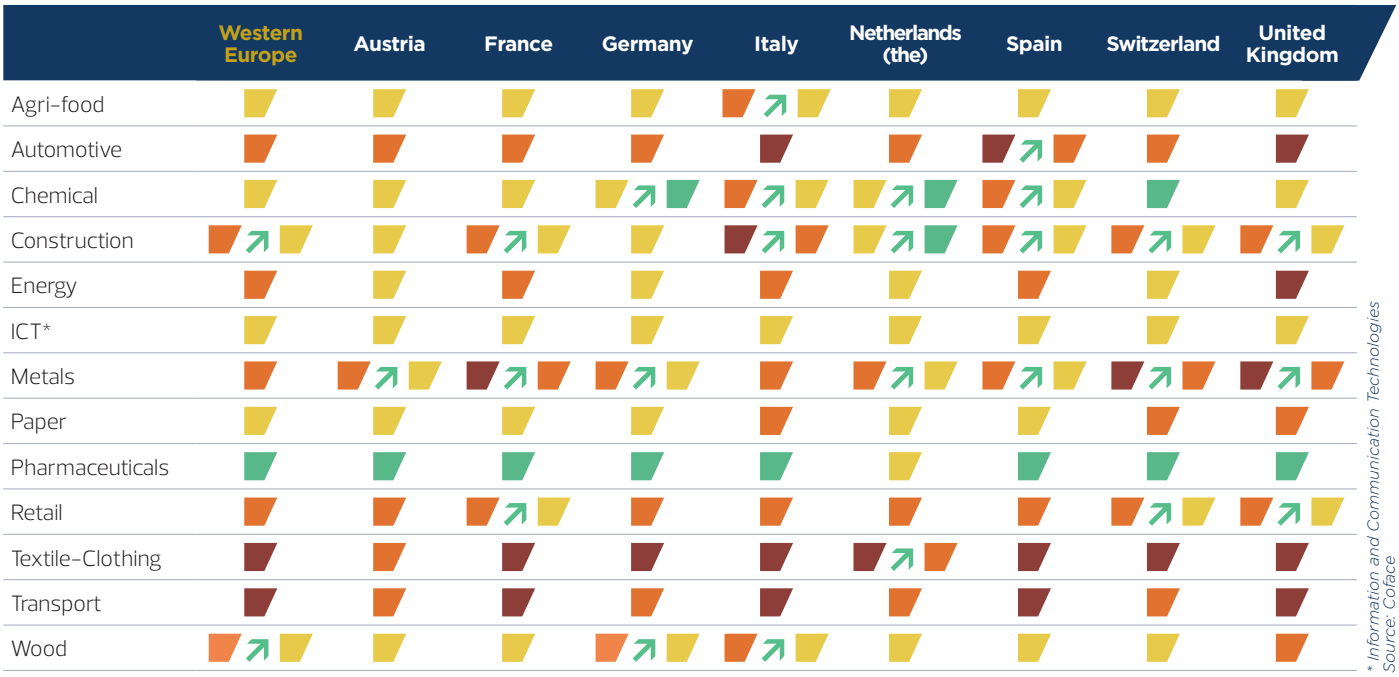
	North America	Canada	United States
Agri-food			
Automotive			
Chemical			
Construction			
Energy			
ICT*			
Metals			
Paper			
Pharmaceuticals			
Retail			
Textile-Clothing			
Transport			
Wood			

** Information and Communication Technologies - Source: Coface*

BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- Upgrade
- Downgrade

WESTERN EUROPE



BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- Upgrade
- Downgrade

OTHER COUNTRIES

	Russia	South Africa
Agri-food		
Automotive		
Chemical		
Construction		
Energy		
ICT*		
Metals		
Paper		
Pharmaceuticals		
Retail		
Textile-Clothing		
Transport		
Wood		

** Information and Communication Technologies*
Source: Coface

BUSINESS DEFAULT RISK

Low Risk

Medium Risk

High Risk

Very High Risk

Upgrade

Downgrade

Decoding the WORLD ECONOMY

2nd quarter 2021

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162 COUNTRIES UNDER THE MAGNIFYING GLASS

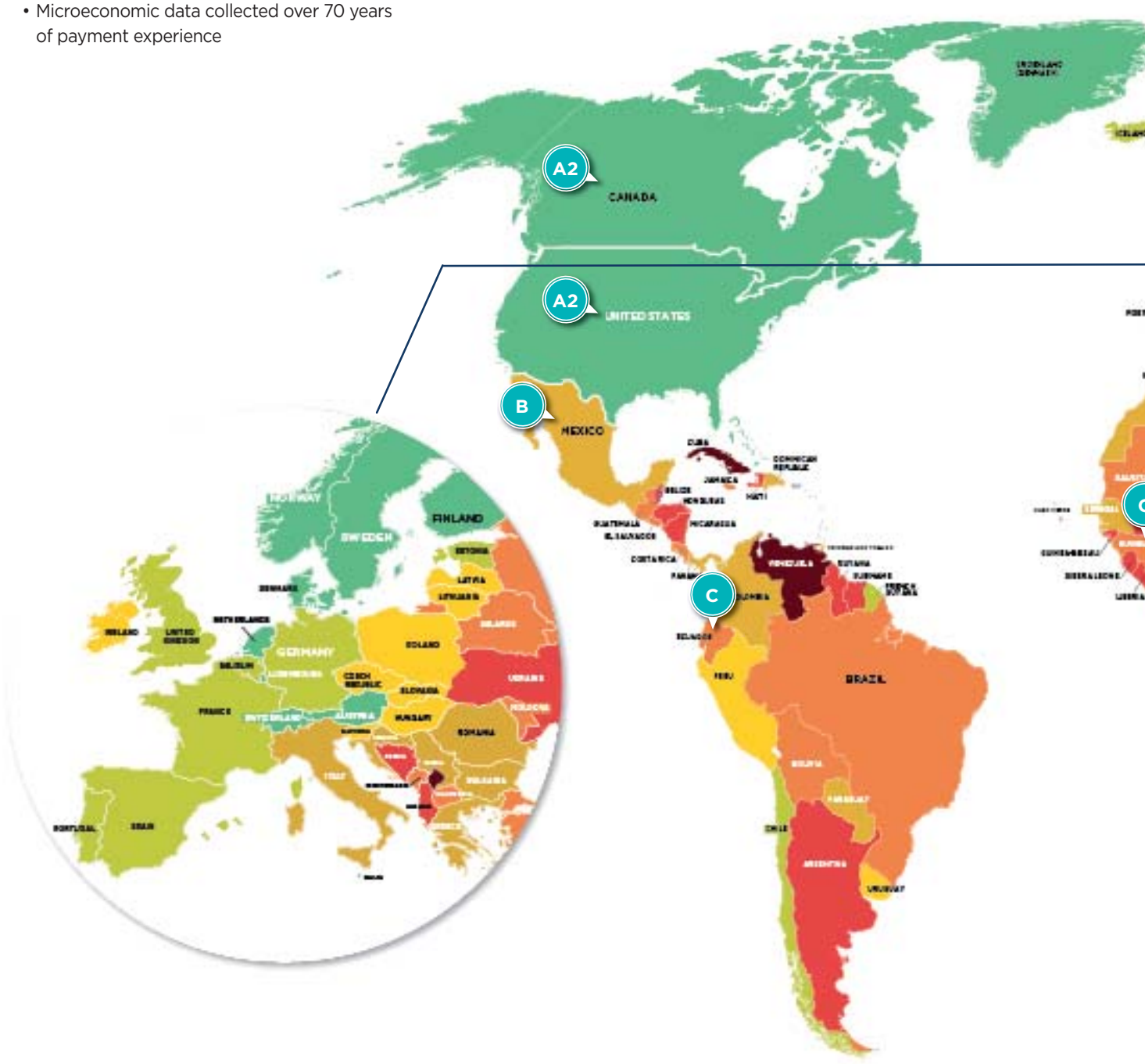
A UNIQUE METHODOLOGY

- Macroeconomic expertise in assessing country risk
- Comprehension of the business environment
- Microeconomic data collected over 70 years of payment experience

BUSINESS DEFAULTING RISK

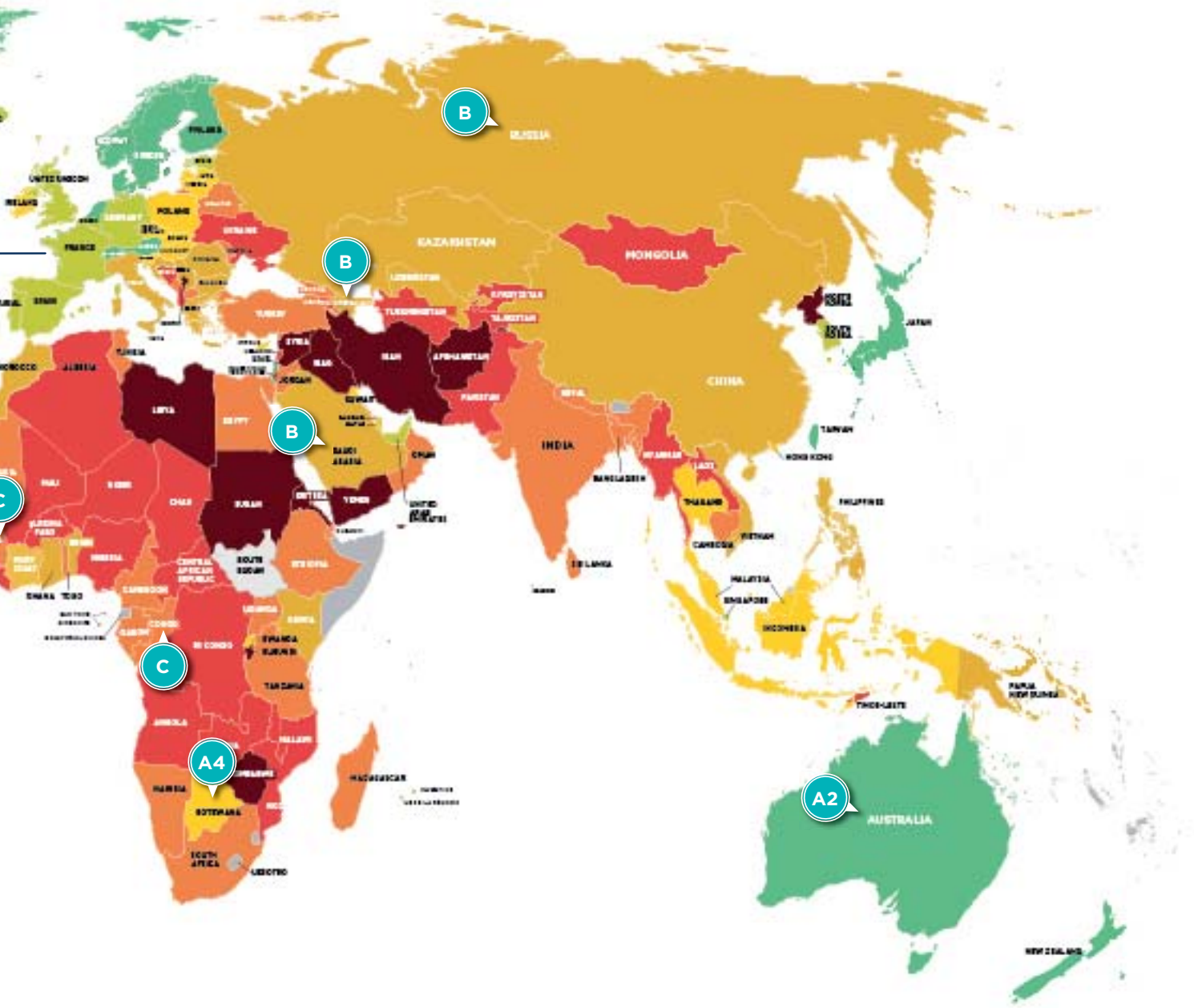
UPGRADES

DOWNGRADES



SK ASSESSMENT MAP

A1	A2	A3	A4	B	C	D	E
VERY LOW	LOW	SATISFACTORY	REASONABLE	FAIRLY HIGH	HIGH	VERY HIGH	EXTREME



SECTOR RISK ASSESSMENTS
2nd quarter 2021

13 MAJOR SECTORS ASSESSED WORLDWIDE

Coface assessments are based on 70 years of Coface expertise

A methodology based on eight criteria, integrated in three main pillars:
- Coface's expertise and payment experience data
- External financial data forecasts (quantiles)
- Multifactorial Key Items (commodities prices forecasts, structural changes, Coface country risk assessment)

WESTERN EUROPE

NORTH AMERICA

CENTRAL & EASTERN EUROPE

LATIN AMERICA

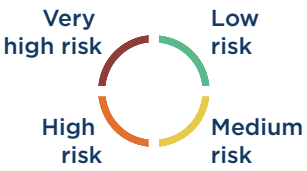
MIDDLE EAST & TURKEY

ASIA-PACIFIC

- agri-food
- automotive
- chemical
- construction
- energy
- ICT*
- metals
- paper
- pharmaceuticals
- retail
- textile-clothing
- transport
- wood

* Information and Communication Technologies

- Upgrade
- Downgrade



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